

**CITY OF ORANGE TOWNSHIP
WATER SYSTEM RATE INCREASE
EXECUTIVE SUMMARY**

This Executive Summary is a supplement to the report prepared by Lerch, Vinci & Higgins, LLP (“LV&H”) for the City of Orange Township entitled “Review of the operating agreement between the City and U.S. Water, LLC including a water and sewer rate study”, dated September 27, 2013. The purpose of this supplement is to summarize certain tables and charts contained in the LV&H report which demonstrate the need for the water rate increase which was approved by the mayor and council on February 18, 2014.

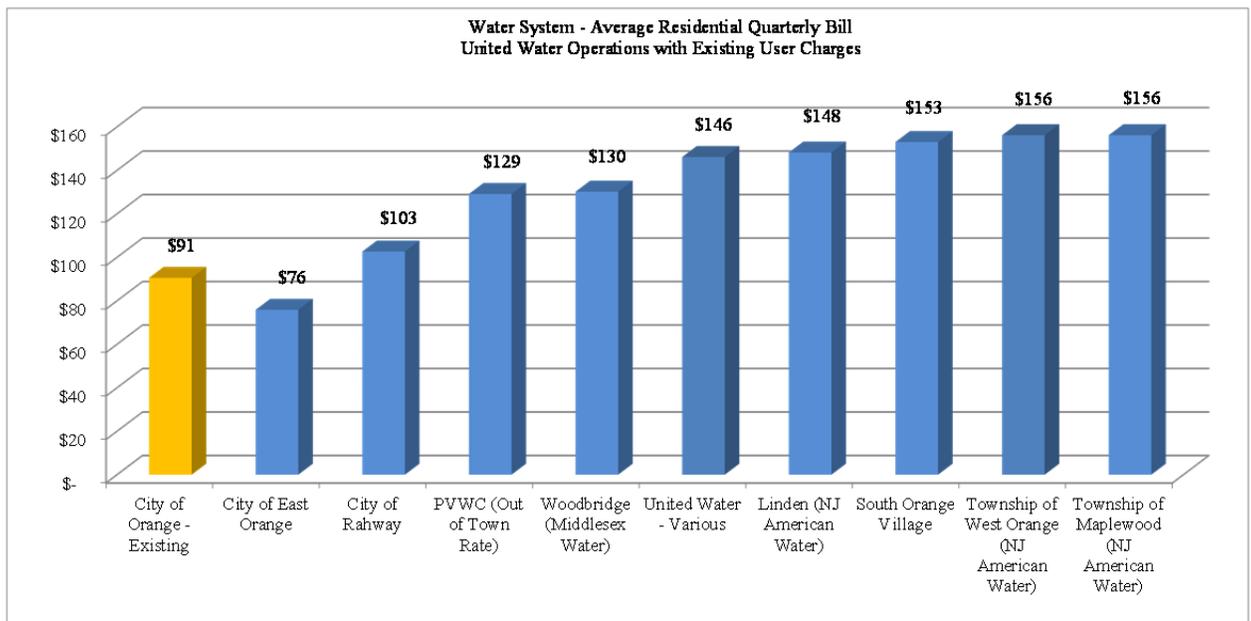
Projection of Water Operating Results

- A six year projection of the water system operations was prepared based on the existing water rates and other assumptions contained in the report. The annual summary of projected revenues and expenses for the water system is presented below:

Year	Projected Revenues	Projected Expenditures	Projected Deficit
2013	\$ 4,213,703	\$ 4,413,241	\$ (199,538)
2014	4,213,823	4,505,277	(291,454)
2015	4,213,823	4,609,961	(396,138)
2016	4,213,823	4,710,834	(497,011)
2017	4,213,823	5,003,530	(789,707)
2018	4,213,823	5,090,865	<u>(877,042)</u>
		Total	<u>\$ (3,050,890)</u>

Comparison of Average Consumer Water Bill

- The average residential quarterly water bill in the City of Orange was compared to other municipalities and water providers based on the existing rates in effect as of the date of the report. A summary of the average residential quarterly water bills is presented below:



Capital Improvements

- A six year projection of the water system capital projects was included based on future capital improvements recommended by United Water. The total amount of capital projects to be funded is in excess of \$4.1 million. The projected water increase provides for the amortization of future capital projects.

Proposed Water Rate Increase

- In order for the City to provide for the capital improvements recommended by United Water as well as fund the projected operating deficits, the LV&H report included a proposed water rate increase of 17%. A comparison of the existing and proposed rates is presented below:

Meter Size (inches)	Allowance per Quarter (cubic feet)	Existing Minimum Charge Per Quarter	Proposed Minimum Charge Per Quarter
5/8	1,000	\$ 34.74	\$ 40.65
3/4	2,500	86.85	101.61
1	5,000	173.70	203.23
1 1/2	10,000	347.40	406.46
2	15,000	521.10	609.69
3	25,000	868.50	1,016.15
4	40,000	1,389.60	1,625.83
6	50,000	1,737.00	2,032.29
8	50,000	1,737.00	2,032.29
Usage above quarterly allowance billed at:		Existing \$34.74 per 1,000 cubic feet	Proposed \$40.65 per 1,000 cubic feet

- The proposed water rates resulted in an increase of \$15 per quarter for the average residential user, effective January 1, 2014.