

THE TOWNSHIP OF SOUTH ORANGE VILLAGE

ORDINANCE #2024-15

NOTICE IS HEREBY GIVEN, that the following entitled Ordinance was duly considered and adopted after public hearing by the Village Council of South Orange Village at their special meeting held on July 29, 2024 during a virtual (call-in) meeting utilizing the Cisco WebEx Audio/Video Conferencing System. The following ordinance was adopted:

2024-15 AN ORDINANCE OF SOUTH ORANGE VILLAGE ADVANCING THE SALE OF THE VILLAGE'S WATER SYSTEM AND AUTHORIZING A PROPOSAL TO BE PRINTED ON THE BALLOT FOR CONSIDERATION BY THE VOTERS WITHIN THE VILLAGE AT THE GENERAL ELECTION ON NOVEMBER 5, 2024 PROVIDING FOR THE SALE OF THE VILLAGE'S WATER SYSTEM TO NEW JERSEY AMERICAN WATER, INC.

WHEREAS, South Orange Village, in the County of Essex, New Jersey (the "Village") currently owns and contracts for the operation and maintenance of its water utility distribution and transmission system servicing the residents and property owners (the "Customers") within the geographic boundaries of the Village (the "System"); and

WHEREAS, the Village determined that, based upon review, evaluation and recommendation, the increasing regulatory obligations, combined with the age of the system and ever-increasing costs for the operation and maintenance of the System, the Village would explore the potential sale of the System to a regulated public utility; and

WHEREAS, on March 25, 2024, the Village Council adopted Resolution 2024-096 authorizing and directing the development and issuance of a Request for Bids for the sale of the System in accordance with N.J.S.A. 40:62-1 et seq.; and

WHEREAS, on April 15, 2024, the Village prepared and distributed a Request for Bids for the Sale of the System (the "RFB") requesting bids for the purchase of the System pursuant to N.J.S.A. 40:62-1 et seq. (the "Public Utilities Law"); and

WHEREAS, on June 25, 2024, the Village received two bids from two regulated public utilities; New Jersey American Water Company, Inc., submitted a bid offering \$19,700,000.00 and Veolia, Inc. submitted a bid offering \$12,500,000.00 to purchase the Village's System; and

WHEREAS, the Village has determined that the bid submitted by New Jersey American Water Company Inc., One Water Street, Camden, NJ 08102 in the amount of \$19,700,000 is the bid the Village wishes to pursue; and

WHEREAS, the Public Utilities Law permits a governing body to adopt an ordinance providing for the sale of the System; and

WHEREAS, under the terms of the RFB, the Village would sell all of the Village's rights and interests in the land and improvements comprising the System, provided that any purchaser of the System would continue to provide water distribution and transmission

services to the Customers in accordance with all applicable state and local standards, make capital improvements, and meet statutory and regulatory requirements; and

WHEREAS, the Village and New Jersey American Water Company Inc. have agreed to the relevant terms of the sale of the System; and

WHEREAS, the Public Utilities Law requires that in addition to the approval of the Village, the legal voters of the Village must also approve the sale of the System; and

WHEREAS, the Public Utilities Law, specifically N.J.S.A. 40:62-5, authorizes the Village to request that the clerk of the County of Essex place the question of the sale of the System on the ballot used at the next general election in the Village, which is scheduled for November 5, 2024; and

WHEREAS, the Village desires to advance the sale of the System, approve the sale of the System at a purchase price of \$19,700,000.00 and cause the question of the sale of the System to be placed on the ballot; and

WHEREAS, should the voters of the Village approve the sale of the System and should the Village Council desire to proceed with such sale, it shall be necessary to authorize and execute a sales agreement between the Village and New Jersey American Water, Inc.; and,

WHEREAS, since this ordinance does not authorize the execution of a sales agreement but is instead intended to advance the sale, approve the terms of such sale and submit the question to the voters of the Village, should the Village Council desire to consummate the sale of the System, the Mayor and the Village Council shall be required to consider and adopt a resolution authorizing execution of a sales agreement and permitting any other actions, documents and regulatory approvals set forth in the Public Utilities Law to cause the sale of the System.

NOW THEREFORE BE IT ORDAINED, by the Village Council of South Orange Village, a municipal corporation of New Jersey located in Essex County thereof, as follows:

SECTION 1. The recitals are hereby incorporated as if set forth in full herein.

SECTION 2. The Village hereby accepts the bid submitted by New Jersey American Water Company Inc., approves the sale of the System in the amount of \$19,700,000, and hereby advances the potential sale of the System by submitting the question to the voters of the Village (as set forth in N.J.S.A. 40:625) for their consideration and, should the voters approve such sale, then and only then, the Village Council may consider and adopt a resolution authorizing execution of a sales agreement together with any other actions, documents and regulatory approvals set forth in the Public Utilities Law necessary to cause the sale of the System.

SECTION 3. The Mayor and Council hereby requests and directs the Clerk of the County of Essex to place the following question and explanation on the ballot of the next general election, such to be substantially in the form provided in N.J.S.A. 40:62-5 as follows:

PROPOSAL

"Shall South Orange Village, in the County of Essex, New Jersey, be authorized to sell its water distribution and transmission system (commonly known as the "System") to New Jersey American Water Company Inc. for the sum of \$19,700,000?"

_____ Yes _____ No

Explanation

If a majority of the legal votes cast in the Village are "Yes", South Orange Village will be authorized to sign an agreement with New Jersey American Water Company Inc. for the sale of the system servicing the residents and property owners within the geographic boundaries of the Village in the amount of \$19,700,000.

This agreement provides that New Jersey American Water Company Inc. will provide and maintain all water distribution and transmission services to the existing customers of the Village's system and will make substantial capital improvements to such system in accordance with the terms of a sales agreement approved by the Village. Subject to the final review and approval of the New Jersey Board of Public Utilities, the agreement will contain provision and terms for the following:

- Rate stabilization for five (5) years as follows:

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Rate Increase	0%	0%	3%	3%	3%

- At least Fifty Million (\$50,000,000.00) Dollars of capital improvements
- Availability of the H2O Help to Others Program
- Provision of water service to municipal properties without cost for a period of years
- Phased-in fire hydrant tariff over a period of years
- Assumption of lead service line replacement

If a majority of the legal votes cast in the Village are "No," the Village will retain the System and will immediately begin a process to increase rates to the extent required to address the need for additional capital improvements, lead line replacement program and maintenance activities.

SECTION 4. All Ordinances or parts of Ordinances inconsistent herewith are repealed as to such inconsistencies.

SECTION 5. This ordinance shall take effect upon final passage and publication as required by law.

SECTION 6. On passage this ordinance shall NOT be codified.

Adopted: July 29, 2024

ATTEST:

Ojetti E. Davis, Village Clerk
South Orange Village