

**MEMORANDUM**

*Transition Planning from Conveyance-Leaseback*

Mr. Mayor and Council,

Enclosed for your review is a draft framework outlining the proposed governance structure, organizational alignment, financial model, and transition timeline associated with the potential conveyance–leaseback.

This document is intended to serve as a working draft. It presents one structured approach to implementation, but it does not bind Council to any specific outcome, payment structure, staffing model, or governance configuration. Borough Council retains full discretion to modify the scope, sequencing, financial terms, or structural elements as deliberations continue.

The objective of this draft is to provide a comprehensive foundation for discussion—identifying operational, financial, labor, and budget-cycle considerations in advance of formal decision points. As we move forward, refinements may be made based on Council direction, additional due diligence, negotiations with the Authority, and public input.

I look forward to discussing this framework with you and receiving your guidance on next steps.

Sincerely,

Hunter L. Ahrens, MPA, SHRM-SCP  
Borough Manager

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## Joint Governance

To ensure implementation of the conveyance-leaseback and to institutionalize long-term coordination between the Borough and the Authority, the following joint governance structure is recommended.

### Transition Committee

A temporary Joint Transition Committee shall be established to oversee operational, personnel, and financial integration during the transition period, concluding December 31, 2027. The committee's role is advisory and supervisory in nature; it does not replace the independent statutory authority of either governing body.

#### Composition

- Three (3) members of Borough Council
- Two (2) members of the Authority Board

Membership shall be structured so that no quorum of either governing body is present at any meeting of the committee. The committee shall function as a working body for coordination and recommendation, with all formal actions reserved to the respective public meetings of Council and the Authority Board.

#### Primary Responsibilities

The Transition Committee shall serve as a joint Personnel and Finance Committee during the implementation phase and shall be charged with:

1. Personnel Integration
  - Aligning retirement plan structures where legally permissible and achieving state support.
  - Aligning health insurance and ancillary benefit offerings.
  - Reviewing job classifications and compensation alignment.
  - Finalizing and recommending amendments to the Collective Bargaining Agreement to incorporate water operators and administrative personnel, consistent with the Public Employee Relations Act.
2. Financial Alignment
  - Coordinating the first consolidated operating budget assumptions.
  - Reviewing shared service cost allocations.
  - Aligning accounting practices, internal controls, and audit functions.
  - Revising or building 5-year forecasts for both organizations.
  - Monitoring compliance with adopted financial policies.
3. Organizational Integration
  - Develop and Implement the Organization Transition, Management, and Operations Plan (with January 1, 2027 staff transition and December 31, 2027 stabilization benchmarks).

- Ensuring IT governance and systems integration are executed consistent with the Borough Manager’s assigned responsibilities under the adopted operating model.
- Tracking milestone completion and reporting progress to both governing bodies.

#### 4. Reporting

- Providing written joint status updates.
- Identifying policy issues requiring formal action by Council or the Authority Board.
- Recommending corrective measures where integration deviates from plan.

The Transition Committee shall sunset automatically on December 31, 2027, unless extended by concurrent resolution of both bodies.

### Joint Public Works Committee

To prevent future structural misalignment between the Borough and the Authority and to ensure sustainable infrastructure investment, a permanent Public Works Committee shall be established.

#### Composition

- Three (3) members of Borough Council
- Two (2) members of the Authority Board
- Borough Manager (ex officio)
- Authority Superintendent or designee (ex officio)

As with the Transition Committee, membership shall be structured to avoid a quorum of either governing body.

#### Primary Responsibilities

1. Unified Capital Planning
  - Develop and maintain a rolling five-year integrated capital plan.
  - Ensure alignment of water system investments with roadway, stormwater, and public works improvements.
  - Sequence projects to minimize duplication and maximize coordinated infrastructure replacement.
  
2. Debt and Financing Review
  - Review proposed debt issuances or refinancing by either entity.
  - Assess long-term rate impacts and property tax implications.
  - Ensure capital commitments are consistent with the Borough’s adopted financial policies and forecast assumptions .
  
3. Annual Budget Coordination

- Review each entity’s proposed annual budget prior to formal adoption.
  - Provide written recommendations to both governing bodies.
  - Confirm that operating budgets are consistent with adopted capital plans.
  - While the Committee reviews and recommends, final budget adoption authority remains exclusively with Borough Council and the Authority Board in their respective public meetings.
4. Strategic Infrastructure Stewardship
- Ensure capital investments support the Borough’s strategic objectives of stability, affordability, and infrastructure stewardship.
  - Maintain transparency regarding rate and tax implications.

## Governance Safeguards

To preserve statutory independence and legal compliance:

- All committee meetings shall comply with the Pennsylvania Sunshine Act where applicable.
- The committee shall act in an advisory and coordinating capacity only.
- No authority of either body is delegated absent formal resolution.
- Labor matters shall be handled in compliance with the Public Employee Relations Act, applicable collective bargaining requirements, and applicable statutes and case law.

## Rationale

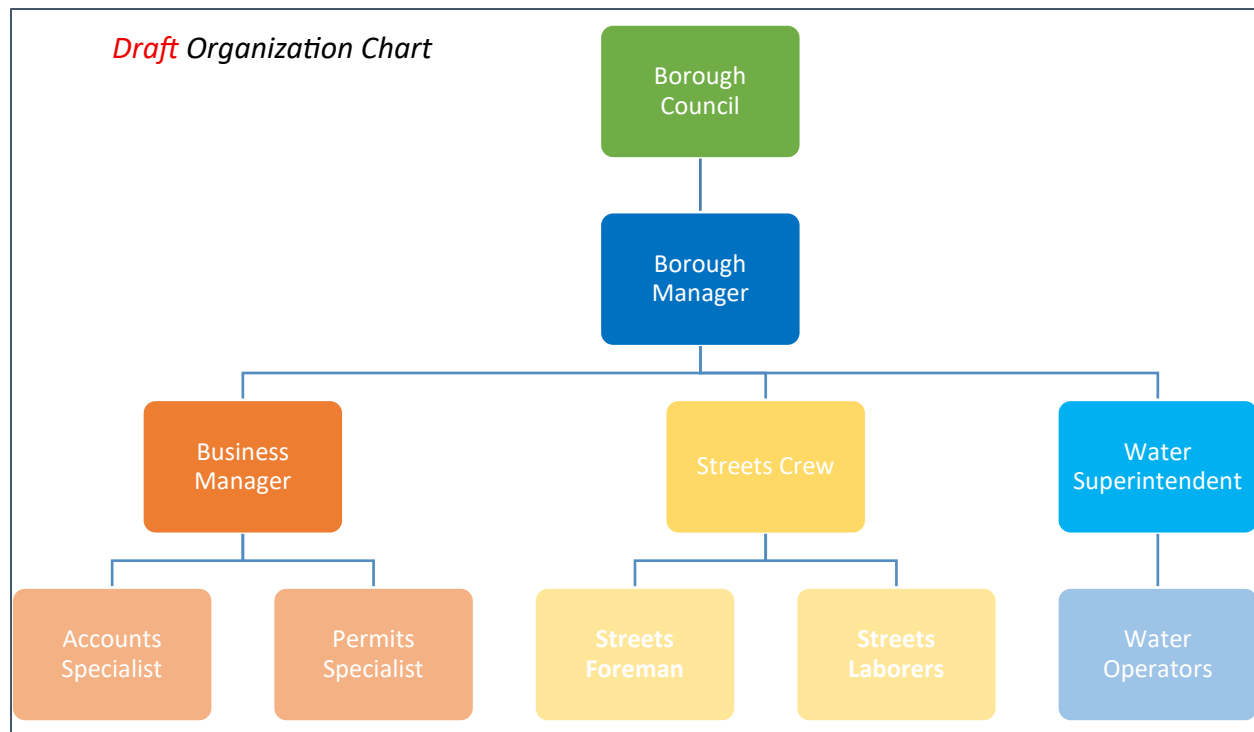
This dual-committee structure balances three critical objectives:

1. Disciplined Transition Management — ensuring operational and labor alignment is deliberate, lawful, and transparent.
2. Financial Sustainability — preventing long-term divergence between capital obligations and revenue capacity.
3. Preservation of Institutional Independence — maintaining the Authority’s legal structure while formalizing coordination mechanisms.

The temporary Transition Committee addresses implementation risk. The permanent Joint Capital Planning Committee ensures that the Borough and Authority remain structurally aligned beyond the integration phase.

## Organizational Structure

This section proposes an organizational structure reflected in the draft organization chart and to explain the management philosophy and labor considerations associated with that structure. This framework is intended to support operational clarity, executive accountability, and long-term integration of Borough and Water functions, while preserving legal compliance and collective bargaining rights.



## Executive Structure

Under the proposed model, the Borough Manager serves as the chief executive officer of the organization and is responsible for overall administrative, financial, operational, and personnel oversight.

Three primary reporting areas are established:

1. Business Manager (Office Administration Lead)

The Business Manager functions as the administrative management lead. This position would oversee:

- Accounts Specialist
- Permits Specialist

The Business Manager is responsible for financial administration, payroll coordination, benefits administration, permitting processes, and general office operations. This consolidates administrative functions under a single accountable management position and ensures internal controls and financial practices remain aligned with adopted Borough and Authority policies.

2. Water Superintendent (Water Operations Lead)

The Water Superintendent serves as the operational management lead for the water system. This position would oversee:

- Water Operators

The Water Superintendent maintains responsibility for regulatory compliance, licensed operational oversight, capital coordination related to water infrastructure, and day-to-day supervision of water system personnel.

### 3. Streets Crew (Direct Executive Oversight)

Due to the relatively small size of the Streets Department, a separate management tier is not proposed. Instead:

- The Streets Foreman would provide functional, day-to-day field leadership.
- The Streets Foreman would report directly to the Borough Manager.

This approach avoids unnecessary administrative layering while preserving accountability. The Foreman would coordinate crew activities and operational assignments, but the Borough Manager would retain executive authority over budgeting, personnel decisions, and strategic direction.

## Management Philosophy

This structure reflects several core principles:

- Clear lines of executive accountability.
- Consolidation of administrative functions under a single management professional.
- Preservation of licensed operational leadership within the water system.
- Lean management structure consistent with the Borough's size.
- Avoidance of redundant supervisory layers.

The model supports the Borough's long-term goal of integrated service delivery while maintaining appropriate separation of executive, administrative, and operational responsibilities.

## Labor Considerations and Collective Bargaining

Under the draft structure, positions classified as management (Borough Manager, Business Manager, and Water Superintendent) would not be included in any bargaining unit consistent with established labor law principles regarding supervisory and managerial employees. All other positions would remain eligible for collective bargaining coverage, subject to applicable law and representation determinations.

It is important to state clearly that:

- The Borough does not prejudge or presume the outcome of any union integration.
- Employees retain the right, under the Public Employee Relations Act, to determine representation.
- Any expansion, modification, or clarification of bargaining unit composition must occur through appropriate procedures before the Pennsylvania Labor Relations Board (PLRB), if required.
- Any changes affecting wages, hours, or other applicable terms and conditions of employment may be subject to collective bargaining with the recognized representative.

Accordingly, while this organizational structure anticipates that non-management employees may become part of an existing bargaining unit, formal inclusion, representation status, and contract application will be determined through lawful processes and negotiations. This

memorandum does not constitute recognition, certification, or commitment regarding bargaining unit placement.

## Implementation Considerations

If Council concurs with the organizational direction, next steps would include:

- Finalizing job descriptions consistent with supervisory definitions under state labor law. This would be done with the transition committee's oversight.
- Reviewing managerial exclusions under PERA.
- Initiating discussions with the current bargaining representative regarding potential unit clarification or integration.
- Sequencing any changes to coincide with transition milestones under the Organization Transition Plan.

## Administrative Alignment

A key objective of the proposed transition is to eliminate duplicative administrative work between the Borough and the Authority while maintaining operational stability and preserving institutional knowledge.

Historically, both entities have maintained parallel processes in areas such as payroll, accounts payable, vendor management, insurance administration, and financial reporting. The proposed alignment is intended to ensure that these tasks are performed once, consistently, and with appropriate internal controls.

## Alignment Approach

Administrative alignment will be implemented through a structured review led by staff and overseen by the Transition Committee. The process will:

1. Document current responsibilities and workflows;
2. Identify areas of duplication;
3. Determine where responsibilities can be consolidated; and
4. Realign tasks to eliminate redundancy while preserving segregation of duties and compliance safeguards.

The goal is to remove redundant processes—not eliminate roles or disrupt core responsibilities. Staff members will largely continue performing their existing functional duties, with adjustments focused on clarifying accountability and centralizing overlapping tasks where appropriate.

## Safeguards

All administrative adjustments will:

- Maintain statutory and fiduciary compliance;
- Preserve Authority independence;
- Protect internal controls and audit integrity; and
- Respect collective bargaining obligations where applicable.

Technical and regulatory functions specific to water operations will remain assigned to appropriately licensed personnel.

### Intended Outcome

The result of administrative alignment will be clearer responsibility, reduced duplication, improved efficiency, and more coordinated financial management across both entities—without unnecessary expansion of management structure or disruption of service delivery.

### Proposed Leaseback Amount

Beginning in Calendar Year 2027, the Borough will receive an annual leaseback payment of \$295,300 from the Authority. The annual leaseback payment shall be remitted in two equal installments. Each installment will equal \$147,650, representing one-half of the total annual obligation:

- First installment: Paid within the first two weeks of January 2027
- Second installment: Paid within the first two weeks of July 2027

### One-Time Transition Payment

In addition to the recurring leaseback payment, a one-time transfer of \$60,000 shall be made to the Borough on or before July 31, 2026.

This payment is intended to support transition-related administrative alignment and implementation costs and does not recur in future years.

### Escalation Schedule

The annual leaseback payment shall increase by 5% annually beginning in 2028 and continuing through 2029. The payment schedule will therefore be:

- 2027: \$295,300
- 2028: \$310,065 (5% increase)
- 2029: \$325,568.25 (5% increase)

Each year's total amount shall continue to be paid in two equal installments within the first two weeks of January and July.

### Financial Impact

This structure provides:

- Predictable, recurring revenue to the Borough;
- Mid-year and beginning-of-year liquidity support;
- A defined escalation mechanism to preserve purchasing power over time; and
- A one-time transition payment to support initial implementation costs without permanently increasing the annual obligation.

## Budget Impact

The CY 2027 draft reflects the first full budget year under the proposed joint operational framework. The financial impact differs between the General Fund and the Water Fund due to the structure of the leaseback and associated administrative realignment.

	<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)

## General Fund

The General Fund projects:

- Total Revenue: \$2,722,121.13
- Total Expenditures: \$2,541,510.01
- Projected Surplus: \$180,611.12

Leaseback-related revenue increases total \$280,300, while leaseback-related expenditures increase \$33,502.48. After accounting for other operational adjustments, the General Fund position strengthens, increasing the projected year-end fund balance from \$528,022.80 to \$708,633.92.

In effect, the General Fund realizes a structural improvement in operating stability, driven primarily by leaseback revenue and administrative alignment efficiencies.

## Water Fund

The Water Fund projects:

- Total Revenue: \$2,500,491.22
- Total Expenditures: \$3,060,198.16
- Projected Deficit: (\$559,706.94)

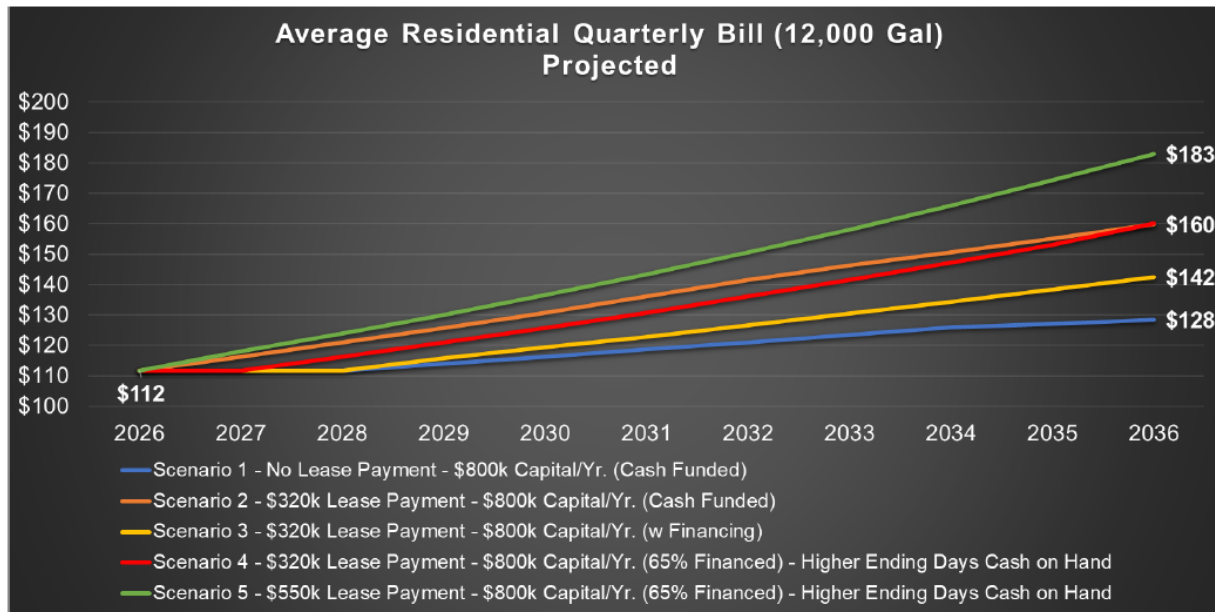
Leaseback-related expenditures increase by \$311,655.40, reflecting the operational cost shift associated with integration. Additional non-leaseback adjustments total \$260,444.39 in expenditures.

As a result, the Water Fund balance decreases from \$3,767,799.88 to \$3,208,092.94. While this reflects a planned drawdown, the ending balance remains substantial and provides financial capacity to absorb transition-related costs.

### Overall Impact

From a consolidated perspective:

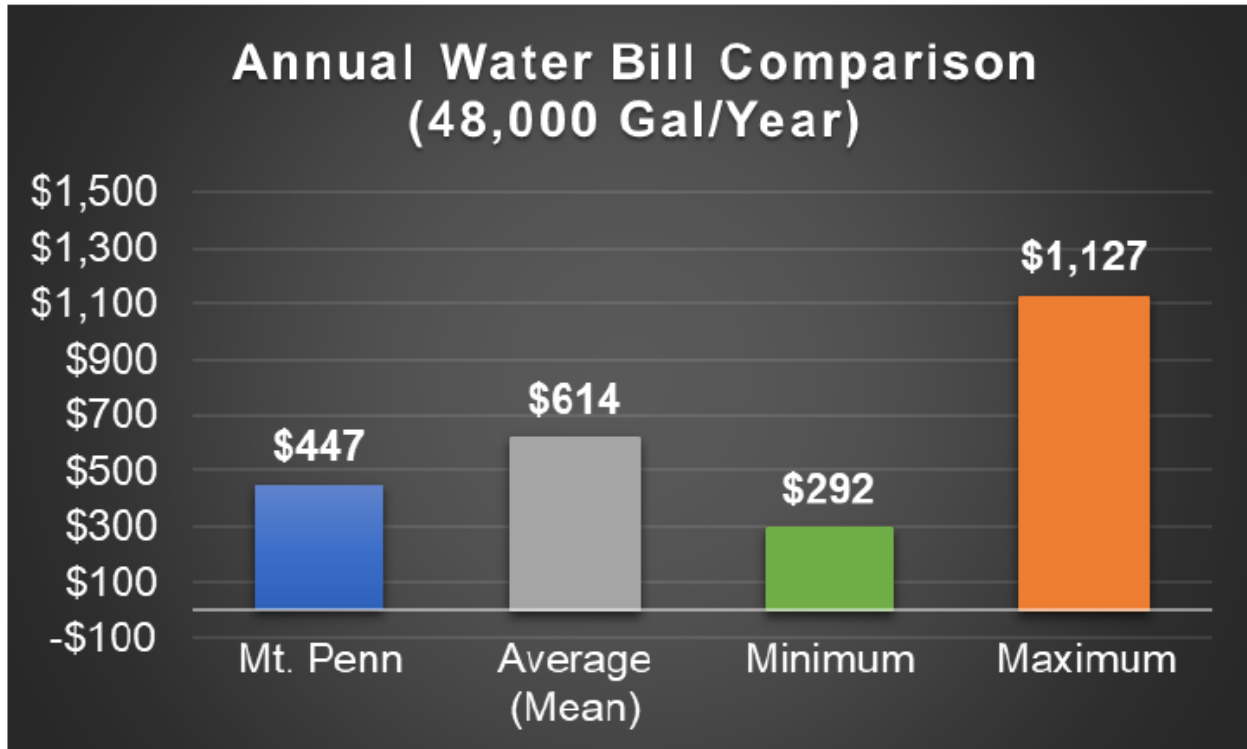
- The General Fund benefits from improved recurring revenue and a strengthened fund balance.
- The Water Fund absorbs integration-related costs but retains a strong reserve position.
- The combined structure reflects a strategic redistribution of financial capacity rather than an overall deterioration in fiscal condition.



The 2027 draft demonstrates that the proposed model is financially workable in its first full implementation year, with the General Fund stabilizing and the Water Fund maintaining sufficient reserves to support capital and operational obligations during transition. Utilizing data provided by PFM and presented on January 20, 2026 to the public, rate increases would need to be considered by the Authority regardless of any leaseback payment identified by the Borough; in order to keep the increases predictable, PFM recommended increases occur while relying on the cash reserves to buffer residents from experiencing too great a swing in rates.

The proposed amount is less than the projected amounts utilized by PFM in their financial model. These models also accounted for capital spending increases to \$800K annually and

increasing debt repayment beginning in CY 2027. The rate effect experienced by ratepayers is anticipated to be lower than PFM projected due to the lower amount and cost-savings identified.



Referencing data presented by PFM, that would effectively keep the Borough's rates well below the average PA Annual Water Bill Comparison today, and would maintain future rates below that average as well. Effectively, MPBMA could end up charging average rates for CY 2026 ten years from now (CY 2035).

### Near Term Timeline

The following near-term objectives outline the anticipated sequencing of due diligence, negotiation, and implementation milestones associated with the proposed conveyance–leaseback structure.

### Due Diligence (Through March 30, 2026)

- Completion of all outstanding data and document requests.
- Verification of financial statements, capital obligations, debt schedules, contracts, regulatory compliance status, and asset inventories.
- Identification of any material issues that could affect valuation, lease terms, or implementation structure.

This phase is intended to confirm financial assumptions and ensure no material risks remain unaddressed prior to drafting final documents.

### Personnel Engagement (March–April 2026)

- Individual meetings with Authority staff members.
- Discussion of proposed organizational structure and reporting relationships.
- Review of compensation, benefits, tenure, and licensure considerations.
- Identification of employee-specific concerns or transition needs.

These meetings are informational and exploratory. No employment changes will occur during this period.

### Financial Analysis and Draft Documentation (April–May 2026)

- Preparation of a refined financial impact model.
- Development of multi-year projections reflecting leaseback payments and operational alignment.
- Drafting of the conveyance agreement and leaseback agreement.
- Review by legal counsel and financial advisors.

This stage formalizes the structural, financial, and operational framework.

### Negotiation of Final Terms (May-June 2026)

- Resolution of technical lease provisions.
- Finalization of payment structure, escalation clauses, capital responsibility allocations, and compliance safeguards.
- Clarification of governance coordination mechanisms.

This phase focuses on resolving detailed operational and legal points.

### Execution of Agreements (June 2026)

- Formal consideration and approval by both governing bodies.
- Execution of the conveyance and leaseback documents.
- Establishment of implementation oversight mechanisms.

### Implementation Period (June–December 2026)

Following execution, the remainder of 2026 will serve as a structured implementation period.

Key activities may include:

- Budget preparation for CY 2027 reflecting the new structure.
- Finalization of job descriptions and management classifications.
- Coordination with the existing bargaining representative regarding any necessary unit clarification or negotiations.
- Systems integration (financial software, payroll processing, reporting alignment).
- Capital planning coordination.
- Policy harmonization (personnel handbook provisions, purchasing policies, internal controls).

### Staff Transition (Effective January 1, 2027)

The anticipated effective date for staff transition to Borough employment is **January 1, 2027**.

However, certain benefit and insurance-related adjustments may require implementation either:

- Prior to January 1, 2027 (e.g., enrollment timing, carrier requirements, actuarial considerations), or
- Following January 1, 2027 (e.g., renewal cycles, pension enrollment timing, or collective bargaining adjustments).

Where necessary, interim agreements or supplemental administrative instruments may be used to address timing mismatches between policy years and employment transition.

### Additional Anticipated Considerations

In addition to the core milestones above, the following items may require attention during 2026:

- Pension system enrollment and actuarial review.
- Workers' compensation policy coordination.
- General liability and public officials' coverage adjustments.
- Vendor contract assignments or amendments.
- Banking and authorized signatory updates.
- Asset inventory confirmation and depreciation schedules.
- Regulatory notifications (e.g., DEP, if applicable).
- Public communication and ratepayer notification planning.
- Audit coordination to ensure clean year-end reporting.

### Budget Cycle Planning Objectives

To ensure a disciplined and orderly transition, several critical planning items must be incorporated into the CY 2027 budget development cycle. This work will be undertaken jointly by staff and the Transition Committee to ensure alignment between operational changes and financial planning.

### Unified Capital and Project List (CY 2027–2028)

As part of the CY 2027 budget process, the Borough and Authority will develop a single, coordinated project list covering both the 2027 and 2028 fiscal years. This unified list will:

- Identify all planned capital projects and major maintenance initiatives;
- Prioritize projects based on regulatory requirements, asset condition, and operational necessity;
- Coordinate roadway, water, and infrastructure work to avoid duplication and unnecessary disruption; and
- Clarify funding sources (rates, taxes, reserves, grants, or debt).

This coordinated list will form the foundation of both operating budgets and the multi-year capital plan.

## Professional Services Procurement (RFPs)

Where appropriate, the Transition Committee and staff will evaluate the need to issue Requests for Proposals (RFPs) for professional services, which may include:

- Engineering services;
- Audit services;
- Actuarial or pension consulting;
- Financial advisory services;
- Insurance brokerage services; and
- Information technology support.

Issuing RFPs during the 2026 planning period ensures that contracts are properly aligned with the January 1, 2027 implementation date and reflect the integrated operational structure.

## Detailed CY 2027 Budget Development

The CY 2027 budget will serve as the first full-year operating document under the new structure. Accordingly, it must:

- Reflect the leaseback payment structure;
- Incorporate aligned administrative responsibilities;
- Capture any personnel cost adjustments;
- Reflect updated insurance and benefit costs;
- Maintain clear segregation between the General Fund and Water Fund; and
- Preserve adequate reserve levels.

The budget should be built at a detailed line-item level sufficient to support long-term forecasting and audit transparency.

## Five-Year Financial Projection

Concurrent with the CY 2027 budget preparation, staff will develop an updated five-year financial projection for both the General Fund and the Water Fund. This projection will:

- Model recurring leaseback revenue and escalation;
- Forecast operating cost growth;
- Incorporate capital investment schedules;
- Analyze rate and tax stability scenarios; and
- Evaluate reserve adequacy under multiple conditions.

The five-year projection will serve as a policy tool to guide rate-setting, tax decisions, and capital sequencing through at least CY 2031.

## Objective

By integrating these planning elements into the CY 2027 budget cycle, the Borough and Authority will ensure that the transition is not merely operationally coordinated but financially structured for sustainability. The joint budget development effort will provide clarity, transparency, and forward-looking fiscal discipline at the outset of the new operating model.

## Unintended Consequences & Mitigation

Below is a structured risk analysis of the conveyance–leaseback project based on the full draft memorandum and the broader project discussions reflected across this chat. I have focused specifically on **\*\*unintended consequences\*\***—not the obvious, anticipated tradeoffs, but secondary impacts that may emerge operationally, financially, legally, politically, or culturally.

### Governance & Structural Risks

#### *Blurring of Statutory Independence*

Although the memo preserves Authority independence formally, the joint committees (Transition + Public Works) could create:

- Perception of de facto consolidation.
- Political pressure on Authority Board members.
- Risk of “shadow governance” if advisory committees become the real decision forum.

**Risk:** Future legal challenge or political friction asserting improper delegation or undue influence.

**Mitigation:** Strict procedural discipline: agendas, advisory-only written recommendations, separate formal votes, and clear recordkeeping.

#### *Concentration of Executive Authority*

The proposed model centralizes significant authority in the Borough Manager:

- Direct supervision of Streets Foreman.
- IT governance.
- Administrative consolidation.
- Budget integration oversight.

**Risk:** Future Councils may perceive over-centralization, especially if personalities change. What works under current leadership may feel imbalanced under future administrations.

**Mitigation:** Documented delegation policies and codified oversight mechanisms.

### Labor & Personnel Risks

#### *Accelerated Union Pressure*

Even with neutral language, structural alignment may:

- Trigger wage parity expectations.
- Increase bargaining leverage for the Teamsters.
- Increase bargaining complexity for the Borough.

**Risk:** Short-term wage compression pressure across classifications.

**Mitigation:** Pre-transition compensation modeling and cost band analysis. Preparation through analysis and cultivating staff and governance understanding for future bargaining events.

#### *Supervisory Status Challenges*

The Business Manager and Water Superintendent are intended to be excluded as management.

**Risk:** If supervisory authority is not clearly defined (discipline authority, hiring input, independent judgment), PLRB could determine they belong in the unit. This could expand bargaining scope and/or undermine intended management layer.

**Mitigation:** Careful drafting of job descriptions aligned with PERA supervisory tests.

#### *Cultural Disruption*

Even if roles are preserved:

- Authority staff may perceive loss of identity.
- Borough staff may perceive preferential treatment.
- Informal loyalty patterns may shift.

**Risk:** Attrition of key operators during the 2026 transition window.

**Mitigation:** Retention incentives or written employment continuity assurances (if lawful and fiscally prudent).

## Financial & Structural Risks

#### *Structural Dependency on Leaseback Revenue*

The General Fund improves materially due to leaseback payments.

Unintended consequence: Future Councils may treat leaseback revenue as baseline recurring revenue and expand spending structurally.

- Capital costs escalate faster than expected, or
- Rate resistance constrains Water Fund revenue, the Authority may experience pressure.

**Risk:** Long-term tension between ratepayer interests and tax stabilization goals.

**Mitigation:** Formal policy restricting leaseback reliance to structural balance only—not discretionary program growth.

#### *Water Fund Reserve Erosion Perception*

Although reserves remain strong in 2027, the planned drawdown may:

- Trigger concern among ratepayers.

- Create rating agency scrutiny if debt issuance increases.

**Risk:** Misinterpretation that reserves are being “used to subsidize Borough operations.”

**Mitigation:** Explicit capital reserve policy separating operational vs. capital reserves.

#### *Escalator Compounding Effects*

5% escalators (2028 & 2029) appear modest. However:

- Compounding increases embed long-term structural commitments.
- If inflation moderates, escalator may exceed cost growth.
- If inflation accelerates, escalator may lag cost growth.

**Risk:** Future renegotiation pressure.

**Mitigation:** Consider long-term CPI-linked adjustment after 2029 instead of fixed percentage continuation.

### Operational Risks

#### *Administrative Consolidation May Reduce Redundancy Buffer*

Eliminating duplication increases efficiency—but could reduce backup capacity.

- Single payroll administrator.
- Consolidated AP processing.

**Risk:** Operational fragility if one staff member leaves or is on extended leave.

**Mitigation:** Cross-training requirement built into transition plan.

### Political & Public Perception Risks

#### *Expectation Anchoring*

Public projections referencing PFM and long-term rate moderation may create:

- Expectation that rates will remain predictably low.
- Resistance if capital emergencies require sharper increases.

**Risk:** Credibility challenge if projections shift.

**Mitigation:** Explicit disclosure that projections assume no extraordinary capital failure events.

### Timing & Sequencing Risks

#### *Insurance & Benefit Timing Mismatch*

The memo notes policy-year mismatches. Hidden risk:

- Mid-year carrier underwriting restrictions.

- Pension entry date constraints.

**Risk:** Short-term administrative complexity and possible cost spikes.

### *Budget Compression*

Execution in June 2026 leaves:

- 6 months for systems integration.
- CY 2027 budget development under new structure.

**Risk:** Compressed timeline increases error probability.

### Mitigation Efforts

Based on the above, I recommend formalizing:

1. Leaseback revenue use policy.
2. Reserve policy for Water Fund.
3. Supervisory authority documentation.
4. Cross-training requirements.
5. IT integration risk plan.
6. Clear public communications framework.
7. Capital reserve ring-fencing.

### *Bottom-Line Assessment*

The primary unintended consequences are not legal flaws, they are:

- Political perception shifts,
- Labor leverage dynamics,
- Structural financial dependency,
- And operational fragility from efficiency gains.

### Conclusion

This memorandum presents a draft implementation framework designed to provide structure, transparency, and fiscal discipline as Council evaluates the proposed conveyance–leaseback.

The governance model, organizational structure, leaseback payment framework, budget impacts, and transition timeline are offered as a cohesive starting point—not as predetermined outcomes. Borough Council maintains full authority to customize its approach, revise financial assumptions, adjust staffing structures, modify payment terms, or alter sequencing based on policy preferences and community priorities.

The purpose of this framework is to demonstrate that a legally compliant, financially workable, and operationally disciplined pathway exists. Whether to proceed—and in what form—remains a matter for Council’s policy judgment.

With continued due diligence, structured negotiation, and careful budget planning, Council is positioned to shape an outcome that reflects its priorities while maintaining long-term financial and operational stability.