

BOROUGH OF SOMERVILLE REQUEST FOR BIDS SALE OF WASTEWATER SYSTEM

DISCUSSION OF RESULTS OF PROCUREMENT PROCESS AND REQUEST FOR PUBLIC
REFERENDUM FOR THE NOVEMBER 8, 2022 GENERAL ELECTION

AUGUST 1, 2022

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AGENDA

- ▶ OVERVIEW OF RFB PROCESS
- ▶ RESULTS OF RFB PROCESS
- ▶ CONTRACT DEVELOPMENT
- ▶ USE OF PROCEEDS FROM SALE
- ▶ WHAT HAPPENS IF THE SYSTEM IS NOT SOLD
- ▶ NEXT STEPS
- ▶ QUESTIONS

OVERVIEW OF RFB PROCESS

- ▶ Borough Evaluated Operations for the long-term operation, maintenance, management and ownership of its Wastewater System
- ▶ Borough Council authorized via Resolution the development and administration of an Request for Bids for the sale of the Wastewater System
- ▶ The Borough formed a professional team consisting of Phoenix Advisors as financial advisor, DeCotiis, FitzPatrick, Cole & Giblin, LLP as special procurement counsel, Gibbons, P.C. as bond counsel and T&M as engineer
- ▶ The Borough's professional team and administration representatives prepared and administered a Request for Bids for the sale of the Wastewater System in accordance with the Municipal Sale Law, N.J.S.A. 40:62-1 et. seq. (the "RFB")
- ▶ On March 8, 2022 the Borough issued the RFB
- ▶ On June 22, 2022 the Borough received two responses in response to the RFB from:
 - ▶ New Jersey - American Water Company, Inc. (\$7 Million); and
 - ▶ Aqua New Jersey (\$3 Million)
- ▶ Development of Contract for Sale Wastewater System

RESULTS OF RFB PROCESS

- ▶ New Jersey - American Water, Inc.
 - ▶ Bid to Purchase \$7 Million
 - ▶ \$9.5 Million post acquisition capital improvements in the first 10 years (including the purchase of a sewer camera truck)
 - ▶ Rate Proposal

YEAR	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
	0%	0%	3%	3%	3%	4%	4%

- ▶ Low-income customer financial assistance
- ▶ Customer service 24/7/365 for emergencies
- ▶ Currently provides potable water service to the Borough
- ▶ Serves approximately 2.8 Million customers in 190 communities

CONTRACT DEVELOPMENT

- ▶ The Parties have prepared a draft contract that is substantially complete addressing the terms and conditions related to sale of the Wastewater System
 - ▶ Borough will remain a member of the SRVSA
 - ▶ Borough will continue to appoint two members to the SRVSA Board
 - ▶ Annual SRVSA Fee will be passed through to American, and American will post an escrow for each year in an amount equal to 105% of the estimated SRVSA Fee to ensure the Borough is protected from shortfalls
- ▶ A copy of the proposed draft contract is located in Clerk's Office for public review by appointment;

USE OF PROCEEDS

- ▶ Pursuant to the Municipal Sale Law, the proceeds that the Borough receives from the sale of the Wastewater System must be utilized:
“for the retirement of bonds issued for the purpose of such plant, if any, or in case no such bonds are outstanding, then to the retirement of other bonds of the municipality”
- ▶ The Borough has outstanding debt associated with the Wastewater System as well as other Borough Debt.
- ▶ It is anticipated that the proceeds will be utilized to defease approximately \$1.07 Million of Wastewater System debt and the remainder will address a portion of the Borough’s \$16.1 Million dollars of debt unrelated to the Wastewater System.

WHAT HAPPENS IF THE SYSTEM IS NOT SOLD

- ▶ Borough would need to immediately consider raising rates to address:
 - ▶ On-going maintenance and repair responsibility for the Wastewater System
 - ▶ Capital projects associated with 27” line to SRVSA
 - ▶ Costs associated with continued track down of inflow and infiltration sources
 - ▶ Additional / new staff - DPW facility needs
 - ▶ Need for new equipment

NEXT STEPS

	TASK	DATE
1.	Second Reading of Ordinance approving the contract for sale subject to voter approval	August 1, 2022
2.	Submit Referendum Question to the County for publication on the Ballot	First week of August
3.	Public Education Campaign - Assisted by NJAW	August - November 2022
4.	Voter Referendum	November 8, 2022
5.	If “Yes” complete contracting process	November 2022 - January 2023
6.	Obtain Board of Public Utilities Approval	Summer 2023
7.	Close	August 2023



QUESTIONS