Proposed Sale of High Bridge's Municipal Water Utility

The Borough of High Bridge has operated a water utility for many years. By all accounts, the system is close to 100 years old and is in need of numerous upgrades and repairs.

In New Jersey, when municipal governing officials believe selling this asset may be a more prudent option, a process is initiated that seeks proposals from the private sector. Privately owned water companies review the request for proposals issued by the municipality and potentially submit their proposal to the municipal government. Under State law, the highest responsible bidder must be selected.

The Mayor and Council of High Bridge determined that the option of privatizing the water utility was worth considering. The process outlined was followed and the governing body felt that the voters should make this decision through a binding referendum. High Bridge registered voters will have this opportunity at the General Election on November 7, 2017.

The Borough will host several public information meetings leading up to November 7th. The dates are listed in this section of the website along with other information that will be helpful in understanding this issue.

If residents have other questions, please feel free to email them to *waterinfo@highbridge.org*. Your email will receive a reply as soon as possible and the topics addressed will be incorporated into another section of this Borough website page called FAQs (frequently asked questions) to assist voters in their consideration of this matter.

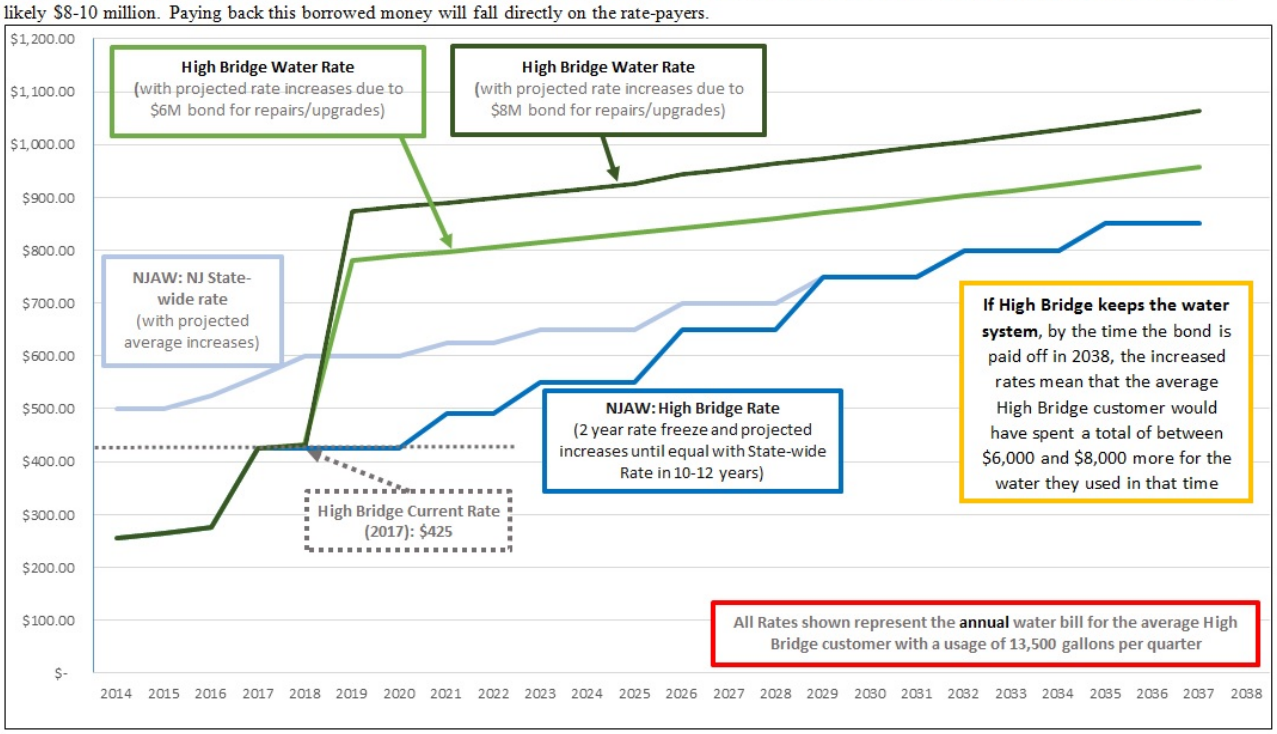
Rate comparison information and FAQ info - September 29, 2017

The below information was presented at the September 28th public meeting.

Just the facts

Whether or not to sell our water system is not a simple question. Many competing concerns and variables have to be considered. But at the top of many people's priority list are concerns about what will happen to our water rates. The graph below compares the likely impacts on our water rates from selling our water system to NJ American Water vs keeping ownership of the system and paying for the necessary repairs and upgrades ourselves.

The repairs and upgrades are no longer optional. Our water system, parts of which are well over 100 years old, is in serious need of major work. Nearly three decades without **any** upgrades of any sort, and the New Jersey Water Quality Accountability Act, signed into law this past July, combine to make repairs and upgrades a necessity rather than just the responsible option. To pay for this work, the borough will have to bond for at the very least $6 million, and much more likely $8-10 million. Paying back this borrowed money will fall directly on the rate-payers.



- **"How do we know the value of our water system?" and "How do we know that the offers we've received are reasonable?"**
  - Our borough engineer and his associates put the value of most aging municipal water systems (like that of High Bridge) at between $2,000 and $3,000 per customer. New Jersey American Water's bid of $4.15 million equates to approximately $2,819 per customer, based on High Bridge's total customer base of 1,472 ratepayers.
- **"How much is compliance with the new New Jersey Water Quality Accountability Act really going to cost us?**
  - This act seems to be primarily aimed at relatively small water systems that currently only act reactively (like High Bridge). This act works to force action to protect water systems and public health before emergencies. It does this by requiring municipalities like us to review their systems, identify weaknesses, repair and upgrade them and then create plans to maintain and upgrade their systems going forward. We believe that this new law will obligate the Borough of High Bridge to spend $6-$10 million in the next 5-10 years.
- **"How much are we spending each year currently to fix water main breaks?" "What repairs and upgrades do we need to do?"**

    - We are currently spending about $40,000 each year just to patch water main breaks. That number is likely to increase over the years.
    - We need an initial overall system assessment which will likely cost $30-50,000. After that our engineer estimates that, water mains and other pipes, valves and hydrants that need replacing, plus upgrades to our treatment facility will cost a **minimum** of $6 million.
    - Additionally, our two water tanks need approximately $2.2 million worth of repairs/reconditioning, and installation of a Supervisory Control and Data Acquisition system may be necessary in the next few years. This "SCADA" system would cost our ratepayers approximately $750,000.
    - It is very unlikely that any of these repairs/upgrades will cost less in the future if we wait 10-20 years to address them
- **"Other concerns if we keep and maintain our water system ourselves"**
    - If we keep ownership of the water system ourselves and have to borrow large amounts of money to do it, Road repairs will have to be put on hold for a few reasons:
        - **One**: With the tremendously increased water rates, it is unlikely there would be support for borrowing more money to fix roads.
        - **Two**: The road repair schedule will have to be determined by the water main replacement schedule. There's no point in rebuilding a road before you tear it up to replace the water pipes below it.
        - **Three**: By the time the $8 million bond for water system repairs is paid back in 2038, there are likely to be new problems that need to be addressed in our water system, requiring High Bridge to borrow even more money.
    - **"Won't High Bridge have to begin paying for our fire hydrants, municipal water use, and other expenses out of our budget if we sell the water system? Won't that increase taxes?"**
        - Our borough will have to begin paying for some things that we get for free now (because High Bridge owns the water system). But, NO it won't increase taxes because paying off $4 million of debt will eliminate nearly $400,000 in loan payments that we currently have to make **each year!** This reduction in loan payments more than offsets the increased costs associated with paying a fee for fire hydrants, etc.

This may actually allow us to **reduce** taxes, accelerate our road repair/maintenance program or to explore other needs within our town.

Analysis of water system improvement costs and fee structure

Click here to view the document.

Special Meeting Dates

Special public meetings dates set for discussion and information about the referendum for sale of the water utility:

- September 14 at 10:00 am and 3:00 pm at the High Bridge Fire House, 7 Maryland Ave.
- September 28 - Open House 2:00-4:00 PM & 6:00-7:30 PM at High Bridge Fire House, 7 Maryland Ave.
- October 7 at 10:00 am at the High Bridge Elementary School, 40 Fairview Ave.
- October 12 at 7:30 PM 6:00-7:30 PM at High Bridge Fire House, 7 Maryland Ave.
- October 17 at 7:30 pm at the High Bridge Elementary School, 40 Fairview Ave.
- October 26 - Open House 6:00-7:30 PM at High Bridge Hire House, 7 Maryland Ave.

*Representatives from New Jersey American Water will also attend Borough Council Meetings at 7:30 on September 28, October 12, and October 26.

Frequently Asked Questions

If the referendum is approved by voters in November, what will actually be sold?
The entirety of the existing system would be sold to New Jersey American Water including water mains, wells, pumps, water tanks, fire hydrants and associated equipment that are attached to these components of the Borough water utility The State of New Jersey controls the water supply in the state, including water in the aquifers that supply High Bridge. This would not change should the referendum pass.

What prompted the effort to sell the water utility?
The water system in High Bridge is almost 100 years old. Because of its age and condition, there have been many water main breaks throughout the Borough. Repairs require shutting down sections of the system that interrupts water service to homes and businesses. Many of these breaks take Borough Department of Public Works staff away from other projects because a water main break must be repaired immediately. When DPW cannot make the repair quickly because of its magnitude, an outside contractor is hired, which can become a rather expensive cost to the utility. DPW must also then make repairs to the road surface after fixing the breaks, which can take additional time and money. A series of breaks along a single street can result in road conditions that continue to deteriorate. Since January 1, 2016, water line and road repairs have cost the Borough $74,046.00.

In addition to water main breaks in the distribution system, the Borough will also be burdened by the need to invest in our aging water supply wells, storage tanks, hydrants, valves and meters. Many of these assets are at or very near the end of their useful lives and will need to be rehabilitated or replaced soon at a tremendous expense to the Borough.

Ultimately, the situation in Flint, Michigan has caused many municipalities around the country to focus more on the most efficient and effective way to provide the clean water that communities need to thrive. High Bridge’s size and the importance of the most current expertise in water treatment and delivery caused this Borough Council to explore a sale to an experienced water system operator.

What will be the source of the water if the water utility is sold?
The existing five wells that supply the water for the Borough water system would continue to be the source for water system users in High Bridge. These are actually located outside of our municipal boundaries. Four (4) of those wells are sunk in the "Igneous and Metamorphic Rock" aquifer and are treated at the Buffalo Hollow Road Water Treatment Plant in Lebanon Township. The 5th well is sunk in the "Jacksonburg Limestone, Kittatinny Supergroup, and Hardyston Quarzite" aquifer off of Grayrock Road in Clinton.

If approved by voters, how will the proceeds from the sale be used?
State law requires that all proceeds first pay off any debt for the water utility, and then pay down other debt of the municipality.

How much debt is in the water utility?
Currently, the water utility has outstanding debt in the amount of $132,352.00. Once that is paid, the remaining balance of the sale's proceeds would be required to retire other debt that the Borough holds. Below is the NJ Statute that outlines how municipal water utility sale proceeds must be utilized

40:62-6 Use of proceeds of sale or lease; investment pending use
All rentals received under any such lease shall be applied by the municipality in the same manner as provided by law for the application of income from such plant while operated by the municipality. The proceeds from any sale shall be used for the retirement of bonds issued for the purposes of such plant, if any, or in case no such bonds are outstanding, then to the retirement of other bonds of the municipality. If no such bonds are outstanding the proceeds or any balance thereof may be used for the general purposes of the municipality. Such proceeds may, pending their use for the retirement of such bonds, be invested in bonds of the Government of the United States or bonds of the State of New Jersey or bonds or notes of such municipality. (Amended by L.1941, c. 412, p. 1059, s. 1)

How can I learn about the company that wants to purchase the water utility?
The Borough received proposals from two privately owned water companies. Under State law, the highest bidder must be accepted, which in this case was American Water Company. The proposal they submitted to High Bridge can be viewed on this web page. The company website is www.amwater.com

How will water user fees be impacted?
American Water has committed to maintaining the current fee structure for two years. Subsequent to that, they would be required to apply to the New Jersey Board of Public Utilities for any rate change or increase. This type of governance currently does not apply to Borough rate changes. Currently American Water rates are $6.6538/1,000 gallons plus a$40.80 quarterly charge. The Borough has not yet estimated what rate it might eventually charge in order to alleviate some of the issues with the system.

If sold, where would I call if I encountered a problem with the water system?
American Water Company would be your point of contact for any question or problem that is encountered.

Would the sale of the water system have any impact on property taxes?
In New Jersey, municipally owned water utilities must be financially self-sustaining, which means that water user fees must cover all operating costs. The municipal budget that is raised through the local property tax does not fund the water utility. It is funded by the system users. Those with private wells do not pay fees into the water utility.

Are other item are paid for out of the water utility funds?
Yes, other items are paid out of the water utility funds, such as DPW salaries and wages. These costs will go into the General Fund and be paid out of property taxes.

If approved, when would the transfer occur?
If approved by voters this November, the complete transfer will likely take several months to occur.

What happens if the residents vote no and we do not sell the water utility?
The Borough would likely begin formally planning for water main replacements and upgrades. The Borough Engineer estimated approximately $6M would be needed.

The Borough will also be responsible for complying with portions of the Water Quality Accountability Act, which was signed into law by Gov. Christie in May. Under this new law, as a purveyor of water to over 500 customers, the Borough would have to implement several mitigation policies and asset management planning, comply with increased testing of certain elements of the system, and provide additional reporting and analysis. All of this will take DPW time and could represent increased expenses. The text of the law can be found here: http://www.njleg.state.nj.us/2016/Bills/S3000/2834_R1.HTM

Will the golf course and schools pay for their own water?
If we sell the system to American Water, the schools will continue to pay for their own water usage. The Borough will pay for the water usage at the golf course. This is estimated to be approximately $40,000 annually.

Can the Borough lease the water system to a private sector company such as American Water Company instead of selling it?
The Borough has not been made aware of scenarios when a municipal water utility is leased.