## WATER AND SEWER LEASE

## ALLENTOWN, PENNSYLVANIA **JULY 2012-AUGUST 2013**

Feasibility study to evaluate

7/2012

8/2013

financing options **Request for Qualifications** (RFQ) - 9 bidders Public, stakeholder, and 8/2012 investor meetings RFO shortlist - 7 bidders 9/2012-Due diligence 3/2013 Public petition against deal 10/2012 2/2013 Request for Bids (RFB) Response to RFB – 5 3/2013 bidders respond, 3 qualify Best and Final Offer - 2 4/2013 bidders LCA selected as winning bid Introduce to city council Council public meetings Council vote to authorize concession/lease process Deal closes

**SUMMARY:** Allentown faced a rapidly rising unfunded pension liability. By 2015, pensions costs were projected to capture 30-33% of the total budget and produce a significant budget shortfall. The city will use upfront funds to eliminate the entire unfunded pension liability and existing water and sewer debt. In addition, the city will receive approximately \$33m of additional proceeds for other city services.

**DELIVERY:** Asset lease

**WINNING BID:** LCA increased final offer by 7% to \$220m upfront and \$500,000 annual payment

## **KEY TERMS:**

- 50 year agreement
- City keeps ownership and oversight of system
- Performance standards
- LCA, customers, and City will share Capex costs
- LCA adopts union contracts

## **IMPACT**:

- City reduces debt and pension without levy
- City's annual net utility revenue declines from \$10M to \$0.5M
- City shifts risk and costs to private party
- Consumer rate increases: CPI+2-2.5%

\$226m

\$199m