



## ST. MARY'S COUNTY METROPOLITAN COMMISSION

### STANDARD PROCEDURES & POLICIES

SP Number:

**FIN-19-02**

Approval Date: 02/28/19

Approved By: Board

Effective Date: 02/28/19

**SUBJECT: CONNECTION INCENTIVE RESIDENTIAL ASSISTANCE  
PROGRAM**

**Authority.** Sections 113-9 of the Code of St. Mary's County, Maryland.

**Introduction.** The very real problem of requiring mandatory connections for property owners that have functioning wells and septic fields is problematic and has been debated locally for many years. Private lines and connections are not accepted into the Metropolitan Commission's public infrastructure maintenance system. To provide a **voluntary** mechanism whereby MetCom could encourage customer base growth, the St. Mary's County's Metropolitan Commission requested and was granted the legislative authority by the Maryland General Assembly (HB 275), in Chapter 113-9 of the St. Mary's County Code, to offer Connection Incentive Programs and other financing mechanisms to assist owners of **existing residential properties** currently served by septic and/or well systems, with all or a portion of the costs of connecting to available public sewer and water systems within planned service areas as designated by the St. Mary's County Comprehensive Water & Sewerage Plan, as amended from time to time. The authority became effective on October 1, 2018.

**A. Program Statements.** The program statements set forth below are based on the authority provided in the Code:

1. Any financing programs, incentives or mechanisms shall be subject to the availability of funds and may vary based upon location, financial eligibility or other qualifying criteria (*ie. residential properties only*), as approved by the Commission.
2. **First Lien.** This particular Residential Assistance Program (loan) will be a first lien upon the property against which they are assessed, until paid, subject only to prior State and County taxes, and if any property is sold for State and County taxes and there remains a surplus, the Commission may petition the Circuit Court to secure payment of the lien. The lien on the property shall be in an amount not to exceed the amount of the loan outstanding.
3. **Mandatory Connections.** If the developer(s) of affected subdivisions had been required to construct the water and sewer systems in the first place, and if there was a mandatory connection policy in place, there may be no need for this program.
4. If the water and sewer infrastructure had been constructed to a higher standard, there would have been greater development costs and it is logical to conclude that higher per lot costs would have been passed on to the purchasers of those lots.
5. **Shared Costs.** The County, MetCom, and the delegation had an element of responsibility in creating and enforcing regulations governing development of residential subdivisions and thus must share to some degree the correcting of these problem areas.
6. **Responsibility.** The buyer of a lot in a residential subdivision has a major element of responsibility to know what he/she is buying. Government or quasi-government entities such as MetCom cannot entirely assume that responsibility for the individual, especially in the event of failing water or sewer systems.
7. **Property Values.** The improvement of water and sewer infrastructure in a residential subdivision will most likely significantly improve the property values of those homes bordering such streets with the value accruing to those homeowners.
8. **Equity.** A goal to be strived for in the improvements of water and sewer infrastructure should be equity for both the lot owner and the Commission.
9. The program does not address the provisions in Chapter 113-16 regarding the responsibility to upgrade / expand existing private systems deemed to be “unfit.”
10. **Specifications.** This Residential Assistance Program (loan), is to be utilized for individuals wishing to connect their residential property to an existing main / line using design and construction specifications acceptable to MetCom for a line sufficient to serve the immediate needs of the property owner.
11. **Eligible Costs.** The following costs may be financed through the Program: a. Water and sewer house connection charges; b. Permitting fees; c. Costs to physically connect the existing building to the public sewerage system or the public water and sewerage system; and d. Costs to disconnect and seal all existing connections to septic systems and/or well. The cost of grinder pumps (\$12,000-\$15,000) is excluded from the listing of eligible costs.

**B. Program Guidelines.** Taking into account the above premises, the following are general program guidelines within which these charges and fees will be established for requests for connection by owners of Individual residential properties and matters of public health or safety:

1. **Potential Customers.** MetCom has performed preliminary analyses and has determined that there are approximately **1,142 water and 1,436 sewer** residential improved properties within 200 feet of existing service lines that could potentially become customers. Likewise, there are approximately **2,597 water and 3,034 sewer** residential improved properties within 1,000 feet of existing service lines.
2. **Reasons for Connection.** The owner of an individual parcel may request that MetCom allow for connection to an existing water or sewer service main / line. The property owner may have a failed septic system and cannot get his/her parcel to pass a percolation test, may not have sufficient open space to add a new drainage field, may have a contaminated well, or may simply want the convenience and security of public service.
3. **Application.** In order for loan or grant funding for water and/or sewer service connections to be utilized, there must first be an Application (*petition / letter of interest*) from the property owner(s) requesting. The petition shall be signed by each property owner having a fee simple interest in the affected property located in St. Mary's County, MD.
4. **Amortization.** The amortization period to retire the cost for the water and/or sewer infrastructure improvements shall initially be established as five (5) years.
5. **Loans Available.** The loan shall be used to allow the requesting property owner to construct (*using design and construction specifications approved by MetCom*) connections to existing water and/or sewer infrastructure and reimburse the Commission for the actual costs of the water and/or sewer infrastructure improvements. The costs shall be borne by the property owners petitioning the Commission and shall include any interest accrued by the Commission as a result of funding the project. The loan shall be processed and monies rendered to the applicant at the time the Reasonableness Determination has been made or based on a schedule provided by the applicant.
6. **Administrative Fee.** A 5% administrative fee over the life of the loan shall be incorporated into the special assessment unless the Commission chooses to be responsible for all in-house administrative and planning costs, if any.
7. **Reasonableness Determination.** Approval of an Application from the property owner(s) whom are willing and able to assume the fiscal responsibility is required. The Application shall include a minimum of one (1) cost proposal / bid from a certified contractor(s) who are bonded and licensed. At this time, MetCom would determine the reasonableness and eligibility of the costs under the program. Alternatively, the property owner could request / petition MetCom to perform and administer the requested connection, but MetCom prefers not to offer that service at this time.
8. **Financing.** The financing of such construction projects would be accomplished thru a Revolving Loan Fund program in the Commission's annual operating budget with the lot owners reimbursing MetCom for the with costs of the interest.

The Commission's costs might be paid through additional budgetary appropriations or borrowing, as it would deem appropriate at that time.

9. **In Good Standing.** To qualify, the property cannot be encumbered with delinquent property taxes, bankruptcy, special assessments or assessment loans. In general, the property should be in a Planned Service Area as defined by the St. Mary's County Comprehensive Water & Sewerage Plan.
10. It is assumed that connections would not be funded through MDE or DHCD loans as MetCom would be required to own the asset for which the money was borrowed.

### C. Additional Program Information.

1. St. Mary's County Metropolitan Commission has the authority to establish **Revolving Loan Funds for water and sewer** as a part of its annual operating budget. Source of funding is the General Fund Reserve with the amount of allocation to each fund determined by the Commission, annually.
2. **Interest.** Recommend initial funding for the program be established at \$250,000. All loans shall be reimbursed at the current interest rate at the time of application approval as determined by the 20-Bond GO Index which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA or as otherwise described in Section D.3.
3. Connection costs vary depending on property, system specifications, and other factors. It is estimated that water and sewer connections of up to 200 feet in length could cost approximately \$27,000 each. The maximum loan for both water and sewer combined is \$25,000, which would include the physical costs of connecting and other costs described in A.11. According to the Health Department, the average cost for a residential well and septic field are \$10,000-12,000 and \$15,000-\$20,000, respectively.
4. **Self-Sustaining.** Goal is to ensure that the use of the program and corresponding payback is sufficient enough to replenish the Revolving Loan Funds and make them sustainable.
5. **Capital Contribution Charges.** The FY 2019 approved Capital contribution charges for residential connections are \$10,955.87 for water and \$6,941.21 for sewer (\$17,897.08 combined), subject to annual determination by the Commission.
6. **Amortization Period.** The amortization period to retire the cost for the water and/or sewer infrastructure improvements shall not exceed a five (5) year installment period, unless otherwise approved by the Commission.
7. **Loans for Income Eligible Applicants.** Longer term loan *repayments (ie. 10 years)* may also be available, upon application, for those individuals / households that meet the financial eligibility criteria that the Commission establishes.
8. **Bay Restoration Funds.** The use of Bay Restoration Funds may also be made available, by separate application to the Health Department, to further subsidize / fund the costs of the residential connection(s).

**D. Procedures.** An Applicant (Customer) may make application for a loan to connect to public water or sewer or both with repayment to the Commission over a period not to exceed sixty (60) months. The payment plan will be based on all costs and Capital Contribution Charges in effect at the time the customer becomes liable for the Capital Contribution charge. The monthly payments will include interest. Any past due amounts will accrue interest at the same rate as other past due accounts. The following outlines the procedures to be followed:

1. Water and Sewer Connection Incentive Program: Loan Application (*attached*) / Letter of Interest by Property Owners submitted to the St. Mary's County Metropolitan Commission identifying the property to be connected.
  - Property owner submits a cost proposal / bid from certified licensed and bonded contractor(s) to MetCom. If the proposal is determined to be unreasonable, a second cost proposal may be requested by MetCom.
  - Check Consistency with County Comprehensive Water & Sewerage Plan.
  - Verify sufficient funding is available in the Revolving Loan Fund(s) to process the request.
  - If MetCom elects to deny the request, it shall issue a written statement as to the basis for its decision.

NOTE: The applicant / property owner is responsible for preparation of any surveys, designs, plans and specifications, Zoning, SHA, Sediment Control permitting.

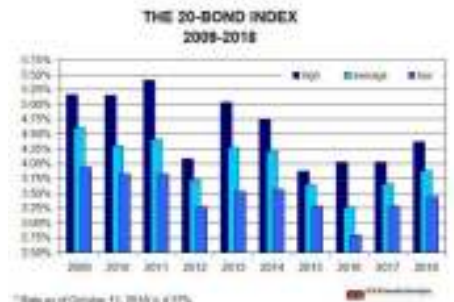
2. Completion of a Loan Repayment Agreement and Promissory Note (*attached*) for the loan / grant in accordance with the Application.
  - Review and approval by the Chief Financial Officer and Director.

3. MetCom shall bill the owner on a monthly basis on their respective utility bills or under a separate billing account as a SBC - Special Benefit Charge. **Payment of the connection incentive program loan is mandatory.**

- No down payments are required and there are no penalties for early payoff. Property owners may pay repay the loan in full up front upon receipt of such a bill or may choose payable in equal installments of principal by no more than five (5) years subject to the current interest rate at the time of application approval as determined by **the lower of:** the 20-Bond GO Index which is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA located at

<http://www.munibondadvisor.com/market.htm> or the corporate rate for a AA rated agency located at

<https://personal.vanguard.com/us/FundsBondsMarketSummaryTable>.



Agency	Rate	Agency	Rate
AAA	3.75%	AAA	3.75%
AA	4.00%	AA	4.00%
A	4.25%	A	4.25%
BBB	4.50%	BBB	4.50%
BBB-	4.75%	BBB-	4.75%
BBB+	4.50%	BBB+	4.50%
BBB-	4.75%	BBB-	4.75%
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BBB-	4.50%	BBB-	4.50%
BBB	4.75%	BBB	4.75%
BBB+	4.50%	BBB+	4.50%
BBB-	4.75%	BBB-	4

- If the property is sold before the lien is paid in full, then the balance of such lien shall be paid in full at the time of sale of the property.
4. Scheduling and Construction
    - Property owner shall be responsible for all scheduling and payment(s) to the contractor(s).
    - It should be the responsibility of the property owner to negotiate and obtain, at the property owner's expense, any required easements from other property owners.
    - It is the responsibility of the property owner to find and retain licensed contractor(s) to make the connection(s).
    - Property owner's plumber / well driller is responsible for obtaining all required permits
  5. Acceptance of Water / Sewer Connection
    - MetCom does not include private connections into its maintenance system
    - Acceptance of Work will be in accordance with an approved Connection Permit

**INITIAL PETITION / LETTER OF INTEREST (SAMPLE)  
MAY ACCOMPANY APPLICATION**

**Connection Incentive Residential Assistance Program**

In accordance with in Chapter 113-9 of the St. Mary's County Code, the undersigned property owners request the St. Mary's County Metropolitan Commission take the necessary steps in order to determine the property's eligibility for financial assistance under the Connection Incentive Program. The purpose of the petition is to verify the nature, extent of work, and the costs required to connect the water and/or sewer infrastructure to the identified property, \_\_\_\_\_ Election District, St. Mary's County, Maryland. The property subject to the connection is shown on the attached sketch/map. We understand that our request, if approved, will require repayment of actual costs by the affected property owner(s) and any interest accrued. We further understand that our request, if approved, may require the Commission to schedule and hold a Public Hearing for the levy of the aforementioned residential connection to existing public water and /or sewer service.

**TAX MAP**

Parcel \_\_\_\_\_ Lot \_\_\_\_\_ Printed Name \_\_\_\_\_,

Mailing Address \_\_\_\_\_,

Phone Number(s) \_\_\_\_\_,

Signature \_\_\_\_\_

**ST. MARY'S COUNTY METROPOLITAN COMMISSION**

**LOAN APPLICATION (sample)  
Water & Sewer Connection Incentive Program**

*Submit completed loan application to:*

**Metropolitan Commission Department of Engineering, 23121 Camden Way, California, MD 20619**  
**Phone: 301.737.7400 Fax: 301.737.7456 Website: [www.metcom.org/](http://www.metcom.org/)**

<b>APPLICANT(S) INFORMATION</b>	Property Owner #1		Property Owner #2	
	Name		Name	
	Mailing Address		Mailing Address	
	City	State	City	State
	Phone Home	Phone Cell	Phone Home	Phone Cell
	Email Address		Email Address	
	Driver's License Number	SSN (last 4 digits)	Driver's License Number	SSN (last 4 digits)
	Employer Name	Employer Address	Employer Name	Employer Address

Property Utility Service Address \_\_\_\_\_ Tax Parcel Identification Number \_\_\_\_\_  
 Utility Account Number \_\_\_\_\_

APPLICATION CHECKLIST	RECEIVED (date)	NOT RECEIVED	COMMENTS
Contractor cost proposal			
Reasonableness determination			
Property location map			
Repayment Agreement & Promissory Note			
Connection Permit			

Contractor \_\_\_\_\_ License # \_\_\_\_\_ Bonded \_\_\_\_\_  
 Telephone / Cell # \_\_\_\_\_  
 Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
 Contractor Contact Telephone \_\_\_\_\_

The applicant(s) request the St. Mary's County Metropolitan Commission take the necessary steps in order to determine the property's eligibility for financial assistance under the Connection Incentive Program. The purpose of the Application is to verify the nature, extent of work, and the costs required to connect the water and/or sewer infrastructure to the identified property located in St. Mary's County, Maryland. The property subject to the connection is shown on the attached sketch plan / map.

The above information is submitted for the purpose of obtaining a \_\_\_\_\_% interest loan for payment of connection costs and associated fees stated above, and is certified to be true, complete and correct. A 5% administrative fee over the life of the loan shall be incorporated into the repayment of the loan. The amortization period shall not exceed five (5) years. Longer term loan repayments may be available for those applicants that meet the financial eligibility criteria established by the Commission. The applicant(s) expressly authorizes the Metropolitan Commission (Commission) to make inquiries of others concerning the foregoing information in order to determine the applicant(s) good standing. The applicant(s) also understands that a lien will be placed against the property as security for the loan. If the property is sold before the lien is paid in full, the balance of such lien shall be paid in full at the time of sale of the property.

*Created by State law in 1957, METCOM has served parts of St. Mary's County since 1964.  
 METCOM is not part of St. Mary's County government and is entirely self-supporting.  
 METCOM drinking water has always met or exceeded federal standards.*



# ST. MARY'S COUNTY METROPOLITAN COMMISSION

By signing this application the applicant(s) understands and certifies:

- A. Applicant(s) is the legal fee simple owner of the property located at: \_\_\_\_\_
- B. Receipt of the Connection Incentive Residential Assistance Program Statement of Procedure.
- C. Agreement to the conditions of the Loan Application, Repayment Agreement and Promissory Note.

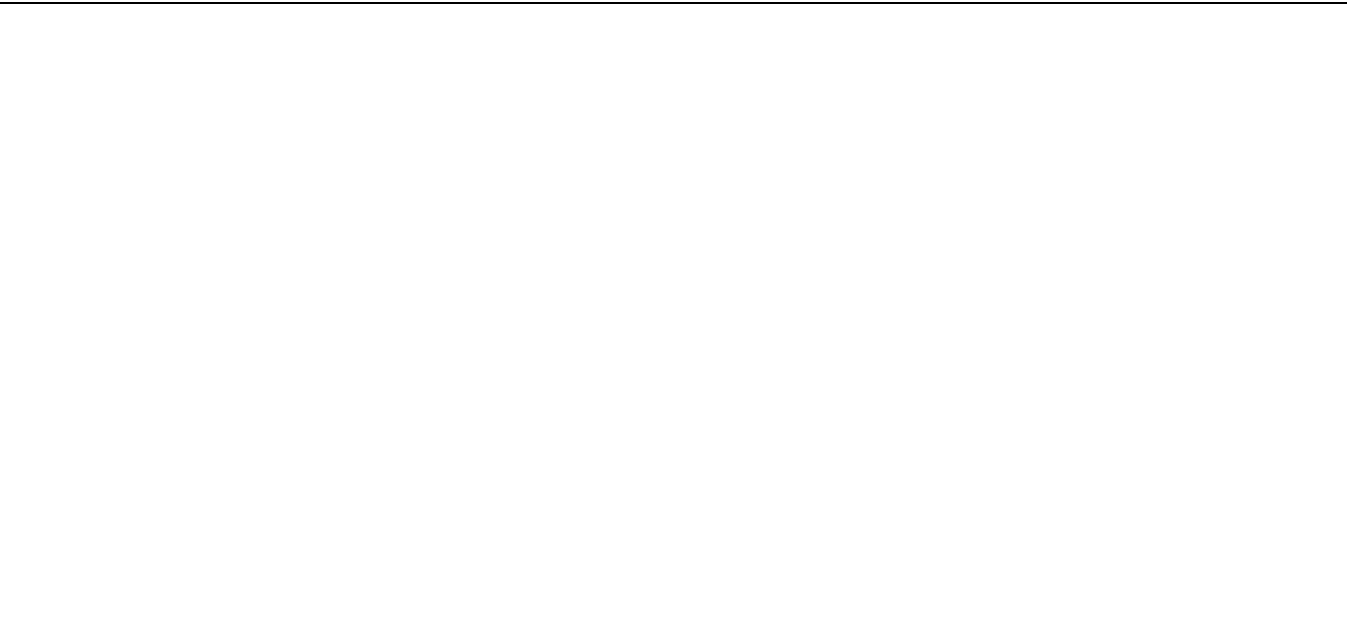
Further, I (we), the applicant(s) authorize the Commission to release the loan funds by check, payable directly to the applicant named above. These funds will be released by the applicant(s) to the contractor after completion of a satisfactory installation inspection by the Commission. I / (we) further agree to release and hold harmless the Commission for any claims that I (we) may have concerning erroneous or incorrect payments to the contractor.

All applicants should retain a copy of this document for their records. I hereby certify that the appliance(s) listed above is installed at the address listed and if requested, I will allow a representative of the Commission to physically inspect the installation.

Applicant / Property Owner #1 Signature and Date

Applicant / Property Owner #2 Signature and Date

SKETCH PLAN / MAP OF PROPERTY (see below)



**OFFICE USE ONLY**

Approved  Not Approved  Loan Amount (\$25K max) \_\_\_\_\_ Approx monthly payment (\$) \_\_\_\_\_ for a period of \_\_\_\_\_ months.  
Final terms will be discussed at closing

**ST. MARY'S COUNTY METROPOLITAN COMMISSION**

**LOAN REPAYMENT AGREEMENT AND PROMISSORY NOTE (sample)  
(Water & Sewer Connection Incentive Program)**

THIS LOAN REPAYMENT AGREEMENT AND PROMISSORY NOTE, executed this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between the St. Mary's County Metropolitan Commission, a body politic and corporate (the "COMMISSION"), party of the first part, and \_\_\_\_\_, customer(s) of the COMMISSION, (the "CUSTOMER"),

WITNESSETH

WHEREAS, CUSTOMER is the owner of certain real property situated in the \_\_\_\_\_ Sanitary District of St. Mary's County, being described as \_\_\_\_\_ and being more commonly referred to as \_\_\_\_\_ (the "Property"); and

WHEREAS, the Customer has elected to participate in the Water and/or Sewer Residential Connection Incentive Program, the Property will be assessed certain monthly Special Benefit Charges and fees by the Commission, which monthly charges and fees (sometimes herein referred to together as the "Monthly Charges") are related to the water and/or sewer service connection funding provided by the Commission for the Property; and

WHEREAS, specifically, the principal loan amount is \$\_\_\_\_\_, repayment of which shall be a Special Benefit Charge on the Property comprised of \$\_\_\_\_\_ per month principal / interest and a five percent (5%) administrative fee on the initial principal administered over the life of the loan is \$\_\_\_\_\_ per month; and

WHEREAS, pursuant to Section 113-9 of the Code of St. Mary's County, Maryland, the Commission may, upon receipt of a duly submitted application by a customer, agree to provide a loan in the amount not to exceed \$25,000 per property, made payable in full within five (5) years; and

WHEREAS, upon review of the Customer's duly submitted application, the Commission has determined that the Customer, in fact, meets the qualification criteria

## ST. MARY'S COUNTY METROPOLITAN COMMISSION

established by the Commission for the Residential Connection Incentive Program and is in good standing with the Commission; and

WHEREAS, the customer understands that the loan will be a first lien on the property against which they are assessed upon and if the property is sold before the lien is paid in full, that the balance shall be paid in full at the time of sale / transfer of the property.

NOW THEREFORE, in consideration of the benefits and obligations described herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Customer and the Commission hereby agree as follows:

1. Commencing on \_\_\_\_\_, the monthly Special Benefit Charges assessed upon the Property shall be assessed.

2. At the time of execution of this Agreement, the Customer has been provided with a copy of the Connection Incentive Residential Assistance Program and the applicable portions of Section 113, and has been afforded the opportunity to review and ask questions about the procedures and Code provisions.

3. If the Customer has any Past Due Balance on the loan, the Customer shall be considered in default of this Agreement and shall be immediately subject to Paragraph 7. The Commission may agree, in the Commission's sole discretion, to accept a one-time promissory note for the payment of the Past Due Balance, which promise to repay, if accepted by the Commission, shall be evidenced by the full execution of this Agreement. **The Commission [ \_\_\_\_\_ does accept OR \_\_\_\_\_ does not accept] a promissory note for the repayment of the Past Due Balance.** If accepted by the Commission, the promissory note shall be for an amount equal to the Past Due Balance, together with interest at the annual rate of \_\_\_\_% (the "Interest"). The Interest shall begin accruing on the Past Due Balance on the date this Agreement is executed and shall continue accruing until such time as the Past Due Balance plus Interest is paid by Customer in full. In the event Customer becomes ineligible for the deferment of the monthly Special Benefit Charges, for any reason whatsoever, the Past Due Balance plus Interest shall become due and payable, in full, at the time the deferment is terminated.

## ST. MARY'S COUNTY METROPOLITAN COMMISSION

4. Upon the Customer's request, and at the sole discretion of the Commission, the monthly Special Benefit Charges may continue to be added to the Past Due Balance described above and, in that case, the monthly Special Benefit Charges incurred by the Customer from the date of this Agreement shall become due and payable under all the same terms and conditions set forth herein. **The Commission [ \_\_\_\_\_ does agree OR \_\_\_\_\_ does not agree] to permit the monthly Service Charges to be added to the Past Due Balance.**

5. Customer shall have the right, prior to default, to pay, in whole or in part, any Special Benefit Charges and/or any of the Past Due Balance, without penalty.

6. Customer jointly and severally, waives presentment, protest and demand, notice of protest, notice of demand and dishonor and non-payment of any payment obligation created hereunder or under the terms and conditions of Section 113.

7. Customer acknowledges that the monthly Special Benefit Charges and/or the Past Due Balance plus Interest shall become and remain a lien against the Property until fully satisfied, and that the Commission shall have the absolute right to execute on such lien, pursuant to Maryland Law, in the event that it becomes in the best interests of the Commission to do so.

8. Any claim or controversy arising under the terms of this Agreement shall be adjudicated in accordance with the laws of the State of Maryland.

9. Waiver of any term or condition of this Agreement, whether by action or inaction, shall not affect the validity of any other provision of this Agreement.

**ST. MARY'S COUNTY METROPOLITAN COMMISSION**

Executed in St. Mary's County, Maryland, as of the date and year first above written.

\_\_\_\_\_  
Printed Name of Customer

\_\_\_\_\_  
Signature of Customer

\_\_\_\_\_  
Printed Name of Customer

\_\_\_\_\_  
Signature of Customer

\_\_\_\_\_  
Date

\_\_\_\_\_  
Date

The St. Mary's County Metropolitan Commission joins in the execution of these presents to acknowledge acceptance of the foregoing Agreement.

St. Mary's County Metropolitan Commission

By: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

My Commission expires \_\_\_\_\_