

**Property Owners' Association
of Deep Creek Lake, Inc.**

P.O. Box 836
McHenry, MD 21541

May 3, 2004

Hon. Ernest J. Gregg, Chairman
Hon. Frederick Holliday, Commissioner
Hon. David Beard, Commissioner
Board of County Commissioners of
Garrett County
County Courthouse
203 S. 4th Street, Room 207
Oakland, MD 21550

Re: Public Utilities - Water & Sewer System

Dear Chairman Gregg, Commissioner Holliday and Commissioner Beard:

In the absence of our President, Fred Thayer, who is out of the Country, I am writing on behalf of the Property Owners' Association of Deep Creek Lake, Inc. (POA) to express our position with respect to the proposal now pending before you for funding of the water and sewer system in the sanitary district. First, we would like to thank you for extending the period of comment so as to allow the POA and others to submit their position to you.

At its meeting held on April 24, 2004, the Board of Directors of the POA considered the actions being proposed by the County, and has authorized and directed me, in the absence of Judge Thayer, to communicate to you the POA Board's unanimous position. Since the POA Board adopted its position, I have learned that the Commissioners may not be proceeding forward at this time with the recommended ad valorem taxation proposal. If so, the POA applauds this action.

Simply put, the POA is adamantly opposed to the use of ad valorem taxation, especially in the manner proposed by your consultant, to recover costs of the water and sewer system. The method chosen by the consultant is not only unorthodox and unfair, but also the POA believes it is subject to serious legal infirmities. It would be unfortunate, indeed, if the County Commissioners were to take such a significant action without a considerable period of public input, analysis and discussion, especially where the proposal has such severe financial consequences.

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Under the consultant's proposal, the geographic area of the existing district would be dramatically increased, but with no immediate services being provided to vast areas that would be subject to immediate and unfair taxation. While your consultant states that one of the assumptions used for this study was that "permanent residents" should not "subsidize capital and operating costs for seasonal/weekend customers," the proposal produces exactly the opposite. Lake residents have, for years, provided vastly greater revenues to the County than any other, while at the same time consuming far less of County services. The proposal, if approved, would exacerbate this imbalance to an even greater degree. Under the chart "Current Customer Impacts - Ad Valorem," the results become dramatically apparent: affected taxpayers in the McHenry district will see their tax bills more than triple, while taxation will be eliminated in every other district in the County, all at the obvious expense of those in the McHenry water district. This is wholly inconsistent with the notion that permanent residents should not subsidize costs for seasonal/weekend customers, and instead is requiring a small group of taxpayers to pay for the costs that will benefit all within the expanded district.

At its meeting of April 24, the Board of Directors unanimously approved the positions set forth in my letter to you of April 15, but emphasized that funds collected in the McHenry (Deep Creek Lake) district should be spent in that district, and not be used to subsidize - and in many cases eliminate - ad valorem taxes in vast other areas of the County.

The POA has worked very hard over a number of years to develop a cooperative working relationship with both the County and the business community. Approval of the consultant's fundamentally flawed funding proposal would seriously damage and impair that relationship on a long-term basis.

The POA does not want that to happen. The POA understands and is sympathetic to the needs of the County government to fund necessary capital projects, but believes that the consultant's proposal is fundamentally flawed, unfair and illegal. Accordingly, the POA believes that the County should defer approval of any ad valorem taxation proposal, and table it for further study.

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In addition, the POA is willing, at its own expense, to prepare and submit to the County Commissioners for their consideration a fair and alternative method of recovery of these costs. If the County defers action of approving the ad valorem taxation proposal, the POA will undertake and submit such a study to the County Commissioners as promptly as possible, but certainly not before the commencement of the fiscal year beginning July 1, 2004.

The POA's position in opposition to the consultant's proposed ad valorem taxation method of recovery of capital costs is one that is shared by the Chamber of Commerce, thus presenting the County with unified opposition by both lake property owners and the business community.

The impacts of the consultant's proposal are so severe and fundamentally unfair, that the POA, in the absence of deferral, had authorized its officers to have a thorough legal analysis done of the proposal in order to evaluate the options for lake residents who may have been subjected to taxation that is affected with legal infirmities.

The POA would rather expend its resources in a cooperative relationship with the County Commissioners in developing, together with the Chambers of Commerce and other interested groups, alternative and fair methods of recovering the capital costs that are being faced by the County. Accordingly, the POA sincerely urges that the County table any consideration of ad valorem taxation, pending further study, analysis and input both from the POA as well as the Chamber of Commerce.

Sincerely yours,

PROPERTY OWNERS' ASSOCIATION of DEEP CREEK LAKE, INC.

Ed King, Director

Enclosure