



## 2007 ANNUAL REPORT

Producing The Taste Of Excellence





# Leading With Exceptional Quality



Mr. Don Walko  
Chairman

I am pleased to present you with the 2007 Pittsburgh Water and Sewer Authority (PWSA) Annual Report. Granted, we are far along into our current fiscal year, but the foundation for action now was set in the prior fiscal year.

We are continuing to focus our energy on a number of important initiatives. Our Board of Directors is working closely with our new Executive Director, Michael P. Kenney, to attain our goals.

Among other important tasks, we are working on the following:

We are working closely with the administration of Mayor Luke Ravenstahl to create efficiencies through the consolidation and elimination of duplicate functions. We have spearheaded the effort to merge our delinquent account collection with the city, county and Pittsburgh School District. We are striving to identify other opportunities to eliminate wasteful duplication of effort.

With a view toward efficiency and maximum utilization of our abundant water resources, we are taking the lead in southwestern Pennsylvania to regionalize our water production and wastewater capacity. With each passing month, we are intensifying our efforts to market our water and wastewater capacity to other municipalities.

We are engaged in a major reorganization of our management and workforce structure to improve the effectiveness and efficiency of our operations. In doing so, we are striving to fulfill our mission of providing water and wastewater services that exceed quality standards while meeting customer expectations at the lowest possible cost.

To ensure that our system continues to provide quality services, we are moving forward with vital capital improvements to our system. These crucial and capital investments will enable us to move forward in complying with the requirements of PWSA's Consent Order and Agreement.

PWSA has a key role in shaping the future of our city and region. We have, therefore, intensified our effort to be a leader by actively participating in the Governor's Infrastructure Task Force. Our Executive Director's role as President of the Pennsylvania Municipal Authorities Association strengthens our impact.

None of PWSA's initiatives would be possible without the hard work and dedication of our employees. From accountants to laborers to plumbers our employees make progress possible. On behalf of the Board of Directors, I thank each and every one of them.

Sincerely,

A handwritten signature in black ink that reads "Don Walko". The signature is fluid and cursive.

Don Walko  
Pennsylvania State Representative  
Chairman



Michael "Mickey" Kenney  
Executive Director

# Developing With Clear Leadership

## Board of Directors

### State Representative Don Walko

As Chairman of PWSA, Mr. Walko brings over 12 years of governmental service to the Authority as a Pennsylvania State Representative for District 20, representing residents in the City of Pittsburgh in Wards 2, 6, 9, 10, 23, 24, 25, 26 and 27, the Townships of Reserve and Ross, and the Borough of West View.

Mr. Walko brings a tremendous amount of experience to PWSA, working hand in hand with the City of Pittsburgh, Allegheny County, local government agencies, private developers, community groups and residents.

### Robert P. Jablonowski

Working as a Chemist for over 35 years at Duquesne Light, Mr. Jablonowski understands laboratory management. He brings a wealth of knowledge and experience to the Authority as he provides insight to the operations and maintenance of the water and sewer infrastructure.

### Henry C. Blum

As a native City of Pittsburgh resident and local community leader, Mr. Blum has worked as a Foreman at Mellon Arena for over 45 years. Mr. Blum is the Secretary of the Board and is PWSA's liaison with our union employees and their representatives.

### Scott Kunka

Mr. Kunka serves as the Director of Finance of the City of Pittsburgh. Mr. Kunka has a background in municipal finance including policy and budget analysis, auditing and operations management. Mr. Kunka has served the City of Pittsburgh for 22 years and offers his financial expertise to the Authority. Mr. Kunka also brings to PWSA his prior experience working as a biologist for the United States Army Corp of Engineers. Mr. Kunka serves as the Treasurer of the PWSA Board.

### Margaret L. Lanier

Ms. Lanier has 28 years experience in City Government in roles from Customer Service, Real Estate Tax Office Supervisor to Assistant Director in the Department of Finance. Ms. Lanier currently serves as Treasurer of the City of Pittsburgh. She is responsible for the tax collections for the Self Assessed taxes (Business, Wage, Parking, etc.) and the Property Management Division (the billing and collection of real estate taxes and the sale of city owned properties).

### Dan Deasy

Having worked for the City of Pittsburgh in the Department of Public Works for 16 years, first as a laborer then as a foreman, Mr. Deasy was elected to City Council in 2005. In addition to being a family man, Dan remains active in the Westwood Athletic Association and volunteers with the United Mitochondrial Disease Foundation.



State Representative Don Walko  
Chairman



Robert P. Jablonowski  
Vice-Chairman



Henry C. Blum  
Secretary



Margaret L. Lanier  
Member



Dan Deasy  
Member



Scott Kunka  
Treasurer

# Keeping The Progress Flowing

## 2007 Engineering and Construction Projects

*Over the past 12 months, PWSA has addressed a variety of projects throughout our service area. Highlights of our engineering and construction activities include:*

### Water Line Replacement Work

1,840 feet of 8-inch water line replaced on Bellefonte Street from Ellsworth to 5th Avenue in Shadyside

### Fire Hydrant Global Positioning Satellite (GPS) Survey

Completed survey permitting better fire hydrant inventory and faster emergency response

### Current Water Tank Inspections

Spring Hill Tanks, Allentown Tanks, Brashear Tanks, Bedford Tank

### Upgrades to GIS Systems

Installation of water/wastewater inventory index maps into electronic Graphic Information System (GIS) format to permit easier record access

### Various Sewer Rehab Projects

The following neighborhoods had major sewer rehab: Beechview, Brookline, Carrick, Highland Park, Hill District, Lincoln Place, New Homestead, North Oakland, Point Breeze, South Side Slopes, South Side Flats

### Jacks Run Sewer/Storm Improvements

Major sewer improvements, open air stream removal, storm sewer separation project in conjunction with ALCOSAN, Bellevue Borough, and Ross Township

### URA/PWSA Projects

#### Liberty Park

New residential development in East Liberty with both new and rehabilitated water and sewer infrastructure

#### Summerset Development

A former brownfield industrial site converted to a green living residential plan with all new water and separated sewer facilities

#### Susquehanna Street

Installation of new water and sewer infrastructure in Homewood

### SEA/PWSA Projects

Pittsburgh Penguins New Arena: installation of new, rehabilitated, and/or upgraded water and sewer infrastructure

### PWSA/ALCOSAN/ U.S. Core of Engineers

Sheraden Park; rehabilitating the existing sewer infrastructure with new separated systems including open air stream removal from PWSA/ALCOSAN sewer systems

### Port Authority/PWSA

30-inch transition main replacement in the North Shore area, 12-inch distribution main in Stanwix Street Downtown, and reconstruction of a 42-inch combination sewer in Stanwix Street Downtown

### Projected 2008 Projects:

#### Water Treatment Plant Improvements

Rapid Mixer replacement, replacing traveling screens that remove debris from raw water intake, and Lime Machine replacement which will greatly reduce current costs of maintaining water quality standards

#### Chlorine Booster Stations Installations

Allentown Tanks, Lincoln Tank and Squirrel Hill Tank

#### Switch Gear Upgrades

Electrical power upgrades to Ross Pump Station, Howard Pump Station and Lincoln Pump Station

#### Water Supervisory Control and Data Acquisition (SCADA) System Upgrade

The new system will allow remote management of all pumping/storage equipment and facilities, improve electronic record keeping, and earlier detection of system malfunctions

#### Water Plant Lab Upgrade

Remodeling existing lab and installing new cabinetry and equipment

#### Upcoming Water Tank Inspections

Herron Hill, Lincoln, Garfield, Squirrel Hill

#### Improve Permit applications

Revise tap procedure manual and coordination with city/county/state agencies to improve construction permit process



# Making The Most Of Our Resources

## STATEMENTS OF NET ASSETS:

Years ended December 31, 2006 and 2007  
(dollars expressed in thousands)

ASSETS	2007	2006
Current assets:		
Cash and cash equivalents (unrestricted)	\$35,024	\$31,907
Accounts Receivable, net:		
Water and Sewer	15,049	14,636
Wastewater Treatment	8,484	7,330
Other	1,339	1,470
Inventory and prepaid expenses	2,006	1,931
<b>Total current assets</b>	<b>61,902</b>	<b>57,274</b>
Restricted Funds:		
Cash and cash equivalents	6,931	9,792
Investments	44,616	58,973
<b>Total restricted funds</b>	<b>51,547</b>	<b>68,765</b>
Fixed assets - at cost, net	443,021	436,117
Bond issue costs, net	7,073	7,035
<b>TOTAL ASSETS</b>	<b>\$563,543</b>	<b>\$569,191</b>

## LIABILITIES AND NET ASSETS

Current liabilities:		
Bonds and loans payable, current portion	\$13,026	\$12,793
Accrued payroll	940	1,081
Accounts payable - wastewater	12,168	10,590
Accounts payable	4,323	6,348
<b>Total current liabilities</b>	<b>30,457</b>	<b>30,812</b>
Restricted funds payable:		
Bonds payable, current portion	4,910	5,202
Accounts payable	3,319	2,518
Accrued interest	8,007	6,574
<b>Total restricted funds</b>	<b>16,236</b>	<b>14,294</b>
Deferred revenue	378	399
Payroll related obligations	1,183	907
Bonds and loans payable, net	570,435	575,495
Refunding loss	(20,543)	(14,784)
<b>TOTAL LIABILITIES</b>	<b>\$598,146</b>	<b>\$607,123</b>
Net Assets:		
Invested in capital assets, net	\$(64,959)	\$(69,075)
Restricted for capital activity and debt service	8,837	8,401
Unrestricted	21,519	22,742
<b>Total net asset deficit</b>	<b>(34,603)</b>	<b>(37,932)</b>
<b>TOTAL LIABILITIES AND NET ASSET DEFICIT</b>	<b>\$563,543</b>	<b>\$569,191</b>

## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS:

Years ended December 31, 2006 and 2007  
(dollars expressed in thousands)

OPERATING REVENUES	2007	2006
Residential, commercial and industrial water sales	\$89,766	\$83,954
Other	2,760	2,371
<b>TOTAL OPERATING REVENUES</b>	<b>\$92,526</b>	<b>\$86,325</b>
<b>OPERATING EXPENSES</b>		
Direct operating expenses:		
Production	\$26,794	\$21,700
Other	9,247	12,928
Payments to City of Pittsburgh under Cooperation Agreement	9,650	7,150
City rate equalization - subsidy to other water companies	684	819
Depreciation	13,692	13,332
Capitalized lease amortization	2,557	2,557
<b>TOTAL OPERATING EXPENSES</b>	<b>\$62,624</b>	<b>\$58,486</b>
<b>OPERATING INCOME</b>	<b>\$29,902</b>	<b>\$27,839</b>

## NON-OPERATING REVENUES (EXPENSES):

Interest revenue	\$2,598	\$2,216
Interest expense	(28,549)	(28,091)
Amortization of bond issue costs	(622)	(627)
<b>TOTAL NON-OPERATING EXPENSE</b>	<b>\$(26,573)</b>	<b>\$(26,502)</b>
<b>INCREASE/(DECREASE IN NET ASSETS)</b>	<b>\$3,329</b>	<b>\$1,337</b>

## CHANGE IN NET ASSETS:

Net asset (deficit)		
Beginning of Year	(37,932)	(39,269)
<b>END OF YEAR</b>	<b>\$(34,603)</b>	<b>\$(37,932)</b>



# PWSA Facts

2006 Revenues: \$86 million

2006 Expenditures: \$85 million

2007 Revenues: \$93 million

2007 Expenditures: \$89 million

Budgeted Employees: 248

Current 2007 Capital Improvement Program Value: \$50 million

Water Treatment Plant Capacity: 117 million gallons per day (MGD)

Average Daily Production: 70 MGD

Number of Water Customers: 83,000

Number of Water/Sewer Customers (combined): 113,000

Population Served for Water/Sewer Service: 335,000 residents

Miles of Water Lines: 1,200

Storage Facilities: 5 reservoirs and 11 tanks

Storage Capacity: 455 million gallons

Number of Valves: More than 27,000

Number of Fire Hydrants: More than 7,300

Number of Water Main Leaks Repaired in 2007: 453

Number of Water Service Line Leaks Repaired in 2007: 183

Lab Tests Performed: 65,000 annually

Miles of Sewer Lines: 1,250

Sewage Pumping Stations: 4

Number of Catch Basins: More than 24,500

Number of Manholes: 28,500



Photography: Christopher Longo



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