



Lehigh County Authority 2021 Proposed Budget

Board Review & Approval Request

October 26, 2020

LCA Budget Timeline Overview



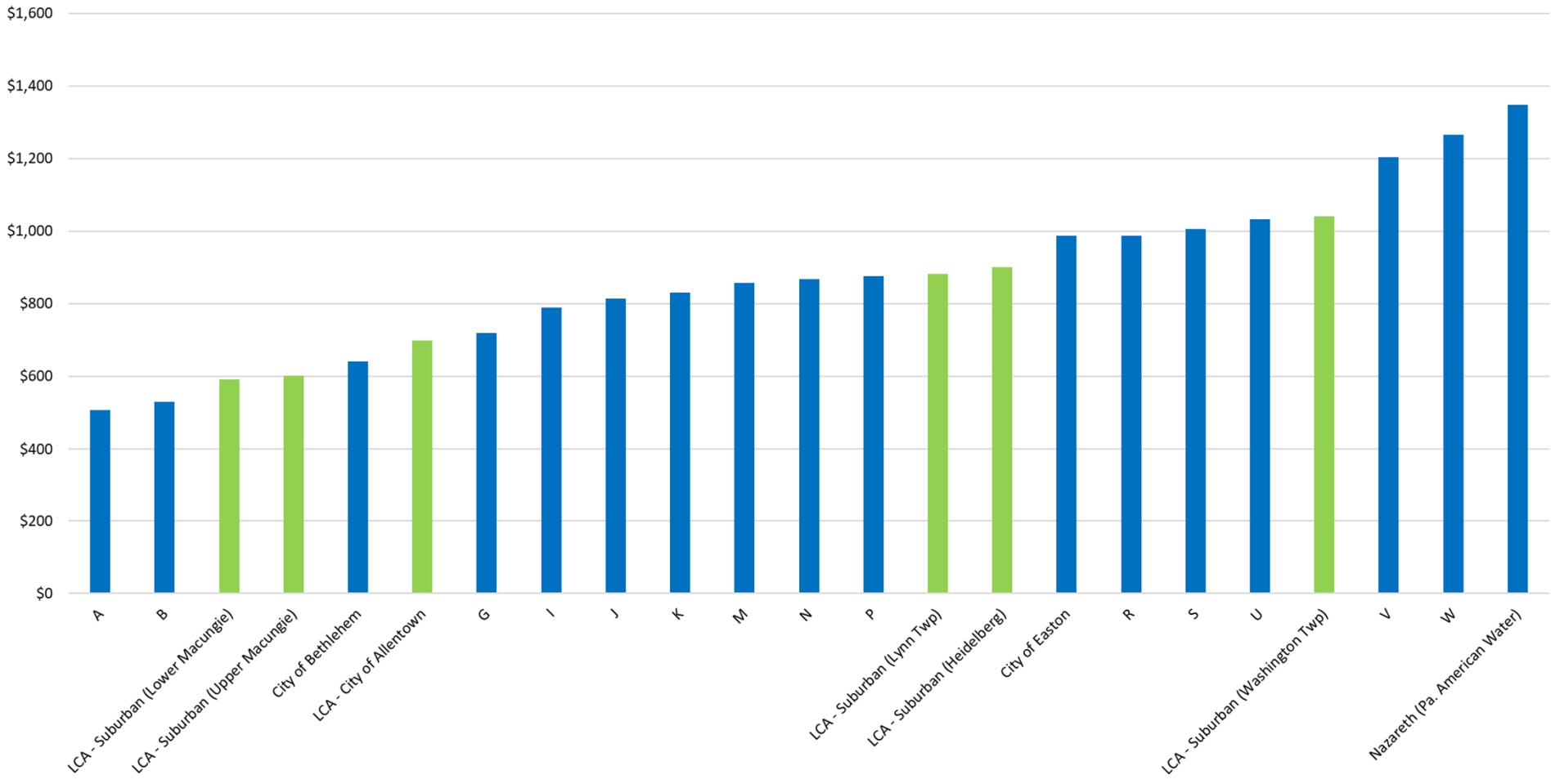
2021 Budget Highlights

- Ongoing Impact of COVID-19
- Strategic Imperatives
- Impact of City Lease Dispute Resolution & Refinancing
- Limited Borrowing for Capital Improvements
- Rate Impact: Suburban Water / City

2021 Rate Impact

- Suburban Water Rates → 10.5% Increase
 - Water purchase cost increase
 - Staffing & preventive maintenance
 - Technology improvements
- City Rates → Increases based on Lease Amendment
 - Phased in higher fixed charges
 - Volume charges increase by inflation plus 2.5% (total increase 3.3%)
 - Project cost recovery fees

Lehigh Valley Water & Sewer Rate Comparison (Data from 2019-2020, LCA proposed 2021 rates)
 24 communities in Lehigh Valley - average annual residential water & sewer bill (5000 gallons per month)



2021 Budget Summary – All Funds

	Budget	Forecast	Budget	Actual
	2021	2020	2020	2019
NET INCOME				
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>
NET CASH FLOWS				
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>
CAPITAL SPENDING				
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>
DEBT SERVICE COVERAGE RATIO				
Suburban Water	1.20	1.51	1.25	1.56
Suburban Wastewater	9.54	10.59	3.18	6.03
City Division	<u>1.68</u>	<u>1.48</u>	<u>1.52</u>	<u>1.63</u>
Total LCA	<u>1.90</u>	<u>1.88</u>	<u>1.60</u>	<u>1.79</u>

2021 Budget Summary – All Funds

Budget Overview	Sub. Water	Sub. Wastewater	City Division	Total
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
Capital Budget Overview	Sub. Water	Sub. Wastewater	City Division	Total
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
Total Cash Flow	Sub. Water	Sub. Wastewater	City Division	Total
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
Ending Total Fund Balance - 2021 Budget	14,159,163	20,082,955	66,607,297	100,849,415
Ending Total Fund Balance - 2020 Forecast	17,649,334	17,761,128	61,943,750	97,354,212

2021 Budget Summary – All Funds

RESERVES SUMMARY	Sub. Water	Sub. Wastewater	City Division	Total
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>
TOTAL	<u>6,347,609</u>	<u>19,745,023</u>	<u>10,930,990</u>	<u>37,023,622</u>

Suburban Water – Cash Flows

	Suburban Water			
	Budget	Forecast	Budget	Actual
	2021	2020	2020	2019
CONDENSED CASH FLOWS				
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	(4,190,000)	(4,321,275)	(8,010,000)	(8,764,955)
NET CASH FLOWS	(3,490,171)	(2,541,761)	(2,048,282)	2,681,907
Beginning Unrestricted Cash Balance	6,700,850	9,242,611	11,749,926	6,560,704
ENDING UNRESTRICTED CASH BALANCE	3,210,679	6,700,850	9,701,644	9,242,611
KEY METRICS				
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	0.21
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

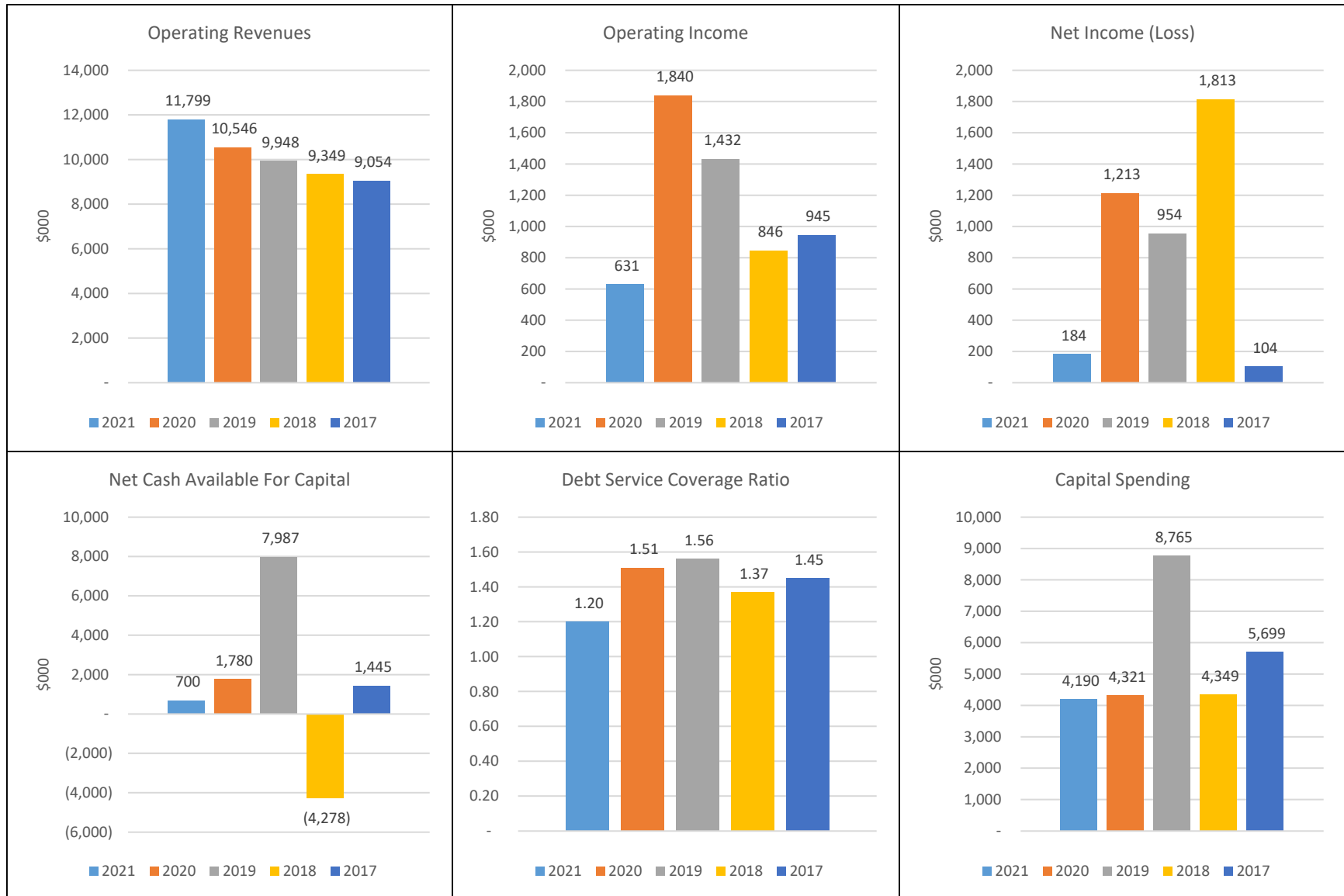
Suburban Wastewater – Cash Flows

	Suburban Wastewater			
	Budget 2021	Forecast 2020	Budget 2020	Actual 2019
CONDENSED CASH FLOWS				
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)
Net Cash Available for Debt Service	6,784,186	7,637,562	4,936,790	3,963,008
Debt Service	(731,029)	(737,954)	(1,616,435)	(712,225)
Net Cash After Debt Service	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
Net Available for Capex	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>
NET CASH FLOWS	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>
ENDING UNRESTRICTED CASH BALANCE	<u>11,987,747</u>	<u>9,665,920</u>	<u>24,669,763</u>	<u>7,057,187</u>
KEY METRICS	Budget 2021	Forecast 2020	Budget 2020	Actual 2019
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	0.34
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

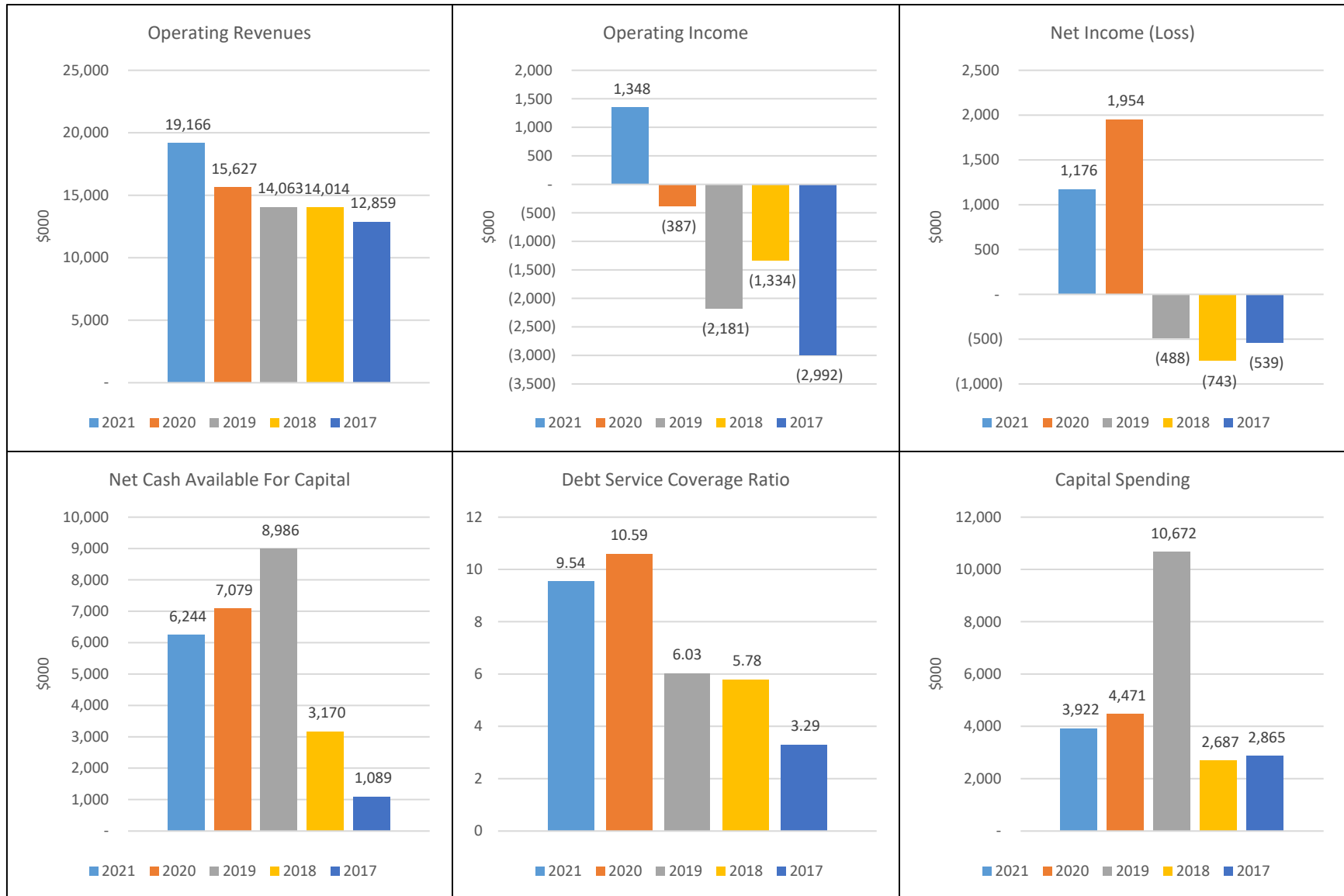
City Division – Cash Flows

	City Division			
	Budget 2021	Forecast 2020	Budget 2020	Actual 2019
CONDENSED CASH FLOWS				
Operating Revenues	46,003,744	37,595,382	41,672,288	39,313,514
Operating Expenses	(19,229,140)	(18,501,175)	(18,659,910)	(18,165,550)
Net Cash Available for Debt Service	26,774,603	19,094,207	23,012,378	21,147,964
Debt Service	(14,225,917)	(12,648,837)	(15,421,170)	(13,416,749)
Net Cash After Debt Service	12,548,686	6,445,370	7,591,208	7,731,215
Interest Income	172,960	166,148	900,000	1,193,617
Other Payments	(1,230,600)	(533,258)	(533,258)	(524,861)
Investment Activity	-	-	-	4,000,000
Non-Cash Working Capital Dec (Inc)	50,000	(600,000)	-	(11,066,614)
Net Available for Capex	11,541,047	5,478,260	7,957,950	1,333,357
New Borrowing	2,000,000	-	-	-
Capex	<u>(8,877,500)</u>	<u>(2,993,864)</u>	<u>(4,815,000)</u>	<u>(4,399,156)</u>
NET CASH FLOWS	4,663,547	2,484,397	3,142,950	(3,065,798)
Beginning Unrestricted Cash Balance	<u>6,267,443</u>	<u>3,783,046</u>	<u>6,775,210</u>	<u>6,848,844</u>
ENDING UNRESTRICTED CASH BALANCE	<u>10,930,990</u>	<u>6,267,443</u>	<u>9,918,160</u>	<u>3,783,046</u>
KEY METRICS	Budget 2021	Forecast 2020	Budget 2020	Actual 2019
Operating Ratio with D&A	1.66	1.46	1.53	1.56
Debt Service Coverage Ratio	1.68	1.48	1.52	1.63
Capital Coverage Ratio	1.29	2.03	1.65	1.91
Unrestricted Days Cash on Hand	182.33	115.60	117.89	71.12
Unrestricted Investment Balances	-	-	-	-

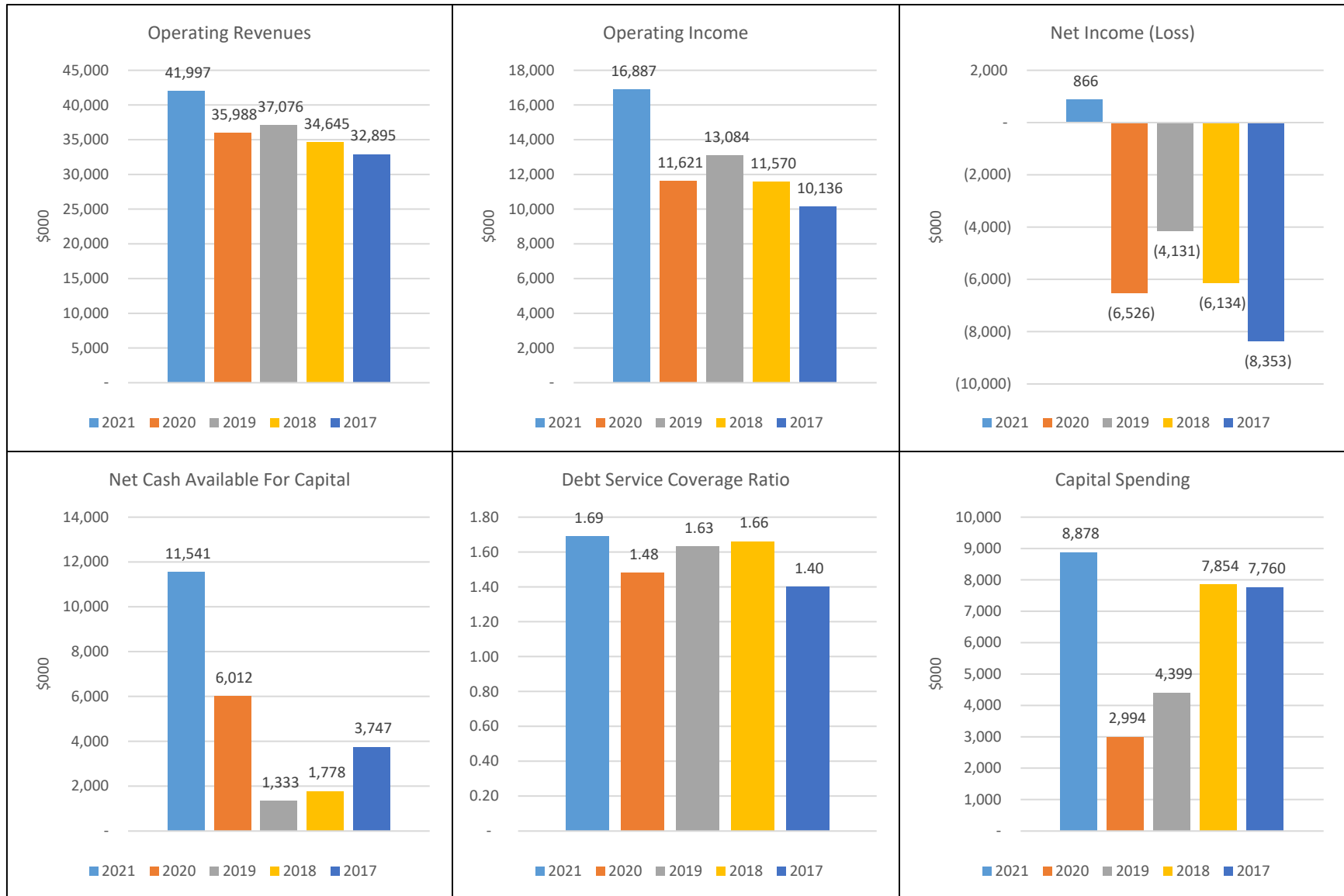
Dashboard – Suburban Water



Dashboard – Suburban Wastewater



Dashboard – City Division



Discussion / Questions



Approval Requested