
L C A M e d i a S t a t e m e n t

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RE: LCA Contract for Allentown Water / Sewer Lease Approved by City Council

Lehigh County Authority (LCA) is pleased to learn that our bid was approved by City Council today for the lease of the Allentown water and sewer system.

Over the course of the past six months, LCA has made its case to the city, county, in-city and suburban residents and businesses, and municipal leaders across the Lehigh Valley that a professional, local, non-profit organization could provide a competitive solution for the city – one that will ultimately provide the greatest benefit to the city’s customers and employees in the long term, and provide the greatest level of protection to our existing customers in suburban communities.

On Monday, April 22nd, LCA provided a presentation to City Council that included some details about our performance history, organizational structure, and financing considerations that impacted LCA’s bid. In particular, LCA described its preliminary financing plan for the lease – a 30-year, tax-exempt bond issue in a nonprofit setting – which is unique to LCA’s offering. We believe this approach will provide the lowest cost to city customers over the long term due to LCA’s low borrowing rates. Bond documents, which will include details of the financing strategy, have not been developed yet but will be made public as soon as they are available.

In addition, due to our cost-of-service rate model, LCA offers the greatest hope to the city customers that future rate impacts can be controlled. The contract with Allentown limits the rate impact through the use of caps on future rate increases. All costs associated with the bond issue – including debt service – will be paid through revenues generated by the rates, as limited by these rate caps. After the bond costs are paid, because of LCA’s nonprofit structure, any excess revenues generated by the contract can be returned to the

water and sewer system through additional capital improvements or future rate relief for the customers.

Now that LCA's bid has been approved, a 90-day transition period will begin for LCA to begin operating the water and sewer systems. Detailed transition plans are still under development, and a strong team of LCA and Allentown professionals, and outside experts, have been assembled to assist with the transition. Specific strategies will be developed to ensure a smooth transition for employees and customers.

In the days ahead, LCA will announce a schedule for a series of public meetings that will be held throughout Allentown and in suburban communities, so we can share more information about our operations and financial structure. Details of our meetings will be posted on our dedicated website at allentownwatersewer.com. Customers will also receive information by mail to share details related to bill payments, customer service and other features of LCA's services.

In addition, Allentown water and sewer employees will be actively engaged in meetings and discussions so LCA can answer questions and work with employees to develop a smooth transition for their employment and benefits as well as system operations. LCA is looking forward to meeting with every Allentown employee over the course of the next 3 months to hear their concerns and work with them on solutions to ease the way for our future work together.

Due to our long-standing relationship with Allentown for the provision of water and sewer services to our community, we feel confident that LCA will execute a smooth transition and will provide excellent, affordable and reliable services to city and suburban customers for many decades to come.

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