



# *ALCOSAN*

## *2020 Budget*

**3 RIVERS  
PROUD**

Arletta Scott Williams, Executive Director

Douglas Jackson, Director of Operations & Maintenance

William Inks, Director Finance & Administration

Kimberly Kennedy, Director of Engineering & Construction

Michelle Buys, Director of Environmental Compliance

Jan Oliver, Director of Regional Conveyance

Jeanne Clark, Director Government Affairs

Karen Fantoni, Manager of Accounting

# \*2020 BUDGET...the process

- 5 Month Long Process.
  - August Close
  - Initial meeting to disseminate worksheets and review instructions.
  - 4 Days of Departmental Meetings.
  - Compilation
- Four Year Rate Resolution 2018 - 2021
- Review
  - Internal
  - Consulting Engineers ( Hatch )
- Board Review
- Board Approval
- Copies to Trustees



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# \* Highlights



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- 7.0 Rate Increase for 2020
- Provides additional \$8.8 Million in funding for municipal green infrastructure and source reduction 'GROW' Program financing.
- Increases the Clean Water Assistance Payment.
- Improves Coverage Ratios and Liquidity
- Meets all Requirements of the Trust Indenture.

# \*2020 Cash Requirements :

Operations	\$ 101,613,100
Debt Service	59,297,200
2019 Capital Spending	113,109,600
Transfers to Cap Facilities <small>( GROW FUNDING SOURCE)</small>	<u>8,800,000</u>
<b>Total</b>	<b><u><u>\$ 282,819,900</u></u></b>

# \*2020 Budgeted Revenues

	2020
<u>REVENUE CATEGORY</u>	<u>BUDGET</u>
BASIC AND SPECIAL CHARGES	189,661,500
INTEREST INC.	3,210,000
OTHER	286,000
	<u>193,157,500</u>

# \* 2020 Budgeted Expenses

	<b>2020 BUDGET</b>
<b>INTERCEPTOR SYSTEM</b>	<b>13,976,900</b>
<b>PLANT OPERATIONS</b>	<b>25,302,800</b>
<b>ENVIRONMENTAL COMPLIANCE</b>	<b>5,163,000</b>
<b>CUSTOMER SERVICE AND BILLING</b>	<b>3,502,600</b>
<b>MGMT INFORMATIONS SYSTEMS</b>	<b>3,024,000</b>
<b>PLANT MAINTENANCE</b>	<b>10,344,300</b>
<b>ADMIN AND ENGINEERING</b>	<b>14,710,800</b>
<b>PROFESSIONAL SERVICES</b>	<b>880,000</b>
<b>EMPLOYEE BENEFITS</b>	<b>24,708,700</b>
<b>TOTAL ALL DEPARTMENTS</b>	<b>101,613,100</b>



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# 2020 Capital Spending

Proj. No.	Description	Current Estimated Costs	Total Expended To 12/31/18	2019 Estimated Expenditure	Remaining to Be Expended	2020 Capital Budget
<b>ACTIVE PROJECTS</b>						
S408	Biosolids Strategic Plan	1,525,600	4,371	0	1,521,229	500,000
S419	Mobile Equipment 2020	947,900	0	0	947,900	947,900
S423	Plant Energy Efficiency Upgrades	2,319,000	1,095,213	20,000	1,203,787	800,000
S430	Wet Weather Plant Expansion (Program Costs)	49,000,000	6,811,360	1,800,000	40,388,640	4,000,000
S432	Preliminary Planning	18,350,000	7,845,907	4,000,000	6,504,093	6,000,000
S437	Ravine Street Stream Removal & Sewer Separation	4,189,800	49,322	44,400	4,096,078	4,053,000
S438	Four Mile Run Regulator(M-29) & Outfall Improvements	2,054,000	137,449	10,000	1,906,551	1,500,000
S440	Green Revitalization of Our Waterways Program	77,021,800	914,415	149,000	75,958,385	15,090,000
S446	Regionalization	49,505,000	19,932,134	4,000,000	25,572,866	12,000,000
S447	Municipal Source Control Evaluation Program	11,637,000	2,642,686	1,386,000	7,608,314	921,600
S448	Interim Wet Weather Planning Compliance	22,850,000	6,839,063	1,000,000	15,010,937	2,000,000
S451	Property Acquisitions	41,029,000	77,199	200,000	40,751,801	7,000,000
S454	Panther Hollow DSI	5,006,600	0	1,000	5,005,600	1,298,000
S455	Green Infrastructure Program Manager	6,300,800	1,043,960	992,000	4,264,840	1,455,000
S456	Program Management Information System (PMIS)	9,000,000	1,299,642	500,000	7,200,358	400,000
S458	Conveyance, Rehabilitation & Enhancements ( 2018 - 2020)	6,652,000	205,280	800,000	5,646,720	5,646,720
S459	Energy Recovery Facility Improvements (2018-2020)	2,300,000	440,330	900,000	959,670	959,670
S460	Plant And Safety Upgrade ( 2018 - 2019 )	3,700,000	1,565,827	1,300,000	834,173	834,173
S461	North End Facilities	180,000,000	13,721	6,000,000	173,986,279	15,000,000
S462	Wet Weather Headworks Expansion	123,000,000	15,485	2,400,000	120,584,515	4,500,000
S463	Solids Thickening and Dewatering Improvements	33,000,000	209	0	32,999,791	0
S464	New Lab and Industrial Waste Facility	45,000,000	17,946	350,000	44,632,054	2,500,000
S466	Wet Weather Disinfection	40,000,000	0	1,000	39,999,000	500,000
S467	New Primary Tanks	38,000,000	0	0	38,000,000	0
S468	Electrical Distribution System Upgrade	14,000,000	0	500,000	13,500,000	2,000,000
S469	Sewer Rehab for Saw Mill Run and Mon Subaqueous Intercep	19,630,000	0	231,000	19,399,000	13,902,000
S470	Flap Gate & Misc Regulator Improvements, Various Locations	3,122,000	0	175,000	2,947,000	1,500,000
S471	Remote Pump Station Improvements	4,376,000	0	100,000	4,276,000	750,000
S472	Plant and Safety Upgrade ( 2020 - 2021 )	3,000,000	0	0	3,000,000	1,700,000
S473	Energy Recovery Facility Improvements (2020-2021)	1,500,000	0	0	1,500,000	300,000
S474	New Access Shaft Manholes Near A-14 and M-49 Crossing	4,876,000	0	0	4,876,000	1,420,400
S475	Tunnel Program Management	25,481,000	0	0	25,481,000	150,000
S476	Precipitation Monitoring System Replacement and Upgrade	711,200	0	0	711,200	448,000
S477	Water Quality Monitoring Program	2,560,000	0	0	2,560,000	387,000
S478	Flow Targets	500,300	0	0	500,300	167,000
S000	2020 Low Cost Capital Improvements	2,479,100	0	0	2,479,100	2,479,100
<b>Subtotal</b>		854,624,100	50,951,519	26,859,400	776,813,181	113,109,563
<b>2019 COMPLETED PROJECTS</b>						
S420	Grit Chambers	1,170,500	894,822	275,678	0	0
S449	Demolition of Old Operations & Maintenance Facility	535,000	461,952	73,048	0	0
		1,705,500	1,356,774	348,726	0	0
<b>Grand Totals</b>		856,329,600	52,308,293	27,208,126	776,813,181	113,109,563

# \* Rates :

	2019	2020	Annual Impact
<b>General Users</b>			
<b>Rates</b>			
Service Charge / per bill	\$16.69	\$17.86	
Commodity Charge /per 1,000 gal	\$ 7.94	\$ 8.50	
<b>Average Cost per Household ( 12 t gal qtr)</b>			
Service Charge	\$ 66.76	\$ 71.44	
Commodity Charge	<u>\$381.12</u>	<u>\$408.00</u>	
	\$447.88	\$479.44	\$31.56
			\$ 2.63 per month
<b>High Strength Industrial Surcharge ( \$/lb)</b>			
Biochemical Oxygen Demand (BOD)	NC	NC	
Total suspended Solids (TSS)	NC	NC	
<b>Commercial Garbage Grinders / per qtr</b>	NC	NC	

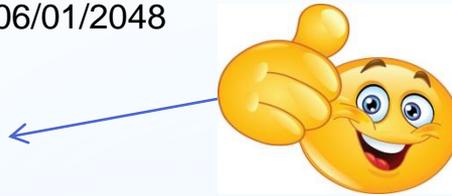
## Credit Profile

US\$166.0 mil swr rev bnds ser 2018 due 06/01/2048

Long Term Rating A+/Stable New

Allegheny Cnty Sanitary Auth swr

Long Term Rating A+/Stable Upgraded



## Rationale

S&P Global Ratings **raised its long-term rating on the Allegheny County Sanitary Authority (ALCOSAN), Pa.'s outstanding revenue debt to 'A+' from 'A'.** At the same time, we assigned our 'A+' rating to the authority's series 2018 sewer revenue bonds. **The rating reflects our opinion of the authority's very strong enterprise and financial risk profiles. The outlook is stable.**

The upgrade is a result of **ALCOSAN's extensive capital and financial planning** in anticipation of the most capital-intensive period of implementing the Wet Weather Plan (WWP), ALCOSAN's plan to meet the terms of the consent decree to reduce combined and sanitary sewer overflows. It also **reflects successful collaboration with the U.S. Environmental Protection Agency (EPA) and Pennsylvania Department of Environmental Protection (DEP) to give ALCOSAN additional time to develop the plan as well as means to finance the investments, along with the demonstrated political will for multiyear rate increases.**

Our view of the enterprise risk profile as very strong reflects the authority's:

- Large service area of 83 communities in the broad and diverse Pittsburgh metropolitan area;
- Very low industry risk;
- Very strong market position due to rates we consider affordable given local incomes and the Allegheny County poverty rate; and
- **Operational management practices and policies we consider good.**

Our view of the financial risk profile as very strong reflects ALCOSAN's:

- **Strong all-in coverage and extremely strong liquidity;**
- Above-average debt burden with a debt-to-capitalization ratio of almost 70% at the end of 2017;
- Substantial capital improvement plan (CIP) that will require significant additional debt, with most issuance falling between 2021 and 2035; and
- **Financial management practices and policies we consider good and proactive.**



**Allegheny County Sanitary Authority, PA**

**Update to credit analysis**

**Summary**

Allegheny County Sanitary Authority, PA (“ALCOSAN”, A1 stable) is soon to embark on a twenty year, \$3.5 billion capital plan, largely to address sewer overflows during wet weather events across its sizeable system. Combined sewer overflows are the primary focus of ALCOSAN's consent decree with the US Environmental Protection Agency (US EPA) and the PA Department of Environmental Protection (PA DEP). ALCOSAN estimates that the capital plan will require roughly \$2.7 billion in debt issuance over the next twenty years. While this is a long time frame, **and ALCOSAN's management has already demonstrated an ability to manage a project of this depth and scope, and the authority's finances are currently very strong**, a project of this size does pose some risks. Leverage, which is already higher than similarly sized peers, will continue to grow, and the plan will require annual rate increases in order to assure that debt can be serviced while still providing a cushion for operating flexibility.

**Credit strengths**

- » **Consistently strong financials over past five years; debt service coverage in excess of 2.2x as of YE17**
- » Long term rate plan; **rate increases through 2021 already approved**
- » All municipal customers are obligated to the Authority until debt matures
- » **Experienced management team** that has overseen prior plant expansions
- » **Some flexibility in scope of work / time** to completion through continued negotiation with US EPA and PA DEP

**Credit challenges**

- » Consent decree is substantial, both in terms of cost and scope
- » Debt Ratio (leverage) already well above average at 65%, versus median of 40% for similarly sized sewer systems in the US
- » Substantial future debt required to fund capital projects





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Questions?