




Lehigh County Authority

Every drop matters. Every customer counts.

Organizational Review – LCA History

- ▶ Formed in 1966 to provide wholesale water service to Lehigh County municipalities
 - ▶ Transformed into an operating Authority in 1969 to serve industrial development in the area
 - ▶ Over the next 40 years, successfully transformed the fragmented utility services in Western Lehigh County into a regional approach, now serving most of the communities adjacent to Allentown, and interconnected with Allentown
 - ▶ Meeting rural community needs through operation of smaller “satellite systems” in outlying areas of Lehigh and Northampton counties.
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Looking Ahead

▶ LCA's Mission Statement

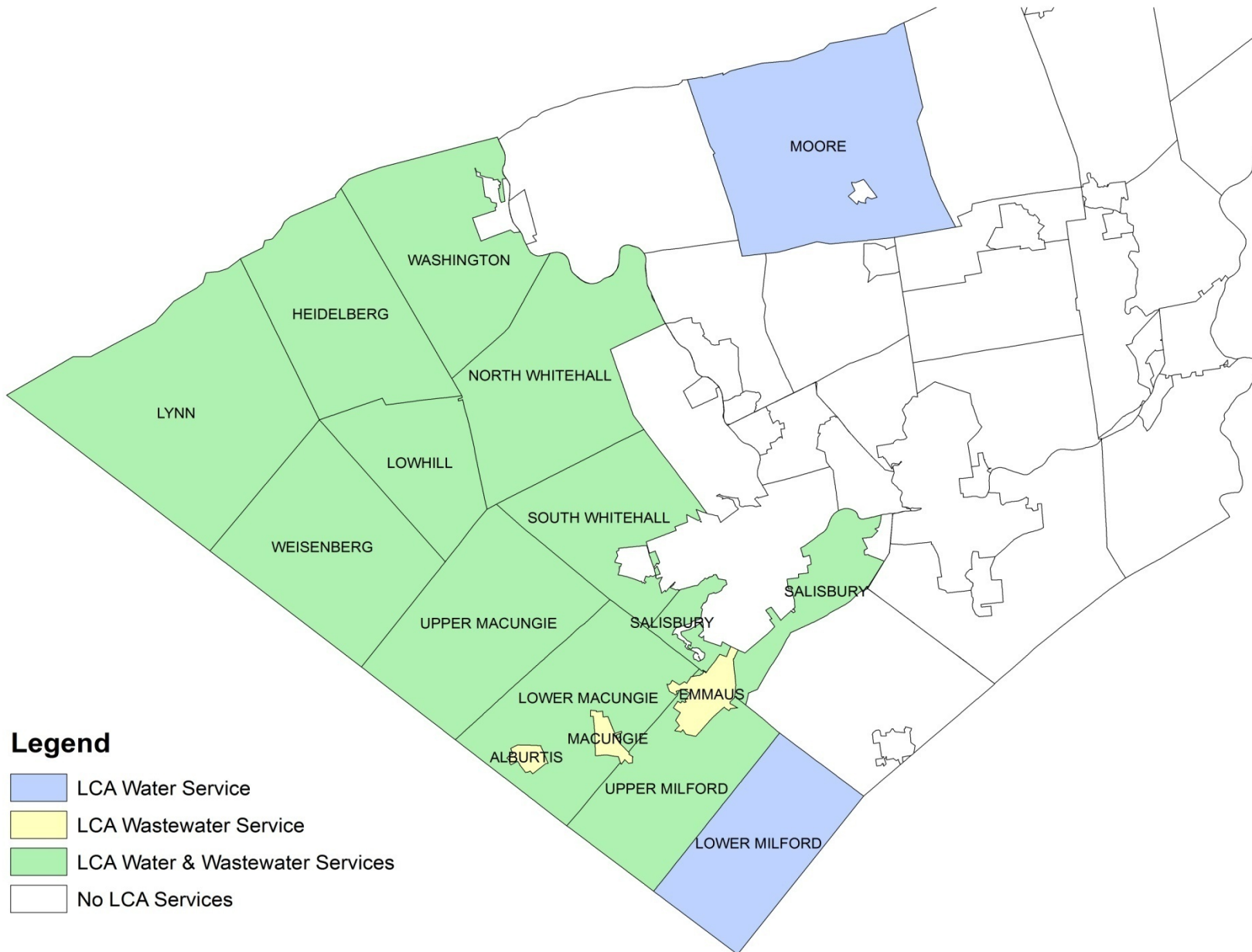
- To provide continually improved, sustainable, affordable and reliable water and wastewater service in the Lehigh Valley region which meets the needs and expectations of existing and future customers.



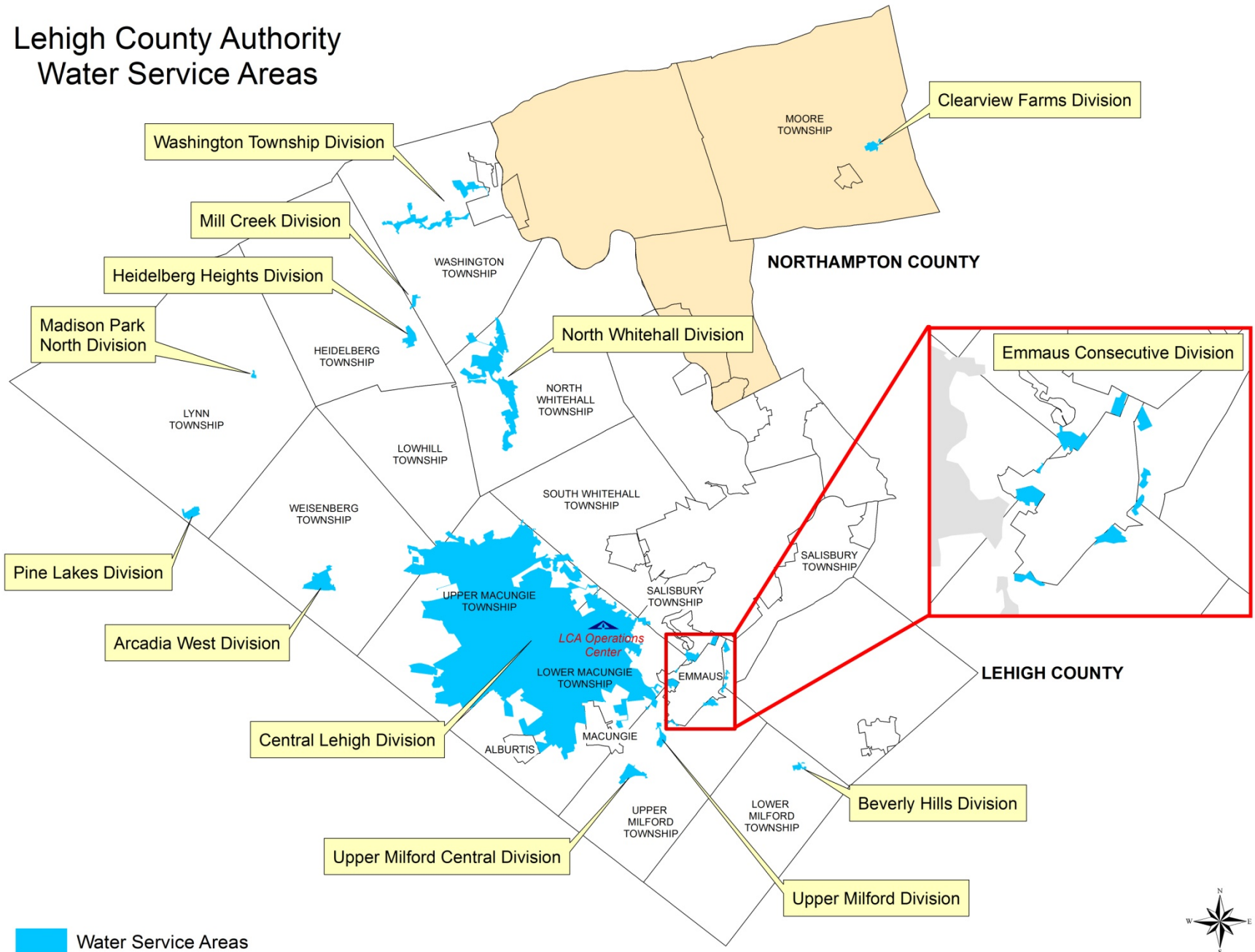
**Lehigh County Authority
Water & Wastewater Services**

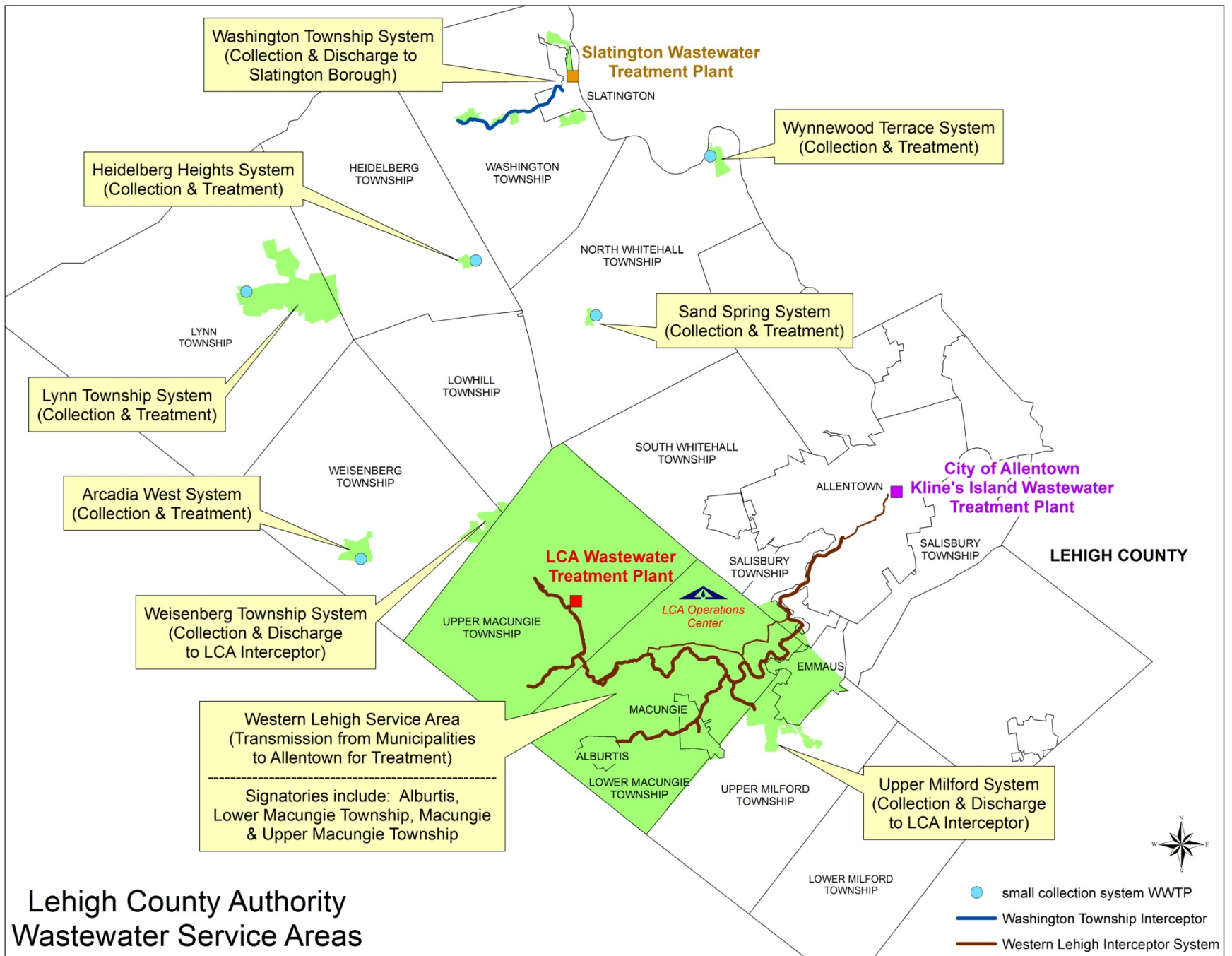
Lehigh County Authority

Municipalities Served by LCA Water and Wastewater Systems



Lehigh County Authority Water Service Areas





Organizational Review – LCA Today

- ▶ Approximately 22,500 customers in 16 townships, serving more than 55,000 people
- ▶ Governed by a 7-member Board of Directors, appointed by the County
- ▶ 39 employees offering 24-hour service
- ▶ \$24 Million Operating budget in 2013
- ▶ 10-year Capital Plan totaling \$150 million



**Lehigh County Authority
Water & Wastewater Services**


Financial Performance

- ▶ Rated AA by Standard & Poor's
- ▶ Key Financial Measures (2012 Unaudited)
 - Total Assets – \$ 223.6 MM
 - Total Liabilities – \$ 46.2 MM
 - Net Assets – \$ 177.4 MM
 - Total Operating Revenue – \$ 23.0 MM
 - Total Operating Expenses – \$ 21.3 MM

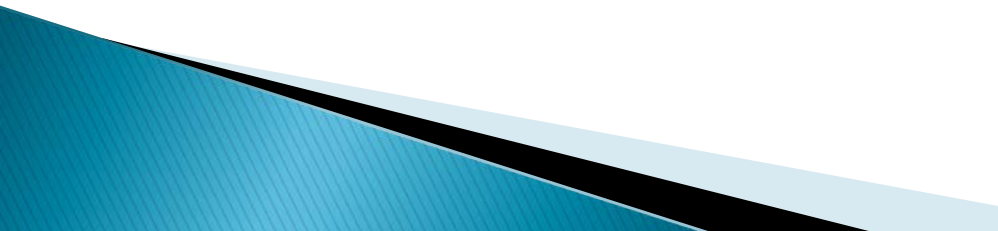


**Lehigh County Authority
Water & Wastewater Services**

What's a Municipal Authority?

- ▶ Independent public agency, formed by a municipality to serve a specific purpose under State law (Pa. Municipality Authorities Act)
 - ▶ Municipal Authorities are supported by service revenue, not taxes.
 - ▶ The State law was structured to allow a Municipal Authority to act independently. The influence of the municipality is restricted to appointment of a Board of Directors, or dissolution of the Authority.
 - ▶ This legal structure allows a Municipal Authority to provide services in a professional and independent manner, charging user rates to recover costs.
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LCA's Municipal Authority Structure

- ▶ Formed by the County of Lehigh for the purpose of providing water and sewer services in Lehigh County.
 - ▶ LCA provides essential utility services to protect the environment and the public health of Lehigh County.
 - ▶ LCA has long-term service agreements with the municipalities we serve, and the municipalities (not LCA) govern where those services are extended
- 

Allentown customers will benefit!

- ▶ LCA is eligible for grants and tax-exempt financing, which equates to lower cost of service
- ▶ Customers' rates are based on actual cost of service, which includes operating costs, overhead, debt service and bond coverage
- ▶ Long-term, regional, non-profit perspective provides protection for ratepayers, public health and appropriate use of environmental resources



**Lehigh County Authority
Water & Wastewater Services**

LCA Accountability & Transparency


LCA is PUBLIC and NONPROFIT

- Meeting are advertised and open to the public
- Rate-making practices must withstand tests: Uniform, Reasonable and Cost-of-Service!


LCA information is open for review, and most documents are already online:

- lehighcountyauthority.org and allentownwatersewer.com

Come to our meetings!

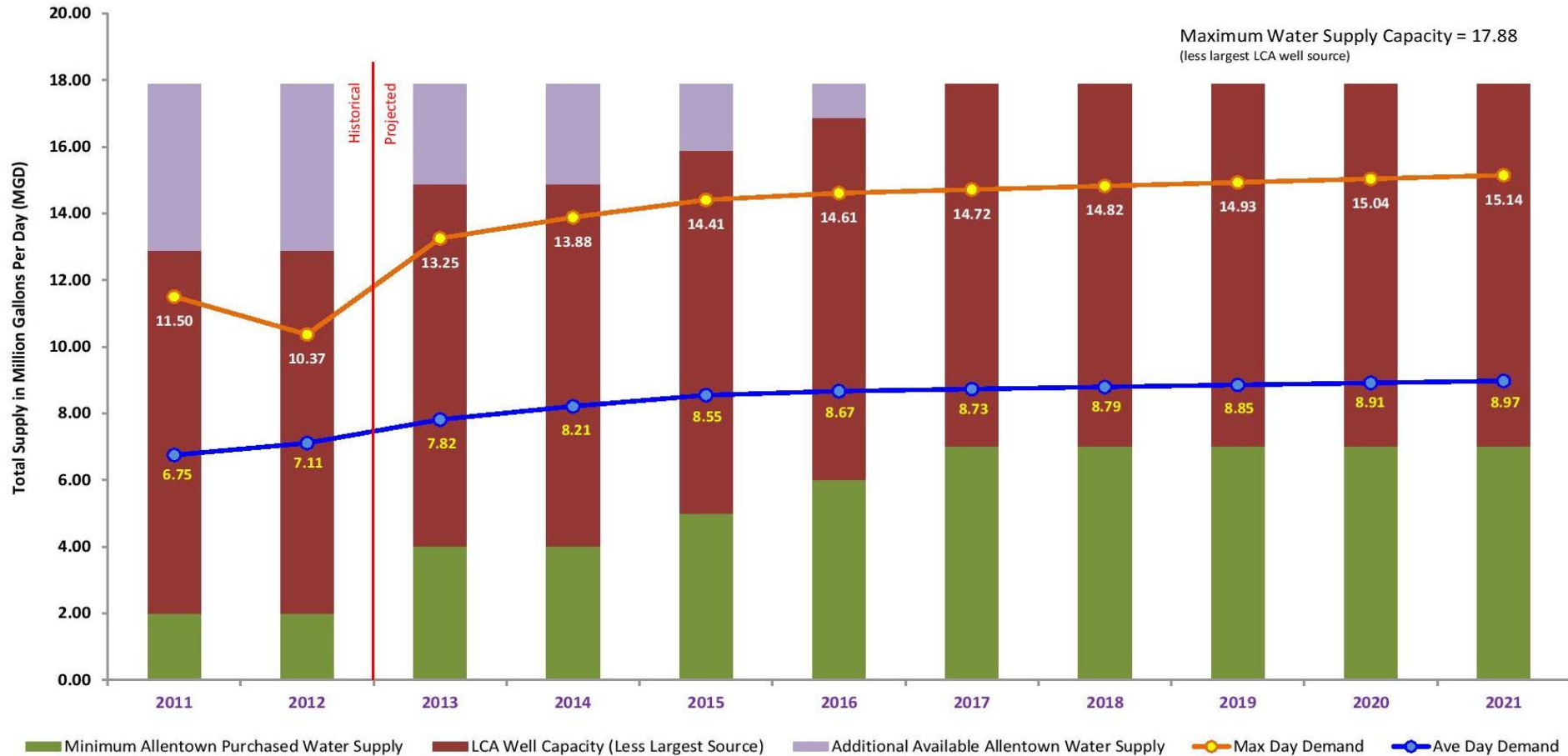
- Board meetings, 1st and 3rd Mondays, Noon at LCA
 - Public meetings planned throughout summer months to share ideas and talk with customers, employees and municipal officials
- 

So, why did LCA bid?


- ▶ LCA is the city's largest water and wastewater customer.
 - ▶ It is LCA's duty to our customers to evaluate any project that could affect the cost or quality of the services we provide.
 - ▶ LCA's responsibility to the public was to thoroughly analyze the impact of this concession lease on the communities we serve.
 - ▶ LCA considered all the pros and cons – risks and rewards – associated with the Allentown concession lease.
 - ▶ Through our evaluation, it became clear that the community would be best served by LCA's participation in the process by submitting the most competitive bid we could responsibly offer.
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Safe Yield Supply

Central Lehigh Water Capacity Projections



Formulating LCA's Bid:

- ▶ Allentown's Concession Agreement provided the basis for the bid, which included evaluation of:
 - ▶ Future Revenues
 - Existing revenue levels
 - Rate caps
 - Growth projections (LVPC)
 - Municipal agreements still in force
 - ▶ Future Expenses
 - Existing water & sewer expenses
 - Employee commitments
 - Capital improvements (pre-funded and pay-as-you-go)
 - Operating standards
- 

Financing the Deal

▶ Investment-Grade, Tax-Exempt Bonds

- This structure provides lowest borrowing cost

▶ 30-Year borrowing period

- Bonds would be financed based on revenues generated in the first 30 years
- Longer term financing period allows LCA to lock in on low rate to reduce borrowing costs

▶ 1.25 Debt-service coverage

- Restricts LCA from “over bidding” due to bond coverage requirements – must be able to demonstrate that for every \$1 of debt service, LCA will have \$1.25 available to pay it

▶ Using LCA financing terms:

- LCA's bid of \$220 Million is responsible, conservative and realistic, and fully covered by revenues generated by the rate caps within the 30-year financing period.

Some additional thoughts:

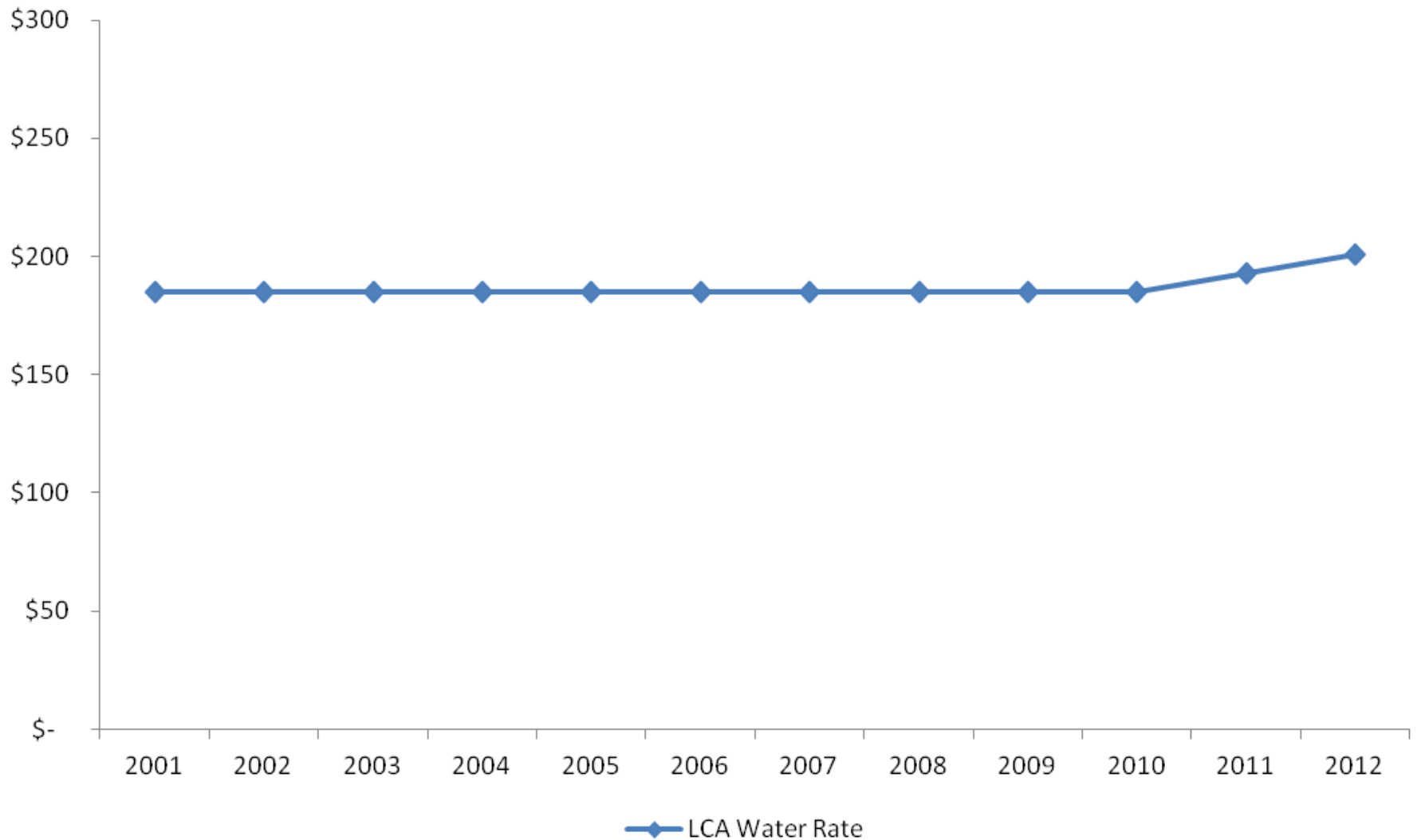
- ▶ What happens to the additional revenue that could be generated after bond costs are paid?
 - The additional revenue does not have to be generated
 - LCA is non-profit, and our rates will only reflect the cost of service.
 - Infrastructure improvements, system enhancements and capital expense can be covered as well
 - Capital costs can be funded on a pay-as-you-go basis, avoiding additional financing costs



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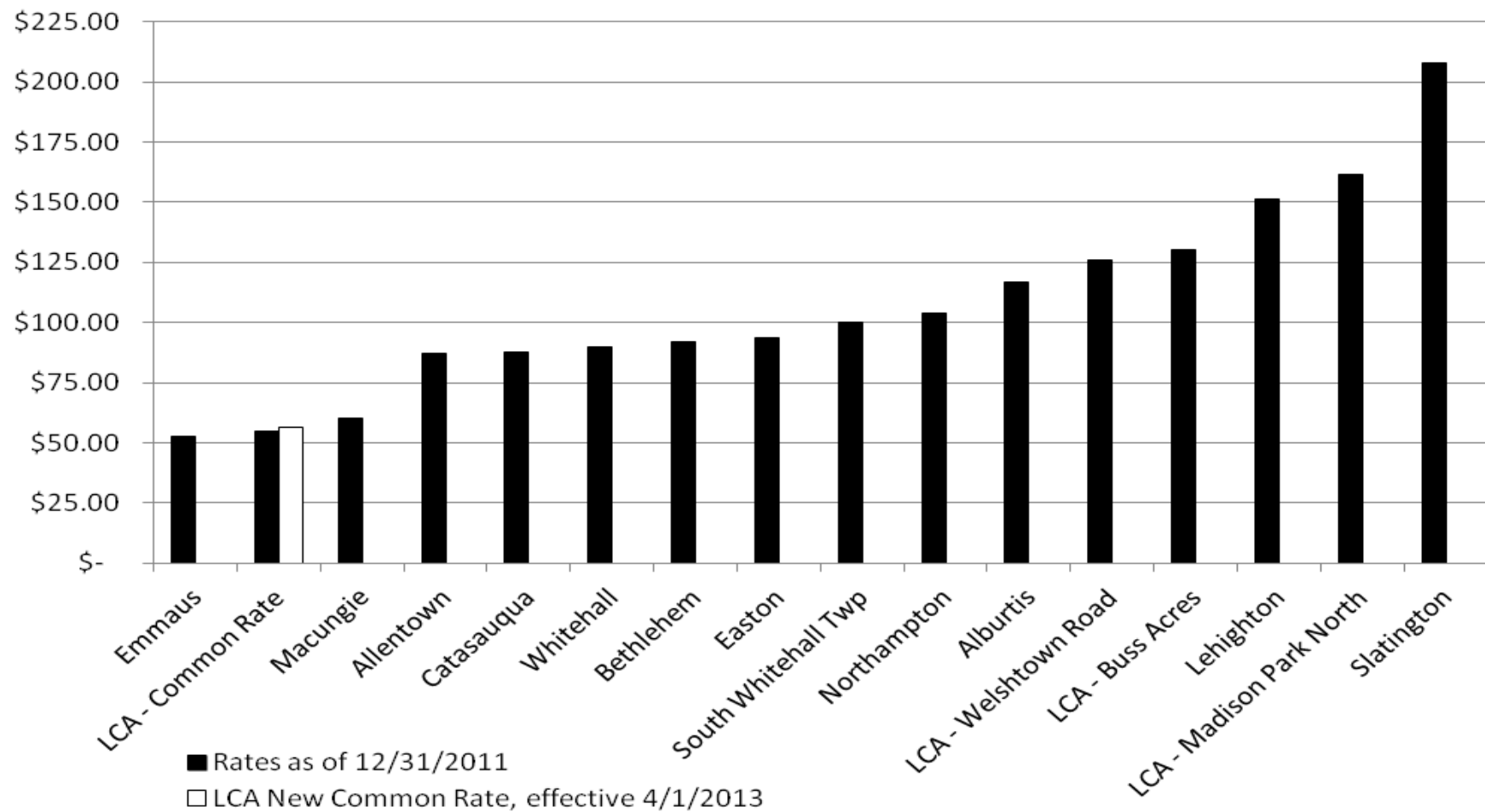
LCA Financial Performance

History of Controlling Costs to Customers



Comparative Rates

How LCA's Water Rates Compare Across the Lehigh Valley
Quarterly residential water bills, based on 20,000 gallons of water used



Allentown Concession Agreement

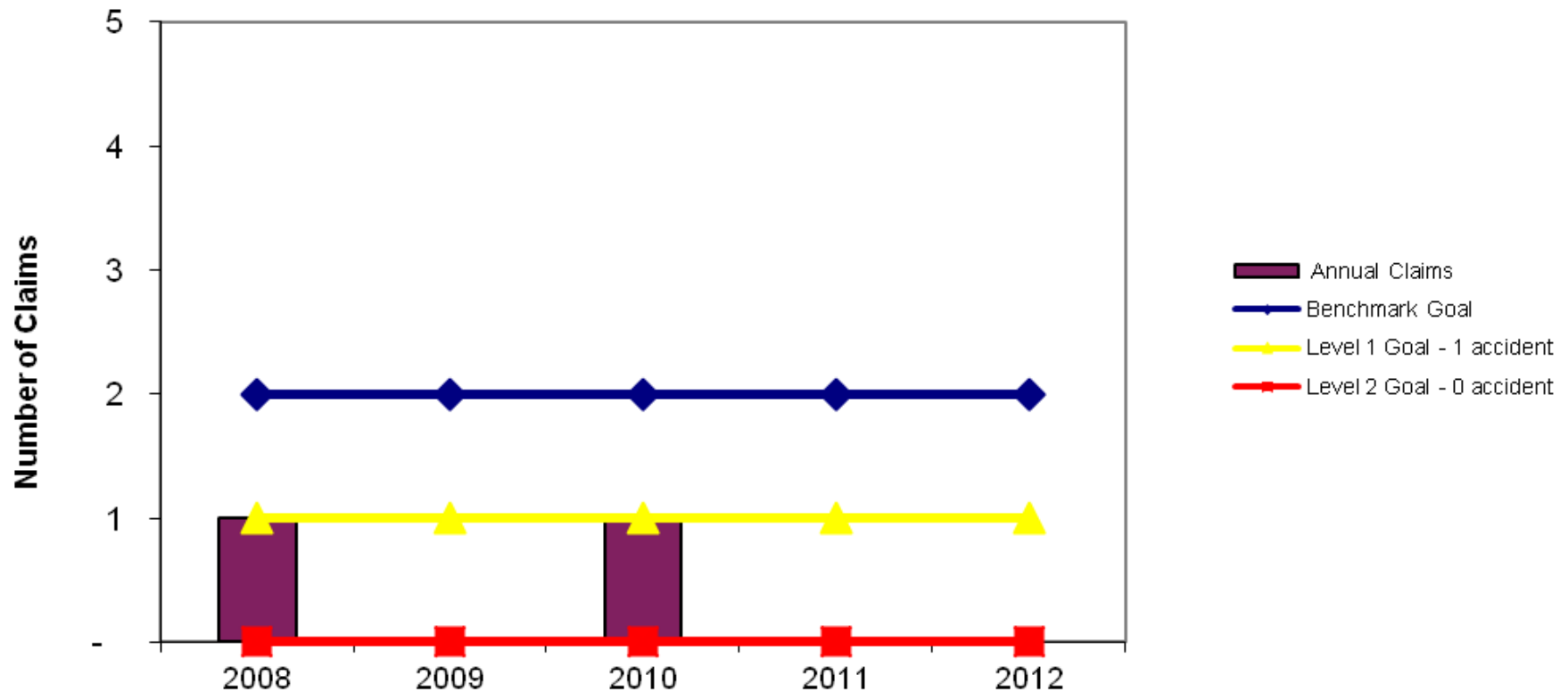
- ▶ **Employees** – LCA welcomes all union and key employees! We look forward to offering them stable employment and benefits that are similar to what they already have, including a PMRS pension under LCA's program.
- ▶ LCA operational employees are unionized.



**Lehigh County Authority
Water & Wastewater Services**

Operational Overview

LCA Benchmark – Employee Safety



Definition of Claim: Loss of consciousness, one day of lost time or medical treatment beyond first aid.

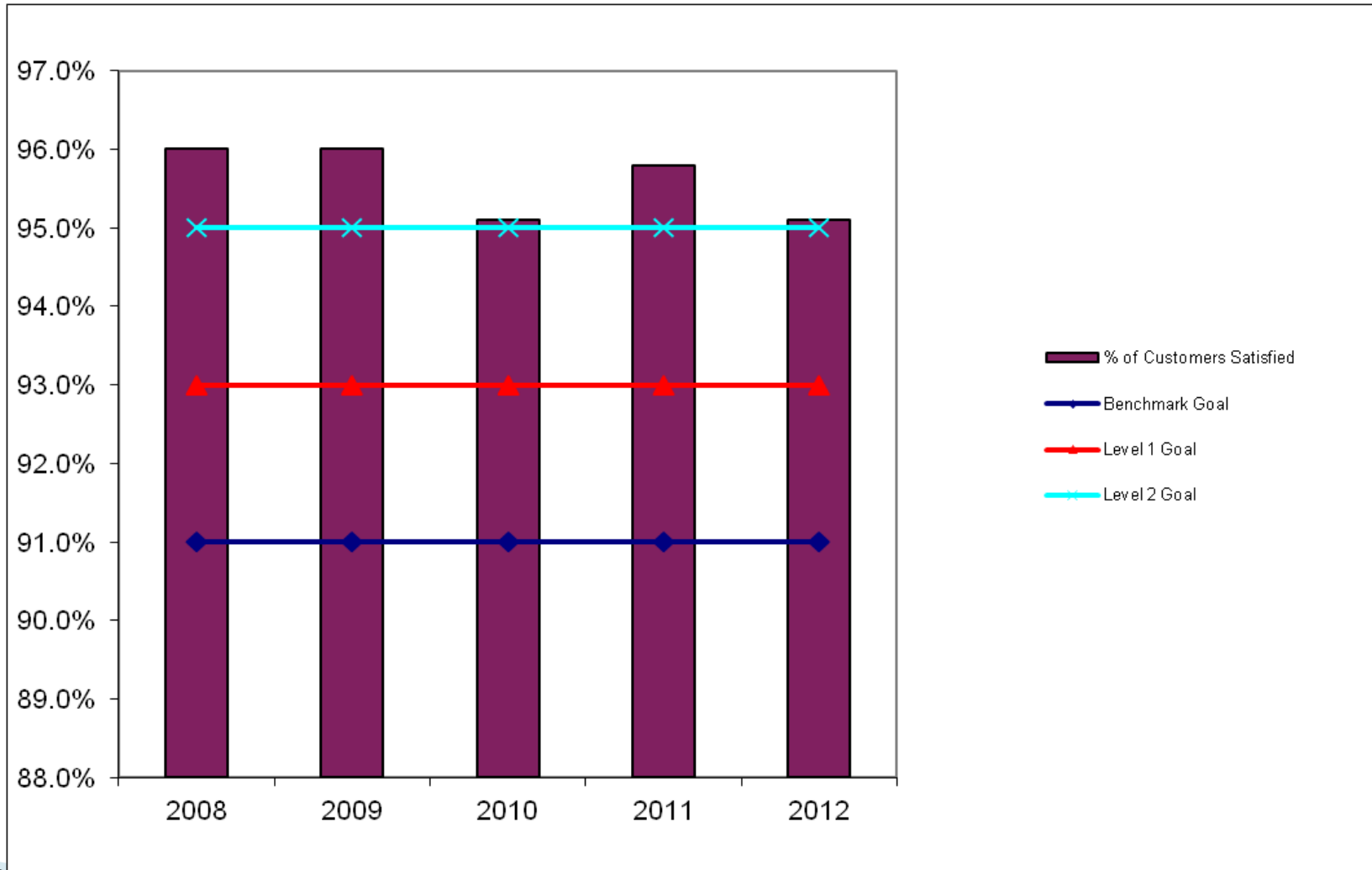
Allentown Concession Agreement

- ▶ **Service** – LCA's customer service record sets the bar very high, and the city's customers will be offered that same level of care.



**Lehigh County Authority
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Customer Service Satisfaction



Allentown Operating Standards

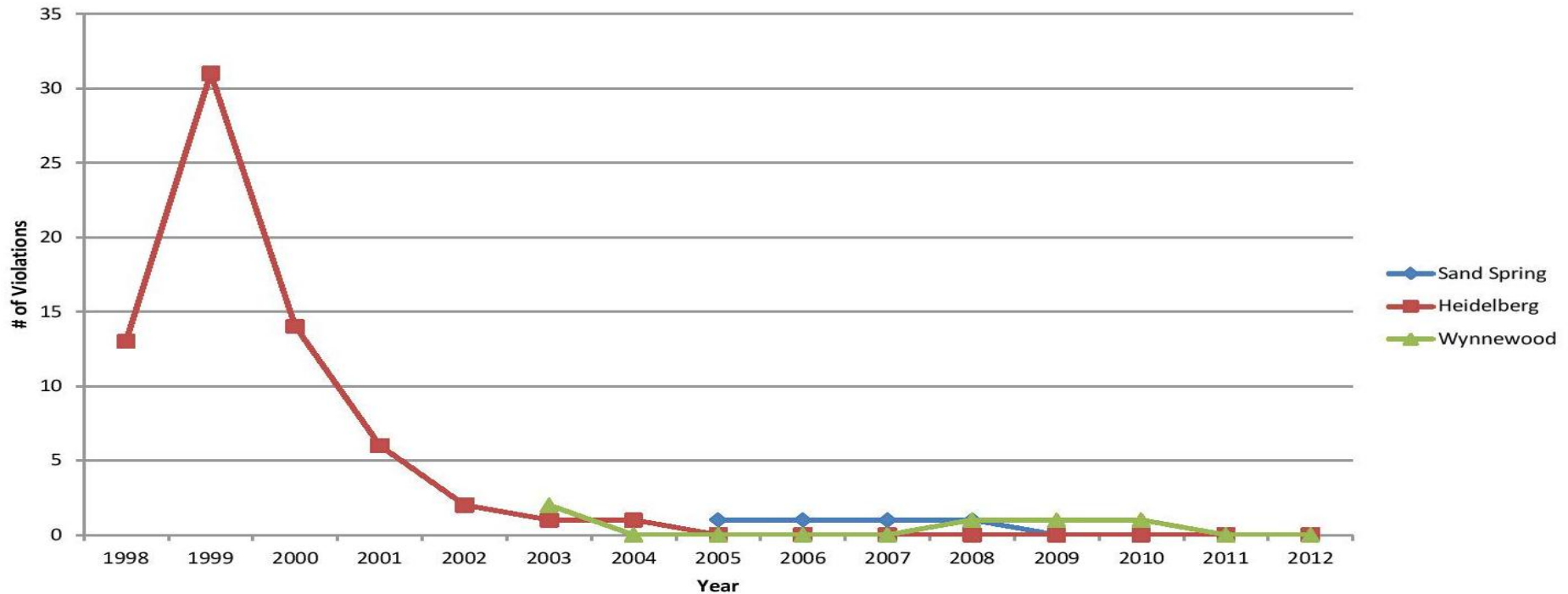
- ▶ The Operating Standards included in the Allentown lease are challenging!
- ▶ Because LCA is already familiar with the City's water and sewer assets, we are comfortable that they can be achieved.
- ▶ Plant Performance & Regulatory Excellence – These standards are being met today by City employees, and will continue to be met by LCA.
- ▶ Measurable goals and accountability are hallmarks of LCA's performance history too!



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Water & Wastewater Services**

Regulatory Performance

**LCA Small Wastewater Treatment Plants
Regulatory Compliance**



LCA took ownership of these WTPs on the following dates:

Heidelberg Heights - September 29, 1998*

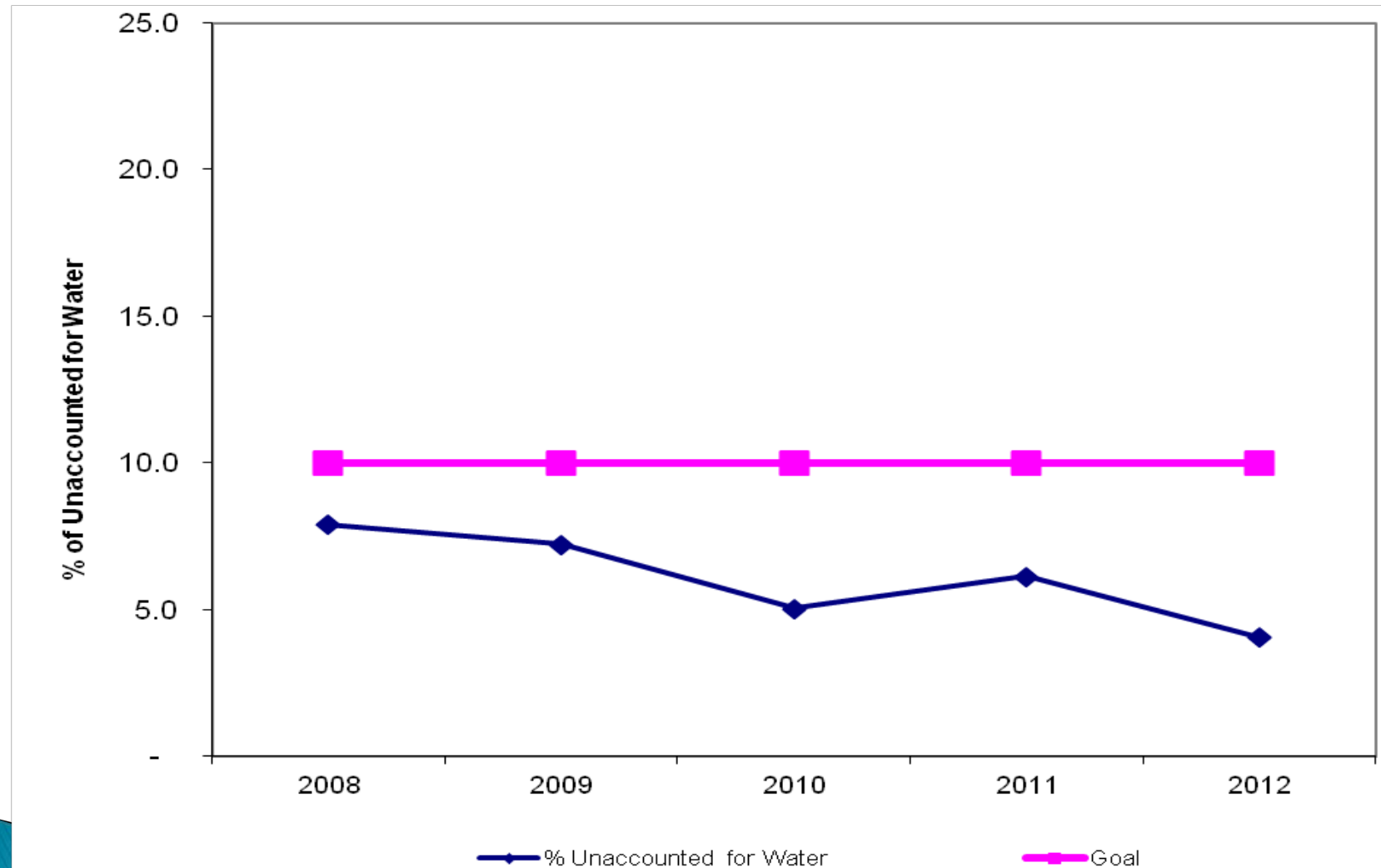
Wynnewood Terrace - July 11, 2003

Sand Spring - April 26, 2005

*October 17, 2000 - New WTP Final Inspection by DEP

Preventative Maintenance

LCA Benchmark – Unaccounted For Water



Capital Expenditures

	2008	2009	2010	2011	2012
Water	6,993,139	6,761,236	9,145,612	4,898,517	3,833,681
Wastewater	2,960,938	4,957,816	7,394,934	3,944,304	3,674,011
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Total	\$ 9,954,077	\$ 11,719,052	\$ 6,540,546	\$8,842,821	\$ 7,507,692
5 Year Total	\$ 54, 564,188				



**Lehigh County Authority
Water & Wastewater Services**

Capital Planning & Leadership

Sewer Wet Weather Flows

Sewer Capacity Assurance & Rehabilitation Program (SCARP)

- ▶ Purpose: Provides a formalized method for evaluating and prioritizing sewer rehabilitation projects
 - Western Lehigh SCARP Partnership
 - LCA and the LCA Signatories
 - Shared goals and interest for success
 - 2 Phase Process
 - Investigation Phase
 - Implementation Phase



**Lehigh County Authority
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Capital Planning & Leadership

Sewer Wet Weather Flows – Costs shared by all parties

- ▶ Flow Equalization Basin (FEB)



- ▶ Wet Weather Operating Logic



**Lehigh County Authority
Water & Wastewater Services**

Summary

- ▶ LCA is prepared to do the job outlined in the concession agreement & operating standards
- ▶ Our offer in the bid process was based on thorough review of these factors to minimize future rate risk to customers
- ▶ There are many other reasons why LCA is a great choice for this contract!



**Lehigh County Authority
Water & Wastewater Services**

What LCA Offers

- ▶ LCA is a public, nonprofit, tax-exempt municipal authority.
- ▶ LCA offers the lowest cost of borrowing, so we can offer a competitive bid that costs the customers less in the long-term.
- ▶ LCA has no investor profit motive, so every penny we collect in rates is returned to the system.
- ▶ Because our rates reflect only the costs associated with running the system with no shareholder profit on top (called a cost-of-service model), we ultimately offer the lowest cost to customers.
- ▶ LCA will be able to offer Allentown's water employees a benefit package, including pension, very similar to what they already have.



**Lehigh County Authority
Water & Wastewater Services**

What LCA Offers

- ▶ No other bidder is as familiar with the city assets as LCA.
- ▶ LCA has long-standing water and sewer agreements with the city, so we understand the financial and community impacts of changes to the system operations and cost structure.
- ▶ Our water system is interconnected with Allentown's, and LCA is Allentown's largest water customer, so we have a major stake in the outcome of the lease.
- ▶ LCA and Allentown water employees have worked together for decades! We know each other and understand how the systems work. This will result in the smoothest transition for employees and customers alike.



**Lehigh County Authority
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What LCA Offers

- ▶ LCA is the only bidder with a non-monetary stake in this lease.
- ▶ We are the utility who cares about the local needs, and who can fully evaluate and mitigate the impacts of the lease on the customers of the city and neighboring communities.



**Lehigh County Authority
Water & Wastewater Services**

Questions for LCA?

Every drop matters. Every customer counts!

