

PETER J. ZUG, MEMBER



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ELIZABETHVILLE OFFICE:  
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ELIZABETHVILLE, PA 17023  
PHONE: (717) 362-9051

*House of Representatives*  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

# MEMORANDUM

June 4, 2001

TO: All Members of the House of Representatives

FROM: Representative Peter J. Zug *PJZ*

SUBJECT: Co-sponsorship of Legislation

In the near future, I will introduce legislation that will require an authority to notify all participating municipalities prior to its termination or sale to a private entity. If, following notice, 1 / 4 of the municipalities representing more than 1 / 4 of the population of the authority's service area object to the sale, then the proposed sale shall be disallowed.

If you would like to become a cosponsor of this legislation, please contact Felicia Ernst at 787-2686, or via GroupWise. Thank you.

PJZ:fke



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PETER J. ZUG, MEMBER

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*House of Representatives*  
COMMONWEALTH OF PENNSYLVANIA  
HARRISBURG

May 24, 2001

COMMITTEES

APPROPRIATIONS  
COMMERCE AND ECONOMIC  
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CHESAPEAKE BAY COMMISSION

Bruce Conrad  
Thomas Pierce  
Jeff Marley  
Kathleen Schaeffer  
Dale Waltman  
Cornwall Borough Municipal Authority  
P.O. Box 667  
Cornwall, PA 17016

Dear Board Members:

Thank you for your recent letter urging enactment of legislation that would protect the interests of ratepayers in the event of the sale of a municipal water and sewer system. I appreciate your taking the time to bring to my attention your concerns regarding this issue as well as your misgivings about the potential sale of the Lebanon city water system.

I agree with your viewpoint and I can readily understand the ramifications of the sale of the city system on user municipalities and customers. To that end, I am in the process of drafting a bill that would codify the safeguards you outlined in your letter. I have also discussed with the chairman of the House Local Government Committee, Rep. Lynn Herman, the possibility of holding public hearings on the issues raised in your letter. I hope to be able to report to you some positive developments in this regard in the near future.

In the meantime, should you wish to discuss your proposal with me in greater detail, please feel free to contact my Myerstown District Office at 866-9144. Thank you for letting me be of assistance to you.

Very truly yours,

A handwritten signature in black ink, appearing to be "P. Zug".

PETER J. ZUG, MEMBER  
102<sup>nd</sup> Legislative District

PJZ:fke



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CORNWALL BOROUGH, LEBANON COUNTY  
MUNICIPAL AUTHORITY  
P.O. Box 667  
Cornwall, Pennsylvania 17016  
TELEPHONE: 717—274-3436

4 2001

March 21, 2001

Representative Peter J. Zug  
112 West Main Avenue  
Myerstown, PA 17067

**RE: SALE OF CITY OF LEBANON AUTHORITY AND/OR SEWER SYSTEMS**

Dear Representative Zug:

The undersigned, being all of the members of the Cornwall Borough, Lebanon County, Municipal Authority request your legislative input and assistance in addressing what appears to be a profound inequity regarding the sale of municipal water and sewer systems and the distribution of the sale proceeds under existing Pennsylvania law.

As you are probably aware, the City of Lebanon Authority owns and operates the water and sewer systems serving the City of Lebanon and seven (7) surrounding municipalities, including Cornwall Borough. The City of Lebanon Authority was created by the City of Lebanon, and the Authority members are appointed by the Mayor of the City of Lebanon. The systems themselves are managed by the City of Lebanon pursuant to management agreements which that Authority has with the City. The equity or book value of these systems has been created by the rate payers, both in and outside the City.

The Cornwall Borough, Lebanon County, Municipal Authority has become increasingly concerned about recent news reports suggesting a possible sale of the City water and sewer systems. The Authority understands that the Mayor of the City of Lebanon may have had discussions with a prospective private purchaser of the water and/or sewer systems. The Authority believes that any proposed sale of the City's water and/or sewer systems should be approached with the utmost caution. The rate payers, both inside and outside the City, deserve a voice in determining: (1) whether the public water or sewer system should be sold; (2) if a sale is to be held, what constitutes an adequate price; and (3) how will the proceeds be equitably divided. It is difficult for any of the undersigned to foresee that the rewards of a sale of the water and/or sewer systems would ever outweigh the risks for the rate payers. Any analysis of the terms of any proposed sale must unequivocally demonstrate that the rate payers will, in the long term as well as the short term, be better served by a sale than continued public ownership. The problem quite simply is that current State law does not mandate a meaningful role for the Authority or the rate payers in this decision-making process. The decision may be made by the Mayor and City Council alone, with the proceeds retained solely by the City. In essence the rate payers, and especially those rate payers living outside

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Representative Peter J. Zug

the municipal jurisdiction of the City of Lebanon, are disenfranchised and can be dispossessed. The inequity of this circumstance is made greater by the fact that the rate payers are the ones who created the equity in the system which generates the cash proceeds from the sale. The proceeds rightfully should belong to them.

Accordingly, the Cornwall Borough, Lebanon County, Municipal Authority hereby respectfully requests the legislature consider addressing this inequity by, at a minimum, providing that the bulk, if not at all, of the benefits of a sale of a municipal water or sewer system go to those who generated the benefits, i.e. the rate payers. To insure that any sale will, in fact, primarily benefit the rate payers, the legislature should mandate that at least seventy-five (75) percent of the municipalities served by the system being sold approve the proposed sale. This mechanism would be similar to that required for the approval of county ten-year solid waste management plans. Certainly the sale of a public water or sewer system is as important as the adoption of a ten-year solid waste management plan.

We look forward to your response and thank you for your consideration.

Very truly yours,

**CORNWALL BOROUGH, LEBANON  
COUNTY, MUNICIPAL AUTHORITY**

by:

William G. Schaeffer, Chair  
Bruce D. Conrad

John J. See

Thomas Pierce

Jeff Marley

cc: South Lebanon Township  
North Cornwall Township  
North Lebanon Township  
West Lebanon Township  
Swatara Township  
Union Township  
Fredericksburg Water Authority  
Cleona Borough  
Jonestown Borough  
Senator David "Chip" Brightbill