

As Pocono Twp. sewer project hits snags, 10 things you should know

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The \$78 million Pocono Township sewer project has chugged along for the past two years, building the framework for a driving force of Monroe County's economy.

Then in March, the project started hitting snag after snag that never meant doom, but meant higher yearly rates for users. And those were on top of rates already projected to be the highest municipal central sewer rates in the county.

At the township's next monthly sewer meeting Wednesday — scheduled for 6 p.m. at the Monroe Campus of Northampton Community College in Tannersville — the township will try to have the project's experts explain its intricacies, dispel rumors and set the record straight.

As a primer, here are 10 things you need to know about Pocono Township's central sewer project:

1 The project isn't going anywhere.

The township already has spent millions in construction costs, far too much to simply walk away. And construction is nearly complete.

The township has committed \$78.3 million to the project, \$39.2 million of which comes from loans. The rest comes from state and federal grants.

The loans — the repayments don't start until 2013 — will amount to a total of \$51.9 million, which includes interest, through 2035.

"The system is almost ready to open," said project engineer Sam D'Alessandro of R.K.R. Hess Associates. "It would take a catastrophic default for the system not to open at this point."

2 If it does somehow fail, township taxpayers are on the hook.

The loans are guaranteed through the township's taxing ability. If the system never opens, township taxpayers will be responsible to pay back all the loans and construction costs "»

3 "» but that likely will never happen.

When the system opens partially in the fall and fully next spring, it will be paid for by users. It is designed to be self-sustaining, and no taxpayer money is expected to go in to the repayment of any loans. Still "»

4 It costs more than you think.

According to a 2010 financial plan, the township has secured more than \$78.3 million in construction and soft costs. That's the price quoted when talking to anyone involved with the project.

But when about \$12.7 million in interest costs are included over the life of the debt, the project will cost about \$91 million.

The township, through sewer fees, will pay for the system through 2035, according to the 2010 plan.

Concord Public Finance of Reading, which prepared the financial statement, did not respond to a message looking for updates to the 2010 plan.

5 Rates likely won't be set until the end of the year, and there are two municipal rates users will need to know.

Before the system opens, the Pocono Township Board of Supervisors will have to set two different rates to charge customers — the yearly usage rate and the tapping fee.

The yearly usage rate is the rate paid for use of the sewer, and currently is projected at around \$1,400 per equivalent dwelling unit.

The tapping fee is a one-time fee charged by the township to hook into the sewer system. Originally projected at \$2,500 per unit, it could go over \$3,000 by the time the system goes online.

"The rates are just something we won't know until the construction is over and we get all the final bills," D'Alessandro said.

6 The system has lost more than one-third of its projected usage.

D'Alessandro said when R.K.R. Hess started to work on the projected rates, it spurred him to re-evaluate the entire project to make sure the current projected flows matched with original flow projections.

They didn't.

Great Wolf Lodge, with 130,000 projected gallons a day, informed the township it would not be hooking into the system, even though township officials said the resort had been in negotiations for years to hook in.

Northampton Community College cut back on its order, and a planned water park at the old Summit Lodge on Route 715 hasn't materialized yet.

With less flow comes higher rates for users remaining in the system.

7 There is disagreement over whether Great Wolf and the Pocono Mountain School District's East Campus must hook in to the system when it opens.

Neither want to — and neither think they have to because their on-site wastewater treatment plant permits with the Department of Environmental Protection don't expire for years.

But township officials claim there were, at least at one time, clauses in the permits that would force the properties to connect to a public sewer system should it ever become available. DEP officials are now investigating whether the properties have to hook in.

8 The situation isn't as desperate as it sounds lately.

Pocono Township officials have made it clear the system needs to be used more for the rates to not be

exorbitantly high. That's true.

But the system's first two debt service payments — about \$5.275 million in 2013 and 2014 — can be paid with the system's tapping fees. Even with the lower flow projections, the township stands to collect \$5.7 million in tapping fees, enough to make those first two payments. And that's before the yearly usage rates are factored in.

9 Sanofi Pasteur is still in the system.

The Swiftwater vaccine manufacturer's inclusion is what spurred the state to lavish the system with tens of millions of dollars in grants and low-interest loans.

Ellyn Schindler, spokeswoman for Sanofi Pasteur, said the company continues to "monitor progress on the project."

The sewer system is opening partially in the fall to accommodate Sanofi Pasteur's 350,000-gallons-per-day demand. At the current rate, that will represent more than 61 percent of the project's total sewage flow.

The system is scheduled to open partially by Sept. 30 to allow the company to hook in before it completely opens in June 2013.

10 Pocono Township is paying more for the construction of the wastewater treatment plant — by design.

Three municipalities are jointly expanding the wastewater treatment plant in Stroudsburg and will share its capacity.

When it's finished, the plant will be able to treat 4.5 million gallons of flow per day. Pocono Township will have 2 million gallons per day reserved, about 44 percent of the capacity. However, it's paying for 62 percent of the \$37 million construction, a fact Pocono Township taxpayers haven't ignored.

When residents pressed Supervisor Harold Werkheiser at a recent township meeting for an answer about why the township is paying for more than its share of capacity, he said: "Because we were held hostage."

To join into ownership of the plant, the township had to pay Stroudsburg and Stroud Township \$3.9 million, similar to any other business venture when a new owner comes into an enterprise.

Instead of paying that lump sum — and incur its immediate interest charges — township officials at the time decided to pay more in construction costs to spread out its expenses.

The previous option — shot down by environmental groups — would have had Pocono Township building its own treatment plant in the Bartonsville area that would have cost more than cooperating with Stroudsburg and Stroud Township.

"I thought it was a good deal, and I still think it is," D'Alessandro said.