

TESTIMONY CARLISLE BOROUGH RE: CHESAPEAKE BAY TRIBUTARY STRATEGY February 21, 2008

Mr. Chairman and members of the committee, thank you for the opportunity to address you on a very important issue to municipalities and municipal authorities all throughout the Susquehanna River Basin. I am Frank Rankin, a four-term member of Carlisle Borough Council and Chairman of our Finance Committee. Also joining me is Don Grell, Borough Council President; Tim Scott, Borough Councilman; and Peter Selan, Treatment Plants Manager.

The Borough of Carlisle includes a

- *Population of 19,800 citizens.*
- *Our total 2008 Borough Budget equals \$24.1 million, which includes a wastewater budget of \$5.4 million.*
- *We employ 119 full-time individuals and various seasonal and part-time employees.*
- *Our community includes a large number of retirees and some low-income workers.*

The Borough's sewer authority is comprised of a five member advisory board that meets four times a year. The members are appointed by Borough Council and are non-paid with a 2008 budget of \$6,150. Major financial and policy decisions are made by the seven-member Borough Council.

- *Our service area is approximately eight square miles, covering all of the Borough of Carlisle, and portions of North Middleton Township, South Middleton Township, Middlesex Township and Silver Springs Township. A customer base of approximately 22,000 people.*
- *In 2007, our wastewater plant flow averaged 3.47 million gallons per day (MGD). Design flow is permitted at 7.0 MGD. The total outlying (townships) flow contribution is just about one million gallons per day, and the Borough's is approximately 2.43 MGD. Therefore, 27% of total flow to the plant is from outlying jurisdictions.*
- *Loss of Act 339 sewage-operating grants – Carlisle last received this funding in 2002, and the annual subsidy equaled \$ 174,984. The loss of this funding put an additional strain on our finances.*

Impact of Chesapeake Bay requirements so far to Borough finances include:

- *Our wastewater fund is an enterprise fund supported entirely by user fees. We are facing a major financial challenge that will require substantial improvements to the Wastewater Plant to comply with the Chesapeake Bay Initiative. These improvements must be operational by December 31, 2010 so that engineering of those improvements must start in 2008. \$900,000 is included in the Borough's 2008 Wastewater Plant Budget. Construction of Phase I plant improvements are estimated at \$13,000,000 and must be started early in 2009. Phase II improvements will be needed when the plant exceeds an average daily flow of 5 MGD and are currently estimated to cost between four and six million dollars. In addition to the design and construction costs identified, construction engineering will cost an additional \$1,500,000 bringing the total cost of Phase I improvements to \$15.4 million.*

Potential impact on ratepayers:

- *Carlisle Borough Council increased our customer's sewer rates on January 1, 2008 by 10% to generate \$319,206 in additional revenues in 2008. These funds will be necessary to help support the debt service anticipated to fund the improvements at the wastewater plant to provide for the Chesapeake Bay Initiative. Of the \$15.4 million needed to meet the requirements of this mandate, the Borough will be responsible for about 60% with the balance due from our partners in the regional wastewater plant. Average monthly residential sewer rates in 2007 were \$27.37, and the rate increase now puts them at \$30.11 per month. In 2006, we raised sewer rates 18% to meet operational expenses. The 10% rate increase affected in January of this year is only the start of rate increases needed to comply with the Chesapeake Bay Initiative. Additional rate increases will be needed and currently estimated to total 32% throughout our entire service area to fully comply with the requirements.*

Actions so far:

- *The Borough has entered into a design contract with Black and Veatch Engineers for \$874,000 to design Phase I improvements to our wastewater plant. Our draft NPDES permit contains the new limits for the Chesapeake Bay mandates (Total Nitrogen concentrations of 6 mg/l and Total Phosphorus concentrations of 0.8 mg/l, which equates to 127,852 pounds per year cap limit for Total Nitrogen and 17,047 pounds per year for Total Phosphorus.) Our NPDES permit will probably be finalized in March or April 2008. We considered nutrient trading with the agricultural community as an option but we do not feel this is a viable option for our ratepayers. We believe that we will not control our own destiny if we rely on the farming community for nutrient credits in lieu of a plant upgrade.*
- *Final design for Phase I plant improvements is expected in September 2008 and construction should begin in January 2009. Full compliance with the new regulations is required by December 31, 2010.*

What's Next

I would note that the Borough has been environmentally conscious. In fact, the Borough is a recipient of the prestigious Chesapeake Bay Partnership Gold Award. We have a significant amount of park and recreation land, we are working with the Clean Air Board to improve our air quality and we are in the midst of a serious effort to improve "walkability" in our downtown. The National Arbor Day Foundation has also recognized us as a Tree City, USA. We are willing to do our share, but this is a very significant unfunded mandate on local government. You have seen cost estimates as high as \$1 Billion along the entire watershed.

Three Requests-

Dedicated Funding- There is a loud outcry against sewer rate increases caused by the Chesapeake Bay Strategy. This outcry will only get louder as the sewer improvement projects begin and costs escalate. Please help us with dedicated funding to assist our ratepayers. As I noted, we have many retired citizens, low-income workers and people on fixed incomes who will be assessed for these improvements through increased fees. The rate increases will be devastating to them. We would ask that the Commonwealth help with a significant part of this cost as has been done with our neighbors in Maryland and Virginia.

More Time-Although we have been working on compliance at a brisk pace, we ask that you authorize more time to accomplish these improvements. We have officially requested from DEP an extension to December 31, 2015. We are very concerned that there are very few qualified contractors able to do this work. We believe this will lead to higher bids and delays in performing the work. In another example, the current time lines will prevent us from re-bidding the project if the bids are too high. The mere ability to re-bid our project could result in significant savings. We would ask that you work to try to get us more time to make these improvements.

DEP Assurance – Although Carlisle will be spending \$15.4 million to meet the Chesapeake Bay mandates, we are requesting that the nutrient limits proposed in our most recent draft NPDES permit will not become more stringent if we go forth with the upgrade. If the agricultural community is not able to reduce their contribution of nutrients, Carlisle does not want DEP asking for more reductions from municipal point sources in the region. Our next NPDES permit renewal will be in 2013 and Carlisle does not want to finance another large bond issue, five years from now, due to our permit limits becoming more stringent.

Closing - Thank you for allowing us to address you on this important matter. We are optimistic, through your efforts, that you will approve relief from these requirements in the form of financial assistance, granting additional time to comply with the regulations and assurance that our NPDES permit will not become more stringent in the future, which would trigger additional wastewater plant construction.

1. TWP Description

Size, Population, Sewer Sys
Total Sewer customers 3700 / 7000 on tax Roles

2. North Plant since 2005

1. Phase 1 Question

2. At 95% Design - Proj cost 4.06 m

Payback @ 10yr 5.6 m

3. CAP Reduction To 600,000 GPD

3. South Plant At CAP 2005

1. Negotiate @ Developers to Expand incl. 2012 comp.

2. Advised about Effluent Stream dominance

OCT 2007. Negotiations Stopped

3. Negotiations stopped - Uncertain as to

Requirements - DEP Summer 2008 or later

4. Effect on twp.

1. North Plant After Compliance At CAP

2. South Plant at CAP - NO Expansion

3. Development (New) Stopped except
for LA Hook ups

4. Re visiting Credits

5. 1. Portion of Residents Pay Full Cost

2. Future cost uncertain - could be 10/12 m

3. Residents Pay for sports stadiums, 5¢ Gas tax
for MASS transit

4. Residents expected to bear full burden - ~~unclear~~

5. Need statewide Part. contributions - same as other