

November 1, 2024

South Orange Village Response to Food and Water Watch Assertions

South Orange Village (“Village”) issued the following statement in response to Food and Water Watch’s (“F&WW”) assertions regarding the ballot referendum South Orange voters are being asked to consider on the sale of the water system.

The following information is related to recent statements made by F&WW.

OPRA Request Denial

Under New Jersey’s Open Public Records Act (OPRA), South Orange Village denied F&WW’s request for New Jersey American Water’s (“NJAW”) draft contract and bid for the purchase of the Village’s water system, because the **sales contract is not yet final**. Contract and bid disclosure prior to contract execution can provide potential, alternate bidders with an unfair advantage, should the Village rebid the sale in the event it’s not approved. This path was chosen to protect and preserve South Orange’s options and support negotiating the best outcome for South Orange’s water customers.

It should be noted that the referendum is nonbinding. Should the majority of the residents vote yes, the Village Council will still need to approve the contract with NJAW. Both the NJAW proposal and sales contract will be made public at that time in accordance with local public contract law.

Capital Improvement Plan

South Orange Village used \$50 million of capital improvements to develop its financial analysis, because it’s NJAW’s proposed investment and closely correlates to the Village’s planned capital projects’ costs. As such, it provides comparability for rate comparisons.

Contrary to F&WW’s assertions, the Village’s water budget and capital improvement plan was presented publicly during departmental budget hearings, in January 2024, and again upon April 2024 adoption of the Village’s budget.

Additionally, the 2022 capital improvement plan submitted to the NJ Department of Environmental Protection (“DEP”) was for \$37.5 million in projected improvements, as detailed below. The Village also anticipates investing \$1.0-\$1.5 million annually for water system repairs and replacements (CIRR), which support the \$50M capital improvement projection, but were not required as part of the DEP submission.

2023 DEP Submission – Capital Improvement Plan

	Finished/Treated Water Storage	2023-2026	\$7,500,000
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1	Finished/Treated Water Storage	2022-2024	\$1,500,000
2	Finished/Treated Water Storage	2023-2026	\$2,000,000
3	Transmission & Distribution Mains	2022-2024	\$1,500,000
4	Pump Stations	2022-2024	\$250,000
5	Lead Service Line Replacement	2022-2024	\$2,000,000
6	Lead Service Line Replacement	2022-2024	\$2,000,000
7	Lead Service Line Replacement	2025-2031	\$5,000,000
8	Transmission & Distribution Mains	2022-2024	\$500,000
9	Other	2022-2024	\$3,000,000
10	Pump Stations	2022-2024	\$1,500,000
11	Finished/Treated Water Storage	2022-2024	\$250,000
12	Transmission & Distribution Mains	2026-2032	\$9,000,000
13	General Plant	2023-2026	\$1,500,000
	Total		\$37,500,000

Total Estimated Investment		
Total (1-3 Years)	2024-2026	\$12,500,000
Total (4-7 Years)	2027-2029	\$5,000,000
Total (8-10 Years)	2030-2033	\$20,000,000
Grand Total (10 Years)	2024-2033	\$37,500,000

2023 - 2033 Projected CIRR Investment: \$10,000,000 to \$15,000,000

2023 - 2033 Projected Capital Improvement Investment: \$47,500,000 to \$53,500,000

Water Usage and Bill Comparisons

The rate comparison provided was illustrative, based on key assumptions, to show the impact if the system is sold versus retained. The Village used 9,000 gallons as the average customer volumetric usage, based on information available. Water usage varies widely among households and rate comparisons vary accordingly.

Statements made by F&WW comparing the Village's water rates to corporate rates lack specificity and seek to make comparisons of systems that are not comparable and based on a moment in time. They do not account for the rate stabilization proposal offered by NJAW, inflation, administrative, billing, customer service, interest, and inflationary costs involved in the operations and administration of \$50 million of capital improvements.

Public Sector Alternatives



Shared services with neighboring municipalities are not a viable option as most of neighboring municipalities already use third-party water systems.

Additionally, the South Orange Water Utility Task Force was tasked with considering private, regulated water companies, since municipal water systems are not subject to NJ Board of Public Utilities' regulations, oversight, and rate setting. South Orange's negative, 20-year experience with the municipal East Orange Water Commission informed this decision.

The Village considered the possibility of changing water sources. First, it's been entirely satisfied with NJAW's water supply, reliability, and quality. Second, the Village's water utility administration and its professional consultants do not recommend this approach, because of numerous technical and environmental factors. Other water sources cannot offer the water volume allocation necessary to service the Village's requirements, which would require mixing sources, which adds layers of complexity, cost, quality control, and accountability challenges.

The Village has strived to remain fully transparent for the past 2+ years as it undertook a detailed analysis and review of its water utility and available, future options to ensure long-term viability. More information on the process, related documents, and an overview of NJAW's purchase proposal can be found at <https://www.southorange.org/1009/Water-System-Potential-Sale-2024>.

The Village invited F&WW to attend the public, community meetings held in September and October, and offered to meet with F&WW representatives to address their expressed concerns. This invitation remains open.