



2026 Budget: Proposal

LCA Board of Directors
October 13, 2025



Today's Review & Next Steps

Review of Fund Financials

- Changes from Prior Presentation
- Proposed 2026 Rates – All Divisions

Coming Up ...

- 2026 Budget approval – 10/27/2025
(required by Nov. 1)
- 2026 Rate adoption – 11/10/2025
(effective Jan. 1)

Strategic Initiatives & Budget Drivers

2025 Priorities

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

NEW Priorities for 2026

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

2026 Budget Impacts *(excluding personnel)*

Operating Budget:

- \$250,000 – Special studies & legal fees
- \$100,000 – Increases communications activities
- \$100,000 – Affordability study & rate evaluations

Capital Budget:

- Technology / Data Master Plan
- Facility Improvements
- Lead Replacement Program

Managing Personnel Changes

Eliminate / repurpose vacant positions

Phased hiring – prioritize lead program staffing (must do)

Develop improved overtime tracking mechanisms

Carefully monitor contractor pricing (I&I program)

Summary of New Positions for 2026

| | |
|--|-----------|
| LCA - Data Analyst | 1 |
| LCA - Facilities & Security Manager | 1 |
| LCA - Accounting Technician | 1 |
| LCA – PA One Call Technician <i>(eliminate)</i> | -1 |
| EMA - Lead Program Administrator <i>(replace Lead CSR)</i> | 0 |
| EMA - Lead Program: Suburban Community Canvasser | 1 |
| EMA - Lead Program: Allentown Field Crew | 4 |
| EMA - I&I Engineer <i>(replace Regional Program Manager)</i> | 0 |
| EMA - I&I Program: Allentown Field Crew | 3 |
| Total New Positions | 10 |

Summary of 2026 Budget Assumptions

Personnel cost increase: 7.7%

Additional \$450,000 in studies and support for strategic initiatives

Inflationary impact on other expenses: 2.7%

City Division lease rates: by agreement

Sewer Signatory Wastewater rates: by agreement

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

Suburban Water system revenue growth: 4%

Preliminary 2026 Budget Summary

LCA's Key Financial Metrics

Operating Ratio – Illustrates adequacy of rates to cover operating expenses plus depreciation (as a placeholder for normal repair & replacement of aging assets).

LCA Target: Operating Ratio > 1.00

Debt Service Coverage Ratio (DSCR) – Bondholder-driven metric to show ability to pay all operating expenses, all debt service, plus a cushion. LCA Target: DSCR > 1.20

Capital Coverage Ratio – Measure of ability to pay for capital expenses, especially annual replacements, without borrowing. LCA Target: Capital Coverage > 50%

Unrestricted Days Cash on Hand – Availability of cash and cash reserves to support operations in the event of an emergency, expressed in the number of days of operation covered by existing cash. LCA Target: Cash > 180 days

2026 Budget Summary

| Budget Overview | Sub. Water | Sub. Wastewater | City Division | Total |
|--|-------------------|------------------------|----------------------|--------------------|
| Operating, Non-Operating & Other Revenue | 21,727,873 | 22,718,896 | 75,431,077 | 119,877,846 |
| Operating Expenses (net of depreciation) | 13,843,538 | 18,014,274 | 28,628,713 | 60,486,525 |
| Net Revenues Available for Debt Service | 7,884,335 | 4,704,622 | 46,802,364 | 59,391,321 |
| Debt Service | 3,346,027 | 2,176,924 | 18,079,392 | 23,602,343 |
| Debt Service Coverage Ratio (indenture based) | 2.36 | 2.16 | 2.19 | 2.12 |
| | | | | |
| | | | | |
| | | | | |
| Capital Budget Overview | Sub. Water | Sub. Wastewater | City Division | Total |
| Capital Expenses | 6,140,000 | 6,697,500 | 50,692,000 | 63,529,500 |
| Funding from 2026 Revenue & Operating Reserves | 6,140,000 | 797,500 | 29,685,037 | 36,622,537 |
| Funding from Existing Project Reserves | - | 5,900,000 | 15,346,033 | 21,246,033 |
| Funding from New Borrowing | - | - | 5,660,930 | 5,660,930 |
| Year-End Project Reserve Balance | 319,718 | 55,385 | 3,022,601 | 3,397,704 |
| | | | | |
| | | | | |
| | | | | |
| Total Cash Flow | Sub. Water | Sub. Wastewater | City Division | Total |
| Beginning Operations Cash Balance (2025 forecast) | 8,883,860 | 873,315 | 25,252,605 | 35,009,780 |
| 2026 Surplus | 4,538,308 | 2,527,698 | 28,722,972 | 35,788,978 |
| Provided From (To) Capital | (6,140,000) | (797,500) | (29,685,037) | (36,622,537) |
| Ending Operations Cash Balance | 7,282,168 | 2,603,513 | 24,290,540 | 34,176,221 |
| Operating Days Cash on Hand | 192 | 53 | 310 | 211 |
| Project Reserve Balance | 319,718 | 55,385 | 3,022,601 | 3,397,704 |
| Other Reserves & Investments (includes restricted) | 4,765,072 | 7,634,351 | 90,601,701 | 103,001,124 |
| Ending Total Fund Balance - 2026 Budget | 12,366,958 | 10,293,249 | 117,914,842 | 140,575,049 |
| | | | | |
| Ending Total Fund Balance - 2025 Forecast | 13,968,650 | 14,463,051 | 134,222,939 | 162,654,640 |
| | (1,601,692) | (4,169,802) | (16,308,097) | (22,079,591) |

Preliminary Summary of 2026 Budget Results

| | Budget | Forecast | Budget | Actual |
|------------------------------------|--------------|--------------|--------------|-------------|
| | 2026 | 2025 | 2025 | 2024 |
| NET INCOME | | | | |
| Suburban Water | 2,347,736 | 3,020,352 | 3,109,821 | 2,825,050 |
| Suburban Wastewater | (2,614,647) | (1,990,358) | (1,990,849) | (421,780) |
| City Division | 15,540,642 | 26,607,421 | 23,008,783 | 11,588,644 |
| Total LCA | 15,273,731 | 27,637,415 | 24,127,755 | 13,991,914 |
| CASH FLOWS | | | | |
| Suburban Water | (1,601,692) | (433,351) | (400,000) | 825,887 |
| Suburban Wastewater | (4,169,801) | 467,092 | 4,227,607 | (4,278,062) |
| City Division | (16,308,098) | (11,866,582) | (15,865,171) | 59,062,913 |
| Total LCA | (22,079,591) | (11,832,841) | (12,037,564) | 55,610,737 |
| DEBT SERVICE COVERAGE RATIO | | | | |
| Suburban Water | 2.36 | 2.25 | 2.26 | 2.21 |
| Suburban Wastewater | 2.16 | 2.47 | 2.43 | 2.08 |
| City Division | 2.19 | 2.29 | 2.03 | 2.29 |
| CAPITAL SPENDING | | | | |
| Suburban Water | 6,140,000 | 4,774,500 | 4,774,500 | 6,085,513 |
| Suburban Wastewater | 6,697,500 | 13,738,000 | 13,738,000 | 9,694,215 |
| City Division | 50,692,000 | 50,580,000 | 50,930,000 | 18,735,537 |
| Total LCA | 63,529,500 | 69,092,500 | 69,442,500 | 34,515,266 |

LCA Administration: 2026 Capital Budget

| Project | Primary Project Category | 2025 Budget | Cap Plan Costs 2026-2030 | Cap Plan 2026 | 2026 Budget |
|---|--------------------------|------------------|--------------------------|------------------|------------------|
| <u>LCA Funded Projects</u> | | | | | |
| Computer System Hardware & Software Upgrades | AM - High | 50,000 | 530,000 | 130,000 | 130,000 |
| GIS Upgrades & Application Development | Efficiency | 50,000 | 160,000 | 50,000 | 50,000 |
| Information Technology Master Plan Update | Planning | 50,000 | 450,000 | 250,000 | 250,000 |
| Document Management | Efficiency | 25,000 | 310,000 | 100,000 | 100,000 |
| Disaster Recovery/Security Upgrades | Efficiency | 100,000 | 740,000 | 440,000 | 440,000 |
| CMMS Upgrades | Efficiency | 40,000 | 850,000 | 250,000 | 250,000 |
| New Munis Implementation | Efficiency | 385,000 | - | - | - |
| Main Office Improvements | Efficiency | 950,000 | 2,000,000 | 100,000 | 100,000 |
| D&C Building Improvements | Efficiency | - | 300,000 | 100,000 | 100,000 |
| Total Administration Capital Funded by LCA | | 1,650,000 | 5,340,000 | 1,420,000 | 1,420,000 |

Suburban Water Fund

| Water System | Customer Connections |
|------------------------|----------------------|
| Central Lehigh | 19,564 |
| North Whitehall | 987 |
| Emmaus Consecutive | 419 |
| Washington Township | 369 |
| Heidelberg Heights | 182 |
| Madison Park North | 116 |
| Buss Acres | 100 |
| Clearview Farm Estates | 67 |
| Pine Lakes | 60 |
| Beverly Hills | 44 |
| Mill Creek | 35 |
| Arcadia West | 22 |

Municipalities Served

Heidelberg Township
Lower Macungie Township
Lower Milford Township
Lowhill Township
Lynn Township
North Whitehall Township
Salisbury Township
South Whitehall Township
Upper Macungie Township
Upper Milford Township
Washington Township
Weisenberg Township
Moore Township (Northampton County)

Suburban Water Fund – Changes from 9/22/2025

| | SUBURBAN WATER | | |
|--|-------------------|-------------------|----------------|
| Budget Overview | Current | Previous | Change |
| Operating, Non-Operating & Other Revenue | 21,727,873 | 21,727,873 | - |
| Operating Expenses (net of depreciation) | 13,843,538 | 13,843,538 | - |
| Net Revenues Available for Debt Service | 7,884,335 | 7,884,335 | - |
| Debt Service | 3,346,027 | 3,346,027 | - |
| Debt Service Coverage Ratio (indenture based) | 2.36 | 2.36 | - |
| | | | |
| Capital Budget Overview | | | |
| Capital Spending | 6,140,000 | 6,288,750 | (148,750) |
| Funding from 2026 Revenue & Operating Reserves | 6,140,000 | 6,288,750 | (148,750) |
| Funding from Existing Project Reserves | - | - | - |
| Funding from New Borrowing | - | - | - |
| Year-End Project Reserve Balance | 319,718 | 319,718 | - |
| | | | |
| Total Cash Flow | Current | Previous | |
| Beginning Operations Cash Balance (2025 forecast) | 8,883,860 | 8,883,860 | - |
| 2026 Surplus (deficit) | 4,538,308 | 4,538,308 | - |
| Provided From (To) Capital | (6,140,000) | (6,288,750) | 148,750 |
| Ending Operations Cash Balance | 7,282,168 | 7,133,418 | 148,750 |
| Operating Days Cash on Hand | 192 | 188 | 4 |
| Project Reserve Balance | 319,718 | 319,718 | - |
| Other Reserves & Investments (includes restricted) | 4,765,072 | 4,765,072 | - |
| Ending Total Fund Balance - 2026 Budget | 12,366,958 | 12,218,208 | 148,750 |
| | | | |
| Ending Total Fund Balance - 2025 Forecast | 13,968,650 | 13,968,650 | |
| 2026 Cash Flows | (1,601,692) | (1,750,442) | 148,750 |

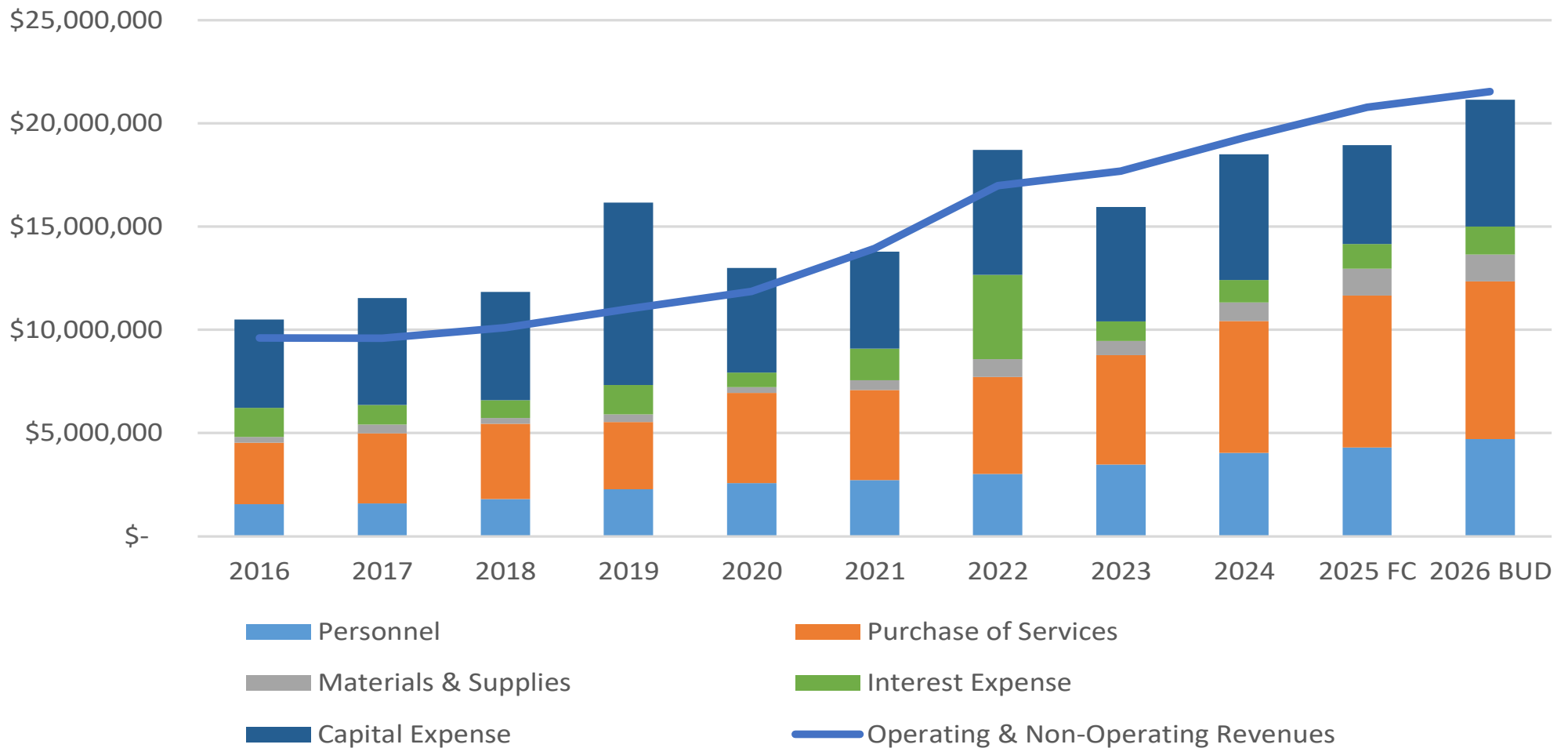
Suburban Water: 2026 Cash Flows & Key Metrics

| | | | Budget | Forecast | Budget | Actual |
|----------------------|-----------------------------------|--|--------------|--------------|--------------|--------------|
| | | | 2026 | 2025 | 2025 | 2024 |
| CONDENSED CASH FLOWS | | | | | | |
| | Operating Revenues | | 20,815,891 | 20,069,701 | 20,058,560 | 18,598,312 |
| | Operating Expenses (ex. D&A) | | (13,843,538) | (13,165,666) | (12,409,238) | (11,335,712) |
| | Non-Operating Revenues (Expenses) | | 911,982 | 911,982 | 200,044 | 542,528 |
| | Annual Payments | | - | - | - | - |
| | Net Available for Debt Service | | 7,884,335 | 7,816,017 | 7,849,367 | 7,805,128 |
| | Debt Service | | (3,346,027) | (3,474,867) | (3,474,867) | (3,532,491) |
| | Non-Cash Working Capital Changes | | - | (1) | - | (2,611,608) |
| | Net Available for Capex | | 4,538,308 | 4,341,149 | 4,374,500 | 1,661,029 |
| | Investing | | - | - | - | 9,000 |
| | Borrowing | | - | - | - | 5,241,371 |
| | Capex | | (6,140,000) | (4,774,500) | (4,774,500) | (6,085,513) |
| | NET CASH FLOWS | | (1,601,692) | (433,351) | (400,000) | 825,887 |
| | | | Budget | Forecast | Budget | Actual |
| KEY METRICS | | | 2026 | 2025 | 2025 | 2024 |
| | Operating Ratio with D&A | | 1.16 | 1.20 | 1.26 | 1.21 |
| | Debt Service Coverage Ratio | | 2.36 | 2.25 | 2.26 | 2.21 |
| | Capital Coverage Ratio | | 0.74 | 0.91 | 0.92 | 0.27 |
| | Unrestricted Days Cash on Hand | | 200.43 | 255.16 | 330.89 | 310.30 |
| | Unrestricted Investment Balances | | 2,846,053 | 2,846,053 | 3,023,130 | 2,846,053 |

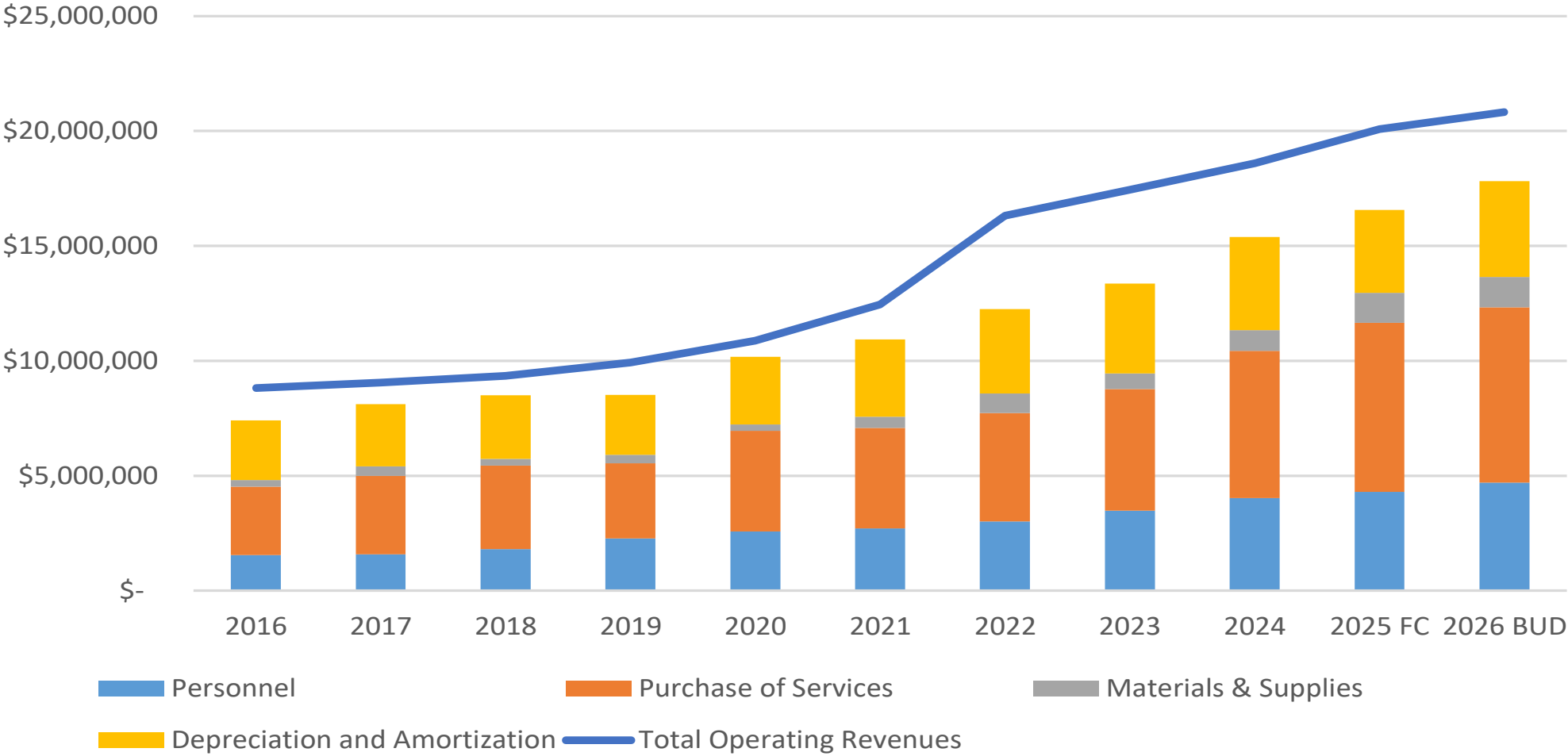
Suburban Water: 2026 Capital Budget

| | Primary | | Cap Plan | | |
|---|--------------|------------------|-------------------|------------------|------------------|
| | Project | 2025 | Costs | Cap Plan | 2026 |
| Project | Category | Budget | 2026-2030 | 2026 | Budget |
| | | | | | |
| <u>Annual Projects</u> | | | | | |
| Annual Projects | AM - Varies | 2,492,000 | 11,455,000 | 2,520,000 | 2,520,000 |
| | | | | | |
| <u>Multi-Year Projects</u> | | | | | |
| Water Main Replacement Projects | AM - Varies | - | 10,350,000 | 100,000 | 100,000 |
| Water Quality Studies and Upgrades | Sys Imp | - | | - | - |
| Cloud Based Meter Reading System | Sys Imp | - | - | - | - |
| North Whitehall Division Water System Supply Study & Improvements | Sys Imp | 120,000 | 3,100,000 | 700,000 | 700,000 |
| Water Systems Master Planning | Sys Imp | 150,000 | 350,000 | 100,000 | 100,000 |
| Upper System Pump Station & Water Main Extension | Sys Imp | 50,000 | 2,050,000 | 50,000 | 50,000 |
| Water Meter Replacement Program | AM-Rev Opprt | 1,000,000 | 5,150,000 | 1,050,000 | 1,050,000 |
| Central Lehigh System Supply Improvements | Sys Imp | 180,000 | 165,000 | 165,000 | 165,000 |
| Buss Acres Water Quality Upgrade | Sys Imp | 270,000 | 2,800,000 | 250,000 | 250,000 |
| Small Systems Generator Replacement | Sys Imp | - | 900,000 | 50,000 | 50,000 |
| Leak Detection Program | Efficiency | - | 550,000 | 250,000 | 250,000 |
| Lead Service Inventory Program | Regulatory | - | 200,000 | 50,000 | 50,000 |
| Applewood Pump Station Upgrade | Sys Imp | 100,000 | 930,000 | 400,000 | 400,000 |
| Small System Water Supply Improvements | Sys Imp | - | 150,000 | 100,000 | 100,000 |
| Total Suburban Division Water Capital Expenditures | | 4,362,000 | 38,150,000 | 5,785,000 | 5,785,000 |

Suburban Water Division - Total Fund Revenues & Expenses



Suburban Water Division - Operating Revenue & Expenses



LCA Suburban Water

2026 Proposed Rates

Revenue

- Revenue increase of 4.00% to attain balanced budget
- Using \$6.3M in rates and reserves to fund all capital (no new borrowing)
- 1.0% volume growth budgeted
- 3.00% estimated rate impact

2026 Rates – Suburban Water – Proposed

| Part 1 -- FIXED CHARGES | | | |
|-------------------------|--------------|--------------|----------------|
| Meter Size: | 2025 Rate | 2026 Rate | Rate Change |
| <u>Quarterly</u> | | | |
| 5/8" & 3/4" | \$34.50 | \$36.50 | 5.8% |
| 1" | \$61.25 | \$65.00 | 6.1% |
| <u>Monthly</u> | | | |
| 1-1/2" | \$46.25 | \$49.00 | 5.9% |
| 2" | \$64.00 | \$67.75 | 5.9% |
| 3" | \$115.75 | \$122.75 | 6.0% |
| 4" | \$169.50 | \$179.75 | 6.0% |
| 6" | \$317.50 | \$336.50 | 6.0% |
| 8" | \$493.25 | \$522.75 | 6.0% |
| 10" | \$694.25 | \$736.00 | 6.0% |

Part 2 -- FIRELINE CHARGES -- NO CHANGE IN 2026

2026 Rates – Suburban Water – Proposed

| Part 3 -- VOLUME CHARGES | | | | |
|--------------------------|--------------------|--------------------------------|--------------------------------|----------------|
| Rate Block | Gallons/Rate Block | 2025 Rate Rate/1000 Gallons | 2026 Rate Rate/1000 Gallons | Rate Change |
| 0-40,000 | 40,000 | \$4.02 | \$4.14 | 3.0% |
| 41,000-1,000,000 | 960,000 | \$3.63 | \$3.74 | 3.0% |
| 1,001,000-9,000,000 | 8,000,000 | \$3.18 | \$3.28 | 3.1% |
| 9,001,000-58,000,000 | 49,000,000 | \$2.92 | \$3.01 | 3.1% |
| >58,000,000 | n/a | \$2.72 | \$2.80 | 2.9% |

| Part 4 -- PUBLIC FIRE PROTECTION | | | |
|----------------------------------|-----------|-----------|-------------|
| | 2025 Rate | 2026 Rate | Rate Change |
| Direct - Per Hydrant (annual) | \$135.12 | \$140.52 | 4.0% |
| Indirect - Per Inch-Squared Foot | \$0.00188 | \$0.00196 | 4.3% |

2026 Rates – Suburban Water – Proposed

Average Residential Water Bill:
15,000 Gallons per Quarter



| | <u>2025</u> | <u>2026</u> |
|----------------------------------|-----------------|-----------------|
| Fixed Charge | \$34.50 | \$36.50 |
| <u>Volume Charge</u> | <u>\$60.30</u> | <u>\$62.10</u> |
| Quarterly Water Bill | \$94.80 | \$98.60 |
| Annual Water Bill | \$379.20 | \$394.40 |
| Increase = \$15.20 (4.0%) | | |

NOTE: Actual percentage change in each customer's bill will vary based on water usage.

Suburban Wastewater Fund

| Sewer System Name | Customer Connections | Services | Rate Approach |
|--------------------------------------|----------------------|---|------------------|
| Western Lehigh & Relief Interceptors | 10 | Wholesale Transportation | By Agreement |
| Industrial Pretreatment Plant | 3 | Industrial Pretreatment & Hauler Services | By Agreement |
| Washington Township (lease) | 593 | Collection Only | By Agreement |
| Upper Milford | 1,204 | Collection Only | Common Rate 1 |
| Weisenberg | 149 | Collection Only | Common Rate 1 |
| Lowhill | 43 | Collection Only | Common Rate 1 |
| Lynn Township | 385 | Collection & Treatment | Common Rate 2 |
| Wynnewood Terrace | 220 | Collection & Treatment | Common Rate 2 |
| Heidelberg Heights | 138 | Collection & Treatment | Common Rate 2 |
| Sand Spring | 37 | Collection & Treatment | Common Rate 2 |
| Western Weisenberg (Arcadia W.) | 19 | Collection & Treatment | Special District |

Suburban Wastewater – Changes from 9/22/2025

| | SUBURBAN WASTEWATER | | |
|--|---------------------|-------------------|----------------|
| Budget Overview | Current | Previous | Change |
| Operating, Non-Operating & Other Revenue | 22,718,896 | 22,718,896 | - |
| Operating Expenses (net of depreciation) | 18,014,274 | 18,014,274 | - |
| Net Revenues Available for Debt Service | 4,704,622 | 4,704,622 | - |
| Debt Service | 2,176,924 | 2,176,924 | - |
| Debt Service Coverage Ratio (indenture based) | 2.16 | 2.16 | - |
| | | | |
| | | | |
| Capital Budget Overview | | | |
| Capital Spending | 6,697,500 | 6,846,250 | (148,750) |
| Funding from 2026 Revenue & Operating Reserves | 797,500 | 946,250 | (148,750) |
| Funding from Existing Project Reserves | 5,900,000 | 5,900,000 | - |
| Funding from New Borrowing | - | - | - |
| Year-End Project Reserve Balance | 55,385 | 55,385 | - |
| | | | |
| Total Cash Flow | | | |
| Beginning Operations Cash Balance (2025 forecast) | 873,315 | 873,315 | - |
| 2026 Surplus (deficit) | 2,527,698 | 2,527,698 | - |
| Provided From (To) Capital | (797,500) | (946,250) | 148,750 |
| Ending Operations Cash Balance | 2,603,513 | 2,454,763 | 148,750 |
| Operating Days Cash on Hand | 53 | 50 | 3 |
| Project Reserve Balance | 55,385 | 55,385 | - |
| Other Reserves & Investments (includes restricted) | 7,634,351 | 7,634,351 | - |
| Ending Total Fund Balance - 2026 Budget | 10,293,249 | 10,144,499 | 148,750 |
| | | | |
| Ending Total Fund Balance - 2025 Forecast | 14,463,051 | 14,463,051 | |
| 2026 Cash Flows | (4,169,802) | (4,318,552) | 148,750 |

Suburban Wastewater:

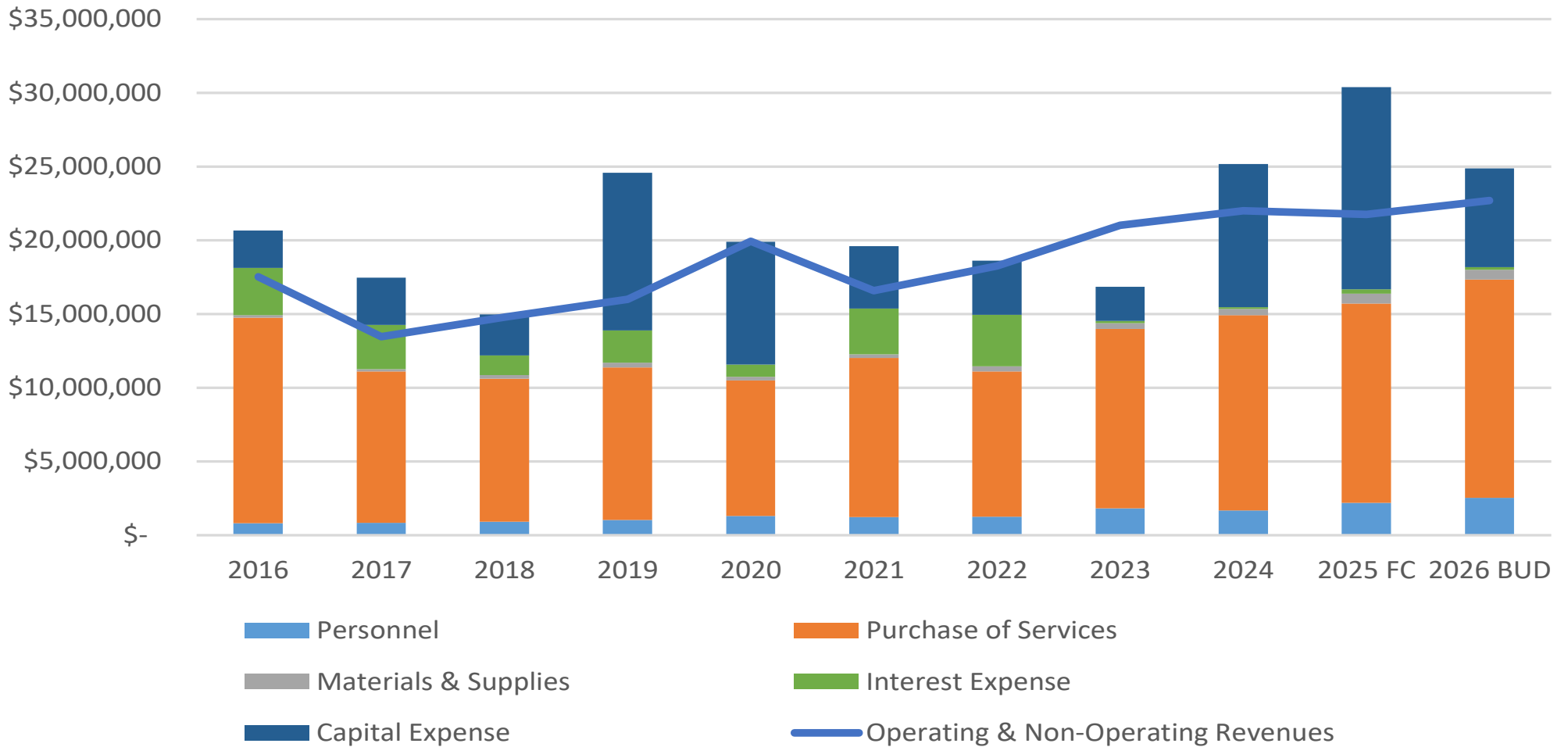
2026 Cash Flows & Key Metrics

| | | | Budget | Forecast | Budget | Actual |
|----------------------|-----------------------------------|--|--------------|--------------|--------------|--------------|
| | | | 2026 | 2025 | 2025 | 2024 |
| CONDENSED CASH FLOWS | | | | | | |
| | Operating Revenues | | 22,659,636 | 21,445,840 | 21,457,327 | 21,160,465 |
| | Operating Expenses (ex. D&A) | | (18,014,274) | (16,388,290) | (16,224,056) | (15,555,702) |
| | Non-Operating Revenues (Expenses) | | 59,260 | 324,470 | 59,260 | 696,777 |
| | Annual Payments | | - | - | - | - |
| | Net Available for Debt Service | | 4,704,622 | 5,382,020 | 5,292,531 | 6,301,540 |
| | Debt Service | | (2,176,924) | (2,176,925) | (2,176,924) | (3,030,534) |
| | Non-Cash Working Capital Changes | | - | (4) | - | 1,656,148 |
| | Net Available for Capex | | 2,527,698 | 3,205,091 | 3,115,607 | 4,927,154 |
| | Investing | | - | - | - | 489,000 |
| | Borrowing | | - | 11,000,000 | 14,850,000 | - |
| | Capex | | (6,697,500) | (13,738,000) | (13,738,000) | (9,694,215) |
| | NET CASH FLOWS | | (4,169,802) | 467,092 | 4,227,607 | (4,278,061) |
| | | | Budget | Forecast | Budget | Actual |
| KEY METRICS | | | 2026 | 2025 | 2025 | 2024 |
| | Operating Ratio with D&A | | 0.90 | 0.91 | 0.92 | 0.94 |
| | Debt Service Coverage Ratio | | 2.16 | 2.47 | 2.43 | 2.08 |
| | Capital Coverage Ratio | | 0.38 | 0.23 | 0.23 | 0.51 |
| | Unrestricted Days Cash on Hand | | 53.87 | 152.09 | 354.85 | 149.27 |
| | Unrestricted Investment Balances | | 7,278,350 | 7,278,350 | 6,965,466 | 7,278,350 |

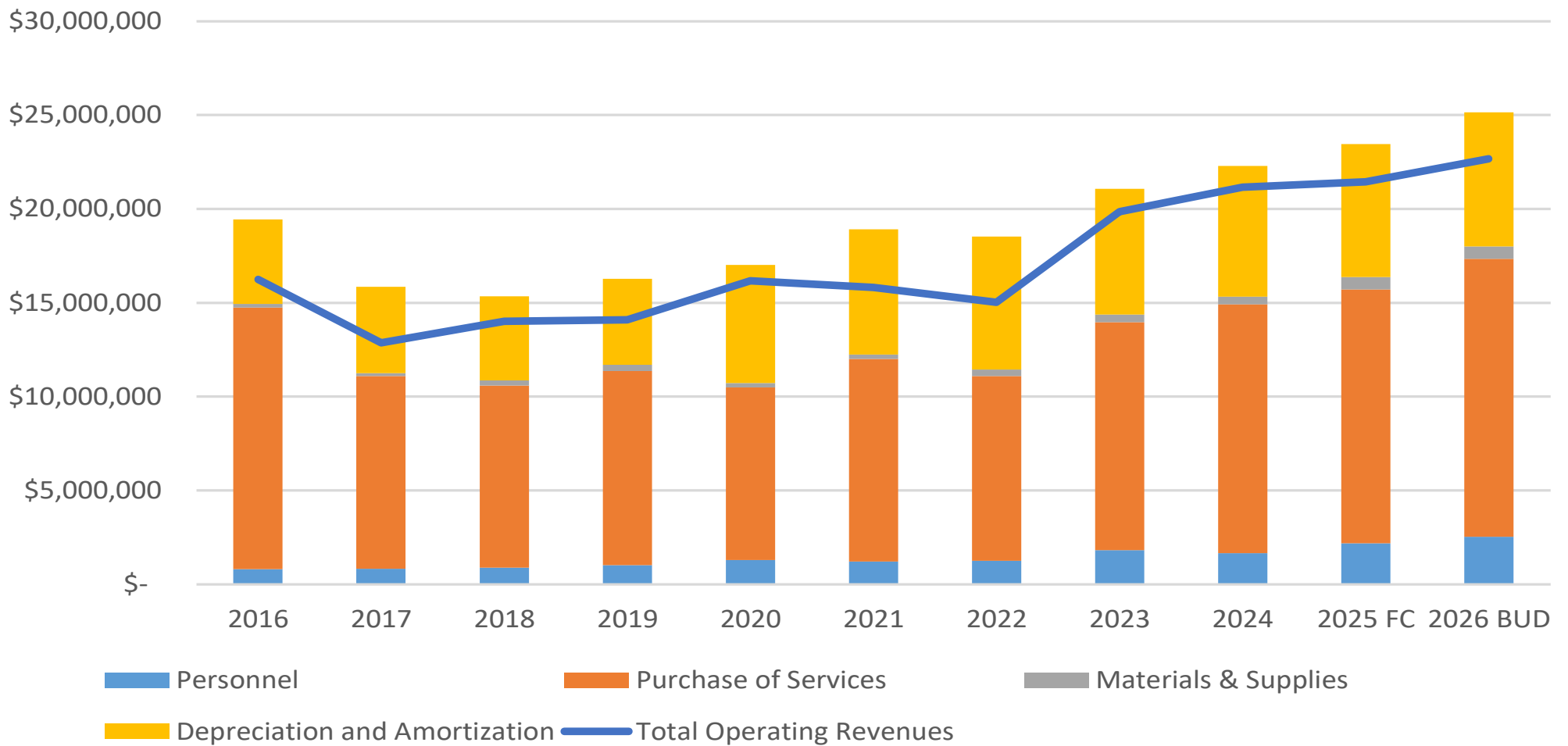
Suburban Wastewater: 2026 Capital Budget

| | Primary Project | 2025 | Cap Plan | Cap Plan | 2026 |
|---|--------------------|-------------------|--------------------|------------------|------------------|
| Project | Category | Budget | Costs 2026-2030 | 2026 | Budget |
| Annual Projects | | | | | |
| Annual Projects | AM - Varies | 835,500 | 3,217,000 | 962,500 | 962,500 |
| LCA Wastewater Treatment Plant | | | | | |
| Pretreatment Plant Improvements | AM - Varies | 600,000 | 2,400,000 | 600,000 | 600,000 |
| Pretreatment Plant Critical Upgrades | AM - Varies | 4,000,000 | 2,000,000 | 2,000,000 | 2,000,000 |
| Pretreatment Plant Upgrades and Replacement | AM - Varies | 1,000,000 | 24,900,000 | 400,000 | 400,000 |
| Subtotal | | 5,600,000 | 29,300,000 | 3,000,000 | 3,000,000 |
| Western Lehigh Interceptor System: | | | | | |
| Central Lehigh County WW Capacity Planning & Expansion | New Cust | 400,000 | 500,000 | 100,000 | 100,000 |
| WLI Major Rehabilitation and Repairs | Regulatory | 50,000 | - | - | - |
| Spring Creek Pump Station Force Main Condition Assessment | AM-High | 100,000 | - | - | - |
| Spring Creek Pump Station Upgrades | AM-High | 1,000,000 | 580,000 | 580,000 | 580,000 |
| Spring Creek Pump Station Force Main Relocation | Regulatory | 900,000 | - | - | - |
| Signatory I & I Investigation & Remediation Program | Regulatory | 500,000 | 1,250,000 | 750,000 | 750,000 |
| Upper Western Lehigh Interceptor Pump Station & Force Main | Regulatory | 1,300,000 | - | - | - |
| WLI Parallel Alignment Study | Regulatory | - | - | - | - |
| Subtotal | | 4,250,000 | 2,330,000 | 1,430,000 | 1,430,000 |
| Satellite Systems | | | | | |
| Wynnewood I & I Investigation & Remediation Program | AM - Varies | 150,000 | 220,000 | 25,000 | 25,000 |
| Wynnewood Wastewater Treatment Plant Expansion | New Cust | 50,000 | 225,000 | 100,000 | 100,000 |
| Arcadia West WWTP Mechanical Screen | Efficiency | 220,000 | 180,000 | 170,000 | 170,000 |
| North Whitehall Township Act 537 Sewage Facilities Planning | Regulatory | 70,000 | 70,000 | 50,000 | 50,000 |
| Heidelberg Heights I & I Investigation & Remediation Program | Regulatory | 300,000 | 490,000 | 400,000 | 400,000 |
| Heidelberg Heights WWTP Rehabilitation | AM - High | 25,000 | - | - | - |
| Sand Spring WWTP Improvements | Regulatory | 100,000 | 120,000 | 30,000 | 30,000 |
| Lynn Township WWTP Improvements | AM - High | 900,000 | 950,000 | 100,000 | 100,000 |
| Lynn Township I & I Investigation & Remediation Program | Regulatory | 25,000 | 300,000 | 25,000 | 25,000 |
| Small Systems Generator Replacement | Regulatory | - | 350,000 | 50,000 | 50,000 |
| Subtotal | | 1,840,000 | 2,905,000 | 950,000 | 950,000 |
| Little Lehigh Relief Interceptor System: | | | | | |
| Park Pump Station Upgrade - Phase 2 | AM - High | 800,000 | - | - | - |
| Total Suburban Wastewater Division Capital Expenditures: | | 13,325,500 | 37,752,000 | 6,342,500 | 6,342,500 |

Suburban Wastewater Division - Total Fund Revenue & Expenses



Suburban Wastewater Division - Operating Revenue & Expenses



LCA Suburban Wastewater

2026 Proposed Rates

Revenue

- Signatory rates to be presented in Western Lehigh User Charge Report
- No volume increases in the budget
- Collector systems rate increase of 5%

2026 Rates – Suburban Wastewater – Proposed

*Common Rate 1 – Collection Only
Upper Milford, Weisenberg & Lowhill Townships*

| Part 1 - Fixed Charge per Equivalent Dwelling Unit (EDU) | | |
|--|------------------|------------------|
| | <u>2025 Rate</u> | <u>2026 Rate</u> |
| Quarterly Fixed Charge | \$21.00 | \$24.00 |

| Part 2 - Flow Charge per 1000 Gallons | | |
|---------------------------------------|------------------|------------------|
| | <u>2025 Rate</u> | <u>2026 Rate</u> |
| Flow Charge | \$4.53 | \$4.53 |

2026 Rates – Suburban Wastewater – Proposed

*Common Rate 1 – Collection Only
Upper Milford, Weisenberg & Lowhill Townships*



Average Residential Water Bill:

15,000 Gallons per Quarter

| | <u>2025</u> | <u>2026</u> |
|----------------------------------|-----------------|-----------------|
| Fixed Charge | \$21.00 | \$24.00 |
| Flow Charge | \$67.95 | \$67.95 |
| Quarterly Sewer Bill | \$88.95 | \$91.95 |
| Annual Sewer Bill | \$355.80 | \$367.80 |
| Increase = \$12.00 (3.4%) | | |

NOTE: Actual percentage change in each customer's bill will vary based on metered usage.

2026 Rates – Suburban Wastewater – Proposed

Common Rate 2 – Collection & Treatment

Wynnewood Terrace, Heidelberg Heights, Sand Spring & Lynn Township

Part 1 - Fixed Charge per Equivalent Dwelling Unit (EDU)

| | <u>2025 Rate</u> | <u>2026 Rate</u> |
|------------------------|-------------------------|-------------------------|
| Quarterly Fixed Charge | \$21.00 | \$30.00 |

Part 2 - Flow Charge per 1000 Gallons

| | <u>2025 Rate</u> | <u>2026 Rate</u> |
|-------------|-------------------------|-------------------------|
| Flow Charge | \$9.53 | \$9.53 |

2026 Rates – Suburban Wastewater – Proposed

Common Rate 2 – Collection & Treatment

Wynnewood Terrace, Heidelberg Heights, Sand Spring & Lynn Township



Average Residential Water Bill:

15,000 Gallons per Quarter

| | <u>2025</u> | <u>2026</u> |
|----------------------------------|-----------------|-----------------|
| Fixed Charge | \$21.00 | \$30.00 |
| Flow Charge | \$142.95 | \$142.95 |
| Quarterly Sewer Bill | \$163.95 | \$172.95 |
| Annual Sewer Bill | \$655.80 | \$691.80 |
| Increase = \$36.00 (5.5%) | | |

NOTE: Actual percentage change in each customer's bill will vary based on metered usage.

City of Allentown Division

| Sewer System Name | Customer Connections | Services | Rate Approach |
|--------------------------------|-------------------------------|--|---------------|
| Allentown Water & Sewer System | 33,661 Retail 15 Wholesale | Water Treatment Water Distribution Wholesale Water Sewer Collection Sewer Treatment Wholesale Sewer | By Agreement |

City Division – Changes from 9/22/2025

| | CITY DIVISION | | |
|--|--------------------|--------------------|------------------|
| Budget Overview | Current | Previous | Change |
| Operating, Non-Operating & Other Revenue | 75,431,077 | 75,431,077 | - |
| Operating Expenses (net of depreciation) | 28,628,713 | 28,628,713 | - |
| Net Revenues Available for Debt Service | 46,802,364 | 46,802,364 | - |
| Debt Service | 18,079,392 | 18,079,392 | - |
| Debt Service Coverage Ratio (indenture based) | 1.68 | 1.68 | - |
| | | | |
| | | | |
| Capital Budget Overview | | | |
| Capital Spending | 50,692,000 | 50,369,500 | 322,500 |
| Funding from 2026 Revenue & Operating Reserves | 29,685,037 | 29,362,537 | 322,500 |
| Funding from Existing Project Reserves | 15,346,033 | 15,346,033 | - |
| Funding from New Borrowing | 5,660,930 | 5,660,930 | - |
| Year-End Project Reserve Balance | 3,022,601 | 3,022,601 | - |
| | | | |
| | | | |
| Total Cash Flow | | | |
| Beginning Operations Cash Balance (2025 forecast) | 25,252,605 | 25,252,605 | - |
| 2026 Surplus (deficit) | 28,722,972 | 28,722,972 | - |
| Provided From (To) Capital | (29,685,037) | (29,362,537) | (322,500) |
| Ending Operations Cash Balance | 24,290,540 | 24,613,040 | (322,500) |
| Operating Days Cash on Hand | 325 | 329 | (4) |
| Project Reserve Balance | 3,022,601 | 3,022,601 | - |
| Other Reserves & Investments (includes restricted) | 90,601,701 | 90,601,701 | - |
| Ending Total Fund Balance - 2026 Budget | 117,914,842 | 118,237,342 | (322,500) |
| | | | |
| Ending Total Fund Balance - 2025 Forecast | 134,222,939 | 134,222,939 | |
| 2026 Cash Flows | (16,308,097) | (15,985,597) | (322,500) |

City Division:

2026

Cash Flows

&

Key Metrics

| | | | Budget | Forecast | Budget | Actual |
|----------------------|-----------------------------------|--|--------------|--------------|--------------|--------------|
| | | | 2026 | 2025 | 2025 | 2024 |
| CONDENSED CASH FLOWS | | | | | | |
| | Operating Revenues | | 67,388,445 | 63,208,292 | 63,046,210 | 64,867,510 |
| | Operating Expenses (ex. D&A) | | (27,245,222) | (25,736,752) | (25,674,408) | (23,547,087) |
| | Non-Operating Revenues (Expenses) | | 8,042,632 | 20,610,016 | 16,432,632 | 5,742,204 |
| | Annual Payments | | (1,383,491) | (1,119,374) | (1,323,915) | (1,361,180) |
| | Net Available for Debt Service | | 46,802,364 | 56,962,181 | 52,480,519 | 45,701,447 |
| | Debt Service | | (18,079,392) | (17,716,163) | (17,765,690) | (18,253,435) |
| | Non-Cash Working Capital Changes | | - | (532,600) | 350,000 | (4,649,562) |
| | Net Available for Capex | | 28,722,972 | 38,713,418 | 35,064,829 | 22,798,450 |
| | Investing | | - | - | - | - |
| | Borrowing | | 5,660,930 | - | - | 55,000,000 |
| | Capex | | (50,692,000) | (50,580,000) | (50,930,000) | (18,735,537) |
| | NET CASH FLOWS | | (16,308,098) | (11,866,582) | (15,865,171) | 59,062,913 |
| | | | Budget | Forecast | Budget | Actual |
| | | | 2026 | 2025 | 2025 | 2024 |
| KEY METRICS | | | | | | |
| | Operating Ratio with D&A | | 1.74 | 1.74 | 1.74 | 1.78 |
| | Debt Service Coverage Ratio | | 2.19 | 2.29 | 2.03 | 2.29 |
| | Capital Coverage Ratio | | 0.57 | 0.77 | 0.69 | 1.22 |
| | Unrestricted Days Cash on Hand | | 365.91 | 401.00 | 204.19 | 303.22 |
| | Unrestricted Investment Balances | | - | - | - | - |

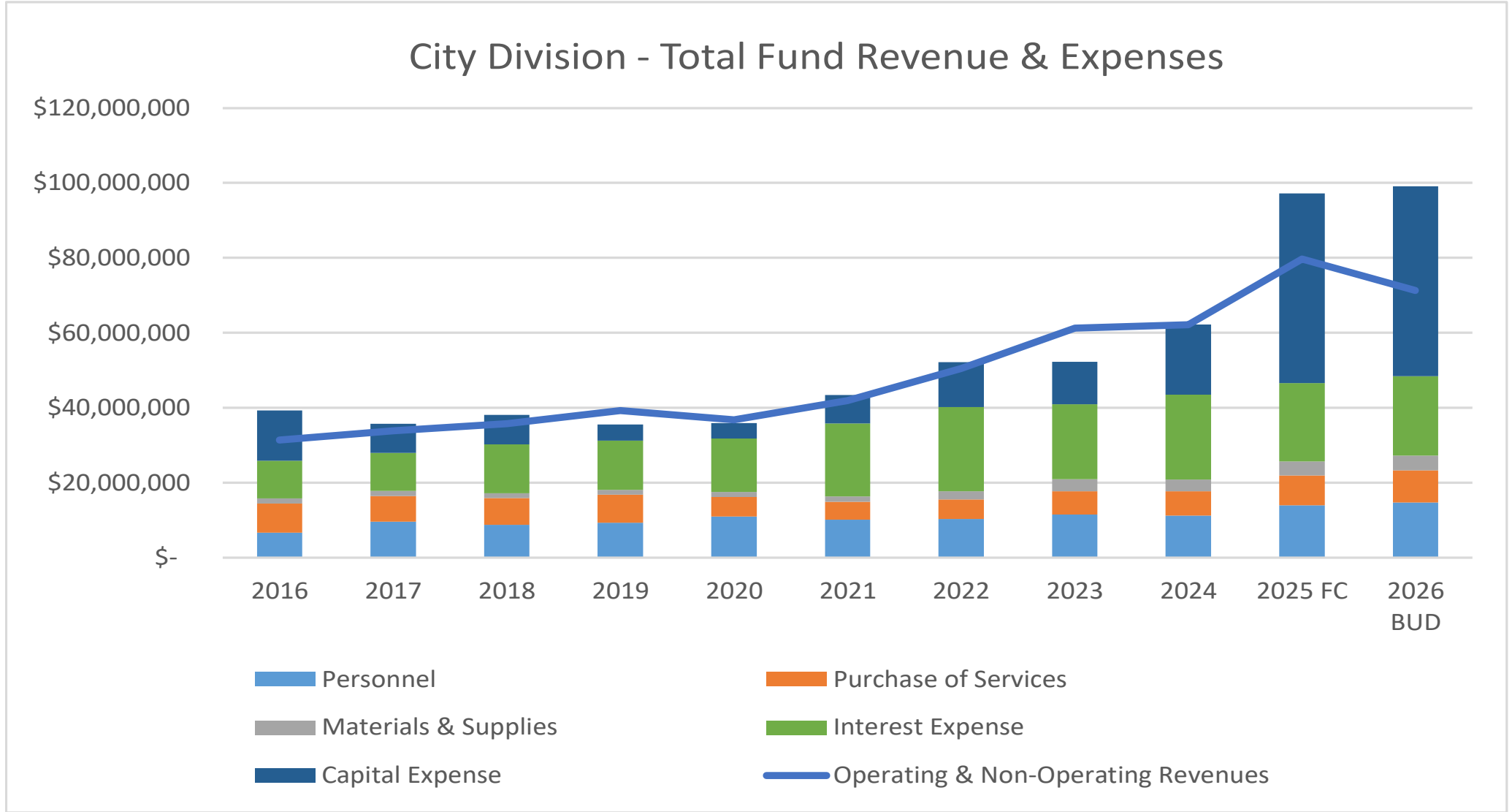
City Division: 2026 Capital Budget - WATER

| | Primary | | Cap Plan | | |
|---|-------------|-------------------|--------------------|-------------------|-------------------|
| | Project | 2025 | Costs | Cap Plan | 2026 |
| Project | Category | Budget | 2026-2030 | 2026 | Budget |
| Annual Projects | | | | | |
| Annual Projects | AM - Varies | 2,555,000 | 12,355,000 | 2,685,000 | 2,685,000 |
| Non-CCRC Projects | | | | | |
| Indenture Improvements | AM - High | 200,000 | 500,000 | 100,000 | 100,000 |
| Master Plan Studies | CA/OS | - | 225,000 | - | - |
| WFP Redundant Power Supply | Regulatory | 835,000 | - | - | - |
| Tank and Reservoir Rehabilitation | AM - High | 200,000 | 1,000,000 | 200,000 | 200,000 |
| Large Diameter Valve Replacement Project | AM - High | 300,000 | 2,300,000 | 500,000 | 500,000 |
| Schantz Spring Water Treatment Upgrades | Regulatory | - | 225,000 | 75,000 | 75,000 |
| Leak Detection Program | Regulatory | - | 450,000 | 250,000 | 250,000 |
| WFP Roof Replacement Project | AM - High | - | 700,000 | 50,000 | 50,000 |
| Subtotal | | 1,535,000 | 5,400,000 | 1,175,000 | 1,175,000 |
| Large Projects & CCRC Projects (3) | | | | | |
| Annual Water Main Replacements | CA/OS | 5,000,000 | 12,500,000 | 4,500,000 | 4,500,000 |
| PFAS Compliance Planning and Upgrades | Regulatory | 300,000 | 20,500,000 | 550,000 | 550,000 |
| WFP Influent Channel Modifications | Master Plan | 100,000 | - | - | - |
| Redundant Raw Water Line | Efficiency | - | 3,525,000 | 1,000,000 | 1,000,000 |
| Water Meter Replacement Program | AM - High | 2,000,000 | 1,250,000 | 500,000 | 500,000 |
| Filter Upgrades | Master Plan | 3,600,000 | 2,760,000 | 2,260,000 | 2,260,000 |
| Big Lehigh Intake and Transmission Upgrades | Master Plan | 100,000 | 2,825,000 | 1,000,000 | 1,000,000 |
| WFP Electrical Upgrades | AM - High | - | 3,700,000 | 100,000 | 100,000 |
| WFP HVAC Upgrade Project | Efficiency | 500,000 | 1,925,000 | 1,325,000 | 1,325,000 |
| Little Lehigh Intake Modifications | System Imp | - | 200,000 | - | - |
| Lead Service Line Replacement Program | Regulatory | 15,000,000 | 92,500,000 | 13,000,000 | 13,000,000 |
| Subtotal | | 26,600,000 | 141,685,000 | 24,235,000 | 24,235,000 |
| Total Allentown Division Water Capital Expenditures: | | 30,690,000 | 159,440,000 | 28,095,000 | 28,095,000 |

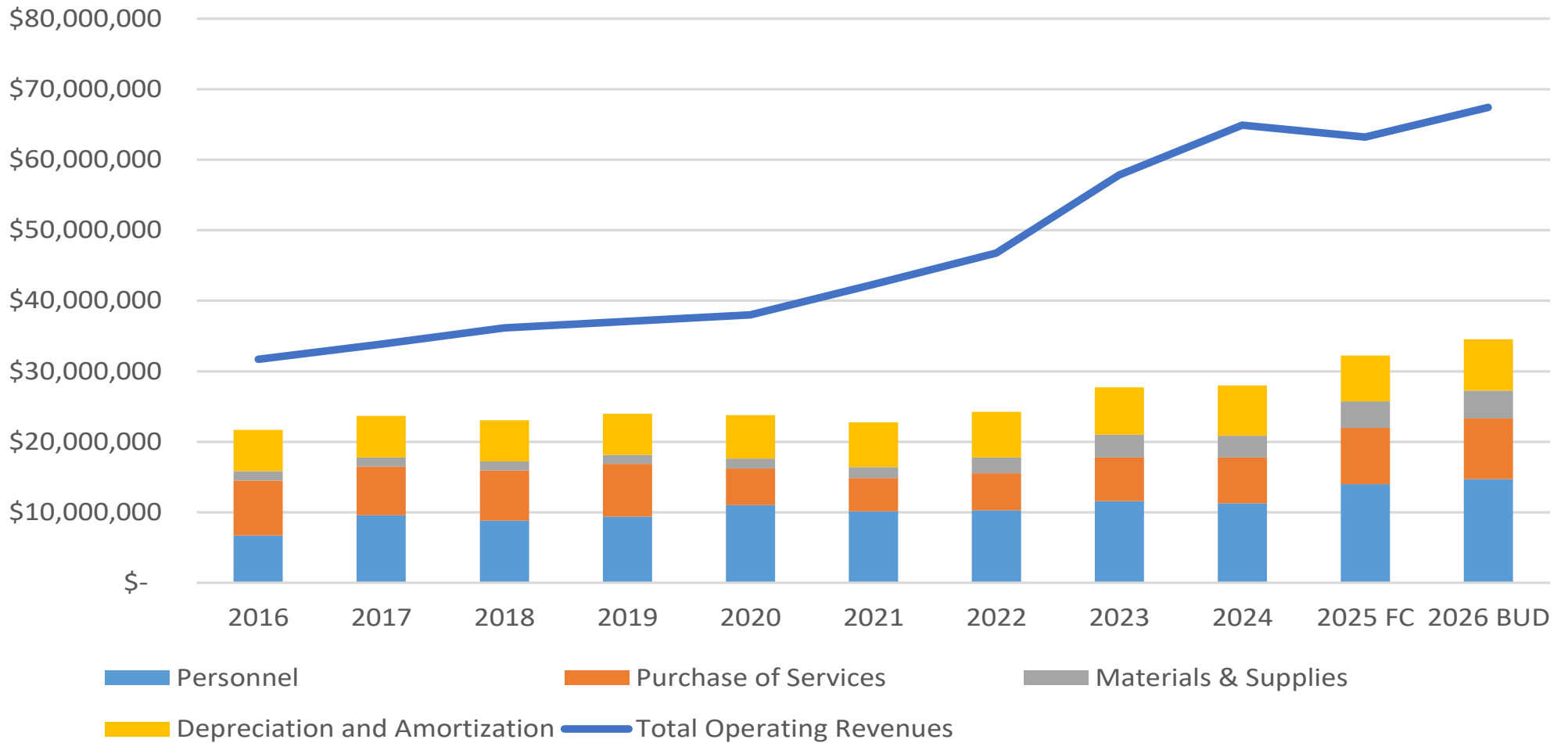
City Division: 2026 Capital Budget - WASTEWATER

| | Primary | | Cap Plan | | |
|--|-------------|-------------------|-------------------|-------------------|-------------------|
| | Project | 2025 | Costs | Cap Plan | 2026 |
| Project | Category | Budget | 2026-2030 | 2026 | Budget |
| Annual Projects | | | | | |
| Annual Projects | AM - High | 2,715,000 | 10,369,000 | 2,142,000 | 2,142,000 |
| Non-CCRC Projects | | | | | |
| Indenture Report Improvements | AM - Varies | 250,000 | 700,000 | 200,000 | 200,000 |
| KIWWTP Master Plan | CA/OS | - | 250,000 | - | - |
| Manhole Inspection and Sealing Program | Regulatory | 1,000,000 | 5,000,000 | 1,000,000 | 1,000,000 |
| KIWWTP Redudant Power Supply | Efficiency | - | 1,070,000 | 70,000 | 70,000 |
| WWTP Facilities Improvements | Efficiency | 100,000 | 1,050,000 | 200,000 | 200,000 |
| OCU Building #24 Replacement | AM - High | - | 800,000 | 100,000 | 100,000 |
| WWTP Facility Electrical Upgrades | AM - High | - | 650,000 | 130,000 | 130,000 |
| WWTP Effluent Pump Station | Efficiency | - | 725,000 | | |
| Subtotal | | 1,350,000 | 10,245,000 | 1,700,000 | 1,700,000 |
| Large Projects & CCRC Projects | | | | | |
| WWTP Electrical Substation Replacement Phase 2 | AM - High | 5,250,000 | 825,000 | 825,000 | 825,000 |
| WWTP Wet Weather Capacity - Main & Auxiliary Pump Station Improvements | AM - Varies | - | 21,200,000 | 6,250,000 | 6,250,000 |
| WWTP Final Clarifier 1-4 Rehabilitation | AM - Varies | 2,500,000 | 1,545,000 | 1,545,000 | 1,545,000 |
| WWTP Primary Sludge Digester Feed Line Replacement | AM-Varies | 2,700,000 | - | - | - |
| WWTP Wet Weather Improvements | AM - Varies | 750,000 | - | - | - |
| WWTP Plastic Media Trickling Filter Rehab | AM - High | 200,000 | 15,975,000 | 3,225,000 | 3,225,000 |
| Source Reduction Plan - I/I Elimination Program | Regulatory | 3,000,000 | 25,750,000 | 5,000,000 | 5,000,000 |
| WWTP Solids Process Improvements | Regulatory | 500,000 | 8,655,000 | 1,000,000 | 1,000,000 |
| Subtotal | | 14,900,000 | 73,950,000 | 17,845,000 | 17,845,000 |
| Regional Act 537 Projects | | | | | |
| Act 537 Alternatives Analyses | Regulatory | 250,000 | 100,000 | 100,000 | 100,000 |
| Miscellaneous Act 537 Planning, Financial and Legal Reviews | Regulatory | 200,000 | 100,000 | 100,000 | 100,000 |
| Subtotal | | 450,000 | 200,000 | 200,000 | 200,000 |
| Total Allentown Division Wastewater Capital Expenditures | | 19,415,000 | 94,764,000 | 21,887,000 | 21,887,000 |

City Division - Total Fund Revenue & Expenses



City Division - Operating Revenue & Expenses



LCA City Division

2026 Proposed Rates

Revenue

- Lease rates increase 5.5% by agreement
- Additional capital charges for approved projects
- Signatory revenues impacted by capital expenses

Part 1 - 2026 Lease Rates (Schedule 3)

Fixed Charges – Increased by terms of Lease Agreement

Inflation (CPI-U) plus 2.5% = 5.5%

| | Water Fixed Charges | | | Sewer Fixed Charges | |
|-------------------|-----------------------|-------------------------|--|-----------------------|-------------------------|
| <u>Meter Size</u> | <u>Monthly Charge</u> | <u>Quarterly Charge</u> | | <u>Monthly Charge</u> | <u>Quarterly Charge</u> |
| 5/8" | n/a | \$90.28 | | n/a | \$31.38 |
| 3/4" | n/a | \$100.15 | | n/a | \$34.78 |
| 1" | n/a | \$120.38 | | n/a | \$41.59 |
| 1 1/2" | \$56.73 | n/a | | \$19.54 | n/a |
| 2" | \$76.62 | n/a | | \$26.34 | n/a |
| 3" | \$129.54 | n/a | | \$44.62 | n/a |
| 4" | \$189.38 | n/a | | \$65.03 | n/a |
| 6" | \$355.09 | n/a | | \$121.87 | n/a |
| 8" | \$554.17 | n/a | | \$223.58 | n/a |

Part 1 - 2026 Lease Rates (Schedule 3)

Volume & Flow Charges – Increased by terms of Lease Agreement
Inflation (CPI-U) plus 2.5% = 5.5%

| | |
|-----------------------------|----------------------------|
| <u>Water Volume Charge:</u> | \$5.35708 per 1000 gallons |
| <u>Sewer Flow Charge:</u> | \$3.85688 per 1000 gallons |

* Volume & flow charges also include cost recovery for any Change of Law and cost passed through from the Delaware River Basin Commission (DRBC) as allowed under the Lease Agreement with Allentown.

Part 2 – Other Rates

Capital Cost Recovery & City Administrative Order Charges

| Project | Category | Project Year | Project Cost | Cost Recovery (years) |
|--|----------|--------------|---------------------|-----------------------|
| Water Mains - Cycles 1 - 5 | Water | 2014-2022 | \$15,841,619 | 30 |
| Roof Replacement Project | All | 2016 | \$1,695,328 | 30 |
| WWTP Belt Filter Press Replacement | Sewer | 2016 | \$1,728,032 | 20 |
| WWTP Motor Control Centers | Sewer | 2017 | \$2,381,524 | 30 |
| Schantz Spring Transmissions Line Replacement | Water | 2019 | \$2,568,683 | 30 |
| Digester Cover Replacements | Sewer | 2019 | \$3,201,409 | 30 |
| WWTP Substation Replacement - Phase 1 (Sub 2) | Sewer | 2020 | \$2,983,307 | 30 |
| High Lift VFD Replacement | Water | 2024 | \$1,371,118 | 20 |
| Water Mains - Cycle 6, 7 & 8 (City ARPA) | Water | 2024 | \$0 | 30 |
| WFP Filter Upgrade / Replacement (City ARPA) | Water | In Progress | \$0 | 30 |
| WWTP Substation Replacement - Phase 2 (Sub 1) | Sewer | In Progress | \$6,786,145 | 30 |
| WWTP Final Settling Tank Improvements | Sewer | In Progress | \$5,450,000 | 30 |
| WWTP Boiler Replacement Project | Sewer | In Progress | \$3,397,000 | 25 |
| WWTP Primary Sludge Improvements | Sewer | In Progress | \$2,700,000 | 30 |
| WWTP Plastic Media Filter Rehabilitation | Sewer | In Progress | \$4,200,000 | 25 |
| WWTP Wet-Weather Improvements (100 MGD) | Sewer | In Progress | \$21,950,000 | 30 |
| Lead Replacement Program | Water | Ongoing | \$742,739 | 30 |
| Inflow & Infiltration Source Reduction Program | Sewer | Ongoing | \$1,330,954 | 30 |
| TOTAL | | | \$78,327,858 | |

Part 2 – Other Rates

Capital Cost Recovery & City Administrative Order Charges

| Cumulative Total | Per 1000 Gallons |
|----------------------------|------------------|
| Water Capital Costs | \$0.42054 |
| Sewer Capital Costs | \$0.65344 |
| City Administrative Order* | \$0.20934 |

** The 2026 Administrative Order (AO) Fee calculation includes debt service for the City's \$2.5 million bond that was issued in 2016 (refinanced in 2020) and \$4.2 million in new bonds issued in 2020. In addition, the City made a one-time cash contribution of \$817,000 to the City AO fund to support continued planning work on the regional Act 537 Plan. Recovery of this additional cash funding will be included in the 2025-2028 AO Fees.*

What does it mean?

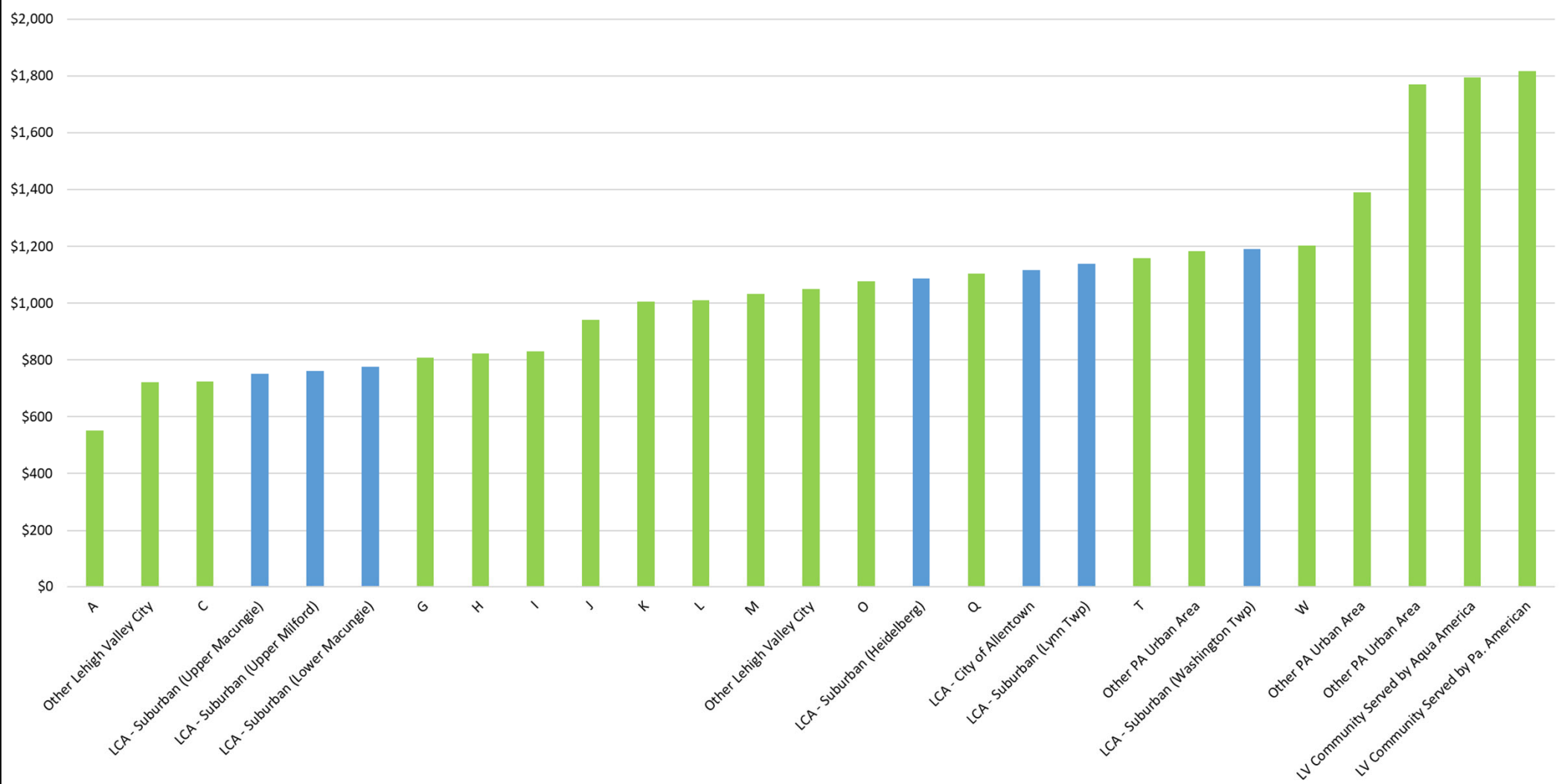
Billing Example – Residential Bill for 15,000 Gallons per Quarter

| | 2025 Quarterly Bill | 2026 Quarterly Bill |
|---------------------------|------------------------|------------------------|
| Fixed Charge – Water | \$85.57 | \$90.28 |
| Water Volume Charge | \$76.78 | \$80.36 |
| Water Capital Cos | \$6.11 | \$6.31 |
| Fixed Charge – Sewer | \$29.75 | \$31.38 |
| Sewer Flow Charge | \$54.83 | \$57.85 |
| Sewer Capital Cost | \$4.45 | \$9.80 |
| Admin Order Fee | \$3.05 | \$3.14 |
| Total Quarterly Bill | \$260.54 | \$279.12 |
| Annual Water & Sewer Bill | \$1,042.16 | \$1,116.48 |

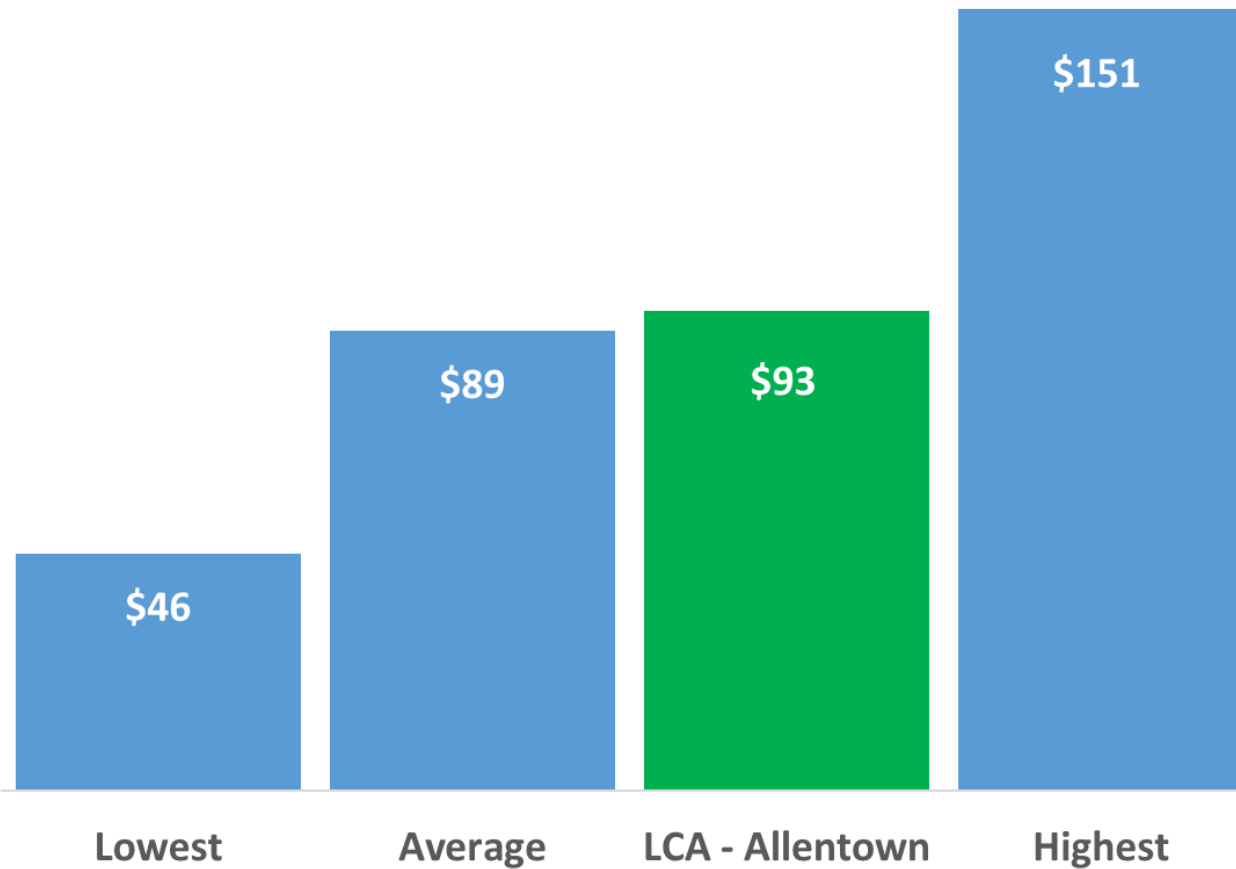


Total customer impact:
\$74.32 per year
7.1% Increase

Lehigh Valley / PA Urban Areas - Water & Sewer Rate Comparison (Data from 2025, LCA 2026 Proposed Rates)
 27 Communities in the Lehigh Valley & PA - Average Annual Residential Water & Sewer Bill (5000 gallons per month)



What Lehigh Valley Customers Pay Monthly for Water & Sewer Service



Looking Ahead

Work Remaining

- Report any final budget changes
- Suburban Wastewater signatory user charge report
- Customer rate change notifications (*under way now*)

Upcoming Board Meetings

- 2026 Budget approval – 10/27/2025
- 2026 Rate adoption – 11/10/2025



Discussion / Questions?

Thank you!

