



LEHIGH COUNTY AUTHORITY

LCA Main Office:
1053 Spruce Road
Wescosville, PA 18106
610-398-2503

Agendas & Minutes Posted:
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BOARD MEETING AGENDA – September 26, 2016

1. Call to Order
 - *Public Participation Sign-In Request*
2. Review of Agenda / Executive Sessions
3. Approval of Minutes
 - *September 12, 2016 Board meeting minutes*
4. Public Comments
5. Action / Discussion Items:

FINANCE AND ADMINISTRATION

- *Resolution Authorizing Management Staff to Institute Certain Employee Policies – Approval (**blue**)*
- *Purchasing Financial Guideline revisions – Approval (**yellow**)*
- *2017 Preliminary Budget – Presentation & Discussion only*
- *Board Meeting Recordings – Discussion only*

WATER

- *Upper Milford-Central Lehigh Division Interconnection – (Memo to be distributed under separate cover)*

WASTEWATER

6. Monthly Project Updates / Information Items (1st Board meeting per month)
7. Monthly Financial Review (2nd Board meeting per month) – **August 2016 report attached**
8. Monthly System Operations Overview (2nd Board meeting per month) – **August 2016 report attached**
9. Staff Comments
10. Solicitor's Comments
11. Public Comments / Other Comments
12. Executive Sessions
13. Adjournment

UPCOMING BOARD MEETINGS

Meetings begin at Noon at LCA's Main Office, unless noted otherwise below.

October 10, 2016

October 24, 2016

October 31, 2016 Special meeting to be held only if needed to complete 2017 budget approval process

November 14, 2016

PUBLIC PARTICIPATION POLICY

In accordance with Authority policy, members of the public shall record their name, address, and discussion item on the sign-in sheet at the start of each meeting; this information shall also be stated when addressing the meeting. During the Public Comment portions of the meeting, members of the public will be allowed 5 minutes to make comments/ask questions regarding non-agenda items, but time may be extended at the discretion of the Chair; comments/questions regarding agenda items may be addressed after the presentation of the agenda item. Members of the public may not request that specific items or language be included in the meeting minutes.

REGULAR MEETING MINUTES

September 12, 2016

The Regular Meeting of the Lehigh County Authority was called to order at 11:03 a.m. on Monday, September 12, 2016, Chairman Brian Nagle presiding. Other Members present at the commencement of the meeting were: Linda Rosenfeld, Kevin Baker, Norma Cusick, Scott Bieber, Ted Lyons and Deana Zosky. Authority Staff present were Liesel Gross, Ed Klein, Frank Leist, Brad Landon, Chuck Volk, John Parsons, Phil DePoe and Lisa Miller.

REVIEW OF AGENDA

Liesel Gross stated that there are no additional items to the Agenda and reviewed the order of the agenda, which was adjusted due to the length of the agenda and early start time.

APPROVAL OF MINUTES

August 8, 2016 Regular Meeting Minutes

On a motion by Linda Rosenfeld, seconded by Ted Lyons, the Board approved the Minutes of the August 8, 2016 meeting (7-0).

PUBLIC COMMENTS

None.

ACTION AND DISCUSSION ITEMS

Wastewater Pretreatment Plant – Operations Report & Discussion of Contract Extension

CH2M, the Authority's contract operator at the Pretreatment Plant, was present and gave a presentation and overview of their operations at the Pretreatment Plant. Liesel Gross explained that the staff and CH2M have begun discussions about negotiating a 10-year contract extension. The current contract includes provisions for two additional extensions of five years each; however, when the Board approved the last 5-year extension in 2013, the Board consensus was to pursue a longer-term extension, which would allow for more opportunities to invest in capital improvements that have a payback period longer than five years. Ms. Gross explained that CH2M and Authority staff are seeking confirmation of the Board's desire to pursue this long-term contract extension prior to investing significant time in the negotiation process. Discussion followed, focusing on how costs are shared and how CH2M is held accountable for the condition of the facility they are operating. Chuck Volk explained that CH2M conducts a condition assessment annually as part of the asset management program of the pretreatment plant, and a more detailed capital improvements plan is developed and rolled into the Authority's 5-year capital plan. A summary of the condition assessment will be provided to the Authority Board. Mr. Volk also explained that preventative maintenance is a required element of the work completed by CH2M, and is included in the base price of their operations contract. Board members expressed interest in understanding more about the pricing of the contract should a 10-year extension be proposed, including competitiveness and incentives for efficiency and conservation of electricity.

Emergency Declarations – WL20 Pump Repair & City Division Sewer Repair

John Parsons reviewed the emergency sewer repair that occurred at E. Cedar Street and Wahneta Street in Allentown and also the emergency pump repair for Well #20 in the Suburban Division. Because both repairs were required on an immediate basis to restore service to customers, and the cost of the repairs exceed the Authority's purchasing threshold requiring the work to be formally bid, an emergency was declared administratively to allow the work to be completed without bids. The Board was requested to declare an emergency retroactively as required by the Authority's purchasing guidelines.

On a motion by Ted Lyons, seconded by Linda Rosenfeld, the Board declared an Emergency for both situations (7-0).

Liesel Gross gave an update on the internal process controls for these types of situations and asked the Board to discuss the staff authorization level. Currently, the purchasing guidelines require three quotes for expenses over \$10,500.00 and bids for expenses over \$19,400.00. Some discussion followed and the Board agreed some administrative authority to declare an Emergency would be appropriate, as long as the Board is aware of the incidents that occur. Ms. Gross suggested that the Staff prepare an update to the Purchasing Guidelines at the next meeting to capture the Board discussion.

The meeting paused for lunch at 12:10 p.m. The meeting resumed at 12:30 p.m.

2015 Audit & Financial Statements

Liesel Gross recommended the Board accept the 2015 Audit as presented in August. Deana Zosky stated her concerns regarding the negative trends in the variances from the prior year. Some discussion followed.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board approved the 2015 Audit & Financial Statements (7-0).

Suburban Division – Capece Tract, WL#20 and Reservoir #3 Improvements

Frank Leist gave an overview of the project stating the purpose of the improvements is to divert more water flow to the southeastern section of the service area rather than to Reservoir #3 which allows Reservoir #2 to reach optimum storage level. The installations of a Variable Frequency Drive (VFD) on WL#20 will minimize wasting water discharges. Mr. Leist is asking for approval of the Capital Project Authorization – Construction Phase in the amount of \$78,300.00 which includes the Professional Services Authorization – Amendment No. 1 in the amount of \$14,400.00 to ARRO Consulting Inc. and awarding the construction contract to Blooming Glen Contractors, Inc. in the amount of \$47,900.00.

On a motion by Ted Lyons, seconded by Linda Rosenfeld, the Board approved the Capital Project Authorization – Construction Phase in the amount of \$78,300.00 which includes the Professional Services Authorization – Amendment No. 1 in the amount of \$14,400.00 to ARRO Consulting Inc. and awarding the construction contract to Blooming Glen Contractors, Inc. in the amount of \$47,900.00 (7-0).

Suburban Division – Pine Lakes Pumping Station Improvements

Frank Leist gave an overview of the project. He is asking the Board to reject both the general construction and electrical bids because the general construction bids were considerably higher than the engineer's estimate. Mr. Leist said the project will be re-evaluated then re-bid in January of 2017.

On a motion by Linda Rosenfeld, seconded by Norma Cusick, the Board rejected all bids received for the Pine Lakes Pumping Station Improvements (7-0).

2017 Budget Assumptions

Liesel Gross gave an overview of the 2017 budget development process and assumptions along with the anticipated timeline of final budget approval. She noted that a third Board meeting in October has been scheduled for October 31, 2016, in the event that additional time is needed to review and approve the budget by the November 1 deadline.

Deana Zosky commented that the format of the budget assumptions was not what she would traditionally want to see. She suggested that the budget assumptions should be presented with the draft budget so variances from the prior budget can be examined. Ms. Gross explained that the Authority's process has historically included an early review of the overarching assumptions for staffing, inflationary factors, key initiatives and other conceptual-level changes so the Board could weigh in on these issues very early in the process prior to the detailed budget being developed. Board approval of the budget assumptions is not required, but the Staff values the Board's input at the conceptual level to ensure the budget is being

developed according to the Board's overall desired direction. The Board should discuss whether they would no longer wish to participate in this step of the budget development.

Ed Klein explained the status of the 2017 budget development, and noted that because the August 22, 2016 meeting was canceled, the budget assumptions outlined in the Board agenda packet have already been incorporated into the preliminary 2017 budget, which he is comparing to projected 2016 performance. A more detailed review of the preliminary 2017 budget would be provided at the September 26, 2016 meeting.

2017-2021 Capital Plan

Liesel Gross reviewed the memo and other attachments to the Board agenda packet, explaining that comments had been received from the City of Allentown and the Lehigh Valley Planning Commission. Staff will respond directly to the City of Allentown regarding their questions and comments.

Staff provided a detailed presentation including overview of the capital plan presented by Liesel Gross, project details provided by Frank Leist and Phil DePoe, financial analysis provided by Ed Klein, and additional commentary on financial scenarios provided by Liesel Gross. The presentation was divided into sections encompassing Administration, Suburban Division water projects, Suburban Division wastewater projects, and Allentown Division projects. Overall the 5-year plan includes 89 projects with a total cost of \$146 million. The plan would be funded primarily through future borrowing, although actual borrowing requirements would be based on impacts of customer growth, specific project feasibility and other factors.

Discussion followed, with Board members asking questions about individual projects. Kevin Baker asked about the Document Management project and how this technology program would be justified. Frank Leist explained that the first step of the project is to complete a needs assessment to analyze the Authority's document management needs more closely to determine the overall benefit of the program prior to authorizing additional phases of the project. Scott Bieber asked for details of the water system improvements in the Upper Milford Central Division. Frank Leist explained the challenges in this small water system as it relates to radon, pumping capacity, and lack of redundancy. The project will further analyze options to improve the sustainability of this system operation.

Deana Zosky commented that the capital plan as presented does not meet her expectations for fully justifying the projects with a return-on-investment (ROI) analysis, key metrics for performance, or cohesive illustration of the financial impact in concert with the financial statements and budget. Liesel Gross explained that the 2017 projects would be reviewed in more detail as part of the 2017 budget development process. Ed Klein noted that this plan should be viewed as a high-level strategy to complete the work that the Authority is generally required to do, and that an ROI analysis cannot be done on every project in advance of presenting the plan. Frank Leist explained that most of the projects included in the plan are required in some form to ensure the sustainable operation of the Authority's systems, or to meet regulatory requirements such as the US EPA's Administrative Order to eliminate sanitary sewer overflows. Very little of the Authority's work is discretionary or will provide a return on investment, other than the ability to continue to serve customers with high quality utility services.

Ted Lyons suggested that the Finance Committee should reconvene to discuss Ms. Zosky's suggestions and work with the Authority staff on any adjustments that may be required to improve the presentation of the Authority's financial information.

On a motion by Scott Bieber, seconded by Linda Rosenfeld, the Board approved the 2017-2021 Capital Plan as presented (6-1).

PROJECT UPDATES/INFORMATION ITEMS

Liesel Gross brought to the attention of the Board items listed in the report for upcoming meetings.

EXECUTIVE SESSION

Chairman Nagle called an Executive Session at 2:28 p.m. to discuss potential litigation.

The Executive Session ended at 2:47 p.m.

STAFF COMMENTS

Liesel Gross commented that the Authority Staff and Board have undergone tremendous change in the past year. In addition to changes in staff and Board members, several new strategic programs have been initiated, and several team members are new in their roles and continue to learn in those new roles. As it relates to the presentation of the Authority's financial information, Ms. Gross acknowledged that there have been many requests for changes, and the Staff has been working to be responsive to these sometimes-competing requests. She requested the Board work through the Finance Committee to develop a more cohesive understanding of what the Board would like to see in the financial reporting, and she requested the Board's patience as the Staff works through this challenging transition. Brian Nagle thanked Ms. Gross for her comments and reiterated that the Finance Committee was the appropriate vehicle to address this issue. He asked Deana Zosky if she would be willing to provide her input to the Finance Committee and participate in those discussions, and she agreed to do so.

SOLICITOR'S COMMENTS

None.

PUBLIC COMMENTS / OTHER COMMENTS

None.

ADJOURNMENT

There being no further business, the Chairman adjourned the meeting at 2:50 p.m.

Norma A. Cusick
Assistant Secretary

RESOLUTION No. 9-2016-2

(Duly adopted 26 September 2016)

A RESOLUTION AUTHORIZING MANAGEMENT ESTABLISHMENT OF CERTAIN EMPLOYEE PROCEDURES, POLICIES AND PRACTICES.

WHEREAS, Lehigh County Authority (hereinafter the "Authority") Board of Directors (the "Board") periodically takes action delegating certain Board duties to particular management employee positions to facilitate the smooth operation of the Authority and to not detract Board attention on large issues by consideration of matters that could be handled administratively; and

WHEREAS, the Board wishes to differentiate when management is authorized to establish employee procedures, policies and practices without Board approval and when such employee procedures, policies and practices shall be presented to the Board for approval;

NOW THEREFORE, it shall be resolved that:

1. The Board delegates the authority to the Chief Executive Officer, through the management staff, to establish and institute employee procedures, policies and practices in all cases except when such procedures, policies and practices have a Discretionary Financial Impact; or when such procedures, policies and practices include elements impacted by the Authority's *Conflict of Interest Policy*.

2. For purposes of this Resolution, the term "Discretionary Financial Impact" is defined as a financial impact to the Authority where the employee procedure, policy or practice is not required or specified by any legislative, regulatory or other statutory requirement. Examples of employee policies that have a Discretionary Financial Impact, requiring Board approval, include vacation entitlements, employee contributions to health benefits, and pension benefits. Other policies that are instituted to conform to specific statutory or regulatory requirements, even if they have a financial impact to the Authority, are not considered to have Discretionary Financial Impact and therefore would not require Board approval.

3. For purposes of this Resolution, an employee procedure, policy or practice that includes elements impacted by the Authority's *Conflict of Interest Policy* would include any procedure, policy or practice that, by its adoption, creates a real or perceived potential for Conflict of Interest for any employee or manager. An

example of an employee policy that may be impacted by the Authority's Conflict of Interest Policy, requiring Board approval, is the Authority's anti-nepotism policy.

4. This Resolution does not apply to any Collective Bargaining Agreements (CBAs). All CBAs shall be negotiated in good faith by management staff under the direction of the Chief Executive Officer, and subject to Board review and approval.

5. This resolution ratifies all prior such actions by the Authority staff with the same effect as if these documents had been approved at that time by the Authority Board.

On motion of _____, seconded by _____,
this resolution was adopted the 26th day of September 2016.

II. PURCHASING AND ACCOUNTS PAYABLE

The Authority's purchasing program is designed to obtain the best value for goods and services. Value not only considers cost, but includes quality as well. To ensure that best value is obtained, the Authority has established various procedural controls and utilizes alternative purchasing sources.

The primary criterion for establishing control procedures is to maintain a competitive purchasing environment. The following requirements are established for most purchases of supplies and materials, with all monetary guidelines to be adjusted annually in accordance with the Pennsylvania Municipality Authorities Act:

1. Three written quotations for purchases between \$10,500 - \$19,400 unless a memorandum is placed in the file indicating that fewer than three qualified contractors exist in the market area within which it is practicable to obtain quotations;
2. As required by law, purchases of \$19,400 or more necessitate a formal bid solicitation. This requirement includes purchases on an annual basis, and not only once-and-done purchases. If only one bid is received, a written evaluation of the bid for competitiveness will be performed and provided to the Board before any action is taken~~notified~~.

The only exceptions to the quotation process are emergency purchases that call for immediate action, a limited market for specialized goods or services, and professional consulting and expert services.

Before any invoice is paid for any non-emergency purchase, employees will either gather and input purchase information (including freight charges and discounts) into the purchase requisition entry module or prepare a *request for check authorization* and forward such information to the designated approver established in the Authority's workflow process. If a requisition is completed with the information entered into the Authority's purchase requisition database system, a purchase order will be generated by Accounts Payable with a copy provided to the purchaser or department designee. Any individuals not having rights to input purchases into the database system, but having purchasing responsibilities, will provide information to a department designee for insertion into the purchasing module.

When items are delivered, the purchaser or designated employee will indicate which items are received and forward all packing slips and the completed purchase order to Accounts Payable. Accounts Payable should also be notified when services are completed so that timely payments are made. It will be our policy to take advantage of any discounts and to establish an efficient purchasing system.

Where written quotations are required, such information will be inputted into the system at requisition entry to ensure that a record is created, which shows the alternative quotations. ~~Written alternative quotes will be attached to completed purchase orders and forwarded to Accounts Payable.~~ The quotes must contain the date of the quotation; the name of the contractor; the name of the contractor's representative; the work that is subject of the quotation; and the price. Blanket purchase orders will be created for vendors, where recurring, frequent or small purchases are necessary. A dollar limit will be established for such purchases, which will be inputted into the requisition system.

The Chief Executive Officer, or in his or her absence, the persons designated in the Authority's Emergency Response Plan (ERP) (in the order established in the ERP) may declare an interim emergency and in such event, be allowed to expeditiously purchase items or services outside of the required quoting and bidding requirements as needed to immediately address the emergency, but such purchase information (including any applicable quotations received, freight charges and discounts) shall be required to be inserted into the Authority's purchase requisition database system as soon as possible in

order to properly document the emergency purchases and ensure that payment is made according to the Authority's established workflow processes. Emergency purchases under \$50,000 will be reported to the Board in the monthly Operations Report. For emergency purchases over \$50,000, ~~the~~ the interim emergency declaration shall be subject to ratification by the Authority Board at its next meeting.

For purchases or direct payments not requiring a requisition such as employee expense checks, water purchases, etc., documentation or invoices are to be approved by the department head and forwarded to Accounts Payable. After checks with facsimile signatures are created, the checks and any attached documentation and invoices will be forwarded to two authorized signers for review and verification. The Chief Executive Officer, Chief Capital Works Officer, Administrative Supervisor, Chief Operations Officer and Chief Financial Officer are authorized signers.

To discourage the issuance of checks for minor expenditures, the Authority has established a \$300 petty cash fund. A petty cash custodian is responsible for submitting payment slips to the Accounting Department for replenishment of the fund. In addition, company credit cards are available for Internet and other purchases approved by Department Heads. Use of the cards offers more flexibility in acquiring goods and eliminates administrative costs associated with check issuance. ~~Our~~ The Authority's account with a local bank is automatically debited each month to avoid paying interest charges. For record-keeping purposes, a purchase requisition receipt with department head approval must be completed for each purchase. Credit card ~~purchases will be entered into the accounting system through monthly journal entries transactions are recorded~~ by the Accounting Department. The credit cards are kept in secured locations when not being used.

Although purchasing duties may be delegated to certain employees, responsibility for oversight of purchasing lies with the department head. Annual budgets adopted by the Authority Board serve as the ultimate cost control. Budget overruns must be covered by transfers approved by the Chief Executive Officer or amendments approved by the Authority Board. For the Operating funds, the financial information system will disallow all purchases exceeding fund category budgets (Personnel, Purchase of Services, Equipment and Debt Service). Budget amendments will be required for exceedance of specific capital project budgets or line items, which include multiple budget rollup accounts. Workflow security will require Chief Executive Officer approval before additional purchases are allowed. A budget amendment will be presented for approval at the next Authority Board meeting.

The purchase of professional services is excluded from bidding requirements; however, the Authority frequently issues requests for proposal for such services. In addition, annual internal reviews are conducted when considering reappointment of auditors and engineering consultants. The award of professional service contracts includes substantial consideration of the providers' experience, related projects, capacity to handle the assignment and other non-monetary factors. Typically, a preliminary evaluation is made based on such factors before cost proposals are considered in awarding a contract. Prior to soliciting proposals, the Staff assigned to obtaining proposals sets the the weighting of monetary and non-monetary factors to be used in awarding the professional service.

For most construction contracts, specifications are prepared for the bidding process if the entire cost, value or amount, including labor and materials, exceeds \$19,400 (as adjusted annually in the Municipality Authorities Act). To ensure consistency and efficiency, the Authority has developed a standard document for the general information portion of the specifications. This section outlines such information as instruction to bidders, insurance, bond and legal requirements, etc. It is the Authority's intent to ensure that all legal requirements such as those covered under the Pennsylvania Prevailing Wage Act, Davis-Bacon Act, Steel Products Procurement Act, and other laws are included in the specifications.

To take advantage of lower prices available through volume purchases and reduced personnel costs resulting from the use of other entity bid specifications, the Authority is committed to involvement with cooperative purchasing programs. Active participation in cooperative purchasing with other municipalities such as the Lehigh Valley Cooperative Purchasing Council is encouraged. Purchasing through Pennsylvania State contracts and piggybacking on Lehigh County bids are other avenues for further cost saving. All such purchases will be entered into the requisition module and should contain a note indicating that the purchase is a bid item to document the venue of the purchase, indicating if through a cooperative council, a Department of General Services (DGS) contract, or other.

FINANCIAL REPORT

AUGUST 2016

1. SUMMARY

	City Division			Suburban Division			LCA TOTAL		
MONTH	Actual	Forecast	Variance	Actual	Forecast	Variance	Actual	Forecast	Variance
Net Income (Loss)	(235,459)	(565,000)	329,541	62,831	(73,000)	135,831	(172,627)	(638,000)	465,373
Net Cash Flows	657,221	413,000	244,221	422,567	500,000	(77,433)	1,079,788	913,000	166,788
	City Division			Suburban Division			LCA TOTAL		
YEAR-TO-DATE	Actual	Forecast	Variance	Actual	Forecast	Variance	Actual	Forecast	Variance
Net Income (Loss)	(5,614,327)	(6,215,000)	600,673	583,002	227,000	356,002	(5,031,325)	(5,988,000)	956,675
Net Cash Flows	2,094,301	1,426,000	668,301	3,386,875	3,470,000	(83,125)	5,481,176	4,896,000	585,176
Debt Service Coverage	1.40	1.32	0.08	2.30	2.16	0.14	3.70	3.48	0.22

For the month, total LCA finished better than forecast on both net income and cash flows. The favorable variance to forecast on net income was driven by favorable variances from both City and Suburban. LCA cash flow was positive and better than forecast as both divisions had positive cash flows with the City being higher than forecast while Suburban was lower than forecast.

Year-to-date total LCA net income and cash flows were higher than forecast. On net income, the City was favorable to forecast as was Suburban. On cash flows, both City and Suburban cash flows are positive but the City cash flow YTD is significantly higher than forecast while Suburban cash flow YTD is down slightly to forecast on principal payment timing differences.

Year-to-date debt service coverage ratios are better than forecast and better than internal target of 1.20 across both divisions. City is at 1.40 compared to forecast of 1.32 and is 0.20 better than the indenture requirement of 1.20.

2. MONTH - INCREASE (DECREASE) IN NET POSITION

A. City

	Month				Forecast
	Actual	Forecast	Budget	Prior Yr	Variance
OPERATING REVENUES					
Charges for Service	3,093,938	2,723,000	2,922,708	2,656,273	370,938
Rent	-	-	-	-	-
Other Income	36,743	20,000	25,233	20,566	16,743
Total Operating Revenues	<u>3,130,680</u>	<u>2,743,000</u>	<u>2,947,941</u>	<u>2,676,838</u>	<u>387,680</u>
OPERATING EXPENSES					
Salaries, Wages, and Benefits	727,556	676,000	625,808	1,047,466	(51,556)
General & Administrative	98,593	46,000	45,785	130,834	(52,593)
Utilities	197,538	166,000	175,398	190,028	(31,538)
Materials & Supplies	217,088	159,000	242,256	193,150	(58,088)
Miscellaneous Services	228,440	255,000	128,828	537,296	26,560
Treatment & Transportation	-	-	-	-	-
Depreciation & Amortization	450,000	450,000	450,000	441,114	-
Total Operating Expenses	<u>1,919,216</u>	<u>1,752,000</u>	<u>1,668,075</u>	<u>2,539,887</u>	<u>(167,216)</u>
OPERATING INCOME (LOSS)	<u>1,211,464</u>	<u>991,000</u>	<u>1,279,866</u>	<u>136,952</u>	<u>220,464</u>
NONOPERATING REVENUES (EXPENSES)					
Tapping and Capital Recovery Fees	70,669	2,000	17,750	5,699	68,669
Meter Sales	4,158	1,000	1,417	3,592	3,158
Inspection & Plan Reviews	500	2,000	2,250	(199)	(1,500)
Other Income	7,425	5,000	1,667	3,225	2,425
Other Expense	(214,532)	(300,000)	(214,532)	-	85,468
Interest Earnings	316	50,000	35,833	460	(49,684)
Interest Expense	(1,315,458)	(1,316,000)	(1,315,458)	(1,001,195)	542
Total Nonoperating Expenses	<u>(1,446,923)</u>	<u>(1,556,000)</u>	<u>(1,471,073)</u>	<u>(988,417)</u>	<u>109,077</u>
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>(235,459)</u>	<u>(565,000)</u>	<u>(191,207)</u>	<u>(851,466)</u>	<u>329,541</u>
CAPITAL CONTRIBUTIONS					
Capital Grant	-	-	-	-	-
Capital Assets Provided By Developers and Others	-	-	-	-	-
Total Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN NET POSITION	<u><u>(235,459)</u></u>	<u><u>(565,000)</u></u>	<u><u>(191,207)</u></u>	<u><u>(851,466)</u></u>	<u><u>329,541</u></u>

For the month, the City had a net loss of \$235k. This loss, however, was around \$330k lower than the forecasted loss for the month. Primary drivers of the favorable variance to forecast was higher operating revenues and higher non-operating revenues to more than offset higher operating expenses.

Revenues were \$388k higher than forecast with wastewater revenues higher by \$607k to more than offset a shortfall of \$236k on the water side. Wastewater revenues were up to forecast on higher signatory revenues.

Operating expenses were \$167k unfavorable to forecast with unfavorable variances on all categories except for outside services where we ended up favorable to forecast by \$27k. Employee costs were unfavorable due to timing up benefit payments with a significant employee insurance true-up in the month. G & A was up on higher insurance costs for the month, again, driven by timing of invoice processing as the risk management invoice from PIRMA was booked in the month. Utilities was up as two

invoices got caught up in the month. Materials & Supplies was unfavorable due to a higher volume of chemical purchases and purchase of water fittings.

B. Suburban

	Month				Forecast Variance
	Actual	Forecast	Budget	Prior Yr	
OPERATING REVENUES					
Charges for Service	2,169,207	2,005,000	1,295,061	2,204,506	164,207
Rent	8,071	15,000	14,917	9,575	(6,929)
Other Income	14,984	51,000	50,799	32,181	(36,016)
Total Operating Revenues	2,192,262	2,071,000	1,360,777	2,246,262	121,262
OPERATING EXPENSES					
Salaries, Wages, and Benefits	185,705	215,000	183,985	202,387	29,295
General & Administrative	42,868	20,000	19,530	56,362	(22,868)
Utilities	50,887	54,000	64,259	54,808	3,113
Materials & Supplies	80,059	58,000	108,076	169,719	(22,059)
Miscellaneous Services	621,495	800,000	666,383	585,315	178,505
Treatment & Transportation	843,340	465,000	450,321	430,454	(378,340)
Depreciation & Amortization	572,918	573,000	572,926	591,210	82
Total Operating Expenses	2,397,270	2,185,000	2,065,480	2,090,256	(212,270)
OPERATING INCOME (LOSS)	(205,008)	(114,000)	(704,703)	156,006	(91,008)
NONOPERATING REVENUES (EXPENSES)					
Tapping and Capital Recovery Fees	314,077	100,000	112,415	230,225	214,077
Meter Sales	20,837	10,000	6,250	6,774	10,837
Inspection & Plan Reviews	29,799	10,000	8,000	7,419	19,799
Other Income	2,145	6,000	458	2,350	(3,855)
Other Expense	(219)	-	(583)	(220)	(219)
Interest Earnings	5,828	20,000	3,152	3,057	(14,172)
Interest Expense	(104,628)	(105,000)	(139,076)	(109,998)	372
Total Nonoperating Expenses	267,839	41,000	(9,384)	139,608	226,839
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	62,831	(73,000)	(714,087)	295,614	135,831
CAPITAL CONTRIBUTIONS					
Capital Grant	-	-	-	-	-
Capital Assets Provided By Developers and Others	-	-	-	-	-
Total Capital Contributions	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	62,831	(73,000)	(714,087)	295,614	135,831

Suburban net income of \$63k was favorable to forecast by \$136k. This was driven by higher operating revenues and higher non-operating revenues to more than offset higher operating expenses.

Operating revenues were \$121k higher than forecast with water revenues up by \$31k and wastewater revenues up by \$133k. Water revenues were up due to higher industrial revenues with a partial offset from lower residential revenues. Wastewater revenues were up due to higher revenues from the Western Lehigh Interceptor that more than offset lower revenues from the waste treatment plant.

Operating expenses were \$212k higher than forecast with favorable variances for employee costs, utilities and miscellaneous services more than offset by higher than forecasted expenses on general & administrative, materials & supplies, and treatment & transportation. G & A was unfavorable in the month due to timing of the risk management policy invoice. Treatment and transportation costs were

significantly unfavorable due to the final signatory billing true-up related to 2015 and first quarter of this year that was booked in the month that was not in the forecast. That will push up costs for the year.

Non-operating revenues from higher tapping & capital recovery fees along with higher meter sales revenues and higher inspection & plan review revenues offset some of the unfavorable variance from operating expenses. The higher non-operating revenues helped to partially offset lower interest income from lower investment volumes.

3. MONTH – NET CASH FLOWS

A. City

	Month				Forecast
	Actual	Forecast	Budget	Prior Year	Variance
Increase (Decrease) in Net position	(235,459)	(565,000)	(191,207)	(851,466)	329,541
Depreciation (non-cash)	450,000	450,000	450,000	441,114	-
Non-Cash Interest expenses	228,148	228,000	228,148	137,500	148
Expenses from Capital Projects	214,532	300,000	214,532	-	(85,468)
Cash generated by Operations	657,221	413,000	701,473	(272,852)	244,221
Capex spending	(515,738)	(1,000,000)	(1,391,425)	(2,034,295)	484,262
Capex Funding Applied	515,738	1,000,000	1,391,425	2,034,295	(484,262)
Principal Payments	-	-	-	-	-
Concession Lease Payment	-	-	-	-	-
NET CASH FLOWS	657,221	413,000	701,473	(272,852)	244,221

Cash flow for the month was on the positive side and was higher than forecast by \$244k on higher net income along with lower expenses from capital projects.

B. Suburban

	Month				Forecast
	Actual	Forecast	Budget	Prior Year	Variance
Increase (Decrease) in Net position	62,831	(73,000)	(714,087)	295,614	135,831
Depreciation (non-cash)	572,918	573,000	572,926	591,210	(82)
Cash generated by Operations	635,749	500,000	(141,161)	886,824	135,749
Capex spending	(347,690)	(500,000)	(998,023)	(323,359)	152,310
Capex Funding Applied	347,690	500,000	998,023	323,359	(152,310)
Principal Payments	(213,183)	-	(152,405)	(178,063)	(213,183)
NET CASH FLOWS	422,567	500,000	(293,566)	708,761	(77,433)

Cash flow for the month was positive but lower than forecast by \$77k as unfavorable timing of principal payments more than offset the favorable variance generated by net income.

4. YTD – INCREASE (DECREASE) IN NET POSITION

A. City

	YTD				Forecast
	Actual	Forecast	Budget	Prior Yr	Variance
OPERATING REVENUES					
Charges for Service	20,410,469	19,863,000	21,032,619	18,979,045	547,469
Rent	-	-	-	-	-
Other Income	243,905	210,000	201,864	158,221	33,905
Total Operating Revenues	20,654,374	20,073,000	21,234,483	19,137,266	581,374
OPERATING EXPENSES					
Salaries, Wages, and Benefits	5,584,471	5,582,000	5,319,368	6,910,206	(2,471)
General & Administrative	450,903	371,000	366,280	523,970	(79,903)
Utilities	1,267,412	1,237,000	1,403,184	1,457,310	(30,412)
Materials & Supplies	1,273,545	1,214,000	1,743,930	1,554,301	(59,545)
Miscellaneous Services	1,539,261	1,621,000	1,030,624	2,489,983	81,739
Treatment & Transportation	5,429	5,000	-	5,301	(429)
Depreciation & Amortization	3,600,000	3,600,000	3,600,000	3,528,912	-
Total Operating Expenses	13,721,022	13,630,000	13,463,386	16,469,983	(91,022)
OPERATING INCOME (LOSS)	6,933,352	6,443,000	7,771,097	2,667,283	490,352
NONOPERATING REVENUES (EXPENSES)					
Tapping and Capital Recovery Fees	246,128	163,000	142,000	120,265	83,128
Meter Sales	8,261	6,000	11,336	22,749	2,261
Inspection & Plan Reviews	20,807	24,000	18,000	22,481	(3,193)
Other Income	35,357	38,000	13,336	8,055	(2,643)
Other Expense	(2,538,274)	(2,466,000)	(2,533,444)	-	(72,274)
Interest Earnings	203,705	102,000	286,664	287,857	101,705
Interest Expense	(10,523,664)	(10,525,000)	(10,523,664)	(8,009,560)	1,336
Total Nonoperating Expenses	(12,547,679)	(12,658,000)	(12,585,772)	(7,548,153)	110,321
INCREASE (DECREASE) IN NET POSITION					
BEFORE CAPITAL CONTRIBUTIONS	(5,614,327)	(6,215,000)	(4,814,675)	(4,880,869)	600,673
CAPITAL CONTRIBUTIONS					
Capital Grant	-	-	-	-	-
Capital Assets Provided By Developers and Others	-	-	-	-	-
Total Capital Contributions	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	(5,614,327)	(6,215,000)	(4,814,675)	(4,880,869)	600,673

City net income YTD is \$601k better than forecast YTD. This is primarily due to significantly higher operating revenues and higher non-operating revenues to offset slightly higher operating expenses.

YTD Operating revenues are up to forecast by \$581k with water revenues down by \$82k but wastewater revenues up by \$663k to more than offset with water shortfall.

YTD operating expenses are \$91k higher than forecast due to unfavorable variances on all categories except for services. As discussed earlier, invoice timing and true-ups booked in August played a role in this.

Non-operating revenues are higher than forecast from higher tapping and capital recovery fees and higher interest income.

B. Suburban

	YTD				Forecast
	Actual	Forecast	Budget	Prior Yr	Variance
OPERATING REVENUES					
Charges for Service	17,411,051	17,057,000	15,582,659	17,174,586	354,051
Rent	67,695	81,000	119,336	87,013	(13,305)
Other Income	180,724	238,000	406,392	441,319	(57,276)
Total Operating Revenues	17,659,470	17,376,000	16,108,387	17,702,918	283,470
OPERATING EXPENSES					
Salaries, Wages, and Benefits	1,787,887	1,820,000	1,563,871	1,575,080	32,113
General & Administrative	192,193	172,000	156,240	195,180	(20,193)
Utilities	461,512	465,000	514,072	476,807	3,488
Materials & Supplies	649,613	620,000	1,242,613	1,127,651	(29,613)
Miscellaneous Services	5,968,271	6,201,000	5,331,064	4,745,526	232,729
Treatment & Transportation	4,208,008	3,833,000	3,571,946	3,521,138	(375,008)
Depreciation & Amortization	4,583,344	4,584,000	4,583,408	4,729,680	656
Total Operating Expenses	17,850,827	17,695,000	16,963,214	16,371,061	(155,827)
OPERATING INCOME (LOSS)	(191,357)	(319,000)	(854,827)	1,331,856	127,643
NONOPERATING REVENUES (EXPENSES)					
Tapping and Capital Recovery Fees	1,327,491	1,071,000	899,320	1,353,110	256,491
Meter Sales	124,326	111,000	50,000	61,464	13,326
Inspection & Plan Reviews	64,712	54,000	64,000	120,296	10,712
Other Income	56,084	63,000	3,664	23,451	(6,916)
Other Expense	(5,832)	(5,000)	(4,664)	(44,179)	(832)
Interest Earnings	44,008	89,000	25,216	22,549	(44,992)
Interest Expense	(836,431)	(837,000)	(1,112,608)	(918,386)	569
Total Nonoperating Expenses	774,358	546,000	(75,072)	618,305	228,358
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	583,002	227,000	(929,899)	1,950,161	356,002
CAPITAL CONTRIBUTIONS					
Capital Grant	-	-	-	-	-
Capital Assets Provided By Developers and Others	-	-	-	-	-
Total Capital Contributions	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	583,002	227,000	(929,899)	1,950,161	356,002

YTD Suburban net income is \$356k higher than forecast. This is primarily due to higher operating revenues and higher non-operating revenues to more than offset higher operating expenses. The primary cause of the unfavorable operating expenses is the recognition of the signatory true up costs in treatment & transportation expenses that was not in the forecast. This will create a permanent unfavorable variance for the year on this expense category.

Higher non-operating revenues from tapping and capital fees have more than offset the lower interest income from lower investment volumes.

5. YTD – NET CASH FLOWS

A. City

	YTD				Forecast
	Actual	Forecast	Budget	Prior Yr	Variance
Increase (Decrease) in Net position	(5,614,327)	(6,215,000)	(4,814,675)	(4,880,869)	600,673
Non-Cash Depreciation & Other Adjustments	7,958,628	7,891,000	7,958,628	3,528,912	67,628
Cash generated by Operations	2,344,301	1,676,000	3,143,953	(1,351,957)	668,301
Capex spending	(7,555,485)	(6,190,000)	(11,131,400)	(4,879,245)	(1,365,485)
Capex Funding Applied	7,555,485	6,190,000	11,131,400	4,879,245	1,365,485
Principal Payments	-	-	-	-	-
Annual Payment	(250,000)	(250,000)	(250,000)	-	-
NET CASH FLOWS	2,094,301	1,426,000	2,893,953	(1,351,957)	668,301

YTD cash flow in the City is \$668k higher than forecast on higher cash from operations driven by higher net income.

B. Suburban

	YTD				Forecast
	Actual	Forecast	Budget	Prior Yr	Variance
Increase (Decrease) in Net position	583,002	227,000	(929,899)	1,950,161	356,002
Non-Cash Depreciation & Other Adjustments	4,583,344	4,584,000	4,583,408	4,729,680	(656)
Cash generated by Operations	5,166,346	4,811,000	3,653,509	6,679,841	355,346
Capex spending	(2,044,462)	(2,469,000)	(7,984,184)	(1,715,752)	424,538
Capex Funding Applied	2,044,462	2,469,000	7,984,184	1,715,752	(424,538)
Principal Payments	(1,779,471)	(1,341,000)	(1,219,240)	(1,584,209)	(438,471)
Annual Payment	-	-	-	-	-
NET CASH FLOWS	3,386,875	3,470,000	2,434,269	5,095,632	(83,125)

YTD Suburban cash flow is positive but \$83k worse than forecast due to unfavorable principal payment timing.

6. FULL YEAR FORECAST

We have now completed the second month of the quarterly forecast.

The following table is a summary of the latest forecast submitted:

SUMMARY	2016 Q3	2016	Budget
	Forecast	Budget	Variance
Increase (Decrease) in Net Position			
City	(9,060)	(4,436)	(4,624)
Suburban	(1,194)	(578)	(616)
Total LCA	(10,254)	(5,014)	(5,240)
Cash Flows			
City	2,243	4,040	(1,797)
Suburban	3,658	1,582	2,076
Total LCA	5,901	5,622	279

Through two months of this forecast we are ahead of forecast on net income and cash flows.

7. FINANCIAL STATEMENTS

A. City

LEHIGH COUNTY AUTHORITY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION CITY DIVISION													
	Aug-2016				2016 YTD				Annual Budget	Month Variance to		YTD Variance to	
	Actual	Forecast	Budget	Prior Yr	Actual	Forecast	Budget	Prior Yr		Forecast	Budget	Forecast	Budget
OPERATING REVENUES													
Charges for Service	3,093,938	2,723,000	2,922,708	2,656,273	20,410,469	19,863,000	21,032,619	18,979,045	31,529,219	370,938	171,230	437,665	547,469
Rent	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Income	36,743	20,000	25,233	20,566	243,905	210,000	201,864	158,221	302,800	16,743	11,510	16,177	33,905
Total Operating Income	3,130,680	2,743,000	2,947,941	2,676,838	20,654,374	20,073,000	21,234,483	19,137,266	31,832,019	387,680	182,739	453,842	581,374
OPERATING EXPENSES													
Salaries, Wages, and Benefits	727,556	676,000	625,808	1,047,466	5,584,471	5,582,000	5,319,368	6,910,206	8,135,510	(51,556)	(101,748)	319,909	(2,471)
General & Administrative	98,593	46,000	45,785	130,834	450,903	371,000	366,280	523,970	549,424	(52,593)	(52,808)	32,241	(79,903)
Utilities	197,538	166,000	175,398	190,028	1,267,412	1,237,000	1,403,194	1,457,310	2,104,778	(31,538)	(22,140)	(7,511)	(30,412)
Materials & Supplies	217,088	159,000	242,256	193,150	1,273,545	1,214,000	1,743,630	1,554,301	2,692,252	(58,068)	25,168	(23,338)	(59,545)
Miscellaneous Services	228,440	255,000	128,828	537,296	1,539,261	1,621,000	1,030,624	2,489,983	2,347,154	26,560	(99,612)	308,855	61,739
Treatment & Transportation	-	-	-	-	5,429	5,000	-	5,301	-	-	-	-	(429)
Depreciation & Amortization	450,000	450,000	441,114	-	3,600,000	3,600,000	3,600,000	3,528,912	5,400,000	-	-	(8,886)	-
Total Operating Expenses	1,919,216	1,752,000	1,668,075	2,539,887	13,721,022	13,630,000	13,463,386	16,469,983	21,189,118	(167,216)	(251,141)	620,671	(91,022)
OPERATING INCOME (LOSS)	1,211,464	991,000	1,279,866	136,952	6,933,352	6,443,000	7,771,097	2,667,283	10,642,901	220,464	(68,402)	1,074,513	490,352
NONOPERATING REVENUES (EXPENSES)													
Tapping and Capital Recovery Fees	70,669	2,000	17,750	5,699	246,128	163,000	142,000	120,265	213,000	68,669	52,919	64,970	83,128
Meter Sales	4,158	1,000	1,417	3,592	8,261	6,000	11,336	22,749	17,000	3,158	2,741	566	2,261
Inspection & Plan Reviews	500	2,000	2,250	(199)	20,807	24,000	18,000	22,481	27,000	(1,500)	(1,750)	699	(3,193)
Other Income	7,425	5,000	1,667	3,225	35,357	38,000	13,336	8,055	20,000	2,425	5,758	4,200	(2,643)
Other Expense	(214,532)	(300,000)	(214,532)	-	(2,538,274)	(2,466,000)	(2,533,444)	-	-	85,468	-	(214,532)	(72,274)
Interest Earnings	316	50,000	35,833	460	203,705	102,000	286,664	287,857	430,000	(49,684)	(35,517)	(144)	101,705
Interest Expense	(1,315,458)	(1,315,000)	(1,315,458)	(1,001,195)	(10,523,664)	(10,523,000)	(10,523,664)	(8,009,560)	(15,785,500)	542	-	(314,263)	1,338
Total Nonoperating Expenses	(1,446,923)	(1,556,000)	(1,471,073)	(988,417)	(12,547,679)	(12,658,000)	(12,585,772)	(7,548,153)	(15,078,500)	109,077	24,150	(458,505)	110,321
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	(235,459)	(565,000)	(191,207)	(851,466)	(5,614,327)	(6,215,000)	(4,814,675)	(4,880,869)	(4,435,599)	329,541	(44,251)	616,007	600,673
CAPITAL CONTRIBUTIONS													
Capital Grant	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Assets Provided By Developers and Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	(235,459)	(565,000)	(191,207)	(851,466)	(5,614,327)	(6,215,000)	(4,814,675)	(4,880,869)	(4,435,599)	329,541	(44,251)	616,007	600,673

LEHIGH COUNTY AUTHORITY COMPARATIVE STATEMENT FORMAT CITY DIVISION													
	Aug-2016				2016 YTD				Annual Budget	Month Variance to		YTD Variance to	
	Actual	Forecast	Budget	Prior Yr	Actual	Forecast	Budget	Prior Yr		Forecast	Budget	Forecast	Budget
OPERATING REVENUES													
Customer Charges	3,093,938	2,922,708	2,656,273	-	20,410,469	21,032,619	18,979,045	-	31,529,219	171,230	437,665	(622,150)	1,431,424
Rental Income	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Operating Income	36,743	25,233	20,566	-	243,905	201,864	158,221	-	302,800	11,510	16,177	42,041	85,684
Total Operating Revenues	3,130,680	2,947,941	2,676,838	-	20,654,374	21,234,483	19,137,266	-	31,832,019	182,739	453,842	(580,109)	1,517,108
OPERATING EXPENSES													
Salaries & Wages	417,938	394,921	713,258	-	3,503,898	3,356,828	4,497,468	-	5,133,971	(23,017)	295,320	(147,070)	993,571
Overtime	47,898	57,894	29,941	-	418,215	492,014	430,699	-	752,495	9,986	(17,957)	73,799	12,484
Employee Benefits	261,720	173,003	304,267	-	1,662,359	1,470,526	1,982,039	-	2,249,045	(88,717)	42,547	(191,833)	319,680
Utilities	197,538	175,398	190,028	-	1,267,412	1,403,194	1,457,310	-	2,104,778	(22,140)	(7,511)	135,772	189,898
Insurance	92,166	39,752	95,198	-	388,814	318,016	404,379	-	477,027	(52,414)	3,032	(70,798)	15,566
Maintenance	38,381	77,220	117,727	-	406,856	555,883	560,524	-	833,305	38,839	79,346	149,027	153,668
Engineering	6,869	2,132	4,615	-	36,295	15,346	13,021	-	61,000	(4,737)	(2,254)	(20,949)	(23,274)
Legal	6,427	6,033	35,636	-	62,089	48,264	119,590	-	72,396	(304)	29,209	(13,825)	57,501
Lab Analysis	388	1,854	478	-	3,362	13,345	5,150	-	20,000	1,466	90	9,983	1,788
Supplies & Equipment	171,449	161,050	70,330	-	827,033	1,159,356	975,607	-	1,737,946	(10,399)	(101,120)	332,323	148,574
Other Outside Services	139,375	77,753	256,567	-	999,376	620,584	1,493,637	-	1,732,088	(61,802)	117,192	(378,792)	494,262
Treatment & Transportation	-	-	-	-	5,429	-	5,301	-	-	-	-	(5,429)	(128)
Miscellaneous Operating Expenses	89,065	51,255	280,729	-	539,886	410,040	996,345	-	615,066	(37,810)	191,863	(129,846)	456,460
Depreciation & Amortization	450,000	450,000	441,114	-	3,600,000	3,600,000	3,528,912	-	5,400,000	-	(8,886)	-	(71,068)
Total Operating Expenses	1,919,216	1,668,075	2,539,887	-	13,721,022	13,463,386	16,469,983	-	21,189,118	(251,141)	620,671	(257,636)	2,748,961
OPERATING INCOME(LOSS)	1,211,464	1,279,866	136,952	-	6,933,352	7,771,097	2,667,283	-	10,642,901	(68,402)	1,074,513	(837,745)	4,266,069
NON-OPERATING REVENUES (EXPENSES)													
Water Tapping Fees	38,982	11,500	5,699	-	138,619	92,000	112,757	-	138,000	27,482	33,283	46,619	25,862
VW Capacity & Connection Fees	31,687	6,250	-	-	107,509	50,000	7,508	-	75,000	25,437	31,687	57,509	100,001
Meter Sales	4,158	1,417	3,592	-	8,261	11,336	22,749	-	17,000	2,741	566	(3,075)	(14,488)
Inspection & Plan Reviews	500	2,250	(199)	-	20,807	18,000	22,481	-	27,000	(1,750)	699	2,807	(1,674)
Other Non-Operating Income	7,425	1,667	3,225	-	35,357	13,336	8,055	-	20,000	5,758	4,200	22,021	27,302
Other Non-Operating Expenses	(214,532)	(214,532)	-	-	(2,538,274)	(2,533,444)	-	-	-	-	(214,532)	(4,830)	(2,538,274)
Total Non-Operating Income (Expenses)	(131,781)	(191,448)	12,318	-	(2,227,720)	(2,348,772)	173,550	-	277,000	59,668	(144,098)	121,052	(2,401,271)
INCREASE (DECREASE) IN NET POSITION BEFORE INTEREST AND CAPITAL CONTRIBUTIONS	1,079,684	1,088,418	149,269	-	4,705,632	5,422,325	2,840,834	-	10,919,901	(8,734)	930,415	(716,693)	1,864,798
INTEREST INCOME (EXPENSES)													
Interest Income	316	35,833	460	-	203,705	286,664	287,857	-	430,000	(35,517)	(144)	(82,959)	(84,151)
Interest Expense	(1,315,458)	(1,315,458)	(1,001,195)	-	(10,523,664)	(10,523,664)	(8,009,560)	-	(15,785,500)	-	(314,263)	-	(2,514,104)
Total Interest Income (Expenses)	(1,315,142)	(1,279,625)	(1,000,735)	-	(10,319,959)	(10,237,000)	(7,721,703)	-	(15,355,500)	(35,517)	(314,407)	(82,959)	(2,598,255)
CAPITAL CONTRIBUTIONS													
Capital Grants	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital Assets Provided	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Contributions	-	-	-	-	-	-	-	-	-	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	(235,459)	(191,207)	(851,466)	-	(5,614,327)	(4,814,675)	(4,880,869)	-	(4,435,599)	(44,251)	616,007	(799,652)	(733,457)
CAPITAL EXPENDITURES													
LCA Costs (1)	(89,726)	(1,391,425)	(291,772)	-	(776,440)	(11,131,400)	(746,757)	-	(16,697,100)	1,301,699	202,046	10,354,960	(29,683)
Contractor/Other Costs (1)	(426,012)	-	(1,742,523)	-	(6,779,045)	-	(4,132,487)	-	-	(426,012)	1,316,511	(6,779,045)	(2,646,558)
Total Capital Expenditures	(515,738)	(1,391,425)	(2,034,295)	-	(7,555,485)	(11,131,400)	(4,879,245)	-	(16,697,100)	875,687	1,518,557	3,575,915	(2,676,240)
PRINCIPAL REDUCTION	-	-	-	-	-	-	-	-	-	-	-	-	-
KEY METRICS													
Operating Income (Expense) Before Depreciation	1,661,464	1,729,866	578,966	-	10,533,352	11,371,097	6,196,195	-	16,042,901	-	-	-	-
Operating Income (Expense) Before Depreciation / Operating Revenues (%)	53.1%	58.7%	21.6%	-	51.0%	53.6%	32.4%	-	50.4%	-	-	-	-
Operating Income (Expense) / Operating Revenues (%)	38.7%	43.4%	5.1%	-	33.6%	36.6%	13.9%	-	33.4%	-	-	-	-
Net Position Before Interest & Capital Contrib. / Operating Revenue (%)	34.5%	36.9%	5.6%	-	22.8%	25.5%	14.8%	-	34.3%	-	-	-	-
Interest Coverage Ratio	0.821	0.855	0.150	-	0.467	0.542	0.391	-	0.719	-	-	-	-
Debt Service Coverage Ratio	1.047	1.090	0.150	-	0.595	0.692	0.391	-	0.917	-	-	-	-
Indenture Debt Service Coverage Ratio (excluding depreciation)	2.177	2.220	0.606	-	1.400	1.496	0.854	-	1.354	-	-	-	-

(1) Capital costs budgeted as total LCA and Contractor Costs

B. Suburban

LEHIGH COUNTY AUTHORITY STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION SUBURBAN DIVISION													
	Jul-2016				2016 YTD				Annual Budget	Month Variance to		YTD Variance to	
	Actual	Forecast	Budget	Prior Yr	Actual	Forecast	Budget	Prior Yr		Forecast	Budget	Forecast	Prior Yr
OPERATING REVENUES													
Charges for Service	2,169,207	2,005,000	1,295,061	2,204,506	17,411,051	17,057,000	15,582,659	17,174,586	24,301,607	164,207	874,146	(35,299)	354,051
Rent	8,071	15,000	14,917	9,375	67,695	81,000	119,336	87,013	179,004	(6,829)	(6,846)	(1,504)	(13,335)
Other Income	14,984	51,000	50,799	32,181	180,724	238,000	406,392	441,319	609,592	(36,016)	(35,815)	(17,197)	(57,276)
Total Operating Income	2,192,262	2,071,000	1,360,777	2,246,262	17,659,470	17,376,000	16,108,387	17,702,918	25,090,203	121,262	831,485	(54,000)	283,470
OPERATING EXPENSES													
Salaries, Wages, and Benefits	185,705	215,000	183,985	202,387	1,787,887	1,820,000	1,563,871	1,575,080	2,391,801	29,295	(1,720)	16,683	32,113
General & Administrative	42,868	20,000	19,530	56,362	192,193	172,000	156,240	195,180	234,354	(22,868)	(23,336)	13,494	(20,193)
Utilities	50,887	54,000	64,259	54,808	461,512	465,000	514,072	476,807	771,112	3,113	13,372	3,921	3,488
Materials & Supplies	80,059	98,000	108,076	169,719	649,613	620,000	1,242,613	1,127,851	2,029,580	(22,059)	28,017	89,661	(29,613)
Miscellaneous Services	621,495	800,000	666,383	585,315	5,968,271	6,201,000	5,331,064	4,745,526	7,996,600	178,505	44,888	(36,180)	232,729
Treatment & Transportation	843,340	465,000	450,321	430,454	4,208,008	3,833,000	3,571,946	3,521,138	5,331,851	(378,340)	(393,019)	(412,886)	(375,008)
Depreciation & Amortization	572,918	573,000	572,926	591,210	4,583,344	4,584,000	4,583,408	4,729,680	6,875,111	82	8	18,292	64
Total Operating Expenses	2,397,270	2,185,000	2,065,480	2,090,256	17,850,827	17,695,000	16,963,214	16,371,061	25,630,419	(212,270)	(331,790)	(307,015)	(155,827)
OPERATING INCOME (LOSS)	(205,008)	(114,000)	(704,703)	156,006	(191,357)	(319,000)	(854,827)	1,331,856	(540,216)	(91,008)	499,695	(361,014)	127,643
NON-OPERATING REVENUES (EXPENSES)													
Tapping and Capital Recovery Fees	314,077	100,000	112,415	230,225	1,327,491	1,071,000	899,320	1,353,110	1,348,980	214,077	201,662	83,851	256,461
Meter Sales	20,837	10,000	6,250	6,774	124,326	111,000	50,000	61,464	75,000	10,837	14,587	14,063	13,326
Inspection & Plan Reviews	29,799	10,000	8,000	7,419	64,712	54,000	64,000	120,296	96,000	19,799	21,799	22,380	10,712
Other Income	2,145	6,000	458	2,350	56,084	63,000	3,664	23,451	5,500	(3,655)	1,687	(205)	(6,916)
Other Expense	(219)	-	(583)	(220)	(5,832)	(5,000)	(4,664)	(44,179)	(7,000)	(219)	364	1	(832)
Interest Earnings	5,828	20,000	3,152	3,057	44,008	89,000	25,216	22,549	37,826	(14,172)	2,676	2,771	(44,992)
Interest Expense	(104,628)	(105,000)	(139,076)	(109,998)	(836,431)	(837,000)	(1,112,609)	(918,386)	(1,668,907)	372	34,448	5,370	569
Total Nonoperating Expenses	297,839	41,000	(8,395)	139,828	774,358	546,000	(75,072)	618,305	(112,601)	226,839	277,223	128,232	228,355
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	62,831	(73,000)	(714,087)	295,614	583,002	227,000	(929,899)	1,950,161	(652,817)	135,831	776,918	(232,783)	356,002
CAPITAL CONTRIBUTIONS													
Capital Grant	-	-	-	-	-	-	-	-	75,000	-	-	-	-
Capital Assets Provided By Developers and Others	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Capital Contributions	-	-	-	-	-	-	-	-	75,000	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	62,831	(73,000)	(714,087)	295,614	583,002	227,000	(929,899)	1,950,161	(577,817)	135,831	776,918	(232,783)	356,002

LEHIGH COUNTY AUTHORITY COMPARATIVE STATEMENT FORMAT SUBURBAN DIVISION													
	Jul-2016				2016 YTD				Annual Budget	Month Variance to		YTD Variance to	
	Actual	Budget	Prior Yr		Actual	Budget	Prior Yr			Budget	Prior Yr	Budget	Prior Yr
OPERATING REVENUES													
Customer Charges	2,169,207	2,005,061	2,204,506		17,411,051	15,582,659	17,174,586		24,301,607	874,146	(35,299)	1,828,392	236,465
Rental Income	8,071	14,917	9,575		67,695	119,336	87,013		179,004	(6,846)	(1,504)	151,641	(19,318)
Other Operating Income	14,984	50,799	32,181		180,724	406,392	441,319		609,592	(35,815)	(17,197)	(225,668)	(260,594)
Total Operating Revenues	2,192,262	1,360,777	2,246,262		17,659,470	16,108,387	17,702,918		25,090,203	831,485	(54,000)	1,551,083	(43,447)
OPERATING EXPENSES													
Salaries & Wages	138,834	130,930	132,266		1,177,037	1,112,904	1,065,481		1,702,085	(7,904)	(6,567)	(64,133)	(111,555)
Overtime	15,115	8,508	8,977		92,698	72,318	73,862		110,607	(6,607)	(6,138)	(20,389)	(18,836)
Employee Benefits	31,756	44,547	61,144		518,153	378,649	425,737		579,108	12,791	29,389	(139,504)	(82,416)
Utilities	50,887	64,259	54,808		461,512	514,072	476,807		771,112	13,372	3,921	52,560	15,295
Insurance	40,629	16,563	54,853		168,664	132,504	182,071		198,751	(24,066)	14,224	(36,160)	13,408
Maintenance	32,865	48,201	98,176		261,825	554,198	713,471		905,190	15,336	65,311	292,373	451,646
Engineering	1,728	9,878	1,333		63,004	113,570	22,480		185,500	8,150	(395)	50,566	(40,524)
Legal	2,239	2,967	1,509		23,530	23,736	13,109		35,604	728	(730)	209	(10,420)
Lab Analysis	5,758	8,009	12,617		45,079	92,081	75,710		150,390	2,251	6,859	46,502	30,132
Supplies & Equipment	39,708	41,998	57,594		279,205	482,764	315,990		768,511	2,280	17,886	203,559	36,785
Other Outside Services	591,647	630,960	559,913		5,771,021	5,047,680	4,553,195		7,571,523	39,313	(31,734)	(723,341)	(1,217,825)
Treatment & Transportation	843,340	450,321	430,454		4,208,008	3,571,946	3,521,138		5,331,851	(393,019)	(412,886)	(636,062)	(686,870)
Miscellaneous Operating Expenses	29,848	35,423	25,403		197,251	283,384	192,330		425,076	5,575	(4,446)	86,133	(4,920)
Depreciation & Amortization	572,918	572,926	591,210		4,583,344	4,583,408	4,729,680		6,875,111	8	18,292	64	146,336
Total Operating Expenses	2,397,270	2,065,480	2,090,256		17,850,827	16,963,214	16,371,061		25,630,419	(331,790)	(307,015)	(887,613)	(1,479,766)
OPERATING INCOME (LOSS)	(205,008)	(704,703)	156,006		(191,357)	(854,827)	1,331,856		(540,216)	499,695	(361,014)	663,470	(1,523,213)
NON-OPERATING REVENUES (EXPENSES)													
Water Tapping Fees	43,895	16,165	13,150		260,575	129,320	180,910		193,980	27,730	30,745	131,255	79,665
WW Capacity & Capital Recovery Fees	270,182	96,250	217,075		1,066,916	770,000	1,172,200		1,155,000	173,932	53,106	296,916	(105,284)
Meter Sales	20,837	6,250	6,774		124,326	50,000	61,464		75,000	14,587	14,063	74,326	62,862
Inspection & Plan Reviews	29,799	8,000	7,419		64,712	64,000	120,296		96,000	21,799	22,380	712	(55,584)
Other Non-Operating Income	2,145	458	2,350		56,084	3,664	23,451		5,500	1,687	(205)	52,420	32,633
Other Non-Operating Expense	(219)	(583)	(220)		(5,832)	(4,664)	(44,179)		(7,000)	364	1	(1,168)	38,347
Total Non-Operating Income (Expenses)	366,639	126,540	246,549		1,566,781	1,012,320	1,514,142		1,518,480	240,099	120,090	554,461	52,639
INCREASE (DECREASE) IN NET POSITION BEFORE INTEREST AND CAPITAL CONTRIBUTIONS	161,631	(578,163)	402,555		1,375,424	157,493	2,845,998		978,264	739,794	(240,924)	1,217,931	(1,470,574)
INTEREST INCOME (EXPENSES)													
Interest Income	5,828	3,152	3,057		44,008	25,216	22,549		37,826	2,676	2,771	18,792	21,459
Interest Expense	(104,628)	(139,076)	(109,998)		(836,431)	(1,112,609)	(918,386)		(1,668,907)	34,448	5,370	276,177	81,955
Total Interest Income (Expenses)	(98,800)	(135,924)	(106,941)		(792,423)	(1,087,392)	(895,837)		(1,631,081)	37,124	8,141	294,969	103,414
CAPITAL CONTRIBUTIONS													
Capital Grants	-	-	-		-	-	-		75,000	-	-	-	-
Capital Assets Provided	-	-	-		-	-	-		-	-	-	-	-
Total Capital Contributions	-	-	-		-	-	-		75,000	-	-	-	-
INCREASE (DECREASE) IN NET POSITION	62,831	(714,087)	295,614		583,002	(929,899)	1,950,161		(577,817)	776,918	(232,783)	1,512,901	(1,367,160)
CAPITAL EXPENDITURES													
LCA Costs (1)	(50,333)	(998,023)	(51,010)		(451,254)	(7,984,184)	(491,922)		(11,976,270)	947,689	677	7,532,930	40,668
Contractor/Other Costs (1)	(297,356)	-	(272,349)		(1,593,208)	-	(1,223,830)		-	(297,356)	(25,007)	(1,593,208)	(369,378)
Total Capital Expenditures	(347,690)	(998,023)	(323,359)		(2,044,462)	(7,984,184)	(1,715,752)		(11,976,270)	650,333	(24,331)	5,939,722	(328,710)
PRINCIPAL REDUCTION	(213,183)	(152,405)	(178,063)		(1,779,471)	(1,219,240)	(1,584,209)		(1,828,859)	(60,778)	(35,120)	(560,231)	(195,261)
KEY METRICS													
Operating Income (Expense) Before Depreciation	367,910	(131,777)	747,216		4,391,967	3,728,581	6,061,536		6,334,895				
Operating Income (Expense) Before Depreciation / Operating Revenues (%)	16.6%	-9.7%	33.3%		24.9%	23.1%	34.2%		25.2%				
Operating Income (Expense) / Operating Revenues (%)	-9.4%	-51.8%	6.9%		-1.1%	-5.3%	7.5%		-2.2%				
Net Position Before Interest & Capital Contrib. / Operating Revenue (%)	7.4%	-42.5%	17.9%		7.8%	1.0%	16.1%		3.9%				
Interest Coverage Ratio	1.601	-4.135	3.687		1.697	0.164	3.123		0.609				
Debt Service Coverage Ratio	0.527	-1.973	1.408		0.543	0.078	1.146		0.290				
Debt Service Coverage Ratio (excluding depreciation)	2.330	-0.007	3.460		2.295	2.044	3.036		2.256				

Lehigh County Authority

System Operations Review - August 2016

Presented: September 26, 2016

<u>Critical Activities</u>	<u>System</u>	<u>Description</u>	<u>Aug-16</u>	<u>2016-to-Date</u>	<u>2015 Totals</u>	<u>Permit</u>
			<u>Daily Avg (MGD)</u>	<u>Daily Avg (MGD)</u>	<u>Daily Avg (MGD)</u>	<u>Daily Max (MGD)</u>
Water Production	Allentown	Total	21.08	20.57	19.99	39.0
		Schantz Spring	5.83	6.16	6.16	9.0
		Crystal Spring	3.88	3.85	3.88	4.0
		Little Lehigh Creek	11.22	10.38	9.85	30.0
		Lehigh River	0.14	0.18	0.10	28.0
	Central Lehigh	Total	10.27	9.44	9.08	19.04 MGD Avg
		Feed from Allentown	6.01	6.04	4.95	6.0 MGD Avg 10.5 MGD Max
		Well Production (CLD)	4.26	3.40	4.13	8.54 MGD Avg
		Sum of all (12) other Suburban Water Systems	0.20	0.18	0.17	1.71 Sum of all wells
Wastewater Treatment		Kline's Island	29.46	30.42	30.44	40.0
		Pretreatment Plant	4.61	4.45	4.34	5.75 (design capacity)
		Sum of all (5) other Suburban WW Systems	0.14	0.18	0.21	0.36
			<u>Aug-16</u>	<u>2016-to-Date</u>	<u>2015 Totals</u>	
Precipitation Totals (inches)			1.99	26.41	40.24	
Compliance Reports Submitted to Allentown			19	187	246	
Notices of Violation (NOVs)		(Allentown + Suburban)	0	3	3	
Sanitary Sewer Overflows (SSOs)/Bypasses		(Allentown + Suburban)	1	14	13	
Main Breaks Repaired		Allentown	0	14	29	
		Suburban	1	5	12	
Customer Service Phone Inquiries		(Allentown + Suburban)	2,265	19,643	35,983	
Water Shutoffs for Non-Payment		(Allentown + Suburban)	107	997	1,844	
Injury Accidents		(Allentown + Suburban)	1	7	9	
Emergency Declarations		Allentown	0	0		
		Suburban	0	0		

Significant Repairs:

The secondary digester cover at KIIWWTP has been removed and a new cover is being erected. Completion is expected by the beginning of November, 2016.

Description of NOVs and/or SSOs:

There was one SSO in the Suburban Division during August, 2016. The SSO occurred on 8/24/2016 and was caused by a malfunctioning air release valve on the Park Pump Station Force Main.

Other Highlights:

Lehigh County remains in a Drought Watch along with (37) other counties in PA, as well as Potter County that is under a Drought Warning. Current status of LCA ground water and surface water supplies, in addition to local monitoring wells, are being checked routinely.

MEMORANDUM

Date: September 20, 2016

To: Authority Board

From: Frank Leist

Subject: Project Approval- LCA Central Lehigh Division Interconnection to
Upper Milford Division

MOTIONS / APPROVALS REQUESTED:

Item
<i>Interconnection Project</i> – Board Approval of the Project based upon the associated LCA proportional cost sharing percentages for Pumping Station not to exceed the percentage shown in Table-1 below; and for the off-site water main extension not to exceed by more than 5% the percentage shown in Table-1 below.
<i>Variance from the LCA Contribution Policy</i> - Board Approval to allow the inclusion of certain costs that are normally excluded from the allowable cost categories for the purpose of sharing project costs for the off-site main extension as set forth in this Memo.
<i>Offsite Water Main Extension Easements</i> - Board Approval for LCA to assume the responsibility for obtaining certain easements required for the off-site water main extension as set forth in this Memo
<i>Developer Financing</i> - Board Approval to offer financing to the Developer for his respective share of the Pumping Station costs as set forth in this Memo.
<i>Agreements</i> - Because time is of the essence, Board Approval for the Chief Executive Officer to approve and execute the necessary Agreements between the Developer and LCA, to include but not be limited to Pump Station Cost Sharing Agreement, water main upsizing provision in the Developer's Water System Agreement; if applicable, Financing Agreements for the Off-site Water Main and Pumping Station; and authorize design phase of the Pumping Station project with execution of associated professional services contracts.

PROJECT OVERVIEW (reference attached map)

The Project will interconnect the LCA Central Lehigh Division (CLD) with the LCA Upper Milford Division (UMD) allowing the abandonment of the UMD water supply facilities and providing public water service to the proposed 125-lot Kohler Tract subdivision (Development) located in Upper Milford Township.

The infrastructure required for the interconnection generally consists of a water pressure booster pumping station and a 12-inch diameter off-site water main extension approximately 3,775 l.f. in length. The off-site water main extension will connect to an existing 12-inch diameter water main located on Indian Creek Road in Lower Macungie Township and extend to the proposed Kohler Tract subdivision. The cost of the interconnection infrastructure will be proportionally shared, as further discussed in this memo, by LCA and Kay Builders (Developer), the developer of the Kohler Tract.

***Note:** A confidential memo, detailed presentation and discussion regarding this project was provided at the August 8, 2016 Board meeting.*

BENEFITS OF INTERCONNECTING THE CLD AND UMD

1. Will eliminate the necessity for LCA to bear the full cost of a future interconnection with the UMD (*i.e. main extension & pumping station*); or alternatively, developing additional ground water supply, pumping and storage facilities in the UMD.
2. Will assure adequate capacity, high quality water supply and fire protection to current and future customers in the UMD, which is currently not available.
3. Will allow the abandonment of the current UMD water supply facilities that includes the low-producing wells, water storage tanks and pump station. When applicable equipment at the facility, such as the generator, and other select equipment, would be repurposed and used at other LCA facilities.
4. The existing 0.43 acre lot which has with public water and wastewater service in the up-scale Far View Farms residential subdivision on which the UMD water supply facilities are situated may be able to be sold as a building lot. The Lehigh County Assessment Office appraised value is \$40,100.
5. Provide the opportunity for the ~20 properties along the proposed off-site water main extension route to connect to public water. This may be viewed as a significant benefit to some larger commercial customers along this route who currently bear the cost of maintaining private water supply for their operations. Properties that connect would pay the then current applicable capital recovery fees and on-going user charges (*see Future Revenues on pages 7 and 8*)
6. Utilize the excess CLD well capacity currently not being used because of the required purchase of water from the Allentown Division. Based upon the information contained in the 2015 DEP Annual Water Supply Report, on an average day only ~30 % of our permitted well capacity is being utilized. This is a beneficial use of the CLD permitted well capacity that is currently not being used.
7. If deemed beneficial by LCA, provide the flexibility to supply the water to serve the ~80 existing LCA customers in the area of the Emmaus Consecutive Division (ECD) that abuts the Development, in lieu of purchasing water from the Borough as we currently do.

PROPOSED COST SHARING (*basis of proportional percentages*)

Offsite Water Main Extension:

The Developer's contribution is calculated in accordance with the LCA Main Extension Policy (MEP), LCA Contribution Policy and Water Service Agreement with Upper Milford Township. The estimated length of the extension 3,775 l.f., with the LCA share of the cost ~33.775% (predominantly for upsizing the main from 8-inch to 12-inch diameter) and the Developers share of the cost ~66.225%, accordingly for the 8-inch portion of the 12-inch diameter main extension.

Water Pressure Booster Pump Station:

The financial contribution for each party will also be based upon the LCA practice of proportional shares of the designed capacity of the pump station. In this case, the design capacity is 330 residential units, so the Developer would be responsible 37.880% of the cost (*i.e. 125 residential units in the Development*) and LCA 62.121% (*i.e. 205 residential units*).

Estimated Project Cost and Cost Sharing

The total project cost is estimated at \$ 1,920,220. However, as cited above, there are different cost-sharing methodologies utilized for the offsite water main extension and the water pressure booster pump station. The cost sharing will be based upon the percentages calculated utilizing those methodologies. Where the dollar amount will be the actual final project cost for each improvement category multiplied by the respective percentage of the cost sharing for each party. The cost-sharing percentages for each party; and the associated estimated dollar amounts for each based upon the estimated costs are as follows:

Table-1					
Improvement Category	Estimated Cost	Cost Sharing			
		Developer		LCA	
		%	\$	%	\$
Off-Site Main Extension (1)	\$783,420	66.225%	\$518,820	33.775%	\$264,600
Water Pressure Booster Pump Station	\$1,136,800	37.879%	\$430,608	62.121%	\$706,192
TOTALS	\$1,920,220		\$949,428		\$970,792

- (1) Request for the Board to grant a variance from the LCA Contribution Policy to allow the inclusion of design, permitting, easement acquisition and LCA inspection costs to be included in the allowable costs that are to be shared for the Off-site Water Main Extension. The LCA Contribution Policy excludes the aforementioned costs. However, because of the system benefit this the interconnection provides we recommend that LCA share in these costs.

PROPOSED DEVELOPER & LCA RESPONSIBILITIES

Developer:

Off-Site Water Main Extension

The Developer responsibility would include but not be limited to, design, permitting and construction of the offsite water main extension and acquisition of the easement on the Birdsall property in accordance with the LCA Main Extension Policy (MEP)

Water Pressure Booster Pump Station.

The Developer would have no responsibility for the Pumping Station because it would be an LCA Capital Project

LCA

Off-Site Water Main Extension

1. The LCA responsibilities, would be as they are for any developer related work and include but not limited to the review and approval of developer's design; construction inspection and various administrative functions.
2. Easement Acquisition: Request for the Board to authorize LCA to assume the responsibility for acquiring the required easements on privately owned properties to the west of Chestnut Street (Route 29). Conceptually, two primary easements will be required for the off-site main extension and depending upon the final alignment of the extension there is the possibility that three additional easements would be required. Typically the Developer would be responsible for acquiring the easements necessary for an off-site water main extension. However, because of the system benefit provided by this interconnection we recommend that LCA acquire the necessary easements.

Water Pressure Booster Pump Station

1. The pumping station would be an LCA Capital Project, where LCA would be responsible for the typical tasks, including but not limited to, easement acquisition, design, permitting, construction, construction inspection etc. The Project would subject to the public bidding laws and other requirements.
2. Easement Acquisition: LCA will need to acquire an easement or fee simple lot for the pumping station site.

PROJECT FUNDING

Traditional Approach

The Developer will initially be responsible for funding the costs associated with the off-site water main extension, excepting those costs related to easement acquisitions.

LCA will be responsible for initially funding the costs associated with the design and construction of the Pumping Station and easement acquisition costs for pumping station site and certain easements required for the offsite water main extension.

After the project is substantially complete (operational) the total actual costs for the offsite water main extension and pumping station will be reconciled; and each party's share of said costs shall be calculated utilizing the percentages previously set forth in Table-1 of this Memo. Reimbursements and/or payments will be made by the applicable parties.

Alternative Approach - LCA Financing for the Developer

To ease the upfront financial burden on the Developer and allow the Developer's to pay his share of the Project costs (*including interest*) over a period of time the Board should consider providing financing to the Developer for:

1. Offsite Water Main Extension: Pursuant to the “Authority Assisted Water Main Extension Policy” adopted by the LCA Board on 24 July 2000 (attached), provide a loan for the Developers share of the offsite water main extension which is currently estimated at ~\$518,820.
2. Water Pressure Booster Pump Station: In lieu of the Developer reimbursing LCA for his share of the cost estimated at \$430,608 when the pump station is complete, LCA would allow the Developer to pay LCA back via a fee, only applicable to the Development, proportionally payable at the time each home would connect to the water system. Based upon the current estimated cost the Developer would pay ~\$3,445 per unit ($\$430,608/125$ homes). The terms would be similar to those found in the Authority Assisted Water Main Extension Policy

Future Revenue Potential

(Shaded areas are anticipated within 5-years)

Source	#EDUs	One-Time Capital Recovery Fees	Annual On- Going User Fees
Proposed Development of the Kohler Tract (1)	125	\$ 75,000	\$20,500
Properties along the Off-Site Water Main Ext. (2)	34	45,000	32,000
TBD Properties -requires future main extensions(3)	100	60,500	16,500
Totals		\$180,500	\$69,000

(1) Capacity Tapping Fee only, water main within the Development installed by Developer

(2) Capacity and Distribution Type-1 Tapping Fees. Connection to water system optional

(3) Capacity Fee only, assumes connections to a non-LCA installed main extension.

OPERATING SAVINGS

The interconnection will allow the abandonment of the current UMD water supply facilities, which will provide immediate operational savings based upon the 72 current customers the system serves and an average annual water production of ~3.7 million gallons.

Water Supply Source	~ Annual Cost
UMD (existing wells & pump station)	\$30,000
CLD (via interconnection to UMD) (1)	13,000
Net Savings	\$ 17,000

(1) Includes incremental costs to produce in the CLD water utilizing un-used well capacity (\$0.20/per 1000 gal.), estimated electric power (\$1.30/per 1000 gal) and O&M costs (\$7,500 per-yr. for the proposed interconnection pumping station

Central Lehigh Division

LOWER
MACUNGIE

EMMAUS

Emmaus Consecutive Division
"ECD"

Upper Milford Division
"UMD"

Proposed Kohler Tract

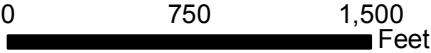
Existing UMD Water Supply Facilities

UPPER MILFORD



Lehigh County Authority
Interconnection of CLD & UMD

- Existing Waterline
- Proposed Off-Site Waterline
- Proposed Pump Station



Estates at Maple Ridge



AUTHORITY-ASSISTED WATER MAIN EXTENSION FINANCING POLICY

ADOPTED: 24 JULY 2000

INTRODUCTION

From time to time the Authority has provided developers financing for off-site main extensions necessary to bring service to their development. Each of these requests has been addressed with unique terms and conditions reflecting each situation's circumstances; however, the Authority believes it wise to develop a policy to establish a uniform approach for these requests, to the extent possible.

PROPOSED FINANCING PLAN

The Authority, upon request, may finance up to 100% of acceptable construction costs, exclusive of any Authority contributions, for off-site water main extensions required by Authority policy and municipal agreements. There shall be a minimum financing amount of \$100,000. Acceptable "*construction costs*" shall be as defined in the Authority's Contribution Policy, which excludes soft costs such as engineering, easements, and legal expenses. Authority monies available for such financing are limited to the amount of operating and capital reserves in the Water Fund that are not committed or budgeted for other purposes at the time of application. Financing requests will be considered on a *first-come, first-served* basis. The Authority will not undertake additional borrowing in order to comply with a request.

FINANCING STRUCTURE

The financing may be structured in one of the following manners:

- a) If a development comprises multiple lots or units, either:
 - Assessment of a special tapping fee (STF) per connection, which amount will be based on lot acreage for industrial/commercial development and on dwelling units for residential development (including multi-family units) with the STF being payable to the Authority when the connection is made; or
 - Term loan/STF combination whereby the loan would be repaid in equal monthly, quarterly or annual installments, but if any lots or units are sold, the resulting STF would be applied against the next term payment(s).
- b) If a development comprises a single lot, a term loan with equal monthly, quarterly or annual payments.

If a STF is used in the financing structure, the STF will be adjusted annually to reflect interest costs on the outstanding balance of the financing.

FINANCING TERM

Payment to developer of monies pursuant to this policy shall be made at the time the development's water system is accepted in accordance with the applicable developer's water system agreement. The term of the financing will be a maximum of ten years from final acceptance, with any monies still due being paid in a balloon payment at the end of the term.

FINANCING RATE

The financing rate shall be one per cent (1%) plus the greater of the interest rate the Authority is paying on its most recent water financing or the *One-year Wall Street Journal CD Rate*, both as of the time of developer's application.

SECURITY

Security shall be provided for such financing and may take one of the following forms:

- Letter of credit with a financial institution acceptable to the Authority in the amount of 110% of the initial amount of the financing; or
- Marketable direct or guaranteed U.S. government securities having terms longer than the obligation being financed, which are acceptable to the Authority, with the original securities and an irrevocable power of attorney given to the Authority (*or equivalent power acceptable to the Authority*), in the amount of 125% of the initial amount of the financing.

The amount of the security may be adjusted either

- Annually to reflect the outstanding balance owed, and/or
- Whenever the market value of the security drops below the percentage specified above, by requiring an increase in amount or change of security.

In the event that a payment is not made within sixty (60) days of its normal due date, the security interest may be exercised by the Authority.

OTHER

As a condition for the Authority providing such financing, the developer shall waive any rights it has to reimbursement of tapping fees from third parties that connect to the main; all such fees collected will remain with the Authority and shall be applied against the outstanding balance of such financing, if any.

All costs incurred in relation to establishing the financial arrangement or the security shall be payable by the developer at the time of execution of the agreement detailing the financing.

An agreement, in form acceptable to Authority legal counsel, must be executed prior to any Authority payment to the developer.