LEHIGH COUNTY AUTHORITY

PUBLIC HEARING

Taken in the Lehigh County Government Center, 17 South Seventh Street, Allentown, Pennsylvania on Thursday, May 17, 2018 at 7:00 p.m., by Melissa Bartman, RPR.

VERITEXT LEGAL SOLUTIONS
Mid-Atlantic Region
4949 Liberty Lane, Suite 200
Allentown, PA 18106
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Veritext Legal Solutions
DR. DEEGAN: Good evening, everyone.  
Can we have a seat? We're going to get started, please. 
Thank you. Good evening and welcome. 
Thank you for attending this evening and taking part in this process. 
The purpose of this meeting is to gather public information on the Lehigh County Authority's proposed change to monthly billing and rates for all City of Allentown customers. 
My name is Dr. Michelle Deegan. I will serve as your moderator this evening. I am a professor of political science at Muhlenberg College and the founding director of the Lehigh Valley Research Consortium, which is a collaborative Lehigh Valley focus research center of The Lehigh Valley Association of Independent Colleges. 
I am also a resident of the Lehigh Valley, but not the City of Allentown or Lehigh County. I have no affiliation with Lehigh County Authority, and I am not a customer. I do not serve on the board or have any other relationship with authority -- The Authority. I am strictly acting on their behalf this evening to facilitate this meeting and gather your input. 
Jessie, would you please ask if there is
anyone who would like to deliver their input in Spanish?

    JESSIE MORALES: (Inquired in Spanish.)

    DR. DEEGAN: Thank you very much. So let's begin with some housekeeping. Please look around the room and identify the exit doors nearest you in case of an emergency.

    Please silence all cell phones and electronic devices at this time.

    Restrooms are located out of the doors and to the right and then you make a left and go down the hallway. Please use the restrooms as you need to. There will be no breaks during the meeting.

    Now I will explain how the meeting will be run.

    We will begin with a brief presentation from the Lehigh County Authority. In the interest of time, questions will not be entertained during or after the LCA presentation.

    After the presentation, I will call the first speaker to the podium, as well as a speaker on deck. Please note if you wish to provide testimony but didn't preregister or sign up when you came in, please see the attendant to add your name to the list.

    And if Susan can raise her hand. Susan is right there. There she is. Thank you.
We will call speakers in the order we receive the names.

You may also use the forms available on the table at the door to submit a question, as well as written input for the record.

So the forms look like this if you want to add some questions or have some input and you don't wish to speak.

After I call the first speaker to the podium, I will also call the next speaker on deck, who will sit at the chair behind the podium. So over by the desk.

After the speaker finishes, I will call the next speaker and the next person on deck. When you get to the podium, please clearly state your first and last name and indicate if you are an Allentown water and sewer customer.

Each speaker will have three minutes to deliver your remarks.

The timer will be projected on the screens to inform you of how much time is left. It will be reset for each new speaker.

Once the time is up, you will be asked to stop talking and take your seat.

Please be respectful of all of the other
speakers and end when your three minutes is up.

When you have finished speaking, you may return to your seat and listen to the remainder of the meeting, or you may quietly exit the room if you don't wish to stay.

If you have additional comments that could not be captured in your allotted time, please use the form to share your additional input.

You may also add your name to the end of the list to be -- to be offered an additional time slot after all other speakers have had a first opportunity to speak. Time permitting, of course.

In order to fully capture your input, which is important to this process, please speak towards me. If you move from the microphone, it may cause something to be missed, and we don't want that to happen.

Your comments are being captured this evening by video recording as well as by a stenographer. Please speak in a respectful and clear tone. Profanity, shouting and arguing will not be tolerated. The audience must remain quiet at all times allowing the speakers remarks to be captured for the record.

Again, your input is an important part of this process, as we are hoping to capture as much
input as possible.

This meeting ends promptly at 9 p.m.,
per our agreement with the Lehigh County Government Center.

Again, due to time constraints,
questions will not be entertained this evening.
However, you may submit questions on the form provided,
returning them to the collection box on the table outside the exit doors.

If you leave an email address on the form, an LCA representative will send you a copy of the information, questions and responses gathered from tonight's meeting.

All comments made this evening will become public record, and a transcript will be posted to the LCA website.

Additionally, all public input gathered will be packaged and delivered to the LCA board of directors for their consideration.

Anyone who is not able to deliver remarks in person this evening is welcome to use the tools outlined on the Authority's website to submit their input in other ways. You can visit www.lehighcountyauthority.org for instructions and information.
At this time, I would like to introduce the CEO of Lehigh County Authority, Liesel Gross.

Please note that Liesel will not be answering questions in order to reserve as much time as possible for public input.

Again, please use the form provided to share input in writing and to submit questions.

Forms may be dropped in the box provided on the table near the entrance.

I'll turn it over now to Liesel.

MS. GROSS: Thank you.

Thank you, and good evening. I'm speaking from here so that I can also be recorded. And we do have some slides that will go up on the big screen in a second.

Are we online? There we go. Start with the blank slide. Thank you and good evening.

We're here tonight to discuss the difficult decisions that Lehigh County Authority must make regarding financial sustainability of the Allentown water and sewer lease, which includes the necessary but tough discussion about rates.

Raising the cost to our customers is not something that we go into lightly. We wouldn't be here if it wasn't absolutely necessary to have this
I'm going to spend a little bit of time reviewing the needs of the system, and why we're considering the change, and what it means to you. But that's really not the true purpose for the meeting. Recognizing the impact to our customers, it's important that we hear from you directly.

We want to hear what you have to say, and we would like to use your feedback constructively to help us make decisions in the future to address the concerns of the community.

Before I get started, there are two handouts I hope everyone received. One is a copy of what I'm presenting, and another is a few fact sheets with some supplemental information for you.

So let me start with some important reminders about who we are.

I need a little technical assistance here.

There we go. Some important reminders about who we are.

Who is Lehigh County Authority?

LCA is operated as a municipal authority structure. We're governed by the Pennsylvania
Municipality Authorities Act. We are local. We are non-profit. We're a public organization.

We're governed by a board of directors that's appointed by the County of Lehigh, and three of our current board members represent Allentown.

LCA is here for a single purpose, and that is to provide reliable, safe drinking water and waste water services to our community and to protect the public's health and the environment.

We do not generate any tax revenue. All of our revenue is generated through our water and sewer rates, and all revenue is returned to the system to cover actual expenses with no shareholder profit to worry about.

The costs we're going to talk about tonight cannot be covered by any other source but through the rates.

So as a public organization, we are accountable to you, and you own the system.

With that in mind, I'd like to spend a very brief moment on some background about the water and sewer lease. More detail is available in the handout about how the lease works financially.

But we're really not here to talk about whether the lease was a good idea or a bad idea. It's
really just to provide some background about how we got here.

In 2012, when this started, the city --
the city's pension debt was the driver for the lease.
And this is an issue that stems back more than a decade
into Allentown's history.

For the lease to work, the city required
a large up-front payment to pay its debts and made that
clear through the process of finding qualified bidders
for the water and sewer lease.

The pension debt is an expense that the
city citizens must pay somehow. At the time, city
officials were stating that they were estimating a 35
percent increase in taxes if the lease didn't go
through.

So we believe that under the lease
structure, LCA, as your local non-profit public agency,
still provides the best long-term value to Allentown.

It doesn't mean it will be easy. It
certainly won't be. And paying these debts will cost
citizens of Allentown, there's no doubt about that.

We recognize that increasing your water
and sewer bill to pay this debt burden is a lot to bear.

So while the debt of the lease is a
critical component of LCA's financial challenge, we also
have the challenge of operating and maintaining the water system in Allentown.

In the handout, there is a -- a sheet that shows some key statistics about the system that we operate, such as the 600 plus miles of water and sewer line that are buried under Allentown streets. The fact sheet looks like this if you want to see that information.

We're also -- parts of the system include 8,000 valves, 6,000 manholes. We conduct 64,000 labs tests every year to ensure your water is safe and your waste water meets environmental standards.

We have 102 employees who are dedicated to the Allentown system and to you. So this is a large system. And it's an old system.

Over the past decade or so, system maintenance has been deferred to meet the -- to make ends meet in Allentown. We understand that. But it can't continue. While we're working hard to maintain and upgrade the system, we are also looking for operational efficiencies.

Since 2013, we learned a lot about how the system operates and what our long-term needs are. Going into the lease, we expected we would be able to find some efficiencies. And the chart that's on the
screen now shows some comparable information.

I just want to put a caveat there for the reporters in the room. That the information that I'm showing for Allentown is taken from their request for qualifications and their budget documents. There's probably some costs in there that I'm not aware of that may not be apples to apples necessarily.

However, this is the representation of what we -- what we understand Allentown's costs were to operate the water and sewer system from 2007 to 2011.

And you can see from 2014 to 2018, we've shaved quite a bit from those costs in the way LCA currently operates.

We're also operating at a very high level. You can see in the handout there's a lot of maintenance, preventive maintenance, that's required under the terms of the lease, and we're doing a lot more than that as well.

Much of the maintenance and system improvements we are completing just hadn't been done in quite a while, and some system improvements are long overdue.

Some examples are listed on the handout, including replacement of the filters at the water treatment plant. Those are about a decade or so past
due to be replaced.

Same thing with the electrical substations at the waste water plant that were installed in the 1960s and '70s, and are overloaded and need to be replaced.

We do understand the city needed to defer some projects. There's no shame or blame in making that statement.

We just need to acknowledge that these are projects that have been deferred and need to be -- need to be completed.

We really can't defer them much longer because it puts the Allentown residents at risk for failure of our systems.

So now that we have a firsthand look at the condition of the system and more operational experience in Allentown, we're estimating we will require about 1.3 billion dollars of capital improvements over the next 45 years.

This slide shows a summary of those system improvements by category or system components.

We do take our job of operating and maintaining your water and sewer system very seriously.

Ultimately, what we'd like to do is return the system to Allentown in 2063 when the lease
ends. We would like to return it to Allentown in good
operating condition.

    But we do understand that doing so will
require us to make some difficult condition decisions
about how we pay for all of this work.

    So where are we today?

    The debt schedule that's shown on the
screen now is an important component of our financial
picture under the lease. This is the original debt from
the 2013 bonds that we issued to fund the lease and must
be incorporated into our finances through the rates.

    There's really no getting around that.
These debts must be paid. And unfortunately, the debt
service payment takes away from what we can spend on
system improvements.

    There's also a handout in your packets
that shows a five-year cash flow from 2013 to 2017, one,
two, three, four, five. Yep, got that right.

    Five-year cash flow statement for the
first really four and a half years of operating the
system.

    You can see on that statement that we
have been able to generate some positive cash flow
through the operation of the water and waste water
system.
However, a lot of that is due to the fact that we pre-funded system improvements for the first five years by borrowing an additional $32 million for projects.

That initial project funding is now depleted. So we need to think about how we're paying for the next block of improvements that are needed.

I'm going to spend just a couple minutes looking at where we are with 2018 and what this looks like.

This is a little small on the screen, but you do have a copy on the handout as well.

For this year, we've estimated $33 million in revenues, about $17 million of operating expenses, and on top of that, we have the $13 million in debt, plus half a million dollars to the city for that annual lease payment.

That results in having $3 million remaining to pay for system improvements. But we have nearly $10 million planned for this year alone.

Those improvements are shown on this screen. Again, this is small, but it is in your handout. It includes a mix of projects that are required by the lease, such as two miles of water --
water main replacement that are required to be done, as well as work to begin replacing those -- those aging -- aging components such as the replacement of the electrical substation at the waste water treatment plant.

How we make up the difference between what we have available and what we need to complete the work, there's really just three basic strategies that LCA has available.

First is to defer or eliminate projects. We can certainly do that for some projects, but we also need to keep in mind that most of these projects have already been deferred and need to be completed for the sustainability and operation of your system.

We could borrow more, and issuing new debt is a possibility. But it's problematic at this point because our revenues are lower than expected and new debt simply adds more interest expense to the system. And it takes away from what we can actually spend on projects.

And then the third option is to increase revenue through rates. And that allows us to do the projects and -- without borrowing.

So the reality is we're -- we're going to employ a mix of all three of these options. We're
going to prioritize projects as best we can. We're going to try to increase revenue where we can. And we'll need to borrow for the rest.

    So let's turn our attention it to what this means for the rates and for Allentown citizens, which is why we're here tonight.

    The lease is a very large and complicated legal document. I carry this around quite a bit. There's a lot of information in the lease. I believe it's posted online as well, if you want to take a look at the provisions.

    But there's a few key provisions to keep in mind about rates.

    First is that the initial rates were established by city ordinance and incorporated into the lease, and then annually those rates are escalated by the terms of the lease.

    The city rates include both quarterly and monthly fixed charges. And that's what we're talking about tonight. There's no language or documentation within the lease that specifies how customers will be billed.

    And there's really no flexibility for us to charge something different than what's in the lease without a revision of the lease agreement.
So LCA made the decision in 2013 to use the quarterly rate schedule, since that's what customers were used to at the time, and to give us the benefit of time to learn how the system operates and what the long-term needs of the system would be.

Today about 10 percent of Allentown's customers already pay the higher monthly rates shown here, and they are billed monthly.

LCA is proposing to move the remaining customers to that monthly billing schedule and apply the monthly rates to all customers in that consistent manner.

If that happens, the result is that customers will see a one-time increase in the fixed charges when they convert to the monthly rate schedule. That's the $13 per month that we have shared with you already.

So rate -- and then from there, rates will continue to be dictated by the lease, as they are now.

This chart shows kind of an easy way for you to understand what the impact to your bill would be. So if we look at this chart and we also look at our water and sewer bill, let's say, for example, if your bill now says you use 15,000 gallons of
water per quarter, the chart shows that your bill right now is $130.25 per quarter.

So looking down the column on that chart, it shows that the quarterly bill for 15,000 gallons would equate to a monthly bill for 5,000 gallons, and then your monthly bill would be $56.38. That's how to use that chart.

Across the Lehigh Valley, water and sewer rates vary widely. But on this graph, you can see that Allentown's rates, and this is after the change to monthly billing, will still be among the lowest in the region across the state. These are some of the lowest rates around.

However, we do recognize that any change in your household bill is a very serious issue. We need to make these decisions very carefully and thoughtfully. We appreciate that you're here tonight to listen and to provide your input.

So what's next?

Because LCA's financial constraints are time sensitive, we expect our board will review the public input we have already received and the input we will gather tonight. And we'll make a decision very soon about the switch to monthly billing.

If the decision is made to implement the
city's monthly rate schedule, then we will notify you
directly about what that means as far as the transition
schedule.

We would like to work with Allentown
citizens and the city officials, some of whom are in the
room tonight, on ways to address affordability concerns
through alternative rate structures.

But this would require support from the
city, since that would be outside the terms of the lease
agreement, as I mentioned previously.

Today's rate proposal is following the
rate schedule that's in the lease. So public input can
help to shape the future, especially if we're all
willing, LCA, citizens, city officials are all willing
to take a partnership approach in addressing these
important concerns.

Our financial sustainability is good for
Allentown because it allows us to ensure the public's
health is protected and you continue to receive
high-quality water and sewer services.

But remember, you own the system. LCA
is your non-profit municipal authority. We're here to
serve you, and we're here to listen tonight. Thank you
for being here and sharing your input.

DR. DEEGAN: Thank you, Liesel.
We would like now to begin to receive public input. So again, I'm going to be calling the first speaker who can come to the podium, that is Lou Shupe.

And I'd also like to call Robert Trotner to sit in the chair behind the podium. Do we have Lou Shupe here?

And again, you'll have three minutes at the podium, and you want to pay attention to the timer.

And do we have Robert Trotner here tonight?

MR. SHUPE: I know Robert Trotner personally, and I do not believe he is here.


And just moving down the list. Donald Ringer. Would you please sit in the chair behind the podium so that we can just quickly move through our speakers?

We want to try and be efficient since we only have two hours.

MR. SHUPE: I promise I won't use my three minutes. No seriously.

DR. DEEGAN: Okay. Any time you'd like to begin.
MR. SHUPE: Okay. Well, actually I
don't have anything prepared. My name Lewis Shupe. I'm
a resident here of Allentown. I'm not an actual rate
payer, but if I decide to buy real estate, that may
change down the road.

I know very little about this whole
lease that started before. Sorry to say, I didn't pay
very much attention to it. I admin a Facebook group
called Let's Build a New Allentown Together.

And when news of this event here broke
initially, there were some concerns about violating the
Sunshine Act. I'm not a lawyer. So I can't say.

Just wanted to make you aware that some
of the members of that group may talk about that even
later on.

As to the members of the Lehigh County
Authority, I would encourage them to at least take a
look at the group because the video that I'm shooting
myself will be posted on that group later on.

And my intent is to start a -- a
spirited discussion, I hope, where ideas can come to
play and maybe somebody will think of something
original, different, because that's what's needed here.

All right. This whole order-lease
agreement was an unusual response to an unusual
situation that seems to benefit everybody the most.  
Well, that remains to be seen.  

But a lot of people are going to be coming up here tonight. More people will be online, I'm sure. I'm only hopeful that somebody will come up with a good idea so that the residents of Allentown don't have to pay any more than they have to. Especially those who can't afford a rate increase. People who are hanging barely by paying their mortgage every month. 

This is a concern of mine as well as many other people. 

Just be open to the different. And with that, I'll give everybody else a chance. Thank you.  

DR. DEEGAN: Thank you. Donna Christ.  
Is there a Donna Christ here? Can you please get on deck, please? Thank you. Mr. Ringer?  

MR. RINGER: Hi, how are you. I just wanted to say that the burden of this bad decision that LCA made, they overpaid for the water lease, and LCA is completely mismanaged. Okay.  

And us people here in Allentown, the citizens, right here, the ones that can't afford this water lease, we're the ones that are being asked to make up the difference here.  

It's totally ludicrous that we have to make up the difference. The seniors that are here. The
other people that are here that can't that afford this thing.

How much more do you want to bleed us for? We didn't make this bad lease. You did.


DR. DEEGAN: In the interest of time, let's hold our applause. Do we have a Jack Henriquez here? Jack Henriquez. Okay. Be on deck. All right. Miss Christ.

MS. CHRIST: My name is Donna Christ, and I do pay the water bills to Lehigh County Authority. I am here to voice my opposition to the proposed increase in water and sewer rates planned for Allentown customers.

LCA has plans to go to a monthly billing and charge the average customer an additional $13 a month.

The contention being that going to monthly billing will improve cash flow. Additionally, LCA notice implies that they are permitted to increase their rates at a higher amount if they go to a monthly billing, stating that these rates were previously approved in their agreement with the city.

What this means for me as an Allentown
resident living in a household in which I pay roughly $460 a year currently, is that that will be an additional $13 per month charge, which is another $156 more a year.

That's a 33 percent increase.

I do not believe that city council or any resident would have agreed to a 33 percent increase in rates only five years after LCA's management of the system.

A 33 percent increase is nothing short of price gouging on a resource that we cannot do without. If this could have been reported to the PUC, I'm sure that this type of justification to increase at this percentage would not be allowed.

Sadly, most of the residents will not realize the impact of this increase until after the fact. Everyone knows that rates have to go up. I don't think anyone would blink an eyelash at a 3 to 5 percent increase.

For my usage, 3 to 5 percent would only mean maybe $23 a year more instead of $156.

As far as the needs for capital improvement and cost, these were all factors that were in consideration at the time of the takeover.

I thought that the city protected its
residents from huge increases like this. Unfortunately, I'm not a lawyer and cannot begin to understand all the nuances of the agreement. Nor can I understand how even the rates are calculated.

But there's one thing I do understand.

A 33 percent increase in one year simply after five years of a change just isn't right.

I also find that stating that Allentown rates will remain favorable compared to other communities in the area is deceptive since this represents only a portion of the cost to live in Allentown with all factors not being equal.

In closing, I am asking LCA to reevaluate their needs and come up with an increase that's in line with inflation and cost of living increases.

Whether it be monthly or quarterly, that percentage increase should be within reason and uniform, whether it is billed monthly or quarterly.

DR. DEEGAN: Can you wrap up, please?

MR. CHRISTIAN: Pardon?

DR. DEEGAN: You're out of time.

MS. CHRIST: Oh, okay. That's basically it. And I believe we don't want a -- we can't take a double-digit inflation. Unacceptable.
DR. DEEGAN: Great. Thank you.

Aaron Gorodinski. Aaron Gorodinski?

Okay. How about Raymond O'Connell?

You're on deck, sir.

All right, Mr. Henriquez. When you're ready.

MR. HENRIQUEZ: I'm Jack Henriquez. I live in Allentown, and I'm affected by your water rates as well.

Our monthly rate would be -- we try to keep our water usage down. Our quarterly rate is about $90. So we're in the 9,000 gallon according to your screen. So our rate is really $30 a month.

Now we're going to go from 30 to 43. Donna just mentioned that her rates are going to go up 33 percent. Mine is going to go up 43.3 percent, from $30 a month to $43 a month.

I think that's unacceptable. There's nothing that should go up that much, 43 percent, for our household. 3 to 5 percent, no problem. I think most of this room would be empty if that's all the increase would be.

But 43 percent for our household I think is intolerable. Thank you.

GENERAL AUDIENCE: Hear, hear.
DR. DEEGAN: Do we have a Jaclyn Kucinski? Jaclyn Kucinski?  
Next on deck would be Glenn Hunsicker.  
Is there a Glenn Hunsicker here this evening?  
Next we have Barbara Haver-Mentzler.  
Hunsicker is over there.  
DR. DEEGAN: Hunsicker, Glenn. Okay.  
You will go after Mr. O'Connell on deck. We're going in the order that -- of the names that were presented.  
Okay.  

MS. MONA: Mayor Ray O'Connell.  
MAYOR O'CONNELL: Spokesperson. Good evening. My name is Ray O'Connell. I'm the mayor of the City of Allentown, and I thank you for the opportunity to address you on this most important issue to our residents.  
LCA's proposal to change the frequency of its bills for water and sewer from quarterly to monthly will increase the fixed charges payable by residents of Allentown.  
This increase in fixed charges billed for water and sewer to the average residential customer is estimated to cost $156, a 107 percent increase in the first year alone, with additional annual increases thereafter.
That is unconscionable and a clear violation of the lease.

This increase will generate approximately $5 million for LCA in the first year, and then this charge will be an increase annually for the remaining 46 years of the lease, all paid for by city residents.

City customers cannot reduce this charge by using less water. It is a fixed and is not impacted by water conservation.

City rate payers are not getting additional services for this increase. LCA is converting to monthly billing to fund its financial shortfall.

The city understands LCA has considerable financial obligations to its creditors and bond holders. But it cannot endeavor to satisfy those obligations by hurting families of modest means in Allentown.

The lease was designed to provide a fair return to LCA from users of the water and sewer systems, but also to protect citizens of the city by strictly limiting permitted rate increases.

I have serious concerns that our low-income families cannot afford this increase. LCA
cannot downplay the true impact which will be felt by
countless members of our community.

The city is prepared to take any and all
legal remedies to block the implementation of this rate
increase and protect its residents.

Summarizing. Increasing fixed charges
by converting to monthly billing is a clear violation of
the lease. You can't reduce this charge by using less
water. The impact on typical residential customers is
$156 per year.

We're not getting any more services for
this increase. City council members are joining me,
Mr. Hendricks, Miss Affa, Mr. Zucal, Miss Mota,
Mr. MacLean, our president, and Miss Affa is our vice
president.

COURT REPORTER: I'm sorry. Who is the
vice president?

MAYOR O'CONNELL: Miss Affa.

City council, city staff and I stand for
the families, the citizens of Allentown, and encourage
them to attend LCA meetings and speak up. Contact LCA
board members to make your concerns known.

Thank you, and have a good evening.

DR. DEEGAN: Do we have a Barbara
Billiard.

MS. VAN BILLIARD: Billiard like in pool.

DR. DEEGAN: Okay.

MR. HUNSICKER: Glenn Hunsicker. I'm an Allentown resident and LCA water user in Allentown. I can't really say much more than what Ray said, the mayor of Allentown.

But I think for five years, our group, the H3 committee, has been working on looking at the municipality of LCA and their water. And from day one we always said they are going to have to go to monthly billing. It's almost like electric or gas service.

The problem I see here today is that the rate they want to increase it to, and that's where what it gets down to.

So I mean, they already did a 4 percent on that fixed rate in January of this year. So we'll see what happens and how it works out. Okay. Thank you.

DR. DEEGAN: Thank you. Can everyone in the audience please remain quiet so that they can pick up the audio of the speaker, please. Thank you. Do we have Edward Zucal?

MR. ZUCAL: I'm going to defer, ma'am.
I'm with Mr. O'Connell.

DR. DEEGAN: Thank you. Joan Allen is on deck next. Thank you. You can go any time.

MS. VAN BILLIARD: Hi. My name is Janet Van Billiard, and I've lived in the city for almost 21 years now. I look at this rate, again, like they say, it's $156 a year, which may not sound like much to them, but I had just recently retired, which means I am on a fixed income.

I retired age 62 because I wasn't sure if I would be alive yet at age 66, and I wanted to get some of my social security.

Unfortunately, now I have turned 65 so I lose $134 a month in my social security payments because I need to pay for Medicare. That's $1,608 a year that I'm losing.

I cannot go back to work even if I wanted to until I am 66 years of age without a penalty. I've received penalties because I took at 62.

I don't see or understand why we have to go to a monthly bill. I do not pay my car insurance monthly because it costs too much. I can't afford to pay it by the year, so I pay it every six months.

So I agree with everyone that's spoken today. And I'm not a good speaker, but basically this
is my dilemma. I live in the first ward. Not a whole lot of stuff gets done there.

And unfortunately, I don't think we have the best drinking water in Allentown. So I buy water. And I've always been that way since I'm a little girl because my aunt lived in Allentown on Linden and 5th and never could drink the water.

So that's all I have to say. Thank you.


MS. ALLEN: My name is Joan Allen. I live in Allentown. My ears is clogged. My son is going to speak instead. Go ahead.

DR. DEEGAN: Throw him under the bus.

MS. ALLEN: The problem I'm having with this, the $13 that they increasing, they said for typical household. I don't know what is considered a typical household. Because most family having more than four people living in their household.

And when you sign the lease, I'm sure somebody did the research to show how old the system was, the pipe, everything.

Now, the city is the one paying to
replace the meters, so your job is to do the upkeep. So why we -- the resident is paying for the upkeep when you already agreed to the terms and did the research to know that the things was old, and you going to have to replace it. That's the problem I'm having with it. And it says for typical household. Somebody -- how much more than $13 is it going to be? Because that's a lot of money, that we can't afford.

DR. DEEGAN: Thank you. All right.

MR. PALMER: I was actually going to add to that. I just have --

DR. DEEGAN: We don't have your name, sir.

MR. PALMER: Patrick Palmer.

DR. DEEGAN: Can we just -- can you go at the end to keep us in order, please?

MR. PALMER: Oh, okay. Sure.

DR. DEEGAN: You will certainly get a chance to speak. We have Carl Yates next on deck. Is there a Carl Yates here? Okay.

How about a Pat McNulty? Okay. You're next on deck. You can go when you're ready.

MS. SAURMAN: Thank you. Good evening.

I'm Ann Saurman, lifelong resident of Allentown and an LCA water payer.
I am opposed to this increase wholeheartedly. LCA is trying to pass this increase and packaging it to the public as a convenience of monthly billing instead of quarterly billing. And I feel that is deceptive.

I think the $13 increase, while it sounds good and we're trying to help the infrastructure, I don't think there's been enough publicity for the public to realize what is going on.

My quarterly statement bill was $71.07 this last statement, and annually I pay $284.28.

With the $13 per month increase, and an annual increase of $156, my new amount is going to be $440.28, which is a percentage increase of 54.9 percent. So a 55 percent rate increase, which I think is unfair and unjust.

As it was stated, the City of Allentown has built into the contract with the LCA to protect the citizens of Allentown. The annual increases are built into the agreement, and it's based on a CPI and an additional formula.

This 55 percent increase that I'm going to be facing is also going to be subject to this percentage increase, and over time, and in no time at all, I can be looking at a thousand dollar a year water
payment.

    My water meter --

COURT REPORTER: Ma'am. I'm sorry. I lost you. My water meter --

    MS. SAURMAN: My water meter was switched out under the new automatic meter reading system. This now costs less for LCA in staff costs but LCA didn't pass those savings back to each household in Allentown and want to charge --

    GENERAL AUDIENCE: Hear, hear. Hear, hear.

    MS. SAURMAN: -- us more. So I understand the need for capital improvements, we all do. The infrastructure and maintenance and repairs, we can all agree that that's important.

    But when the city began this process, all of this information about the needs of the city was put out front for all of the interested parties to submit their proposals on, and LCA had full knowledge and opportunity to submit their proposals with this understanding.

    And here we are just a short time from 2014, four years later, and now the city is claiming they need millions of dollars more for capital improvements, which they know they had, which begs the
question why.

   And in my opinion, it sounds like LCA failed to do their due diligence in making up -- and is now trying to make up for it on the backs of the rate payers and the citizens of Allentown.

   Furthermore, these capital improvements are going to benefit all LCA customers, including those outside of the City of Allentown. LCA is only to seek increases to the citizens of Allentown.

   In conclusion, I'm a homeowner, I have to manage my bills. It's common sense income in has to be greater than expenditures, and a 55 percent increase is strictly unfair to the citizens of Allentown. Thank you.

   GENERAL AUDIENCE: Well spoken.

   DR. DEEGAN: Do we have a Thomas Costa?

   Thomas Costa, yes. You're on deck.

   Mr. McNulty, when you're ready.

   MR. McNULTY: Yes. Before I start, I would like to finish my comments, they are short, at the end after everyone else has spoken if I run out of time.

   DR. DEEGAN: Sure. Just watch the timer, and you'll know when you're done.

   MR. McNULTY: What? How about resetting it?
DR. DEEGAN: You got it.

MR. McNULTY: Pat McNulty, West Highland, Allentown.

The information I got was from calling LCA and talking to someone there. They told me that they have four drivers that drive around that takes them three months to collect the data for one meter -- one meter reading.

So what's going to happen is you have to hire two additional crews, and that's only at this one location. There's two locations.

So you have to hire eight additional people over the four just to have monthly readings. So what's going to happen is it's going to cost you two extra crews per rotation. That adds up to $1.5 million a year in extra people just driving around.

The next thing is you have $400,000 to outlay to buy vehicles for these extra people.

Next item is you have $145,142 cost in extra car care cost, insurance, gasoline, et cetera, like that.

That includes depreciation based on a seven-year life. You have an extra $165,000 mailing cost by doing eight extra mailings per year.

You also have $110,000 extra cost in
associated mailing costs. That's in collating the bills, getting, buying the envelopes and putting them out there in the mail.

That brings the cost up to $2,330,142 before LCA brings in one extra cent. You're going to spend 2.3 million before they bring in one extra cent. That means every household of the 55,000 is going to be billed $42.36 per --

DR. DEEGAN: Mr. McNulty, can you speak to me so we can get you on video, please?

Look at me to get you on video.

MR. MCNULTY: Oh, still time left?

Good.

Okay. Going into the first thing. The meter readers, you have four of them driving around continuously for three months. That's to get one bill. So if you want monthly bill each month, you have to hire eight additional people. That's for one location. There's two locations. So that's 16 people. 16 people at 50 bucks an hour. That counts social security, basic salary, vacation, sick and holiday pay and pension. 50 bucks an hour turns out with 236 work days to equal $94,400 per person, times your locations, times the amount of people. And that comes up to 1.5 million.
Your extra cars. You need two extra
four-man crews per location. That means you have to buy
eight extra vehicles.

DR. DEEGAN: Mr. McNulty, you're out of
time right now. But I think we'll have time at the end
to come back. Okay. Thank you very much. Okay.

Do we have a Susan Holden who wants to
be on deck? Susan Holden. Great.

MR. COSTA: My name is Thomas Costa. I
own several residential property buildings in the City
of Allentown. I did an analysis on the change,
potential change, from a quarterly to a monthly billing.

And what stands out to me is you're
shifting the burden of the costs of the water more on
the fixed portion. So you're actually punishing your
lower-volume consumers. Like a single occupancy or a
single elderly person living in their home will be
paying a larger proportion of the cost of the water
compared to a higher-volume customer.

That is not okay. Thank you.

DR. DEEGAN: Thank you. Do we have a
David Hallman?

MR. HALLMAN: Hallman. My name is Hallo
Waterman.

DR. DEEGAN: All right. You're on deck
next then. Susan Holden.


    I want to know if LCA has looked for any federal funding to help with these issues since they were aware of repairs that needed to be made, if there's any other way besides tax increase that the city would help.

    And I'm in agreement with the last man because I am home alone. I am not retired. But, one, I can't afford this to be a monthly bill. I think if we're going to be forced into anything, customers should have a right to be quarterly or monthly regardless.

    And I would demand that they be allowed to pick their -- if they stay quarterly, their billing cycle. Because I have certain bills that get paid every pay, and there's only one pay where there's any kind of squeak room that I could pay more money on a different bill.

    But in regards to what this last man just said, I'm alone, and so my rate would be a considerable increase because I don't use a lot of water.

    And I'm going to get a 3 percent raise
this year. So why can't the percentage of the increase be based on the water usage instead of $13 a month?

Thank you.

DR. DEEGAN: Thank you. Is there a Samuel Colon?

MR. COLON: Yes.

DR. DEEGAN: You're on deck, and Mr. Hallman, whenever you're ready.

MR. HALLMAN: My name is David Hallman. I live in Allentown. I retired last year. I'm on social security. Applied for medi -- disability but they said I wasn't bad enough. Well, chop the head off then I'm worse. But that's the way the government works.

Years ago I worked for the U.S. Treasury Department, and that's another story. So I know something about the governments. Believe me. And I worked for the Borough of Alburtis years ago. Me and another person managed it with 10,000 people.

So I might be stupid and dumb, but I know a little bit about what I'm saying. And I'll tell you what, I think $13 a month per household is too expensive.

My bill back in February was $65. I don't take hardly a shower at the house. I take it
other places. I go to aquatherapy three times a week, take a shower there to save money.

The dog don't need much water, and I don't use a whole lot of water, and I'm 65 and it's expensive. I think years ago it was only $40, give or take.

I understand you need more money. Everything costs. But $13 a month, that's high for me. That's every month, no, no, no, no. It should stay every three months the way it was because that's the way it's been all these years.

Because three months, that's $39, and that adds up to the -- to that more money every -- equals to every three months. That's expensive.

But long story short is, I can say maybe seven, maybe six, $7. But eventually, with everything going up, these prices are going to go up.

You know what, if they need money, the federal government is loaded. They are spending money on all these crooks overseas, on the wars, we shouldn't be in these wars. The federal government is loaded.

I work with the U.S. Treasury years ago. Why don't you apply to get some money out of them? Not out of the poor people like me. Next place for me is the big house. Good day.
DR. DEEGAN: Thank you. Do we have a Mr. Yates? Carl Yates. Yates. I'm sorry. I'm having trouble reading. You're on deck. And --

MR. COLON: I'm a resident, my name is Samuel Colon. I'm a resident of Allentown. And unfortunately, my household, we do spend a lot of water due to I have a big family.

But I'm the only income in that household. So for one income to support your family members that take showers and uses the water and you got to wash your clothes and all that, the bills is getting very expensive.

This last month -- you get every three month, the last bill I received, it was over $400.

GENERAL AUDIENCE: Wow.

MR. COLON: So that is kind of hard for a single individual person to pay those bills. With this increase, you can imagine. So what am I supposed to do to continue providing for my family as well as food, clothes and every other necessary things that we need in the household.

You know, that's all I got to say.

Thank you.

DR. DEEGAN: Thank you. Was there a Carl Yates? Okay. You're up now. And then if we can
have Fidel Sanchez on deck. You're next.

If you could speak towards the camera.

Thank you.

MR. YATES: I lived here in town all my life. Paid my bills. All the taxes. Everything was well until they built all this around here. Now, they should have -- I can't explain it. That's why I backed out.

But I think you've done all this construction around, I think they should squeeze them a little bit because they are jacking up the prices and they are on the grid right now.

We didn't have all of this before on the grid. But all of a sudden -- we didn't have the problem years ago. I paid taxes all my life. And I think that they should hit the people out there more than us.

We only live here. The buildings out there, we don't have much of a purpose. You don't even go see a show or a hockey game.

But I think they should be paying more than the people that live here. All I do is own a small house, and my bills are going to shoot up. You know, thanks a lot. I know it's not important, but talk to the hand here.

DR. DEEGAN: Thank you.
GENERAL AUDIENCE: It is important.

DR. DEEGAN: Excuse me. Rita -- Rita Vanam? I'm sorry. Rita --

MS. SAMUELS: Samuels.

DR. DEEGAN: Samuels. That's an S. I'm sorry. You're on deck.

When you're ready, Mr. Sanchez.

MR. SANCHEZ: Good evening. I am Allentown -- resident of the City of Allentown. Okay. And I came up here to tell you the water, you cannot even drink the water. You can't drink it. It tastes horrible.

I mean, the water department, they are not delivering spring water, they are delivering crappy water. And when you want to wash your clothes, they smell, and that's not good. Okay.

Look, and let me tell you something. I'm on a fixed income. My wife, she's in remission from cancer. And she don't wake up. Nothing, zero. And I'm the only income because I'm on disability.

And with that check that I get, I have to pay my mortgage. And what's in our account, it won't pay the rest of the bills. So please, I ask you nicely, consider before you charge any of these residents here a month, because the quarter was better for everybody.
And between my wife and me, we watch how we take a shower. We don't take long showers, ten minutes or less. I even have to go by a water softener because the water is too hard. Okay.

We have to buy drinking water. We can't drink the water from the sink. And if I want to make coffee, I have to boil the water. Okay. So please try to consider everybody who's in this room what we're trying to tell you. Please. Okay.

Be considerate, because that $13 a month more and the bill per month, a lot of us here can't afford that. Okay. It's only water. I mean, you guys don't make the water. It come from above. Okay. Thank you very much. Have a good evening.

DR. DEEGAN: Do we have a Richard Wilburn?

AUDIENCE: Got to charge for making the water.

DR. DEEGAN: Great. Whenever you're ready.

MS. SAMUELS: Hi. My name is Rita Samuels. I am a City of Allentown resident, and I am a water purchaser.

I'm basically here tonight because I couldn't live with myself if I didn't come and be a part
of the solution and just say, well, you know, it
happened, it happened, that's the way it is.

        I couldn't live with myself and not come
down. And I see what everybody has been saying here is
the same thing that I want to tell you, is $156 a year
is quite a bit of money.

        Changing to the monthly, I don't know
that that really has any bearing. I mean, the three
months -- you're raising the rate no matter what. So
I'm thinking a smaller increase, which is something that
people have mentioned this evening, we wouldn't really
care about a very small increase.

        We do realize that there are costs and
things that do need to be fixed and maintained.

        But, again, we've already gone through
this for a couple of years already. And now all of a
sudden you want to flop this big thing on it, and it's
really not a good idea, in my opinion.

        It's why I came hear to this meeting.
Somebody didn't shut off their phone.

        COURT REPORTER: I'm sorry. It was me.

        MS. SAMUELS: So that's really all I
wanted to say was I -- again, I couldn't not come here
and voice my opinion that -- what everybody else is
saying, it's quite a huge increase for everybody.
And I think we would be a little more happier if it was a smaller amount, a little bit at a time instead of raising the basic rate and then of course attaching that second fee on for a month. That's all I wanted to say.

DR. DEEGAN: Thank you. And we have Barbara Parr on deck. Is Barbara Parr here. Okay. You're on deck. And when you're ready, sir.

And can you pronounce your name for us slowly so she can type it in?

MR. WILBURN: My name is Richard Wilburn, W-I-L-B-U-R-N. And I'm a proud resident for close to 50 years of the Midway Manor section on the east side of Allentown.

Since I received this notification, I've talked to a number of people in my neighborhood. And if all those that I've talked to and they have talked to would have shown up at this meeting tonight, you wouldn't have enough room in this building to hold everyone.

So I want to start by saying I am totally opposed to this increase and this change in billing wholeheartedly.

The increase in my water bill, I've heard percentages, I computed mine. I was not as
diligent as some of the others, but my increase is going
to be over 50 percent.

I've heard that this is unfair. That it's unjust, that it's unreasonable. I want to add another un to that. It's not only unfair, unjust unreasonable, it's unconscionable.

Mr. McNulty pointed out a lot of the changes, the additional costs that are going to be involved in the quarterly billing.

And that was one of the things that I wanted to mention.

I question how can it possibly be cheaper or how can the authority possibly save money by changing to quarterly billing.

Everything is -- in connection with the billing is going to triple.

But not only are your expenses going to triple in billing, so are mine.

It may only be a 50 cents stamp to you, but 50 cents can buy me a cup of coffee at the Golden Gate Diner.

AUDIENCE: I like the Golden Gate Diner.

MR. WILBURN: Absolutely.

My last question to the authority is why are you picking on just the residents of the City of
Allentown?

The Authority provides water for other municipalities. The Authority provides water for the businesses out in Macungie, Nestle, Coca-Cola. Their rates already are quite a bit less than my rate.

My question is, where and when are you going to start charging them their fair share?

Thank you.

DR. DEEGAN: Thank you. We don't have any others on deck, although you wanted to speak. So if you want to go -- you can be -- and then Mr. McNulty, if you wanted to circle back. Are you still here?

Whenever you're ready.

MS. PARR: I'm Barbara Parr, and I'm a resident of Allentown for 60 some years. There's not much more that I can say than people that were up here opposing it.

Again, that 33 percent increase for a lot of us, and sometimes more, is just unacceptable.

And I didn't go into quite the things that Mr. McNulty did, I didn't figure out all that, but that was on my list to say. How much it's going to cost to do this monthly as opposed to the quarterly, it just seems dumb.

And I'm hoping that it won't be quite
the increase that you're asking for. Thank you.

DR. DEEGAN: Thank you. Can you please state and spell your name since we don't have it written down, and if you are a customer?

MR. PALMER: Yes. I'm a customer of LCA. My name is Patrick Palmer, an Allentown resident.

DR. DEEGAN: Is that P-A-L-M-E-R?

MR. PALMER: Correct.

DR. DEEGAN: Thank you. When you're ready.

MR. PALMER: Well, it was more of a -- I know this --

DR. DEEGAN: Can you wait one second? The timer just needs to be reset. And there it is, like magic. Thank you.

MR. PALMER: Okay. Well, one of the things that -- I don't have the exact lease or anything like that. But I have a lease on my car, as an example that I would use. And if the company that I'm leasing with is starting to run into financial problems, they don't charge me more to have my car.

So I don't understand what the difference between that lease is and what this lease would be.

I know it's not the same, but if you
have some kind of financial problems or something like that, and I don't see why you would then pass that back on to the consumer.

Because there are some things that you need to consider. Everyone in this room looks to be at least adults. One of the things is baby boomers, they are retiring, which can turn people in this room into having fixed incomes.

If you all continue to raise the rates while their incomes don't go anywhere, in the end when this is 50 years from now and you're still raising the rates, you're going to end up in the same position because people won't be able to pay you.

Now, I don't know how you can have a model continuing where people can't pay you. So this seems like something where you need to go back and look at the books. I know some people did their research.

But when you go back and look at the books, you need to find other ways to save money as opposed to passing that on to the residents where they then won't be able to pay you, they're retiring, people get sick, people get hurt, things like that. This can't continue, and this can't be a stable business model if you just want to go and pass that on to the consumer every time you get into a little bit of financial
hardship.

AUDIENCE: Thank you.

DR. DEEGAN: Thank you. If you could please state and spell your name and let us know if you are an LCA customer.

MR. YEH: Yes. My name is Kevin Yeh. Last name Y-E-H. Yeah, I'm an LCA customer. I also work as a plumber in the Lehigh Valley, so I get to see firsthand how bad Allentown water actually is.

When I rip out water heaters, we end up with like inches of sludge at the bottom, and that's just calcium. I mean, if you guys are going to do changes and make improvements, I think water quality should be one of those things.

Because it's kind of ridiculous that people actually need to treat their water before it gets into their house.

I myself installed a water softener and it's kind of costly to do.

The second thing, I do understand that a large part of the costs is from sewer and a lot of, you know, you get a lot of rain water and stuff into the treatment center because of like cracked sewer pipes and things like that. And dehumidifiers.

Now, I think a better way to solve it...
might be just to inform people they can't dump their
dehumidifier water in the drain because I've met a lot
of customers that don't actually know.

They actually pump with a sump pump
their rain water right into the sewer. And like
obviously you're not allowed to do that, but people just
don't know. I think that might be a better, you know,
use of your resources is just educate people. But
that's really all I got. Thank you.

DR. DEEGAN: Thank you. Would you like
to speak? If you could, state your name and spell your
last name for us, and let us know if you're an LCA
customer.

MR. PEARSON: My name is Dennis Pearson,
P-E-A-R-S-O-N.

DR. DEEGAN: Thank you.

MR. PEARSON: I was an LCA customer.
I'm no longer am an LCA customer. But I'm just making a
comment on your proposal to increase the fixed value,
and to me, I'll be against it primarily considering the
situation I was in.

I wasn't really living in my house
because I was with my wife somewhere else, and by this
fixed rate I'll be paying a -- paying a lot more for my
water that I'm not using.
So you got to base any system on amount of water that's used, because you'll be ending up subsidizing somebody else, the big water user somewhere else. And I don't think the people of Allentown should really do that.

And it's a simple request. Don't do it.

DR. DEEGAN: Thank you. Is there anyone else that would like to speak for the first time before we let others finish who already went once? Okay.

Mr. McNulty, would you like to have another three minutes?

MR. McNULTY: Again, Pat McNulty, M-C-N-U-L-T-Y. Yes, I am a customer.

So to get back, it takes three drivers driving around for a three-month period to get you one bill. So if you want a billing for January, February and March, you have to hire two additional crews per location. That's eight extra drivers.

You have two locations, it's 16 extra drivers. It's $94,000 a year for retirement and all those other benefits that go into it.

Then you're going to have to buy -- you have two extra four-man crews per location. That means eight extra cars per location times two cars. So you've got 25,000 for a car and 16 cars, that's $400,000 you're
paying out for cars right off the bat.

Then on top of that, with the 16 cars, it's going to cost you 1500 a year for insurance driving around because this is not pleasure driving, this is reading meters.

That's going to cost you 24,000 for insurance. You're also going to have to set aside 57,142 for depreciation based on the seven-year life of the car. You're also going to have to set aside $16,000 for the 16 cars for oil changes, inspections, registration, repairs.

You're also going to spend an extra $48,000 in gasoline, assuming you're getting 20 miles per gallon. And your driving is going to bring you up to $48,000 a year for gasoline for all those extra cars.

Then you've got mailing costs. You have 55,000 customers. I brought your rate down, instead of 49 cents a letter, I figure you're getting a break, it's probably 37 and a half cents for bulk mailing.

So that means you're going to have an extra $20,625 in mailing costs just for the postage stamps. And you're going to be doing eight extra mailings per year. So that's $165,000 in extra mailing costs.

Then you've got associated mailing
costs. You have companies that compile your bills, put the envelopes in it and take it to the post office and pay the service. So all that collating stuff costs you about 15 cents apiece.

And then the bill printing that you're going to be doing, you're going to be printing extra bills. That costs you a dime. So it's going to cost you an extra 25 cents per bill just to get out.

So that's an extra $110,000 right there.

As I said, this is based on talking to LCA and what they told me and what the costs were. For background, I have 25 years as a senior industrial engineer for Ford Motor Company.

Thank you very much.

GENERAL AUDIENCE: Hire that man. Hire that man.

DR. DEEGAN: Thank you all, very much. If there are no other folks who want to go for a second time, then I would just like to say on behalf of Lehigh County Authority, we would like to thank you for participating in this process.

All of the input presented this evening will be packaged with public input provided by other means and delivered to the Lehigh County Authority and its board of directors.
We appreciate you taking time to be with us this evening for this important part of the process. Travel safely and have a good evening. Thank you.

(Hearing concluded at 8:19 p.m.)
CERTIFICATE

I do hereby certify that I am a Notary Public in good standing, that the aforesaid testimony was taken before me, pursuant to notice, at the time and place indicated; that said deponent was by me duly sworn to tell the truth, and nothing but the truth; that the testimony of said deponent was correctly recorded in machine shorthand by me and thereafter transcribed under my supervision with computer-aided transcription; that the deposition is a true and correct record of the testimony given by the witness; and that I am neither of counsel nor kin to any party in said action, nor interested in the outcome thereof.

WITNESS my hand and official seal this 18th day of May, 2018.

_____________________________
Melissa Bartman, RPR
Notary Public