

# Mount Laurel Township Municipal Utilities Authority

## Management's Discussion and Analysis (MD&A)

(Unaudited)



### **FINANCIAL HIGHLIGHTS**

Management believes the financial position of the Authority remains strong. According to its bond covenants, the Authority is required to generate revenues that are at least equal to 110% of its annual debt service, after deducting operating expenses. This is referred to as cover. For fiscal year 2019 (FY19, July 2018 – June 2019), the Authority generated a 393% cover. Key financial highlights for FY19 include:

- When compared to fiscal year 2018 (FY18, July 2017 – June 2018), total assets increased \$4.65 million (3.38%) to \$142.07 million. Total liabilities remained relatively unchanged, increasing by just slightly over \$312,000, which equates to less than a 1% increase.
- Service charges decreased slightly, \$278,800 (1.5%) compared to FY18. Connection fees increased dramatically, more than tripling FY18 revenues. Significant gains were also realized in the area of investment income, increasing \$408,100 over FY18 revenues of about \$160,000. In total, operating and non-operating revenues outpaced operating and non-operating expenses by \$1,515,403 in FY19. Adding to that the \$2,730,488 of capital contributions, which is infrastructure installed by developers before ultimately being turned over to the Authority, the Authority's Net Position increased by \$4.25 million in FY19.

## OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditor’s Report, required supplementary information, (which includes the management’s discussion and analysis (this section), the schedule of the Authority’s proportionate share of the net pension liability, and the schedule of the Authority’s contributions), the basic financial statements, and supplemental information.

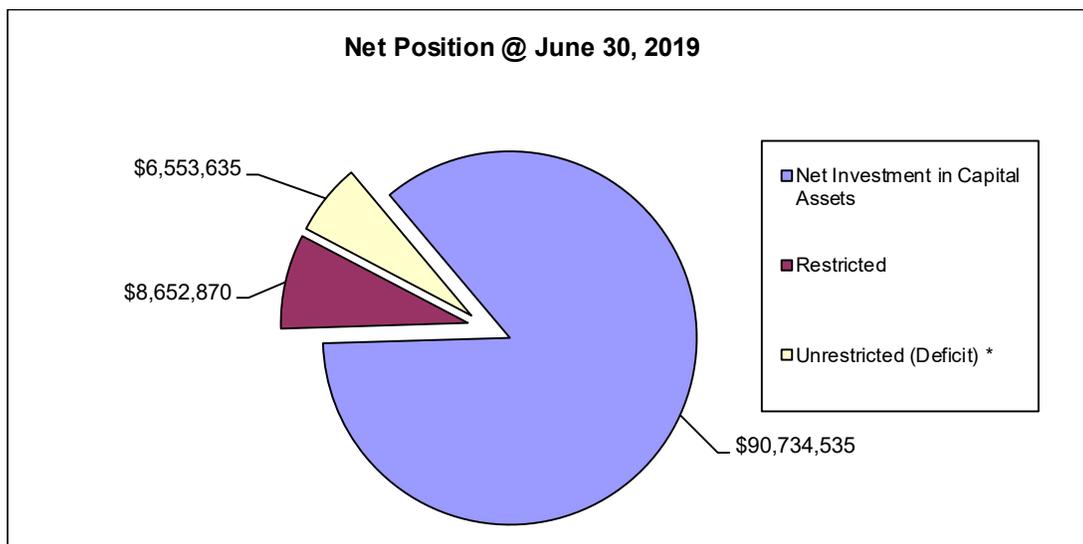
The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current fiscal year’s revenues and expenses are accounted for in the comparative statements of revenues, expenses and changes in net position regardless of when cash is received or paid. Net position - the difference between the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows of resources – is a measure of the Authority’s financial health or position.

The comparative statements of revenues, expenses and changes in net position provide a breakdown of the various areas of revenues and expenses encountered during the current fiscal year.

The comparative statements of cash flows provide a breakdown of the various sources of cash flows categorized into four areas: Cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority’s total assets as of June 30, 2019 were \$142,069,374. Total assets, total deferred outflows of resources, total liabilities, total deferred inflows of resources and total net position are detailed on the following page.



\* Unrestricted Net Position is primarily used to pay for the Authority’s capital program not funded by debt issuance. More information concerning the use of these funds can be found later in this MD&A, under the “Operating Income compared to Additions to Capital Assets” graph within the Asset Management, Capital Asset, and Long-Term Debt Activity section.

## FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)

**Mount Laurel MUA  
Net Position  
As of June 30,**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Current Assets	\$ 32,983,177	\$ 28,078,729	\$ 28,004,244
Capital Assets	<u>109,086,196</u>	<u>109,341,929</u>	<u>108,808,540</u>
<b>Total Assets</b>	<b>142,069,374</b>	<b>137,420,658</b>	<b>136,812,784</b>
<b>Total Deferred Inflows of Resources</b>	<b>3,130,211</b>	<b>3,894,042</b>	<b>5,349,251</b>
Current Liabilities	5,329,122	5,088,696	5,217,045
Long-Term Liabilities	<u>26,497,514</u>	<u>26,425,868</u>	<u>31,785,669</u>
<b>Total Liabilities</b>	<b>31,826,636</b>	<b>31,514,564</b>	<b>37,002,714</b>
<b>Total Deferred Inflows of Resources</b>	<b>7,431,908</b>	<b>8,104,987</b>	<b>3,498,984</b>
Net Position			
Net Investment in Capital Assets	90,734,535	93,028,725	90,561,492
Restricted	8,652,870	9,343,562	9,413,891
Unrestricted	<u>6,553,635</u>	<u>(677,137)</u>	<u>1,684,954</u>
<b>Total Net Position</b>	<b><u>\$ 105,941,040</u></b>	<b><u>\$ 101,695,149</u></b>	<b><u>\$ 101,660,337</u></b>

The Authority realized operating income of \$1,703,451 for the current fiscal year. When offset by a loss from non-operating activities, the Authority's income before capital contributions was \$1,515,403. During FY19, the Authority received capital contributions in the amount of \$2,730,488. These contributions come in the form of infrastructure installed by developers during construction. Once the developer finalizes the project and it is accepted by the Authority, the developer transfers ownership of the new infrastructure to the Authority. These capital contributions become Authority assets, requiring operation, repair and maintenance throughout their lifecycle. The combined effect from these components of fiscal activity resulted in the Authority's net position increasing by \$4,245,891. The major components of this activity are discussed in the following paragraphs.

Service charges fell slightly in FY19. The \$278,800 (1.5%) decrease was largely due to 31 million gallons of water less being delivered to service when compared to FY18. Overall, the mix of the Authority's billing base remains well diversified with residential users comprising the vast majority of its customers. There remains a stable and growing segment of the billing base made up of residential, commercial and public customers, along with a very small industrial presence. The rate structure is stable and includes a rate increase adopted in FY19 that impacts only the Customer Charge portion of the Authority's water rates. This increase is expected to generate approximately \$240,000 (~3%) in additional water utility service charges annually. The adopted rate schedule is for three years, with annual increases in the February monthly billings of 2019, 2020 and 2021. The Authority operated without any rate increases for six years, with the last rate increase being implemented in February 2013.

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)**

<b>Mount Laurel MUA</b>			
<b>Revenues, Expenses and Net Position</b>			
<b>for the Fiscal Years Ended June 30,</b>			
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>
Utility Service Charges	\$ 18,499,488	\$ 18,778,311	\$ 19,230,637
Connection Fees	2,429,188	718,515	291,795
Other Operating Revenues	650,823	662,194	637,853
<b>Total Operating Revenues</b>	<b>21,579,499</b>	<b>20,159,021</b>	<b>20,160,285</b>
Operating Expenses	13,500,257	13,969,115	15,414,950
Depreciation expense	6,375,790	6,144,763	5,927,044
<b>Operating Income (Loss)</b>	<b>1,703,451</b>	<b>45,143</b>	<b>(1,181,709)</b>
Non-operating Revenues (Expenses)			
Investment Income	567,942	159,842	105,600
Interest on Debt	(307,398)	(295,814)	(332,310)
Debt Issue Costs	(81,118)		
Disposal of Capital Assets	20,527	13,651	9,256
Insurance Proceeds			181,967
Contribution to Mount Laurel Township	(388,002)	(380,257)	(374,070)
<b>Income (Loss) before contributions</b>	<b>1,515,403</b>	<b>(457,435)</b>	<b>(1,591,266)</b>
Capital Contributions	2,730,488	492,246	401,028
<b>Increase in Net Position</b>	<b>4,245,891</b>	<b>34,811</b>	<b>(1,190,238)</b>
Net Position - July 1	101,695,149	101,660,338	102,850,576
Change in Net Position	4,245,891	34,811	(1,190,238)
<b>Net Position - June 30</b>	<b>\$ 105,941,040</b>	<b>\$ 101,695,149</b>	<b>\$ 101,660,338</b>

Investment income increased very strongly, with a year over year improvement of \$408,100. Interest rate markets and yield on investment instruments generally continued to improve in FY19, but more than half the income improvement was due to market value adjustments (MVA) in FY18 and FY19. These adjustments are made to recognize the actual market value (rather than cost) of the Authority's investments. In FY18, the MVA served to reduce investment income by \$125,300. In FY19, the MVA increased investment income by \$86,500. Therefore, year over year investment income rose by \$211,800 as a result of these MVAs. It should be noted here that MVAs, whether negative or positive, ultimately have negligible impact on the Authority. Their impact has much more significance when investments are sold before maturity, when current market value influences the selling price. Since the Authority tends to hold investments until they mature, fluctuations in market value have no meaningful impact on the Authority.

## **FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)**

Other factors contributing to the strong showing in investment income include the Authority's ability to replace maturing investments with higher yielding ones and seeing higher interest returns on deposits held in money market funds during FY19. Also, the Authority completed a debt issuance of \$3.4 million in February 2019, which allowed the Authority to reimburse itself for monies expended largely in FY18 for a major sewer force main project on Hartford Road. As a result, these funds were once again on hand and available for investing in FY19.

Connection fee revenues more than tripled when compared to the previous fiscal year. Connection fee revenue is an indicator of the overall economy, as property developers typically slow down or accelerate their activities based on how the economy is trending in general. Developers pay connection fees upon submittal of plans to construct and connect residential developments, commercial properties, retail shops, etc. into the Authority's water and / or sewer systems. The Authority treats these payments as deferred inflows of resources until tie in is completed. When this occurs, the Authority releases a notice to Mount Laurel Township that a certificate of occupancy can be issued. The Authority then establishes a new billing account, reduces the deferred resource and recognizes the previously paid connection fee as revenue. Because the Township of Mount Laurel is approaching build out as less land is available for development, this type of revenue will generally decline in the coming fiscal years. In recognition of that inevitability, the Authority has had a long term fiscal planning model in place for many years that systematically reduces its dependency on connection fee revenues when projecting total annual revenue needs. This approach has served the Authority well.



Springhill Suites-Marriott: 5000 Midlantic Drive

Mount Laurel continues to be a desirable location for residential and commercial development. The composition of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There are dozens of hotels within the Township, providing the second highest number of rooms in New Jersey, behind only Atlantic City. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users comprise a minuscule portion of the Authority's billing base.

## **FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONT'D)**

The Authority's fiscal activity yielded a significant increase for the year. Operating revenues totaled an aggregate of \$21.58 million, up approximately \$1.4 million (7%) from FY18. Connection fees were, far and away, the biggest line item in this revenue surge. Year over year, the Authority's operating expenses (including depreciation) decreased nearly \$240,000 (1.2%). The more significant changes in revenues and expenses are described in more detail below.

As the original budget for FY19 was formulated prior to April 2018, certain actual events during the fiscal year necessitated amending the budget. The Authority approved this budget amendment in July 2019. Following is a narrative addressing the more significant amendments, and how those amendments compare to actual operating results for the current fiscal year.

### **OPERATING REVENUES & EXPENSES**

Service charges (user fees) were originally budgeted at \$18.46 million but were amended to \$17.23 million. This decrease was necessary due to an expected reduction in the total gallons of water delivered to service for all FY19, based on the first nine months of the fiscal year. The adopted budget anticipated 1.46 billion gallons (BG) of water would be delivered to service in FY19. Actual gallons delivered to service turned out to be 1.40 BG. Of course, this gallon reduction translated into much less of the revenue which is based on water consumption being billed. Serving to magnify this was the fact that the reduced consumption was predominantly during the fair weather months. This is when water consumption is typically at its highest, and when the Authority's tier rate structure generates more revenues as ratepayers' water usage gets billed at the higher tier rates. In the seven months of April through October, actual water consumption was more than 70 million gallons less than anticipated in the budget. These factors are the primary reason why actual service charges for FY19 totaled \$17.11 million.



## **OPERATING REVENUES & EXPENSES (CONT'D)**

Connection fee revenue was amended significantly upward, from \$1.39 million to just under \$2 million. This increase was driven by revenues in the first eleven months of the fiscal year that were not expected to occur in FY19. These totaled slightly over \$1 million, with several of the larger ones being Diocese of Trenton (\$38k), Signature Place (\$334), Rowan University (\$332k), and 5000 Midlantic Drive – Springhill Suites by Marriott (\$318k). After the calculations to amend the budget to just under \$2 million were finalized, additional revenue was realized with the connection of Capital Seniors Housing (Arbor Terrace - \$305k) and two more Signature Place buildings (\$166k). Significant projects that were budgeted to tie in during FY19 (but did not) include NJ Turnpike Authority (\$139k), Mount Laurel Animal Hospital (\$134k) and Signature Place Apartments Phase B (1 building) (\$88k). In the end, actual connection fee revenue realized for FY19 was \$2.43 million.



Signature Place Townhomes @ Mount Laurel

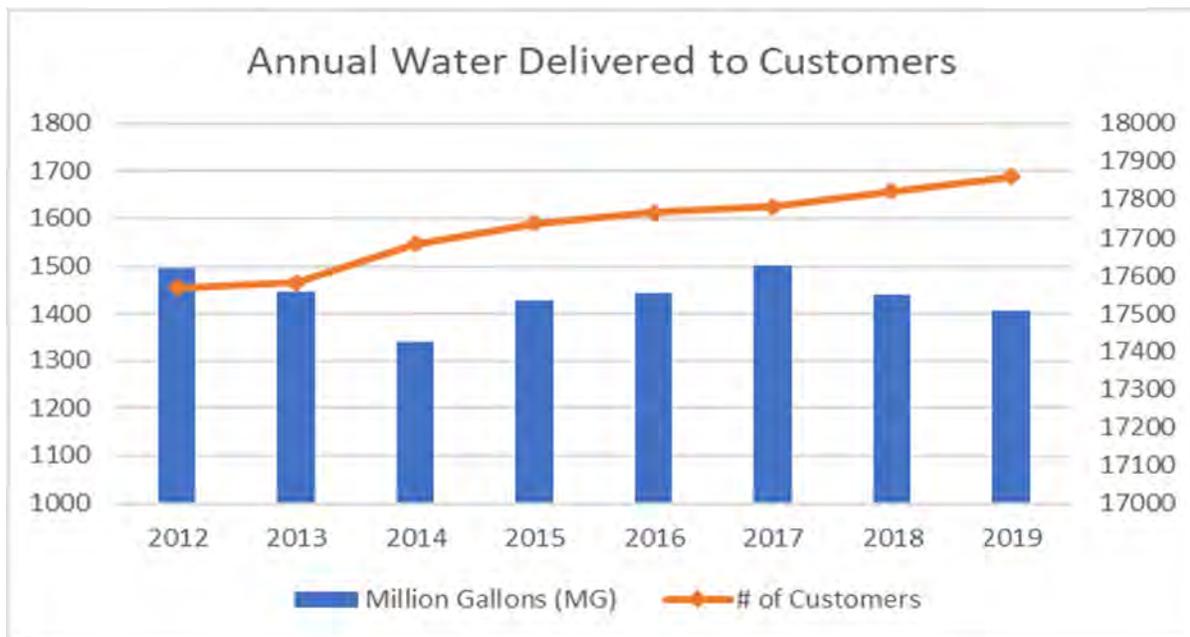
The Authority's operating expenses of \$13.50 million (excluding depreciation) in FY19 were nearly \$500,000 lower than in FY18. This was largely due to a few significant operational events during the fiscal year, which are described more fully below.

Fringe Benefits decreased over \$255,000 compared to FY18; a decrease of nearly 10%. The largest contributor to this relates to the Authority's Public Employees Retirement System (PERS) pension expense. Each year an adjustment must be made in order to comply with Government Accounting Standards Board Statement 68 (GASB 68), which requires the Authority to recognize its proportionate expense for long term pension benefits. The Authority's FY19 GASB 68 expense was \$771,213, which is \$224,175 less than the FY18 expense. Several other fringe benefit line items account for the difference of approximately \$30,000. For example, the Authority's regular, annual contribution for Worker's Compensation expense increased during FY19. However, group medical, short and long term disability, life insurance and accidental death and dismemberment expenses all decreased.

## OPERATING REVENUES & EXPENSES (CONT'D)

Electricity costs increased by \$129,000 (13.5%). Operationally, this increase largely relates to changes in our operating methods at the wastewater treatment plant. Two additional 30 horsepower aerator motors, running 24 hours per day, were utilized to increase aeration for purposes of improving efficiencies in our secondary treatment process. Additionally, the Authority continued its involvement with the energy curtailment program. Under the terms of this program, the Authority agrees to shed electric usage if called upon by the power grid. The Authority is compensated by the program based on the sites enrolled and the level of energy load shed. The amounts received in compensation are recorded as an offset to the costs of electricity. In FY18, six facilities qualified for participation in the program. In FY19, only two facilities were eligible. This resulted in less compensation received from the program, effectively creating an increase in electric costs. The Authority continues to take steps toward efficiency by including the use of sophisticated process control computers used at plant facilities, using variable frequency drives and efficient pumps and converting to LED lighting at most facilities. A well-run preventive maintenance schedule continues to keep emergency generators in excellent, efficient condition. The Authority's 3<sup>rd</sup> party electric supply contract remains in effect until October 2019 and continues to work in the Authority's favor by keeping electric costs in check.

The total volume of water delivered to customers in FY19 was approximately 2% lower than FY18, which is considered negligible. The New Jersey Department of Environmental Protection has restricted the quantity of water that the Authority can withdraw from its wells drilled in the Potomac-Raritan-Magothy Aquifer (Critical Area #2). The amount of water the Authority is permitted to produce annually equals the volume utilized for the Township in 1980. However, because the Township has experienced explosive growth in the ensuing years, the Authority has been forced to purchase more and more of its water from other water purveyors in order to meet the water demands of its ratepayers. Contractual obligations to purchase this water are in place with New Jersey American Water Company (NJAWC) and Willingboro Municipal Utilities Authority.



## OPERATING REVENUES & EXPENSES (CONT'D)

Regarding the NJAWC agreement, the Authority is required to annually notify NJAWC of the gallonage it is committing to purchase in the nomination period (October – April). The nomination pertaining to FY18 was 550 million gallons (MG). For FY19, the Authority reduced its nomination to 450 MG. This resulted in a decrease of nearly \$290,000 (13%) in the purchase of water. A major factor in the Authority's ability to reduce its nomination amount was our ability to utilize the water permitted to be drawn from our own wells, including water stored in our Aquifer Storage & Recovery well. The continued decrease in water demand from the Authority's ratepayers also factored into the decision to decrease the nomination amount.

By ZANE CLARK - October 11, 2018

### The Mt. Laurel Sun

Mt. Laurel MUA retrofits Hartford Road Sewer Plant backup power generator engine to reduce pollution

Officials say nearly all components needed were custom made by MUA employees.



In an effort to reduce environmental pollution, employees of the Mt. Laurel MUA recently retrofitted the MUA's Hartford Road Sewer Plant backup power generator engine with a crankcase ventilation conversion.

The costs related to the disposal of bio-solids (sludge) at the Hartford Rd Wastewater Treatment Facility decreased by \$22,000 (3%) during FY19. Through the rebuilding of its sludge presses, the Authority achieved more efficient dewatering of sludge.

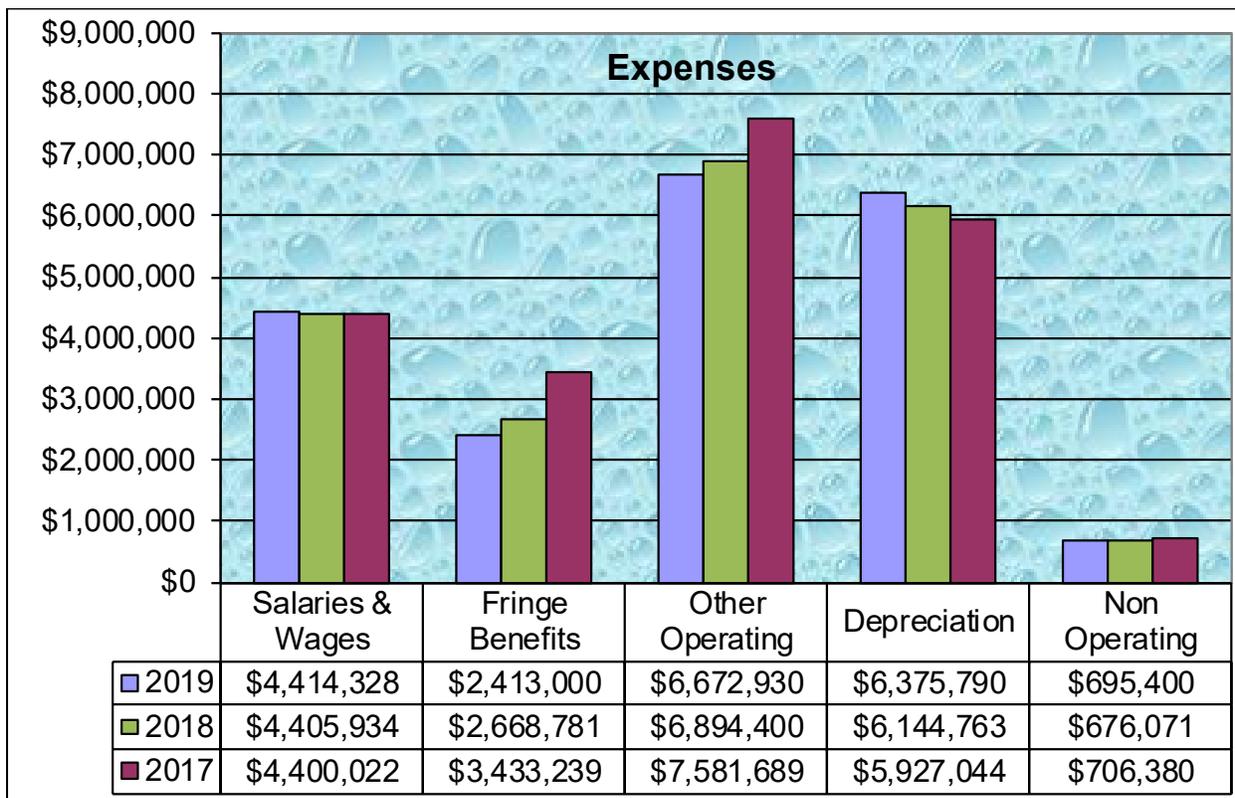
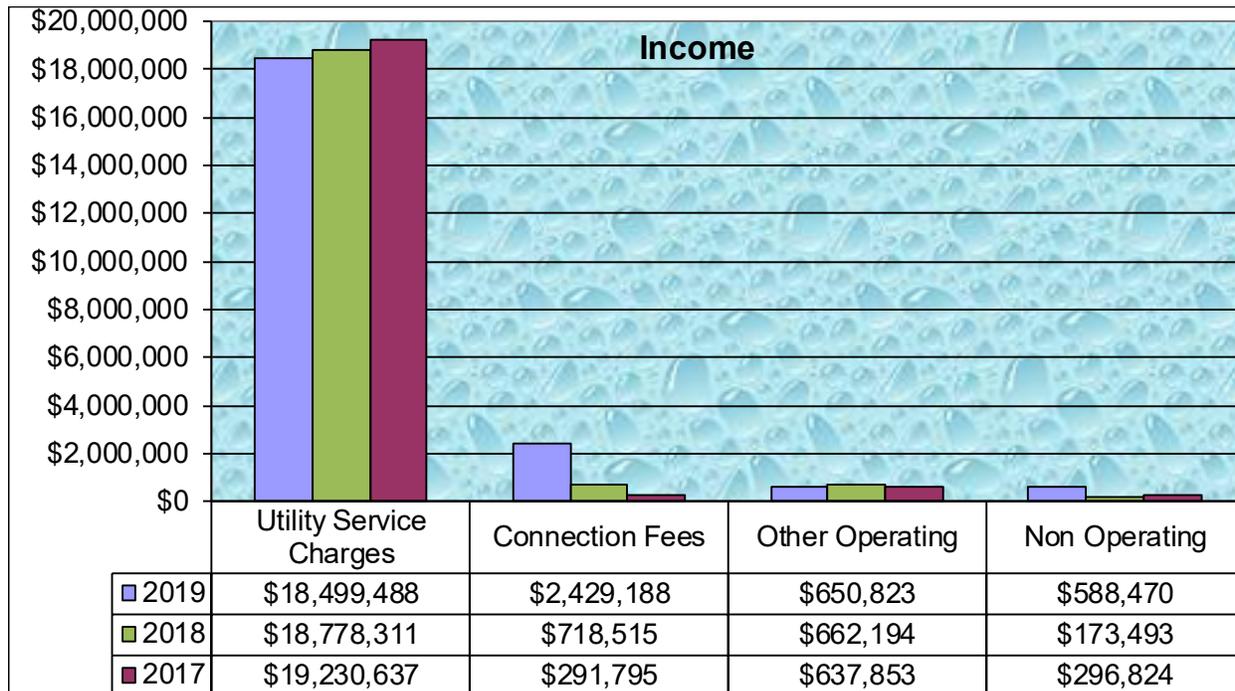
Chemical expense increased by slightly over \$31,000 (5%) when compared to FY18. The Authority's chemical usage in its sewer utility accounted for the entire increase, mainly due to odor control chemicals. This increase was due to a change in the approach to the levels and methods concerning chemical feed rates. In FY19, the Authority changed its feed rates to more evenly introduce these odor control chemicals to the sewer collection system. Although this change in procedure resulted in a better impact on the wastewater treatment process, it resulted in more chemical being used. We continue to develop procedures to gain better control of this process to reduce costs while meeting operational needs.

Repair & Maintenance (R&M) costs decreased from the previous fiscal year by nearly \$27,000 (4%). This is a rather insignificant decrease, as the major drivers of this line item are water and sewer main breaks and repairs. A handful of breaks occurring in one year amounting to more or less than in a previous year account for the variable nature of this line item.

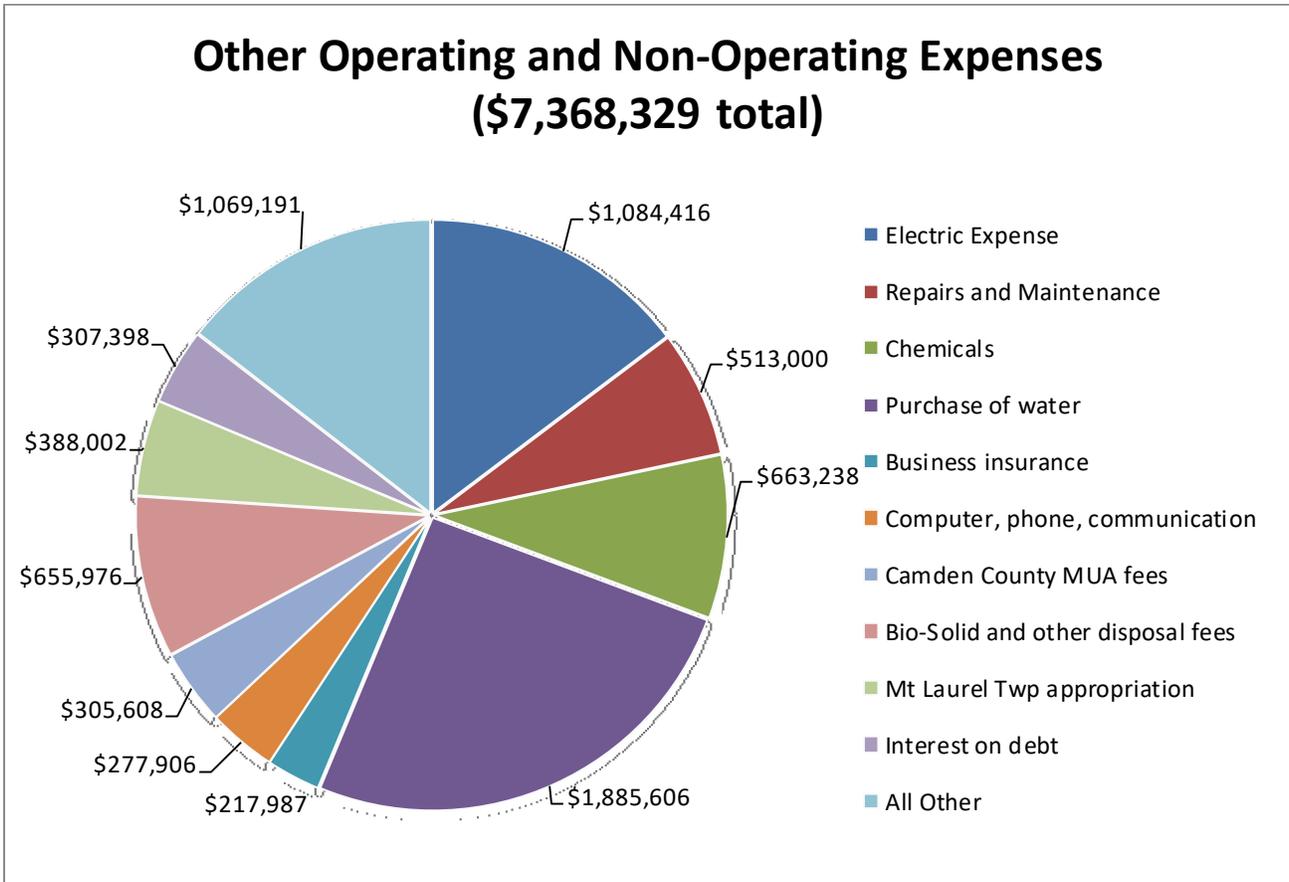
**OPERATING REVENUES & EXPENSES (CONT'D)**

The Authority contributed \$388,002 to Mount Laurel Township, the tenth straight fiscal year a contribution has been made. This amount was determined in accordance with N.J.S.A. 40A:5A-12.1. With this contribution, the Authority has now given a total of \$4,639,327 to the Township.

Graphical representations showing revenues and expenses for the three fiscal years of 2017, 2018 and 2019 follow.



**OPERATING REVENUES & EXPENSES (CONT'D)**



**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY**

In 2015, the United States Environmental Protection Agency (USEPA) issued its sixth “Drinking Water Infrastructure Needs Survey and Assessment” report to Congress. This report estimated that water systems in New Jersey would require an investment of nearly \$8.6 billion within the next 20 years in order to continue providing safe drinking water to the public. In addition, the 2016 American Society of Civil Engineers Infrastructure Report Card estimated that New Jersey’s drinking water and wastewater infrastructures would need \$26.1 billion of improvements over the upcoming 20 years. Consistent with this, Jersey Water Works, a collaborative of diverse organizations and individuals embracing the common purpose of transforming New Jersey’s water infrastructure, has estimated \$25 billion in upgrades are needed to this state’s water and wastewater infrastructure over the next 20 years. These are significant dollars by any measure and point out the fact that water and wastewater infrastructure is extremely expensive to build and maintain. Particularly worth noting is the fact that many of the capital assets owned by an Authority are very often underground or otherwise out of view from the vast majority of the public. Underground piping, pumping stations, valves, water and sewer mains, interconnections, control panels, computers, and many other appurtenances and components continue to do their jobs around the clock, without being seen. Above ground, many capital assets are placed in unobtrusive settings, such as fenced areas concealed with natural plantings, remote locations, business or industrial parks, etc.

## **ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**

USEPA has provided this definition regarding asset management: “Asset Management is maintaining a desired level of service for what you want your assets to provide at the lowest life cycle cost.” Some key features of an Asset Management Program (AMP) include identifying the assets critical to providing a desired level of service, estimating their life cycle and costs to maintain, replace or rehabilitate them, assessing the likelihood and consequence of their failure and considering redundant systems that are (or must be put) in place in the event an asset does fail.



Repairing a leak on a 50-year old cast iron pipe during a frigid night in January 2019

Because the Authority has invested approximately \$260 million in its infrastructure and keeping in mind the staggering estimated amounts mentioned above, the Authority has incorporated asset management concepts into its operation and the development of its AMP. Key employees of the Authority have participated on the American Water Works Association (AWWA) New Jersey section’s Infrastructure Management Committee beginning in 2010 and on the New Jersey Department of Environmental Protection’s (NJDEP) Asset Management Industry Working Group since 2014 in developing asset management procedures for use at water and wastewater facilities in New Jersey. NJDEP issued its Asset Management Technical Guidance document which was developed to follow USEPA’s original guidance. The Authority has implemented all tenets of Asset Management within its operation and management.

**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**



Annual Hydrant Flushing

The Water Quality Accountability Act (WQAA) was signed by Gov. Christie in July 2017 with an effective date of October 19, 2017. This regulatory act, as a supplement to the Safe Drinking Water Act, applies to approximately 300 public water systems in New Jersey. The WQAA has multiple requirements including Cybersecurity Plan implementation, hydrant and valve maintenance timing, and the requirement for water purveyors to create and implement an asset management plan designed to inspect, maintain, repair and renew its infrastructure consistent with standard established by the American Water Works Association. The Authority has reviewed its policies including cybersecurity, modified some operating procedures in its O&M plans, and amended its goals to comply with the WQAA.

**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**

During FY19, the Authority recorded \$6.1 million in capital assets. By including retainage and other pre/post fiscal year adjustments, the capital additions were as follows:

<u>Asset</u>	<u>Amount Disbursed in FY19</u>
<b>Hartford Rd Wastewater Treatment Facility (HRWPCF) Rehabilitation</b>	
*Orbal Aerator Motor Gear Box Replacements	\$ 140,588
**Tank Repairs Project (Primaries, PFC #2, Thickener, Misc Valves)	\$ 76,897
Sludge Thickener Tank Cleaning	\$ 57,000
**Upgrade Biosolids Belt Filter Press Control Panel, SCADA compatible	\$ 50,567
*Upgrade Water & Sewer SCADA Systems	\$ 47,054
**Piping Heat Trace Insulation	\$ 46,978
Rehabilitation of an Influent Grinder Motor	\$ 49,964
New Rotary Lobe Pump for #3 Sludge Transfer	\$ 42,982
**Door Replacements	\$ 42,184



Replacing the Main Entry Door to our Certified Laboratory

**Roof Replacement	\$ 34,207
New Fume Hood, Cabinets, & Counter Tops for Main Lab	\$ 32,857
**Convert Old Warehouse Building to Vehicle Storage	\$ 29,757
Upgrade Fuel Management System Water & Sewer Facilities	\$ 28,455
Rehabilitation of UV3000 Ballast, Lamps, & Sleeves	\$ 28,245
Repair/Replace Blower Motors for Sludge Thickener Tanks	\$ 28,113
* Rehabilitation of Site Pumping Station	\$ 27,562
**Convert Old Well Building into Plant Lab	\$ 23,686
Rehabilitation of #2 RAS Pump Plus Impellers	\$ 17,280
**Lighting Replacement	\$ 15,722
Rehabilitation of UV4000 Ballast, Lamps, & Sleeves	\$ 14,870
Rehabilitation Belt Filter Press No. 1 & 3	\$ 14,048
**Study Hartford Rd PS Monitoring Electric Power	\$ 13,925
New HVAC System Maintenance Building	\$ 9,466
Replace/Repair/Rehab Orbal Motors	\$ 9,170

**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**

<u>Asset</u>	<u>Amount Disbursed in FY19</u>
<b>Hartford Rd Wastewater Treatment Facility (HRWPCF) Rehabilitation</b>	
**Lightning Protection	\$ 8,987
Rehabilitation of RAS Motors	\$ 8,303
Valve Replacements	\$ 8,022
Repair Primary Clarifier Drive Unit	\$ 7,802
New Compact Sampler & Battery Charger	\$ 4,596
New Water Bath for Fecal Coliform Method Main Lab HR	\$ 1,936
Replacement of Cedar Planks on UV Tanks	\$ 1,765
**Orbal Aerator Repairs Cell #2	\$ 1,394
<b>Sanitary Sewer Pump Station Rehabilitation</b>	
*PS Painting (Timbercrest, East Park, Hunters, Brentwood & Birchfield)	\$ 88,677



Prep and Painting in Hunters PS Drywell



Exterior Painting of Timbercrest PS

** Upgrade Devonshire PS (Design)	\$ 78,348
Rebuild Motors/Pumps/Impellers at PS (Timbercrest, Lakes, Larchmont, Hunters, East Gate, Orchard, Bridlewood)	\$ 47,175
Replace Emergency Generator Orchard PS	\$ 43,820
Replacement of Pumps Ramblewood PS	\$ 29,460
Replacement of Failed VFD's	\$ 26,830
**Site Work Improvements (Timbercrest, East Park, & Ethel Lawrence)	\$ 18,153
** Upgrade Atrium PS & Hooten PS (Design)	\$ 13,218
**PS Study Rancocas Woods Sewer	\$ 10,100
New Yeomans Pump Ramblewood PS	\$ 9,980
Replace Transducers for Various PS	\$ 7,670
**PLC Based Pump Station Monitor Duplex, Triplex, Quadraplex	\$ 6,923
New Ladder East Park PS	\$ 4,080
Site Improvements Larchmont PS	\$ 950
<b>Sanitary Sewer Collection System Force Main Repairs and Replacements</b>	
**Replace/Line Sewer Mains Birchfield Area	\$ 205,940

**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**



Asset

Amount Disbursed in FY19

**Sanitary Sewer Collection System Force Main Repairs and Replacements**

**Primary Force Main Replacement Elbo Lane	\$ 133,408
**Force Main Redirection Union Mill Farms	\$ 75,951
**Force Main Replacement Library	\$ 71,869
* Primary Force Main Replacement Hartford Road	\$ 57,206
*Corrosion Protection Study & Rehab of Force Main System	\$ 12,991
**Primary Force Main Connection & Repairs Library & Briggs	\$ 8,701
I & I Control, Replacement of Sewer Castings & Lids	\$ 5,604
Electric Concrete Mixer	\$ 3,949
Quick Saw, Accessories, & Walk Behind Cart	\$ 1,176



Progression of a Manhole Repair

**Elbo Lane Water Treatment Plant**

** Davit Replacements – Retrieval System	\$ 132,141
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**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**

<u>Asset</u>	<u>Amount Disbursed in FY19</u>
<b>Elbo Lane Water Treatment Plant</b>	
New HVAC System Chemical Room	\$ 33,690
Replace High Service Pump #2	\$ 22,839
Rebuild High Service Pump #7	\$ 18,664
Replacement of Valve Actuators, Influent, Effluent, Settled Water	\$ 17,922
Replace 75HP High Service Pump Motor	\$ 17,957
Replacement VFDs	\$ 17,854
Repair/Rehab/Replace High Service Pump #3	\$ 15,595
Lighting Upgrade to LED	\$ 7,708
New Cubical System, Desk & Chairs for Employee Training Room	\$ 7,510
Rehabilitation of 40HP Sanitary Sewage Pump #1	\$ 6,893
Rehab High Service Pump #8	\$ 6,640
Rehabilitation 40HP Sanitary Sewerage Pump #2	\$ 6,282
Rehabilitation of Offices (Paint & Carpets)	\$ 5,200
<b>Water Main Replacements:</b>	
*York Rd	\$ 280,722



York Rd Water Main Replacement, tie in at Cornwallis Dr

*Wharton Road	\$ 30,512
Fire Hydrant Replacements	\$ 27,635
**Saint David Drive Phase 2	\$ 5,376
*Lincoln Drive & Stuyvesant Place	\$ 3,041

**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**

**Asset**

**Amount Disbursed in FY19**

**Wells and Booster Stations**

\*Well # 4 Standby Emergency Generator Replacement \$ 166,764



Old Well #4 Generator, Before Project

New Well #4 Generator, after project

** Upgrade Emergency Eyewash/Showers MUA Facilities	\$ 38,599
Ark Rd Booster Station Roof Replacement	\$ 13,420
**Willingboro Replacement Interconnection Flowmeter	\$ 9,997
**Well # 4 Purchase Spare Column, Pipe, & Shaft	\$ 9,975
*Well # 4 Redevelopment	\$ 8,997
*Ark Rd Booster Station New Emergency Generator Transfer Switch	\$ 5,965
Removal of Old Caustic Tank Old Elbo Water Treatment Plant (85 Elbo)	\$ 5,953
New Liquid Oxygen System Manifold ASR Well # 7	\$ 4,962
Replacement Heater for Horizon Way Booster Station	\$ 1,181

**Water Meter Reading**

\*\*Meter Change Out Program \$ 140,378

**Vehicle Replacements**

Vehicle 81 (Replacement Back Hoe)	\$ 107,409
Vehicle 54 (Water Distribution)	\$ 33,259
Vehicle 74 (Water Treatment)	\$ 32,849
Vehicle 77 (Engineering)	\$ 23,712
**Vehicle 68 (Water Treatment)	\$ 22,610
Vehicle 79 (Water Treatment)	\$ 21,359

**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**



New Back Hoe and Trailer, for Water Main Repairs/Replacements

<u>Asset</u>	<u>Amount Disbursed in FY19</u>
<b>Vehicle Replacements</b>	
Vehicle 84 (Replacement Trailer for Back Hoe)	\$ 20,108
Replacement Nozzles, Clamps & Hoses Vehicle 42 (Sewer Jetter)	\$ 4,669
Arrow Board for Vehicle 42 (Sewer Jetter)	\$ 1,354
<b>Miscellaneous</b>	
Portable Global Positioning System Units	\$ 17,021



Sewer Operator Locating and GPS Recording a Customer's Cleanout

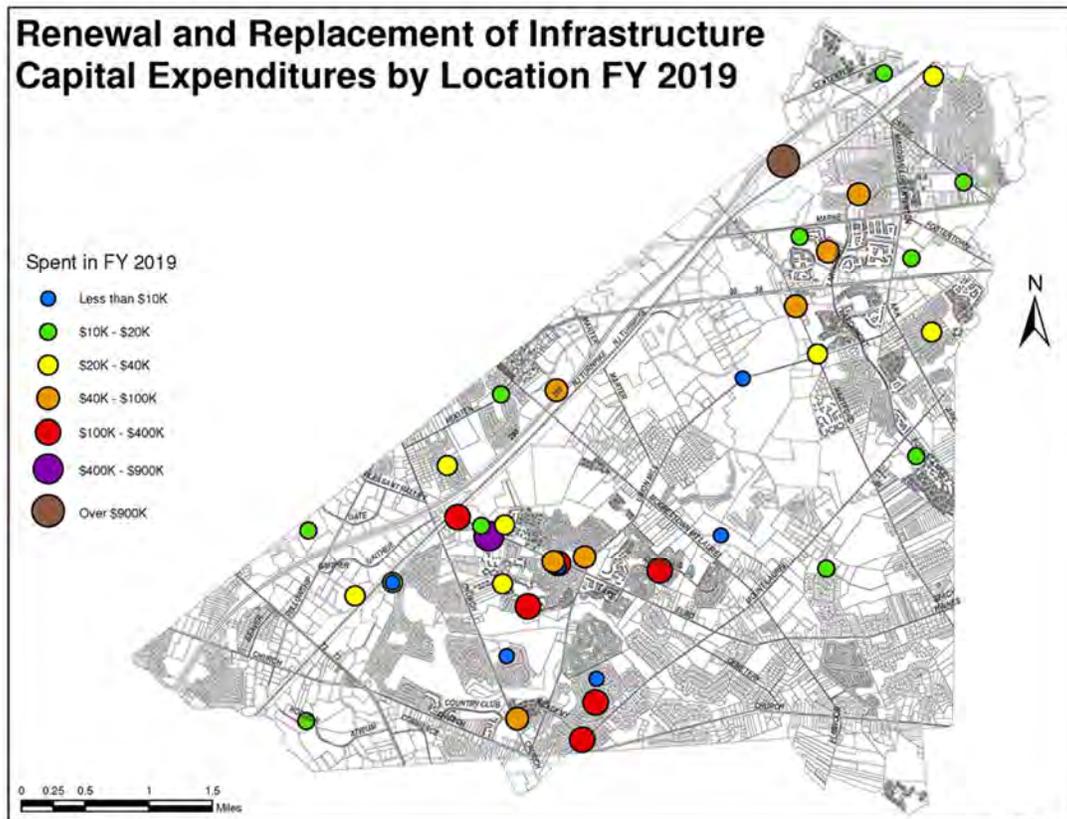
**Software Development Automation of Capital Expenditures	\$ 13,855
Upgrade of Burglar Alarm Systems	\$ 8,965
Software Programming Customer Portal for Website	\$ 6,530
New File Cabinets	\$ 5,459
Upgrade Transmission Service & Fluid Flush Machine	\$ 4,977

**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**

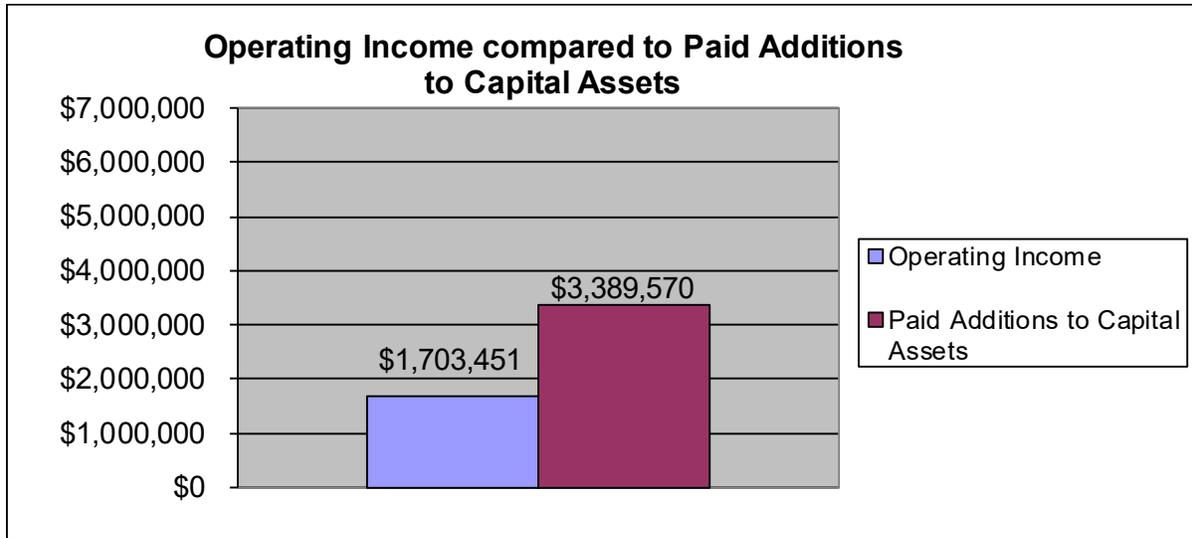
<u>Asset</u>	<u>Amount Disbursed in FY19</u>
<b>Miscellaneous</b>	
Carports Over Solar Field Electrical Inverters	\$ 4,838
Replacement Vertical Bandsaw & Accessories	\$ 4,699
iPads & Accessories	\$ 4,514
Power Broom for Sweeping Streets	\$ 3,961
Magnetic Locators	\$ 3,349
HVAC Compressor Replace Admin Building	\$ 3,339
Replace Gas Detectors for Confined Space Entry	\$ 2,666
Scaffolding Tower	\$ 2,633
Replacement Vehicle Coolant Flush & Exchange Machine	\$ 2,170
UPS Power Back-Up Equipment	\$ 2,091
Replacement Pallet Jacks	\$ 1,688
Replacement Turbidity Meter for Main Lab HR	\$ 1,410
New Diagnostic Tool Tire Pressure Monitor for Vehicles	\$ 1,399
Rotary Paper Trimmer & Stand 38"	\$ 1,304
Replacement Trash Pump for Water Dist.	\$ 1,253
Replacement Portable pH Meter for Water Dept. Lab	\$ 1,208
Replacement Honda 2200-Portable Generator for Water Dist.	\$ 1,019

\* Multi-Year Project Completed this Fiscal Year

\*\* Project Continuing into Subsequent Year(s)



**ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**



The above chart demonstrates the Authority’s ongoing and unwavering commitment to keeping its systems and infrastructures current and well maintained. To provide a more expanded time frame, the Authority has made \$45.51 million of paid additions to its assets over the twelve fiscal years of 2008 through 2019. \$37.44 million of these paid additions were provided by available cash reserves which were planned for and accumulated over many fiscal years for the specific purpose of paying for capital projects on a “pay as you go” basis. The source of these funds is the “Unrestricted” portion of the Authority’s Net Position (see earlier chart). During the same twelve fiscal year period, the Authority’s aggregate Operating Income has totaled \$12.03 million. This is a clear demonstration of the Authority’s commitment to reinvest its operational results back into infrastructure and capital improvements. In addition, the Authority has issued \$12.1 million in debt over the past twelve fiscal years, of which \$11.5 million was used for capital asset additions for certain capital projects. The Authority continually plans capital projects in both short and long range terms, including the assessment of whether to commit “Unrestricted” funds or to issue debt to finance those projects. It should be noted that the State of New Jersey allows for the adding back of net pension liability when determining unrestricted funds available for capital purposes.

Our five-year capital plan calls for the expenditure of \$39,777,000 with \$10,018,600 budgeted for the upcoming fiscal year. The Authority plans to fund these amounts in the following manner:

	<b>Five-Year Plan</b>	<b>Upcoming Fiscal Year</b>
Projects funded from Unrestricted Net Position (including reserves for renewal and replacement)	\$ 25,878,500	\$ 5,580,600
Debt Authorization	\$ 13,898,500	\$ 4,438,000

The Authority has not experienced any change in its excellent credit rating, nor does it anticipate any. Although the Authority does not operate under any debt limitations, it is required to receive approval by Mount Laurel Township resolution prior to issuing any new debt.

## **ASSET MANAGEMENT, CAPITAL ASSET, AND LONG-TERM DEBT ACTIVITY (CONT'D)**

In February 2019, the Authority closed on a bond issue in the principal amount of \$3,400,000. Proceeds from this issue reimbursed monies previously expended by the Authority to replace a large section of our primary sewer force main along Hartford Road. Interest rates on this bond issue range between 3% and 5%, with the final principal payment scheduled for February 2049. It should be noted that the Authority received an excellent AA credit rating from Standard and Poor's while completing this financing. More significantly, and in spite of protections enjoyed through a Service Agreement provided by Mount Laurel Township, Standard and Poor's informed the Authority this rating was earned on the Authority's own merits due to strong operational and financial management practices.

In March 2010, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling \$1,282,000 for pipe lining and manhole rehabilitation. \$962,000 of this loan is at a zero percent interest rate. The remaining \$320,000 was borrowed at interest rates ranging from 3% to 5%. Principal payments will cease in 2029.

In December 2009, the Authority closed on two loans from the New Jersey Environmental Infrastructure Trust totaling \$2,244,600 for the completion of a solar energy array that generates power for a sewer pumping station and a groundwater well. \$1,109,600 of this loan is at a zero percent interest rate. The remaining \$1,135,000 was borrowed at interest rates ranging from 2% to 5%. This project also included a Federal American Recovery and Reinvestment Act (ARRA) grant of \$2,219,200. The ARRA grant does not require repayment and was forgiven at closing. Principal payments will cease in 2029.

In December 2008, the Authority closed on the supplemental loans referenced immediately above. The two loans included one bearing market rate interest, in the amount of \$33,544. This loan was paid off immediately. The second, in the amount of \$1,677,183, is an interest free loan. Principal payments will cease in 2028.

In November 2007, the Authority completed a supplemental financing to the above November 2005 loan. This was primarily due to contractor bids being received for the new Elbo Lane Treatment Plant that were higher than anticipated after the 2005 loan amount was determined. This financing was in the amount of \$3,500,000. The financing was again arranged through the New Jersey Environmental Infrastructure Trust loan program. This program has an advantageous structure which allows participants to borrow one portion of the funds at current market interest rates, and the other portion at a zero percent interest rate. The Authority's financing resulted in \$2,635,000 borrowed at rates between 3.4% and 5%, and \$865,000 borrowed interest free. Additional supplemental loans were authorized that, when combined with the 2007 supplemental loan, created loans of roughly equal size, one bearing market interest rates and the other being interest free.

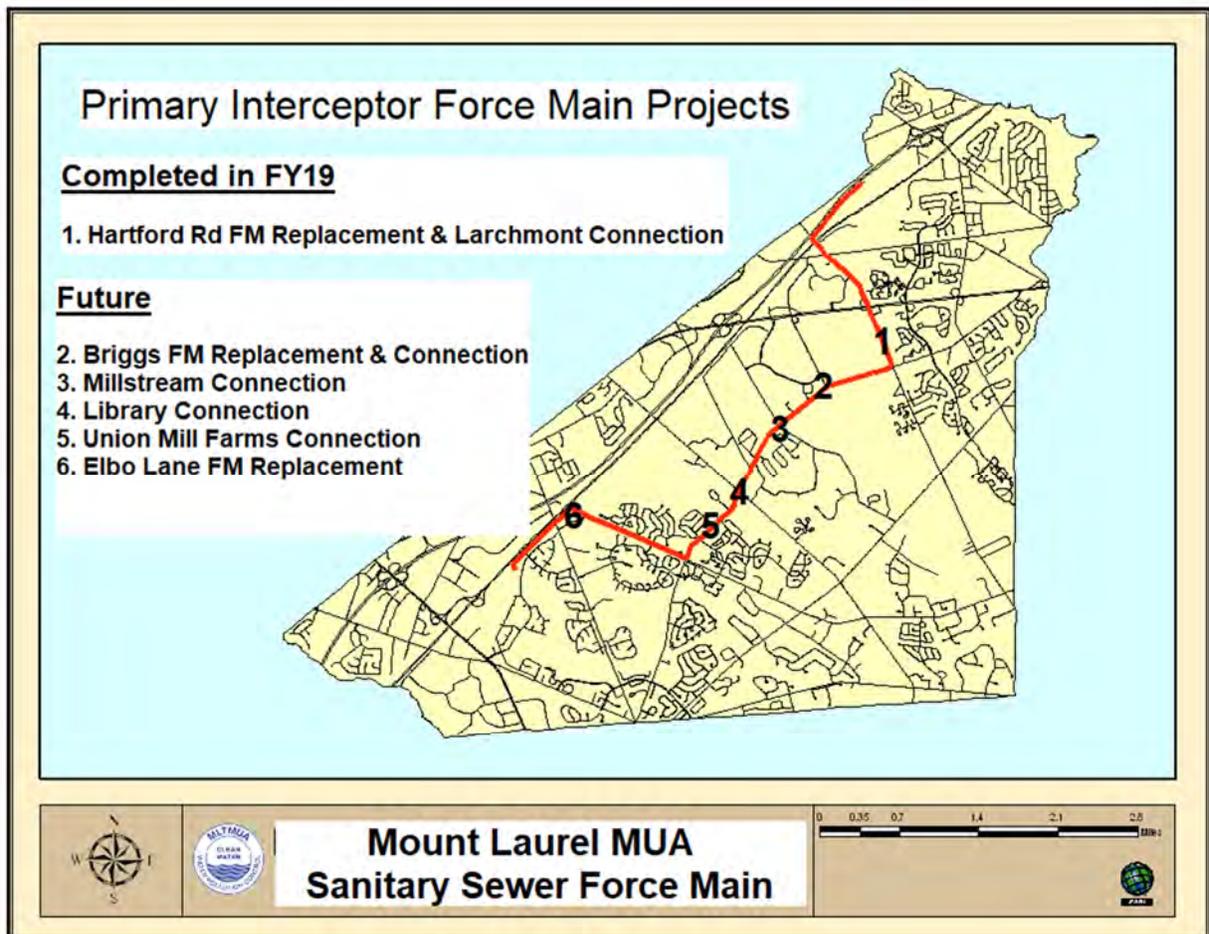
In November 2005, the Authority finalized long term financing in the amount of \$23,772,200 on two major capital projects. The financing was arranged through the New Jersey Environmental Infrastructure Trust (NJEIT) loan program. This program has an advantageous structure which allows participants to borrow one portion of the funds at current market interest rates, and the other portion at a zero percent interest rate. The Authority's financing resulted in \$12,295,000 borrowed at rates between 4% and 5%, and \$11,477,200 borrowed interest free. The two capital projects associated with this borrowing were the Aquifer Storage and Recovery (ASR) project and the new Elbo Lane Water Treatment Plant.

In May 2003, the Authority refunded debt. In doing this, the Authority replaced the outstanding principal balances of its 1992 and 1994 bond issues with the 2003 bond issue. All bonds under the new issue will mature no later than the bonds on the refunded issues. By taking advantage of a very favorable interest rate market, the Authority was able to reduce its debt service by approximately \$1,070,000 over the life of the new bonds, while only increasing its outstanding bond debt by \$40,000.

## LOOKING FORWARD

The Authority continues to pursue and investigate alternative sources of water to meet user demand. Currently, the Authority must purchase from outside water purveyors in order to make up the difference between its user demand and its permitted withdrawal from its supply wells. The Authority believes the development of less expensive alternatives is possible. Several have been identified. If the Authority receives approval from the appropriate regulatory agencies and develops these alternatives, particularly the building of a surface water treatment plant, the operating expense for the purchase of water from outside purveyors can be significantly reduced. Capital expenditures for a new plant would be significant.

As part of the Authority's Asset Management Program, we have continually rehabilitated parts of our sanitary force main system. We have been analyzing and implementing options to replace or rehabilitate sections of this approximately 35 to 50-year old system due to sections of it prematurely reaching the end of its useful life. We continually reprioritize our primary, secondary and tertiary force main projects utilizing probability and consequence of failure along with coordinating with Mount Laurel, Burlington County and NJDOT road programs. The map depicts projects located on the primary force main only.

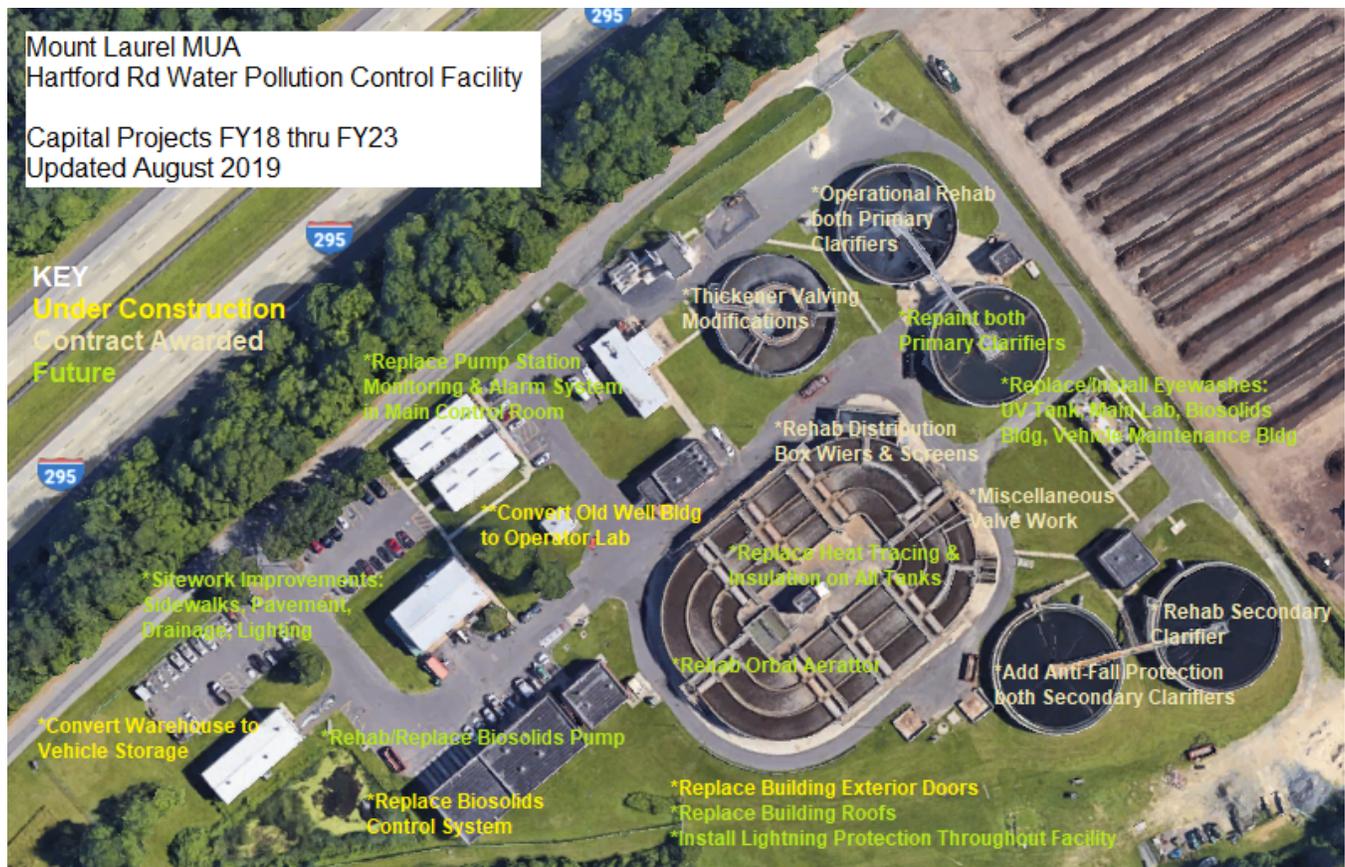


## LOOKING FORWARD (CONT'D)

The Authority included replacement of part of the Hartford Road force main in our capital budget after the board approved \$7 million for these replacement projects. Results from additional corrosion control studies indicated that Phase 1 of the Hartford Road project was a top priority. The \$3.2M project spanned multiple fiscal years; the new piping was placed in service in January 2018, but the project was not fully completed until December 2018. Our Engineer is currently working on the design of several primary and secondary force main projects. Although this work is moving forward, we cannot rule out that additional leaks may occur before replacements take place.

The Authority intended to use the NJ Infrastructure Bank's (I-Bank) emergency financing program for Hartford Road Phase 1; however, I-Bank program requirements, such as requiring installation of the replacement pipe in the same trench as the existing pipe, precluded participation. Therefore, the Authority used the "Unrestricted" portion of its Net Position for funding. A February 2019 bond issue served to reimburse those funds to the Authority. The Authority plans to issue debt via the I-Bank for the Elbo Lane force main replacement project, as well as other capital projects associated with force mains, its Hartford Road Water Pollution Control Facility and pump stations. In August 2019, the Authority closed on a \$7.2 million note through the I-Bank which will be drawn against to reimburse the Authority for monies expended on these projects. A permanent bond issue will ultimately occur to retire the notes.

The Hartford Road Water Pollution Control Facility, which was substantially upgraded in 1996, has a planned renewal of components of its main process units to ensure continued successful operations. Part of this work, the replacement of the primary mechanism of a clarifier, was completed in FY16 due to premature failure. The remaining process unit work has been included in our capital plan for work in the next 5 years. As discussed above, much of this work is being funded through the I-Bank.



## **CONTACTING THE AUTHORITY'S MANAGEMENT**

This financial report is designed to provide Mount Laurel's citizens and our customers, clients, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have any questions about this report or need additional financial information, contact the Finance Director, Mount Laurel Township Municipal Utilities Authority, 1201 South Church Street, Mount Laurel, NJ 08054 or visit our website at [www.mltmua.com](http://www.mltmua.com).