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BY THE U.S. GENERAL ACCOUNTING OFFICE  
**Report To The  
Honorable Eugene V. Atkinson  
House Of Representatives**

*NY 574*

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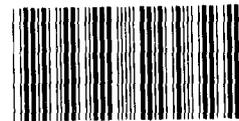
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**Information On Questions About  
The Brush Creek (PA) Sewage Project**

GAO reviewed questions raised by a citizens group about the Brush Creek Sewage Project in Marshall Township, Pennsylvania. The questions primarily involved the (1) need for the system, (2) approval process, and (3) economic burden on residents.

It is questionable whether the need for the project was adequately demonstrated before the 1973 decision to construct sewers. The Environmental Protection Agency relied on the State's certification that the project was required, without verifying the need, as would be required today.

Local property owners state that paying for the system will create a financial hardship for them even with Federal assistance. Since the project is finished, little can be done, but EPA is reviewing some costs to see if additional Federal funding might be made available.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC  
DEVELOPMENT DIVISION

B-199674

The Honorable Eugene V. Atkinson  
House of Representatives

Dear Mr. Atkinson:

This letter summarizes our reply to your January 29, 1980, request for a review of questions raised by a citizens group about the Brush Creek Sewer Project in Marshall Township, Pennsylvania. These questions primarily involved the (1) need and justification for the sewer system, (2) approval procedures followed by the Environmental Protection Agency (EPA) and the Pennsylvania Department of Environmental Resources (DER), and (3) economic burden placed on affected residents. In addition, you asked if additional Federal funds would be available to offset the local share of the system's cost. Detailed answers to your questions are in appendix I.

GAO believes it is questionable whether the need for this \$3.9 million sewage collection system was adequately demonstrated before the decision was made to build it. DER could not provide any documentation showing that water pollution control was needed in 1973 when it ordered the township to apply for Federal funds to build the system. According to DER's order, construction was to start after the Federal grant was received. EPA, in providing the Federal grant in 1977, relied on DER's certification that this system was needed, without verifying the need, as would be required today. Even with Federal assistance, the system's cost will mean financial hardship, according to township property owners, who must pay the local share of the system's cost.

To pay for its share of the project, Marshall Township instituted a one-time assessment, a \$600 connection charge, an \$18 inspection fee, and a \$60 quarterly user charge. In addition, users must pay for a line from their properties to the township sewerlines. The one-time assessment was to be computed either by (1) a \$12 front-foot charge, with the initial payment due in December 1979, or (2) on the basis of value added to the property. The value-added method would take 2 to 3 years to complete the assessment; thus,

payments would not be due until the end of that period. According to the citizens group, when all costs are considered, the charge to residents who are required to connect to the system will range from \$3,000 to \$20,000.

Since the system has already been built, little can be done to ease the financial burden of these property owners. EPA officials state that they do not know of any Federal program that will retroactively provide funds for sewage collection systems. EPA Region III, Philadelphia, Pennsylvania, however, has requested a waiver of the Federal regulations barring Federal funding for certain portions of the sewer system that were built before EPA approved the project in 1977. If EPA approves Federal funding for these portions, which cost \$116,000, the local share of the cost would be reduced by about 6 percent. Also, the township has deferred the due date of its one-time \$12 front-foot assessment until June 1980 and is determining if all assessments can be done by the value-added method. However, since this method would take 2 to 3 years, the township must review its cash flow position to determine if payments can be deferred that long. According to the township solicitor, adopting the value-added method would probably result in lowering the one-time assessment, but increasing the quarterly user charge.

Furthermore, in May 1980 the township solicitor advised us that the township had improperly advertised its ordinance requiring residents to connect to the system and is now trying to reenact it. According to the township solicitor, if the ordinance was challenged in court, it would be found invalid. Therefore, the solicitor said that the township cannot require residents to connect to the system. Further, it is impossible to determine what impact the ordinance problems will have on the property owners' liability or payment methods for township debts incurred for constructing the system.

A draft of this report was provided to EPA and DER for their review and comment. EPA said that the report was well researched and documented and that its facts were basically correct. DER said that the information presented in the report was basically representative of its position and suggested two minor changes, which were incorporated. EPA's and DER's comments are included as appendixes II and III, respectively.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time the report will be provided to the appropriate congressional committees; the Administrator, Environmental Protection Agency; the Secretary, Pennsylvania Department of Environmental Resources; the Marshall Township Board of Supervisors; and the Marshall Township Municipal Sanitary Authority. Copies will be provided to other parties upon request.

Sincerely yours,



for Henry Eschwege  
Director



C o n t e n t s

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ABBREVIATIONS

DER	Pennsylvania Department of Environmental Resources
EPA	Environmental Protection Agency
GAO	General Accounting Office

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INFORMATION ON QUESTIONS ABOUT THE  
BRUSH CREEK (PA) SEWAGE PROJECT

BACKGROUND

Marshall Township, in the northwest corner of Allegheny County, contains three creek drainage basins. The largest of these is Brush Creek Basin, encompassing 6.1 miles of the township's 10 square miles and most of its 2,907 1/ residents. Except for two small private treatment plants, septic systems serve the area. The basin contains a mixed residential, commercial, agricultural, and industrial community and is crossed by the Pennsylvania Turnpike, Interstate 79, and Pennsylvania Route 19. Commercial and industrial development is concentrated along Route 19 and in an industrial park in both Marshall Township and adjacent Cranberry Township, Butler County. Most residences are in the eastern half of the Brush Creek Basin.

The Brush Creek Sewer Project was one of two projects to establish a joint municipality wastewater control system for the Brush Creek Basin and was to serve parts of the basin in Marshall Township. This project provides for installing sewerlines in the Brush Creek Basin, which will be connected to sewers in Cranberry Township, Butler County. Marshall's sewage will flow to a treatment plant being built in Cranberry. Funding for the sewer project in Marshall is as follows:

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1/1970 U.S. census

	<u>Amount</u>	<u>Percent</u>
EPA grant	\$2,344,650	59
Appalachian Regional Commission supple- mental grant (note a)	141,110	4
Local share	<u>1,497,890</u>	<u>38</u>
Total	<u>\$3,983,650</u>	<u>b/100</u>

a/Certain portions of the project are not eligible for Federal participation; for example, interest on the indebtedness to finance the project (approximately \$467,000) and the cost of system portions built before EPA approved the project in 1977. Eliminating the ineligible items leaves \$3,126,200 in costs eligible for Federal assistance. Thus, EPA's grant is very close to the Federal limit of 75 percent of eligible project costs.

b/Does not add to 100 percent because of rounding.

Not included in the \$3,983,650 is \$723,000, which is Marshall's share of increasing Cranberry's treatment plant capacity to serve Marshall. These costs were financed by Cranberry and are included in the cost of Cranberry's treatment plant project. Therefore, the cost of the total basin system to Marshall Township is about \$2.2 million.

### Project history

On January 24, 1966, Pennsylvania passed its Sewage Facilities Act, which required each municipality to develop a plan that in part would provide for extending sewers to areas without sewers. The act also authorized DER to order a municipality to implement its plan.

In May 1966 Marshall Township authorized its consulting engineer to develop a preliminary sewer plan, primarily, according to the consulting engineer, to stimulate economic development. This preliminary plan recommended a sewer

system and treatment plant for the township. The Southwestern Pennsylvania Regional Planning Commission recommended in 1968 that since adjacent Cranberry Township was also planning a new plant, the two townships explore the possibility of a joint system.

Although Marshall and Cranberry were unable to agree to specific terms, they did agree in principle to a joint system and took numerous actions during 1968-73 to implement the system. Some of these actions were as follows:

- Cranberry expanded and upgraded an existing treatment plant and built a new one.
- Marshall and the industrial park together paid for a 24-inch sewerline from the park to Cranberry. This line is part of Marshall's main line.
- Cranberry agreed to process sewage from Marshall's industrial park.
- Marshall arranged to lay three sewage connection lines under Interstate 79 during its construction. One of these lines is part of Marshall's main line and the other two are part of branch lines.

In March 1973 DER cited Marshall for pollution. Consequently, it ordered Marshall to construct sewers and the two townships to enter into an agreement for Cranberry to process Marshall's sewage. According to the Marshall Township solicitor, DER's order was not challenged because the township wanted sewers. Also, DER did not have to prove pollution to require sewers because State courts had upheld DER's authority to order a municipality that was not polluting to build sewers and/or a treatment plant to implement a regional sewage system.

Because the two communities could not reach an agreement, a Pennsylvania Environmental Board hearing was held on March 11, 1974, at DER's request. After the hearing, the townships formalized an agreement in October 1974, and in December 1974 the board ordered them to apply for a Federal grant by February 28, 1975, and begin construction within 90 days of Federal authorization.

Marshall submitted its application for funding under the Federal Water Pollution Control Act to DER in February 1975. EPA approved the project for funding in early 1977. However, construction was delayed until late 1978 while the township obtained Appalachia Regional Commission funds. According to the township's grant application, these funds were required to help offset the economic impact on the community. As a result, construction was not completed until the end of 1979.

In August 1979 Marshall notified the affected property owners that their costs consisted of a one-time assessment, a \$600 connection charge, an \$18 inspection fee, and a quarterly \$60 user charge. The one-time assessment charge was to be computed in one of the following ways:

- A \$12 front-foot assessment for about one-half of the property owners. This assessment was payable in full by December 15, 1979, or in three equal installments at 7 percent interest by December 15, 1980. The highest of these assessments was \$13,291.
- An assessment based on the value that the sewers added to the property as determined by the County Board of Views. This process would take about 2 to 3 years with full payment due within 30 days of the board's determination.

According to the township solicitor, all properties for which the township had to obtain a right-of-way had to be assessed by the Board of Views. Also, the township is asking for a board assessment of those properties where it feels the benefit to the owner exceeded the \$12 front-foot assessment. For example, the township felt that property owners at the end of sewerlines, which only extended 10 or 20 feet in front of the property, could be receiving more benefit from the system than \$12 a foot. All property owners who have property through which the sewerline passes are charged the one-time assessment whether they connect or not.

The connection and inspection fees and the quarterly user charge were to be paid only by residents connected to the system. In addition to the above charges, the residents have to pay for a line from their houses to the township's sewerline. According to EPA officials, this line will cost about \$13 a foot, or from \$260 to \$1,950.

According to the citizens group, when all costs (front-foot assessment, connection and inspection fee, and residents' own line) are taken into consideration, the cost to township residents who are required to tap into the system will range from \$3,000 to \$20,000.

The township solicitor told us that the due date for paying the footage assessment had been changed to June 1980 and that the township was reviewing its cash flow to determine if it could ask for a Board of Views assessment for all properties. According to the township solicitor, this review would probably result in lower one-time assessments for the property owners but higher quarterly charges to system users.

EVIDENCE SUBSTANTIATING  
DER'S CLEANUP ORDER

The citizens group alleged that in March 1973 when DER cited Marshall Township for polluting Brush Creek, it had no evidence that Brush Creek was polluted. Furthermore, the only information DER had was dated March 7, 1974, and it showed that one residence and two businesses were polluting Brush Creek and that some sewage was surfacing in other township areas, but not in township streams.

The township was not cited in March 1973 for polluting Brush Creek; it was cited under the State's Clean Stream Law for polluting Commonwealth waters, and it was cited for a public health nuisance that had developed as a result of malfunctioning septic systems. According to a DER attorney, Commonwealth waters would include surfacing sewage from a septic system that is seeping back into the ground before it flows into a stream. State law defines Commonwealth waters as:

"\* \* \*any and all rivers, streams, creeks, rivulets, impoundments, ditches, water courses, storm sewers, lakes, dammed water, ponds, springs, and all other bodies or channels of conveyance of surface and underground water, or parts thereof, whether natural or artificial, within or on the boundaries of the Commonwealth."

According to a DER attorney, DER does not have to prove that pollution exists to issue an order. It only has to demonstrate a danger of pollution with evidence of malfunctioning septic systems or soil conditions unsuitable for such systems.

Although DER was unable to produce any document that showed it had considered soil conditions or malfunctioning septic systems before issuing its March 1973 order, it presented the following at the March 11, 1974, Environmental Board hearing finalizing the order:

- A U.S. Soil Conservation Service soil study, dated May 9, 1973, showing that most of Marshall Township was not suited for onsite sewage disposal systems.
- An Allegheny County Health Department survey of septic systems, dated March 7, 1974, made at DER's request, which stated that "37.9 percent (25 of 66) septics are malfunctioning and, therefore, discharging untreated sewage or laundry waste into Brush Creek." (The State classifies laundry water as sewage.)

The survey specifically cited 3 of the 25 residences for polluting Brush Creek. The remaining 22 residences were cited for surfacing sewage. According to the hearing transcript, some of these residents were violating State law by not discharging their laundry water into a septic system. However, neither the study nor the county health department's records identify these cases. A health department official told us that he believed that the septic system would have malfunctioned if residents had discharged laundry water into it.

EPA Region III officials told us that they did not verify the need for the project before funding it because they relied on DER's certification that the project was needed to control pollution. EPA's funding was based on the State's priority listing and certification of the project's eligibility. EPA officials told us that they had reviewed and approved the State's priority-setting methods but that they had not reviewed the ranking of individual projects. Under the State's priority system at that time, a DER order, such as was given to Marshall Township, resulted in a project getting additional ranking points. These points often made the difference between a project being high enough on the list to be funded or not. A DER order no longer is a factor in the State's priority-setting methods. Also, EPA now requires, as part of the grant application, documentary evidence showing the need for a water pollution control project.

PUBLIC NOTICE AND PARTICIPATION  
PRIOR TO INITIATING THE PROJECT

The citizens group alleged that

--although a preliminary sewer plan was prepared in 1966, the property owners were not notified of the cost, extent, or location of the system until it was built;

--a DER letter dated August 22, 1975, also said there was inadequate public participation; and

--the information submitted to DER by the township showed that the public was not well informed.

We found that although Federal public meeting requirements were not completely satisfied, information about the system had been available since 1966.

The township solicitor gave us copies of local newspaper articles about the project dating back to 1966. Topics covered by these articles included the

--preliminary study;

--laying of pipes under I-79;

--status of Marshall and Cranberry negotiations;

--project's funding; and

--frontage fee, connection fee, and user charge.

Regarding the project fees, a newspaper article dated April 1978 mentioned a \$12 per foot frontage fee, a \$600 connection charge and an \$18 inspection fee.

At the time the project was approved for Federal funding, EPA regulations required one public meeting to satisfy requirements of the National Environmental Policy Act of 1969. This meeting enables the public to identify environmental issues before the plan is adopted. EPA requires the meeting's time and place to be conspicuously announced, at least 30 days in advance.

On January 22, 1975, a notice of a February 26 meeting appeared in the local newspaper. The notice stated that the meeting was to present the proposed sewage facility plan and the environmental impact assessment of the plan and to invite comments from the public and appropriate agencies. According to the township solicitor, notices were also posted in the post office and the municipal building. The February meeting's minutes do not mention any public attendance or comments.

EPA regulations also require a summary of public participation as part of a project's planning documentation. The summary tells what was done to provide for, encourage, and assist public participation and public response and what was done about the major points raised by the public. In a letter dated August 22, 1975, to the consulting engineer, DER pointed out that:

"The Facility Plan is inadequate in its documentation of public participation. Although there was a mention that there were no objections to this project, this will not suffice since it must be sufficiently documented that the public was well aware of the project and had opportunity to comment. Documentation to this effect (i.e. posting of general and detailed information, notices, and recordings of hearings held) must be provided."

In September 1975 the township satisfied DER's request by submitting the following information:

- The January 22, 1975, notice in the newspaper.
- The notice posted in the post office and municipal building.
- Letters sent to various governmental agencies.
- The February 26, 1975, meeting's minutes.

EPA regulations require that a description of the water quality problems and alternatives be displayed at a convenient local site before the hearing. But, the township solicitor told us that such a plan was not made available for public review before the meeting because it was not completed until the day of the February 26 meeting. Thus, it seems the township violated EPA rules in this one area.

POPULATION DATA USED  
TO JUSTIFY FUNDING

The citizens group questioned building sewers through three areas containing vast vacant land. Furthermore, it alleged that the consulting engineer submitted false population data to justify the project's funding. The citizens cited the following examples in their allegation about false population data:

--On January 16, 1976, the consulting engineer told DER that there was an existing population of 454 units and projected a total of 1,157 units by 1980. According to the citizens' street count, the township only had 256 units as of 1980.

--On January 15, 1976, when DER asked about the population on Warrendale-Bayne Road, the consulting engineer replied there were 37 units when only 12 existed.

We found that EPA did fund three sewer sections through large areas of undeveloped land that serve only 52 residents (about 10 percent of the estimated users) at a cost of \$721,000, or 18 percent of the project's cost. Although EPA reviews project plans, it relies primarily upon the township to determine the project's size and scope. Furthermore, neither EPA nor DER had minimum population requirements for project approval; therefore, population estimates would not affect the project's eligibility for funding.

While eliminating the three sections questioned by the citizens would have reduced total project costs, it would have increased the local cost per foot to the remaining property owners, as shown below. This increase would occur because these three sections contained very little work that was ineligible for Federal funding.

	<u>System as built</u>	<u>Three sections questioned</u>	<u>Balance of system</u>
Length of system in feet	73,186	24,193	48,993
Township cost per foot	\$14.08	\$7.65	\$17.27

Furthermore, the consulting engineer's information submitted to DER in January 1976 was domestic equivalent population data, 1/ not actual population data, and was based on 1972 data provided by the Southwestern Pennsylvania Regional Planning Commission. This information was used to estimate wastewater flow and determine sewer pipe sizes and treatment plant capacity. However, since most of the system consists of 8-inch pipe, the smallest permitted by DER, any errors in the estimates would have minimal effect on the project's cost.

When the consulting engineer replied in March 1976 to DER about the number of houses on Warrendale-Bayne Road, this line extended beyond the Brush Creek Basin to a development of houses outside the basin. These homes were deleted from the project in September 1976 because the residents objected to being included in the project since they were not in the Brush Creek Basin.

#### SEWERLINE RELOCATION

The citizens group alleged that a sewerline was built to serve only two residents. Furthermore, during construction this sewerline was moved approximately 60 feet closer to 13 acres of vacant land owned by one of the two residents.

A sewerline was built to serve two houses at a cost of \$12,900, or \$6,450 per house. But, this amount is less than the average system cost of \$8,800 per connection. Without this line, these two houses, if they had decided to connect to the system, would have had to run lines approximately 205 feet and 270 feet to connect to the main line. Under State law, only property owners within 150 feet from the sewerline are required to connect to the system.

EPA and Corps of Engineers personnel told us that it is not unusual for sewerlines to be relocated during construction. For example, field engineering changes, based on the contractor's recommendation and approved by the consulting engineer, occur when problems are encountered during construction, or when the contractor suggests an easier way to build the sewer.

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1/A domestic equivalent unit is an engineering unit that converts the total population and all nonresidential users to an equivalent population that would produce the same amount of sewage.

In this particular case, although the change was requested by a resident, EPA officials told us that it did not require EPA approval. According to EPA personnel, the resident requesting the change would have been required to pay any additional costs resulting from the change. However, this change resulted in a \$300 savings to the project because the line's depth was reduced.

COST FACTORS AFFECTING  
PROPERTY OWNERS

Marshall's share of the system consists of about \$1.5 million for the sewer project and about \$0.7 million for Cranberry's treatment plant. The \$1.5 million for the sewers is currently being financed by two 1978 loans:

--A \$500,000, 7-percent loan from The Authority for Improvements in Municipalities of Allegheny County. This 15-year loan has interest-only payments for 5 years and principal and interest payments for 10 years.

--A \$1 million, 6-percent loan with interest-only payments for 4 years from a commercial bank. This loan is secured by the front-footage and connection fees and can be extended at 1981 interest rates for 3 years, with interest and principal payments.

In addition to the above loans, Marshall owes Cranberry about \$0.7 million for its share of Cranberry's increased treatment capacity. This amount will be paid in the quarterly user charge. It accounts for about \$25 of the estimated \$60 quarterly charge.

Marshall's debts for the system are repaid through a one-time assessment, a \$600 connection fee, and a \$60 quarterly user charge. The one-time assessment is paid by all property owners along the sewerline. The connection fee and quarterly user charges will be paid by all property owners using the system. In addition, property owners using the system will have to pay to run lines from their houses/businesses to the sewerline (approximately \$260 to \$1,950).

The one-time assessment was to be determined under one of two methods. (See p. 4.) However, we were advised in May 1980 that the township is considering whether all properties could be assessed on the value-added basis. Since such an

assessment would take 2 to 3 years to complete, the township must evaluate its cash flow position to determine if payments can be delayed for this period. According to the township solicitor, the value-added basis will most likely result in lower one-time assessments to property owners and higher quarterly charges to system users.

The township solicitor also said that the township improperly advertised its ordinance requiring property owners to connect to and use the system. The township is attempting to reenact the ordinance since it would not, according to the township solicitor, withstand a legal challenge. Because of this situation, the township, according to the solicitor, cannot require a resident to connect to the system. At this time we cannot determine what impact the ordinance problems will have on property owners' liability or payment methods for township debts incurred for constructing the system.

An EPA Facilities Requirement Division official has suggested that the funding method resulted in a burden on the community. For example, some officials have said that a long-term bond issue instead of short-term financing would reduce the front-end burden. While this may be true, it also would increase the quarterly charge--paid only by users, not all property owners. A financial consulting firm's bond feasibility study dated April 1977 shows that revenue from the one-time assessment and connection charge would have been the same and the quarterly user charge would have increased by about \$22. <sup>1/</sup> In the long run, according to this study, the total cost to the community would have been higher using bonds.

The township solicitor said that the township used the short-term financing because it did not have a bond rating. As a result, the township was unsure if it could sell the bonds and if it could obtain a low interest rate. According to the solicitor, the township was able to obtain a low rate from the commercial bank.

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<sup>1/</sup>This study, however, considered both short-term and long-term bonds. In our opinion, using long-term bonds would have reduced the front-foot assessment, although how much would depend on interest rates and the results of the Board of Views review.

We found that user charges and debt retirement costs to the homeowner affected by the project will average at least \$240 a year, or 2.2 percent of the township's median income. These costs do not appear excessive. For example, EPA guidelines issued May 9, 1979, indicate that the user charge and debt retirement should not exceed 2.5 percent of a community's median income. However, these guidelines do not consider the one-time assessment or the connection fee.

The EPA project officer said that \$12 front-foot charges are not unreasonable compared with other similar projects. However, because Marshall is a rural area with 1-acre building requirements and many property owners have large lots, some very high front-footage charges (the highest is \$13,291) occur. This EPA official characterized the large front-footage charges as unreasonable.

EPA was not aware of the large acreage until after the citizens started to complain in August 1979. If a way is found to reduce the one-time assessment, the \$60 quarterly fee to the system's users would have to be increased to enable the township to repay its debts. How much the fee would increase would depend on the final decision.

SOME PROJECT SECTIONS MAY  
BE ELIGIBLE FOR FEDERAL  
FUNDING TO HELP ALLEVIATE  
COMMUNITY'S FINANCIAL BURDEN

EPA officials told us that they were not aware of a Federal grant program that would retroactively finance a sewer system. However, EPA Region III has requested a waiver of the Federal regulations so that certain portions of the system built before project approval could be made eligible for Federal funding. EPA generally does not permit Federal funds to be spent for the cost of advance construction without prior EPA approval. However, since construction of these sections resulted in savings to the project, EPA is reconsidering the decision. These sections, which cost \$116,000, were built under Interstate 79 during its construction. If EPA decides to provide Federal funding for this portion, the local share of the project's costs could be reduced by about 6 percent.

SCOPE OF REVIEW

We discussed the project with EPA, DER, Marshall Township officials, and representatives from the township citizens group. We also met with representatives of the U.S. Army Corps of Engineers, Pennsylvania Bureau of Appalachian Development, Allegheny County Health Department, and the township's consulting engineer. We examined documents, procedures, and practices pertaining to the project's justification and funding. We have discussed aspects of the project with the Pennsylvania Auditor General, who also initiated a review of the project in February 1980.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

JUL 18 1980

OFFICE OF  
PLANNING AND MANAGEMENT

Mr. Henry Eschwege  
Director, Community & Economic  
Development Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

The Environmental Protection Agency (EPA) has reviewed the General Accounting Office (GAO) draft report entitled "Information On Questions About The Brush Creek Sewage Project, Marshall Township, Pennsylvania." The report is well researched and documented, and its facts are basically correct.

Since 1974, when the State of Pennsylvania initiated the Brush Creek Sewage Project, EPA has developed strict regulations for approving projects like the Brush Creek Sewage Project. That project was approved when we had few of the mechanisms for overseeing and directing such an undertaking. Were a proposal for such a project submitted to EPA today, it would receive a much more thorough review before being approved. While we remain sensitive to the problems which residents of Brush Creek face, we point out that similar high cost projects are not likely to be approved or constructed in the future. We anticipate, however, that some projects commenced before the Clean Water Act Amendments of 1977 and now under construction will also be of high cost to the users concerned.

We have the following comments on specific issues:

POPULATION DATA USED TO JUSTIFY FUNDINGS:

..."Neither EPA nor DER have any minimum project population requirements, therefore, population estimates would not affect the project's eligibility for funding."

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EPA Comment

Minimum population densities requirements are promulgated under Program Requirements Memorandum (PRM) 78-9, which was issued on March 3, 1978. These requirements were not in effect in 1974, when the Brush Creek Sewage Project was being reviewed. At that time, EPA used only the "substantial human habitation" rule. According to this rule, a community could include any area with "substantial human habitation" on October 18, 1972. The rule requires that before awarding these grants, the Regional Administrator must verify that the bulk (generally two-thirds) of the flow design capacity through the sewer system will be for waste waters originating from the community in existence on October 18, 1972.

Since the time that we awarded the Brush Creek Sewage Project Grant, we have instituted minimum population densities requirements, which are much more stringent tests for grant eligibility. We require an extensive analysis of the cost-effectiveness of conventional sewers as opposed to that of alternative and innovative technologies before we consider awarding a grant. These stricter controls allow us to prevent many of the difficulties which have faced those involved in the Brush Creek Sewage Project.

Both the "substantial human habitation" rule and the "minimum population densities requirements" are now in effect.

COST FACTORS IMPACTING THE PROPERTY OWNERS:

"It has been suggested by an EPA Facility Requirements Division official that the method of funding resulted in a burden on the community. For example, some officials have said that a long-term bond issue instead of short-term financing would reduce the front-end burden. While this may be true, it also would increase the quarterly charge, paid by users, not all property owners." ... "They used short-term financing because they didn't have a bond rating."

EPA Comment

EPA understands that the grantee has done an extensive evaluation of available financing alternatives and feels that the one it is using is the most "fiscally responsible."

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EPA is concerned about the structuring of financing which threatens the financial health of the community. Small communities such as Marshall Township are eligible for Farmer's Home Administration five percent, up to 40 year loans. Also, the community does not need a bond rating to sell tax exempt bonds. It can obtain a rating from bond rating organizations such as Moody's or Standard and Poor's Corporation for even small issues at a modest fee.

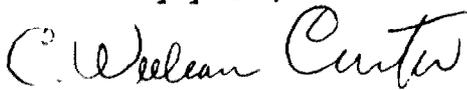
Neither the law nor EPA regulations have requirements for the way communities pay the local share. Nor does either require that capital costs be recovered from user charges. It is up to the community to decide whether it will undertake a heavy front-end burden at a lower cost, or whether it will spread costs over a long period at a higher overall cost. Although a community would spend more by choosing the latter method of payment, a smaller initial assessment and larger regular sewer use fees may be more affordable and acceptable to the community.

In conclusion, we point out that the Brush Creek Sewage Project was an early EPA undertaking. A number of significant improvements would now prevent the funding of such a project. As GAO points out, however, the costs to the community for its share of the project do not appear excessive (page 12), and with proper planning Marshall Township should be able to meet the local costs for the project.

We found the report to be thorough and concise, and we commend GAO on the quality of its research.

We appreciate the opportunity to comment on the contents of the report.

Sincerely yours,



William Drayton, Jr.  
Assistant Administrator for  
Planning Management



Office of the  
Regional Director

COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF ENVIRONMENTAL RESOURCES  
ENVIRONMENTAL PROTECTION

850 Kossman Building  
100 Forbes Avenue  
Pittsburgh, PA 15222



(412) 565-5023

July 1, 1980

Draft Report  
Brush Creek Sewage Project  
Marshall Township  
Allegheny County

Mr. Henry Eschwege, Director  
Community and Economic Development Division  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Eschwege:

Thank you for the opportunity to review the draft of a proposed report on the Brush Creek sewage project in Marshall Township, Allegheny County. The information presented in that report was basically representative of the Department of Environmental Resources' position regarding the Marshall Township sewerage project.

There are two minor changes which we would recommend for clarification and understanding of DER actions and responsibilities for the project:

1. The order issued by the Department to Marshall Township on March 19, 1973 not only cited water pollution problems, but also public health nuisances which had developed as a result of malfunctioning septic systems. The public health nuisances could independently lead to the ultimate construction of a municipal sewerage system. This point should be clarified in Paragraph 2 on page 5 of your draft report.
2. Paragraph 3 on page 9 would indicate that neither EPA nor DER has minimum population requirements. Since EPA has adopted different requirements since the inception of the Marshall Township project, it would be better to replace the word "have" with "had."

If you have any questions regarding our comments on the draft proposed report, please feel free to contact me at (412) 565-5023.

Sincerely,

Terry R. Fabian  
Regional Environmental  
Protection Director

TRF/jc

(089140)

cc: Bureau of Water Quality Management



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