



# Sewer Utility Treatment Plant Decommission Project

9/30/2020

BOROUGH OF OAKLAND

# AGENDA

- OVERVIEW
  - PROJECT HISTORY
  - SEWER OPERATIONS
  - PROJECT PLAN
  - FINANCIAL IMPACT ANALYSIS
  - QUESTIONS & ANSWERS
- Linda Schwager  
Mayor
  - John Biale  
Councilman
  - John Napolitano  
Utility Attorney
  - Kevin Boswell  
Borough Engineer
  - David Young  
CFO

# Overview

Mayor Linda Schwager

## ► Meeting Objective:

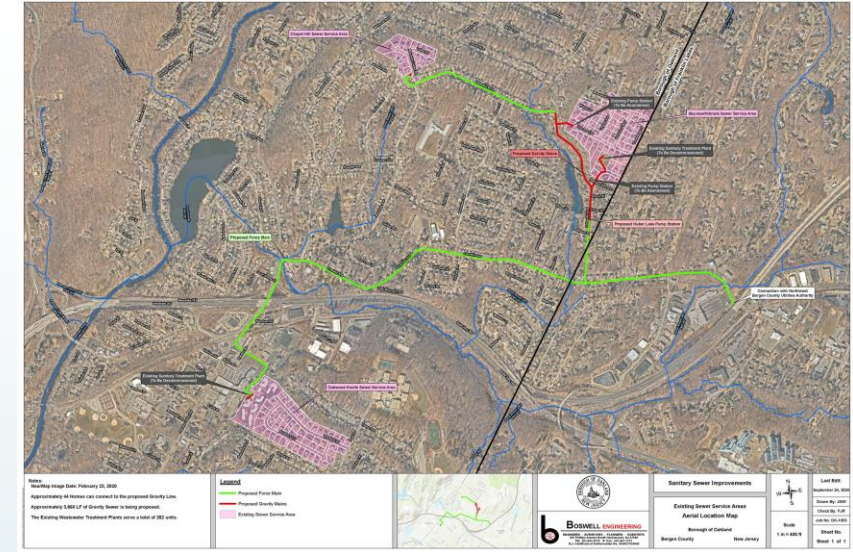
- Address questions and concerns related to the decommissioning of the Borough's existing Sewer Treatment Plants.

## ► Project Goal: Decommission current treatment plants

- The Decommissioning plan is the most cost effective long-term solution for the current users of the sanitary sewer system.

## ► This project is for the current Sewer Service Area ONLY

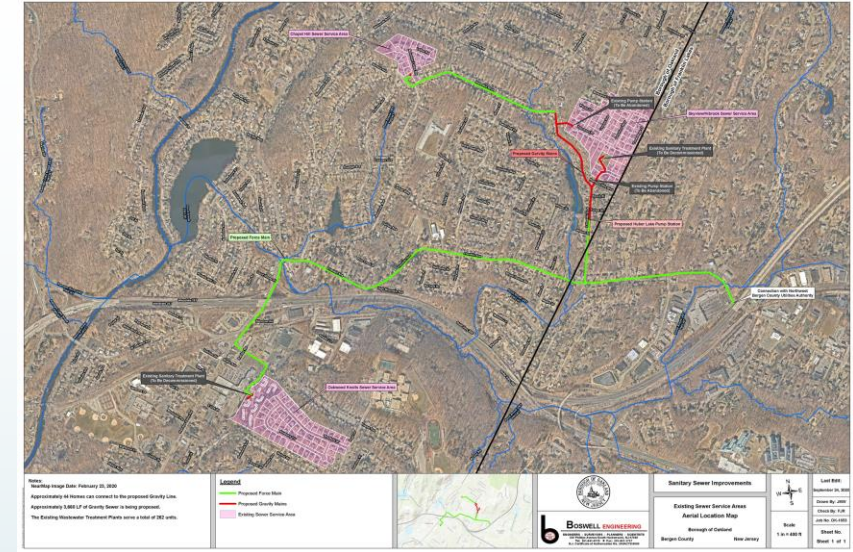
- We cannot add any other areas of the Borough to the current Sewer Service Area
- We can only connect the current users to the Northwest Bergen County Utilities Authority (NBCUA)



# Overview

Mayor Linda Schwager

- **The Annual Sewer Rate will remain about the same as it is today.**
  - *There will be no separate “assessment” for this project*
  - *ALL costs are accounted for in the existing rate structure*
  - *The annual sewer rates will remain about the same*
- **There will be a Question and Answer session at the end of the presentations.**





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# Project History

Councilman Biale

# PROJECT HISTORY

## *Councilman Biale*

### ■ Existing Sewer System

- The Borough has been reviewing alternatives for the three (3) existing Sanitary Treatment Plants (STPs) since 2011. In 2017, a report from our engineer advised us that the STPs were nearing the end of their useful life.
- The Decommissioning plan did not require amendment to the Wastewater Management Plan.
- 12 meetings with multiple agencies since early 2017. Reports of meetings by Mayor and Council at public meetings during this period.

### ■ Alternative Analysis

- Build a single, new sewage treatment plant in the Borough.
- Rebuild the Chapel Hill, Oakwood Knolls and Skyview-Hibrook STPs.
- Convey wastewater flow from the Borough to Northwest Bergen County Utilities Authority's ("NBCUA") sanitary sewage collection system for treatment.
- The Borough has determined that the best alternative is to convey the wastewater to NBCUA.

# PROJECT HISTORY

## *Councilman Biale*

- Possible Future Sewer System Expansion
  - Borough has been meeting with the NJDEP to allow us to consider bringing sanitary sewers to new areas in the Borough.
  - Approval of a Wastewater Management Plan (WMP) amendment is required for any expansion to the existing sewer service areas.
- Currently we do not have required approvals for any expansion
  - The infrastructure being designed to transmit flow to NBCUA does not enable sewer connectivity to any future sections of the borough.
  - Any future expansions of the Sewer Service Area would require their own infrastructure.



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# Sewer Operations

John Napolitano, Attorney

# Operation and Maintenance of system

*John Napolitano: Attorney*

- N.J.S.A. prescribes how budgets are developed for self-liquidating utilities and who is responsible to pay for the operation and maintenance of the collection and treatment system.
- Operation and Maintenance includes all capital, debt and operational costs to operate systems in accordance with NJDEP requirements.

# Operation and Maintenance of system

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*John Napolitano: Attorney*

- August, 2018
  - Former licensed sewer operator retired.
  - De Block Environmental hired by Borough as licensed sewer operator.
- September, 2018
  - Prior reporting violations noted by new operator.
  - Borough initiates meetings with NJDEP Enforcement to review violations and NJDEP Water Quality to review decommissioning alternatives.
- NJDEP agrees to execute Administrative Consent Order (ACO).
  - ACO provides for reduced fines, interim operating limits for existing plants and schedule to secure permits.
  - ACO allows for construction of new system and decommission of the three current STPs.

# Decommissioning Plan

Kevon Boswell: Borough Engineer

# Decommissioning Plan

*Kevin Boswell: Borough Engineer*

- Existing Sewer Service Areas-Three STPs (Oakwood Knolls, Chapel Hill & Skyview-Hibrook)//Two existing pump stations within Skyview-Hibrook system.
- The project will consist of the conversion of all three STPs into pump stations.

# Decommissioning Plan

*Kevin Boswell: Borough Engineer*

## ■ ACO Decommissioning Schedule

- June 1, 2020: Submit Minor Modification request for Water Allocation Permit (completed 5/29/20).
- August 1, 2020: Submit Treatment Works Approval (TWA) permit application for decommissioning plan (completed 7/31/20).
- January 1, 2021: Award contract for decommissioning plan.
- February 17, 2021 Commence construction contract for decommissioning plan.
- February 15, 2022: Complete decommissioning plan construction.
- April 1, 2022: Complete demolition of STPs, convert wastewater flows to new system and activate system.

# Decommissioning design



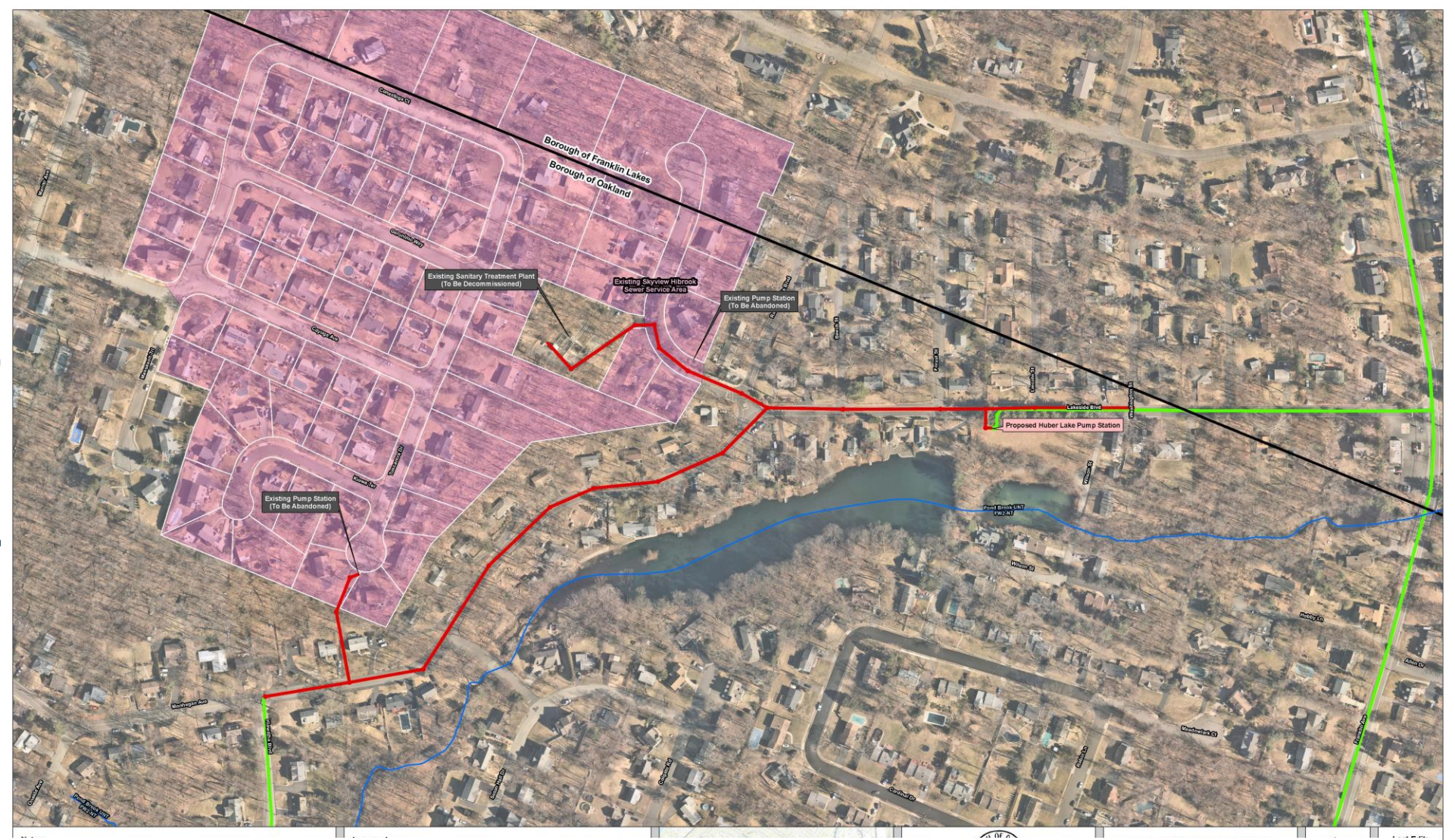
CHAPEL HILL Sewer Service Area

# Decommissioning design



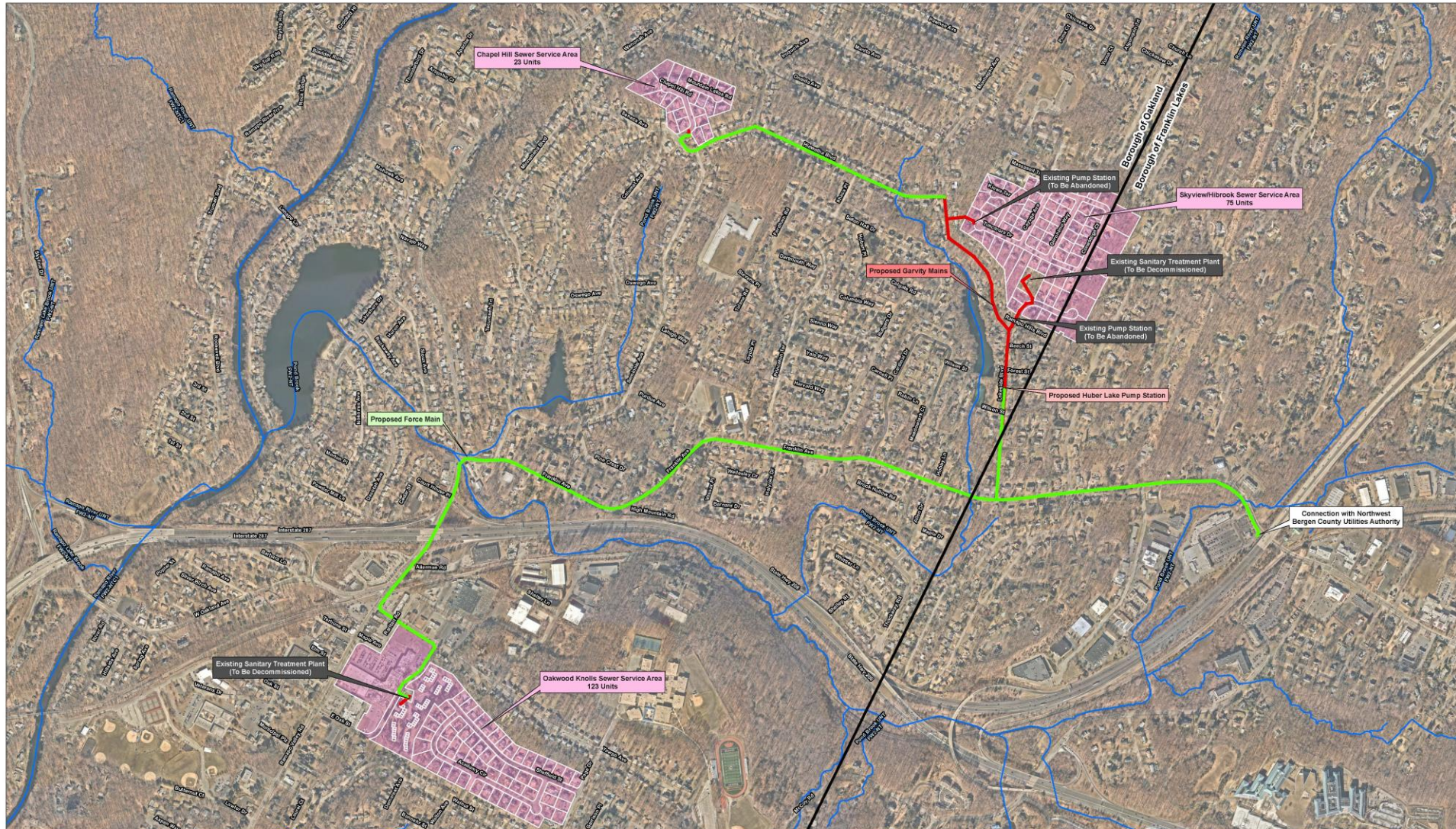
# OAKWOOD KNOLLS Sewer Service Area

# Decommissioning design



# SKYVIEW\_HIBROOK Sewer Service Area

# Decommissioning design



EXISTING Sewer Service Area



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# Financial Overview

David Young, Chief Financial Officer

# ESTIMATED PROJECT COSTS

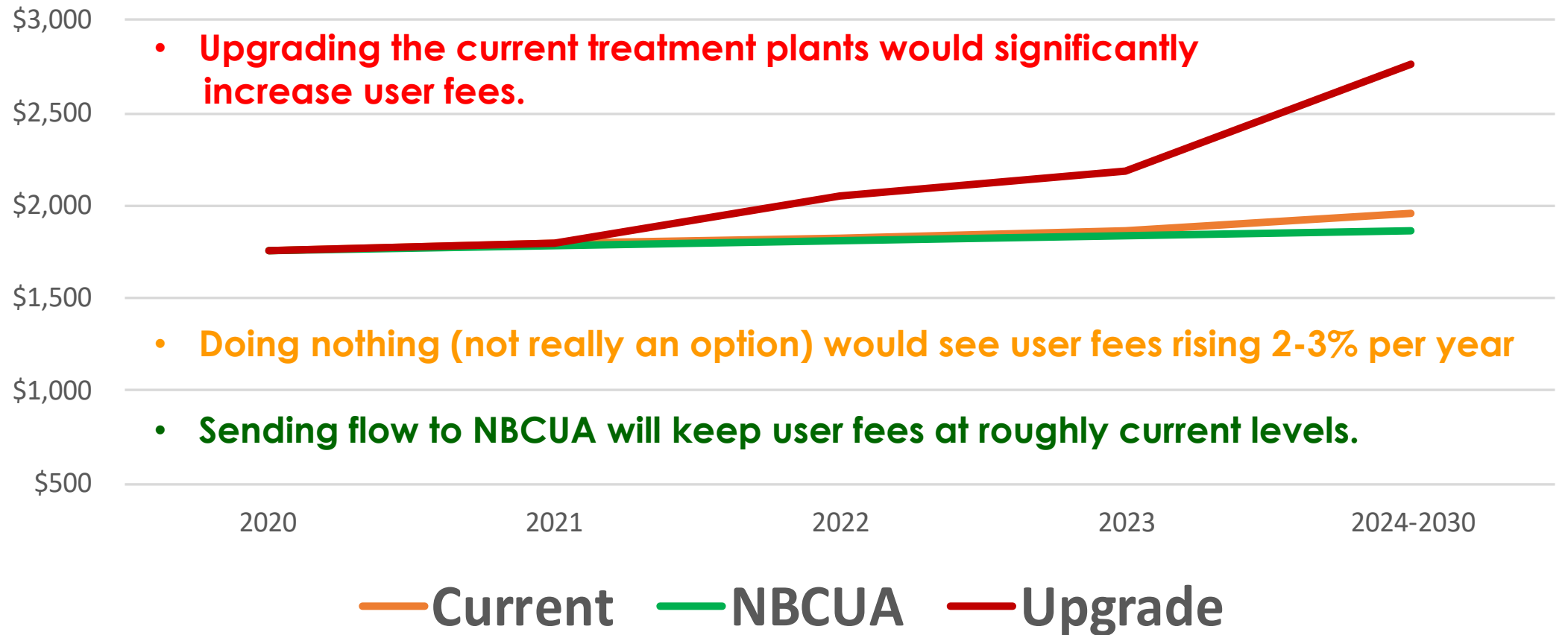
*David Young: Chief Financial Officer*

## Oakland Sewer Project: Estimated Costs

<b>Admin Expenses</b>	\$ 114,000.00
Other - Connection Fee	\$ 820,000.00
Engineering	\$ 680,000.00
Building Costs	\$ 3,800,000.00
<b>Contingencies</b>	\$ 190,000.00
Sub-Total	\$ 5,604,000.00
<b>DEP FEE</b>	\$ 112,080.00
New Total Project Costs (estimated)	\$ 5,716,080.00
New Estimated Loan Amount	\$ <b>5,716,080.00</b>

- 30 Year Financing through NJEIT  
(New Jersey Environmental Infrastructure Trust)
- NJEIT requires funding to be included at certain levels for Admin, Contingencies & DEP Fees
- 50% interest free loan / 50% loan at market rate
- No down-payment required
- We will only finance what we actually spend

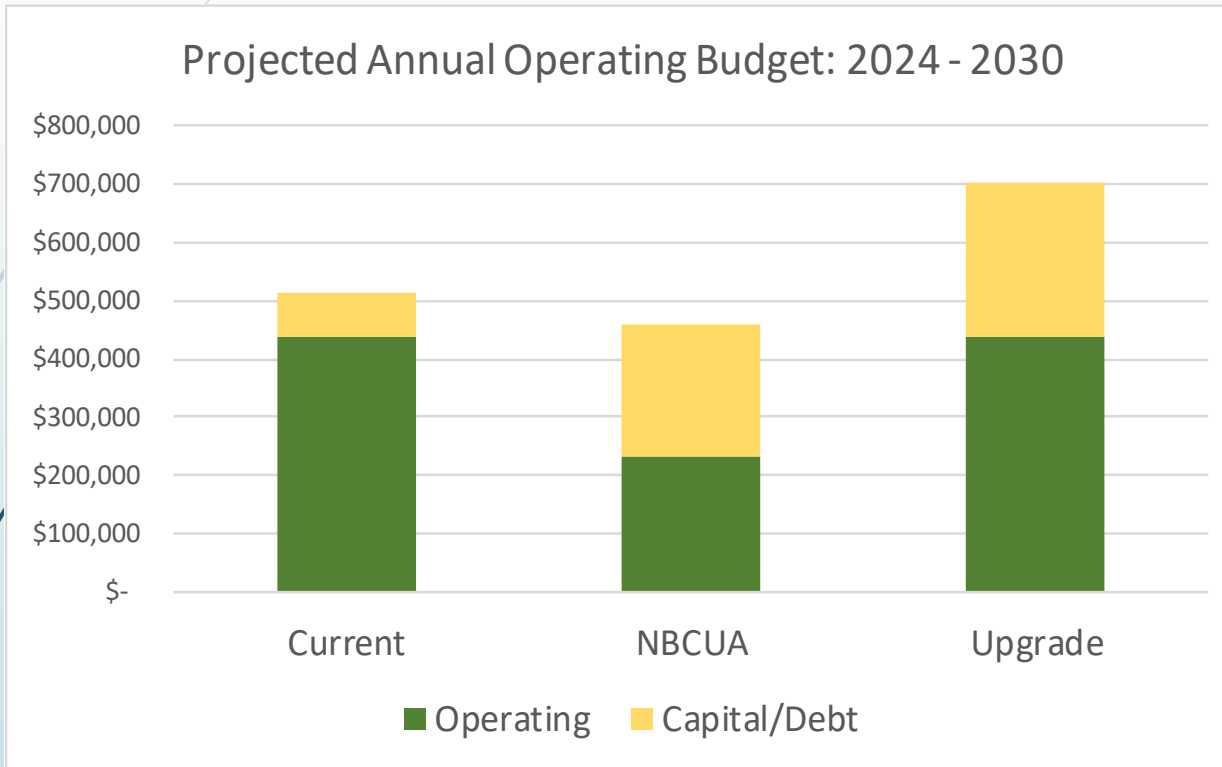
## Avg Annual User Fee



	2020	2021	2022	2023	2024-2030
Trend Current Budget	\$ 1,758	\$ 1,795	\$ 1,830	\$ 1,863	\$ 1,962
Flow to NBCUA	\$ 1,758	\$ 1,785	\$ 1,812	\$ 1,839	\$ 1,866
Upgrade Plants	\$ 1,758	\$ 1,795	\$ 2,059	\$ 2,193	\$ 2,767

# FINANCIAL OVERVIEW

*David Young: Chief Financial Officer*



	Operating		Capital/Debt	
<b>Trend Current Budget</b>	\$	437,800	\$	74,300
<b>Flow to NBCUA</b>	\$	232,000	\$	228,000
<b>Upgrade Plants</b>	\$	437,800	\$	264,300

- Years 2024-2030 average projected rates used.
- Assumes annual Inflation Rate of 2% for all options for operating, statutory & insurance costs.
- NBCUA option also includes an annual rate increase of 2% from NBCUA.
- Upgrade options assumes that we can secure NJEIT financing for 30 years for \$5M.

# FINANCIAL OVERVIEW

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	2019	2020	2021	2022	2023	2024-2030
<u>Expenditures</u>	Budget	Budget	Budget	Budget	Budget	Avg Budget
Sewer - Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer - O.E.	\$ 361,000	\$ 336,925	\$ 331,925	\$ -	\$ -	\$ -
On-Going OE	\$ 25,000	\$ 25,000	\$ 36,200	\$ 40,500	\$ 45,600	\$ 49,248
Sewer - Utilities	\$ 38,525	\$ 43,000	\$ 36,000	\$ 38,000	\$ 40,000	\$ 42,000
Sewer - Insurance	\$ 5,800	\$ 5,800	\$ 5,800	\$ 5,945	\$ 6,094	\$ 6,246
Sewer - Capital	\$ 20,400	\$ 20,400	\$ 20,400	\$ 20,400	\$ 20,400	\$ 20,400
Sewer - Current Debt Service	\$ 19,875	\$ 19,875	\$ 19,875	\$ 19,800	\$ 19,800	\$ 17,500
Sewer - Notes	\$ -	\$ 6,000	\$ 6,000	\$ 66,000	\$ 66,000	\$ -
Sewer - NJEIT Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,000
Sewer - Future Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 18,000	\$ 18,000
Sewer - PENALTY	\$ 100,000	\$ 63,000	\$ 82,000	\$ 82,000	\$ 82,000	\$ -
Sewer-Rate Stabilization	\$ -	\$ -	\$ -	\$ 62,000	\$ 41,000	\$ -
Sewer - PERS, Soc. Sec.	\$ 9,400	\$ -	\$ -	\$ -	\$ -	\$ -
Sewer - NBCUA Charges	\$ -	\$ -	\$ -	\$ 93,000	\$ 95,000	\$ 97,000
<b>TOTAL</b>	<b>\$ 580,000</b>	<b>\$ 520,000</b>	<b>\$ 538,200</b>	<b>\$ 427,645</b>	<b>\$ 433,894</b>	<b>\$ 460,394</b>
<u>Revenues</u>						
Surplus	\$ 180,000	\$ 105,000	\$ 38,000	\$ -	\$ -	\$ 20,000
Rate Stabilization	\$ -	\$ -	\$ 79,000			
Rent - 235 accounts	\$ 400,000	\$ 415,000	\$ 421,200	\$ 427,645	\$ 433,894	\$ 440,394
Average Charge per user - to Oakland	\$ 1,694.92	\$ 1,758	\$ 1,785	\$ 1,418	\$ 1,436	\$ 1,455
Average Charge per user - NWBCUAvia Oakland	\$ -	\$ -	\$ -	\$ 394	\$ 403	\$ 411
<b>Average Residential Annual Sewer Fees</b>	<b>\$ 1,695</b>	<b>\$ 1,758</b>	<b>\$ 1,785</b>	<b>\$ 1,812</b>	<b>\$ 1,839</b>	<b>\$ 1,866</b>

## Pre-Submitted Q&A

## Submitted Questions & Answers

- How many residential units (homes) are affected by this Sewer Issue?
  - There are 215 active residential accounts receiving service from the Oakland Sewer Utility.
- How many Oakland businesses/non-residential customers have sewers
  - There are 20 Commercial Accounts in the Sewer Utility connected to the Oakwood STP.
- Does the Oakland Industrial Park has sewers?
  - No, they have no active sewers...they are on septic or have private treatment plants
- Do homes on Dogwood between Page and Spear have sewers?
  - There are no homes on Dogwood connected to the sewer system.

# Submitted Questions & Answers

- How will the total cost be divided among homeowner, non-residential customer, and business customer?
- How will the individual homeowner/non-residential customer/business customer be billed for the cost?
- Will the decommissioning of the current STP's result in an ongoing cost savings to Oakland (sewer division in terms of maintenance, reduced personnel, equipment, etc.) that will be passed on to the sewer customers?
- Will our quarterly sewer fees be reduced because of this change?
- How much will the taxes go up per year?
- What financial backing is the town expecting from homeowners?
  - We are not projecting a rate increase due to this project at this time. The decline in operating costs associated with decommissioning the treatment plants will roughly offset the increase in capital and debt expenses. The Sewer rate structure evaluates the projected costs and then adjusts fixed & variable rates accordingly. Residential and Commercial users have the same rate structure based upon water consumption. There will be no separate assessment for this project.

# Submitted Questions & Answers

- Payment over what timeframe?
- Will there be loan/interest fees?
  - We are working with New Jersey Environmental Infrastructure Trust to secure a 30 year loan at ½ the current market rate.
- What is the total cost of the project and what is the breakdown by component?

## Oakland Sewer Project: Estimated Costs

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# Submitted Questions & Answers

- Where have all the quarterly payments gone?
- Where is the money that is taken in for sewer spent?
  - Revenues raised from all Sewer Fees go to the maintenance and operation of the Sewer Utility. See slide titled “Financial Overview” for the major budget categories.
- Will Oakland be charging a fee for being the “middleman” between the Oakland sewer customers and the Northwest Bergen Utilities Association?”
  - The Oakland Sewer Utility will continue to be responsible for the collection system up to the point it connects to NBCUA, so there will be ongoing operating, capital and debt costs. The rate structure will continue to accommodate those costs along with service fees charged by the NBCUA.
- How is payment addressed if the house is sold prior to complete payment?
  - There is no special assessment for this project. The homeowner of record is responsible for Oakland Sewer Utility fees.

## Submitted Questions & Answers

- What other areas of town are being affected?
  - Only the existing areas currently served by the Oakland Sewer Utility are affected by this project.
- What is the long-term plan for converting all of Oakland from septic systems to sewers?
  - If the DEP approves the Borough's Wastewater Treatment Plan (WMP) amendment, the downtown area and certain additional residential areas will be able to have sewers. DEP will not approve an expansion that extends sewers throughout the entire municipality.
- Will a home with a septic system have to hook up?
  - IF the sewer service area is expanded, and if a home is in the new service area, then they may be required to connect within a to be defined period of time.

## Submitted Questions & Answers

- How will residential, non-residential, and/or business customers added to the system in future years be equitably billed for the capital improvements being made now?
  - At this time we cannot add any users to the system. IF that should change, the standard approach used by utilities and authorities is to charge an individual connection fee that takes into account historical capital improvement and debt costs.
- Is the plant used for anything besides sewers?
  - No
- Why were we fined by NJDEP?
  - We were fined for exceeding permitted limits at certain plants during certain months for levels of copper, phosphorus or ammonia, and for reporting non-compliance.

# Submitted Questions & Answers

- Why are the sewer customers finding out about this “crisis” piecemeal, through Facebook, flyers, and word of mouth from other sewer customers as opposed to being updated about the critical issues facing the sewer division when they began occurring?
- Why has M&C waited until now to discuss with those who are involved?
  - The governing body takes the same approach to operations, management and communication of the services it provides (Storm Water, Roads & Sidewalks, Water, Sewer, Police, Senior, Health & Construction ). Operating Budgets are reviewed and agreed to annually with a public review and public participation available as required by the State. Capital projects are proposed and adopted through the Ordinance process that requires posting and 2 public meetings before adoption. Reports on issues, change recommendations and project status are made regularly at Mayor & Council Meetings open to the public. The Borough has held 2 public meetings to discuss the sanitary sewer issues at Skyview and a Zoom meeting on the proposed pump station at Huber Lake.

# Submitted Questions & Answers

- Why did the town wait until now?
  - We resolved regulatory issues in February of this year that allow us to proceed with the application to decommission the plants.
- Why did the treatment plants fail?
  - The plants have not failed. The plants as designed can not meet the current regulations & are nearing the end of their useful life.
- Why didn't we know sooner?
  - The steps and actions taken for the past 5 years are all part of the public record and have been reviewed at regularly scheduled meetings of the Mayor and Council.

# Submitted Questions & Answers

- Is it true that NBCUA paid for the work in Franklin Lakes?
- Is it true that the sewer authority handled the entire sewer project in Franklin Lakes?
  - The Borough was not included in those negotiations. Contact the NBCUA for information.
- Is it true that the attorney for sewer authority and Oakland are with the same firm?
  - No. None of the firms that represent the Borough represent the NBCUA.
- What contingencies is the town planning on taking should the project fail or be delayed?
  - The existing treatment plants will continue to operate until the inter connection is completed

# Submitted Questions & Answers

- What protection is there by contract or otherwise against future increases in fees charged for processing Oakland waste water by the regional facility?
  - There is no guarantee. The advantage to joining NBCUA is the size of the utility mitigates against large increases in a given year.
- What guarantee is there by contract or otherwise that fees charged for processing Oakland waste water by the regional facility will not exceed fees charged to other customers for similar volumes of waste water? For example, is there a "most favored nation clause" for Oakland's benefit?
  - NBCUA charges all of the communities it serves the same user rate.

# Submitted Questions & Answers

- Will the cost proposed be greater than necessary to service only current sewer customers or are additional costs included at this time to facilitate a future addition of more sewer customers? If so, how much extra cost is involved?
  - The costs included in the proposal are for decommissioning the current STPs and transmitting the flow to NBCUA. There is one instance where we have included a short run of dry sewer main on Lakeside Boulevard within the same excavation as the force main to allow for possible future gravity connections. There are no laterals or other elements providing for future connections in this project.
- If more sewer customers are added would they derive a financial benefit from the infrastructure being built? If so, how will the present sewer customers be reimbursed for the benefit realized by the future new customers?
  - IF future users are added to the intended infrastructure, they would pay a connection fee that takes into account their “fair share” of existing capital and debt costs. New users would also pick up a share of sewer utility costs, reducing the future annual fees of the current users. The ability of the design to accommodate future connections is limited.

# Submitted Questions & Answers

- If the decommissioning of the STPs is part of a master plan to revitalize the downtown section for the benefit of the whole town, why should only current sewer users bear the entire costs?
- Decommissioning of the current STPs is a standalone project required to address the existing needs of the system. IF any other section of town received approval to become part of Oakland's Sewer Service Area, a new collection and transmission infrastructure would need to be constructed for those potential users.

## Q&A

- Please direct your question to a member of the panel.
- If your question has already been asked and you need further clarification, please identify what needs to be clarified.
- Due to the size of the audience, we ask that you attempt to frame and ask your question within the 3 minute per question time frame.