

MIDDLETOWN MATTERS

VOLUME 1 • ISSUE 1
SUMMER 2012



Focus on Finances

Consultant tells Council Finance office was a mess; Borough faces \$3 million deficit

Back in January, when a new group of Borough Council members was sworn in, many of those newly elected representatives had a lot of questions about Borough finances.

Answers were tough to come by. More often, the questions led to more questions.

It was as if former Borough Manager Ron Mull was prophetic when he told



Borough financial records lie in disarray in a locker room under the MCSO Gym where they were discovered in March. They have since been relocated to dry, secure storage. (Photo by Chris A. Courogen)

new Borough Secretary Chris Courogen "In Middletown, when you turn over one rock, you find two underneath it."

In March a \$60,000 check bearing the signa-

ture stamp of a former Borough employee who had not worked at 60 West Emaus for over two years, was discovered. Other irregularities

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New look for newsletter

Welcome to the new, redesigned Borough of Middletown Newsletter.

We have taken steps to make the newsletter easier to read, with larger type, white paper and black ink, and enhanced graphic design and photos.

We have also taken steps to make the newsletter less costly to the Borough's taxpayers. Borough Secretary/Communications Director Chris Courogen is now editing and laying out the newsletter.

A new printer and new method of mailing has

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Efforts underway to cut costs without cutting services

Council challenges Borough staff to explore innovative ways to save money

The municipal budget process typically gets underway in the Fall, with preliminary discussions kicking off around October and a series of budget workshop meetings leading up to a December vote on the next year's spending plan.

In Middletown, the process got an earlier start this year. Much earlier. As in almost eight months earlier.

During Borough Council's February 6 meeting, Councilor John Brubaker introduced a motion calling for all Borough departments to submit 2013 budget proposals by July 1. Those proposals, Brubaker directed, were to include spending cuts of at least 15 percent across the board.

Staff began discussing ways to implement those

cuts during a meeting the same week.

Those efforts intensified in April, when Borough financial consultant Mark Morgan attended a staff meeting to brief supervisors on some preliminary findings from his review of the Borough's finances.

While details of the various departments' proposals have not been made public, they have included a variety of creative, out-of-the-box ideas. Staff members worked with Morgan in individual sessions, during which they were encouraged to explore solutions without the tether of current restraints such as Union work rules or past practices.

The challenge, they were told, is to find ways to provide services more efficiently, at a lower cost.

Throughout the process, Borough Council made it clear that they were depending upon the department heads to find solutions. Council said it would rather the staff find savings, than have Council be forced to make those decisions.

That does not mean Council has been uninvolved. A decision was made to hold off on most non-essential spending until the Borough's audit is completed and Council had an accurate picture of the Borough's financial status.

When Morgan released a preliminary draft of his findings in June, showing an approximately \$3 million deficit in the Borough's general fund operations, Council responded right away.

Almost immediately

after Morgan told Council one path to saving around \$400,000 would be to close the Borough police dispatch and communications center and switch to the Dauphin County 911 system, Councilman David Rhen introduced a motion to do just that. The measure passed unanimously.

Council also voted to follow Morgan's recommendation to seek early intervention Act 47 assistance from the state Department of Community and Economic Development to help put a financial recovery plan in place.

"I don't know why we are in this mess we are in. But it is on us now," said Councilor Barbara Arnold. "We have to fix it. We definitely have to cut costs."

MIDDLETOWN MATTERS

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 717.902.0430.

MAYOR

ROBERT G. REID

BOROUGH COUNCIL PRESIDENT

CHRIS MCNAMARA

COUNCIL MEMBERS

BARBARA ARNOLD • JOHN BRUBAKER

ROBERT LOUER • JUDY PUTRIC • DAVID RHEN

SCOTT SITES • SUZANNE SULLIVAN

BOROUGH MANAGER

TIM KONEK

BOROUGH SEC./DIRECTOR OF COMMUNICATIONS

CHRIS A. COUROGEN

FINANCE DIRECTOR

JENNIFER FELTY

Comm Center closing will not affect public safety

While details are still to be worked out, the closing of the Borough's Communications Center will in no way jeopardize public safety.

Borough firefighters and emergency medical responders are already dispatched by the County 911 Center, which will take over police dispatch duties for the Borough.

County 911 already handles those duties for every other police department in Dauphin County,

except Derry Township, which continues to maintain its own dispatchers.

There will also be no impact on Borough utility customers. After hours utility calls, which average in the teens each month, will now be routed to a non-emergency number.

It is worth noting Borough residents already pay for the County 911 service through a surcharge monthly on landline and cell phone bills.

Council cuts electric rates

Action taken to bring immediate relief to Middletown residents, businesses

Middletown Borough residents and businesses began seeing savings in their electric bill in February thanks to a \$2.6 million rate cut plan enacted by the Borough Council.

Under a new Borough ordinance known as the Middletown Citizens Electric Relief Act, the controversial purchase price cost adjustment formula, which resulted in fluctuating electric bills, was replaced with a

simplified new formula that sets the retail cost of electricity to four cents over the base cost.

The new plan immediately cut the price paid by Borough citizens by over 1.5 cents per kilowatt hour.

The move was made in an effort to moderate the widely varying wholesale cost of electricity under the Borough's contract with its current supplier. This is the final year of

that contract.

Beginning in 2013, the Borough will lock in for three years at a flat rate from a new wholesale supplier. That will bring about rate stabilization after several years of extreme swings in electric rates.

The measure also is a step away from past Council practices of subsidizing the Borough's general fund by overcharging for electricity.

The decision to stop overcharging for electricity came in response to an October 2011 recommendation by electric consultant Jim Havrilla, who warned Council it was harming consumers and slowing economic development with the exorbitant rates.

Financial Consultant Mark Morgan confirmed Havrilla's recommendation in his June report to Council.

Mayor Reid featured in Korean TV special

If you were in South Korea in March, and thought you saw a familiar face on TV, it wasn't a problem with your eyeglasses or your meds.

Yes, that was Middletown Mayor Robert G. Reid on KBS, a Korean network that is sort of a cross between our public broadcasting and C-Span.

The Mayor was featured in a KBS news segment on the Three Mile Island accident for a special shown during the 2012 Nuclear Security Summit in Seoul.

KBS program coordinator Heather Lee said the idea for the segment came from a news article she read that said 80 percent of Middletown area residents welcome the presence of the infamous plant that was the site of



Heather Lee, of the Korean Broadcasting System, interviews Mayor Robert Reid for an upcoming Korean television special on nuclear power. (Photo by Chris A. Couragen)

the world's first major nuclear power plant accident.

"We were very shocked to read that," said Lee. "Not even in Asia is there that kind of approval. We were very curious why."

Lee said her initial thought was the accep-

tance must be because the government didn't share much information about the accident with the people. After her chat with Mayor Reid, that view has done a 180.

The Mayor shared information about steps taken locally to inform resi-

dents about the potential dangers of TMI and the plans to deal with such an incident should it occur. He also showed Lee some of the steps taken to spread that information, such as the local phone book and informational brochures, and talked about disaster preparedness drills.

"Your people are very well informed. I think that is why they are very confident in the safety," Lee said.

In addition to interviewing Mayor Reid, Lee and her cameraman Jin Wook Baek shot footage near TMI and interviewed area residents. The crew also stopped by the Middletown Public Library, where they perused the TMI archives and duplicated historical photos.



Help Stop West Nile Virus

A mild winter, and warmer than usual March and April have combined to bring an early start to the mosquito season. In fact, when Dauphin County officials recently found a mosquito infected with the West Nile Virus in a trap near the Middletown wastewater treatment plant, it was the earliest ever detection of an infected mosquito in the county.

As part of its efforts to combat the mosquito problem, the Borough is taking active steps to identify potential mosquito breeding areas and habitat on Borough property and to rectify those situations.

Additionally, codes enforcement personnel are actively patrolling the Borough to identify properties which might contain conditions conducive to mosquitoes.

Anywhere there is stagnant water is mosquito breeding territory. High grass and tall weeds are prime habitats for mosquitoes after they breed.

Please do your part to help control mosquitoes by taking the following steps:

- Disposing of cans, plastic containers, bottles or any rubbish that can hold water.
- Properly dispose of old tires or store indoors so they will not hold water. Drill drainage holes in tires used for swings.
- Turn over wheelbarrows and other lawn equipment that collect water.
- Change the water in birdbaths and potted plant holder trays twice a week.
- Adjust tarps over grills, firewood piles, boats and swimming pools so water will not collect.
- Remove drain plugs from boats.
- Keep your backyard swimming pool clean, chlorinated and the filtration pump running to circulate the water.
- Aerate ornamental or garden ponds and/or stock with mosquito eating fish.
- Eliminate standing water on flat roofs.
- Clean out debris in the drainage easements in your yards to eliminate standing water.
- Fix outside leaky water faucets, eliminate the areas where water collects around the outdoor air conditioner units.
- Keep your lawn mowed and weeds and shrubs trimmed.

Under state and local law, Borough code enforcement personnel are empowered to issue citations for receptacles containing water unless the receptacle is constructed or maintained in a manner to prevent the breeding of mosquitoes, and for grass and weeds which violate the Borough code.

FOR MORE INFORMATION ON PREVENTING THE SPREAD OF WEST NILE VIRUS

VISIT: www.cdc.gov/westnile

**To report conditions that might foster mosquito breeding
please call the Middletown Borough Codes Office at 717-902-3077 or e-mail codes@middletownborough.com**

Consumer Confidence Report

Issued June, 2012

BOROUGH OF MIDDLETOWN 2011 Annual Water Quality Report

PWS ID: PA7220038

Your Water Supplier

The Middletown public water supply system is owned by the Middletown Borough Authority and leased to the Borough of Middletown, which operates and maintains the facilities.

The Borough has operated the water system since 1957 and serves customers in Middletown, as well as 57 customers in Lower Swatara Township.

In addition, The Borough of Middletown is the exclusive wholesale provider of drinking water to the Borough of Royalton.

Dear Customer:

This is an annual report on the quality of water delivered by the Borough of Middletown. It meets the federal Safe Drinking Water Act (SDWA) requirement for "Consumer Confidence Reports" and contains information on the source of our water, its constituents, and how it compares to (EPA) and state standards.

Safe water is vital to our community. Please read this report carefully and, if you have any questions, contact the Borough at (717)948-3055.

In 2011, we routinely tested samples of your water to assure that it met established water quality standards set by the United States Environmental Protection Agency (EPA), and the Pennsylvania Department of Environmental Protection. (Pa DEP).

We are proud to report that your water met or exceeded all of the standards for safe drinking water. All test results are kept on file and available to the public.

-- Borough of Middletown

Your Water Source

Our system is supplied by groundwater, which is pumped from 6 wells located in the Borough of Middletown. All sources are treated with chlorine, and a fluoride solution is added.

Two sources are equipped with an air stripping tower for the removal of organic chemicals.

To ensure the safety of your water, State-licensed operators monitor each source, all treatment processes, and collect water samples for analysis at State-certified laboratories.

Protecting Your Water

Groundwater used as a public water supply is less expensive to use than surface water due to land acquisition costs and various treatment requirements for surface water supplies.

However, if groundwater contamination occurs, it is very costly to treat and clean up to comply with drinking water standards. Once groundwater is polluted, it remains

contaminated for a long time and any attempt to restore water quality becomes a long and difficult process.

We recognize the possibility of potential pollution of your water supply and drafted a "Wellhead Protection Plan" (WHPP).

This plan identifies the rainwater capture areas surrounding each well and the potential sources of pollution

within each capture area. Also, the plan defines rules and procedures to be employed to prevent groundwater contamination in the capture areas of each of the six (6) wells which supply your drinking water.

In addition, a Source

Water Assessment of our sources was completed by the PA Department of Environmental Protection (Pa DEP). The assessment has found that our sources of water are potentially most susceptible to:

- Please see next page

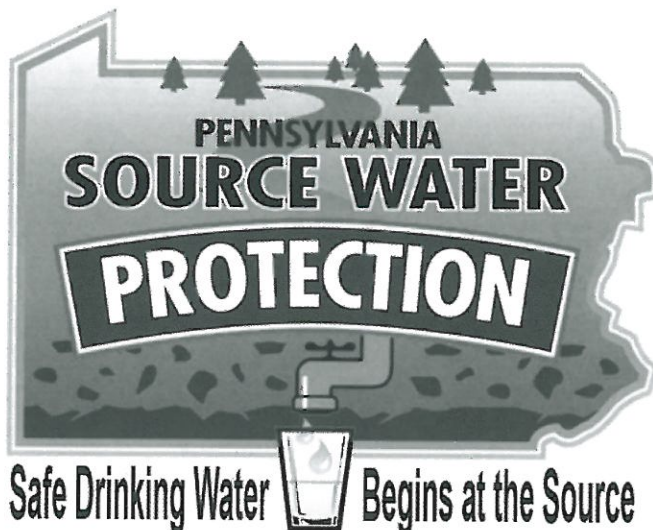
This report contains important information about your drinking water.
Translate it or speak with someone who understands it.

Este informe contiene información muy importante sobre su agua beber. Tradúzcalo o hable con alguien que lo entienda bien.

-- Cont'd from Front

- Military operations
- Manufacturing and / or handling of hazardous material
- Sewer pipelines
- Facilities where release of regulated substances were detected already
- Household hazardous waste disposal
- Lawn care chemical applications in close proximity to our wells
- Auto-repair shops, gas stations
- Storage maintenance facilities
- Transportation corridors

Overall, our sources have a moderate to high risk of significant contamination.



A summary report of the Assessment is available on the Source Water Assessment & Protection Web page at

(<http://www.dep.state.pa.us/dep/deputate/water-mgt/wc/Subjects/SrceProt/SourceAssessment/default.htm>).

Complete reports were distributed to municipalities, water suppliers, local planning agencies and Pa DEP offices. Copies of the complete report are available for review at the Pa DEP Regional Office, Records Management Unit at (717) 705-4732.

We need your help to protect our groundwater sources. Find out where each of your six water supply sources are located.

Properly dispose of hazardous household products such as paint, thinners, pesticides, fuels and oils. For more information and information on the proper disposal of wastes, call 948-3055.

Why Do We Need to Test Our Water?

To ensure that tap water is safe to drink, the EPA prescribes limits on the amount of certain contaminants in water provided by public water systems.

FDA regulations establish limits for contaminants in bottled water, which must provide the same protection for public health.

Drinking water, including bottled water, may reasonably be expected to contain at least small amounts of some contaminants. The presence of contaminants does not necessarily indicate that water poses a health risk.

Some people may be more vulnerable to contaminants in drinking water than is the general population.

Immuno-compromised persons such as persons with cancer undergoing chemotherapy, persons who have undergone organ transplants, people with HIV/AIDS or other immune system disorders, some elderly, and infants can be particularly at risk from infections.

These people should seek advice about drinking water from their health care providers.

EPA / CDC guidelines on appropriate means to lessen the risk of infection by *Cryptosporidium* are available, as well as more information about contaminants and potential health effects from the Safe Drinking Water Hotline (800-426-4791).

Substances that may be present in source water

The sources of drinking water (both tap water and bottled water) include rivers, lakes, streams, ponds, reservoirs, springs and wells. As water travels over the surface of the land or through the ground, it dissolves naturally-occurring minerals and radioactive material, and can pick up substances resulting from the presence of animals or from human activity. Contaminants that may be present include the following:

(a) Microbial contaminants, such as viruses and bacteria, which may come from sewage treatment plants, septic systems, agricultural livestock operations, and wildlife.

(b) Inorganic contaminants, such as salts and metals, which can be naturally-occurring or result from urban storm runoff, industrial or domestic wastewater discharges, oil and gas production, mining, or farming.

(c) Pesticides and herbicides, which may come from a variety of sources such as agriculture, stormwater runoff, and residential uses.

(d) Organic chemical contaminants, including synthetic and volatile organics, which are by-products of industrial processes and petroleum production, and can also come from gas stations, urban stormwater runoff and septic systems.

(e) Radioactive contaminants, which can be naturally-occurring or be the result of oil and gas production and mining activities.

Water—Our Most Valuable Resource

Water makes up 2/3 of our bodies, and it is the main substance found in all living things.

Without water, life wouldn't be able to exist.

We encourage our customers to use water wisely and help protect water supplies from contamination.

Conserve Water

- Take shorter showers; install water saving shower heads.
- Repair leaks to faucets. One drip per second wastes 2400 gallons of water a year.
- Turn off the tap while brushing your teeth or shaving.
- Don't use your toilet as a trash can.
- Toilets are notorious for hidden leaks. A toilet that does not properly shut off can waste hundreds of gallons of water in one day.
- Only run dishwashers and washing machines when full.

Protect our water supplies

- Identify hazardous wastes used around and in your home. Some examples are motor oil, antifreeze, acids, insecticides, gasoline, kerosene, oil based paint, polish and varnish.
- Never dump hazardous wastes down your drain or on the ground.
- Find out where important water supplies are located and help protect the local areas around them, called "capture zones" from contamination or activities that could contaminate them. If you have a septic system, pump it out every one to three years.
- Report any suspicious activity around water pumping or storage facilities.



What You Should Know About Nitrate and Lead In Your Water

Nitrate -- We detected Nitrate in the water at a level less than the EPA standard. Nitrate in drinking water at levels above 10 ppm is a health risk for infants of less than six months of age. High nitrate levels in drinking water can cause blue baby syndrome. Nitrate levels may rise quickly for short periods of time because of rainfall or agricultural activity. If you are caring for an infant, you should ask advice from your health care provider.

Lead-- Although no lead was detected above EPA's action level, it is possible that lead levels in your home may be higher than at other homes in the community, as a result of materials used in your home's plumbing.

Infants and children are typically more vulnerable to lead in drinking water than adults.

If you are concerned about lead levels in your home's water, you may wish to have your water tested, and flush your tap prior to using it for drinking or cooking whenever the plumbing has not been used for 6 hours or more.

Additional information is available from the Safe Drinking Water Hotline (800-426-4791), or at (<http://www.epa.gov/safewater/lead>).

We encourage public interest and participation in our community's decisions affecting drinking water. Find Borough Council and Borough Authority meeting schedules on the Web at www.middletonborough.com

OFFICE HOURS

The Water Department Office can be reached Monday through Friday between 7:00 am and 4:30 pm at (717) 948-3055. Billing inquiries should be directed to (717) 948-3010. For Weekend and after hours water emergencies, please call (717) 948-3055.

Meet the new Borough staff members

Tim Konek

Borough Manager

New Jersey native Tim Konek is no stranger to the Borough of Middletown. Konek has been in residence at Borough Hall since February, assisting the Borough's flood recovery efforts as a consultant with Dewberry.

"It was as if we were able to interview Tim for three months," said Borough Council President Christopher R. McNamara. "He knows the Borough and its infrastructure. He knows our staff, and they know him. We are very fortunate he has decided to stay as our manager."

A father of two, Konek is a civil engineer by training. The Stevens Institute of Technology graduate is pursuing a Masters in Public Administration.



Chris Courogen

Borough Secretary

A former reporter for the Patriot-News, Courogen grew up 60 miles up river in Sunbury.

A graduate of Shikellamy H.S. and Bloomsburg State College, he began his newspaper career as a sportswriter and also served as editor of several Web sites.

At the Patriot-News, Courogen began as a municipal government reporter and also served as one of the paper's first "mobile journalists."

In his spare time, Courogen enjoys fly fishing and coaches AAU basketball.

Courogen and his wife, Dorrie, and their three daughters, reside in Camp Hill.



Mark Hovan

Chief of Police

Middletown's new chief is a 14-year veteran of the Borough's force.

Hovan began his police career as a Patrolman and spent the last four years as a Detective. He has also served on the Dauphin County Drug Task Force and as a member of the County CERT Team.

A former Dauphin County Probation/Patrol Officer, Hovan also served in the U.S. army and the Pa. Army National Guard, where he was an Officer Candidate School instructor.

The father of a 7-year-old daughter, Hovan is a graduate of Clarion University and is currently seeking his Masters degree at Shippensburg.



Jennifer Felty

Finance Director

Penn State graduate Jennifer Felty is no stranger to Middletown. She grew up in Londonderry Twp. and spent all four years of her college career at PSU's Capital Campus.

The Lower Dauphin H.S. graduate comes from a family dedicated to public service. Her father, Douglas Gellatly, is a former Londonderry Twp. supervisor. Her sister Sara Gellatly is Steelton Borough Manager.

A former municipal auditor, Felty comes to the Borough staff from Seligman, Friedman & Company.



Incredible Reach

Middletown Matters is distributed to every mailing address in town. That means your message can reach over 5,000 homes and businesses. No other form of advertising can offer that kind of market penetration.



For information on advertising in Middletown matters, call 902-0430

REUSE REDUCE RECYCLE

Please remember to separate recyclable materials as you set out your trash each week. Penn Waste, the Borough's trash contractor, will pick up your cans, jars, bottles, plastics, newspapers and office paper. Just place recyclables in your "Middletown Recyclables" container and place it beside your regular trash.

If you need a new recycling container, they may be purchased at the Borough Finance Office for \$12.50.

Dauphin County also operates a recycling program for items such as old tires, electronics, batteries, used oil, and other hazardous items. For information on disposing of those items, call the county recycling hotline at 717-982-6772.

More information about recycling in the Borough can be found on at www.middletownborough.com

Borough Code Enforcement officers keeping busy

Efforts include combatting blighted properties, beautification of neighborhoods, West Nile virus prevention

Two buildings in the downtown area were declared unfit for human occupation and a blighted residential property in the Oak Hills part of town was cleaned up, all in the space of one very busy week for the Borough Code Enforcement officers.

The second floor of the Elks Building, at the corner of Emaus and Union streets, was closed Friday, June 15, after fire marshals discovered a number of public safety violations. Out of date fire extinguishers, an alarm system that didn't work, a malfunctioning emergency lighting system, and debris blocking the exits were among the violations, which have since been resolved.

The Greater Middletown Economic Development Corporation, which owns the building, was also given notice of building code violations.

Across Union Street, the buildings at 10-16



The building at 10-16 South Union Street is one of two downtown structures posted as unfit for human occupancy by the Borough's Code Enforcement Officer. The action came after an inspection showed numerous fire safety and structural issues inside the building, which formerly housed Bunky's. (Photo by Chris A. Courogen)

South Union were also posted after a number of fire safety and structural deficiencies were noted in a June 18 inspection.

The downtown inspections were part of an ongoing effort by the Codes office to clean up the area. Codes also made a "weeds" sweep from just north of the square to the railroad bridge on South Union Street in an effort to work with property owners to clean up high weeds growing in the area.

These efforts, along with a Borough-wide effort in May to eliminate potential mosquito breeding areas and habitat, are part of an ongoing effort to clean up and beautify the town.

Codes will continue to work with homeowners to identify and correct deficiencies.

These efforts serve a dual purpose. Not only does it help protect public safety, it also helps protect property values, which suffer when

blighted properties exist in the neighborhood.

The Codes department is not looking to write citations and collect fines. Rather than a draconian enforcement effort, the preference is to work with property owners to resolve the problems identified on inspections.

However, in cases such as the residence in Oak Hills, if property owners are not cooperative, the Borough will take other steps at its disposal, including mowing high grass, or hauling away rubbish from properties that are out of compliance with the code.

In such cases, liens will be placed against the property to make certain the Borough is reimbursed for expense incurred in clean up.

Failure to comply with first notices from the Code Enforcement office will also result in citations and fines.

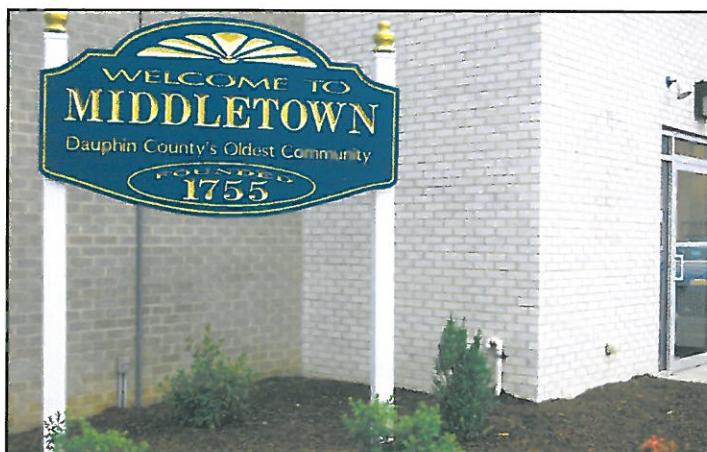
Borough Hall gets facelift

You know what they say about people who live in glass houses. That is why the Borough is undertaking steps to improve the Borough Hall building at 60 West Emaus Street.

In June the building was pressure washed, with windows getting cleaned for the first time

in memory. Landscaping work was done around the building, with a new sign erected near the entrance to the Police and Administrative departments. A new flag pole will follow, shortly.

The Borough Codes Enforcement officer was instructed to make a thorough inspection of the building. - see Borough Hall, Page 7



A new sign and new landscaping are part of efforts to beautify Borough Hall in Middletown. (Photo by Chris A. Courogen)

— *Finances, from Page 1* —
also came to light as the Borough's new auditors repeatedly ran into difficulties locating records needed to complete their work.

It's important to make clear no money from that check was stolen or missing. It was used to transfer funds from one Borough account to another. But it was the poster child for the seriousness of the underlying procedural problems in the finance office and enough to make Council decide to hire financial consultant Mark Morgan, of Susquehanna Group Advisors, to review the Borough's financial operations.

"It was obvious we had problems, and nobody seemed to be able to give us answers. We needed help," said Borough Council President Christopher R. McNamara.

In mid-June, when Morgan issued a preliminary report to Council, it was clear how serious the problems were.

Morgan, a former member of the state Auditor General's staff, who has spent over 30 years

working in government sector finance, reported a plethora of irregularities. The signature stamp of former Finance Director Rick Grove, who resigned in March, had been missing for months. Also missing was the stamp that had appeared on the \$60,000 check. Other former employees' stamps were found in the finance office, having not been destroyed when those employees left the Borough's employ.

The Borough's money was spread across a multitude of accounts in a host of banks. For many of those accounts, people who had not worked for the Borough for years were still designated as authorized signers.

Morgan uncovered instances of large customers of the Borough's water and sewer services who had not been billed for over a year, resulting in uncollected revenues well into the six-figures range. Grant money due to the Borough had gone unrealized because required paperwork had not been filed.

Boxes full of moldy, deteriorating finance

department records were found stored in an old locker room under the MCSO stage.

Rather than do its banking at a local institution, the Borough has been using a fund intended for short term investment of excess monies as a checking account, resulting in high checking fees, reduced investment returns and the added expense of needing an armored car to pick up cash receipts and deliver them to the fund.

"There was quite a mess down there in the finance department," Morgan told Council.

Many of the policy and procedure deficiencies have already been resolved, by new Finance Director Jennifer Felty, Morgan said. Fixes are in the works for others.

If that had been the extent of Morgan's report, it might have been a relief. What came next was the big problem.

Morgan told Council the Borough's General Fund budget has a structural deficit of close to \$3 million. Expenses for general government operations – police, codes and plan-

ning, the highway and property department and the Borough's administration – are around \$5.7 million. Revenues usually used by municipalities to fund those activities – taxes and fees – are in the neighborhood of \$2.5 to \$2.7 million.

"You have a substantial shortfall in general government revenue vs. general government expenses," Morgan explained.

The Borough has been making up the shortfall by subsidizing the general fund with revenue transfers from the Borough's utilities, especially from the electric department, which generated the money by charging rates well above the market in nearby areas.

Morgan told Council, "If you don't make changes for 2013, you won't get through the first quarter."

"You have been paying some very high electric rates, much higher than surrounding communities. Your electric rates are high. Your tax rates are about where everybody is. You're out of money. Your citizens cannot sustain this."

— *Borough Hall, from page 6* —

ough investigation of the building. No actual code violations were found, but a number of areas were found in need of attention.

Borough crews are continuing to work on improving the appearance of the building, along with other Borough prop-

erties, all in an effort to set an example for property owners throughout the Borough.

"If we are going to ask the residents to fix up their properties, we need to take care of our own house," said Borough Council President Christopher R. McNamara.

— *Newsletter, from page 1* —

cut the cost of producing and distributing the newsletter drastically.

Additional savings on this issue have been generated by including the Water Department's annual Consumer Confidence Report, a four-page EPA mandated document that last year was dis-

tributed as a stand-alone piece.

In addition to the revamped newsletter, the Borough has begun updating its Web site with news items when warranted. Expect to see a complete redesign of the Borough Web site by early in 2013.

LOCAL
Postal Customer

Electric Rate Stabilization Trust Fund FAQ

WHAT IS THE ELECTRIC RATE STABILIZATION TRUST FUND? The Electric Rate Stabilization Trust Fund (ERSTF) is a trust that was set up following a 1999 court settlement that awarded the Borough over \$18 million dollars to settle a legal battle with Met-Ed over an old contract which allowed the Borough to purchase wholesale electricity for a penny a kilowatt hour.

HOW IS THAT MONEY SUPPOSED TO BE USED? According to the terms and conditions in the legal document which established the trust, the money was to "be used solely to subsidize the cost incurred by (the Borough) to purchase electricity transmission capacity and wholesale electricity in order to reduce the rate of increase in the prices that customers of the (Borough's) electric distribution system must pay for electricity."

HOW MUCH MONEY IS STILL IN THE TRUST? Currently the Trust balance

is in the neighborhood of \$10 million.

WHAT HAPPENED TO THE REST? For several years, the Borough withdrew money from the trust using a formula it claimed met the legal requirements of the Trust agreement.

The Borough's financial consultants, and its current attorneys, have raised questions about how that money was used.

According to consultant Mark Morgan, of Susquehanna Group Advisors, it appears as though the withdrawals were used to subsidize the Borough's general fund while residents continued to pay exorbitant electric rates.

That's not all that was found when the Trust was reviewed. It also was discovered that the money in the Trust had not been invested the way the Trust agreement said it should be, resulting in huge investment losses.

HOW WAS IT SUPPOSED TO BE INVESTED? The Trust agreement is

very specific about that. It says funds must be invested in accordance with Section 1316 of the Borough Code. Section 1316 pretty much restricts investments to safe, government-backed securities.

HOW WAS IT INVESTED? Almost from the start, money was invested in stocks and other investments prohibited by Section 1316. In 1999, after the Trust was established, Borough Council passed an investment policy that contradicted the restrictions in the trust. In 2007, in reaction to the falling value of the Trust due to heavy withdrawals, the Council doubled down, changing the strategy to an even more risky mix of investments in hopes of recouping some of the expended funds.

HOW DID THAT WORK OUT? Not too well. According to preliminary estimates, the Trust lost over \$1 million. The exact losses are still being determined. It could reach as high as \$5 million. Analysts are

running the numbers based upon a comparison between how the money was invested and the various options which would have been allowed by the Trust agreement.

WHAT IS NEXT? The Borough has retained a special counsel to determine what, if anything, can be done to recoup the losses. Once issues such as statute of limitations, legal immunities and how much might be recoverable are sorted out, the Borough will be able to determine whether or not it will take legal action. Similar analysis is being done regarding how Trust monies were expended.

WHAT IS BEING DONE TO "STOP THE BLEEDING"? While the legal issues are being sorted, Borough Council has taken steps to bring the Trust's investments into compliance with the law. Currently all funds are being held in an account which meets the Trust's standards. Future investments will be made in compliance with the rules of the Trust.