

# Water Wastewater Rate Proposal Impact on Ocean Pines Service Area



Town Meeting hosted by  
Commissioner Jim Bunting &  
Commissioner Chip Bertino

April 23, 2025



There are 11 Service Areas within Worcester County.

Assateague Point

Briddletown

Edgewater Acres

The Landings

Lighthouse Sound

Mystic Harbor

Newark

Ocean Pines

Riddle Farm

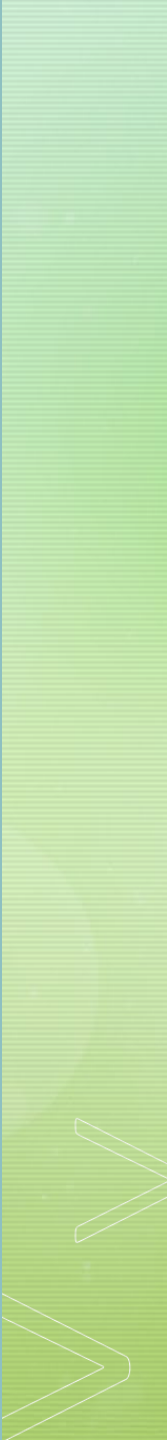
River Run

West Ocean City



## The Ocean Pines Service Area includes:

The Ocean Pines Community, Pennington Commons, Bay Point Plantation (sewer), Pines Plaza, Turville Creek area – Route 589/Gumpoint Road (sewer), St. Martins/Dolly Circle (planned water and sewer – neither has been constructed, Ocean Downs (sewer) and Crabs to Go (sewer)





There are approximately 18,000 ratepayers throughout the county.  
Ocean Pines ratepayers account for roughly 10,000 of this number  
or 56%.



## OVERVIEW

There are multiple issues that require attention:


1. Payment of a \$2.1 million projected shortfall in FY 2026.
2. Repayment of an Emergency \$6.2 million loan made from the General Fund to the Enterprise Funds to keep them solvent.
3. Push to combine all service areas to create a single rate structure.



## HOW DID WE GET TO THIS POINT

The Worcester County finance department oversees the Enterprise Funds. Contrary to county financial policy, a decision was made about 20 years ago by previous administration to allow the department to make transfers regularly without notifying County administration or the Worcester County Commissioners as required.

Over many years when there was a shortage in one individual fund, financial transfers were made from one individual fund to another. Eventually, there was no money to transfer. In short, money transfers were made on paper between fund accounts that had no money in them.







## HOW DO SHORTAGES OCCUR

Shortages occur due to operational cost increases and capital improvement needs not being commensurate with revenue. Also billing timing has an impact.

Through the years rates were not adjusted to adequate funding and operational levels at all service areas.



# TIMELINE

About 2017: New membranes installed at Riddle Farm facility.

Shortly thereafter: Plant staff become aware that new membranes not functioning as expected. Decision made to begin pumping and hauling waste to other county facilities.

About 2019: Resident questions Commissioner Bunting about tanker trucks offloading effluent into sewer.

Under guidance from membrane manufacturer, multiple modifications over a period of time made to Riddle Farm facility to correct problem. Money spent/No results.

Pumping and hauling costs continue to climb.

Commissioners approve plan of new Public Works Director to make major upgrades to Riddle Farm facility to correct the problem. Work should be completed in December.

The Worcester County Commissioners were made aware of the Enterprise Funds financial situation in **September 2024**.



**February 2024:** While implementing new budget accounting procedures, Budget Officer and Deputy Chief Administrative Officer become aware of Enterprise Funds accounting problems.

**September 2024:** The Worcester County Commissioners made aware of the Enterprise Funds financial situation.

**January 2025:** The Commissioners unanimously agree to transfer \$9,061,187 from the General Fund as a grant of \$2,760,177 to the Riddle Farm service area and as loans to the following service areas: \$242,000 to Edgewater Acres, \$790,000 to the Landings; \$1,730,000 to Mystic Harbor; \$200,000 to Newark, \$3,339,010 to Riddle Farm.

Repayment of this loan is to begin in Fiscal 2027.

**March 18, 2025:** The Commissioners were told that for Fiscal 2026, a \$2,188,000 combined deficit is expected in the service areas. Of this deficit amount, the Ocean Pines Service Area will contribute only \$116,699.

To make up the entire deficit, a majority of Commissioners (Elder, Fiori, Mitrecic and Purnell) vote to require ALL SERVICE AREAS - regardless of debt contribution - to repay the shortage amount in equal shares. This equates to about \$32 per ratepayer per quarter on top of any other rate adjustments that are necessary within a service area.

■ **March 20, 2025:** Commissioners Bunting and Bertino meet with the Ocean Pines Board of Directors in an emergency open meeting to apprise them of the situation.

**March 29, 2025:** Commissioners Bunting and Bertino make a presentation to the OPA board and community during the OPA Board regular meeting.

**April 1, 2025:** Commissioner Bertino makes a motion for an outside independent audit of the County finance office. Commissioner Bunting seconds the motion.

The motion fails. Five commissioners vote in opposition (Abbott, Mitrecic, Elder, Fiori and Purnell).

April 22, 2025: Commissioners and County Attorney receive letter from Ocean Pines Association attorney Bruce Bright. The letter states in part:

*“If a majority of Commissioners proceed with their unlawful and unfair plan, and take further deliberate steps in that direction, OPA and other ratepayers would likely initiate civil litigation, and advance claims against the County ad certain Commissioners, including breach of fiduciary responsibility, equal protection violation under the Fourteenth Amendment of the U.S. Constitution, for declaratory and injunctive relief, for monetary damages and attorney’s fees, for violation of applicable State and County Code provisions, for administrative mandamus, and/or for unlawful taking.”*

*For full text of letter go to: [oceanpinesforum.com](http://oceanpinesforum.com)*

## WATER/WASTEWATER SHORTAGE REVIEW^

Based on repayment proposal presented to the Worcester County Commissioners on March 18, 2025

3/29/2025

Total Users	18,000	
Ocean Pines Users*	10,000	56%

Amount of Shortfall	FY26		FY27		TOTAL	
	Per Service Area	%	Per Service Area	%	Per Service Area	%
Assateague Point	\$ 272,636.00	12%			\$ 272,636	3%
Briddletown	\$ 25,193.00	1%			\$ 25,193	0%
Edgewater Acres	\$ 53,295.00	2%	\$ 242,000	4%	\$ 295,295	3%
The Landings	\$ 387,446.00	18%	\$ 790,000	13%	\$ 1,177,446	14%
Lighthouse Sound	\$ (1,167.00)	0%			\$ (1,167)	0%
Mystic Harbor	\$ 471,907.00	22%	\$ 1,730,000	27%	\$ 2,201,907	26%
Newark	\$ 63,816.00	3%	\$ 200,000	3%	\$ 263,816	3%
Ocean Pines	\$ 116,699.00	5%			\$ 116,699	1%
Riddle Farm	\$ 1,018,446.00	47%	\$ 3,339,010	53%	\$ 4,357,456	51%
River Run	\$ (84,167.00)	-4%			\$ (84,167)	-1%
West Ocean City	\$ (135,574.00)	-6%			\$ (135,574)	-2%
	\$ 2,188,530	100%	\$ 6,301,010	100%	\$ 8,489,540	100%

### COST FOR ALL USERS

Cost per user (annual):	\$ 121.59	\$ 350.06	\$ 471.64
Cost per quarter:	\$ 30.40	\$ 87.51	\$ 117.91

### FAIR AMOUNT OCEAN PINES SHOULD PAY FOR SHORTAGES

ANNUAL	\$ 11.67	0
QUARTERLY	\$ 2.92	0

COST TO OP USERS: 10 Times more than actual share

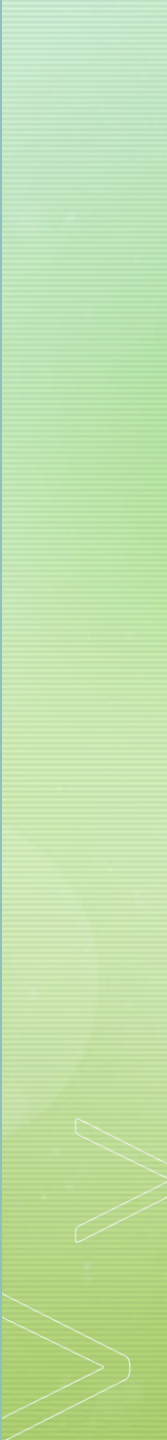
^Note: Cost per user based on one-year repayment of shortage, NOT over multiple years.

\*Ocean Pines Service Area includes: Ocean Pines community, Pennington Commons  
Bay Point Plantation (sewer), Pines Plaza, Turville Creek area - Route 589/Gumbpoint Road (sewer)  
St. Martins/Dolly Circle (planned for water and sewer - neither has been constructed),  
Ocean Downs (sewer), Crabs to Go (sewer)



**This plan violates current county code.**

Note that this is only a proposal which could change or be substituted by another plan at the discretion of the Commissioners. However, this is the only plan put forward for the Public Hearing.

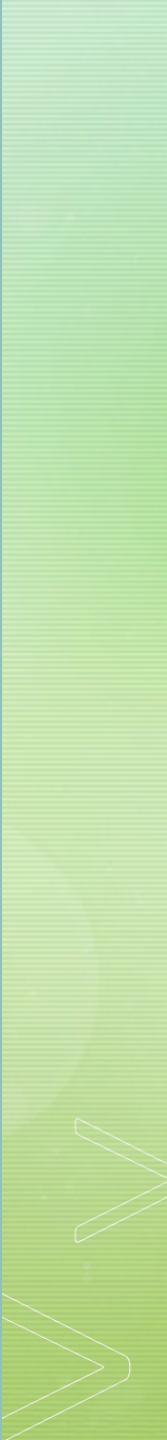





## IMPACT ON OCEAN PINES RATEPAYERS?

Ocean Pines ratepayers will pay about **10 times more** in quarterly debt service than they contributed.

Further, if the proposed plan is approved, it could be used as a model to require **Ocean Pines** ratepayers to help repay the \$6.2 million loan beginning in FY 2027 even though the district **contributed nothing to the debt.**







Following the March 18 Commissioner meeting, staff prepared additional options to address the situation that have not been discussed by the Commissioners.



# OCEAN PINES

		Proposed FY26 Rates			
		Option 1	Option 2	Option 3	Option 4
		Each Service Area - No FY26 Rate Changes (\$)	Each Service Area - Self Supporting (\$)	All One Service Area - Self Supporting & Combined Debt (\$)	General Fund Support & Combined Debt (\$)
<b>O&amp;M Rates- per EDU</b>		<b>Adopted FY25 Rates (\$)</b>			
Water & Sewer Base Fee	207.00	207.00	209.00	244.00	212.00
Water & Sewer Usage Fees	1.60-15/1K gal	1.60-15/1K gal	5-15/1K gal	5-15/1K gal	5-15/1K gal
Water Flat Fee- RVR	71.00	71.00	73.15	78.00	71.00
Sewer Flat Fee	187.00	187.00	224.25	251.00	227.00
Accessibility Fee	-	-	177.65	207.00	180.00
Water & Sewer Flat Rate-100 gpd (WHP)	160.00	160.00	160.00	160.00	160.00
Commercial Water & Sewer Base Fee	Tiered based on EDU #	Tiered based on EDU #	-	-	-
Commercial Water & Sewer Usage Fees	4-10/1K gal	4-10/1K gal	-	-	-
<b>Debt Payment</b>					
Water & Sewer	36.00	36.00	36.00	31.00	31.00
Sewer	-	-	-	27.00	27.00
Water	-	-	-	4.00	4.00

		Proposed FY26 Revenues & Expenses			
		Option 1	Option 2	Option 3	Option 4
		Each Service Area - No FY26 Rate Changes (\$)	Each Service Area - Self Supporting (\$)	All One Service Area - Self Supporting (\$)	General Fund Support (\$)
<b>Revenues</b>		<b>Adopted FY25 Revenue &amp; Expenses (\$)</b>			
Charges for Services	8,203,440	8,579,930	9,507,931	10,943,135	9,611,938
Interest & Penalties	95,000	95,000	95,000	95,000	95,000
Other Revenue	585,000	753,500	753,500	753,500	753,500
Total Revenue	8,883,440	9,428,430	10,356,431	11,791,635	10,460,438
<b>Expenses</b>					
Personnel Services	4,620,709	4,794,699	4,794,699	4,794,699	4,794,699
Supplies & Materials	783,172	1,117,999	1,117,999	1,117,999	1,117,999
Maintenance & Services	2,642,411	3,034,172	3,034,172	3,034,172	3,034,172
Other Charges	133,988	158,808	158,808	158,808	158,808
Interfund Charges	40,451	-	-	-	-
Capital Outlay	1,024,838	1,187,190	1,187,190	1,187,190	1,187,190
Total Expenses	9,245,569	10,292,868	10,292,868	10,292,868	10,292,868
<b>Net Operating Income (Loss)- Revenue less Expenses</b>		<b>(362,129)</b>	<b>(864,438)</b>	<b>63,563</b>	<b>1,498,767</b>
Transfer In - General Fund	-	-	-	-	(167,570)
Transfer In (Out) - Service Areas	362,129	864,438	(63,563)	(1,498,767)	-



## **BEST WAY TO MOVE FORWARD**

Do not implement the current proposal. Work through the issue with a longer horizon that balances the challenges of the smaller service areas with fairness for all service area customers.

This process should involve appropriate staff, all Commissioners that represent a service area, advisory committee members. A public meeting to get public input should also be part of the process.



## WHAT'S NEXT

Tuesday, May 6, 2025: General Fund and Enterprise Fund Public Hearing. 6 p.m. in Government Center in Snow Hill.