

# Overview of Suez Water Renegotiation



*Proposed new contract with Suez Water provides over **\$40 million in net economic benefit** to the City over 17 years including over **\$31 million available for capital investments.***

# Problems with Existing Suez Contract



- Aging and deteriorating water main system is in need of expensive capital investments.
- Existing agreement entered into in 1994 provides only \$350,000 per year – insufficient even for emergency repairs & provides no funding for proactive capital improvements.
- Unless renegotiated, existing agreement will remain in effect for 7 more years until 2024.

# Proposed Renegotiated Agreement



- Increases investment in capital improvements & repairs from \$350,000 to over **\$1.8 million** per year (average) for a total capital investment of over **\$31 million**.
- Agreement forgives nearly **\$7 million** owed by the City to Suez for excess capital repairs and bulk water costs and provides **\$3 million** in additional bulk water savings to ratepayers through 2024.
- Extends contract from 2024 to 2034.

# Annual Investment Comparison

Current Contract	Proposed Contract	
\$0	\$858,600 (annual average)	Suez payment to City to finance NJEIT bond debt service for improvements. \$650,000 + CPI for 4 years, then \$750,000 + CPI for 13 years (estimate)
\$0	\$283,500 (annual average)	Suez payment to City - Franchise Fee (estimate)
\$350,000	\$588,500 (annual average)	Suez emergency & general repair fund. \$500,000 + CPI (estimate)
\$0	\$117,600 (annual average)	Suez Smart Technology upgrades
<b>\$350,000</b>	<b>\$1,848,200</b> (annual average)	<b>Total</b> Assumes CPI = 2%

**(Note: All figures assume 2% CPI)**

- Suez will also make a \$50,000 (+CPI) per year payment to the City as a Monitoring Fee.
- Suez will invest \$2,000,000 in smart technology upgrades for early detection of leaks and to improve system efficiency.

# \$31.4 million for Capital Investments & Repairs



## Additional Investments Under Proposed Contract

\$2,679,045	Suez payment to City - \$650,000 + CPI for 4 years
\$11,917,847	Suez payment to City - \$750,000 + CPI for 13 years
\$4,820,538	Franchise fee (estimated) - for 17 years
\$10,006,035	Suez general repair fund - \$500,000 + CPI for 17 years
\$2,000,000	Suez investment in Smart Technology
<b>\$31,423,465</b>	<b>Total</b>

**(Note: All figures assume 2% CPI)**

# Liability Forgiveness & Bulk Water Savings



	Item	Value
	Excess capital repairs beyond contractual obligation	\$1,800,000
	Excess bulk water costs (2014-2017)	\$5,200,000
	Bulk water savings by phasing in water cost increase over 6 years	\$3,000,000
	<b>Total value:</b>	<b>\$10,000,000</b>

- **Contract extended by 10 years** from 2024 to 2034
- **One-time 1.8% rate increase in 2018 and gradual rate increase of 2% per year for six years to reach true bulk water cost.** Any future bulk water cost increases passed to ratepayer.

# Next 7 Year Comparison



2018-2024 Comparison		
Without New Agreement	With New Agreement	
\$2,687,500	\$3,717,100	Suez emergency & general repairs
\$0	\$5,163,500	Suez payment to City for capital investment (estimate)
\$0	\$1,613,200	Suez Franchise Fee to City for capital investment (estimate)
-\$10,000,000*	\$10,000,000	Bulk water and excess capital repairs liability forgiveness & rate increase
<b>-\$7,312,500</b>	<b>\$20,493,800</b>	<b>Total benefit to city over 7 years</b>

**(Note: All figures assume 2% CPI)**

**Under current agreement:** Suez will make \$2,687,500 in emergency and general repairs and the City of Hoboken will owe Suez \$10 million\*, along with any additional costs for repairs beyond \$350,000/year (+CPI).

\*\$10 million is minimum estimated liability.

**Under new agreement:** Suez will make \$10,493,800 in emergency and general repairs and capital investments and forgive \$10 million in liabilities.



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