

October 21, 2019

2020 Budget Proposal Final Board Review



Lehigh County Authority

2020 Budget – General Expenses Included



Payroll – wage increases by contract & 3% pool for non-union



Health Insurance – significant increases (still working on this!)



General inflationary factors for power, chemicals, purchases, etc.



Legal expenses



Water purchases (Central Lehigh & North Whitehall systems)



Significant increases in operational expenses to advance preventive maintenance goals



Maintenance, Maintenance, Maintenance!

- Continuous improvement of SCADA, GIS & CMMS systems
- City Division Expenses:
 - Switchgear expenses increasing
 - Kline's Island treatment plant maintenance supplies
 - Concrete water reservoirs – added to maintenance contract
- Suburban Division Expenses:
 - Spare Pump Program
 - Valves, Hydrants & Flushing Program
 - Concrete water reservoirs – added to maintenance contract
 - Supplies for sewer "Capacity Management and O&M" program (CMOM)

2020 Budget – What's NEW?

- Staff Additions:
 - ***NEW: Staffing evaluation & justification required prior to filling each position***
 - 2 Operations & Maintenance Technicians – Suburban
 - 1 Operations Supervisor – Suburban
 - 1 Collections & Data Analyst – Main Office – Shared
 - 1 Regional Services / Planning Director – Main Office – Shared
 - 1 Human Resources Coordinator – Main Office – Shared
- Training
 - ***NEW: Exploration of innovation & continuous improvement***
 - Leadership Development program continues (kicked off in 2017)
 - Maintenance of certifications / tuition reimbursement levels
- ***NEW: Strategic Initiatives***
 - Strategic planning kickoff
 - Customer survey
 - Process improvement
 - Document Management

Financial Targets & Rates – 2020 Budget

- Debt Service Coverage Ratio = or > 120%
 - Remember the extra 20% is cash that we can use!
 - Future capital / system improvements
 - Reduced borrowing
 - Is 20% extra enough? (more on that later)
- Days of Operating Cash on Hand = or > 180 days
 - Our “cushion” for emergencies & revenue shortfall!
- Suburban water rates – estimated 5.9% rate increase
- Suburban wastewater rates (direct customers) – no change
- City Division rate increase of 4.1% (based on lease agreement)



Final Draft - 2020 Budget - RESULTS

	Suburban Water	Suburban Wastewater	City Division
Operating & Non-Operating Revenues	\$ 11,519,000	\$ 17,492,000	\$ 40,257,000
Operating Expenses	\$ 7,335,000	\$ 12,356,000	\$ 18,660,000
Debt Service	\$ 3,342,000	\$ 1,616,000	\$ 15,421,000
Debt Service Coverage Ratio	1.25	3.18	1.38
Net Cash Available for Projects	\$ 842,000	\$ 3,520,000	\$ 6,176,000
Capital Improvements	\$ 8,010,000	\$ 8,671,000	\$ 4,815,000
Sources of Project Funding	NEW Bonds (\$5.1M) Cash Reserves	NEW Bonds (\$22.6M) Cash Reserves	Cash Reserves
2020 Year-End Operating Cash Balance	\$ 3,710,000	\$ 6,144,000	\$ 9,089,000
Days of Operating Cash (target = 180)	185	181	178

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

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-Trexlerstown 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 Capital Expenses

What Projects ARE Funded?

Wastewater Plant – Disinfection Upgrade

Water Plant – High Light Pump VFD Replacement – Design/permitting phase
Equipment, materials, etc.

What Projects Are NOT Funded?

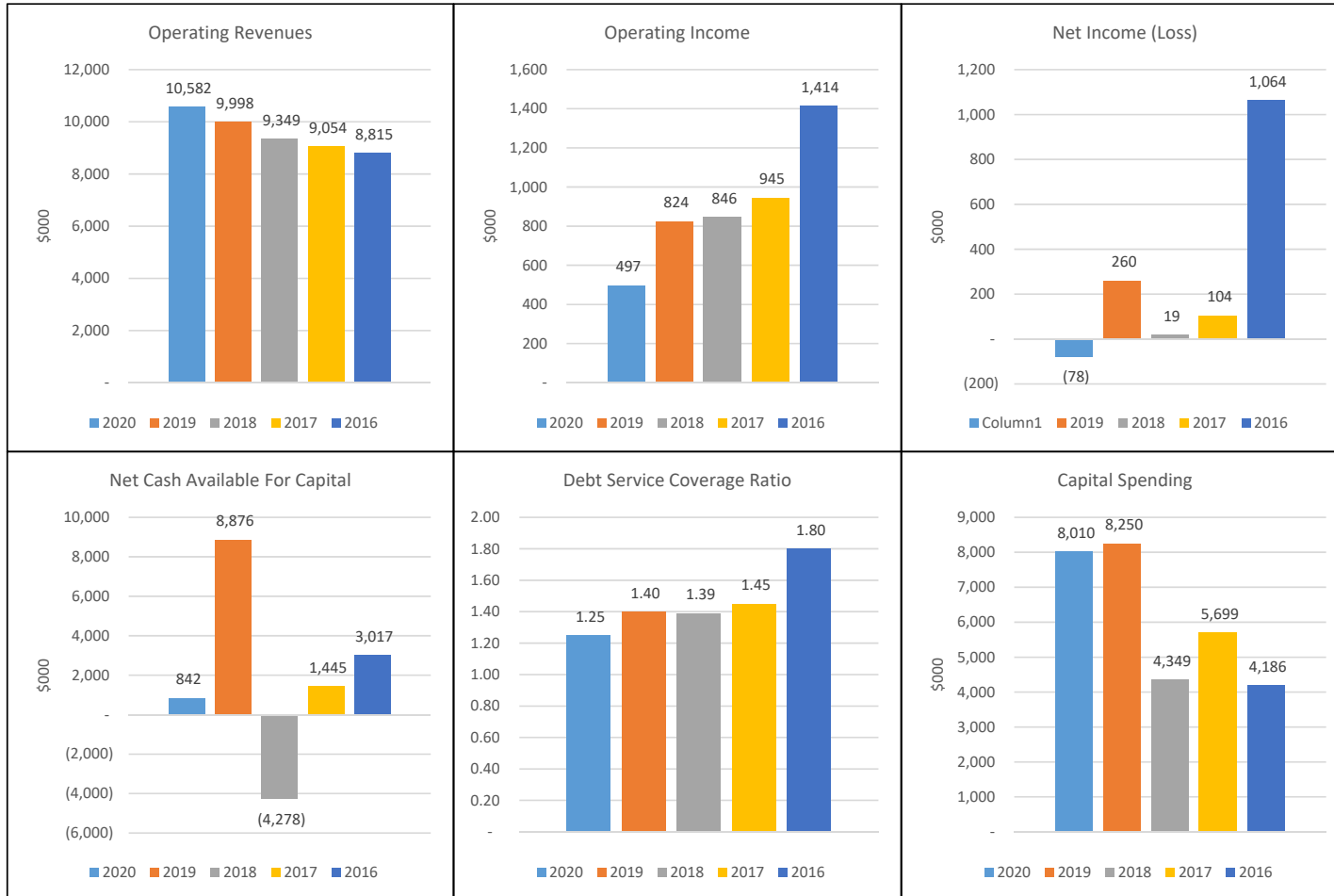
Water Main Replacements*

Water Plant – High Lift Pump VFD Replacement – Construction*

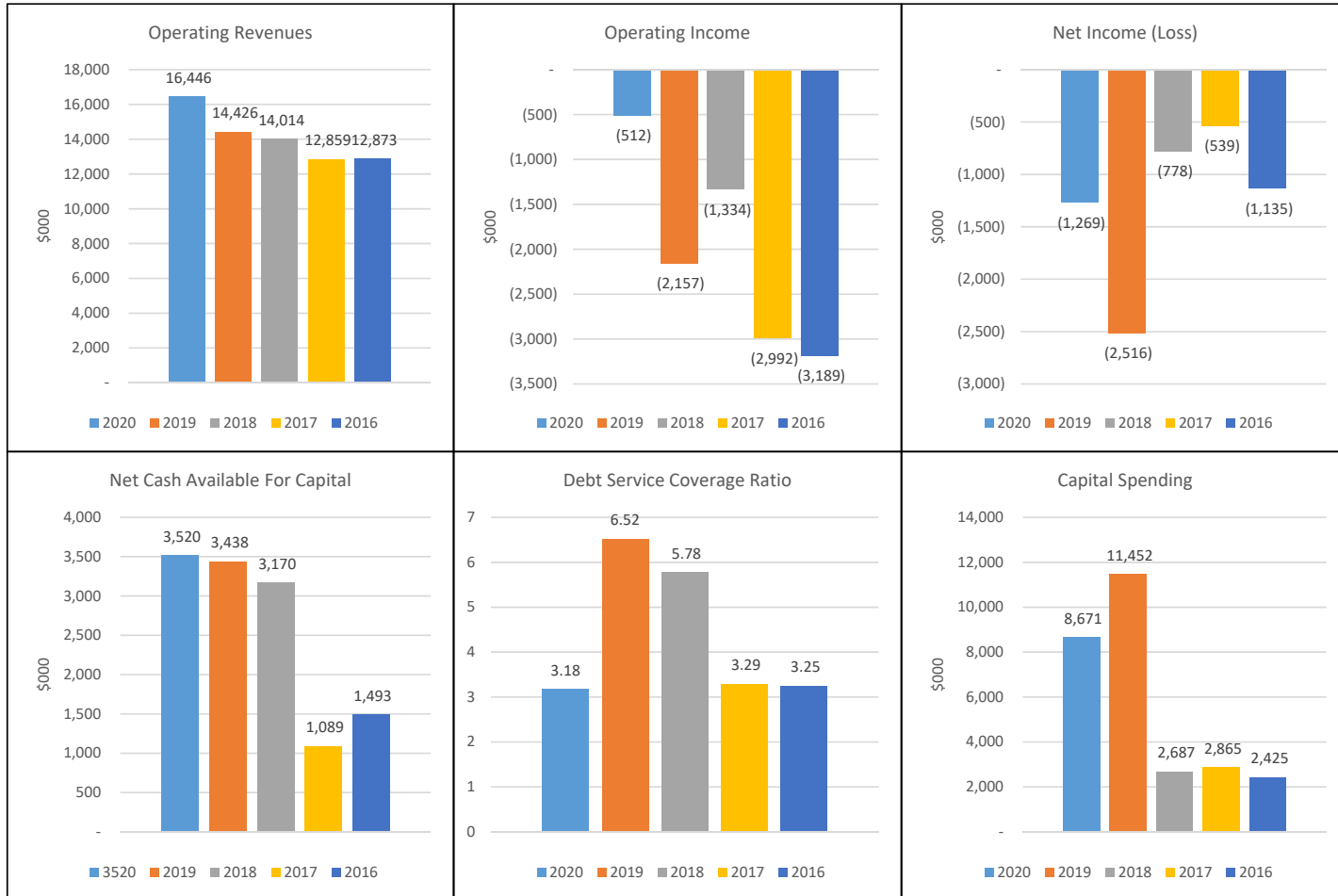
Other projects from water & wastewater master plans

* Pending resolution to lease disputes currently in negotiations

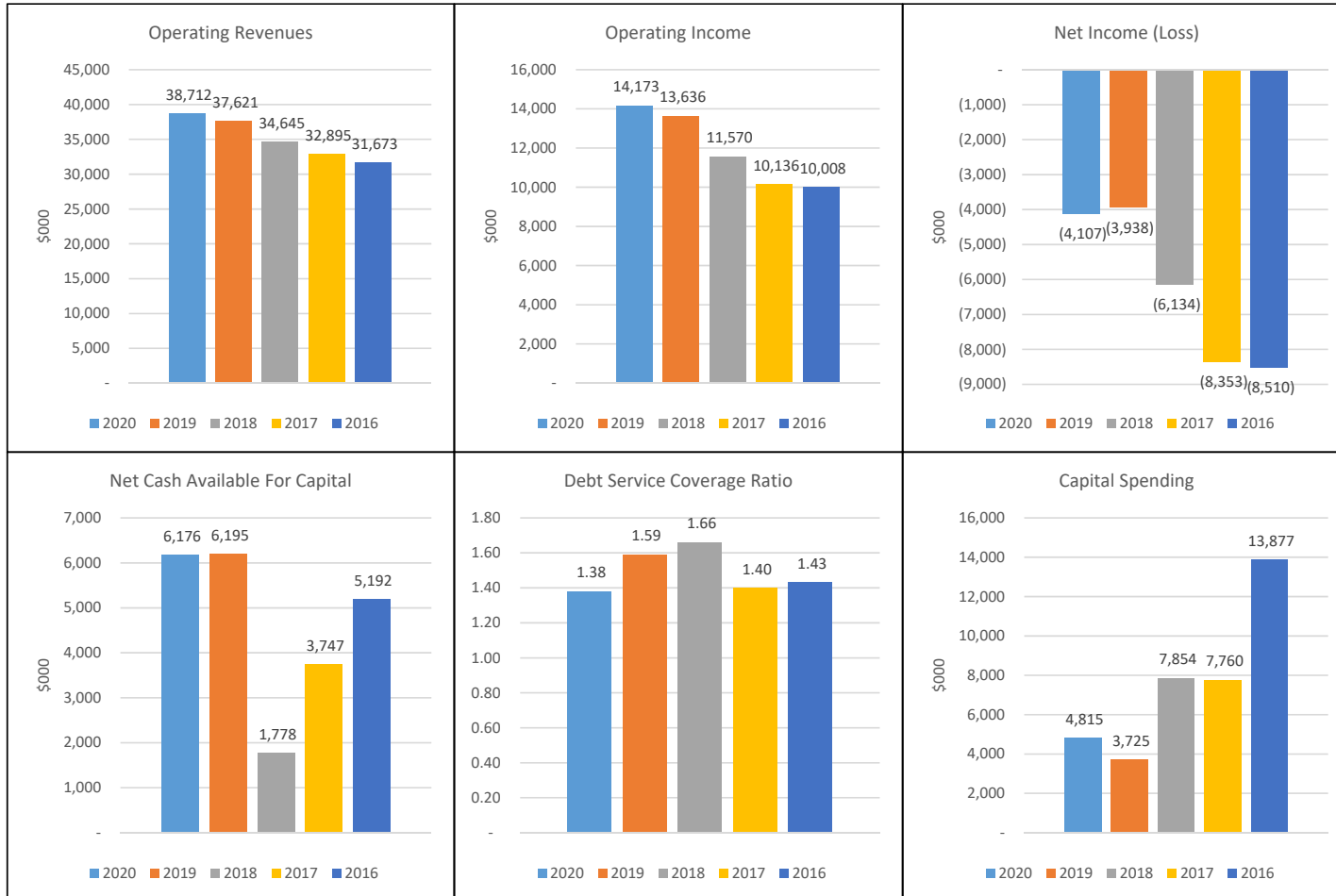
Dashboard – Suburban Water



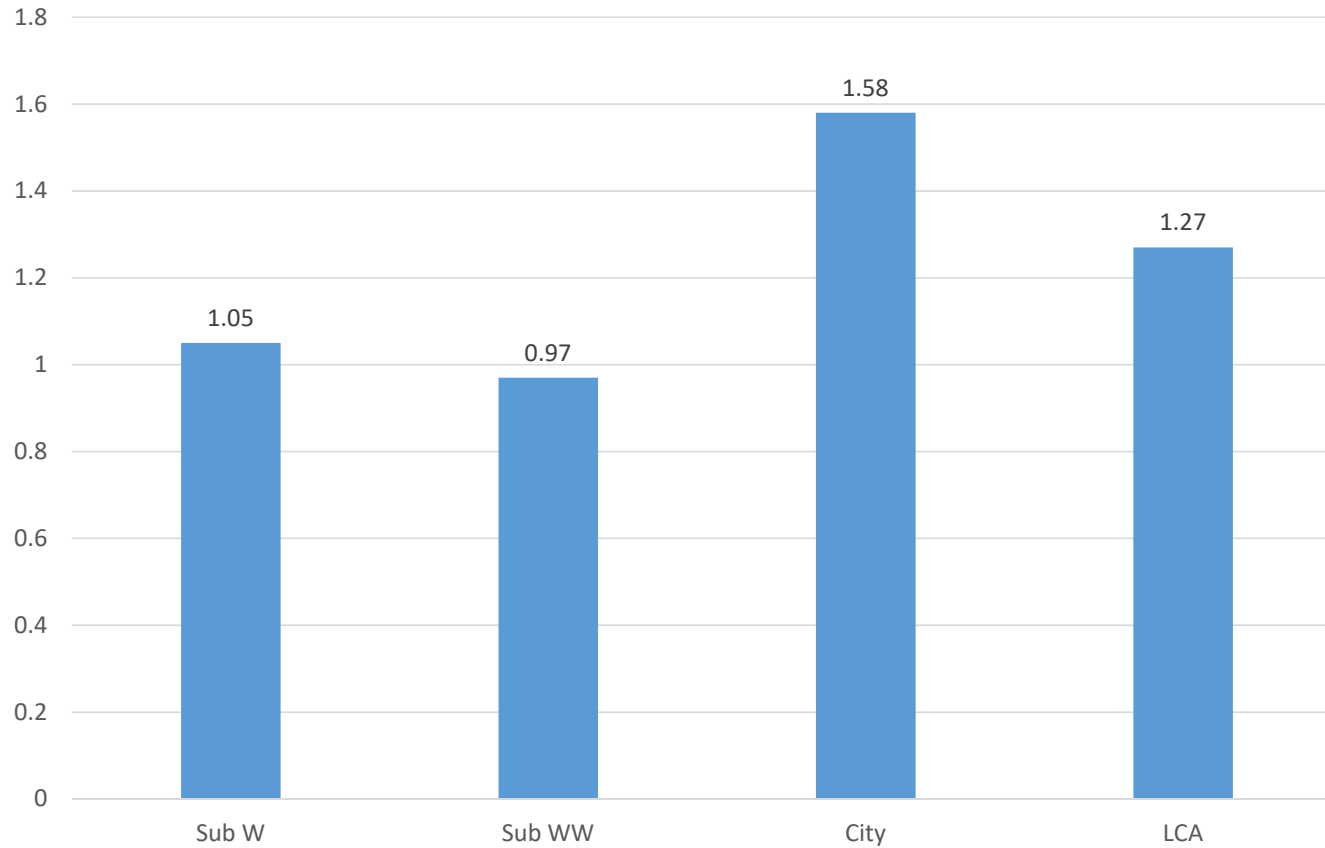
Dashboard – Suburban Wastewater



Dashboard – City Division

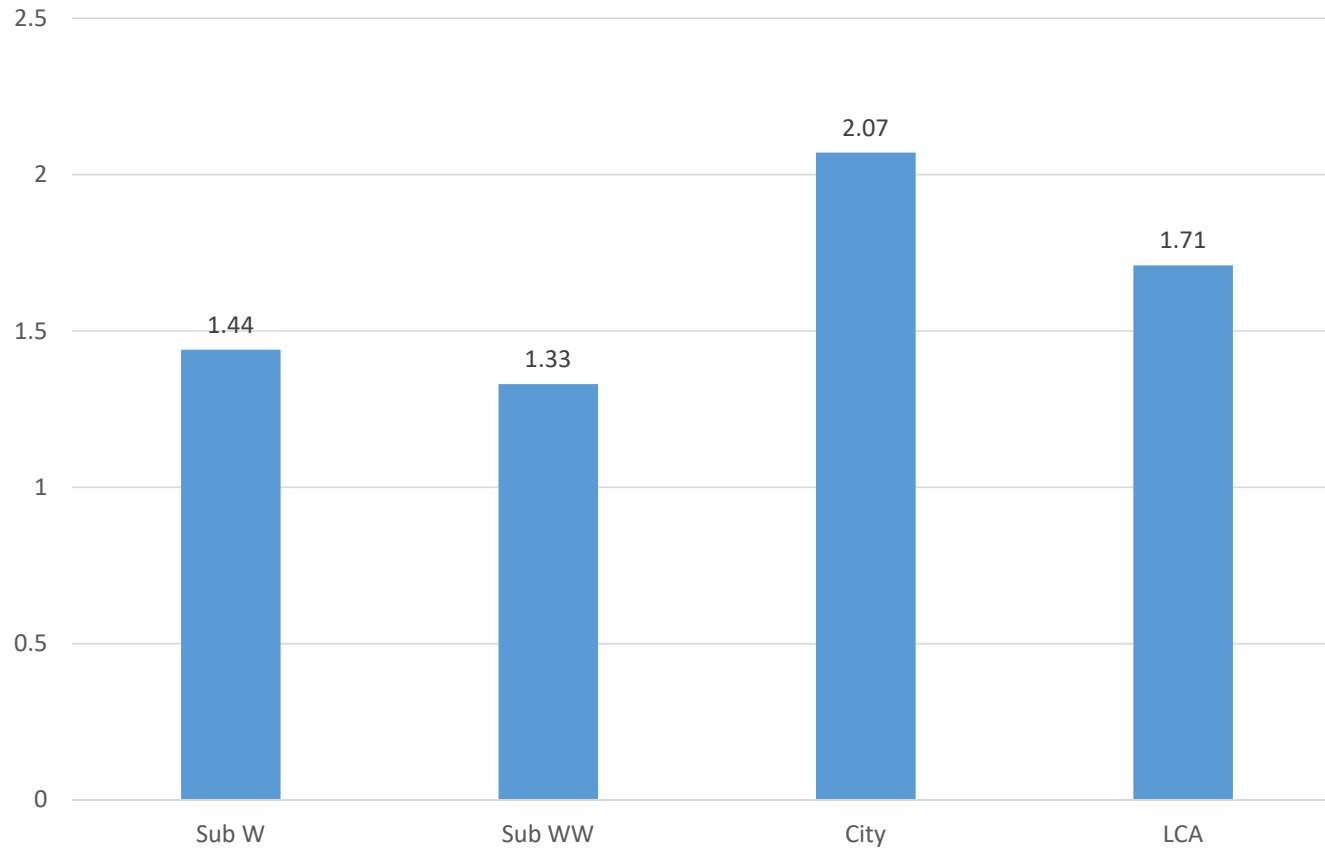


Operating Ratio (with D&A)



Operating Revenues / Operating Expenses including depreciation:
Illustrates financial capacity to address capital needs of the system.

Operating Ratio (ex D&A)



Operating Revenues / Operating Expenses excluding depreciation:
Illustrates cash available after operating expenses, available for debt.

Final Draft - 2020 Budget

	Suburban Water	Suburban Wastewater	City Division
Operating & Non-Operating Revenues	\$ 11,519,000	\$ 17,492,000	\$ 40,257,000
Operating Expenses	\$ 7,335,000	\$ 12,356,000	\$ 18,660,000
Debt Service	\$ 3,342,000	\$ 1,616,000	\$ 15,421,000
Debt Service Coverage Ratio	1.25	3.18	1.38
Net Cash Available for Projects	\$ 842,000	\$ 3,520,000	\$ 6,176,000
Capital Improvements	\$ 8,010,000	\$ 8,671,000	\$ 4,815,000
Sources of Project Funding	NEW Bonds (\$5.1M) Cash Reserves	NEW Bonds (\$22.6M) Cash Reserves	Cash Reserves
2020 Year-End Operating Cash Balance	\$ 3,710,000	\$ 6,144,000	\$ 9,089,000
Days of Operating Cash (target = 180)	185	181	178

Good News!

*We are generating revenue to cover all operating and debt expenses
We are covering some capital improvements with current revenues*

LCA's Challenges:

Rates will continue to increase to support future capital program & rising expenses
Capital improvements in City Division will be "on hold" until lease disputes are resolved

Next Steps

- 2020 Final Budget – 10/21/2019 Board Meeting
- Finalize Suburban Water Rates – November
- All rates finalized / adopted – November
- 2021-2025 Capital Plan – December-January
- City Division Budget – Amended in future if lease issues resolved

2020 Budget
Discussion / Questions?

