

The logo of the Lehigh County Authority is located in the upper right portion of the slide. It features a stylized, light blue circular emblem with a white, curved line passing through it, set against a dark blue background.

LEHIGH COUNTY AUTHORITY

2022 PROPOSED BUDGET

Board Review & Approval Request

October 25, 2021

LCA 2022 Budget Timeline Overview



2022 Budget Summary – All Funds

	Budget	Forecast	Budget	Actual
	<u>2022</u>	<u>2021</u>	<u>2021</u>	<u>2020</u>
NET INCOME				
Suburban Water	2,094,223	1,139,599	183,548	456,932
Suburban Wastewater	1,788,879	1,361,873	1,175,879	2,724,420
City Division	<u>2,194,319</u>	<u>1,063,156</u>	<u>865,692</u>	<u>(4,289,352)</u>
Total LCA	<u><u>6,077,421</u></u>	<u><u>3,564,628</u></u>	<u><u>2,225,119</u></u>	<u><u>(1,108,000)</u></u>
CASH FLOWS				
Suburban Water	402,292	(1,325,787)	(3,490,153)	(3,715,921)
Suburban Wastewater	4,353,353	4,011,491	2,321,828	398,090
City Division	<u>5,439,552</u>	<u>3,017,494</u>	<u>4,663,547</u>	<u>2,036,188</u>
Total LCA	<u><u>10,195,197</u></u>	<u><u>5,703,198</u></u>	<u><u>3,495,222</u></u>	<u><u>(1,281,643)</u></u>
DEBT SERVICE COVERAGE RATIO				
Suburban Water	2.01	1.69	1.20	1.32
Suburban Wastewater	10.82	11.60	9.54	11.95
City Division	1.86	1.73	1.66	1.45
CAPITAL SPENDING				
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>11,265,000</u>	<u>8,340,673</u>	<u>8,877,500</u>	<u>4,158,796</u>
Total LCA	<u><u>19,622,500</u></u>	<u><u>15,706,901</u></u>	<u><u>16,989,300</u></u>	<u><u>17,558,955</u></u>

2022 Budget Summary – All Funds

Budget Overview	Sub. Water	Sub. Wastewater	City Division	Total
Operating, Non-Operating & Other Revenue	16,337,883	21,247,517	51,120,578	88,705,977
Operating Expenses (net of depreciation)	10,064,906	13,288,362	22,297,092	45,650,360
Net Revenues Available for Debt Service	6,272,977	7,959,155	28,823,486	43,055,618
Debt Service	3,125,490	735,802	15,460,362	19,321,654
Debt Service Coverage Ratio (indenture based)	2.01	10.82	1.86	2.23
Capital Budget Overview	Sub. Water	Sub. Wastewater	City Division	Total
Capital Expenses	5,487,500	2,870,000	11,265,000	19,622,500
Funding from 2022 Revenue & Operating Reserves	2,412,500	2,870,000	5,858,800	11,141,300
Funding from Existing Project Reserves	-	-	4,206,200	4,206,200
Funding from New Borrowing	3,075,000	-	1,200,000	4,275,000
Year-End Project Reserve Balance	2,042,457	7,672,019	169,980	9,884,456
Total Cash Flow	Sub. Water	Sub. Wastewater	City Division	Total
Beginning Operations Cash Balance (2021 forecast)	3,875,228	3,794,475	8,950,187	16,619,890
2022 Surplus	2,814,792	7,223,353	11,298,352	21,336,497
Provided From (To) Capital	(2,412,500)	(2,870,000)	(5,858,800)	(11,141,300)
Ending Operations Cash Balance	4,277,520	8,147,828	14,389,739	26,815,087
Operating Days Cash on Hand	155	224	208	202
Project Reserve Balance	2,042,457	7,672,019	169,980	9,884,456
Other Reserves & Investments (includes restricted)	8,811,994	6,725,950	55,392,868	70,930,812
Ending Total Fund Balance - 2022 Budget	15,131,971	22,545,797	69,952,587	107,630,355
Ending Total Fund Balance - 2021 Forecast	14,729,679	18,192,445	64,513,035	97,435,159

2022 Budget Summary – All Funds

RESERVES SUMMARY	Sub. Water	Sub. Wastewater	City Division	Total
Operations Cash + Investments				
Operations Cash	4,277,520	8,147,829	14,389,739	26,815,088
Operations Investments	<u>1,497,825</u>	<u>5,387,746</u>	<u>-</u>	<u>6,885,571</u>
Total Operations	<u>5,775,345</u>	<u>13,535,575</u>	<u>14,389,739</u>	<u>33,700,659</u>
Days Cash + Investments on Hand	<u>209</u>	<u>372</u>	<u>208</u>	<u>269</u>
Project Cash + Investments				
Cash	2,042,457	7,672,019	169,980	9,884,456
Investments	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>2,000,000</u>
Total Project	<u>3,042,457</u>	<u>8,672,019</u>	<u>169,980</u>	<u>11,884,456</u>
TOTAL	<u>8,817,802</u>	<u>22,207,594</u>	<u>14,559,719</u>	<u>45,585,115</u>

2022 Budget – Key Highlights



STRATEGIC
PLAN KICKOFF



STAFFING



CAPACITY
PLANNING



RATE IMPACTS





Strategic Plan – Preview

Critical Feedback Received

- Employees, Board & External Stakeholders
- In the years ahead, LCA should focus on:
 - Continuous improvement
 - Employee development and training
 - Infrastructure / asset management
 - Standardizing our approaches and processes
 - Demonstrating leadership in our industry / region
 - And much more!

Strategic Plan – Preview

Simplifying Our Message

LCA Mission (2014)

We will deliver exceptional value to our customers through our high-quality, affordable and reliable water and wastewater services. We will meet the needs and expectations of existing and future customers by:

- Operating in a fiscally responsible manner.
- Providing a rewarding, respectful, empowering and safe work environment for our employees with opportunities for professional fulfillment.
- Practicing and advancing environmental stewardship that protects and preserves water resources for current and future generations.
- Serving as a strategic and respected partner, investing in solutions for our community's evolving service needs.

LCA Mission (NEW!)

To protect public health and the environment by providing high-quality, safe, and reliable water and wastewater services.

Imagine a Day Without Water. On October 21st.

No water to drink, or wash your hands with. No water to shower, flush the toilet, or do laundry. Hospitals would close without water. Firefighters couldn't put out fires and farmers couldn't water their crops. Disease would spread.

<https://imagineadaywithoutwater.org/>

<http://www.thevalueofwater.org/>

<https://www.lehighcountyauthority.org/2021/10/this-thursday-imagine-a-day-without-water/>



Strategic Plan – Preview *Other Plan Elements*

- Clarified Vision Statement
 - Updated Statement of Values
 - 6 Top Priorities
 - 21 Specific Strategies
 - 100+ Detailed Activities
 - 12 Measures of Success
-
- More detailed review – November / December

2022 Staffing Changes - Proposed

Support for
Strategic
Priorities

Employee Development

Process Improvement

Asset Management

2022 Budget Impact = \$349,000 (salary & benefits, spread across all funds as an “Internal Service” expense)

2022 Budget – Capacity Planning

Regional Act 537 Sewage Facilities Plan

Water Filtration Plant Master Plan

Suburban Water Supply Study

Related Capital Improvements:

1. Kline's Island Upgrade Evaluation
2. WFP Filter Upgrade, design phase
3. Trexlertown Interceptor Bottleneck, design phase

2022 Budget – Rate Impacts

Allentown Rates

- Increase according to terms of the lease agreement
- Impact = \$99 per year for an average residential customer

Suburban Water Rates

- Increase to capture increased water purchase cost
- Includes more “pay-go” capital project to reduce need to borrow
- Impact = \$75 per year for an average residential customer

Suburban Wastewater Rates – No Change



Fifth Annual Value of Water Index

80%

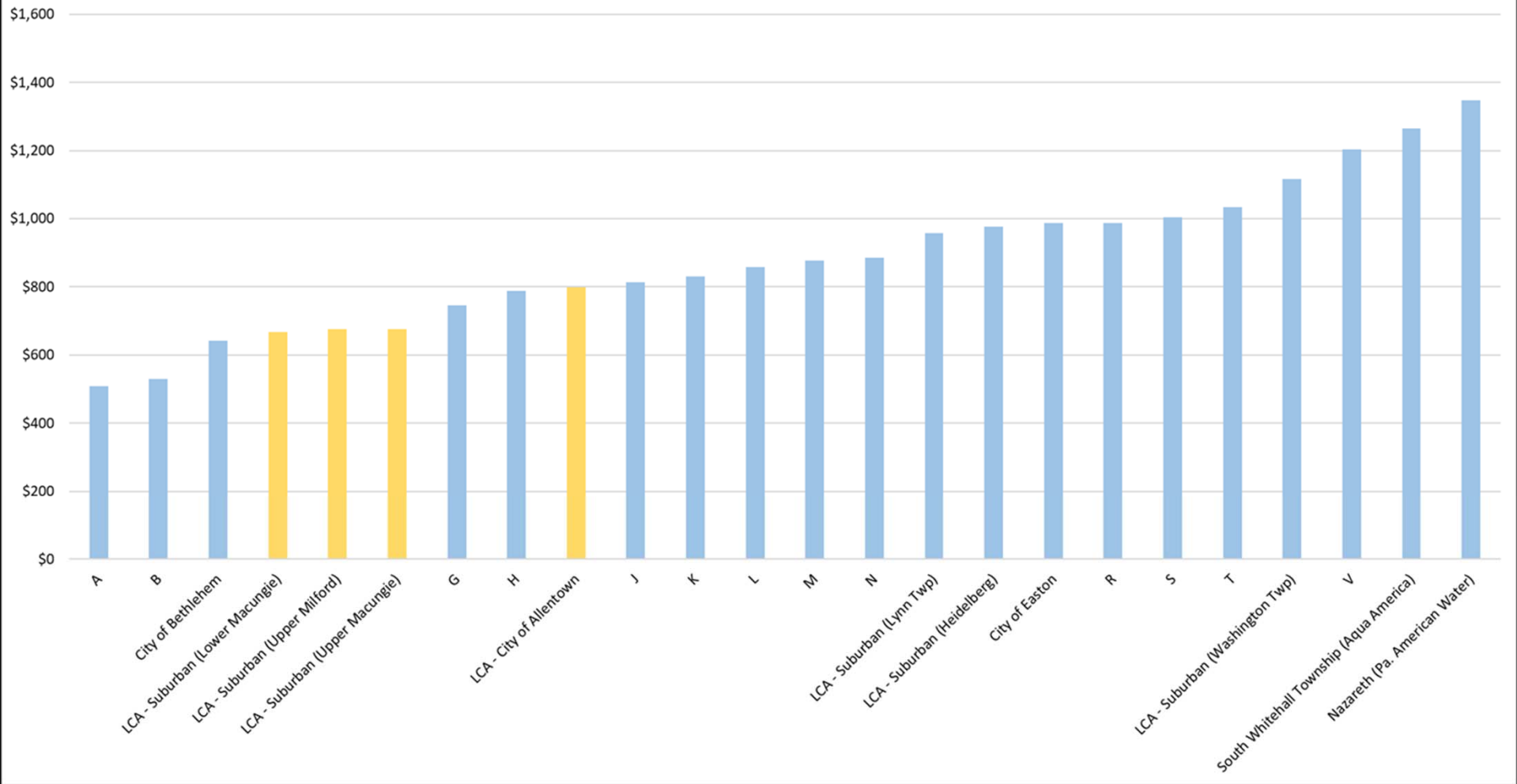


of voters say their water service is affordable and the majority would be willing to pay more to fund improved service.



thevalueofwater.org

Lehigh Valley Water & Sewer Rate Comparison (Data from 2020-2021, LCA 2022 Proposed Rates)
 24 communities in Lehigh Valley - average annual residential water & sewer bill (5000 gallons per month)



Suburban Water – Cash Flows

		Budget	Forecast	Budget	Actual
CONDENSED CASH FLOWS		2022	2021	2021	2020
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	18	(190,730)
Net Available for Capex		2,814,792	2,302,246	696,447	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)
NET CASH FLOWS		402,292	(1,325,787)	(3,490,153)	(3,715,921)
		Budget	Forecast	Budget	Actual
KEY METRICS		2022	2021	2021	2020
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

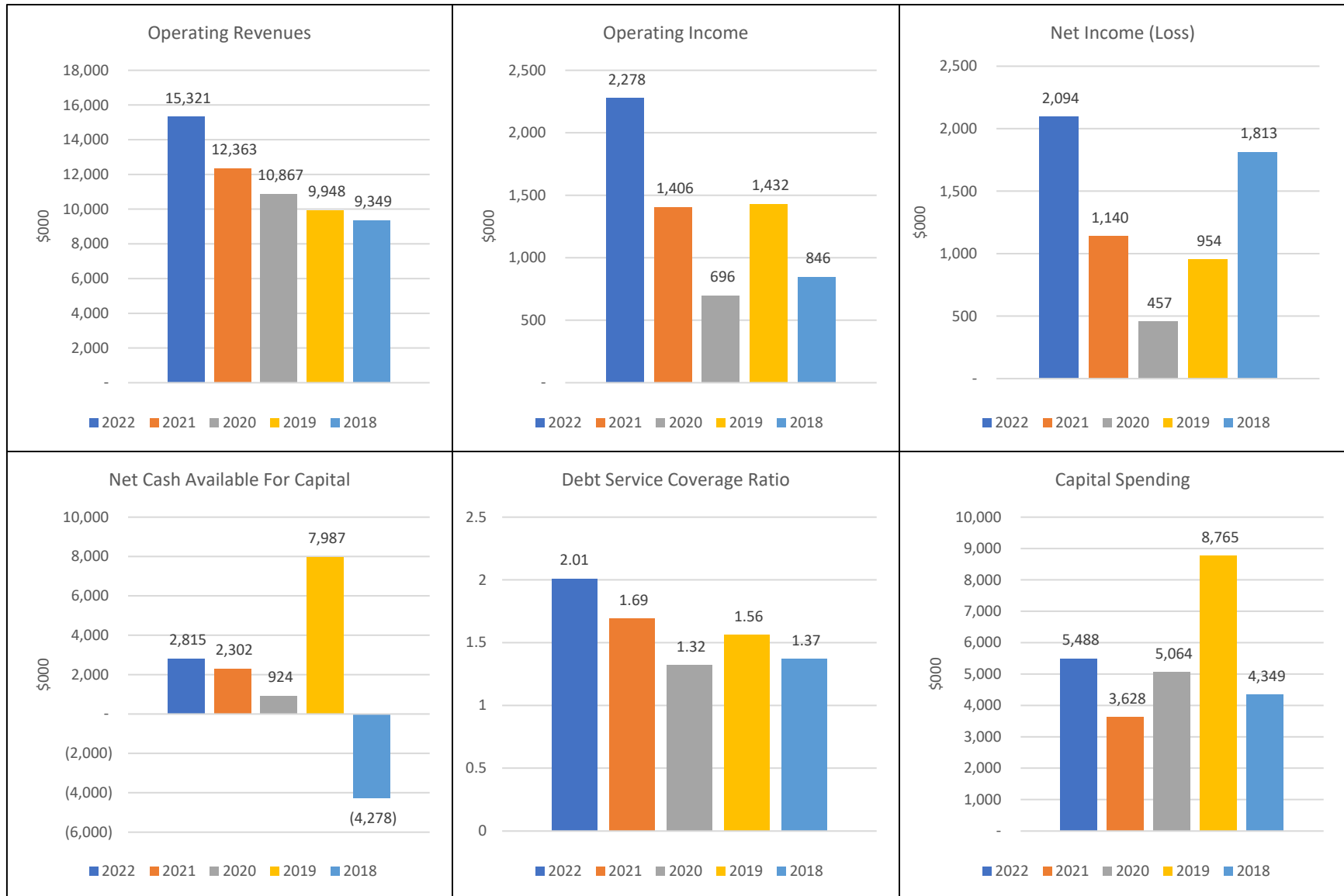
Suburban Wastewater – Cash Flows

		Budget	Forecast	Budget	Actual
		2022	2021	2021	2020
CONDENSED CASH FLOWS					
Operating Revenues		21,159,552	20,911,781	20,032,585	19,764,968
Operating Expenses (ex. D&A)		(13,288,362)	(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		7,959,155	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		7,223,353	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)
NET CASH FLOWS		4,353,353	4,011,491	2,321,828	398,090
		Budget	Forecast	Budget	Actual
		2022	2021	2021	2020
KEY METRICS					
Operating Ratio with D&A		1.10	1.07	1.06	1.16
Debt Service Coverage Ratio		10.82	11.60	9.54	11.95
Capital Coverage Ratio		2.52	2.07	1.59	0.97
Unrestricted Days Cash on Hand		434.53	334.37	330.27	245.03
Unrestricted Investment Balances		6,387,746	6,387,746	7,757,276	6,387,746

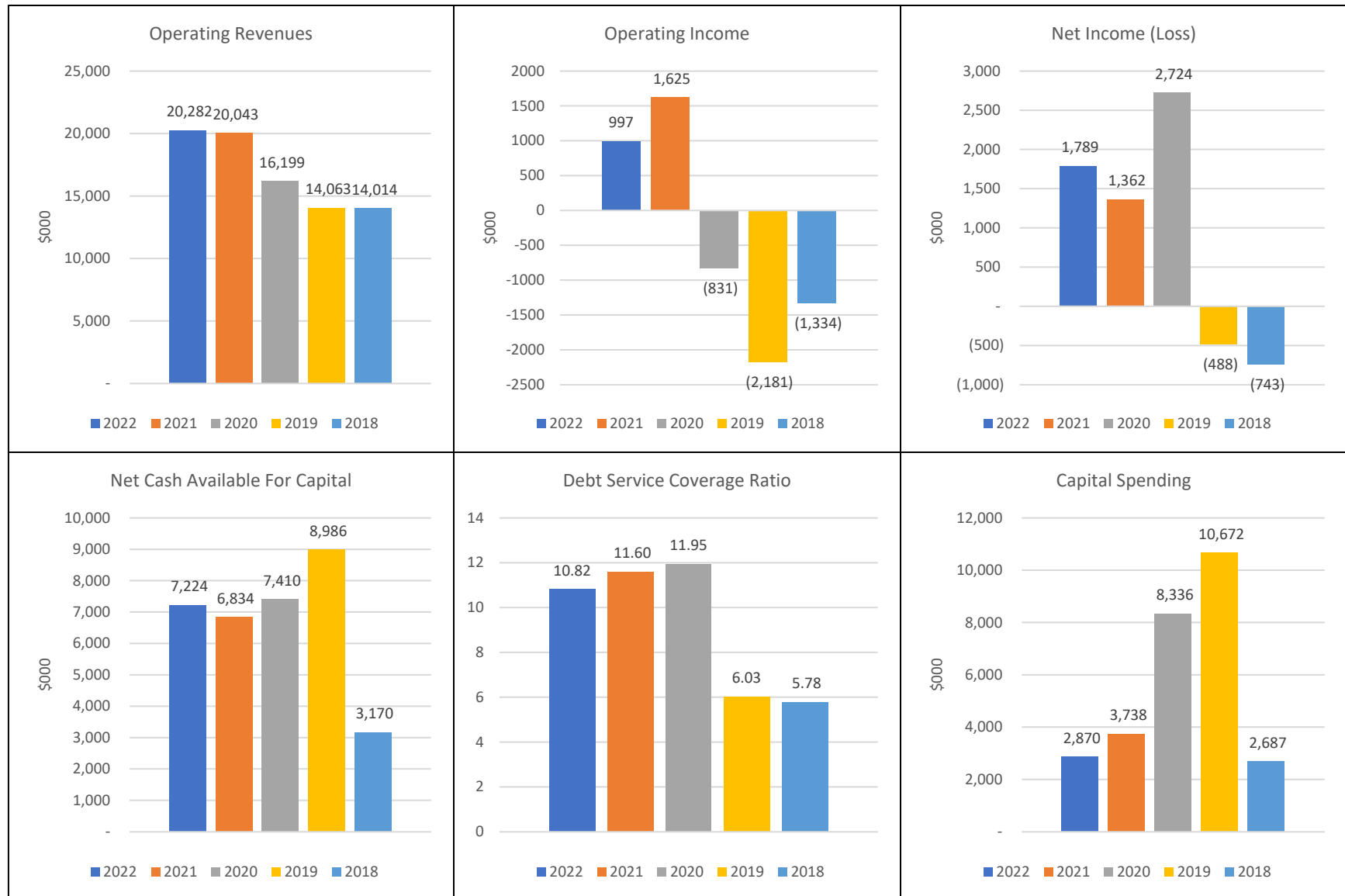
City Division – Cash Flows

		Budget	Forecast	Budget	Actual
		2022	2021	2021	2020
CONDENSED CASH FLOWS					
Operating Revenues		50,944,159	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		24,617,286	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		11,298,352	7,151,967	8,888,123	6,194,984
Investing		-	-	-	-
Borrowing		1,200,000	-	2,000,000	-
Capex		(7,058,800)	(4,134,473)	(6,224,576)	(4,158,796)
NET CASH FLOWS		5,439,552	3,017,494	4,663,547	2,036,188
		Budget	Forecast	Budget	Actual
		2022	2021	2021	2020
KEY METRICS					
Operating Ratio with D&A		1.62	1.62	1.66	1.46
Debt Service Coverage Ratio		1.86	1.73	1.66	1.45
Capital Coverage Ratio		1.19	1.36	1.06	1.69
Unrestricted Days Cash on Hand		210.28	148.26	330.41	28.55
Unrestricted Investment Balances		-	-	-	-

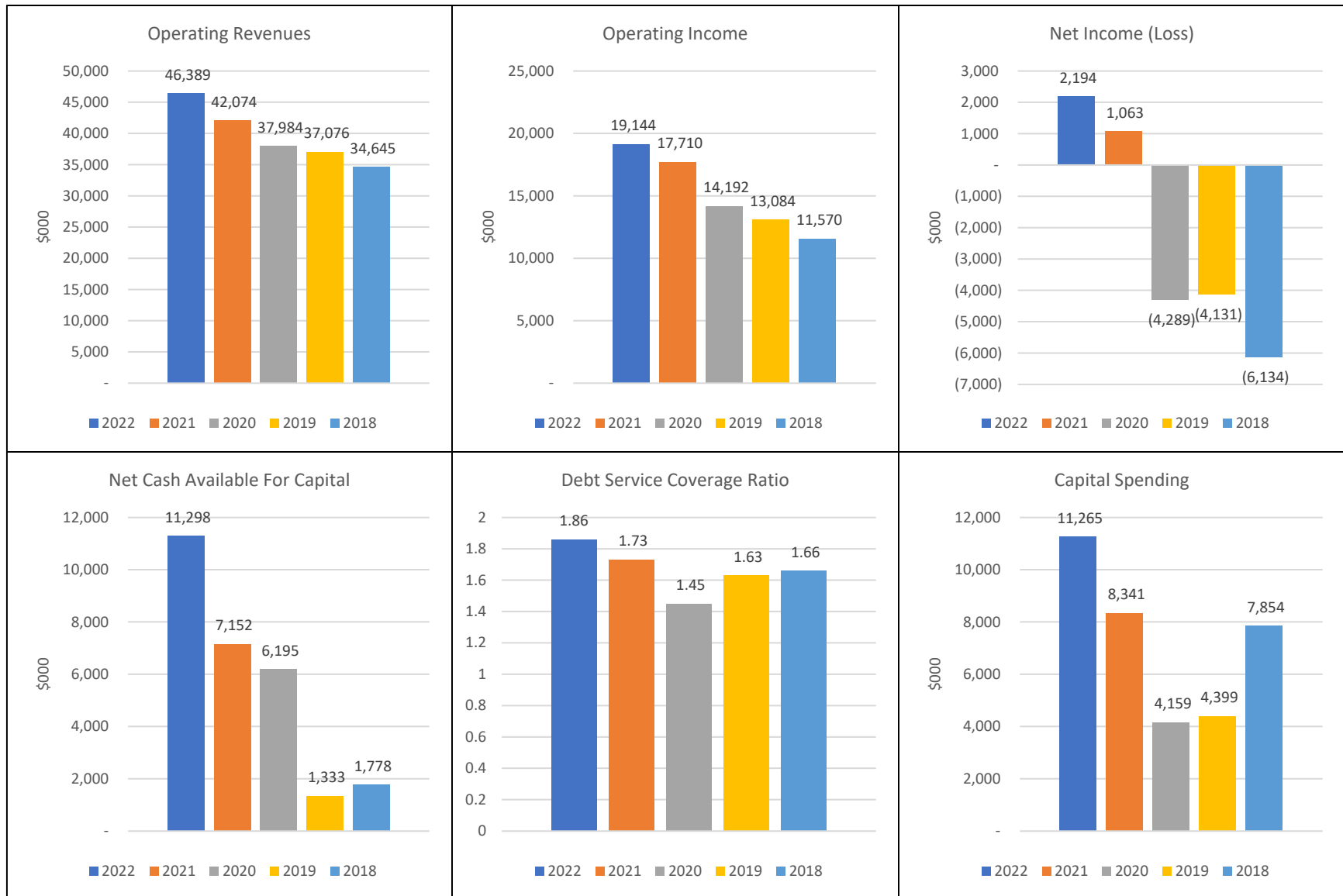
Dashboard – Suburban Water



Dashboard – Suburban Wastewater



Dashboard – City Division



Next Steps:

Budget Approval – 10/25/2021

Budget Approval Deadline – 11/1/2021

Rate Adoption – 11/8/2021

Tapping Fees – 12/13/2021

Discussion
&
Questions

