

SUBURBAN WASTEWATER DIVISION

FINANCING CAPITAL NEEDS & REFINANCING EXISTING DEBT

OCTOBER 28, 2024



GOALS OF THE PLAN OF FINANCE

- ▶ Provide \$11mm for capital projects in Western Lehigh Interceptor (WLI) and Pretreatment Plant (PTP).
- ▶ Refinance an existing bond for projected debt service savings and reduced administrative activity.
- ▶ Provide flexibility to finance future larger capital projects.
- ▶ Obtain financial parity with existing PennVest debt.

HOW GOALS WILL BE REALIZED

- **Provide \$11 mm for Capital Projects**
 - Provides for capital needs of FY '24 thru & '26
 - WLI capital projects - \$5mm
 - PTP critical upgrades - \$6mm.
 - Seven year Fixed rate of 4.29%; variable thereafter with cap of 6.00%. 20 Yr term.
 - Draw down loan – potentially reducing interest costs.
 - Prepayable at any time.
 - All debt to be on parity in suburban wastewater.
- **Refinance Sewer Revenue Bond, 2011 Series A**
 - \$1.023mm Outstanding at capped rate of 5.50%.
 - Proposed 4.29% rate produces potential interest savings.
 - Proposed term matches existing 7 yr term.
- **Future Capital Project Flexibility & PennVest Parity**
 - Bank loan with flexible terms in prepayment, draw down and additional borrowing if necessary.
 - PennVest approval of parity security position so LCA keeps favorable low PennVest rates.

All Goals completed with a twenty-year term bank loan with S&T Bank.

BANK LOAN RFP RESULTS

20 Year Term

Fixed Rate Proposals

<u>Institution</u>	All-in <u>Rate*</u>	<u>Conditions</u>
Truist Bank	3.99	Ppbl any time w/standard break-funding terms; fully funded at closing & invested with Truist; Not commitment
Truist Bank	4.13	Ppbl after 10 years; ppbl any time w/standard break-funding terms; fully funded at closing & Invested with Truist; Not commitment
Huntington Public Capital Corporation	4.16	Ppbl at 102% until 12/1/30, then ppbl at par; fully funded at closing;subject to credit approval; acceptance by 10/24/24

Fixed/Variable Rate Proposals

<u>Institution</u>	Initial <u>Rate</u>	Initial <u>Years</u>	Variable <u>Rate</u>	Cap <u>Rate</u>	All-in Borrowing Rate Based <u>on Avg*</u>	All-in Borrowing Rate Based <u>on Cap*</u>	<u>Conditions</u>
S&T Bank	4.16	10	4.76 (1)	6.00	4.29	4.56	\$1mm depository relationship
S&T Bank	4.34	10	4.76 (1)	6.00	4.43	4.70	
S&T Bank	4.11	7	4.76 (1)	6.00	4.36	4.81	\$1mm depository relationship
S&T Bank	4.29	7	4.76 (1)	6.00	4.47	4.92	

(1) Based on twenty year average Prime Rate of 4.76% times 100% plus 0.00%.

* Inclusive of proposed attorney's and bank's fees.

30 Year Term

Fixed Rate Proposals

<u>Institution</u>	All-in <u>Rate*</u>	<u>Conditions</u>
Capital One Public Funding, LLC	4.87	Prepayable after 12/1/34, for discussion purposes only, not a commitment

Fixed/Variable Rate Proposals

<u>Institution</u>	Initial <u>Rate</u>	Initial <u>Years</u>	Variable <u>Rate</u>	Cap <u>Rate</u>	All-in Borrowing Rate Based <u>on Avg*</u>	All-in Borrowing Rate Based <u>on Cap*</u>	<u>Conditions</u>
S&T Bank	4.16	10	5.57 (2)	6.00	4.68	4.83	\$1mm depository relationship
S&T Bank	4.34	10	5.57 (2)	6.00	4.79	4.94	
S&T Bank	4.11	7	5.57 (2)	6.00	4.84	5.05	\$1mm depository relationship
S&T Bank	4.29	7	5.57 (2)	6.00	4.93	5.13	

(2) Based on thirty year average Prime Rate of 5.57% times 100% plus 0.00%.

* Inclusive of proposed attorney's and bank's fees.

SOURCES AND USES

	Signatory Revenues	PTP Project	Refinance of SRB, 2011 Series A	Total
Sources				
Note	4,957,000.00	6,462,000.00	1,031,000.00	12,450,000.00
Interest During Construction	<u>73,050.14</u>	<u>140,732.52</u>	<u>0.00</u>	<u>213,782.66</u>
Total	5,030,050.14	6,602,732.52	1,031,000.00	12,663,782.66
Uses				
Construction Costs	5,000,000.00	6,000,000.00		11,000,000.00
Costs of Issuance	28,810.00	38,190.00	4,000.00	71,000.00
Capitalized Interest	0.00	562,910.21		562,910.21
Note Payoff			1,026,054.55	1,026,054.55
Miscellaneous	<u>1,240.14</u>	<u>1,632.31</u>	<u>945.45</u>	<u>3,817.91</u>
Total	5,030,050.14	6,602,732.52	1,031,000.00	12,663,782.66

DEBT SERVICE AFTER REFINANCE & CAPITAL NEEDS

<u>Fiscal Year</u>	<u>Existing Debt Service</u>	<u>Proposed Debt Service</u>
2025	730,621.05	949,412.95
2026	727,986.98	940,643.48
2027	725,258.40	1,473,728.58
2028	722,431.94	1,728,354.08
2029	719,504.06	1,725,310.78
2030	716,471.15	1,722,152.08
2031	394,993.56	1,401,350.50
2032	214,549.80	1,221,089.80
2033	214,549.80	1,220,769.80
2034	102,814.74	1,109,034.74
2035	46,947.00	1,053,367.00
2036	11,736.66	1,018,436.66
2037	0.00	1,005,940.00
2038		1,006,080.00
2039		1,006,940.00
2040		1,006,340.00
2041		1,006,220.00
2042		1,006,400.00
2043		1,006,700.00
2044		1,005,940.00
Totals	5,327,865.15	23,614,210.45



DEBT SERVICE FOR PTP CONSTRUCTION

Lehigh County Authority
Sewer Revenue Note, Series of 2024
20 Year Level Debt Service
PTP Project Only

	1	2	3	4	5	6	7
						Less: Cap. Interest	Annual Debt Service
	<u>Date</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>		
	11/20/2024						
	6/1/2025		4.290	147,080.51	147,080.51	147,080.51	
	12/1/2025		4.290	138,609.90	138,609.90	138,609.90	0.00
	6/1/2026		4.290	138,609.90	138,609.90	138,609.90	
	12/1/2026		4.290	138,609.90	138,609.90	138,609.90	0.00
	6/1/2027		4.290	138,609.90	138,609.90		
	12/1/2027	146,000	4.290	138,609.90	284,609.90		423,219.80
	6/1/2028		4.290	135,478.20	135,478.20		
	12/1/2028	299,000	4.290	135,478.20	434,478.20		569,956.40
	6/1/2029		4.290	129,064.65	129,064.65		
	12/1/2029	311,000	4.290	129,064.65	440,064.65		569,129.30
	6/1/2030		4.290	122,393.70	122,393.70		
	12/1/2030	325,000	4.290	122,393.70	447,393.70		569,787.40
	6/1/2031		4.290	115,422.45	115,422.45		
	12/1/2031	339,000	4.290	115,422.45	454,422.45		569,844.90
	6/1/2032		6.000	151,260.00	151,260.00		
	12/1/2032	267,000	6.000	151,260.00	418,260.00		569,520.00
	6/1/2033		6.000	143,250.00	143,250.00		
	12/1/2033	283,000	6.000	143,250.00	426,250.00		569,500.00
	6/1/2034		6.000	134,760.00	134,760.00		
	12/1/2034	300,000	6.000	134,760.00	434,760.00		569,520.00
	6/1/2035		6.000	125,760.00	125,760.00		
	12/1/2035	318,000	6.000	125,760.00	443,760.00		569,520.00
	6/1/2036		6.000	116,220.00	116,220.00		
	12/1/2036	337,000	6.000	116,220.00	453,220.00		569,440.00
	6/1/2037		6.000	106,110.00	106,110.00		
	12/1/2037	357,000	6.000	106,110.00	463,110.00		569,220.00
	6/1/2038		6.000	95,400.00	95,400.00		
	12/1/2038	379,000	6.000	95,400.00	474,400.00		569,800.00
	6/1/2039		6.000	84,030.00	84,030.00		
	12/1/2039	402,000	6.000	84,030.00	486,030.00		570,060.00
	6/1/2040		6.000	71,970.00	71,970.00		
	12/1/2040	426,000	6.000	71,970.00	497,970.00		569,940.00
	6/1/2041		6.000	59,190.00	59,190.00		
	12/1/2041	451,000	6.000	59,190.00	510,190.00		569,380.00
	6/1/2042		6.000	45,660.00	45,660.00		
	12/1/2042	478,000	6.000	45,660.00	523,660.00		569,320.00
	6/1/2043		6.000	31,320.00	31,320.00		
	12/1/2043	507,000	6.000	31,320.00	538,320.00		569,640.00
	6/1/2044		6.000	16,110.00	16,110.00		
	12/1/2044	537,000	6.000	16,110.00	553,110.00		569,220.00
	Totals	6,462,000		4,206,928.01	10,668,928.01	562,910.21	10,106,017.80

FUTURE CASH FLOWS

LEHIGH COUNTY AUTHORITY SUB WW PROJECT FINANCING 2024

Description	Year ---->	Forecast										
		0 2024	1 2025	2 2026	3 2027	4 2028	5 2029	6 2030	7 2031	8 2032	9 2033	10 2034
Operating Revenues		19,201,227	20,019,757	21,601,604	23,659,084	25,346,414	25,180,401	26,777,196	27,338,587	27,643,286	28,330,112	29,130,732
Operating Expenses		(15,143,762)	(16,433,202)	(16,859,702)	(17,297,334)	(17,746,392)	(18,207,176)	(18,679,992)	(19,165,158)	(19,662,997)	(20,173,845)	(20,698,041)
Net Cash From Operating Activities		4,057,465	3,586,555	4,741,902	6,361,750	7,600,022	6,973,225	8,097,204	8,173,429	7,980,289	8,156,267	8,432,691
Non-Operating Income (Expenses)		1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216
Net Cash Available For Debt Service		5,748,681	5,277,771	6,433,118	8,052,966	9,291,238	8,664,441	9,788,420	9,864,645	9,671,505	9,847,483	10,123,907
Debt Service		(717,719)	(1,354,322)	(2,553,932)	(4,217,601)	(4,499,979)	(4,518,556)	(4,537,124)	(4,239,546)	(4,249,473)	(4,255,384)	(4,199,731)
Net Cash After Debt Service		5,030,962	3,923,449	3,879,186	3,835,365	4,791,259	4,145,885	5,251,296	5,625,100	5,422,032	5,592,098	5,924,177
Debt Service Coverage Ratio		8.01	3.90	2.52	1.91	2.06	1.92	2.16	2.33	2.28	2.31	2.41

Description	Year ---->	11 2035	12 2036	13 2037	14 2038	15 2039	16 2040	17 2041	18 2042	19 2043	20 2044
	Operating Revenues		30,708,031	29,602,013	33,070,976	32,686,018	36,811,579	36,297,552	37,569,236	38,207,684	38,863,184
Operating Expenses		(21,235,937)	(21,787,894)	(22,354,283)	(22,935,483)	(23,531,882)	(24,143,882)	(24,771,892)	(25,416,335)	(26,077,644)	(26,756,262)
Net Cash From Operating Activities		9,472,094	7,814,119	10,716,693	9,750,535	13,279,697	12,153,670	12,797,344	12,791,349	12,785,540	12,778,778
Non-Operating Income (Expenses)		1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216	1,691,216
Net Cash Available For Debt Service		11,163,310	9,505,335	12,407,909	11,441,751	14,970,913	13,844,886	14,488,560	14,482,565	14,476,756	14,469,994
Debt Service		(4,212,606)	(5,545,434)	(6,417,773)	(7,563,216)	(6,428,801)	(8,809,724)	(8,850,107)	(8,890,790)	(8,931,593)	(8,971,336)
Net Cash After Debt Service		6,950,704	3,959,901	5,990,136	3,878,536	8,542,112	5,035,162	5,638,453	5,591,775	5,545,163	5,498,658
Debt Service Coverage Ratio		2.65	1.71	1.93	1.51	2.33	1.57	1.64	1.63	1.62	1.61

COMPONENTS OF BORROWING RESOLUTION

The Resolution includes:

- ✓ Borrowing amount – \$12,450,000.
- ✓ Awarding financing to S&T Bank.
- ✓ Revenues of Suburban Sanitary System is pledged.
- ✓ Conditioned upon PennVest agreeing to parity lien position.
- ✓ Authorized signatory officers