

Peters Township Sanitary Authority

YEAR 2012 BUDGET REQUEST

FINAL

As adopted at the November 29, 2011 Board Meeting

2012 BUDGET REQUEST

INTRODUCTION

This section of the report describes and summarizes Management's rationale in preparing the 2012 Operating Budget. For several of the major revenue and expense items, budget memorandums are included in the Appendix. These memorandums provide a more thorough explanation of how the budget amounts were estimated.

Management recommends that the sewer rates be held for 2012, postponing any rate increase until 2013. Although our 2011 total revenue was down by some \$87,000 when compared to 2010, due primarily to reduced tapping fee revenue, Management recommends reducing expenses in the short term to avoid a rate increase while the economy is struggling.

The Authority last adjusted its sewer use rates in 2009, and prior to that, 2007. The 2009 rate increase was the equivalent of a 16.7% increase in our average customer's quarterly bill.

Future Rate Increases

If sewer rates are not increased for 2012, a rate increase will be required in 2013 with certainty, or alternately, expenses would need to be reduced dramatically to avoid a rate increase. In order to avoid an unusually large rate increase for the DC plant expansion, the 2013 rate increase would be on the order of 8 to 10%. With the plant design schedule we are now on, the project would be ready for bidding in mid to late 2014. This could be postponed until early 2015, thereby postponing the required rate increase until 2015, and spreading out the rate increases to 2013 and 2015. If so, then the plant expansion rate increase in 2015 would be on the order of 15%. This construction schedule coincides with our existing treatment plant debt service decreasing from the current annual amount of \$745,000 to \$475,000 in 2014. The combination of the \$270,000 in reduced debt payment in 2014, plus the \$750,000 in the Debt Service Reserve Fund, plus the funds that would be accumulated in the Debt Service Fund for the March 1, 2015 payment (\$185,000 if we funded it at the same level as this year) would be sufficient to retire the remaining principal of \$1,340,000 in early 2015. Thereby, achieving one of the Authority's objectives: Postpone the borrowing for the DC Plant until the Brush Run/Office debt is retired.

A 10% rate increase in 2013 would yield about \$220,000 in additional revenue (with it effective for three billing quarters), and about \$300,000 in 2014. The subsequent 15% plant expansion increase in 2015 would generate an additional \$500,000 in 2016, more than covering the increased debt service for the projected \$15 million borrowing. With this rate increase projection, our average customer's bill would be about \$132/quarter or \$44/month. Note that this projection does not include allowance for capacity augmentation of the DC interceptors, with these deficiencies being planned to be addressed after plant expansion through a series of small projects, as surplus funds become available.

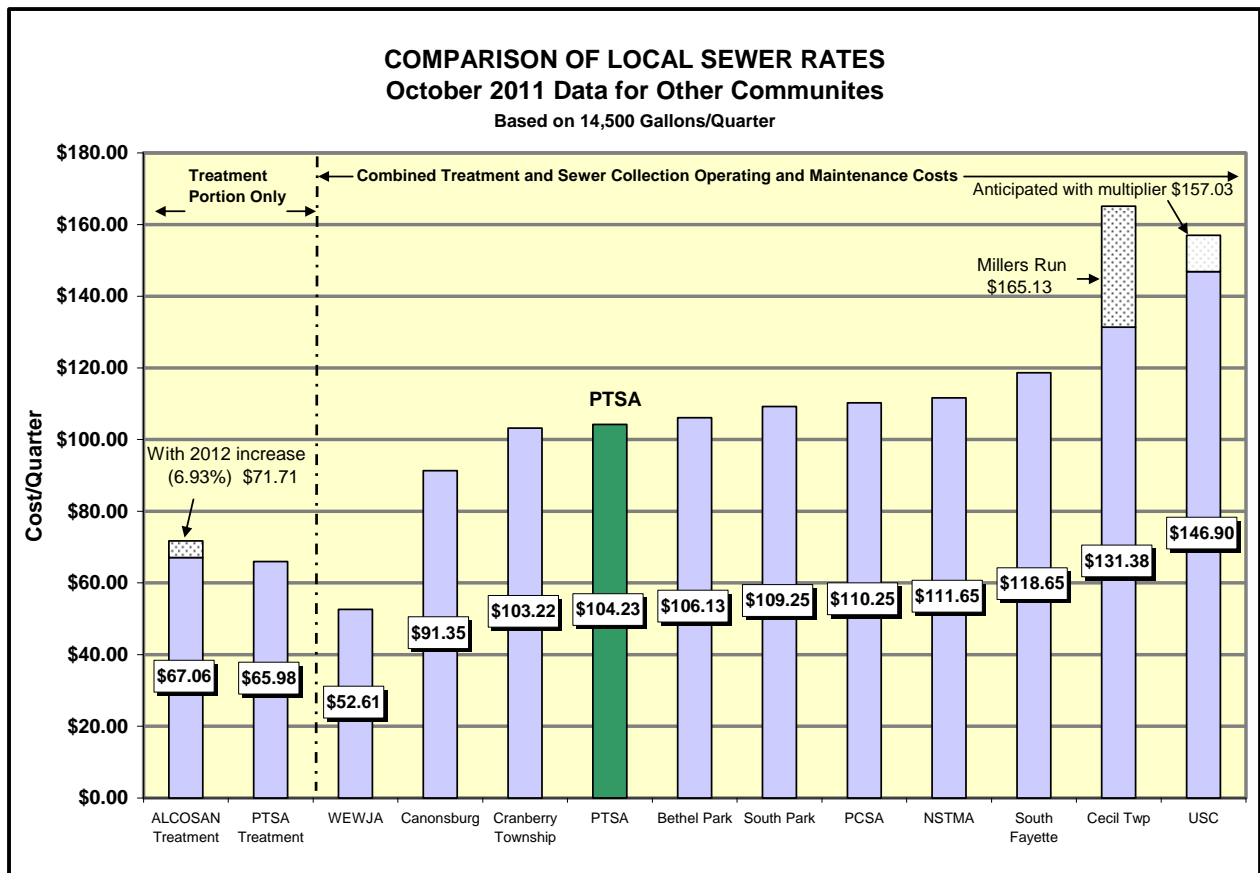
Current Rates

Our current sewer use rate is \$5.05/1,000 gallons of water consumed, plus \$31.00/quarter minimum service charge. For a residential customer whom uses 14,500 gallons/quarter, the quarterly bill is \$104.23, which is \$417.00 annually, or \$34.75/month.

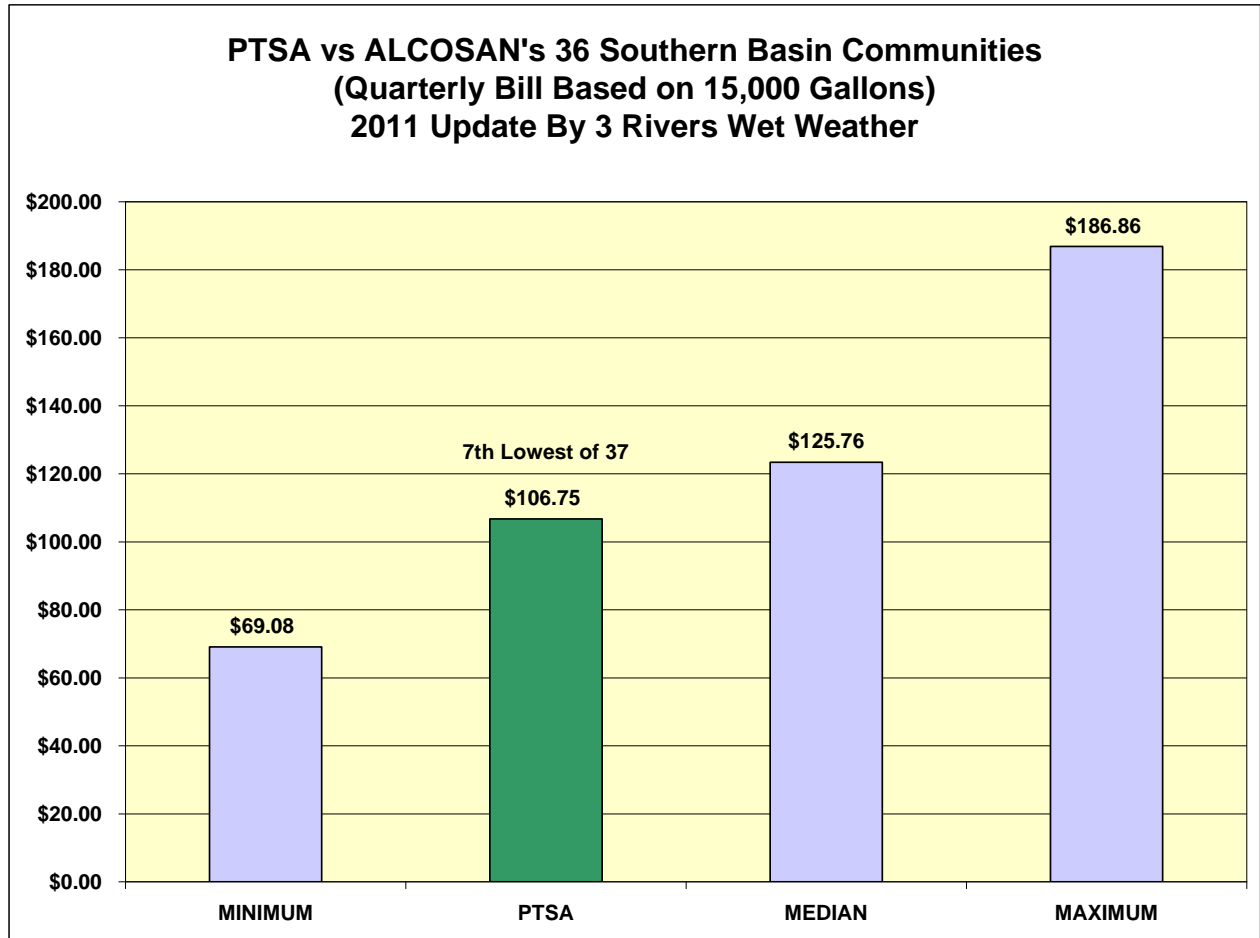
The chart below compares our sewer charge with ten other nearby communities, based on 14,500 gallons of water consumption/quarter. Our charge remains the fourth lowest. All of the sewage providers, with the exception of Cecil Township Municipal Authority (CTMA) enjoy an economy of scale over us. That is, they serve a substantially larger customer base or obtain sewage treatment at a substantially larger treatment facility, and thereby one would conclude they should provide service at a charge lower than PTSA. Also, all of the sewage treatment providers, with the exception of CTMA, have the financial advantage of using primary clarifiers, trickling filters and/or anaerobic digestion, which are less expensive treatment processes to operate than the activated sludge/aerobic digestion used by the Authority and CTMA. The Authority is precluded from using the less expensive treatment alternatives due to the odors associated with them. A recent telephone survey of the ten sewage service providers found that only South Fayette Municipal Authority is considering a rate increase for 2012.

ALCOSAN recently announced that they are raising their sewer rate in 2012, approximately 6.9% this may also trigger rate increases for South Fayette Municipal Authority and USC, which use multipliers applied to the ALCOSAN rate. We are approximating their increase in this draft.

The far left side of the chart compares our calculated treatment cost with that of ALCOSAN’s charge for service, which is primarily for sewage treatment, however, it also includes interceptor (conveyance) charges. The Authority’s treatment cost depicted includes operating and maintenance costs, treatment debt service, and treatment’s share of administrative overhead. ALCOSAN’s charge for treatment in 2012 will be substantially greater than the Authority’s.



The chart below compares PTSA's quarterly charge for 15,000 gallons of quarterly water consumption with 36 other communities served by ALCOSAN in the Southern Basin. We are the seventh lowest of 37 communities, and 13% lower than the median value.



What the above chart does not show is the current status of the sewage providers' environmental compliance. The majority are not in-compliance and are facing future large rate increases in order to come into compliance, whereas PTSA is in compliance, and even our Brush Run Wet Weather Improvements is already factored into our rates. The result is that the 36 other communities' rates will climb at a much faster rate than PTSA's.

Based on the foregoing comparison of charges by local sewerage providers, our rates are relatively low, while still providing for the ability to provide an acceptable level of service to our customers. In general, Management's assessment of our sewer charge is that it reasonable for the level of service provided, and that we are better positioned than most of the sewerage providers in the local comparison, as well as those in the ALCOSAN Southern Basin, to be able to continue to provide service at a reasonable and affordable rate.

BUDGET REQUEST SUMMARY

The revenue generated from the existing sewer use rate of \$5.05/1,000 gallons of water consumed, and the Minimum Service Charge of \$31.00/quarter/customer will be adequate to meet the operating and maintenance needs in 2012 and a rate adjustment is not required.

The slow customer growth that we have been experiencing since 2007 is expected to continue into 2012, and will only slowly improve. This has been taken into consideration in both operating revenue and tap fee revenue.

2012 OPERATING REVENUE FORECAST

The 2012 rates and sewer charges, and miscellaneous income, should generate total operating revenue of \$3,028,000, which is essentially the same revenue received in 2011. See summary table on Page 2012-5.

Residential water consumption in 2011 was up by 1.5% from our forecast, most likely due to the hot summer. Our forecast for 2012 Residential Sewer Rentals is based on the 2011 water consumption, with no increase any new customers expected. A total of \$1,660,400 in Residential Sewer Rentals is forecast, which is about 0.3% less than the amount collected in 2011. Because of on-going water conservation measures, we need to plan for declining water consumption and revenue, even though we add customers during the year.

Non-Residential water consumption never fails to surprise us. For 2011 we planned for a modest 2% increase, however we experienced a 0.8% decrease. Only rarely does Non-Residential water consumption decrease from year to year. Most of the decrease was in the first quarter of 2011 therefore, we expect that water consumption will rebound and increase somewhat in 2012, in part due to the occupancy of the Healthcare REIT senior living facility, which started to occupy the space in the late fall of 2011. We are anticipating an overall water consumption increase of 3% with Healthcare REIT accounting for 1.2% of the increase. For 2012, Non-Residential water consumption is expected to generate \$382,000 in revenue.

There are detailed memos in the Appendix describing the Residential and Non-Residential water consumption estimates. Also see revenue detail table on page 2012-6.

For billing purposes, we anticipate adding 96 new customers/EDUs in 2012, consisting of 24 Residential units and 75 Non-Residential billing units. The Non-Residential billings primarily being the Healthcare REIT facility, the St. Clair Hospital outpatient center, and a possible fast-food restaurant may occupy the retail portion of the PNC/Retail project. The 75 Non-Residential billings, because some are connected for only fractions of the year, are the equivalent of 41.5 new billing units connected for the entire year. By the end of 2012 we expect to have 5,682 residential customers connected, and non-residential customers are expected to have the equivalent of 1,463 residential dwelling units (EDUs). That is a total of 7,145 EDUs. The Minimum Service Charge will generate \$703,000 in Residential D&A revenue, and \$177,600 in Non-Residential D&A revenue. The Meter Size Charge, imposed on Non-Residential customers with large water meters, will generate \$14,000 of revenue.

ALL DEPARTMENTS COMBINED

PETERS TOWNSHIP SANITARY AUTHORITY
REVENUE AND EXPENSE SUMMARY BUDGET REPORT for 2012

	Projected Total 2011	Forecast Total 2012	Percent % Difference
<u>OPERATING REVENUES</u>			
Charges for Services			
Sewer Rentals	\$ 2,026,021	\$ 2,042,400	1%
Debt and Administrative Charges	886,475	894,747	1%
Penalties and Interest	38,013	34,200	-11%
Total Charges for Services	\$ 2,950,509	\$ 2,971,347	1%
Miscellaneous	\$ 72,844	\$ 56,934	-28%
TOTAL OPERATING REVENUE	\$ 3,023,353	\$ 3,028,281	0%
<u>NON-OPERATING REVENUE</u>			
Tap and Assessments	\$ 84,338	\$ 171,947	51%
Trustee Interest	45,265	45,000	-1%
TOTAL NONOPERATING REVENUES (inc.adj. Interest)	\$ 129,603	\$ 216,947	40%
TOTAL REVENUES	\$ 3,152,956	\$ 3,245,228	3%
2012 BUDGET PERFORMANCE SUMMARY - FORECAST			
Total Operating Revenue		\$ 3,028,281	
Total Operating and Debt Expense (ex Equip Rp Allow)		\$ 2,776,761	
Total Equipment Replacement Allowance		\$ 250,500	
Total Expenses		\$ 3,027,261	
Surplus Available Forecast		\$ 1,020	
2012 NON-OPERATING BUDGET PERFORMANCE SUMMARY			
Total Tap Fees (excluding Tap Fee Reimburs)		\$ 156,800	
Other Non-Operating Revenue(assmt&t.interest)		\$ 53,747	
Total Non-Operating Revenue		\$ 210,547	
Total Tapping Fee Reimbursements		\$ 6,400	

PETERS TOWNSHIP SANITARY AUTHORITY BUDGET REPORT

		Projected Total 2011	Forecast Total 2012	Percent % Difference
<u>Operating Revenues</u>				
Sewer Rentals				
01-9121-0-00-000-0	Residential Sewer	\$ 1,654,989	\$ 1,660,400	0.3%
01-9122-0-00-000-0	Non Residential Sewer	371,033	\$382,000	3.0%
	Sewer Rentals	\$ 2,026,021	\$ 2,042,400	1%
Debt and Administrative Charges				
01-9124-0-00-000-0	DA Residential	\$ 700,584	\$ 703,064	0.4%
01-9125-0-00-000-0	DA Non Residential	172,101	177,683	3.2%
01-9127-0-00-000-0	Meter Size Charge - NR	13,790	14,000	1.5%
	Debt and Administrative Charges	\$ 886,475	\$ 894,747	1%
Penalties and Interest				
01-9300-0-00-000-0	Billing Penalties	\$ 36,146	\$ 32,500	-10%
01-9301-0-00-000-0	Billing Interest	1,867	1,700	-9%
	Penalties and Interest	\$ 38,013	\$ 34,200	-10%
Miscellaneous				
01-9116-0-00-000-0	Deduct Meter and Application In	\$ 1,040	\$ 600	-42%
01-9117-0-00-000-0	Lien Letter Fees	6,475	6,000	-7%
01-9117-0-00-000-1	Dye Testing Fees	28,200	26,700	-5%
01-9318-0-00-000-5	Curtailement	14,227	5,876	-59%
01-9118-0-00-000-0	Miscellaneous Income	5,137	-	NA
01-9118-0-00-000-1	Labor Reim from CIRF	3,543	1,000	-72%
01-9318-0-00-000-3	Church Hill Rd Rental Fees	8,399	8,608	2%
01-9303-0-00-000-0	Deduct Meter Read Fees	5,626	5,450	-3%
01-9318-0-00-000-6	Gas Lease Royalties	-	2,500	NA
01-9315-0-00-000-0	Revenue Fund Interest	197	200	2%
	Miscellaneous	\$ 72,844	\$ 56,934	-22%
	Total Operating Revenues	\$ 3,023,353	\$ 3,028,281	0%
<u>Non-Operating Revenues</u>				
Tap and Assessments				
01-9317-0-00-000-0	Tap In Fees	\$ 69,517	\$ 156,800	126%
01-9317-0-00-000-1	Tap In Fee Reim. - Brook view \	-	3,200	NA
01-9317-0-00-000-2	Tap In Fee Reim. - Overlook	3,200	3,200	0%
01-9318-0-00-000-1	Assmt Pmt Plan/Princ/ 2007 E. N	6,929	3,238	-53%
01-9318-0-00-000-2	Assmt Pmt Plan/Interest/2007 E.	394	250	-37%
01-9318-0-00-000-0	Assmt Pmt Plan/Princ/Ivy Lane	3,171	4,312	36%
01-9318-0-00-000-1	Assmt Pmt Plan/Interest/Ivy Lan	1,128	948	-16%
	Total Tap and Assessments	\$ 84,338	\$ 171,947	104%
01-9316-0-00-000-0	Trustee Interest	\$ 45,265	\$ 45,000	-1%
	Total Non-Operating Rev	\$ 129,603	\$ 216,947	67%
	TOTAL REVENUES	\$ 3,152,956	\$ 3,245,228	3%

Dye Test revenue is expected to decrease slightly to \$26,700 due to sluggish home sales. Staff performs the dye test inspections prior to sale of property and charge \$150/inspection.

Labor Reimbursement from the CIRF, which is income into the operating fund from Authority staff charging labor directly to CIRF projects, is not expected to be significant in 2012. Likewise, Developer Inspection & Review fees will be down due to the minimal development activity.

The Authority will participate in the State Department of General Services' Energy Demand Curtailment program again in 2012, where our share of the revenue will increase from 85% to 88% because it is now our second year in the program. Unfortunately, our revenue earned in 2012 will decrease to only \$1,840, which is just barely enough to pay our program expenses (*meter/data fees imposed by Allegheny Power*). Total curtailment revenue received in 2012 will be about \$5,900, mostly from revenue earned in 2011. The decrease is due to the bid price received by PJM per Megawatt of curtailed power has decreased significantly. The bid price per Megawatt increases somewhat in 2013, and in 2014 returns to the levels it was when we entered into the program initially, at which time we will earn \$14,000 in curtailment revenue. The detailed information on this revenue source is contained in the Treatment Plant Electrical Power Expense memo in the Appendix.

We have added a new revenue line item this year under Miscellaneous for Gas Lease Royalties, expecting that some gas production will occur at the Trax Farm well head.

2012 NON-OPERATING REVENUES (summarized in tables on page 2012-5 and 6)

The Non-Operating Revenue consists of tapping fees, assessment fees, and investment interest income. We do not expect the tap market to recover in 2012 and have budgeted accordingly. However, the Valley View Sewer Extension will connect 30 dwellings late in 2012, therefore we are estimating the revenue equivalent to 51 taps of \$163,200. While a few Valley View property owners will pay their Special Purpose Tapping Fee in full, most will select the payment plan option.

There are still very few developments currently underway or proposed in our service area. Only Spring Meadows Phase 2, Willoughby Woods, Overlook Plan, and Anthony Farms are expected to acquire taps in 2012. Both Willoughby Woods and Overlook Plan involve tap reimbursements to the developers, and we are allowing for two tap fee reimbursements. Therefore, net tap fee revenue is budgeted at \$156,800. Our current tapping fee is \$3,200. While we could re-calculate our tap fee after the Brush Run Wet Weather Improvements are placed into service, and increase our tap fee by \$300 to \$400, Management recommends we hold the tap fee at \$3,200 until the housing market improves.

Investment interest rates are expected to remain where they are, at historical lows, for 2012. Therefore, we anticipate Trustee Account investment interest earnings of only \$45,000. Most is from the Debt Service Reserve Fund investment, earning 5.39%, which is approximately \$36,000 annually.

The total 2012 Non-Operating Revenue, after adjusting for the tap fee reimbursements, is expected to be \$172,000, which will be a 100% increase from 2011.

Combined Operating and Non-Operating Revenue

The combined total of Operating and Non-Operating Revenue is \$3,245,000, which is \$94,000 more than 2011 revenue, or about a 3% increase.

Year 2012 OPERATING EXPENSES

The Expense Summary Table for All Departments can be found on page 2012-9, with the Expense Detail Tables by Department at the end of each department section, beginning on page 2012-13.

Overall, the combined operating expenses and debt service expense is expected to total \$3,028,000, which is 5.2% greater than the projected 2011 expense. The increase is mostly due to the trust indenture requirement to budget 10% debt service cover. The Equipment Replacement Allowance is held at \$250,500. Operating expenses (that is without debt service) are projected to increase by 2.3%, mostly due to Personnel Expense.

The proposed budget avoids a 2012 rate increase by electing to not employ a temporary employee while a Skilled Maintenance employee is off on long term medical leave. The employee is expected to return to work in April 2012, and the Authority will manage with one less employee during the first quarter of 2012.

Referring to the Expense Summary Table on the next page which presents the total expense for each major category, combining all three departments, the category with the greatest percent increase is Vehicles, with a 24% increase, but only a \$7,000 increase. This increase reflects that 2011 did not require many expensive vehicle repairs, and we doubt we will be so lucky in 2012. It also includes allowance to address rusted areas on the dump truck and tanker truck, and have the vehicles repainted. Although old in years, both vehicles have relatively low mileage and we plan to hold on to them for a number of years. The category with the greatest dollar amount increase is Personnel at \$38,900 or 4%. This is based on the union contract combined wage/pension increase in 2012 of 2.1%, and a tentatively planned 3.5% salary increase for the Management and Administrative staff. Hospitalization expense is budgeted for a 10% increase to be conservative.

Other significant increases are budgeted for Chemicals at 25%, Biosolids disposal at 12%, and Insurance at 9.8%. Debt Service will go up by 13%, partially due to the inclusion of the 10% cover, and partially due to the borrowing for the Valley View Sewer Extension project.

The Department expense budgets are presented in order of Treatment, followed by Sewer Collection, then Administration, and finally the Debt Service Requirements.

<h3>TREATMENT DEPARTMENT – Expense Details</h3>
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The Treatment Department shows a total expense increase of 9% primarily due to increased expense of Chemicals, Vehicles, Biosolids disposal, and Salary & Wages and Personnel Expense. Significant items are generally discussed below. More detailed discussions are provided in Memos in the Appendix.

- **Consumable Supplies, Materials & Supplies** – These are the supplies necessary to operate and maintain the two treatment plants, consisting of paint, wood, cleaning products, paper towels, ice melt, weed killer, lubricants, etc. The forecast is largely based on last year's total, and is projected to approximately the same as last year with an inflationary cost increase.

PETERS TOWNSHIP SANITARY AUTHORITY
EXPENSE SUMMARY BUDGET REPORT for 2011

<i>OPERATING EXPENSES</i>	Projected	Forecast	Percent
<u>ALL DEPARTMENTS</u>	Total	Total	%
	2011	2012	Difference
Total Miscellaneous	\$ 3,200	\$ -	NA
Consumable Supplies			
Material & Supplies	\$ 40,346	\$ 42,160	4.5%
Chemicals	33,080	41,210	24.6%
Lab Supplies	19,277	21,760	12.9%
Total Consumable Supplies	\$ 92,703	\$ 105,130	13.4%
Total Vehicles	\$ 29,986	\$ 37,200	24.1%
Total Equipment/Facilities	\$ 283,079	\$ 284,025	0.3%
Total Maintenance & Repair	\$ 186,284	\$ 185,830	-0.2%
Total Utilities	\$ 195,290	\$ 201,336	3.1%
Total Biosolids	\$ 72,300	\$ 81,000	12.0%
Personnel			
Salary & Wages	\$ 742,140	\$ 771,207	3.9%
Employee Benefits	212,721	220,540	3.7%
Travel/Training/Meetings	10,054	12,150	20.8%
Total Personnel	\$ 964,915	\$ 1,003,897	4.0%
Total Computers/Networking	\$ 15,985	\$ 10,500	-34.3%
Total POTW Fees	\$ 23,850	\$ 30,600	28.3%
Total Professional Services	\$ 108,003	\$ 82,830	-23.3%
Total Insurance	\$ 47,587	\$ 50,570	6.3%
Total Administrative Services	\$ 83,969	\$ 83,200	-0.9%
TOTAL OPERATING EXPENSES			
<u>ALL DEPARTMENTS COMBINED</u>	\$ 2,107,150	\$ 2,156,117	2.3%
<u>DEPARTMENT SUBTOTALS</u>			
TREATMENT	\$ 823,792	\$ 898,181	9.0%
COLLECTION	\$ 639,667	\$ 605,258	-5.4%
ADMINISTRATION	\$ 643,692	\$ 652,679	1.4%
DEBT SERVICE	\$ 770,041	\$ 871,143	13.1%
GRAND TOTAL EXPENSES	\$ 2,877,191	\$ 3,027,261	5.2%

TREATMENT DEPARTMENT – Expense Detail, Continued

Included in the Materials and Supplies budget for 2012 are the wood, roofing and hardware supplies required to construct a permanent shelter over the outdoor headworks at the DC Plant in order to contain odors during the summer and to prevent freezing of the screenings during the winter. At the Brush Run Plant we plan to construct a permanent shelter over the Vac Receiving Station in order to contain odors during the summer.

- **Consumable Supplies, Chemicals** - (See Budget Memos for Chemicals and a separate one for Polymer). Included in this category are chemicals for disinfection, dechlorination, air diffuser cleaning, sludge thickening and dewatering polymer, lime, and bicarbonate for pH adjustment (if required). Overall, a 25% increase is expected, largely due to the cost for Hydrochloric Acid Gas cleaning the Brush Run aeration tank air diffusers. This adds an expense of about \$4,000. We did not clean them in 2011 therefore their cleaning is essential in 2012. The cleaning removers accumulated scale that plugs the tiny pores of the air diffusers, restoring the oxygen transfer efficiency and reducing operating pressure, thereby reducing power consumption.

Our polymer cost is expected to remain the same as the 2011 expense. Our polymer dosage per ton of dry solids has decreased by 4% since 2010, and we have obtained the driest monthly average cake concentration this past summer in years.

- **Consumable Supplies, Lab Supplies** – (See Budget Memo) This item includes routine chemicals, QA/QC samples, yearly calibration of lab equipment by an outside vendor, yearly flow meter calibration, annual sludge analysis, lab accreditation fees, and routine analyses performed by an outside lab as a QA check on our analyses. The Authority's lab is PaDEP accredited laboratory, which means that we have demonstrated that we comply with all required quality control procedures, and have competent, well trained analyst performing the analyses, using the proper equipment. The total for Lab Supplies in 2012 is projected to increase about 13%.
- **Vehicles** – The Tanker truck is the only vehicle in the Treatment Department. We are allowing for fuel cost to increase in 2012 at 3%, expecting the price for fuel to increase as the economy recovers. The tanker also has rust along its door and bed which we plan to address and have the tanker cab and chassis repainted. Repairs were unusually low during 2011 and a greater amount is budgeted for 2012. Overall a 79% increase is provided for the Tanker's fuel, parts, and repairs.
- **Equipment/Facilities** – This category includes the replacement parts for inventory, lab instruments, plant safety equipment, equipment rental, and the Equipment Replacement Allowance. The total Equipment Replacement Allowance for this department is \$145,000 the same as it was in 2011. PaDEP has imposed new annual NPDES fees at \$1,400 for each of our treatment plants, which are now budgeted for in this category. An overall 2.2% decrease is provided for in this category.

TREATMENT DEPARTMENT – Expense Detail, Continued

- **Maintenance & Repair** – The sub-items in this category include Maintenance & Repair, and Shop Repairs. The Maintenance & Repair are the preventive maintenance and corrective repairs performed by Authority staff, using parts and supplies procured to complete the task. Shop Repairs are those repairs performed by vendors, either at the vendor’s shop or on-site.

Major planned maintenance items include:

- Variable Frequency Drive annual maintenance by a vendor for VFDs at both plants.
- Process Air Blower Preventive Maintenance Overall. The two 150-Hp blowers have not been overhauled since 1999 and 2001 and they are now at the runtime hours were bearing failures would be expected. One 150-hp blowers is being overhauled in late 2011, and the second is budgeted for 2012 at \$6,100.

An overall 16% increase is provided for in the budget to account for the above items.

- **Utilities** – (See Budget Memo on Electrical Power) The electrical power expense at the treatment plants is based on the previous 12-month expense. It is apparent we are going to have to run two blowers at Brush Run during the warmer months of the year in order to minimize odors as much as possible, and that has been budgeted for. Currently, as the weather cooled in October, one blower has been able to supply all process oxygen demand without any noticeable odors.

Pa American Water will be raising its rates in 2012 approximately 6.7% for its municipal customers.

Telephone expense at Brush Run includes four lines, with some dedicated for the SCADA system, plus monthly Internet access.

- **Biosolids** – (See Budget Memo) Our Biosolids Disposal Contract was re-bid in October 2011, and the disposal fee increased by 7%, which was not unexpected. In the 2011 budget we had allowed for a 10% increase. Overall, Biosolids disposal is projected to increase 12%, which we believe is a conservative number, and which provides for the cost of grit removal from the digesters and aeration tanks.
- **Personnel, Salary & Wages** - We have prepared the treatment and collection wages based on the union contract 1.1% wage increase for 2012. The Consumer Price Index (CPI) for the past 12-monhts is currently 3.9%. The large, overall increase of 16% when compared to 2011 is a combination of not filling the vacant position at the DC plant until April 1, 2011, the lower wage paid during the probationary period, and the graduated scale new employees earn (i.e. the wage, after probation, is only 85% of the base wage in the first year. It then climbs to 90% in the second year). We have also begun in 2012 assigning more accurately the time that Collection Department personnel actually provide labor in the Treatment Department in order to better understand our true cost for treatment.

TREATMENT DEPARTMENT – Expense Detail, Continued

- **Personnel, Benefits** – Hospitalization costs are budgeted at an 8% increase, after which the union staff pay for the increase through a 12% increase. Therefore, as long as any premium increase is less than 12%, the Authority’s exposure is limited to 8%. The large swings in percentage changes between the two plants are due to individual family/single employment enrollment changes (Spouse passed away, child came off, child added, etc.). The pension increase of 14% and 54% seem huge, however, the combined union wage/pension increase for 2012 is only 2.1%, far below where the CPI has been running.
- **Computers/Networking** – This expense includes the annual SCADA software maintenance fee and a limited amount of service by the vendor.
- **POTW Fees** – Publicly Owned Treatment Works fees are those fees we pay to other POTWs, being ALCOSAN and Upper St. Clair (USC). Only ALCOSAN fees are included in the Treatment Department, with USC’s fees charged to the Collection Department. By agreement, we are required to budget 120% of ALCOSAN’s estimate of charges, based on the water consumption of the Marella Manor customers. ALCOSAN will be increasing its treatment charge in 2012 by 6.9%.
- **Professional Services** – Most of the professional services provided under the operating budget are charged to the Administrative department, but when specifically operating consultation is required for treatment it is charged to the Treatment Department. We are budgeting \$2,500 this year, with no specific assistance in mind.
- **Insurance** – The only insurance item charged to the Treatment Department is Workers Comp. An increase is expected.

PETERS TOWNSHIP SANITARY AUTHORITY BUDGET REPORT
Forecast Year 2012 Expenses Compared to 2011 Expenses

<u>DEPARTMENT - TREATMENT</u>		Projected	Forecast	Percent
		Total	Total	%
<u>Operating Expenses</u>		2011	2012	Difference
Material & Supplies				
01-4200-1-00-000-0	Material & Supplies Gen Treatment	\$ 1,834	\$ 2,300	25%
01-4200-1-10-000-0	Material & Supplies Brush Run Plant	6,244	6,500	4%
01-4200-1-30-000-0	Material & Supplies Donaldson Plant	3,563	4,000	12%
01-4201-1-10-000-0	Janitorial Supplies-B.R. Plant	2,107	2,100	0%
01-4201-1-30-000-0	Janitorial Supplies-D.C. Plant	1,050	1,500	43%
01-4202-1-00-000-0	Lubricants-General Treatment	305	500	64%
01-4202-1-10-000-0	Lubricants-B.R. Plant	1,751	1,300	-26%
01-4202-1-30-000-0	Lubricants-D.C. Plant	231	250	8%
Total Material & Supplies		\$ 17,083	\$ 18,450	8%
Chemicals				
01-4222-1-10-000-0	Polymer-Brush Run Plant	\$ 13,160	\$ 13,210	0%
01-4222-1-30-000-0	Polymer-Donaldson Plant	1,134	888	NA
01-4223-1-10-000-0	Disinfection-Brush Run Plant	12,367	13,731	11%
01-4223-1-30-000-0	Disinfection-Donaldson Plant	4,196	6,032	44%
01-4224-1-10-000-0	Process Other-Brush Run Plant	2,224	7,098	219%
01-4224-1-30-000-0	Process Other-Donaldson Plant	-	250	NA
Total Chemicals		\$ 33,080	\$ 41,210	25%
Lab Supplies				
01-4225-1-00-000-0	Lab Supplies-Treatment General	\$ 12,668	\$ 14,200	12%
01-4225-1-10-000-0	Lab Supplies-Brush Run Plant	4,528	5,100	13%
01-4225-1-30-000-0	Lab Supplies-Donaldson Plant	831	1,210	46%
01-4226-1-10-000-0	Lab Accreditation -BR	1,250	1,250	0%
01-4226-1-30-000-0	Lab Accreditation -DC	-	-	0%
Total Lab Supplies		\$ 19,277	\$ 21,760	13%
Vehicles				
01-4231-1-30-000-0	Fuel-Donaldson (Tanker 55)	\$ 2,912	\$ 3,000	3%
01-4251-1-30-000-0	Parts Vehicles-Donaldson (Tanker)	15	1,500	9907%
01-4451-1-30-000-0	Shop Repairs-D.C. (Tanker)	2,381	5,000	110%
Total Vehicles		\$ 5,310	\$ 9,500	79%
Equipment/Facilities				
01-4252-1-00-000-0	Replacement Parts -Gen Treatment	\$ 94	\$ -	NA
01-4252-1-10-000-0	B.R. Replcmt Parts-Inventory	1,363	3,000	120%
01-4252-1-30-000-0	D.C. Replcmt Parts Inventory	2,945	1,000	-66%
01-4260-1-00-000-0	Treatment Minor Equipment	1,545	2,600	68%
01-4260-1-10-000-0	B.R. Minor Equipment	636	1,500	136%
01-4260-1-30-000-0	D.C. Minor Equipment	3,285	1,500	-54%
01-4261-1-00-000-0	Lab Instruments - Treatment General	560	1,400	150%
01-4261-1-10-000-0	Lab Instruments - B.R. Plant	772	550	-29%
01-4261-1-30-000-0	Lab Instruments - D.C. Plant	1,049	100	NA
01-4265-1-00-000-0	Plant Safety Equipment	3,422	2,200	-36%
01-4202-1-10-010-0	BR NPDES Fees	1,400	1,400	0%
01-4202-1-30-010-0	DC NPDES Fees	1,400	1,400	0%
01-4269-1-10-000-0	B.R. Equip Replacement Allowance	125,000	125,000	0%
01-4269-1-30-000-0	D.C. Equip Replacement Allowance	20,000	20,000	0%
01-4340-1-10-000-0	B.R.Plant Equipment Rental	342	1,000	192%
01-4340-1-30-000-0	D.C.Plant Equipment Rental	1,823	500	NA
01-4380-1-00-000-0	Equipment Storage Rental	935	935	0%
Total Equipment/Facilities		\$ 166,570	\$ 164,085	-1.5%
Maintenance & Repair				
01-4450-1-10-000-0	B.R.Plant Maintenance & Repair	\$ 16,236	\$ 13,000	-20%
01-4450-1-30-000-0	D.C.Plant Maintenance & Repair	6,813	6,000	-12%
01-4452-1-10-000-0	Shop Repair - Mechanical-B.R. Plant	5,151	15,000	191%
01-4452-1-30-000-0	Shop Repair - Mechanical-D.C. Plant	892	2,000	124%
01-4453-1-10-000-0	Shop Repair-Electrical-BR Plant	6,109	4,900	-20%
01-4453-1-30-000-0	Shop Repair-Electrical-DC Plant	1,807	2,500	38%

DEPARTMENT - TREATMENT		Projected	Forecast	Percent
		Total	Total	%
Operating Expenses		2011	2012	Difference
Total Maintenance & Repair		\$ 37,006	\$ 43,400	17%
Utilities				
01-4320-1-10-000-0	Telephone - BR Plant	\$ 2,733	\$ 3,003	10%
01-4320-1-30-000-0	Telephone - DC Plant	619	613	-1%
01-4351-1-10-000-0	Power - BR Plant	83,004	89,000	7%
01-4351-1-30-000-0	Power - D.C. Plant	65,500	65,200	0%
01-4355-1-10-000-0	Natural Gas - B. R. Plant	2,268	1,800	-21%
01-4366-1-10-000-0	Water - B. R. Camp Lane	3,238	3,500	8%
01-4366-1-30-000-0	Water - D.C. Oakwood	3,596	3,800	6%
Total Utilities		\$ 160,958	\$ 166,916	4%
Biosolids				
01-4365-1-10-000-0	Sludge Disposal - B.R. Plant	\$ 39,319	\$ 46,300	18%
01-4365-1-30-000-0	Sludge Disposal - D.C. Plant	32,981	34,700	5%
Total Biosolids		\$ 72,300	\$ 81,000	12%
Salary & Wages				
01-4790-1-10-000-0	Salary & Wages-B.R. Plant	\$ 105,213	\$ 112,000	6%
01-4790-1-30-000-0	Salary & Wages-D.C. Plant	82,807	107,000	29%
01-4792-1-10-000-0	FICA & Medicare-B.R. Plant	8,051	8,568	6%
01-4792-1-30-000-0	FICA & Medicare-D.C. Plant	6,335	8,186	29%
01-4793-1-10-000-0	Unemploy Comp-B.R. Plant	432	432	0%
01-4793-1-30-000-0	Unemploy Comp-D.C. Plant	497	432	-13%
Total Salary & Wages		\$ 203,335	\$ 236,618	16%
Employee Benefits				
01-4021-1-10-000-0	Pension - Union-B.R. Plant	\$ 8,681	\$ 9,900	14%
01-4021-1-30-000-0	Pension - Union- D.C. Plant	6,416	9,850	54%
01-4030-1-10-000-0	Health & Welfare-B.R. Plant	30,534	24,522	-20%
01-4030-1-30-000-0	Health & Welfare-D.C. Plant	19,300	24,070	25%
01-4061-1-00-000-0	Certifications	-	300	NA
01-4060-1-10-000-0	Uniforms - Brush Run Plant	1,440	1,500	4%
01-4060-1-30-000-0	Uniforms - D.C. Plant	1,545	1,500	-3%
Total Employee Benefits		\$ 68,191	\$ 71,643	5%
Computers/Networking				
01-4360-1-10-000-0	SCADA - B.R. Plant	\$ 13,659	\$ 8,000	-41%
01-4360-1-30-000-0	SCADA - D.C. Plant	-	-	NA
Total Computers/Networking		\$ 13,659	\$ 8,000	-41%
POTW Fees				
01-4510-1-25-000-0	ALCOSAN Fees - Marella Manor	\$ 20,890	\$ 26,600	27%
Total POTW Fees		\$ 20,890	\$ 26,600	27%

<u>DEPARTMENT - TREATMENT</u>		Projected	Forecast	Percent
		Total	Total	%
<u>Operating Expenses</u>		2011	2012	Difference
Professional Services				
01-4312-1-00-000-0	Engineering-Treatment General	\$ -	\$ 1,000	NA
01-4312-1-10-000-0	Engineering - B.R. Plant	805	1,000	24%
01-4312-1-30-000-0	Engineering - D.C. Plant	53	500	852%
01-4310-1-10-000-0	Ins/Risk Appraisal-B.R. Plant	-	-	NA
01-4310-1-30-000-0	Ins/Risk Appraisal-D.C. Plant	-	-	NA
01-4313-1-00-000-0	Legal - Treatment - General	66	1,000	NA
01-4313-1-30-000-0	Legal - D.C. Plant	700	100	NA
Total Professional Services		\$ 1,623	\$ 3,600	122%
Insurance				
01-4051-1-10-000-0	Workers Comp-B.R. Plant	\$ 3,030	\$ 3,100	2%
01-4051-1-30-000-0	Workers Comp - D.C. Plant	1,479	2,300	56%
Total Insurance		\$ 4,509	\$ 5,400	20%
DEPARTMENT TOTAL		\$ 823,792	\$ 898,181	9%

SEWER COLLECTION SYSTEM DEPARTMENT – Expense Detail

Our basic sewer maintenance approach has been to fund sewer line point repairs and grouting work out of the Operating fund, and finance larger sewer replacement and Cured In Place (CIP) lining projects out of the CIRF. Grouting and point repairs are considered maintenance, whereas, manhole to manhole lining extends the useful life, therefore it is considered a capital investment.

This department's 2012 expenses are projected to total \$605,000, a decrease of 5%, largely due to operating one person short for the first quarter of 2012

The spreadsheets identifying individual line items can be found at the end of this section beginning on Page 2012-18.

- **Materials and Supplies** – This category is expected to increase by 1%, which includes provisions for the materials to operate the Property Transfer Dye Test program.
- **Vehicles** – This category is expected to increase by \$3,000 or 12%, and includes plans to address rust and re-paint our 1-ton dump truck. Most of the vehicles are relatively new therefore we do not anticipate any large repair expense, and we will be proposing in the Capital Plan to replace the 2000 GMC Van with a new van, which may help to reduce repair expense somewhat.
- **Equipment/Facilities** – This category includes spare parts purchased for inventory, minor equipment such as weed whackers, metal detectors, safety equipment, and equipment rental. It also includes a portion of the Equipment Replacement Allowance. The amount assigned to the Collection Department is \$100,000. The line item for General Replacement Parts Inventory is for manhole inflow protectors, manhole adjustment rings and donuts, manhole flex-sealant kits, etc., which we maintain a regular stock of at all times. A 3% increase in expense is allowed for.
- **Maintenance and Repair** - We are budgeting this year a total of \$138,700 for sewer repairs, with \$90,000 for manhole rehabilitation, sewer line grouting, and excavation repairs. The planned focus this year is sewer grouting and point repairs to the Stratford Manner Pump Station collector sewers. The pump station overflowed excessive volumes during the extreme wet weather events in late 2010 and the Spring of 2011, and corrective action is required. Additionally, \$20,000 will be needed to address the crushed pipe off Pleasant View. The balances of funds are reserved for emergency and urgent repairs, and for pump station pump repairs.

We will also expand our focus on area wide, conventional dye testing, targeting 150 units for dye testing in 2012.

Overall, this category decreases by 4%.

SEWER COLLECTION SYSTEM DEPARTMENT -continued

- **Utilities** – We do not expect any major changes in pump station utility expense, beyond the Pa American Water rate increase. Our electric rate is locked for another 18 months or so.

The Hidden Brook Pump Station is equipped with a DSL line for communications with the Brush Run SCADA system, therefore its telephone expense is higher than the other pump stations. Maple Lane, Rutledge Drive and Stratford Manor are equipped with cell dialers, with the remaining using land lines. The Hidden Brook and Maple Lane Pump Stations use natural gas for their emergency generators. The older pump stations are not equipped with on-site generators.

- **Personnel, Salary & Wages** – The comments provided for Treatment Department generally apply here and for benefits also. The wages decrease because we will be one person short until April 2012.
- **POTW** – By agreement, Upper St. Clair charges us for the Marella Manor area sewage that they convey based upon 3% of their operation and maintenance cost for their Brush Run Pump Station, force main, and trunk sewer. It is our general expectation that USC will invest more in maintaining its facilities due to their Administrative Consent Order with DEP/EPA as part of the ALCOSAN consent order, and we have therefore increased the allowance by 35%.
- **Professional Services** – We have decreased engineering expense because the Brush Run I/I expense in 2011 was not typical.

PETERS TOWNSHIP SANITARY AUTHORITY BUDGET REPORT

Forecast Year 2012 Expenses Compared to 2011 Expenses

<u>DEPARTMENT - COLLECTION</u>		Projected Total 2011	Forecast Total 2012	Percent % Difference
<u>Operating Expenses</u>				
Material & Supplies				
01-4200-2-00-000-0	Mat & Supplies-Collection Admin	\$ 1,974	\$ 1,260	-36%
01-4200-2-10-000-0	Mat & Supplies-General Collection	1,745	2,000	15%
01-4200-2-00-000-1	Mat & Supplies-Dye Test Program	2,042	2,100	3%
01-4200-2-11-000-0	Mat & Supplies-Rutledge/Fairway	109	100	NA
01-4200-2-14-000-0	Mat & Supplies-Hidden Brook	100	100	0%
01-4200-2-13-000-0	Mat & Supplies-Sylvania	53	100	90%
01-4200-2-30-000-0	Mat & Supplies-DC Collection	100	500	400%
01-4200-2-32-000-0	Mat & Supplies - Stratford	109	250	129%
01-4200-2-33-000-0	Mat & Supplies-Maple Lane	13	100	641%
01-4200-2-25-000-0	Mat & Supplies- Waterdam Plaza	115	300	160%
01-4202-2-00-000-0	Lubricants-Collection System	-	100	NA
Total Material & Supplies		\$ 6,360	\$ 6,910	9%
Vehicles				
01-4231-2-00-000-0	Fuel-Collection System	\$ 14,537	\$ 15,000	3%
01-4251-2-00-000-0	Parts Vehicles-Collection	1,872	2,000	7%
01-4451-2-00-000-0	Shop Repairs - Vehicles-Collection	8,268	10,700	29%
Total Vehicles		\$ 24,677	\$ 27,700	12%
Equipment/Facilities				
01-4252-2-00-000-0	Gen Collection Replcmt Prts Invent	\$ 4,913	\$ 5,000	2%
01-4260-2-00-000-0	Collection Minor Equipment	2,010	3,000	49%
01-4260-2-11-000-0	Rutledge Minor Equipment	86	100	16%
01-4260-2-31-000-0	Stratford Minor Equipment	125	100	NA
01-4265-2-00-000-0	Collection Safety Equipment	1,085	1,000	-8%
01-4269-2-00-000-0	Collection Equip Replcmt Allowance	100,000	100,000	0%
01-4340-2-00-000-0	Equipment Rental - Collection	560	2,500	346%
Total Equipment/Facilities		\$ 108,779	\$ 111,700	3%
Maintenance & Repair				
01-4385-2-00-000-0	PA One Call	\$ 1,763	\$ 1,780	1%
01-4450-2-00-000-0	Collection Maint & Repair General	3,191	6,200	94%
01-4450-2-10-000-0	B.R. Collection Maint & Repair	127,162	27,000	-79%
01-4450-2-11-000-0	Rutledge/Fairway Maint & Repair	350	250	-29%
01-4450-2-12-000-0	Sylvania Maintenance & Repair	36	100	NA
01-4450-2-13-000-0	Colony Manor Maint & Repair	1,099	100	-91%
01-4450-2-14-000-0	Hidden Brook Maint & Repair	789	500	-37%
01-4450-2-15-000-0	Maple Lane Maint & Repair	28	500	NA
01-4450-2-30-000-0	DC Collection Maint & Repair	2,398	3,500	46%
01-4450-2-31-000-0	Stratford Maintenance & Repair	316	90,000	NA
01-4450-2-33-000-0	Waterdam Plaza Maint & Repair	550	250	-55%
01-4452-2-00-000-0	Shop Rep-Mechanical-Gen Collect	-	4,000	NA
01-4452-2-10-000-0	Shop Rep-Mechanical-BR Collection	3,034	600	-80%
01-4452-2-14-000-0	Shop Rep-Mech-Hidden Brook	-	250	NA
01-4453-2-00-000-0	Shop Repair-Elec-Gen Collection	3,601	3,000	-17%
01-4453-2-11-000-0	Shop Rep-Elect-Rtledge/Fairway	283	100	NA
01-4453-2-12-000-0	Shop Repair - Electrical-Sylvania	272	250	NA
01-4453-2-14-000-0	Shop Repair - Electrical-Hidden Brook	455	500	10%
01-4453-2-15-000-0	Shop Repair - Electrical-Maple Lane	455	500	10%
01-4453-2-31-000-0	Shop Repair - Electrical-Stratford	-	100	NA
01-4453-2-33-000-0	Shop Repair - Electrical-Waterdam	11	50	NA
01-4454-2-00-000-0	Shop Repairs-Equip Collection Gen	-	100	NA
Total Maintenance & Repair		\$ 145,793	\$ 139,630	-4%
Utilities				
01-4320-2-11-000-0	Telephone- Rutledge	\$ 33	\$ 36	8%
01-4320-2-12-000-0	Telephone - Sylvania	479	465	-3%
01-4320-2-13-000-0	Telephone- Colony Manor	371	320	-14%
01-4320-2-14-000-0	Telephone-Hidden Brook DSL	1,218	1,130	-7%

<u>DEPARTMENT - COLLECTION</u>		Projected	Forecast	Percent
		Total	Total	%
<u>Operating Expenses</u>		2011	2012	Difference
01-4320-2-31-000-0	Telephone - Stratford	35	35	0%
01-4320-2-15-000-0	Telephone - Maple Lane	49	60	22%
01-4320-2-33-000-0	Telephone - Waterdam Plaza	39	38	-1%
01-4351-2-11-000-0	Power - Rutledge/Fairway linksvi	2,078	2,000	-4%
01-4351-2-12-000-0	Power - Sylvania	187	200	7%
01-4351-2-13-000-0	Power - Colony Manor brandy	413	440	7%
01-4351-2-14-000-0	Power - Hidden Brook	2,258	2,300	2%
01-4351-2-31-000-0	Power - Stratford	901	900	0%
01-4351-2-15-000-0	Power - Maple Lane	2,067	2,000	-3%
01-4351-2-33-000-0	Power - Waterdam Plaza	643	680	6%
01-4355-2-30-000-0	Natural Gas - Hidden Brook	490	300	-39%
01-4355-2-31-000-0	Natural Gas - Maple Lane	318	335	5%
01-4366-2-11-000-0	Water - Rutledge/Fairway	170	180	6%
01-4366-2-14-000-0	Water - Hidden Brook	165	175	6%
01-4366-2-15-000-0	Water- Maple lane	409	435	6%
01-4366-2-31-000-0	Water - Stratford Hemlock	207	220	6%
Total Utilities		\$ 12,530	\$ 12,249	-2%
Salary & Wages				
01-4790-2-00-000-0	Salary & Wages-Collection General	\$ 198,593	\$ 184,000	-7%
01-4792-2-00-000-0	FICA & Medicare Collection General	15,504	14,076	-9%
01-4793-2-00-000-0	Unemploy Comp-General Collection	864	1,080	25%
Total Salary & Wages		\$ 214,961	\$ 199,156	-7%
Employee Benefits				
01-4021-2-00-000-0	Pension - Union-Collection General	\$ 15,742	\$ 17,300	10%
01-4030-2-00-000-0	Health & Welfare - Collection	48,926	55,773	14%
01-4030-2-00-000-1	Life S-T Insurance - Collection	213	-	-100%
01-4060-2-00-000-0	Uniforms - Collection	3,148	3,500	11%
Total Employee Benefits		\$ 68,029	\$ 76,573	13%
POTW Fees				
01-4520-2-25-000-0	USC Pump Station-Marella Manor	2,960	4,000	35%
Total POTW Fees		\$ 2,960	\$ 4,000	35%
Professional Services				
01-4312-2-00-000-0	Engineering-Collection General	\$ 3,967	\$ 4,000	1%
01-4312-2-10-000-0	Engineering-Collection B.R.	-	2,000	NA
01-4312-2-30-000-0	Engineering-Collection D.C.	-	500	NA
01-4312-2-10-001-0	Engineering I/I - BR	37,910	8,000	NA
01-4312-2-30-000-1	Engineering-Marella Manor	4,608	6,000	30%
01-4313-2-00-000-0	Legal - Collection - General	3,025	1,000	NA
01-4315-2-00-000-0	Computer Consult-Collection-Gen.	-	100	NA
Total Professional Services		\$ 49,510	\$ 21,600	-56%
Insurance				
01-4051-2-00-000-0	Workers Comp-Collection	\$ 6,067	\$ 5,740	-5%
Total Insurance		\$ 6,067	\$ 5,740	-5%
DEPARTMENT TOTAL		\$ 639,667	\$ 605,258	-5%

ADMINISTRATION DEPARTMENT

Overall, this department's operating expenses are expected to increase by 1.4%.

- **Material & Supplies** – This category includes all the supplies necessary to run the office. During 2011 we initiated a concerted effort to reduce our photocopying, but color copying got out of hand. Increased effort will be made in 2012 to minimize photocopying costs.
- **Equipment/Facilities** –The sub-category of Office Minor Equipment includes provision for replacing one office desktop computer each year.
- **Maintenance & Repair** – This covers service to the color copier, postage machine, and office telephone system.
- **Utilities** – The office building utilities include power, natural gas, water, plus security system monitoring, cleaning, landscaping, and supplying hand towels/soap, etc. See Budget memo in the Appendix for how these cost were estimated. The Churchill property utilities, if any and taxes are included in this category also. Overall, an increase of 2% is budgeted.
- **Salary & Wages** – The management and administrative staff consists of the Manager, Assistant Manager, Financial Controller, Special Projects Manager, and Administrative Assistant. The Administrative Assistant is an hourly employee, and the remaining staff members are salaried. Wages for 2012 are based on a 3.5% increase overall, which is considered preliminary. The Manager will provide a detailed confidential memorandum to the Board members prior to the Budget Workshop identifying his recommendations. Management and administrative staff wages are not adjusted except with specific Board approval.
- **Employee Benefits** – Hospitalization expense will decrease 9% from 2011 expense because we were in the Highmark program for the first three months of 2011, then switched to the HealthAmerica High Deductible Plan saving significant expense. We are actually budgeting for an 8% increase in the premium for 2012, and costs will still be lower than we expended in 2011. Each management and administrative employee contributes 5% to the total cost of health benefits, which is deducted from their payroll. The Authority also provides life insurance (1X annual salary) and short term disability insurance. The Authority contributes 6% of each management and administrative staff's wage to a Simplified Employee Pension (SEP) plan. This category decreases by 5.5%.
- **Travel/Training/Meetings** – This category includes the Board members' stipend, calculated at the revised \$50/meeting amount, and includes several months when two meetings will held. It also includes attendance at seminars and training. Memberships include the PMAA membership, and office employees' memberships in professional organizations. There is a 21% increase.

- **Computers/Networking** – Included in this category is the maintenance of the network which requires the vendor to spend a day every once in a while to update software, clean out files, etc, plus support if there are any issues with the network.
- **Professional Services** –LSSE has advised they will be seeking an increase in the retainer amount and approved hourly rate schedule in 2012. The Authority expected the request since LSSE has not requested an increase for several years. They are requesting the retainer be increased from \$15,000 annually to \$15,600, a 4% increase, along with minor increases in their hourly rate schedule. LSSE's includes attending the monthly meetings in addition to a monthly staff meeting, preparation of the annual report, and preparation of the Annual Wasteload Report, plus several other minor tasks. Management recommends approval of the increase.

Mr. Bassi's retainer is \$850/month, and includes attendance at the monthly meetings, and routine telephone consultation time with staff. As of November 4th Mr. Bassi has not requested any increase for 2012.

- **Insurance** - This line item includes our commercial insurance package of liability, public officials, boiler & machinery, flood, mine subsidence for the office and two treatment plants, and automobile coverages. The policy renews January 1. During 2011 we engaged an insurance consultant to evaluate our policies, make recommendations, and develop bid specifications to re-bid the insurance package for 2012. We have not received the 2012 renewal rates as of November 4th, therefore we allowed for an overall increase of 6%.
- **Administrative Services** – Jordan Tax Services' fee is based on 1.9% of the revenue collected. Public Relations expense provides for an annual newsletters and website consultant fee.

The Grants Coordinator fee is included in this category at \$1,000 /month. Management is pleased with the effort put forth by Mr. Lignelli and his staff on all of the grant applications submitted, and recommends his reappointment in 2012.

NON-OPERATING EXPENSES - DEBT SERVICE REQUIREMENTS

This sub-department shows an increase of 13% because of the inclusion of the required 10% debt service cover and new debt for the Valley View Sewer Extension project.

Debt Service requirements include:

- The 2009 Bond Refunding
 - Principle Balance of \$3,745,000 as of September 1, 2011
 - Final payment date is September 1, 2017
 - Annual debt service payments of \$749,768 in 2012, plus the required 10% cover at \$74,977

- Pennvest Loan for Ivy Lane Sewer Extension in 2004
 - Principle balance as \$275,470 as of October 31, 2011
 - Final payment date is March 1, 2024
 - Annual payment amount of \$26,399.
 - Interest rate 2.774%

- Bank Loan for Valley View Drive Sewer Extension
 - Proposed Loan amount \$600,000
 - Source: Charleroi Bank
 - Interest Rate: 4%
 - Term: 15 years
 - *Estimated Payment begins: September 2012*
 - *Estimated Monthly Payment amount: \$4,600*

PETERS TOWNSHIP SANITARY AUTHORITY BUDGET REPORT
Forecast Year 2012 Expenses Compared to 2011 Expenses

<u>DEPARTMENT - ADMINISTRATION</u>	Projected Total 12/31/2011	Forecast Total 2012	Percent % Difference
<u>Operating Expenses</u>			
Miscellaneous			
01-4100-0-00-000-0 Miscellaneous - Administration	\$ 3,200	\$ -	
Total Miscellaneous	\$ 3,200	\$ -	NA
Material & Supplies			
01-4200-0-00-000-0 Material & Supplies-Administration	\$ 16,902	\$ 16,800	-1%
Total Material & Supplies	\$ 16,902	\$ 16,800	-1%
Equipment/Facilities			
01-4260-0-00-000-0 Office Minor Equipment	1,719	2,640	54%
01-4265-0-00-000-0 Admin Safety Equipment	98	100	2%
01-4340-0-00-000-0 Office Equip Replacement Allowance	5,500	5,500	NA
01-4381-0-00-000-0 Office Rent/O&M Fees from 2010	412	-	-100%
Total Equipment/Facilities	\$ 7,730	\$ 8,240	7%
Maintenance & Repair			
01-4450-0-00-000-0 Office Maintenance & Repair	\$ 2,604	\$ 1,600	-39%
01-4450-0-00-000-1 Office Bldg Maintenance & Repair	881	1,000	14%
01-4452-0-00-000-0 Shop Repair - Mechanical-Admin	-	200	NA
Total Maintenance & Repair	\$ 3,485	\$ 2,800	-20%
Total Utilities			
01-4320-0-00-000-0 Telephone - Admin	\$ 3,961	3,700	-7%
01-4321-0-00-000-0 Securty System	398	400	0%
01-4321-0-00-000-1 Cleaning	5,076	5,076	0%
01-4321-0-00-000-2 Landscaping	3,500	3,300	-6%
01-4322-0-00-000-0 Garbage Pickup	456	505	11%
01-4351-0-00-000-0 Power	3,480	3,350	-4%
01-4355-0-00-000-0 Natural Gas	2,192	2,100	-4%
01-4366-0-00-000-0 Water	531	600	13%
01-4366-0-00-000-1 New Admin Utilites/Supplies	461	840	82%
01-4364-0-00-000-0 Church Hill Property Util/Taxes	1,746	2,300	32%
Total Utilities	\$ 21,802	\$ 22,171	2%
Salary & Wages			
01-4790-0-00-000-0 Salary & Wages - Administration	\$ 296,202	\$ 309,500	4%
01-4790-0-00-000-1 Salary & Wages -Labor Allocation	3,543	1,000	-72%
01-4791-0-00-000-0 Total Salaries & Wages	299,745	310,500	3.6%
01-4792-0-00-000-0 FICA & Medicare-Administration	22,878	23,753	4%
01-4793-0-00-000-0 Unemployment Comp-Administration	1,222	1,180	-3%
Total Salary & Wages	\$ 323,844	\$ 335,433	4%
Employee Benefits			
01-4020-0-00-000-0 Pension - Non Union Administration	\$ 17,980	\$ 18,630	4%
01-4030-0-00-000-1 Life S-T Insurance - Admin	1,906	2,255	18%
01-4040-0-00-000-0 Hospitalization - Administration	56,614	51,439	-9%
Total Employee Benefits	\$ 76,500	\$ 72,324	-5.5%

<u>DEPARTMENT - ADMINISTRATION</u>	Projected Total 12/31/2011	Forecast Total 2012	Percent % Difference
<u>Operating Expenses</u>			
Travel/Training/Meetings			
01-4201-0-00-000-0 Board Member's Expenses	\$ 3,100	\$ 4,000	29%
01-4202-0-00-000-0 Memberships	2,914	3,200	10%
01-4203-0-00-000-0 Travel Expense	-	250	NA
01-4204-0-00-000-0 In-Service Training	4,040	4,700	16%
Total Travel/Training/Meetings	\$ 10,054	\$ 12,150	21%
Computers/Networking			
01-4370-0-00-000-0 Network/Software	\$ 2,326	\$ 2,500	7%
Total Computers/Networking	\$ 2,326	\$ 2,500	7%
Total Professional Services			
01-4311-0-00-000-0 Accounting/Audit - Administration	\$ 7,625	\$ 7,930	4%
01-4312-0-00-000-0 Engineering - Administration	18,073	21,000	16%
01-4313-0-00-000-0 Legal - Administration	16,943	19,000	12%
01-4314-0-00-000-0 Labor Negotiator - Union	5,354	-	-100%
01-4315-0-00-000-1 GIS Updates	4,620	3,200	-31%
01-4315-0-00-000-0 Computer Consultants-Admin.	4,254	6,500	53%
Total Professional Services	\$ 56,869	\$ 57,630	1%
Insurance			
01-4051-0-00-000-0 Workmen's Comp-Administration	\$ 920	\$ 960	4%
01-4310-0-00-000-0 Ins/Risk Appraisal-Administration	-	1,000	NA
01-4391-0-00-000-0 Insurance	34,922	36,300	4%
01-4391-0-00-000-1 Insurance Mine Sub	1,169	1,170	0%
Total Insurance	\$ 37,011	\$ 39,430	7%
Administrative Services			
01-4015-0-00-000-0 Trustee Fees	\$ 2,000	\$ 2,000	0%
01-4015-0-00-000-1 Grants Coordinator	12,000	12,000	0%
01-4215-0-00-000-0 Billing Expense	3,808	4,200	10%
01-4316-0-00-000-0 Contract Billing Services	58,004	59,000	2%
01-4390-0-00-000-0 Public Relations	8,157	6,000	-26%
Total Administrative Services	\$ 83,969	\$ 83,200	-1%
Total Operating Expenses	\$ 643,692	\$ 652,679	1%
<u>Non-Operating Expenses</u>			
Non-Operating Expenses			
01-4014-0-00-000-0 10 % Cover	\$ -	\$ 74,977	NA
01-4016-0-00-000-0 Pennvest Interest	7,835	7,313	-7%
01-4016-0-00-000-1 Pennvest Principle	18,571	19,086	3%
01-4016-0-00-000-2 Valley View Debt	-	20,000	NA
01-4017-0-00-000-0 Bond Interest	98,635	84,768	-14%
01-4017-0-00-000-1 Bond Principle	645,000	665,000	3%
Total Non-Operating Expenses	\$ 770,041	\$ 871,143	13%
DEPARTMENT TOTAL	\$ 1,413,733	\$ 1,523,822	8%

DEPRECIATION EXPENSE

Historically, the Authority has not budgeted for the annual depreciation expense, which is charged against current year revenue in the annual audit's *Statement of Revenues, Expenses, and Changes in Net Assets*. With the incorporation of the GASB 34 requirements in 2004, there is a general trend towards requiring public entities to have an increased awareness of the valuation of their infrastructure assets, and to develop strategies for funding the replacement of infrastructure assets at the end of their useful life.

From an asset management viewpoint depreciation is a measurement of the consumption rate of a capital asset. If our capital assets are being consumed at an annual rate of \$618,000 (our 2010 Depreciation Expense), we should reinvest at least that amount annually into either replacement or rehabilitation of our assets, to ensure they will continue to be available to provide service.

While we do not budget directly for the depreciation expense, the Authority's alternate funding plan, which is part of our Capital Improvement Plan, seems to work just as well in providing for reinvestment in our infrastructure assets. This plan includes dedicating Tapping Fee Revenue and Investment Interest Income, which together are Non-Operating Revenue, to funding our Capital Improvement Plan. Additionally, the Operating Budget surpluses generated from the budgeting of a 10% debt service cover, and an Equipment Replacement Allowance, are transferred to the CIRF to further fund the Capital Plan. The combined total of the Non-Operating Revenue and the surpluses from the Operating Budget approximate the depreciation expense.

Management proposed the concept of adjusting the amount budgeted for the Equipment Replacement Allowance to an amount that is determined from the following formula, in order to establish an objective way of setting the Equipment Replacement Allowance:

$$\textit{"Equipment Replacement Allowance = Depreciation Expense - Proj. Non-Operating Revenue - Debt Service Cover."}$$

Below is the comparison of this concept applied in 2011 and 2012.

	<u>2011 Projected</u>	<u>2012 Budget</u>
Estimated Depreciation Expense	\$ 618,000	\$600,000
Projected Non-Operating Revenue	(\$126,494)	(\$210,547)
Surplus	(\$81,974)	(\$600)
Debt Service Cover	<u>(\$74,000)</u>	<u>(\$74,000)</u>
Expected Equip Replace. Allowance	\$335,532	\$334,853
Actual Replacement Amount Budgeted	\$250,500	\$250,500

The 2011 budget performance falls short of the target Equipment Replacement Allowance in the amount \$85,000. The 2012 budget also under funds the Equipment Replacement Allowance by \$84,000. The depreciation expense will be held at last year's budget, due to the fact the sewage rates are not recommended to be increased, and funding is not available.

End of 2012 Budget Request Section