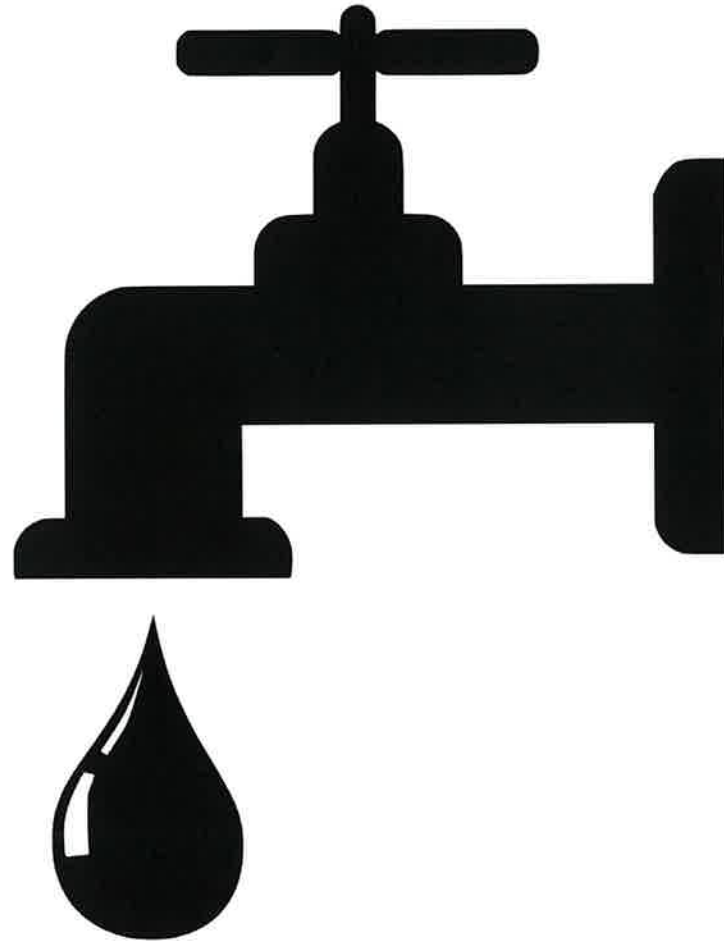


**Ocean View's**  
*Water  
Distribution  
System Sale is  
Final ...*

**What's Next ?**



# FIRST ... Some BACKGROUND

**BEFORE WE GET TO WHAT'S NEXT – WE NEED TO LOOK BACK TO THE RECOMMENDATIONS THAT CAME FROM THE TOWN'S FEB. 2025 FINANCIAL CONDITION ASSESSMENT**

UNDERTAKEN TO PROVIDE INSIGHT AND GUIDANCE REGARDING OUR APPROACH TO FUNDING OUR OPERATIONS AND RESPONSIBILITIES WHILE GAINING A CLEARER UNDERSTANDING OF OUR NEAR-TERM FINANCIAL CONDITION IN TIME TO MAKE ADJUSTMENTS

## **FINDINGS of the FINANCIAL FORECAST WERE:**

MAINTAIN AT LEAST ONE FUND FOR BUDGET STABILIZATION

DEPOSIT ONE-TIME FUNDS INTO EXISTING TRUSTS TO PROVIDE NEEDED BOOST, AND THAT OUR REVENUE GROWTH WILL BEGIN TO FURTHER LAG BEHIND OUR EXPENDITURE GROWTH

## **RECOMMENDATIONS**

**ESTABLISH A TAX RATE STABILIZATION RESERVE – INFO TO FOLLOW...HEREIN**

**BOOST TRUSTS WITH ONE TIME FUNDS - INFO TO FOLLOW...HEREIN**

POLICY UPGRADES – FINALIZED IN FY2027.

CONSIDER CAPITAL FUNDING ALTERNATIVES – NEAR TERM AND LONG TERM - FINALIZED IN FY2027.

## FIRST ... Some BACKGROUND

### • BACKGROUND FROM THE SALE OF THE WATER INFRASTRUCTURE

- Ocean View and Tidewater Utilities came to an agreement on the purchase price for the water distribution system of \$4,607,660.
- The USDA ultimately provided the guidance (formula) necessary to determine any grant fund repayment following the sale (repayment was \$ ).
- The Public Service Commission ultimately approved the sale, based on Tidewaters' ability to serve and the concurrence of the USDA.
- The sale concluded on April 1, 2025, after 5 years of effort on the part of the Town , Tidewater, hired consultants, legal counsel, bond counsel. meetings/information shared.

## FIRST ... Some BACKGROUND

- Now that the sale of the Town's water distribution system is complete, our discussions must focus on the best use of the remaining funds.
- As we finalize all payments and requirements of the sale the Town has maintained

**\$2,103,804** as of October 31, 2025 (this includes remaining proceeds from the sale and reserves)

## FIRST ... Some BACKGROUND

The outcome of the sale resulted in:

- the Town maintaining \$2.1 million,
- paying off all existing Town debt,
- former Town water system customers receiving the very same water supply from the same operators, with increased/streamlined customer service options,
- from a private water utility that's regulated by the Public Service Commission.

## What's Next?

- It's time to consider and make decisions for the use of these funds
- We recommended that the focus be on “what's in the best interest of the Town as a whole” – a regular and customary charge of Town Councils and staff.
- In doing so, the Mayor and Council's role as leaders and their responsibility to support the fiscal wellbeing of the organization should play heavily in this decision making.

# What's Next?

- **UNIQUE OPPORTUNITY PRESENTED FOLLOWING THE SALE**

- As it became clearer that there would be some level of funds available after we paid off the remaining debt, we began considering options. And, PFM was hired to complete the *Assessment of our Financial conditions* and help us forecast for the out-years.

- Two prime considerations that benefit Town property owners (a key factor in the staff's recommendations) emerged. They are:

- **The Creation of a **Tax Rate Stabilization Fund** (utilizing \$1,421,650 of the funds) and**

- **Providing **enhanced support to the Town's existing Trust Funds** (utilizing \$600,000 of the funds to support our Capital Replacement Trust & Street Repairs and Replacement Trust at \$300,000 each).**

**PLUS, BOTH OPPORTUNITIES ALIGN WITH THE RECOMMENDATIONS OF OUR ASSESSMENT OF OUR FINANCIAL CONDITIONS**

## What's Next?

- Do the math....
- **\$2,103,804** funds available after the sale
- Less (\$1,421,650) to establish a Tax Rate Stabilization Trust Fund
- Less (\$600,000) to boost the SRRT and CRTF
  - Leaves **\$82,154** for consideration during the preparation of the **FY27 Budget** which begins in January 2026.

# What's Next?

## • TAX RATE STABILIZATION FUND – WHAT'S THAT?

- It's a fund established much like our current trust funds (with rules AND guardrails for use) that enables the Town to pull from the fund to “**credit**” property owners for a portion of future necessary tax rate increases for the year they're increased.
- **For instance**, the funds (we suggest \$1.4 million as noted on the prior slide) would be invested and may be utilized as determined necessary any given year to support some portion of tax rate increase, **to balance the budget**.
  - *More specifically, **and purely as an example**: If we find that a 4-cent tax rate increase were necessary, the Town could utilize **up to 2 cents** any given year from the Tax Rate Stabilization Trust Fund. (The 2 cents is the guardrail we recommend)*
  - *The Tax Rate per \$100 assessed value will be raised by 4 cents as originally determined to be necessary during the budget process, but all property owners would receive a credit for up to 2 cents on their tax bill that given year.*
  - *The **2-cent guardrail** is recommended to preserve the funds for investment and future use, while still achieving the goal to smooth the initial impact of any necessary tax rate increases on our property owners.*

# What's Next?

- **ENHANCED SUPPORT TO EXISTING TRUST FUNDS!**

- We envision that some portion of the funds retained from the sale (we suggest **\$600,000**) should be used to boost our existing trusts at a time when they are seeing reduced support from their **required** share of annual transfer tax revenues. Most notably our **Street Repair and Replacement Trust and Capital Reserve Trust**.
- Doing so will help to improve near term funding gaps anticipated as we also evaluate a **future and new Infrastructure Funding Plan\***

*\*(A plan that will likely incorporate some level of planned borrowing (think long life infrastructure projects) that we can pay for annually over a set number of years and **utilize existing and anticipated future trust fund revenues**. We'll have PUBLIC discussions about this later – but it too was a recommendation from our assessment of our financial condition. This is not to be voted on YET!)*

# What's Next?

- **RECOMMENDATION!**

- We're therefore recommending that Mayor and Council authorize the Town Manager to begin efforts to further develop the process and rules to immediately implement :

- A **Tax Rate Stabilization Fund with \$1,421,650** of the remaining water system funds, and to
- Move \$300,000 into the SRRT and CRTF respectively for a total of \$600,000 of the remaining water system funds.,

**A formal recommendation is on your Council meeting agenda for a vote.**

# Thank you!

- **The effort to reach this point didn't come quickly or without the assistance of a dedicated team, including:**
  - The Ocean View Mayor and Council
  - Finance Director Dawn Parks
  - Planning & Development Director Cimino
  - Town Solicitor Faust & Special Legal Counsel Nick Caggiano of Morris James LLP
  - PFM financial advisors Garrett Moore, Jamie Schlesinger, Vienne Leung
  - Special consultant Kash Srinivasan State of DE Water System Consultant/ former Water and Public Works Director, City of Wilmington
  - Bond Counsel Tim Anderson of Taylor, English Duma LLP

***With sincere gratitude from Town Manager Carol Houck***