



Wastewater System Sale Referendum Coming Nov. 5

“Shall the Township of Long Hill, in the County of Morris, New Jersey, be authorized to sell its wastewater system (commonly known as the “sanitary sewer system”) to New Jersey American Water Company, Inc. for the sum of \$12,700,000?”



On Election Day, November 5, residents of Long Hill Township will be asked to provide a “Yes” or “No” answer to the above question. The official interpretive statement can be read below but this special edition of the Long Hill Ledger provides the details of why this vote is so important to the future of Long Hill.

The information presented here is available on the Township website and several information sessions have been held to communicate this to all residents. Please take the time to understand the issue and be informed when you go to the ballot box November 5.

Interpretive Statement:

If a majority of the legal voters in the Township vote “yes,” the Township of Long Hill will sign an agreement of sale with New Jersey American Water Company, Inc. for the wastewater system (commonly known as the “sanitary sewer system”) servicing the residents and property owners within the geographic boundaries of the Township in the amount of \$12,700,000. This agreement provides that New Jersey American Water Company, Inc. will provide and maintain all wastewater services to the existing customers of the Township’s wastewater system and will make substantial capital improvements to such system in accordance with the terms of the Agreement of Sale approved by the Township. The service rates to the customers of the Township’s System will be subject to approval by the New Jersey Board of Public Utilities from time to time.

Message from the Mayor:

It is very clear the Township does not belong in the wastewater system management business. We have done a subpar job maintaining and upgrading the system, creating tremendous financial and environmental risk for the Township. We also must pay an outside private vendor more than \$600,000 per year to run the facility. Clearly, we are not well equipped to run and maintain this system.

A sale of the system would eliminate these risks and provide property tax and rate stabilization. The sewer rates would revert back to those of 2018 (an 11 percent saving for the average residential customer), followed by a two-year rate freeze. Following that, the rates would rise by no more than 3 percent each year for the next three years. After the initial five-year binding rate plan expires, New Jersey American Water (NJAW) will have to go to the Board of Public Utilities for rate approval, just like all our other utilities, PSEG, Verizon, JCPL, etc. The historical rate increase approved by



the BPU in the last 10 years is 2.5 percent per year. If the Township maintains control over the system, rates will rise by double digits over that time period.

In addition, the sale would relieve the Township of all current debt we have and pay interest on each year. According to the Township CFO, this would free up more than a million dollars in each of the next four years, helping to stabilize property taxes and allow funds for other projects that improve our community.

Finally, NJAW would be held to the same strict environmental standards by the DEP. Not only are they purchasing the system for \$12.7 million, they also will invest \$13 million in infrastructure improvements in the first five years alone. This investment will bring our system into compliance with the DEP standards which are currently not being met. Going forward, any problems, upgrades, repairs, etc., would be the financial responsibility of NJAW and not the Township.

I encourage all residents to vote YES and approve the sale of the wastewater system to professionals who know how to run the system properly and will be responsible for its infrastructure.

Matt Dorsi – Mayor

Important Q&As

Q: Why is the Township selling the wastewater system?

A: The system needs significant investment over the next decades and the cost of those investments will need to be borne by the users of the system. Selling the system will lower the cost to the users.

Q: What if the majority of voters say NO?

A: Sewer rates will continue to rise to pay for the investments needed to upgrade the system. (See page 3 for a rate comparison chart.)

Q: What if the majority of voters say YES?

A: The Township will enter a contract to sell the system to New Jersey American Water for \$12.7 million. NJAW will then become the owner of the plant and infrastructure. It will be their responsibility to make the improvements required and provide sewer service to the township.

Q: NJAW is a for-profit-company. Will our rates increase?

A: The rates will be lower if NJAW owns the system and rate increases will be lower than if the Township owns the system. (See page 3 for a rate comparison chart.)

Q: Township residents voted NO on a referendum in 2017. Why are we being asked to vote again?

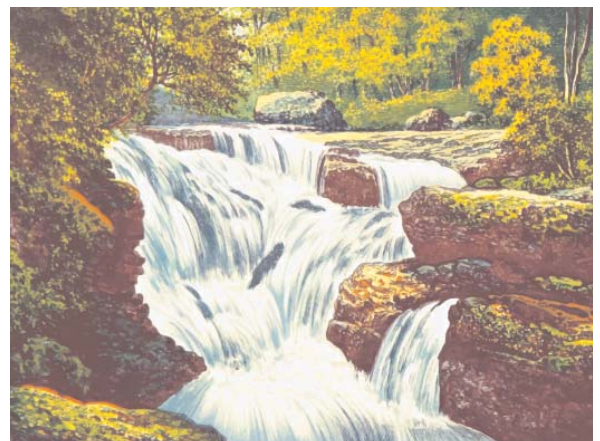
A: As a result of the previous referendum vote, the Township has begun the process of making investments in the system that has resulted in significant rate increases. Residents have asked the Township Committee put the question on the ballot a second time.

A “Yes” Vote is Good for the Environment

The sale of the waste water treatment plant is good for the environment. If the sale goes through, between 150 and 200 homes in Long Hill will be able to connect to the system and abandon ailing septic systems.

These systems are older and are starting to fail following significant rainfall from our changing weather. They cannot handle the extremely high amounts of water and the ground cannot absorb the water quickly enough, causing problems.

These weather-related events also cause problems at the wastewater plant, where too much water exceeds the plant capacity, causing some of the filters to be bypassed. The DEP has notified the Township about exceeding capacity and is requiring us to implement a remediation plan or be fined. Organizations such as the Great Swamp Water Shed Association are supportive of a sale and believe it is the best move for the environment.



Breaking Down the Numbers

New Jersey American Water (NJAW) has offered \$12.7 million for Long Hill's wastewater system. The \$12.7 million will be the actual cash paid but it does not tell the whole story about the sale. The financial benefits to Long Hill extend beyond the cash paid and will help the community for generations.

The sale of the wastewater system can be broken down into the following segments:

- Sale Price
- Rates
- Capital Investment
- Property Taxes
- Bond Cancellation
- Debt Reduction/Surplus

The sale price is \$12.7 million and that will be paid to the Township of Long Hill by NJAW at the closing table. Those dollars go into the general fund for the Township and must be used for debt reduction as per state law. The Township committee has no discretion on the use of those funds.

The contract with NJAW will reduce the sewer rates we pay. The rates will be rolled back to the 2018 level and frozen for two years. Rates will not rise more than 3 percent during the next three years, resulting in a five-year average rate increase of less than 2 percent per year. After the binding five-year period, NJAW must go to the New Jersey Board of Public Utilities and receive approval to raise rates. (See to the right for a rate chart illustrating the rate projections for both Long Hill and NJAW.)

After the contract closes and NJAW owns the system, they will embark on an initial capital improvement plan that is projected to invest approximately \$13 million into the sewer system. This plan is intended to correct the problems we have been facing and improve the facilities. They will address the DEP issues we face and take ownership of making the improvements necessary to meet state requirements. That's nearly a \$26 million investment into Long Hill in the first five years!

NJAW INVESTMENT BREAKDOWN

\$13 MILLION IN CAPITAL INVESTMENTS OVER 5 YEARS

\$12.7 MILLION PURCHASE PRICE

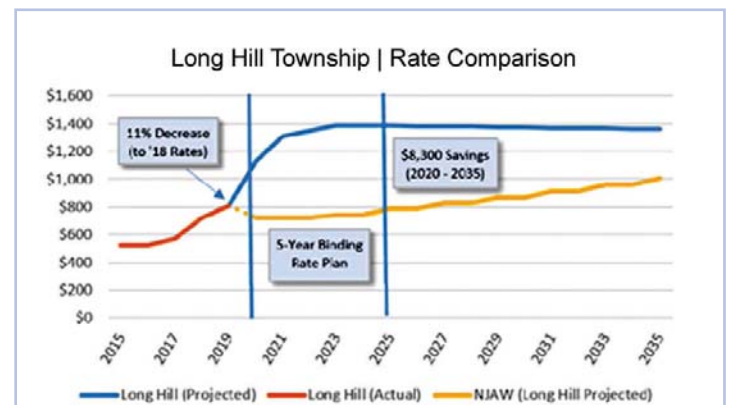
- \$3.9 MILLION TOWARD PAYING OFF ALL SEWER DEBT
- \$8.8 MILLION TOWARD PAYING OFF ALL MUNICIPAL DEBT

Once NJAW owns the wastewater treatment plant, they become a taxpayer in town and that property enters the tax roll as a commercial property. Accordingly, they will pay property taxes every year.

The Township Committee authorized a \$7.2 million bond to fund improvements if the referendum fails. This bond ordinance will be cancelled and no debt will be incurred with the sale of the wastewater system.

Lastly, the debt reduction mentioned above will free up cash in the Township budget. Long Hill carries approximately \$1.7 million in debt service every year in the Township budget. Once the debt is eliminated, the \$1.7 million falls to what is called fund balance. This is sometimes referred to as free cash flow or surplus and can be used for any purposes the Township Committee approves. The fund balance allows the Township to pay for improvements without the need for borrowing. The Township Committee will recognize the surplus in the 2021 budget.

In summary, the sale of the wastewater treatment plant will have several financial benefits to Long Hill Township: (1) lower rates for sewer users; (2) debt reduction for the Township; (3) massive capital investment; and (4) ongoing property tax contributions. The sale will benefit the Township into the next decade.



The above chart represents a projected rate comparison based on a 5,000-gallon usage per year. The line on the left side of the chart represents the actual rate increases Long Hill sewer users have experienced the last few years. The upper line represents the projected rates if the referendum fails and Long Hill retains the system. The lower line represents the projected rates if the referendum passes and New Jersey American Water (NJAW) purchases the system, as provided by NJAW.

The five-year binding area is the contract period during which NJAW must adhere to the rates outlined in the contract. To the right of that period are the projected rates based on BPU approvals.

The large gap between the lines represents the potential savings Long Hill sewer users can expect over the next 15 years.

A “Yes” Vote on the Wastewater System Means...

- ✓ Rate reduction to 2018 rates
- ✓ \$12.7 million pays all town debt
- ✓ Better for the environment
- ✓ 5 year rate stabilization plan
- ✓ Senior Discount protected
- ✓ Additional \$13 million invested for upgrades
- ✓ Additional connections for septic system users

Polling Stations

<u>Districts</u>	<u>Location</u>
1/2	All Saints Church
3/4	Stirling Fire House
5/6	Senior Community Center

