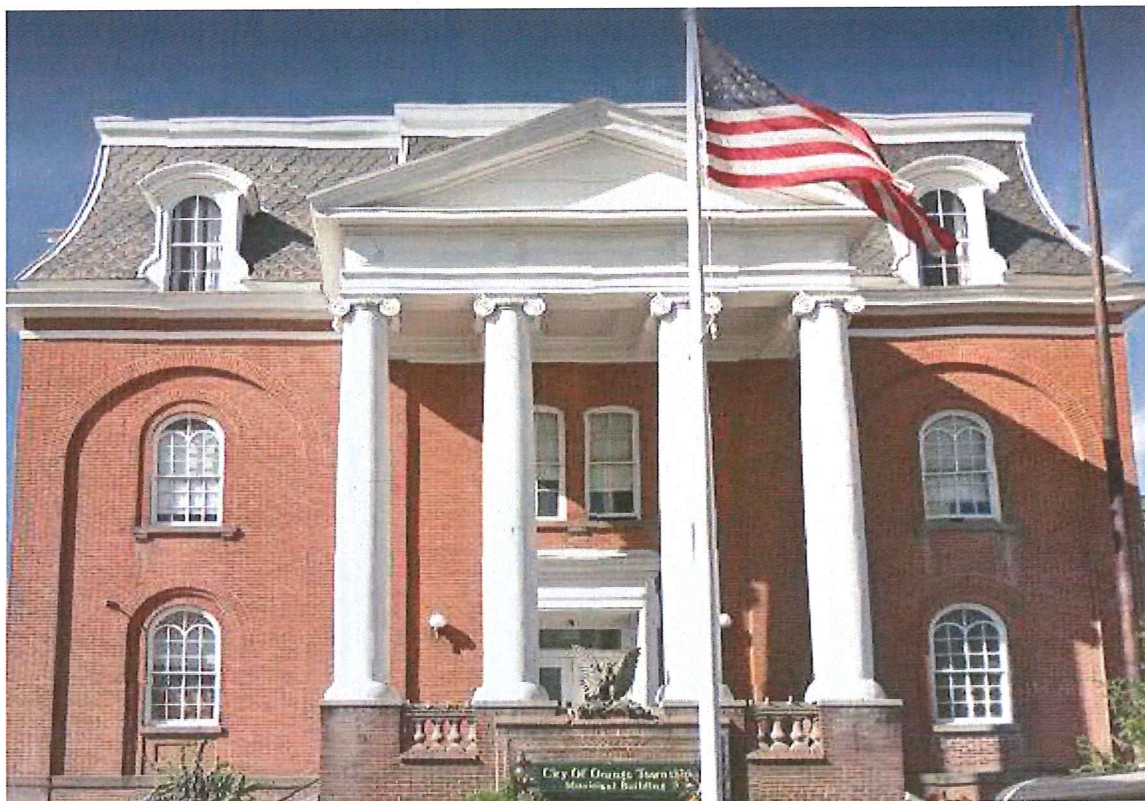


# CITY OF ORANGE TOWNSHIP

## WATER AND SEWER RATE STUDY



Prepared by:



LERCH, VINCI & HIGGINS, LLP

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CERTIFIED PUBLIC ACCOUNTANTS  
REGISTERED MUNICIPAL ACCOUNTANTS

Dated: April 25, 2017

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# LERCH, VINCI & HIGGINS, LLP

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REGISTERED MUNICIPAL ACCOUNTANTS

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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED UPON PROCEDURES

Honorable Mayor and Members  
of the City Council  
City of Orange Township  
Orange, New Jersey

At your request, we have performed certain agreed-upon procedures, as enumerated below, with respect to the sufficiency of the City of Orange Township's existing water and sewer rates based on the Water and Sewer Utility Operating Fund introduced budget for the year ending December 31, 2017. These procedures, which were agreed to by the City, were performed solely to assist you in evaluating the sufficiency of the City of Orange Township's existing water and sewer rates. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

### Agreed-Upon Procedures

- Review the Water and Sewer Utility Operating Fund introduced budget for the year ending December 31, 2017.
- Project revenue (rents) necessary to maintain the Water and Sewer Utility Operating Fund on a self-liquidating basis based upon historical water and sewer system billings.
- Existing water rates are based upon the water rate Ordinance No. 58-2013 adopted by the City Council on February 18, 2014. Proposed water rates were increased by 28% effective April 1, 2017 for all water system users. Existing and proposed rates are presented below:

Meter Size (inches)	Allowance per Quarter (in cubic feet)	Minimum Charge per Quarter	
		2016 Existing Rates	2017 Proposed Rates (eff. April 1, 2017)
<i>Proposed Rate Increase</i> 28%			
5/8"	1,000	\$ 40.65	\$ 52.03
3/4"	2,500	101.61	130.06
1"	5,000	203.23	260.13
1 1/2"	10,000	406.46	520.27
2"	15,000	609.69	780.40
3"	25,000	1,016.15	1,300.67
4"	40,000	1,625.83	2,081.06
6"	50,000	2,032.29	2,601.33
8" Existing	50,000	2,032.29	N/A
8" Proposed	80,000	N/A	4,162.40
<b>Usage Charge above quarterly allowance billed at:</b>		<b>\$4.065 per ccf</b>	<b>\$5.203 per ccf</b>



- Existing sewer rates are based upon the sewer rate Ordinance contained in the City's Code Book as presented below:

Meter Size (inches)	Minimum Charge per Quarter	
	Allowance per Quarter (in cubic feet)	2016 Existing Rates
5/8"	1,000	\$ 31.17
3/4"	2,500	77.93
1"	5,000	155.85
1 1/2"	10,000	311.70
2"	15,000	467.55
3"	25,000	779.25
4"	40,000	1,246.80
6"	50,000	1,558.50
8"	50,000	1,558.50

**Usage Charge above quarterly allowance billed at: \$3.117 per ccf**

- Proposed sewer rates effective April 1, 2017 are presented below. The proposed rate structure sewer will be based upon a flat rate for all users up to a maximum of 2,500 cubic feet per quarter of water usage.
  - The proposed minimum quarterly charge for sewer is \$55 regardless of meter size. Included in the minimum each user shall be allowed up to 2,500 cubic feet based upon water usage.
  - All usage for sewer over and above the minimum allowance of 2,500 cubic feet per quarter is to be billed as follows:

Existing	Proposed
\$31.17 per 1,000 cubic feet	\$51.20 per 1,000 cubic feet

- For example purposes only, the following table illustrates the impact of the proposed sewer rate structure for various user categories:

Annual Usage	Proposed Annual Sewer Bill			Existing Sewer Bill	Increase/ (Decrease)
	Minimum	Surcharge	Total		
75,000 Gallons	\$ 220	\$ -	\$ 220	\$ 312	\$ (92)
100,000 Gallons	220	174	394	418	(24)
125,000 Gallons	220	343	563	521	42

**Findings and Recommendations**

- The 2017 total projected water and sewer rents based upon the implementation of the proposed rates is \$10,488,000 which represents an approximate \$2,400,000 increase over the existing water and sewer rents.

- The projected impact to the average single family residential bill\* is presented below.

	Existing	Proposed	Proposed Quarterly Increase	
	Quarterly Bill	Quarterly Bill	\$	%
Water	\$ 101.75	\$ 130.00	\$ 28.25	28%
Sewer	78.00	55.00	(23.00)	-29%
Total	\$ 179.75	\$ 185.00	\$ 5.25	3%

\* Based on average annual consumption of 100 ccf's or approximately 75,000 gallons.

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We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the accompanying prospective financial schedules. Accordingly, we do not express an opinion on whether the prospective financial schedules are presented in conformity with AICPA presentation guidelines or on whether the underlying assumptions provide a reasonable basis for the presentation. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Furthermore, there will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

This report is intended solely for the information and use of the City of Orange Township and is not intended to be and should not be used by anyone other than the City of Orange Township.

*Paul Vinci Higgins*  
 LERCH, VINCI & HIGGINS, LLP  
 Certified Public Accountants

Fair Lawn, NJ  
 April 25, 2017

CITY OF ORANGE TOWNSHIP  
 WATER & SEWER RATE REVIEW  
 EXISTING AND PROPOSED RATES

WATER SYSTEM

Meter Size (inches) <i>Proposed Rate Increase</i>	Allowance per Quarter (in cubic feet)	Minimum Charge per Quarter		Annual Consumption Billed (in ccf's)	Existing Annualized Billings	2017 Projected Annualized Billings
		2016 Existing Rates	2017 Proposed Rates (eff. April 1, 2017) 28%			
5/8"	1,000	\$ 40.65	\$ 52.03	490,129	\$ 1,992,298	\$ 2,550,141
3/4"	2,500	101.61	130.06	29,119	118,365	151,507
1"	5,000	203.23	260.13	80,328	326,523	417,949
1 1/2"	10,000	406.46	520.27	86,076	349,887	447,856
2"	15,000	609.69	780.40	228,581	929,146	1,189,307
3"	25,000	1,016.15	1,300.67	52,461	213,245	272,953
4"	40,000	1,625.83	2,081.06	102,686	417,403	534,276
6"	50,000	2,032.29	2,601.33	6,575	26,728	34,212
8" Existing	50,000	2,032.29	N/A	-	-	-
8" Proposed Unidentified	80,000	N/A	4,162.40	-	-	-
				55,698	226,405	289,799
				1,131,653	\$ 4,600,000	\$ 5,888,000

**Usage Charge above quarterly allowance billed at: \$4.065 per ccf \$5.203 per ccf**

**CITY OF ORANGE TOWNSHIP  
WATER & SEWER RATE REVIEW  
EXISTING AND PROPOSED RATES**

**SEWER SYSTEM**

	# of Accounts	Average Consumption in ccf's	Existing Annualized Billings	Existing Average Quarterly Bill	Proposed Minimum Billings	Proposed Surcharge Billings	Proposed Sewer Billings	Proposed Average Quarterly Bill
Residential - up to 2,500 cubic feet/qtr	1,050	55,000	\$ 195,000	\$ 46	\$ 231,000	\$ -	\$ 231,000	\$ 55
Residential - Other/2-4 Family	2,450	340,000	1,060,000	108	539,000	487,000	1,026,000	105
Commercial/Apartments	1,000	710,000	2,212,000	553	220,000	3,123,000	3,343,000	836
	<u>4,500</u>	<u>1,105,000</u>	<u>\$ 3,467,000</u>		<u>\$ 990,000</u>	<u>\$ 3,610,000</u>	<u>\$ 4,600,000</u>	

Notes:

Proposed minimum billings based on a quarterly charge of \$55 regardless of meter size. Included in the minimum, each user is allowed up to 2,500 cubic feet per quarter.  
Proposed surcharge billings based on \$5.12 per ccf or \$51.20 per 1,000 cubic feet for all usage above the minimum allowance of 2,500 cubic feet per quarter.

**CITY OF ORANGE TOWNSHIP  
WATER & SEWER RATE REVIEW**

**EXISTING AND PROJECTED BILLINGS**

	<b>Existing Annualized Billings</b>	<b>Projected Annualized Billings after Increase</b>
Water	\$ 4,600,000	\$ 5,888,000
Sewer	<u>3,467,000</u>	<u>4,600,000</u>
<b>Total Water/Sewer Billings</b>	<b><u><u>\$ 8,067,000</u></u></b>	<b><u><u>\$ 10,488,000</u></u></b>
\$ Increase		<b><u><u>\$ 2,421,000</u></u></b>