

Lehigh County Authority  
2021 Budget  
Preliminary Review  
September 28, 2020

# Headcount

	2021	2020	
<b>Home Departments</b>	<b><u>Budget</u></b>	<b><u>Forecast</u></b>	<b><u>Change</u></b>
Executive	5	5	-
Planning	3	3	-
Finance	10	10	-
Information Technology	9	8	1
Customer Care and Billing	19	17	2
Compliance	13	13	-
Capital Works	8	8	-
Operations - Suburban	22	20	2
Operations - D&C	29	29	-
Operations - Waste Water Treatment Plant	13	14	(1)
Operations - Waste Water Treatment Plant (Maintenance)	10	10	-
Operations - Waste Water Treatment Plant (Residuals)	7	7	-
Operations - Water Filtration Plant	14	14	-
Operations - Water Filtration Plant (Maintenance)	5	5	-
<b>TOTAL LCA POSITIONS</b>	<b>167</b>	<b>163</b>	<b>4</b>

# Headcount Changes

- NEW POSITIONS BEING BUDGETED
  - IT – SCADA Systems Analyst
  - Billing – Field Technician
- 2020 OPEN POSITIONS TO BE FILLED
  - Billing – Collection & Data Analyst
  - Suburban Operations – (2) Tech 1 positions
- 2020 OPEN POSITIONS NOT BEING FILLED
  - Wastewater Treatment Plant – Wastewater Services Manager (Retirement)
- SUMMARY OF CHANGES
  - (2) New Positions
  - (3) 2020 Open Positions to be Filled
  - (1) 2020 Open Position **Not** Being Filled
  - NET of (4)

# Internal Services

		Operational Support								
<b>OPERATING FUNDS</b>		<b>Undesignated</b>	<b>Executive</b>	<b>Planning</b>	<b>Finance</b>	<b>Information Technology</b>	<b>Cust Care &amp; Billing</b>	<b>2021 TOTAL</b>	<b>BUDGET 2020</b>	<b>Variance</b>
<b>Operating Expenses:</b>										
<b>Personnel</b>										
	Salaries and Wages	-	366,438	144,051	661,303	673,907	1,027,383	2,873,082	2,593,925	(279,157)
	Overtime	-	-	-	-	-	5,441	5,441	8,280	2,839
	Taxes	-	28,817	11,437	51,716	52,046	80,965	224,981	198,853	(26,128)
	Fringe Benefits	-	347,181	79,242	203,168	269,605	461,874	1,361,070	1,158,192	(202,878)
	Other Personnel Related	-	-	-	-	-	-	-	-	-
	<b>Total Personnel</b>	-	742,436	234,729	916,188	995,558	1,575,663	4,464,574	3,959,250	(505,324)
<b>Other Expenses</b>										
<b>General &amp; Administrative:</b>										
	Temporary Contract Service	-	-	-	-	-	-	-	-	-
	Office Related	-	43,884	43,884	43,884	43,884	43,884	219,421	219,386	(35)
	Computer Software / Hardware	-	-	-	-	424,655	-	424,655	318,505	(106,150)
	Advertising	-	1,116	-	-	-	-	1,116	2,750	1,634
	Audit	-	-	-	53,040	-	-	53,040	52,000	(1,040)
	Bank and Credit Card Fees	-	-	-	188,723	-	-	188,723	175,820	(12,903)
	Dues and Subscriptions	-	7,216	7,216	7,216	7,216	7,216	36,082	36,000	(82)
	Travel and Entertainmnet	-	983	983	983	983	983	4,915	4,000	(915)
	Education & Training	-	59,975	6,750	6,790	21,600	8,925	104,040	168,255	64,215
	Insurance & Risk Management	-	925,548	-	-	-	-	925,548	831,058	(94,490)
	Human Resources and Related	-	110,850	-	-	-	-	110,850	47,000	(63,850)
	Professional Consulting & Legal	-	180,067	-	-	-	-	180,067	275,430	95,363
	Public Relations	-	-	-	-	-	149,449	149,449	194,704	45,255
	Contributions & Sponsorships	-	46	46	46	46	46	230	3,000	2,771
	<b>Total Other Expenses</b>	-	1,329,686	58,879	300,683	498,384	215,303	2,402,936	2,332,708	(70,228)
<b>Total Operating Expenses</b>		-	<b>2,072,121</b>	<b>293,608</b>	<b>1,216,870</b>	<b>1,493,943</b>	<b>1,790,967</b>	<b>6,867,510</b>	<b>6,291,958</b>	<b>(575,552)</b>

# Internal Services Variances

- Departments:
  - Executive
  - Planning
  - Finance
  - IT
  - Customer Care & Billing
- Total expenses up almost \$576K (9.1%)
- Personnel costs up \$505k
  - Higher headcount – (2) new positions, (1) open position
  - Wage pool increase
  - Benefits increase of 15.0%
- Other spending up by \$70k
  - Computer related up by \$106k
  - Insurance & Risk Management up almost \$95k
    - Significant policy premium increases for property, liability, & bonding
    - Upward City re-appraisal
  - HR up by \$64k – continuation of compensation survey and benchmarking
  - Planning education and training of \$105k – curtailed in 2020 for covid-19
  - Planning special studies
    - Strategic Planning \$75k
    - Process Improvement \$50k
  - Have favorable variance of \$141k to 2020 budget on consulting and public relations

# 2021 Budget Summary – All Funds

	Budget	Forecast	Budget	Actual	Variance To	
	2021	2020	2020	2019	2020 FC	2020 Budget
<b>NET INCOME</b>						
Suburban Water	(120,312)	1,212,986	(78,407)	2,670,094	(1,333,297)	(41,905)
Suburban Wastewater	1,175,879	1,954,282	(1,269,292)	(473,333)	(778,403)	2,445,171
City Division	<u>(1,553,540)</u>	<u>(6,525,887)</u>	<u>(4,106,561)</u>	<u>(4,130,921)</u>	4,972,346	<u>2,553,021</u>
Total LCA	<u>(497,973)</u>	<u>(3,358,619)</u>	<u>(5,454,260)</u>	<u>(1,934,160)</u>	2,860,646	<u>4,956,287</u>
<b>NET CASH FLOWS</b>						
Suburban Water	(3,064,031)	(2,541,761)	(2,048,282)	2,681,097	(522,269)	(1,015,749)
Suburban Wastewater	2,321,827	2,608,733	17,484,855	(1,685,495)	(286,905)	(15,163,028)
City Division	<u>4,140,146</u>	<u>3,018,174</u>	<u>3,142,950</u>	<u>(3,065,798)</u>	1,121,972	<u>997,196</u>
Total LCA	<u>3,397,942</u>	<u>3,085,145</u>	<u>18,579,523</u>	<u>(2,070,196)</u>	312,797	<u>(15,181,581)</u>
<b>CAPITAL SPENDING</b>						
Suburban Water	3,460,000	4,321,275	8,010,000	8,764,955	(861,275)	(4,550,000)
Suburban Wastewater	3,921,800	4,470,734	8,670,500	10,671,537	(548,934)	(4,748,700)
City Division	<u>8,077,500</u>	<u>2,993,864</u>	<u>4,815,000</u>	<u>4,399,156</u>	5,083,636	<u>3,262,500</u>
Total LCA	<u>15,459,300</u>	<u>11,785,873</u>	<u>21,495,500</u>	<u>23,835,648</u>	3,673,427	<u>(6,036,200)</u>
<b>DEBT SERVICE COVERAGE RATIO</b>						
Suburban Water	1.11	1.51	1.25	1.56	(0.39)	(0.14)
Suburban Wastewater	9.54	10.59	3.18	6.03	(1.05)	6.36
City Division	<u>1.76</u>	<u>1.48</u>	<u>1.52</u>	<u>1.63</u>	0.28	<u>0.25</u>
Total LCA	<u>1.95</u>	<u>1.88</u>	<u>1.60</u>	<u>1.80</u>	0.07	<u>0.35</u>

# Suburban Water – Cash Flows

	Suburban Water			
	Budget	Forecast	Budget	Actual
	2021	2020	2020	2019
<b>CASH FLOWS</b>				
Operating Revenues	12,438,564	11,342,949	11,358,510	10,948,822
Operating Expenses	(8,637,776)	(6,134,848)	(7,334,728)	(6,027,132)
Net Cash Available for Debt Service	3,800,788	5,208,101	4,023,782	4,921,690
Debt Service	(3,499,146)	(3,517,659)	(3,341,564)	(3,270,166)
Net Cash After Debt Service	301,642	1,690,442	682,218	1,651,524
Interest Income	94,327	89,072	160,000	179,193
Other Payments	-	-	-	-
Investment Activity	-	-	-	3,459,040
Non-Cash Working Capital Dec (Inc)	-	-	-	6,156,296
Net Available for Capex	395,969	1,779,514	842,218	11,446,053
New Borrowing	-	-	5,119,500	-
Capex	(3,460,000)	(4,321,275)	(8,010,000)	(8,764,955)
<b>NET CASH FLOWS</b>	(3,064,031)	(2,541,761)	(2,048,282)	2,681,097
Beginning Unrestricted Cash Balance	6,700,850	9,242,611	9,242,611	6,561,514
<b>ENDING UNRESTRICTED CASH BALANCE</b>	<b>3,636,819</b>	<b>6,700,850</b>	<b>7,194,329</b>	<b>9,242,611</b>
<b>KEY METRICS</b>	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
Operating Ratio with D&A	1.11	1.29	1.13	1.27
Debt Service Coverage Ratio	1.11	1.51	1.25	1.56
Capital Coverage Ratio	0.11	0.41	0.11	1.31
Unrestricted Days Cash on Hand	153.62	398.45	357.85	559.73
Unrestricted Investment Balances	3,136,930	3,136,930	-	-

# Suburban Water – 2021 Budget Factors

- Cash Flow negative by \$3.1m
- Debt service of \$3.5m uses up most of Operating cash
- Not getting as much interest income with lower rates of return
- Only end up with \$0.4m of cash left for capex of \$3.5m
- Means we are tapping cash reserves to pay for capex
- Not including any borrowing
- Cash flow comparatively are down by \$0.5m to FC and \$1m to 2020 Budget
- Operating revenues
  - Operating revenues require increase of 9.0% (approx. \$1m to 2020 FC and 2020 Budget)
  - Will get some normal volume increase of 1.0%
  - Dr. Pepper is expected to provide another 0.5% to 1.0% of volume
  - Rate increase expected in 7.0 to 7.5% range (will be finalized in October)
- Operating expenses are up \$2.5m to 2020 FC and \$1.3m to 2020 Budget
  - Higher personnel costs on higher headcount
  - Wage pool increase
  - 15.0% increase in benefits
  - Higher costs coming in from Internal Services
  - \$675k of additional costs for Water purchased from City Division per the settlement agreement
- DSCR is 1.11 which is better than covenant requirement of 1.10 but lower than internal target of 1.20
- Days cash on hand is 153.6 which is below target of 180.0
- Have \$3m of cash reserves in investments
- Capex is \$3.5m which is lower than the 2020 FC and lower than spending in 2019



# Suburban Water – 2021 Capital Budget

	Primary	Estimated	Estimated	2021	Estimated
	Project	Project	Costs	Budget	Costs
Project	Category	Cost	Through 2020		2022 - 2026
<b><u>LCA Funded Projects</u></b>					
Annual Projects	AM - Varies	\$ 10,541,521	1,126,021	\$ 1,747,500	7,668,000
Water Main Replacement Projects	AM - Varies	\$ 9,600,000	-	-	9,600,000
<b><u>New Borrowing Funded Projects</u></b>					
Upper Milford Central Div. Improvements - Buss Ac	AM-High	\$ 2,156,000	2,036,000	120,000	-
Additional (Redundant) Water Supply - Small Satellite Divisions	Sys Imp	\$ 715,000	265,000	100,000	350,000
CLD Auxiliary Pump Station & Main Extension	Sys Imp	\$ 1,700,000	1,700,000	-	-
Fixed Base Metering Reading System	Sys Imp	\$ 740,000	40,000	100,000	600,000
North Whitehall Division System Improvements - Study Phase	Sys Imp	\$ 100,000	-	50,000	50,000
Arcadia Water Tank Replacement	AM-High	\$ 1,107,000	107,000	500,000	500,000
Water Meter Reading Equipment Upgrade	AM-Med	\$ -	870,000	100,000	-
Central Lehigh to Upper Milford Division Interconnection - Kohler Tract	New Cust	\$ -	-	200,000	-
CLD Well Improvements - Study Phase	Sys Imp	\$ 40,000	30,000	60,000	40,000
CLD Distribution System Improvements	Sys Imp	\$ 1,530,000	480,000	50,000	1,000,000
		\$ -			
		\$ -			
Admin Allocation				432,500	
<b>Total Suburban Division Water Capital Expenditures (Funded):</b>			<b>\$ 6,654,021</b>	<b>\$ 3,460,000</b>	<b>\$ 19,808,000</b>



# Suburban Wastewater – 2021 Budget Factors

- Cash Flow is on the positive side with net of \$2.3m
- Net cash after debt service of \$6.2m exceeds capex requirement of \$3.9m
- Cash flows are a little lower than the 2020 FC and better than 2020 Budget
- No borrowing required
- Getting additional revenues from Signatories on rate increase and higher flows and loads
- Debt service remains low without any borrowing planned
- Capex of \$3.9m is down from 2020 FC and down to 2019
- 537 Plan in the works
- DSCR is 9.54!
- Operating Expenses
  - Higher personnel costs on wage pool increase and 15.0% benefits increase
  - Increase from higher internal service costs
  - Higher treatment & transportation costs
  - Spending on utilities, supplies, and services up to 2020 FC but down by 3.4% to 2020 Budget with 2020 operations affected by covid-19
- Days cash on hand for 2021 Budget is 307.1 which is above target of 180.0 days
- Still have \$7.8m of invested cash in reserves

# Suburban Wastewater – 2021 Capital Budget

	Primary	Estimated	Estimated	2021	Estimated
Project	Project	Project	Costs	Budget	Costs
	Category	Cost	Through 2020		2022 - 2026
<b>OPERATING/CAPITAL RESERVE FUNDS</b>					
<b>General:</b>					
Annual Projects	AM - Varies	\$ 3,106,145	\$ 483,145	\$ 622,500	\$ 2,000,500
<b>Subtotal</b>			<b>483,145</b>	<b>622,500</b>	<b>2,000,500</b>
<b>LCA Wastewater Treatment Plant</b>					
Pretreatment Plant Improvements	AM - Varies	4,200,000	-	700,000	3,500,000
<b>Subtotal</b>			<b>-</b>	<b>700,000</b>	<b>3,500,000</b>
<b>Western Lehigh Interceptor System:</b>					
Central Lehigh County WW Capacity Planning & Expansion	New Cust	3,219,300	620,000	799,300	1,800,000
Spring Creek Force Main A/V Valve Replacements	Sys Imp	95,000	25,000	40,000	30,000
Spring Creek Force Main Condition Assessment	AM-Med			-	300,000
<b>Subtotal</b>			<b>645,000</b>	<b>839,300</b>	<b>2,130,000</b>
<b>Satellite Systems</b>					
Wynnewood I/I Investigation and Remediation Program	Regulatory	200,000	25,000	25,000	150,000
Wynnewood Terrace WWTP Remediation & Replacement	AM - High	3,300,000	3,300,000	-	-
Arcadia West WWTP Mechanical Screen	Efficiency	325,000	-	-	325,000
SSES (Weisenberg, UMiT, Lowhill)	Regulatory	375,000	75,000	75,000	225,000
Sand Spring WWTP Remediation & Replacement	AM - High	4,100,000	3,600,000	500,000	-
Heidelberg Heights I/I Investigation and Remediation Program	Regulatory	1,300,000	300,000	300,000	700,000
Heidelberg Heights WWTP Rehabilitation	AM - Med	360,000	20,000	40,000	300,000
Lynn Township WWTP Improvements & Expansion	Sys Imp	300,000	-	50,000	250,000
Lynn Township I/I Investigation and Remediation Program	Regulatory	300,000	50,000	50,000	200,000
<b>Subtotal</b>			<b>7,370,000</b>	<b>1,040,000</b>	<b>2,150,000</b>
<b>Little Lehigh Relief Interceptor System:</b>					
Park Pump Station Force Main Rehabilitation	AM - High	1,300,000		100,000	1,200,000
Park Pump Station Rehabilitation/Improvements	AM - High	1,080,000	20,000	100,000	960,000
Regional Park Pump Station	Sys Imp	170,000	20,000	50,000	100,000
<b>Subtotal</b>			<b>40,000</b>	<b>250,000</b>	<b>2,260,000</b>
<b>SUBTOTAL OPERATING/CAPITAL RESERVE FUNDS</b>					
<b>NEW BORROWING FUNDS</b>					
<b>Western Lehigh Interceptor System:</b>					
Signatory I/I Investigation & Remediation Program	Regulatory	1,570,000	300,000	270,000	1,000,000
WLI-Trexlerstown Area Storage Facility	Regulatory	12,300,000	100,000	200,000	12,000,000
<b>Subtotal</b>			<b>400,000</b>	<b>470,000</b>	<b>13,000,000</b>
<b>Total Suburban Wastewater Division Capital Expenditures (Funded):</b>			<b>\$ 8,938,145</b>	<b>\$ 3,921,800</b>	<b>\$ 25,040,500</b>



# City Division – 2021 Budget Factors

- Positive cash flow of \$4.1m which will be better than 2020 FC
- Fund incorporates all the settlement agreement terms and conditions
- Cash flows in Budget are better than cash flows in bond offering for the 51% refinancing
- Debt service will be down compared to prior years
- Operating revenues incorporate the new billing rates included in City settlement
- Operating revenues incorporate addition \$675k from Suburban Water purchase
- Operating expenses
  - Total operating expenses are up to forecast by 2.9% and down to 2020 Budget by 3.3%
  - Personnel costs reflect wage pool increase and 15.0% benefit rate increase
  - Higher internal services charged in
  - Other discretionary spending is down 3.75% to 2020 Budget
- DSCR is 1.76 which is better than target
- Days cash on hand will go up to 194.7
- No invested cash reserves
- Capex will be slightly higher than \$8.0m – the positive effect of the settlement agreement
- Will borrow for VFD project through Pennvest – exploring that process now

# City Division – 2021 Water Capex

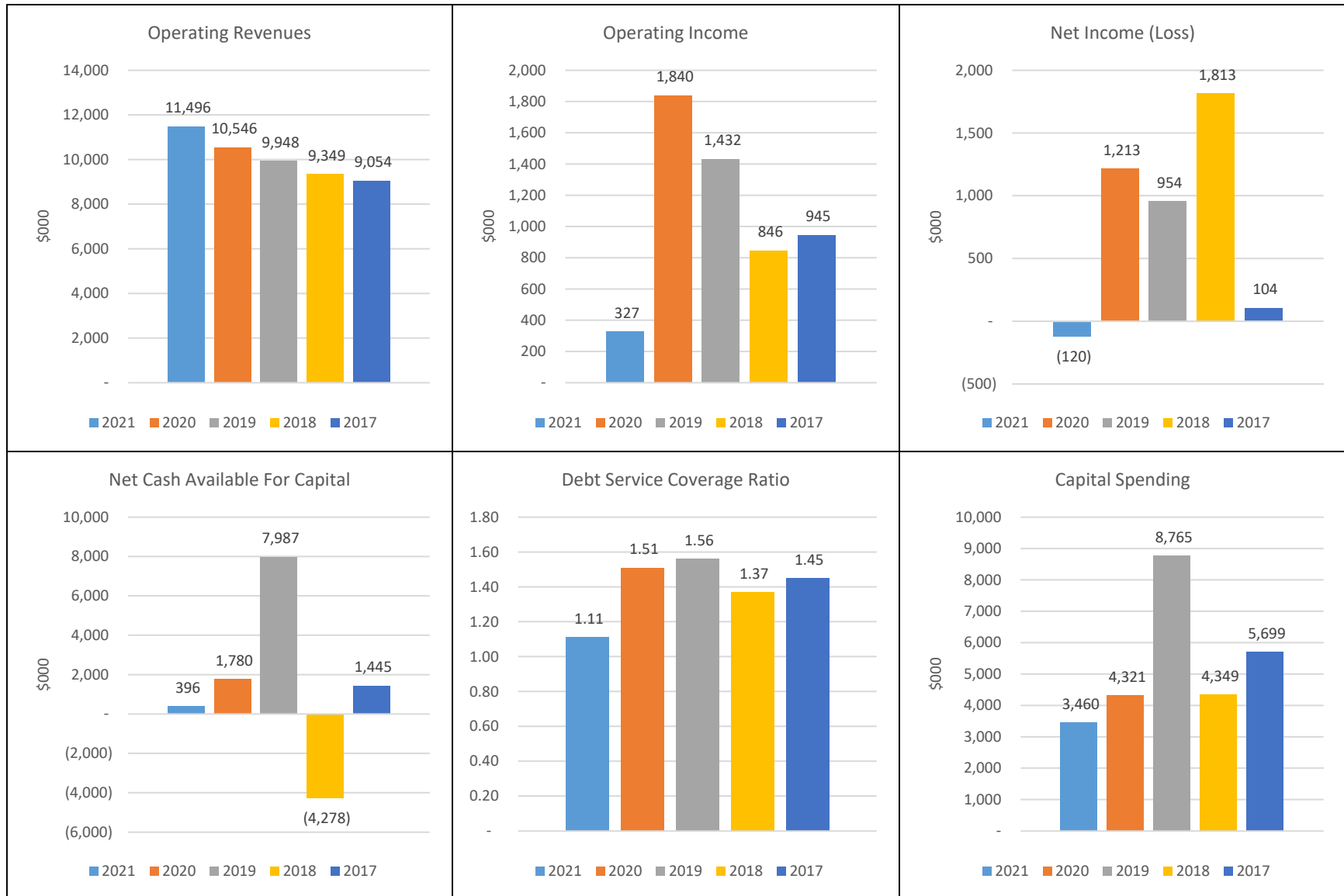
Project	Primary Project Category	Estimated Project Cost	Estimated Costs Through 2020	2021 Budget	Estimated Costs 2022 - 2026
<b><u>LCA Funded Projects</u></b>					
Annual Projects	AM - Varies	10,822,500	-	1,590,000	9,232,500
Various Water System Related Studies	CA/OS	150,000	-	-	150,000
<b>Sub-total Allentown Division Water Capital Funded by LCA</b>		<b>10,972,500</b>	<b>-</b>	<b>1,590,000</b>	<b>9,382,500</b>
<b><u>CCRC Projects</u></b>					
Annual Water Main Replacements	AM - High	11,400,000	-	1,900,000	9,500,000
<b>Sub-total Allentown Division Water CCRC</b>		<b>11,400,000</b>	<b>-</b>	<b>1,900,000</b>	<b>9,500,000</b>
<b><u>City Funded Projects</u></b>					
Itron/AMR Meter Project <sup>(1)</sup>	CA/OS	85,000	-	85,000	-
<b>Sub-total Allentown Division Water Capital Funded by the City</b>			<b>-</b>	<b>85,000</b>	<b>-</b>
<b>Administration Fund Capital Allocation</b>				<b>317,500</b>	<b>1,270,000</b>
<b>Total Allentown Division Water Capital Expenditures (Funded):</b>			<b>\$ -</b>	<b>\$ 3,892,500</b>	<b>\$ 10,652,500</b>
<p>(1) "Uncompleted Work" City Projects that were supposed to be complete by the time of settlement or executed by City personnel after settlement.                      The City will fund these projects but has requested that LCA execute them.</p>					

# City Division – 2021 WW Capex

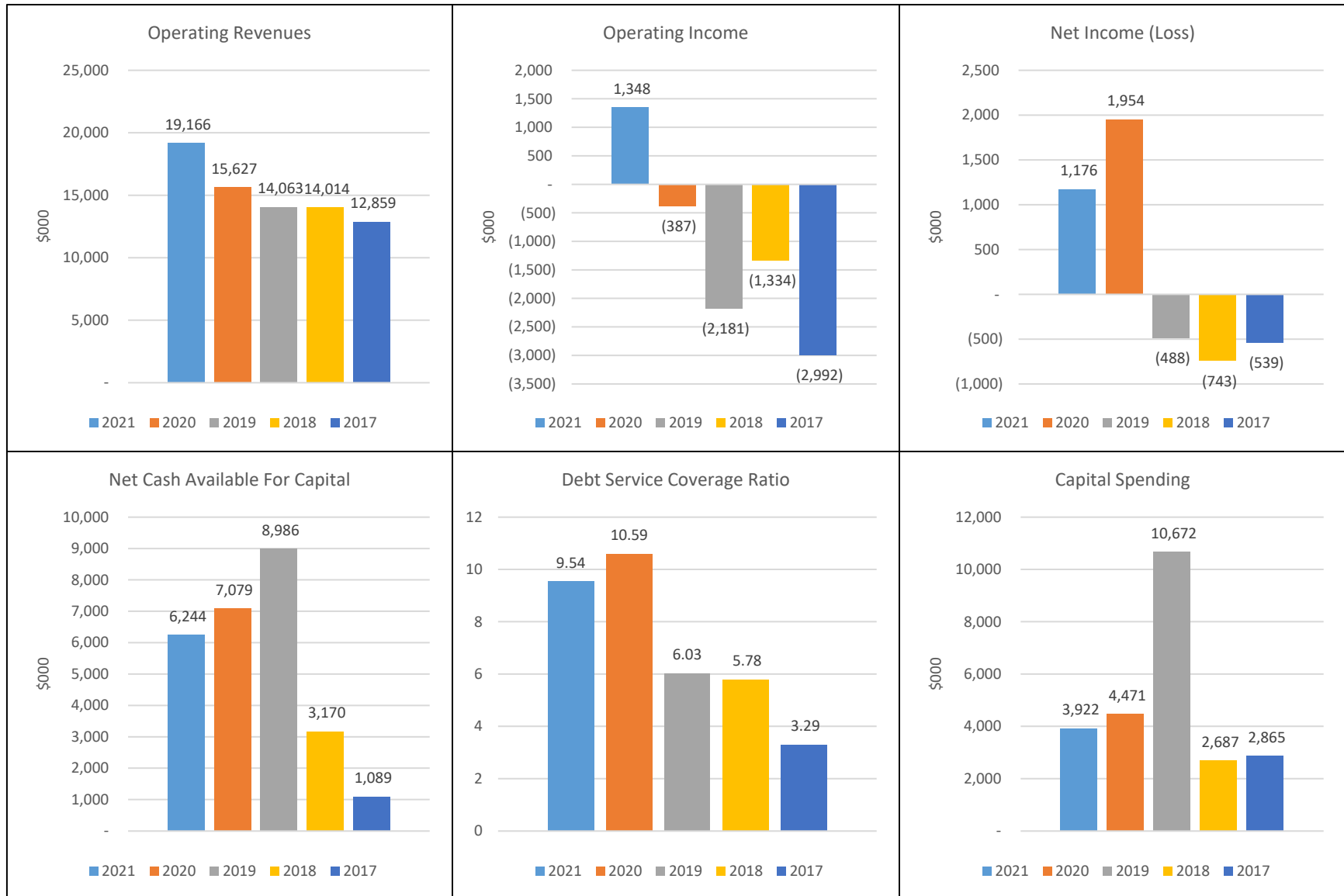
	Primary	Estimated	Estimated		Estimated
	Project	Project	Costs	2021	Costs
Project	Category	Cost	Through 2020	Budget	2022 - 2026
<b><u>LCA Funded Projects</u></b>					
Annual Projects *	AM - High	9,460,000	-	1,960,000	7,500,000
Various Wastewater System Related Studies	CA/OS	150,000	-	-	150,000
			-	-	-
<b>Sub-total Allentown Division Wastewater Capital Funded by LCA</b>			<b>\$ -</b>	<b>\$ 1,960,000</b>	<b>\$ 7,650,000</b>
<b><u>CCRC Projects</u></b>					
Boiler Replacement and Solids Process HVAC Upgrade Project	AM - High	1,400,000	-	200,000	1,200,000
<b>Sub-total Allentown Division Wastewater CCRC</b>		<b>\$ 1,400,000</b>		<b>\$ 200,000</b>	<b>\$ 1,200,000</b>
<b><u>City Funded Projects</u></b>					
Regional Flow Management Strategy <sup>(1)</sup>	Regulatory	3,145,000	-	775,000	1,580,000
Flow Characterization Study <sup>(1)</sup>	Regulatory	1,600,000	-	1,250,000	350,000
<b>Sub-total Allentown Division Wastewater Capital Funded by the City</b>			<b>\$ -</b>	<b>\$ 2,025,000</b>	<b>\$ 1,930,000</b>
<b>Total Allentown Division Wastewater Capital Expenditures (Funded):</b>			<b>\$ -</b>	<b>\$ 4,185,000</b>	<b>\$ 9,580,000</b>
* Includes Sodium Hypo project in 2021					
(1) "Administrative Order" Projects as per the Agreement are to be Funded by the City and executed by LCA.					



# Dashboard – Suburban Water



# Dashboard – Suburban Wastewater



# Dashboard – City Division

