

Somerset County 2010 Bond Issue
Project Overview

The 2010 Bond Issue combines the sale of Recovery Zone Economic Development Bonds -\$ 2,530,000 allocated to Somerset County authorized by the American Recovery and Reinvestment Act of 2009- as well as \$ 4,780,000 in General Obligation Bonds. The timing of this issue enables the County to take advantage of the lowest interest rates in nearly 30 years, as well as guarantee that more than \$ 5.7 million in state and federal funding secured for these projects will be leveraged to complete some of the largest public infrastructure projects in Somerset County's history. The new issue will also refund approximately \$ 395,000 of a previous bond issue, Series 98B, allowing the County to realize a \$ 30,000 savings without extending the term of the debt.

These infrastructure projects are expected to create new jobs, expand the capacity of the Quemahoning Water System, provide for long-term drought relief and assist local municipalities with planning and improving infrastructure. Additionally, the funds will extend public water to portions of the Somerset County Airport and construct new hangars.

The Projects

Laurel Highland Business Park -Road Improvements

The 108-acre light industrial business park, located at the intersection of Route 219 and Route 31, is currently under construction with completion slated for 2011. While \$3.4 million in funding was secured for site preparation and construction of the park, PennDot required a second traffic impact study be conducted to comply with changes in federal highway regulations. The study resulted in a nearly \$ 1.5 million dollar increase in cost to construct turning lanes, widen the roadway and install traffic signals. While two federal grant applications are currently pending, existing construction funding must be expended by June 30, 2011. This creates an immediate need to identify funding for the highway improvements so the park can open on time. At full build out, the Laurel Highlands Business Park will support the creation of 2,600 direct and 3,200 indirect full-time light industrial, manufacturing and technology based jobs.

Quemahoning Water System Expansion

The Somerset County Quemahoning Water Supply (Que) system was constructed in 2008 and commissioned in early 2009. The system is capable of transmitting 6 millions gallons of water per day (6 mgd) from the treatment plant to various municipal customers along a 20-mile route that transects north-central Somerset County. The Que system provides a reliable water supply to an area that has formerly been plagued with drought. Economic development was difficult due to a lack of sustainable water and sustention of status quo was becoming more difficult. The keystone to the Que system is the Quemahoning Reservoir located in northern Somerset County. Owned jointly by the Somerset and Cambria County Commissioners, this reservoir contains nearly 11 billion gallons of water.

Today the County's Que system delivers in excess of 1 mgd to five municipal customers. This summer, the system provided all of the Somerset Borough demand while a major repair was completed. Delivery during the summer was nearly 2 mgd. Even today, Somerset Township Municipal Authority (STMA) is completing their Friedens water project, connecting over 200 additional residences to the Que system. Operating for only 18 months, growth of the Que system is already well under way.

East Somerset Tank- Bond proceeds in the amount of \$800,000 would fund the construction of an additional one million gallon water storage reservoir for customers on the southern end of the Que system. These customers would include the Somerset Borough and STMA. Additionally, the Laurel Highlands Business Park is located nearby and will rely heavily upon the Que system for growth. Presently there is a one million gallon reservoir located at this location. The construction of the new tank will double present storage capacity and provide two days of storage based on the current average demand by Somerset Borough of one million gallons per day.

North Side Tank- Bond proceeds in the amount of \$ 900,000 would fund the construction of an additional one million gallon water storage reservoir on the northern end of the Que system. This tank would stabilize line pressure along the first 37,000 feet of the Que delivery system. Additionally, this tank would provide a much-needed supplemental supply in the event of a plant shut down or transmission line break. Also because it would be positioned between the treatment plant and the Somerset Pike Booster Station, it would significantly increase pressure and volume delivery to the Somerset Pike Booster Station, thereby increasing downstream delivery. Lastly, this storage would provide a more stable supply pressure to the customers of the Jenner Township Area Water System and significantly supplement availability of water for emergency use.

Fourth Filter- The County's Quemahoning Water Treatment Plant is presently equipped with 3-one million gallon per day filters. The plant was constructed, including plumbing and electrical needs to accommodate an additional 3 filters of the same size. During the summer of 2010, in response the need of Somerset Borough, the Que plant was producing nearly 2 mgd of treated water per day. Coupling this with the increase in demand from the new Friedens customers, and anticipated additional demand from the Pleasant Hill/Listie area, the Laurel Highlands Business Park and additional growth in both Lincoln and Somerset Townships, the Que system could be called upon to produce more than 2 mgd of treated water. Without an additional filter, such a demand would remove the security of a stand-by filter, should one of the operating filters require repair. Furthermore, state regulations require operational redundancy; current peak demands nearly exceed the plant's ability to maintain redundancy. Installing an additional filter at this time will allow the Que system to meet peak demands without jeopardizing the municipalities that rely on this system.

East Somerset Pump Station- During the initial construction of the Que water system, the pump station at East Somerset was downsized as a cost cutting measure. Should this station lose power, or incur a mechanical failure, the backup system is gravity flow to the Somerset Borough. The proposed upgrades to the East Somerset Station include additional pumps, and a backup generator. This equipment will allow the Que system to better respond during an emergency and to future peak demand from the Somerset Borough. Additionally, these upgrades will ensure adequate supply to the Laurel Highlands Business Park.

Somerset County Airport

Public Water Line Extension- During the construction of the Friedens spur to the Quemahoning Pipeline, a tap was installed for the eventual extension of public water to portions of the airport. \$ 100,000 of bond proceeds will be used to construct a 6” water line and install a fire hydrant to serve the Airport Terminal, the Maintenance Building and the Aero Club Pavilion. The project may also include expansion of public water to the hangar that houses Boss Hoss Motorcycles, Airplex 281, Advanced Composite and the Somerset County HAZMAT facility. These areas are currently served by wells.

T- Hangar Project- The Pennsylvania Bureau of Aviation recently announced the award of a \$ 330,000 Aviation Development Grant for Somerset County to construct new T-Hangars at the Somerset County Airport. The grant requires a 50/50 local match, which will be covered with proceeds from the bond issue. The project would enable the county to construct additional hangars for small business aircraft and to respond to a waiting list for hangar space. The project will be the first hangar construction in several decades. The county will apply the revenue from monthly hangar rentals to debt service.

Stoystown Water Project

The Stoystown Water Project is the outgrowth of county-funded improvements to the Reading Mines Water System. As part of the County’s goal of regionalization of small water systems, the Reading Mines system was upgraded and merged with the Somerset Township Municipal Authority as a means of improving water resources in the Reading Mines/Stoystown Area and to position the area for eventual connection to the Quemahoning Water System. Because the 400 residents of Stoystown face chronic severe water shortages and are unable to issue taps for new development, plans were made to construct a 1.3 mile, 12-inch transmission line and booster station that would connect Reading Mines to Stoystown. The project is designed to deliver 25,000-30,000/gpd to Stoystown for its future growth, enable development in Quemahoning Township and along the Flight 93 corridor. Bond proceeds would provide \$320,000 in gap funding needed to complete the project, pending the determination of an H2O application filed by Somerset Township Municipal Authority to complete the project.

Gray Area Water Authority Connection

The tightening of state regulations on surface water sources has forced the community of Gray to find a sustainable back-up water source for its 175 customers. The Gray Area Water Authority is currently deciding how to best access the water resources of the Quemahoning Pipeline. As it has for other municipal customers, the County will cover the \$28,500 cost of the tap to the Que with the guarantee of

additional county water sales to Gray of a minimum of 20,000/gpd. If the Authority decides to merge its operations with a larger municipal authority, bond proceeds would then be used to cover inter-connection costs.

Lincoln Township Sewage Project

As part of its commitment to provide the necessary gap funding for this project, Somerset County will apply \$1.2 million dollars of its bond proceeds to bring this project to completion, pending the determination of an H2O application filed by the Lincoln Township Municipal Authority. The project will provide public sewage to more than 190 residences, including 60 in the village of Quecreek that have discharge outlets or wildcat sewage lines that drain into the Quemahoning Creek, a direct tributary to the Quemahoning Dam. It includes the construction of a gravity collection system, forced main line with pump station and a 100,000/gpd wastewater treatment plant. The County has secured a \$500,000 competitive CDBG grant, as well as earmarked more than \$250,000 from the County's 2006 and 2007 CDBG funding for this project.

GIS Infrastructure Mapping

The Somerset County Commissioners have been seeking funding since 2008 to expand and enhance existing Geographic Information System (GIS) mapping of public water systems throughout the county. This critical information is needed to understand our present public water capacity and to plan improvements and future expansions. By visually determining gaps in existing water systems, Somerset County and its municipalities will be able to make informed decisions about future investments for residential and commercial growth. Approximately \$ 275,000 in bond proceeds will be applied to the mapping project if additional grant opportunities cannot be accessed.