

WATER AND SEWER LEASE

ALLENTOWN, PENNSYLVANIA

JULY 2012-AUGUST 2013



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%