

Is Lancaster to be sacrificed to save Harrisburg from bankruptcy?

Moody's threatens to downgrade Lancaster County Solid Waste Management Authority's credit over reported \$120 million Harrisburg incinerator deal. What is the deal? What are the dangers? Could Lancaster household trash collection costs soar?

Part of a series by Bill Keisling

In late February Moody's investment service rightly threw a dose of hard reality and a bucket of cold water on the Lancaster County Solid Waste Management Authority's (LCSWMA) hopes to buy the mechanically and financially troubled Harrisburg incinerator.

"Given the history of this particular asset, the undertaking by the authority may be credit negative in our view," Moody's credit analyst wrote. "Depending on the structure of the transaction and the associated debt financing, it may have significant credit implications and could result in a multiple-notch rating change."

Moody's phrase questioning *"the structure of the transaction and the associated debt financing,"* is bond investor lingo for, *"what exactly is the deal and how does it make sense?"*

If the hidden numbers aren't right, Moody's warns, the investor service could downgrade LCSWMA's previous sterling credit rating to just above "non-investment grade." This would make it harder, and more expensive, for LCSWMA to borrow money in the future, or to deal with a cash crunch caused by, well, a broken incinerator, or other unforeseen problems.

Here are just *some* of the outstanding questions:

- Does the deal depend on the Commonwealth of Pennsylvania buying electricity from the co-generating plant for 20 years? At what rate?
- Does it depend on LCSWMA accepting trash from Harrisburg and Dauphin County? For how long, and at what rate?
- Does it depend on LCSWMA being able to bury incinerator ash on the site, as LCSWMA's CEO Jim Warner tells us?
- What are the environmental implications of burying more ash on a site already filled to capacity with incinerator ash? Will LCSWMA down the road be required to build an expensive ash handling facility? Will the LCSWMA be responsible for problems concerning existing and future stockpiling of ash?
- Unlike reported current practices, will LCSWMA be able to secure adequate insurance from approved domestic sources to qualify for essential state additional insurance against the major breakdowns that have plagued the unit and possibly other serious environmental claims?
- Given the alternative of creating a brand new, state-of-the-art facility here in Lancaster County, as originally conceived, is this investment of Lancaster money in Lancaster's interest or really just bailing out Harrisburg from the cusp of bankruptcy and the Harrisburg incinerator's bond creditors from significant losses?

• Last, but far from least, why has no reputable consulting firm been engaged to independently explore the soundness of the plant and the financial feasibility of the proposed investment?

LCSWMA and the Harrisburg Authority have done nothing to answer *any* of these important questions.

When Bill Cluck, chairman of the Harrisburg Authority, was asked why he thought Moody's was threatening to downgrade LCSWMA's credit rating to almost "*non-investment grade*," Cluck replied, "*Moody's is clueless.*"

Likewise, LCSWMA's Warner told Waste and Recycling News, an industry broadside, that, "*I was more than a little bit surprised by the negativity that they (Moody's) expressed to a pending transaction given that they don't know any of the parameters of the transaction,*" he said. "*With them coming out and saying a double notch [lowering of the rating] not knowing any particulars of the transaction just seemed like a stretch.*"

Well whose fault is that? The two authorities have kept everyone in the dark, while at the same time

their executives complain that those with legitimate questions are "*clueless*."

Lancaster Countians rightly should fear that this deal is a replay of the Lancaster Convention Center financial fiasco that today totters on insolvency. There too, the sponsors scorned efforts to obtain an independent, professional feasibility study.

The Harrisburg incinerator bond deal likely will be every bit as big and expensive as the Lancaster Convention Center bond offering.

If the deal goes sour, or new problems arise at the incinerator, investors, and ultimately the public of Lancaster County, will be left holding the bag. This could lead, for example, to skyrocketing tipping fees and resulting trash collection cost, and an insolvent LCSWMA.

It's time LCSWMA, the Harrisburg Authority, and the Lancaster Newspapers *to do their jobs*, and let the public know the specifics and ramifications of this very big and potentially cataclysmic deal.

SUNDAY NEWS: "Writing 30 on a career"

"In May 1969, at the age of 18, I walked into 8 W. King St. to start what I thought would be a summer job.

Instead, I walked into a career.

"This morning, as the Sunday paper is being printed, I will walk away after nearly 44 years with Lancaster Newspapers and retire..."

WATCHDOG: What an incalculable loss to Lancaster! The *Sunday News* under Marv Adam's editorship has long been a genuine reason for local pride. Adams has been to Lancaster journalism what Walter Cronkite and Edward R Murrow were to national journalism: In Marv's fairness we trusted, with very few glitches over a long and distinguished career.

We wish him well and advise him to quickly find a vocation or avocation to apply his talents. Idleness is hell.

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