
L C A S t a t e m e n t

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Lehigh County Authority (LCA) is proactively taking the lead on behalf of municipalities throughout Lehigh County to seek a refund of certain charges they paid for wastewater services from the City of Allentown.

In a related but separate action, LCA has also initiated the dispute resolution process outlined in its water and sewer lease agreement with the City of Allentown to answer questions about the accuracy of data the city provided as it solicited bids for the 50-year lease of its water and sewer system. The outstanding questions relate to information on operating costs and revenue capacity of the city's wastewater system.

At the core of the issue is an agreement dating back to 1981, in which four municipalities and LCA agree to pay Allentown for wastewater services at a rate that is calculated based on the city's actual operating costs at the wastewater treatment plant. To calculate these rates, prior to the lease of the system to LCA, the city prepared annual budgets and financial statements detailing its actual costs, which were then converted into charges to LCA and the other communities.

Under the lease agreement with Allentown, since 2013 LCA has been in the position to conduct those same calculations for those communities and to receive revenue for operating the sewer system. However, LCA's revenues began to drop in 2014 and 2015, prompting its staff and Board to take a closer look.

In its dispute with the city, LCA claims that the city improperly inflated its sewer expenses so that rates to the municipalities could be raised. Since LCA's accounting practices include no such cost inflation, rates to those municipalities have gone down by

more than 30 percent since the lease. That's a good thing for most communities, but LCA is left with no method to make up the difference in revenue under the terms of the lease because all other rates are capped in the agreement. The revenue shortfall is a significant issue that LCA seeks to resolve so that it can meet debt service payments and other requirements of the major bond issue associated with the lease.

In addition, LCA seeks to resolve the historical impact of the overcharges to the municipalities it serves in western Lehigh County, and the other municipalities served by the city wastewater system.

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