

# Lehigh County Authority 2021 Proposed Budget

Board Review  
October 12, 2020

# 2021 Budget Summary – All Funds

	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
<b>NET INCOME</b>				
Suburban Water	183,548	1,212,986	(78,407)	2,670,094
Suburban Wastewater	1,175,879	1,954,282	(1,269,292)	(473,333)
City Division	<u>865,692</u>	<u>(4,486,406)</u>	<u>(4,106,561)</u>	<u>(4,130,921)</u>
Total LCA	<u>2,225,119</u>	<u>(1,319,138)</u>	<u>(5,454,260)</u>	<u>(1,934,160)</u>
<b>NET CASH FLOWS</b>				
Suburban Water	(3,490,171)	(2,541,761)	(2,048,282)	2,681,907
Suburban Wastewater	2,321,827	2,608,733	17,484,855	(1,685,495)
City Division	<u>4,663,547</u>	<u>2,484,397</u>	<u>3,142,950</u>	<u>(3,065,798)</u>
Total LCA	<u>3,495,203</u>	<u>2,551,368</u>	<u>18,579,523</u>	<u>(2,069,386)</u>
<b>CAPITAL SPENDING</b>				
Suburban Water	4,190,000	4,321,275	8,010,000	8,764,955
Suburban Wastewater	3,921,800	4,470,734	8,670,500	10,671,537
City Division	<u>8,877,500</u>	<u>2,993,864</u>	<u>4,815,000</u>	<u>4,399,156</u>
Total LCA	<u>16,989,300</u>	<u>11,785,873</u>	<u>21,495,500</u>	<u>23,835,648</u>
<b>DEBT SERVICE COVERAGE RATIO</b>				
Suburban Water	1.20	1.51	1.25	1.56
Suburban Wastewater	9.54	10.59	3.18	6.03
City Division	<u>1.69</u>	<u>1.48</u>	<u>1.52</u>	<u>1.63</u>
Total LCA	<u>1.91</u>	<u>1.88</u>	<u>1.60</u>	<u>1.80</u>

# 2021 Budget Summary – All Funds

<b>Budget Overview</b>	<b>Sub. Water</b>	<b>Sub. Wastewater</b>	<b>City Division</b>	<b>Total</b>
Operating, Non-Operating & Other Revenue	12,836,751	20,223,056	44,066,704	77,126,511
Operating Expenses (net of depreciation)	8,637,776	13,248,399	20,170,389	42,056,564
Net Revenues Available for Debt Service	4,198,975	6,974,657	23,896,315	35,069,947
Debt Service	3,499,146	731,029	14,115,086	18,345,261
Debt Service Coverage Ratio (indenture based)	1.20	9.54	1.69	1.91
<b>Capital Budget Overview</b>	<b>Sub. Water</b>	<b>Sub. Wastewater</b>	<b>City Division</b>	<b>Total</b>
Capital Expenses	4,190,000	3,921,800	8,877,500	16,989,300
Funding from 2021 Revenue & Operating Reserves	4,190,000	3,749,781	8,877,500	16,817,281
Funding from Existing Project Reserves	-	172,019	-	172,019
Funding from New Borrowing	-	-	-	-
Year-End Project Reserve Balance	-	2,500,000	169,980	2,669,980
<b>Total Cash Flow</b>	<b>Sub. Water</b>	<b>Sub. Wastewater</b>	<b>City Division</b>	<b>Total</b>
Beginning Operations Cash Balance (2020 forecast)	6,700,850	6,993,901	6,167,443	19,862,194
2021 Surplus	699,829	6,243,627	13,541,047	20,484,503
Provided From (To) Capital	(4,190,000)	(3,749,781)	(8,877,500)	(16,817,281)
Ending Operations Cash Balance	3,210,679	9,487,747	10,830,990	23,529,416
Operating Days Cash on Hand	136	243	181	192
Project Reserve Balance	-	2,500,000	100,000	2,600,000
Other Reserves & Investments (includes restricted)	10,948,484	8,095,208	55,676,307	74,719,999
<b>Ending Total Fund Balance - 2021 Budget</b>	<b>14,159,163</b>	<b>20,082,955</b>	<b>66,607,297</b>	<b>100,849,415</b>
<b>Ending Total Fund Balance - 2020 Forecast</b>	<b>17,649,334</b>	<b>17,761,128</b>	<b>61,943,750</b>	<b>97,354,212</b>
	(3,490,171)	2,321,827	4,663,547	3,495,203

# 2021 Budget Summary – All Funds

<b>RESERVES SUMMARY</b>	<b>Sub. Water</b>	<b>Sub. Wastewater</b>	<b>City Division</b>	<b>Total</b>
Operations Cash + Investments				
Operations Cash	3,210,679	9,487,747	10,830,990	23,529,416
Operations Investments	<u>2,136,930</u>	<u>6,757,276</u>	<u>-</u>	<u>8,894,206</u>
Total Operations	<u>5,347,609</u>	<u>16,245,023</u>	<u>10,830,990</u>	<u>32,423,622</u>
Days Cash + Investments on Hand	<u>226</u>	<u>416</u>	<u>181</u>	<u>264</u>
Project Cash + Investments				
Cash	-	2,500,000	100,000	2,600,000
Investments	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total Project	<u>1,000,000</u>	<u>3,500,000</u>	<u>100,000</u>	<u>4,600,000</u>
<b>TOTAL</b>	<b><u>6,347,609</u></b>	<b><u>19,745,023</u></b>	<b><u>10,930,990</u></b>	<b><u>37,023,622</u></b>

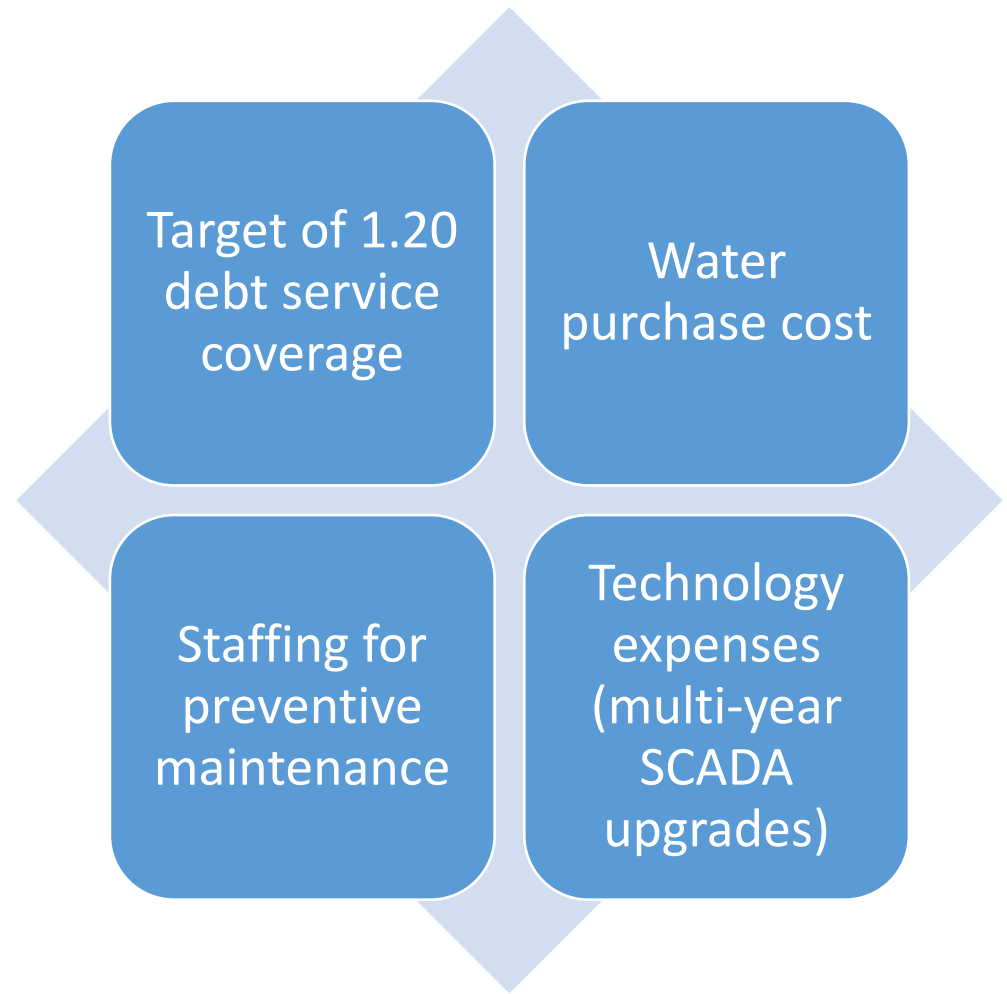
# Suburban Water – Changes

	SUBURBAN WATER		
<b>Budget Overview</b>	<b>Current</b>	<b>Previous</b>	<b>Change</b>
Operating, Non-Operating & Other Revenue	12,836,751	12,532,891	303,860
Operating Expenses (net of depreciation)	8,637,776	8,637,776	-
Net Revenues Available for Debt Service	4,198,975	3,895,115	303,860
Debt Service	3,499,146	3,499,146	-
Debt Service Coverage Ratio (indenture based)	1.20	1.11	0.09
<b>Capital Budget Overview</b>			
Capital Spending	4,190,000	3,460,000	730,000
Funding from 2021 Revenue & Operating Reserves	4,190,000	3,460,000	730,000
Funding from Existing Project Reserves	-	-	-
Funding from New Borrowing	-	-	-
Year-End Project Reserve Balance	-	-	-
<b>Total Cash Flow</b>	<b>Current</b>	<b>Previous</b>	
Beginning Operations Cash Balance (2019 forecast)	6,700,850	6,700,850	-
2021 Surplus (deficit)	699,829	395,969	303,860
Provided From (To) Capital	(4,190,000)	(3,460,000)	(730,000)
Ending Operations Cash Balance	3,210,679	3,636,819	(426,140)
Operating Days Cash on Hand	136	154	(18)
Project Reserve Balance	-	-	-
Other Reserves & Investments (includes restricted)	10,948,484	10,948,484	-
<b>Ending Total Fund Balance - 2021 Budget</b>	<b>14,159,163</b>	<b>14,585,303</b>	<b>(426,140)</b>
<b>Ending Total Fund Balance - 2020 Forecast</b>	<b>17,649,334</b>	<b>17,649,334</b>	
2021 Cash Flows	(3,490,171)	(3,064,031)	

# Suburban Water – Cash Flows

	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>CONDENSED CASH FLOWS</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
Operating Revenues	12,742,424	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	4,104,648	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	605,502	1,690,442	682,218	1,651,524
Interest Income	94,327	89,072	160,000	179,193
Other Payments	-	-	-	-
Investment Activity	-	-	-	3,465,332
Non-Cash Working Capital Dec (Inc)	-	-	-	6,150,814
Net Available for Capex	699,829	1,779,514	842,218	11,446,863
New Borrowing	-	-	5,119,500	-
Capex	<u>(4,190,000)</u>	<u>(4,321,275)</u>	<u>(8,010,000)</u>	<u>(8,764,955)</u>
<b>NET CASH FLOWS</b>	<u>(3,490,171)</u>	<u>(2,541,761)</u>	<u>(2,048,282)</u>	<u>2,681,907</u>
Beginning Unrestricted Cash Balance	<u>6,700,850</u>	<u>9,242,611</u>	<u>11,749,926</u>	<u>6,560,704</u>
<b>ENDING UNRESTRICTED CASH BALANCE</b>	<u><u>3,210,679</u></u>	<u><u>6,700,850</u></u>	<u><u>9,701,644</u></u>	<u><u>9,242,611</u></u>
<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	1.13	1.29	1.13	1.27
Debt Service Coverage Ratio	1.20	1.51	1.25	1.56
Capital Coverage Ratio	0.17	0.41	0.11	1.31
Unrestricted Days Cash on Hand	135.62	398.45	482.56	559.73
Unrestricted Investment Balances	3,136,930	3,136,930	1,785,733	3,136,930

# Suburban Water: Major Expense Drivers

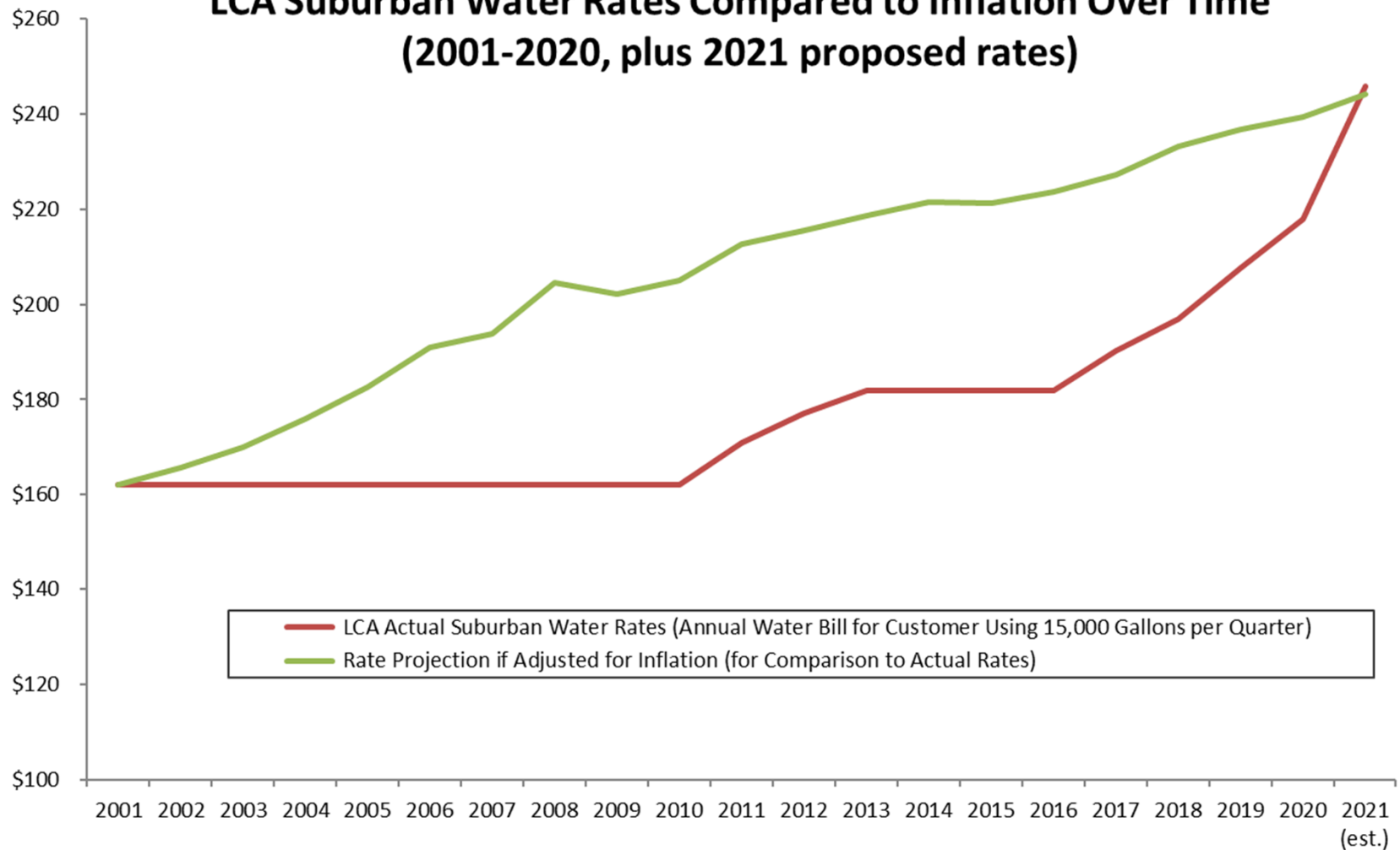


# Water Purchase Cost

- Amended Water Purchase Agreement with Allentown
  - Extended term of agreement to end of lease (2063)
  - Reduced “take or pay” obligation in the event of loss of industrial users / lower volume sales
  - Establishes equitable cost-sharing for water production/treatment costs
  - No Lease costs (debt service for Lease bonds, annual payments to the City, etc.) are incorporated
  - Regional approach to water supply management – expected to have long-term environmental and financial benefits
- 2021 Expense Impact: \$675,000 (estimated) to implement updated cost-sharing rates
- Annual Expense Increases: Incremental based on actual cost increases



## LCA Suburban Water Rates Compared to Inflation Over Time (2001-2020, plus 2021 proposed rates)



# Water Rate Design Elements

- Fixed Charge -
  - Captures fixed expenses
  - Higher percentage of residential bill is in fixed charge
- Declining Block Rate (Large Users) -
  - Captures variable costs based on volume
  - Higher percentage of industrial users' bill is in the volume charge
- Distributing expenses to all users requires different increases in fixed vs. volume charge

***2021 Proposed Rates balanced to achieve revenue targets included in preliminary budget***

# Proposed Fixed Charge

Current Fixed Charges		PROPOSED
Meter Size	Fixed Charge	Fixed Charge
<i>Quarterly</i>		
5/8" & 3/4" *	\$ 13.05	\$ 20.05
1"	23.13	35.54
<i>Monthly</i>		
1-1/2"	17.53	26.93
2"	24.26	37.27
3"	43.80	67.29
4"	64.20	98.64
6"	120.30	184.83
8"	186.90	287.15
10"	263.10	404.23

\*Typical residential customer uses a 5/8" meter.

***Impact: \$7 per quarter (\$28 per year) for residential customers***

# Other Water Utility Fixed Charges

Water Utility	Quarterly Fixed Charge
<b>LCA - Suburban Common Rates - Current</b>	<b>\$13.05</b>
Borough of Emmaus	\$17.00
<b>LCA - Suburban Common Rates - 2021 Proposed</b>	<b>\$20.05</b>
Easton Suburban Water Authority	\$23.00
City of Bethlehem	\$24.75
South Whitehall Township	\$25.00
Northampton Borough Municipal Authority	\$36.00
Borough of Macungie	\$37.07
LCA - Allentown Division - 2021 Proposed	\$48.34
PA American	\$49.50
Capital Region Water (Harrisburg)	\$50.49
Aqua America	\$54.00
Borough of Kutztown	\$58.74

# Proposed Volume Charge

Current Volume Charges			2021 PROPOSED
Quarterly Usage (gal.)	Monthly Usage (gal.)	Rate per 1,000 Gal.	Rate per 1,000 Gal.
First 120,000	First 0 - 40,000	\$2.76	\$2.76 (no change)
Next 2,880,000	Next 960,000	\$2.50	\$2.68
Next 24,000,000	Next 8,000,000	\$2.18	\$2.33
Next 147,000,000	Next 49,000,000	\$1.88	\$2.01
Over 174,000,000	Over 58,000,000	\$1.70	\$1.82

***Impact: No impact to residential users. Increase in volume rates applies to large users.***

# Summary of Impacts

- Residential and small commercial customers: \$7 per quarter increase in fixed charge = \$28 per year
- Large commercial / industrial customers: impact varies depending on usage\*
- All customers: impact is between 7-12% depending on usage

*\*Large industrial users will be notified in October prior to rate adoption by LCA Board.*

# Suburban Water Rates

Discussion / Questions?

- Finalized for adoption in November

# Suburban Wastewater – Changes

<b>Budget Overview</b>	<b>SUBURBAN WASTEWATER</b>		
	<b>Current</b>	<b>Previous</b>	<b>Change</b>
Operating, Non-Operating & Other Revenue	20,223,056	20,223,056	-
Operating Expenses (net of depreciation)	13,248,399	13,248,399	-
Net Revenues Available for Debt Service	6,974,657	6,974,657	-
Debt Service	731,029	731,029	-
Debt Service Coverage Ratio (indenture based)	9.54	9.54	-
<b>Capital Budget Overview</b>			
Capital Spending	3,921,800	3,921,800	-
Funding from 2021 Revenue & Operating Reserves	3,749,781	3,749,781	-
Funding from Existing Project Reserves	172,019	172,019	-
Funding from New Borrowing	-	-	-
Year-End Project Reserve Balance	2,500,000	2,500,000	-
<b>Total Cash Flow</b>			
Beginning Operations Cash Balance (2019 forecast)	6,993,901	6,993,901	-
2021 Surplus (deficit)	6,243,627	6,243,627	-
Provided From (To) Capital	(3,749,781)	(3,749,781)	-
Ending Operations Cash Balance	9,487,747	9,487,747	-
Operating Days Cash on Hand	243	243	-
Project Reserve Balance	2,500,000	2,500,000	-
Other Reserves & Investments (includes restricted)	8,095,208	8,095,208	-
<b>Ending Total Fund Balance - 2021 Budget</b>	<b>20,082,955</b>	<b>20,082,955</b>	-
<b>Ending Total Fund Balance - 2020 Forecast</b>	<b>17,761,128</b>	<b>17,761,128</b>	
2021 Cash Flows	2,321,827	2,321,827	



# Suburban Wastewater – Cash Flows

	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>CONDENSED CASH FLOWS</b>	<b>2021</b>	<b>2020</b>	<b>2020</b>	<b>2019</b>
Operating Revenues	20,032,585	19,029,103	17,292,436	15,679,444
Operating Expenses	(13,248,399)	(11,391,541)	(12,355,646)	(11,716,436)
<b>Net Cash Available for Debt Service</b>	6,784,186	7,637,562	4,936,790	3,963,008
Debt Service	(731,029)	(737,954)	(1,616,435)	(712,225)
<b>Net Cash After Debt Service</b>	6,053,157	6,899,608	3,320,355	3,250,783
Interest Income	190,471	179,859	200,000	332,846
Other Payments	-	-	-	-
Investment Activity	-	-	-	(1,266,225)
Non-Cash Working Capital Dec (Inc)	-	-	-	6,668,638
<b>Net Available for Capex</b>	6,243,627	7,079,467	3,520,355	8,986,042
New Borrowing	-	-	22,635,000	-
Capex	<u>(3,921,800)</u>	<u>(4,470,734)</u>	<u>(8,670,500)</u>	<u>(10,671,537)</u>
<b>NET CASH FLOWS</b>	2,321,827	2,608,733	17,484,855	(1,685,495)
Beginning Unrestricted Cash Balance	<u>9,665,920</u>	<u>7,057,187</u>	<u>7,184,908</u>	<u>8,742,682</u>
<b>ENDING UNRESTRICTED CASH BALANCE</b>	<u>11,987,747</u>	<u>9,665,920</u>	<u>24,669,763</u>	<u>7,057,187</u>
<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	1.06	1.12	0.96	0.96
Debt Service Coverage Ratio	9.54	10.59	3.18	6.03
Capital Coverage Ratio	1.59	1.58	0.41	0.84
Unrestricted Days Cash on Hand	307.09	284.72	674.21	219.85
Unrestricted Investment Balances	7,757,276	7,757,276	-	7,757,276

# Suburban Wastewater Rates

Western Lehigh User Charge Report  
- Discussion follows budget review

# City Division – Changes

<b>Budget Overview</b>	<b>CITY DIVISION</b>		
	<b>Current</b>	<b>Previous</b>	<b>Change</b>
Operating, Non-Operating & Other Revenue	44,066,704	44,066,704	-
Operating Expenses (net of depreciation)	20,170,389	19,425,389	745,000
Net Revenues Available for Debt Service	23,896,315	24,641,315	(745,000)
Debt Service	14,115,086	13,984,318	(130,768)
Debt Service Coverage Ratio (indenture based)	1.69	1.76	(0.07)
<b>Capital Budget Overview</b>			
Capital Spending	8,877,500	8,077,500	800,000
Funding from 2021 Revenue & Operating Reserves	8,877,500	8,077,500	800,000
Funding from Existing Project Reserves	-	-	-
Funding from New Borrowing	-	-	-
Year-End Project Reserve Balance	169,980	169,980	-
<b>Total Cash Flow</b>			
Beginning Operations Cash Balance (2019 forecast)	6,167,443	6,167,443	-
2021 Surplus (deficit)	13,541,047	13,541,047	-
Provided From (To) Capital	(8,877,500)	(8,077,500)	(800,000)
Ending Operations Cash Balance	10,830,990	11,630,990	(800,000)
Operating Days Cash on Hand	181	201	(20)
Project Reserve Balance	100,000	100,000	-
Other Reserves & Investments (includes restricted)	55,676,307	55,676,307	-
<b>Ending Total Fund Balance - 2021 Budget</b>	<b>66,607,297</b>	<b>67,407,297</b>	<b>(800,000)</b>
<b>Ending Total Fund Balance - 2020 Forecast</b>	<b>61,943,750</b>	<b>61,943,750</b>	
2021 Cash Flows	4,663,547	5,463,547	



# City Division Rates

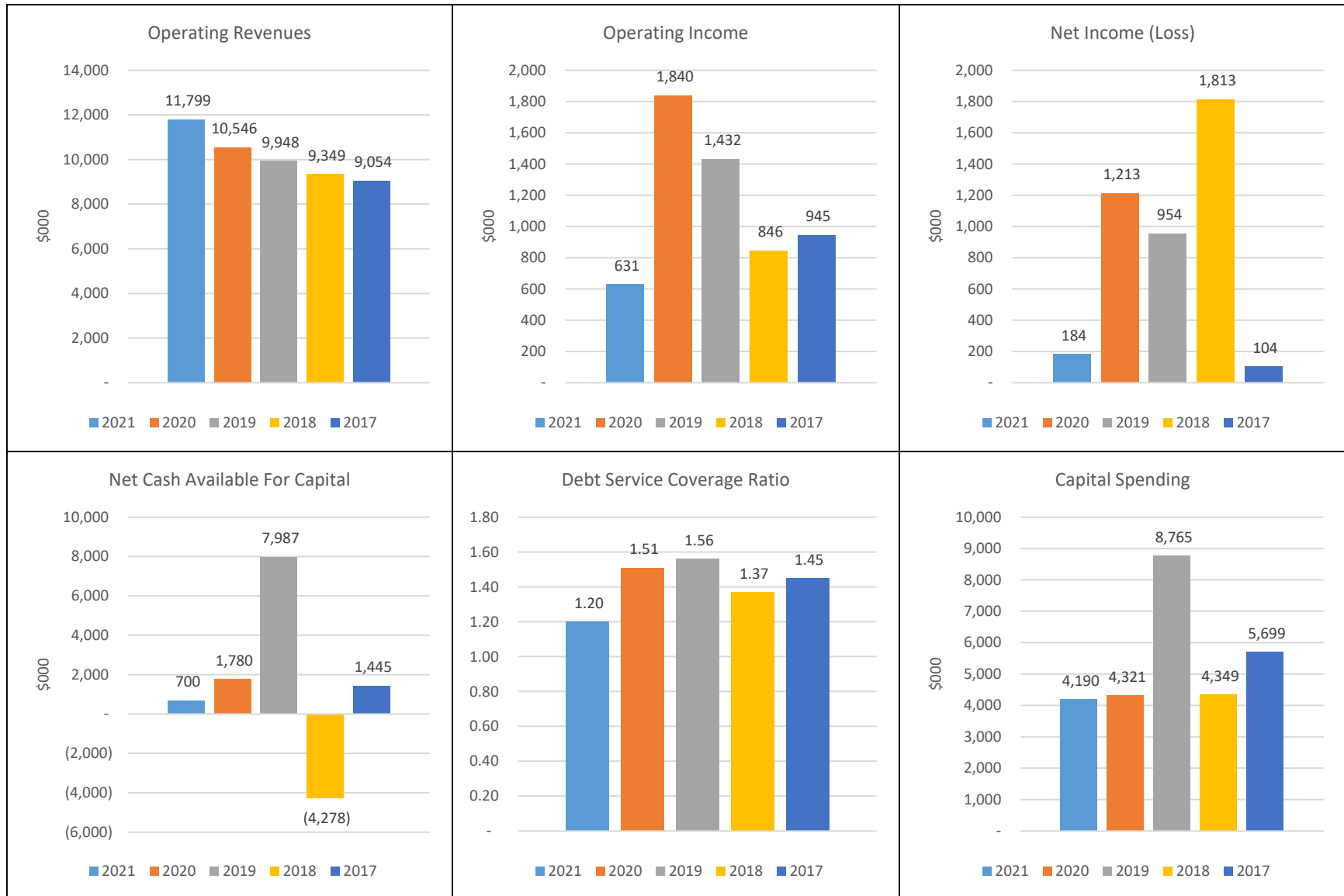
Follows Lease Agreement Terms

- Presented in November for adoption

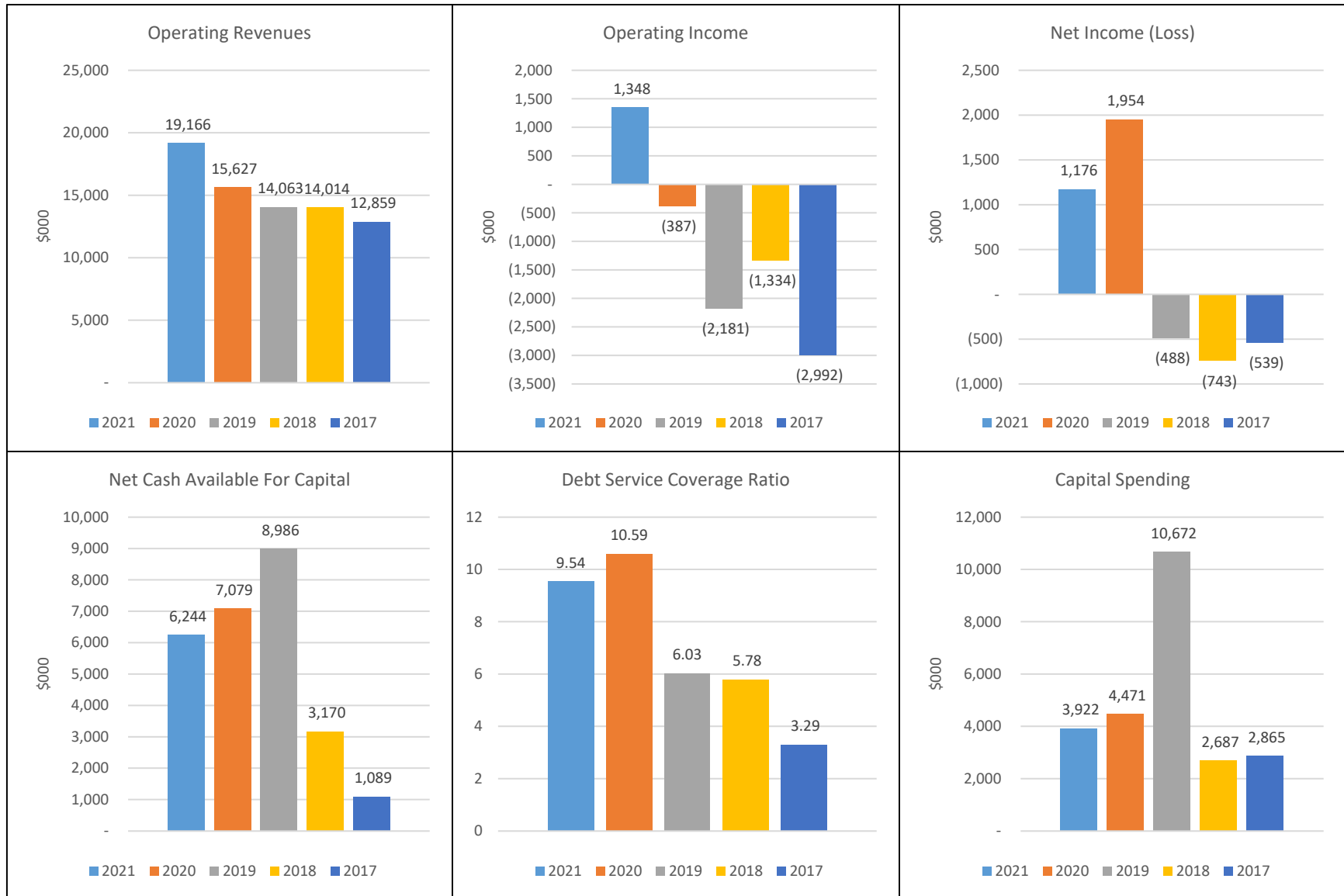
# Internal Services

Operational Support								
<b>OPERATING FUNDS</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>	<b>742,436</b>	<b>234,729</b>	<b>916,188</b>	<b>995,558</b>	<b>1,575,663</b>	<b>4,464,574</b>	<b>3,959,250</b>	<b>(505,324)</b>
<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	83,255	(20,785)
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>	<b>1,329,686</b>	<b>58,879</b>	<b>300,683</b>	<b>498,384</b>	<b>215,303</b>	<b>2,402,936</b>	<b>2,247,708</b>	<b>(155,228)</b>
<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>6,206,958</b>	<b>(660,552)</b>
<b>Operations Education &amp; Training</b>								
						96,705	85,000	(11,705)
<b>Total Education &amp; Training</b>						<b>200,745</b>	<b>168,255</b>	<b>(32,490)</b>

# Dashboard – Suburban Water

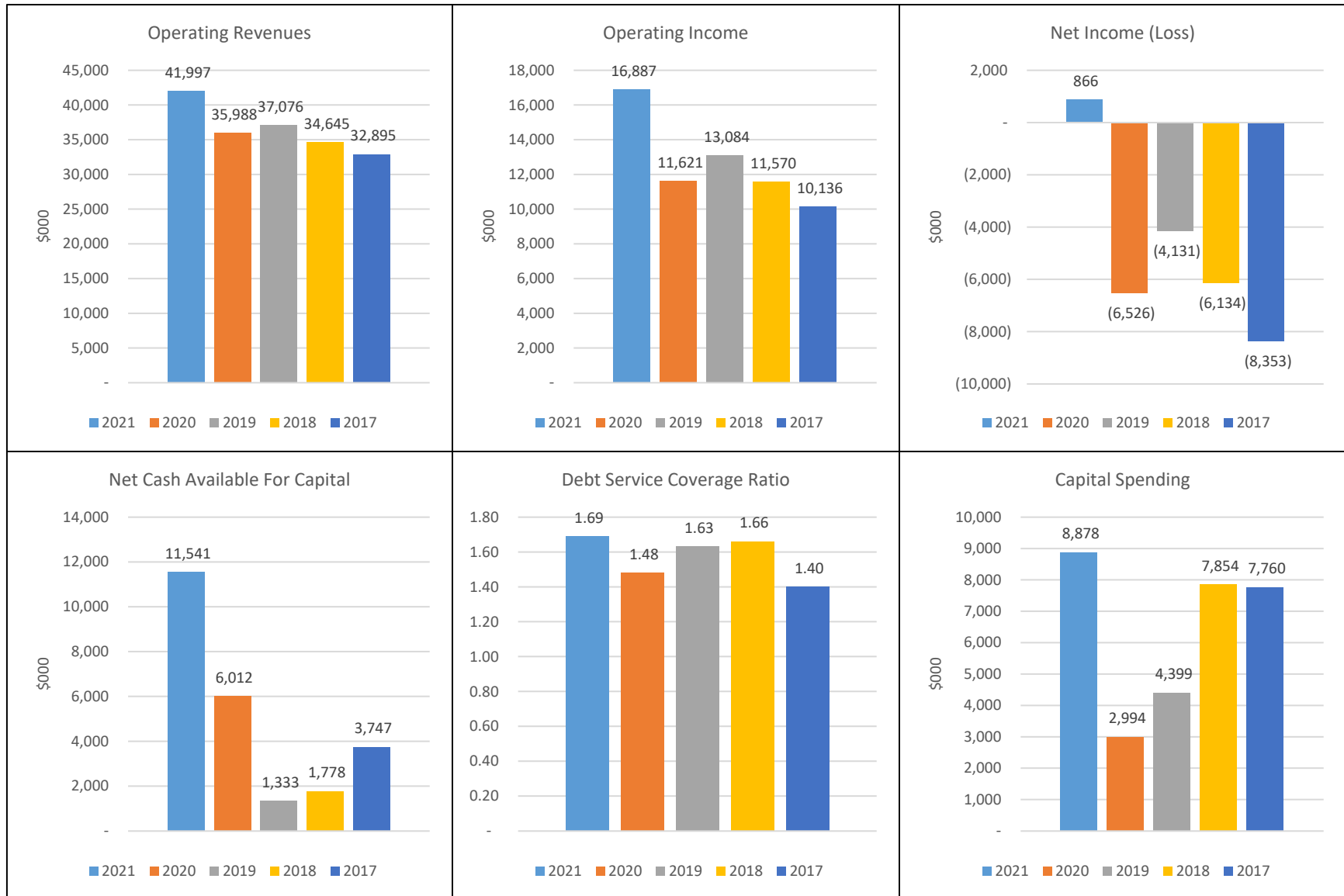


# Dashboard – Suburban Wastewater





# Dashboard – City Division



# Next Steps:

- Western Lehigh User Charge Report - today
- Suburban Water Industrial Customer Communication – October
- City Review of Allentown Division Rates – October
- Budget Approval – 10/26/2020
- Budget Approval Deadline – 11/1/2020
- Rate Proposal Published on Website – 10/26/2020
- Rate Adoption – 11/9/2020
- Suburban Wastewater Tapping Fees – December

# Questions / Discussion

Thank You!