

Julio A. Guridy, President  
Ray O'Connell, Vice President  
Joseph Davis  
Jeanette Eichenwald  
Jeff Glazier  
Cynthia Y. Mota  
Peter Schweyer



Allentown City Council  
435 Hamilton Street  
Allentown, Pa. 18101  
AllentownPa.Gov

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**COUNCIL MEETING MINUTES**  
**April 17, 2013**  
**COUNCIL CHAMBERS**  
**435 Hamilton Street**

**Council Meeting – 7:00 PM**

**1. Invocation: Jeanette Eichenwald**

**2. Pledge to the Flag**

**3. Roll Call:** Davis, Eichenwald, Glazier, Guridy, O'Connell, Schweyer Mr. Davis was participating over the phone.

John Marchetto represented for the Solicitor's Office

**4. Courtesy of the Floor**

Mr. Dan Poresky, 824 N Burke Street – Citizens of Allentown Water, addressed the answers that he received for the questions he submitted to Council. He suggested that answers be given to speakers questions by the representative in the manner questions are answered to Council.

Ms. Eichenwald agreed with Mr. Poresky and stated that the public should be granted the same courtesy that is granted to City Council. If we are going to have immediacy to our questions I strongly urge that the decision will be that the public will have their questions answered.

Mr. O'Connell agreed with the format that Mr. Poresky suggested. It makes sense to do it in 15 minutes intervals and get the questions and answers because we go a half an hour or 45 minutes people can write down the questions. The format will be fine.

Mr. Glazier stated that he agrees with the councilmembers and Mr. Poresky made a good suggestion, but in order for that to work and the presentations to be done in a timely fashion time this meeting that we are in now needs to be done expeditiously or else that timeline is not going to work.

Mr. Poresky stated that what is happening at the next meeting. Will the same process take place where you have the 10 – 15 minute questions and answers before you get to the presentations? Will the representatives from the various consultants be there and will there be time for questions and answers after those presentations.

Mr. Guridy stated that he would like to see if they could do all the presentations today. That would minimize some of those issues.

Mr. Poresky stated that you mentioned in the beginning that they will be some additional issues at the next meeting.

Mr. Guridy stated that he did not say that. There will be presentations today. I said there will be additional presentations form members of the public in addition to the presentation that the mayor made as well as Mr. Koplisch.

Mr. Poresky asked when the presentation for PEL will take place.

Mr. Guridy stated most likely on the 27<sup>th</sup>.

Mr. Poresky asked will there be time for questions and answers after that presentation.

Mr. Guridy stated correct.

Mr. Poresky stated that he is opposed to LCA financing the city's pension debt and opposed of LCA operating our water and sewer systems for 35 – 50 years. We know who is going to pay for it and how will it be financed. The city of Allentown residents will be soaked with rapidly increasing water rates that go up for the entire duration of the lease. I believe that the true costs of pension bonds have not been compared to the lease agreement. Sure taxes will rise for a while, but much less than what we would have to pay for higher water bills. As we sit here there is a billion dollar investment in Allentown that we will soon be generating taxes that will help us reduce this burden. We can create our own water authority that could pay for the lease concession just like what LCA is doing and our Charter can include provisions for a greater accountability to the public and its priority will be Allentown and not the surrounding townships and bottlers. The problem is that this forum doesn't provide a means for objective comparison. What you are offering the public at these meetings are not a fair substitute for a serious studies of the options. He asked Council if they want to be more responsible for making an even more costly mistake than was made by our previous administration and council when they caused the pension fiasco.

Mr. Kenneth Heffentrager, 733 N 11<sup>th</sup> Street – Tenants Association of Allentown, stated that the mayor mention about how much property tax is being taken away that should be put towards this. I will go back to the tax exempt list again. ACIDA also possesses 27 properties, very large properties that haven't produced any taxes. Why did the city stop putting pressure on the slumlords to begin with? You did a hall of shame and it has not been updated since 2009. You should take two people off because they don't even live in the city any longer.

Ms. Ce-Ce Gerlach, 956 W Walnut Street, stated that the necessity of a Community Benefits Agreement has become very real to me. Living in a community that is a site of a proposed skyscraping or any development at all. I live in the NIZ and have spoken to many business owners in my neighborhood who has all been approached physically and contacted by individuals offering a cash settlement for their properties. People in my neighborhood, businesses and residents seeing individuals taking pictures and standing on rooftops and taking pictures of their properties. Since this is our neighborhood we should have some say or input on how this is developed. Urban renewal is economic eviction. She urged the mayor and council to support a Community Benefits Agreement.

Mayor Pawlowski stated that Ms. Gerlach knows because I talked to her many, many times that we are working on a Community Benefits Agreement and working with a number of pastors and community groups to help form that Community Benefits Agreement. We have no money. There is no money in the NIZ. The NIZ does not generate money for other things that are outside of development project. The NIZ is a financing tool for development. What we do have in the plan is money set aside specifically for a job training center which we are working with Career Link and Lehigh Valley Community College to set up a training center in the community. We have money set up for a job posting board similar to what they have in Newark which is a very intuitive job board that you can basically find any job within the community depending on your skillset which is called TweetMyJob. We are also working with the trades to set up an apprenticeship and the trades have put in significant dollars in the foundation this year specifically through the ASD Foundation to basically fund an apprenticeship program for kids living in the NIZ Zone. The best thing that we could do is provide money for our school because the state has chopped our dollars significantly and this development would put another \$6 - \$7 million worth of property taxes into the school district. That would be huge and will help to eliminate a good portion of the layoffs that is happening in the future.

Ms. Gerlach asked about the Community Benefits Agreement projected date or overall goal.

Mayor Pawlowski stated that they are looking at possibly by this summer to have the agreement in place specifically for the job center with LCCC and Career Link. We have to do an audit and determine what types of jobs that are needed within the offices and buildings that are being built.

Mr. Davis stated that the CEDC meeting will meet on May 8<sup>th</sup> and CUNA will be invited. .

Mr. Schweyer stated that May 8<sup>th</sup> is our regularly scheduled meeting of Community and Economic Development and at that point in time CUNA who has been a driving force of the Community Benefits Agreement coalition will be presenting in front of council.

Mr. David McGuire, 223 N 19<sup>th</sup> Street, stated that the administration's last contract with LCA in 2009 – 2010, the city made an agreement to sell our water to LCA and eventually the piping work was done and the water is now flowing to LCA. The contract calls for four million gallons a day to rise over time to seven million gallons a day. The benefit to the city is that we sell that water by the millions of gallons at .45 cents per thousand gallons and Allentown citizens currently pay about \$3.25 per thousand gallons. This is the type of thing you should be looking into. He has not heard due diligence on the part of the administration on the EPA record of LCA or the DEP record of LCA. He asked council to take their time. Time is not of the essence.

Mayor Pawlowski stated that they worked out the deal with LCA and it's a good deal. It brings to us about \$1.5 million per year. If we did not do this they were going to drill wells in Lower Macungie. They would have gotten water and we would have gotten nothing. We had excess water capacity. When Agere closed we had ample water capacity. They were using 20 percent of our water supply. It is a \$20 million plus profit for the City of Allentown over the life of the agreement.

Mr. Francis Lockney, Lowhill Township, stated that he is an organizer for the Carpenters and for him the issue is always local labor. I think the lease deal is good for local labor. It is going to guarantee that these jobs are going to remain with the local labor workforce. Any significant improvement or capital projects are going to cover under this PLA and ensures that the local workforce gets this work and you get quality workmanship. LCA is local. Is not a company from California or out of the country, these are people that live here.

Mr. Jim Mumbower, 2441 W Elm Street, asked why they don't have a traffic light on Hanover Avenue at the entrance to the new development. It has become a very dangerous intersection.

Mayor Pawlowski stated that basically we tried, but PennDot did not allow us to put a traffic light there. We petitioned PennDot to put a traffic light there. The developer at Overlook Park was going to pay for a traffic light there.

Mr. Mumbower stated that there were plans when they were putting New England Highway out and that all fell through and that was a well laid out plan that the administration and engineers looked at, but no one through to test an old railroad site for arsenic before they committed to building what they built.

Mayor Pawlowski stated that we did test, the developer knew it was arsenic there and we are in a dispute with them legally because we think that they should finish the project because they knew the arsenic was there. They wanted to charge us an exorbitant amount more to finish the road. They were picked by PennDot and we had the contract by PennDot contractor. We had no control over that. If we were to take the state funds to build that road we had the contract and the contractor came back and said I want to charge \$7 million.

Mr. Mumbower asked Mayor Pawlowski if he was saying that road was never going to be redeveloped.

Mayor Pawlowski stated that is not what I am saying.

Mr. Mumbower asked if there will be a light at the intersection when that is developed, making a right hand turn, the fence with the tall posts make it hard to see and if he is in an accident that is the first person he will be speaking to.

Mayor Pawlowski stated yes, there will be.

Mr. Anthony Gallagher, Steamfitters Local Union 420, stated that he represents over 4500 members, 400 of which live in the Lehigh Valley. He stated there is a lot of blame to go around regarding how these unfunded liabilities has grown. We face a dismal investment performance over the last 13 years. Two of the worst declines in investment history since the great depression have come over the last 13 years. We live in a government society that nobody wants to do anything. I commend you because it is not easy and as a labor union we look at keeping local jobs here. We have to take a chance and do something.

Mr. Jim Henshaw, 255 E South Street, stated that he is very much in favor of the water with the Lehigh County. I can't stress enough that it is very important that you think very much about Lehigh County.

Mr. William McGhee, Northampton, stated that he work construction in the Lehigh County for many years and it is about jobs and moving into the right direction. I think we have to commend the people that are pushing forward in the best issue in the city. These jobs are important. We need family sustaining jobs that you can raise your family on with these wages.

Mr. Daniel Ruff stated that he has an eight year old boy that he adopted that goes to Central Elementary School that has been dealing with the bully crisis on a daily basis. He doesn't know why an anti-bullying law has not been place throughout the city. It can be done. Officers have their hands more than full. The schools are going into a school year next with 144 teachers being cut out. That is going to double up classrooms and principals have to share schools.

Mr. Alan Jennings, 2130 Gordon Street, stated that it is sad to watch us fight over the issues we have to deal with. I am about poor folks and Allentown's poverty rate is eight times higher than the rest of Lehigh County and that is not a sustainable model for this community. I think we have to agree that the most important thing here is the solvency of this town. I think Mayor Pawlowski came up with a pretty good idea. I wasn't so sure at first because I was scared of an idea of a for-profit private company not just coming to Allentown and taking over this water system, but going from there. They usually get a foothold and they start buying in. He stated that Dan Poresky ran an amazing successful camera store and sold it to do good. That is a pretty good thing and I know that Dan cares about the city and wants to do right by the city. What I don't understand and that Dan and I had a conversation a few months ago about the lease of the system to the for-profits and I told him Renew Lehigh Valley which is an organization that I helped found has been working on consolidating water and wastewater systems in the Lehigh Valley and we had a study done that showed that the Lehigh Valley residents and the average resident would save over \$300 a year in water bills if we consolidated all the systems in Lehigh Valley into one. I said to Dan that I thought the solution to this problem where Allentown could get out of its solvency challenge and we can still have a system that was accountable, but reasonably accountable then a for-profit private system would be for the Lehigh County Authority would be the successful bidder. This is the perfect solution. When the day is done, we have the best arrangement that we could get. LCA is paying the City of Allentown a substantially amount of money. LCA can use that capacity to create more jobs and they will be accountable. I would encourage you to support this deal. I think it is brilliant, fair and it makes sense.

Mr. George Schaller, 622 ½ Park Street, stated that he is a life-long resident and lived here since 1969. He stated that these are the filters that come out of my water system. What are we drinking? A half of million dollars spend for some mouthpiece law firm would have been better spent checking what we are drinking. This is all because of a 500 campaign donation and a basement remodel.

Mr. Chuck Rizzo, 1635 Westview Drive – Coopersburg, stated that where he lives they were served by Beverly Hills Water Company. A small family about 60 and knew the owners personally and just could not keep up to it. The cost in keeping something like that in a family business is extreme and they sold off to Lehigh County Authority and the water services are great and we don't have the same types of disruption of services as we did before. They do a great job and I haven't seen a tremendous increase in cost. I am a past resident of the Scranton, Pennsylvania area and my heart breaks for these people. I started my business a little over 30 years and I am an Allentown based business. My business is in the eastside of Allentown and all our neighbors which is diverse and blue collar people and here we are in a situation right now that the city is in a financial collapse situation like Scranton, PA dealt with. Scranton, PA bankrupted and that area can't even have a proper standard of wage in the city. They are without contracts and things are falling behind and apart and things are in a state of disrepair. He applauded Mayor Pawlowski for his vision to tackle the tough jobs. The Allentown citizens' backs are broken by taxes. If we get sustainable the money from LCA it is going to keep local people and accountable people hiring in the area and any work that needs to get done they are going to use local workforce.

Mr. Ed Diaz, 509 N. 8<sup>th</sup> Street, stated that he knows that the city council will do the right thing. I have seen that demonstrated in the six years I have been here. My wife and I believe that the City of Allentown is a renaissance city and everywhere I go throughout the country I am proud through the great leadership of the administration and the mayor. My wife and I came here from Long Island, NY to escape the plunging property values and the sky rocking property taxes. Now we are confronted as all of you are with a similar situation in a few short years if this solution is not approved. He urged them to support the only solution.

Mr. Dennis Pearson, 942 E Tilghman Street, stated that his neighborhood association has a problem with the nightclub just after Redner's Market. Every Tuesday and Friday it is a pain in the neck for the people on Congress Street. On Union Boulevard, there is a basin of water there and needs to be drained. He agrees with Mr. Jim Mombarel in needing a light on Hanover Avenue between Graham Street and Carlisle Street because even though you say the state doesn't allow the light., it make it very difficult form citizens to walk across the road legally. By taking out a \$220 million bond Allentown citizens will pay through their rates of water to pay that back and this is our penalty because of a stupid government that created a pension problem. If you have five percent interest on a bond that would create \$209 million which has to be paid back in interest and that shouldn't be the problem of the Allentown ratepayers. We did not cause the sale of the property, our politicians did.

Ms. Claudia Steckel, 423 N 27<sup>th</sup> Street, stated that she still has a concern because it appears to me that council still did not follow recommendations made by their consultants PEL, PFM and Mr. Dreyfuss. I brought this up at the March 20<sup>th</sup> meeting and I don't feel that I received a sufficient answer. PEL urge council to conduct a side by side analysis between the privatizations lease alternatives and other options including creation of a Water Authority by the city or the citizens and should be done in concurrence with the RFP process. She stated that Mr. Gurdy stated that the side by side analysis could not be done until the bids were in.

Mayor Pawlowski stated that the presentation that we were going to give right before the meeting started on the alternatives and side by side comparison and we also did a side by side comparison on September 27, 2012. You could go on our city's website. It is there and is listed. We looked at all options and PEL, Council has hired them independently to also do a comparison and they will give a report on the 22<sup>nd</sup>.

Ms. Steckel stated that she looks forward to the presentation and the part where it will talk about the creation of the Water Authority as an option. She stated that she did look at the rebuilding of the city's fiscal base report on the website. They are sketchy and they aren't really numbers tied to it.

Mayor Pawlowski stated that what you need to do is look at the analysis of the city's financial challenges. That is the report and there are multiple numbers and graphs and charts and backup materials.

Ms. Steckel stated that they did see compilation of using alternatives together.

Mayor Pawlowski stated that you could raise taxes 50 percent and raise EIT, but you still get to the same point. It is going to be a massive burden on the taxpayer and on the business owner. If you form your own authority you have to use taxable bonds as opposed to tax-exempt bonds that will automatically result in a massive increase of over 70 percent right away.

Mr. Lou Hershman, 405 Gilmore Street, stated that we have a Municipal Authority Act in Pennsylvania and it reads as follows: Transfer existing facilities to an authority. Authorization: Any municipality, school district may sell or lease. The proposed action of the authority and the proposed agreement to acquire shall be approved by the governing body of that municipality that created the authority and its members. He asked if they received a letter from the County of Lehigh approving this transfer under the Municipal Authority Act.

Mayor Pawlowski stated that we are not transferring anything.

Mr. Hershman stated that in the mayor's presentation, right now we control the excess sewer capacity at the sewer plant. When I watched your presentation, we lose control over that excess sewage capacity. Lehigh County buys all excess sewage capacity and spills it through the park system. Now, they are going to have control over all the excess sewage capacity. Suppose we need some and we have two competitors that want the water and sewage, we have no control.

Mayor Pawlowski stated that we are not dumping raw sewage into the parks. LCA can't under EPA or DEP standards. We are not losing control over our excess sewage capacity. We have signatory agreements that control the usage and utilization of our sewage capacity. That will not change and it won't change for the signatories. We are not selling it. The Lehigh County does not have control over the Lehigh County Authority except to put the authority into existence. There is no transfer or sell of the asset. We are leasing the asset. It is a consumer transaction. There doesn't need to be a letter from the county and I don't expect there will be a letter from the county. I don't see that LCA needs to go to the county to ask for this because it is a business transaction lease.

Mr. Marc Feller stated that he does not have the provision in front of him, but what he believes that it relates to is where a municipality or county creates an authority for the purpose of transferring that asset to that authority. What that refers to a situation where an example would be one of the things that has been talked about tonight if the city where to create an authority and transferred the system to that authority, the city would have to approve that transfer.

Mr. Glen Hunsicker stated that he is presenting a three-part slide presentation and the first part is a question and answer. He stated that he has a few questions before the administration, PFM, Lehigh County Authority and City Council. To the administration, in regards to the \$220 million winning bid is the royalty fee of \$500,000 included in the \$220 million winning bid. In regards to the \$220 million in royalty fees when is the first payment due and how much. Since the lease involves the water and sewer system are the deposits going to be credited to the water fund and sewer fund. In regards to the \$220 million the city is required to pay for uncompleted work like capital improvements and projects, the lease agreement on page 127. That is estimated it would be anywhere from \$40 – 50 million. How do you plan to pay for this debt?

Mayor Pawlowski stated royalty fee is separate and apart from the \$220 million winning bid. The \$220 million is due at closing and the royalty is 2016, semi-annual payment. The concession lease regarding monetizing the assets and we are using the monies to pay off the unfunded pension liability. That money will reduce the MMO which will stay off a 75 percent plus increase in our real estate taxes or 130 – 135 percent of our EIT taxes. The administrative order has been in existence for over 10 years and may take us another 10 years to work with the EPA. The administrative order, it is not a city or system in the continent of the United States that don't have some kind of administrative order by the EPA at this particular time. This \$40 – 50 million is for infiltration and

inflow. It is anywhere from \$5 - \$50 million depending on how the problem is solved and that's what we are debating with the EPA and that's why we want to control the process. That is not just our burden; there are signatories that feed into our system. Under the signatory agreement they all pay a percentage for our improvement. Whatever improvements have to be done under that administrative order regarding our sewage system and infiltration system has to be shared equally across the system by everyone that has a signatory agreement with the City of Allentown. There will be a cross-sharing process put into place that would be divided up if we have to go through with the administrative order and we will work with the EPA to get the lowest price possible. I just saw some new technology that would reduce this cost dramatically. The city wants to be able to control the process to make sure we spend the least amount of money and I think all the signatories want to make sure we spend the least amount of money because that cost is divided up against the entire users itself. It is not just our cost.

Mr. Hunsicker stated that he is looking at a sheet that says uncompleted work and basically under four items and one – administrative project order is \$30 million or more and item 2 – wastewater treatment projects.

Mr. Dan Koplisch stated that what is listed on page 27 is not the administrative order. The first two items, 1A and 1B are consulting contracts.

Mr. Hunsicker stated that 1A and 1B are part of the uncompleted work. What I am doing is summarizing this whole page. He asked do you agree that the city taxpayer and the water/sewer tariff payer are one in the same. He asked would you agree that the \$220 million bond payment to the water and sewer fund will cost LCA the following amount of money. A bond of \$220 with principal and interest at 5 percent for 30 years and they have to come up with \$13.4 million a year plus bond cost. He questioned the bond cost and asked what increase to the Allentown water and sewer rates do you need to apply to the current water and sewer rates to pay for the bond cost. He asked if the hourly paid employees currently paid under contract with any union. If you \$163 million to pay off the unfunded pensions why would you take a loan out for \$220 million. He questioned the fire hydrant costs and the EIT tax and stated that is a lost.

Mr. Shearer stated that the city already has in the water and sewer funds borrowed money available to pay for the projects. The AMR project has a PennVest loan at a rate of one percent and that money is already available. The money to complete the uncompleted work is already in the hands of the city. He stated that the water and sewer rate and tariff payer includes a universe of payers far broader than the City of Allentown. No, the appropriate place to direct the question is to LCA which developed the finance plan to make this arrangement with the City of Allentown. How they finance it and to what rate and to what fashion would be their determination. The rate regime is outlined in the agreement and we have gone through it numerous times.

Mayor Pawlowski stated that they are. They are represented by the Sheet Metal Workers. We are not taking a loan.

Mr. Richard Young stated that the fire hydrant is for a shopping center that has a private fire hydrant on their property. The shopping center property owner pays the city \$310 a year per hydrant.

Mr. Al Wurth, Bethlehem, stated that this process doesn't seem very fruitful. Mr. Hunsicker raised a number of questions. It is a good reason to explain why this is such a good deal to the public. The numbers were just made public and we don't know what the other bids were and as far as I can tell how LCA bid is determined to be the most attractive. The difference between a water ratepayer and a taxpayer is very different. We have people who live out of town and own property and they might pay a water bill, but they will also pay a tax and it might be that a tax is very different on the fiscal incidents on those users than a water bill. It looks like you are pawning the system.

Mayor Pawlowski stated that nobody is pawning off anything here. As I said many times before, we could not use the revenues generated by the water and sewer system to pay for general fund obligations. We can

monetize the system which we are doing through the lease to use that revenue to actually pay for this unfunded pension liability which if we don't do it will crush us financially. We detailed extensive information and what we have talked about here today and every document is on the city's website for public review. We have been open and transparent.

Mr. Glen Hunsicker, West end Allentown, stated that we have been preaching the word transparency here and it is not just for five minutes in front of Council. Not putting out on the website at the last minutes. It is not a transparent process and this administration has not been transparent. In a 50 year timeframe there needs to be more transparency. Don't tell me there is transparency here. The mayor stated that they have real accountability to the public. I guess you are referring to LCA. Is that correct?

Mayor Pawlowski stated yes. They do have accountability to the public. They are a public authority and all these folks live in the community and they are appointed by the county executive and they have to live in Lehigh County and some of them live in Allentown. I think it is the best of all scenarios. It is a win/win scenario for us.

Mr. Hunsicker stated that he disagrees. Authorities run independently as Mr. Schweyer said at the last meeting. They basically have no accountability. The commissioners of Lehigh County cannot even get their financial plan from them. Where is the accountability? You are going to setup an ombudsman and they are going to interact between the citizens of Allentown and LCA.

Mayor Pawlowski stated yes. There will be a special office setup to monitor the agreement to make sure they are living up to their end of the agreement. They have public meetings and have a public process and under the State Authority Act. They have to have public disclosure and they have to follow the Sunshine Act. They are subject to Right to Know.

Mr. Hunsicker asked about the Capital Cost to the city. He stated that in the two terms that the Mayor has been in office he has not addressed the unfunded liability and has not addressed the MMO and this is all for political gain.

Mayor Pawlowski stated that the Capital Costs are there and if we continue to operate the system we would have capital costs. Twenty years out or 30 years out, there will be capital costs. He stated that is not true. We have addressed this since day one. I was the only mayor in the state of Pennsylvania who actually filed a lawsuit against the FOP. We were able to reduce our pension costs. We were able to work out new collective bargaining agreements going forward. We stopped the hemorrhaging and stop it to all the current and future employees going forward. We got them back to a reasonable pension scenario that we have going forward. Now, we have this massive tumor that we have to address and that tumor is the unfunded pension liability and that tumor will keep growing and kill us if we don't address it soon.

Mr. Alan Howells, 3430 Broadway, stated that he has a lot of mixed thoughts. Lehigh County Authority, I don't know how they got their start in the world, but I recall that it seems like they have a checkered past when it comes to dealing with Allentown. Lehigh County Authority was somehow involved in the tremendous growth of Lower Macungie Township and every time it rained a farmer's field sprouted new housing. They needed a water and sewer facility and basically knocked on Allentown's door and made Allentown take care of them spurring growth outside the city. We are building houses, but it will be your problem Allentown. You have to do something with the sewage. They didn't build their own sewage treatment facility out there. It was Allentown's responsibility. They would not have bid on this process and especially become the high bidder if they weren't trying to make some money off of this. If this is a nonprofit, why were they the high bidder? The cost of rate increases is based on 2.5 percent over an adjusted cost of living index. How much is that at the end of 50 years.

Mr. Gurdy stated that Mr. Shearer is going to talk about that a little bit. As soon as we finish this meeting, we are going to go into that.



Mr. Shearer stated that the rate regime that we have from now going into Year 50 is about a 579 percent increase. When you go back the last 48 or 49 years in Allentown depending on the earlier days there were discounts for those of you who were here. The increase was somewhere in 700 – 900 percent from 40 years ago until today. We built this so that the rate regime will provide a lower total percentage increase than historically.

Mayor Pawlowski stated that it is 698 percent over the last 49 years. Some years it went up 0, 5, 2, and one year 20 and one year 40, one year 60. This sets an even rate over the next 50 years. It can't go up and can't have those radical fluctuations in costs adjustments. The CPI over the last 20 years has averaged around two percent and if you take those averages over the last 20 years historically that has gone up and down up and down, if you average them out it is about 5.6 percent. If you average out the 2.5 percent plus the 2 percent CPI that is 4.5 and that is a percentage lower than we are currently paying. We are trying to take the ratepayer and the taxpayer and use their money wisely. We are trying to use it judiciously and with the least amount of impact for the seniors citizens that live next door to me so that they can continue to live in their house.

Mr. Howells stated let's just say there is a problem with one of the waterlines and the waterline opens up on the street and creates a tremendous sinkhole and there are some residents and some businesses that are inconvenienced. Who pays for that and where do they turn to and carries the insurance against something like that happening. I believe the service will take a little decrease.

Mayor Pawlowski stated that the service will not decrease.

Mr. Koplisch stated that the Standards and Practices require that they do all cases at least what the City of Allentown is doing. In several cases relative to the infrastructure requires that they do more work than what the city is currently doing.

Mr. Howells asked what the penalties are for that if they do not.

Mr. Koplisch stated that they range and escalate. The penalties start at \$3,000 - \$5,000 per incident.

Mr. Howells asked what if the incident is a \$500,000 incident.

Mr. Koplisch stated that you are talking sinkhole; I am talking in terms of maintaining the system. With the sinkhole, LCA would have to pay for repairs. The liabilities issues are basically handled the same way they are handled.

Mr. Howells asked does LCA have insurance for that. My concern is what happens if it is a catastrophic event and LCA can't afford to take care of those people and they wash their hands.

Mr. Koplisch stated that LCA has been in the water business and he can defer the question to them, but clearly on their system they deal with sinkholes. If you are in the water business, sinkholes are a fact of life.

Mr. Howells asked if there is anything in the provisions that states if the LCA basically goes bankrupt because they can't pay for a catastrophic problem. Where does that leave Allentown and its residents in regards to that situation? Has that been addressed in writing, yet?

Mr. Marc Feller stated that is addressed in the agreement. Article 16 is the default provisions that describes situation in which LCA would be in default for not carrying out its obligations whether that is due to doing a crummy job or it went into bankruptcy. There are a whole set of provisions that could result in the city getting the system back in the case of a default that is not cured.

Ms. Eichenwald stated that in lieu of what we have been discussing on page 14 where it has been presented, it says reimbursement – if the concessionaire is required to secure a replacement source of water as a result of water charge shortage or other events the concessionaire is entitled to the recovery of costs. Which means in the case of a catastrophe the concessionaire, LCA will be entitled to recover its lost. It is this provisions that have gotten other communities in great difficulty. This has occurred in other places. This has created difficulties in many other cities.

Mr. Tim Carden, PFM, stated assume for a moment the City of Allentown no longer has access to its very abundant water system for whatever reason. In order to serve the citizens and the bulk purchasers, it would take whatever action appropriate and required to ensure the water was required and delivered as quickly and efficient as possible to the extent to that incurs a cost today. That same cost would incur a concessionaire operating on behalf of the city. Those are costs associated with events that we certainly don't anticipate; we have to contemplate in an agreement like this. They are reasonably recaptured through the system as they would today.

Mayor Pawlowski asked Ms. Eichenwald what other cities you are talking about.

Ms. Eichenwald stated Atlanta, Georgia and there was a problem in Atlanta that they could not deliver the services and the city then had to be responsible which caused them great financial difficulty.

Mayor Pawlowski stated that if you look into that case you are comparing apples to oranges. Their system had almost 50 years of deferred maintenance.

Mr. Shearer stated that is what the insurance is for. There is a rate provision in here that after the insurance.

Mr. Richard Fegley stated that Ms. Eichenwald mentioned the possibility of not having a badge officially in the room. There are now four in the room wearing badges and two of them are carrying guns and Tasers. He stated that he is still waiting for an attorney to speak for them because they did not have the right to speak last week. I find it intimidating that Mr. Guridy gave the officer the nod to approach me at the stand. Earlier when Ce-Ce Gerlach was speaking, the Mayor decided to come for her by saying that he also lived in the NIZ just like Ce-Ce said she lives in the NIZ and I have a business in the NIZ. The mayor does not live in the NIZ.

Mayor Pawlowski stated that I live in the neighborhood.

Mr. Fegley stated that he said he lived in the NIZ. The mayor said to me at the last meeting I had with him personally that he got me over \$7 million grants, The Fegley's. I had a lot of people in the community that have been very concerned with the fact that my family has taken public money to help build our business in Allentown. The mayor came in my face, and throw it in my face, literally had papers and threw them down and said I got you guys \$7 million in grants. How could you do this to me and speak out against me? I would like to raise the doubt of what the mayor says when he is pushing this plan that is here. There are a lot of questions. We had questions in September 2012 last year when this presentation was made. There are so many holes and so much missing information and those of you who knows the incinerator deal was even worse when the mayor signed off on the 35 year incinerator deal. In the presentation, there are no projections past 15 years. We are talking about a 50 year deal. PFM has also stated that the 15 year projections are a big guess. In the financial industry, 15 years is kind of ridiculous to speculate where we will be in 15 years. At the last meeting, Mr. Schwyer did go into how bad authorities are and why Ce-Ce Gerlach was having a problem with ANIZDA because it is an authority and council does not have jurisdiction over an authority to tell them what to do and you guys said you can't do anything about them cancelling their meetings. The public just had to go to the authority and tell them they had a problem. Here we are Lehigh County Authority (LCA) and the A is the authority. If they make a mistake we can't blame the mayor or the city council. The \$4.5 million royalty payment just got reduced to \$500,000 a year. That was a big issue in September 2012 and was told that the deal would not work if we did not get the \$4.5 million and the increase in the water rates were brought up that we can't do that. There was an

article in the newspaper and someone looked into it and it turned out to be the Sewer Rental Act that protects sewer rates, but doesn't protect water rates and no one responded saying we can adjust water rates. We can do something about water rates and that was not addressed.

Ms. Kim Velez, 1030 N Leh Street, stated that they stated earlier tonight that Lehigh County created the Authority. What happens if they dissolve the authority. What do we fall back on?

Mayor Pawlowski stated that if they dissolve it they have to defease all their debt which will be an immediate increase upon everybody in the county of Lehigh. It would be absolutely ludicrous of them to do that. If they dissolve it, we have a \$10 million letter of credit that has to come to us and we will automatically get \$10 million if they do not consummate this deal.

Ms. Velez stated that the natural gas market is exploding across the United States. Where is it in the agreement that the quality of our water will be protected, the quality of our water in terms of not using it for fracking purposes for our safety and our health?

Mayor Pawlowski stated there is no fracking well within 100 miles of Allentown. There is no way that they could technically get water to a fracking well from here unless it is at an extremely high amount. They would have to put it in a tanker and ship it out. I doubt there is anything in regards to fracking.

Mr. Koplisch stated that in the Standards and Practices they are limited just to bring in hauled waste. The type of waste and the volume of waste is limited to that is existing today. No fracking waste would be allowed into the plant by truck.

Mr. Shearer stated that the sale of surplus water is controlled by the city. The city would make that decision and they have not in the past.

Mr. Schweyer asked to suspend the rules to move several things forward. We do have two appointments. We have an appointment for a police officer and I see Assistant Chief Warg is here and CA-1 HARB.

Mr. Guridy seconded the motion.

### **R 13 Police Officer Appointment**

Assistant Chief Warg stated that Luis Garcia is a certified police officer and he is working in Reading and is a graduate of William Allen High School from the Class of 2000. He is from the Allentown area and wishes to come back to the Allentown area. He was in the service in Norfolk and he has done quite well in the service and received a number of commendations. This will bring our compliment, if City Council approves it, up 213 officers. We are budgeted to 216 and we hope to have in front of you the remaining officers at the next council meeting or the one proceeding that as soon as the background checks and we are finished with our paperwork.

Mr. Schweyer stated that he sees that it is funded by the federal COPS grant. This is three year cycle or a two year cycle.

Assistant Chief Warg stated that this is the second cycle which will be for 2 ½ more years.

Mr. Schweyer asked what list was he hired off of.

Assistant Chief Warg stated the Civil Service list and approved by the Civil Service.

Mr. O'Connell asked how many years he has in Reading.

Assistant Chief Warg stated that he only has one year. He just got out of the service.

**Resolution passed, 6 - 0**

### **CA-1 HARB**

**Certificates of Appropriateness for work in the Historic Districts:** 1136 W Chew St., 325 N 10<sup>th</sup> St., 1142 W Oak St., 439 N 6<sup>th</sup> St., 502 W Tilghman St., and 531 N 6<sup>th</sup> St

**Resolution passed, 6 – 0**

### **Allentown Housing Authority Board Reappointments**

Alan L. Jennings

Term to Expire: 01/23/2017

Donald Senderowitz

Term to Expire: 11/05/2014

**Resolution passed, 5 – 0**

### **5. Approval of Minutes: March 20, 2013 and April 3, 2013**

Minutes approved by common consent.

### **6. Old Business**

Ms. Eichenwald stated since Mr. Guridy is the chairman of the Rules Committee I would like to respectfully request that we call the Committee of the Whole for the Rules Committee to discuss Section 2.13 of the Charter which is labeled Citizens Right to be Heard.

Mr. Guridy stated that he supports it and it is something that they are going to bring up.

### **7. Communications**

None

### **8. Committee Meetings**

Budget and Finance: Chairperson Schweyer

The committee has not met since the last Council meeting; the next meeting has not yet been scheduled. We did receive our monthly financials.

Public Safety: Chairperson Eichenwald

The committee has not met since the last Council meeting; the next meeting is tentatively scheduled for May 1<sup>st</sup> (police succession).

Community and Economic Development: Chairperson Davis

The Committee has not met since the last council meeting. The next committee meeting is scheduled for April 29<sup>th</sup>; the committee will review the CDBG program.

Parks and Recreation: Chairperson Mota

The Committee has not met since the last council meeting; the next meeting is scheduled for May 15<sup>th</sup>.

Public Works: Chairperson O'Connell

The Committee has not met since the last council meeting; the next meeting is tentatively scheduled for May 8<sup>th</sup>.

Human Resources, Administration and Appointments: Chairperson Glazier

The Committee has not met since the last council meeting; the next meeting has not yet been scheduled

Rules, Chambers, Intergovernmental Relations and Strategy: Chairperson Guridy

The Committee has not met; a future meeting has not yet been scheduled – discuss courtesy of the floor.

Special Committee – Tax Exempt Properties – Chairperson Eichenwald

The Committee has not met since the last council meeting; the next meeting has not yet been scheduled.

## **OTHER COMMITTEE REPORTS**

Mr. Gurdy stated that next week there is a Allentown Housing Authority meeting and those meetings are public.

### **Controller's Report**

Ms. Koval stated that Mr. Dougherty submitted a memo stating that the funds that were transferred from the lockbox on January 24, 2013 in the amount of \$5 million were returned and transferred back to the lockbox on March 28, 2013. The lockbox is again fully funded.

Ms. Eichenwald asked Ms. Koval under what auspices that money was taken out of the lockbox. Who gave consent to that?

Ms. Koval stated that council gave consent to that. Council must be notified and the controller must be notified.

Mr. Schweyer stated that council according to the letter of the law and you and I were not on council when this was past. They need to provide notice, not consent. They did give notice to everyone. A memo was sent around and I have gotten a phone call and Mr. Hanlon has seen it.

Mr. Strathearn stated that he had called the chairman of Budget and Finance to let him know and he asked me to let Mr. Hanlon know and a note went around.

### **Managing Director's Report**

Mr. Dougherty stated that the new Parks Director, John Mikowychok started his position this past Monday. I asked him not to come tonight and he would be subjected to these types of meetings in the future in what we hope is his long tenure with us. We hope to get him in front of the Confirmation Hearing as soon as possible. The eastside fire station groundbreaking is scheduled for 11:00 AM on May 8<sup>th</sup>. We certainly invited everyone to attend the event. The Mayor was honored with the 2013 Governor's Award for local government excellence. This is an honor that the mayor received for his efforts in improving service delivery in the city which will be used as a model in the commonwealth. The Golf Course is off to a banner start. The golf course was just awarded the 2013 Who's Who in Business for the Best Public Golf Course. Our new restaurant is also off to a great start with rave reviews with both pricing and the quality of the food. Our golf tournaments have increased. We are now up to 60 total tournaments. That is an increase of 6 over last year. We are working on a new mixed couple leagues, Friday night league and continuing to improve the junior league. We scheduled 556 nine hole weekly league players this year which is almost 100 more than we did in 2012. The Allentown Adventure Guide is out.

Mr. Gurdy congratulated the Mayor. He asked is the restaurant open already.

Mr. Dougherty stated yes.

Ms. Helen Hunt, E Highland Street, stated you said the \$5 million is back in the lockbox, but in the budget it was \$4.8 million. It was supposed to be \$5 million.

Mr. Gurdy stated that they only used \$4.8 million and the whole \$5 million is back.

Ms. Hunt stated at one time there was only \$4.8 million because that is what the budget said.

Mr. Strathearn stated that the original deposit was just a little over \$5 million and it built up some interest. The transfer was just a \$5 million transfer.

Mr. Gurdy stated that it was always \$5 million. I am not sure where you got \$4.8 million.

Mr. Schweyer stated that he will get back to her.

**9. APPOINTMENTS**

Moved up on the Agenda

**10. ORDINANCES FOR FINAL PASSAGE: None**

**11. ORDINANCES FOR INTRODUCTION: None**

**12. CONSENT AGENDA:**

Moved up on the Agenda

**13. RESOLUTIONS ON SECOND READING: None**

**14. RESOLUTIONS ON FIRST READING:**

Moved up on the Agenda

**15. NEW BUSINESS**

**16. GOOD AND WELFARE**

**17. ADJOURNED: 9:46 PM**

*Council meetings are held on the first and third Wednesday of each month beginning at 7:00 pm in Council Chambers. For copies of the agenda or meeting announcements, please visit our website at [www.allentownpa.gov](http://www.allentownpa.gov) or contact the Clerk at [Michael.Hanlon@allentownpa.gov](mailto:Michael.Hanlon@allentownpa.gov) to receive an email notice of the meetings.*