



Atlantic City Municipal Utilities Authority

PRESS RELEASE

DIRECTORS

EDMUND J. COLANZI
GARY L. HILL
WILLIAM LEA
JOHN J. McGETTIGAN
MILTON L. SMITH

THE ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY WILL HOLD PUBLIC HEARINGS ON THE AUTHORITY'S PROPOSED 2010 BUDGET AND PROPOSED CHANGES TO THE RULES, RATES, AND REGULATIONS ON TUESDAY, NOVEMBER 24, 2009 AND THURSDAY, DECEMBER 3, 2009.

The November 24, 2009 and December 3, 2009 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 23, 2009.

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 9.5% INCREASE IN RATES FOR WATER SERVICE IN 2010

Over the last several years, the Atlantic City Municipal Utilities Authority (MUA) has seen its expenses rise, however, its 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 from the MUA's system of hotels and housing 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 of 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.

On January 1, 2006, the MUA had its last rate increase. During the last three (3) years, the MUA has seen a steady reduction in revenues, approximately four (4%) percent per year. The MUA's revenues have sunk from a high in 2006 of \$14,073,027 to a projected revenue in 2009 of only \$12,478,646, a reduction of eleven (11%) percent. The MUA can no longer continue to absorb reductions in revenues without increasing its rates.

Therefore, the MUA has proposed a 9.5%, across the board rate increase for all users in all categories in Atlantic City. The MUA has taken dramatic actions in order to minimize the amount of the rate increase. The most dramatic is an overall reduction of the MUA's Operating Budget of over \$500,000 or over three and a half (3 ½%) percent. Even with the nine and a half (9 ½%) percent rate increase, the budget provides for no excess revenues to be utilized for Capital Improvement. This is the first time, in many years, that the MUA has not been able to use funds from Operating Revenues to support its physical plant. The MUA has also been very active in soliciting American Resource and Recovery Act Funds. The MUA has a commitment from the Federal Government for approximately \$1,500,000 in Stimulus Funds, and is seeking a third project that will bring an additional \$1,000,000 of Stimulus Funds to the MUA. However, the other side of these projects is that the MUA is an equal amount of additional Debt Service that will hit the MUA's budget in 2012.

The average residential single family property in Atlantic City currently pays approximately \$191 per year for water. The MUA is currently projecting that with this rate increase, the average consumer will pay \$207 per year. This \$16.00 per year charge relates to an eight and a half (8 ½%) percent increase for the average residential consumer. The reason for the differential between this number and the overall increase is because of the MUA's block rate design. This is the MUA's first rate increase in four (4) years, thus, spreading the impact to just over two (2%) percent per year.

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 2010 of \$10.3933 per gallon of average daily flow. This applies to new construction.

The MUA is also making substantial 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