

NEWS *from Middletown, Pa.*

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Borough approves \$43 million water-sewer deal

Middletown Borough will soon be debt free, with its current pension and post retirement employee benefit obligations fully funded, following the decision Monday by Borough Council to approve a plan to lease the Borough's water and sewer systems.

United Water, which is headquartered in Harrington Park, N.J., will pay the Borough \$43 million to lease the system for 50 years. United will also pay an annual fee to cover the Borough's expenses to administer the lease.

Under the terms of the agreement, United will be required to meet strict standards for operating and maintaining the system. They will also be subject to rate caps, and will open an office in the Borough. All current Borough water-sewer operations employees will be offered positions with United.

The decision to approve the lease agreement came during a special joint meeting of the Borough Council and the Borough Authority, which was held in the MCSO. Council approved the lease by a 7-2 vote, with Anne Einhorn and Tom Handley the lone no votes. The Authority endorsed the decision with a 4-1 vote, with A.B. Shafaye dissenting.

Prior to the vote, Council Member Ben Kapenstein, who chaired the committee that explored the feasibility of leasing the systems, made a power point presentation explaining why he recommended the proposal.

Citing what he called the Borough's "very real financial problems," Kapenstein explained that the proceeds of the lease would go a long way towards fixing two of the most serious issues impacting the Borough's finances -- \$10.8 million in currently unfunded liabilities for pension and post retirement employee benefit obligations (OPEB) to current and former employees, and the Borough's \$26 million debt load.

"After this, our pension and OPEB obligations will be fully funded and Middletown will be debt free," Kapenstein said. "With no more structural deficit, we can focus on positive things like infrastructure improvements and rehabilitating our parks, with no need for tax increases for the foreseeable future."

The alternatives, Kapenstein said, would be raising electric or tax rates, or further cuts to the Borough's work force, none of which are good options.

Mayor James H. Curry III endorsed Kapenstein's recommendation. Curry called the plan the "lesser of two evils," saying he did not like the idea of leasing the systems, but given the Borough's financial situation, saw no other choice.

"Nobody likes the idea, but the residents do not want, or cannot handle, a tax increase of a rise in electric rates," the Mayor said. "The money has to come from somewhere and the shoulders of the average citizen are not broad enough to handle (higher taxes or electric rates). "

Curry also pointed to the efforts underway to revitalize the Borough's downtown, saying higher taxes or electric rates would deter new businesses from locating in Middletown.

"If we forgo the lease and raise taxes or electric, no business owner is going to want to come here," he said.

Under the terms of the proposal, the Borough and United Water now have 90 days to close on the lease agreement. United is expected to begin operating the systems on January 1, 2015.