



Southeast Morris County Municipal Utilities Authority

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TOWNSHIP OF HANOVER

October 12, 2016

Honorable Mayor Ronald Francioli
Township of Hanover
1000 Route 10
PO Box 250
Whippany, NJ 07981

Re: SMCMUA Update

Dear Hon. Mayor Francioli:

I am writing to provide information requested by another municipality related to municipal best practices and thought this information would also be useful for the Township of Hanover.

The Authority operates Public Water System, NJ ID#1424001, serving a population of approximately 67,000. The Authority serves the public interest for the protection of public health by the provision of a potable water supply and for the protection of public safety for the provision of water for fire protection. The primary service area ("District") consists of the Authority's creating municipalities including the Borough of Morris Plains, the Townships of Hanover and Morris, and the Town of Morristown. In addition, the Authority also services certain sections of surrounding towns on the border of the District.

The Authority's 2016 Operating Budget is \$14,942,076. As of January 1, 2016, the Authority made the final bond payment for the 2010 Series Bonds and, with the exception of the annual payment of \$30,000 to the Town of Morristown for the purchase of the original water system assets, is now debt free.

The Authority's rates are among the lowest in the State of New Jersey as demonstrated by an annual cost of water of approximately \$410 for a residential consumer using 7,500 gallons per month. In comparison, for the same monthly water usage, the annual cost of water for representative water systems within the State have a median value of \$498 up to a high of approximately \$780. The high end of the comparison is representative of the rates charged by large private water companies.

The Authority's business plan includes cash funding of future capital projects, where the current projected annual expenditures range between \$3 to \$5 million. Recent business planning initiatives include updating the demand forecast, completed in 2015, and updating the cost of services study, completed in 2016.

Another recent key project, completed in 2014, included converting from a cloud based billing system to a locally hosted billing system that resulted in a reduction of overall annual billing costs by approximately \$100,000. In 2015, the Authority completed a water audit utilizing industry best practices as identified in the American Water Works Association Manual M36 "Water Audits and Loss Control Programs". The water audit will now be conducted on an annual basis and will be utilized to strategically plan improvements to reduce lost revenue.

Please contact me at 973-326-6866 or lcummings@smcmua.org if you have any questions or need additional information.

Sincerely,



Laura Cummings, P.E.
Executive Director/Chief Engineer

cc: SMCMUA Board
Sidney D. Weiss, Esq. General Counsel
Charles Maggio, Manager of Finance
Joseph A. Giorgio, Administrator, Township of Hanover