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# CITY OF TRENTON DEPARTMENT OF WATER AND SEWER

## FY2020 TWW RATE ORDINANCE

CITY COUNCIL PRESENTATION

2/18/20

# FY2020 RATE ORDINANCE DRIVING FACTORS

- Last rate increase occurred 11 years ago
- TWW is under two NJDEP administrative consent orders (ACOs)
- TWW pay scale is below market rate, hindering recruiting efforts
- Rate increase is needed to pay for:
  - NJDEP, USEPA and BPU mandated capital projects
  - Critical infrastructure needs
  - Increased staffing per NJDEP ACO
  - Salary adjustments

# NJDEP ADMINISTRATIVE CONSENT ORDERS (ACO)

- ACO #1 signed in February 2018 ; ACO#2 signed on July 2018
- Outstanding ACO requirements:
  - Replacement of 7,200 lead services lines
  - Installation of a decentralized storage tank network
  - Installation of a new raw water intake
  - Completion of asset management program
  - Valve assessment program
  - Increase staffing from 161 to 185
- ACO projects are either behind schedule or under tight deadlines
- ACO noncompliance can result in stipulated penalties & fines and further litigation

# TWW 6-YR CAPITAL PLAN

- \$405M over 6-years
- \$108M in new bond ordinances (FY2020)
- \$6M capital improvement fund allocation (ZERO impact on bonding capacity)
- Projects address ACO requirements and critical infrastructure

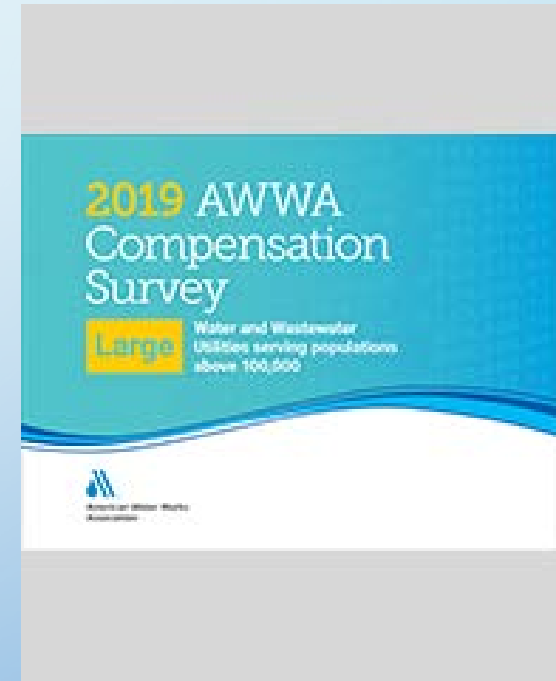
WATER TREATMENT PLANT (WTP)	6-yr PLAN ESTIMATED COST	FY2020 BOND ORDINANCES	FY2017 CAPITAL IMPROVEMENT FUND
FILTER ACTUATOR AND VALVES	\$ 2,100,000		
LABORATORY UPGRADE	\$ 1,000,000		
RAW WATER INTAKE	\$ 3,000,000		\$ 3,000,000
SUPERPULSATOR UPGRADE	\$ 2,000,000	\$ 2,000,000	
SAND SEPARATER	\$ 1,000,000		
GRAVITY THICKNER REHABILITATION	\$ 1,500,000	\$ 1,500,000	
VFD PUMP	\$ 1,500,000		
RESILENCY	\$ 10,000,000	\$ 250,000	
SCADA/CONTROL SYSTEM	\$ 600,000		
<b>WATER STORAGE AND PUMP STATIONS</b>			
WATER STORAGE TANK IMPROVEMENTS	\$ 3,000,000	\$ 2,300,000	
DECENTRALIZED STORAGE TANK SYSTEM	\$ 90,000,000	\$ 30,000,000	
DECENTRALIZED STORAGE TANK SYSTEM	\$ 2,000,000	\$ -	
<b>WATER DISTRIBUTION SYSTEM</b>			
LCR COMPLIANCE PROJECTS (LSLR/CCT)	\$ 151,300,000	\$ 25,000,000	\$ 1,700,000
DISTRIBUTION SYSTEM IMPROVEMENTS	\$ 63,000,000	\$ 2,000,000	
WATER METER REPLACEMENT PROGRAM	\$ 25,000,000	\$ 20,000,000	
WATER ACCOUNTABILITY ACT COMPLIANCE	\$ 3,000,000	\$ 1,000,000	
<b>FACILITIES, EQUIPMENT &amp; VEHICLES</b>			
WESTSIDE PLAZA	\$ 3,000,000		
FACILITIES IMPROVEMENTS	\$ 33,000,000	\$ 23,000,000	
VEHICLES	\$ 9,000,000	\$ 1,500,000	\$ 1,300,000
<b>CAPITAL PLAN SUMMARY</b>			
WATER TREATMENT PLANT (WTP)	\$ 22,700,000	\$ 3,750,000	\$ 3,000,000
WATER STORAGE AND PUMP STATIONS	\$ 95,000,000	\$ 32,300,000	\$ -
WATER DISTRIBUTION SYSTEM	\$ 242,300,000	\$ 48,000,000	\$ 1,700,000
FACILITIES, EQUIPMENT & VEHICLES	\$ 45,000,000	\$ 24,500,000	\$ 1,300,000
<b>GRAND TOTAL</b>	<b>\$ 405,000,000</b>	<b>\$ 108,550,000</b>	<b>\$ 6,000,000</b>

# STAFFING PLAN

TWW Staffing Plan Status as of 1/31/20			
Title	Positions Filled/ Offer Made	STAFFING REQUIREMENT PER NJDEP ACO	Total # of Employees (At Maximum Staffing)
Executive Team	6	7	7
Administration	12	12	12
Construction and Maintenance Office	52	52	56
Customer Service and Billing	22	22	24
Operations - Distribution	8	9	12
Engineering	4	6	13
Operations - Facilities	38	45	59
Operations - Meters	33	33	38
Public Relations	0	0	4
<b>GRAND TOTAL</b>	<b>175</b>	<b>186</b>	<b>225</b>

# TWW SALARY INCREASES

- Salary increases are needed to minimize turnover and recruit top talent
- TWW staff salaries are presently in negotiation
- Salaries should be brought up to par with AWWA industry standards
- Plan focuses on technical and licensed positions
- TWW unions support the proposals





## RATE INCREASE BY THE NUMBERS

- Rate adjustment was designed to pay for the next 2-yrs of critical capital needs, staff and salaries
- Average increase = \$11/month per household
- Total Projected Revenue Increase = \$8.2M per anum
  - Rate increase to fund immediate project needs, increase staff and market rate salary adjustments
- Additional revenue to be acquired through revised fees
- Rates to be reevaluated every two years

# RATE COMPARISON: TWW & NJAW

**TWW**

**\$494**

Annual Bill

\$41.16  
per month

**New Jersey  
American Water**

**\$1,052**

Annual Bill

\$87.66  
per month

**Proposed TWW**

**\$625**

Annual Bill

\$52.16 per month

Increase is  
\$11 per month

\*based on usage of 300 gpd



# PUBLIC PERCEPTION OF RATE INCREASE

- Public information sessions held in Trenton and all customer municipalities
- Generally well-attended, with good questions re operations and communications
- **Not a single objection to rate increase raised at any session**
- Customers appeared to understand and accept the need for an increase and the uses to which it would be put

# SUMMARY

- TWW is a self-liquidating entity
- TWW needs funding to meet NJDEP ACO obligations, improve water quality, enhance operations, obtain adequate staffing, and to fulfill vital infrastructure needs
- An \$11/mo rate increase funds our most imminent, critical needs
- The rate increase is not opposed by our customers
- Rates will be reevaluated in two years to ensure TWW sufficiently funded for the foreseeable future

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# **CITY OF TRENTON DEPARTMENT OF WATER AND SEWER**

## **BOND FINANCING**

CITY COUNCIL PRESENTATION

2/18/20

# **SELF LIQUIDATING ENTITY**

TWW is a self liquidating entity, which means that it incurs and pays its debts on its own, independent of the city's general obligation debt, using the fee and rate income generated by its operations

TWW bonds do not impact that portion of city budget appropriations paid for by general tax dollars, because TWW bonds are paid for directly from TWW operations revenue, not general City tax dollars

# BOND BASICS

- An AUTHORIZED BOND is one which has been authorized by Council to be issued (i.e. bond ordinance adopted already)
- Authorized bonds do not add to actual debt until issued
- An ISSUED BOND is one which has been sold in the market, generating funds and creating a payment obligation for the issuer (TWW)

# AUTHORIZED AND ISSUED BOND BALANCE REUSE

- ISSUED BUT UNSPENT bond funds can be allocated for current priority projects if bond ordinance language is broad enough, with no change in debt, since those funds are already recognized in budget
- AUTHORIZED BUT NOT ISSUED bonds can also be allocated to current priorities if bond ordinance language is broad enough
- If language in the bond ordinance is not broad enough to apply to current priorities, original purpose can be amended by ordinance, without authorizing additional debt until issued



# BOND BALANCE REVIEW

- TWW reviewed all balances to determine how or if they can be used, including identification of unspent proceed amounts and review of bond ordinance language
- TWW determined path forward is to cancel all unissued debt authorizations which cannot be reallocated and issue a new bond ordinance for projects to be funded by the rate increase

# BOND PROCESS GOING FORWARD

All future requests for bond funds for necessary projects will identify whether they will be from previously authorized bonds or require new authorizations from council

Priority will be to reallocate unspent bond proceeds and authorized but not issued debt

In either case, debt service costs from both options are included in the financial calculations in TWW rate proposal, and will provide sufficient revenue for debt service payment, thus having no impact on city or TWW bond rating

THANK YOU

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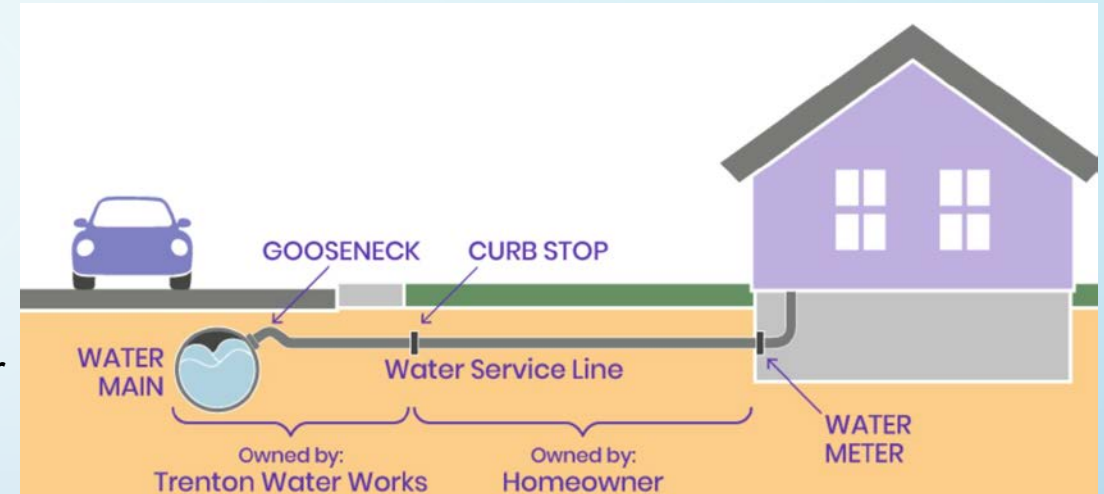
## CAPITAL PROJECT DETAILS

CITY COUNCIL PRESENTATION

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# LEAD AND COPPER RULE (LCR) COMPLIANCE PROJECT

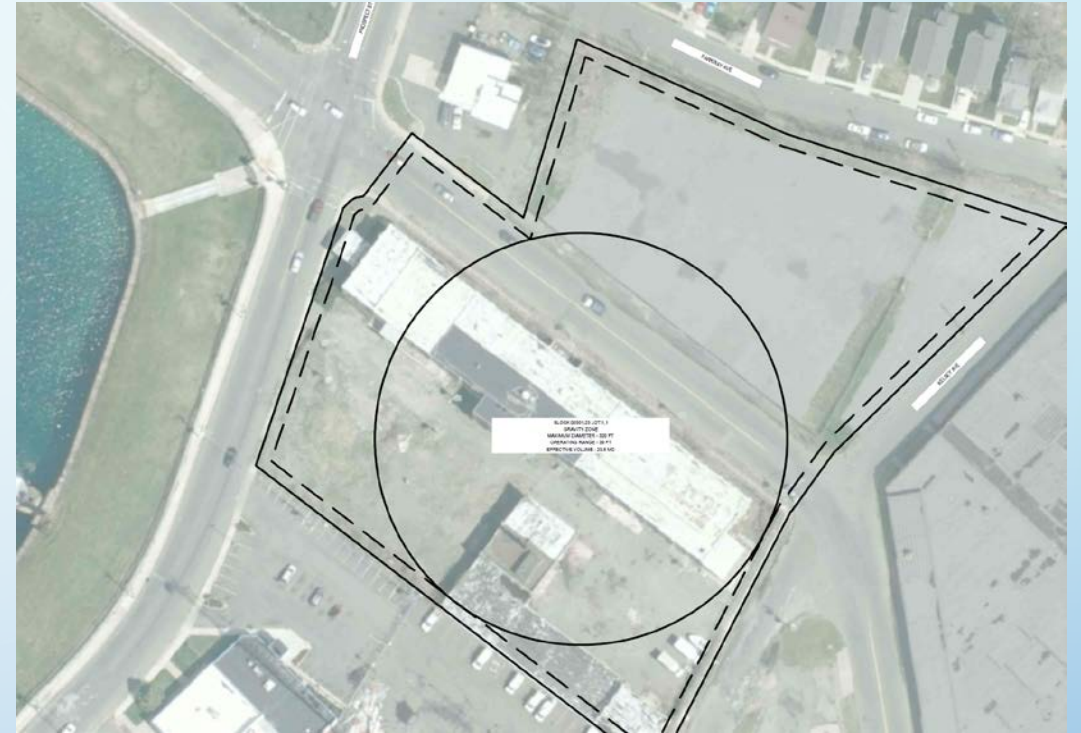
- The lead and copper rule (LCR) is a United States Federal Regulation which limits the concentration of lead and copper allowed at the consumer's tap.
- TWW violated the LCR in 2017 and 2018.
- WQ sampling in 2019 90<sup>th</sup> percentile for 2019 was compliant with LCR.
- Per ACO #2, TWW is obligated to complete the following tasks and improvements:
  - Replacement of 21% of the lead lines in the system (7,700 lsIs)
  - Installation of corrosion inhibitor to reduce lead levels at the tap
- Rate increase will allow us to fulfill our current ACO obligations for LCR compliance by the end of 2021.
- LSLR program is underway. Ultimate goal is to replace all lead service pipes in the system(est. 36,500) over the next 6 years (approx. \$150M cost)





# DECENTRALIZED WATER STORAGE TANK NETWORK

- USEPA requires that all finished open water reservoirs be covered to reduce water degradation
- TWW is under an ACO to cover or replace the 80 MG Pennington Reservoir.
- Centralized finished water storage is no longer the industry standard
- Building several large replacement water storage tanks throughout the system gives the system operational and storage flexibility, better system water pressure, and vastly better security
- The rate increase will fund Phase 1 and a portion of Phase 2
- Additional funding will be needed to complete future phases of the project





# WATER TREATMENT FACILITY UPGRADE

- TWW's Water Filtration Plant is our most valuable asset
- Originally built in 1914 and expanded in 1950s
- The building is in disrepair, requiring substantial upgrades to various structural, electrical, fire, HVAC and security systems.
- Continued neglect will compromise plant operations and worker H&S.
- Lumping the improvements under one contract saves cost.
- Project cost = \$20M over the next two years. Bid documents are ready for solicitation.



# WATER METER REPLACEMENT PROGRAM

- TWW has approximately 63,000 metered accounts.
- Over 36,000 meters are currently out of compliance
- Meters lose accuracy over time; older meters have lesser capability at low flow rates
- New, improved metering system will reduce unaccounted for water.
- Smart metering technology will be deployed, utilizing remote meter reading with integrated billing software.
- Anticipated Cost: \$20M; Low interest financing through NJIB is currently available, other options also being considered
- Bills will become more timely and accurate.
- Operational costs will be significantly reduced
- Customer service will be enhanced.

