

To: The Taxpayers of West Wildwood

In preparation for the public hearing on Ordinance 600 (2022), *An Ordinance repealing Ordinance 558 (2017) pertaining to the rates for sewer service*, I would like to present the facts on the issues related to the West Wildwood Sewer Utility.

Background - Most of the West Wildwood sewer system was replaced in the late 1980's and early 1990's. When the sewer infrastructure was replaced, the roads were also raised by as much as two feet to get above the tidal flooding level. In addition to natural sinking of the island, the increased weight due to the fill above the pipes caused compaction over the years and resulted in pipes separating from the manhole structures and poor slopes due to sagging of the pipes in some areas. The recently completed Poplar Avenue project is part of a capital investment plan to renew the sewer infrastructure to resolve the sagging and infiltration problems. We are in the process of applying for USDA grants to do a similar project on Maple Ave. The NJ State inspection reports have included evidence of groundwater intrusion for many years. There hasn't been any significant maintenance to address the intrusion, so the problem has increased significantly.

CMCMUA Rates - As shown in table 1, the intrusion and infiltration problem has increased to such a level that our sewer rates had to increase in 2017 and now need another increase in 2022. To address this the Commissioners approved capital investment to repair known problem manholes. The contract for the first group of manhole repairs should be issued shortly with a goal of completing enough repairs to have a significant impact prior to the summer period when the flows have the highest effect on our rate. Once we monitor the effect of these repairs, we will determine the next actions needed.

	2015	2016	2017	2018	2019	2020	2021
CMCMUA User Charge	\$ 328,246	\$ 341,512	\$ 362,602	\$ 430,484	\$ 410,926	\$ 441,169	\$ 433,865
Excess Flow Charge	\$ 9,506	\$ 43,771	\$ 67,561	\$ (8,486)	\$ (17,235)	\$ (22,408)	\$ 104,787
Total Charge*	\$ 337,752	\$ 385,283	\$ 430,163	\$ 421,998	\$ 393,691	\$ 418,761	\$ 538,652
Year over year increase		14%	12%	-2%	-7%	6%	29%

Table 1: Breakdown of CMCMUA Rates - *CMCMUA Rates have increased 60% over the last 6 years.*

Sewer Utility Flow - A comparative analysis of the CMCMUA forecast flows used to set the annual rates is summarized in table 2 for the four towns making up the Wildwoods. The Wildwoods total flow decreased slightly over the last five years. North Wildwood and Wildwood Crest each increased a little more than 13%. West Wildwood increased over 38% verifying the assertion that our sewers are experiencing significant intrusion.

	2017	2018	2019	2020	2021	2022	5 Year Forecast Change
Estimated Total	453,639	410,010	408,435	419,900	425,425	450,045	-0.8%
Wildwood	453,639	410,010	408,435	419,900	425,425	450,045	-0.8%
Wildwood Crest	383,154	338,993	336,165	384,209	385,385	435,080	13.6%
West Wildwood	59,374	60,983	59,860	67,159	68,250	82,125	38.3%
North Wildwood	441,028	400,000	408,070	415,701	440,895	500,050	13.4%

Table 2: Five Year Comparison of CMCMUA Flow – *West Wildwood's Flow has increased much greater than the surrounding communities.*

Sewer Utility Finance - The West Wildwood Sewer utility is operated under a typical utility business model. The sewer utility is required by law to be self-liquidating (self-financing). The utility's revenues must be sufficient to support the utility's expenses in any given budget year. The accounting for the utility's operations is separate and distinct from the West Wildwood general operating budget.

In a larger municipality such as Wildwood, the sewer utility would be a separate functional organization with staffing dedicated to the operation of the utility.

As a comparison, the 2021 salary budget for the Wildwood Sewer Utility was \$460,800. There was no utility salary (or any other costs) in the budgets for North Wildwood and Wildwood Crest since they use the Wildwood Sewer Utility.

In West Wildwood the operation of sewer utility is supported by most of the Borough's employees. The collection of sewer fees by mail and in person is supported by the tax office staff. They are responsible for entering payments into our financial accounting system. The Borough Clerk and Assistant Borough Clerk provide support when the tax office staff are not available or if there are issues that need to be researched on prior payments or initiating/cancelling sewer service. The Borough CFO processes the accounts receivable and accounts payable for the utility and provides the financial reporting including support for the annual audit. The Borough Auditor does the annual budget filing and audit reporting to the State of NJ. The utility specific modules in the Edmunds Municipal accounting system that enable the financial operation is part of the expenses included in the Sewer Utility budget. Let's not forget there is also the actual functional operation of the sewer system. The public works employees are responsible to support inspection, maintenance and repair of the system including the pumping station on 26th street.

The accounting process adopted for the Borough Employees support has been to charge a percentage of the actual wages of the employees to the sewer utility as an allocation. It would be an overwhelming burdensome from an administrative perspective to try to adopt a direct charge process based on timesheet input, so the allocation provides an equitable process without increased complexity in administration.

Rate Setting Process - It has been suggested by several members of the community that West Wildwood should change their billing approach to be based on water usage versus a fixed rate. While on the surface this seem like an equitable approach it might not have a significant effect on the individual rates. Currently the water intrusion represents over 60% of the water flow and that cost would become a fixed allocation to each home. The better approach at this time is to focus efforts on reducing the infiltration which will significantly reduce the rates. Once that is accomplished it would be good to do an analysis on the effect of changing to a water use allocation.

It is the goal of the current administration to "do the right thing" for the community. We are investing wisely into the infrastructure of West Wildwood to provide better value for the cost of the services and are looking to the community for continued trust and support while we work through these difficult issues.

Joe Segrest
West Wildwood Commissioner of Revenue and Finance