

PRESS RELEASE

THE ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY WILL HOLD PUBLIC HEARINGS ON THE AUTHORITY'S PROPOSED 2012 BUDGET AND PROPOSED CHANGES TO THE RULES, RATES, AND REGULATIONS ON TUESDAY, NOVEMBER 22, 2011 AND THURSDAY, DECEMBER 1, 2011.

The November 22, 2011 and December 1, 2011 hearings will be held at the ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY, located at 401 N. Virginia Avenue, Atlantic City, New Jersey. Both hearings will begin at 10:00 A.M. The budget is scheduled for adoption at the regularly scheduled Board Meeting on December 21, 2011.

The MUA will also accept written comments. Comments received before the hearings will be read into the hearing record. Written comments not read at the hearings will be presented at the Board Meeting. The Board Meeting is open to the public.

THERE WILL BE A 5 % INCREASE IN RATES FOR WATER SERVICE IN 2012

Over the last several years, the Atlantic City Municipal Utilities Authority (MUA) has seen its expenses rise, however, water demand (and the resulting revenue), since 2006, has shown a steady and continual decline. The MUA attributes the decline to two (2) primary factors. The first is the removal of hotels and housing in Atlantic City through demolition. Projects such as the Pinnacle that took the Sand's Casino Hotel out of service and demolished it, as well as several other hotels in the area had a significant detrimental effect on the MUA's revenues. The next most significant factor in the MUA's revenue decline is water conserving devices. Water conservation is always promoted in order to minimize the wasteful use of resources. Since 1992, the MUA has seen the average gallons per capita per day in Atlantic City for residential customers drop from 97 to 73, almost a twenty-five (25%) percent reduction. This trend continued through 2011. Last year's rate increase combined with significant reductions in expenses due to changing energy providers and changing the after-hours staffing allowed the MUA to stabilize its finances.

The 2012 proposed Budget has an increase in spending of \$89,440 (less than 0.65%). Increases are primarily related to increases in health benefits expense. The Authority will meet its 2011 revenue projection for service charges. The Authority entered 2010 and 2011 with no reserve funds available to support operations. The Authority will also enter 2012 with no reserve funds available to support operations. In 2010 and again in 2011, the Authority created a surplus for municipal appropriation by removing a project (painting of

the Absecon Boulevard water tower) from the capital budget. The Authority can no longer take this type of action; there are not sufficient unauthorized capital projects to remove from the budget. With the current projection, this issue will continue for many years to come. The Authority has proposed two solutions. First, for 2012, the Authority plans to issue bonds. The Bonds will replace the use of unreserved funds for Capital Projects, thus creating available funding for 2012 only. The Authority also proposes increasing the water rates by five (5) percent. These funds cannot be used in 2012, but are anticipated to create a reserve in 2013 and beyond. The Authority has reached the point where it can no longer operate without this increase.

Over the last several years the Authority has relied upon the New Jersey Environmental Infrastructure Trust Fund (1.25% interest rate) to provide funding for capital projects, rather than conventional bonds (5%). In 2011, debt service payments for the last 2 loans began, increasing the budget by \$180,000. The loans were part of the Federal Stimulus program and 50% of the principal will be forgiven. The Authority is looking to take advantage of favorable interest rates, and again refinance one of its outstanding bonds. The Authority will add new financing to that package to save on issue expenses and provide additional funds for capital projects and create a surplus from existing unrestricted net assets.

The MUA's proposed 5 % increase will be applied as a 6 % increase in base charges and an increase of 3.5 % in excess charges, for all users in all categories in Atlantic City.

The average residential single family property in Atlantic City currently pays approximately \$199.41 per year for water. The MUA is currently projecting that, with this rate increase, the average consumer will pay \$210.75 per year. This is an \$11.34 per year increase.

THE CONNECTION FEE RATE WILL INCREASE

State Law sets a formula mandating the specific calculation of connection Fees. State Law further requires that Connection Fees be recalculated at the end of every calendar year, and that all Debt Service and Capital Expenditures be included in the new calculation.

The net result is a proposed Connection Fee in 2012 of \$11.6568 per gallon of average daily flow. This applies to new construction.

The MUA is also making changes to the Rules, Rates and Regulations. The full text of the changes is available by contacting the MUA's offices. It is also available on the MUA's website: www.acmua.org .

Submitted by: Neil A. Goldfine
Executive Director