

Testimony of:

**Mayor T.J. Jean
City of Rochester, New Hampshire**

On Behalf of the Great Bay Municipal Coalition

“EPA Overreach and the Impact on New Hampshire Communities”

**United States House of Representatives
Committee on Oversight and Government Reform**

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TESTIMONY OF MAYOR JEAN.

Good morning. My name is T. J. Jean, and I am the Mayor of the City of Rochester. On behalf of the City, I want to extend our sincere thanks for your willingness to hold this oversight hearing, which is addressing issues of critical importance to the City of Rochester and its citizens. The purpose of my testimony today is to discuss with you the severe financial impacts which the regulatory actions proposed by the United States Environmental Protection Agency will have on our City and its citizens. Rochester is committed to protecting the natural environment for the benefit of its citizens, and all citizens of our State. However, Rochester, and the other major cities in the Great Bay area, are concerned that the proposed regulatory actions, designed to protect the Great Bay, are not based upon sound science and, if implemented, would do more than constitute a waste of scarce local resources – – it would financially cripple our City, prevent us from attracting and maintaining our business base, and impose an unreasonable financial burden on our citizens. We are disappointed that EPA would gamble away our future based on little more than guesswork. This Committee needs to stop EPA now and insist on an independent review of their actions.

Before I get into my remarks, by way of introduction, I have been Mayor of the City of Rochester since January 2010, and was recently re-elected to my second term with 83 percent of the vote. I have lived in Rochester my entire life. Both my wife and I attended Rochester schools, both graduating from Spaulding High School. My wife is currently a teacher in the Rochester School District. I work in Rochester, as manager of the Frisbie Center for Cancer Care at Frisbie Memorial Hospital. We have two young children who we are raising in Rochester and who will also attend Rochester schools. The proposed regulatory actions will significantly impact their future, and that of all Rochester children.

Like other New Hampshire municipalities, Rochester has been adversely impacted by the recent national economic downturn. However, those impacts have been felt even more significantly in our City. By way of background, the poverty rate in Rochester is 13.1%, the highest of any city in the Strafford Region. The Rochester School District has 32.6% of its student population eligible for free or reduced lunch. Rochester accounted for 31.6% of foreclosures in the Strafford Region, with 118 foreclosures in 2011 alone. The City's tax base, or Net Assessed Value, has decreased each of the last three years, from approximately \$2.36 billion in 2009 to approximately \$2 billion in 2011.

It is no surprise that this recent economic downturn has resulted in significant job losses in our City. In the last three years, Rochester has experienced 504 lost jobs, or 58% of the regional employment loss. The largest of those job losses involved 374 jobs lost at Thompson Center Arms, formerly the City's largest employer, in three separate layoff events which culminated with the company closing its Rochester facility this past December. While Rochester has done its best to attract new businesses to mitigate these losses, it faces unique challenges in doing so. We regularly compete for relocations and expansions with locations in Texas, North and South Carolina, and Tennessee, not to mention the Commonwealth of Massachusetts which has a large inventory of distressed properties. State and federal

regulations continue to increase, and often make relocation to New Hampshire less attractive than elsewhere. Moreover, initial up front investment for new business locations is significantly difficult to finance since our State does not provide relocation incentives and New Hampshire financial institutions tend to be smaller and serve smaller business customers.

With respect to the employers which remain in our City, shifting and unstable international economics have put additional pressure on manufacturers with global products, such as medical devices, composite materials, machine parts and aerospace components, all major employment sectors in Rochester. The result of the foregoing is a ripple effect throughout our local economy, in that consumer spending has dropped significantly, having major impacts on the Downtown Business District, and the retail and hospitality sectors in our City.

While the financial resources of the City and its citizens have plummeted, the financial obligations imposed upon and accepted by the City to meet the basic needs of its residents have increased. The City continues to finance a number of important major capital expenditure projects to meet the needs of its citizens. These include major bridge and road rehabilitation and reconstruction projects, damn rehabilitation, building maintenance reconstruction, storm drainage projects, and compliance assistance relative to federal stormwater management requirements. As a result, wholly apart from those projects which the regulations which are the subject of this hearing could impose on the City, the City's annual debt expense is projected to increase from approximately \$4 million per year, to approximately \$6.3 million per year over the next five years.

This brings me to the financial impacts which the proposed EPA mandates would have on the City of Rochester. Rochester has been informed that EPA intends to issue new permit requirements for both total nitrogen and phosphorous which will require the City to construct additional wastewater treatment facilities. The City is still retiring a \$20 million debt related to wastewater plant improvement ordered by EPA in 1997 which required the City reduce ammonia as nitrogen, as opposed to the proposed permit which requires reductions in total nitrogen. The City recognized at the time that construction of these upgraded facilities was appropriate to protect the health of the Cochemo River, its aquatic environment and its users. EPA's latest mandate will likely require that facility, with outstanding bonds, to be abandoned as EPA has now changed its regulatory focus to total nitrogen. However, the City has been informed by its consultants that EPA's new proposed nitrogen and phosphorous limitations are not based upon sound science and will not result in demonstrable benefits to the aquatic environment of the Cochemo River or Great Bay. While I am not qualified to discuss that science, I am certainly able to discuss the financial impact which implementation of those requirements would have on the City. EPA's indifference to mandating major local expenditures every time a new permit is issued based on the flimsiest of information simply must cease. We cannot afford such multimillion dollar guesswork.

Our consultants have advised us that the capital costs related to upgrades to the City's wastewater treatment facility necessary to comply with the proposed nitrogen and

phosphorous limits would be approximately \$20,500,000. Assuming a 20-year amortization period at 5.5% interest, this would result in additional debt service costs of approximately \$2 million per year, beyond those I previously mentioned. After capital construction is complete, additional operating costs required to meet these permit limits would be approximately \$2 million per year, beginning in fiscal year 2016. The impact of these costs on our sewer rates is staggering. The City's current sewer rate is \$6.11 per 100 cubic feet, already among the highest in the region. Compliance with the latest EPA mandates would immediately result in a 23% increase in rates. By fiscal year 2016, the projected sewer rate would more than double to \$12.50 per 100 cubic feet. The estimated yearly user bill would escalate to over \$1,200 per year in fiscal year 2016.

It is not hard to imagine what impact an increase of this magnitude would have on the business base and citizens of Rochester. I have already outlined the challenges that Rochester faces in not just attracting new business but maintaining its existing business base. An increase in sewer rates of this magnitude will surely make the job of attracting business to Rochester extremely difficult. Perhaps more significantly, an increase of this magnitude will provide a significant incentive for existing businesses to consider relocation to locations both within and outside our State with more reasonable sewer rates.

With respect to the impact on our individual citizens a 100% rate increase will certainly make it more difficult for our citizens to make ends' meet, let alone have disposable income to spend in our retail and hospitality sectors. These impacts will only be exacerbated if imposition of these mandates result in additional job losses. Simply put, EPA's latest unfunded mandate will have a long term negative impact on the City of Rochester, its businesses and citizens.

It would be one thing if such economic consequences were necessary to protect the natural environment. Our consultants assure us that this is not the case. They inform me that EPA is using methods that its own Science Advisory Board declared unreliable and that the federally funded research on Great Bay confirmed was in error. EPA simply chose to ignore that information since it disagreed with its intended approach. To cap it off, EPA prevented the municipal coalition from participating in a peer review that could have helped to set the record straight. That is not an acceptable way for a regulatory agency to do business and that is why we need an independent review of EPA's actions.

Let me conclude my remarks by confirming the City's commitment to take whatever steps are necessary to protect the health of its citizens and the natural environment of Rochester and its surroundings. However, the City should not be forced into the kind of economic crisis outlined above for little or no demonstrable environmental benefit. I appreciate your attention to my remarks and hope that you will give them due consideration in your role of overseeing these proposed regulatory actions.