

2025 Budget: Preview & Assumptions

LCA Board of Directors
September 9, 2024



Today's Review & Next Steps

Budget Assumptions

- Support for strategic initiatives
- Staffing changes
- Other assumptions

Review of Key Factors by Fund

- Internal Service, Suburban & City Divisions
- Summary of 2025 expected Budget results

Coming up

- Preliminary Budget review – 09/23/2024
- Refined review & rate overview – 10/14/2024
- 2025 Budget approval – 10/28/2024 (required by 11/01/2024)
- 2025 Rate adoption – 11/11/2024

2025 Strategic Initiatives

Strategies Requiring Staff Support in 2025:

- Regional Sewer Program: Submit Act 537 Plan & develop supporting programs
- Lead Program: Complete Cycles 1 & 2 replacements, apply for grant funding for Cycle 3
- Asset Management: Complete asset management plans for 50% of all systems & complete technology integrations
- Other Ideas & Priorities: Several other big ideas we need to pursue

Strategies Requiring Other Support in 2025:

- Business Systems (Tyler EERP): Complete implementation & systems integration
- Employee Engagement & Safety: Update safety data management system & enhance tracking and training
- Staffing Plan & Building Optimization: Assess future staffing needs and plan work locations to support growing team

Since 2013...

Allentown water & sewer lease transformed how LCA operates

Focus on adding support for core services we provide

26.5 new positions added in 11 years:

- Operations and Maintenance – 8
- Customer Service and Billing – 4.5
- Administrative Support, HR, and Finance – 5
- Asset Management & Capital Works – 4
- Compliance – 2
- Planning – 1
- Inspection – 1
- Technology – 1



Adding more to our plate ... 2021 forward

- Regional sewer planning
- Lead program
- Need for improved systems & data-driven decision making
- Changing regulations
- Expanding project workload

Regional Sewer Program

Concepts under development:

- Regional high-strength surcharge program
- Regional inflow & infiltration (I&I) program
- Sewage billing meter program

2025 staffing requirements:

- Inspectors / technicians (+2)
- I&I program manager (+1)

Future staffing requirements:

- Laboratory technician(s)
- I&I data management / flow data management

Unknowns:

- Municipal agreement on surcharge program
- Municipal participation in regional I&I program
- Timeline of approvals

Approach:

- Hold on surcharge program staff additions until outcome is more defined
- I&I program manager needed now regardless of regional approach

View customer resources about lead online:

<https://www.lehighcountyauthority.org/drinking-water/lead-in-drinking-water/>

Lead Program

Concepts under development:

- Fast-track customer canvassing for identification of private side plumbing materials
- Maximize receipt of grants

2025 staffing requirements:

- Community canvassers (+2)
- Call-center support (+0.5)
- Fill all 2024-approved positions

Future staffing requirements:

- Field coordination / data management

Unknowns:

- Timeline for completion of private-side inventory via canvassing
- Success of canvassing effort using internal vs. external resources

Approach:

- Budget for 2 community canvassers
- Explore options with external partners prior to filling

Asset Management

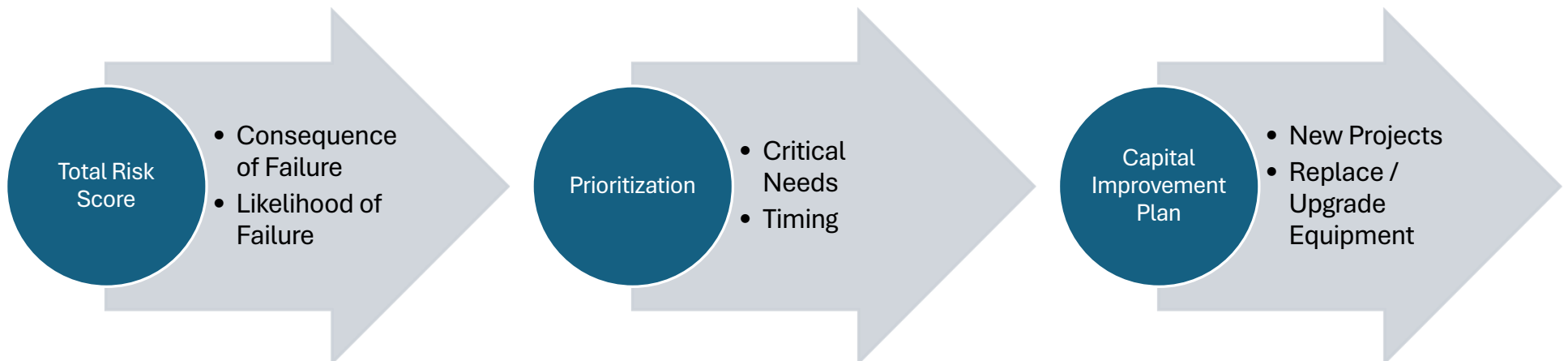
Concepts under development:

- Build on 2024 success developing asset management plans system-by-system
- Build internal capacity to complete the process

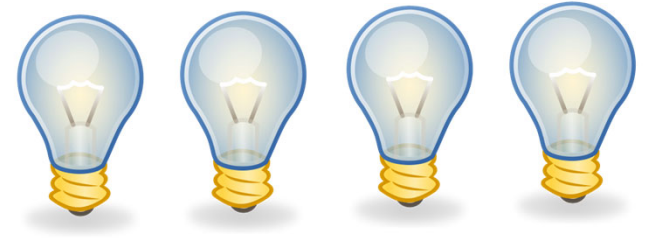
2025 staffing requirements:

- Asset management technician (+1)

Future staffing requirements: TBD



Other Ideas & Priorities



Concepts under development:

- NEW requirements for PA One Call (1/1/2025)
- Sewer operations support to municipalities
- Prep to transition to monthly billing (1/1/2026)
- Developing strategic partnerships and programs to support grants, rate design, affordability

2025 staffing requirements:

- PA One Call technician (+1)
- Plant operations & maint. technician (+1)
- Fill all 2024-approved positions

Future staffing requirements:

- Meter reading & billing support

Unknowns:

- Municipalities' needs for sewer operations support
- City of Allentown acceptance of alternative rate design, monthly billing, affordability program structure

Approach:

- PA One Call technician is required by law
- Plant O&M technician position can be filled if/when a municipal services contract requires it (and pays for it)
- Start the conversation w/ City


Summary of New Positions for 2025

Regional I&I Program Manager	1
Regional Surcharge Program: Inspector/Technician	2
Lead Program: Community Canvassers	2
Lead Program: Call Center Support	0.5
Asset Management Engineering Tech	1
Suburban Plants Operation & Maintenance Tech	1
Field Services PA One Call Tech	1
Total New Positions	8.5

Total LCA Staffing Summary

2024 (current) employees	170.5
Vacant / open budgeted positions	14
New positions for 2025	8.5
2025 (budgeted) employees	193

2025 Budget: Personnel Costs



Budgeted for 2025	\$22,084,996
2024 Forecast	\$20,430,208
Cost Increase	\$1,654,788
Increase Pct.	8.1%

Other 2025 Budget Support for Strategic Initiatives

Category	Description	Budget Impact
Regional Sewer Program	Financial Modeling Support	\$80,000 Consultant Services
Business Systems	Tyler EERP Support	\$293,000 Consultant Services
Lead Program	Support for Replacement	\$413,000 Equipment requirements
Employee Engagement	Safety Program Enhancements	\$232,000 equipment & training
Rate Affordability	Rate Analysis & Design	\$125,000 Consultant Services
Building Plan	Building Optimization	\$150,000 Consultant Services
Other initiatives	Emergency Response Plan, Digital Master Plan, & other studies	\$395,000 Consulting & other purchases

Other 2025 Budget Assumptions

Inflationary impact on other expenses: 2.5%

City Division lease rates: by agreement

Suburban Wastewater rates: by agreement

Suburban Water system revenue growth: 7.65%

Key Factors: Internal Service

Internal Service Budget

Per 2024 FC	3,305,561
Inflation effects	82,639
Increase in insurance premiums	168,000
Increase in HR Consulting	175,000
Increase in Consulting (strategic initiatives)	808,000
Other, net	101,932
Per 2025 Budget	4,641,132

Key Factors: Suburban Water

Operating Expenses

- Increase 3.5% to 2024 forecast
- Inflation impact
- Impact from strategic initiatives of \$302K
- Proportional share of personnel and internal services cost increases

Capital Budget

- \$4.6M per capital plan
- Funded by current rates and reserves
- No borrowing required
- No new debt service

Revenue

- Revenue increase of 7.65% to attain balanced budget
- 1.0% volume growth budgeted
- 6.65% estimated rate impact

Metrics

- Targeting net \$0 in cash flow
- All other key metrics better than internal targets

Key Factors: Suburban Wastewater

Operating Expenses

- Increase 7.66% to 2024 forecast
- Inflation impact
- Impact from strategic initiatives of \$790K
- Proportional share of personnel and internal services cost increases

Capital Budget

- \$18.2M per capital plan
- Requires \$10.6M of new borrowing
- Funding from current rates and cash reserves of \$7.6M
- New debt service of \$700k

Revenue

- Signatory rates under review
- No volume increases in the budget
- Signatory rates will be impacted by capital expenses and City Division pass-through

Metrics

- Targeting net \$0 in cash flow
- All other key metrics better than internal targets

Key Factors: City Division

Operating Expenses

- Increase 5.87% to 2024 forecast
- Inflation impact
- Impact from strategic initiatives of \$1.2M
- Proportional share of personnel and internal services cost increases

Capital Budget

- \$56.3M per capital plan
- 2024 borrowing will fund \$17.0M
- \$15.0M of funding from grants
- \$24.3M funding from current rates and reserves

Revenue

- Lease rates increase 6.3% by agreement
- Additional capital charges are TBD
- Signatory revenues impacted by capital expenses

Metrics

- Cash flow will be negative due to using up funds from previous borrowings
- All other key metrics better than internal targets

Preliminary Summary of 2025 Budget Results

	Budget 2025	Forecast 2024	Budget 2024	Actual 2023
NET INCOME				
Suburban Water	3,134,821	2,348,377	2,019,922	8,266,955
Suburban Wastewater	2,150,928	(1,461,583)	(1,632,719)	(334,302)
City Division	25,120,564	12,050,508	14,844,627	7,787,339
Total LCA	<u>30,406,313</u>	<u>12,937,302</u>	<u>15,231,830</u>	<u>15,719,992</u>
CASH FLOWS				
Suburban Water	-	1,778,377	1,446,849	3,349,056
Suburban Wastewater	-	349,361	347,045	2,903,816
City Division	(19,553,390)	45,821,438	2,940,507	13,782,981
Total LCA	<u>(19,553,390)</u>	<u>47,949,176</u>	<u>4,734,401</u>	<u>20,035,853</u>
DEBT SERVICE COVERAGE RATIO				
Suburban Water	2.32	2.10	1.96	3.97
Suburban Wastewater	5.03	4.80	4.67	9.02
City Division	3.07	2.20	2.13	2.38
CAPITAL SPENDING				
Suburban Water	4,599,500	7,065,750	7,065,750	6,085,513
Suburban Wastewater	18,238,000	11,516,250	11,516,250	4,689,641
City Division	56,280,000	32,628,500	32,628,500	12,101,555
Total LCA	<u>79,117,500</u>	<u>51,210,500</u>	<u>51,210,500</u>	<u>22,876,709</u>

Looking Ahead

Work Remaining

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

Upcoming Board Meetings

- Preliminary Budget Review – 09/23/2024
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Discussion / Questions?

Thank you!

