

RESOLUTION 19-075

RESOLUTION OF RVRSA TO CALL UPON THE NEW JERSEY LEGISLATURE TO REJECT SENATE BILL 3870 AND ASSEMBLY BILL 5391

WHEREAS, the mission of Rockaway Valley Regional Sewerage Authority is to provide safe, reliable and cost-effective sewer service to our communities; and

WHEREAS, Rockaway Valley Regional Sewerage Authority believes that the public has a right to vote on important community concerns, such as the sale of its sanitary sewer system to a for profit, investor owned, public utility; and

WHEREAS, Rockaway Valley Regional Sewerage Authority believes that ratepayers of a sewer system should not be burdened with costs unrelated to the operation and maintenance of that system; and

WHEREAS, Senate Bill 3870 and Assembly Bill 5391 seek to establish an additional avenue for a municipality to sell a municipal-owned sewerage facility, subject to the review of the Board of Public Utilities, eliminating the public referendum currently required for the sale of a sewer system, and in so doing, propose depriving the public of the opportunity to take an informed, active role in issues related to the ownership and operation of one the most basic and important of local services; and

WHEREAS, Senate Bill 3870 and Assembly Bill 5391, if enacted as proposed, unfairly tilt the playing field in favor of an investor owned public utility purchaser and fail to require that the true cost to the ratepayer of a proposed sale of a municipal sewerage system to for profit investor-owned public utilities, including the anticipated base rate case and distribution system improvement charges, be disclosed; and

WHEREAS, Senate Bill 3870 AND Assembly Bill 5391 discourage municipalities from fully exploring the viability of other approaches to owning and maintaining a sewer system which may be less burdensome to ratepayers, such as continuing to own and operate the sewer system, regionalizing with other public units, entering into shared services agreements, or entering into a sales agreement with other public agencies such as authorities; and

NOW, THEREFORE, BE IT RESOLVED that Rockaway Valley Regional Sewerage Authority calls upon all Members of the New Jersey Senate and Assembly to protect the best interests of ratepayers and preserve, for the public good, public ownership and operation of sewer systems to vote "no" on S3870/A5391.

CERTIFICATION

I hereby certify that this Resolution was adopted at a Regular Meeting of the Rockaway Valley Regional Sewerage Authority held on August 8, 2019.

On motion of: Glenn Corbett

Second by: John Cegelka

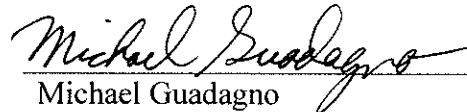
ROLL CALL VOTE:

YEAS: (5) Andes, Cegelka, Corbett, Isselin, Rossi

NAYS: (0) None

ABSTAIN: (2) Guadagno, Zuppa

ABSENT: (3) Lowell, Recchia, Schorno

A handwritten signature in cursive script that reads "Michael Guadagno". The signature is written in black ink and is positioned above a horizontal line.

Michael Guadagno
Board Secretary



ASSOCIATION OF ENVIRONMENTAL AUTHORITIES
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July 30, 2019

Commissioner Thomas Andes
Commissioner John Cegelka
Commissioner Glenn Corbett
Commissioner Michael Guadango
Commissioner Joseph Lowell
Commissioner Anthony Recchia, Jr.
Commissioner Joseph Ross
Commissioner Hector Schorno
Commissioner Thomas Zuppa

RECEIVED

AUG 05 2019

R.V.R.S.A.

Rockaway Valley RSA
RD #1, 99 Green Bank Road
Boonton, NJ 07005-9602

Dear Commissioners:

This letter is a call to action—a request for help to ensure that local, regional and county public agencies continue to have a role in the delivery of water and wastewater service in New Jersey.

As stakeholders in public water/wastewater/solid waste systems, we know that our systems deliver good service at rates that are more affordable than the rates charged by customers of private water / wastewater companies. Public ownership and operation of utilities is a *public good*. Yet, NJ American Water, Aqua and Suez consider New Jersey fertile territory for taking over drinking water and wastewater systems. They have contracted to manage or have purchased a number of municipal drinking water and sewer collection systems, and they continue to pursue deals around the state, including systems run by authorities.

We simply have to acknowledge that public utilities agencies today are in a competitive market.

The trouble is, for several years now, these corporations have been working hard to change the ground rules of the competition – to tilt the playing

field in their favor. They have convinced political leaders and regulators to change laws and rules to bypass the ratemaking process and gain special financial incentive to do capital improvements. They have tried (and to some degree succeeded) to reduce public involvement when a sale is on the table.

The latest effort to tilt the playing field is S3870/A5391. The bill, which was released from a Senate committee in June, eliminates a provision in current law that requires a public referendum for a sanitary sewer system sale. S3870/A5391 also ensures higher prices for ratepayers because it permits the selling price of a sewer system to be determined according to "fair market value," an approach which inflates that price. Under the bill, the private company buying the system can recoup the cost of the purchase in the rates they charge subsequently. So more inflated selling prices means higher rates for the ratepayers. New Jersey's Rate Counsel, who is charged with protecting ratepayers, has called this bill "an egregious departure from traditional ratemaking practices and will substantially increase costs ratepayers must pay."

If S3870/A5391 becomes law, it will accelerate the sale of sewer systems in New Jersey and undermine public ownership and operation. As commissioners and leaders, you are well-placed to stand up for our clean water utilities. I am asking you to help AEA oppose S3870/A5391. Enclosed in this mailing are suggested wording for a resolution of your board and a letter to the editor. You will also find a set of talking points. Please act today to help protect ratepayers.

Very truly,



Peggy Gallos

Executive Director, AEA

cc JoAnn Mondsini, executive director



**S3870/A5391 Talking Points
From Association of Environmental Authorities**

About AEA

The Association of Environmental Authorities is nearly 50 years old. It is a trade association representing 85 public agencies, primarily authorities, which provide water, wastewater and solid waste utility service to millions of New Jerseyans. More than 40 private sector firms that provide professional services to the public sector also belong to AEA.

AEA Opposes S3870 / A5391 Because Puts Shareholders Ahead of Ratepayers, and it is Anti-democratic

We strongly oppose S3870 / A5391 and respectfully urge NJ Legislators to reject the bill because:

- It eliminates the public referendum – a step currently required when a sewer system is sold. AEA believes these transactions, regardless of the parties involved, should go to the voters. It permits a sales process and an approach to appraising sewer systems that results in inflated selling prices. Here is how:
 - It permits a valuation process borrowed from the real estate industry that assumes a competitive market. This does not apply well to utility “markets,” which are monopolistic.
 - A sales price is based on the “value” of a system. That value is derived from many factors including what the ratepayers spent on a system over many years. NJ systems were built with the help of billions and billions of dollars in grant funds but S3870/A5391 treats those grant dollars as if they had been an actual cost to ratepayers – which inflates the value.

We can already see the negative and inflationary impact of fair market value legislation in Pennsylvania, which is one of several states, like New Jersey that is considered privatization friendly.

- S3870 / A5391 hurts ratepayers, especially those with lower incomes. It puts shareholders first, not ratepayers and workers.
- S3870 / A5391 means fewer construction and building trade jobs – because dollars going to shareholders can't go in capital projects.
- The deals that S3870 / A5391 permits are often portrayed as good for the ratepayer. They are not! The supposed "windfall" that municipalities that sell their systems get is really nothing more than a disguised loan. The private company buying the sewer system can recover the full purchase price in rates. They charge the ratepayers whatever it cost them to buy the system.

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