

Town of Ocean View Water Utility DISTRIBUTION SYSTEM Sale

Public Meeting
Presentation

June 25, 2024

Town of Ocean View **Water Distribution System Sale**

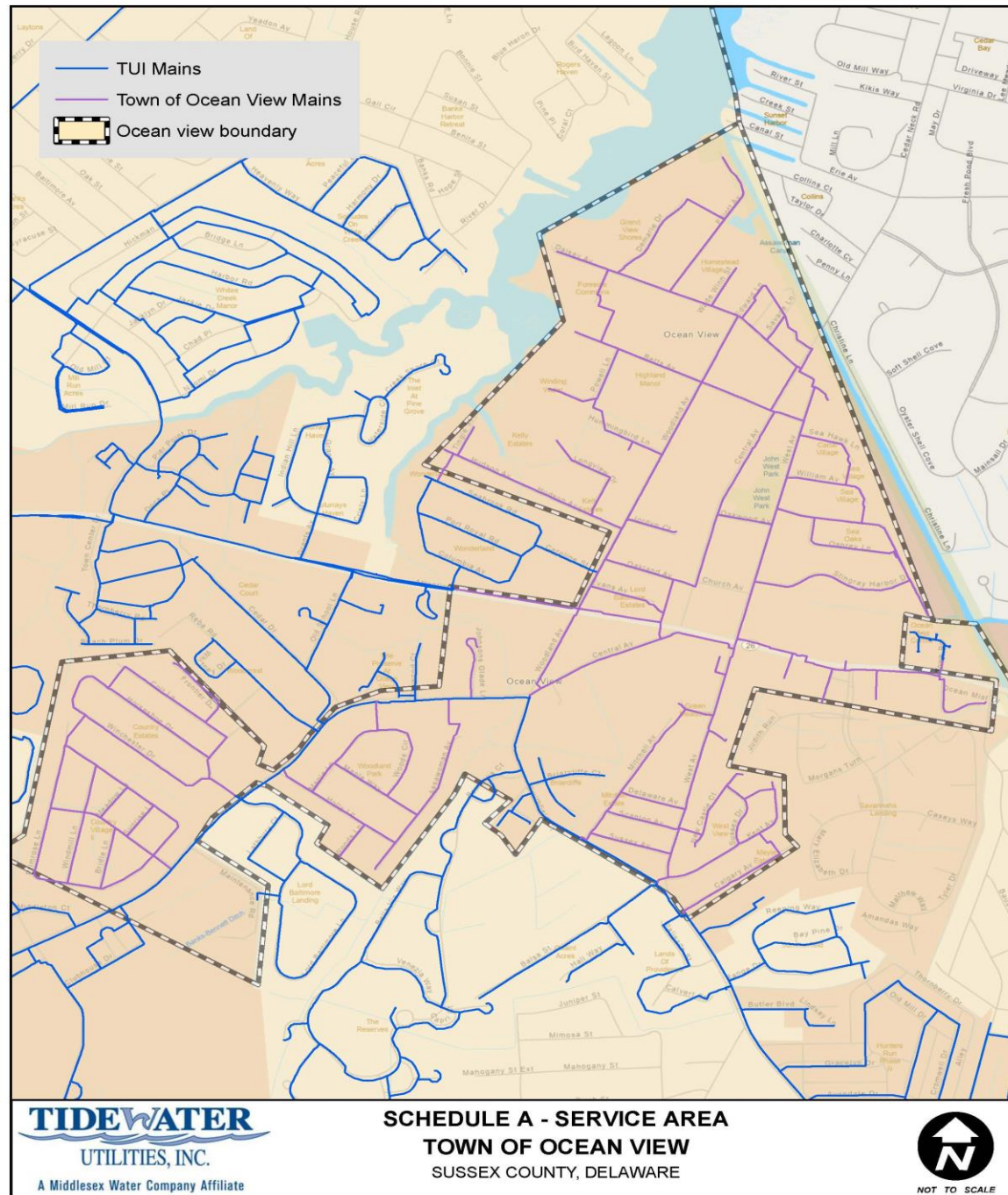
Let's start with some background information ...

- The **Town of Ocean View** Water Distribution (or conveyance system) was put in service in 2008 at the **total cost of \$6,300,000**.
- The Town obtained **grants (\$1,700,000) and a loan (\$4,600,000) from the United States Department of Agriculture (USDA) to develop the water distribution infrastructure** and continues to pay towards this debt.
 - NOTE: The USDA loan debt was refinanced in 2018 by issuing general obligation bonds, resulting in a savings of \$349,759. The **current principal balance remaining is \$3,860,000** as of April 30, 2024. Next payment of \$173,803.75 will be due in September 2024.
- The creation of the Town system was primarily initiated to **facilitate the provision of public water to those maintaining private wells**.
- As such, the Town's distribution system is utilized to supply purchased water through PVC pipes in the ground to **971 properties in the Town. The system started with 950 properties**.
- **As such, not all properties in Town** are serviced via the Town Water Distribution System.

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Background continued...

- The **water supply** that's delivered to homes and businesses via the Town's distribution infrastructure is **purchased by the Town from Tidewater Utilities** under a **Water Service Agreement (WSA)**. **The Town of Ocean View does not have control of this essential resource - the water supply.** The WSA requires the Town to only purchase water from Tidewater for a 20-year period, through interconnections made to the Tidewater infrastructure during the initial development of the Town system. This arrangement applies to a limited area of Town.
- In addition, our **WSA with Tidewater Utilities requires the company to provide operation and maintenance services** performed by state of Delaware licensed water system operators, including water quality testing, hydrant inspections, conveyance system flushing, valve exercising, meter maintenance, water quality management, and quarterly meter reading and invoicing services, for an annual fee. Additional services are billed separately at time of occurrence (shut offs, meter inspections, mark outs, final meter readings, etc.). All expenses related to the water system are funded via water rates.
- Tidewater (along with its subsidiaries) are **subject to state and federal regulations, general oversight by the Delaware Division of Public Health and Social Services, the Office of Drinking Water and formally regulated by the Delaware Public Service Commission (PSC)**.
- **No Town employees work directly for the Tidewater's "utility"**. The Town has no direct oversight of operations, the water operators, testing, etc. No Town employee positions would be eliminated by a sale of our water distribution system.



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The image to the left shows the Town of Ocean View Water Distribution System Service Area

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Where...does the water supply come from?

- The **treated water supply that “Tidewater” conveys** to Town properties comes from Tidewater owned and operated production, treatment and storage facilities located in its Bethany Bay District, regardless of the distribution infrastructure (the Town’s or Tidewater’s distribution system) **and**,
- Water from Tidewater’s sources is conveyed through either “Tidewater’s infrastructure” (pipes in the ground) to their direct customers or the “Town’s infrastructure” (pipes in the ground) to the Town’s distribution system customers, **with one exception:**

The Neighborhood of Savannahs Landing

Savannahs Landing’s water supply is delivered by the Town of Bethany Beach Water Utility. Ocean View is not involved with this water utility, and it is not impacted by this sale. Bethany Beach owns and operates the wells and controls and manages the water supply. This was a determination made at time of development.

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Why sell the distribution system now?

The Town recognized in 2020 that its continued engagement as a Water Distribution System **provided little benefit to the Town or the properties in the Town's service area.**

WHAT HAS THE PROCESS BEEN TO GET TO THIS POINT?:

- Exploratory discussions with the **Public Service Commission and consultants began in 2020.**
- **Evaluation of the opportunity to sell our distribution system was started in 2020 and by February of 2022 formal discussions with the USDA (grant provider) and negotiations with Tidewater commenced.**
- **An agreement on a sales price of \$4,607,660 was reached with Tidewater in December of 2022,** pending a final due diligence phase, and the successful drafting of an Asset Purchase Agreement (APA).
- **The Asset Purchase Agreement and due diligence phase has now been finalized between the Town and Tidewater Utilities.** Final USDA and Public Service Commission engagement is underway, and all is subject to the final approval of the Town's Mayor and Council.
- **Sale of our distribution system could be finalized by fall of 2024.**

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What about the Town system customers – any benefit?

Benefits presumed to have already been received:

- First, it is presumed that most properties that were offered the opportunity to connect to a public water supply benefit(ed) from increased property value in relationship to public water being desired over private wells: as its subject to Safe Water Act regulations, convenience in that public water requires less individual oversight and maintenance. (In some cases, having a private well can negatively impact property value).
- Second, the properties on the Town system are presumed to have benefited from the avoidance of individual costs related to maintaining, upgrading, testing etc. private wells, which can be expensive.

Anticipated future benefits:

- Current Town customers will see customer service improvement such as the ability to view historical usage information online, the option for auto pay and printing of invoices, which have been requested.
- Current Town customers will also benefit in the future from a more streamlined customer service experience as they will be able to contact Tidewater directly without the current scenario where they contacting the Town, who then contacts Tidewater for water quality, billing, main breaks, and other system questions.
- Along with all properties in Town, the current customers will benefit from reduced risk associated with our Town having “some level of responsibility” for a utility it has little to no oversight of.

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Additional information (from calls we've received)

What about water quality will it change?

No – the water supply is the same supply you receive now, from the same source and with the same operations and operators, subject to the Safe Water Act.

Will billing continue to be quarterly? **Yes**

Can I drop off my payment somewhere? **Yes – local options include Royal Farms and CVS in Ocean View; Dollar General in Millville; and Walgreens in Clarksville.**

Can I pay by phone and if so, is there a fee? **Yes, and the fee is \$1.95, and you can also pay online. If you pay online and have established an online account, you can pay for free if paid via your checking account vs. a credit card.**

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The sale of the Town's Water Distribution System would be successful if:

- A **full agreement to terms of the Asset Purchase Agreement** between the parties' results in a **supportive vote of our Mayor and Council**.
- The **proceeds from the sale eliminates the balance of DEBT** held by the Town. (\$3,860,000 as of April 30, 2024). An additional favorable outcome includes the Town retaining any funds on hand, at the time of closing, less any remaining liabilities. Note: if not sold the Town will continue to pay down the debt through 2047.
- The **sale eliminates the Town's responsibility and in turn risk** for ownership and operation of a water distribution system **for which it has no direct oversight**.
- Current Ocean View water system customer water rates will stay the same through the closing process and any future rate adjustments, if any, will always be subject to PSC approval.
- **The USDA approves its amount of recapture of a portion of grant funds**, as appropriate, in association with the Town's original grant agreements and the sale.
- The Town repeals certain aspects of Chapter 213 Water that no longer apply through a public hearing process.

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What ideas are we currently considering for the use of any remaining reserve funds?

While no final evaluation or determinations have been made, we have initially identified a few options:

- *Development of a Tax Rate Stabilization Fund*
- *Support of Town Trust funds*
- *a combination of the above... or additional options not currently identified*

***BUT,
More effort on this aspect of the possible water distribution system sale is necessary.***

Stay tuned!

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WHATS NEXT?

- The Town will continue to work with the USDA to conclude its determination of grant recapture, to facilitate a final vote of Council.
- The Town will continue to cooperate with Tidewater and await determinations of the Public Service Commission.
- Staff will continue to respond to questions posed of current Town water system customers/others.
- The Mayor and Council will be presented with a final opportunity to vote on the sale of the water supply system (Date TBD).
- A positive vote of the Town Council will see the Town staff work cooperatively with Tidewater to facilitate a seamless transition for our property owners.
- The Mayor and Council will hold a public meeting following the sale to discuss and eventually decide how any remaining funds will be managed (Date TBD).