



2026 Budget: Preview & Assumptions

LCA Board of Directors
September 8, 2025



Today's Review & Next Steps

Budget Assumptions

- Support for strategic initiatives
- Staffing changes
- Other assumptions

Review of Key Factors by Fund

- Suburban & City Divisions
- Summary of 2026 expected Budget results

Coming up

- Preliminary Budget review – 09/22/2025
- Refined review & rate overview – 10/13/2025
- 2025 Budget approval – 10/27/2025 (required by 11/01/2025)
- 2026 Rate adoption – 11/10/2025

Strategic Initiatives & Budget Drivers

2025 Priorities

- Regional Sewer Plan
- Tyler EERP (Munis) Implementation
- Lead Program
- Employee Engagement & Safety
- Asset Management

October 2025

July 2025

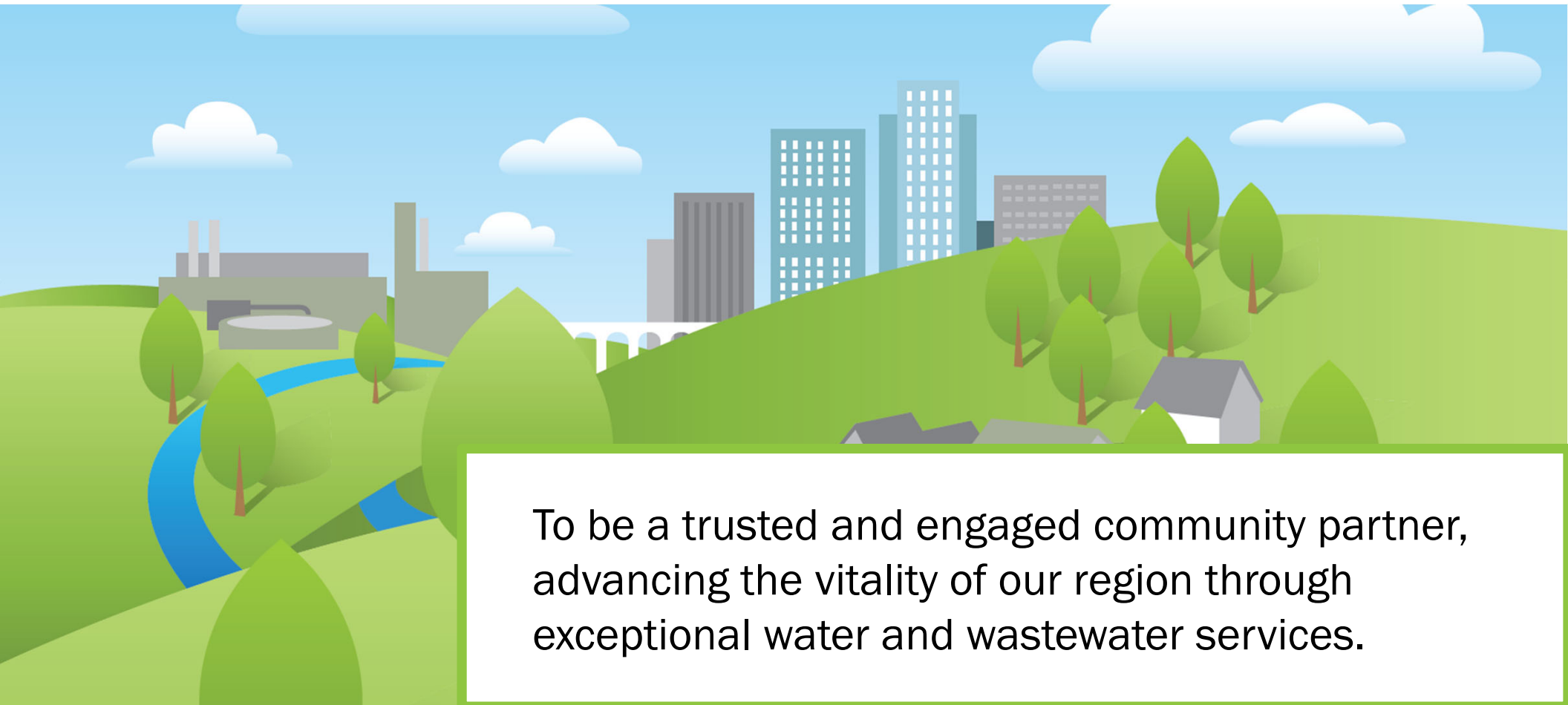
Ongoing

NEW Priorities for 2026

- Regional Leadership
- Technology & Data Management
- Facilities & Security
- Affordability

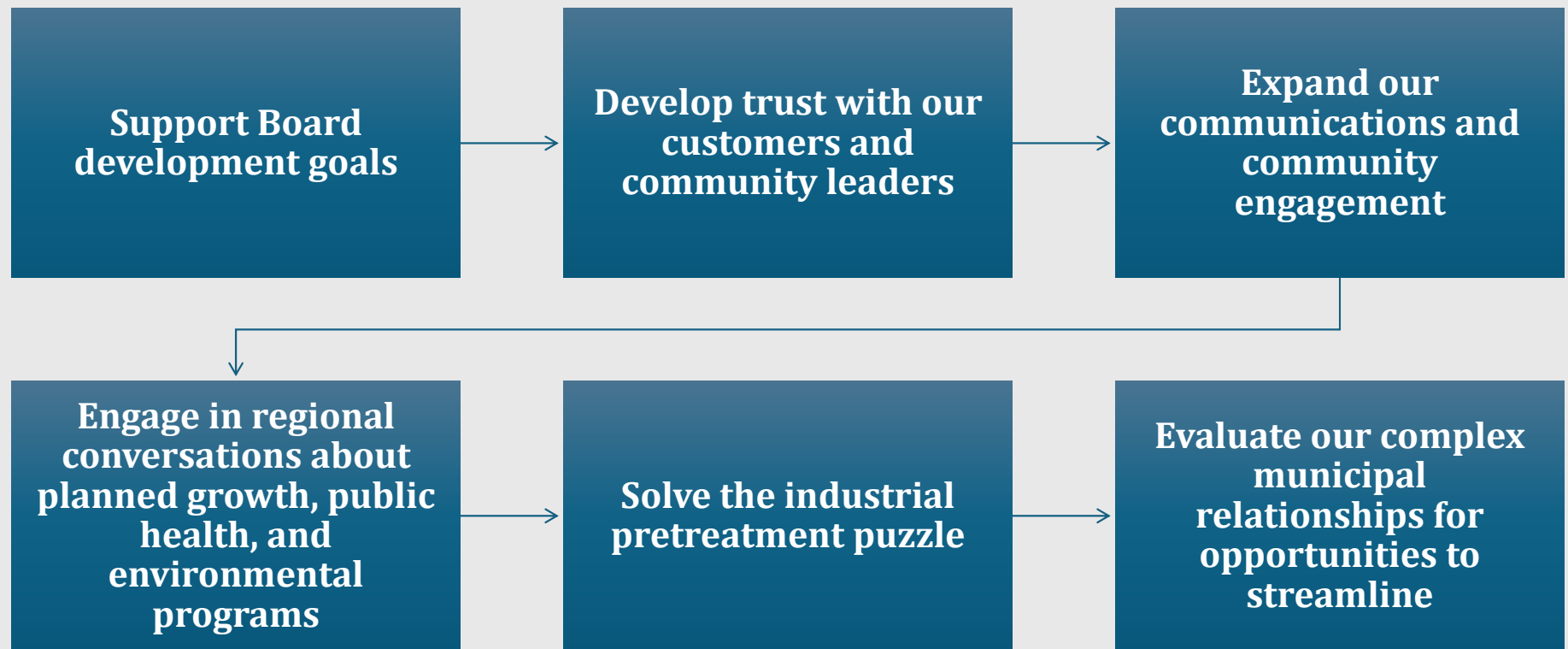
Vision

What does LCA aspire to become in the future?



To be a trusted and engaged community partner, advancing the vitality of our region through exceptional water and wastewater services.

Regional Leadership



2026 Budget Impact: \$350,000 in special studies, communications, financial analysis, legal fees

Technology and Data Master Plan

Overarching Themes in Staffing Assessment

1. Multiple non-integrated systems
2. Challenged with data accessibility and quality
3. Lack of software purchasing governance
4. Need for enhanced training and change management
5. Limited SOPs on how systems should be used

Data / IT Governance Plan

- Assessment of current and planned systems
- Data architecture mapping
- Governance framework for technology investments
- System integration and redundancy review
- Data quality, reliability, and accessibility assessment
- An established IT/governance plan establishes committees and assigns roles



2026 Budget Impact: Technology / Data Master Plan included in Capital Plan

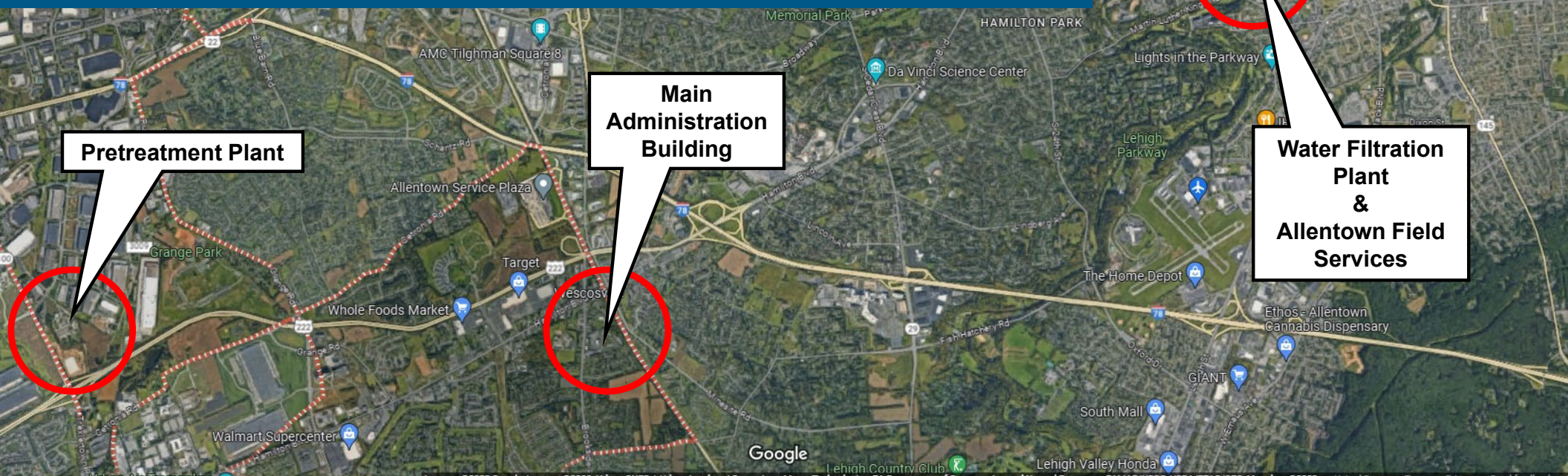
Staffing for Technology & Data Management

- Data Analyst: Hire in Q2 2026 or after Technology / Data Master Plan is complete
 - Be the owner of LCA's data and its sources
 - Ensure quality of LCA data, maintain the databases, complete performance checks
 - Connect data sources through integrations
 - Analyze and understand what the data is saying
 - Reporting, Reporting, Reporting!

Facilities & Security

Where will new employees go?

How do we ensure safe, efficient, workspace for all employees?



LCA's Challenges

Decentralized management of facilities & security (*root cause*)

Inconsistent approaches on security

Significant deferred maintenance

Known employee health & safety hazards

Lack of planned space for new hires

Looking Ahead: A plan is on the way!

2025 Study by HDR – Review all buildings & estimated future needs

- Department staffing & work flows
- Building condition
- Employee well-being & safety
- Standardization & consistency

Recommended next steps:

- Review final report from HDR (October)
- Budgeting for top priority needs (included in capital plan)
- 2026 Staffing: Add Facilities & Security Manager to centralize this function

Affordability Assessment



Recommendation **Extend Capital Planning to 20 years**

Include expected future rates and operations increases:

- Account for long-term infrastructure lifecycles
- Help phase spending to reduce rate spikes and plan for rate stability
- Support strategic planning as well as alignment with long-term community needs
- Encourage decision-making cohesion across leadership transitions

Recommendation **Affordability Forecast**

- Forecasting and Scenario Planning
- Model future affordability impacts under different rate increase scenarios
- Evaluate how planned capital investments/debt service will affect rates and customer burden over time
- Community & Stakeholder Input
- Consider collecting feedback on perceived affordability challenges and barriers to assistance participation.



2026 Budget Impact: \$100,000 in affordability & rate analyses, extending work started in 2025

Finance/Affordability – 2026 Staffing



Evaluation of Monthly Billing

- Good for household budgeting but doesn't change cost to customer, adds cost to LCA operations
- Before moving forward, evaluate technology options
 - Installment billing options in Munis
 - Monthly autopay feature included in online bill payment portal

Add 1 FTE – Business / Rate Analyst

Role Summary *(note that many of these functions are currently managed by the CEO)*

- Support for pursuit of grants and other funding
- Analyzing project information for transparency, cost justification, rate approvals
- Consolidating internal and external rate setting and communications processes around rates
- Support other financial / business analyses currently under way or envisioned (affordability, system acquisitions, other business case analyses)



Lead Program Reminders



Key Regulatory Requirements:

- November 1, 2027 – Service line inventory due
- December 31, 2034 – Validation of all non-lead service lines
- December 31, 2037 – Replacement of all lead / galvanized service lines.

Current Status:

- 4,800 lead service lines
- 6,000 “galvanized requiring replacement” service lines
- 28,000 service lines of unknown material

LCA Lead Team (current)

Dedicated Staffing:

- Lead Program & Compliance Manager
- Construction Field Supervisor
- Allentown Division Community Canvassers (2)
- Lead Program Customer Service Rep (budgeted, not filled)

Cross-Organizational Team Support:

- Field Services (emergency replacements & Cycle 1 construction)
- Capital Works Project Management
- Customer Care
- Communications
- Laboratory
- GIS / Data Management
- Financial / Legal Support



2026 Staffing Recommendations – Lead



Add Lead Program Administrator

Repurposing of approved headcount (instead of a Lead-focused CSR)

Role Summary

- Service both Allentown and Suburban, unlike CSR
- Support with programmatic needs (workflow adherence, task tracking, and coordination)
- Preference to Spanish-speaking candidate
- Serve as an operational admin managing program strategy
- Receive Lead calls as escalation from CSR team, creating a single point of contact
- Support community outreach for Lead program



2026 Staffing Recommendations – Lead



Add 5 FTE Utility Technicians

- 1 FTE for Suburban Division canvassing (currently no staff dedicated to Suburban field work for lead)
- 4 FTEs for lead field work in Allentown

Justification

- Lead program is new and ramping up
- Lease concession compliance work paused as technicians focus on lead related tasks (Concession compliance metrics achieved using banked work from previous years)
- Backlog of leaking service line repairs
- Cycle 1 work is important to prioritize for pilot study data
- Overtime reduction and work/life balance improvements



Reminder: All Allentown lead program costs including staff are recoverable through rates (per lease agreement), so there is great customer benefit to working as efficiently as possible!

Inflow & Infiltration (I&I) Program Reminders

- Regional Act 537 Plan to be submitted to DEP in October
- Plan's top priority is removing I&I
- DEP's approval and ongoing requirements still unknown, but...
- Allentown I&I program estimate >\$70 million over next 10 years
 - Sanitary sewer evaluation studies to define projects and measure success
 - Pipeline and lateral grouting / lining projects
 - Manhole rehabilitation
 - Potential private-side investigations
- Current reliance on external engineers and contractors
- **Work will be ongoing through remainder of the City Lease!**

2026 Staffing Recommendations – I&I



Add 1 FTE - I&I Engineer

Repurposing of approved headcount (instead of a Regional Program Manager)

Role Summary:

- Work with Arcadis to understand work requirements of successful I&I program
- Take ownership of the flow data management
- Coordinate SSES and construction related project work
- Developed standards for measuring I&I reduction and reporting to DEP
- Develop training program for required field work
- Evaluate internal costs of doing I&I work vs. contracted costs
- **Long term:** Develop internal capacity to manage evergreen projects



2026 Staffing Recommendations – I&I



Add 3 FTE – Utility Technicians

Focused on I&I related inspection and manhole rehab work

Justification

- Contract pricing for I&I work is high
- Number of bidders low
- Internal staff capable of doing I&I related field work
 - Short term – insourcing costs need to be fully understood by doing the work
 - Preliminary analysis shows significant cost savings with insourcing work and equipment capacity to utilize inhouse
 - Better understand pace of work for DEP before expanding further

Long term: Consider additional in-sourcing after DEP direction finalized and costs updated



Current Manhole Rehab Project

- \$1.23 Million contract awarded for rehab of 256 manholes (assume 1 year to completion)
- Internal cost to complete estimated below:

Cost Category	Description	Comparable Project Year (Start-Up)	Future Projects/Year
Labor & Benefits	Utility Technicians X3	\$ 325,000	\$ 336,375
Equipment	Mr. Manhole	\$ 85,000	\$ -
Equipment	Vehicles	\$ 85,000	\$ -
Equipment	JCB Skid Steer	\$ 90,000	\$ -
Materials	Frame/Covers, etc.	\$ 100,000	\$ 103,000
Overhead	Direct (computers, phone, uniforms)	\$ 6,500	\$ 3,200
Overhead	Indirect (20%)	\$ 65,000	\$ 67,275
	TOTAL LCA COST:	\$ 756,500	\$ 509,850

Organizational Support: Accounting Technician

Temporary staff member added during Munis project – convert to permanent position

Increased volume of payables as LCA required work increases

Utilizing Munis “workflows” increases internal controls but adds steps to a more centralized accounting function

Scanning of customer receivables adds processing time, but also adds value for customer / staff access, eliminating storage of paper checks

With recent retirements, new staff bringing higher level accounting skills to the team for long-term benefit

Summary of New Positions for 2026

LCA - Data Analyst	1	Q2
LCA - Facilities & Security Manager	1	Q1
EMA - Business & Rate Analyst	1	Q3
EMA - Lead Program Administrator (<i>replace Lead CSR</i>)	1	Q1
EMA - Lead Program: Suburban Community Canvasser	1	Q1
EMA - Lead Program: Allentown Field Crew	4	Q1
EMA - I&I Engineer (<i>replace Regional Program Manager</i>)	1	Q1
EMA - I&I Program: Allentown Field Crew	3	Q2
LCA - Accounting Technician	1	Q1
Total New Positions	14	

Quick Review of Current Vacancies

2025 Budgeted Positions - Current Vacancies	Status
PA One Call Technician	Eliminate
Lead Program Customer Service Rep	Eliminate / Replace
Regional Sewer Program Manager	Eliminate / Replace
Director of Communications & Strategic Partnerships	NEW - Recruiting now
Planning Engineer	NEW - Recruiting now
Employee Learning & Development Coordinator	NEW - Recruiting Q4 2025
Capital Works Project Manager	Normal turnover
Collections / Data Analyst	Normal turnover
O&M Technician - Suburban Field Services	Normal turnover
Treatment Plant Operator	Normal turnover
Treatment Plant Operator	Normal turnover
Treatment Plant Shift Supervisor	Normal turnover

Total LCA Staffing Summary

2025 Active Employees	179
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Vacant / Open Budgeted Positions	+12
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Total 2025 Budgeted Employees	191
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Positions Eliminated / Repurposed in 2026	
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- | | |
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| <ul style="list-style-type: none">• Lead CSR• Regional Sewer Program Manager• PA One Call Technician | (3) |
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New Positions Added for 2026	14
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2026 Budgeted Employees	202
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Net Headcount Change from 2025 Budget	+11
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2026 Budget: Personnel Costs

Total gross personnel costs, including payroll, benefits, pension, overtime, etc.

Budgeted for 2026	\$24,858,767
<u>2025 Forecast</u>	<u>\$23,088,006</u>
Cost Increase	\$770,761
	7.7%

Factors impacting 2026 Budget:

- ↓ Timing of planned hiring
- ↑ Benefit cost increases (est. 10%)
- ↑ Wage increases (est. 3.5%)

Note: Impact to LCA Operations Budget is reduced by \$2.9 million due to staffing cost allocations to capital projects (partially recoverable via rates and/or grants).

Summary of 2026 Budget Assumptions

Personnel cost increase: 7.7% *(from previous slides)*

Additional \$450,000 in studies and support for strategic initiatives
(communications, business planning, affordability, etc. – from previous slides)

Inflationary impact on other expenses: 2.7%

City Division lease rates: by agreement *(will include new capital cost recovery rates for lead program and I&I program)*

Sewer Signatory Wastewater rates: by agreement

Suburban Wastewater rates: 5% collector system increase *(first increase since 2013)*

Suburban Water system revenue growth: 4%

Key Factors: Suburban Water

Operating Expenses

- Increase 7.3% to 2025 forecast
- Inflation impact
- Impact from strategic initiatives of \$65K
- Proportional share of personnel and internal services cost increases

Capital Budget

- \$6.3M per capital plan
- Current rates and reserves fund \$6.3M
- No borrowing required
- No new debt service

Revenue

- Revenue increase of 4.00% to attain balanced budget
- 1.0% volume growth budgeted
- 3.00% estimated rate impact

Metrics

- Targeting net \$1.7M use of reserves in cash flow
- All other key metrics better than internal targets

Key Factors: Suburban Wastewater

Operating Expenses

- Increase 7.2% to 2025 forecast
- Inflation impact
- Impact from strategic initiatives of \$66K
- Proportional share of personnel and internal services cost increases

Capital Budget

- \$6.9M per capital plan
- Requires \$4.8M of new borrowing
- Funding from current rates and cash reserves of \$2.1M
- New debt service of \$301k

Revenue

- Signatory rates under review
- No volume increases in the budget
- Signatory rates will be impacted by capital expenses and City Division pass-through
- Collector systems rate increase of 5%

Metrics

- Targeting net Surplus of \$206K in cash flow
- All other key metrics better than internal targets

Key Factors: City Division

Operating Expenses

- Increase of 6.3% to 2025 forecast
- Inflation impact
- Impact from strategic initiatives of \$132K
- Proportional share of personnel and internal services cost increases

Capital Budget

- \$50.4M per capital plan
- 2025 borrowing will fund \$5.7M
- \$6.6M of funding from grants
- \$38.1M funding from current rates and reserves

Revenue

- Lease rates increase 5.5% 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 2026 Budget Results

	Budget	Forecast	Budget	Actual
	<u>2026</u>	<u>2025</u>	<u>2025</u>	<u>2024</u>
NET INCOME				
Suburban Water	2,382,736	3,020,352	3,109,821	2,825,050
Suburban Wastewater	(2,614,646)	(1,990,358)	(1,990,849)	(421,780)
City Division	<u>15,540,642</u>	<u>26,607,421</u>	<u>23,008,783</u>	<u>11,588,644</u>
Total LCA	<u>15,308,731</u>	<u>27,637,416</u>	<u>24,127,755</u>	<u>13,991,914</u>
CASH FLOWS				
Suburban Water	(1,715,442)	(433,351)	4,883,382	(1,788,687)
Suburban Wastewater	205,791	4,317,091	(2,166,889)	(1,749,181)
City Division	<u>(16,003,619)</u>	<u>44,549,924</u>	<u>(6,294,678)</u>	<u>18,953,754</u>
Total LCA	<u>(17,513,270)</u>	<u>48,433,665</u>	<u>(3,578,185)</u>	<u>15,415,886</u>
DEBT SERVICE COVERAGE RATIO				
Suburban Water	2.37	2.25	2.29	1.93
Suburban Wastewater	1.90	2.47	4.42	8.40
City Division	2.18	3.18	2.69	3.19
CAPITAL SPENDING				
Suburban Water	6,288,750	4,774,500	4,774,500	6,085,513
Suburban Wastewater	6,846,250	13,738,000	13,738,000	9,694,215
City Division	<u>50,369,500</u>	<u>50,105,000</u>	<u>50,930,000</u>	<u>18,735,537</u>
Total LCA	<u>63,504,500</u>	<u>68,617,500</u>	<u>69,442,500</u>	<u>34,515,266</u>

Looking Ahead

Work Remaining

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

Upcoming Board Meetings

- Preliminary Budget Review – 9/22/2025
- Refined review & rate overview – 10/13/2025
- 2025 Budget approval – 10/27/2025
- 2025 Rate adoption – 11/10/2025



Discussion / Questions?

Thank you!

