

PWSA

THE PITTSBURGH WATER & SEWER AUTHORITY
Quality Water Quality Service
2008 ANNUAL REPORT

Celebrating 100 Years of Water Treatment





Mr. Don Walko
Chairman

I am pleased to present to you the 2008 Pittsburgh Water and Sewer Authority (PWSA) Annual Report.

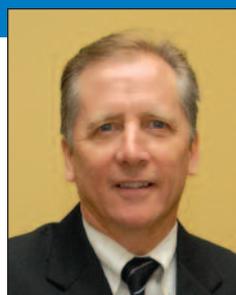
The PWSA continues to be a major partner in the ongoing revitalization of the City of Pittsburgh. Working closely with the Ravenstahl administration, the PWSA plays a big part in the major commercial and residential developments in our Pittsburgh neighborhoods.

We are moving forward with important capital improvements to our water and sewer system. At the same time we are working to provide water and wastewater services that exceed quality standards at the lowest possible cost.

I would like to thank the members of our Board of Directors for their tireless devotion to meeting the challenges and seizing the opportunities presented in these dynamic times. I would also like to thank our employees for their hard work and dedication.

Sincerely,
Don Walko

Pennsylvania State Representative
Chairman



Michael "Mickey" Kenney
Executive Director

The Pittsburgh Water and Sewer Authority (PWSA) currently serves 113,000 sewer customers and 83,000 water customers making PWSA the largest combined water and sewer authority in the state. In addition, PWSA also provides bulk water sales to Fox Chapel Borough, Millvale Borough, Reserve Township, Hampton Township, Blawnox Borough and Aspinwall Borough along with being interconnected to several other regional water systems. In December of 2008, the City of Pittsburgh celebrated 100 years of water treatment.

PWSA and the City of Pittsburgh are pursuing collaborations with up to 130 other municipalities in Allegheny County that can increase revenue and trim cost. PWSA is gearing up and ready to merge with other water and sewer systems. This type of collaboration will better serve the residents of the City of Pittsburgh and Allegheny County.

Recently, Pennsylvanians passed the Clean Water Referendum that will provide \$400 million toward water and sewer infrastructure projects across the state of Pennsylvania. This referendum should begin to help offset the \$36.5 billion in capital repairs and upgrades needed state wide over the next 20 years.

PWSA is working in conjunction with PENNVEST and other government agencies to secure funding. PWSA was just awarded nearly \$20 million dollars for water and sewer improvement projects. It is essential that we update our infrastructure to meet the growing demands of our customers and future customers. PWSA will also continue to improve sewer quality by separating storm and sanitary sewers. Completing these improvements will help us achieve water quality for future generations.

Board of Directors



State Representative Don Walko, Chairman

As Chairman of PWSA, Mr. Walko brings over 14 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, Vice-Chairman

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, Secretary

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, Treasurer

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, Member

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, Member

Mr. Deasy was elected to the House of Representatives in 2008. Prior to his election, Mr. Deasy worked as a supervisor in the City of Pittsburgh Public Works Department and later served as a member of Pittsburgh City Council. His legislative priorities include expanding access to health care, supporting education and youth programs.



Patrick Dowd, Member

In 2008, Patrick Dowd began his first term as Member of Pittsburgh City Council representing District 7. He has been appointed Chairman of the Committee on Intergovernmental Affairs. Prior to his election, Councilman Dowd served as representative of the Pittsburgh Board of Education. As Councilman, Patrick has pledged to pursue fiscal responsibility, set new standards for the delivery of city services and accountability in government, as well as reinvest in our neighborhoods and parks.

2008 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:

2008 PWSA Projects

Water Line Replacement

1,360 feet of water line replaced in Fort Duquesne Boulevard, 800 feet of water line replaced in Walnut Street, 550 feet of water line replaced in 4th Avenue and 50 feet of water line replaced in 31st Street.

Valve Replacement

Large valves were replaced at the following locations: Boulevard of the Allies, Station Square and Greenfield.

Water Tank Inspections

Squirrel Hill and Lincoln Tank inspections were completed.

Upgrades to GIS System

A new software application was developed to provide remote access to Graphic Information System (GIS) mapping. GIS allows PWSA field crews to access water and sewer mapping from the field via field computers.

COA Compliance

In accordance with the Consent Order Agreement (COA), approximately 55 miles of sewer televising was completed in 2008.

Various Sewer Rehab Projects:

40 feet of new sewer pipe was installed in Lowrie Street, 60 feet of new storm sewer and 182 feet of sanitary sewer was installed in Boustead Street, 30 feet of sewer pipe was replaced in Almont Street, 50 feet of sewer was replaced in Felmeth Street, and 35 feet of sewer was replaced in Arlington Avenue.

2008 PWSA/ Developer Projects

Forbes Avenue at Boulevard of the Allies

(PENNDOT) 3,540 feet of 18-inch RCP sewer pipe, 1,070 feet of 24-inch RCP sewer pipe and 236 feet of 6-inch PVC sewer pipe was installed with 31 new manholes and 40 new catch basins. 32 feet of ductile iron water line was installed with 2 new gate valves.

Technology Drive

(URA) 2,900 feet of new water lines and 4,300 feet of new separate sewers were installed.

South Water Street

(URA) 1,300 feet of new water lines and 3,100 feet of new separated sewers were installed.

Summerset at Frick Park

(URA/ SLDA) 3,700 feet of new water lines and 6,500 feet of new separated sewers were installed.

The Rivers Casino

(Private) 400 feet of new 24-48 inch storm sewers were installed on Reedsdale Street and North Shore Drive.

The Consol Energy Center (SEA)

1,200 feet of new 16-inch water line was installed.

Jacks Run Road

(3RWV) combined sewer separation including stream removal.

Sheraden Park

(ALCOSAN/ USACE) Construction of new separated sewer systems.

Bedford Hills

(URA/HACP) 2,500 feet of new water lines, 2,100 feet of sanitary sewers, and 2,000 feet of storm sewers were installed.

Garfield Heights

(HACP/URA) Phase I Existing water infrastructure was upgraded and new separated sewers were constructed.

North Shore Connector (PAAC):

Stanwix Street – 400 feet of new separated sewers were installed and 400 feet of water line was replaced.

Tony Dorsett Drive – Installation of temporary supported storm sewer and 30-inch water transit main. 350 feet of new sanitary sewer was constructed.

Reedsdale Street – 360 feet of 36-inch sanitary sewer was relocated and 1,200 feet of 12-inch ductile iron water line was relocated.

Current/Projected 2009 PWSA Projects

Water Treatment Plant

SCADA – a new system allowing remote management of all pumping and storage equipment and facilities, improving electronic record keeping.

WTP Laboratory upgrade – The existing lab will be remodeled with new cabinetry and equipment.

Clarifier #4 – sludge collecting equipment will be replaced.

Switchgear Upgrades

Electrical power upgrades to Ross Pump Station

Darragh Street

800 feet of 12-inch waterline relay from Allequippa Street to Terrace Street.

Sewer Lining

12 miles of cured-in-place sewer lining throughout the PWSA sewer system.

Sewer System Upgrades

Construction of sewers in Semple Street, Mifflin Road, 44th Street, McBride Avenue, Keefe Street, Rodgers Street, Homeland Street, Chapin Street, and Desdemona Street.

South 6th Street

Reconstruction of a 20-inch sewer under railroad tracks.

Pump Stations

Rehabilitation of water pumping equipment at Ross Pump Station and Bruecken Pump Station. Replacement of pumps #6 and #7 at Howard Pumping Station.

Brashear Tanks

Rehabilitation and painting, including environmental sandblasting of twin water storage tanks.

Current/Projected 2009 PWSA Developer Projects

South Main Street

(PENNDOT) 1,200 feet of 12-inch water line relocation.

Steuben Street

(PENNDOT) 750 feet of 12-inch water line construction.

Reedsdale Street

(PAAC) 400 feet of 42-inch storm sewer construction in Sproat Way. 600 feet of 30-inch storm sewer in Reedsdale Street.

The Rivers Casino

(Private) Reconstruction of 700 feet of 16-inch water line in Reedsdale Street. 900 feet of 15-inch sanitary sewer construction in North Point Drive.

Market Square

(URA/PDP) Construction project scheduled to begin August 2009 including a new 12-inch water line and separated sewers.

Garfield Phase II

(HACP) Construction of separated sewer infrastructure for new development.

Carson Street Widening

(PENNDOT/URA) Construction began May 2009. Upgrades to water and separated sewer systems.

Federal Hill

(URA) Construction of new water and separated sewer systems for new housing development.

STATEMENTS OF NET ASSETS:

Years ended December 31, 2007 and 2008
(dollars expressed in thousands)

ASSETS	2008	2007
Current assets:		
Cash and cash equivalents (unrestricted)	\$41,914	\$35,024
Accounts Receivable, net:		
Water and Sewer	14,404	15,049
Wastewater Treatment	8,129	8,484
Other	2,137	1,339
Inventory and prepaid expenses	1,754	2,006
Total current assets	63,338	61,902
Restricted Funds:		
Cash and cash equivalents	22,850	6,931
Investments	113,093	44,616
Total restricted funds	135,943	51,547
Fixed assets - at cost, net	443,720	443,021
Bond issue costs, net	22,561	7,073
TOTAL ASSETS	\$670,562	\$563,543
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bonds and loans payable, current portion	\$10,018	\$13,026
Accrued payroll	673	940
Accounts payable - wastewater	13,757	12,168
Accounts payable	3,326	4,323
Total current liabilities	27,774	30,457
Restricted funds payable:		
Bonds payable, current portion	4,607	4,910
Accounts payable	1,610	3,319
Accrued interest	9,704	8,007
Total restricted funds	15,921	16,236
Deferred revenue	356	378
Payroll related obligations	1,150	1,183
Bonds and loans payable, net	660,358	570,435
Refunding loss	(0)	(20,543)
TOTAL LIABILITIES	\$705,559	\$598,146
Net Assets:		
Invested in capital assets, net	\$(81,338)	\$(64,959)
Restricted for capital activity and debt service	15,988	8,837
Unrestricted	30,353	21,519
Total net asset deficit	(34,997)	(34,603)
TOTAL LIABILITIES AND NET ASSET DEFICIT	\$670,562	\$563,543

Note: These statements now reflect PWSA's role in Sewage Treatment payment collection and forwarding of the same to ALCOSAN.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS:

Years ended December 31, 2007 and 2008
(dollars expressed in thousands)

OPERATING REVENUES	2008	2007
Residential, commercial and industrial water sales	\$86,627	\$89,766
Wastewater Treatment	39,439	37,381
Other	3,872	2,760
TOTAL OPERATING REVENUES	\$129,938	\$129,907
OPERATING EXPENSES		
Direct operating expenses:		
Production	\$29,143	\$26,794
Other	9,203	8,534
Wastewater Treatment	40,096	38,094
Payments to City of Pittsburgh under Cooperation Agreement	9,650	9,650
City rate equalization - subsidy to other water companies	1,070	684
Depreciation	13,914	13,692
Capitalized lease amortization	2,557	2,557
TOTAL OPERATING EXPENSES	\$105,633	\$100,005
OPERATING INCOME	\$24,305	\$29,902
NON-OPERATING REVENUES (EXPENSES):		
Federal grants	\$986	\$0
Interest revenue	5,032	2,598
Interest expense	(29,515)	(28,549)
Amortization of bond issue costs	(1,202)	(622)
TOTAL NON-OPERATING EXPENSE	\$(24,699)	\$(26,573)
INCREASE/(DECREASE IN NET ASSETS)	\$(394)	\$3,329
CHANGE IN NET ASSETS:		
Net asset (deficit)		
Beginning of Year	(34,603)	(37,932)
END OF YEAR	\$(34,997)	\$(34,603)

Note: These statements now reflect PWSA's role in Sewage Treatment payment collection and forwarding of the same to ALCOSAN.

2007 Revenues: \$130 million

2007 Expenditures: \$127 million

2008 Revenues: \$130 million

2008 Expenditures: \$130 million

Budgeted Employees: 250

Current 2008 Capital Improvement Program Value: \$156 million

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

Average Daily Production: 70 MGD

Number of Water Customers: 83,000

Number of Sewer Customers: 113,000

Number of Combined Water and Sewer Customers: 196,000

Population served for Water/ Sewer Service: 310,000

Miles of Water Lines: 930

Storage Facilities: 5 reservoirs and 11 tanks

Storage Capacity: 455 million gallons

Number of valves: More than 25,000

Number of Fire Hydrants: More than 7,300

Number of Water Main Leaks Repaired in 2008: 376

Number of Service Line Leaks Repaired in 2008: 239

Lab Tests Performed: 65,000 annually

Miles of Sewer Lines: 1,227

Sewage Pump Stations: 4

Number of Catch Basins: more than 30,000

Number of Manholes: 29,000

Background Photo: Steel pipe connection from top of sub structures, 6/2/1913



Ross Station, new intake, Cofferdam, looking s. west, 7/6/1928



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Design: Vince Longo & Associates 9/1 1,000