



# Water Utility Rates

January 24, 2022

# Verona Rate History

2002 - 2015	\$4.39	
2016	\$4.81	(9.57% increase)
2017	\$5.02	(4.37% increase)
2018	\$5.25	(4.58% increase)
2019-2021	\$5.49	(4.57% increase over 2018)

*Rate per 1,000 gallons of water*

# Verona Water System Utilization

- ▶ Consumption of water remained somewhat constant from 2017-2019.
  - ▶ Roughly 366,500,000 gallons per year\*
- ▶ In 2020, most likely due to the pandemic, water usage increased by 7.56% town wide.
  - ▶ Water usage in residential properties increased by 15%
  - ▶ Water usage at commercial properties dropped by 23%

\* Number excludes municipal properties.

# PFOA

- ▶ Beginning in August 2021, the Township made the decision to shut down the Fairview Avenue and Linn Drive wells due to the detection of PFOA in the water supply at both wells.
- ▶ Due to the shut down, the previous reliance of 60% - 65% on water supplied by the Passaic Valley Water Commission increased to 100%.
  - ▶ An additional 40,000,000 gallons per year (approximate)

# Passaic Valley Water Commission

- ▶ Water is purchased from the Passaic Valley Water Commission through a wholesale purchase agreement. Wholesale rates for water purchased from the commission have increased by almost 58% since 2010.
- ▶ In addition to the wholesale water rates, electric charges are assessed to Verona for the pumps at the point of entry into the Verona system.
  - ▶ This normally runs about \$6,750 per month.

# Passaic Valley Water Commission

2010	\$1,908.10	2017	\$2,634.01 (+5 %)
2011	\$2,003.51 (+5 %)	2018	\$2,686.69 (+2 %)
2012	\$2,103.69 (+5 %)	2019	\$2,767.29 (+3 %)
2013	\$2,187.84 (+4 %)	2020	\$2,864.15 (+3.5 %)
2014	\$2,297.23 (+5 %)	2021	\$2,950.07 (+3 %)
2015	\$2,389.12 (+4 %)	2022	\$3,009.07 (+2 %)
2016	\$2,508.58 (+5 %)		

*\*rate per million gallons*

# 2022

- ▶ Verona has a need to increase water rates to cover the increase in costs associated with running the water utility.
- ▶ Since 2016, the Water/Sewer Utility Operating Budget has seen annual increases averaging 2.6% each year.
- ▶ There are multiple capital projects in the planning stages that will require considerable investment including:
  - ▶ PFOA remediation ~ \$1.5 million
  - ▶ Water Main Replacements ~ \$600,000
  - ▶ Claridge Water Main/Pressure Correction - unknown
- ▶ We are awaiting the Asset Management Plan which will undoubtedly find outline additional projects that might be necessary.

# 2022

## ▶ All together

- ▶ With the cost of inflation it is estimated that the Water Utility will need an additional \$140,000 - \$210,000 to operate in 2022.
  - ▶ This increase helps cover expenses to Salaries & Wages, maintenance contracts, debt service and continued contribution to the Capital Improvement Fund.
- ▶ This added to the cost of additional water procurement required due to the wells being offline totaling approximately \$480,000 - \$520,000.
- ▶ All together, the utility needs between \$620,000 and \$730,000 in order to continue to operate in 2022 and beyond.



# 2022

- ▶ Verona has a need to increase water rates both in the long term and in the short term (temporary surcharge).
- ▶ **Long Term**
  - ▶ The last rate increase to Verona was in 2019.
  - ▶ The base rate for water needs to increase to compensate for inflation.\*
  - ▶ We are recommending a base rate increase of **7.7%**
    - ▶ 2.5% compounded for three years.

\*The cost of living since January 1, 2019 has increased by 6.49%

# 2022

## ▶ Short Term (Temporary Surcharge)

- ▶ In order to help cover the projected additional 144,000,000 - 160,000,000 gallons of water per year procured from the Passaic Valley Water Commission (a cost of between \$480,000 and \$520,000 per year) a temporary surcharge is being recommended to be added to the base rate.
- ▶ We are recommending a temporary surcharge of \$1 per 1,000 gallons of water purchased.

\*The cost of living expressed in the Consumer Price Index since January 1, 2019 has increased by 6.49%