

# Mount Laurel Township Municipal Utilities Authority

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



### **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 2021 (FY21, July 2020 – June 2021), the Authority generated a 302% cover. Key financial highlights for FY21 include:

- When compared to fiscal year 2020 (FY20, July 2019 – June 2020), total assets decreased slightly (0.28%) to \$146.81 million. Total liabilities also decreased by about \$3 million, a 8.33% decrease.
- Service charges increased by slightly more than \$ 378,000 (2.00%) compared to FY20. Connection fees dropped by \$749,892 as compared to FY20. Investment income dropped significantly due to the volatility in the investment market due to COVID 19. In total, operating and non-operating revenues outpaced operating and non-operating expenses by \$1,722,675, which was the increase in the Authority's Net Position for FY21.



Mount Laurel MUA ROCKS! discovered by employees during COVID

## **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.

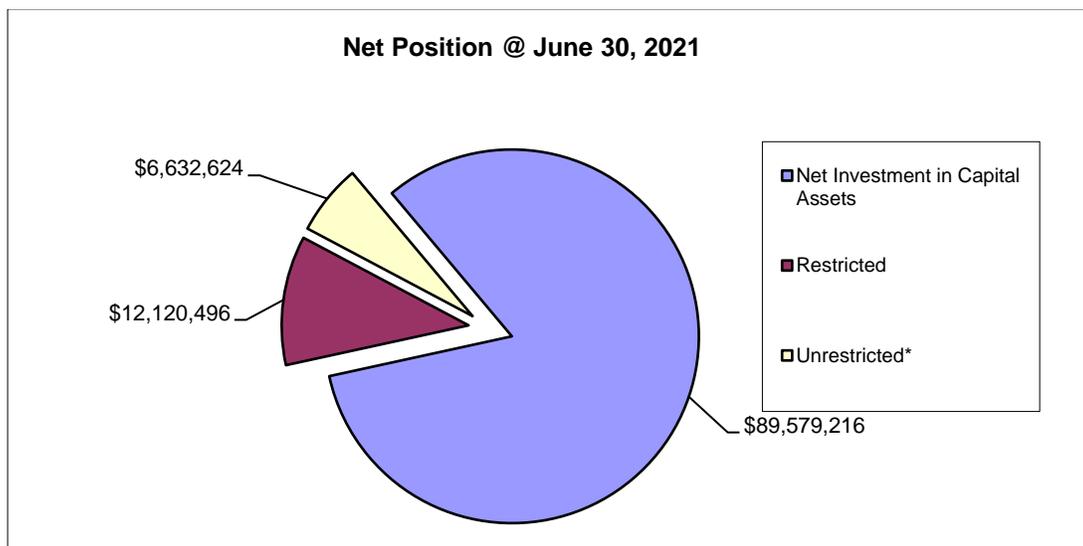
The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows 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, 2021, were \$146,818,215. 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,

|                                             | 2021                  | 2020                  | 2019                  | Change from FY 2020 to FY 2021 |                |
|---------------------------------------------|-----------------------|-----------------------|-----------------------|--------------------------------|----------------|
|                                             |                       |                       |                       | Amount                         | Percentage     |
| Current Assets                              | \$ 38,855,148         | \$ 41,067,591         | \$ 32,983,177         | \$ (2,212,444)                 | -5.39%         |
| Capital Assets                              | 107,963,067           | 106,157,381           | 109,086,196           | 1,805,686                      | 1.70%          |
| <b>Total Assets</b>                         | <b>146,818,215</b>    | <b>147,224,972</b>    | <b>142,069,374</b>    | <b>(406,757)</b>               | <b>-0.28%</b>  |
| <b>Total Deferred Outflows of Resources</b> | <b>1,624,093</b>      | <b>2,178,208</b>      | <b>3,130,211</b>      | <b>(554,115)</b>               | <b>-25.44%</b> |
| Current Liabilities                         | 5,677,277             | 5,631,099             | 5,329,122             | 46,178                         | 0.82%          |
| Long-Term Liabilities                       | 27,975,791            | 31,081,391            | 26,497,514            | (3,105,599)                    | -9.99%         |
| <b>Total Liabilities</b>                    | <b>33,653,069</b>     | <b>36,712,490</b>     | <b>31,826,636</b>     | <b>(3,059,421)</b>             | <b>-8.33%</b>  |
| <b>Total Deferred Inflows of Resources</b>  | <b>6,456,903</b>      | <b>6,081,030</b>      | <b>7,431,908</b>      | <b>375,873</b>                 | <b>6.18%</b>   |
| Net Position                                |                       |                       |                       |                                |                |
| Net Investment in Capital Assets            | 89,579,216            | 88,309,991            | 90,734,535            | 1,269,224                      | 1.44%          |
| Restricted                                  | 12,120,496            | 10,021,081            | 8,652,870             | 2,099,415                      | 20.95%         |
| Unrestricted                                | 6,632,624             | 8,278,587             | 6,553,635             | (1,645,963)                    | -19.88%        |
| <b>Total Net Position</b>                   | <b>\$ 108,332,335</b> | <b>\$ 106,609,660</b> | <b>\$ 105,941,040</b> | <b>\$ 1,722,675</b>            | <b>1.62%</b>   |

The Authority realized operating income of \$512,881. for the current fiscal year. When offset by a loss from non-operating activities, the Authority's loss before capital contributions was \$127,725. 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. During FY21, the Authority received \$1,850,400. in capital contributions. The combined effect from all components of fiscal activity resulted in the Authority's net position increasing by \$1,722,675. The major components of this activity are discussed in the paragraphs on the following pages.



Installation of new sanitary force mains for Manor Apartments and Rancocas Woods neighborhood

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

### Mount Laurel MUA Revenues, Expenses and Net Position for the Fiscal Years Ended June 30,

|                                           | 2021                  | 2020                  | 2019                  | Change from FY 2020 to FY 2021 |                 |
|-------------------------------------------|-----------------------|-----------------------|-----------------------|--------------------------------|-----------------|
|                                           |                       |                       |                       | Amount                         | Percentage      |
| Utility Service Charges                   | \$ 19,316,936         | \$ 18,938,682         | \$ 18,499,488         | \$ 378,254                     | 2.00%           |
| Connection Fees                           | 999,199               | 1,749,091             | 2,429,188             | (749,892)                      | -42.87%         |
| Other Operating Revenues                  | 463,831               | 514,093               | 650,823               | (50,263)                       | -9.78%          |
| <b>Total Operating Revenues</b>           | <b>20,779,966</b>     | <b>21,201,866</b>     | <b>21,579,499</b>     | <b>(421,901)</b>               | <b>-1.99%</b>   |
| Operating Expenses                        | 13,707,345            | 13,798,804            | 13,500,257            | (91,459)                       | -0.66%          |
| Depreciation expense                      | 6,559,739             | 6,499,625             | 6,375,790             | 60,114                         | 0.92%           |
| <b>Operating Income</b>                   | <b>512,881</b>        | <b>903,437</b>        | <b>1,703,451</b>      | <b>(390,556)</b>               | <b>-43.23%</b>  |
| Non-operating Revenues (Expenses)         |                       |                       |                       |                                |                 |
| Investment Income                         | 88,415                | 559,573               | 567,942               | (471,158)                      | -84.20%         |
| Interest on Debt                          | (313,849)             | (353,873)             | (307,398)             | 40,024                         | -11.31%         |
| Debt Issue Costs                          | (11,113)              | (49,656)              | (81,118)              | 38,543.49                      | -77.62%         |
| Disposal of Capital Assets                | (19,140)              | (1,478)               | 20,527                | (17,662)                       | 1195.27%        |
| Contribution to Mount Laurel Township     | (384,918)             | (389,382)             | (388,002)             | 4,464                          | -1.15%          |
| <b>Income (Loss) before contributions</b> | <b>(127,725)</b>      | <b>668,620</b>        | <b>1,515,403</b>      | <b>(796,345)</b>               | <b>-119.10%</b> |
| Capital Contributions                     | 1,850,400             | -                     | 2,730,488             | 1,850,400                      | 100.00%         |
| <b>Increase in Net Position</b>           | <b>1,722,675</b>      | <b>668,620</b>        | <b>4,245,891</b>      | <b>1,054,055</b>               | <b>157.65%</b>  |
| Net Position - July 1                     | 106,609,660           | 105,941,040           | 101,695,149           | 668,620                        | 0.63%           |
| Change in Net Position                    | 1,722,675             | 668,620               | 4,245,891             | 1,054,055                      | 157.65%         |
| <b>Net Position - June 30</b>             | <b>\$ 108,332,335</b> | <b>\$ 106,609,660</b> | <b>\$ 105,941,040</b> | <b>\$ 1,722,675</b>            | <b>1.62%</b>    |

Service charges rose modestly in FY21. The \$378,254 (2.0%) increase was attributable to a combination of a small rate increase beginning with the February 2021 billings and the manner in which water was consumed as a result of the COVID-19 pandemic. These are more fully explained later in this MD&A. 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 included a rate increase adopted in FY19 (effective with the February billings in 2019, 2020 and 2021) which impacted only the Customer Charge portion of the Authority's water rates. This increase was expected to generate approximately \$240,000 (~3%) in additional water utility service charges annually. Prior to this, the Authority operated without any rate increases for six years, the last one being implemented in February 2013.

As a total dollar amount, investment income dropped significantly, down \$471,158. (84.20%) when compared to FY20. Interest income was negatively impacted by the COVID pandemic. Investments that matured during the Fiscal Year had been reinvested into instruments with minimal returns. 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)**

Connection fee revenues dropped by \$749,892 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 an applicant has satisfied the Authority's requirements to obtain a certificate of occupancy from the Township. 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 as only one large parcel of land remains undeveloped. 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.



Centerton Village Apartments (affordable housing) opened in 2021 (across from Top Golf and Costco)

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.

The Authority's fiscal activity yielded a modest increase for the year. Operating revenues totaled an aggregate of \$20.7 million, down approximately \$421,901 (1.99%) from FY20. Year over year, the Authority's operating expenses (including depreciation) decreased slightly \$ 31,345. The more significant changes in revenues and expenses are described in more detail on the following section.

## OPERATING REVENUES & EXPENSES

Of course, the COVID-19 pandemic had its impact on the Authority in FY21. During the fiscal year, the Authority split its operational workforce into multiple teams and deployed them in the field during alternating weeks, maintaining our core responsibilities in regard to delivery of services, water quality standards, wastewater collection and processing and systems maintenance. Throughout, all facilities continued to be fully operational, and the Authority remained available 24/7. The Authority's administrative staff worked from the office, but our buildings were closed to the public.



Working in the Authority's Certified Laboratory during COVID

In response to the COVID-19 pandemic, the Authority made the decision to forgive interest charges on outstanding month end balances of its ratepayers. This forgiveness became effective with the outstanding balance at the end of March of 2020. Governor Murphy issued his initial Executive Order related to interest forgiveness in October of 2020 and the order continued through the entire 2021 fiscal year. Forgiveness for this period totaled approximately \$289,489.



Monthly Board of Directors Meeting via Zoom during COVID

## OPERATING REVENUES & EXPENSES (CONT'D)

Service charges (user fees) were budgeted at \$18.04 million. The COVID-19 pandemic had an impact on how water was consumed and billed. Due to various periods of reduced occupancy or outright vacancy, water consumption at commercial establishments (office buildings, hotels, retail shops, etc.), schools, and public entities led to consumption-based revenues for these classes of ratepayers falling. Conversely, residential accounts experienced higher than normal consumption and the resulting billings as more people were working from home.



New Dunkin (replacing 2 previously unconnected single-family homes)

Connection fee revenue was budgeted at \$1.62 million in FY21. The overwhelming majority of FY21 connection fee revenue was derived from the residential community of Jefferson Management / Chase Signature Place Apartments and Townhomes. Several more buildings and individually owned properties associated with this community tied into the Authority's water and sewer infrastructure during the year, resulting in \$999,199 of connection fee revenue.



New Taco Bell (at old Beneficial Bank) on Route 38

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

The Authority's operating expenses of \$13.70 million (excluding depreciation) in FY21 were approximately \$91,000 less than in FY20. This was largely due to a few significant operational events during the fiscal year, which are described more fully below.

Repairs and maintenance exceeded prior year spending. This was largely due to repairs on the water distribution system. In October 2020, we experienced a series of breaks in conjunction with our annual hydrant flushing program which required us to use more outside contractors instead of our own workforce, which therefore increased our expenses. Our vehicle fleet had some unanticipated spending on our backhoe in the water department. While in the sewer department, we had an increase in fuel usage and cost and repairs specifically related to our 2017 Jetter truck.

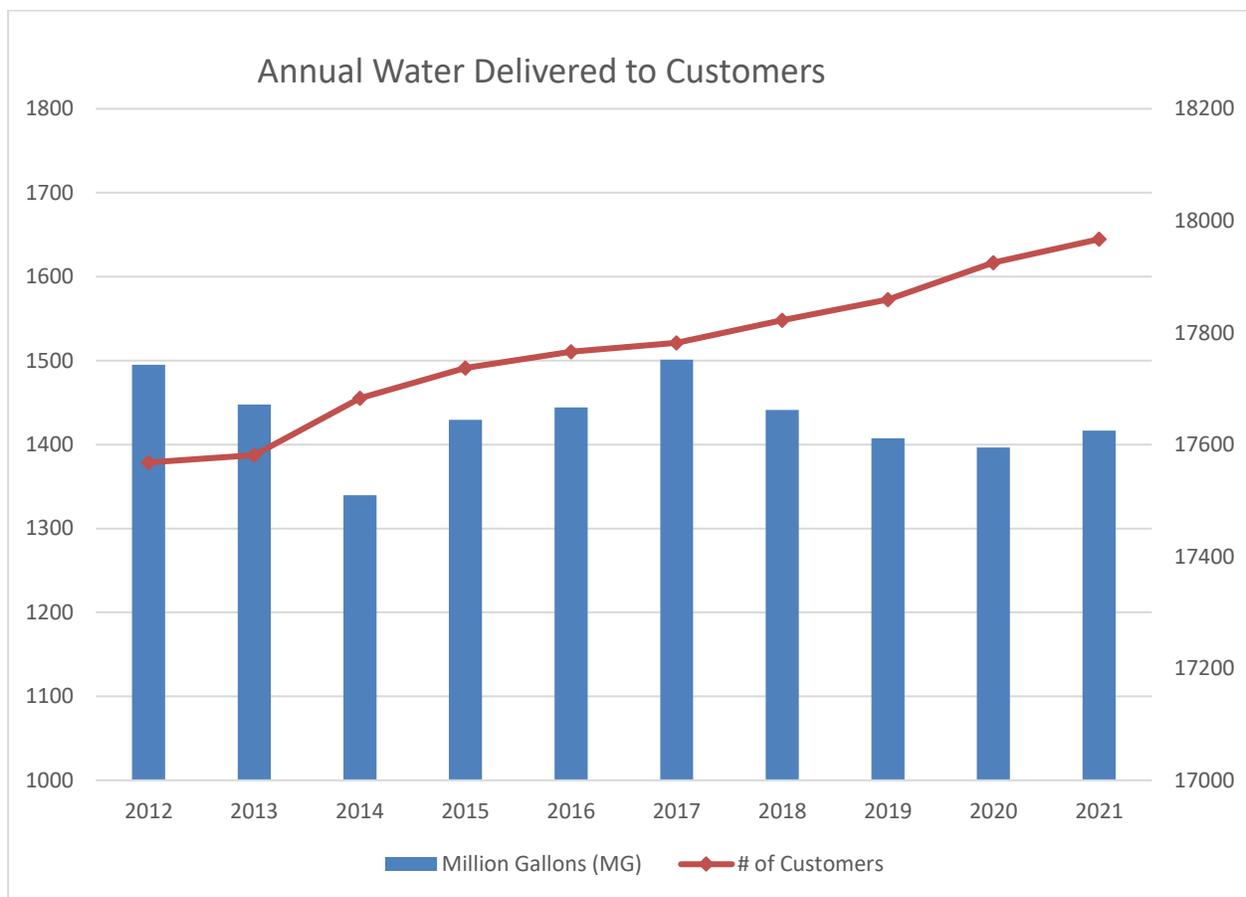


Emergency Water Main Repair in the Ramblewood Development

Salaries were underspent mostly due to positions remaining vacant for portions of the year. Our fringe benefits were less than budgeted due to a combination of our workman's compensation insurance premiums and our medical/dental insurance that the MUA provides. The workman's compensation reduction is due to our experience modification factor going down. While our medical/dental insurance, had a modest increase for our benefits at 1.82%. Under Public Employees' Retirement System (PERS) contribution, the State annually determines what the % of contribution will be. This year they increased that rate from 13.69% to 15.11%. The total bill from the State was \$570,140.00 and we had budgeted \$524,765.

## OPERATING REVENUES & EXPENSES (CONT'D)

The total volume of water delivered to customers in FY21 was approximately 5% higher than FY20, which is a normal fluctuation based on past 10-year historic use trends. The New Jersey Department of Environmental Protection (DEP) has restricted the quantity of water that the Authority can withdraw from its wells drilled into the Potomac-Raritan-Magothy Aquifer (PRM). This restriction is due to the DEP's determination that the Authority's wells are located in a conical depression caused by overuse within the PRM known as Water Supply Critical Area #2. In an effort to keep salt water from intruding into this freshwater aquifer, the DEP has restricted the amount of water the Authority is permitted to withdraw to the volume utilized by 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 to meet the water demands of our ratepayers. Contractual obligations to purchase this water are in place with New Jersey American Water Company (NJAWC) and Willingboro Municipal Utilities Authority (WMUA).



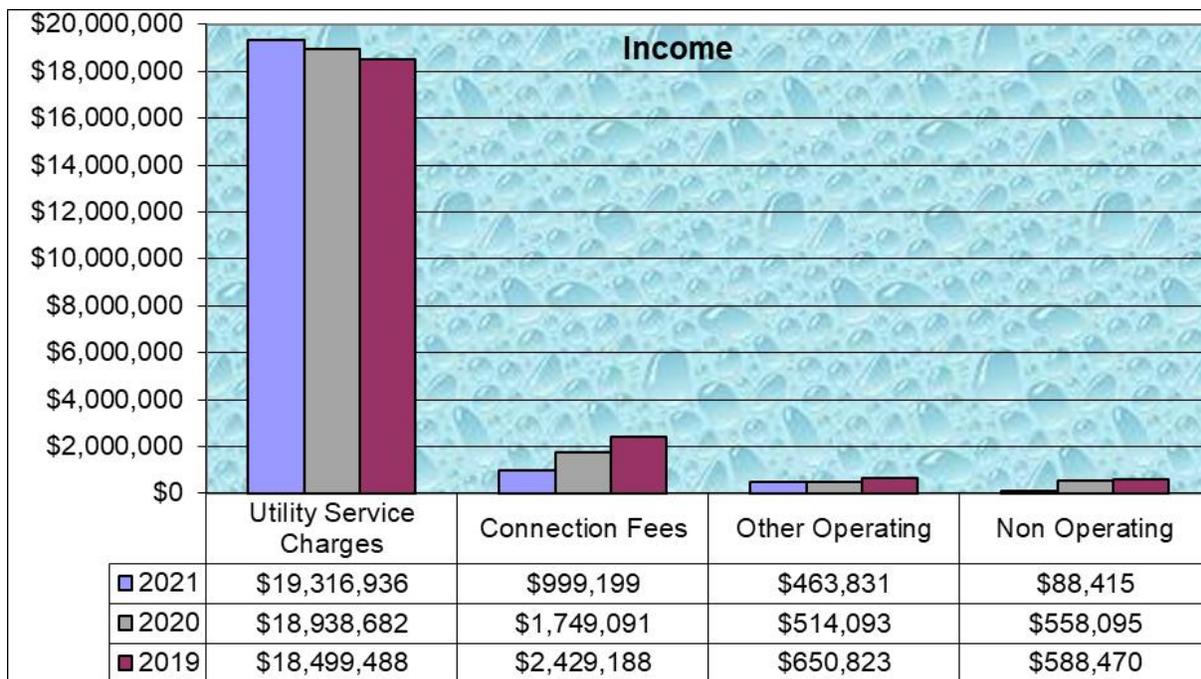
Regarding the NJAWC agreement, the Authority is required to annually notify NJAWC of the gallonage it is committing to purchase from them during the off-peak "nomination" period (October – April). When budgeting for FY21, the Authority was expecting to nominate 550 million gallons for the upcoming October 2021 through April 2022 nomination period. However, as actual usage and our projections of system demands became clearer, and more information was available regarding construction timing for new connections, the Authority determined it would only need to nominate 450 million gallons. The water demand from the Authority's ratepayers is a key factor in determining the nomination amount each year. As a result, the adopted budget was amended down by nearly \$300,000.

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

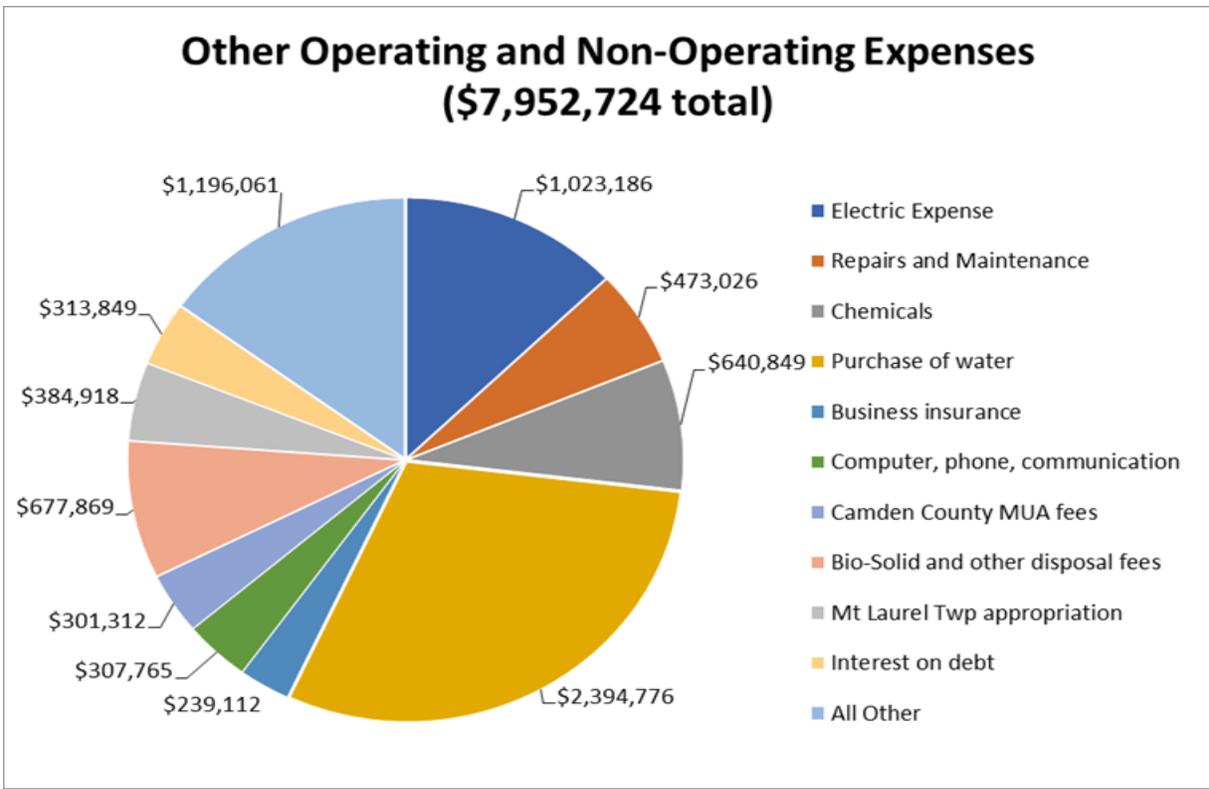
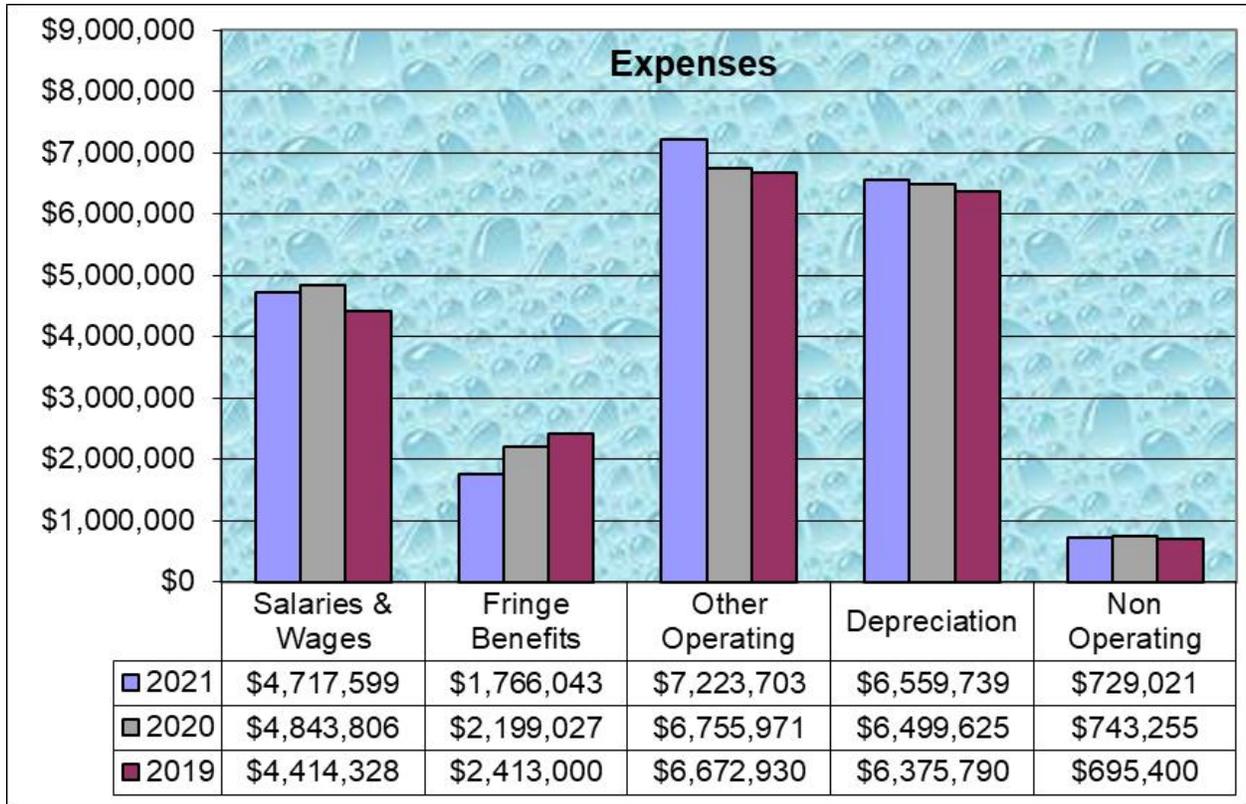
In FY20, we successfully re-negotiated our third-party Bulk Purchase/Sale contract between the Authority, Willingboro Municipal Utilities Authority (WMUA) and Evesham Municipal Utilities Authority (EMUA). It now includes an annual cap on rate WMUA increases. The agreement still provides for the gross annual availability of 730 million gallons, allocated to the Authority and EMUA at 75% / 25% respectively. The new agreement also includes provisions for future reductions in the allocated percentage delivered to EMUA as the Authority's water supply needs increase. Lastly the new agreement includes a wheeling fee payable to the Authority by EMUA which is based upon the volume of water purchased which totaled \$37,840 in FY 2021. Purchase from WMUA in FY 2021 was 200 million gallons lower resulting in a \$600,000 reduction to the adopted budget, as actual use indicated another low customer use year.

The Authority contributed \$384,918 to Mount Laurel Township; the twelfth 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 \$5,413,627 to the Township.

Graphical representations showing revenues and expenses for the three fiscal years of 2021, 2020 and 2019 follow.

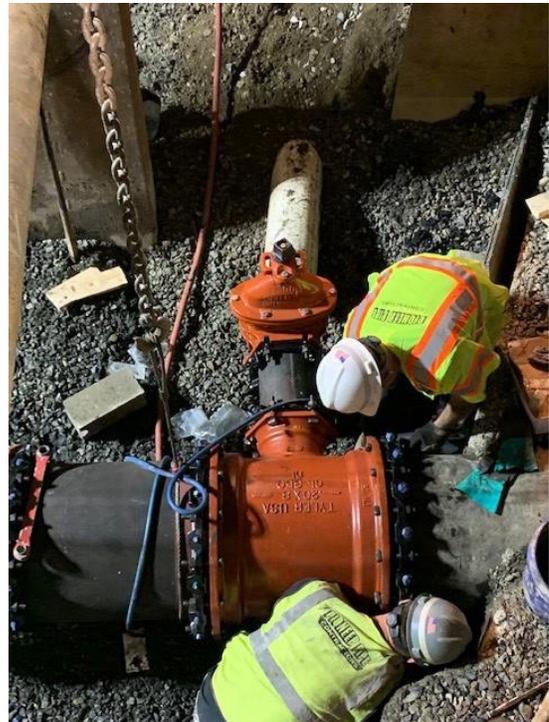


**OPERATING REVENUES & EXPENSES (CONT'D)**



## **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 2020 American Society of Civil Engineers (ASCE) Infrastructure’s report, “The Economic Benefits of Investing in Water Infrastructure”, estimated that “nationally the investment in maintaining water & wastewater infrastructure fell \$81 billion dollars short of the capital need”. This report also mentioned the economic impact that our current COVID health crisis could have and states “In the coming months and years, public officials at every level of government will consider policies and investments to jump start economic recovery. Investment in the nation’s aging water infrastructure can start a new era of job creation and economic growth while protecting public health and improving the quality of life for families across the United States.” It has been previously estimated that New Jersey’s drinking water and wastewater infrastructures would need \$26.1 billion of improvements over the upcoming 20 years.



Renewal work on the Library FM connection to the Primary FM at the intersection of Union Mill Rd and Mount Laurel Rd

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 asset facilities 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.



Renewal work on the Briggs Force Main

Because the Authority has invested approximately \$264 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.

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 standards 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 FY21, the Authority recorded approximately \$6.5 million in capital assets. By including retainage and other pre/post fiscal year adjustments, the capital additions were as follows:

**Asset** **Amount Disbursed in FY21**

**Hartford Rd Wastewater Treatment Facility (HRWPCF) Rehabilitation**

|                                                         |           |
|---------------------------------------------------------|-----------|
| *Roof Replacement & Lightning Protection                | \$361,964 |
| *Convert Old Warehouse Building to Vehicle Storage      | \$15,930  |
| *Replacement of Safety Disconnect Aerator               | \$13,681  |
| *New Plant Lab                                          | \$12,517  |
| *Rehab Filter Press Control Panel Compatible with SCADA | \$909     |



Roof Replacement on the RAS/WAS Building

|                                                                 |             |
|-----------------------------------------------------------------|-------------|
| Heat Piping & Tracing Insulation                                | \$280,666   |
| Rehabilitation of Influent Comminutor B                         | \$47,070    |
| Replacement of RAS Motors                                       | \$45,148    |
| Rehabilitation of UV3000 Ballast, Lamps, & Sleeves              | \$24,829    |
| Rehabilitation of Grit Snail System                             | \$16,540    |
| Rehabilitation of 50hp Orbal Gear Drive                         | \$16,190    |
| Repair/Replace/Rehab Orbal Motors                               | \$15,890    |
| Replacement Roof Top HVAC Vehicle Storage Building              | \$15,349    |
| Repair/Replace/Rehab Blower Motors                              | \$15,078    |
| Replacement Actuator for UV3000                                 | \$13,680    |
| Rehabilitation of UV4000 Ballast, Lamps, & Sleeves              | \$11,741    |
| Replacement of Barscreen Rails                                  | \$7,320     |
| Replacement Gas Detector Girt Building                          | \$6,936     |
| Rehabilitation of Utility Water Booster Pumps                   | \$6,621     |
| Replace Oxygen Uptake Rate Meter & UPS Backup Equipment         | \$2,459     |
| Replacement Storage Shed                                        | \$1,808     |
| Replacement Trash Pump & Adapters                               | \$1,584     |
| Replacement Ejector Pump for Pond                               | \$1,315     |
| Replacement Fan in Press Building                               | \$1,019     |
| **Tank Repairs                                                  | \$1,617,877 |
| **Lighting Replacement                                          | \$81,495    |
| **Evaluation of Dewatered Sludge Conveying Alternatives and BFP | \$29,874    |
| **Clarifier Painting Primaries # 1 & 2                          | \$35,819    |
| **Hydro Turbine Feasibility Study – Outfall Line                | \$23,903    |
| **Orbal Aerator Repairs Plus Inspection                         | \$10,950    |

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

**Asset**

**Amount Disbursed in FY21**

**Sanitary Sewer Pump Station Rehabilitation**

|                                                                                                                    |           |
|--------------------------------------------------------------------------------------------------------------------|-----------|
| Rebuild Motors/Pumps/Impellers (Timbercrest, Tricia Meadows, Hooten, Hovtech, Orchard, Briggs, Larchmont, Wieland) | \$77,422  |
| Replacement 60hp Pump/Motor Ramblewood PS                                                                          | \$34,480  |
| Replace Valves at PS (Tricia Meadows, Millstream, & Timbercrest)                                                   | \$38,015  |
| Replace AC Unit Birchfield PS                                                                                      | \$7,071   |
| Replace Roof Birchfield PS                                                                                         | \$5,460   |
| Replace Ladder Birchfield PS                                                                                       | \$7,344   |
| Replace Transducers for Various PS                                                                                 | \$4,142   |
| Site Work (Ethel Lawrence, Millstream, Briggs, Larchmont, Hooten)                                                  | \$4,025   |
| Replace of Yard Hydrants                                                                                           | \$1,397   |
| ** Upgrade Devonshire PS                                                                                           | \$657,146 |
| **Site Improvements of PS (Timbercrest, East Park, & Ethel Lawrence)                                               | \$129,354 |
| **PLC PS Monitoring Alarm System                                                                                   | \$81,401  |
| ** Upgrade Atrium PS & Hooten PS                                                                                   | \$7,938   |



Insertion Valve on Sanitary Piping

**Sanitary Sewer Force Main Repairs and Replacements:**

|                                                                     |           |
|---------------------------------------------------------------------|-----------|
| *Primary Force Main Connection & Repairs Library & Briggs PS        | \$750,405 |
| **Primary Force Main Replacement Union Mill Farms                   | \$41,273  |
| ** Sewer Master Plan, Phase 1                                       | \$35,163  |
| ** Secondary Force Main Air Release Valve Repair/Replacement        | \$27,000  |
| **Replacement Air Relief Valve Tricia Meadows & Library Force Mains | \$5,998   |

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

**Asset**

**Amount Disbursed in FY21**

**Elbo Lane Water Treatment Plant**

|                                                 |           |
|-------------------------------------------------|-----------|
| Clarifier Painting Internal Components          | \$222,149 |
| Guardrail Modification & Slide Gate Replacement | \$19,950  |
| Security Upgrade/Replacement                    | \$17,415  |
| Replacement Portable Fall Protection Davits     | \$13,376  |
| SCADA Audit for Water System                    | \$6,980   |
| Replacement Valves for Filters                  | \$3,600   |
| Replacement Fuel Pump                           | \$3,020   |
| Replacement Ice Machine                         | \$2,900   |

**Water Main Replacements:**

|                             |           |
|-----------------------------|-----------|
| *Saint David Drive Phase 2  | \$260,565 |
| * Indigo Drive Phase 3      | \$224,653 |
| Fire Hydrant Replacements   | \$40,263  |
| Hydrant Rings               | \$3,044   |
| ** East Saint Andrews Drive | \$22,000  |

**Wells and Booster Stations**

|                                                                 |           |
|-----------------------------------------------------------------|-----------|
| * Upgrade Emergency Eyewash/Showers MUA Facilities              | \$164,048 |
| Well #6 Redevelopment                                           | \$104,673 |
| VFD Replacements (Well #3, #4, #6, & Willingboro BS)            | \$29,763  |
| Commerce Tank Repairs & Replace Ladders, Hatches & Safety Rails | \$22,995  |
| Ark Rd Booster Station Replace Hatch                            | \$9,950   |
| Site Improvements (Ark Rd Booster Station)                      | \$4,500   |
| ** Doors and Windows Upgrade Various Locations                  | \$177,626 |
| ** Church Street Storage Tank Rehab & Paint                     | \$66,550  |
| **Well #7/ASR Redevelopment                                     | \$7,183   |



Testing an Emergency Shower

**Water Meter Reading**

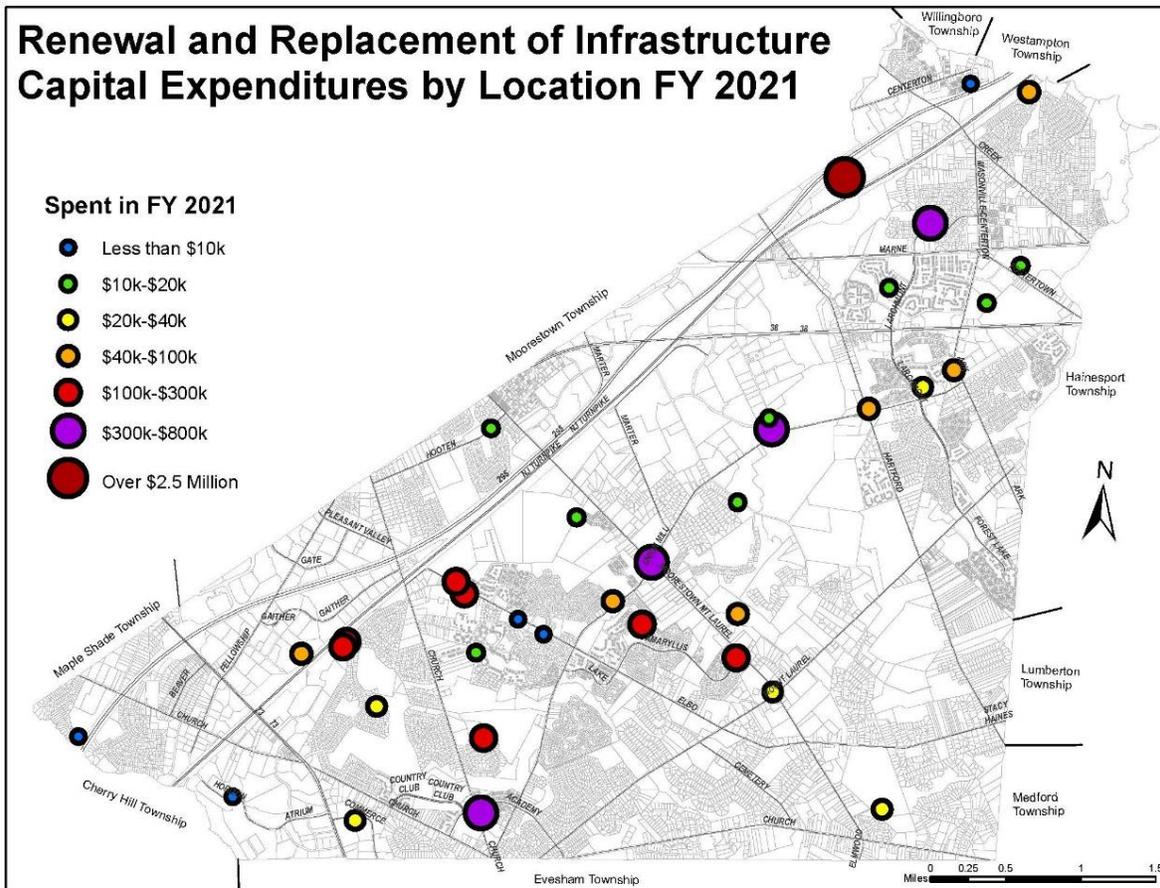
|                            |           |
|----------------------------|-----------|
| **Meter Change Out Program | \$127,592 |
|----------------------------|-----------|

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

| <b>Asset</b>                                         | <b>Amount Disbursed in FY21</b> |
|------------------------------------------------------|---------------------------------|
| <b>Vehicle Replacements</b>                          |                                 |
| Vehicle 71                                           | \$59,378                        |
| Vehicle 65                                           | \$30,850                        |
| Vehicle 76                                           | \$15,410                        |
| Vehicle 43 Replace Camera Transporter Wheels         | \$2,082                         |
| Vehicle 62 Replace Gas Detector                      | \$900                           |
| <br><b>Miscellaneous</b>                             |                                 |
| Replace Conference Room Chairs                       | \$7,273                         |
| Replace Microscope for Main Lab                      | \$6,815                         |
| Replace Pipe Locator Equipment                       | \$6,391                         |
| Replace Postage Machine                              | \$4,663                         |
| Computer Network, Upgrade Hardware & Software        | \$3,052                         |
| UPS Power Back-up Equipment                          | \$2,302                         |
| Replace Combihammer & Accessories                    | \$1,774                         |
| New HD Smart Monitors                                | \$1,594                         |
| Replace Weather Station for Solar Facility           | \$1,225                         |
| **Replace Computer Software, Development/Programming | \$106,833                       |

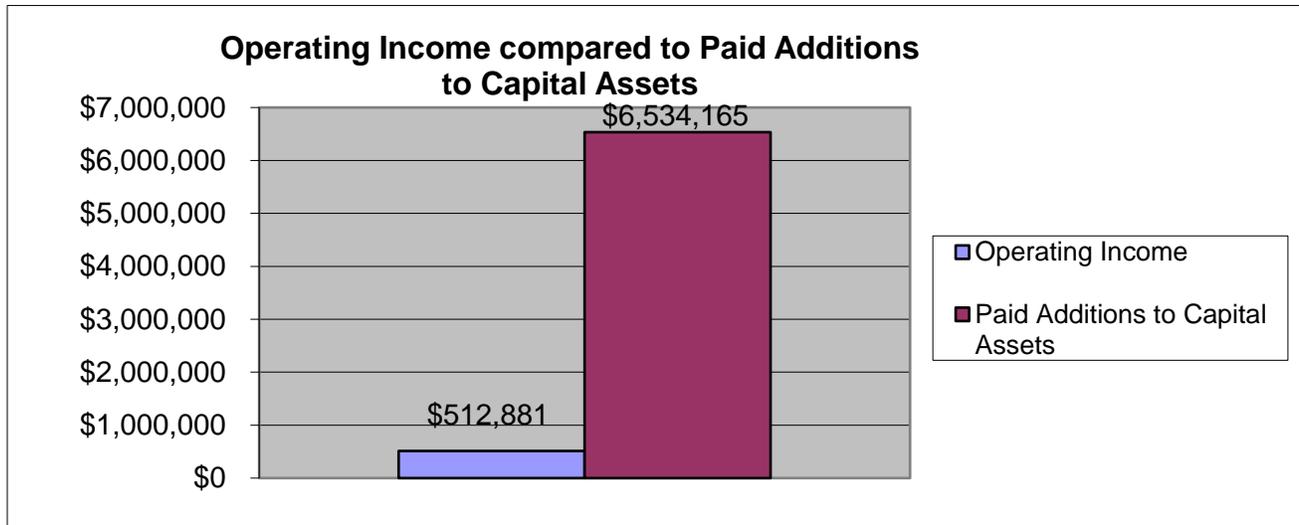
\* Multi-Year Project Completed this Fiscal Year

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



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

The chart below 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 \$55.58 million of paid additions to its assets over the fourteen fiscal years of 2008 through 2021. \$44.08 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 thirteen fiscal year period, the Authority’s aggregate Operating Income has totaled \$12.93 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 \$19.3 million in debt over the past thirteen fiscal years, of which \$18.7 million was or will be 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 \$36,134,550 with \$10,382,300 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) | \$ 27,905,900         | \$ 6,450,150                |
| Debt Authorization                                                                              | \$ 8,228,650          | \$ 3,932,150                |

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.

*The New Jersey Environmental Infrastructure Trust provides low cost State funds and assistance for Water Infrastructure Projects.*

[Apply now for Water Infrastructure funding with H2LOans](#) [Learn more about the Wise Calculator](#)

### OUR MISSION

The New Jersey Infrastructure Bank is an independent State Financing Authority responsible for providing and administering low interest rate loans to qualified municipalities, counties, regional authorities, and water purveyors in New Jersey for the purpose of financing water quality infrastructure projects that enhance ground and surface water resources, ensure the safety of drinking water supplies, protect the public health and make possible responsible and sustainable economic development.

### CONSTRUCTION LOAN PROGRAM INTEREST RATE

**0.20%**  
10/01/2021 - 10/31/2021  
on dollars drawn.

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.

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

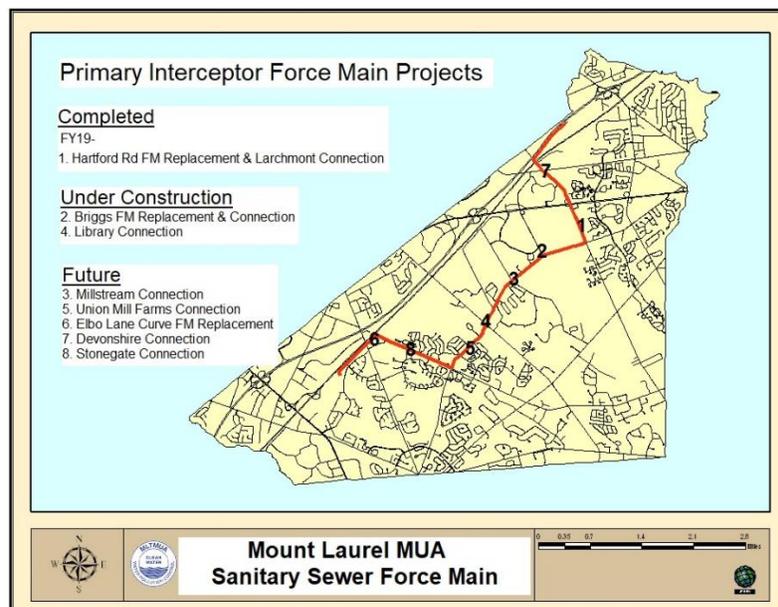
In November 2005, the Authority finalized long term financing in the amount of \$23,772,200 on two major capital projects. The financing was arranged through the New Jersey Environmental Infrastructure Trust (NJEIT) loan program. This program has an advantageous structure which allows participants to 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 their 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 and other specified projects. Ultimately, a long-term bond issue will occur to retire the note.

The Hartford Road Water Pollution Control Facility, which was substantially upgraded and expanded 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.



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.mlmtua.com](http://www.mlmtua.com).