Long Hill Township
Sanitary Utility Evaluation
February 2017
Remington & Vernick was authorized to study the utility system to establish the condition of the existing utility system and preliminary value for consideration of a potential sale.

Objectives of Study:
- Evaluate Existing Sanitary Infrastructure / Assets
- Develop a 20 Year Capital Improvement Plan (CIP) including budgetary costs
- Develop the current value for the Utility System

Approach:
- Inspected all utility facilities – mechanical, electrical & structural
- Reviewed historic operations and maintenance records
- Interviewed long time utility personnel
- Reviewed utility financial records including historic investment in system
Objective #1 - Utility System Evaluation

- **Existing Sanitary Utility Infrastructure:**
  - Approximately 88% of residential properties are connected to the sanitary system while 12% of residential properties are currently on septic.
  - Approximately **54** miles of gravity sanitary main, ranging in size from 8” to 14” diameter.
  - Approximately **3** miles of force sanitary main, ranging in size from 2” to 8” diameter.
  - Most of the main was constructed in the 1930-1940 during the original plant construction and in the 1970’s leading to the WWTP expansion.
  - The system is comprised mostly of ACP & VCP; these types of materials are prone to cracking and joint separation.
  - There are eight (8) active pump stations.
  - The plant has a current design capacity of 0.9 MGD however the plant receives / treats flows in excess of the capacity.
Objective #1 - Utility System Evaluation

• Existing Sanitary Utility Infrastructure - continued:
  – There is currently a sewer ban with connections reviewed on a case by case basis.
  – The sewer ban restricts and/or prevents development.
Utility System Evaluation

• **Overall Observations:**
  - The Township is at a cross road in terms of addressing the treatment capacities at the WWTP.
  - The Township has conducted an I&I study that identified those areas with the greatest inflow & infiltration.
  - The excessive I&I stresses the pump stations and the dry / wet weather fluctuations make the operation of the WWTP difficult.
  - Some of the pump stations require significant upgrades while all pump stations should begin to incorporate the routine upgrades of the mechanical equipment.
  - Despite recent lining projects for the gravity main and WWTP improvements, the utility is aging.
  - Lack of significant sanitary main replacements or rehabilitation relative to the age of the system.
Objective #2 – 20 Year Capital Improvement Plan

- Developed as a planning tool to begin the necessary improvements to the system for sustainable operation.
- To be utilized to establish annual budgetary requirements for the Township Utility. Also allows the ability to review the financial future of the utility system and impact to rate payers.
- Incorporates improvements to address deficiencies in the system.
- Maintains routine inspection and maintenance improvements of critical infrastructure elements (i.e. pump replacements, ).
- Plans for the systematic and prioritized sanitary main replacements / rehabilitation to eliminate I&I but also address aging infrastructure.
20 Year Capital Improvement Plan

- Recommended review on annual basis and incorporation of additional sanitary piping, as feasible due to budgetary considerations.
- Capital Improvements Plan *does not* incorporate Operations Budget or Debt Service.
- Capital Improvement Plan *does not* incorporate construction of infrastructure for existing septic systems.
- Capital Improvements Plan results in:
  - Annual Pump Station / WWTP Costs = $547,500
  - Annual Sanitary Conveyance Improvement Costs = $813,000
  - Average Annual Budgetary Considerations = $1,412,400
Objective #3 - System Valuation

- As part of this project, RVE was requested to complete a valuation of the system. This analysis puts a current worth on the system.
- The system was analyzed using the BPU accepted valuation methodology.
- **Cost Approach - Original Cost Less Depreciation**
- Each element of the infrastructure was incorporated into the valuation and depreciation of the infrastructure was considered.
- Basis for the private utility to recover their purchase price.
- Does *not* mean that a private utility would not pay more.
- Using the Original Cost Less Depreciation analysis, the estimated value of the sanitary system is **$24.9 million**.
Questions and Answers