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February 29, 2016

Kathy Burger, Township Manager
Township of Medford
17 North Main Street
Medford, New Jersey 08055

Re: Water and Sewer Connection Fees

Dear Kathy:

N.J.S.A.40A:26A-1 et seq. is known and cited as the "Municipal and County Sewerage Act" and N.J.S.A.40A:31-1 et seq. is known and cited as the "County and Municipal Water Supply Act." Both Acts provide that a municipality must recompute its connection fees at the end of each budget year after a public hearing is held. The revised connection fee is thereafter imposed upon those who subsequently connect to the system in that budget year.

Both Acts contain the formula that a municipality must follow in establishing sewer and water connection fees. As part of the formula, a municipality must determine its capital base in both its sewerage system and water system. The capital base is determined by adding together all the principal and interest payments made by the municipality on any bonds or loans used to defray the capital cost of developing the system as of the end of the immediately preceding budget year, including sinking funds and reserve funds, plus all capital expenditures for the development of the system as of the end of the immediately preceding budget year which were not funded by a bond ordinance or debt. In other words, the municipality must add together all principal and interest payments, sinking fund balances, reserve fund balances and cash outlays for the capital cost of development of each system as of the end of the immediately preceding budget year. Any amounts received by way of a non-reimbursable grant from any federal, state, county or municipal government, or any gift from a private person, should not be included in the calculation of capital base.

A municipality must also determine the number of service units as of the end of the immediately preceding budget year according to a statutory formula. The formula involves calculating the average daily usage for the average single family residence in the area served by the municipality. Once the average usage per single family residence is determined, the total number of service units can be calculated.

The capital base for the water system and the capital base for the sewer system are then each divided by the number of service units to produce the connection fee per service unit for water and sewer, respectively.

Attached is a copy of the spreadsheets that illustrates how the connection fee calculation was computed.

The calculation results in a water connection fee of \$4,496 and a sewer connection fee of \$8,453.

Very truly yours,

HOLMAN FRENIA ALLISON, P.C.

Kevin P. Frenia, CPA, RMA, PSA, CFE
Partner

KPF:ss
Enclosures

PERIOD: DECEMBER 31, 2015

(WATER)

TO DETERMINE AVERAGE DAILY USAGE PER SINGLE FAMILY HOME:

- A. Total Gallons of Water Used in Study Area 339,416,880
- B. Average Number of Single Family Homes in Study Area 4,345
- C. Days in Study Period 365 days
- D. Average Daily Water Usage Per Single Family Residence 214 gpd

TO DETERMINE NUMBER OF SERVICE UNITS

- A. Total Gallons of Water Billed to All Customers 489,462,270
- B. Days in Study Period 365 days
- C. Gallons Per Day Used By All Customers 1,340,993
- D. Average Daily Water Usage Per Single Family Home 214 gpd
- E. Service Units 6,266
- F. Fire Protection Service Units 143
- G. Total Service Units 6,409

TO DETERMINE WATER CONNECTION FEE

- A. Capital Base \$28,812,289
- B. Number of Service Units 6,409
- C. Connection Fee Per Service Unit \$4,496
- D. Connection Per Gallon \$21.01

TO DETERMINE VARIOUS BASE CONNECTION FEES

	Base Connection Fee	Volumetric Factor	Proposed Connection Fee
5/8"	\$4,496	1.0	\$4,496
1"	\$4,496	1.8	\$8,092
1.5"	\$4,496	4.0	\$17,983
2"	\$4,496	7.1	\$31,920
4"	\$4,496	28.4	\$127,679

(SEWER)

TO DETERMINE NUMBER OF SERVICE UNITS METERED SERVICE

(Based on Average Single Family Water Usage)

- A. Gallons of Water Billed to All Customers 42,682,430
- B. Days in Study Period 365
- C. Gallons Per Day Used By All Customers 116,938
- D. Average Daily Water Usage Per Single Family Home 214 gpd
- E. Service Units 546

TO DETERMINE NUMBER OF SERVICE UNITS (Based on Average Single Family Water Usage)

- A. Service Units Metered Service 546
- B. Service Units Flat Rate 3,924
- C. Total Service Units 4,470

TO DETERMINE SEWER CONNECTION FEE

- A. Capital Base \$37,786,877
- B. Number of Service Units 4,470
- C. Connection Fee Per Service Unit \$8,453
- D. Connection Per Gallon \$39.50

Township of Medford
Analysis of 2015 Water Billings and Consumption

2015 Billing Quarter	Residential 3/4"		Residential 1 1/2"		Residential 2"		Irrigation 3/4"		Irrigation 1"		Irrigation 1 1/2"	
	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons
1ST	4,316	75,085,400	434	12,595,630	2	13,300	5	121,350	20	711,570	6	543,400
2ND	4,334	57,727,060	435	9,029,430	2	15,600	5	50	20		6	
3RD	4,351	80,180,220	436	12,796,830	2	18,150	5	224,460	20	287,040	6	190,500
4TH	4,378	126,424,200	436	24,838,310	2	15,100	5	354,740	20	1,406,800	6	1,181,000
	4,345	339,416,880	435	59,260,200	2	62,150	5	700,600	20	2,405,410	6	1,914,900

2015 Billing Quarter	Irrigation 2"		Residential Lifeline		Commercial 1 1/4"		Commercial 1"		Commercial 2"		Fire Protection	
	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons
1ST	2	2,000	42	597,200	246	4,066,770	32	1,269,850	86	10,979,710	21	2,603,060
2ND	2		34	369,400	246	3,793,960	32	982,350	86	9,713,680	21	1,850,450
3RD	2	17,000	33	506,350	246	4,451,000	32	1,213,600	86	8,542,650	21	1,907,700
4TH	2	9,500	38	866,350	246	4,453,020	31	1,609,700	86	10,588,730	21	2,136,650
	2	28,500	37	2,339,300	246	16,764,750	32	5,075,500	86	39,824,770	21	8,497,860

2015 Billing Quarter	Commercial 3"		Schools 2"		Schools 3"		Municipal 2"		Municipal 3"	
	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons	# of Accts.	Consumption in Gallons
1ST	3	1,167,750	10	258,500	3	1,743,300	2	21,400	1	86,500
2ND	3	865,450	10	110,500	3	1,190,650	2	5,000	1	51,500
3RD	3	1,217,100	10	363,500	3	1,561,000	2	13,000	1	66,500
4TH	3	1,553,050	10	587,000	3	1,314,900	2	18,000	1	42,500
	3	4,803,350	10	1,319,500	3	5,809,850	2	57,400	1	247,000

Total Gallons 489,462,270

Total Consumption 489,462,270

Township of Medford
Analysis of Sewer Expenditures

	BAN/BOND INTEREST	BOND PRINCIPAL	BAN PRINCIPAL	CAPITAL IMPROEMENT FUND	BUDGETED CAPITAL EXPENDITURES
1966	\$57,912.50				
1967	89,570.85				
1968	86,050.00				
1969	85,883.34	\$5,000.00			\$5,000.00
1970	85,633.33	5,000.00			30,000.00
1971	85,216.67	10,000.00			6,231.00
1972	85,334.57	15,000.00	\$30,000.00		7,726.00
1973	95,000.00	20,000.00			
1974	94,755.36	25,000.00	98,250.00		47,602.66
1975	116,268.93	30,000.00	68,000.00		44,530.00
1976	112,819.58	60,000.00	26,000.00		91,311.93
1977	109,344.58	60,000.00			28,328.60
1978	105,702.92	65,000.00			11,185.08
1979	102,044.59	65,000.00			2,681.00
1980	98,419.58	65,000.00			14,395.46
1981	94,848.75	70,000.00	5,000.00		19,190.74
1982	86,512.00	70,000.00	5,000.00		12,771.96
1983	102,443.31	75,000.00	4,500.00		12,495.12
1984	179,450.15	95,000.00			7,527.18
1985	362,368.83	100,000.00			331,997.84
1986	197,585.61	100,000.00			5,931.62
1987	267,258.15	310,000.00			13,581.00
1988	385,291.05	360,000.00		\$5,000.00	13,660.50
1989	387,505.40	385,000.00		7,500.00	30,007.50
1990	441,309.03	510,000.00		7,500.00	20,131.00
1991	434,981.67	560,000.00		20,000.00	20,990.00
1992	444,174.09	610,000.00		53,000.00	13,099.00
1993	454,514.71	655,000.00	12,500.00		182,500.00
1994	348,454.58	615,000.00	21,000.00	17,500.00	40,450.50
1995	326,066.27	611,500.00	27,500.00	17,500.00	51,527.00
1996	300,208.19	575,000.00	3,247.50	46,500.00	28,409.50
1997	282,334.83	605,000.00		25,000.00	41,096.00
1998	264,525.27	635,000.00		25,000.00	58,552.51
1999	259,481.33	710,000.00	2,018.50	25,000.00	
2000	235,221.44	710,000.00		25,000.00	45,868.06
2001	238,788.04	728,000.00	1,275.00	50,000.00	104,865.71
2002	240,871.06	384,500.00		50,000.00	
2003	229,230.05	454,500.00	250.00	37,500.00	20,948.00
2004	201,666.40	556,250.00	50.00	7,500.00	48,298.29
2005	240,719.08	471,750.00	325.00	32,500.00	40,715.82
2006	256,163.34	488,375.00		32,500.00	57,528.88
2007	263,019.21	530,750.00		32,500.00	57,741.83
2008	378,778.73	550,724.61		32,500.00	47,407.48
2009	594,443.14	748,911.53			15,885.82
2010	697,828.15	1,027,401.99			12,935.18
2011	748,394.65	1,281,881.00			20,537.00
2012	649,676.95	1,325,108.00			59,118.50
2013	577,046.49	1,378,768.00			38,201.00
2014	545,945.00	1,388,081.00			38,201.00
2015	514,936.77	1,349,598.00			38,201.00
	\$13,641,998.52	\$21,451,099.13	\$304,916.00	\$549,500.00	\$1,839,364.27

Total Capital Investment

\$37,786,877.92

Township of Medford
Analysis of Water Capital Expenditures

	BAN/BOND INTEREST	BOND PRINCIPAL	BAN PRINCIPAL	CAPITAL IMPROEMENT FUND	BUDGETED CAPITAL EXPENDITURES
1981	\$25,540.68				\$19,190.74
1982	\$100,015.00				7,808.28
1983	105,530.06		\$7,550.00		16,948.49
1984	133,691.62	\$18,580.00	10,000.00		18,126.92
1985	189,620.02	19,509.00	29,000.00		62,866.74
1986	365,899.24	20,484.45	21,000.00		44,977.62
1987	208,504.85	21,509.00			29,265.00
1988	203,919.95			\$5,000.00	26,365.50
1989	163,262.60	100,000.00		7,500.00	22,984.50
1990	193,544.97	100,000.00		7,500.00	38,089.00
1991	160,283.33	100,000.00		20,000.00	32,525.00
1992	204,542.91	100,000.00		53,000.00	40,778.00
1993	239,982.29	170,000.00	12,500.00		182,500.00
1994	311,460.42	280,000.00	21,000.00	17,500.00	70,480.55
1995	291,494.73	295,000.00	27,500.00	17,500.00	95,396.00
1996	322,777.81	409,616.00	3,247.50	46,500.00	60,072.50
1997	361,467.17	461,331.00		25,000.00	55,175.00
1998	355,505.73	509,147.00		25,000.00	195,917.50
1999	327,655.94	567,660.25	2,018.50	25,000.00	204,797.33
2000	313,859.02	570,610.00		25,000.00	159,618.06
2001	321,164.82	620,209.33	1,275.00	50,000.00	131,201.41
2002	344,906.94	619,438.38		50,000.00	105,782.76
2003	386,840.95	766,044.91	250.00	37,500.00	224,402.00
2004	340,361.01	730,924.00	50.00	7,500.00	354,534.79
2005	396,928.92	729,100.61	325.00	32,500.00	281,152.82
2006	368,247.66	866,558.25		32,500.00	317,127.08
2007	361,980.79	987,947.83		32,500.00	195,776.87
2008	381,557.30	658,962.52		32,500.00	183,144.58
2009	354,265.64	672,014.36			45,790.82
2010	329,923.67	690,396.88			14,772.67
2011	351,137.35	695,811.00			25,835.00
2012	303,501.05	871,305.00			83,465.50
2013	241,331.51	772,489.00			58,619.00
2014	243,982.00	869,480.00			58,619.00
2015	223,591.23	781,940.00			58,619.00
	\$9,528,279.18	\$15,076,068.77	\$135,716.00	\$549,500.00	\$3,522,726.03

Total Capital Investment

\$28,812,289.98