



OFFICE OF THE MAYOR

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April 14, 2016

Pat McKenna, Editor
Scranton Times-Tribune
Via email only: pmckenna@timeshamrock.com

RE: Op-Ed on Sewer Transaction & Stormwater

Dear Editor McKenna:

The proposed sale of the Scranton Sewer Authority is a transformative deal and a critical part of our work to help our City meet a \$140 million federal environmental mandate, to keep rates stable and affordable for ratepayers, and to provide us with the resources we need to keep tax increases low and shed Scranton's financially distressed status after nearly a quarter century in Act 47.

Recent news and editorial coverage in this newspaper address several parts of the proposed Sewer Authority deal. In addition, a recent letter to the Editor (April 10th) made several uninformed statements about the deal that I do not want readers to consider as fact. Though I do not usually do this, given the magnitude of the deal and its importance for our City, I feel I must address some of the most critical questions.

The Sewer Authority has an outstanding record of service, but any assertion that a \$7 million profit could have easily funded the \$140 million tab for federally mandated improvements is misguided and goes against the Authority's own rate study, which projected a 4.7% rate increase each year for decades and would have left no funds to help Scranton meet its long term obligations and get out of Act 47. This deal will net Scranton and Dunmore approximately \$125 million and guarantees an average annual 1.9% rate increase over the next ten years and then moves to Pennsylvania American Water's State-regulated sewer rate for all their customers in Pennsylvania. This deal also protects Authority employees. Each and every employee will be offered a job by Pennsylvania American Water in Scranton, so long as they pass the standard pre-employment screening. Finally, American Water committed to bring 100 new family sustaining jobs to Scranton by 2020.

This sewer deal has been years in the making and was run by a team of locally and nationally-recognized experts who helped the Authority's Board, its Executive Director, the City, the Borough of Dunmore and other stakeholders weigh the pros and cons of each and every option proposed by other public authorities and nearly every major water and sewer company

operating in Pennsylvania. Out of the three types of deals that were considered, the sale model offered clear advantages over the operations & maintenance and lease-concession models, which are often referred to as public private partnerships or “P3s.” Although P3 deals do make sense in certain cases—for example, we decided to pursue a P3 to help stabilize and revitalize the Parking Authority, after ruling out a sale—any P3 in this case would not create nearly as much value—value that allows Scranton to meet its financial needs and provides ratepayers with over \$350 million in savings for the next 30 years or approximately \$7,500 per household.

Many questions have also been raised about what this deal means for our stormwater system. In short, our stormwater obligations will not change as a result of the sewer deal, as all current and future stormwater-related obligations imposed by the state and federal governments belong only to the City, not the Authority. Scranton, like 700 older cities across the US, will need to meet increasing stormwater costs under growing federal and state regulations. Currently, the City and the Sewer Authority are both involved in running the stormwater system, which costs each only an insignificant fraction of their budgets. After the sewer deal, the City will take over the short-term maintenance obligations of the stormwater system. Pennsylvania American Water will not (and, in fact, cannot) charge stormwater fees. Throughout this transaction, we have been engaged in conversations with agencies like PENNVEST, the EPA, and the Pennsylvania Municipal League, as well as deepening our conversations with other municipalities that have developed stormwater management strategies, such as the City of Lancaster and Hampden Township. To be clear, any future stormwater-related obligations for the City are coming regardless of whether or not the sewer system is sold, leased, or goes along business as usual.

Although Scranton may, in the future, charge stormwater fees and/or form a stormwater authority to carry out obligations related to growing federal and state stormwater regulations, the City has no definitive plans to establish a stormwater authority at this time and will weigh all strategies that can help us meet the mandates. In contrast to other revenue sources available to cover future stormwater obligations (such as property taxes), a stormwater fee would spread costs among both individual homeowners and for-profit and nonprofit businesses. The fees reported in the newspaper’s recent coverage should not be used as an estimate for what we might see in Scranton, given the substantial differences between each state’s legal system, obligations, and relative wealth. Instead, we should look at our peer cities in Pennsylvania and in the Chesapeake Bay Watershed, such as Lancaster, which has an average stormwater fee for single family homes between \$4 and \$12 per quarter.

My Administration is thoroughly reviewing how the proceeds of the sale will be allocated and will release a plan in the coming months. As I have said previously, we will only use the proceeds of this transaction to take out some of the City’s most onerous long-term debt and pension obligations and weigh a series of carefully targeted critical investments to improve our City’s infrastructure and economy.

I look forward to continuing this conversation and remain confident that this deal marks a turning point for our City, allowing us to meet the goals I have been fighting to achieve since day one of my administration.

Sincerely,

Mayor William L. Courtright