

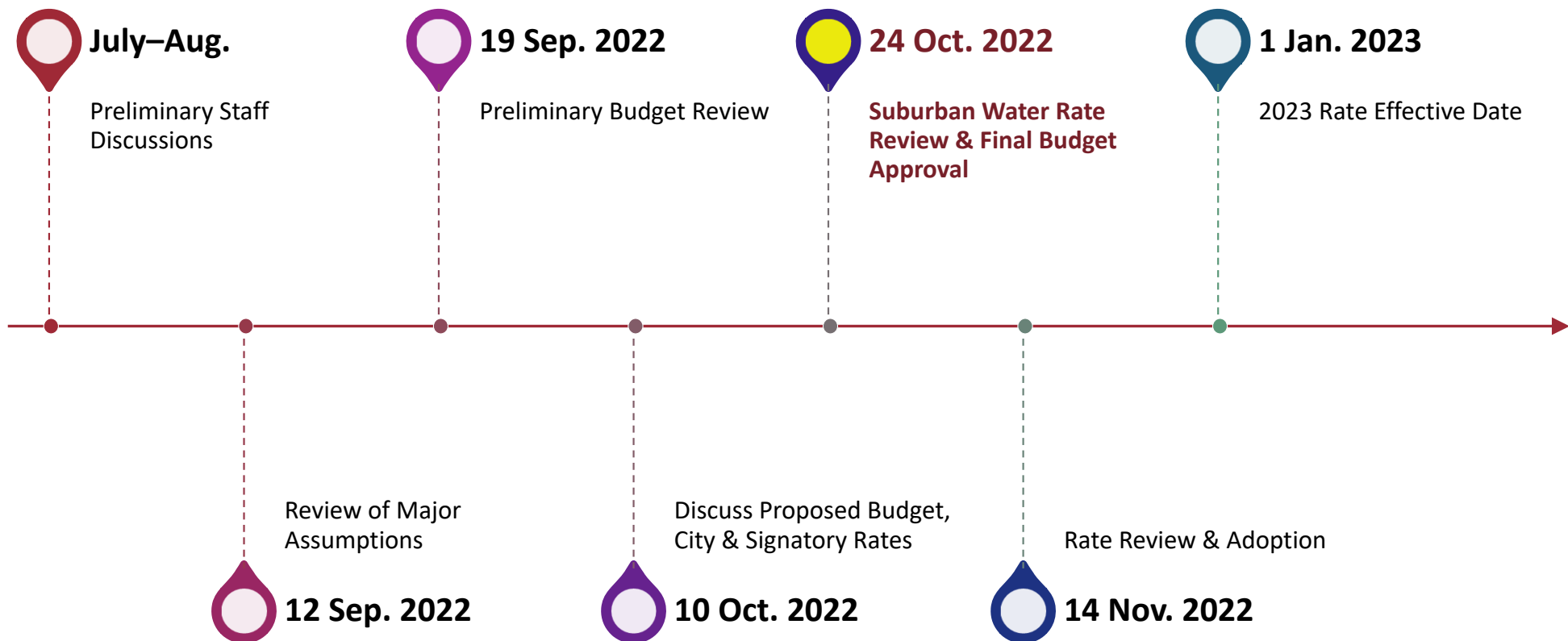


2023 Budget: Final Review & Approval

LCA Board of Directors
October 24, 2022



Budget Timeline



Changes from Preliminary Budget

- Executive Summary Added
- Pretreatment Plant O&M Contract (Jacobs):

Original 2023 Budget Draft (10/10/2022):	\$6,143,900
<u>Revised 2023 Budget Proposal:</u>	<u>\$6,400,000</u>
Budget Revision Impact:	\$ 256,100

- Preliminary Budget used inflationary factors
- Final budget includes expenses that are increasing above inflation rate:
 - Treatment chemicals & biosolids disposal

Proposed 2023 Budget *Highlights*

2023 Budget Support for Strategic Initiatives: *Summary*

Strategy Area	2023 Budget for NEW Needs Identified*
Asset Management	\$365,000
Process Improvement	\$1,476,000
Water & Sewer Capacity	\$1,400,000
Operational Excellence	\$220,000
TOTAL	\$3,461,000

** Staff additions included as estimated payroll cost only.*

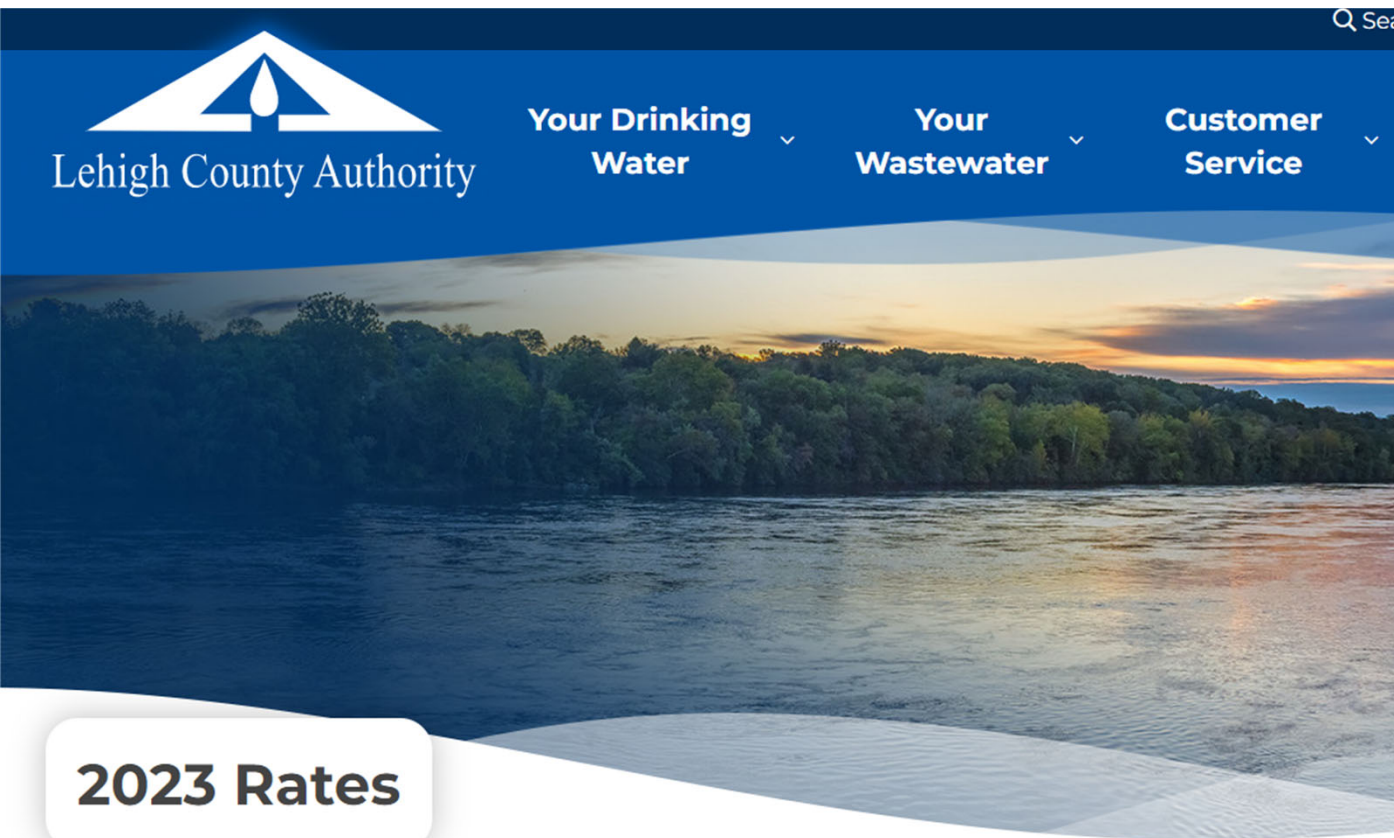
2023 Staffing Changes

2022 (current) employees	161
Vacant / open positions	10
New positions for 2023	3
2023 (budgeted) employees	174



2023 Staff Additions:

- +1 - Director of Engineering & Asset Management
- +1 - Plant Operations Compliance Technician
- +1 - Training Coordinator (Human Resources)
- +0 - Temporary staffing to support Munis project
- +0 - Temporary staffing for specific succession-planning needs



Customer Rates for 2023

New rates will go into effect on January 1, 2023.

City Division:

9.8% (Average residential customer impact: \$19.55 per quarter, water & sewer)

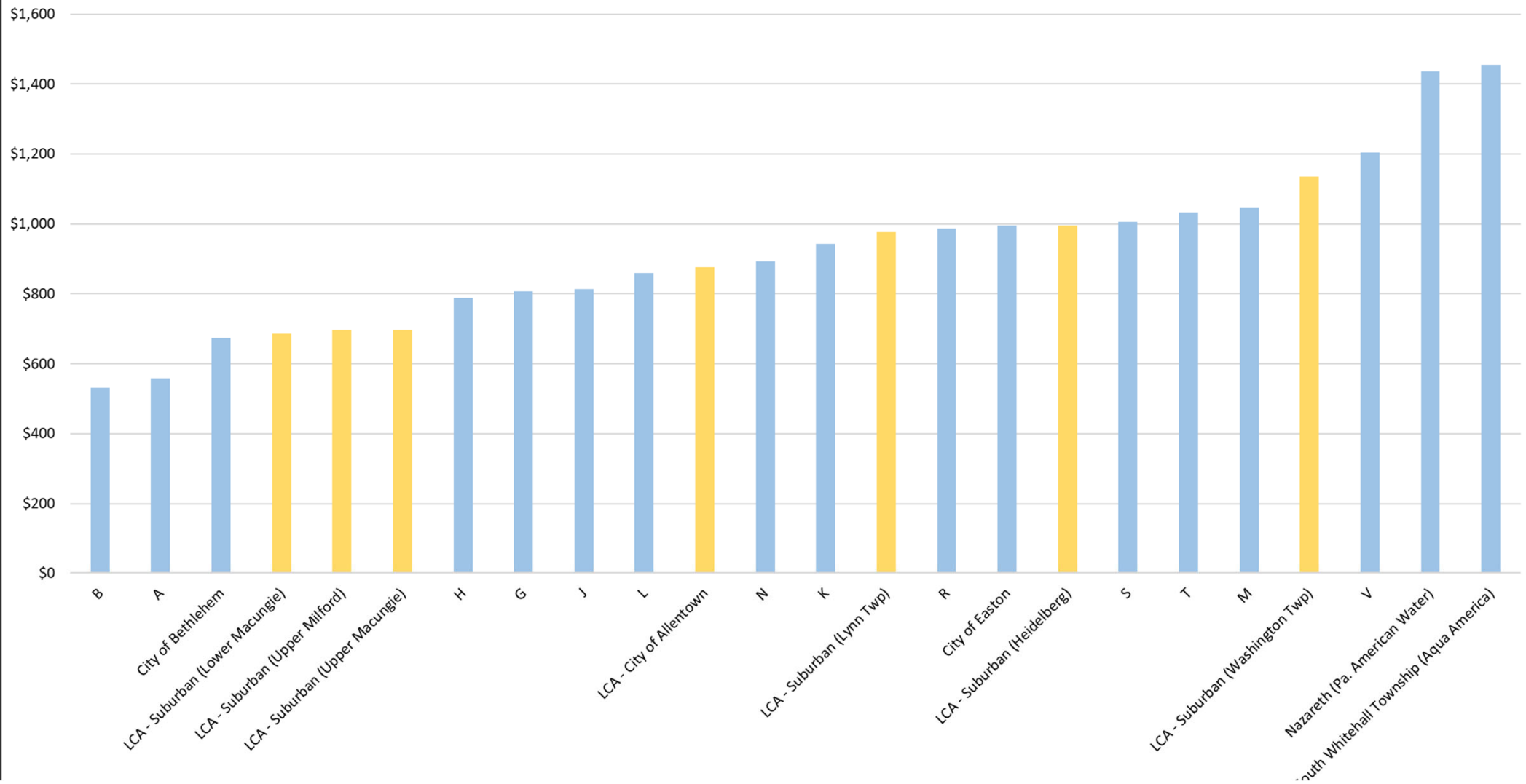
Suburban Water:

5.5% (Average residential customer impact: \$4.80 per quarter, water only)

Suburban Wastewater:

16% (Average residential customer impact: varies by municipality)

Lehigh Valley Water & Sewer Rate Comparison (Data from 2022, LCA 2023 Proposed Rates) 24 communities in Lehigh Valley - average annual residential water & sewer bill (5000 gallons per month)



Proposed 2023 Budget *Summary*

Budget Overview	Suburban Water	Suburban Wastewater	City Division	Total
Operating, Non-Operating & Other Revenue	\$ 17,064,782	\$ 22,785,541	\$ 54,975,421	\$ 94,825,744
Operating Expenses (net of depreciation)	\$ 10,700,662	\$ 14,235,107	\$ 23,182,225	\$ 48,117,994
Net Revenues Available for Debt Service	\$ 6,364,120	\$ 8,550,434	\$ 31,793,196	\$ 46,707,750
Debt Service	\$ 3,474,867	\$ 729,123	\$ 15,130,921	\$ 19,334,911
Debt Service Coverage Ratio (indenture based)	1.83	11.73	2.10	2.42

Capital Budget Overview	Suburban Water	Suburban Wastewater	City Division	Total
Capital Expenses	\$ 6,751,000	\$ 7,033,500	\$ 15,191,000	\$ 28,975,500
Funding from 2023 Revenue & Operating Reserves	\$ 2,800,677	\$ 7,033,500	\$ 13,991,000	\$ 23,825,177
Funding from Existing Project Reserves	-	-	-	-
Funding from New Borrowing	\$ 3,950,323	-	\$ 1,200,000	\$ 5,150,323
Year-End Project Reserve Balance	\$ 319,718	\$ 5,955,385	\$ 3,022,601	\$ 9,297,704

Total Cash Flow	Suburban Water	Suburban Wastewater	City Division	Total
Beginning Operations Cash Balance (2022 forecast)	\$ 7,029,282	\$ 4,201,848	\$ 15,593,342	\$ 26,824,472
2023 Surplus	\$ 2,847,330	\$ 7,796,112	\$ 16,662,275	\$ 27,305,717
Provided From (To) Capital	\$(2,800,677)	\$(7,033,500)	\$(13,991,000)	\$(23,825,177)
Ending Operations Cash Balance	\$ 7,075,935	\$ 4,964,460	\$ 18,264,617	\$ 30,305,012
Operating Days Cash on Hand	241	127	208	221
Project Reserve Balance	\$ 319,718	\$ 5,955,385	\$ 3,022,601	\$ 9,297,704
Other Reserves & Investments (includes restricted)	\$ 4,919,064	\$ 7,315,908	\$60,788,279	\$ 73,023,251
Ending Total Fund Balance - 2023 Budget	\$12,314,717	\$18,235,753	\$82,075,497	\$112,625,967

Looking Ahead

Work Remaining

- Board approval – today? (*required by November 1*)

Upcoming Board Meetings

- 2023 rate adoption – 11/14/2022



Discussion /
Questions?

Thank you!

