

TOWNSHIP OF PISCATAWAY

**REPORT OF INDEPENDENT ACCOUNTANTS'
CONSULTING PROCEDURES**

**SEWER UTILITY
SEWER RATE REVIEW**

AS OF DECEMBER 31, 2023

TOWNSHIP OF PISCATAWAY

CONSULTING PROCEDURES

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REPORT OF INDEPENDENT ACCOUNTANTS' CONSULTING PROCEDURES

Daniel Lamptey, Director of Finance
Township of Piscataway
455 Hoes Lane
Piscataway, NJ

Re: Township of Piscataway –
Sewer Utility Rate Review

Dear Mr. Lamptey:

In accordance with your request, we are enclosing a Sewer Utility Rate Review report for use by the Township in review of existing sewer rates.

We have performed the consulting procedures enumerated in the attached addendum, which were agreed to by the Township, in order to provide the Township with the Sewer Utility Rate Review report for the Township's utilization in its review of the Township's sewer rates.

This consulting engagement was conducted in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants. The scope of this engagement is outlined in the addendum to this report, which includes comments to the report. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the consulting procedures as described either for the purpose for which this report has been requested or for any other purpose. The Township remains responsible for their accounting records, fraud prevention and detection, and for maintaining effective internal controls over the financial statements and compliance.

We were not engaged to, and did not conduct an audit examination, the objective of which would be the expression of an opinion on the accounting records of the Township under attestation standards. Accordingly, we provide no opinion, attestation or other form of assurance with respect to our work or the information upon which our work is based. The procedures performed do not constitute an examination in accordance with generally accepted auditing or attestation standards. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information of the parties specified above, Township management, and parties identified by the Township's management. This report should not be relied upon by any other party. We accept no responsibility to any other party to whom this report may be shown or who may otherwise gain access to this report.

Daniel Lamptey, Director of Finance
Township of Piscataway

We appreciate the opportunity to provide you with this Sewer Utility Rate Review report. Please do not hesitate to communicate with us if you have any questions or need further assistance regarding this matter. We would like to sincerely thank the Township's administration and staff for their support in assisting us with our procedures.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Certified Public Accountants

Cranford, New Jersey
November 26, 2024

Schedule A

**Township of Piscataway
County of Middlesex, New Jersey**

**Schedule of Sewer Billings By User Categories
As of December 31, 2023**

Billings: <u>Actual</u>	<u>2023</u>	<u>%</u>	<u>2022</u>	<u>%</u>
Residential	\$ 4,160,579.17	37.93%	\$ 4,156,028.00	37.39%
Apartments	<u>1,588,638.00</u>	<u>14.48%</u>	<u>1,591,618.00</u>	<u>14.32%</u>
Subtotal	5,749,217.17	52.40%	5,747,646.00	51.71%
Commercial	2,435,735.00	22.20%	2,324,762.00	20.91%
Large Users	<u>2,785,033.01</u>	<u>25.40%</u>	<u>3,044,420.65</u>	<u>27.38%</u>
	<u>\$ 10,969,985.18</u>	<u>100.00%</u>	<u>\$ 11,116,828.65</u>	<u>100.00%</u>

Schedule B

Township of Piscataway
County of Middlesex, New Jersey

Schedule of Budget Revenues and Appropriations
As of December 31, 2023

	<u>2024</u>	<u>2023</u>	<u>2025</u> <u>Target</u>
<u>Revenues:</u>			
Fund Balance	\$ 700,000.00	\$ 5,000,000.00	\$ 500,000.00
Sewer Service Charges	10,789,385.50	11,300,000.00	12,500,000.00
Fees and Permits	200,000.00	155,000.00	150,000.00
Miscellaneous	60,000.00	45,000.00	45,000.00
	<u>\$ 11,749,385.50</u>	<u>\$ 16,500,000.00</u>	<u>\$ 13,195,000.00</u>
<u>Appropriations:</u>			
Salaries and Wages	\$ 1,968,107.00	\$ 2,484,700.00	\$ 2,000,000.00
Other Expenses	2,550,500.00	3,413,883.50	2,650,000.00
MCUA	6,350,000.00	6,700,000.00	6,500,000.00
Capital Improvements			25,000.00
Capital Outlay		3,000,000.00	1,000,000.00
Debt Service	235,237.50	226,237.50	350,000.00
Statutory:			
PERS	480,541.00	462,179.00	500,000.00
Social Security	165,000.00	213,000.00	170,000.00
	<u>\$ 11,749,385.50</u>	<u>\$ 16,500,000.00</u>	<u>\$ 13,195,000.00</u>

Schedule C

Township of Piscataway
County of Middlesex, New Jersey

Schedule of MCUA Reported Information
As of December 31, 2023

MCUA Billings - December 31, 2023
Flows and Loadings

<u>Quarter</u>	<u>(M/G) Flow</u>	<u>(Tons) B.O.D.</u>	<u>(Tons) Suspended Solids</u>	<u>(C.D. CWT) Adj. Chlorine Demand</u>
1st	819.840	786.940	833.910	178.660
2nd	655.320	745.950	793.900	164.340
3rd	784.770	742.870	815.050	192.810
4th	<u>853.920</u>	<u>755.830</u>	<u>822.050</u>	<u>192.270</u>
Totals	<u><u>3,113.850</u></u>	<u><u>3,031.590</u></u>	<u><u>3,264.910</u></u>	<u><u>728.080</u></u>

Actual Charges

<u>Quarter</u>	<u>Flow</u>	<u>B.O.D.</u>	<u>Suspended Solids</u>	<u>Adj. Chlorine Demand</u>	<u>Totals</u>
1st	\$ 502,476.69	\$ 465,293.44	\$ 578,354.24	\$ 34,547.73	\$ 1,580,672.10
2nd	410,979.98	441,559.24	551,608.36	31,848.27	1,435,995.85
3rd	482,972.31	439,777.02	565,751.85	37,212.96	1,525,714.14
4th	<u>521,429.94</u>	<u>447,279.19</u>	<u>570,426.05</u>	<u>37,110.19</u>	<u>1,576,245.37</u>
Totals	<u><u>\$ 1,917,858.92</u></u>	<u><u>\$ 1,793,908.89</u></u>	<u><u>\$ 2,266,140.50</u></u>	<u><u>\$ 140,719.15</u></u>	<u><u>\$ 6,118,627.46</u></u>

Schedule D

Township of Piscataway
County of Middlesex, New Jersey

Schedule of MCUA Reported Information
As of December 31, 2023

MCUA Billings - December 31, 2022
Per User Category - Annual
Flows and Loadings

<u>Quarter</u>	<u>(M/G)</u> <u>Flow</u>	<u>(Tons)</u> <u>B.O.D.</u>	<u>(Tons)</u> <u>Suspended</u> <u>Solids</u>	<u>(C.D. CWT)</u> <u>Adj.</u> <u>Chlorine</u> <u>Demand</u>
1st	812.110	777.740	759.720	174.250
2nd	806.350	784.740	782.640	204.630
3rd	561.270	792.740	793.530	222.330
4th	793.320	788.390	837.040	201.480
Totals	2,973.050	3,143.610	3,172.930	802.690

Actual Charges

<u>Quarter</u>	<u>Flow</u>	<u>B.O.D.</u>	<u>Suspended</u> <u>Solids</u>	<u>Adj.</u> <u>Chlorine</u> <u>Demand</u>	<u>Totals</u>
1st	\$ 486,081.50	\$ 452,497.63	\$ 520,995.64	\$ 33,973.74	\$ 1,493,548.51
2nd	482,968.16	456,478.72	536,075.42	39,738.49	1,515,260.79
3rd	350,385.33	461,035.41	543,242.20	43,097.37	1,397,760.31
4th	475,919.20	458,557.79	571,863.65	39,140.99	1,545,481.63
Totals	\$ 1,795,354.19	\$ 1,828,569.55	\$ 2,172,176.91	\$ 155,950.59	\$ 5,952,051.24

Township of Piscataway
County of Middlesex, New Jersey

Schedule of Sewer System Contribution Flow and Loadings
As of December 31, 2023

Based on MCUA Rates
Flow and Loadings By User Category

<u>User</u>	(M/G) <u>Flow</u>	<u>%</u>	(Tons) <u>B.O.D.</u>	<u>%</u>	(Tons) Suspended <u>Solids</u>	<u>%</u>	Weighted Average <u>Totals</u>
Residential/Apartments - Analysis	1,800.074	75.05%	1,665.069	67.30%	1,809.075	72.04%	73.39%
Commercial	243.573	10.16%	308.120	12.45%	331.259	13.19%	11.04%
Large Users - Billings	<u>354.854</u>	<u>14.79%</u>	<u>500.761</u>	<u>20.25%</u>	<u>370.703</u>	<u>14.77%</u>	<u>15.57%</u>
Totals	<u>2,398.501</u>	<u>100.00%</u>	<u>2,473.950</u>	<u>100.00%</u>	<u>2,511.037</u>	<u>100.00%</u>	<u>100.00%</u>
MCUA Total Loadings (Adj for I & I	<u>2,398.501</u>		<u>2,473.950</u>		<u>2,511.037</u>		
MCUA Total Costs	<u>\$ 1,917,858.92</u>		<u>\$ 1,793,908.89</u>		<u>\$ 2,266,140.50</u>		<u>\$ 5,977,908.31</u>
% of MCUA Total Costs	<u>32.08%</u>		<u>30.01%</u>		<u>37.91%</u>		<u>100.00%</u>
MCUA Total Costs*	<u>\$ 2,328,033.28</u>		<u>\$ 1,793,908.89</u>		<u>\$ 2,266,140.50</u>		<u>\$ 6,388,082.67</u>
Total Utility Costs/Revenues	<u>\$ 8,439,950.61</u>		<u>\$ 1,793,908.89</u>		<u>\$ 2,266,140.50</u>		<u>\$ 12,500,000.00</u>
% of MCUA Total Costs as Adjusted for Flow Weightings	<u>67.52%</u>		<u>14.35%</u>		<u>18.13%</u>		<u>100.00%</u>

*Total MCUA Costs for 2023 were \$6,118,627.46, which included \$140,719.15 for Adj. Chlorine Demand that is not included in the above analysis.

** Information represents Qtrs. 1 - 3 Current Year and 4th Qtr. Previous Year

Rate Adjustment - Based upon 2023 billing activity, an adjustment of residential rates to \$360.00 (20.805% increase) along with an increase in commercial and large user rates of five-percent (5.000%), would provide for the sewer rent revenue target of \$12,500,000.00.

**Township of Piscataway
County of Middlesex, New Jersey**

As of December 31, 2023

Addendum:

Consulting Procedures

Our procedures were as follows:

- Develop and review sewer rate review procedures with management as to purpose and goals of review.
- Obtain relevant information to determine as well as can be determined, each class of Sewer Utility users' contributions to the Township's reported flow and loadings to the MCUA.
- Obtain relevant information to determine the historical and estimated future costs, including infrastructure needs, of the Township's Sewer Utility.
- Based upon relevant information provided, analyze existing sewer rates in relation to each class of users' cost inputs and the cost of maintaining the Township's Sewer Utility.
- Provide the information and any findings developed with respect to the procedures performed with the Township administration and prepare and issue the report on the results of the procedures performed and review by the Township administration.

Notes to Schedules

Schedule A – Provides a two-year analysis of sewer rent billings by broad category type.

Schedule B – Provides a two-year budget analysis along with a target budget.

Schedules C and D – Provide flow and loading information as provided by the Middlesex County Utilities Authority (MCUA) for the years ended December 31, 2023 and December 31, 2022, respectively.

Schedule E – Presents a comparison of MCUA year ended December 31, 2023 loadings and costs segregated by broad user category.

There will usually be differences between the projected and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Township of Piscataway
County of Middlesex, New Jersey

As of December 31, 2023

Addendum:

Comments

The rate review was performed to assist the Township in assessing its existing sewer utility rates for possible adjustment to provide the necessary revenue for the operation and maintenance of the Township's sewer system along with providing funds for infrastructure improvements and repairs in its annual utility budgets. Based on the objectives and analysis performed, a goal of \$12,500,000.00 of sewer rent revenue for the year ended December 31, 2025 was established.

Revenue:

Total revenues anticipated in the 2024 Sewer Utility budget were \$11,749,385.50, including \$10,789,385.50 from sewer rents. Sewer rent billings in year 2023 were \$10,969,985.18 (Schedule A).

To achieve the year ended December 31, 2025 revenue goal, an increase of approximately fourteen percent (14%) over the year ended December 31, 2023 total sewer rent billings would be necessary.

The proportions of sewer rent billings in year ended December 31, 2023 were approximately 52% residential/apartments, with the remaining 48% commercial/large users.

User Rate Categories:

The Township utilizes four broad categories in the setting of sewer rent rates. The categories of residential and apartments are combined for comparison to the other two categories: commercial and large users. Part of the review was to develop as best as can be determined with the available data the relationship between each category's contribution to the costs of the system as compared to revenue generated by each category. Schedule E sets forth the review of this data.

Inflow and Infiltration (I & I):

Data utilized in the review included estimated daily consumption flow for residential/apartments and actual readings for commercial and large users, to arrive at estimated total water usage. Additionally, total Township water consumption was accessed from the Township's water supplier.

With both sets of data, flow readings to the MCUA were approximately thirty-percent (30%) in excess of water consumption, indicative of I & I in the Township's sewer system above expected levels, which suggests further review of flow data to identify the locations contributing to these higher I & I levels.

Summary:

Based on projected future revenue needs along with the consideration of the user categories estimated contribution to system costs, the study suggests a five percent (5%) increase to commercial and large user rates and an increase of \$62.00 to \$360.00, or 20.805% to the residential rate, effective January 1, 2025.