

ATLANTIC CITY MUNICIPAL UTILITIES AUTHORITY
PUBLIC HEARING PROPOSED 2017
BUDGET AND PROPOSED CHANGES TO THE
RULES, RATES AND REGULATIONS

Thursday, December 1, 2016

G. Bruce Ward, Executive Director
Kelley Williams, Board Administrator

B E F O R E:

William K. Cheatham, Alternate

TAKEN BEFORE: JACQUELINE M. ZARRILLO,
Certified Court Reporter of the State of New Jersey,
License No. XI01786, at the ATLANTIC CITY MUNICIPAL
UTILITIES AUTHORITY, 401 North Virginia Avenue,
Atlantic City, New Jersey 08404, commencing
at 10 a.m.

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(NO PUBLIC PRESENT.)

PAGE

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1 MR. WARD: Good morning. This is
2 December the 1st of 2016. This is the Atlantic City
3 Municipal Utilities Authority annual budget meeting
4 for the 2017 budget. Let me read the printed
5 statement first and then I'll make some comments.

6 "The 2017 proposed budget is fully
7 funded budget, providing for the continuation of all
8 of the Authority's major programs. The proposed
9 appropriations for 2017 are anticipated to be
10 approximately \$1,312,277 lower than the budgeted
11 appropriations for 2017. The decline is primarily
12 due to a decrease in salaries and wages as a result
13 of employee retirements. The Authority will
14 recognize a 16.4 percent decline in the amount of
15 \$76,825 for interest payments due to the decrease in
16 long-term debt outstanding. This is a result of the
17 defeasance of 2009 and 2010 NJEIT loans in 2016. In
18 addition, the Authority will recognize a 55.1 percent
19 decline in the amount of \$853,125 for the 2017
20 renewal and replacement reserve, which primarily
21 resulted from the overall decline in 2017 revenue and
22 expenses. The reserves will be utilized to help fund
23 the 2017 capital budget. Offsetting the decrease in
24 appropriations is the increase in professional fees
25 by 64.8 percent in the amount of \$102,400. The

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1 increase is primarily due to anticipated legal and
2 other professional services associated with the
3 partnership between the Authority and the City of
4 Atlantic City. This will assist the city in their
5 local recovery effort.

6 "The state of the local and regional
7 economy of coastal Atlantic City cannot be projected
8 under normal conditions due to economic
9 destabilization occurring over the past three years.
10 Casino closings and tax appeals have triggered
11 massive debt against city government. It is hopeful
12 this decline has bottomed out and that the economy
13 can stabilize and improve. With announcements for
14 two large ACMUA customers to reopen in the first
15 quarter of 2017, the potential for casino expansion
16 in North Jersey is a significant threat. Two
17 non-casino projects underway otherwise provide a step
18 toward recovery.

19 "The ACMUA has partnered with the City
20 of Atlantic City to assist in a local recovery
21 effort. Should this joint effort succeed, the MUA
22 would assume ownership of a strategic piece of
23 undeveloped real estate via a bond offering. In such
24 case, the proposed 2017 budget will require
25 restructuring to address fee and non-water revenue to

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1 meet its revised financial conditions.

2 "The Authority is anticipating an
3 increase of ten percent in flat and excess rates for
4 commercial, industrial, intergovernmental and other
5 customers. The residential rates for residential
6 customers will be increasing from the flat charge of
7 \$45 a quarter to \$50 a quarter. Residential
8 customers that will exceed the allowed allotment will
9 be subject to a ten percent increase in the excess
10 rate.

11 "The MUA's proposed increase does not
12 include an increase in the flat charge for all
13 customers except for the residential customers, who
14 will experience a \$5 increase (per unit) for flat
15 charges quarterly. In addition, all customers that
16 experience higher usage than their allowance will
17 face a ten percent increase in excess charges.

18 "The average residential single-family
19 property in Atlantic City currently pays \$285.52 per
20 year for water. The MUA is projecting that, with
21 this rate increase, the average consumer will pay
22 \$316.37 per year. This is a \$30.85 per year increase
23 in excess charges.

24 "The connection fee rate will increase.

25 "The City of Atlantic City has

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1 experienced a steady decline in annual new
2 construction and development. As a result, the
3 Authority has recognized a significant decline in
4 connection fee income. In the past, the connection
5 fee income has been utilized for capital projects
6 recommended by the way of the Authority's capital
7 improvement program. This anticipated decline in
8 income was considered when developing the 2017 rate
9 structure, thus allowing for additional income to be
10 generated for the use of capital projects.

11 "State law sets a formula mandating the
12 specific calculation of connection fees. State law
13 further requires that connection fees be recalculated
14 at the end of every calendar year, and that all debt
15 service and capital expenditures be included in the
16 new calculation.

17 "The net result is a proposed
18 connection fee in 2017 of \$14.9689 per gallon of
19 average daily flow. This applies to new
20 construction.

21 "The MUA is also making changes to the
22 rules, rates and regulations. The full text of the
23 changes is available by contacting the MUA's offices.
24 It is also available on the MUA's website."

25 I think I would like to also mention

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1 that the projected distribution efforts of our staff
2 going forward includes an unusual number of
3 residential connections on and off as a result of a
4 number of residences being raised as a result of the
5 Sandy flooding. This unusual condition places
6 additional burdens on our staff that would not, under
7 normal years, be anticipated.

8 And again, I would also place on the
9 record that the rates that have been set for 2017
10 will still render the Authority's charges to its
11 customers to be significantly lower than those
12 charges that many experience on the mainland. As a
13 result of our cost cutting and that salaries have
14 been frozen for our three labor groups over the last
15 three years, we are able to maintain a very very
16 competitive cost arrangement for our customers over
17 the next year in 2017.

18 Today with us is my executive
19 secretary, Ms. Kelley Williams, and also our Board
20 member, Mr. William Cheatham is in the building. We
21 do not have any members from the public at this time.
22 And as usual, when members of the public are not
23 present, we would extend a recess to the public
24 hearing, and should members for the public come in, I
25 will certainly rejoin and reopen the session to

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1 address any questions that members of the public may
2 have. And again, we will maintain this public
3 hearing up until 12 p.m. today.

4 (The hearing adjourned
5 from 10:10 a.m. to 12 p.m.)

6 MR. WARD: It's 12 p.m. It's December
7 the 1st of 2016. This is the closing of the Atlantic
8 City Municipal Utilities Authority public meeting on
9 its 2017 budget. The budget will be approved by our
10 Board of Directors and forwarded as appropriate to
11 the respective state agencies. And we look forward
12 to the challenges that the new year brings, but we
13 expect that our dedicated staff and our abilities
14 will continue to provide high quality of service to
15 our community. And this concludes the meeting.

16 (The meeting concluded at 12:02 p.m.)

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C E R T I F I C A T E

I, JACQUELINE M. ZARRILLO, a Certified Court Reporter of the State of New Jersey, do hereby certify that I am neither a relative nor employee nor attorney nor counsel of any of the parties to this action, and that I am neither a relative nor employee of such attorney or counsel, and that I am not financially interested in the action.

JACQUELINE M. ZARRILLO
Certified Court Reporter
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DATED: December 1, 2016

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