

Mount Laurel Township Municipal Utilities Authority

Management's Discussion and Analysis (MD&A)

(Unaudited)



Employees of the Mount Laurel MUA received a WAVE Award in the Best Management Practices category from the NJ Association of Environmental Authorities in March 2023

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 2023 (FY23, July 2022 – June 2023), the Authority generated a 454% cover. Key financial highlights for FY23 include:

- When compared to fiscal year 2022 (FY22, July 2021 – June 2022), total assets increased 3.31% to \$150.76 million. Total liabilities also increased by about \$2.5 million, or 8.3% increase.
- Service charges increased by approximately \$548,000 (2.80%) compared to FY22. Connection fees increased by \$2,555,996 as compared to FY22. Investment income increased significantly due to the rising interest rates from the Federal Reserve. In total, operating and non-operating revenues were more than operating and non-operating expenses by \$2,756,145 which led to an increase in the Authority's Net Position for FY23.

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.

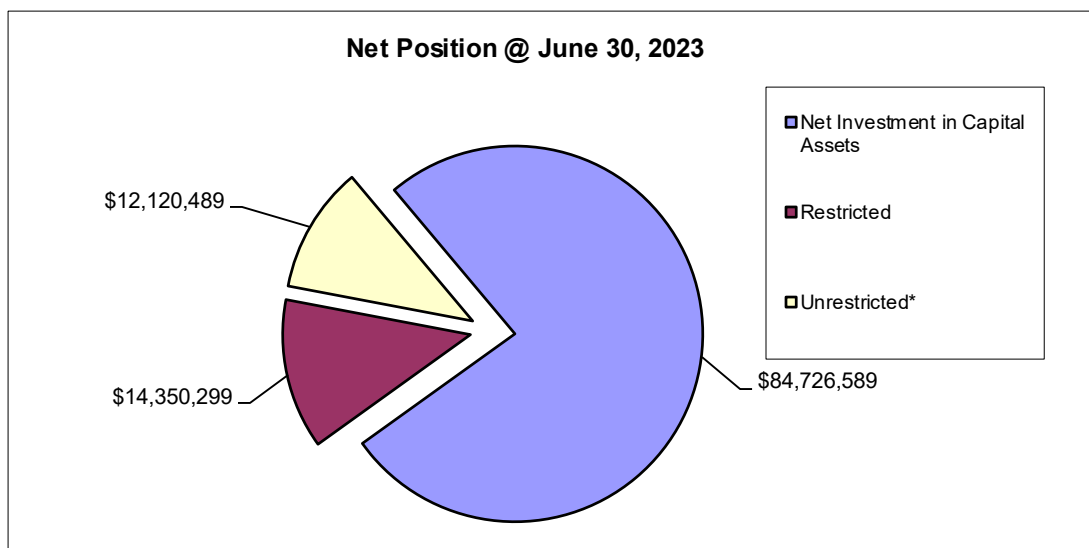
The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The comparative statements of net position include all of the Authority’s assets, deferred outflows of resources, liabilities and deferred inflows 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, 2023, were \$150,776,326. 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>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change from FY 2022 to FY 2023</u>	
				<u>Amount</u>	<u>Percentage</u>
Current Assets	\$ 46,936,070	\$ 40,159,243	\$ 38,855,148	\$ 6,776,827	16.87%
Capital Assets	103,840,257	105,779,838	107,963,067	(1,939,581)	-1.83%
Total Assets	150,776,326	145,939,081	146,818,215	4,837,245	3.31%
Total Deferred Outflows of Resources	1,924,586	1,855,458	1,624,093	69,129	3.73%
Current Liabilities	6,350,884	6,034,255	5,677,277	316,630	5.25%
Long-Term Liabilities	26,589,438	24,365,830	27,975,791	2,223,607	9.13%
Total Liabilities	32,940,322	30,400,085	33,653,069	2,540,237	8.36%
Total Deferred Inflows of Resources	8,563,214	9,591,650	6,456,903	(1,028,436)	-10.72%
Net Position					
Net Investment in Capital Assets	84,726,589	88,117,458	89,579,216	(3,390,869)	-3.85%
Restricted	14,350,299	11,856,042	12,120,496	2,494,257	21.04%
Unrestricted	12,120,489	7,829,303	6,632,624	4,291,186	54.81%
Total Net Position	\$ 111,197,377	\$ 107,802,804	\$ 108,332,335	\$ 3,394,573	3.15%

The Net investment in Capital assets declined due to capital additions not outpacing the depreciation for the year. In addition, the MUA had added short term financing for capital projects that are not complete. As the Authority continues to complete projects on our capital plan that does not include debt. This trend should reverse course.

The Authority realized operating income of \$2,717,158 for the current fiscal year. After adding in by a gain from non-operating activities, the Authority's income before capital contributions was \$2,756,145. 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 FY23, the Authority received \$638,428 in capital contributions. The combined effect from all components of fiscal activity resulted in the Authority's net position increasing by \$3,394,573. The major components of this activity are discussed in the paragraphs on the following pages.

Service charges rose modestly in FY23 by \$548,036 (2.80%). 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.

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,

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change from FY 2022 to FY 2023</u>	
				<u>Amount</u>	<u>Percentage</u>
Utility Service Charges	\$ 20,089,417	\$ 19,541,381	\$ 19,316,936	\$ 548,036	2.80%
Connection Fees	2,935,101	379,105	999,199	2,555,996	674.22%
Other Operating Revenues	669,210	519,182	463,831	150,027	28.90%
Total Operating Revenues	23,693,728	20,439,669	20,779,966	3,254,059	15.92%
Operating Expenses	14,013,404	12,880,171	13,707,345	1,133,232	8.80%
Depreciation expense	6,963,166	6,729,223	6,559,739	233,943	3.48%
Operating Income	2,717,158	830,274	512,881	1,886,884	227.26%
Non-operating Revenues (Expenses)					
Investment Income	809,172	(130,200)	88,415	939,372	-721.48%
Interest on Debt	(256,640)	(283,442)	(313,849)	26,802	-9.46%
Debt Issue Costs	(42,968)	(85,371)	(11,113)	42,403.00	-49.67%
Disposal of Capital Assets	(70,577)	(463,069)	(19,140)	392,492	-84.76%
Contribution to Mount Laurel Township	(400,000)	(397,724)	(384,918)	(2,276)	0.57%
Income (Loss) before contributions	2,756,145	(529,531)	(127,725)	3,285,677	-620.49%
Capital Contributions	638,428	-	1,850,400	638,428	100.00%
Increase in Net Position	3,394,573	(529,531)	1,722,675	3,924,105	-741.05%
Net Position - July 1	107,802,804	108,332,335	106,609,660	(529,531)	-0.49%
Change in Net Position	3,394,573	(529,531)	1,722,675	3,924,105	-741.05%
Net Position - June 30	\$ 111,197,377	\$ 107,802,804	108,332,335	\$ 3,394,573	3.15%

As a total dollar amount, investment income increased significantly, up \$939,372. (721%) when compared to FY22. Interest Income has rebounded due to the Federal Reserve's policy decisions over the last year. 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.

Connection fee revenue was budgeted at \$3,088,000 thousand in FY23. Several buildings and individually owned properties associated with this community tied into the Authority's water and sewer infrastructure during the year, resulting in \$2,935,101 of connection fee revenue. 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.

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

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 the last large parcel of land over 50 acres began construction for development this year. In recognition of this 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.



50-Acre Haddon Point Development currently under construction (600 residential units of apartments and townhouses)

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 Township has identified areas of redevelopment and we anticipate this will add to the diverse and stable customer base of the Authority.

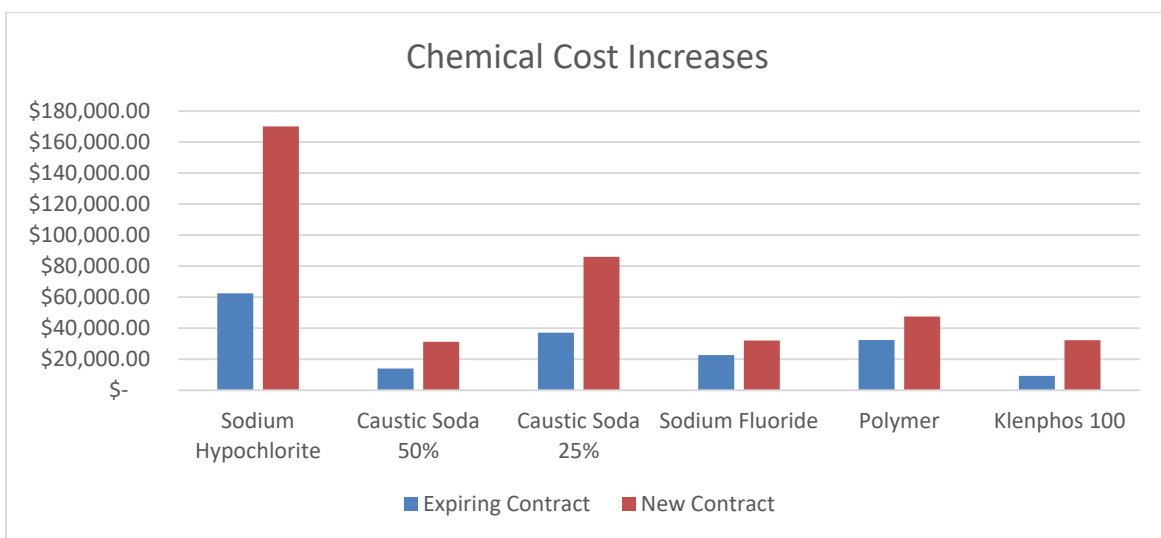


In anticipation of becoming a vacation destination, the Funplex Complex added lodging to their complex

OPERATING REVENUES & EXPENSES

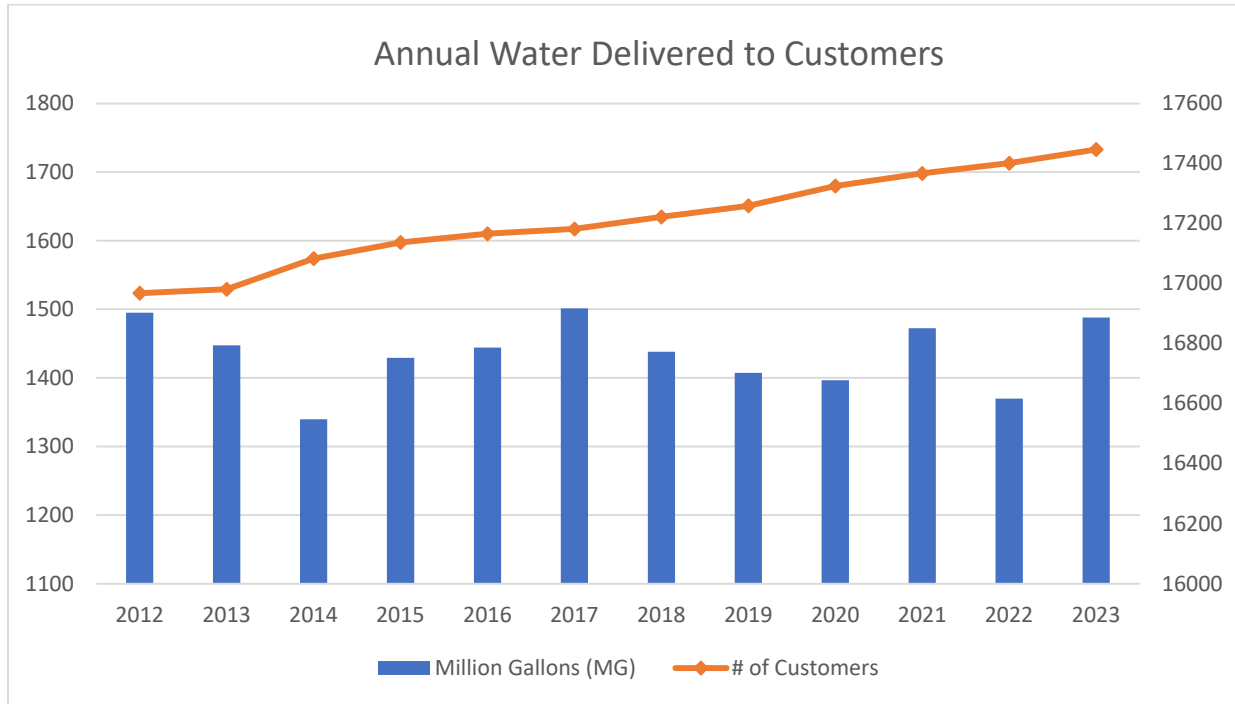
Service charges (user fees) were budgeted at \$18.12 million. Actual revenues were 18.63 million.

The Authority's operating expenses of \$14.01 million (excluding depreciation) in FY23 were approximately \$1.13 million more than in FY22. This was largely due to a few significant operational events during the fiscal year, which are described more fully below. We spent \$634,000 more than last year on the purchase of water from New Jersey American Water and from Willingboro MUA, this was due to increased rates charged to wholesale purchasers of water. We also saw an increase of approximately \$122,000 for repairs and maintenance to the system. This number is primarily due to repairing breaks in the water and sewer system mains, which becomes more prevalent as our infrastructure ages. Lastly, we bid out our chemical for the processing of the water and wastewater. These chemicals saw the unit cost double which led to an increase in expense for FY23 of almost \$56,000 over our FY22 costs. Other smaller increases were seen in Lab expense and safety expenses. Along with increases in our cost to dispose of biosolids and property insurance.



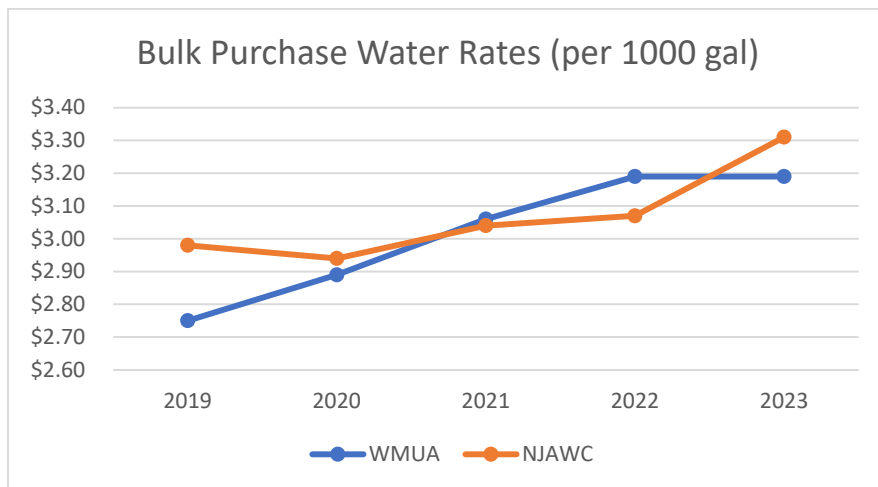
The total volume of water delivered to customers in FY23 was greater than the previous fiscal year by over 8%, which is a normal fluctuation based on past 10-year historic use trends. The New Jersey Department of Environmental Protection (DEP) has restricted the quantity of water that the Authority can 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 experienced explosive growth in the ensuing years, the Authority has been forced to purchase more than 50% 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).

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 from them during the off-peak “nomination” period (October – April). When budgeting for FY24, the Authority determined it would again only need to nominate 450 million gallons, although 550 million gallons was contractually available. The water demand from the Authority’s ratepayers and the rate of new development are key factors in determining the annual nomination volume.

The rate increases implemented from our suppliers had a substantial impact on our overall spending for Purchase of Water. The chart below shows the unit cost progression for the past 5 years and demonstrates the more recent sharp increase in cost per unit. Due to the normal volume of water required to meet annual use by our customers, and in combination with the recent rate increases, our spending for purchased water in FY23 increased by \$634,000 from FY22.

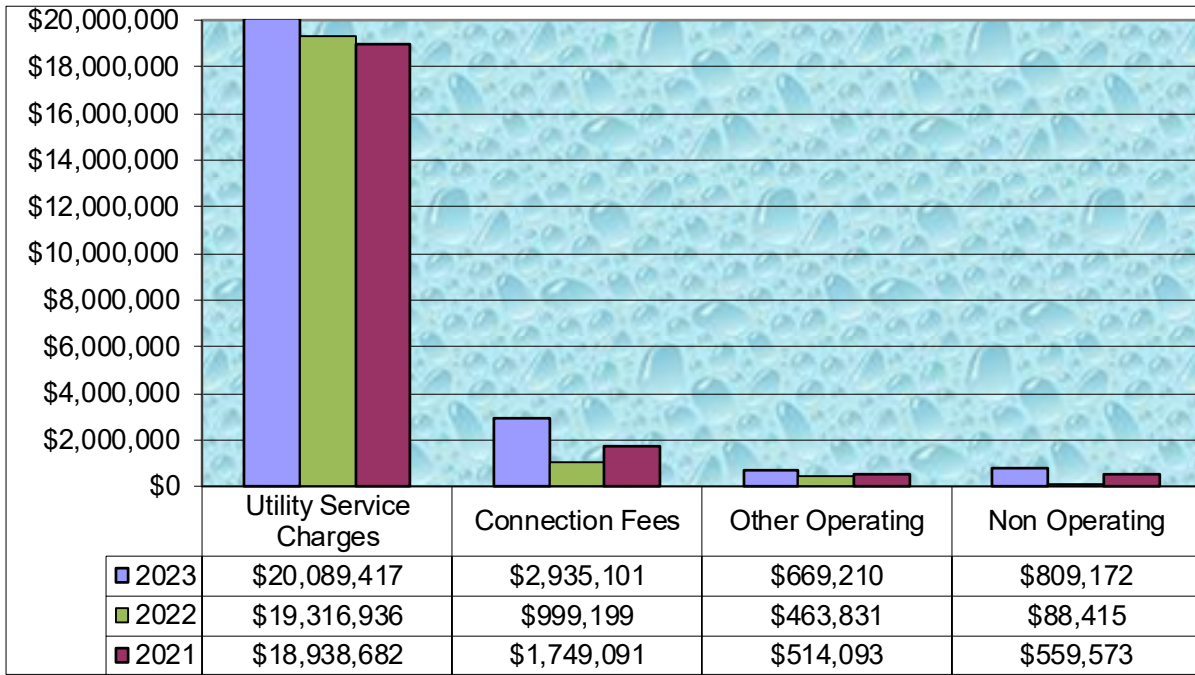


OPERATING REVENUES & EXPENSES (CONT'D)

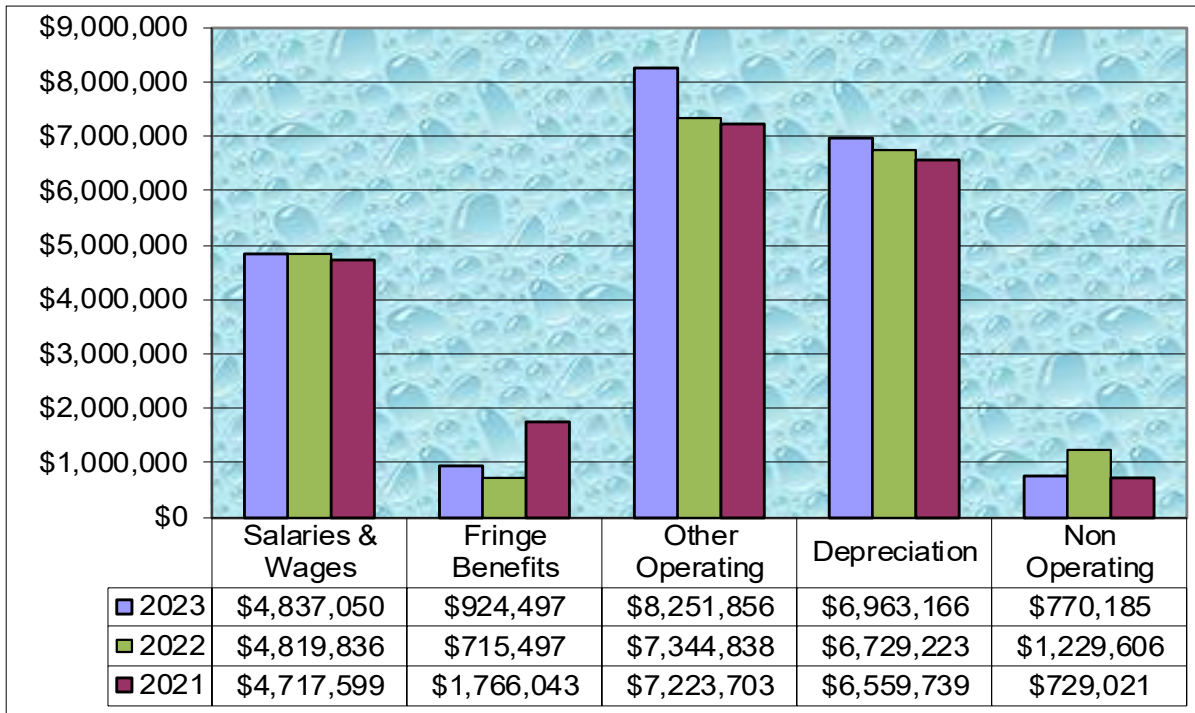
The Authority contributed \$400,000 to Mount Laurel Township; the fourteenth straight fiscal year a contribution has been made. This amount was determined in accordance with N.J.S.A. 40A:5A-12.1. With this contribution, the Authority has now given a total of \$6,211,372 to the Township.

Graphical representations showing revenues and expenses for the three fiscal years of 2023, 2022 and 2021 follow.

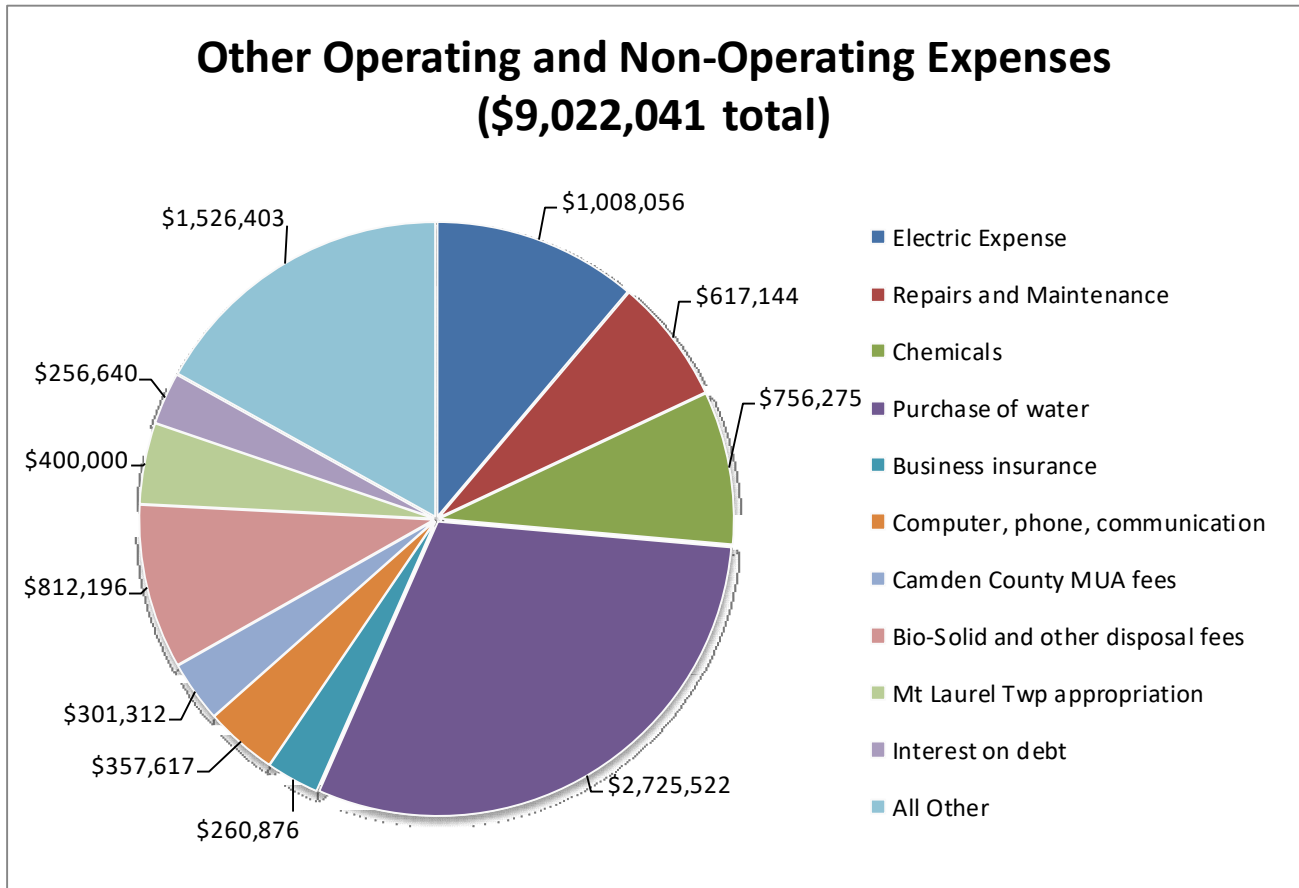
Revenues



Expenses



OPERATING REVENUES & EXPENSES (CONT'D)



A Repaired Fire Hydrant



Replacement of a Fire Hydrant on Normandy Drive

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

In 2023, the United States Environmental Protection Agency (USEPA) issued its seventh “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 \$12.3 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.



Valve rehabilitation and replacement work in the wet well and dry well of the Authority’s Birchfield Pump Station (1 of 41 Pump Stations)

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 of 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.

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.

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

Because the Authority has invested approximately \$250 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.

Our Net investment in Capital has been reducing over the past few years. Covid has continued to delay several of our large-scale renewal projects due to supply chain issues. These delays have also had a ripple effect on completing the engineering design on other projects. To illustrate this point we had anticipated capital projects totaling \$15 million dollars in our budget, but only were able to expend \$5 million during the fiscal year.



Water Main Replacement in Chapel Hill Rd

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 for drinking water systems only, 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 drinking water infrastructure consistent with standards established by the American Water Works Association. In 2022, the WQAA requirements were expanded to include Capital Improvement Reports which requires each purveyor to submit an annual report based on infrastructure improvements taken, those to be taken and the cost of those improvements. The Authority is in compliance with requirements of the WQAA.

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

During FY23, the Authority spent approximately \$5 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 Dispersed in FY 23</u>
Hartford Rd Wastewater Treatment Facility (HRWPCF) Rehabilitation	
*Lighting Replacement	\$542
*Roof Replacement	\$693
*Plant Lab	\$23,406
Replace Heat Pump-Biosolids Press Building	\$1,037
Women’s Lockers	\$1,037
Reassess Hydropower Study on Outfall	\$1,098
Replace Carpet-Conference Room	\$3,015
Replace WAS Pump/Motor #2	\$3,112
Replace Heater-Sludge Transfer Building	\$5,444
New Portable Submersible Solids Handling Pump	\$11,180
Replace Comminutor for Thickened Biosolids	\$11,434
Rehab Primary Sludge Pump #2	\$16,745
Rehab UV 3000-Lamps, Ballasts	\$36,477
Rehab Comminutor A	\$48,155
**Headworks and thickener rehab study	\$85,266
**Dewatering System Upgrade	\$150,104
**Orbal Aerator Repairs-Cell #2	\$1,036,549



Removal of Heavy Sludge to Prepare for Concrete Repairs



Repairs to Aerators & Replacement of over 700 Aeration Disks
Orbal Oxidation Ditch Cell #2 Repairs

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

Asset

Amount Dispersed in FY 23

Sanitary Sewer Pump Station Rehabilitation

*Paint Sewer Pump Stations (Devonshire, Lakes, Millstream)	\$300
*Rehab/Upgrade Devonshire PS	\$26,537
*Replace Valves-Ramblewood PS	\$102,090
Replace Level Transducers-Variou PS	\$6,653
Replace Pump-Union Mill Farms PS	\$16,147
Replace VFD-Larchmont PS	\$16,751
Replace Valves-Variou PS	\$19,749
Rehab Pump #2 Larchmont PS	\$37,986
**Replace Emergency Generator Ramblewood PS	\$42,917
**PS Monitoring and Alarm System (PLC SCADA)	\$137,764
**Rehab/Upgrade Hooten PS	\$279,170
**Rehab/Upgrade Atrium PS	\$528,859



Replacing Valves in the Ramblewood Pump Station (the largest of the Authority's 41 pump stations)

Sanitary Sewer Force Main Repairs and Replacements

*Remove & Redirect Union Mill Farms FM Connection	\$219,568
* Secondary Force Main Air Release Valve Repair/Replacement	\$448,222
Magnetic Locator	\$2,091
Install FM Flushing Ports Fellowship Low Pressure	\$30,999
**Replace Millstream FM Connection	\$20,956
**Replace Part of Tricia Meadows FM	\$26,335
**Replace Part of Library FM	\$34,576
**Replace Air Relief Valve/Primary Union Mill Rd	\$41,158
**Sewer Master Plan	\$138,948

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



Replacing an Air Release Valve on one of the Authority's Secondary Force Mains



New Air Release Valve Installed

Asset

Sanitary Sewer Collection System

Infiltration & Inflow Spot Repairs
 Replace/Line Sanitary Sewer Mains

Amount Dispersed in FY 23

\$14,375
 \$143,166

Elbo Lane Water Treatment Plant

*Rehab Clarifier #2
 *Replace Valves/Actuators
 Replace Sodium Hydroxide Pump #1
 **Water Quality Monitoring Equipment
 **Replace HVAC Units

\$16,810
 \$57,244
 \$9,483
 \$37,283
 \$49,320

Water Main Replacements

*East Saint Andrews Drive
 Leak Detection Equipment
 Misc Parts & Tools
 Fire Hydrant Replacements
 **Hainesport Mt Laurel Rd Bridge
 **Trefoil Terrace
 **Chapel Hill Rd

\$11,113
 \$3,230
 \$3,592
 \$60,512
 \$14,405
 \$129,395
 \$195,053

Wells and Booster Stations

Replace AC Unit-Well #6
 Ark Rd Tank Inspection & Rehab
 Well #3 Redevelopment

\$2,402
 \$32,297
 \$158,969

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



Installing Replacement Water Service Connections

<u>Asset</u>	<u>Amount Dispersed in FY 23</u>
Water Meter Reading	
**Meter Change Outs & New Meter Installs	\$87,626
Vehicle New/Replacements/Repair	
Bed Liner Vehicle 62	\$4,420
Transmission Vehicle 57	\$6,102
Rear Gate Vehicle 49	\$3,092
Bed Liner, Lights, Decals-Vehicle 38	\$3,128
Replacement Hoses, Point Repair Kit for Vehicle 43 (Jetter)	\$16,522
Laboratory	
Replace Chlorine Meter for Elbo WTP	\$1,714
Replace Fluoride Meter for Elbo WTP	\$3,084
Replace Heater-Main Lab	\$5,286
Repair ICP-Main Lab	\$6,762
New Mass Spectrometer-Main Lab	\$8,792
**New WIMS System for Main Lab	\$26,209

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

Asset

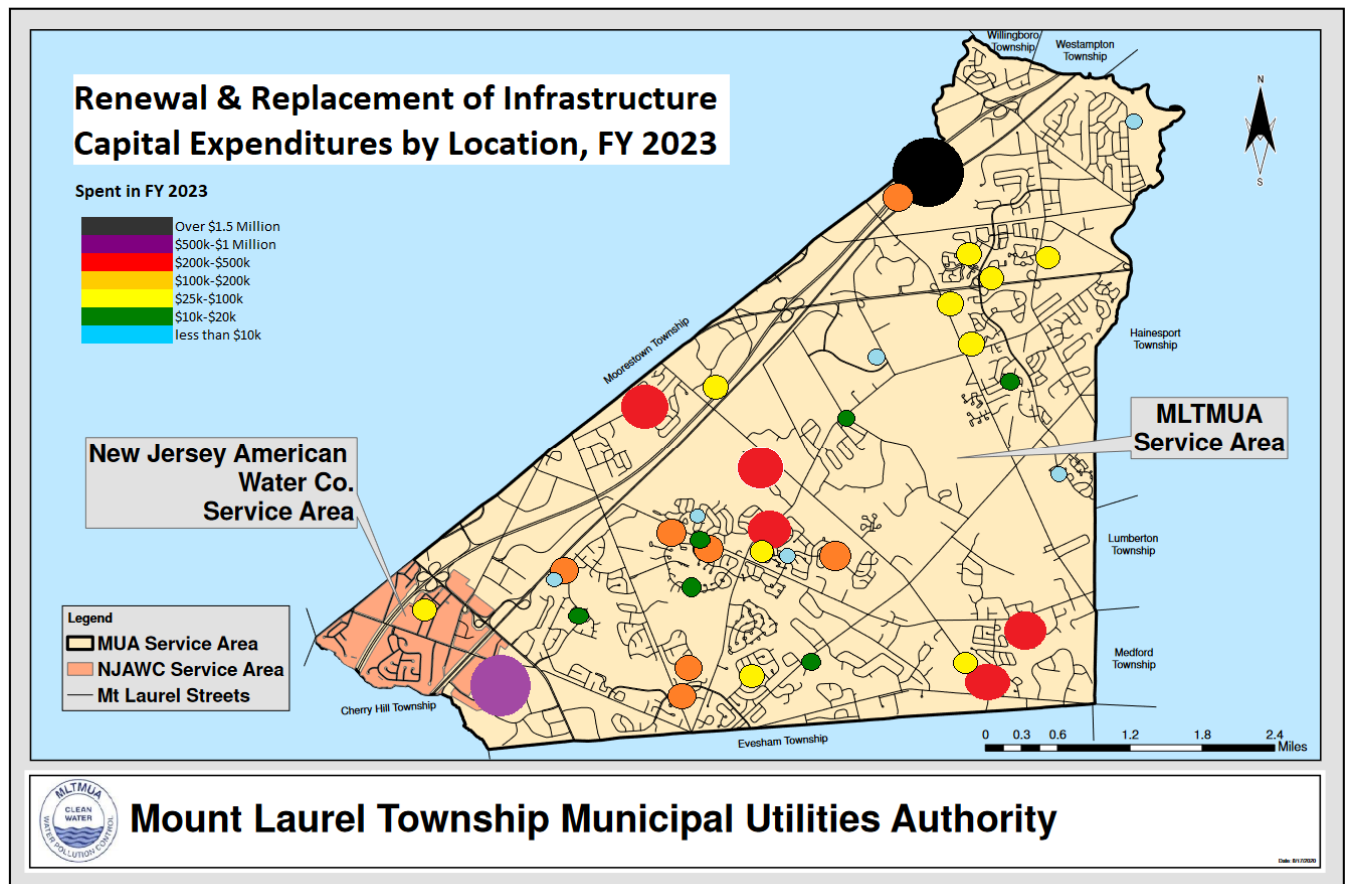
Amount Dispersed in FY 23

Miscellaneous

*Emergency Eyewash & Showers	\$150
*Vehicle Storage Building Conversion	\$2,310
*Replace Utility Billing System	\$46,517
Replace Lawn Equipment	\$1,055
Replace Hot Water Heater-Vehicle Maintenance and Lockers	\$5,200
Replace Copier Admin	\$5,750
Replace Copier Hartford WPCF	\$6,329
Replace AC #2-Main Office	\$6,665
Filing Cabinets	\$9,813
Computer Upgrades Hardware & Software	\$23,529
**Emergency Power-Engineering Building	\$425

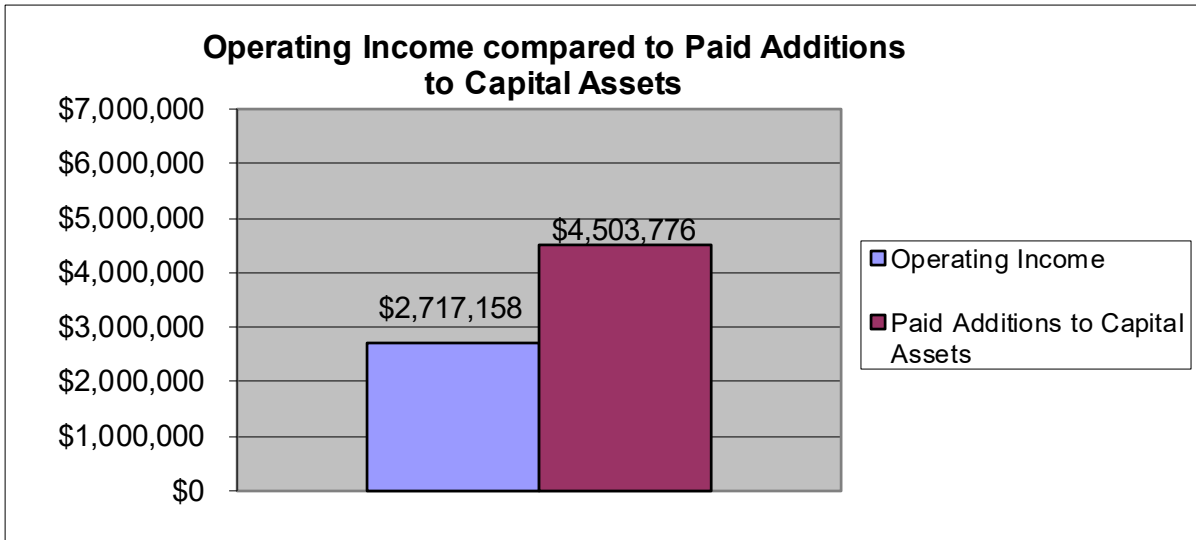
* Multi-Year Project Completed this Fiscal Year

** 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 over \$64 million of paid additions to its assets over the sixteen fiscal years of 2008 through 2021. Almost \$50 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 sixteen fiscal year period, the Authority’s aggregate Operating Income totaled \$16.3 million. This is a clear demonstration of the Authority’s commitment to reinvest its operational results back into infrastructure and capital improvements. The Authority continues to issue debt for certain larger capital projects and 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.

Our five-year capital plan calls for the expenditure of \$64,274,774 with \$12,495,649 budgeted for the upcoming fiscal year. The Authority plans to fund these amounts in the following manner:

	Five-Year Plan	Upcoming Fiscal Year
Projects funded from Unrestricted Net Position (including reserves for renewal and replacement)	\$ 42,377,513	\$ 6,944,903
Debt Authorization	\$ 21,897,262	\$ 5,550,746

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.

The Authority is issuing debt via the I-Bank for several force main replacement projects, as well as other capital projects at its Hartford Road Water Pollution Control Facility and pump stations. In August 2019, the Authority closed on a \$7.2 million note and in August 2022 a \$3.2 million note, both 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 these notes.

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.



Union Mills Farms Force Main Redirect Project-Funded via a Low Interest Loan from the NJ I-Bank

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.

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

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.



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.



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.

LOOKING FORWARD

The Authority continues to pursue and investigate alternative sources of water to meet changing user demand. Currently, the Authority must purchase over 50% of the water it supplies 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 additional approvals 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.

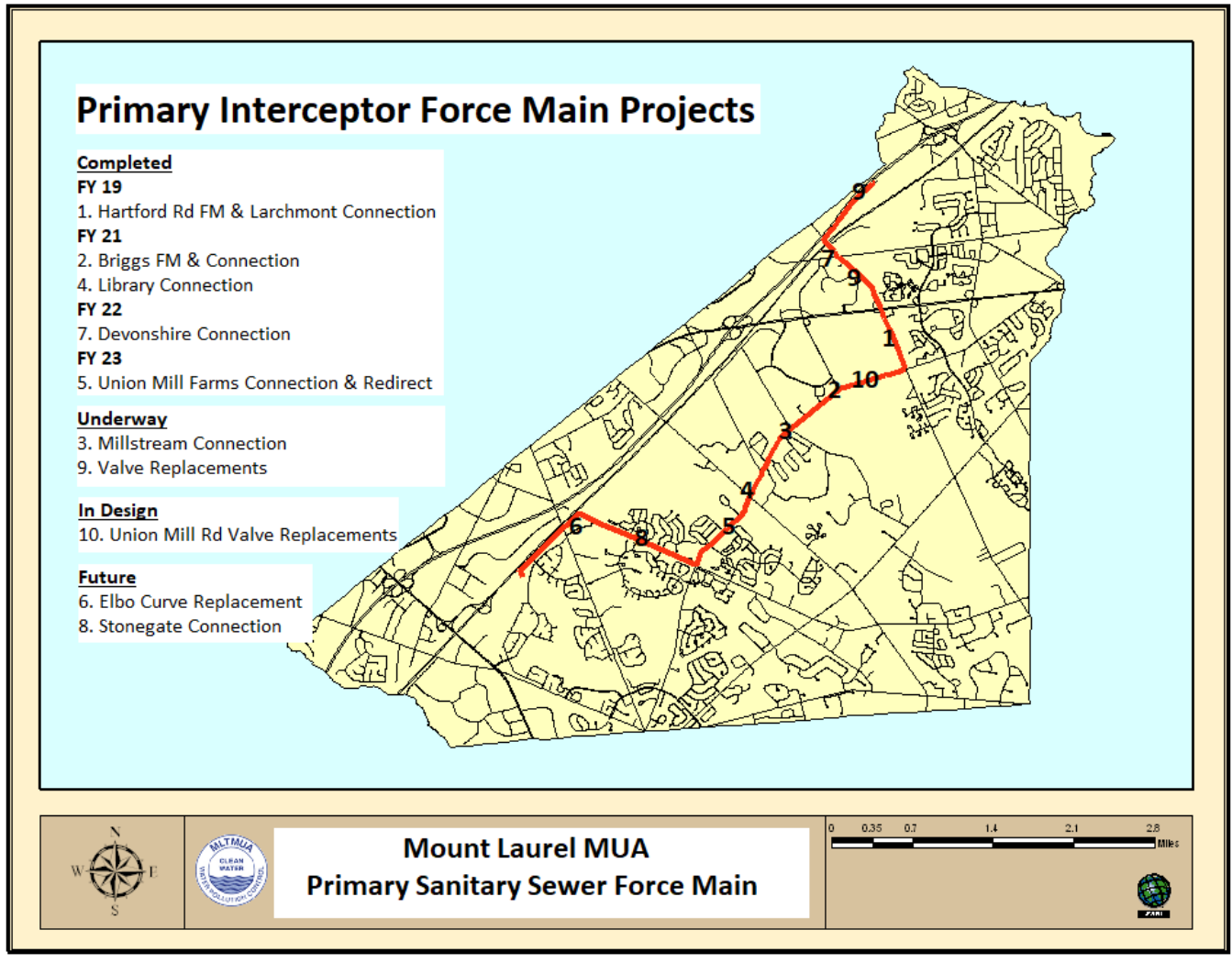
As part of the Authority's Asset Management Program, we have continually rehabilitated parts of our sanitary force main system. We have been analyzing and implementing options to replace or rehabilitate sections of this 50+ year-old system due to sections of it prematurely reaching the end of their useful life.



Installation of a New Air Release Valve on the 40-year old Tricia Meadows Force Main along Mount Laurel Road

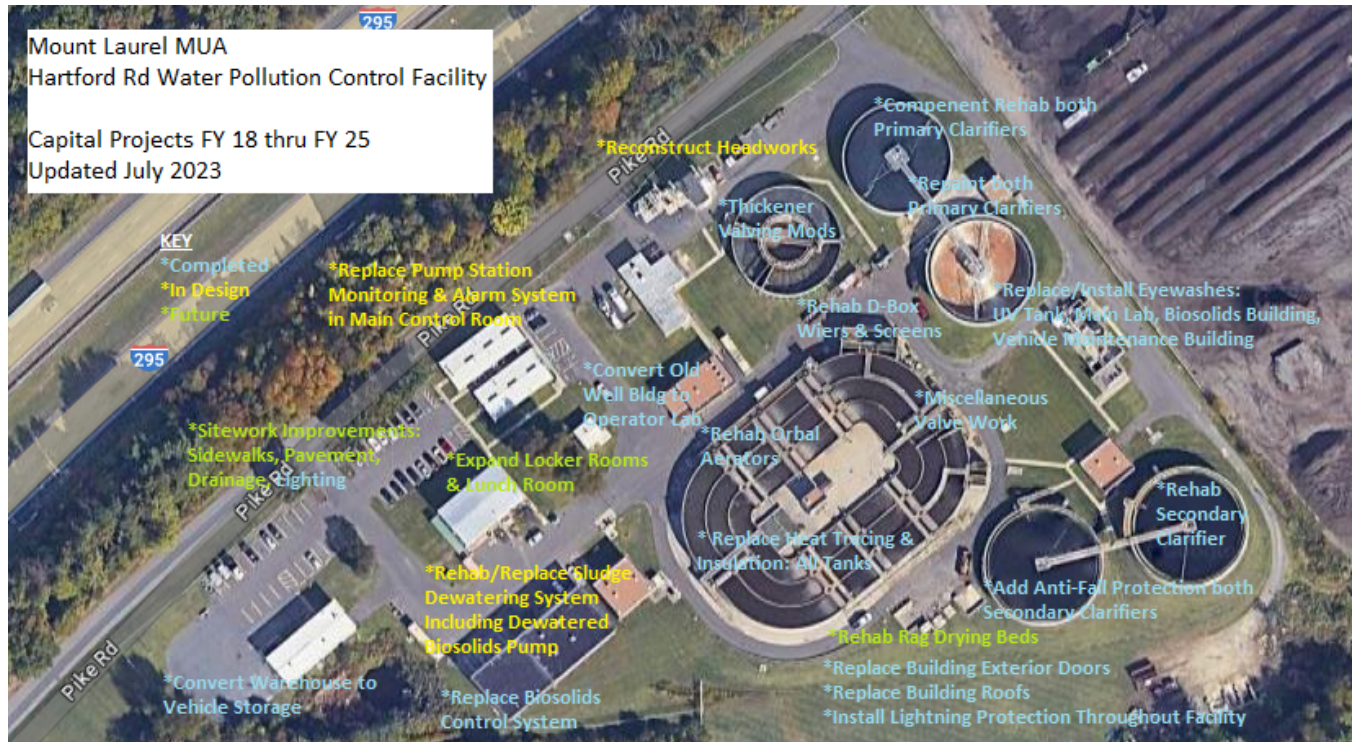
LOOKING FORWARD (CONT'D)

We continually reprioritize our primary, secondary, and tertiary force main projects utilizing probability and consequence of failure along with coordinating with Mount Laurel Township, Burlington County and NJDOT road programs, along with new development projects in the town. The map depicts projects located on the primary force main only.



LOOKING FORWARD (CONT'D)

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. Completed work includes a new headworks in 2007 (with another replacement scheduled for 2025), a replacement UV Disinfection System (with another replacement in late 2020's), major tank work, a replacement Dewatering System, and additional projects as outlined in the layout for projects from FY2018 thru FY2025. As discussed above, much of this work is being funded via low interest loan through the I-Bank.



SUPPLEMENTARY INFO

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.