



Lehigh County Authority & City of Allentown
July 13, 2020 - LCA Board of Directors Meeting

Allentown Water & Sewer Lease: A Renewed Partnership Approach

Introduction

Our Water, Our Future!

LCA's First Five Years (2014-2018)

- Lease revenues miss the target
- City system capital improvement needs are higher than expected
- Legal disputes compound problems



Impact of Lease Challenges

- Decreased ability to fund system improvements
- Increased risk to system operations
- Aging infrastructure issues unresolved
- Risk of lowered service standards
- Lease's financial viability at risk
- Deteriorating relations between LCA & City
- Outlook: Customers will pay even more if challenges aren't resolved!

Important to remember... The public's health, the quality of our local waterways, and our region's economic future all depend on having a sustainable water and sewer system!

Our Water, Our Future!

Negotiating Solutions: Overarching Goals



Financial sustainability of LCA



Permanent solutions to avoid future disputes



Financial capacity to fund system improvements when they are needed



Long-term rate stability for Allentown customers



Renewed partnership approach between LCA and the City

Major Building Blocks of New Agreement

Meeting Revenue Requirements	Upgrading the Water & Sewer System	Enhancing our Partnership
City Rates & Future Rate Relief	Capital Improvements & Funding Approaches	Dispute Resolution
Water Supply & Treatment: Equitable Cost-Sharing	Sewer System Rehabilitation	Additional Mutual Support

These components will be reviewed in more detail at LCA's Special Meeting on July 20, 2020!

Comprehensive & Integrated Settlement Approach: Legal Agreements / Approvals Needed

1

Lease
Agreement:
Amendment

2

Capital Cost
Recovery Charge
MOU:
Amendment

3

LCA Water
Supply
Agreement:
Amendment

4

NEW Settlement
Agreement

Plus: Update to LCA water and sewer rate schedules to implement the changes to City customers.



LCA Lease Bonds: Another Important Step

- Changes to Lease Agreement will require bondholder consent
 - Refinancing a portion of LCA's Lease Bonds may provide additional benefits
 - Required to achieve consent or refinancing before implementing changes in the new LCA-Allentown agreements
 - **More info on this step to be provided to LCA Board in August.**
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Next Step

LCA Board's Detailed Review – 7/20/2020
(Noon via Zoom)

City Council's Detailed Review
(see City website for details)