

# **PRESS RELEASE**

**September 2, 2009**

## **Mayor Moves to Implement Fiscal Plan to Assist the Water and Sewer Department Without Increasing Rates**

**Middletown----**Mayor Sebastian N. Giuliano today announced his intention to implement a plan to alleviate the tightening financial pressures on the Water & Sewer Department. The plan was crafted by Finance Director Carl Erlacher.

Water and Sewer Director Guy Russo and Erlacher briefed the Mayor on Monday regarding fiscal issues caused by two main factors in 2009:

1. An increased delinquency rate that traditionally occurs during economic downturns as taxpayers choose to pay other bills they perceive as more pressing. In the last year, dating June 2008 to June 2009, outstanding collectible Water & Sewer bills, including interest, increased by \$488,810 bringing the total of uncollected bills including interest to \$1,053,810 by the end of June 2009.
2. An unusually wet Spring and early Summer decreased the need for water consumption for lawn care or cooling and thus decreased projected revenues. Early data for the last two months (July and August 2009) indicate a decrease in water usage of nearly 12%.

“Carl and Guy briefed me on what amounts to a perfect fiscal storm. I give them credit for seeing the trend and bringing it to my attention before it was too late to act. There are reasonable action steps we can take to combat the situation. We need to be vigilant, take the necessary action steps but not panic,” said Giuliano.

The Mayor also reassured the public regarding potential rate changes. “One thing I want the public to know is the fact that I do not support any rate increases. That would be taking the easy way out. I won’t punish the good tax paying citizens who paid their water and sewer bills on time for the delinquency of some segment of the population that doesn’t pay. That’s not right nor is it fair.” said Giuliano.

Giuliano announced the following action steps in accord with Erlacher’s analysis while keeping water and sewer rates steady:

1. To meet immediate cash flow needs within the Sewer Department, a loan of \$500,000 will be made from a specialized sewer protection fund known as the GSIF. This \$500,000 loan will be repaid with interest to the specialized fund by June 30, 2010.
2. Hire the appropriate collection agency to aggressively manage outstanding bills. General City revenue goals have been met by utilizing this tactic.
3. Better manage internal Water & Sewer Department work flow, bill collection practices and fiscal procedures with a keen eye on outstanding bills.
4. In order to achieve greater fiscal oversight at the Water & Sewer Department and the WPCA and to achieve goal #3, bring aboard retired Finance Director Jim Reynolds to monitor billing, purchasing, and other expense control measures. Reynolds will consult with the Water and Sewer staff and will be on site at the Water and Sewer office on Berlin Street to provide any necessary fiscal guidance. He will report his findings directly to the Mayor.
5. Implement better internal budget creation techniques by shifting away from consumption based budgeting and away from unrealistic collection goals. Include current trending data into any budgeting going forward.
6. Reduce other Water & Sewer spending and expenses where possible including reducing Overtime, Freezing Discretionary Spending, Postpone filling vacancies and Delaying all Capital Expenses.

Giuliano also added his desire to prevent any employee layoffs. "That's another quick fix that some may propose, but it really solves nothing. A layoff would drain our specialized workforce of those whose technical expertise is critical to our water and sewer treatment facilities. We'll save where we can but not at the expense of our staff or of departmental competence."

Russo added, "I agree with the Mayor. We'll cut and be lean like any business has to do to get through this rough patch. But we can't and we won't sacrifice public safety or any necessary infrastructure repairs or water line patches. I think we're taking the right steps and I am looking forward to working with Carl and Jim to find any internal budgeting adjustments we can make to insulate us from similar economic storms and downturns."

Erlacher concurred with the Mayor and Russo. "I'm happy we caught this before it got away from us. Our Finance Department plan will work and will get us through this period. There are long term fixes we need to implement like changing the way the WPCA budgets, but the Mayor is right when he says we need to act but not panic."