

A REVIEW OF LONG BEACH TOWNSHIP WATER AND SEWER RATE STRUCTURE

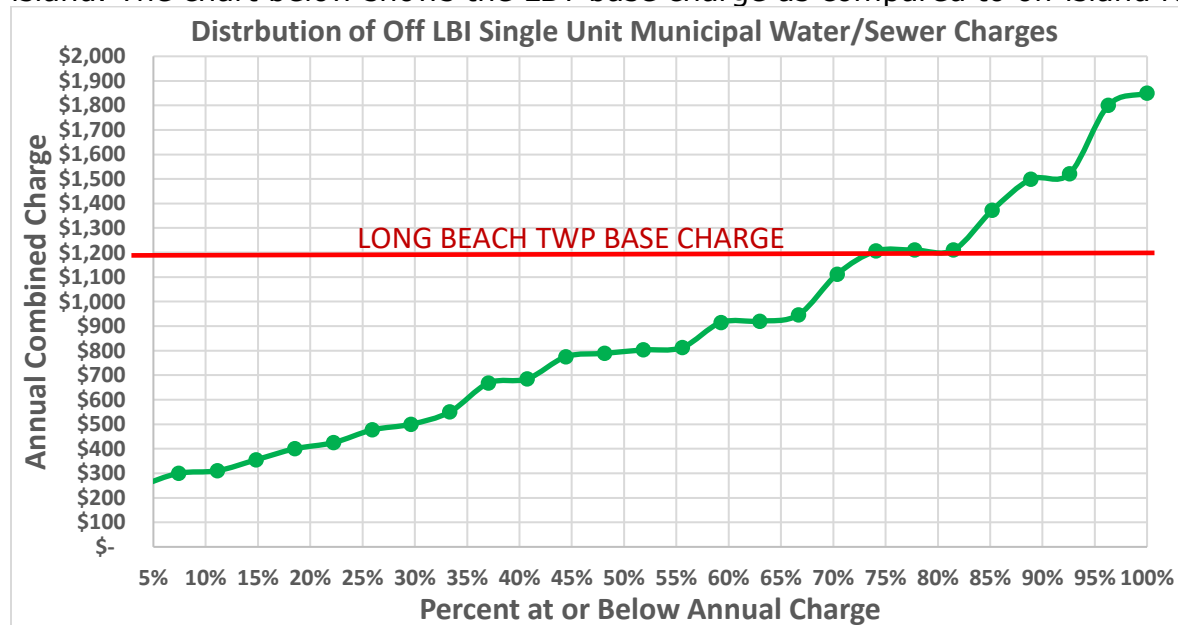
Introduction

In response to state mandates, since 2023 Long Beach Township has required the installation of water meters in all properties for the purpose of “establishing appropriate and equitable water and sewer rates”¹. The subject ordinance also established a new rate structure based on a combination of flat fees and tiered usage for various classes of residential property (single family, duplex, condo units).

Now that there is several years of meter usage data collection, the LBT10 Taxpayers Association (LBT10) believes it is appropriate the review the current rate structure with a view towards making it more equitable and effective in encouraging responsible and economical use of the township’s water and sewer resources and infrastructure. That is the purpose of this report.

Current Rate Structure

In 2025 LBT10 conducted a survey of our members who also pay such rates off the island. The chart below shows the LBT base charge as compared to off island rates.



¹ Long Beach Township Ordinance 23-09C, April 6, 2023.

As can be seen, our Township base rates are higher than 75% of municipalities elsewhere in NJ and other states.

More relevant is a comparison with the other towns on LBI which is summarized here:

<u>LBI RESIDENTIAL WATER AND SEWER RATES</u>						
	<u>Beach Haven</u>	<u>Ship Bottom</u>	<u>Surf City</u>	<u>Harvey Cedars</u>	<u>Barnegat Light</u>	<u>LB TWP</u>
Quarterly Base Rate						
Water	\$ 125.60	\$ 62.50	\$ 87.50	\$ 95.00	\$ 75.00	\$ 150.00
Sewer	\$ 112.00	\$ 110.00	\$ 95.00	\$ 85.00	\$ 118.75	\$ 150.00
Combined	\$ 237.60	\$ 172.50	\$ 182.50	\$ 180.00	\$ 193.75	\$ 300.00
Duplex Adjustment (Multiple of Base Rate)						
Water	None	Double	Double	Double	Double	None
Sewer	None	Double	Double	Double	Double	Double
Water Usage Fees (per thousand gallons/qtr)						
0-15,000 Gallons	\$ 4.00	\$ 1.00	None	\$ 1.70	\$ 1.00	\$ 1.00
15-25,000 Gallons	\$ 4.00	\$ 1.80	None	\$ 1.85	\$ 1.80	\$ 2.00
25-50,000 Gallons	\$ 4.50	\$ 3.70	None	\$ 3.35	\$ 2.68	\$ 5.00
50-100,000 Gallons	\$ 4.50	\$ 5.50	None	\$ 4.80	\$ 5.50	\$ 10.00
100-150,000 Gallons	\$ 5.50	\$ 5.50	None	\$ 5.30	\$ 5.50	\$ 13.50
>150,000 Gallons	\$ 5.50	\$ 5.50	None	\$ 6.90	\$ 8.10	\$ 18.00
Sewer Usage Fees (per thousand gallons/qtr)						
>50,000 Gallons	Same as Water	None	None	\$ 1.90	None	None
Annual Cost						
Single Unit Using 10,000 gals /qtr	\$ 1,270.40	\$ 730.00	\$ 730.00	\$ 788.00	\$ 815.00	\$ 1,240.00
Duplex Using 20,000 gals/qtr	\$ 1,590.40	\$ 1,476.00	\$ 1,460.00	\$ 1,474.80	\$ 1,646.00	\$ 1,800.00

As indicated each town has a mix of base and usage fees, and treatment of duplex units, but it appears we have the highest base rates and among the lowest usage rate for low or moderate usage. As a result, we have the second highest water/sewer bills for typical single units and the highest costs for duplex units.

LBT Water and Sewer Budget

Like many NJ municipalities, LBT operates and maintains its own water and sewer utility which is separately funded from the main town budget. In 2025 revenues of \$12 million were collected from water and sewer rents:

- Water Rents - \$6.4 million
- Sewer Rents - \$5.6 million

Since there are a total of 8415 residential properties, including 298 duplexes, in the Township², this means that \$10.3 million or 85% of the rent revenue came from the base rate and only \$1.7 million or 15% from usage fees.

Distribution of Cost Among Properties

Given the ability to utilize meter data to assign water/sewer costs based on usage, the collection of water/sewer rents seems to be unduly skewed towards base revenue collection which results in large inequities in distribution of costs among users. Indeed, a detailed review of individual water/sewer bills over the past year indicates a wide disparity in overall usage cost among typical residential properties in the township:

**Water/Sewer Costs for Representative Residential Properties
(July 2025-April 2026)**

	<u>Usage (gallons/qtr)</u>	<u>Annual Bill</u>	<u>Usage Cost/gallon</u>
Single Unit Second Home	4,000	\$ 1,264	\$0.08
Duplex Unit Second Home	5,000	\$ 1,880	\$0.09
Single Unit Rental	7,500	\$ 1,328	\$0.04
Duplex Unit Primary Home	10,000	\$ 1,960	\$0.05
Single Unit Primary Home	12,000	\$ 1,392	\$0.03
Duplex Rental	15,000	\$ 2,040	\$0.03
Rental with Swimming Pool	20,000	\$ 1,600	\$0.02

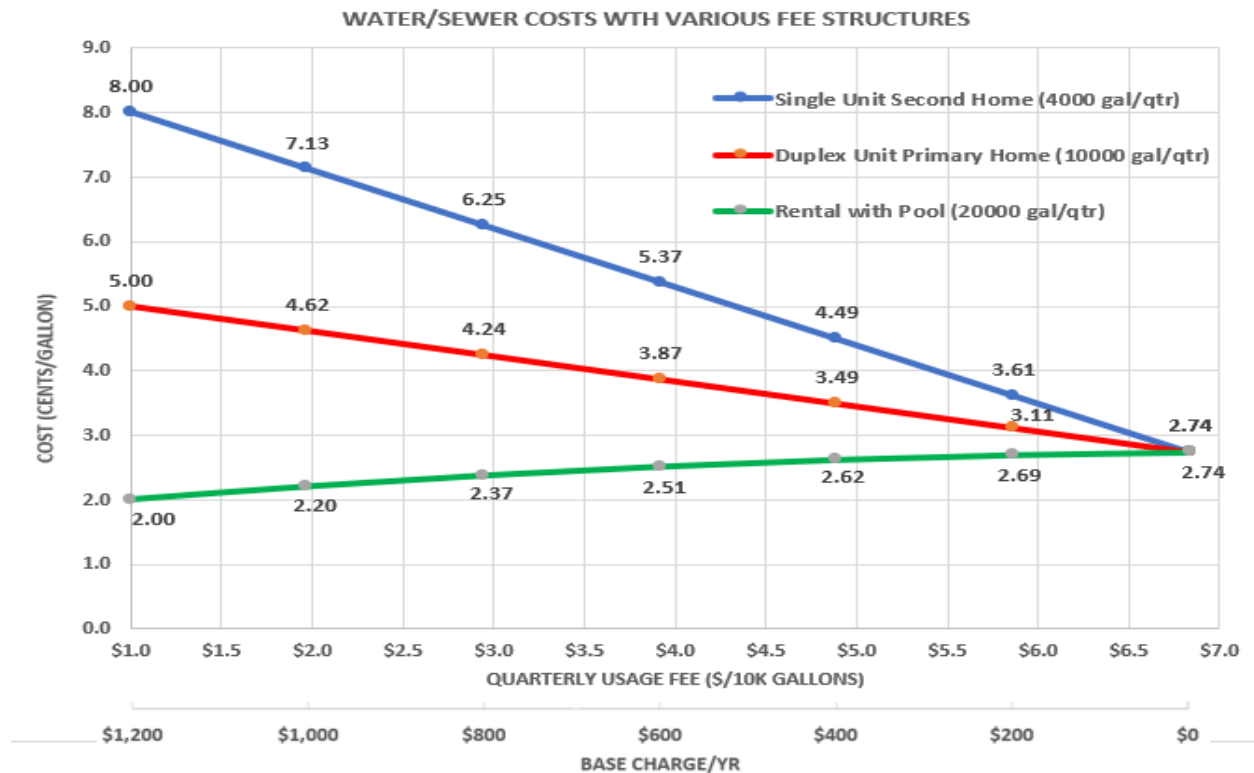
Thus a small user, representative of many older homes, pays more than four times the cost for each gallon of water used or disposed of as a large user such as a rental property with swimming pool. In particular, duplex properties are penalized due to the double sewer base rate applied to them.

An Alternative Approach

Since 2023 the township has been collecting usage data which now should be useful in better characterizing usage profiles among various classes of property, including single and duplex units and many newer larger homes which now include hot tubs, swimming pools and irrigation systems. As indicated, the current rate structure allows high volume users to enjoy lower overall usage costs at the expense of lower volume users. This is not only inequitable but does little or nothing to promote water conservation and reduce the costs of water itself which is purchased by the township from neighboring municipalities.

² LBT Fourth Round Housing Element and Fair Share Plan, HGA Associates, May 5, 2025.

We believe a more equitable system would shift more of the billing for our water and sewer system from a base rate to a usage-based rate structure. Such a system could be designed to be “revenue neutral”, such that there is no loss in revenue collected to fund the operation and maintenance of the water/sewer utility. The following chart displays how a shift from the current rate structure (\$1200 annual base rate plus \$1/thousand gallons per quarter) would shift overall costs towards a more equitable balance for a representative sample of properties from small to large users.



As indicated, the current rates require a 4000 gal/qtr user to pay 8 cents/gallon, four times the cost per gallon than a 20,000 gal/qtr user. This disparity would be reduced to a factor of two if the base rate were halved to \$600/yr and the first tier usage rate increased to \$4/1000 gallons. Complete equity would be achieved with elimination of base rates entirely in favor of a first tier quarterly usage rate of \$6.85/1000 gallons, in which case all users would pay 2.74 cents/gallon.³

Such an equitable usage rate structure would see annual bill reductions for most homeowners while modestly increasing bills for the highest volume users, eliminating the current reverse cost disparity and encouraging water conservation for high volume use.

³ These projections assume the maximum first tier volume would be expanded to 20,000 gallons from the current 15,000 gallons.

Recommendations

As noted, the 2023 Township water/sewer rate ordinance calls for of “establishing appropriate and equitable water and sewer rates” based on metering of usage. However, as demonstrated above, the ordinance has resulted in large disparity among residential users on unit cost of water resource consumed. This is due to the heavy reliance on fixed base rates rather than metered usage rates.

Electric and gas utilities employing metered service rely solely on tiered usage rates without use of base or minimum charges in billing residential customers. There is no reason Township water and sewer billing could not be similarly structured. Accordingly, the LBT 10 Taxpayers Association recommends that:

- Water and sewer rates should be shifted from a base rate structure to a revenue neutral tiered usage-based structure.
- The number of tiers should be reduced and expanded to ensure that properties within a given tier pay the same unit cost for water and unit costs increase significantly for only the highest use properties
- The current double sewer rate applied to duplex properties should be removed.

We believe that this approach will ensure that water/sewer rates are equitable and non-discriminatory to all residence types (single, duplex, condo) and use (primary residence, second home or rental). Furthermore, they would incentivize conservation of water resources and thereby reduce cost of water procurement by the Township. We would be glad to discuss these findings and recommendations with the board of commissioners.