

# Organizational Change from Conveyance-Leaseback

Presented by Hunter L. Ahrens, MPA, SHRM-SCP

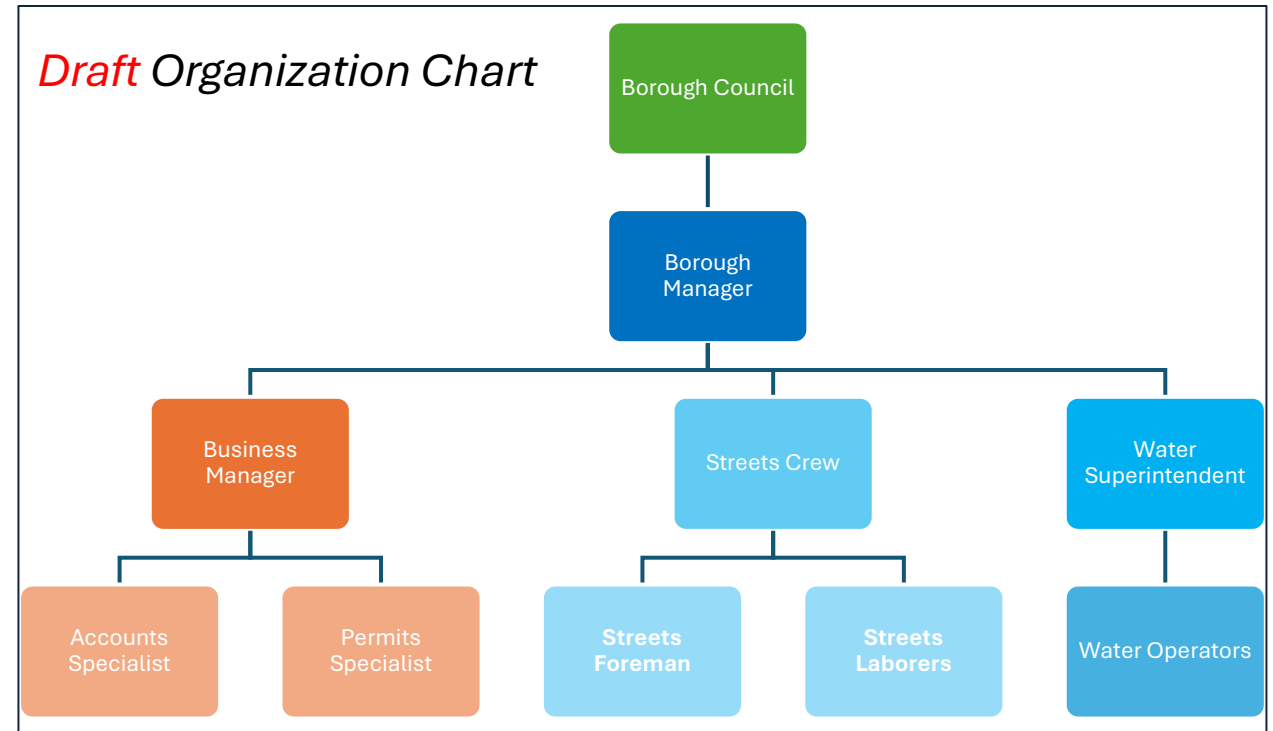
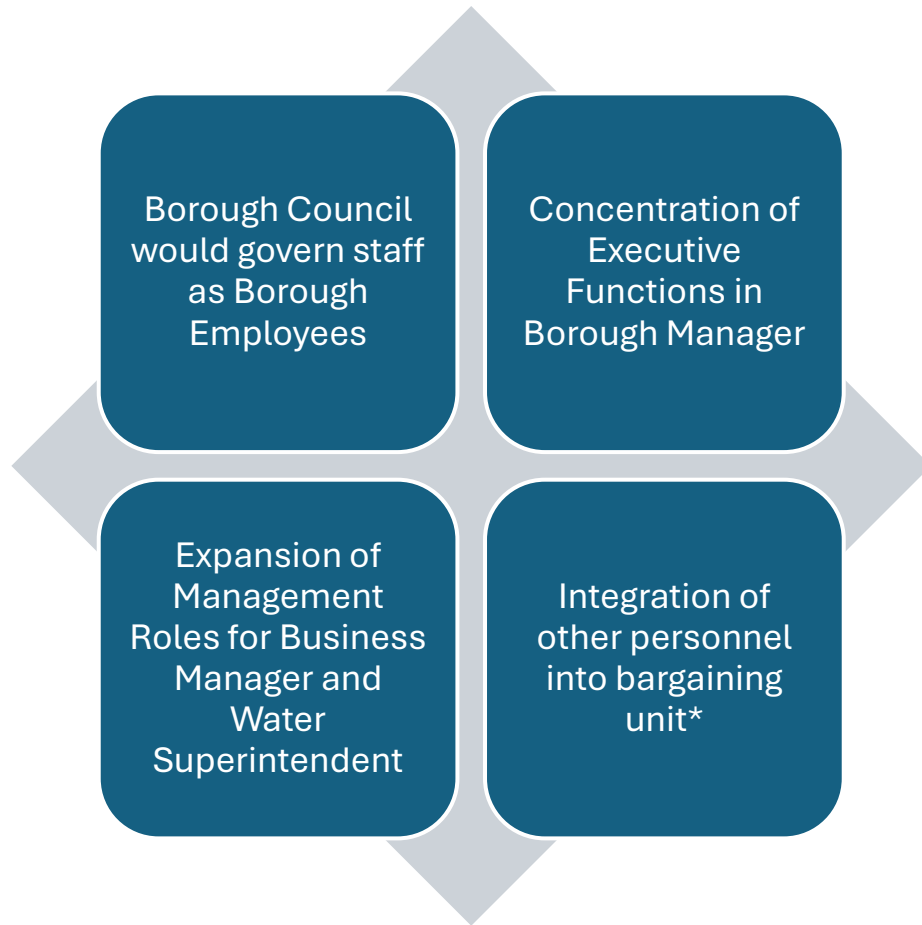
# Joint Governance

---

- Building a system where both governing bodies contribute to shared success.
- Transition Committee (Temporary)
  - 3 Council Members
  - 2 Authority Members
  - No Quorum from Either
- Joint Public Works Committee (Permanent)
  - 3 Council Members
  - 2 Authority Members
  - No Quorum from Either



# Organization Structure



\*Bargaining Unit determines employee inclusion and expansion of permissible areas under PLRB Cert.

# Staff Designations

---

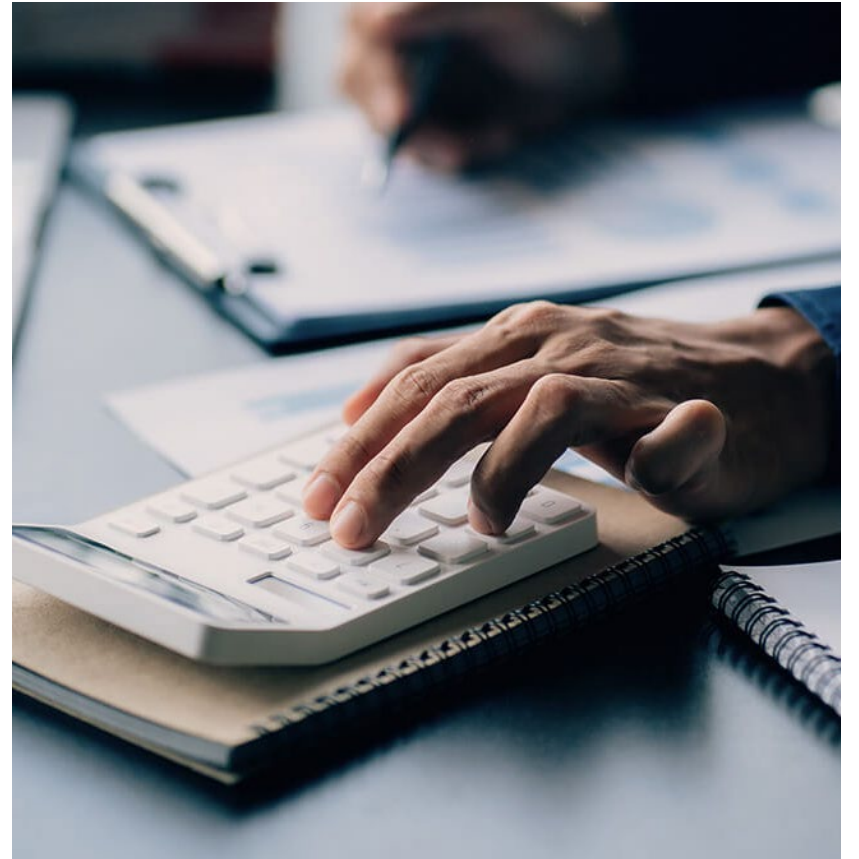
- Water Superintendent role would be classified as Management
  - Due to independent decision-making, specifically related to emergency projects and management of operators and operations.
- Business Manager role would be classified as Management
  - Due to independent decision-making authority related to finances, and participation in bargaining activities.
- Administrative activities would need to be synchronized to avoid duplication (budgeting, paying bills, deposits, payroll, benefits, etc.)
  - Iterative process with Staff input; prime objective of transition committee to create a system that works for existing staff.



# Leaseback Amount

---

- Annual leaseback payment amount would be set at \$295,300.00 for CY 2027
  - 5% Escalation in 2028 and 2029
  - Amount Renegotiated in 2029 for 2030-2032
- One-Time transition payment of \$60K for administrative costs under Conveyance-Leaseback and transition expenses. Paid in July 2026
- Payments made in early January and early July annually.
- Final calculation would be evaluated for consistency with Financial Consultants modeling to prevent unintended consequences.



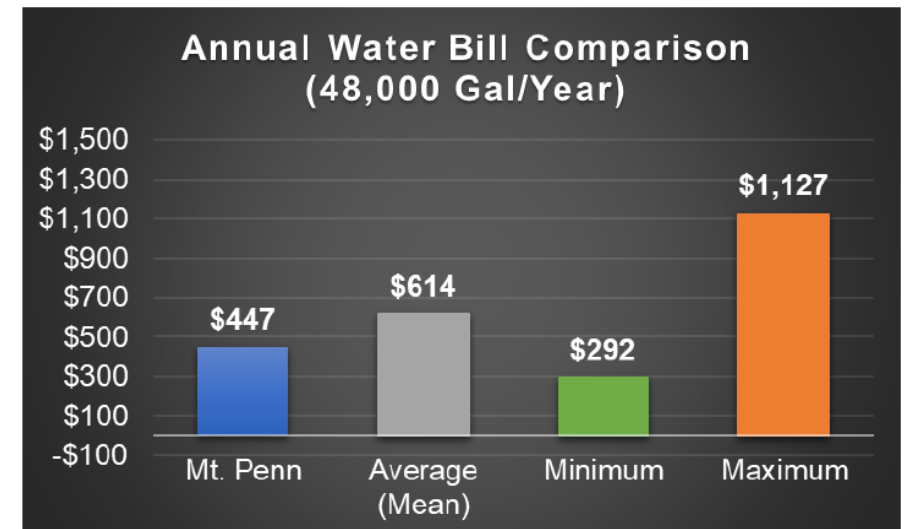
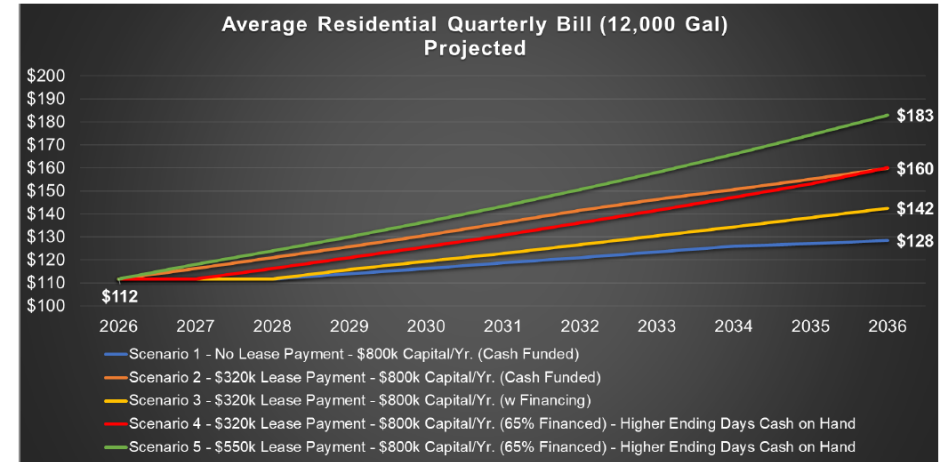
# Budget Impact

- Borough's General Fund experiences changes
  - Leaseback changes would create a net increase for the General Fund after adjustments to Revenue and Expenses.
  - Assists in rebuilding fund balance; funds are uncommitted for projects or critical operating expenses. TBD additional commitments.
- Authority Water Fund experiences net decrease
  - Leaseback changes makeup approx. 55% of expense increase in CY 2027; other changes makeup 45% of increase.
  - Rate adjustment needed; PFM analysis suggests cash reserves are sufficient to prevent significant rate increase.

|                      | <b>General Fund</b> | <b>Water Fund</b> |
|----------------------|---------------------|-------------------|
| Total Revenue        | \$ 2,722,121.13     | \$ 2,500,491.22   |
| Leaseback Changes    | \$ 280,300.00       | \$ 10,000.00      |
| Other Changes        | \$ (501,659.45)     | \$ -              |
|                      |                     |                   |
| Total Expenditures   | \$ 2,541,510.01     | \$ 3,060,198.16   |
| Leaseback Changes    | \$ 33,502.48        | \$ 311,655.40     |
| Other Changes        | \$ (434,011.89)     | \$ 260,444.39     |
|                      |                     |                   |
| <b>Summary</b>       |                     |                   |
| Jan. 1 Fund Balance  | \$ 528,022.80       | \$ 3,767,799.88   |
| Total Revenue        | \$ 2,722,121.13     | \$ 2,500,491.22   |
| Total Expenditures   | \$ 2,541,510.01     | \$ 3,060,198.16   |
| Dec. 31 Fund Balance | \$ 708,633.92       | \$ 3,208,092.94   |
| Surplus/(Deficit)    | \$ 180,611.12       | \$ (559,706.94)   |

# Rate Increase Effect

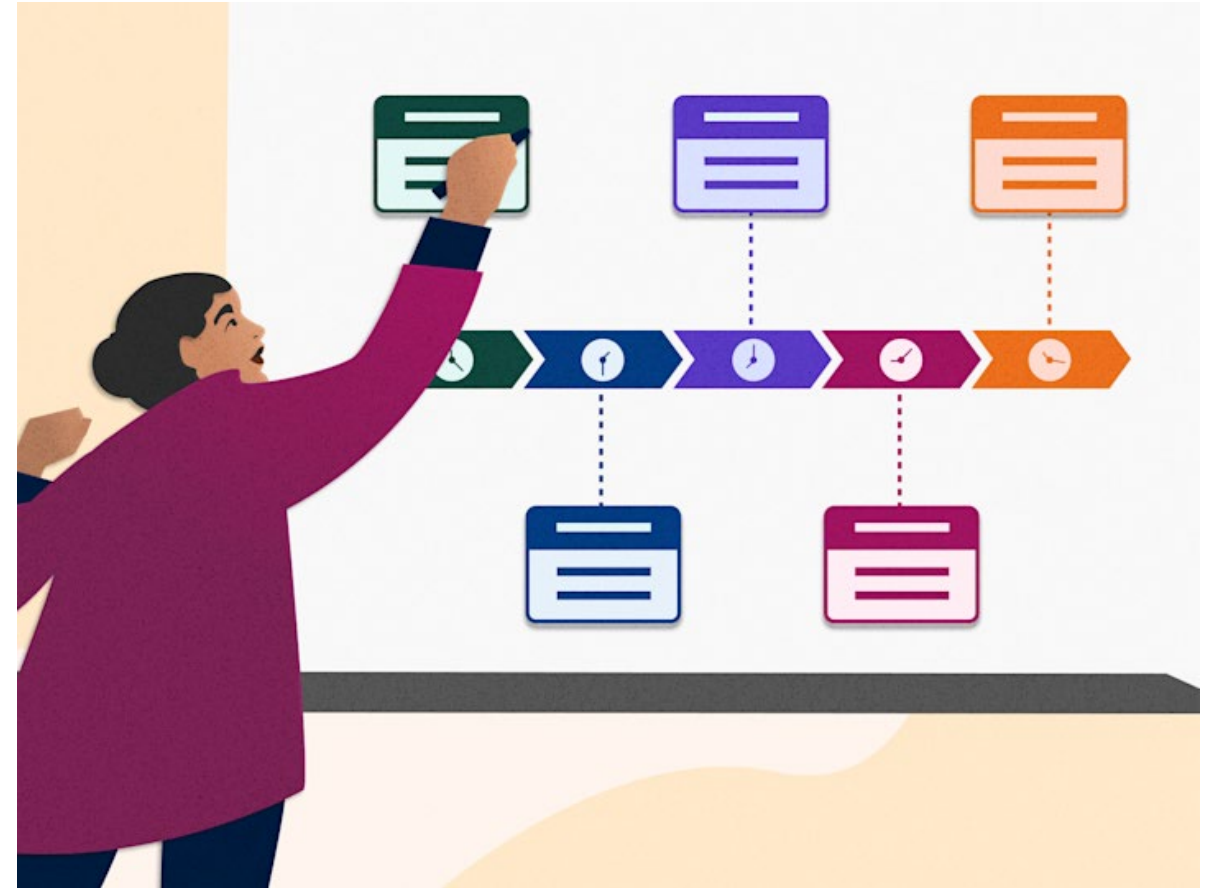
- PFM's assessment of rate changes demonstrated increases on larger assumptions than proposed.
- Final analysis will be necessary with financial consultant.
- Rate projections under quarterly bill project between 2026-2036 demonstrates average bills for MPBMA are comparatively lower than market.



# Near Term Timeline

---

- Due Diligence (March 30, 2026)
- Personnel Engagement (Mar-Apr 2026)
- Financial Analysis & Draft Documentation (Apr-May 2026)
- Negotiation of Final Terms (May-Jun 2026)
- Execution of Agreements (June 2026)
- Implementation Period (Jun-Dec 2026)
- Staff Transition (January 1, 2027)



# Joint Budget Cycle Planning

---

- Identify Unified Capital Projects for 27'-28'
- Prepare RFPs for Applicable Professional Services
  - Transition Committee leading this process
- Joint Development of CY 2027 Budgets
- Prepare updated/new Five-Year Financial Projections (CY 2027-2031)



# Unintended Consequences

---

- Governance & Structural Risks
  - Authority Independence
  - Concentrating Executive Authority
- Labor & Personnel Risks
  - Accelerated Union Pressure
  - Supervisory Status Challenges
  - Cultural Disruption
- Financial & Structural Risks
  - Structural Dependency on Leaseback Revenue
  - Water Fund Erosion Perception
  - Cost Escalation Effects
- Administrative Efficiency Reducing Staff Buffer
- Expectation Anchoring
- Timing and Sequencing Risks

