



## **ALLENTOWN WATER AND SEWER SYSTEM**

### REQUEST FOR QUALIFICATIONS FOR WATER AND SEWER CONCESSION

JULY 19, 2012

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# Section 1

## Overview of RFQ and Concession Process

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### *1.0 Overview of RFQ Process*

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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.

This Request for Qualifications (“RFQ”) is the first step in a two-stage procurement process, consisting of the RFQ process followed by a Request for Proposals (“RFP”) process. Firms receiving this RFQ shall be referred to herein as “Prospective Proposers.” The purpose of this RFQ is to provide Prospective Proposers an opportunity to formally express their interest in bidding on a concession (the “Concession”) of the City’s Water and Sewer systems (the “Concession Assets”). Prospective Proposers who fail to respond to this RFQ or whose submissions in response to this RFQ are deemed unqualified cannot participate in the RFP process and are not eligible for award of a Concession. After a review of RFQ responses by the City of Allentown, Prospective Proposers that are deemed qualified will sign a Confidentiality and Data Room Usage Agreement (“Confidentiality Agreement”) and will receive access to an on-line data room which will provide additional information concerning the Concession Assets. Qualified Prospective Proposers will also have the opportunity to conduct due diligence on the Concession Assets through (i) Concession Asset tours and additional inspections by qualified Prospective Proposer representatives; (ii) management presentations; and (iii) review and discussion of a proposed concession agreement (the “Concession Agreement”) for the Concession Assets. Following this due diligence process, final and binding proposals will be submitted in accordance with a RFP to be issued to the qualified Prospective Proposers.

ALLENTOWN reserves the right to determine in its sole discretion whether any Prospective Proposer is qualified to participate in the RFP process. ALLENTOWN reserves the right to modify or terminate this RFQ process and or the RFP process at any stage if ALLENTOWN determines such action to be in its best interests. The receipt of proposals or other documents at any stage of either the RFQ or the RFP process will in no way obligate ALLENTOWN to enter into any contract at any time with any party. ALLENTOWN will not be responsible in any manner for the costs associated with the submission of any proposals in response to this RFQ or any subsequent procurement. ALLENTOWN reserves the right to reject any and all proposals, irrespective of whether any such proposal is the only proposal received or one of a number of proposals representing the most favorable transaction terms. The ALLENTOWN City Council will authorize the release of a Request for Proposal (“RFP”) which will define the terms and conditions of the concession in accordance with the schedule provided herein.

The Concession Agreement is expected to be a long-term agreement granting the successful proposer (the “Concessionaire”) the exclusive right to operate the Concession Assets and to collect water and

sewer revenues from the Concession Assets through the term of the Concession Agreement, currently anticipated to be 50 years.

# Section 2

## Description of System Assets

### 2.0 Description of Concession Assets

The single most valuable asset shared between both the Water and Sewer Systems are the dedicated and experienced professionals who have worked diligently over the years to make each system the award winning unit that it is. The value that these individuals bring to this concession is immeasurable and it is the City's intent that this value be recognized throughout this concession lease process.

#### ALLENTOWN Water System

The City of Allentown operates a water supply system that serves residential, commercial, governmental, institutional and industrial customers within the City and also provides water to South Whitehall Township; Salisbury Township, Hanover Township (Lehigh), and Whitehall Township Authority. In addition, the City recently entered into a water supply agreement to supply water to the Lehigh County Authority. There are emergency interconnections with the City of Bethlehem, Borough of Emmaus, and Borough of Northampton.

The ALLENTOWN water system has been profitable in recent years and has consistently reported positive returns. During the fiscal year ending December 31, 2011, the water system generated more than \$14.8 million of revenue and nearly \$6.3 million of free cash flow (prior to debt service and depreciation/amortization). Outstanding Water Bonds of the City may be impacted by the Concession Agreement.

| WATER SYSTEM HISTORICAL FINANCIAL PERFORMANCE |               |               |               |               |               |
|---|---------------|---------------|---------------|---------------|---------------|
| (\$ Thousands)                                | 2007          | 2008          | 2009          | 2010          | 2011          |
| <b>Operating Revenues</b>                     |               |               |               |               |               |
| 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           |
| <b>Total Operating Revenues</b>               | <b>14,169</b> | <b>14,122</b> | <b>13,195</b> | <b>15,220</b> | <b>14,879</b> |
| <b>Operating Expenses</b>                     |               |               |               |               |               |
| 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           |
| <b>Total Operating Expenses</b>               | <b>7,742</b>  | <b>7,672</b>  | <b>8,072</b>  | <b>8,703</b>  | <b>8,596</b>  |
| <b>Free Cash Flow</b>                         | <b>6,427</b>  | <b>6,450</b>  | <b>5,122</b>  | <b>6,517</b>  | <b>6,283</b>  |
| Depreciation/Amortization                     | 2,063         | 2,052         | 2,037         | 2,042         | 2,147         |

Source: City of Allentown audit reports

The main water supply sources are the Little Lehigh Creek, Schantz Spring and Crystal Spring. The Lehigh River serves as a supplemental surface water supply. The water treatment plant located along the Little Lehigh Creek provides filtration for the river supplies, disinfection for the springs, and pumps the finished water into the City's water transmission and distribution system. The surface water sources (Little Lehigh Creek and Lehigh River) receive conventional treatment, consisting of coagulation, flocculation, settling, filtration, and disinfection. The spring supplies receive only disinfection. In accordance with the City's Department of Environmental Protection permit, the City adds fluoride to water at its treatment plant.

**Table 1**

| WATER SYSTEM |                       |                       |
|--------------|-----------------------|-----------------------|
| Year         | Daily Average Treated | Total Gallons Treated |
| 2007         | 14,746,700            | 5,382,534,900         |
| 2008         | 14,823,200            | 5,410,469,200         |
| 2009         | 14,481,700            | 5,285,837,100         |
| 2010         | 14,914,200            | 5,443,694,000         |
| 2011         | 14,387,300            | 5,251,371,800         |

The Little Lehigh Creek intakes and the Crystal Spring collection chambers are located adjacent to the plant site. Water from Schantz Spring is piped by gravity approximately five miles to the plant. The intake and pump station of the Lehigh River is located approximately one mile upstream from the confluence of Little Lehigh Creek and the Lehigh River.

The plant's rated capacity to treat surface water is 30 mgd. The total water supply allocation of the system, including spring water, is 39 mgd. Historical usage information, the total amount of operating water meters, by classification, and historical water user rates are provided in Tables 1, 2, and 3, respectively.

**Table 2**

| City of Allentown - Water Meters by Classification |        |        |        |        |        |
|--|--------|--------|--------|--------|--------|
|  | 2007   | 2008   | 2009   | 2010   | 2011   |
| Residential  | 30,157 | 30,169 | 31,310 | 31,920 | 31,093 |
| Commercial   | 2,480  | 2,480  | 1,596  | 1,605  | 1,709  |
| Industrial   | 229    | 227    | 295    | 295    | 288    |
| Institutional                                      | 153    | 153    | 148    | 159    | -      |
| Bulk   | 4      | 4      | 4      | 6      | 6      |
| Totals   | 33,023 | 33,033 | 33,353 | 33,985 | 33,096 |

The original treatment plant was constructed in 1928 with

**Table 3**

| Water System - Historical User Rates |      |      |      |      |      |      |      |      |      |      |      |      |      |
|--------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Year                                 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
| Cost per 1,000 Gal                   | 1.97 | 1.97 | 2.07 | 2.69 | 2.63 | 2.69 | 2.69 | 2.69 | 2.69 | 2.69 | 2.95 | 2.95 | 3.10 |

Source: City of Allentown

a rated filter capacity of 10 mgd. The major elements of this facility were an intake house on the Little Lehigh Creek, a low-lift pumping station, two basins for flocculation and settling and eight rapid sand filters. The plant treated Little Lehigh Creek water and water from Crystal Spring.

In 1953, a 20-mgd addition was constructed which included a new intake, upgrading of the low-lift pumping station, rapid mix tanks, two new flocculation and settling basins, eight new filters, and a new high service pumping station.

In 1994-98 the treatment plant underwent a major renovation program. The primary enhancements of this upgrade include:

- Expanding the reliable treatment capacity of the 1953 facilities by 50% (from 20 mgd to 30 mgd) through the use of high-rate clarification (plate settlers) within a portion of the pre-existing 1953 clarifier basins.
- Converting the remaining portions of the pre-existing 1953 clarifier basins to washwater equalization basins and sludge holding tanks to eliminate the discharge of washwater and settled sludge to the Little Lehigh Creek.
- Decommissioning the 1928 treatment facilities and converting them to other uses including chemical storage, laboratory facilities, conference and training facilities, computer control center, and administrative offices.
- Utilization of cost effective variable frequency drives to control pumping.
- Upgrading the pre-existing 1953 filters including new flow control equipment and instrumentation.
- Incorporation of bulk storage and mechanized transport and delivery of all treatment chemicals. Multiple injection points increase operational flexibility.
- Converting the existing disinfection system from gaseous chlorine to liquid sodium hypochlorite for employee and community safety.
- Installation of a dedicated pump for Crystal Spring to maximize use of this high quality water, which only required chlorination.
- Installing a plant-wide distributed digital instrumentation and control system for computer operation and monitoring of the plant.
- Centralization of input data and operational control of storage reservoirs and high service pump stations from the Water Filtration Plant.
- Providing for truck loading of settled sludge for transport to the City's wastewater treatment plant for dewatering prior to disposal. All residuals are cost effectively processed at a single site.
- Upgrading plant aesthetics while retaining its original architectural appearance.

The ALLENTOWN water system has received numerous honors and awards by various organizations for excellence in operations and maintenance of the system. Please see Table 4 for additional detail.

**Table 4**

| <b>WATER SYSTEM SUMMARY OF AWARDS</b> |                                |                |
|---------------------------------------|--------------------------------|----------------|
| <b>Award</b>                          | <b>Organization Presenting</b> | <b>Date</b>    |
| Five-Year Directors Award             | Partnership for Safe Water     | June 11, 2012  |
| Area Wide Optimization Program Award  | PA DEP                         | July 15, 2011  |
| Area Wide Optimization Program Award  | PA DEP                         | July 22, 2010  |
| Area Wide Optimization Program Award  | PA DEP                         | June 30, 2009  |
| Area Wide Optimization Program Award  | PA DEP                         | March 14, 2008 |

**ALLENTOWN Sewer System**

The City of Allentown’s Kline’s Island Wastewater Treatment Plant is a 40 mgd, two-stage trickling filter plant, providing secondary treatment and tertiary nitrification of municipal and industrial wastes generated within its Lehigh Valley service area. In addition to Allentown, the facility provides wastewater treatment for 13 other municipalities; the population served is approximately 195,000. The facility has handled peak flows in excess of 80 mgd. Historical usage information and historical sewer user rate data is provided in Tables 5 and 6, respectively. A network of over 800 miles of pipe conveys wastewater to the treatment plant located at the confluence of the Lehigh River and Little Lehigh Creek. The inclusion of the storm sewer system in the Concession Agreement has not yet been determined.

**Table 5**

| <b>SEWER SYSTEM</b> |                              |                              |
|---------------------|------------------------------|------------------------------|
| <b>Year</b>         | <b>Daily Average Treated</b> | <b>Total Gallons Treated</b> |
| 2007                | 30,800,000                   | 11,240,880,000               |
| 2008                | 32,270,000                   | 11,810,450,000               |
| 2009                | 30,697,000                   | 11,204,380,000               |
| 2010                | 31,640,000                   | 11,547,850,000               |
| 2011                | 36,050,000                   | 13,156,450,000               |

**Table 6**

| <b>Sewer System - Historical User Rates</b> |             |             |             |             |             |             |             |             |             |             |             |             |             |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Year</b>                                 | <b>2000</b> | <b>2001</b> | <b>2002</b> | <b>2003</b> | <b>2004</b> | <b>2005</b> | <b>2006</b> | <b>2007</b> | <b>2008</b> | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> |
| Cost per 1,000 Gal                          | 1.36        | 1.40        | 1.47        | 2.15        | 1.94        | 1.94        | 1.94        | 1.94        | 1.94        | 1.94        | 2.13        | 2.13        | 2.24        |

Source: City of Allentown

The ALLENTOWN sewer system has been profitable in recent years and has consistently reported positive returns. During the fiscal year ending December 31, 2011, the sewer system generated more than \$15.5 million of revenue and nearly \$4.6 million of free cash flow (prior to debt service and depreciation/amortization). Outstanding Sewer Bonds of the City may be impacted by the Concession Agreement.

| <b>SEWER SYSTEM HISTORICAL FINANCIAL PERFORMANCE</b> |               |               |               |               |               |
|--|---------------|---------------|---------------|---------------|---------------|
| <b>(\$ Thousands)</b>                                | <b>2007</b>   | <b>2008</b>   | <b>2009</b>   | <b>2010</b>   | <b>2011</b>   |
| <b>Operating Revenues</b>                            |               |               |               |               |               |
| 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           |
| <b>Total Operating Revenues</b>                      | <b>14,753</b> | <b>15,036</b> | <b>15,089</b> | <b>14,481</b> | <b>15,595</b> |
| <b>Operating Expenses</b>                            |               |               |               |               |               |
| 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           |
| <b>Total Operating Expenses</b>                      | <b>10,491</b> | <b>10,159</b> | <b>11,266</b> | <b>10,736</b> | <b>11,026</b> |
| <b>Free Cash Flow</b>                                | <b>4,262</b>  | <b>4,876</b>  | <b>3,823</b>  | <b>3,745</b>  | <b>4,569</b>  |
| Depreciation/Amortization                            | 1,909         | 1,907         | 1,904         | 1,908         | 2,025         |

Source: City of Allentown audit reports

Preliminary treatment consists of a bar screen with a screw press for dewatering of the screenings and two Aerated Grit Chambers. The next stage is Primary Treatment. Flow from the Aerated Grit Chamber is directed into four (4) Primary Settling Tanks (“PST”). Solids are transferred to the Anaerobic Digesters. The PSTs have fixed covers to trap off gases. These off gases are scrubbed and released to the atmosphere. The next stage of treatment is secondary treatment. The secondary treatment consists of four (4) 100 foot diameter, 32 feet Plastic Media Trickling Filters (“PMTF”). From the PMTF the flow is transferred to the Intermediate Settling Tanks (“IST”) for removal of the sloughed organisms. Tertiary Nitrification is accomplished through the use of a Rock Media Trickling Filter (“RMTF”). Clarified secondary effluent is distributed over the 5.3 acres and 10 feet deep of RMTF by closing chambers and a fixed nozzle distribution system. The next step is the Final Settling Tanks (“FST”). These tanks range in diameter from 70 to 138 feet. As the clarified overflow from the FST it flows to the Chlorine Contact Tank (“CCT”). The CCT is divided into two trains that can be isolated for cleaning. The discharge is then to the Lehigh River.

The sludge collected within the intermediate and final settling tanks is then sent to three thickening tanks. The thickened sludge is then moved to the anaerobic digesters. There are two 80 foot diameter primary digesters with floating covers with 1.25 million gallons of capacity and a secondary digester. The methane gas byproduct is used as a fuel for hot water boilers throughout the plant and used to generate electric. The sludge is then transported and used in land application.

The ALLENTOWN sewer system has received numerous honors and awards by various organizations for excellence in operations and maintenance of the system. See Table 7 for additional detail.

**Table 7**

| <b>SEWER SYSTEM SUMMARY OF AWARDS</b>             |                                |                    |
|---|--------------------------------|--------------------|
| <b>Award</b>                                      | <b>Organization Presenting</b> | <b>Date</b>        |
| Plant Operations and Maintenance Excellence Award | PWEA                           | June 4, 2012       |
| Plant Operations and Maintenance Excellence Award | EPWPCOA                        | November 18, 2011* |
| Plant Operations and Maintenance Excellence Award | EPWPCOA                        | November 18, 2005* |
| Industrial Pretreatment Program Award             | EPWPCOA                        | November 14, 2008  |
| Industrial Pretreatment Program Award             | EPWPCOA                        | November 19, 1999  |
| Award for Laboratory Excellence                   | EPWPCOA                        | November 14, 2008  |
| Award for Laboratory Excellence                   | EPWPCOA                        | November 18, 2005  |
| R. Emmet Doherty Clean Air Award                  | American Lung Association      | June 1992          |

\*Award eligibility every five years

# Section 3

## RFQ Submission Requirements

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### *3.1 Qualification Requirements and Evaluation Criteria*

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This RFQ is open to Prospective Proposers who seek qualification to submit a proposal to serve as Concessionaire for the Concession Assets. Qualification will be based on a determination by ALLENTOWN, in its sole discretion, that the Prospective Proposer meets the requirements highlighted in this RFQ. ALLENTOWN will assess each respondent's qualifications in the areas of experience and technical and financial capability. There will be no restriction as to the number of Prospective Proposers that may qualify under this RFQ. Certain Prospective Proposers may find that forming a team with partners will enhance their ability to meet the requirements of this RFQ. A team may consist of a prime/subcontractor relationship, a partnership or a joint venture, or any other arrangement that is legally binding under the laws of the State of Pennsylvania. Any changes in the composition of a team after the qualification process is complete are subject to the prior consent of ALLENTOWN.

ALLENTOWN's evaluation will be based on the following criteria:

#### **PROPOSER STRUCTURE**

To qualify as a potential Concessionaire, the Prospective Proposer or with its partner(s) must demonstrate sufficient team structure with respect to the following areas:

1. Adequacy of proposed team structure to provide sufficient assurance that all technical and financial obligations will be met over the life of the Concession.
2. Adequacy of definition of roles and responsibilities of team members and key personnel.
3. Adequacy of disclosure of controlling interests and team integrity.

#### **TECHNICAL CAPABILITY**

To qualify as a potential Concessionaire, the Prospective Proposer must demonstrate technical capability with respect to the following areas of expertise:

1. Operation and maintenance of water and sewer systems.
2. Customer service improvements and enhancements.
3. Customer safety, security, and environmental responsibilities.
4. Ability to execute an efficient, timely and seamless transition plan.
5. Capability to undertake required capital improvements.
6. Ability to offer other system enhancements with a demonstrated knowledge of technologies.

#### **FINANCIAL CAPABILITY**

To qualify as a potential Concessionaire, the Prospective Proposer must demonstrate financial capability with respect to the following areas:

1. Financial capability to make any upfront payment and undertake other commitments required under the Concession Agreement.
2. Financial ability to maintain and upgrade the Concession Assets.
3. Adequate sources of operating capital.
4. Ability to secure financing.
5. Ability to finance future Concession Asset expansion.

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### *3.2 Format and Required Information*

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All RFQ submissions should follow the format outlined below. The written proposal shall be bound and prepared on 8-1/2" x 11" paper. A limited number of 11" x 17" fold-out sheets for exhibits are acceptable. All pages are to be sequentially numbered. Unnecessarily elaborate proposals are not being sought. Elaborate artwork, expensive paper and binding, and expensive visual and other preparation aids are neither necessary nor desirable. Any concerns with providing the required information should be communicated to the Advisor Representatives in a prompt manner.

- A. Cover Page (to include identification of all team members)
- B. Cover Letter (2 pages maximum)
- C. Table of Contents
- D. Executive Summary (optional)
- E. Proposer Information
  - I. Description of Prospective Proposer: Provide a description of the team, including a description of all team members and the anticipated legal relationship (governance and capital structure) among the team members (e.g., partners, shareholders, members, operators, subcontractors, etc.) as appropriate. All equity investors should be identified.
  - II. Roles of Team Members and Key Personnel: Briefly outline the roles of the team members and key personnel. In doing so, please ensure that all the requirements as detailed in Section 3.1 are addressed.
  - III. Operator: Specifically identify the entity or entities that will act as operator of the Concession Assets under the proposed Concession.
  - IV. Contact Person: Provide a single contact person for all future communication between ALLENTOWN and the Prospective Proposer. Please identify the contact person's name, title, organization, address, telephone number, fax number, and email address.
  - V. Controlling Interest: Identify the individuals or companies who hold a major or controlling interest in each team member.
  - VI. Expected Advisors: Identify the companies and individuals who are expected to act as legal, financial, or other advisors for the team.
  - VII. Comparable Projects: Provide a list of comparable projects in which team members have participated. Prospective Proposers should specify how these comparable projects

relate to the proposed Concession, their specific role(s) on these other projects, and the extent to which team members have worked together in prior projects.

VIII. References: Provide a list of team member references. Include each reference's organization, title, e-mail and phone number. These references should be able to describe the relevant qualifications and capabilities of each team member seeking to take leading roles in the governance, operations, and maintenance of the Concession Assets.

IX. Provide at least three references, if available, in which the team or team members have experience with public-private partnerships or long-term management contracts with government entities. Include each reference's organization, title, e-mail and phone number.

F. Technical Capability. Prospective Proposers must address the following areas with respect to technical capability:

I. Operations and Maintenance Expertise: Prospective Proposers must provide evidence demonstrating their ability to operate and maintain facilities similar to the Concession Assets. Specifically, Prospective Proposers should have:

- a. substantial water and sewer facility maintenance and operation experience.
- b. advanced knowledge of water and sewer facilities maintenance, repair, construction, and practical application of equipment and materials in water and sewer facility operations.
- c. demonstrated understanding in water and sewer facility aging behavior to assess and determine the applicability of remedial maintenance action.
- d. all the capabilities necessary to successfully operate and maintain the Concession Assets including water and sewer fee management and operations, administration, marketing and public relations.

II. Customer Service: Prospective Proposers must demonstrate their commitment to achieving the highest standards of customer service and satisfaction. Specifically, the Prospective Proposer must highlight its experience and qualifications providing excellent customer service to the public using its water and sewer services. Additionally, as a pre-requisite, the Prospective Proposer will be expected to provide a plan to execute a seamless transition to concessionaire operations while maintaining the highest standards of customer service.

III. Safety and Security: Prospective Proposers must demonstrate their ability to address and resolve safety and security issues. Specifically, the Prospective Proposer should have:

- a. knowledge of water and sewer and public safety and security techniques and methodologies.
- b. experience in emergency response support.

IV. Capital Improvements. Prospective Proposers must demonstrate their ability to efficiently undertake required capital improvements to the Concession Assets during the term of the Concession Agreement. Prospective Proposers must demonstrate expertise

in relevant water and sewer engineering standards, specifications, policies, practices, and processes.

- G. **Financial Capability.** Prospective Proposers should address the following areas with respect to financial capability.
- I. **Financial Capacity to Make Upfront Payment, Maintain the Concession Assets.** Prospective Proposers must demonstrate their financial capacity to pay the upfront consideration and to maintain the Concession Assets for the term of the Concession. To demonstrate sufficient financial capacity, the primary equity providers and operators must provide copies of audited financial statements for the past three years, together with any other relevant financial information. If audited financial statements cannot be provided, team members should provide enough financial information to demonstrate that they have the financial resources to successfully execute a project of this nature and scope.
  - II. **Ability to Raise Financing.** Prospective Proposers must provide specific evidence demonstrating their ability to raise financing for a project of this nature and scope. Specific factors that will be assessed include:
    - a. capability of issuing debt and raising equity in the current capital market.
    - b. the number and size of past relevant transactions.
    - c. specific experiences on past relevant transactions.
- H. **Confidentiality and Data Room Usage Agreement.** Prospective Proposers must submit any proposed revisions to the Confidentiality and Data Room Usage Agreement (“Confidentiality Agreement”) for ALLENTOWN approval prior to signing the required Confidentiality Agreement exhibited in Section 4.0. Prospective Proposers will be required to sign the Confidentiality Agreement to have access to the due diligence process described in Section 1.0 and are encouraged to keep changes to the Confidentiality Agreement to a minimum. Each individual team member will be required to sign the Confidentiality Agreement.

Should the submission contain proprietary data which the Prospective Proposer does not want disclosed for any purpose other than evaluation of qualifications, ALLENTOWN will entertain requests for non-disclosure provided the firm identifies the appropriate sections/pages of the submission and the reason for doing so. However, Prospective Proposers are advised that ALLENTOWN is subject to the Pennsylvania Right to Know Law and the provisions of that Act govern the release or retention of information submitted to ALLENTOWN. ALLENTOWN’s decision with respect to this issue will be final.

ALLENTOWN reserves the right to request additional information from any Prospective Proposer at any time if it determines in its sole discretion that such information is necessary for consideration of the Prospective Proposer’s qualifications.

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### *3.3 Advisors and Consultants to ALLENTOWN*

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The following firms are serving as advisors or consultants to ALLENTOWN and are not able to provide service to any Prospective Proposers or participate as members of any team:

Financial Advisor: Public Financial Management, Inc.

Water and Sewer Consultant: AUS Consultants

Legal Advisors: Dilworth Paxson LLP, and Katten Muchin Rosenman LLP

Prospective Proposers may not rely on any of the foregoing firms or this RFQ in determining any course of action in relation to the proposed transaction or otherwise, and are advised to seek their own independent financial and legal advice with respect thereto. Prospective Proposers are required to disclose any conflicts of interest with respect to the parties listed above.

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### *3.4 Registration, Questions and Answers, and Submission Instructions*

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Prospective Proposers that anticipate responding to this RFQ must indicate their intention by July 25, 2012 by providing contact information via e-mail to the Advisor Representatives listed below. Providing contact information will enable ALLENTOWN to contact the Prospective Proposer if necessary to amend this RFQ or for any other reason.

Any questions shall be submitted via e-mail to the Advisor Representatives. All questions must be submitted no later than 5 p.m. EDT on July 27, 2012. Questions will be answered by August 3, 2012. Questions and responses will be made available to those that provided contact information.

**All contact should be directed only to the Advisor Representatives listed below. Prospective Proposers should not contact any officials or staff at ALLENTOWN regarding this RFQ. Proposers should not contact any representative of ALLENTOWN's advisors listed in Section 3.3 regarding this RFQ (except for inquires and electronic copies to the Advisor Representatives, as noted above). Any such contact will be grounds for disqualification.**

*Advisor Representatives:*

Scott Shearer  
Managing Director  
Public Financial Management, Inc.  
Phone: (717) 232-2723  
[shearers@pfm.com](mailto:shearers@pfm.com)

Jason Brockman  
Senior Managing Consultant  
Public Financial Management, Inc.  
Phone: (717) 232-2723  
[brockmanj@pfm.com](mailto:brockmanj@pfm.com)

To respond to this RFQ, interested parties must deliver to the addresses below an electronic copy of the RFQ submission no later than 4 p.m. EDT on August 17, 2012 and 7 hard copies of the RFQ no later than 4 p.m. EDT on August 18, 2012.

Electronic copy should be sent to each of the following email addresses:

[shearers@pfm.com](mailto:shearers@pfm.com)

[brockmanj@pfm.com](mailto:brockmanj@pfm.com)

Hard copies should be sent to the following address:

Public Financial Management, Inc.

One Keystone Plaza

Suite 300

North Front & Market Streets

Harrisburg, PA 17101-2044

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### *3.5 RFQ Evaluation Process*

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Upon submission of the qualification documents, a Technical Evaluation Committee (“TEC”) composed of ALLENTOWN staff and its advisors will evaluate each Prospective Proposer against the criteria set forth in Section 3.1 based upon the information provided in response to Section 3.2. Submissions will be evaluated in their entirety on a Pass/Fail basis. The TEC will also obtain technical input and analysis from ALLENTOWN’s Advisors.

After a final evaluation by the TEC, if a Prospective Proposer is notified that it is not qualified to submit a Concession Proposal, it may request reconsideration by writing to the Advisor Representatives within five (5) calendar days of receipt of the Notice, setting forth in writing the reasons the determination should be reconsidered. The Advisor Representatives will notify the Prospective Proposer of the TEC’s final determination within a reasonable time after receiving the request for reconsideration. The ultimate decision of the TEC will be final and conclusive regarding this RFQ.

ALLENTOWN reserves the right to modify or terminate this solicitation at any stage if ALLENTOWN determines such action to be in its best interests.

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### *3.6 Transaction Schedule*

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Prospective Proposers who are deemed qualified by ALLENTOWN, in its sole discretion, will be asked to participate in further due diligence as described in Section 1.0, and to ultimately provide final and binding proposals to ALLENTOWN to become a Concessionaire for the Concession Assets. The approximate timing of this transaction will be as follows:

|                                  |                             |
|----------------------------------|-----------------------------|
| Qualification Notification       | Week of August 20, 2012     |
| Sign Confidentiality Agreements: | Week of August 20, 2012     |
| Due Diligence Process:           | August 2012 – December 2012 |
| Final RFP Released:              | October 2012                |
| Receive Final Proposals:         | December 2012               |
| Closing:                         | March 2013                  |

# Section 4

## Confidentiality Agreement

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### 4.0 Form of Confidentiality Agreement

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#### CONFIDENTIALITY AND DATA ROOM USAGE AGREEMENT

This Confidentiality and Data Room Usage Agreement ("Agreement") is made as of this \_\_ day of \_\_\_\_\_, 2012, by and between the City of Allentown ("ALLENTOWN"), and \_\_\_\_\_, a(n) [insert business entity type and State of formation] (the "Receiving Party").

ALLENTOWN agrees to disclose to the Receiving Party certain information through a secure, virtual data room. The virtual data room will contain ALLENTOWN information, which may include but is not limited to, user statistics, financial data, statistical data, and existing equipment. The Receiving Party agrees to access the virtual data room under the following terms and conditions.

1. **Confidentiality.** Subject only to the provisions of paragraph 2 below, the Receiving Party will not disclose any Confidential Information (as defined below) received from ALLENTOWN to anyone except employees of the Receiving Party and those members of the Receiving Party's "project team" ("Team Members") with a need to know who have been informed by the Receiving Party of the confidentiality of such information. The Receiving Party agrees that it and its Team Members will use such information only for the purpose of preparing the Receiving Party's submittal in response to ALLENTOWN's Request for Qualification (the "RFQ") and Request for Proposal for Concessionaires (the "RFP"). Upon the completion of the RFP process, or at such time if earlier that the Receiving Party decides that it does not wish to pursue the RFP process further, the Receiving Party acknowledges and agrees that its access to the virtual data room shall be terminated and it further agrees to destroy all copies of Confidential Information in its possession, as directed by ALLENTOWN.

a. "Confidential Information" shall be all information disclosed, in writing, orally, visually, electronically or otherwise, by ALLENTOWN to the Receiving Party, including all documents, data and/or information contained in ALLENTOWN's virtual data room.

b. With respect to the Confidential Information, the Receiving Party specifically agrees to and shall cause all its Team Members to:

- i. Protect and preserve the confidential and proprietary nature of all Confidential Information and the information contained therein;
- ii. Not disclose, give, sell or otherwise transfer or make available, directly or indirectly, any Confidential Information or the information contained therein to any third party for any purpose, except on a need to know basis as is reasonably necessary for evaluation by advisors, consultants or agents of the Receiving Party or potential investors or other financing sources who have been informed by the Receiving Party of the

confidentiality of such information, or otherwise as explicitly permitted in advance in writing by ALLENTOWN;

- iii. Not use, transcribe or make records or copies of the Confidential Information except as necessary to prepare the Receiving Party's submittal to the RFP;
- iv. Limit the dissemination of the Confidential Information within the Receiving Party's own organization and within the organizations of any reasonably required advisors, consultants, agents, potential investors or other financing sources, to those individuals whose duties justify the need to know the Confidential Information, and then only provided that there is a clear understanding by such individuals of their obligation to maintain the confidential and proprietary nature of the Confidential Information in accordance with this Agreement;
- v. Notify ALLENTOWN immediately of any loss or misplacement of Confidential Information, in whatever form; and
- vi. Promptly advise ALLENTOWN if it learns of any unauthorized use or disclosure of the Confidential Information. In addition, the Receiving Party agrees to cooperate fully and provide any assistance necessary to protect against the unauthorized use or disclosure of such Confidential Information.

2. Exceptions. Notwithstanding the provisions of paragraph 1:

a. The Receiving Party's obligation with respect to keeping the Confidential Information confidential and with respect to the use of Confidential Information shall terminate with respect to any part of such information which appears in printed or online publications or which ceases to be confidential through no fault of the Receiving Party.

b. The Receiving Party shall not be precluded from disclosing or making any use whatsoever of any information which it can show was in its possession prior to the disclosure made by ALLENTOWN or which subsequently comes into its possession from a source independent of ALLENTOWN, which source was not, to the knowledge of Receiving Party, under any obligation of confidentiality to ALLENTOWN, or which was independently developed by the Receiving Party.

c. For the purpose of keeping confidential the Confidential Information received by it, the Receiving Party agrees that it shall treat all such Confidential Information with no less than the same degree of care to avoid disclosure to any third party as the Receiving Party employs with respect to its own proprietary and confidential information.

d. In the event that the Receiving Party is ordered by a court of competent jurisdiction to release to a third party or to such court any of the Confidential Information provided by ALLENTOWN, the Receiving Party may release such Confidential Information provided, however, that the Receiving Party promptly notifies ALLENTOWN of such legal action

in advance of the release of such Confidential Information. ALLENTOWN shall have, to the extent provided by law, the opportunity to contest such legal action seeking release. Nothing contained herein shall be deemed to require the Receiving Party to disclose Confidential Information.

3. Accessing the Virtual Data Room. Within a reasonable time after both parties execute this Agreement, the Receiving Party will receive usernames and passwords to access the virtual data room.

4. Rules of Use. The virtual data room and all content within the virtual data room may not be copied, reproduced, republished, uploaded, posted, or transmitted; provided, however, that ALLENTOWN grants the Receiving Party non-exclusive, non-transferable, limited permission to access and display the Web pages within the virtual data room, solely on a computer or computers owned and operated by the Receiving Party. All materials contained within the virtual data room that are made available for downloading, access, or other use shall constitute Confidential Information and shall be governed by the terms of this Agreement.

5. Indemnification. The Receiving Party agrees that its compliance with this Agreement is of utmost importance and, accordingly, the Receiving Party agrees to indemnify, defend and hold harmless ALLENTOWN and any third party (to the extent a breach of this Agreement affects the proprietary rights of such third party) with respect to any claims, losses, damages and expenses (including reasonable outside attorney's fees) which are attributable to or arise out of the Receiving Party's and or the Team Members' breach of this Agreement. The obligations of the Receiving Party under this Agreement and the indemnification provisions provided herein shall survive termination of this Agreement. Further, the Receiving Party agrees that ALLENTOWN nor any official, trustee, officer or employee thereof shall have any liability to the Receiving Party or any person asserting claims on behalf of the Receiving Party as a result of any matter associated with the transactions contemplated hereby, except in the case of willful misconduct of such party (and such exception shall apply only as to such party) or gross negligence.

6. Insider Trading. The Receiving Party acknowledges that it is aware that United States securities laws prohibit any person who has received from an issuer material, non-public information concerning the matters which are the subject of this confidentiality agreement from purchasing or selling bonds or other securities of such issuer or from communicating such information to any other person under circumstances in which it is reasonably foreseeable that such person is likely to purchase or sell such bonds or other securities.

7. Disclosure relating to negotiations or transaction status. Without the prior written consent of ALLENTOWN, the Receiving Party and its agents and employees shall not disclose to any person (including, without limitation, any person or entity directly or indirectly bidding on, or otherwise involved in, this concession or the transactions contemplated hereby) either the fact that discussions, negotiations or exchanges are taking place concerning possible transactions between ALLENTOWN and the Receiving Party or any of the terms, conditions or other facts with respect to any such possible transaction, including the status thereof and the Receiving Party's potential participation therein.

8. Waiver. No failure or delay by ALLENTOWN in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

9. Disclaimer of Warranty. All Confidential Information is provided “as is.” ALLENTOWN does not make any representation or warranty, either express or implied, as to its quality, adequacy, completeness, accuracy, fitness for a particular purpose, sufficiency or freedom from defects of any kind. ALLENTOWN shall not be liable in damages of whatever kind as a result of the Receiving Party's reliance on or use of the Confidential Information provided hereunder.

10. Remedies. The Receiving Party acknowledges that the breach of any of the covenants or agreements contained in this Agreement on the part of the Receiving Party and/or its employees will result in irreparable harm and continuing damages to ALLENTOWN, and that ALLENTOWN's remedy at law for any such breach or threatened breach would be inadequate. Accordingly, in addition to such remedies as may be available to ALLENTOWN at law or in equity, in the event of any such breach, any court of competent jurisdiction may issue an injunction (both preliminary and permanent), without bond, enjoining and restricting the breach or threatened breach of any such covenant, including, but not limited to, an injunction restraining the Receiving Party and/or its employees from disclosing, in whole or in part, any Confidential Information. The Receiving Party shall pay all of ALLENTOWN's costs and expenses incurred in enforcing such covenants.

11. Ownership. Confidential Information disclosed hereunder shall be and remain the property of ALLENTOWN. No license, right, title or interest is granted herein, directly or indirectly, by implication or otherwise, to the Confidential Information by virtue of ALLENTOWN disclosing said Confidential Information to the Receiving Party, except such license or other rights as may be mutually and expressly agreed upon between the parties by separate written agreement.

12. Notice. Whenever notice is required to be given pursuant to this Agreement, the same shall be in writing, and either personally delivered, sent by a nationally recognized overnight delivery service, postage prepaid, or sent via United States certified mail, return receipt requested, postage prepaid, and addressed to the parties at their respective addresses as set forth on the signature page of this Agreement, or at such other addresses as any party, by written notice in the manner specified above to the other party hereto, may designate from time to time. All notices shall be deemed to have been given upon receipt (or refusal of receipt) thereof.

13. Parties. This Agreement inures to the benefit of ALLENTOWN and is binding upon ALLENTOWN and the Receiving Party, and their respective successors and assigns. This Agreement shall not be construed to recognize or create a joint venture, partnership, or other formal joint business or agency relationship.

14. Governing Law and Venue. This Agreement will be governed by and construed in accordance with the laws of the Commonwealth of Pennsylvania applicable to agreements made and to be performed within such State without regard to the conflict of laws principles thereof. Any dispute arising out of this Agreement, if litigated, shall be resolved by a state or federal court in Lehigh County, PA, and the parties hereby consent to the jurisdiction of such court.

15. Severability. In the event any provision of this Agreement is found to be invalid or unenforceable by a court of competent jurisdiction, the remainder of this Agreement shall not be affected thereby, the provisions of this Agreement being severable in such circumstances.

16. Entire Agreement. This Agreement (a) constitutes the entire agreement and supersedes all written and oral communications between the parties relating to the subject matter hereof, and (b)

may be modified or amended only by a written instrument specifically stating that it modifies this Agreement, signed by the parties hereto.

17. Counterparts. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same document.

IN WITNESS WHEREOF, ALLENTOWN and the Receiving Party have executed this Agreement as of the day and year first above written.

**RECEIVING PARTY**

\_\_\_\_\_

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address for Notices:

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Facsimile ( ) \_\_\_\_\_ - \_\_\_\_\_

**CITY OF ALLENTOWN**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address for Notices:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Facsimile ( ) \_\_\_\_\_ - \_\_\_\_\_

# Section 5

## Disclaimer

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### *5.0 Disclaimer*

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This RFQ has been prepared for informational purposes relating to the proposed transaction only and upon the express understanding that it will be used solely for the purposes set forth herein. This RFQ is based on information provided by ALLENTOWN and other sources believed to be reliable; however, such information is not guaranteed as to accuracy or completeness and is not to be construed as a representation or warranty of ALLENTOWN. This RFQ does not purport to be all-inclusive or to contain all the information that a Prospective Proposer may desire in investigating the Concession Assets. Neither ALLENTOWN nor any consultant or advisor to ALLENTOWN (collectively, the “Project Team”) makes any express or implied representation or warranty as to the accuracy or completeness of the information contained herein or made available in connection with any further investigation of the Concession Assets (the “Information”). Each member of the Project Team expressly disclaims any and all liability which may be based on the Information or any errors contained therein or omissions therefrom. No other person has been authorized by ALLENTOWN to provide any information with respect to the proposed transaction or the Concession Assets other than the Information, and, if given or made, such other information must not be relied upon as having been authorized by ALLENTOWN. In furnishing this RFQ, no member of the Project Team undertakes any obligation to provide any Prospective Proposer with access to any additional information. A Concessionaire entering into a final and binding Concession Agreement with ALLENTOWN shall be entitled to rely solely on the representations and warranties made to it by ALLENTOWN in any such final agreement.

This RFQ shall not be deemed an indication of the state of affairs of the Concession Assets or ALLENTOWN nor shall it constitute an indication that there has been no change in the business or affairs of the Concession Assets or ALLENTOWN since the date hereof. The information and expressions of opinion contained herein are subject to change without notice, and neither the issuance of this RFQ nor any transaction that may be consummated pursuant to the RFP process shall, under any circumstances, create any implication that there has been no change in any of the information contained herein since the date hereof or the date as of which such information is given, if earlier.

# Section 6

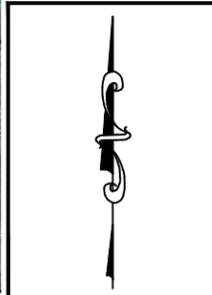
## Appendix – System Maps



**CITY OF ALLENTOWN  
 WATER TREATMENT PLANT  
 1300 MARTIN LUTHER KING JR. DRIVE**

13TH WARD, CITY OF ALLENTOWN, LEHIGH COUNTY, PENNSYLVANIA

|   |       |                     |
|---|-------|---------------------|
| SCALE: 1" = 150'  | JOB # | DATE: JUNE 29, 2012 |
| THE CITY OF ALLENTOWN, BUREAU OF ENGINEERING<br>DEPARTMENT OF PUBLIC WORKS<br>641 S. 10TH ST. ALLENTOWN, PA 18103-3173 610-437-7574 |       |                     |



**CITY OF ALLENTOWN  
WASTE WATER TREATMENT PLANT  
112 UNION ST.**

|   |       |                     |
|---|-------|---------------------|
| 1ST WARD, CITY OF ALLENTOWN, LEHIGH COUNTY, PENNSYLVANIA  |       |                     |
| SCALE: 1" = 200'  | JOB # | DATE: JUNE 29, 2012 |
| THE CITY OF ALLENTOWN, BUREAU OF ENGINEERING<br>DEPARTMENT OF PUBLIC WORKS<br>641 S. 10TH ST. ALLENTOWN, PA 18103-3173 610-437-7574 |       |                     |