**ALLENDALE WATER SYSTEM PROPOSAL Q & A – Water System Sale to SUEZ**

1. **Why is Allendale proposing the sale of the system to SUEZ?**
   
   Allendale does not have the expertise or resources to continue to operate the system given ever-evolving compliance and water quality regulations. Allendale’s water infrastructure is aging and major investments in treatment systems must be made to remain in compliance with safe drinking water standards. The cost of these infrastructure investments will lead to significant rate increases for our residents.

   Faced with the increasing costs and complexity of operating the Borough’s water system, the Allendale Water Committee began considering a sale to an experienced water company as well as several other options beginning in 2019. The decision was made to sell the system to a water company with the experience and financial resources to maintain, operate and rehabilitate the system. SUEZ, which has been a partner with Allendale for two decades, was the high bidder.

2. **What’s the benefit of selling the system to SUEZ?**

   - SUEZ has the technical expertise to keep the drinking water safe today and in the future. Allendale does not have the resources necessary.
   - SUEZ will make the infrastructure investments -- including PFAS treatment and upgrades to water infrastructure -- that the system needs. The company plans $26 million in infrastructure projects in the first 10 years.
   - Positive economic impacts for Allendale residents include:
     - The Borough will receive $18 million from the sale.
     - SUEZ must pay property taxes on all the parcels it acquires, a benefit to the Borough for years to come.
     - Rate increases will be lower with sale to SUEZ than if Allendale attempted to continue to operate the system on its own.

3. **Was the Council unanimous in its decision to move forward with the SUEZ bid?**

   The council voted unanimously to move forward with the SUEZ bid. Please go to [https://youtu.be/ERagA8dxBKE](https://youtu.be/ERagA8dxBKE) to view the Mayor and Council meeting in July 2021, during which the Council adopted Ordinance no. 2021-10 authorizing that a referendum for the sale be presented to the public. The Mayor and Council members expressed support for the sale of the water system. Residents are encouraged to speak to the Mayor and to all Council members.

4. **How will the referendum get passed?**

   Pursuant to N.J.S.A. 40:62-5, the referendum will pass if a majority of the legal voters at such elections vote “Yes” on the Nov. 2 ballot question.
5. **Who is SUEZ?**
SUEZ has been serving residents in New Jersey since 1869, when the Hackensack Water Company formed to provide drinking water to communities in Bergen and Hudson counties. SUEZ is local, with its New Jersey headquarters located in Haworth, NJ. Its operations in New Jersey serve nearly a million residents in Bergen, Hudson, Hunterdon, Morris, Passaic and Sussex, counties. SUEZ has been supplying half of Allendale’s water for two decades and operating the system since 2013. SUEZ is a recognized global leader in water and wastewater services and operate across all 50 United States.

6. **If the referendum does not pass, what will happen?**
If the referendum is unsuccessful, the Borough will be forced to immediately implement a water rate increase to fund new treatment systems for PFAS contamination. At this time, the Mayor and Council believe that the referendum represents the Borough’s best option.

7. **What exactly will SUEZ be responsible for?**
SUEZ will own, maintain, operate and upgrade the water infrastructure, including treatment plants, tanks and water mains, to ensure residents have safe water and reliable service in accordance with all regulatory requirements. In fact, the Allendale system needs significant upgrades and SUEZ is prepared to invest heavily to ensure that work is done promptly and properly. SUEZ has the expertise, experience and resources to needed to make these improvements.

The company has enjoyed a long partnership with Allendale, supplying water and operating the system for many years. This transaction, if approved by the voters of Allendale, will be a seamless transition. Residents will still be able to call the same local customer service representatives and enjoy the company’s commitment to service. But they will also now benefit from SUEZ’s ability to make much-needed improvements, particularly treatment for PFAS. Residents will benefit from the water quality specialists in the lab in Haworth, which processes more than 80,000 tests a year to ensure water safety. The company will supply more water from its state-of-the-art Haworth plant to meet the needs of residents. These are just a few of the benefits of being in the SUEZ family.

8. **What will rates be like under SUEZ?**
SUEZ has agreed to a 10-year rate plan for Allendale customers that reflect the company’s historically low rates. The company’s rates are among the lowest of its water utility peer group and any rate increases are carefully monitored, approved, or disapproved by the New Jersey Board of Public Utilities.

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*As proposed in RFB and Purchase Agreement, must be approved by Board of Public Utilities

**2% base rate of 9K gallons
9. Can Allendale spend money to bring our system up to standard and then be okay to continue to own our system?
The expenditures necessary in the immediate near term in order to achieve and maintain future compliance with NJDEP requirements and ensure the smooth and efficient operation of the system would negatively impact water rates. We have estimates that it will cost approximately $7 million to put in a treatment process for the newest emerging contaminants (PFAS). There are additional contaminants and regulations that are being explored by the NJDEP and USEPA on a regular basis- this means we would have to add new treatment with each new identified contaminant. Allendale will always have to be upgrading our system, in addition, we need to invest in new infrastructure to replace aging system. Allendale does not have the experienced personnel or the resources to manage the ever-changing regulations.

10. Can you give a complete breakdown of how the $18 million for the sale of the water system will be spent?
By NJ statute 40:62-6, the monies a municipality receives from the sale of a water system must first be used to pay the Water Utility Debt, then municipal debt and any remaining monies would be subject to standard government budgeting processes. As of 2021, Allendale has $2,187,867 in Water Utility Debt and $11,755,895 in Municipal debt, a total of $13,943,762. Total Debt amount will be put into an escrow account earmarked for payment of said debt at the earliest payable time.

11. If the first $14 million goes toward the debt, what is to happen with the remaining $4 million?
There is a formal budgeting process in which the public has opportunity to speak. The Council has historically been conservative in its' budgetary process. In 2009, we formed a Finance Advisory Committee consisting of 8 to 15 members of the community at large. This committee has met every year since and provides an opportunity for sharing of ideas that are fiscally prudent.

12. Can some of the money from the sale of the water system be earmarked to fix underpass flooding?
Monies not earmarked for debt payment will go through the budgeting process. The public is encouraged to communicate to elected officials needs that they feel are important to address. This can be done by attending council meeting or speaking with elected officials.

13. What does the payment of debt service mean to our taxes?
Should the referendum pass, then Allendale would use the monies received from the sale of the water system to make debt service payments. Using water sale proceeds for debt service payments would decrease the amount to be raised by annual taxes. In addition, SUEZ will be required to pay property taxes each year.
14. Can the $18 million be used to offset rate increases?
The monies from a water utility sale must be set aside as payment for all current water utility and municipal debt. However, the contract between SUEZ and the Borough includes a rate stabilization schedule spanning 10 years, which is subject to approval by the New Jersey Board of Public Utilities.

15. Explain the bid process.
On April 7, 2021, the Borough of Allendale published a Request for Bid (RFB) to purchase the Allendale Water System. This was a public RFB to which any Water Company meeting the minimum qualifications set forward in the RFB could respond. Sealed Bids were due on May 24, 2021 and opened in a public meeting. The Borough received two bids. SUEZ was determined to be the Highest Responsible Bidder.

16. What towns have sold to SUEZ? Where has this been done before?
SUEZ serves 68 municipalities in Northern New Jersey, including systems that were once municipally or privately-owned systems. SUEZ’s most recent acquisition was in 2018, when it acquired five systems in the Highlands, including the then-troubled West Milford water and wastewater systems. SUEZ immediately launched an ambitious plan to overhaul the systems to bring them into compliance with state and federal regulations.

17. Is water bought from SUEZ pretreated and at DEP standards? Is Allendale’s?
The water SUEZ supplies to Allendale is treated at the company’s Haworth plant and meets or surpasses all regulations. The company’s lab in Haworth processes more than 80,000 tests a year to ensure water quality.

Allendale’s wells have their own treatment systems. All of Allendale’s wells meet state drinking water standards, but some of those wells are likely to exceed safe drinking water standards for PFAS in the near future and will ultimately require significant investment – more than $7 million in new treatment systems -- to bring it back into compliance. In addition, more infrastructure investments will be needed in the coming years to ensure water quality and reliability of these wells.

18. Why can’t we take 100% SUEZ water and not use Allendale’s water?
While SUEZ can and will supply more water to Allendale if the company purchases the system, SUEZ’s infrastructure is currently not sized to provide 100 percent of the Borough’s needs. SUEZ is currently planning the infrastructure improvements that will allow it to supply more water to Allendale.

19. SUEZ is a big corporation... can they change terms on us?
SUEZ entered into a contract of sale with Allendale which specifically details the terms and conditions that the two parties have agreed to for the transaction. Allendale can enforce the terms of the contract if necessary.
20. Are the SUEZ infrastructure improvements tied to the rate increases? If they don’t make improvements does that change the rate structure?
Rate increases are not tied to the more than $25 million in infrastructure improvements the water system in Allendale needs over the next 10 years. The rates in the contract mirror the company’s historically low rate increases and are not tied to the investment plan included in the SUEZ proposal and the contract. The company’s rates are among the lowest of its water utility peer group and any rate increases are carefully monitored approved or disapproved by the New Jersey Board of Public Utilities.

21. Will SUEZ be allowed to use Allendale’s water in other towns?
SUEZ will NOT take water from Allendale’s wells to serve other towns. In fact, SUEZ anticipates providing more water to Allendale residents from the company’s own treatment plant in Haworth.

22. Whose jurisdiction is it for disputes down the road between Allendale and SUEZ?
SUEZ has a commitment to its customers and the company always endeavors to resolve concerns from the communities it serves. It’s part of the company’s Customer Bill of Rights. In addition, customers are always able to take any concerns to the New Jersey Board of Public Utilities or the New Jersey Department of Environmental Protection. Both the BPU and the DEP take an active role in ensuring customer satisfaction. Think of the water system like the electric, gas and other utilities that serve the Borough. Those companies also closely work with customers and municipalities as well as the BPU.

23. Is the water system maxed or can we expand?
Allendale has historically needed to purchase roughly half of its water supply from SUEZ necessary to serve residents.

24. What about the property between Allendale and Ramsey? Can they subdivide?
The property purchased by SUEZ is subject to Allendale Zoning laws. In addition, the contract between Allendale and Suez states that SUEZ can only utilize the property sold to it as part of the sale of the water system for the purpose of operating a water utility. This language will also be reflected in a deed restriction recorded when the property is sold to SUEZ. The contract also states that should SUEZ cease to use property or equipment (wells, treatment plants, water storage tanks) that Allendale Borough shall have first right of refusal to purchase said properties at fair market value, which fair market value will be reflective of the recorded deed restriction.
25. **What is the financial impact of a water quality violation, should we get one?**
Safe Drinking Water Act violations can result in fines of up to $25,000 a day. The payments if required would be made to the Treasury of the State of New Jersey and would be the responsibility of the Borough, as the owner, to pay. That said, the NJDEP is well aware of the work and efforts that the Borough is undertaking with respect to developing an approach to PFAS treatment while at the same time asking the public to consider approving the sale of the water system to SUEZ to implement the projects.

26. **Did the Borough look into grants (state and fed) to support filters and infrastructure?**
Yes, this was thoroughly explored by the Borough. If residents would like additional information, please contact lizhoman@allendalenj.gov

27. **Has Allendale spoken to Ramsey on their recent water treatment upgrades?**
Yes. If residents would like additional information, please contact lizhoman@allendalenj.gov

28. **Did the Borough Council consider any options other than selling the system?**
Yes, the Borough thoroughly investigated whether it should sell, lease, keep the system or try some other option. Continuing to own the system or leasing it would mean the Borough would continue to be responsible for major investments in an aging infrastructure. A sale to a water company with the staff, expertise and resources to maintain and improve the system was the best option. With an $18 million bid, SUEZ is offering a great value to residents.

29. **Are the SUEZ infrastructure improvements tied to the rates increases?**
No. As a public utility regulated by the NJBPU SUEZ is obligated to provide safe and reliable service at all times. The Board of Public Utilities (BPU) reviews rate increase requests from water companies. Each rate request must be supported by factual information justifying why it is necessary for the water utility to increase an existing rate.

30. **How long has Allendale been receiving water from SUEZ?**
Allendale has been serviced by the same bulk water interconnect with SUEZ since 2001. Customers receive water from a combination of five groundwater wells and the SUEZ interconnect-supplied water. Allendale purchases water from SUEZ because we cannot supply our needs with our own water.

31. **Did SUEZ ever approach the Mayor/Town Council or any official or personnel associated with the town on purchasing the AWS before the request for bids was made?**
Any communication between SUEZ employees and Borough representatives prior to the decision of the Borough to issue an RFB was both permissible and appropriate. Communications with prospective bidders were prohibited when the Borough decided to issue the RFB. This requirement was strictly adhered to.
32. The town currently has a $14 million debt that will get paid off if the referendum passes as part of the sale of the water system to SUEZ. Can you please explain what this municipal debt consists of?

Allendale currently has $2,187,867 in Water Utility Debt and $11,755,895 in Municipal debt, a total of $13,943,762. The water debt goes back to approximately 2000 and consists of water infrastructure improvements such as mains, service lines, curb boxes, hydrants, valves, repairs/renovations to water tanks, treatment plants and wells. It also includes new pumps, meters and meter reading equipment, vehicles and other equipment.

The municipal debt goes back to about 2005 and includes paving, drainage, sidewalks, culverts, and curbs. New construction of a Police Department, various Borough building improvements. Safety and other equipment for the Police and Fire Department, as well as SUV’s and fire trucks. Vehicles, tools, and equipment for the DPW. Improvements to Borough parks. Land acquisition. Sewer improvements and equipment. Various IT and communications equipment for multiple departments.

33. Were downsides discussed by the Council?

Presentations and Mayor & Council discussions were held throughout the year. The primary goal of all water discussions was to ensure Allendale residents would continue to receive water that would meet or exceed NJDEP standards at a reasonable cost. The offer from SUEZ met these priorities.

34. I’m worried about the Borough giving up control of the system

Allendale is already served by utilities not owned by the Borough: Electric, water, gas, cable, phone, for example. Today, small water systems like Allendale find it difficult to meet ever-changing drinking water standards and to finance the work needed to remain in compliance with regulations and to repair aging infrastructure. In SUEZ, we have a company with strong local ties, one that has partnered with Allendale for many years. It is important to note that under New Jersey law, SUEZ will not own the water. Water in this state is owned by the citizens of the state. It should also be noted that SUEZ is a highly regulated company. It must follow all EPA and NJDEP regulations. It also is regulated by the New Jersey Board of Public Utilities, which requires SUEZ strictly adhere to its standards about rates, customer concerns and improvements. Allendale has a strong contract with SUEZ that lays out the terms of the sale and the expectations regarding rates and improvements. In addition, the Borough and all customers can speak to the regulatory agencies if they have concerns under SUEZ ownership.

35. Why is the water so hard?

The hard water is from the water in the Borough’s well system, which contains high mineral content. The water from the SUEZ treatment plant in Haworth is not from a well system and has less hardness.
36. **How do we know that $18million is a good offer? Did the Council have a valuation of the water system completed?**

Prior to the development and issuance of the Request for Bids (RFB) for the purchase of the Borough’s water system, the Borough retained an independent financial advisor to complete a valuation of the water system. The Borough intended to utilize the results of the valuation report as benchmark in determining appropriateness of the bid prices received in response to the RFB. The Borough received two bids - one closer to the valuation report conclusions and Suez’s bid which exceeded the valuation report results. For this reason, and because of the rate stabilization structure offered by Suez, the Borough selected Suez as the successful bidder and proceeded with the completion of a draft contract for presentation to the public for consideration.

37. **When will Fairhaven Water Tank be repainted? Will Suez take into consideration the residents requests for colors?**

SUEZ is planning to paint the tank in 2026, certainly within the 1st 5-years. They have stated they will work with the residents on the tank color.

38. **If Allendale sells to Suez, what Allendale job would be eliminated? Is there anyone who would lose their position due to the sale?**

We currently have no employees directly assigned to the Allendale Water System. No jobs will be lost if the Allendale Water System were to be sold to SUEZ.

39. **Which other NJ boroughs have sold critical infrastructure? How does our contract compare to theirs?**

Suez has purchased systems in the past, most recently in West Milford, NJ. Every System is different. The Borough believes that its team of elected officials, staff and retained professionals developed a contract that provides ample protection for Allendale in the most appropriate way possible. You can review the approved Purchase Agreement online. We have retained an expert, Ryan Scerbo from Decotiis, FitzPatrick, Cole & Giblin, LLP who has worked with other municipalities to sell Water/Sewer systems. It is also important to note that the Borough prepared a valuation of the Borough’s system before issuing the Request for Bids, and proposal provided by Suez exceeds the valuation.