

Roosevelt Water and Sewer utility

- Three physical locations
 - Water plant
 - Water tower
 - Wastewater or sewer plant
- Infrastructure includes the underground water lines, sewer lines, and the fire hydrants
- Not all Roosevelt residents are customers of the water and sewer utility – some have wells and septic

Capital costs water plant

- Repairs to the water plant –
 - Just spent about \$570K on new filters, new aerator, improved iron sludge pumping from settling tank, associated piping.
 - The pipe diameter was considerably restricted due to iron buildup, and this is likely in water pipes throughout the town.
 - Still need new doors, windows, and fence for the water plant, and to regrade the access road – Roberts engineering estimate is \$83K.
 - Emergency diesel generator is 25 years old and the diesel tank (above ground) has some evidence of spillage. New gas generator is needed soon.
 - Need to paint the outside of the old well house
 - Financing was through NJEIT with a partial principal forgiveness loan

Capital costs for water tower

- Inspection report received detailing the material condition of the tower
- Immediate repairs needed estimated at \$42,600, with possible hatch replacement needed for additional \$4K
- OSHA non-compliance repairs of approximately \$62,000
- Additional repairs needed by phone carrier because of the antenna and cables – need letter to carrier to fix immediately
- Total estimate \$104,600
- Water tower life expectancy?

Capital costs for sewer plant

- Roberts engineering letter – detailing \$2,059,541 in needed work at the sewer plant
- Prioritized list – need doors to be replaced, settling tanks painted inside and out, trickling filters underdrains replaced and new media/distribution arms, and site issues (crumbling steps, no handrail, fencing)
- Probably at least \$500K in short term -

Underground piping and meters

- Water meters have reached the end of their useful life and need replacement
- Replacing as they develop problems – about 40 per year.
- Based on observation of water pipes that have been replaced – a 6 inch pipe has about 2-3 inches of clearance for water and the rest is clogged with iron deposits.
- Sewer pipe condition is poor based on the inflow and infiltration during high water events

Water and Sewer debt

- Farmers Home Loan, Principal and Interest
 - \$135,000
 - Fully paid off in 2022
- MCIA Loan, Principal and Interest
 - \$2,921,371
 - Fully paid off in 2031
- NJEIT Loan, Principal and Interest
 - \$423,898
 - Fully paid off in 2029
- Authorized, but not issued \$1,674,150
- Total debt \$4,352,979

Some examples of problems

- Fire hydrant replaced on corner of N. Rochdale and Homestead
 - Valve now leaking under Rt 571
 - Could be a major repair – have to assess before digging up the street
- Backwashing of new filters has caused sediment disruption in the water lines
 - Complaints are being logged
 - May need new valve to prevent backflow
 - Backwash water exceeds settling tank capacity and water runs across the water plant grounds and off-site

The good news

- The water complies with all drinking water standards and the iron problem appears to have been solved
- The sewer plant meets water quality standards set forth in its permit

More good news

- NJDEP has identified areas of non-compliance at the water plant and water tower, but with the upgrades that were made to the water plant, the replacement of the corroded doors, windows, and fence repair, and the intended repairs to the water tower, we should be able to come into compliance soon (unless something else breaks).

Options for trying to contain costs

- Baseline assumption – our already high water/sewer rates will likely increase over the next few years with needed capital improvements and maintenance
- We could explore a shared service agreement with a larger nearby utility.
- We could explore leasing the facilities to a large company.
- We could contract with a larger utility company to run our operations.

Generic pros and cons of these options

- Pros
 - Economies of scale for supply and purchase
 - Economies of scale for emergency repairs and day to day operation
 - Professional and experienced stewardship over the systems
- Cons
 - Budget inflation/ rate increases dependent on lease/ contract agreement
 - Rates set by leasing/ contracting company
 - Rate increases due to debt service – future revenue may not cover anticipated debt service increases
 - Leasing or contracting company likely to favor maintenance schedules rather than deferring maintenance based on cost factors
 - Capital costs allocated over 300 accounts

Bill enacted in 2015

- A 3628 – Water Infrastructure Protection Act – chapter 18 – signed 2/5/2015
- Provides some incentives for communities such as ours to explore sale of the water and sewer plants to experienced operators
- Bill does allow communities under special circumstances to avoid a referendum, but it is not our intention to do so. We welcome public input to this decision.

Concerns raised so far

- This is one-time sale and should not be viewed as a “fix” for a short term budget shortfall
- Debt must be paid. Cannot pay off bonds early and are locked into a high interest rate. The sale would have to pay for the entire debt (term – defease the debt)
- We do not know what our water and sewer plants are worth right now. To get an appraisal would be costly (estimate \$40K). Is there some way to get a quick estimate so we could determine if it is worth our time to even consider the sale?

Additional concerns

- Private companies operate for profit. We are having trouble running our plants without trying to make a profit – what guarantees do we have that a private company would not raise rates?
- Water rates are regulated by the NJ Board of Public Utilities, but are sewer rates? Yes, if a private company is providing the sewer service, according to former BPU chair. So there would be a public process with BPU for the private company to raise rates.

Why should water/sewer rates decrease?

- BPU requires the companies to equalize the rates among all their customers. We are already paying really high rates compared to the rest of NJ ratepayers.
- A large company could
 - provide staffing in a more efficient manner.
 - have in-house engineering and construction personnel and equipment to fix our old plants
 - buy in bulk and get better purchasing power

Are any companies interested?

- There are several:
 - New Jersey American Water
 - United Water
 - Aqua
 - Possibly others?

What happens next in the process?

- We need to do more research about issues that should be put into a Request for Proposal.
- We need an attorney to help us.
- We need an engineering company to advise us and it should not be the one that is currently doing work for the Borough (conflict of interest).
- We need to get an estimate of the worth of our plants.

Request for Proposal

- The next step would be to draft a request for proposal and find out exactly what people would bid for our facilities.
- We could accept a bid or we could reject all bids. We do not have to sell.
- If we accept a bid, then there is a referendum with Roosevelt voters deciding whether to go forward.
- Then there is a process for hearings before the Board of Public Utilities, before the deal is final.

What kind of things go in a request for proposal?

- We can add stipulations about not increasing rates for some period of time
- We can say we want the water/sewer rates decreased for some period of time, but then we would not get as much in capital funds for the purchase and may not be able to pay off our debt.
- We can add stipulations that our current Borough employees get first dibs on jobs.
- What can you think of?

Biggest hurdle right now?

- We don't have a clue what our water and sewer plants are worth!
- It may not be worth our time to go forward with any of this – but we just don't know.
- We don't have a good description of the plants and what kind of condition they are in (other than the lists of things our engineer tells us we should do). Things like as-built drawings, dates for when various components were replaced, assessments of the amount of sediment in the pipes, assessments of the corrosion in tanks and how long they might last are all needed for a good estimate. We need an “asset management plan” for when each component needs to be replaced next.

Why explore the sale now?

- The water and sewer plants and the water tower have not been maintained properly and are in need of repair. We are already about \$4M in debt and there are over \$2M in repairs needed, without even considering the underground infrastructure. If we don't look at this possibility, we are not being fiscally responsible to the ratepayers.