MEMORANDUM

To: Fishing Creek Farms Homeowners Association, SECD Committee

From: YVS Law – Benjamin S. Wechsler, Esq.

Date: July 21, 2026

Re: Shoreline Erosion Control Districts

You have asked us to provide a summary of the establishment and administration of a Shoreline Erosion Control District ("SECD") under the Anne Arundel County Code (Section 4-7-301 *et seq. of the Anne Arundel County Code*) and Section 21-301 *et seq*. of the Local Government Article of the Maryland State Code.

Establishment of SECD[1]

Overview of the Petition Process

SECDs are established by legislation of the County Council and any changes to the boundaries, purpose, or method of taxation must also be amended by County Council ordinance. The first step to establish a SECD is the preparation, circulation, and validation of a petition. Before the petition is circulated for signatures, the community must consult the County Office of Budget for approval of the petition format. A petition must include:

1. the name of the community association that will be responsible for administering the SECD, which must be incorporated and in "good standing" with the Maryland Department of Assessments and Taxation;
2. the purpose of the district;
3. all properties that will benefit from the SECD; and
4. the method of taxation for the district.

The Purpose Requirement

The purpose of the district must be included on the petition. An example includes:

"The Shore Erosion Control District is being created to pay for all aspects of the design, construction, inspection, maintenance, financing, and implementation of Shore Erosion Control Projects, as defined by Maryland law, in the district to prevent, halt, or retard erosion of shorelines and deposit of eroded sediments into waterways in the district, including the payment of all necessary administrative and incurred costs, fees, repayment of any loan, interest thereon and any necessary insurance cost."

[1] For a more in-depth review of the process, see https://www.aacounty.org/sites/default/files/2024-10/scbd-guidelines.pdf

Generally speaking we would recommend drafting the purpose broadly in order to allow for maximum flexibility to accommodate a range of future erosion control districts, whether or not currently contemplated.

Specifying the Method of Taxation
The petition must specify the method of taxation for the district which shall be based on either a uniform rate of assessment for each platted lot or a uniform rate of assessment for each real property tax account in the district.

Identifying the Properties in the District
The petition must identify the properties to be included in the district. The properties must be contiguous and all properties that benefit from the purposes set forth in the petition must be included. The properties must be identified by a subdivision plat of the proposed district with the as well as all tax account numbers representing the parcels or lots of real property in the proposed district that are to be included.

Generally, all properties within a subdivision are included, but this is not a requirement. To the extent that a subset of properties is selected, those selected properties must constitute all the properties that benefit from the improvements.

Signature of Petition

A petition for an SECD must be signed in favor of the SECD by the owners of 75% of the properties in the proposed district whose property will be affected by the creation of the district. The percentage is calculated by dividing the number of certified petitions by the number of property tax accounts to be included in the district. The County uses the following criteria for counting votes in favor of the formation of the district:

Property Ownership	Signatures Required	Number of Votes
Husband & Wife	2	1
Partnership	2	1
Legal Entity – Individual Firm, Association, Corporation, Trustee	1	1
Multiple Ownership	All	1

In the past, the County has required original or “wet” signatures on the Petition. Based on recent email correspondence from the Office of Finance, it appears that there may be some flexibility to allow for signature by “DocuSign” or some other similar software.

County Council Establishment of the SECD

Once the petition is completed and has been reviewed and approved by the Office of the Budget and the State Department of Natural Resources, the County Executive (through its Office of Finance) sends the proposed legislation to the County Council. The County Council will then advertise the proposed legislation in the local newspaper once a week for four weeks at the expense of the SECD. The County Council will then conduct a public hearing for people to voice their opinions of the SECD. The County Council must then vote to pass the legislation and then the County Executive must sign it. The bill will become law 45 days after the County Executive signs it.

Administration of the SECD Once it is Established

Annual Budget

Each year the SECD prepares a budget for the next fiscal year. The budget preparation cycle begins in October and ends January 31 of the next calendar year. The County Code requires that all budget requests be submitted to the County on or before January 31 preceding the beginning of the next fiscal year on July 1.

If a proposed SECD is going through the process of being established during the budget cycle, the community association may submit a proposed budget that is contingent upon County Council approval of the legislation to establish the SECD.

Budget requests for a SECD shall be prepared by the board of directors of the community association administering the expenditure of the funds. During the October through January period, the Board of Directors of the association must prepare a budget outlining the proposed expenditure items and the proposed tax rate. The budget must be presented to the property owners for their comments no later than December 31.

The budget must include:

1) an administrative fee for the County of 5% of the tax revenues, with a minimum of $500, and a maximum not to exceed $2,000;
2) a detailed listing of the purposes to which the funds are to be applied. These purposes need to be consistent with the purposes listed in the petition establishing the SECD;
3) provisions that provide for the appropriation of the unencumbered or unexpended surplus of the district’s taxing district accounts; and
4) the rate of the district tax.

The County Executive will include approved SECD budgets in the proposed County budget presented to the County Council annually on the first working day of May. The County Council must hold two public hearings on the Operating Budget, at which time these budgets are subject to discussion and comment by the public. The County Council enacts all special tax rates in June, to take effect July 1.

The SECD may only expend the amount that has been appropriated during the budget process. Appropriations lapse at that end of the fiscal year. Thus, if the community association has SECD funds on hand at the end of the fiscal year (June 30), those funds may be expended during the next fiscal year only if they are included in the SECD budget for the next fiscal year and are then appropriated in the next fiscal year

The County's disbursement schedule for SECD assessments to the association will generally occur 30 days following the closing of the tax payment period. SECD Taxes become overdue after

September 30; second semi-annual amounts are due December 31. All disbursement checks are forwarded to the association treasurer or other designated officer.

Typically, the Office of Finance disburses funds in November, February, and June. Disbursements may be held by the Office of Finance if the community association has not filed required financial statements, is not in good standing with the State Department of Assessments, or does not have a sufficient bond or other security for its financial officers.

Loans

It is relatively common for future revenue from a special taxing district to be pledged (at the community's request, and approval by the County) to support a loan needed to fund a project.

Pursuant to the County Charter, any contract requiring payment of funds from the appropriations of a later fiscal year must be approved by ordinance. Thus, if a community association wishes to use SECD funds to support a private loan, the association must have the approval of the County Council. Once a district has received a commitment letter from the bank of their choice, the commitment letter must be forwarded to the Budget Office for review. The loan terms and conditions will be reviewed and after such the County executive will send proposed legislation to the County Council. After a hearing, County Council will vote on the legislation and the County Executive will sign the passed legislation. The loan approval process takes approximately 10-15 weeks.

Bond

The Treasurer or other fiscal officer of each community association administering the SECD must file a bond with the County Comptroller in an amount not less than the total amount of the funds budgeted to be disbursed to the community association plus the balance held by the community association.

Audits

For any tax district with annual expenditures greater than $250,000, an audit is required every year. For SCBD's with expenditures of less than $250,000, an annual financial report is required every year, and an audit is required once every four years.