

# 2024 Budget: Preliminary Review & Assumptions

---

LCA Board of Directors  
September 11, 2023



# Today's Review & Next Steps

## Budget Assumptions

- Support for strategic initiatives
- Staffing changes
- Other assumptions

## Review of Key Factors by Fund

- Internal Service, Suburban Divisions, City Division
- Summary of expected 2024 Budget results

## Coming Up...

- Preliminary budget review – 9/18/2023
- Refined review & rate overview – 10/9/2023
- 2024 Budget approval – 10/23/2023 (required to be complete by Nov. 1)
- 2024 rate adoption – 11/13/2023

# 2023 Strategic Initiatives – Recap

*How are we doing?*

Last year, staff requested budget resources for 2023:

## 2023 Staff Additions:

- +1 - Director of Engineering & Asset Management
- +1 - Plant Operations Compliance Technician
- +1 - Training Coordinator (Human Resources)

## Other Support Requested:

- Consultant support for Strategic Asset Management Plan (SAMP)
- Consultant support for Munis re-implementation project
- Consultant support for KISS Act 537 Plan work

# **2023 Strategic Initiatives – Recap**

*How are we doing?*

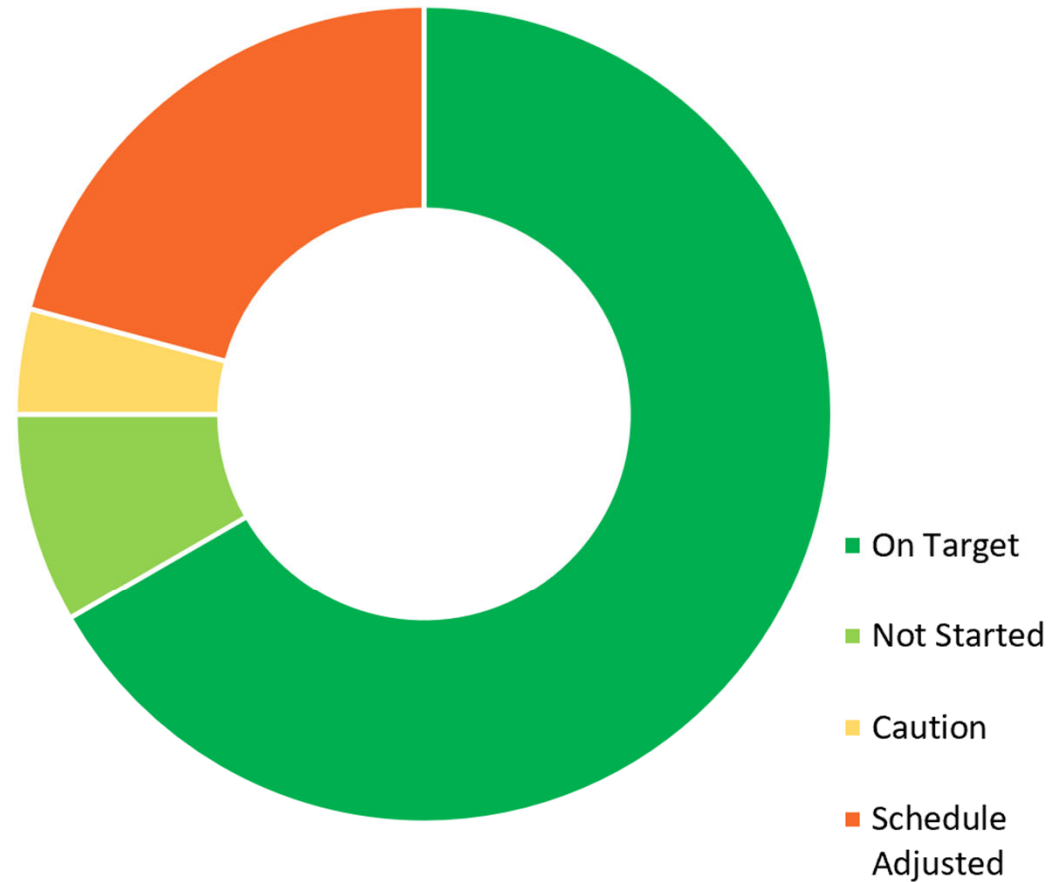


- 1. Kline’s Island Sewer System (KISS) Act 537 Plan on track**
- 2. Strategic Asset Management Plan (SAMP) on schedule**
- 3. Improved small system compliance (but more work needed)**
- 4. Three new grants awarded & three more in queue**
- 5. Raised profile of safety / incident reporting**
- 6. Major boost in employee engagement**

# 2023 Strategic Initiatives – Recap

*How are we doing?*

	2023 Milestones
1. Asset Management	4
2. Process Improvement	4
3. Water & Wastewater Capacity	4
4. Employee Engagement & Safety	8
5. Operational Excellence	4
<b>TOTAL</b>	<b>24</b>



# Barrier: Why some schedules are moving

## 1. Staffing / turnover impacts

- All departments impacted
- 30 employees with <1 year at LCA (18% turnover in 1 year)
- Training, training, training!

## 2. Consultant support

- Same staff turnover challenges!

## 3. Shifting & new priorities

- Lead, PFAS & other regulatory changes
- Pursuit of new grant opportunities
- North Whitehall sewer service

## 4. Pursuit of BIG projects in parallel!

- KISS Act 537 decision-making & analysis
- Asset management program design
- Munis ERP project planning

# 2024 Strategic Initiatives

Category	Top Priorities for 2024
Water & Sewer Capacity	KISS Act 537 Plan written by 9/30/2024
Process Improvement	Munis re-implementation ready for “go live” 1/1/2025
Operational Excellence	Lead compliance program & lead service line replacement program (year 1 project, year 2 grant application)
Safety	Implement improvements in safety metrics, training & communication
Asset Management (AM)	Implement key elements of SAMP roadmap & completion of high-priority system-specific AM plans
Employee Engagement	Staff development planning

# 2024 Budget Support for Strategic Initiatives:

## *Items included in Capital Budget*

Category	Activities included in 2024 Capital Budget
Water & Sewer Capacity	<ol style="list-style-type: none"> <li>1. KISS Act 537 Plan engineering &amp; other consultant services</li> <li>2. Design phase: Kline’s Island WWTP wet-weather capacity enhancement projects</li> <li>3. Engineering services: Water supply capacity enhancements (CLD &amp; NWD)</li> <li>4. North Whitehall Township Act 537 Plan (50% partnership with Township)</li> </ol>
Process Improvement	<ol style="list-style-type: none"> <li>5. Munis re-implementation project</li> </ol>
Operational Excellence	<ol style="list-style-type: none"> <li>6. Lead service line replacement program, year 1</li> <li>7. Compliance upgrades at Sand Spring WWTP</li> <li>8. Engineering services: Back-up power plan for three large facilities</li> <li>9. PFAS treatment evaluation &amp; design for Allentown &amp; Suburban water facilities</li> </ol>
Asset Management (AM)	<ol style="list-style-type: none"> <li>10. Kline’s Island WWTP master plan (using new AM methodology)</li> <li>11. Identify &amp; complete high-priority AM plans for Suburban Division systems</li> <li>12. Upgrades to Computerized Maintenance Management System (CMMS)</li> </ol>



## 2024 Budget Support for Strategic Initiatives: *Items included in Operational Budget*

Category	Description	2024 Operational Budget Impact
Water & Sewer Capacity	Additional staff support for Planning activities & KISS Act 537 Plan implementation	+1 Staff Addition – Planning Engineer <ul style="list-style-type: none"> <li>Reporting to: Phil DePoe</li> </ul>
Operational Excellence	Additional staff support for ongoing lead compliance program	+1 Staff Addition – Lead Program Manager <ul style="list-style-type: none"> <li>Reporting to: Andrew Moore</li> </ul>
Operational Excellence	Comprehensive review & update to LCA Emergency Response Plan	\$125,000 Consultant Services
Safety	External assessment & support in key areas of concern (Confined Space, Arc Flash, others)	\$150,000 Consultant Services
Asset Management (AM)	Additional staff support for increased preventive maintenance activities	+2 Staff Additions – Maintenance Technicians (Suburban Division) <ul style="list-style-type: none"> <li>Reporting to: Field Svc &amp; Plant Ops</li> </ul>
Employee Engagement	Support for staff development: enhanced career planning and training opportunities	\$150,000 increase in Education & Training
Employee Engagement	Workforce development strategies	+6 Interns (various departments)

# 2024 Staffing Changes

<b>2023 (current) employees</b>	<b>167</b>
Vacant / open positions	7
New positions for 2024	7
<b>2024 (budgeted) employees</b>	<b>181</b>



## 2024 staff additions driven by strategic plan:

- +1 – Planning Engineer
- +1 – Lead Program Manager
- +2 – Maintenance Technicians

## Other 2024 staff additions:

- +1 – Solicitor (tentative)
- +1 – Inspector
- +1 – Customer Service Representative

### **NEW IN 2024!**

Internship program budgeted, including 6 interns in 2024 budget

- Supports long-term recruiting and workforce development needs
- Details to be developed this fall

## 2024 Personnel Budget

*(wages & benefits)*

- Fill all 7 vacant positions
- Staff additions (7) plus internship program
- Wage increases (by union contracts)
- Health insurance cost increase (estimated at 5%)

2023 Forecast	\$18,960,964
2024 Preliminary Budget	\$21,647,195
% Change	14.17%

## Other 2024 Budget Assumptions

- Inflationary impact on other expenses: 4.00%
- City Division lease rates: by agreement
- Suburban Division wastewater rates: by agreement
- Suburban Division water system revenue growth: 5%

## Key Factors: Internal Service

- Continued efforts to departmentalize the budget
  - Will be completed with ERP / Munis re-implementation project
- Non-personnel internal costs up \$833,000 (approx. 25%) from 2023
  - 4.0% inflation impact
  - Consulting and training expenses increased to support strategic initiatives

		Full Year			
		Budget	Forecast	Budget	Actual
		2024	2023	2023	2022
Purchase of Services					
General & Administrative:					
	Temporary Contract Service	36,262	34,535	35,000	21,901
	Compliance	16,092	15,325	15,600	2,330
	Office Related	359,598	352,447	326,590	325,447
	Computer Software / Hardware	557,229	553,859	414,500	445,583
	Audit	60,643	57,994	62,400	50,470
	Bank and Credit Card Fees	340,553	324,336	314,300	325,805
	Dues and Subscriptions	51,131	48,696	49,200	44,641
	Travel and Entertainment	18,676	17,787	18,000	11,850
	Education & Training	446,475	243,855	234,709	135,750
	Insurance & Risk Management	1,262,303	1,126,645	1,119,450	869,922
	Human Resources and Related	349,646	175,853	186,400	146,589
	Professional Consulting & Legal	482,724	268,109	474,875	141,804
	Public Relations	113,523	47,999	128,589	46,115
	Contributions & Sponsorships	3,277	3,122	3,600	271
	Employee Engagement	40,000	35,000	15,600	14,282
	Allocation to Systems	-	-	-	(201,132)
	<b>Total General &amp; Administrative:</b>	<b>4,138,132</b>	<b>3,305,561</b>	<b>3,398,813</b>	<b>2,381,627</b>




# Key Factors: Suburban Water

- Operating Expense increase of 15.9% from 2023 forecast
    - Proportionate share of personnel and internal service cost increases
    - Inflation impact
    - Additional cost of water purchases - \$818k
  - Capital budget: \$7.1M will draw \$5.2M from new borrowing completed in 2022
  - Additional revenue required = 5.0%
    - 1% volume growth estimated
    - 4.0% rate impact estimated
    - In line with 2024-2028 Capital Plan forecast
-



## Key Factors: Suburban Wastewater

- Operating Expense increase of 5.0% from 2023 forecast
    - Proportionate share of personnel and internal service cost increases
    - Inflation impact
  - Capital budget: \$11.2M captured with \$6.4M of borrowing planned
  - Additional revenue required = 11.5%
  - Signatory rate impact will vary by group due to pay-go capex impacts
    - Signatory User Charge Report to be issued in early October
-



## Key Factors: City Division

- Operating Expense increase of 6.9% from 2022 forecast
    - Proportionate share of personnel and internal service cost increases
    - Inflation impact
  - Capital budget: \$32.6M captured with \$8.6m of new borrowing planned
  - City Lease rates increase by formula
    - $\text{CPI (2.2\%)} + 2.5\% = 4.7\%$
    - Final step in Lease amendment rate implementation, total rate impact of 10.9%
-



# Preliminary Summary of 2024 Budget Results

	<b>Budget</b>	<b>Forecast</b>	<b>Budget</b>	<b>Actual</b>
	<u>2024</u>	<u>2023</u>	<u>2023</u>	<u>2022</u>
<b>NET INCOME</b>				
Suburban Water	1,478,895	2,590,828	2,169,036	4,140,698
Suburban Wastewater	822,618	(195,603)	2,150,192	(455,127)
City Division	<u>12,121,753</u>	<u>4,190,681</u>	<u>4,780,898</u>	<u>6,545,431</u>
Total LCA	<u>14,423,266</u>	<u>6,585,905</u>	<u>9,100,126</u>	<u>10,231,002</u>
<b>CASH FLOWS</b>				
Suburban Water	865,821	3,920,745	46,653	543,740
Suburban Wastewater	1,806,547	2,447,375	762,612	1,362,181
City Division	<u>273,632</u>	<u>3,201,297</u>	<u>2,671,275</u>	<u>2,809,215</u>
Total LCA	<u>2,946,000</u>	<u>9,569,418</u>	<u>3,480,540</u>	<u>4,715,137</u>
<b>DEBT SERVICE COVERAGE RATIO</b>				
Suburban Water	1.80	2.13	1.82	2.69
Suburban Wastewater	7.05	9.45	11.69	9.69
City Division	2.50	2.18	1.84	2.22
<b>CAPITAL SPENDING</b>				
Suburban Water	7,065,750	6,717,184	6,751,000	8,001,758
Suburban Wastewater	11,691,250	5,518,355	7,033,500	3,673,467
City Division	<u>32,608,500</u>	<u>15,185,750</u>	<u>15,191,000</u>	<u>12,705,520</u>
Total LCA	<u>51,365,500</u>	<u>27,421,289</u>	<u>28,975,500</u>	<u>24,380,744</u>

# Looking Ahead

## Work Remaining

- Finalize preliminary budget requests
- Suburban Wastewater signatory user charge report

## Upcoming Board Meetings

- Preliminary budget review – 9/18/2023
- Refined review & rate overview – 10/9/2023
- 2023 Budget approval – 10/23/2023
- 2023 rate adoption – 11/13/2023



Discussion /  
Questions?

---

Thank you!

