

Town of Ocean View Water Utility DISTRIBUTION SYSTEM Sale

Introductory Presentation

June 11, 2024

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

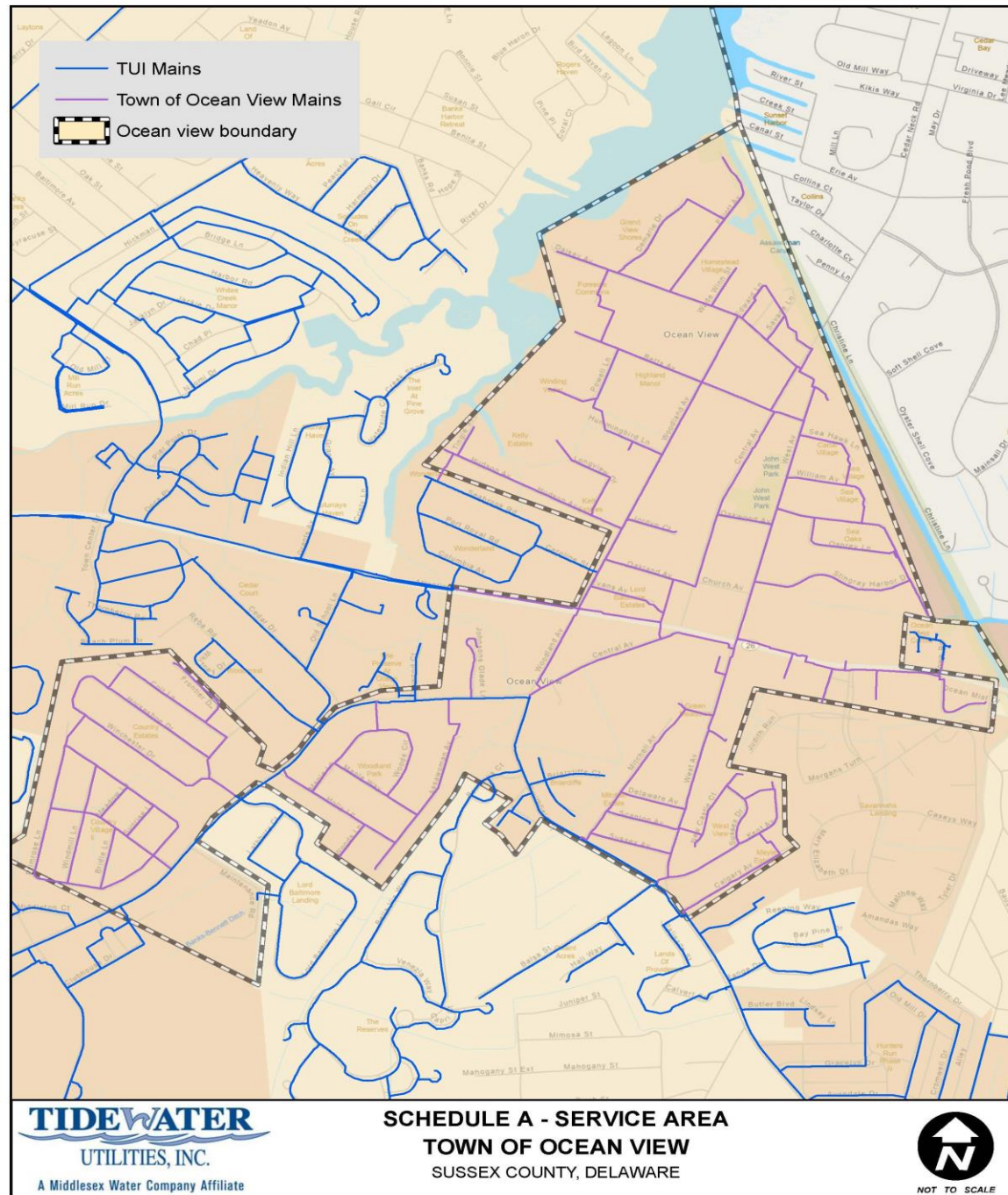
Let's start with some background information ...

- 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.
- The creation of the Town system was primarily initiated to **facilitate the provision of public water to those with wells**.
- As such, the Town's distribution system is utilized to supply purchased water through PVC pipes in the ground to **971 homes in the Town**.
- **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, 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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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. (\$3,990,603 as of April 30, 2023). 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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WHATS NEXT?

The Mayor and Council will hold a **Public Workshop** specific to the
Sale of the Town of Ocean View Water Distribution
on

Tuesday, June 25, 2024

3:00p.m.

32 West Avenue – Ocean View Community Center and Council Chamber

(also available to view live on YouTube Channel – search “Town of Ocean View”)

The information from this presentation will be discussed in more detail and attendees will be afforded the opportunity to ask questions. **The sale of the system is contingent upon a formal affirmative vote at a future meeting of the Mayor and Council and final approval by the USDA and the Public Service Commission.**