



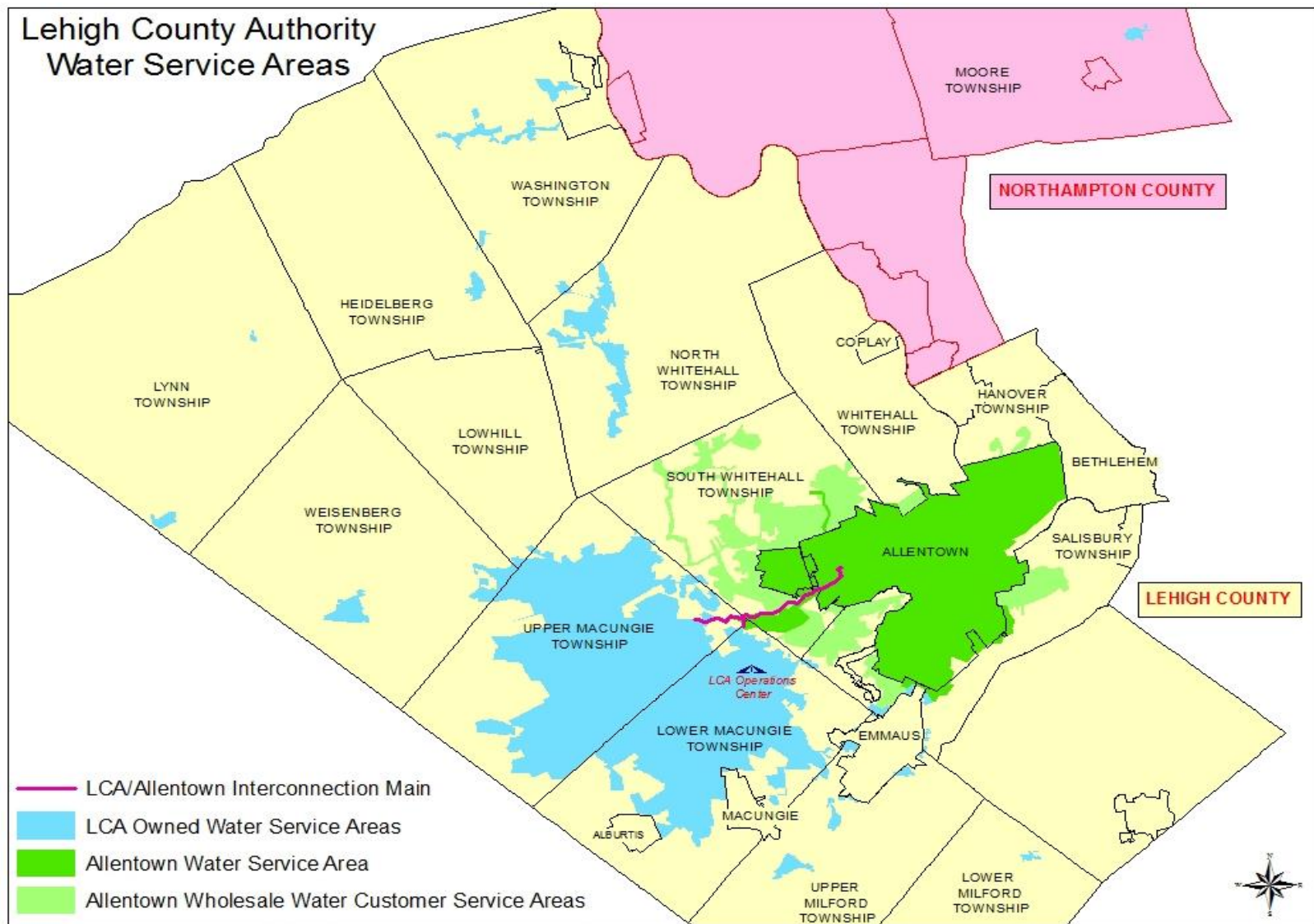
PUBLIC-PUBLIC PARTNERSHIP: LEHIGH COUNTY AUTHORITY (LCA) & THE CITY OF ALLENTOWN

Liesel M. Gross, Chief Executive Officer

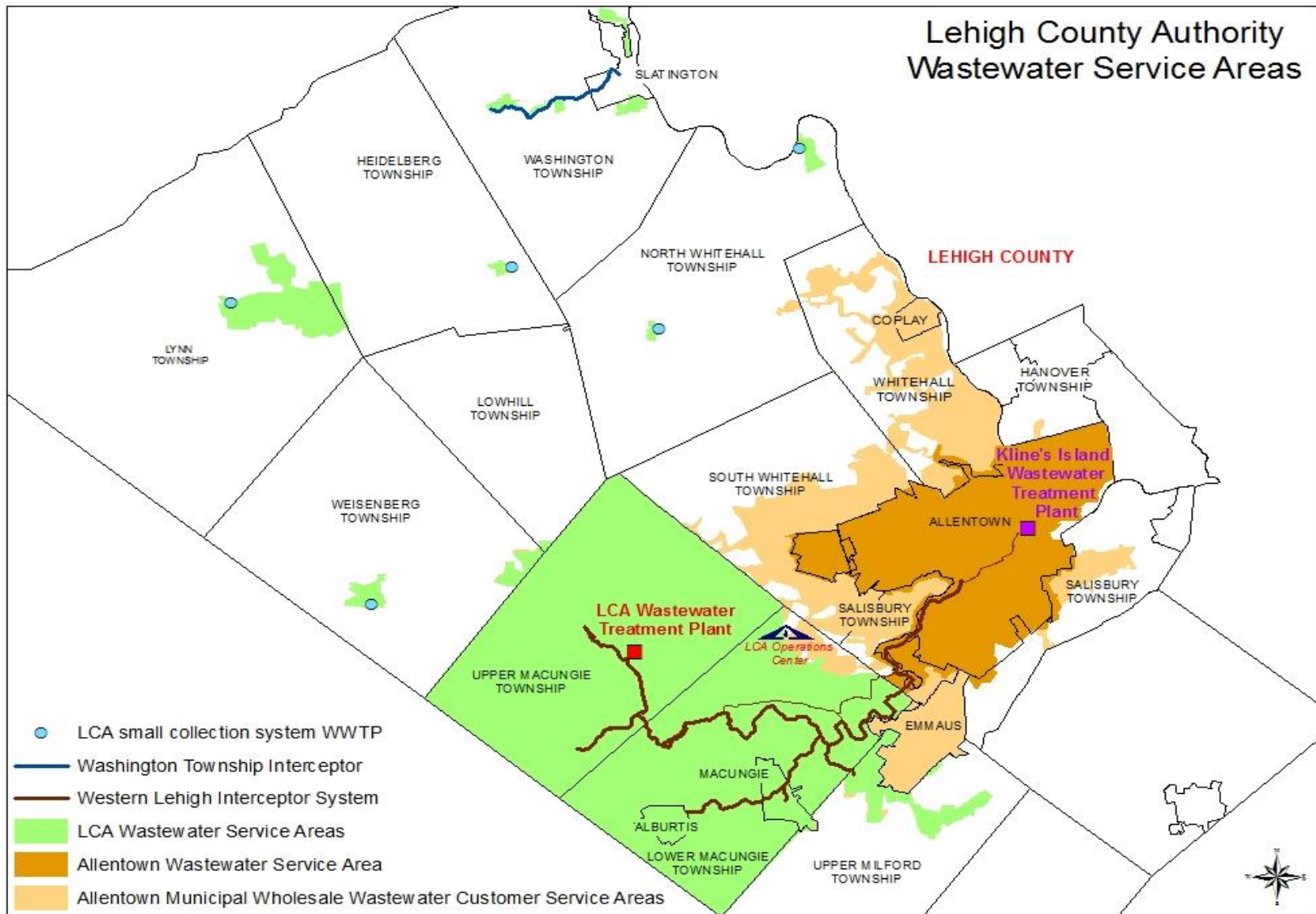
Lehigh County Authority

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Lehigh County Authority Water Service Areas



Lehigh County Authority Wastewater Service Areas



BY THE NUMBERS... BEFORE THE LEASE

	LCA	City
# of Employees	39	103
# of Water Customers	20,358	33,280
# of Sewer Customers	2,385	33,284
Miles of Water Main	311	304
Annual Operating Budget	\$ 22.3 Million	\$ 32.7 Million
Water Sales (Avg. GPD)	8 Million	16 Million
Outstanding Debt (principal only)	\$ 39.7 Million	\$ 21.7 Million

THE SETTING – SUMMER 2012

- 20+ years of discussions about consolidation between Allentown and LCA
- Public-Private Partnerships seeing a resurgence
- Allentown has \$160 million unfunded pension liability – no obvious / feasible funding source



JULY 19, 2012 – THE BOMBSHELL...

- Allentown issues a Request for Qualifications for potential bidders for a 50-year lease of their water and sewer systems
- Highlights:
 - Free cash flows of approx. \$10M per year
 - Moderate rates
 - High-quality (award-winning) water
 - Diverse water sources with excess capacity for growth
 - Flexible / negotiated concession agreement process planned
- And a clear statement – this process is about raising upfront cash for the City



Section 1

Overview of RFQ and Concession Process

1.0 Overview of RFQ Process

The Mayor and City Council of the City of Allentown (“ALLENTOWN”) are considering a long-term concession lease of the City’s Water and Sewer systems. The main purpose of the concession lease is to generate up-front proceeds to address ALLENTOWN’s various long-term liabilities.

WATER SYSTEM HISTORICAL FINANCIAL PERFORMANCE

(\$ Thousands)	2007	2008	2009	2010	2011
Operating Revenues					
Charges for services:					
Metered charges	12,355	12,226	11,367	13,046	12,358
Other charges	1,608	1,756	1,607	1,843	2,283
Miscellaneous	206	140	221	331	237
Total Operating Revenues	14,169	14,122	13,195	15,220	14,879
Operating Expenses					
Personnel services	5,636	5,943	5,960	6,149	6,208
Utility services	568	563	549	665	692
Contracted services	117	213	78	80	295
Materials and supplies	1,128	629	1,148	1,208	1,280
Miscellaneous	293	323	336	601	120
Total Operating Expenses	7,742	7,672	8,072	8,703	8,596
Free Cash Flow	6,427	6,450	5,122	6,517	6,283

SEWER SYSTEM HISTORICAL FINANCIAL PERFORMANCE

(\$ Thousands)	2007	2008	2009	2010	2011
Operating Revenues					
Charges for services:					
Metered charges	7,698	7,366	7,104	7,669	7,583
Other charges	6,838	7,475	7,799	6,509	7,911
Miscellaneous	217	195	186	302	101
Total Operating Revenues	14,753	15,036	15,089	14,481	15,595
Operating Expenses					
Personnel services	7,055	7,052	7,452	7,584	7,499
Utility services	742	748	739	888	849
Contracted services	863	768	771	575	498
Materials and supplies	1,598	940	2,227	1,006	1,789
Miscellaneous	233	652	77	683	390
Total Operating Expenses	10,491	10,159	11,266	10,736	11,026
Free Cash Flow	4,262	4,876	3,823	3,745	4,569



AS A PUBLIC, NON-PROFIT ORGANIZATION... WHY COMPETE?

- Adjacent Systems with interconnections & contractual relationships
- Common issues / challenges
 - Water Resources
 - Administrative Order
 - Future Facilities Planning
- Intimate / historical knowledge of City facilities and personnel
- Opportunities for economies of scale / scope
- Eliminate duplication of effort
- Builds upon LCA's existing regional utility perspective

LCA'S CORE PRINCIPLES: IF WE'RE GOING TO BID...

- Protect existing LCA assets and customers
- Transaction would have to stand on its own merits
 - Suburban systems will not subsidize the deal
 - Financially, operationally, and otherwise



LONG STORY SHORT...

- 2012
 - July 19 – City announces plan to lease water and sewer systems
 - August 17 – LCA submits a Statement of Qualifications
 - August 31 – City qualifies LCA to bid along with 6 other private entities
 - October 17 - Review of City Concession Agreement Commences
- 2013
 - February 27 – City issues invitation to bid
 - **March 13 – Lehigh County rejects LCA's request to extend its life to 50 years**
 - March 21– LCA submits initial bid (\$205 million)
 - March 28 - City invites LCA and others to submit “Best and Final Offer”
 - **April 1 - LCA submits Best and Final Offer bid (\$220 million)**
 - April 2 - City declares intent to award bid to LCA, whose bid was \$11 million higher than the next highest bid
 - May 1 – City and LCA sign Concession Agreement – 90 day transition period
 - **July 31– LCA issues \$308 million in bonds to finance the lease**
 - August 8 – LCA begins operation of City Systems

MUNICIPAL AUTHORITY STRUCTURE IN PA

- Formed under Pa. Municipality Authorities Act
- Board of Directors appointed by “parent” municipality (County of Lehigh)
- Life span no more than 50 years
- Non-taxing agency – all revenues generated by user rates
- Tax-exempt financing

- Spring 2013 – LCA's life set to expire in 2049
- Extension needed to 2062 to cover entire 50 year lease period
- Extension denied by County
- Impact?
 - Lease becomes a 35-year agreement unless LCA's life is extended in the future
 - Bond issue limited to 35 years
 - Political fall-out / Board turnover / Distrust in County-LCA relationship



KEY LEASE PROVISIONS

- **Revenues**
 - **Schedule 3 Rates – Sets the starting point**

SCHEDULE 3

Initial Schedule of Rates*

Sewer Tariff & Customer Rates

Line Item	Daily Charge (Quarterly Bills)	Monthly Bills	Total Charge
Penalty - 940.99			\$1,000
Administrative Fines - 10.6			\$5,000 - 25,000
Civil Penalties - 11.2			up to \$25,000
Pretreatment Charges			
16.1 Surcharge			Based on formula
Sewer Rates			
Meter Charges			
5/8"	0.096118	0.199453	
3/4"	0.117767	0.221055	
1"	0.160990	0.264329	
1.5"	0.269122	0.372490	
2"	0.398871	0.502189	
3"	0.744905	0.850669	
4"	1.136619	1.239922	
6"	2.220347	2.323694	
8"	3.50369	4.262838	
Quantity Charges			2.237638 per 1,000 gallons
Penalty - 945.03			1.50% per month

Water Tariff & Customer Rates

Line Item	Daily Charge (Quarterly Bills)	Monthly Bills	Total Charge
Penalty - 921.99			\$1,000
Charges For Water			
Meter Charges			
5/8"	0.27700	0.57378	
3/4"	0.33964	0.63648	
1"	0.46478	0.76508	
1.5"	0.78156	1.08167	
2"	1.16081	1.46087	
3"	2.17315	2.46987	
4"	3.31097	3.61087	
6"	6.47353	6.77030	
8"	10.26585	10.56605	
Quantity Charges			3.10125 per 1,000 gallons
Fire Hydrant Standby			310 per hydrant
Water Service Lateral Maintenance			
Penalty Charges - 925.02			1.5% per month



KEY LEASE PROVISIONS

- **Revenues**

- Schedule 3 Rates – Sets the starting point
 - **Beginning in 2016, Schedule 3 rates increase by CPI + 2.5% through 2032, and CPI + 2.0% thereafter**

KEY LEASE PROVISIONS

- **Revenues**

- Schedule 3 Rates – Sets the starting point
 - Beginning in 2016, Schedule 3 rates increase by CPI + 2.5% through 2032, and CPI + 2.0% thereafter
- **Capital Cost Recovery Charges for “Major Capital Improvements”**

“Major Capital Improvement” means (a) any Required Capital Improvement, (b) any capital improvement required to increase the treatment capacity of the Sewer Utility System as contemplated by Section 3.22(a), (c) any amount required to fund a Casualty Cost in excess of net insurance proceeds under Section 13.3(a) and (d) any other capital improvement to the System (1) having an estimated cost in excess of \$1,000,000, Adjusted for Inflation from the Closing Date to the date such estimate is made and (2) which, in the written opinion of an Engineering Firm, constitutes an expansion to or renewal, replacement or betterment of the System and has a useful life of at least five years. Capital improvements to the System may be aggregated and treated as a single capital improvement under clause (d) of this definition when (i) such capital improvements are undertaken to replace water mains or sewer lines and (ii) construction of each such capital improvement commences in the same calendar year. All costs associated with the design, engineering, procurement, construction, commissioning and final completion of all work described in the Major Capital Improvement Conceptual Design shall be considered in determining whether a capital improvement project satisfies the requirement of having an estimated cost of at least \$1,000,000, Adjusted for Inflation from the Closing Date to the date such estimate is made.

KEY LEASE PROVISIONS

- **Revenues**

- Schedule 3 Rates – Sets the starting point
 - Beginning in 2016, Schedule 3 rates increase by CPI + 2.5% through 2032, and CPI + 2.0% thereafter
- Capital Cost Recovery Charges (CCRC) for “Major Capital Improvements” – 30-year recovery period
 - **CCRC subject to City approval, which shall not be unreasonably delayed or withheld**
 - **City may withhold approval if CCRC for a project is more than 200% greater than a CCRC of any prior year**
 - **LCA is not required to complete a Major Capital Improvement until the CCRC approval has been provided**

Section 4.11. Conditions Precedent to Construction. The Concessionaire in its discretion shall have determined that each of the following events must have occurred before the Concessionaire starts construction of a Major Capital Improvement: (a) the Parties have obtained all necessary Authorizations for the construction of the Major Capital Improvement; and (b) the City has approved the imposition of the Capital Cost Recovery Charge in accordance with Section 7.1(f) for the design and construction of the Major Capital Improvement.

KEY LEASE PROVISIONS

- **Revenues**

- Schedule 3 Rates – Sets the starting point
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- **Change of Law & DRBC Fees – recoverable through rates**



KEY LEASE PROVISIONS

- **Expenses**
 - **Operating Standards – Raises the bar**

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KEY LEASE PROVISIONS

- **Expenses**

- Operating Standards – Raises the bar
 - **Significant improvements in preventive maintenance**
 - **Treatment standards that exceed regulatory requirements**
 - **Customer service standards & protocols**
 - **Operational Liquidated Damages if not met**
 - **2013-2017 performance – LCA is meeting or exceeding these standards, and customers benefit**

KEY LEASE PROVISIONS

- **Expenses**

- Operating Standards – Raises the bar
 - Significant improvements in preventive maintenance
 - Treatment standards that exceed regulatory requirements
 - Customer service standards & protocols
 - Operational Liquidated Damages if not met
 - 2013-2017 performance – LCA is meeting or exceeding these standards, and customers benefit

- **Capital Improvements**

- “Uncompleted Work” – LCA completes, City pays
- “Required Projects” – LCA completed, customers pay (CCRC)
- Water Main Replacements – 2 miles per year

Required Capital Project Descriptions (2013-2017)

	Lease, Sch. 7	Actual	
Water Main Replacements*	\$5,000,000	\$10,756,856	
Schantz's Spring Water Main Improvement	\$1,200,000	\$2,290,000	est.
WWTP Digester Cover Replacement	\$1,250,000	\$3,027,000	est.
WWTP Motor Control Center	\$1,000,000	\$2,296,229	
WWTP Belt Filter Press Replacement	\$1,800,000	\$1,652,121	
TOTAL	\$10,250,000	\$20,022,206	

* Note: In the lease, schedule 7, the City listed the Water Main Replacements in two categories (Centrifugally Spun Cast Iron Water Main Pipe & Water Distribution Replacement) with \$2.5M listed for each category as the estimated cost for the work to be completed through 2017. Thereafter, LCA is responsible for continuing to replace 2 miles per year.



KEY LEASE PROVISIONS

- **Other Important Provisions**
 - **Municipal Service Agreements – remain in force and shall not be amended by the City without LCA consent as it relates to Concessionaire Interest (revenue)**

means of the System. During the Term of this Agreement, (A) the City shall not waive, by its action or inaction, any material right or claim granted or held by the City under the Municipal Service Agreements and it accepts the affirmative duty to enforce its rights under the Municipal Service Agreements, (B) the City shall not amend, modify, renew, extend or otherwise change the terms and conditions of any Municipal Service Agreement in any manner that affects the Concessionaire Interest without the prior written consent of the Concessionaire, which consent shall not be unreasonably conditioned, withheld or delayed and (C) the Concessionaire and the Operator shall be entitled to participate in all meetings between the City and a Municipal Customer relating to the Municipal Service Agreement of that Municipal Customer, including, without limitation, meetings relating to the provision of Utility Services and the payment therefor. In connection with the System Operations and the provision of Utility Services to the Municipal Customers pursuant to the Municipal Service Agreements, the Concessionaire, or the Operator on behalf of the Concessionaire, shall act as the agent of the City and specifically agrees to perform all of the contractual obligations of the City under each of the Municipal Service Agreements strictly in accordance with the terms of the Municipal Service Agreements.

KEY LEASE PROVISIONS

- **Other Important Provisions**

- Municipal Service Agreements – remain in force and shall not be amended by the City without LCA consent as it relates to Concessionaire Interest (revenue)
- **Administrative Order (AO) – an excluded liability for which the City retains responsibility to address & fund**
 - City decides projects – directs LCA to complete – City pays
 - LCA collects payment from municipalities and city customers as a pass-through to pay City back for their AO expenses

Section 4.16. Special Provisions for the Administrative Order Project.

(a) *Management.* To the fullest extent possible the planning, design and construction of the Administrative Order Project shall be undertaken in the same manner as Major Capital Improvements are to be undertaken under this Article 4, except that no Capital Cost Recovery Charge may be imposed with respect to the Administrative Order Project and its Project Costs.

(b) *Financing.* The City will be responsible for the funding of Project Costs and anticipates that Administrative Order Bonds will be issued from time to time to finance Project Costs. The Administrative Order Bonds may not be secured by a pledge of or lien on Revenues. The Annual Debt Service payable with respect to the repayment of the Administrative Order Bonds will be allocated to the Municipal Customers that are parties to Sewer Service Agreements and to retail customers of the Sewer Utility System.

Not less than 30 days prior to the first day of each Reporting Year, the City shall prepare and submit to the Concessionaire a report setting forth for that Reporting Year, the Annual Debt Service, the Aggregate Municipal Customer Share, the Net Debt Service Payment, the Municipal Customer Share of each Municipal Customer and the portion of each Municipal Customer payment to be withheld by the City as a periodic payment of the Municipal Customer Share for the Reporting Year. If the Annual Debt Service requirements for any Reporting Year are changed during the Reporting Year, the City shall prepare and submit to the Concessionaire a revised report and the revised report shall supersede each prior report.

KEY LEASE PROVISIONS

- **Other Important Provisions**

- Municipal Service Agreements – remain in force and shall not be amended by the City without LCA consent as it relates to Concessionaire Interest (revenue)
- Administrative Order (AO) – an excluded liability for which the City retains responsibility to address & fund
 - City decides projects – directs LCA to complete – City pays
 - LCA collects payment from municipalities and city customers as a pass-through to pay City back for their AO expenses

- **Required Payments**

- **Annual City Payment - \$500,000 adjusted for inflation**
- **Capex Fund - \$1M per year beginning in 2033, \$2M in 2043 and \$3M in 2053, all adjusted for inflation**

Section 4.14. Capex Fund: No later than January 1, 2033 the Concessionaire shall establish the Capex Fund. The moneys in the Capex Fund shall be used to pay that portion of the cost of Major Capital Improvements that cannot be recovered during the Term as a Capital Cost Recovery Charge because the last day of the Cost Recovery Period of the Major Capital Improvement to be funded by such Capital Cost Recovery Charge is later than the End Date determined without regard to any earlier termination of this Agreement. The Concessionaire may withdraw moneys from the Capex Fund to pay costs incurred with respect to a Major Capital Improvement meeting the requirements of this Section 4.14 to the extent such costs are not includible in the Capital Cost Recovery Charge for the Major Capital Improvement. For each Reporting Year, commencing with the 2033 Reporting Year, the Concessionaire shall deposit into the Capex Fund an amount of money equal to the Capex Fund Deposit Requirement for that Reporting Year.

LEASE SUMMARY – LCA'S 2013 VIEW

- This is a complex agreement!
- Provisions provide for steady, predictable base revenue increases and operating expenses
- Big unknowns when calculating LCA's bid:
 - Future capital improvements
 - We know improvements are needed, but what's the scope, cost, timing, etc. over the course of 50 years?
 - Future regulatory changes
 - Inflation over time
 - Rate impacts of these unknowns
- Opportunity:
 - 35-year debt structure vs. 50-year agreement
 - Last 15 years of lease debt free = large cash accumulation is possible
 - An opportunity to bring value back to Allentown!



TRANSITION PERIOD (MAY 1 – AUGUST 7, 2013)

- Start a new business from the ground up
 - Recruit & Hire Employees
 - Finance the Deal
 - Implement business functions
 - React to the unexpected

BY THE NUMBERS: AFTER TRANSITION

	8/7/2013	8/8/2013
# of Employees	39	151
# of Water Customers	20,358	52,385
# of Sewer Customers	2,385	35,533
Municipal Customers	10	13
Miles of Water Main	311	615
Annual Operating Budget	\$ 22.3 Million	\$ 42.2 Million
Water Production (Avg. GPD)	8 Million	22 Million
Authority Debt (principal only)	\$ 39.7 Million	\$ 348.8 Million

CONCESSION FINANCING:

USES OF 2013 BOND FUNDS:	
Up-front Lease Payment	\$ 211,332,217
Original Issue Discount	\$ 10,923,457
Capital Improvement Fund	\$ 31,850,565
Debt Service Reserve Fund	\$ 28,090,273
Capitalization Interest Account	\$ 3,450,000
Operations and Maintenance Reserve Fund	\$ 9,199,515
Major Maintenance Reserve Fund	\$ 7,500,000
Cost of Issuance	\$ 5,337,569
* TOTAL:	\$ 307,683,598

*** With interest, a commitment of \$771M over 35 years!**

Fiscal Year	2013A		2013B		2013C		Total	
	Principal	Interest	Principal	Interest	Principal	Interest		
2013	\$ -	\$ 3,927,692	\$ -	\$ -	\$ -	\$ 204,087	\$ 4,131,779	
2014	\$ -	\$ 12,403,238	\$ -	\$ -	\$ -	\$ 644,484	\$ 13,047,722	
2015	\$ -	\$ 12,403,238	\$ -	\$ -	\$ -	\$ 644,484	\$ 13,047,722	
2016	\$ -	\$ 12,403,238	\$ -	\$ -	\$ -	\$ 644,484	\$ 13,047,722	
2017	\$ -	\$ 12,403,238	\$ -	\$ -	\$ -	\$ 644,484	\$ 13,047,722	
2018	\$ -	\$ 12,403,238	\$ -	\$ -	\$ 18,735,000	\$ 644,484	\$ 31,782,722	
2019	\$ -	\$ 12,403,238	\$ 368,001	\$ 81,999	\$ -	\$ -	\$ 12,853,238	
2020	\$ -	\$ 12,403,238	\$ 701,732	\$ 213,268	\$ -	\$ -	\$ 13,318,238	
2021	\$ -	\$ 12,403,238	\$ 996,170	\$ 398,831	\$ -	\$ -	\$ 13,798,239	
2022	\$ -	\$ 12,403,238	\$ 1,258,697	\$ 636,303	\$ -	\$ -	\$ 14,298,238	
2023	\$ -	\$ 12,403,238	\$ 1,493,839	\$ 916,162	\$ -	\$ -	\$ 14,813,239	
2024	\$ -	\$ 12,403,238	\$ 1,693,404	\$ 1,251,596	\$ -	\$ -	\$ 15,348,238	
2025	\$ -	\$ 12,403,238	\$ 1,868,322	\$ 1,626,678	\$ -	\$ -	\$ 15,898,238	
2026	\$ -	\$ 12,403,238	\$ 2,015,021	\$ 2,049,980	\$ -	\$ -	\$ 16,468,239	
2027	\$ -	\$ 12,403,238	\$ 2,143,721	\$ 2,511,279	\$ -	\$ -	\$ 17,058,238	
2028	\$ -	\$ 12,403,238	\$ 2,249,366	\$ 3,015,634	\$ -	\$ -	\$ 17,668,238	
2029	\$ -	\$ 12,403,238	\$ 2,339,586	\$ 3,560,414	\$ -	\$ -	\$ 18,303,238	
2030	\$ -	\$ 12,403,238	\$ 2,421,339	\$ 4,128,662	\$ -	\$ -	\$ 18,953,239	
2031	\$ -	\$ 12,403,238	\$ 2,492,253	\$ 4,737,747	\$ -	\$ -	\$ 19,633,238	
2032	\$ -	\$ 12,403,238	\$ 2,545,451	\$ 5,384,549	\$ -	\$ -	\$ 20,333,238	
2033	\$ -	\$ 12,403,238	\$ 2,587,129	\$ 6,062,872	\$ -	\$ -	\$ 21,053,239	
2034	\$ -	\$ 12,403,238	\$ 2,801,952	\$ 7,243,048	\$ -	\$ -	\$ 22,448,238	
2035	\$ 3,140,000	\$ 12,403,238	\$ 3,169,798	\$ 9,000,202	\$ -	\$ -	\$ 27,713,238	
2036	\$ 3,365,000	\$ 12,246,238	\$ 3,318,505	\$ 10,306,495	\$ -	\$ -	\$ 29,236,238	
2037	\$ 3,545,000	\$ 12,077,988	\$ 3,454,285	\$ 11,720,715	\$ -	\$ -	\$ 30,797,988	
2038	\$ 4,215,000	\$ 11,900,738	\$ 3,440,030	\$ 12,739,970	\$ -	\$ -	\$ 32,295,738	
2039	\$ 21,685,000	\$ 11,689,988	\$ -	\$ -	\$ -	\$ -	\$ 33,374,988	
2040	\$ 23,920,000	\$ 10,605,738	\$ -	\$ -	\$ -	\$ -	\$ 34,525,738	
2041	\$ 26,305,000	\$ 9,409,738	\$ -	\$ -	\$ -	\$ -	\$ 35,714,738	
2042	\$ 28,855,000	\$ 8,094,488	\$ -	\$ -	\$ -	\$ -	\$ 36,949,488	
2043	\$ 31,570,000	\$ 6,651,738	\$ -	\$ -	\$ -	\$ -	\$ 38,221,738	
2044	\$ 22,925,000	\$ 5,073,238	\$ -	\$ -	\$ -	\$ -	\$ 27,998,238	
2045	\$ 24,100,000	\$ 3,898,331	\$ -	\$ -	\$ -	\$ -	\$ 27,998,331	
2046	\$ 25,335,000	\$ 2,663,206	\$ -	\$ -	\$ -	\$ -	\$ 27,998,206	
2047	\$ 26,630,000	\$ 1,364,788	\$ -	\$ -	\$ -	\$ -	\$ 27,994,788	
TOTAL	\$ 245,590,000	\$ 372,475,145	\$ 43,358,601	\$ 87,586,404	\$ 18,735,000	\$ 3,426,507	\$ 771,171,657	

FINANCIAL BENCHMARKS FOR LEASE PERFORMANCE (DASHBOARD)

Trust Indenture:

- Reserve Balances
- Total Fund Cash Balance
- **Debt Service Coverage Ratio**

Others of Importance to Lease Sustainability:

- Total Debt Service (including any new borrowing)
- Net Cash after Debt Service
- Borrowing Level Required for Capital Improvements (Capex)
- **Internal Funding Available for Capex**

LEHIGH COUNTY AUTHORITY
CITY DIVISION - HISTORICAL FINANCIALS

CASH FLOW IN BOND MODEL / CASH-FLOW FORMAT
\$000'S

	Actual 2013	Actual 2014	Actual 2015	Actual 2016	Prelim. 2017
NET OPERATING CASH FLOWS (ANNUAL)	5,275	643	(3,763)	3,358	600

OPERATING CASH BALANCE

Beginning Operating Cash Balance	-	5,166	5,809	2,046	5,404
Net Cash Flows (From Above)	5,275	643	(3,763)	3,358	600
Transfers	(109)	-	-	-	-
Investments	-	-	-	-	-
ENDING OPERATING CASH BALANCE (CUMULATIVE)	5,166	5,809	2,046	5,404	6,004
Results of 2013 Bond / Bid Model (2013-2017)	1,736	4,199	6,609	8,756	11,773

PROJECT RESERVE CASH BALANCE

Beginning Balance	-	18,162	14,681	7,401	1,025
Maturities (Investments)	(13,689)	1,899	(86)	6,000	4,000
Cash From Operations	-	-	2,800	1,501	6,361
Borrowing	31,851	-	-	-	-
Capex	-	(5,380)	(9,994)	(13,877)	(7,902)
ENDING PROJECT RESERVE CASH BALANCE	18,162	14,681	7,401	1,025	3,484

OTHER CASH RESERVES

Beginning Balance (includes DS, MM, OP, ACP & Capex Reserve balances)	-	53,460	7,836	29,639	33,872
Net Activity	53,460	(45,624)	21,803	4,233	5,739
ENDING OTHER CASH RESERVES BALANCE	53,460	7,836	29,639	33,872	39,611
TOTAL CASH BALANCE	76,788	28,326	39,086	40,301	49,099

DEBT SERVICE COVERAGE RATIO	2.26	1.43	1.21	1.43	1.34
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TODAY'S CHALLENGES

- 2013-2017 budget performance show financial benchmarks are being met, BUT...
 - Initial borrowing for capex will be fully utilized in 2018
 - 2018 bond payment of \$31.8M includes \$19M principal payment that will require refinancing (as noted in bond docs)
 - Cash accrued 2013-2017 is not adequate to fund future capex, so additional borrowing will be required for capex beginning in 2018
 - This condition was predicted and noted in the bond documents
 - Actual performance is lower than anticipated due to lower revenues
 - New borrowing will create additional pressure on critical financial benchmarks
 - Need to begin generating additional revenue for future escalating bond payments & capital improvements



NEXT STEPS

- 4/23 Presentation of Financial Evaluation Study:
 - Full lease financial model (2018-2062)
 - Decide on revenue enhancements (rate review & affordability analysis)
 - Set schedule for refinancing 2013C bond series
 - Capital improvements review – impact of phasing and prioritization
 - Other enhancements / recommendations



DISCUSSION