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Water rate increase back on the table in Sayreville

Latest proposal has council considering 19 percent hike
BY JENNIFER BOOTON Staff Writer

The Sayreville Borough Council is reconsidering a water rate hike in order to tackle a near \$900,000 deficit in the water and sewer budget.



Frank Bella Councilman

A sharp decline in water consumption last year led to decreased revenue to the tune of \$1.7 million from 2008 to 2009.

Borough Chief Financial Officer Wayne Kronowski said the rainy, relatively cool summer combined with a faulty economy led to a decrease in water use. He urged the council in November to consider raising rates by as much as 40 percent to maintain operations and close the \$851,000 deficit.

But the ordinance never made it past first reading and was shot down in a 4-2 vote. Those opposed said it was unfair to taxpayers to raise the rates, and urged the borough professionals to find alternative methods to close the deficit.

Shortly after the ordinance was killed, borough Business Administrator Jeff Bertrand and Mayor Kennedy O'Brien said other methods would have to be used in order to maintain operations, possibly including a tax increase.

The water rate increase was back on the table at the council's Jan. 11 meeting.

Newly elected Councilman Nicholas Perrette, who chairs the finance committee, said the council should consider a 19 percent increase in the water rates. He argued that an increase in water rates, rather than in taxes, would be of greater benefit to homeowners.

The councilman conducted a financial analysis of the costs and benefits of each alternative and explained that if general taxation were used, homeowners would end up having to bear some additional burden. Perrette used the Winding Wood apartments as an example, saying there are 1,954 residential units there, all using water, but only 495 owners pay taxes. The other 1,459 renters would "ride for free" if taxes were increased instead of water rates.

"So, there's 1,459 that would normally get a bill but aren't going to pay for it," Perrette said. "It gets put on the homeowner."

Using a tax increase for the water deficit would also be unfair, he said, because the owner of a home with one family would be paying the same amount as the owner of a multifamily home who has several renters who use much more water.

Perrette said that in general, borough residents would end up paying less if the increase went through the water department as opposed to taxes.

"If it goes in your taxes, it's not going to come out, [and that] may mean cutbacks in other areas," he said. "[It would] cost you less ... if you increase the water bill than if you don't."

O'Brien said general taxation is not the fairest solution. It is fair to raise the water rates, he said, because then people are only paying for what they use.

Newly elected Councilman Frank Bella, who is chair of the water and sewer committee, said he agrees that the issue should stay out of general taxation, but he still has an issue with the increase.

"We are here as a policy-making entity, and from a policy point of view, I really have an issue with this increase," Bella said. "I'm going to try as chair of the water department to look into this and find a way to solve these issues correctly so it doesn't happen again."

Councilman David Kaiserman agreed and noted that the borough should look into finding the root cause of the issue.

"If we don't figure out how we got there and look at how to fix the root of the problem, we will be having these same discussions next year," he said.

Kaiserman, who opposed the rate hike in November, asked how the borough was able to cut the proposed rate increase from as much as 40 percent in November to 19 percent in January.

Kronowski said water revenue collections increased beyond expectations in November and December, allowing them to reduce the amount of the proposed hike. But, Kronowski noted, the longer the borough waits to make a decision and fix the problem, the wider the deficit will grow and the greater the rate increase will be to close the deficit. The rate increase could double in six months, he said. If it is 20 percent now, it could hit 40 percent by July.

In order to hasten the process, he urged the council to introduce the rate hike ordinance at its Jan. 25 meeting and place the public hearing and adoption on the agenda for Feb. 8.

A 19 percent hike would translate to an increase of about \$27 per 1,000 cubic feet per quarter.