

Lehigh County Authority
2020 Budget
Preliminary Review
September 23, 2019

Headcount

Department	Current	Changes	Budget
Executive/Administration	6	2	8
Finance & Purchasing	10	0	10
Compliance	14	0	14
IT	8	0	8
Customer Care/Billing	18	1	19
Capital Works	10	0	10
Operations Admin	2	0	2
Suburban Operations	20	3	23
City Water Filtration Plant	18	0	18
City WWTP	30	0	30
City D&C	29	0	29
TOTAL	165	6	171

Headcount Changes

New position - Regional Services Director

New position - HR Coordinator

New position - Collection & Data Admin/Billing Analyst

New positions - (2) Suburban Operations Technicians

New position - Suburban Field Supervisor

6 New Positions to be filled

Internal Services Summary

	2020	2019	2019		2020 Budget
	BUDGET	FORECAST	BUDGET		vs. 2019 FC
CONSOLIDATED					
Labor	3,940,074.00	3,470,462.00	2,976,514.00		(469,612.00)
Services	2,441,778.00	2,342,234.00	2,429,246.00		(99,544.00)
Materials & Supplies	123,950.00	107,533.00	124,270.00		(16,417.00)
Financing Costs	-	-	8,840.00		-
Allocations	-	-	-		-
TOTAL	6,505,802.00	5,920,229.00	5,538,870.00		(585,573.00)
CHANGE %					-9.89%

Labor up on higher headcount plus inflation

Services up due to higher public relations, higher risk management, higher E&T, and special studies

Materials & Supplies up just slightly

Total gets allocated to Suburban Water, Suburban WW, and City Division

Internal Services Variances

MAJOR VARIANCES			
Labor			
Labor pool increase	3.00%	(75,792)	
Employee Insurance Increase	18.00%	(149,536)	
Headcount Changes		(244,284)	Headcount changes
Total Labor		<u>(469,612)</u>	
Services			
Public Relations		(19,449)	Additional expenses added for enhancements in public outreach on infrastructure and associated rate impacts, including direct mail, social media, public meetings, and website upgrades
Education & Training		(24,986)	Management team training and individual employee training
Computer services		(35,350)	Additional spending on GIS, MUNIS, and Citiworks
Special Studies		(105,000)	Items budgeted for 2020: Strategic Planning Consulting - \$40,000 Process Improvement Projects - \$40,000 Compensation Study - \$25,000 Customer Survey - \$25,000 (deferred from 2019)
Legal fees		104,881	Solicitor in personnel costs for 2020 pending decision from selection process
Risk Management		(46,842)	Increase in insurance premiums
Other miscellaneous net		27,202	Favorable other net
Total Services		<u>(99,544)</u>	
Materials & Supplies			
Other miscellaneous net		(16,417)	
Total Materials & Supplies		<u>(16,417)</u>	
Finance Expenses			
		<u>-</u>	
TOTAL		<u><u>(585,573)</u></u>	

Budget Summary

	2020	2019	2018	2020 Bud
	<u>Budget</u>	<u>Forecast</u>	<u>Actuals</u>	<u>vs 2019 FC</u>
INCOME BEFORE CAPITAL CONTRIBUTIONS				
Suburban Water	15,778	155,033	19,266	(139,255)
Suburban Wastewater	(1,152,613)	(2,171,702)	(778,027)	1,019,089
City Division	<u>(4,436,001)</u>	<u>(4,037,684)</u>	<u>(6,134,152)</u>	<u>(398,317)</u>
Total LCA	<u><u>(5,572,836)</u></u>	<u><u>(6,054,353)</u></u>	<u><u>(6,892,913)</u></u>	<u><u>481,517</u></u>
NET CASH FLOWS				
Suburban Water	(2,053,268)	3,092,647	(287,896)	(5,145,915)
Suburban Wastewater	12,574,064	(1,213,144)	2,533,964	13,787,208
City Division	<u>1,417,766</u>	<u>2,035,568</u>	<u>(20,950,090)</u>	<u>(617,802)</u>
Total LCA	<u><u>11,938,562</u></u>	<u><u>3,915,071</u></u>	<u><u>(18,704,022)</u></u>	<u><u>8,023,491</u></u>
DEBT SERVICE COVERAGE RATIO				
Suburban Water	1.24	1.37	1.37	(0.13)
Suburban Wastewater	3.19	7.02	5.78	(3.83)
City Division	<u>1.24</u>	<u>1.58</u>	<u>1.66</u>	<u>(0.34)</u>
Total LCA	<u><u>1.39</u></u>	<u><u>1.76</u></u>	<u><u>1.77</u></u>	<u><u>(0.37)</u></u>
CAPITAL SPENDING				
Suburban Water	(8,010,000)	(8,249,662)	(5,348,970)	239,662
Suburban Wastewater	(8,670,500)	(11,452,292)	(2,687,185)	2,781,792
City Division	<u>(4,815,000)</u>	<u>(3,724,885)</u>	<u>(7,853,989)</u>	<u>(1,090,115)</u>
Total LCA	<u><u>(21,495,500)</u></u>	<u><u>(23,426,839)</u></u>	<u><u>(15,890,144)</u></u>	<u><u>1,931,339</u></u>

Suburban Water

CASH FLOW (DIRECT)	2020 Budget	2019 Forecast	2019 Budget	2018 Actuals	2020 vs. 2019 FC
Operating Revenues	10,582,010	9,997,745	9,989,588	9,348,885	584,265
Operating Expenses (ex D&A)	(7,176,549)	(6,528,307)	(6,423,554)	(5,734,907)	(648,242)
Cash From Operations	3,405,461	3,469,438	3,566,034	3,613,978	(63,977)
Interest Received	160,000	158,937	144,000	255,439	1,063
Cash Available for Debt Service	3,565,461	3,628,375	3,710,034	3,869,417	(62,914)
Debt Service	(3,504,729)	(3,220,615)	(3,191,702)	(3,193,013)	(284,114)
Net Cash Available After Debt Service	60,732	407,760	518,332	676,404	(347,028)
Non-Operating Revenues (Expenses)	776,500	776,114	719,000	489,812	386
Changes in Working Capital	-	7,587,177	-	(5,444,639)	(7,587,177)
Net Cash Available For Capital	837,232	8,771,051	1,237,332	(4,278,423)	(7,933,819)
Financing & Investment Activity	5,119,500	2,571,258	6,594,850	9,339,497	2,548,242
Capital Spending	(8,010,000)	(8,249,662)	(10,210,540)	(5,348,970)	239,662
Net Cash Flow	(2,053,268)	3,092,647	(2,378,358)	(287,896)	(5,145,915)
Beginning Balance	13,228,626	10,135,979	10,135,979	10,423,875	3,092,647
Ending Balance	11,175,358	13,228,626	7,757,621	10,135,979	(2,053,268)
DEBT SERVICE COVERAGE RATIO	1.24	1.37	1.39	1.37	(0.13)

Suburban Water

NET CASH FLOW PER 2019 FORECAST	3,092,647	
Revenues		
Increase in revenues from rate payers	584,265	6.9% increase in revenue dollars without any volume adjustment
Rental & Miscellaneous	-	0.0% increase budgeted, budgeting at 2019 FC amount
Total Operating Revenues	584,265	
Operating expenses		
Personnel Costs		
Addition of new headcount	(260,604)	(3) New positions budgeted impacting this
Salary & Wage increase effect	(36,264)	3.0% increase pool budgeted
Increase in employee benefits	(41,950)	18.0% increase budgeted with increases in Health care and pension
Labor charging changes	-	No labor charging adjustments
Total personnel costs	(338,818)	
Other Discretionary spending		
Inflation effects	(81,070)	Budgeting 2.0% inflation across discretionary spending areas
Decrease (Increase) in real spending levels		
Utilities	16,840	Lower utility usage
Materials & Supplies	(132,833)	26.9% increase due to higher equipment
Purchased services	40,704	Budgeting a decrease in overall spending with most of that reduction coming from lower analysis costs
Total Discretionary Spending	(156,359)	
Internal Services	(153,065)	Higher charges coming into the fund from Suburban Internal Services
Total Operating Expenses	(648,242)	
Interest Income	1,063	Small increase in interest income
Debt Service		
Interest Expense	(76,712)	Additional debt service from new borrowing
Loan Principal Payments	(207,402)	Additional debt service from new borrowing
Net increase	(284,114)	New borrowing of \$5,119,500
Non-Operating Revenues (Expenses)		
Change in Non-Operating revenues (expenses)	377	No major change
Higher expensed capex	9	No major change
Net NOR (NOE)	386	
Capital Spending/Funding		
Higher total capex	239,662	Lower capex spending
Net Investments	(2,571,258)	Had \$2.6m of investments convert to cash in 2019, not budgeting any in 2020, will still have \$1.8m of investments remaining at the end of 2020
New Borrowing	5,119,500	New Borrowing to fund capex
Net Changes	2,787,904	
Working Capital Changes	(7,587,177)	Large receivables at year-end 2018 converted to cash in 2019 but will not repeat in 2020
Net Increase (Decrease) in Cash Flows	(5,145,915)	
NET CASH FLOW PER 2020 BUDGET	(2,053,268)	

Suburban Water

CAPITAL EXPENDITURES					
	Primary	Estimated	Estimated	2020	Estimated
	Project	Project	Costs	Budget	Costs
Project	Category	Cost	Through 2019		2021 - 2024
<u>LCA Funded Projects</u>					
Annual Projects	AM - Varies	\$ 8,042,500	-	\$ 1,672,500	6,370,000
Water Main Replacement Projects	AM - Varies	\$ 9,600,000	-	-	9,600,000
CLD Auxiliary Pump Station & Main Extension	Sys Imp	\$ 1,900,000	1,700,000	200,000	-
Water Meter Reading Equipment Upgrade	AM - Med	\$ 4,000,000	2,500,000	1,500,000	-
Upper Milford Central Division Improvements (Buss Acres)	AM - High	\$ 2,500,000	200,000	2,300,000	-
Additional (Redundant) Water Supply - Small Satellite Divisions	Sys Imp	\$ 930,000	60,000	300,000	570,000
North Whitehall Division System Improvements	Sys Imp	N/A	-	50,000	N/A
Fixed Base Metering Reading System	Sys Imp	N/A	-	50,000	N/A
Arcadia Water Tank Replacement	Sys Imp	N/A	-	100,000	N/A
Central Lehigh to Upper Milford Division Interconnection	New Cust	\$ 1,800,000	480,000	1,320,000	-
CLD Well Improvements	AM - Med	\$ 150,000	40,000	60,000	50,000
CLD Distribution System Improvements	Sys Imp	\$ 130,000	40,000	60,000	30,000
Total Suburban Division Water Capital Expenditures (Funded):			\$ 5,020,000	\$ 7,612,500	\$ 16,620,000
Allocated Admin				\$ 397,500	
				\$ 8,010,000	

Suburban Wastewater

CASH FLOW (DIRECT) (\$)	2020 Budget	2019 Forecast	2019 Budget	2018 Actuals	2020 vs. 2019 FC
Operating Revenues	16,446,154	14,425,933	13,676,460	14,014,429	2,020,221
Operating Expenses (ex D&A)	(12,216,436)	(11,635,997)	(10,800,080)	(10,858,478)	(580,439)
Cash From Operations	4,229,718	2,789,936	2,876,380	3,155,951	1,439,782
Interest Received	200,000	266,086	75,000	222,306	(66,086)
Cash Available for Debt Service	4,429,718	3,056,022	2,951,380	3,378,257	1,373,696
Debt Service	(1,651,436)	(693,413)	(684,476)	(681,839)	(958,023)
Net Cash Available After Debt Service	2,778,282	2,362,609	2,266,904	2,696,418	415,673
Non-Operating Revenues (Expenses)	846,282	1,812,063	825,000	561,989	(965,781)
Changes in Working Capital	-	(391,228)	-	(88,717)	391,228
Net Cash Available For Capital	3,624,564	3,783,444	3,091,904	3,169,690	(158,880)
Financing & Investment Activity	17,620,000	6,455,704	3,501,000	2,051,459	11,164,296
Capital Spending	(8,670,500)	(11,452,292)	(11,831,010)	(2,687,185)	2,781,792
Net Cash Flow	12,574,064	(1,213,144)	(5,238,106)	2,533,964	13,787,208
Beginning Balance	7,867,470	9,080,614	9,080,614	6,546,650	(1,213,144)
Ending Balance	20,441,534	7,867,470	3,842,508	9,080,614	12,574,064
DEBT SERVICE COVERAGE RATIO	3.19	7.02	5.52	5.78	(3.83)

Suburban Wastewater

NET CASH FLOW PER 2019 FORECAST	(1,213,144)	
Revenues		
Signatory Revenues	2,020,221	Higher signatory flows and loads with operating expenses inflated by 3.0%
WWTP Revenues	-	No increase budgeted
Total Revenues	<u>2,020,221</u>	
Operating expenses		
Salaries & Wages	(18,201)	3.0% wage pool increase
Benefits	(50,000)	18.0% increase in benefits for health care and pension
General inflation	(154,563)	2.0% general inflation
Other Spending levels	(325,721)	Increase in spending levels with increased spending for purchased services, materials & supplies, and equipment
Treatment & Transportation	(31,954)	Higher T&T costs from higher flows & loads
Total Operating expenses	<u>(580,439)</u>	
Interest Income	(66,086)	Lower investment balances and lower interest rates
Debt Service	<u>(958,023)</u>	Higher due to new borrowing
Non-Operating Revenues (Expenses)		
Change in Non-Operating revenues (expenses)	(965,781)	Higher allocation sales in 2019 not repeating
Financing activity		
Investments converting to cash	11,164,296	No maturities for 2020, new borrowing of \$17.6m
Working capital Changes	391,228	Some reduction in receivables balances
Capital Spending/Funding	<u>2,781,792</u>	Decrease in capex
Net Changes	<u>13,787,208</u>	
NET CASH FLOW PER 2020 BUDGET	<u>12,574,064</u>	

Suburban Wastewater

CAPITAL EXPENDITURES					
Project	Primary Project Category	Estimated Project Cost	Estimated Costs Through 2019	2020 Budget	Estimated Costs 2021 - 2024
General:					
Annual Projects	AM - Varies	\$ 1,783,500	\$ -	\$ 320,500	\$ 1,463,000
Subtotal			-	320,500	1,463,000
LCA Wastewater Treatment Plant					
Pretreatment Plant Improvements	AM - Varies	3,500,000	-	700,000	2,800,000
Subtotal			-	700,000	2,800,000
Western Lehigh Interceptor System:					
Central Lehigh County WW Capacity Planning & Expansion	New Cust	620,000	-	620,000	-
Signatory I/I Investigation & Remediation Program	Regulatory	3,820,000	-	1,000,000	2,820,000
Spring Creek Force Main A/V Valve Replacements	Sys Imp	220,000	20,000	40,000	160,000
WLI-Trexletown Area Storage Facility	Regulatory	14,500,000	100,000	400,000	14,000,000
Subtotal			120,000	2,060,000	16,980,000
Little Lehigh Relief Interceptor System:					
Park Pump Station Rehabilitation/Improvements	AM - High	3,900,000	3,500,000	400,000	-
Park Pump Station Force Main Rehabilitation	AM - High	1,280,000	20,000	100,000	1,160,000
Subtotal			3,520,000	500,000	1,160,000
LCA Owned Interceptor System:					
SSES (Weisenberg, UMiT, Lowhill)	AM - High	75,000	-	75,000	-
Subtotal			-	75,000	-
Northern Lehigh Service Area:					
Wynnewood Terrace WWTP Remediation & Replacement	AM - High	4,000,000	3,300,000	700,000	-
Wynnewood I/I Investigation and Remediation Program	AM - Varies	120,000	20,000	50,000	50,000
Sand Spring WWTP Remediation & Replacement	AM - High	4,390,000	250,000	3,600,000	540,000
Heidelberg Heights I/I Investigation and Remediation Program	AM - Varies	1,425,000	300,000	275,000	850,000
Heidelberg Heights WWTP Rehabilitation	AM - High	420,000	20,000	40,000	360,000
Subtotal			3,890,000	4,665,000	1,800,000
Weisenberg Township:					
WWTP Mechanical Screen	Efficiency	275,000	-	-	275,000
Subtotal			-	-	275,000
Lynn Township					
Lynn Township WWTP Improvements & Expansion	AM - High	4,112,000	-	50,000	4,062,000
Lynn Township I/I Investigation and Remediation Program	AM - High	510,000	50,000	300,000	160,000
			50,000	350,000	4,222,000
Total Suburban Wastewater Division Capital Expenditures (Funded):			\$ 7,580,000	\$ 8,670,500	\$ 28,700,000

City Division

	2020	2019	2019	2018	2020 vs.
	Budget	Forecast	Budget	Actuals	2019 FC
CASH FLOW - DIRECT (\$)					
Operating Revenues	38,712,488	37,621,337	37,589,912	34,644,662	1,091,151
Operating Expenses (ex D&A)	(18,889,350)	(18,105,365)	(17,754,713)	(17,210,592)	(783,985)
Cash From Operations	19,823,138	19,515,972	19,835,199	17,434,070	307,166
Interest Received	900,000	1,164,612	400,000	1,047,630	(264,612)
Cash Available for Debt Service	20,723,138	20,680,584	20,235,199	18,481,700	42,554
Debt Service	(16,816,914)	(14,961,810)	(14,956,576)	(31,782,722)	(1,855,104)
Net Cash Available After Debt Service	3,906,224	5,718,774	5,278,623	(13,301,022)	(1,812,550)
Non-Operating Revenues (Expenses)	544,800	376,541	(268,800)	3,501,111	168,259
Changes in Working Capital	-	-	-	(7,156,997)	-
Net Cash Available For Capital	4,451,024	6,095,315	5,009,823	(16,956,908)	(1,644,291)
Financing & Investment Activity	1,781,742	(334,862)	1,963,800	22,595,807	2,116,604
Capital Spending	(4,815,000)	(3,724,885)	(5,369,885)	(7,853,989)	(1,090,115)
Net Cash Flow	1,417,766	2,035,568	1,603,738	(2,215,090)	(617,802)
Beginning Balance	35,431,491	33,395,923	33,395,923	54,346,013	2,035,568
Ending Balance	36,849,257	35,431,491	34,999,661	52,130,923	1,417,766
DEBT SERVICE COVERAGE RATIO	1.24	1.58	1.31	1.66	(0.34)

City Division

NET CASH FLOW PER 2019 FORECAST	2,035,568	
Revenues		
Volume	-	NO MONTHLY BILLING and No budgeted volume increase
Base rate increase on rate payer base	389,292	2.5% increase per concession agreement
CPI increase on rate payer base	218,005	1.4% per compliance (based upon an inflation index)
CCRC - Water	188,243	Based upon completed projects that meet lease criteria
CCRC - Wastewater	144,310	Based upon completed projects that meet lease criteria
Other Water Sales	279,590	Increase in other water sales
Wastewater revenues - cost based	536,189	3.0% inflation effect built into revenue
Municipal Wastewater	(664,478)	Lower signatory flows and loads
Total Revenues	1,091,151	
Operating expenses		
Personnel Costs		
Headcount from last year	(50,000)	Catch up for full year of headcount brought on board in 2019
Wage increases	(169,702)	3.0% wage pool
Benefits increase	(95,942)	4.0% increase in employee insurance costs
Charging re-allocation	-	Not budgeting any re-allocation of labor
Discretionary spending		
Inflation	(206,966)	2.0% inflation rate used across all spending categories
Real spending		
Utilities	19,394	Reduction in utility usage
Materials and supplies	(81,030)	Spending increase of 5.1%
Services	(252,870)	Spending increase of 12.4%
Internal Services Charged In	53,131	Net reduction in Internal Services Charged in
Total operating expenses	(783,985)	
Interest income	(264,612)	Assuming a reduction in overall interest rates
Debt Service		
Additional interest expense	(412,172)	Based upon series A&B along with Loan from Fulton Bank
Additional principal payments	(1,442,932)	
Total Debt service	(1,855,104)	
Non-Operating Revenues (Expenses)		
Capital Recovery Fees	1,247	Staying conservative
Planning and Inspection reviews	170,512	Staying conservative
Project Reimbursement	2,125,000	From COA
Expenses	(3,500)	Not repeating in 2020
Annual Lease Payments	(8,396)	CPI Index effect
Total Non-Operating Revenues (Expenses)	2,284,863	
Capital Spending/Funding		
Capex	(1,090,115)	Based upon Capex plan
Net Changes	(617,802)	
NET CASH FLOW PER 2020 BUDGET	1,417,766	

City Division

WATER FUND					
CAPITAL EXPENDITURES					
	Primary	Estimated	Estimated		Estimated
	Project	Project	Costs	2020	Costs
Project	Category	Cost	Through 2019	Budget	2021 - 2024
<u>LCA Funded Projects</u>					
Annual Projects	AM - Varies	8,640,000	-	972,500	7,667,500
Various Water System Related Studies	CA/OS	300,000	-	-	300,000
Sub-total Allentown Division Water Capital Funded by LCA			-	972,500	7,967,500
-					
<u>City Funded Projects</u>					
Iron/AMR Meter Project ⁽¹⁾	CA/OS	85,000	-	85,000	-
Sub-total Allentown Division Water Capital Funded by the City			-	85,000	-
-					
Administration Fund Capital Allocation				317,500	1,270,000
Total Allentown Division Water Capital Expenditures (Funded):			\$ -	\$ 1,375,000	\$ 9,237,500

(1) "Uncompleted Work" City Projects that were supposed to be complete by the time of settlement or executed by City personnel after settlement.

The City will fund these projects but has requested that LCA execute them.

City Division

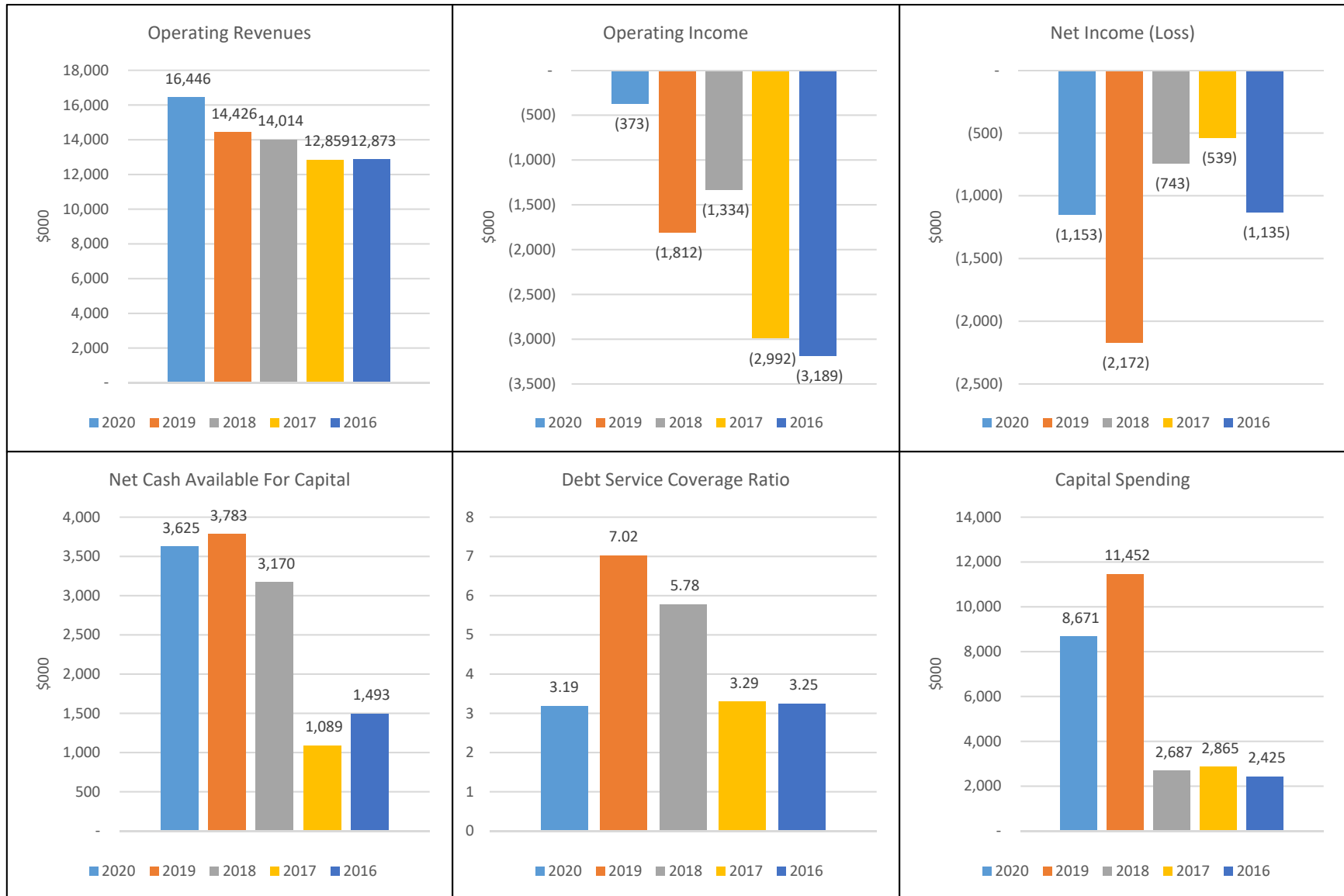
WASTEWATER SYSTEM					
CAPITAL EXPENDITURES					
	Primary	Estimated	Estimated		Estimated
	Project	Project	Costs	2020	Costs
Project	Category	Cost	Through 2019	Budget	2021 - 2024
<u>LCA Funded Projects</u>					
Annual Projects	AM - High	9,060,000	-	1,210,000	7,850,000
Various Wastewater System Related Studies	CA/OS	300,000	-	-	300,000
Sub-total Allentown Division Wastewater Capital Funded by LCA			\$ -	\$ 1,210,000	\$ 8,150,000
<u>City Funded Projects</u>					
Regional Flow Management Strategy ⁽¹⁾	Regulatory	3,145,000	-	730,000	2,415,000
WWTP Interim Blending Pumping System ⁽¹⁾	Regulatory	1,500,000	-	1,500,000	-
Sub-total Allentown Division Wastewater Capital Funded by the City			\$ -	\$ 2,230,000	\$ 2,415,000
Total Allentown Division Wastewater Capital Expenditures (Funded):			\$ -	\$ 3,440,000	\$ 10,565,000

(1) "Administrative Order" Projects as per the Agreement are to be Funded by the City and executed by LCA.

Dashboard – Suburban Water



Dashboard – Suburban Wastewater



Dashboard – City Division

