

# HRG

Herbert, Rowland & Grubic, Inc.  
Engineering & Related Services

AN EMPLOYEE-OWNED COMPANY

## UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY

### 2022 BUDGET



Submitted to:

UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY  
935 North Providence Road  
Media, PA 19063

Submitted by:

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R001780.0437

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## UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY

### 2022 Budget Analysis

#### Analysis of Income

Income, including transfers, for the year ending December 31, 2021, is projected to be \$2,669,409 as compared to budgeted income for 2021 of \$3,012,822. This decrease of approximately \$343,413 is attributable to a lower-than-expected transfer of \$441,579 for budgeted capital expenditures relating to the Bortendale pump station replacement. This was offset by increases in sewer revenues of \$42,768 and penalty income of \$40,000. The lower interest income is due to PLGIT/PRIME interest rate dropping. Receipts from tapping fees, and other income exceeded their budgets by \$18,000.

Budgeted income for 2022 is estimated to be \$2,412,580 which includes a transfer to fund capital projects of \$32,000. Excluding the capital transfer, the 2022 budgeted income is approximately \$91,400 less than 2021's projected income. This is due in part to lower budgets for penalty and lien revenue, lower collections for unpaid sewer revenues. There is no rate increase planned, an additional 6 EDUs are expected to connect to the system. Commercial usage is expected to similar to past year. Interest earnings are expected to remain low. Fewer penalties and liens, and less other income are expected in 2022 compared to the projected 2021. The 2022 income may be further influenced by the new Act 43 of 2021 that may affect billings for multi-residential connections currently billed on the flat rate.

#### Analysis of Expenses

Operating expenses for the year ending December 31, 2021 are projected at \$1,401,256 compared to budgeted expenses of \$1,364,402. This is an increase of \$36,864.. The largest expenses as compared to the 2021 budget includes PA One Call expenditures, insurance expense, and repairs to the low pressure system. Most other expenditures were on budget. Operating expenses for 2022 are budgeted at \$1,404,300 which is only about \$3,000 increase compared to 2021 projected actual. Operating expenses can vary widely from year to year due to weather, equipment maintenance requirements and the cost of chemicals and supplies. Debt service for 2022 amounts to 938,582 per scheduled principal and interest payments and reflects a reduction in interest cost beginning in June of 2022.

Capital Expenditures are identified on Page 9 of the detailed budget and are paid from cash on hand. A major reconstruction of the Bortendale pump station is expected to be financed with a loan from the Delaware Valley Regional Finance Authority and a contribution for Upper Providence Township. Future capital projects are expected to be paid from cash on hand

## Rate Analysis and Sensitivity

The current rate is \$520.00 per year per equivalent dwelling unit (EDU). Rates are not expected to increase in 2022 with quarterly fees remaining at \$130 per quarter.

## CONCLUSION

Based upon the information provided by the Upper Providence Township Sewer Authority, as well as our own knowledge of the Authority's activities, it can be concluded that the Authority's financial condition is sound.

### 2022 BUDGET

Estimated Expenditures for Operations and Maintenance	\$1,404,300
Estimated Capital Improvements	32,000
Other Mandatory Payments	None
Debt Service	938,582
	<hr/>
Total Estimated Revenue Required	<u>\$2,374,882</u>
Estimated Revenues and Transfers	<u><u>\$2,412,880</u></u>

## Analysis of Projections

The budget package includes a projection of revenues and expenditures for 2023 through 2027. Modest rate increases have been assumed in order to keep pace with expenditures. These are essentially break-even years that show excess revenues over expenditures in the range of \$600 to \$57,000. This is due in part because the 1999 Guaranteed Sewer Revenue Note fully matures in 2027 which will reduce the annual debt service by \$284,000 compared to 2021. This will be partially offset by approximately \$70,000 of debt service related to the Bortendale pump station borrowing. Estimated cash balances are in the range of \$1.2 million throughout our projection period. This is adequate to meet ordinary fluctuations in revenues and expenditures and fund capital improvements until rate adjustments can be made. Major capital projects may need to be funded by the issuance of additional debt.

If capital expenditures are greater than anticipated in our projections, roughly \$50,000 annually, you may wish to accelerate rate increases in order to maintain cash reserves. A period of rate stability should begin in 2028 if additional borrowings can be avoided.

UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY  
2022 Budget Summary  
9 Months Actual 3 Months Estimated

	2021 BUDGET	2021 PROJECTED	2022 BUDGET
<b><u>Users</u></b>			
Residential EDU s - Beg.	4,161	4,161	4,176
EDU Additions	6	15	6
Residential EDU s - End	4,167	4,176	4,182
Number of Commercial EDUs	230	211	230
Grand Total EDU s	4,397	4,387	4,412
<b>Tapping Fee</b>	\$ 3,400.00	\$ 3,400.00	\$ 3,400.00
<b>Customer Facilities Fee</b>	\$ 2,300.00	\$ 2,300.00	\$ 2,300.00
<b>Connection Charge</b>	\$ 300.00	\$ 300.00	\$ 300.00
<b>Annual Fee per EDU</b>	\$ 512.00	\$ 512.00	\$ 520.00
<b><u>Receipts</u></b>			
Sewer Revenues	\$ 2,291,922	\$ 2,334,690	2,296,180
Tapping/Connection Fees	36,000	39,203	36,000
Interest Earnings	2,400	366	400
Penalties & Liens	39,500	79,500	44,000
Other Income	4,000	18,249	4,000
Transfer from Capital Reserve Account	639,000	197,401	32,000
Sub-Total Receipts	\$ 3,012,822	\$ 2,669,409	\$ 2,412,580
<b><u>Operating Expenses</u></b>			
Legislative Body	229,850	220,865	187,100
Financial Administration	15,100	16,450	15,500
Legal Retainer	10,500	9,200	10,000
Data Processing	11,500	7,500	10,500
Engineer	29,500	51,356	54,000
<b>Public Works</b>			
Pumping Station Maintenance	120,000	130,000	125,000
Repair Mains & Manholes	10,000	16,575	17,500
Township Maintenance Service	10,000	10,000	10,000
Sewer Cleaning Contract	50,000	38,641	50,000
Grinder Pump and Service	125,000	110,000	125,000
Fuel & Maintenance for Authority Van	1,500	600	1,000
Electric	25,000	23,000	25,000
Sewer Rent	698,452	699,426	721,900
Tools and Equipment	600	195	500
Water	200	300	300
PA One Call System	500	17,200	25,000
Low Pressure System Repair	10,000	25,000	10,000
Purchase Pumps/Cable	2,000	5,458	-
Miscellaneous	900	600	1,000
Insurances	13,800	18,889	15,000
Sub-Total Operating Expenses	\$ 1,364,402	\$ 1,401,256	\$ 1,404,300
<b>Capital Outlays</b>	\$ 639,000	\$ 197,401	\$ 32,000
<b>Available For Debt Service</b>	\$ 1,009,420	\$ 1,070,753	\$ 976,280
Debt Service			
Principal Amortization-DVRFA	\$ 747,000	747,000	\$ 767,000
Interest Expense-DVRFA	241,224	235,078	171,582
sub-Total Net Debt Service	988,224	982,078	938,582
Annual Surplus (Deficit)	\$ 21,197	\$ 88,675	\$ 37,698

UPPER PROVIDENCE TOWNSHIP SEWER AUTHORITY  
2022 Budget Summary  
9 Months Actual 3 Months Estimated

	2021 BUDGET	2021 PROJECTED	2022 BUDGET
<b><u>Capital Additions to the System</u></b>			
Beginning Fund Balance Jan. 1	\$ 1,256,926	\$ 1,256,926	\$ 1,168,969
add: Annual Surplus (Deficit)	21,197	88,675	37,698
add: Additional Borrowings	-	-	-
add: Tapping Fee Income	-	-	-
less: Project Debt Reductions	-	-	-
<b>Sub-Total Funds Available</b>	<b>\$ 1,278,123</b>	<b>\$ 1,345,601</b>	<b>\$ 1,206,667</b>
<b>less Project Costs:</b>			
Project Legal Fees and Easements / Connection	-	-	-
Engineering-Sewer Map	-	-	-
2016 Sewer Maps Data	25,000	70,901	20,000
Ridley Creek Inspection Fees	4,000	1,500	2,000
Engineering - Collection System Extension - Gravity System	-	-	-
<b>Project Construction Costs</b>			
General Construction Projects	10,000	-	10,000
Cedar Meadow Tree Removal	-	-	-
Winter St Pump Replacement	-	-	-
Media Station P.S. Fence	-	-	-
Bortondale Discharge Pipe to Valve	-	-	-
Bortondale P.S. Replacement (Discussion Item)	600,000	125,000	See Notes
2016 Sewer Maps Data	-	-	-
Depreciation Expense	-	-	-
Amortization Expense	-	-	-
<b>Total Capital Additions</b>	<b>\$ 639,000</b>	<b>\$ 197,401</b>	<b>\$ 32,000</b>
<b>Ending Fund Balance</b>	<b>\$ 639,123</b>	<b>\$ 1,148,200</b>	<b>\$ 1,174,667</b>

	January Beginning *	Nine Months Ending	December Ending
Cash Balances			
Checking 1		\$ 326,577	\$ 319,457
PLGIT Class		35,638	35,638
PLGIT/Prime		813,874	813,874
* (From the December 2020 Audit Report)	\$ 1,278,123	\$ 1,176,089	\$ 1,168,969

ACCT #	DESCRIPTION	2021 BUDGET	9 MONTH SUB-TOTAL	Sub-Total Oct., Nov., Dec.	TOTAL	2022 BUDGET
<b>OPERATING INCOME</b>						
<b>User Fees</b>						
45-364-113	Service Charge-Nether Providence	\$ 3,000	\$ 3,584	\$ -	\$ 3,584	\$ 3,500
45-364-120	Sewer Use Charge	2,288,922	1,756,106	575,000	2,331,106	2,292,680
	Total User Fees	\$ 2,291,922	\$ 1,759,690	\$ 575,000	\$ 2,334,690	\$ 2,296,180
<b>Tapping/Connection Fees</b>						
45-364-110	Tapping Fee	\$ 34,200	\$ 37,257	\$ 96	\$ 37,353	\$ 34,200
45-364-112	Sewage Connection & Application Fee	1,800	1,683	167	1,850	1,800
	Total Tapping/Connection Fees	\$ 36,000	\$ 38,940	\$ 263	\$ 39,203	\$ 36,000
<b>Interest Earnings</b>						
45-341-000	Interest Earnings	\$ 2,400	\$ 276	\$ 90	\$ 366	\$ 400
	Total Interest Income	\$ 2,400	\$ 276	\$ 90	\$ 366	\$ 400
<b>Capital Contribution</b>						
45-380-102	Control Box / Trans Switch	\$ -	\$ 585	\$ -	\$ 585	\$ -
	Total Capital Contributions	\$ -	\$ 585	\$ -	\$ 585	\$ -
<b>Penalties &amp; Liens</b>						
45-364-700	Sewer Penalties Collected	\$ 8,500	\$ 7,181	\$ 2,319	\$ 9,500	\$ 9,000
45-364-800	Liens for Sewer Rent	31,000	63,366	6,634	70,000	35,000
	Total Penalties & Liens	\$ 39,500	\$ 70,547	\$ 8,953	\$ 79,500	\$ 44,000
<b>Other Income</b>						
45-364-750	Sewer Certification Fees	\$ 1,000	\$ 852	\$ 148	\$ 1,000	\$ 1,000
45-380-100	Miscellaneous Revenue	3,000	2,128	622	2,750	3,000
45-380-123	Reimbursement (Grinder Pump Repairs)	-	3,607	257	3,864	-
45-380-200	Grinder Pump Purchase	-	10,050	-	10,050	-
	Total Other Income	\$ 4,000	\$ 16,637	\$ 1,027	\$ 17,664	\$ 4,000
<b>Construction Fund Transfers</b>						
45-390-300	Transfer from Capital Reserves	\$ 639,000	\$ 193,827	\$ 3,574	\$ 197,401	\$ 32,000
	Total Construction Fund Transfers	\$ 639,000	\$ 193,827	\$ 3,574	\$ 197,401	\$ 32,000
<b>Fund Balance Forwarded</b>						
45-399-000	Fund Balance Forwarded	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Fund Balance Forwarded	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>TOTAL RECEIPTS:</b>	<b>\$ 3,012,822</b>	<b>\$ 2,080,502</b>	<b>\$ 588,907</b>	<b>\$ 2,669,409</b>	<b>\$ 2,412,580</b>



ACCT #	DESCRIPTION	2021 BUDGET	9 MONTH SUB-TOTAL	Sub-Total		TOTAL	2022 BUDGET
				Oct., Nov., Dec.			
OPERATING EXPENSES							
Legislative Body							
45-400-142	Office Mgr Payroll Gross	\$ 99,280	\$ 73,283	\$ 22,717	\$ 96,000	\$ 96,000	
45-400-143	Office Manager Payroll Taxes	7,793	5,606	1,794	7,400	7,400	
45-400-146	Temporary Secretarial Services	3,000	2,441	559	3,000	3,000	
45-400-147	Oper Manager Payroll Gross	83,981	66,390	15,210	81,600	52,000	
45-400-148	Oper Manager Payroll Taxes	6,596	5,079	921	6,000	-	
45-400-210	Materials & Supplies/Office	3,500	2,556	444	3,000	3,000	
45-400-212	Postage	10,000	7,616	1,984	9,600	10,000	
45-400-213	Office Equipment Minor	500	160	140	300	500	
45-400-217	Conference Fees Expenses and Dues	2,200	2,200	-	2,200	2,200	
45-400-321	Telephone Monthly Charges	5,000	4,410	1,470	5,880	5,000	
45-400-340	Advertising	1,000	826	174	1,000	1,000	
45-400-380	Office Rent	5,000	2,428	809	3,237	5,000	
45-400-475	Bank Charges	2,000	1,298	350	1,648	2,000	
	Total Legislative Body	\$ 229,850	\$ 174,293	\$ 46,572	\$ 220,865	\$ 187,100	
Financial Administration							
45-402-311	Accounting and Auditing Services	\$ 7,600	\$ 7,750	\$ -	\$ 7,750	\$ 8,000	
45-402-315	Budget	7,500	7,491	1,209	8,700	7,500	
	Total Financial Administration	\$ 15,100	\$ 15,241	\$ 1,209	\$ 16,450	\$ 15,500	
Legal Retainer							
45-404-311	Legal Fees/Miscellaneous	\$ 10,500	\$ 5,637	\$ 3,563	\$ 9,200	\$ 10,000	
	Total Legal Retainer	\$ 10,500	\$ 5,637	\$ 3,563	\$ 9,200	\$ 10,000	
Data Processing							
45-407-100	Computer Services	\$ 7,000	\$ 6,710	\$ 290	\$ 7,000	\$ 7,000	
45-407-200	Computer Supplies	2,000	321	179	500	1,000	
45-407-300	Upgrade Office Computer & Software	2,500	-	-	-	2,500	
	Total Data Processing	\$ 11,500	\$ 7,031	\$ 469	\$ 7,500	\$ 10,500	
Engineering							
45-408-100	Sewer Authority Engineer/Services	\$ 24,000	\$ 12,707	\$ 11,293	\$ 24,000	\$ 24,000	
45-408-315	Engineer-PA One Call	5,000	3,533	1,477	5,010	5,000	
	Sewer Cleaning Admin and Field Obser.	-	22,346	-	22,346	25,000	
45-408-373	Maintenance & Cleaning & Mapping	500	-	-	-	-	
	Total Engineering	\$ 29,500	\$ 38,586	\$ 12,770	\$ 51,356	\$ 54,000	
Public Works							
45-426-215	Grinder Pump Service Calls	\$ 125,000	\$ 81,555	\$ 28,445	\$ 110,000	\$ 125,000	
45-426-360	Fuel & Maintenance for Authority Van	1,500	400	200	600	1,000	
45-426-361	Electric	25,000	16,684	6,316	23,000	25,000	
45-426-362	Sewer Rent to CDCA	78,652	58,851	19,617	78,468	84,000	
45-426-363	Sewer Rent/Aqua Pennsylvania	547,400	409,619	137,781	547,400	560,000	
45-426-365	Sewer Rent/DELCORA/SWDCMA	69,900	52,434	18,229	70,663	75,000	
45-426-366	Water	200	202	98	300	300	
45-426-367	Sewer Rent/Nether Providence Twp.	2,500	2,895	-	2,895	2,900	
45-426-370	Pumping Station Maintenance	120,000	104,699	25,301	130,000	125,000	
45-426-371	Repair Mains & Manholes	5,000	14,085	915	15,000	15,000	
45-426-375	Township Maintenance Service	10,000	6,319	3,681	10,000	10,000	
45-426-376	Sewer Cleaning Contract	50,000	64,688	(26,047)	38,641	50,000	
45-426-378	Sewer Cleaning Emergency	5,000	1,238	337	1,575	2,500	
45-426-380	PA One Call / Locating Serv	500	11,283	5,917	17,200	25,000	
45-426-390	Low Pressure System Maintenance	10,000	18,945	6,055	25,000	10,000	
45-426-673	Tools & Equipment	600	195	-	195	500	
45-426-740	Purchase Pumps/Cable	2,000	5,458	-	5,458	-	
	Total Public Works	1,053,252	849,550	226,845	1,076,395	1,111,200	
Miscellaneous							
45-480-000	Miscellaneous Expenditures	\$ 900	\$ 384	\$ 216	\$ 600	\$ 1,000	
	Total Miscellaneous Expense	\$ 900	\$ 384	\$ 216	\$ 600	\$ 1,000	
Insurance							
45-486-350	Total Insurances	\$ 13,800	\$ 18,889	\$ -	\$ 18,889	\$ 15,000	
TOTAL OPERATING EXPENSES		\$ 1,364,402	\$ 1,109,611	\$ 291,644	\$ 1,401,256	\$ 1,404,300	

ACCT #	DESCRIPTION	2021 BUDGET	9 MONTH SUB-TOTAL	Sub-Total Oct., Nov., Dec.	TOTAL	2022 BUDGET
<b>DEBT SERVICE</b>						
45-402-400	DVRFA Amortization	\$ 747,000	\$ 507,000	\$ 240,000	\$ 747,000	\$ 767,000
45-472-500	DVRFA Interest 1999	\$ 44,296	\$ 33,219	\$ 11,077	\$ 44,296	38,416
45-472-710	DVRFA Interest 2009	\$ 114,440	\$ 84,252	\$ 27,030	\$ 111,282	78,740
45-472-750	DVRFA Interest 2012	\$ 82,488	\$ 60,372	\$ 19,128	\$ 79,500	54,426
	<b>TOTAL DEBT SERVICE</b>	<b>\$ 988,224</b>	<b>\$ 684,843</b>	<b>\$ 297,235</b>	<b>\$ 982,078</b>	<b>\$ 938,582</b>
<b>CAPITAL ADDITIONS TO THE SYSTEM</b>						
45-404-319	Legal - Ridley Creek / Crum Creek	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Easement Costs	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Infiltration / Inflow Projects</b>						
45-408-660	Engineering-Infiltration Study	\$ -	\$ -	\$ -	\$ -	\$ -
	Total I/I	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Engineering-Projects</b>						
45-408-312	Engineering-Sewer Map	\$ -	\$ -	\$ -	\$ -	\$ -
45-426-775	2016 Sewer Maps Data	\$ 25,000	\$ 70,901	\$ -	\$ 70,901	\$ 20,000
45-408-690	Ridley Creek Inspection Fees	4,000	1,061	439	1,500	2,000
45-408-750	Collection System Extension - Gravity	\$ -	\$ -	\$ -	\$ -	\$ -
	Total Project Engineering	\$ 29,000	\$ 71,962	\$ 439	\$ 72,401	\$ 22,000
<b>Construction- Acquisition Projects</b>						
45-426-610	General Construction Projects	\$ 10,000	\$ -	\$ -	\$ -	\$ 10,000
45-426-674	Cedar Meadow Tree Removal	-	-	-	-	-
45-426-710	Winter St Pump Replacement	-	-	-	-	-
45-426-720	Media Station P.S. Fence	-	-	-	-	-
45-426-770	Bortondale Discharge Pipe to Valve	-	-	-	-	-
	Bortondale P.S. Replacement	600,000	121,865	3,135	125,000	-
45-426-800	Depreciation Expense	-	-	-	-	-
45-426-810	Amortization Expense	-	-	-	-	-
	Total Project Construction	\$ 610,000	\$ 121,865	\$ 3,135	\$ 125,000	\$ 10,000
	<b>TOTAL CAPITAL ADDITIONS</b>	<b>\$ 639,000</b>	<b>\$ 193,827</b>	<b>\$ 3,574</b>	<b>\$ 197,401</b>	<b>\$ 32,000</b>
	<b>GRAND TOTAL -EXPENDITURES:</b>	<b>\$ 2,991,625</b>	<b>\$ 1,988,281</b>	<b>\$ 592,453</b>	<b>\$ 2,580,735</b>	<b>\$ 2,374,882</b>



## Five Year Projection of Revenues

	PROJECTED	BUDGET	PROJECTIONS				
	2021	2022	2023	2024	2025	2026	2027
<b><u>Users</u></b>							
Residential EDU s - Beg.	4,161	4,176	4,182	4,192	4,202	4,212	4,222
EDU adjustment	15	6	10	10	10	10	10
Residential EDU s - End	4,176	4,182	4,192	4,202	4,212	4,222	4,232
Number of Commercial EDUs	211	230	230	230	230	230	230
<b>Grand Total EDUs:</b>	<b>4,387</b>	<b>4,412</b>	<b>4,422</b>	<b>4,432</b>	<b>4,442</b>	<b>4,452</b>	<b>4,462</b>
<b>Tapping Fee</b>	<b>\$ 3,400.00</b>	<b>\$ 3,400.00</b>	<b>\$ 3,400.00</b>	<b>\$ 3,400.00</b>	<b>\$ 3,400.00</b>	<b>\$ 3,400.00</b>	<b>\$ 3,400.00</b>
<b>Customer Facilities Fee</b>	<b>\$ 2,300.00</b>	<b>\$ 2,300.00</b>	<b>\$ 2,300.00</b>	<b>\$ 2,300.00</b>	<b>\$ 2,300.00</b>	<b>\$ 2,300.00</b>	<b>\$ 2,300.00</b>
<b>Connection Charge</b>	<b>\$ 300.00</b>	<b>\$ 300.00</b>	<b>\$ 300.00</b>	<b>\$ 300.00</b>	<b>\$ 300.00</b>	<b>\$ 300.00</b>	<b>\$ 300.00</b>
<b>Annual Fee per EDU</b>	<b>\$ 520.00</b>	<b>\$ 520.00</b>	<b>\$ 540.00</b>	<b>\$ 540.00</b>	<b>\$ 560.00</b>	<b>\$ 560.00</b>	<b>\$ 580.00</b>
<b><u>Revenues</u></b>							
Sewer Revenues	\$ 2,334,690	\$ 2,296,180	\$ 2,385,180	\$ 2,390,580	\$ 2,484,720	\$ 2,490,320	\$ 2,585,060
Tapping/Connection Fees	39,203	36,000	60,000	60,000	60,000	60,000	60,000
Interest Earnings	366	400	1,731	1,816	1,819	1,898	1,927
Penalties & Liens	79,500	44,000	49,000	52,000	55,000	59,000	60,000
Other Income	18,249	4,000	4,000	4,000	4,000	4,000	4,000
<b>Total Revenue:</b>	<b>\$ 2,472,008</b>	<b>\$ 2,380,580</b>	<b>\$ 2,499,911</b>	<b>\$ 2,508,396</b>	<b>\$ 2,605,539</b>	<b>\$ 2,615,218</b>	<b>\$ 2,710,987</b>
<b><u>Expenditures</u></b>							
Admin./Fin./Legal/Eng.	\$ 324,860	\$ 293,100	\$ 299,000	\$ 305,000	\$ 311,100	\$ 317,300	\$ 323,600
Operating Costs	376,969	389,300	401,000	413,000	425,400	438,200	451,300
Treatment Costs	699,426	721,900	748,900	776,900	805,900	836,000	867,200
<b>Total Operating Expenses</b>	<b>\$ 1,401,256</b>	<b>\$ 1,404,300</b>	<b>\$ 1,448,900</b>	<b>\$ 1,494,900</b>	<b>\$ 1,542,400</b>	<b>\$ 1,591,500</b>	<b>\$ 1,642,100</b>
<b>Available for Debt Service</b>	<b>\$ 1,070,753</b>	<b>\$ 976,280</b>	<b>\$ 1,051,011</b>	<b>\$ 1,013,496</b>	<b>\$ 1,063,139</b>	<b>\$ 1,023,718</b>	<b>\$ 1,068,887</b>
<b>Debt Service *</b>	<b>982,078</b>	<b>938,582</b>	<b>995,690</b>	<b>1,012,904</b>	<b>1,011,891</b>	<b>1,005,662</b>	<b>1,011,180</b>
<b>Coverage</b>	<b>\$ 88,675</b>	<b>\$ 37,698</b>	<b>\$ 55,321</b>	<b>\$ 592</b>	<b>\$ 51,248</b>	<b>\$ 18,056</b>	<b>\$ 57,707</b>

	<u>ESTIMATED</u>	<u>BUDGET</u>	<u>PROJECTIONS</u>				
	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
<b><u>Cash / Investment Balances</u></b>							
Beginning Balance	\$ 1,256,926	\$ 1,148,200	\$ 1,153,898	\$ 1,210,618	\$ 1,212,610	\$ 1,265,258	\$ 1,284,714
Additional Borrowings (Repayments)	-	1,200,000	-	-	-	-	-
Project Tapping Fees	-	-	-	-	-	-	-
Project Capital Contributions	-	450,000	-	-	-	-	-
Princ. Pms. from Reimbursements	-	-	51,400	51,400	51,400	51,400	51,400
Operating Surplus (Deficit)	88,675	37,698	55,321	592	51,248	18,056	57,707
Cash Available	\$ 1,345,601	\$ 2,835,898	\$ 1,260,618	\$ 1,262,610	\$ 1,315,258	\$ 1,334,714	\$ 1,393,820
Capital Additions	(195,901)	(30,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Bortendale Pump Station Rehab	-	(1,650,000)	-	-	-	-	-
Ridley / Crum Creek Project	(1,500)	(2,000)	-	-	-	-	-
Ending Balance	\$ 1,148,200	\$ 1,153,898	\$ 1,210,618	\$ 1,212,610	\$ 1,265,258	\$ 1,284,714	\$ 1,343,820
Prime Interest Earnings @ .15%	366	400	1,731	1,816	1,819	1,898	1,927
Penalties Liens	79,500	44,000	49,000	52,000	55,000	59,000	60,000
<b><u>Long Term Debt Balance</u></b>							
Beginning Balance	9,916,000	9,169,000	9,602,000	8,739,600	7,847,200	6,942,801	6,031,401
New Borrowings / Repayments	-	1,200,000	-	-	-	-	-
Scheduled Principal Payments	(747,000)	(767,000)	(862,400)	(892,400)	(904,400)	(911,400)	(930,400)
Ending Balance	\$ 9,169,000	\$ 9,602,000	\$ 8,739,600	\$ 7,847,200	\$ 6,942,801	\$ 6,031,401	\$ 5,101,001
Balance by Issue at 12/31							
1999 Issue (Fixed) *	1,568,000	1,322,000	1,322,000	1,070,000	812,000	548,000	277,000
2009 Issue (Fixed) *	4,413,000	4,148,000	3,851,000	3,550,000	3,246,000	2,938,000	2,627,000
2012 Issue (Fixed) *	3,188,000	2,932,000	2,670,000	2,388,000	2,103,000	1,815,000	1,524,000
2022 Issue (Fixed)	-	1,200,000	1,148,600	1,097,200	1,045,801	994,401	943,001
Principal Balance	\$ 9,169,000	\$ 9,602,000	\$ 8,991,600	\$ 8,105,200	\$ 7,206,801	\$ 6,295,401	\$ 5,371,001
<b><u>Annual Debt Service Payments</u></b>							
Scheduled Principal Payments							
1999 Issue (Fixed)	235,000	246,000	252,000	258,000	264,000	264,000	277,000
2009 Issue (Fixed) Refer to Note.	252,000	265,000	297,000	301,000	304,000	308,000	311,000
2012 Issue (Fixed) Refer to Note.	249,000	256,000	262,000	282,000	285,000	288,000	291,000
2022 Issue (Fixed)	-	-	51,400	51,400	51,400	51,400	51,400
Sub-Total Principal Payments	736,000	767,000	862,400	892,400	904,400	911,400	930,400
Interest Payments **	235,078	171,582	133,290	120,504	107,491	94,262	80,781
Total Annual Debt Service	\$ 971,078	\$ 938,582	\$ 995,690	\$ 1,012,904	\$ 1,011,891	\$ 1,005,662	\$ 1,011,180

## Schedule A

### Upper Providence Township Sewer Authority Guaranteed Sewer Revenue Note, Series of 1999 Principal Amortization Schedule and Annual Debt Service at a Fixed Rate of 2.45%

<b>Year Ending</b>	<b>Principal Payment (1)</b>	<b>Interest Rate (2)</b>	<b>Interest Payment (3)</b>	<b>Total Annual Payment</b>	<b>Ending Principal Balance</b>
12/25/2022	246,000	2.45%	38,416	284,416	1,322,000
12/25/2023	252,000	2.45%	32,389	284,389	1,070,000
12/25/2024	258,000	2.45%	26,215	284,215	812,000
12/25/2025	264,000	2.45%	19,894	283,894	548,000
12/25/2026	271,000	2.45%	13,426	284,426	277,000
12/25/2027	277,000	2.45%	6,786	283,786	0
<b>Total</b>	<b><u>\$1,568,000</u></b>		<b><u>\$336,532</u></b>	<b><u>\$2,560,532</u></b>	

(1) Principal payments are due on December 25 of each year through final maturity of

(2) Fixed interest rate of 2.45% through final maturity.

(3) Interest is payable monthly on the 25th day of each month, commencing 12/25/1999 for the period beginning 12/10/1999.

## Schedule B

Upper Providence Township Sewer Authority  
Guaranteed Sewer Revenue Note, Series of 2009  
Principal Amortization Schedule and  
Annual Debt Service at a Fixed Rate of 2.450% through  
Annual Debt Service at a Fixed Rate of 1.190% from 6/25/2023

<b>Year Ending</b>	<b>Principal Payment (1)</b>	<b>Rate (2) Rate (2)</b>	<b>Payment (3) Payment (3)</b>	<b>Total Annual Payment</b>	<b>Ending Principal Balance</b>
06/25/2022	265,000	2.450%	78,740	343,740	4,148,000
6/25/2023	297,000	1.190%	49,361	346,361	3,851,000
6/25/2024	301,000	1.190%	45,827	346,827	3,550,000
6/25/2025	304,000	1.190%	42,245	346,245	3,246,000
6/25/2026	308,000	1.190%	38,627	346,627	2,938,000
6/25/2027	311,000	1.190%	34,962	345,962	2,627,000
6/25/2028	315,000	1.190%	31,261	346,261	2,312,000
6/25/2029	319,000	1.190%	27,513	346,513	1,993,000
6/25/2030	323,000	1.190%	23,717	346,717	1,670,000
6/25/2031	326,000	1.190%	19,873	345,873	1,344,000
6/25/2032	330,000	1.190%	15,994	345,994	1,014,000
6/25/2033	334,000	1.190%	12,067	346,067	680,000
6/25/2034	338,000	1.190%	8,092	346,092	342,000
6/25/2035	342,000	1.190%	4,070	346,070	-
<b>Total</b>	<b><u>\$4,413,000</u></b>		<b><u>\$432,348</u></b>	<b><u>\$4,845,348</u></b>	

The Notes below are for the debt payments starting on June 25, 2023.

(1) Principal is payable annually, commencing on June 25, 2023.

(2) Fixed rate terminates on June 25, 2035. Rate assumes spread for the DelVal administrative and net payments on debt service and interest rate swap agreement equals 0.40%.

(3) Interest is payable monthly, commencing on July 25, 2022. Interest accrues from June

## Schedule C

Upper Providence Township Sewer Authority  
Guaranteed Sewer Revenue Note, Series of 2012  
Principal Amortization Schedule and  
Annual Debt Service at a Fixed Rate of 2.400% through  
Annual Debt Service at a Fixed Rate of 1.103% from

<b>Year Ending</b>	<b>Principal Payment (1)</b>	<b>Interest Rate (2)</b>	<b>Interest Payment (3)</b>	<b>Total Annual Payment</b>	<b>Principal Balance</b>
6/25/2022	256,000	2.400%	54,426	310,426	2,932,000
6/25/2023	279,000	1.103%	32,340	311,340	2,653,000
6/25/2024	282,000	1.103%	29,263	311,263	2,371,000
6/25/2025	285,000	1.103%	26,152	311,152	2,086,000
6/25/2026	288,000	1.103%	23,009	311,009	1,798,000
6/25/2027	291,000	1.103%	19,832	310,832	1,507,000
6/25/2028	295,000	1.103%	16,622	311,622	1,212,000
6/25/2029	298,000	1.103%	13,368	311,368	914,000
6/25/2030	301,000	1.103%	10,081	311,081	613,000
6/25/2031	305,000	1.103%	6,761	311,761	308,000
6/25/2032	308,000	1.103%	3,397	311,397	-
<b>Total</b>	<b><u>\$3,188,000</u></b>		<b><u>\$235,252</u></b>	<b><u>\$3,423,252</u></b>	

The Notes below are for the debt payments starting on June 25, 2023.

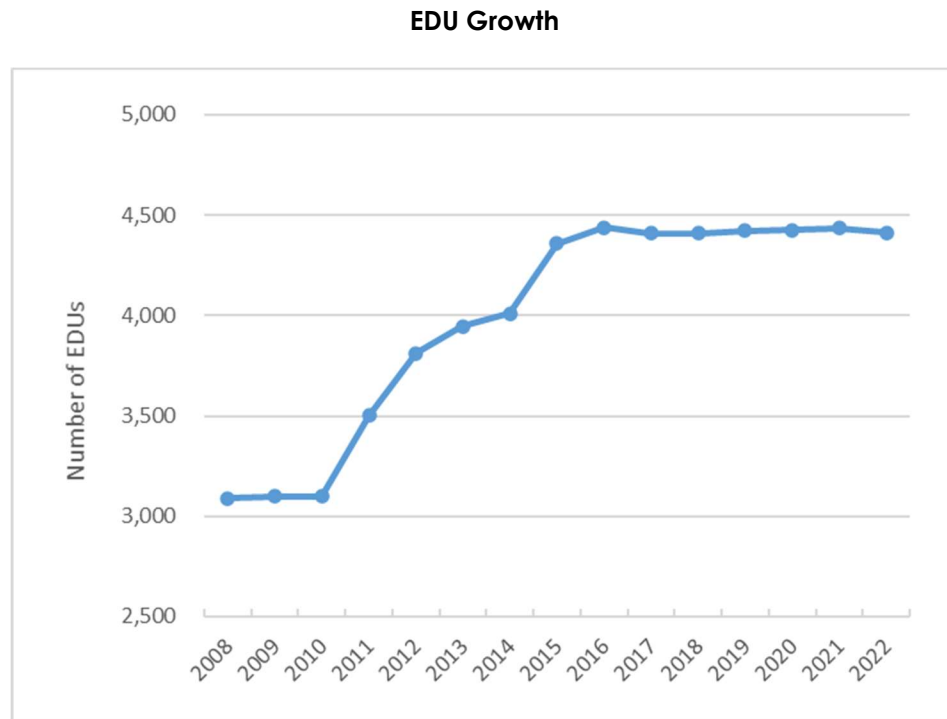
(1) Principal is payable annually, commencing on June 25, 2023.

(2) Fixed rate terminates on June 25, 2032. Rate assumes spread for the DeVal administrative expense and net payments on debt service and interest rate swap agreement equals 0.40%.

(3) Interest is payable monthly, commencing on July 25, 2022. Interest accrues from June

## Users

By the end of 2021, we are estimating that there will be a total of 4,387 equivalent dwelling units (EDUs) connected to the system, of which 4,176 are residential EDUs and 211 are commercial customers that are billed on a metered basis. We are projecting 6 new EDUs will be added to the system in 2022. Chart 3 presents customer growth over the past 15 years.



EDU growth is expected to remain flat. The Authority's service area is essentially sewed, individual lots remain and are subject to development.

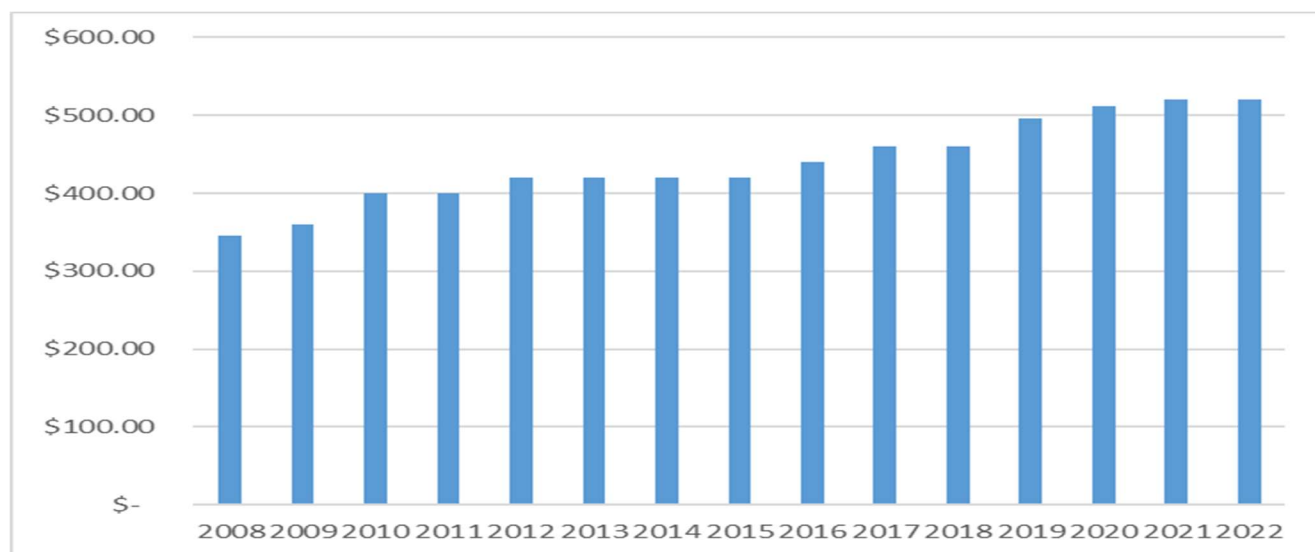
## Revenues

Budgeted sewer revenues for 2022 are based upon a quarterly rate of \$130.00. No rate increase is anticipated for 2022. The last user rate increase occurred in the beginning of 2021. The rate per EDU in 2008, before the major construction project was \$345.00 per year. This represents an average annual growth rate of 2.82% for the past 15 years.

See rate history in the chart below:



### History of User Rates



Tapping fees for all areas are \$3,400 per EDU plus a connection charge of \$300 per EDU. However, a customer facilities fee of \$2,300 is collected from all new connections that require a low-pressure grinder pump to connect to the system, bringing the total of all the charges to \$6,000 per EDU.

On August 29, 2021, the Municipality Authorities Act was amended by Act 43 which requires authorities in Pennsylvania to adjust rates charged to multi-unity connections served by a single water meter based on five years of water meter readings. The Authority currently bills approximately 17 accounts representing 875 EDUs. The water consumption for these properties is unknown or if the owners of the property will request an adjustment. Your solicitor is aware of the change in law. A procedure for evaluating any requests for adjustment should be developed.

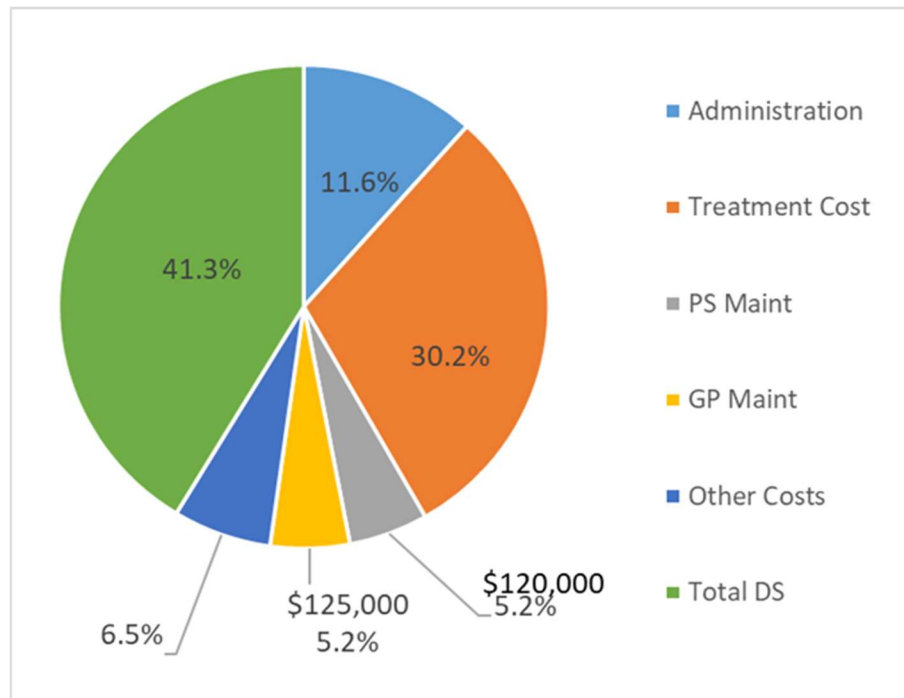
The Authority's surplus funds are deposited with the Pennsylvania Local Government Investment Trust's (PLGIT) Prime account. Interest rates are currently very low, and increases are uncertain. For the five-year projection period, interest earnings were calculated at an interest rate of .150% per annum applied to surplus funds in both the operating account and reserve funds.

### Expenses

Operating expenses were estimated based upon discussions with the Authority Office Manager and Operations Manager. The estimates take into consideration 2021 projected expenditures, 2021 budgeted expenses and anticipated costs in 2022. Where 2021 actual expenses contained an unusually high expenditure that is unlikely to reoccur, the prior year's budgeted figure was used.

Where specific expenses were identified, 2022 amounts were adjusted accordingly. The following chart summarizes graphically the 2022 proposed budget expenses in dollars.

**2022 Budget Expenses**



Operating expenses per EDU have remained stable; \$293.97 in 2008 versus \$318.29 projected for 2022. This is an average increase of 0.412% per year. Debt Service per EDU is the primary driver increasing from \$76.34 per EDU in 2008 to \$212.73 per EDU in 2022. The decrease is due to a reduction in interest cost on the 2009 and 2012 borrowings. Debt Service is expected to increase in 2023 due to the financing of the Bortendale pump station reconstruction. However, not all of this will be reflected in user rates due to the capitalization of interest and possible principal deferment until the 1999 borrowing is retired in 2027.

The Authority's expenses are largely fixed. Debt service is the largest single expenditure representing over 40%. Although treatment costs might ordinarily be considered a variable cost, the service agreements are largely fixed costs which limits variability, treatment represents 31% of budgeted cost. Chart 2 summarizes graphically the 2022 budget expenses as a percentage of total expenses. Specific items included in this year's operating expense budget are:

- The budget assumes 40 hours per week for the Authority Office Manager and 10 hours per week for consultant, Kevin Matson. Hours more than 10 per week will be billed separately.

- Engineering fees for services related to the normal operation of the Authority have been included in the Engineer category. We have added services provided for inspection of the sewer cleaning project to this category. Sewer cleaning is an annual maintenance activity and included as an operating expense.
- Pumping Station Maintenance includes the routine maintenance of the Authority's pumping stations. The projected cost for pump station maintenance in 2021 is approximately \$130,000. For 2022, the budget is \$125,000. The Authority received bids on November 12, 2019, for a pump station and emergency cleaning contract. The 4-year (2020-2023) contract was awarded to KBX Golden, LLC, and the contract will be in its third year in 2022. which estimates a cost for this year of \$49,932 according to the breakdown provided by Kelly & Close Engineers.
- Ongoing repairs and maintenances for the grinder pump stations is expected to rise over time due to the age of pumps installed. For 2022 budget, grinder pump service calls are budgeted at \$125,000. The Authority will use pump cores that are in storage to replace grinder pumps that cannot be easily repaired rather than ordering new cores. Low pressure grinder pumps may need to be replaced after they reach the end of their useful life which is generally longer than the manufacture's estimate and depends on several factors. However, as previously discussed, the Authority has accumulated sufficient cash reserves to replace pumps as needed.
- Township Maintenance Service includes the cost to provide emergency response by Township personnel.
- The Authority received bids on November 12, 2019, for a new sewer cleaning contract. The 4-year (2020-2023) contract was awarded to Mobile Dredging & Video Pipe, Inc. The sewer cleaning contract includes regular cleaning and flushing of the lines. Actual cleaning and flushing costs were as estimated for 2021. The 2022 budget is \$49,932 per the bid contract dollar amount.
- The sewer rents from CDCA, Aqua and Middletown were adjusted approximately 5.0%, 2.0%, and 7.5%, respectively, compared to the 2021 budget. These adjustments came from discussions between the Authority staff, CDCA and Aqua. The Authority has not yet received budget estimates.

## Capital Expenditures

Capital Project expenditures for 2021 are expected to be less than budgeted by about \$441,600 due to largely for not replacing the discharge pipe at the Bortondale pump station which will be replaced, and not having any expenses for general construction projects. The 2022 budget includes

\$32,00 in capital additions including continuation of the sewer mapping update, close out of the Ridley Creek Project, and General Construction.

Replacement of the Bortondale Pump Station is expected to be completed in 2022 or early 2023. Construction bids were received and accepted by the Authority in October of 2021. The project is not included as a capital addition in the budget because funding is expected to be provided by a grant of \$450,000 by the Township and a Guaranteed Sewer Revenue Note in the amount of \$1,200,000 from the Delaware Valley Regional Finance Authority (DeVal). An application was authorized and approved at the November Authority meeting. The estimated costs and funding sources are presented in the table below:

**Projects to be Funded by the Loan**

<u>Description</u>	<u>Amount</u>	<u>Completion Date</u>	<u>Source of Estimates</u>
<b>ESTIMATED PROJECT COSTS</b>			
Construction Bid Price	\$ 860,000	December-22	Bid
Engineering, Legal, Other	350,000	December-22	K&C Engineers
Pump Rental Costs	145,000	December-22	Authority
Reimbursement to UPTSA	250,000	December-22	Actual Costs Incurred
Capitalized Interest	38,000	December-22	24 months
Financing Costs (DeVal)	7,000	December-22	DeVal
Project Contingency	100,000	December-22	10% Construction & Other Costs
Total Project Cost	<u>\$ 1,650,000</u>		
less: Authority and Township Fu	<u>450,000</u>		
	<u>\$ 1,200,000</u>		

The project includes reimbursements to the Authority for engineering fees, and other project development costs incurred by the Authority. These funds will be repaid after settlement.

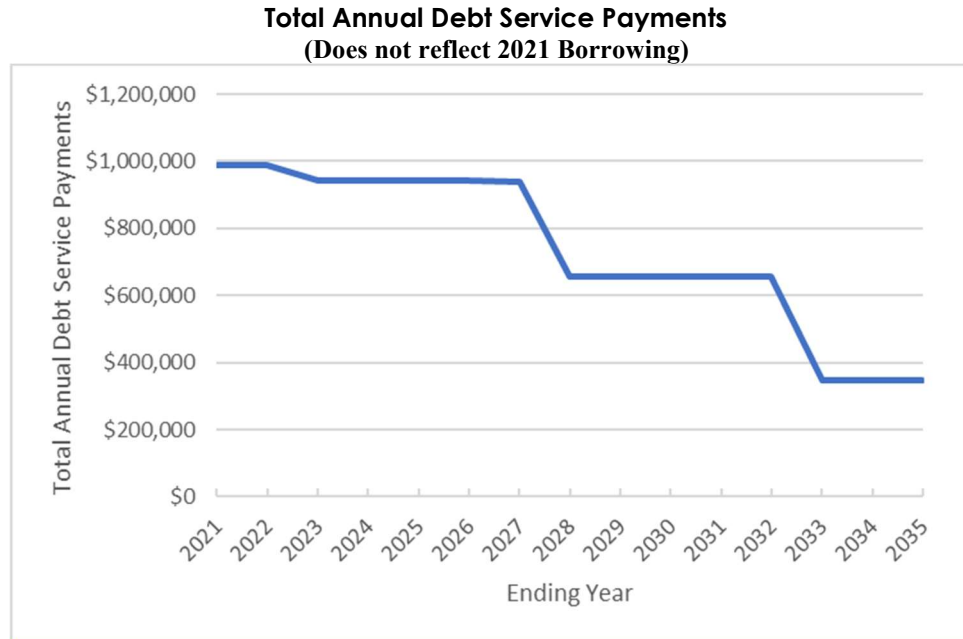
## Debt Service

Interest payments for the 1999, 2009 and 2012 loans from DeVal are included in the 2022 budget. The interest rate on the 1999 loan is fixed at 2.450%. On May 29, 2020, the Authority exercised its option to terminate the 2009 and 2012 loans on June 25, 2022. The Authority converted the 2009 and 2012 loans to a fixed rate of 1.190% and 1.103%, respectively which is reflected in the 2022 debt service cost. The revised loan payments and interest rates will commence on June 25, 2022. The 2009 and 2012 loans will mature on June 25, 2035 and June 25, 2032, respectively.

The Authority has applied for and expects to receive additional financing through DeVal to fund the reconstruction of the Bortondale Pump Station. Preliminary terms from DeVal indicate a 20 year amortization and an interest rate of 1.06%. The annual debt service is estimated to be approximately \$70,000 per year. The annual debt service on the 1999 loan is \$284,000 and is fully paid in five years,

2027. The project costs include two years of capitalized interest, and a request to DelVal to provide a wrap-around amortization schedule will produce a minimal impact on user rates.

The Debt Service projections include estimates of the 2022 borrowing but they are not included in the chart below:



Revenues and expenses have been projected for the years 2023 – 2027 allowing for:

- Operating expenses to increase by 2.0% to 3.5% depending on the type of expense each year.
- User rate increases are in accordance with the projected cash flow.
- Interest earnings of 0.15% on cash balances.