

# MIDDLETOWN MATTERS

VOLUME 3 • ISSUE 2  
JUNE 2014



— Photo by Chris A. Courogen

Crews work to finish installing a new manhole at the intersection of Ann and South Union streets, a complex juncture in the Borough's sanitary sewer system where a number of lines come together.

## Key intersection reopens as project moves to next stage

*Route 441 detour shifts to Ann Street truck route*

Stage One of the infrastructure portion of the downtown revitalization project is moving ahead right on schedule. In fact, it is actually a little bit ahead of schedule.

That is the report from project engineer Josh Fox, of HRG, who provided a recent update to the Borough.

Fox said the intersection of Ann and South Union streets was fully reopened on June 20, with the state Route 441 detour having shifted to the Ann Street truck route all the way through the Borough.

“Work has been completed by the contractor in the Ann-Union intersection. It might have been completed even sooner if not for all the rainy weather we have had, which caused a few days delay in the paving of the intersection,” Fox

reported.

Originally plans called for just a quick patch job of the pavement in the intersection, with the entire

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# Developer announces hotel plans

*Concept includes 100-plus rooms atop ground floor retail space*

A brand name hotel with more than 100 rooms has been proposed for a site just off the Borough's soon-to-be renovated downtown.

David L. Stubbs, Managing Director of United Realty and Infrastructure Group LLC (urigroup), made the announcement during a recent meeting of Borough Council meeting.

The proposed site of the hotel would be at the southwest corner of West Emaus and Catherine streets, across the street from Borough Hall, one block from the South Union Street downtown area. PennDOT has announced plans to extend

Emaus Street to meet West Main Street as part of plans for a new Middletown Amtrak station.

Along with the Emaus Street extension, plans also call for a pedestrian bridge to connect the train station, and the Emaus Street corridor, to the Penn State Harrisburg campus. The easy access to the campus, the train station and Harrisburg International Airport that the Emaus Street extension will create was a prime factor in the selection of the proposed hotel site.

Stubbs also cited the planned revitalization of the downtown, and the strong commitment to economic and commu-

nity development by the Borough's leadership as factors in choosing the Middletown site.

Urigroup's plans call for retail space on the first floor, with the hotel above it. The hotel will be a national brand, but Stubbs said it was too early to identify a specific name.

While some have questioned the need for a hotel in the Borough, economic development experts have pointed to a number of reasons why Middletown would be a good location.

Penn State Harrisburg's athletic teams now play in the far flung Capital Athletic Conference which includes teams from as far away as Newport News and Buena Vista in Virginia and Fredericksburg, Salisbury, Frostburg and St. Mary's in Maryland. Currently, visiting teams stay in Harrisburg area hotels.

A local hotel would accommodate those visiting teams and other visi-

tors to the campus. That would also bring with it spillover business for local restaurants and retailers.

Additionally, the Borough's proximity to Harrisburg International Airport and area tourist attractions in Hershey and Lancaster would also make the location convenient for travelers.

In addition to the hotel project, Stubbs said his firm is also interested in working with Dewberry, the planners behind the downtown streetscape project which will get underway next month, to identify other development projects in the Borough that might fit Middletown's plans.

The first phase of that project, which involves rebuilding the water, sewer, and stormwater infrastructure, will be completed in the fall. The second phase, which involves streetscape improvements, will get underway next spring.

## MIDDLETOWN MATTERS

CHRIS A. COUROGEN, EDITOR

**Middletown Matters** is the official newsletter of the Borough of Middletown, Pa. Published quarterly, the newsletter is distributed to every residence and business in the Borough. For information on advertising in **Middletown Matters**, please contact Director of Communications Chris A. Courogen at 717.902.0514.

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# Downtown Partnership looks to Lewisburg for ideas, inspiration

*Group hopes to replicate formula for town, college and business alliance here*

“Just keep working until you get everybody on the same page.” That was the message from Linda Sterling, Director of the Lewisburg Downtown Partnership during a recent meeting with representatives from the newly formed Middletown Downtown Partnership.

The Middletown Downtown Partnership is an alliance of the Middletown Downtown Business Association, Penn State Harrisburg, and the Borough, which is modeled, in part, on the highly successful efforts of Sterling’s group.

Sterling said when Lewisburg’s downtown businesses, the Borough, and Bucknell University formed their group in 1999, there were 13 vacant storefronts in the downtown and the historic Campus Theatre was badly in need of a facelift.

Today, Lewisburg’s downtown is a bustling hub of boutiques, galleries, restaurants and shops, thanks in large part to the



- Photo by Chris A. Courogen

Jonathan Hicks, Grants Coordinator for the Middletown Industrial and Commercial Development Authority, and Dana Ward, of the Middletown Downtown Business Association, visit Bucknell University’s downtown Barnes and Noble bookstore during a trip to Lewisburg to meet with that town’s highly successful downtown partnership effort

efforts of the Partnership, which provided a way for the business community, the local government, and Bucknell to “connect” and work together. Downtown property values have doubled in the past 10 years, Sterling said.

“We became interested in learning more about what has worked in Lewisburg after we heard about some of the success they have had in combining the efforts of the businesses, the local government, and Bucknell,” said

Dana Ward, owner of Hairport on South Union Street and one of the leaders of Middletown’s Downtown Business Association.

“They are held up as a model of how those three different interests can work together to produce results that benefit the town, the school and the businesses,” added Ward, who was part of the local contingent who visited Lewisburg to learn more.

In addition to picking up valuable pointers from the Lewisburg and Bucknell

representatives the local group met with, Ward was also impressed by Lewisburg’s renovated Campus Theatre and Bucknell’s downtown bookstore, which is run by Barnes and Noble’s college division.

“The theater, with its variety of films, concerts and other programming, brings both the students and people from the surrounding area into the downtown, creating traffic for the local businesses.

— please see PARTNERSHIP Page 5

# Trio express interest in leasing Borough's water-sewer system

*Companies with experience in running systems in Pennsylvania express interest*

Three potential bidders interested in leasing Middletown's water and wastewater systems have responded to the Borough's Request for Proposals, Middletown Borough Council and the Middletown Borough Authority announced on June 16.

United Water Inc., Aqua Resources Inc., and Severn Trent Services each have expressed an interest in the potential concession/lease of the systems. All three bidders have experience operating water systems in Pennsylvania.

The Water/Wastewater lease exploration committee, and its legal counsel and financial advisors are pleased with the initial response to the RFP. The initial response serves two important purposes. First, it allows the Borough to ascertain whether there were potential interested bidders in the market for



- File Photo

Leasing the Middletown's water-sewer system could allow the Borough to pay of \$22 million in debt and could also cover \$10 million in unfunded liabilities the Borough faces for pension and post-retirement benefits.

the lease of the system. Second, the Borough can begin the process of determining whether the potential bidders are both operationally and financially qualified to lease and operate the system.

The team will continue to evaluate each potential bidder over the next several months to determine whether there is a potential partner that can satisfy the Borough's financial goals, the Borough's interest in the future of its employees, and the Borough's very high standards regarding system operations and customer service.

The Borough promises to continue to strive for transparency during this process and will update the public as the process continues.

More information regarding why the Borough and the Authority are exploring a potential lease can be found on the Borough's website. Copies of the RFP, the proposed form of the Concession and Lease Agreement, and the proposed form of Operating Standards, are also available on the Borough's website.

## **Frequently asked questions water-sewer lease proposal**

Not unlike other municipal governments across the country, the Borough faces a huge budgetary problem, which has been created by a number of different factors including employee pension and healthcare costs. For example, currently, the Borough has an unfunded / underfunded pension liability of over \$4 million, and our OPEB (Other Post-Employment Benefits) is an unfunded liability of just under \$6 million.

Together, our increasing costs and decreased revenues have created a shortfall in our budget that cannot be sustained.

### **What does this mean?**

We don't have enough money from our budget to put away into our plans to cover employees for whom we are guaranteeing healthcare coverage and pensions. Regardless of why we find ourselves in this situation, the unvarnished reality is it must be dealt with immediately to ensure our town's financial viability.

### **Is this an exaggeration?**

Healthcare costs are expected to rise 8-12% per

— please see FAQ, Page 7

## PARTNERSHIP (from Page 3)

The bookstore does the same thing,” Ward said.

Middletown’s Downtown Partnership is hoping to entice Penn State to do something similar with its bookstore.

“This is a good time to focus our efforts on that idea since Penn State Harrisburg is going through some construction projects that will result in relocating the existing bookstore,” Councilman Scott Sites commented during discussion of the idea at a recent Borough Council meeting “They’ll have to seek out other avenues to place their current bookstore. What better place than downtown Middletown?”

That concept was also discussed during a May meeting attended by the Dauphin County Commissioners, state Representative John Payne, state Senator Mike Folmer and representatives of the Borough, the Downtown



An artists conceptual rendering illustrates the possibility of relocating PSU Harrisburg's bookstore to the downtown .

Business Association and Penn State Harrisburg.

“It was very well received by all county commissioners as well as the folks at Penn State,” said Sites, who was one of the Borough’s representatives at that meeting.

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Borough Council President Christopher R. McNamara presents Penn State Harrisburg Chancellor Mukund S. Kulkarni with a photo of the Nittany Lion riding atop the Middletown Volunteer Fire Department’s historic “Bluebird” to lead last year’s Labor Day parade. The presentation was made during a recent meeting to discuss ways to further cooperative efforts between the Borough and the University.

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## DOWNTOWN (from Page 1)

downtown project area being paved when all the work is completed. The decision to do the final paving prior to reopening the intersection means the original detour, which used South Wood and State streets to reach the Canal Street bridge, will not have to be reinstated in the fall for paving.

“Now that they are done in the intersection, they are done there until next year when the streetscape improvement portion of the project takes place,” said Fox.

With work in the intersection completed, crews will now shift their attention to the stretch between the intersection

and Mill Street. South Union Street remains open from the north side all the way to Mill Street. Mill Street also remains open. Plans call for Mill Street to also be open for most of Stage 3, which will be between Mill and Emaus streets.

“When we get there, we will close the Mill Street

intersection for a very short time, probably less than a week, to complete the work in the intersection. As soon as we move past the intersection it will reopen, so people will be able to access the lower end of the downtown business district from either end,” Fox said.

# Here is how you can help

*The engineers and contractors for the downtown project are asking business owners and residents in the project area for their help.*

*Because of the age of the sewer lines in the downtown area, maps that are available of the system have not always been accurate and reliable. This has led to work being slowed as crews work to determine the location of laterals connecting downtown buildings to the main.*

*If you know where the lateral is for your building, please take a moment to inform the construction crews when work begins in your area. Your assistance in locating the laterals will help speed the project along.*

## STAGE 2

### KEY:



DETOUR ROUTE

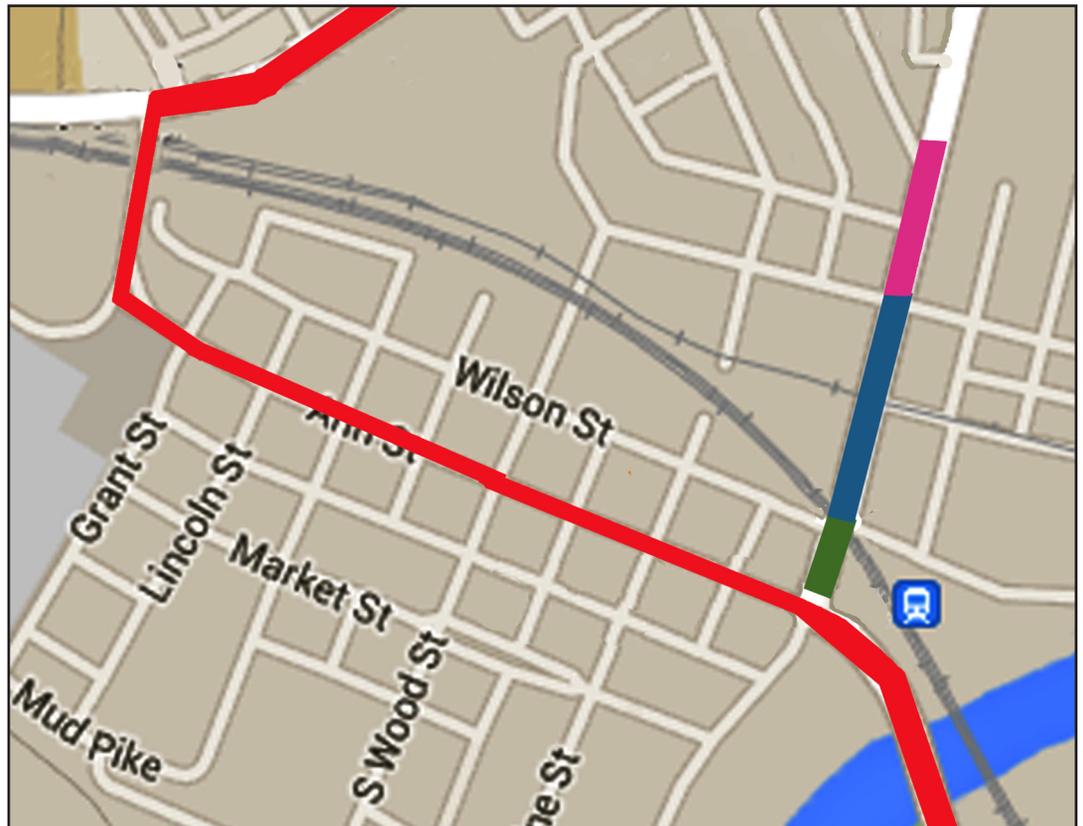


WORK ZONE

**SCOPE OF WORK:** Stage 2 involves construction of new water and sanitary sewer pipes on South Union Street between Ann Street and Mill Street.

**DETOUR ROUTE:** During Stage 2, through traffic on SR 441 will be detoured using the Ann Street “truck route.”

**DOWNTOWN TRAFFIC:** Ann Street reopens in Stage 2. Mill Street will be open with the exception of about a week-long period when work will take place in the intersection of South Union and Mill streets



## FAQ (from Page 4)

year and with average life expectancy increasing, Borough costs to cover this expense and pension costs will continue to rise dramatically.

Difficult times require creative solutions. As a result, the Borough is exploring the option of leasing our water and sewer system to a qualified, industry-experienced bidder.

If we do not lease our water and sewer system, we would need to explore other ways to fix the shortfall in the pension and OPEB funding. That will require some very difficult and painful decisions for residents and rate payers.

The options available would include further cost cutting, particularly in police services which has remained relatively unaffected to this point, tax increases, electric rate increases, and possibly additional alternatives with the way the water/sewer system is operated.

### **Why not lease the system to the Middletown Borough Authority?**

First, the Middletown Borough Authority currently owns the assets comprising the sewer and water systems. Without restructuring the ownership and management arrangement with the Borough, such a lease to the Middletown Borough Authority would be impossible.

Second, even if the arrangement were possible, the Middletown Borough Authority would have to borrow almost the entire amount to finance the upfront lease payment. That debt would likely have to be guaranteed by the Borough.

Simply stated, such transaction does not give the Borough the unencumbered funds it needs to address the pension and benefit issues.

### **If this happens, will the Pennsylvania Public Utility Commission (PUC) have jurisdiction over Borough customers?**

In the case of the City of Allentown's sewer and water lease, the PUC indicated it would exercise no jurisdiction, even if the winning bidder were a PUC-regulated entity.

### **If this happens, will the PA Department of Environmental Protection (DEP) continue to have jurisdiction over the Borough systems?**

Yes.

### **Why are you confident you can control rates if another entity operates the system?**

A condition of the transaction would be that rates can increase by only a set margin within a given time-

frame. It would be part of the deal.

### **Why are you confident you can control service quality if another entity operates the system?**

Any lessor will be required to follow operating standards set by the Borough that set forth in explicit detail how the system will be run, and will provide for the Borough's continuing oversight.

### **Who assumes the risk if unexpected system or environmental problems arise?**

The winning bidder.

### **Since the City of Allentown received an upfront payment of \$220 million, will the Borough get the same?**

No. The Allentown systems are much larger than the Borough's. The market will determine the value of the Borough's systems.

### **Please ballpark how much the Borough may receive in a lease arrangement?**

There are different ways to value the system. Valuation may be based on system fully-depreciated original cost, or total system customers or connections.

Valuation is also often based on expected revenues over the full term of the lease or sale. In some cases, valuation may also be placed on system location, e.g., the winning bidder on the Allentown system was the adjacent water/sewer provider, whose system already interconnected with that of the city. Adjacent to the Borough are two extremely qualified water/sewer providers with interconnections.

### **Until and unless you provide some idea as to a transaction price, I am not comfortable with this concept. How about it?**

As noted, the market will determine price. However, we would share this information: Unless a bid provides for the elimination of both the system debt and general obligation debt secured by system revenues (i.e., approximately \$22 million), addresses the pension/OPEB situation (i.e., \$10 million), and provides additional funds above these base amounts for Borough use, we would not consider it a reasonable and realistic bid.

### **How will we find the professional expertise to shepherd the Borough through this process?**

Our attorneys were active participants in the City of Allentown transaction. This experience makes them uniquely qualified to guide us through this entire complex transaction.

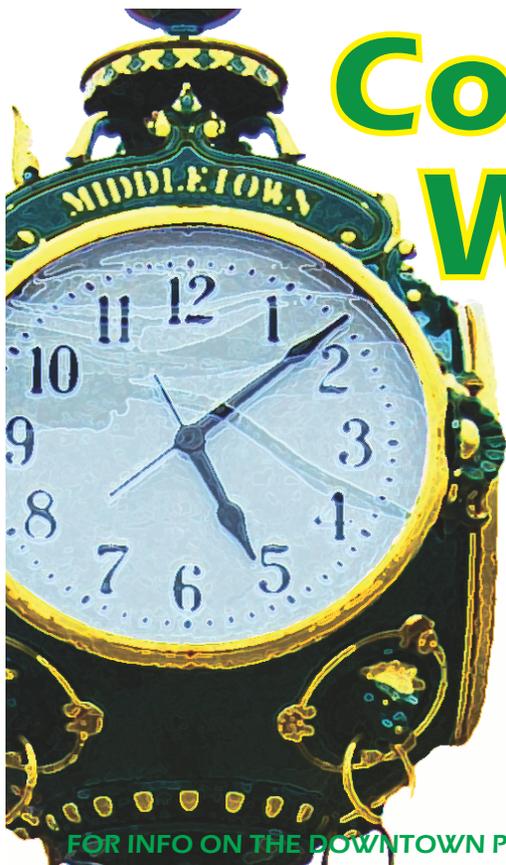
### **Who wins if this deal comes to fruition?**

The Borough and its citizens, in no uncertain terms.

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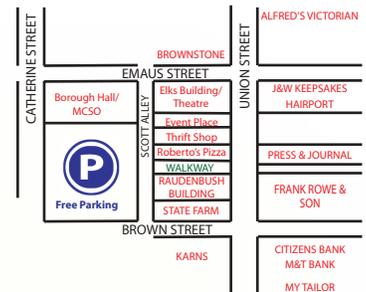
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