

The logo for Lehigh County Authority is a stylized shield shape. It is composed of two overlapping circular or semi-circular areas. The left area is a dark navy blue, and the right area is a medium blue. The shield shape is formed by the intersection of these two areas.

# LEHIGH COUNTY AUTHORITY

2022 PRELIMINARY BUDGET

PRESENTATION TO LCA BOARD OF DIRECTORS

SEPTEMBER 27, 2021

# Preliminary 2022 Budget Review

## Updated Budget Assumptions:

- COVID-19 Impact on 2022 Budget
- 2022 Strategic Imperatives
- ***Staffing Changes***
- Other Assumptions

## Review of Fund Financials:

- Internal Services
- Suburban Water
- Suburban Wastewater
- City Division

## Summary & Next Steps

# COVID-19 Impacts on 2022 Budget

*Reviewed  
9/13/2021*

- Collections processes non-payment reinstated in 2021 will continue in 2022 – expecting cash-flow impact of increased past-due receivables would come back to normal in 2022
- Customer relief fund already funded – requires review (*primarily a City Division impact*)
- Continued promotion of other non-LCA customer assistance funding sources (Emergency Rental Assistance program, etc.)
- Review availability of American Rescue Plan funds and other funding sources to support capital improvements at a reduced cost
- Continuation of work-from-home arrangements for selected non-operational staff
- Relative stability in water sales and modest growth expected

# LCA's Draft Strategic Plan Goals: 2022

Operational Excellence	Addressing Small System Challenges Process Improvement Program * Large Diameter Valve Maintenance
Regional Collaboration & Leadership	Engagement with Municipalities, Stakeholders, Community Organizations Advance Little Lehigh / Groundwater Monitoring Program Develop LCA Capabilities List to Support other Municipal Needs
Financial Stewardship	Enhance Financial Forecasting Increase Focus on Expense Management Assess Low-Cost Capital Funding Alternatives (grants, WIFIA)
System Capacity & Reliability	Develop LCA's Asset Management Program Approach * Suburban Water Supply Plan / Standardize Master Planning Approach Major Capital Improvements
Customer Engagement & Support	Improve Customer Delinquency / Collections Process Enhance Emergency Communication & After-Hours Protocols Customer Education & Outreach (sewer system focus in 2022)
Employee Engagement & Safety	Enhance & Standardize Employee Safety Training Program Create Job-Specific Performance Measures & Training Plans * Standardize Onboarding / Supervisory Onboarding Process *

***Reviewed 9/13/2021 – staffing additions to address items marked with an asterisk (\*) included in 2022 Budget Proposal.***

# 2022 Staffing Changes - Proposed

Support for Strategic Priorities	Employee Development Coordinator
	Process Improvement Coordinator
	Asset Management Coordinator
Other Staffing Changes	GIS Specialist
	Succession planning & operational reorganization = 1 new position

## Proposed Staffing (Headcount) Changes – 2022

		2022		2021		
Home Departments		<u>Budget</u>		<u>Forecast</u>		<u>Change</u>
Executive		6		5		1
Planning		4		3		1
Finance		11		11		-
Information Technology		11		9		2
Customer Care and Billing		19		19		-
Capital Works		8		8		-
Compliance (Lab)		13		13		-
Operations - Suburban		23		22		1
Operations - Water Filtration Plant		14		14		-
Operations - Water Filtration Plant (Maint.)		5		5		-
Operations - D&C		29		29		-
Operations - Waste Water Treatment Plant		13		13		-
Operations - WWTP (Maintenance)		10		10		-
Operations - WWTP (Residuals)		7		7		-
TOTAL LCA POSITIONS		173		168		5

# Other Budget Assumptions for 2022

*Reviewed 9/13/2021*

## Salary increases:

- Merit increases 4/1/2021 for non-union employees
- Increases by contract for SMART union employees
- Increases by contract for SEIU union employees
- Revisit compensation survey (preliminary results provided mid-2020 during pandemic)

Overall health insurance cost increase – 5%

Worker compensation increase – 16%

General inflation of 2 - 2.50% suggested by the economic forecasters

# Internal Service

		Suburban	City	Global		Suburban	City	Global	
		Internal Service	Internal Service		Budget	Internal Service	Internal Service		Budget
		1	490	9	2022	1	490	9	2021
									Variance
Operating Expenses:									
Personnel									
	Salaries and Wages	405,956	183,036	1,486,995	2,075,986	388,613	91,812	1,243,853	1,724,279
	Overtime	2,799	4,916	400	8,115	2,416	4,366	-	6,783
	Taxes	94,410	129,458	104,052	327,920	88,661	122,233	104,276	315,170
	Fringe Benefits	300,000	215,746	700,000	1,215,746	295,774	205,092	690,443	1,191,309
Total Personnel		803,165	533,155	2,291,446	3,627,766	775,465	423,503	2,038,573	3,237,540
Purchase of Services									
General & Administrative:									
	Temporary Contract Service	19,169	10,388	-	29,558	-	-	-	-
	Compliance	-	-	16,142	16,142	-	-	-	-
	Office Related	87,037	76,771	105,207	269,015	60,805	92,167	154,218	307,189
	Computer Software / Hardware	33,560	12,500	421,600	467,660	29,876	17,620	381,659	429,155
	Advertising	-	-	1,212	1,212	101	203	811	1,116
	Audit	-	-	49,980	49,980	-	-	53,040	53,040
	Bank and Credit Card Fees	77,541	132,594	6,985	217,119	61,237	120,241	7,245	188,723
	Dues and Subscriptions	1,040	4,519	39,853	45,412	2,105	6,314	42,096	50,515
	Travel and Entertainmnet	1,400	360	4,229	5,988	789	482	5,610	6,881
	Education & Training	49,270	70,551	98,270	218,091	26,693	67,415	106,638	200,745
	Insurance & Risk Management	281,660	448,377	358,918	1,088,955	280,294	512,591	82,829	875,714
	Human Resources and Related	-	-	109,850	109,850	-	-	110,850	110,850
	Professional Consulting & Legal	25,347	117,356	50,155	192,859	8,636	115,721	55,710	180,067
	Public Relations	-	-	119,449	119,449	-	-	100,198	100,198
	Contributions & Sponsorships	124	220	184	528	54	54	214	321
	Employee Engagement	13,038	21,672	13,768	48,479	14,609	27,392	34,800	76,800
Total Purchase of Services		589,186	895,308	1,395,802	2,880,296	485,198	960,199	1,135,918	2,581,315
Total Operating Expenses		1,392,351	1,428,463	3,687,248	6,508,062	1,260,663	1,383,702	3,174,490	5,818,855



# 2022 Capital Budget – Administration

Project	Primary Project Category	Estimated Project Cost	2021 Budget (approved)	Cap Plan Costs 2022 - 2026	2022 Budget (draft)
<b><u>LCA Funded Projects</u></b>					
SCADA Programming, Hardware Upgrades, Software & Training	AM - Varies	\$ 3,100,000	\$ 300,000	\$ 2,800,000	\$ 750,000
Computer System Hardware & Software Upgrades	AM - High	\$ 390,000	\$ 140,000	\$ 250,000	\$ 50,000
GIS Upgrades & Application Development	Efficiency	\$ 350,000	\$ 50,000	\$ 300,000	\$ 75,000
Information Technology Master Plan Update	Planning	\$ 475,000	\$ 125,000	\$ 350,000	\$ 100,000
Document Management	Efficiency	\$ 275,000	\$ 200,000	\$ 75,000	\$ 75,000
Disaster Recovery/Security Upgrades	Efficiency	\$ 150,000	\$ 25,000	\$ 125,000	\$ 25,000
CMMS Upgrades	Efficiency	\$ 275,000	\$ 100,000	\$ 175,000	\$ 25,000
<b>Sub-total Administration Capital Funded by LCA</b>			<b>\$ 940,000</b>	<b>\$ 4,075,000</b>	<b>\$ 1,100,000</b>

# Key Budget Factors: Internal Services

*Reviewed 9/13/2021*

Labor expense increase – new positions in budget

Customer Service – new positions added to 2021 budget, which are expected to be filled by year end:

- Collections Analyst
- Suburban Field Technician

Increased expenses for special studies, compensation studies, public relations, education & training, and legal services to support organizational efforts

Significant increase in property insurance

# Preliminary 2022 Budget Results

	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
<b>NET INCOME</b>				
Suburban Water	2,094,223	1,139,599	183,548	456,932
Suburban Wastewater	1,270,562	1,361,873	1,175,879	2,724,420
City Division	<u>2,003,354</u>	<u>1,063,156</u>	<u>865,692</u>	<u>(4,289,352)</u>
Total LCA	<u>5,368,139</u>	<u>3,564,628</u>	<u>2,225,119</u>	<u>(1,108,000)</u>
<b>CASH FLOWS</b>				
Suburban Water	402,292	(1,325,787)	(3,490,171)	(3,715,921)
Suburban Wastewater	3,835,036	4,011,491	2,321,828	398,090
City Division	<u>5,298,587</u>	<u>3,017,494</u>	<u>4,663,547</u>	<u>2,036,188</u>
Total LCA	<u>9,535,915</u>	<u>5,703,198</u>	<u>3,495,204</u>	<u>(1,281,643)</u>
<b>DEBT SERVICE COVERAGE RATIO</b>				
Suburban Water	2.01	1.69	1.20	1.32
Suburban Wastewater	10.11	11.60	9.54	11.95
City Division	1.85	1.73	1.81	1.93
<b>CAPITAL SPENDING</b>				
Suburban Water	5,487,500	3,628,033	4,190,000	5,063,707
Suburban Wastewater	2,870,000	3,738,195	3,921,800	8,336,452
City Division	<u>11,215,000</u>	<u>8,340,673</u>	<u>8,877,500</u>	<u>4,158,796</u>
Total LCA	<u>19,572,500</u>	<u>15,706,901</u>	<u>16,989,300</u>	<u>17,558,955</u>

# Suburban Water

		Budget	Forecast	Budget	Actual
		2022	2021	2021	2020
<b>CONDENSED CASH FLOWS</b>					
Operating Revenues		16,287,758	13,325,173	12,742,423	11,832,779
Operating Expenses (ex. D&A)		(10,064,906)	(8,063,842)	(8,641,175)	(7,266,081)
Non-Operating Revenues (Expenses)		50,125	49,142	94,327	84,958
Net Available for Debt Service		6,272,977	5,310,474	4,195,575	4,651,656
Debt Service		(3,125,490)	(3,134,360)	(3,499,146)	(3,537,234)
Non-Cash Working Capital Changes		(332,695)	126,132	-	(190,730)
Net Available for Capex		2,814,792	2,302,246	696,429	923,692
Investing		-	-	-	404,318
Borrowing		3,075,000	-	-	-
Capex, net of MM		(5,487,500)	(3,628,033)	(4,186,600)	(5,043,931)
<b>NET CASH FLOWS</b>		<b>402,292</b>	<b>(1,325,787)</b>	<b>(3,490,171)</b>	<b>(3,715,921)</b>
		Budget	Forecast	Budget	Actual
		2022	2021	2021	2020
<b>KEY METRICS</b>					
Operating Ratio with D&A		1.25	1.21	1.13	1.16
Debt Service Coverage Ratio		2.01	1.69	1.20	1.32
Capital Coverage Ratio		0.57	0.60	0.17	0.22
Unrestricted Days Cash on Hand		229.19	267.86	135.62	363.86
Unrestricted Investment Balances		2,497,825	2,497,825	3,136,930	2,497,825

# Suburban Water – Expense Review

	2022 vs.	2022 BUDGET VS. 2021 BUDGET		
	2021 Bud	Inflation	Volume	Special
<b>OPERATING EXPENSE VARIANCES</b>				
Personnel Costs	153,886	(91,332)	245,217	-
G&A	(114,171)	(18,973)	(95,198)	-
Utilities	23,003	(12,705)	35,708	-
Purchased Services	(1,249,458)	(117,403)	(378,534)	(753,521)
Supplies & Equipment	(315,255)	(19,923)	109,668	(405,000)
Treatment & Transportation	-	-	-	-
Depreciation & Amortization	(372,754)	-	(372,754)	-
Major Maintenance	3,400	-	3,400	-
Other	74,864	-	74,864	-
Total Operating Expenses	(1,796,485)	(260,336)	(377,628)	(1,158,521)
	-16.0%	-2.3%	-3.4%	-10.3%
Variance before adjustments	(1,796,485)	(260,336)	(377,628)	(1,158,521)
Adjust for D&A	372,754	-	372,754	-
NET	(1,423,731)	(260,336)	(4,874)	(1,158,521)
	-16.5%	-3.0%	-0.1%	-13.4%

# 2022 Capital Budget – Suburban Water

Project #	Project	Primary Project Category	Estimated Project Cost	2021 Budget (approved)	Cap Plan Costs 2022 - 2026	2022 Budget (draft)
<b><u>Annual Projects</u></b>						
SD-W-A	Annual Projects	AM - Varies	\$ 8,601,000	\$1,747,500	\$ 6,853,500	\$ 662,500
<b><u>Multi-Year Projects</u></b>						
SD-W-12	Water Main Replacement Projects			\$ -	\$ 7,300,000	\$ 2,400,000
SD-W-37	Additional (Redundant) Water Supply - Small Satellite Divisions	Sys Imp	\$ 870,000	\$ 100,000	\$ 770,000	\$ 50,000
SD-W-50	Fixed Base Metering Reading System	Sys Imp	\$ 1,010,000	\$ 100,000	\$ 910,000	\$ 100,000
SD-W-51	North Whitehall Division System Improvements - Study Phase	Sys Imp	\$ 750,000	\$ 50,000	\$ 700,000	\$ 25,000
SD-W-52	Arcadia Water Tank Replacement	AM-High	\$ 1,000,000	\$ 500,000	\$ 500,000	\$ 400,000
SD-W-55	CLD Well Improvements and Capacity Study	Sys Imp	\$ 20,000	\$ 60,000	\$ 20,000	\$ 100,000
SD-W-57	Water Meter Replacement Program	AM-Med	\$ 2,482,000	\$ -	\$ 2,482,000	\$ 450,000
SD-W-56	Upper System Pump Station and Water Main Extension ( <i>new</i> )	Sys Imp	\$ 1,800,000	\$ -	\$ -	\$ 200,000
<b>Total Suburban Division Water Capital Expenditures (Funded):</b>				<b>\$ 2,557,500</b>	<b>\$ 24,335,500</b>	<b>\$ 4,387,500</b>

# Key Budget Factors: Suburban Water

## *Reviewed 9/13/2021*

### Operating Expenses – Significant Increase (\$1.8M over 2021 Budget)

- Water purchase cost increase driven by higher capital improvements completed at Allentown Division Water Filtration Plant - \$754K
- Capital expenses reclassified as Operating - \$405K
- Inflationary impacts - \$260K
- Spending variance - \$378K
  - Personnel and G&A - \$150K favorable
  - Other - \$233K (mostly purchased maintenance services)
- Increase to D&A - \$373K

### Rate Considerations:

- Debt financing vs. cash funding levels for capital improvements
- Lower overall debt service as a result of refinancing in 2021
- Volume growth
- 2022 Preliminary Budget includes revenue growth of 24%
  - *Will be some combination of volume sales growth and rate increases*
  - *Calculation on next page*
- Rate study needed in 2022

# Suburban Water:

## *Calculation of 2022 Revenue Impact*

<b>USER CHARGE REQUIREMENT</b>		<b>2022</b>
Operating Expenses - ex D&A		10,064,906
Non-Operating Rev		(50,125)
System & Connection Revenues		(966,554)
Debt Service - Existing debt		3,125,490
Debt Service - New Debt		92,250
Debt Service Coverage		643,548
Pay-Go Capex		2,412,500
<b>TOTAL USER CHARGE REQUIREMENT</b>		<b>15,322,015</b>
PY User Charges		12,363,189
Increase %		23.93%



# Suburban Water – Discussion

- Revenue Increase of \$2,958,826 = 24%
- Capital funding from operations (\$2,412,500) makes up 82% of the revenue increase
- Continued borrowing required to fully fund capex
- Rate calculation will assume volume growth of 1-3%

<u>LCA Suburban Water</u>	<u>2017</u>	<u>2021</u>	<u>Total Growth</u>	<u>Average Growth</u>
Total Water Volume Sales (gallons)	3,320,770,792	3,722,113,000	12.09%	3.02%
Customer Bills Issued	84,023	87,694	4.37%	1.09%

- Estimated residential rate impact = \$11.50 per month
- Detailed rate proposal will be presented 10/11/2021

# Suburban Wastewater

		<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>CONDENSED CASH FLOWS</b>		<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
Operating Revenues		20,554,037	20,911,781	20,032,585	19,764,968
Operating Expenses (ex. D&A)		(13,201,164)	(13,516,970)	(14,248,398)	(11,105,203)
Non-Operating Revenues (Expenses)		87,965	86,240	190,471	193,926
Net Available for Debt Service		7,440,838	7,481,051	5,974,657	8,853,692
Debt Service		(735,802)	(731,365)	(731,029)	(741,773)
Non-Cash Working Capital Changes		-	83,837	-	(701,907)
Net Available for Capex		6,705,036	6,833,523	5,243,628	7,410,012
Investing		-	-	-	1,369,530
Borrowing		-	-	-	-
Capex		(2,870,000)	(2,822,032)	(2,921,800)	(8,381,452)
<b>NET CASH FLOWS</b>		<b>3,835,036</b>	<b>4,011,491</b>	<b>2,321,828</b>	<b>398,090</b>
		<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
<b>KEY METRICS</b>		<b>2022</b>	<b>2021</b>	<b>2021</b>	<b>2020</b>
Operating Ratio with D&A		1.07	1.07	1.06	1.16
Debt Service Coverage Ratio		10.11	11.60	9.54	11.95
Capital Coverage Ratio		2.34	2.07	1.59	0.97
Unrestricted Days Cash on Hand		423.07	334.37	330.27	245.03
Unrestricted Investment Balances		6,387,746	6,387,746	7,757,276	6,387,746

# Suburban WW – Expense Review

	2022 vs.	2022 vs. 2021 BUDGET		
	2021 Bud	Inflation	Volume	Special
<b>OPERATING EXPENSE VARIANCES</b>				
Personnel Costs	203,873	(52,655)	256,528	-
G&A	(74,607)	(7,779)	(66,829)	-
Utilities	93,547	(8,681)	102,229	-
Purchased Services	(446,338)	(165,960)	(280,378)	-
Supplies & Equipment	4,013	(12,111)	232,124	(216,000)
Treatment & Transportation	220,324	(91,639)	311,964	-
Depreciation & Amortization	(1,379,772)	-	(1,379,772)	-
Major Maintenance	1,000,000	-	1,000,000	-
Other	46,422	-	46,422	-
Total Operating Expenses	(332,537)	(338,825)	222,288	(216,000)
	-1.8%	-1.8%	1.2%	-1.1%
Against 2021 Budget	(332,537)	(338,825)	222,288	(216,000)
D&A	1,379,772	-	1,379,772	-
Major Maintenance	(1,000,000)	-	(1,000,000)	-
NET	47,235	(338,825)	602,060	(216,000)
	0.4%	-2.6%	4.5%	-1.6%

# 2022 Capital Budget – Suburban WW

Project #	Project	Primary Project Category	Estimated Project Cost	2021 Budget (approved)	Cap Plan Costs 2022 - 2026	2022 Budget (draft)
<b><u>Annual Projects</u></b>						
AD-S-A	Annual Projects	AM - Varies	\$ 3,262,500	\$ 622,500	\$ 2,640,000	\$ 230,000
	<b>Subtotal</b>			<b>\$ 622,500</b>	<b>\$ 2,640,000</b>	<b>\$ 230,000</b>
<b><u>LCA Wastewater Treatment Plant</u></b>						
SD-S-22	Pretreatment Plant Improvements	AM - Varies	\$ 4,200,000	\$ 700,000	\$ 3,500,000	\$ 700,000
	<b>Subtotal</b>			<b>\$ 700,000</b>	<b>\$ 3,500,000</b>	<b>\$ 700,000</b>
<b><u>Western Lehigh Interceptor System:</u></b>						
SD-S-3	Central Lehigh County WW Capacity Planning & Expansion	New Cust	\$ 1,399,300	\$ 799,300	\$ 600,000	\$ 400,000
SD-S-4	Spring Creek Force Main A/V Valve Replacements	Sys Imp	\$ 120,000	\$ 40,000	\$ 80,000	\$ 40,000
SD-S-9	Spring Creek Force Main Condition Assessment	AM-Med		\$ -	\$ 350,000	\$ -
SD-S-24	Signatory I&I Investigation and Remediation Program	Regulatory	\$ 270,000		\$ 1,500,000	\$ 300,000
SD-S-28	WLI - Trexlertown Area Capacity Solution Alternative	Regulatory	\$ 200,000	\$ -	\$ 5,800,000	\$ 100,000
	<b>Subtotal</b>			<b>\$ 839,300</b>	<b>\$ 8,330,000</b>	<b>\$ 840,000</b>
<b><u>Satellite Systems</u></b>						
SD-S-6	Wynnewood I/I Investigation and Remediation Program	Regulatory	\$ 120,000	\$ 25,000	\$ 95,000	\$ 25,000
SD-S-8	Arcadia West WWTP Mechanical Screen	Efficiency	\$ 350,000	\$ -	\$ 350,000	\$ 50,000
SD-S-10	SSES (Weisenberg, UMiT, Lowhill)	Regulatory	\$ 300,000	\$ 75,000	\$ 225,000	\$ 25,000
SD-S-17	Heidelberg Heights I/I Investigation and Remediation Program	Regulatory	\$ 1,150,000	\$ 300,000	\$ 850,000	\$ 300,000
SD-S-18	Heidelberg Heights WWTP Rehabilitation	AM - Med	\$ 505,000	\$ 40,000	\$ 465,000	\$ 200,000
SD-S-25	Lynn Township WWTP Improvements & Expansion	Sys Imp	\$ 305,000	\$ 50,000	\$ 255,000	\$ 25,000
SD-2-26	Lynn Township I/I Investigation and Remediation Program	Regulatory	\$ 275,000	\$ 50,000	\$ 225,000	\$ 25,000
	<b>Subtotal</b>			<b>\$ 540,000</b>	<b>\$ 2,465,000</b>	<b>\$ 650,000</b>
<b><u>Little Lehigh Relief Interceptor System:</u></b>						
SD-S-12	Park Pump Station Force Main Rehabilitation	AM - High	\$ 1,300,000	\$ 100,000	\$ 1,200,000	\$ 50,000
SD-S-15	Park Pump Station Rehabilitation/Improvements	AM - High	\$ 1,350,000	\$ 100,000	\$ 1,250,000	\$ 400,000
	<b>Subtotal</b>			<b>\$ 200,000</b>	<b>\$ 2,450,000</b>	<b>\$ 450,000</b>
<b>Total Suburban Wastewater Division Capital Expenditures:</b>				<b>\$ 2,901,800</b>	<b>\$ 19,385,000</b>	<b>\$ 2,870,000</b>

# Key Budget Factors: Suburban Wastewater

## *Reviewed 9/13/2021*

- User revenues from Signatories calculated based upon operating expenses, debt service levels, and paygo capex against signatory flows and loads
- Operating Expenses up by \$333K compared to 2021 Budget
  - Inflationary Impacts - \$339K
  - Capital expenses reclassified as Operating - \$216K in supplies & equipment
  - Net spending down by \$556k
  - D&A up by \$1,380K
  - Expensed capex down by \$1,000K

**No Capex borrowing in 2022 – requires further review of funding required for Trexlertown Interceptor project and other Act 537 work**

**Common Rate Collector System rate review required due to several large capital improvements completed in recent years**

**WLI User Charge Report to be presented 10/11/2021**

# City Division

		Budget 2022	Forecast 2021	Budget 2021	Actual 2020
<b>CONDENSED CASH FLOWS</b>					
Operating Revenues		50,753,194	46,205,139	46,003,744	40,803,338
Operating Expenses (ex. D&A)		(25,272,692)	(22,453,296)	(21,882,064)	(19,793,241)
Non-Operating Revenues (Expenses)		176,419	172,960	172,960	162,075
Annual Payments		(1,230,600)	(1,230,600)	(1,230,600)	(533,258)
Net Available for Debt Service		24,426,321	22,694,203	23,064,040	20,638,914
Debt Service		(15,460,362)	(15,565,444)	(14,225,917)	(12,893,413)
Non-Cash Working Capital Changes		2,141,428	23,208	50,000	(1,550,517)
Net Available for Capex		11,107,387	7,151,967	8,888,123	6,194,984
Investing		-	-	-	-
Borrowing		1,200,000	-	2,000,000	-
Capex		(7,008,800)	(4,134,473)	(6,224,576)	(4,158,796)
<b>NET CASH FLOWS</b>		<b>5,298,587</b>	<b>3,017,494</b>	<b>4,663,547</b>	<b>2,036,188</b>
		Budget 2022	Forecast 2021	Budget 2021	Actual 2020
<b>KEY METRICS</b>					
Operating Ratio with D&A		1.61	1.62	1.66	1.46
Debt Service Coverage Ratio		1.85	1.73	1.81	1.93
Capital Coverage Ratio		1.17	1.36	1.06	1.69
Unrestricted Days Cash on Hand		208.24	148.26	330.41	28.55
Unrestricted Investment Balances		-	-	-	-

# City Division – Expense Review

	2022 vs.	2022 BUDGET VS. 2021 BUDGET		
	2021 Bud	Inflation	Volume	Special
<b>OPERATING EXPENSE VARIANCES</b>				
Personnel Costs	(1,062,219)	(474,585)	(587,634)	-
G&A	(132,953)	(89,160)	(43,793)	-
Utilities	118,877	(49,701)	168,578	-
Purchased Services	(204,778)	(53,287)	(51,491)	(100,000)
Supplies & Equipment	(568,450)	(56,929)	163,479	(675,000)
Treatment & Transportation	(1,800)	(337)	(1,463)	-
Depreciation & Amortization	(284,708)	-	(284,708)	-
Major Maintenance	(1,539,304)	-	(1,539,304)	-
Other	-	-	-	-
Total Operating Expenses	(3,675,336)	(724,000)	(2,176,336)	(775,000)
	-13.2%	-2.6%	-7.8%	-2.8%
Variance before adjustments	(3,675,336)	(724,000)	(2,176,336)	(775,000)
Adjust out D&A	284,708	-	284,708	-
Adjust out MM	1,539,304	-	1,539,304	-
NET	(1,851,324)	(724,000)	(352,324)	(775,000)
	-9.6%	-3.8%	-1.8%	-4.0%



# 2022 Capital Budget – City Div. – Water

Project #	Project	Primary Project Category	Estimated Project Cost	2021 Budget (approved)	Cap Plan Costs 2022 - 2026	2022 Budget (draft)
<b><u>Annual Projects</u></b>						
AD-W-A	Annual Projects	AM - Varies	\$ 10,822,500	\$ 1,610,000	\$ 9,212,500	\$ 1,135,000
	<b>Subtotal</b>		<b>\$ 10,822,500</b>	<b>\$ 1,610,000</b>	<b>\$ 9,212,500</b>	<b>\$ 1,135,000</b>
<b><u>Non-CCRC Projects</u></b>						
AD-W-1	Indenture Improvements	AM - High	\$ 11,400,000	\$ -	\$ 900,000	\$ 300,000
AD-W-25	Tank and Reservoir Rehabilitation	AM - High		\$ -	\$ 1,500,000	\$ 300,000
AD-W-26	Large Diameter Valve Replacement Project	AM - High		\$ -	\$ 1,500,000	\$ 100,000
AD-W-9	Various Water System Related Studies	CA/OS	\$ 150,000	\$ -	\$ 150,000	\$ 250,000
	<b>Subtotal</b>		<b>\$ 11,550,000</b>	<b>\$ -</b>	<b>\$ 4,050,000</b>	<b>\$ 950,000</b>
<b><u>CCRC Projects</u></b>						
AD-W-7	Annual Water Main Replacements	CA/OS	\$ 11,400,000	\$ 1,900,000	\$ 10,000,000	\$ 2,400,000
AD-W-16	Water Meter Replacement Program	AM - High		\$ -	\$ 2,270,000	\$ -
AD-W-21	Fixed Base Meter Reading System	Efficiency		\$ -	\$ 1,700,000	\$ -
AD-W-22	Filter Upgrades	Master Plan		\$ -	\$ 6,100,000	\$ 200,000
AD-W-23	Intake Upgrades	Master Plan		\$ -	\$ 1,900,000	\$ -
AD-W-24	High Lift VFD Replacements	Master Plan		\$ 800,000	\$ 1,100,000	\$ 1,100,000
	<b>Subtotal</b>		<b>\$ 11,400,000</b>	<b>\$ 2,700,000</b>	<b>\$ 23,070,000</b>	<b>\$ 3,700,000</b>
<b><u>City Funded Projects</u></b>						
AD-W-15	Itron/AMR Meter Project <sup>(1)</sup>	CA/OS	\$ 85,000	\$ 85,000	\$ -	\$ -
	<b>Subtotal</b>		<b>\$ 85,000</b>	<b>\$ 85,000</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Allentown Division Water Capital Expenditures:</b>				<b>\$ 4,395,000</b>	<b>\$ 36,332,500</b>	<b>\$ 5,785,000</b>

(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.



# 2022 Capital Budget – City Div. – WW

Project #	Project	Primary Project Category	Estimated Project Cost	2021 Budget (approved)	Cap Plan Costs 2022 - 2026	2022 Budget (draft)
<b><u>Annual Projects</u></b>						
AD-S-A	Annual Projects *	AM - High	\$ 9,460,000	\$ 1,960,000	\$ 7,500,000	\$ 1,460,000
	<b>Subtotal</b>			<b>\$ 1,960,000</b>	<b>\$ 7,500,000</b>	<b>\$ 1,460,000</b>
<b><u>Non-CCRC Projects</u></b>						
AD-S-1	Indenture Report Improvements	AM - Varies	\$ 1,400,000	\$ -	\$ 1,700,000	\$ 300,000
AD-S-9	Various Wastewater System Related Studies	CA/OS	\$ 150,000	\$ -	\$ 150,000	\$ -
AD-S-22	WWTP Final Clarifier 1 - 4 Rehabilitation	AM-High		\$ -	\$ 950,000	\$ -
	<b>Subtotal</b>		<b>\$ 1,550,000</b>	<b>\$ -</b>	<b>\$ 2,800,000</b>	<b>\$ 300,000</b>
<b><u>CCRC Projects</u></b>						
AD-S-5	WWTP Elec Substation Replacement - Phase 2	AM-High		\$ -	\$ 3,250,000	\$ -
AD-S-19	WWTP Main Pump Station Improvements	Master Plan		\$ -	\$ 2,600,000	\$ 150,000
AD-S-20	Boiler Replacement & Solids Process HVAC Upgrade Project	Master Plan	\$ 1,400,000	\$ 200,000	\$ 2,200,000	\$ 800,000
AD-S-21	WWTP 480v MCC Replacement & IPS Pump Station Upgrade	Master Plan		\$ -	\$ 3,250,000	\$ 100,000
	<b>Subtotal</b>		<b>\$ 1,400,000</b>	<b>\$ 200,000</b>	<b>\$ 11,300,000</b>	<b>\$ 1,050,000</b>
<b><u>Regional Act 537 Projects</u></b>						
AD-S-11	Regional Flow Management Strategy <sup>(1)</sup>	Regulatory	\$ 3,145,000	\$ 775,000	\$ 1,640,000	\$ 1,500,000
AD-S-12	Flow Characterization Study <sup>(2)</sup>	Regulatory	\$ 2,100,000	\$ 1,250,000	\$ 850,000	\$ 920,000
AD-S-13	Miscellaneous Act 537 Planning <sup>(3)</sup>	Regulatory	\$ 500,000	\$ -	\$ 850,000	\$ 250,000
	<b>Subtotal</b>		<b>\$ 5,745,000</b>	<b>\$ 2,025,000</b>	<b>\$ 3,340,000</b>	<b>\$ 2,670,000</b>
<b>Total Allentown Division Wastewater Capital Expenditures:</b>				<b>\$ 4,185,000</b>	<b>\$ 24,940,000</b>	<b>\$ 5,480,000</b>

\* Includes Sodium Hypo project in 2021

(1) "Administrative Order" Project as per the Agreement to be Funded by the City and executed by LCA.

(2) "Administrative Order" Project as per the Agreement to be Funded by the City (\$800,000) and WLI signatory municipalities (\$120,000) and executed by LCA.

(3) "Administrative Order" Project to be Funded by LCA.

# Key Budget Factors: City Division

*Reviewed 9/13/2021*

Major factors from 2020 Lease Amendment affecting 2022 Budget:

- Approx. \$3.2M revenue increase due to “Phase 2” rate change plus higher inflation of 4.60% (base rate change includes inflation as a component)
- LCA Suburban Water purchase increase by \$750K
- Continues annual payments to City for retiree health care and lease administration, impacted by high inflation

Operating Expenses – Significant Increase (\$3.7M over 2021 Budget)

- Reclassed capex - \$775K
- Inflationary impacts - \$724K
- Other spending increases - \$352K
- D&A up by \$285k
- Expensed capex up by \$1,540K

Debt considerations:

- Anticipated PENNVEST loan for water plant VFD project - \$1.2M
- Slight increase in debt service in accordance with refinanced bond schedule
- Debt service coverage expected - 1.68

# What's Next?

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*Next Board Presentation (10/11/2021):*

- *Review any major changes to Preliminary Budget*
- *Detailed rate proposal for Suburban Water*
- *Western Lehigh Annual User Charge Report*

Discussion  
&  
Questions

