



December 18, 2023

Greetings and Happy Holidays Neighbors,

The frequency of emergency repairs of our aging water system this past year has hit an all time high. Our well has reached its life expectancy and is operating with short-term fixes. Its current design leeches rust into the river and does not allow for fire hydrants in our community.

Our HOA Board has been quite busy managing the repairs, communicating with the county, and exploring options for a long term fix. The time has come for us to decide on a permanent solution.

In early 2022 the County applied for a grant/loan combination from the USDA, and in May 2023, the USDA approved a grant of \$1,029,00.00 to be used for construction. The remainder of the cost of that construction above the amount of the grant will be in a loan to the County at 3 percent interest/year for 40 years. This loan will be included in our water bill from the County.

After multiple meetings and consulting with Sharp water and the County, the Board has examined the pros and cons of several options. On Wednesday, December 13, 2023 the Board determined that our best course of action is to abandon the well and accept the County's USDA application to finance construction of a connection to the County Water system.

This recommendation from the Board will require at least a 60% approval from home or lot owners. In order to fully explain the project and answer any questions, we will be examining key points in this communication, posting to the website, and holding both virtual and in person meetings over the next month in preparation for a community vote at the February Annual meeting,

Included in this message you will find: an explanation of the options rejected (keeping the well), expected timeline for construction, and estimated costs.

Board Recommendation

Accept the County's USDA application to finance the construction of a connection to the County Water system. This project will include a new 8" main and replace the current 2" piping throughout the community, each house will be metered and billed separately for water, and 7 fire hydrants will be installed.

Advantages

- Our water source and all new piping will be owned and maintained by the county.
- Water quality will be constantly monitored and we can always be assured of high quality, reliable water.
- The water supply and all the public side water piping will be the responsibility of the County to maintain and repair forever; the community will be relieved of the responsibility of maintaining and repairing the water system.
- In the unlikely event of an issue with the new system, the County has repair and maintenance crews on a 24/7 basis. We simply make the call.
- The new larger water mains will be virtually maintenance free and have a proven lifespan of well over 50 years. We can be worry free about future costs of repairing/replacing the water piping throughout the community.
- Separate meters for each household allows for more accountability for payment.
- Water volume and pressure will be increased for better reliability and consistency.
- 7 new fire hydrants will greatly enhance fire protection as well as reduce home insurance costs.

Options Rejected: Build a new well or rebuild the existing well?

- The recent special assessment was used to cover the \$13,000.00 cost of replacing the failed underground tank.
- Another failing component are the filters which will cost an additional \$40,000.00 to replace.
- Even with these upgrades we would still incur approximately \$1,300 per month costs in maintenance fees, be required to set aside reserve funds for future repairs, face the risk of failed aging pipes, and still have no fire hydrants in the community.
- Many wells in the vicinity have begun to draw salt water from the aquifer, causing many communities to drill new specially sealed wells that prevent salt intrusion, but are VERY expensive.
- The State of Maryland is not enthusiastic on permitting new wells when County water is available.
- The existing PVC piping distributing the water from the well is over 40 years old. Some studies have shown PVC piping to last as little as 30 years and other studies closer to 75 years. Unknown factors such as soil PH, chemicals added to the water, the quality of the initial installation and others affect the longevity of the pipes. No underground pipe lasts forever, and if we miss the opportunity to get new County water piping, the old piping could be a very large future cost to replace and repair.
- The cost savings of going with the well vs County water would be offset by the Maryland required reserve funds for the well and underground pipes.

Expected Timeline for Construction

After the County is informed of our vote to proceed: (February 2024)

- 3-6 months to get an engineering firm under contract and finalize the design phase, including workable plans and specifications.
- 2-3 months for the County procurement office to advertise/seek public bids.
- 2 months to receive bids.
- 3-4 months to award and get under contract the low bidder.
- 1 month for contractor to begin construction.
- 10-12 months for completion of construction and abandonment of the well.

So, from the time of our vote to actual construction completion looks to be about 24 months (approx Spring 2026).

Estimated Project Costs

- **Total Cost of \$2,519,000.00** (includes construction, permits, engineering/design fees, and contingency funds)
- Funded through a USDA Loan and Grant Package
 - **\$1,024,000.00 grant** (40%)
 - **1,495,000.00 (60%) 40 year loan at 3 %** interest to be repaid through individual water bill amounting to **\$298 per quarter per household**
 - Operating/maintenance costs through Ocean Pines **\$50 per quarter**
 - Water Usage Fee **\$44 per quarter** up to 18K gallons
 - **Total cost of \$392 per quarter per household**

Comparative Monthly Costs Per Household

- This year we have spent \$53,000 to maintain and repair our well. This presently works out to over \$982/ year or **\$82.00** per month per household for a failing well.
- **If we shift to County water the HOA dues will go down about \$984/year**
- The proposed cost for new County water is \$1568/ year or \$392 per quarter or **\$131 per month** (ie,)
- This will result in a **net increase of \$586/ year or \$49 per month or \$1.63 per day.**
- This increase will give us clean, consistent water, new piping infrastructure, and fire protection while reducing homeowner's insurance and funds required for reserves.

*** We will reserve the right to rescind the project if actual bids are significantly higher.**

We recognize this is a big decision and want every owner to be fully informed before the vote in February. To that end the Board plans to hold an in-person meeting in January, as well as virtual meetings to carefully review our thinking and answer any questions. After that presentation, the slideshow will be uploaded to the website

In January the ballot to vote on this recommendation will be mailed and the votes will be counted at the Annual meeting on February 10, 2024. Following the vote, the County will be notified of our decision.

On Behalf of the St. Martin's By the Bay
HOA Board of Directors,
Lynne Partridge, Chair