

Oxford City Council Retreat 2023

Newton County Chamber of Commerce

2101 Clark Street SW

Covington, Georgia 30014

Friday, November 17, 2023

AGENDA

8:30 AM Light Breakfast in Meeting Room

WORK SESSION

9:00 AM City Council Work Session

1. *Review Options for the Peak Solarworks Power Purchase Agreement
2. *Review the Technical Memo with Bobby Sills, Nelsnick Enterprises, recommending new System Development Charges for Water and Sewer: Oxford has 38,500 gpd left in the Covington Line. Archer is requesting 55,800, leaving us a deficit of 17,300. Our current price works out to \$9/gallon for sewer, this would rise to \$27.53 with the \$22/gallon cost from Covington. Water would fall from \$6.46/gallon to \$1.84/gallon.

RETREAT SESSION BEGINS

10:00 AM Opening Remarks and Introduction of Facilitator
- David Eady and Bill Andrew

10:10 AM Agenda Overview and Opening Conversations/Icebreaker
- David Key

10:30 AM Decision and Execution Processes

11:00 AM BREAK

11:15 AM Whatcoat Street Development Project – Can we, should we unify around this project?

12:30 PM LUNCH

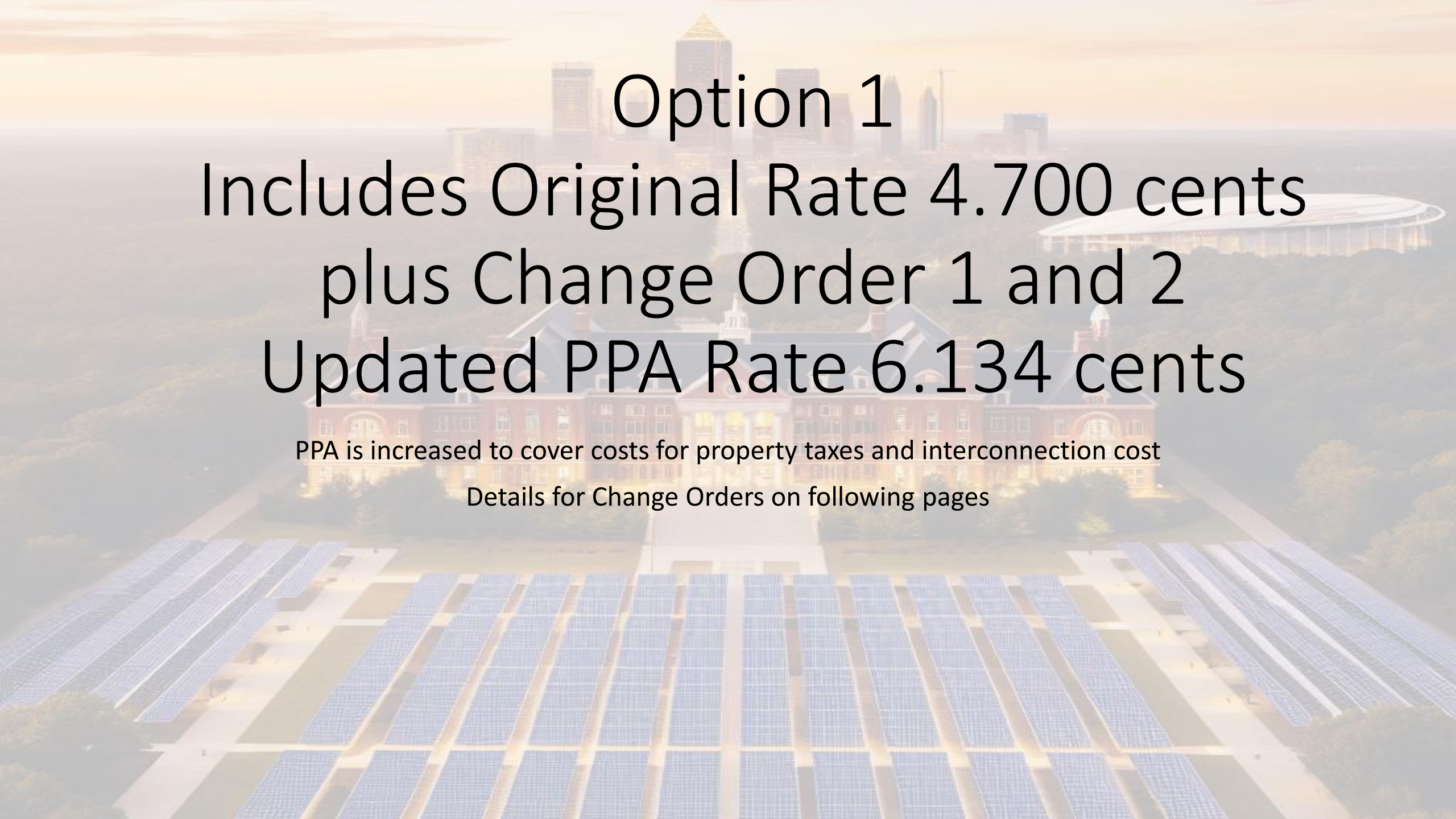
1:00 PM Internal Strengths and Weaknesses; External Threats and Weaknesses – SWOT Analysis

2:30 PM BREAK

2:45 PM How to Refine & Focus Short-Term and Long-Term Issues/Goals

3:45 PM Summary of Goals, Agreements, and Evaluation

4:00 PM ADJOURN



Option 1

Includes Original Rate 4.700 cents
plus Change Order 1 and 2
Updated PPA Rate 6.134 cents

PPA is increased to cover costs for property taxes and interconnection cost

Details for Change Orders on following pages

Option 1 - Change Order 1 0.730 cent PPA Increase due to Property Taxes

Millage Rate 36.3170 (City 6.8840)

Cost to Project \$30,680.60 per year

PPA Rate increases by 0.730 ¢ to pay property taxes

or

Monthly Admin Charge of \$2,556.72

Option 1 - Change Order 2 0.703 cent PPA Increase due to Interconnection Cost

Interconnection Cost \$250,000

Cost to Project \$29,542 per year @ 15 year loan at Prime rate + 0%


PPA Rate increases by 0.703 ¢ to make loan payment

Or

Monthly Admin Charge of \$2,461.85

*This cost will adjust based upon interconnection cost and prime interest rate at time of loan execution

*Ie Using an interest rate of 3.5%, Yearly cost is \$21,444 or 0.511 cent PPA increase



Option 2

PPA Remains at 4.700 cents, Renegotiate after 5 years

After 5 years, the City will renegotiate in good faith based on four variables

1. Actual Interconnection Costs
2. Actual Property Taxes paid
3. Savings related to Operational Costs of Plant Scherer
4. Sell back rate for excess power

Our intention is to payback the interconnection cost and property taxes cost but never consume more than 33% of the Oxford savings. We are willing to take the risk on these costs and will allow Oxford to enjoy the majority of the savings due to the Solar project

Option 2 Example

PPA Remains at 4.7 cents for first 5 Years

| Year | FY | PPA Rate | MEAG 12 Month Buyback Cost |
|------|------|----------|----------------------------|
| 1 | 2024 | \$ 0.047 | \$ 0.049 |
| 2 | 2025 | \$ 0.047 | \$ 0.051 |
| 3 | 2026 | \$ 0.047 | \$ 0.053 |
| 4 | 2027 | \$ 0.047 | \$ 0.055 |
| 5 | 2028 | \$ 0.047 | \$ 0.057 |
| 6 | 2029 | \$ 0.051 | \$ 0.059 |
| 7 | 2030 | \$ 0.053 | \$ 0.061 |
| 8 | 2031 | \$ 0.055 | \$ 0.063 |
| 9 | 2032 | \$ 0.057 | \$ 0.065 |
| 10 | 2033 | \$ 0.059 | \$ 0.067 |
| 11 | 2034 | \$ 0.067 | \$ 0.075 |
| 12 | 2035 | \$ 0.067 | \$ 0.085 |
| 13 | 2036 | \$ 0.067 | \$ 0.100 |
| 14 | 2037 | \$ 0.067 | \$ 0.150 |
| 15 | 2038 | \$ 0.067 | \$ 0.200 |

This option ensures the City only pays if revenues and profit increases

Floor PPA Rate 4.700 cents
Ceiling PPA Rate 6.200 cents

*Different MEAG Buyback rates are randomly shown only to show how PPA rate would be effected

| Year | FY | Plant Scherer Operational Savings | Payment |
|------|------|-----------------------------------|--------------|
| 1 | 2024 | \$ 25,000.00 | \$ 30,000.00 |
| 2 | 2025 | \$ 80,000.00 | \$ 30,000.00 |
| 3 | 2026 | \$ 85,000.00 | \$ - |
| 4 | 2027 | \$ 90,000.00 | \$ - |
| 5 | 2028 | \$ 100,000.00 | \$ - |
| 6 | 2029 | \$ 120,000.00 | \$ 39,600.00 |
| 7 | 2030 | \$ 125,000.00 | \$ 41,250.00 |
| 8 | 2031 | \$ 130,000.00 | \$ 42,900.00 |
| 9 | 2032 | \$ 135,000.00 | \$ 44,550.00 |
| 10 | 2033 | \$ 140,000.00 | \$ 46,200.00 |
| 11 | 2034 | \$ 145,000.00 | \$ 47,850.00 |
| 12 | 2035 | \$ 150,000.00 | \$ 49,500.00 |
| 13 | 2036 | \$ 155,000.00 | \$ 51,150.00 |
| 14 | 2037 | \$ 160,000.00 | \$ 52,800.00 |
| 15 | 2038 | \$ 165,000.00 | \$ 54,450.00 |

As discussed, Oxford shall make two \$30,000 payments due to savings

*Different Plant Scherer revenues are randomly shown only to show how Oxford yearly payment would be effected

Option 3

PPA Remains at 4.700 cents, Revenue Share after 5 years

After 5 years, the City will remit a yearly payment based on a Revenue Share, only if the City makes a profit on their electrical sales. Payment shall be 33% of Electrical fund profit, This option ensures the City only pays if they are making a profit.

| Year | FY | Profit | Payment |
|------|------|--------------|-------------|
| 1 | 2024 | \$ 25,000.00 | \$30,000.00 |
| 2 | 2025 | \$ 80,000.00 | \$30,000.00 |
| 3 | 2026 | \$ 85,000.00 | \$ - |
| 4 | 2027 | \$ 90,000.00 | \$ - |
| 5 | 2028 | \$100,000.00 | \$ - |
| 6 | 2029 | \$120,000.00 | \$39,600.00 |
| 7 | 2030 | \$125,000.00 | \$41,250.00 |
| 8 | 2031 | \$130,000.00 | \$42,900.00 |
| 9 | 2032 | \$135,000.00 | \$44,550.00 |
| 10 | 2033 | \$140,000.00 | \$46,200.00 |
| 11 | 2034 | \$145,000.00 | \$47,850.00 |
| 12 | 2035 | \$150,000.00 | \$49,500.00 |
| 13 | 2036 | \$155,000.00 | \$51,150.00 |
| 14 | 2037 | \$160,000.00 | \$52,800.00 |
| 15 | 2038 | \$165,000.00 | \$54,450.00 |

As discussed, Oxford shall make two \$30,000 payments due to savings`

*Different profits amounts are randomly shown only to show how Oxford payments would be effected

Fact Sheet for the Municipal Competitive Trust (MCT) Fund

Our MCT Fund is in an account held by MEAG which has \$342,721.74 as of September 30th.

The MCT was created in 1999 to help fight against possible deregulation of the electric market. Every Participant (City) signed an authorization for MEAG to start this fund and the proceeds were made up of bonds that were refinanced which freed up some capital. Instead of giving those funds back to the cities during the annual Year-End Settlement, the authorization for the Trust was to place those dividends in each participant account based on entitlement share for the bonds that were refinanced.

Over the years, Oxford has made annual elections on how to utilize your Year-End Settlement (YES) funds and Off-System Sales (OSS) Margins. Some years the City chose to place the YES funds in the trust. For many years now, the City has had an Evergreen election on file to place your OSS margins in the trust.

The funds in Oxford's MCT are held in flexible operating accounts so the City has access to those funds and may use them as you see fit. MEAG does not have any say on how those funds are used, but there is a process that must be followed for MEAG to authorize a transfer of funds.

When/if Oxford decides to move money from those accounts, it takes letter from Oxford on City Letterhead, detailing accounts numbers, routing numbers, etc., and it must be signed by two of the City Signatories we have on file for that account.

David Eady is a signatory (Expires 12/31/2023)

Bill Andrew is a signatory (Expires at pleasure of the Council)



Technical Memorandum

DATE: *November 9, 2023*

PREPARED FOR: *Mr. Bill Andrew*

PREPARED BY: *Mr. Bobby Sills, AICP*

SUBJECT: *Oxford Ga System Development Charge Calculation*

Purpose

The purpose of this technical memorandum (TM) is to provide documentation regarding the system development charge calculation for Oxford, Georgia. The system development charge (SDC) is a fee to recover the capacity cost of water and wastewater facilities from new development.

Introduction

The City of Oxford owns and operates water distribution and wastewater collection systems for the benefit of their community. They purchase water from Newton County Water and Sewerage Authority (NCWSA). They purchase wastewater treatment capacity from both the NCWSA and the City of Covington. New development is minimal for the city, but leadership desires a connection fee that fairly recovers the cost of new connections. Connection fees consist of both the cost to attach¹ new development to the collection and/or distribution system and the associated cost of the capacity to supply drinking water and to collect and treat wastewater.

The Development Impact Fee Act (DIFA) of Georgia allows local governments to recover costs associated with new development². These are known as impact fees. However, DIFA also allows water and wastewater utilities to charge a fee without the administrative burden of DIFA³. Additionally, DIFA defines the differences between a system-wide impact and a development specific impact. For water and wastewater connections, the system-wide costs are related to the treatment plants, water distribution and wastewater collection systems. Development specific costs are related to the physical

¹ Tapping cost are contracted out and not performed by Oxford staff. These costs vary per contract and are recommended to be passed on to new development at actual cost.

² CHAPTER 71 Development Impact Fees (§§ 36-71-1 — 36-71-13) of the Georgia Code.

³ DIFA requires a capital improvement element added to a local governments comprehensive plan and annual reporting and updates of impact fee collection but exempts water and wastewater systems if the calculated fee is a proportionate share of the capital cost.

connection to the system and include any project specific distribution and collection⁴ as well as customer specific metering and/or connections.

Connection fees can be configured in multiple ways. A common configuration is the fee consists of a system development charge (SDC) which recovers system wide capital costs and a tap fee cost which recovers the cost of connecting a new customer to the water or wastewater system. The SDC is charged based on meter size or land use to determine the proportionate share of system-wide capital cost. The tap fee is based on the actual cost to connect to the system and provided a meter and/or backflow prevention device as needed. Some communities contract out this service and the cost is passed on to the new customers. Some communities provide this service, and a fee can be calculated by using material cost, labor and overhead and any equipment costs associated with the installation.

The terms used for connection fees vary and not all communities implement a fee to recover full cost. The terms, hookup, tap, connection, capacity charge, availability charge, and many other terms may be used interchangeably and are not consistent from community to community. For this study, a system capacity charge (SDC) is related to the proportionate share cost of system capacity and tapping fee is the cost of development specific connections to the system. Currently, Oxford contracts tapping fee and the cost can be simply passed on to the new customer.

System Development Charge

A system development charge is a fee assessment on new development to recover the cost of system capacity. The City of Oxford owns a water distribution system and a wastewater collection system. Additionally, the City of Oxford pays for wastewater treatment capacity from others. Though Oxford also receives treated water from the Water Authority, there is no purchased capacity. The following calculations provide the SDC for new water and wastewater customers.

Wastewater

The collection system includes all piping needed to collect wastewater from residents and businesses within the city of Oxford and transport it to either Covington or Newton County for treatment. New development will stress existing collection system infrastructure and both replacement and upgrades will be needed. However, the main interceptors serving the Covington plant have excess capacity and will not need to be upgraded within the next 10 years.

The bulk of treatment is performed by Newton County. However, an estimate of treatment cost has been provided by Carter and Sloope in a TM dated November 10, 2022, for additional capacity at Covington. That TM summarizes current issues related to Oxford's arrangement with the City of Covington for wastewater treatment. These issues include using metered water to determine wastewater billing versus actual flow, current impact fee assessment and the need for additional capacity beyond 2025. The current estimate of \$22 per gallon was provided in the TM for treatment plant expansion cost. An update to the SDC is warranted given the cost to serve new development.

⁴ DIFA would allow a jurisdiction to ask a developer to oversize their system to serve adjacent areas, however, the developer would only be responsible for the cost of their proportionate share of the development, any additional cost would have to be a credit back to the developer or paid for by the jurisdiction directly.

Currently, no water or wastewater treatment capacity cost for NCWSA is available⁵. The calculations below are for a SDC for new development served by Covington treatment plant.

Wastewater SDC Calculation by Component

| | Value | gpd | cost per gallon | ERU (400 gpd) |
|---------------------|-----------|---------|-----------------|---------------|
| Collection | 3,828,108 | 640,000 | \$5.98 | \$2,392.57 |
| Shared | 31,140 | 640,000 | \$0.05 | \$19.46 |
| NCWSA Treatment | | | | N/A |
| Covington Treatment | 6,600,000 | 300,000 | \$22.00 | \$8,800.00 |
| | | | \$28.03 | \$11,212.03 |

The full cost to provide wastewater capacity is summarized below. Since additional capacity for the Covington Plant is \$22, this service area has higher capacity cost compared to the service area served by the NCWSA⁶. Cost to connect to the wastewater system will be added based on latest contracted cost.

Service Area Specific SDC's⁷ (No Credit)

| Service Area | Cost/Gallon | SDC per EDU |
|---------------------------|-------------|-------------|
| Oxford to Covington Plant | \$28.03 | \$11,212.03 |
| Oxford to NCWSA | \$6.03 | \$2,412.03 |

Water

The SDC for water can be calculated by taking the value of the distribution system and dividing it by the assumed capacity. The result is a dollars per gallon that can be applied to the expected peak demand. Unlike wastewater, there is no I&I associated with water as such, the EDU for water is calculated to be 364 gallons. There is no treatment capacity cost associated with water supply.

Water SDC Calculation by Component

| | Value | gpd | cost per gallon | ERU (364 gpd) |
|--------------|-----------|-----------|-----------------|---------------|
| Distribution | 2,532,579 | 1,000,000 | \$2.53 | \$921.86 |
| Shared | 31,140 | 1,000,000 | \$0.03 | \$11.33 |
| | | | \$2.56 | \$933.19 |

⁵ Currently NCWSA has wholesale monthly charges and unit rates based on volume to recover the cost of treatment. Until such time a water treatment cost can be determined, the water SDC is based solely on Oxford distribution system capacity cost and the wastewater SDC is a weighted average of wastewater treatment capacity cost and Oxfords collection system cost.

⁶ Currently, capacity from NCWSA is sufficient. Additional capacity may be needed in the future and this calculation will need to be update.

⁷ Treatment cost plus collection cost.

Water SDC Full Cost (No Credit)

| Service Area | Cost/Gallon | SDC per EDU |
|--------------|-------------|-------------|
| Oxford | \$2.56 | \$933.19 |

Credit is applied for the contribution potential of new customers towards debt and other system capacity-related costs. The primary debt from the Georgia Environmental Finance Authority (GEFA) was related to collection capacity. The remaining principal as of November 2023 is estimated to be \$328,757. New customers will contribute towards this debt and must be provided as credit towards the SDC. Debt is allocated to water and wastewater customers based on the number of accounts. The cost per 1000 gallons is calculated for existing customers. This amount is then calculated for new customers for the duration of the remaining debt payments. The amount is then credited to the SDC.

| Credit Calculation | | |
|--------------------|-------------------|--|
| \$328,756 | | System Debt Remaining |
| Water | Wastewater | |
| 962 | 667 | Customers |
| \$194,146 | \$134,610 | Debt Allocation |
| 219,403 | 84,562 | Daily billing volume average |
| 11/1/2023 | 11/1/2023 | Date of Calculation |
| 8/1/2029 | 8/1/2029 | Final Payment |
| 5.8 | 5.8 | Years remaining |
| 460,746 | 177,580 | Total volume by existing in 1000 gallons |
| \$0.42 | \$0.76 | per 1000 gallons |
| 6.93 | 3.86 | Average billed month in 1000 gallons |
| 12 | 12 | Months per year |
| 478.5 | 266.5 | Estimated total billed per new ERU |
| \$201.61 | \$202.01 | Credit per ERU |

Findings and Recommendations

The proposed SDC excludes any cost for tapping into the system. A separate SDC is provided for the service area served by the Covington plant due to limited capacity and the cost for expansion of service. The remaining available capacity for the Covington basin can be sold at current SDC charges, however, any additional capacity needed is significantly more expensive resulting in a higher SDC.

Proposed SDC

| System | Proposed | Current |
|----------------------|-------------|------------|
| Wastewater Covington | \$11,010.02 | \$3,600.00 |
| Wastewater NCWSA | \$2,210.02 | \$3,600.00 |
| Water | \$731.59 | \$2,585.00 |