

Lehigh County Authority
2018 Budget
23 October 2017

Suburban Water

SUBURBAN WATER

CASH FLOW (DIRECT)	2018 Budget	2017 Forecast	2017 Budget	2016 Actuals	2018 vs. 2017 FC
Operating Revenues	9,733	9,237	9,134	8,815	496
Operating Expenses (ex D&A)	(5,980)	(5,637)	(5,865)	(4,813)	(343)
Cash From Operations	3,753	3,600	3,269	4,002	153
Interest Received	125	125	200	92	-
Cash Available for Debt Service	3,878	3,725	3,469	4,094	153
Debt Service	(3,744)	(3,224)	(3,182)	(2,691)	(520)
Net Cash Available After Debt Service	134	501	287	1,403	(367)
Non-Operating Revenues (Expenses)	746	726	560	743	20
Changes in Working Capital	-	-	-	871	-
Net Cash Available For Capital	880	1,227	847	3,017	(347)
Financing & Investment Activity	4,023	7,836	6,518	444	(3,813)
Capital Spending	(9,296)	(4,718)	(7,447)	(4,186)	(4,578)
Net Cash Flow	(4,393)	4,345	(82)	(725)	(8,738)
Beginning Balance	11,341	6,996	6,996	7,721	4,345
Ending Balance	<u>6,948</u>	<u>11,341</u>	<u>6,914</u>	<u>6,996</u>	<u>(4,393)</u>
DEBT SERVICE COVERAGE RATIO	<u>1.24</u>	<u>1.38</u>	<u>1.27</u>	<u>1.80</u>	<u>(0.15)</u>

- Net cash flow is a negative \$4.4m
- Fund cash balance will go down as a result of negative cash flow
- Not much cash left after debt service - <\$200k
- Cash available for debt service is only slightly higher than total debt service (1.035 to debt service)
- Counting on some interest income to fund debt service since net from operations will be lower than total debt service without it
- Non-operating revenues will provide another \$746k in cash for capex
- Capex will get some help from Non-Operating revenues and a lot of help from investments rolling over into cash
- Budgeted increase in revenues of 6.0% from 2017
 - 1.5% volume - \$136k
 - 4.5% rates - \$360k
 - Cost of Service Study in process to rationalize rate changes
- Operating expenses going up by \$343k compared to 2017 (6.1%)
 - Wages – \$55k (3.0%)
 - Benefits – \$40k (5.0%)
 - Material & services – \$38k (1.5%)
 - Spending increase of \$210k
 - New DEP Testing requirements - \$182k
 - Additional water purchase - \$174k
 - Other reductions - \$146k

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DEBT SERVICE COVERAGE RATIO	<u>1.24</u>	<u>1.38</u>	<u>1.27</u>	<u>1.80</u>	<u>(0.15)</u>

- Spending (cont'd)
 - Spending reductions in Equipment, materials & supplies as well as purchased services
 - Without the \$210k overall spending reduction, net cash available for debt service would be lower than total debt service obligation
- Interest income – trying to stay at 2017 levels based upon invested balances
- Debt Service – up to last year based upon the increase as a result of 2017 borrowing - \$416k of additional interest & \$104k of additional principal
- Non-Operating revenues (expenses) just slightly better than last year
- Investments converting to cash are coming from invested balances from the 2017 borrowing
- \$23k of project reimbursement
- Capex is \$4.6m higher (97.0%) than 2017 levels and is coming from the 5-year capital plan
- DSCR of 1.24 is slightly above internal target of 1.20 but is down from 2017 levels

SUBURBAN WATER

NET CASH FLOW PER 2017 Q3 FORECAST	<u>4,345</u>	
Revenues		
Increase in volumes of 1.50%	136	
Increase in rates of 4.50%	360	
Operating expenses		
Effect from headcount changes	49	
Wage increases of 3.0% from total wage pool	(55)	
Benefits Increase	(40)	
Cost inflation - general inflation of 1.5%	(38)	
Change in spending levels	(259)	(343)
Debt Service		
Additional interest expense	(416)	
Additional principal payments	(104)	
Non-Operating Revenues (Expenses)		
Change in Non-Operating revenues (expenses)	(22)	
Higher expensed capex	(104)	
Capital Spending/Funding		
Higher total capex	(4,578)	
Investments converting to cash	2,840	
Lower balances of cash invested	8,785	
No Borrowing	(15,292)	
Net Changes	<u>(8,738)</u>	
NET CASH FLOW PER 2018 BUDGET	<u>(4,393)</u>	
CHANGE IN SPENDING LEVELS		
New DEP Testing requirements	(182)	
Buying Water from Northampton	(174)	
Other spending	<u>146</u>	
Total Spending	<u>(210)</u>	

- Already talked about the revenue and operating expense changes – however, we did have to do some spending reduction to offset the effects of the new DEP testing requirements and the additional cost of purchased water from Northampton
- Debt service going up based upon the impact of the 2017 bonds that we closed on at the end of June – now we will have a full year of interest and principal
- Not much change in non-operating items – higher capex to be expensed based upon the project profile
- Capex spending will be up significantly compared to 2017
- We will get some funding from investments converting into cash based upon maturity
- We are not going to invest anything like we did in 2017 – that was an investments from the 2017 bond proceeds

SUBURBAN WATER

INCOME STATEMENT	2018 Budget	2017 Forecast	2017 Budget	2016 Actuals	2018 vs. 2017 FC
Operating Revenues	9,733	9,237	9,134	8,815	496
Operating Expenses	8,930	8,587	8,815	7,401	(343)
Operating Income	803	650	319	1,414	153
Non-Operating Revenues (Expenses)	769	791	794	698	(22)
Income Before Interest	1,572	1,441	1,113	2,112	131
Interest Income	125	125	200	92	-
Interest Expense	(2,003)	(1,587)	(1,348)	(1,140)	(416)
Income Before Capital Contributions	(306)	(21)	(35)	1,064	(285)
Capital Contributions	-	-	-	3,560	-
Net Income	(306)	(21)	(35)	4,624	(285)

- Net income is a negative \$306k and is lower than the 2017 FC
- Operating expenses include \$2,950k of depreciation expenses
- Operating income along with non-operating revenues and small amount of interest income more than erased by interest expense which is creating the negative income flow
- Interest expense is up due to the effects on debt service from the 2017 borrowing

SUBURBAN WATER

BALANCE SHEET	2018 Budget	2017 Forecast	2016 Actuals
Assets and Deferred Outflows			
Cash and Cash Equivalents	4,120	8,513	4,168
Investments - Unrestricted	7,089	7,089	8,249
Other Current Assets	3,197	3,197	3,197
Cash and Cash Equivalents - Restricted	2,828	2,828	2,828
Investments - Restricted	5,710	9,710	925
Other Restricted Assets	4,352	4,352	4,352
Capital Assets, net of Accumulated Depreciation	109,998	103,652	101,988
Other Long-Term Assets	1,295	1,295	1,295
Deferred Outflows	775	775	775
Total Assets and Deferred Outflows	139,364	141,411	127,777
Liabilities and Net Position			
Current Liabilities	3,769	3,769	3,769
Long-Term Liabilities	45,651	47,392	33,737
Net Position	89,944	90,250	90,271
Total Liabilities and Net Position	139,364	141,411	127,777

- Total unrestricted cash of \$4,120k which is \$4,393k lower than the 2017 FC balance of \$8,513k
- Capital assets are 79% of total assets - \$'s up due to capex budget
- Long-term debt of \$45,651k is 33% of Total Liabilities & Net Position
- Long-term debt balance is at a debt-to-equity ratio of 0.51
- Equity is 1.97 times higher than long-term debt

SUBURBAN WATER

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
OPERATING REVENUES					
Charges for Services	9,591	9,095	8,894	8,677	496
Rent	91	91	137	97	-
Other income	51	51	103	41	-
Total Operating Revenues	<u>9,733</u>	<u>9,237</u>	<u>9,134</u>	<u>8,815</u>	<u>496</u>
OPERATING EXPENSES (CASH BASED)					
Salaries and Wages	(1,064)	(1,055)	(943)	(1,028)	(9)
General and Administrative	(1,252)	(1,260)	(1,064)	(1,046)	8
Utilities	(584)	(450)	(493)	(426)	(134)
Materials and Supplies	(321)	(365)	(537)	(288)	44
Miscellaneous Services	(2,759)	(2,507)	(2,828)	(2,025)	(252)
Treatment and Transportation	-	-	-	-	-
Total Operating Expenses	<u>(5,980)</u>	<u>(5,637)</u>	<u>(5,865)</u>	<u>(4,813)</u>	<u>(343)</u>
CASH FROM OPERATIONS	<u>3,753</u>	<u>3,600</u>	<u>3,269</u>	<u>4,002</u>	<u>153</u>
Interest Received	<u>125</u>	<u>125</u>	<u>200</u>	<u>92</u>	<u>-</u>
CASH AVAILABLE FOR DEBT SERVICE	<u>3,878</u>	<u>3,725</u>	<u>3,469</u>	<u>4,094</u>	<u>153</u>
DEBT SERVICE					
Interest and Fees Paid	(2,003)	(1,587)	(1,348)	(1,051)	(416)
Principal Paid	(1,741)	(1,637)	(1,834)	(1,640)	(104)
Total Debt Service	<u>(3,744)</u>	<u>(3,224)</u>	<u>(3,182)</u>	<u>(2,691)</u>	<u>(520)</u>
NET CASH AVAILABLE AFTER DEBT SERVICE	<u>134</u>	<u>501</u>	<u>287</u>	<u>1,403</u>	<u>(367)</u>
	1.04	1.16	1.09	1.52	(0.12)

SUBURBAN WATER

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
NON-OPERATING REVENUES (EXPENSES)					
Tapping and Capital Recovery Fees	485	472	280	426	13
Meter Sales	105	102	80	156	3
Inspection, Plan Reviews, and Project Reimbursements	156	152	200	161	4
Other Income	23	169	334	112	(146)
Less: Project Reimbursement	(23)	(169)	(334)	(112)	146
Other Expense	-	(104)	(100)	(157)	104
Less: Expensed Capex	-	104	100	157	(104)
Total Non-Operating Revenues (Expenses)	<u>746</u>	<u>726</u>	<u>560</u>	<u>743</u>	<u>20</u>
Changes in Assets and Liabilities	-	-	-	871	-
NET CASH AVAILABLE FOR CAPITAL	<u>880</u>	<u>1,227</u>	<u>847</u>	<u>3,017</u>	<u>(347)</u>
FINANCING AND INVESTMENT ACTIVITY					
Grants Received	-	-	-	-	-
New Borrowing	-	15,292	5,900	-	(15,292)
Investments Converted to Cash	4,000	1,160	284	4,852	2,840
New Investments From Cash	-	(8,785)	-	(4,520)	8,785
Annual Lease Payments	-	-	-	-	-
Project Reimbursements	23	169	334	112	(146)
Total Financing & Investment Activity	<u>4,023</u>	<u>7,836</u>	<u>6,518</u>	<u>444</u>	<u>(3,813)</u>
CAPITAL SPENDING					
Net Capital Spending	(9,296)	(4,614)	(7,347)	(4,029)	(4,682)
Add: Expensed Capex	-	(104)	(100)	(157)	104
Total Capital Spending	<u>(9,296)</u>	<u>(4,718)</u>	<u>(7,447)</u>	<u>(4,186)</u>	<u>(4,578)</u>
NET CASH FLOW TO FUND	<u>(4,393)</u>	<u>4,345</u>	<u>(82)</u>	<u>(725)</u>	<u>(8,738)</u>

SUBURBAN WATER

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
DEBT SERVICE RATIO (INDENTURE BASED)					
Total Operating Revenues	9,733	9,237	9,134	8,815	496
Total Operating Expenses (Cash Based)	(5,980)	(5,637)	(5,865)	(4,813)	(343)
Interest Income	125	125	200	92	-
Annual Lease Payment (City)	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>746</u>	<u>726</u>	<u>560</u>	<u>743</u>	<u>20</u>
Cash Available For Debt Service	4,624	4,451	4,029	4,837	173
Total Debt Service	<u>3,744</u>	<u>3,224</u>	<u>3,182</u>	<u>2,691</u>	<u>520</u>
Debt Service Ratio	<u><u>1.24</u></u>	<u><u>1.38</u></u>	<u><u>1.27</u></u>	<u><u>1.80</u></u>	<u><u>(0.15)</u></u>
CAPITAL COVERAGE RATIO					
Net Available for Capital	903	1,396	1,181	3,129	(493)
Total Capex	<u>9,296</u>	<u>4,718</u>	<u>7,447</u>	<u>4,186</u>	<u>4,578</u>
Capital Coverage Ratio	<u><u>0.10</u></u>	<u><u>0.30</u></u>	<u><u>0.16</u></u>	<u><u>0.75</u></u>	<u><u>(0.20)</u></u>

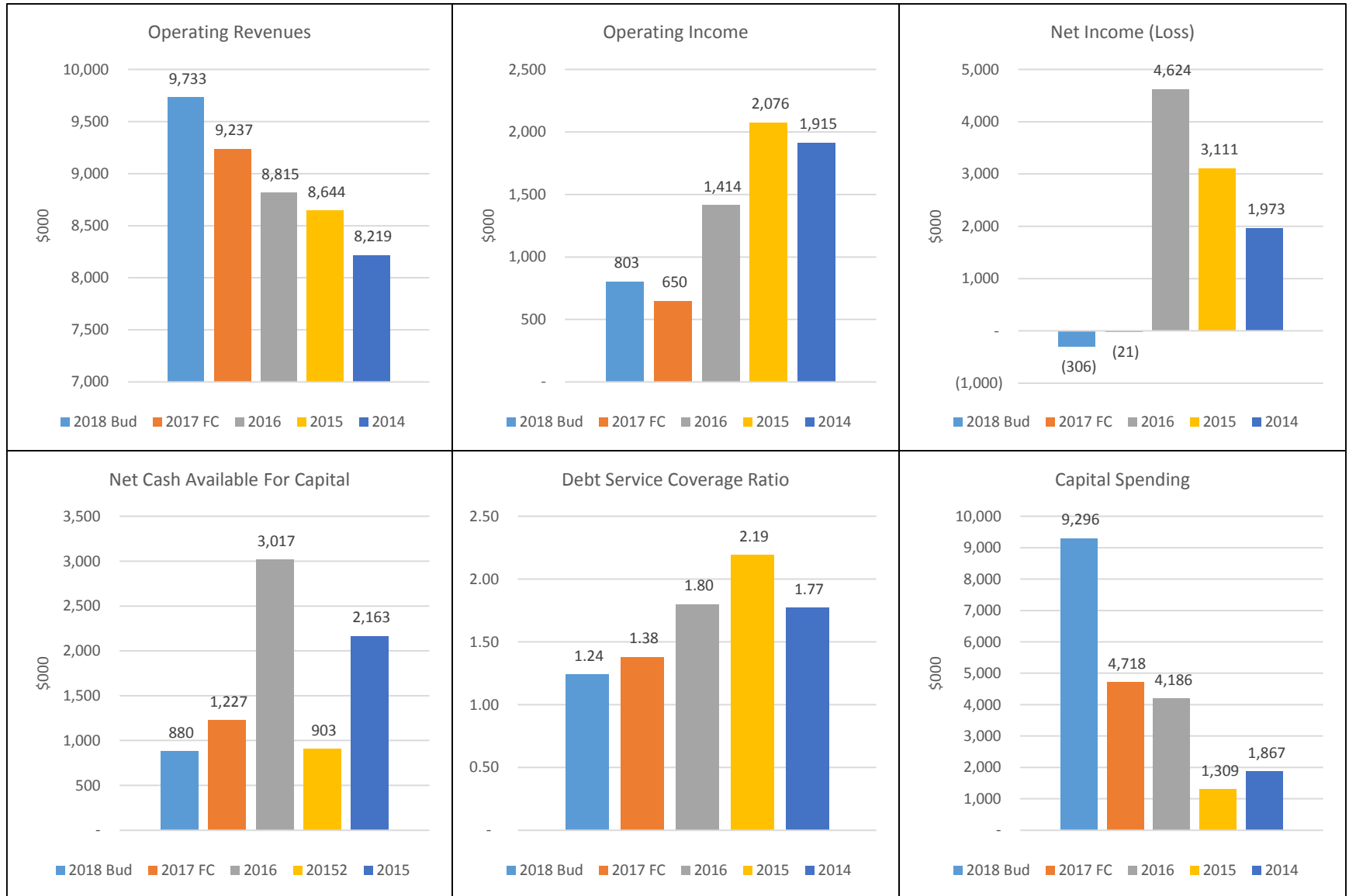
- DSCR is just slightly above the internal target of 1.20
- Without the \$210k of cost cutting – can't pay all of the debt service out of operations, would need help from non-operating revenues
- Also, DSCR would drop to 1.18 which would be lower than target
- \$903k available for capital from
 - Operations - \$134k
 - Non-Operating Revenues - \$746k
 - Project Reimbursement - \$23k

SUBURBAN WATER

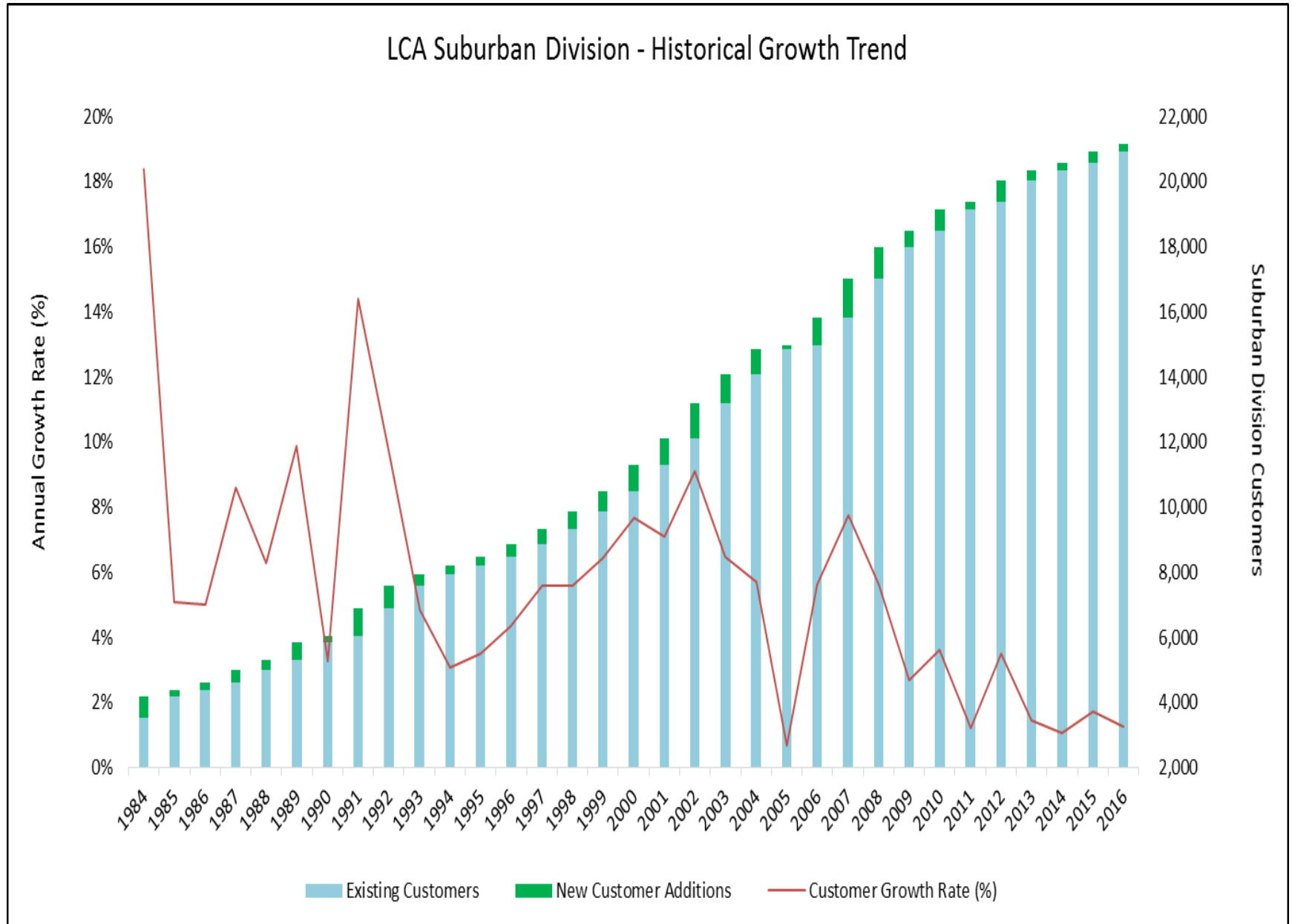
CAPITAL EXPENDITURES

Project	Primary Project Category	Estimated Project Cost	Estimated Costs Through 2017	2018 Budget	Estimated Costs 2019- 2022
Annual Projects	AM - Varies	\$ 8,535,750	\$ 730,000	\$ 1,878,750	5,927,000
Water Main Replacement Projects	AM - Varies	10,500,000	-	2,100,000	8,400,000
Pine Lakes of Lynn Pump Station Improvements	AM - High	725,000	510,000	215,000	-
Crestwood- New Alternate Water Supply	Sys Imp	510,000	330,000	180,000	-
CLD Auxiliary Pump Station & Main Extension	Sys Imp	1,877,000	95,000	1,464,000	318,000
Upper Milford Central Division Improvements	AM - High	1,370,000	-	500,000	870,000
Arcadia West Division Total Dissolved Soilds Removal System	Sys Imp	280,000	-	80,000	200,000
Additional Water Supply - Small Satellite Divisions	Sys Imp	300,000	-	200,000	100,000
Water Meter Replacement Project	AM - Med	1,640,000	500,000	1,140,000	-
Well Abandonments	Regulatory	150,000	60,000	40,000	50,000
Central Lehigh to Upper Milford Division Interconnection	New Cust	1,485,000	165,000	1,320,000	-
Total Suburban Divisions Water Capital Expenditures:			\$ 2,390,000	\$ 9,117,750	
Allocated Administration Capital				\$ 178,250	
TOTAL CAPITAL				\$ 9,296,000	

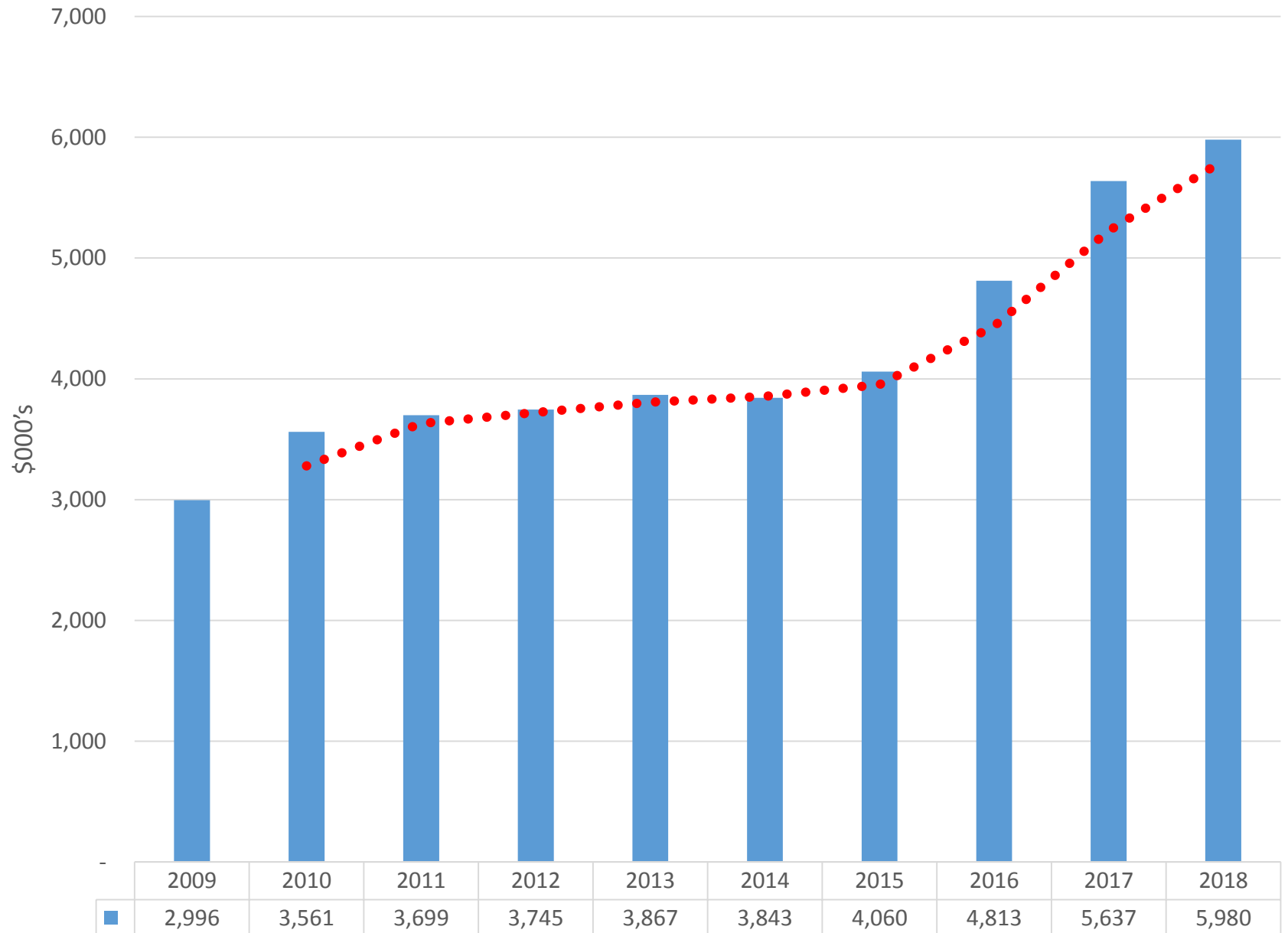
Dashboard – Suburban Water



Suburban Water Historical Growth



Suburban Water O&M History



Suburban Wastewater

SUBURBAN WASTEWATER

CASH FLOW (DIRECT) (\$000)	2018 Budget	2017 Forecast	2017 Budget	2016 Actuals	2018 vs. 2017 FC
Operating Revenues	19,197	18,189	18,259	18,498	1,008
Operating Expenses (ex D&A)	(14,132)	(14,081)	(14,632)	(17,186)	(51)
Cash From Operations	5,065	4,108	3,627	1,312	957
Interest Received	5	5	119	119	-
Cash Available for Debt Service	5,070	4,113	3,746	1,431	957
Debt Service	(690)	(690)	(1,979)	(813)	-
Net Cash Available After Debt Service	4,380	3,423	1,767	618	957
Non-Operating Revenues (Expenses)	1,107	1,107	1,093	1,209	-
Changes in Working Capital	-	-	-	(334)	-
Net Cash Available For Capital	5,487	4,530	2,860	1,493	957
Financing & Investment Activity	3,480	2,470	10,875	(229)	1,010
Capital Spending	(11,718)	(5,066)	(6,613)	(2,425)	(6,652)
Net Cash Flow	(2,751)	1,934	7,122	(1,161)	(4,685)
Beginning Balance	13,208	11,274	11,274	12,435	1,934
Ending Balance	<u>10,457</u>	<u>13,208</u>	<u>18,396</u>	<u>11,274</u>	<u>(2,751)</u>
DEBT SERVICE COVERAGE RATIO	<u>8.95</u>	<u>7.57</u>	<u>2.45</u>	<u>3.25</u>	<u>1.39</u>

- Cash Flows are a negative \$2.8m
- Cash balance is decreasing as a result of negative cash flow
- \$5.5m of net cash from operations
- Not much help from interest income
- Relatively small debt service requirement
- No issues meeting debt service obligations with net cash from operations
- No borrowing this year so no increase in debt service payments

- With non-operating revenues cash available for capital is \$5.5m – 49% of capex
- Investments converting to cash add another \$3.5m
- Capex of \$11.7m
- Very high DSCR
- Operating revenues up to 2017 by \$957k with most of the increase attributable to the signatory group

- Operating expenses down to 2017 by \$51k – most of this due to lower Treatment and transportation costs
- Wage increase of 3.0% - \$14k
- Benefit increase of 5.0% - \$8k
- Cost inflation 1.5% on services, materials, and equipment - \$160k
- Spending reduction - \$131k
- Treatment & Transportation – reduction of \$480k
- Other spending up by \$309k to partially offset

SUBURBAN WASTEWATER

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DEBT SERVICE COVERAGE RATIO	<u>8.95</u>	<u>7.57</u>	<u>2.45</u>	<u>3.25</u>	<u>1.39</u>

- Spending increases are in equipment purchases and other purchased services
- Not budgeting any change in non-operating revenues
- Capital spending is coming from the 5-year capital plan
- No borrowing required for capex
- Invested balances are converting into cash
- DSCR is higher than target and higher than last year

SUBURBAN WASTEWATER

NET CASH FLOW PER 2017 Q3 FORECAST	<u>1,934</u>	
Revenues		
Increase in volumes of 0.0%	-	
Increase in rates of 2.80%	1,008	
Operating expenses		
Effect from headcount changes	(40)	
Wage increases of 3.0% from total wage pool	(14)	
Benefits Increase 5.0%	(8)	
Cost inflation - general inflation of 1.5%	(160)	
Change in spending levels	171	(51)
Debt Service		
Additional interest expense	-	
Additional principal payments	-	
Non-Operating Revenues (Expenses)		
Change in Non-Operating revenues (expenses)	-	
Higher expensed capex	-	
Capital Spending/Funding		
Higher total capex	(6,652)	
Investments converting to cash	1,010	
Lower balances of cash invested	-	
No Borrowing	<u>-</u>	
Net Changes	<u>(4,685)</u>	
NET CASH FLOW PER 2018 BUDGET	<u>(2,751)</u>	

- Some spending cutbacks to offset other expense increase factors
- Biggest variance is the additional capex spending

SUBURBAN WASTEWATER

INCOME STATEMENT (\$000)	2018 Budget	2017 Forecast	2017 Budget	2016 Actuals	2018 vs. 2017 FC
Operating Revenues	19,197	18,189	18,259	18,498	1,008
Operating Expenses	18,908	18,457	18,557	21,687	(451)
Operating Income	289	(268)	(298)	(3,189)	557
Non-Operating Revenues (Expenses)	806	806	793	1,144	-
Income Before Interest	1,095	538	495	(2,045)	557
Interest Income	5	5	119	119	-
Interest Expense	(216)	(216)	(852)	(195)	-
Income Before Capital Contributions	884	327	(238)	(2,121)	557
Capital Contributions	-	-	-	986	-
Net Income	884	327	(238)	(1,135)	557

- Net income is positive but just and better than forecast for this year
- Operating expenses include depreciation of \$4,776k
- Interest expense the same as this year – no borrowing
- Very little interest expenses eating up operating income

SUBURBAN WASTEWATER

BALANCE SHEET (\$000)	2018 Budget	2017 Forecast	2016 Actuals
Assets and Deferred Outflows			
Cash and Cash Equivalents	10,120	12,871	10,937
Investments - Unrestricted	2,383	5,863	8,333
Other Current Assets	2,070	2,070	2,070
Cash and Cash Equivalents - Restricted	337	337	337
Investments - Restricted	-	-	-
Other Restricted Assets	-	-	-
Capital Assets, net of Accumulated Depreciation	94,195	87,554	87,165
Other Long-Term Assets	2,853	2,853	2,853
Deferred Outflows	236	236	236
Total Assets and Deferred Outflows	112,194	111,784	111,931
Liabilities and Net Position			
Current Liabilities	1,999	1,999	1,999
Long-Term Liabilities	7,840	8,314	8,788
Net Position	102,355	101,471	101,144
Total Liabilities and Net Position	112,194	111,784	111,931

- Budget cash balance of \$10,120k is \$2,751k lower than forecasted balance in 2017 of 12,871k
- Capital assets are 84% of total assets
- Long-term debt is low relative to other funds
- Debt to Total Liabilities + Net Position is very small – 7%
- Debt to Net Position is 0.077
- Net Position is 13.06 times higher than debt and is almost \$102.4m

SUBURBAN WASTEWATER

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
OPERATING REVENUES					
Charges for Services	18,997	17,989	18,059	18,296	1,008
Rent	-	-	-	-	-
Other income	200	200	200	202	-
Total Operating Revenues	<u>19,197</u>	<u>18,189</u>	<u>18,259</u>	<u>18,498</u>	<u>1,008</u>
OPERATING EXPENSES (CASH BASED)					
Salaries and Wages	(462)	(427)	(392)	(441)	(35)
General and Administrative	(464)	(423)	(370)	(565)	(41)
Utilities	(285)	(229)	(280)	(205)	(56)
Materials and Supplies	(372)	(108)	(395)	(189)	(264)
Miscellaneous Services	(8,579)	(8,444)	(9,295)	(7,140)	(135)
Treatment and Transportation	(3,970)	(4,450)	(3,900)	(8,646)	480
Total Operating Expenses	<u>(14,132)</u>	<u>(14,081)</u>	<u>(14,632)</u>	<u>(17,186)</u>	<u>(51)</u>
CASH FROM OPERATIONS	<u>5,065</u>	<u>4,108</u>	<u>3,627</u>	<u>1,312</u>	<u>957</u>
Interest Received	5	5	119	119	-
CASH AVAILABLE FOR DEBT SERVICE	<u>5,070</u>	<u>4,113</u>	<u>3,746</u>	<u>1,431</u>	<u>957</u>
DEBT SERVICE					
Interest and Fees Paid	(216)	(216)	(852)	(195)	-
Principal Paid	(474)	(474)	(1,127)	(618)	-
Total Debt Service	<u>(690)</u>	<u>(690)</u>	<u>(1,979)</u>	<u>(813)</u>	<u>-</u>
NET CASH AVAILABLE AFTER DEBT SERVICE	<u>4,380</u>	<u>3,423</u>	<u>1,767</u>	<u>618</u>	<u>957</u>
	7.35	5.96	1.89	1.76	1.39

SUBURBAN WASTEWATER

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
NON-OPERATING REVENUES (EXPENSES)					
Tapping and Capital Recovery Fees	1,015	1,015	1,000	1,165	-
Meter Sales	-	-	-	12	-
Inspection, Plan Reviews, and Project Reimbursements	92	92	93	31	-
Other Income	-	-	-	1	-
Less: Project Reimbursement	-	-	-	-	-
Other Expense	(301)	(301)	(300)	(65)	-
Less: Expensed Capex	<u>301</u>	<u>301</u>	<u>300</u>	<u>65</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>1,107</u>	<u>1,107</u>	<u>1,093</u>	<u>1,209</u>	<u>-</u>
Changes in Assets and Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(334)</u>	<u>-</u>
NET CASH AVAILABLE FOR CAPITAL	<u>5,487</u>	<u>4,530</u>	<u>2,860</u>	<u>1,493</u>	<u>957</u>
FINANCING AND INVESTMENT ACTIVITY					
Grants Received	-	-	-	-	-
New Borrowing	-	-	10,875	395	-
Investments Converted to Cash	3,480	2,470	-	5,476	1,010
New Investments From Cash	-	-	-	(6,100)	-
Annual Lease Payments	-	-	-	-	-
Project Reimbursements	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Financing & Investment Activity	<u>3,480</u>	<u>2,470</u>	<u>10,875</u>	<u>(229)</u>	<u>1,010</u>
CAPITAL SPENDING					
Net Capital Spending	(11,417)	(4,765)	(6,313)	(2,360)	(6,652)
Add: Expensed Capex	<u>(301)</u>	<u>(301)</u>	<u>(300)</u>	<u>(65)</u>	<u>-</u>
Total Capital Spending	<u>(11,718)</u>	<u>(5,066)</u>	<u>(6,613)</u>	<u>(2,425)</u>	<u>(6,652)</u>
NET CASH FLOW TO FUND	<u>(2,751)</u>	<u>1,934</u>	<u>7,122</u>	<u>(1,161)</u>	<u>(4,685)</u>

SUBURBAN WASTEWATER

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
DEBT SERVICE RATIO (INDENTURE BASED)					
Total Operating Revenues	19,197	18,189	18,259	18,498	1,008
Total Operating Expenses (Cash Based)	(14,132)	(14,081)	(14,632)	(17,186)	(51)
Interest Income	5	5	119	119	-
Annual Lease Payment (City)	-	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>1,107</u>	<u>1,107</u>	<u>1,093</u>	<u>1,209</u>	<u>-</u>
Cash Available For Debt Service	6,177	5,220	4,839	2,640	957
Total Debt Service	<u>690</u>	<u>690</u>	<u>1,979</u>	<u>813</u>	<u>-</u>
Debt Service Ratio	<u><u>8.95</u></u>	<u><u>7.57</u></u>	<u><u>2.45</u></u>	<u><u>3.25</u></u>	<u><u>1.39</u></u>
CAPITAL COVERAGE RATIO					
Net Available for Capital	5,487	4,530	2,860	1,493	957
Total Capex	<u>11,718</u>	<u>5,066</u>	<u>6,613</u>	<u>2,425</u>	<u>6,652</u>
Capital Coverage Ratio	<u><u>0.47</u></u>	<u><u>0.89</u></u>	<u><u>0.43</u></u>	<u><u>0.62</u></u>	<u><u>(0.43)</u></u>

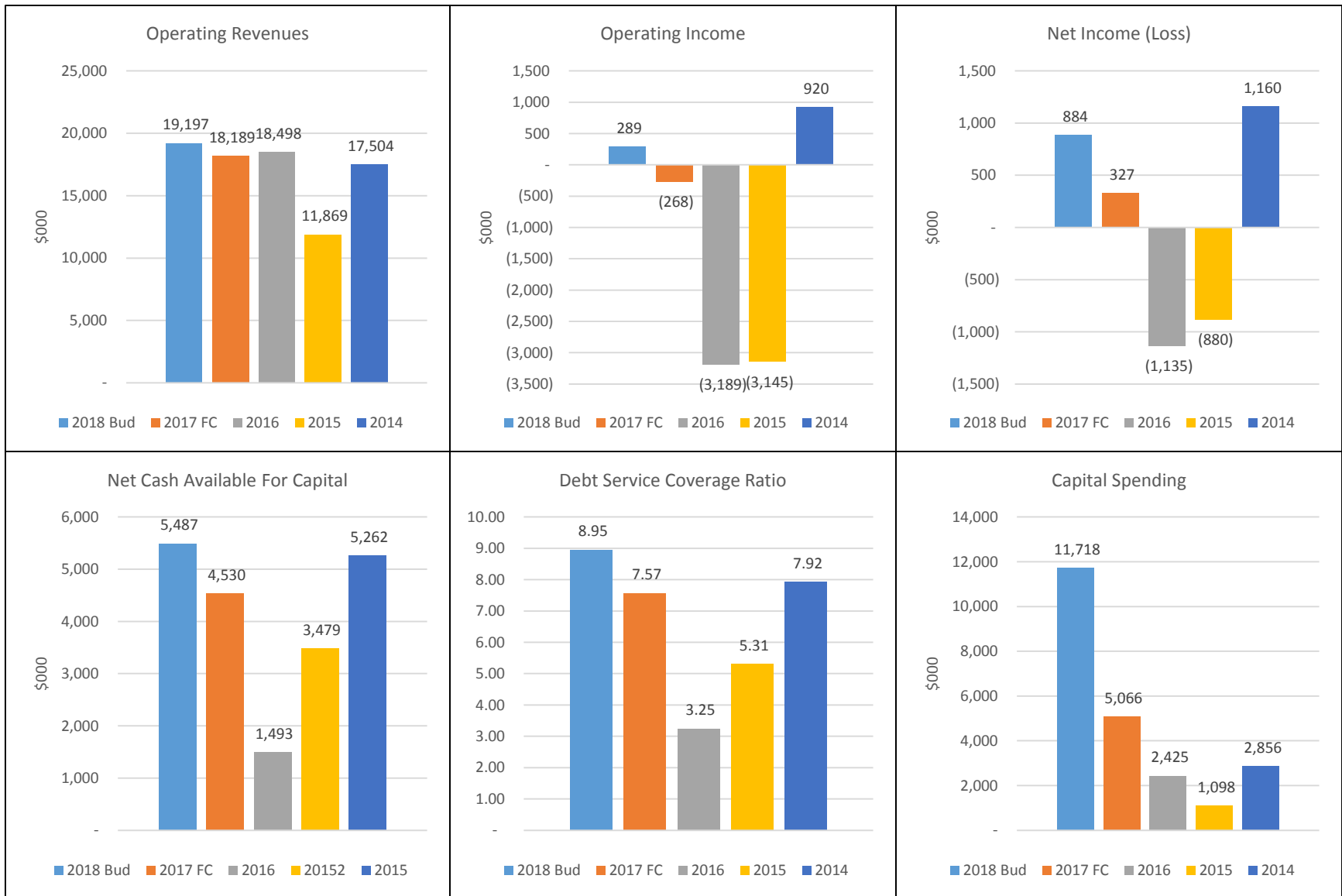
- DSCR is a very healthy figure and is higher than last year
- Almost \$5.5m of cash from operating activities – 49% of total capex

SUBURBAN WASTEWATER

CAPITAL EXPENDITURES

Project	Primary Project Category	Estimated Project Cost	Estimated Costs Through 2017	2018 Budget	Estimated Costs 2019 - 2022
General:					
Annual Projects	AM - Varies	\$ 2,671,750	\$ 525,000	\$ 865,750	\$ 1,281,000
Subtotal			-	865,750	1,281,000
LCA Wastewater Treatment Plant					
General Improvements	AM - Varies	4,000,000	-	800,000	3,200,000
Subtotal			-	800,000	3,200,000
Western Lehigh Interceptor System:					
Central Lehigh County WW Capacity Planning & Expansion	New Cust	1,715,000	1,100,000	315,000	300,000
Signatory I/I Investigation & Remediation Program	Regulatory	8,255,000	4,500,000	1,585,000	2,170,000
Spring Creek Force Main A/V Valve Replacements	Sys Imp	180,000	10,000	170,000	-
Spring Creek Pump Station Upgrades	Sys Imp	581,000	359,000	222,000	-
Interceptor Access Easement Acquisitions	Efficiency	330,000	-	60,000	270,000
WLI-Trexlerstown Area Interceptor Upgrade	Sys Imp	12,300,000	-	300,000	12,000,000
Subtotal			5,969,000	2,652,000	14,740,000
Little Lehigh Relief Interceptor System:					
Park Pump Station Rehabilitation & Improvements	AM - High	4,760,000	300,000	3,000,000	1,460,000
Park Pump Station - Sister Station	Regulatory	180,000	-	-	180,000
Park Pump Station Force Main Rehabilitation	AM - High	2,550,000	50,000	1,500,000	1,000,000
Subtotal			350,000	4,500,000	2,640,000
Northern Lehigh Service Area:					
Wynnewood Terrace WWTP Remediation & Replacement	AM - High	1,510,000	110,000	1,000,000	400,000
Wynnewood I/I Investigation and Remediation Program	AM - Varies	500,000	250,000	20,000	230,000
Sand Spring WWTP Remediation & Replacement	AM - High	1,510,000	110,000	800,000	600,000
Heidelberg Heights I/I Investigation and Remediation Program	AM - Varies	390,000	25,000	200,000	165,000
Heidelberg Heights WWTP Mechanical Screen	Efficiency	340,000	-	-	340,000
Heidelberg Heights WWTP Rehabilitation	AM - High	505,000	75,000	30,000	400,000
Subtotal			570,000	2,050,000	2,135,000
Weisenberg Township:					
Western Weisenberg WWTP Mechanical Screen	Efficiency	340,000	-	-	340,000
Subtotal			-	-	340,000
Lynn Township					
Lynn Township WWTP Improvements & Expansion	AM - High	5,083,755	615,755	606,000	3,862,000
Lynn Township I/I Investigation and Remediation Program	AM - High	320,000	30,000	125,000	165,000
			645,755	731,000	4,027,000
Total Wastewater Suburban Division Capital Expenditures			\$ 7,534,755	\$ 11,598,750	\$ 28,363,000
Allocated Administration				\$ 119,250	
				\$ 11,718,000	

Dashboard – Suburban Wastewater



City Division

CITY DIVISION

CASH FLOW - DIRECT (\$000)	2018 Budget	2017 Forecast	2017 Budget	2016 Actuals	2018 vs. 2017 FC
Operating Revenues	33,569	32,031	31,809	31,673	1,538
Operating Expenses (ex D&A)	<u>(16,802)</u>	<u>(16,722)</u>	<u>(16,862)</u>	<u>(15,831)</u>	<u>(80)</u>
Cash From Operations	16,767	15,309	14,947	15,842	1,458
Interest Received	<u>348</u>	<u>448</u>	<u>302</u>	<u>387</u>	<u>(100)</u>
Cash Available for Debt Service	17,115	15,757	15,249	16,229	1,358
Debt Service	<u>(13,748)</u>	<u>(13,048)</u>	<u>(13,048)</u>	<u>(13,048)</u>	<u>(700)</u>
Net Cash Available After Debt Service	3,367	2,709	2,201	3,181	658
Non-Operating Revenues (Expenses)	452	493	850	2,974	(41)
Changes in Working Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>(963)</u>	<u>-</u>
Net Cash Available For Capital	3,819	3,202	3,051	5,192	617
Financing & Investment Activity	3,688	9,439	9,140	9,900	(5,751)
Capital Spending	<u>(12,593)</u>	<u>(10,346)</u>	<u>(10,671)</u>	<u>(13,877)</u>	<u>(2,247)</u>
Net Cash Flow	(5,086)	2,295	1,520	1,215	(7,381)
Beginning Balance	<u>42,596</u>	<u>40,301</u>	<u>40,301</u>	<u>39,086</u>	<u>2,295</u>
Ending Balance	<u><u>37,510</u></u>	<u><u>42,596</u></u>	<u><u>41,821</u></u>	<u><u>40,301</u></u>	<u><u>(5,086)</u></u>
DEBT SERVICE COVERAGE RATIO	<u>1.2460</u>	<u>1.22</u>	<u>1.21</u>	<u>1.43</u>	<u>0.03</u>

- Net cash flow is a negative \$5.1m
- Cash balance is decreasing
- About half of the operating revenues will pay off operating expenses
- Will still get some interest income on invested balances
- Will have about \$3.4m left from operations after paying debt obligations
- Will get some capex funding from non-operating revenues

- Have \$2.5m of cash coming from project reimbursement
- Will need to borrow \$1.7m to fund capex
- Capex of \$12.6m with only \$9.1m of cash available will use up any project reserves
- Operating revenues going up by \$1.5m with 4% increase budgeted in rates – 2.5% per concession agreement, 1.5 CPI

- Operating expenses are up to 2017 by only \$80k (0.5%)
 - Wage inflation 3.0% - \$159k
 - Benefits increase 5.0% - \$75k
 - Other inflation 1.5% - \$140k
 - Spending - \$290k favorable to 2017
 - \$4k of annual payment reserve funding required
- Cash from operations is going up to last year as revenue increases are surpassing cost increases due to the favorable spending reductions

CITY DIVISION

CASH FLOW - DIRECT (\$000)	2018 Budget	2017 Forecast	2017 Budget	2016 Actuals	2018 vs. 2017 FC
Operating Revenues	33,569	32,031	31,809	31,673	1,538
Operating Expenses (ex D&A)	<u>(16,802)</u>	<u>(16,722)</u>	<u>(16,862)</u>	<u>(15,831)</u>	<u>(80)</u>
Cash From Operations	16,767	15,309	14,947	15,842	1,458
Interest Received	<u>348</u>	<u>448</u>	<u>302</u>	<u>387</u>	<u>(100)</u>
Cash Available for Debt Service	17,115	15,757	15,249	16,229	1,358
Debt Service	<u>(13,748)</u>	<u>(13,048)</u>	<u>(13,048)</u>	<u>(13,048)</u>	<u>(700)</u>
Net Cash Available After Debt Service	3,367	2,709	2,201	3,181	658
Non-Operating Revenues (Expenses)	452	493	850	2,974	(41)
Changes in Working Capital	<u>-</u>	<u>-</u>	<u>-</u>	<u>(963)</u>	<u>-</u>
Net Cash Available For Capital	3,819	3,202	3,051	5,192	617
Financing & Investment Activity	3,688	9,439	9,140	9,900	(5,751)
Capital Spending	<u>(12,593)</u>	<u>(10,346)</u>	<u>(10,671)</u>	<u>(13,877)</u>	<u>(2,247)</u>
Net Cash Flow	(5,086)	2,295	1,520	1,215	(7,381)
Beginning Balance	<u>42,596</u>	<u>40,301</u>	<u>40,301</u>	<u>39,086</u>	<u>2,295</u>
Ending Balance	<u><u>37,510</u></u>	<u><u>42,596</u></u>	<u><u>41,821</u></u>	<u><u>40,301</u></u>	<u><u>(5,086)</u></u>
DEBT SERVICE COVERAGE RATIO	<u>1.2460</u>	<u>1.22</u>	<u>1.21</u>	<u>1.43</u>	<u>0.03</u>

- Interest income is dropping as invested project reserves will be consumed to fund capex
- Debt service is going up to last year
 - Refinance of \$18m Series C Bonds from 2013
 - Additional debt service on \$1.7m borrowing
- Funding for Capex of \$12.6m
 - Operations – \$6.1m
 - Reserves - \$4.8m
 - Borrowing - \$1.7m
- Cash balance is high but most of that is restricted – operating cash is \$3.6m, the rest is restricted
- Debt Service Coverage ratio is better than target of 1.20 and a little better than the forecast for 2017

CITY DIVISION

NET CASH FLOW PER 2017 Q3 FORECAST	<u>2,295</u>	
Revenues		
Increase in volumes of 0.0%	-	
Increase in rates of 4.0%	1,538	
Operating expenses		
Effect from headcount changes	(235)	
Wage increases of 3.0% from total wage pool	(159)	
Benefit Increase 5.0%	(75)	
Cost inflation - general inflation of 1.5%	(140)	
Change in spending levels	525	(84)
Debt Service		
Additional interest expense	(274)	
Additional principal payments	(426)	
Non-Operating Revenues (Expenses)		
Change in Non-Operating revenues (expenses)	(1,508)	
Higher expensed capex	-	
Interest income	(100)	
Capital Spending/Funding		
Higher total capex	(2,247)	
Investments converting to cash	(6,000)	
Lower balances of cash invested	-	
Borrowing	<u>1,720</u>	
Net Changes	<u>(7,381)</u>	
NET CASH FLOW PER 2018 BUDGET	<u>(5,086)</u>	

Rate Increase:

- Concession – 2.5%
- CPI – 1.5%

Spending reduction:

- Internal services
- Materials & supplies
- Miscellaneous services

Debt Service

- Refinance existing 2013 Series C Bonds
- New Borrowing of \$1.7m will carry new debt service

Non-operating Revenues (Expenses) – lower project reimbursement

Interest income – lower as we use up project reserves

Higher total capex
No more invested project reserves to convert into cash

CITY DIVISION

INCOME STATEMENT (\$000)	2018 Budget	2017 Forecast	2017 Budget	2016 Actuals	2018 vs. 2017 FC
Operating Revenues	33,569	32,031	31,809	31,673	1,538
Operating Expenses	<u>22,402</u>	<u>22,122</u>	<u>22,462</u>	<u>21,665</u>	<u>(280)</u>
Operating Income	11,167	9,909	9,347	10,008	1,258
Non-Operating Revenues (Expenses)	<u>(2,048)</u>	<u>(3,520)</u>	<u>(3,406)</u>	<u>(625)</u>	<u>1,472</u>
Income Before Interest	9,119	6,389	5,941	9,383	2,730
Interest Income	348	448	302	387	(100)
Interest Expense	<u>(16,735)</u>	<u>(16,461)</u>	<u>(16,461)</u>	<u>(18,280)</u>	<u>(274)</u>
Income Before Capital Contributions	(7,268)	(9,624)	(10,218)	(8,510)	2,356
Capital Contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>(7,268)</u>	<u>(9,624)</u>	<u>(10,218)</u>	<u>(8,510)</u>	<u>2,356</u>

- Net income is negative as it has been for 2017 and 2016
- Depreciation accounts for \$5.6m of operating expenses
- Non-Cash interest expenses amount to \$2,960k related to accretion on bonds and on value of future annual payments

CITY DIVISION

BALANCE SHEET (\$000)	2018 <u>Budget</u>	2017 <u>Forecast</u>	2016 <u>Actuals</u>
Assets and Deferred Outflows			
Cash and Cash Equivalents	3,638	8,724	6,429
Investments - Unrestricted	-	-	-
Other Current Assets	8,766	8,766	8,766
Cash and Cash Equivalents - Restricted	33,872	33,872	33,872
Investments - Restricted	12,140	12,140	18,140
Other Restricted Assets	-	-	-
Capital Assets, net of Accumulated Depreciation	435	(1,578)	1,436
Other Long-Term Assets	248,921	248,921	248,921
Deferred Outflows	<u>1,739</u>	<u>1,739</u>	<u>1,739</u>
Total Assets and Deferred Outflows	<u>309,511</u>	<u>312,584</u>	<u>319,303</u>
Liabilities and Net Position			
Current Liabilities	9,580	6,167	2,754
Long-Term Liabilities	352,650	351,868	352,376
Net Position	<u>(52,719)</u>	<u>(45,451)</u>	<u>(35,827)</u>
Total Liabilities and Net Position	<u>309,511</u>	<u>312,584</u>	<u>319,303</u>

- Cash balance drops \$5,357 to \$3,638k
- Restricted balances total a little more than \$46m
- Net position is a negative – cumulative loss
- Long-term debt balance is higher than total equity
- Long-term debt is 113.9% of total liabilities & net position

CITY DIVISION

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
OPERATING REVENUES					
Charges for Services	33,494	31,956	31,734	31,599	1,538
Rent	-	-	-	-	-
Other income	<u>75</u>	<u>75</u>	<u>75</u>	<u>74</u>	<u>-</u>
Total Operating Revenues	<u>33,569</u>	<u>32,031</u>	<u>31,809</u>	<u>31,673</u>	<u>1,538</u>
OPERATING EXPENSES (CASH BASED)					
Salaries and Wages	(5,483)	(5,089)	(5,470)	(3,665)	(394)
General and Administrative	(5,989)	(6,385)	(5,568)	(6,361)	396
Utilities	(1,983)	(1,739)	(2,048)	(1,864)	(244)
Materials and Supplies	(1,489)	(1,560)	(1,709)	(1,333)	71
Miscellaneous Services	(1,846)	(1,939)	(2,055)	(2,597)	93
Treatment and Transportation	<u>(12)</u>	<u>(10)</u>	<u>(12)</u>	<u>(11)</u>	<u>(2)</u>
Total Operating Expenses	<u>(16,802)</u>	<u>(16,722)</u>	<u>(16,862)</u>	<u>(15,831)</u>	<u>(80)</u>
CASH FROM OPERATIONS	<u>16,767</u>	<u>15,309</u>	<u>14,947</u>	<u>15,842</u>	<u>1,458</u>
Interest Received	<u>348</u>	<u>448</u>	<u>302</u>	<u>387</u>	<u>(100)</u>
CASH AVAILABLE FOR DEBT SERVICE	<u>17,115</u>	<u>15,757</u>	<u>15,249</u>	<u>16,229</u>	<u>1,358</u>
DEBT SERVICE					
Interest and Fees Paid	(13,322)	(13,048)	(13,048)	(13,048)	(274)
Principal Paid	<u>(426)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(426)</u>
Total Debt Service	<u>(13,748)</u>	<u>(13,048)</u>	<u>(13,048)</u>	<u>(13,048)</u>	<u>(700)</u>
NET CASH AVAILABLE AFTER DEBT SERVICE	<u>3,367</u>	<u>2,709</u>	<u>2,201</u>	<u>3,181</u>	<u>658</u>
	1.24491	1.21	1.17	1.24	0.04

CITY DIVISION

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
NON-OPERATING REVENUES (EXPENSES)					
Tapping and Capital Recovery Fees	144	144	250	1,171	-
Meter Sales	15	15	15	13	-
Inspection, Plan Reviews, and Project Reimbursements	293	293	300	1,396	-
Other Income	2,480	3,988	3,933	821	(1,508)
Less: Project Reimbursement	(2,480)	(3,947)	(3,648)	(400)	1,467
Other Expense	(4,980)	(7,960)	(7,904)	(4,026)	2,980
Less: Expensed Capex	<u>4,980</u>	<u>7,960</u>	<u>7,904</u>	<u>3,999</u>	<u>(2,980)</u>
Total Non-Operating Revenues (Expenses)	<u>452</u>	<u>493</u>	<u>850</u>	<u>2,974</u>	<u>(41)</u>
Changes in Assets and Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(963)</u>	<u>-</u>
NET CASH AVAILABLE FOR CAPITAL	<u>3,819</u>	<u>3,202</u>	<u>3,051</u>	<u>5,192</u>	<u>617</u>
FINANCING AND INVESTMENT ACTIVITY					
Grants Received	-	-	-	-	-
New Borrowing	1,720	-	-	-	1,720
Investments Converted to Cash	-	6,000	6,000	10,000	(6,000)
New Investments From Cash	-	-	-	-	-
Annual Lease Payments	(512)	(508)	(508)	(500)	(4)
Project Reimbursements	<u>2,480</u>	<u>3,947</u>	<u>3,648</u>	<u>400</u>	<u>(1,467)</u>
Total Financing & Investment Activity	<u>3,688</u>	<u>9,439</u>	<u>9,140</u>	<u>9,900</u>	<u>(5,751)</u>
CAPITAL SPENDING					
Net Capital Spending	(7,613)	(2,386)	(2,767)	(9,878)	(5,227)
Add: Expensed Capex	<u>(4,980)</u>	<u>(7,960)</u>	<u>(7,904)</u>	<u>(3,999)</u>	<u>2,980</u>
Total Capital Spending	<u>(12,593)</u>	<u>(10,346)</u>	<u>(10,671)</u>	<u>(13,877)</u>	<u>(2,247)</u>
NET CASH FLOW TO FUND	<u>(5,086)</u>	<u>2,295</u>	<u>1,520</u>	<u>1,215</u>	<u>(7,381)</u>

CITY DIVISION

\$000's	<u>2018 Budget</u>	<u>2017 Forecast</u>	<u>2017 Budget</u>	<u>2016 Actuals</u>	<u>2018 vs. 2017 FC</u>
DEBT SERVICE RATIO (INDENTURE BASED)					
Total Operating Revenues	33,569	32,031	31,809	31,673	1,538
Total Operating Expenses (Cash Based)	(16,802)	(16,722)	(16,862)	(15,831)	(80)
Interest Income	348	448	302	387	(100)
Annual Lease Payment (City)	(512)	(508)	(508)	(500)	(4)
Total Non-Operating Revenues (Expenses)	<u>527</u>	<u>647</u>	<u>1,029</u>	<u>2,974</u>	<u>(120)</u>
Cash Available For Debt Service	17,130	15,896	15,770	18,703	1,234
Total Debt Service	<u>13,748</u>	<u>13,048</u>	<u>13,048</u>	<u>13,048</u>	<u>700</u>
Debt Service Ratio	<u><u>1.24600</u></u>	<u><u>1.22</u></u>	<u><u>1.21</u></u>	<u><u>1.43</u></u>	<u><u>0.03</u></u>
CAPITAL COVERAGE RATIO					
Net Available for Capital	6,299	7,149	6,699	5,592	(850)
Total Capex	<u>12,593</u>	<u>10,346</u>	<u>10,671</u>	<u>13,877</u>	<u>2,247</u>
Capital Coverage Ratio	<u><u>0.50</u></u>	<u><u>0.69</u></u>	<u><u>0.63</u></u>	<u><u>0.40</u></u>	<u><u>(0.19)</u></u>

Debt Service Coverage Ratio is above target of 1.20 and a little bit better than the forecast for 2017

50% of capex is covered by net operations cash and non-operating revenues meaning that we do not have to borrow as much to fund capex for the year

Without the spending cutbacks we barely make it to 1.20 which is the target.

CITY - DIVISION

WATER FUND CAPITAL EXPENDITURES

		Estimated Project Cost	Estimated Costs Through 2017	2018 Budget	Estimated Costs 2019 - 2022
Project	Priority				
<u>LCA Funded Projects</u>					
Annual Projects	AM - Varies	7,289,000	29,000	1,531,000	5,729,000
Various Water System Related Studies	CA/OS	121,000	-	40,000	81,000
Water Main Replacements	CA/OS	16,000,000	-	3,200,000	12,800,000
Emergency Power at WFP - Crystal & Schantz Springs Pumps	Sys Imp	1,790,000	-	-	1,790,000
Fixed-Base Meter Reading System	Efficiency	1,705,000	-	-	1,705,000
Filter Upgrades	Sys Imp	12,140,000	-	-	12,140,000
Intake Upgrades	Sys Imp	11,120,000	-	-	11,120,000
Schantz Spring Main Replacement & Leak Rehabilitation ⁽¹⁾	CA/OS	2,290,000	1,955,000	335,000	-
Sub-total Allentown Division Water Capital Funded by LCA			1,984,000	5,106,000	45,365,000
-					
<u>City Funded Projects</u>					
Ittron/AMR Meter Project ⁽²⁾	CA/OS	300,000	-	140,000	160,000
Sub-total Allentown Division Water Capital Funded by the City			-	140,000	160,000
Total Allentown Division Water Capital Expenditures:			\$ 1,984,000	\$ 5,246,000	\$ 45,525,000
Administration Allocation				\$ 148,750	
				\$ 5,394,750	

(1) Required Capital Improvement Projects as shown on Schedule 7 of the Agreement and will be funded by the LCA Allentown Division.

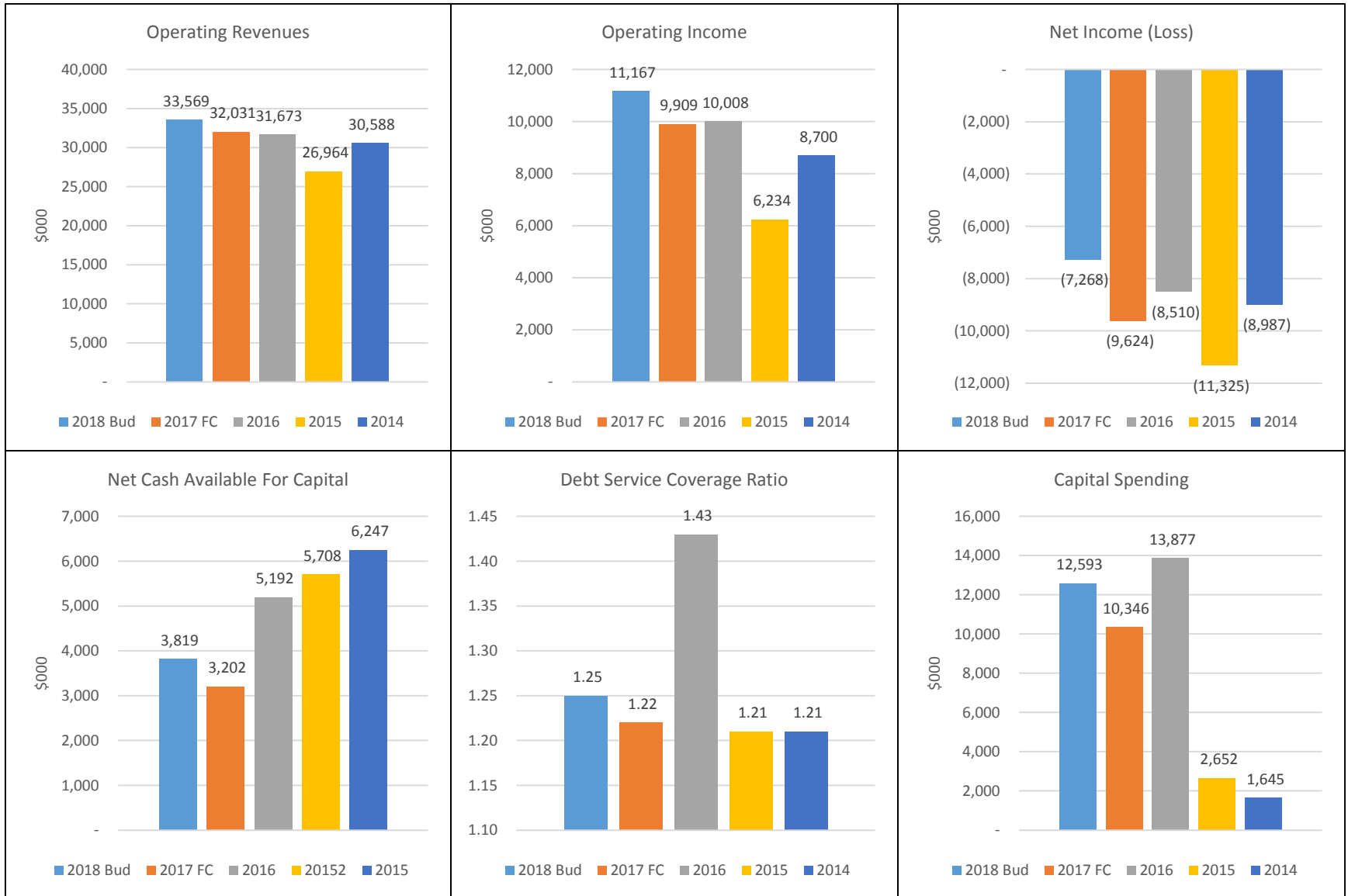
(2) "Uncompleted Work" City Projects that were supposed to be complete by the time of settlement or executed by City personnel after settlement.

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

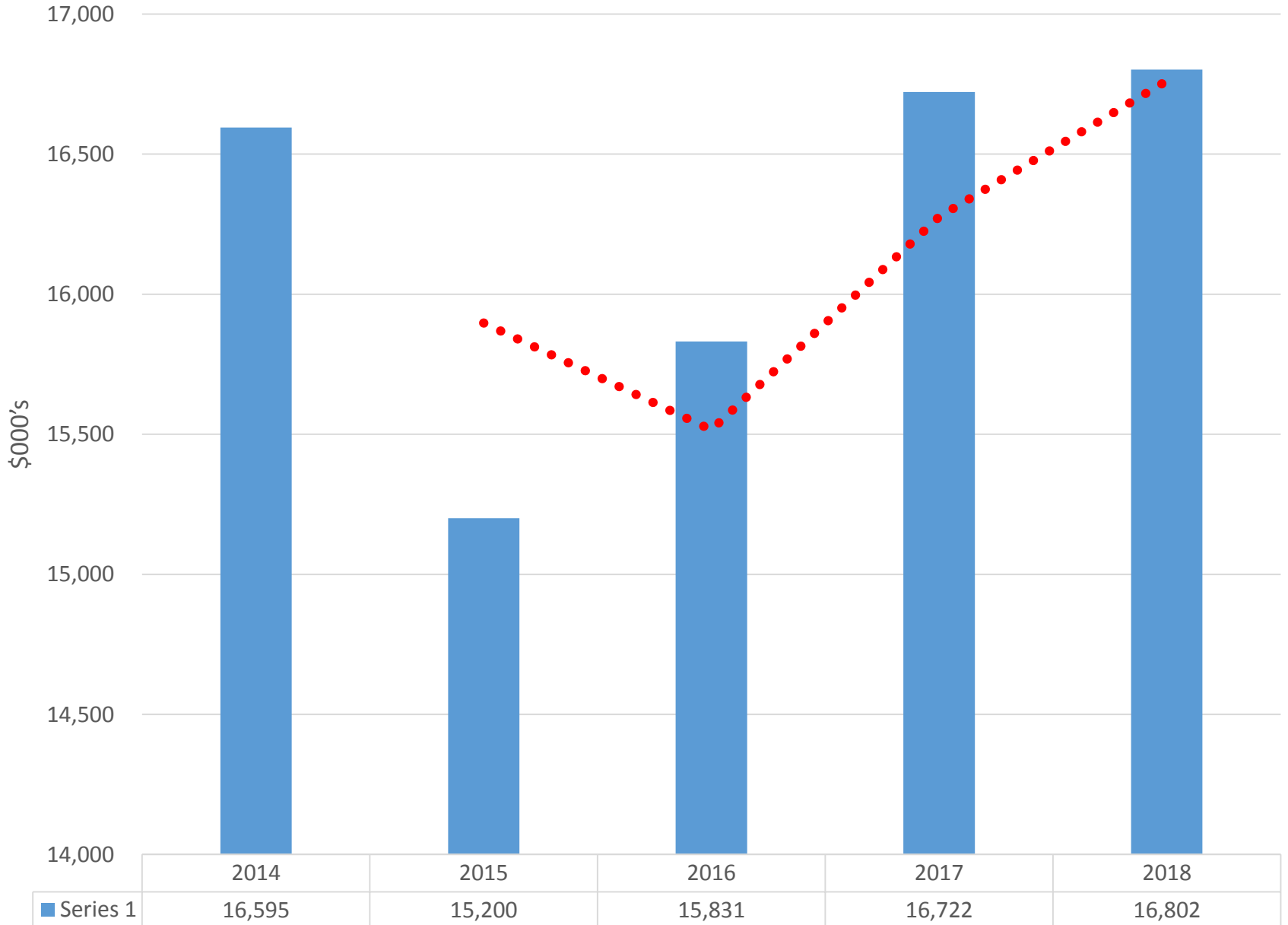
CITY DIVISION

WASTEWATER SYSTEM CAPITAL EXPENDITURES					
		Estimated	Estimated		Estimated
		Project	Costs	2018	Costs
Project	Priority	Cost	Through 2017	Budget	2019 - 2022
<u>LCA Funded Projects</u>					
Annual Projects	AM - High	5,988,000	-	1,049,000	4,939,000
WWTP Electrical Substation Replacements	AM - High	3,665,000	180,000	3,360,000	125,000
Various Wastewater System Related Studies	CA/OS	445,000	65,000	300,000	80,000
WWTP Disinfection Upgrade	Efficiency	1,740,000	-	-	1,740,000
Indenture Report Improvements	AM - Varies	-	-	-	-
Sub-total Allentown Division Wastewater Capital Funded by LCA			\$ 245,000	\$ 4,709,000	\$ 6,884,000
<u>City Funded Projects</u>					
Administrative Order Phase 1A Improvements ⁽³⁾	Regulatory	19,000,000	-	1,000,000	18,000,000
WWTP Interim Blending Pumping System ⁽³⁾	Regulatory	1,340,000	-	1,340,000	-
Sub-total Allentown Division Wastewater Capital Funded by the City			\$ -	\$ 2,340,000	\$ 18,000,000
Total Wastewater Allentown Division Capital Expenditures:			\$ 245,000	\$ 7,049,000	\$ 24,884,000
Administration Allocation				\$ 148,750	
				\$ 7,197,750	
(1) Required Capital Improvement Projects as shown on Schedule 7 of the Agreement and will be funded by the LCA Allentown Division.					
(2) "Uncompleted Work" City Projects that were supposed to be complete by the time of settlement or executed by City personnel after settlement. The City will fund these projects but has requested that LCA execute them.					
(3) "Administrative Order" Projects as per the Agreement are to be Funded by the City and executed by LCA.					

Dashboard – City Division



City Division O&M History



Budget Targets

- Debt Service Coverage Ratio = 120%
 - Remember the extra 20% is cash that we can use!
 - Future capital / system improvements
 - Reduced borrowing
 - Is 20% extra really enough?
- Incorporate rates from Suburban Water Rate Study
 - Allocates fixed / variable costs across customer classes based on usage blocks
- City Division rate increase of 4% (based on lease agreement)
- Capture initiatives that support our organizational goals!

Budget – What’s Included

Staff Additions – “asset management” goal

- 2 Maintenance Technicians – Suburban & City
- 1 CMMS (*Computerized Maintenance Management System*) Manager – Shared

Training – “employee/leadership development” goal

- Leadership Development & Train-the-Trainer program (kicked off in 2017)
- Maintenance of certifications / tuition reimbursement levels
- Reduction in travel expense / national conferences

Various Monitoring & Planning Work – “product quality” goal

- Increased DEP monitoring requirements
- Watershed monitoring program
- Lots more work on our sewer system to address Administrative Order

Budget Reductions To Meet Budget Goals

- Nonessential training & out-of-state travel – reduced / eliminated
- Nonessential IT upgrades – partially deferred
- Contingencies for operational emergencies – reduced
- Equipment & supplies – partially deferred
- Flood control project – TBD

LCA Finances: Planning Ahead

So, what can we do?

- Address revenues
- Look for ways to operate more efficiently!
- Remember this is a marathon, not a sprint
 - We can get through 2018 for sure!
 - Let's work together to make 2019 and beyond a success!
 - Every small improvement helps!

