

Lehigh County Authority:
2020-2024
Suburban Division and
Administration Capital Plan

Preliminary Plan: Board Presentation – January 28, 2019

LCA's Goals: 2020-2024 Capital Plan

- Annual capital expenses and regular / recurring system upgrades (such as annual water main replacements) → funded via operating funds derived from current revenues or existing reserves
- Non-recurring, larger projects representing significant renewal, replacement or expansion of the system → funded via borrowing
- Incorporate 5-year financial forecasts into plan documents, including projecting rate/revenue increases required to fund the plan

Capital Plan Components

- ADMINISTRATION
- SUBURBAN DIVISION WATER AND WASTEWATER
- ALLENTOWN DIVISION WATER AND WASTEWATER
– to be presented at February 11 Board Meeting

2020- 2024 Capital Plan Timeline

- Preliminary Suburban & Administrative Capital Plan Distribution (with financials) – 1/21/19
- SD Capital Plan board presentation – 1/28/19
- AD Capital Plan board presentation – 2/11/19
- AD and SD Capital Plan distribution for public comment – 2/11/19
- End of preliminary plan public comment period – 3/11/19
- Final Plan (AD & SD) Approval and Distribution – 3/25/19

Administration – 2019 and 5-Year Plan Projects

CP#	Project	2019 \$	2020-2024 \$
Operating/Capital Reserve Funds			
SD-A-1	SCADA Programming, Hardware & Software Upgrades	\$ 150,000	\$ 700,000
CON-A-1 *	Computer System Hardware & Software Upgrades	100,000	275,000
CON-A-2 *	Geographic Information System Upgrades & Application Dev.	100,000	300,000
CON-A-3 *	Information Technology Master Plan Update	50,000	275,000
CON-A-4 *	Document Management	200,000	480,000
CON-A-5*	Disaster Recovery/Security Upgrades	125,000	175,000
CON-A-6*	CMMS Upgrades	125,000	200,000

**= Projects benefit both Suburban and Allentown*

Suburban Division Water – 2019 and 5-Year Projects

CP#	Project	2019 \$	2020-2024 \$
Operating/Capital Reserve Funds			
SD-W-A	ANNUAL PROJECTS <i>(breakdown of projects to follow)</i>	\$1,636,000	\$7,785,000
SD-W-12	WATER MAIN REPLACEMENT PROJECTS	2,500,000	9,600,000
New Borrowing Funds			
SD-W-4	BUSS ACRES PUMP STATION IMPROVEMENTS (UMCD)	700,000	900,000
SD-W-37	REDUNDANT WATER SUPPLY – SMALL SATELLITE DIVISIONS	100,000	770,000
SD-W-49	CLD AUXILIARY PUMPING STATION AND MAIN EXTENSION	1,417,860	0
SD-W-53	WATER METER READING EQUIPMENT UPGRADE	1,963,000	1,963,000
SD-W-54	CENTRAL LEHIGH TO UPPER MILFORD INTERCONNECTION (Kohler)	1,348,180	1,296,000
SD-W-55	CLD WELL IMPROVEMENTS STUDY	60,000	100,000
SD-W-56	CLD WATER SYSTEM OPTIMIZATION	60,000	90,000

Suburban Division Annual Water Projects

- Distribution Mains – Development & Upsizing
- Distribution System Improvements (3rd party)
- General Water System Improvements
- Mobile Equipment
- New & Replacement Meter Installation
- Other Equipment
- Reservoir Rehabilitation & Maintenance
- Water Company Acquisitions
- Water Facility Asset Management Upgrades
- Capital Management
- Main Office Improvements
- Capital Works Miscellaneous Expenses (includes PennDOT permitting)

Suburban Water – Financial Analysis

SOURCES	
Cash from operations and reserves	\$17,385,000
New Borrowing	<u>\$ 5,119,500</u>
Total Sources	<u>\$22,504,500</u>
USES	
Capital project spending	<u>\$22,504,500</u>

- Cash from operations includes \$3,715,000 of non-operating revenues
- Total funding from operations and reserves of \$17,385,000 covers annual projects worth \$7,785,000 and main replacement total of \$9,600,000
- Operations funding requires 6.90% annual increase for all years to cover the project cost coverage along with the additional annual debt service on the \$5.1m borrowing of \$371,926 and coverage of inflation on operating expenses
- Borrowing of \$5,119,000 covers the remaining projects outside of annual and main replacement

Suburban Water – Financial Analysis

CONDENSED CASH FLOW - SUBURBAN WATER					
<u>Dollars</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
User Charges	10,446,877.00	11,167,712.00	11,938,284.00	12,762,026.00	13,642,606.00
Other Operating Revenues	217,018.00	217,018.00	217,018.00	217,018.00	217,018.00
Non-Operating Revenues	887,000.00	887,000.00	887,000.00	887,000.00	887,000.00
Operating expenses	(6,616,261.00)	(6,801,517.00)	(6,991,960.00)	(7,187,735.00)	(7,388,992.00)
Debt Service - Current Debt	(3,191,702.00)	(3,191,702.00)	(3,191,702.00)	(3,191,702.00)	(3,191,702.00)
Debt Service - NEW Debt	(371,926.00)	(371,926.00)	(371,926.00)	(371,926.00)	(371,926.00)
Investments Converting to Cash	-	-	2,500,000.00	2,500,000.00	-
Proceeds From NEW Debt	5,119,500.00	-	-	-	-
Capex - Admin Paygo	(350,000.00)	(250,000.00)	(225,000.00)	(187,500.00)	(137,500.00)
Capex - Paygo	(1,415,000.00)	(1,615,000.00)	(4,642,000.00)	(4,895,000.00)	(4,818,000.00)
Capex - NEW Borrowing	(4,369,500.00)	(580,000.00)	(150,000.00)	(20,000.00)	-
NET FUND FLOWS	<u>356,006.00</u>	<u>(538,415.00)</u>	<u>(30,286.00)</u>	<u>512,181.00</u>	<u>(1,161,496.00)</u>
User Charge Revenue Increase %	6.9%	6.9%	6.9%	6.9%	6.9%
Operating Cash Balance	3,343,578	3,450,163	3,536,877	3,651,558	3,745,562
Days on Hand	184	185	185	185	185
Project Reserve Balance	2,125,011	1,480,011	1,363,011	1,760,511	505,011
DEBT SERVICE COVERAGE RATIO	1.38	1.54	1.70	1.87	2.06

Suburban Division Wastewater – 2019 and 5-Year Projects

CP#	Project	2019 \$	2020-2024 \$
Operating/Capital Reserve Funds			
Annual			
SD-S-A	ANNUAL PROJECTS <i>(breakdown of projects to follow)</i>	\$414,500	\$1,850,500
Pretreatment Plant			
SD-S-22	PRETREATMENT PLANT IMPROVEMENTS	700,000	3,500,000
Western Lehigh Interceptor			
SD-S-3	CENTRAL LEHIGH WW CAPACITY PLANNING & EXPANSION	50,000	100,000
SD-S-4	SPRING CREEK FORCE MAIN AIR RELEASE VALVE REPLACEMENTS	40,000	200,000
SD-S-9	SPRING CREEK PS FORCE MAIN CONDITION ASSESSMENT	0	300,000
Satellite Systems			
SD-S-6	WYNNEWOOD I/I INVESTIGATION & REMEDIATION	50,000	150,000
SD-S-7	WYNNEWOOD WWTP REPLACEMENT	2,000,000	1,670,000
SD-S-8	WESTERN WEISENBERG MECHANICAL SCREEN (Arcadia West)	0	325,000

Suburban Division Wastewater – 2019 and 5-Year Projects (continued)

CP#	Project	2019 \$	2020-2024 \$
SD-S-10	WEISENBERG, LOWHILL, UPPER MILFORD TOWNSHIP SSES	0	225,000
SD-S-13	SAND SPRING WWTP REPLACEMENT	800,000	2,510,000
SD-S-17	HEIDELBERG HEIGHTS I&I INVESTIGATION & REMEDIATION	250,000	500,000
SD-S-18	HEIDELBERG HEIGHTS WWTP REHABILITATION	40,000	510,000
SD-S-25	LYNN TOWNSHIP WWTP UPGRADE & EXPANSION	20,000	4,235,000
SD-S-26	LYNN TOWNSHIP I/I INVESTIGATION & REMEDIATION	30,000	200,000
Little Lehigh Relief Interceptor			
SD-S-12	PARK PUMP STATION FORCE MAIN REHABILITATION	100,000	1,260,000
SD-S-15	PARK PUMP STATION REHABILITATION	4,100,000	55,000
SD-S-16	REGIONAL PARK PUMP STATION	0	130,000

Suburban Division Wastewater – 2019 and 5-Year Projects (continued)

CP#	Project	2019 \$	2020-2024 \$
New Borrowing Funds			
Western Lehigh Interceptor			
SD-S-24	SIGNATORY I/I INVESTIGATION & REMEDIATION	500,000	3,320,000
SD-S-28	WLI TREXLERTOWN AREA INTERCEPTOR	100,000	14,300,000

Suburban Division Annual Wastewater Projects

- Mobile Equipment
- Other Equipment
- Wastewater Facilities Asset Management Upgrades
- Sewer Company Acquisitions
- WLI Capital Management
- WLI Collection System & Service Connections
- LLRI Collection System & Service Connections
- Upper Milford Township Collection System & Service Connections
- Northern Lehigh Collection System & Service Connections
- Weisenberg Township Collection System & Service Connections
- Lynn Township Collection System & Service Connections

Suburban Wastewater – Financial Analysis

SOURCES	
Cash from operations and reserves	\$17,720,500
New borrowing	<u>\$17,620,000</u>
Total sources	<u>\$35,340,500</u>
USES	
Capital project spending	<u>\$35,340,500</u>

- Cash from operations includes \$4,516,442 of non-operating revenues
- Total funding from operations and reserves of \$17,720,500 covers annual projects worth \$1,850,500, LCA Wastewater Treatment Plant Project worth \$3,500,000, Arcadia West Project worth \$325,000, Lynn Township projects worth \$4,435,000, LLRI projects worth \$1,445,000, the Common Rate Collector Systems projects worth \$5,565,000, other satellite system projects worth \$600,000
- Operations funding requires increases in rates to both the signatory group and non-signatory group. The rate increase will cover the operations funding of projects in addition to the additional debt service of \$1,183,453 on the \$17.6m of new borrowing and for inflation on operating expenses
- Borrowing of \$17,620,000 covers the remainder of the AO projects which are projects for the WLI Group

Suburban Wastewater – Financial Analysis

CONDENSED CASH FLOW - SUBURBAN WASTEWATER					
Dollars	2020	2021	2022	2023	2024
User Charges	16,754,434.00	17,192,295.00	17,443,292.00	17,907,819.00	18,386,281.00
Other Operating Revenues	-	-	-	-	-
Non-Operating Revenues	925,750.00	951,243.00	977,501.00	1,004,546.00	1,032,402.00
Operating expenses	(12,390,378.65)	(12,762,089.90)	(13,144,953.29)	(13,539,301.50)	(13,945,480.42)
Debt Service - Current Debt	(684,476.00)	(684,476.00)	(684,476.00)	(684,476.00)	(684,476.00)
Debt Service - NEW Debt	(1,183,453.00)	(1,183,453.00)	(1,183,453.00)	(1,183,453.00)	(1,183,453.00)
Investments Converting to Cash	-	-	-	3,000,000.00	-
Proceeds From NEW Debt	17,620,000.00	-	-	-	-
Capex - Admin Paygo	(350,000.00)	(250,000.00)	(225,000.00)	(187,500.00)	(137,500.00)
Capex - Paygo	(6,315,500.00)	(2,479,500.00)	(3,834,500.00)	(3,428,500.00)	(1,662,500.00)
Capex - NEW Borrowing	<u>(800,000.00)</u>	<u>(2,510,000.00)</u>	<u>(6,060,000.00)</u>	<u>(8,075,000.00)</u>	<u>(175,000.00)</u>
NET FUND FLOWS	<u>13,576,376.35</u>	<u>(1,725,980.90)</u>	<u>(6,711,589.29)</u>	<u>(5,185,865.50)</u>	<u>1,630,273.58</u>
User Charge Revenue Increase %	12.4%	2.6%	1.5%	2.7%	2.7%
Operating Cash Balance	6,261,189	6,474,708	6,582,619	6,787,754	6,993,027
Days on Hand	184	185	183	183	183
Project Reserve Balance	14,294,170	12,354,670	5,535,170	144,170	1,569,170
DEBT SERVICE COVERAGE RATIO	2.83	2.88	2.82	2.88	12.93

Summary

- 2019 Capital Budget
- Total 5-Year Capital Budget 2020-2024

	<u>2019</u>		<u>2020-2024</u>
Administration	\$850,000		\$2,300,000
Suburban Water	9,785,540		22,504,500
Suburban Wastewater	9,194,500		35,340,500
TOTAL	19,830,040		60,145,000

Discussion

Questions?