

Questions and Statements Submitted By Members of the Public at Public Meetings on the Water and Sewer Lease Proposal - August 2, 9, 16, and 23 in 2012

The following questions and statements are recorded as written on the comment cards submitted. In some cases, they have been broken down into general topics of shared concern to facilitate reader review. There is no specific order to the topics listed.

All input received, through the Public Meeting process as well as through ongoing meetings with organizations and individuals, is being considered as this exploration process continues.

Would leasing our essential life elements distribution and cleansing system to a multinational corporation, who will put profits before people, be a security issue? Will national security be jeopardized?

How is this not creating a monopoly? Why would this be beneficial?

Does the further societies goals? Will this increase access to the poor communities that are struggling? Will they be able to shut off citizens' water supply? Is this in compliance with PA Constitution Article I, section 27?

If the city does lease this utility, what are our options if we face another budget issue?

How many people in this room, other than public servants, receive an annual pension of \$92,000? Raise your hands.

CNBC Today said that judges in California are directing reductions in the pension payments to current retired City pensioners.

After the primary elections in California, many media outlets reported that existing pensions were being cut in San Jose and San Diego, CA. I looked into the texts of referendum and found (not a complete or authoritative list) that many changes were made to new employees' plans, some changes to current employees and only one change to current retirees: no cost of living adjustment in a declared emergency.

Aqua America has described to investors a "water-energy nexus that could have a positive impact on the future of our company" referring to the Marcellus shale. Also they are building a pipeline to PA to supply water to drillers. American Water and Aqua America are currently looking to expand the market to treat wastewater.

American Water and Aqua America sell water to drillers and have also expressed interest in treating frack water. They are both "associate members" of the Marcellus Shale Coalition. Aqua America joined in 2010. Pennsylvania American water joined in 2011. American water stated that it is..."realizing additional revenues from water sales to drilling companies while remaining vigilant in protecting water sources."

American Water Company was based out of Germany and sold its water portion in 2008 - They continued to be a natural gas company and other utility company.

American Water is “currently selling water to gas drillers at 34 distribution points in PA” and it “sold 250.4 million gallons of water to gas drillers from January-December in 2011, producing \$1.6 million in revenues.”

– Marcellus Shale Coalition

How is this not a direct violation of our PA Constitutionally protected right to access clean water? Does a citizen lose their right if they cannot afford the fees?

Rates

How does this affect the cost to use for water and sewage? Cleaner water? How does Allentown Benefit?

How will water and sewer prices be controlled?

Household utility bills in other communities where the water supply was privatized have skyrocketed, for example, over 500% increase in Bensalem, Pa. Why won't that happen here?

Will increases be put on the ballot before they are enacted?

Long after the present government has changed in the City of Allentown, we, the property owners and taxpayers, will still be paying exorbitant water and sewer bills just like the pension fund we are trying to cover, why?

In 5 years, when water rates deregulate and skyrocket, what can poor people do for water?

The signatories are charged based upon the actual expense of operating the plant and a portion of the debt service, so will the impact of higher sewer fees be felt solely by City residents?

Five eastern PA cities have recently privatized their water supplies. In Bensalem the annual price increased from 137.08 to 578.05. In Bristol it was from 165.44 to 335.69 to 792.22. In West Chester it was 305.31 to 683.85. These average increases seem very serious. What ability would our city have to prevent this from happening?

How is this not passing one budget problem onto the consumers of water? This is sending the cost to the people of Allentown

At the end of the day, for citizens, how will this additional cost relate to increasing property taxes? What percent increase over the course of 50 years will likely be seen? Minimum and maximum possibility.

Jobs

Will you make sure the company that leases the water dept. pays the workers a living wage with affordable benefits and a pension so we don't lose tax dollars?

As a tax paying resident, and city employee, in your power point presentation to city employees, you stated bankruptcy was not an option, and you also stated a negotiating contract that doesn't protect the 87 employees at risk is also not an option; my question is what is your breaking point?

Why are there so many managers compared to workers?

The city has been paying parks department employees, in part, with money from water and sewer fees. Will the private concern be required to continue that practice? For how long?

How do you promise no jobs loss? When you laid off employees a few years back!

City employees have had enough of the cut backs, why them?

Why are management departments being filled in so quickly and not the employees?

Why if City is at bare bones of blue collar workers lowest in 30 years. No managers have lost their positions? Managers jobs are still being filled immediately why? Why has Mayor not cut his staff?

Water and System Quality

Will the lease have to maintain the same high quality water Allentown residents get now? Or will they be required only to meet state & federal standards which are much lower?

If the system is in such good shape, why is there a consent order from EPA/DEP on the sewer system?

You say that the system is in good shape and will not require capital improvements. Can we see an analysis of the water system's condition? By a third party?

Service Quality/Emergency Response/Snow Removal

If Allentown leases the water and sewer to someone else, who is responsible for answering emergency calls at night or weekends for water leaks and sewer backups? We now have 24 hour coverage at least to be checked out and a decision made. Where we live the sewer line is checked every Monday due to tree roots & etc. that have caused many backups in our home and there are other cases like ours. Who will be responsible for these checkups and repairs? We should vote on it. The water and sewer employees also do a lot of snow removal for the City along with the Street Department.

Will any potential agreement leasing water and sewer provide for a mandatory emergency response capability? Will the contractor need to have resources available for emergency/disaster response, and will they need to participate in emergency training and incident management preparation?

Revenue Allocation

If the upfront lease payment exceeds the pension fund need and the W&S debt, would the excess have to go to pay down other city debt?

Is there a guarantee all moneys realized will be applied to pension debt?

If the city of Allentown may not legally increase sewer and water rates, how can they earn a profit by leaving its assets?

Lost Revenue

The city receives fees from surrounding communities for its water and sewage processing services. Some of these fees have paid for projects outside the water system. These fees will be going to the private concern. How much money has been involved? How will the city fund similar projects in the future?

On the RFQ, it's states that the water system generated more than \$14.8 million of revenue and nearly \$6.3 million of free cash flow. If this lease goes through what are your plans to replenish this lost income?

Other Examples of Privatization

Has this ever been done anywhere and succeeded?

What other Pennsylvania cities have done a similar mode of Privatization? How has it negatively affected the community? Is the benefit worth the negative aspects?

Has any other city used this system and been successful?

You mentioned how most of the world leases their water systems. What role has the World Bank and IMF put pressure on those accepting loans? How many of those were in essence forced to do so?

Oversight Board

You mentioned an oversight board. Please provide more details as to what this will look like.

Water Meters

Why are water meters being upgraded now and not after a lease is in place?

Meeting Format

Why can not I get up and ask my question? Other method (sic) or other (sic) to make the unions give back?

Mayor, why are you requiring questions in writing? Change the format to allow individuals to submit questions to you from the floor or audience and an opportunity to respond.

Why are there no "experts" on the panel who oppose privatization, e.g. Representatives of Food and Water Watch?

Lease Option Assumptions/Questions

Could you tell us what were the assumptions for revenue growth in the AUS study?

Is the city reviewing the assumptions underlying its pension fund actuarial valuations (for example, life expectancy, age at retirement, survivorship, investment income), or is it satisfied with the calculations done by the investment managers?

Talk a little about how the operator/lease borrows against the present value of the projected cash flow of the water and sewer operation in order to pay the City the upfront \$100-150 million.

Minimal Municipal Obligation (MMO)

Why does lease reduce MMO?

Why can we only reduce MMO?

Other Options to Address Unfunded Liability/Pay MMO

Why should water and sewer departments to cover the problems?

Ramifications of bankruptcy?

Sell everything? City Hall? What's left?

What about privatizing the fire and police department?

Why not move from defined benefit pension to 401k plan – most private employers have done so.

Is there any possibility of renegotiating the pension contracts (source of the problem)? The police and firefighters deserve good pensions, but this level of pension is simply unsustainable.

How much would leasing the golf course and parking authority raise per year? Is this at least 80% of the MMO?

The private company will envision a profit from future sales. What can they do that the city cannot do?

Why can't the city make money, if they sell the dept. the buyer won't buy unless it can make money?

To recoup its \$150 million investment and make a profit it will have to bring in much more money than the city is doing now. How will they do it? Why hasn't the city?

If water and sewer is a big revenue to the city, why lease or sell when we could make the money to take care of problems?

The city can either receive \$100 million from a municipal bond lender at 6% interest or it can receive \$100 million from a water company that expects a 15-20% rate of return, with consumers on the book. Why choose the 2nd option? Is it responsible?

Any possibility of negotiating a casino in the next couple of years to bring in more rev.?

You blame the recession for our debt crisis. Undoubtedly, the people of Allentown did not cause the recession. Why not target those who did? Why not tax for-profit banks that operate within Allentown? Why allow our water supply to be held hostage by a private entity?

LCA

Where would LCA get front end?

LCA appointments are made by Lehigh County Board of Commissioners and so are LCA Capital Improvements. How will you deal with the County on this issue?

If LCA floats a bond issue to fund its upfront lease agreement, can it raise its water and sewer on Allentown subscribers higher than the other communities in the County?

New Operators Questions/Concerns

What foreign holding company is taking the water lease profits overseas? To Germany? France?

What if leaser goes bankrupt?

If an operator takes on a large loan and loses their “right” to operate the system, how will they get that money back? Their investment may be overlooked by future Mayors – How can we ensure this doesn’t happen?

If the city turns the corner, economy improves, the NIZ and hockey arena goes wild and the city starts making money hand over foot over the next 10-20 years. Is there a clause to take back the lease?

What can we do to ensure that the regulations, fees, and compliance are not renegotiated as they have been in other cities which have done the same?

How will the fines for violations relate to the companies incentive to maximize the profits?

Future Infrastructure Repairs and Liability Costs

The city has ongoing problems with leaky water and sewer pipes. Some of the breaks have been major including sinkholes that have cost millions to repair. Will the private concern accept the water and sewer infrastructure “as is” and release the city from any future repairs and liability costs?

Control of the Water Supply/Use of Water and/or Sewer for Fracking

The mayor has said the City will retain control over our water sources. Will the city be able to set limits to how much water is taken from the source springs? Will the city be able to say to whom the private company can sell city water? Specifically, what aspects of the source water will the city have control over?

Will there be any bias against sell excess water to gas companies to be used for drilling etc.?

Will the lease be allowed to sell our water to frackers?

Will these companies have any ability to deal with flow back water from fracking? The trucks have had many spills outside the drilling zone. It is foreseeable that this may be a devastating threat. How can they address this scenario?

Will frackers have any access to water withdrawals if there is an excess of supply? They travel great distances to acquire the water to drill.

Seems as though this contract is going to be signed regardless of what the people of Allentown feel is best for the city and its resources. Will there be a clause protecting against future government or corporate misuses of our water supply such as using it for fracking purposes within the contract?

Earned Income Tax (E.I.T.)

If, after, the lease payment is deposited into the pension fund, and if it would then be 80% or less funded, would the Act 205 EIT be eliminated?

Mayor, two years ago you increased the E.I.T. 0.35% for residents and non-residents employees to solve pensions underfunding and city MMO now you are proposing lease of water/sewer to pay for underfunded pension plans and eliminate the 0.35% E.I.T. increase. Why change from E.I.T. to lease? 0.35% E.I.T. brings in \$8.5 million a year x 40 years = \$340 million. Versus \$100 million from 40 years with the lease.

Delta Thermo Energy

The city is under contract to pay Delta Thermo Energy over \$1 million a year for 35 years to dispose of the city's sewage sludge. The private company may not want to do business with Delta Thermo. Might the city have to pay Delta Thermo anyway? What are some possible ways out for the city? Mayor, are you still confident that Delta Thermo will be setting up its facility in Allentown?

What becomes of our sewer related agreements with Delta Thermo & PPL?

Fire Department

In order to evaluate an administrative proposal such as this water/lease concession proposal, it is sometimes necessary to look at past administrative actions to predict future success. I believe everyone can agree that the most recent collective bargaining agreements needed managerial oversight in order to contain pension costs. In the fire contract, in every year, overtime increased exponentially. During this period, total Fire Department strength decreased at the same time that total shift strength requirement was increasing. Why did your administration reduce total department strength at the precise time you needed more employees in order to reduce overtime and thus reduce pension costs?

Police Department

Were there any cops working for the city and collecting pensions at the same time? Are there any at present?

Going bankrupt is better than being robbed by the Police Department. What is your choice?

Why did you settle the suit for so little? Was it settled with prejudice? If so – you own it.

Next Steps/Voting to Move Forward

It sounds as though this decision has been made??

Is there any scenario that the sale of the water resources would not go through?

Specifically, at what point in the process can Council vote to stop the privatization plan should it choose to do so?

When will there be a public hearing or vote on this issue?

Who will make the final decision about whether or not to accept? Who will make the final decision to stop the lease?

At the City Council meeting last night, in response to citizen concerns, council members gave their assurance they would not approve a contract that did not have adequate safeguards. I have been told that council does not get to vote on the final contract. Is that true?

- I also understand that council will not get to vote approve or reject the company the city chooses to lease the water and sewer operations to. Is that true?
- I also understand that council will have an opportunity to make suggestions for the Request for Proposal that will go to competing companies but cannot be assured those provisions will be in the final contract. Is that true?