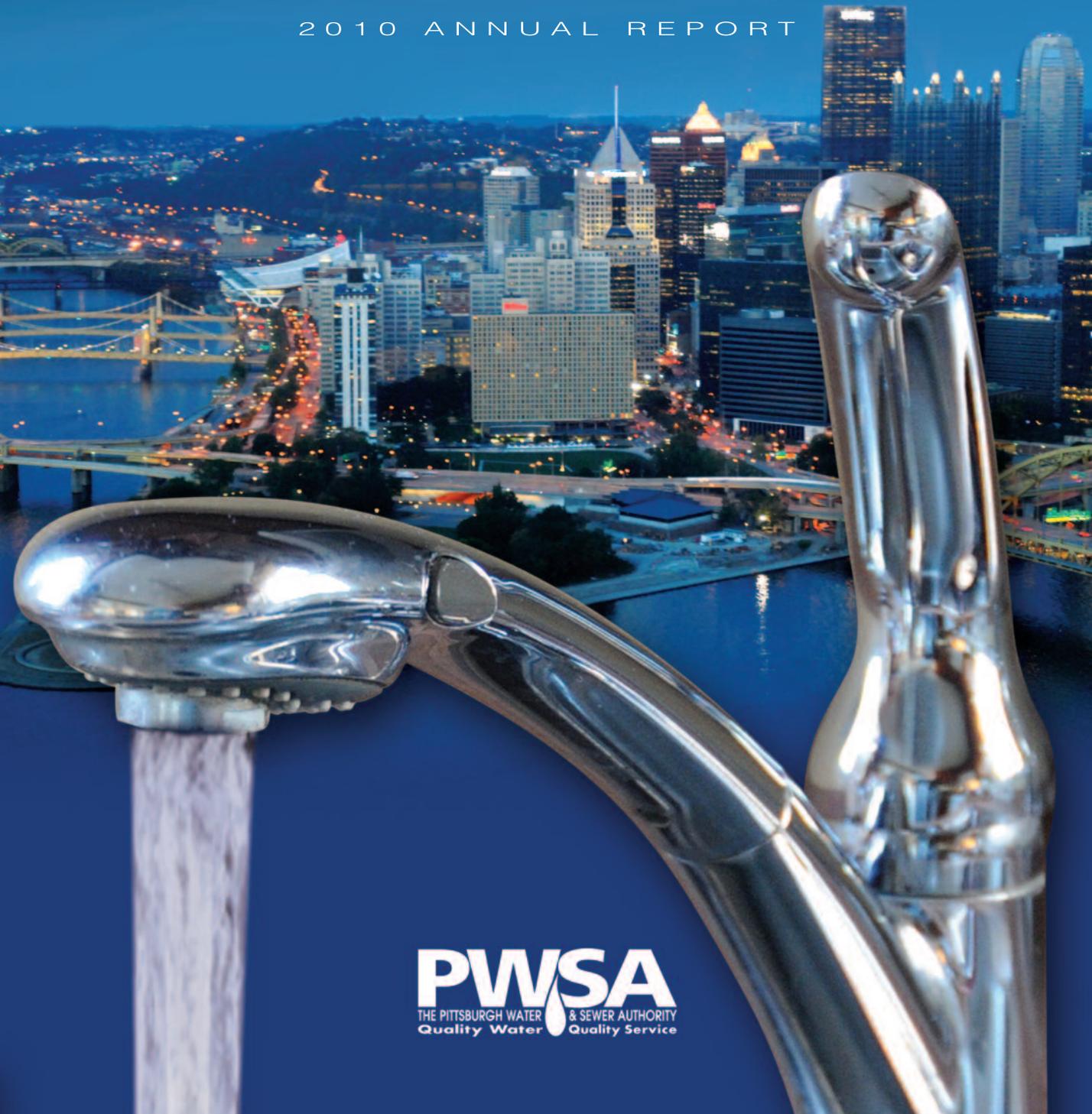


# PGH<sub>2</sub>O



*Pittsburgh's Finest Water*

2010 ANNUAL REPORT



**PWSA**  
THE PITTSBURGH WATER & SEWER AUTHORITY  
Quality Water Quality Service

# LEADING WITH EXCEPTIONAL QUALITY



Mr. Dan Deasy  
Chairman

Dan Deasy, Chairman

As Chairman of the PWSA, I present to you the 2010 PWSA Annual Report. I am proud to announce that the PWSA is working closely with the Ravenstahl Administration to continue to move the Authority forward. We are streamlining the permitting process and working with various city departments and authorities to build infrastructure for future growth and development.

PWSA is committed to reinvesting in our infrastructure. In 2010, the capital budget doubled to \$41.77 million.

The PWSA and the City of Pittsburgh have a significant responsibility to eliminate combined sewer overflows (CSO) from the system. PWSA is moving forward with the Consent Order and Agreement (COA) with the Pennsylvania Department of Environmental Protection (PADEP) and the Allegheny County Health Department (ACHD). In June 2010, the Board of Directors issued a Request for Proposal for a storm water management study. This study has been awarded, and will allow PWSA to evaluate our current practices and coordinate future goals. Most notably, we will evaluate the feasibility of a storm water district, and how that would be established, managed and financed.

In July of 2010, the Authority approved the development of the first ever 40-year capital master plan. This plan will be broken down into eight 5-year plans and will assist the authority in a long-term vision for infrastructure and financial needs.

I am proud of all the work that we have accomplished this past year. The success of this Authority can be seen in new development across the City. I would like to thank our Board of Directors and the PWSA staff for their ongoing commitment.

Please take a moment to look over the next few pages. As always, we welcome your comments.

Sincerely,

A handwritten signature in black ink that reads "Dan Deasy". The signature is written in a cursive, flowing style.

Dan Deasy  
PWSA Chairman



Thomas Palmosina  
Acting Executive Director

Thomas Palmosina, Co-Acting Executive Director

2010 was a very busy time for the Authority and we accomplished many great things. It was a year for investing in our infrastructure and our future.

Three of our water storage facilities were in need of rehabilitation: The Herron Hill water storage tank, located in the Hill District, the Brashear water storage tanks #1 and #2, located in the North Side, and the Highland #2 Reservoir. Rehabilitation began last year and will continue this year. This rehabilitation will greatly extend the life of the water storage tanks and the Reservoir.

PWSA celebrated the partnership between PWSA and the Department of Environmental Protection (DEP), creating the first ever comprehensive PWSA Source Water Protection Plan (SWPP). PWSA is proud to be one of a select group of water authorities in the state with a DEP-approved Source Water Protection Program. This program will help us to be more proactive and respond to emergencies with more certainty.

PWSA began inspecting and exercising all of our water valves 16-inch and larger. These large valves are critical to our system, allowing isolation during maintenance, which allows our Operations Division to make repairs with minimal disruption to residents. This inspection and maintenance is a tremendous asset to the Authority.

In 2011, the Authority began the enormous task of relocating the 60 inch water main located in State Route 28. This project is being done in conjunction with the widening of Route 28.

PWSA is always looking for better ways to serve our customers. The Authority contracted a company to bottle PWSA water. This will help us better serve the needs of critical populations during prolonged outages.

More recently, PWSA has begun a citywide study to evaluate various watersheds and to eliminate chronic flooding from our streets.

As always we will continue to invest in our infrastructure and provide quality service to our residents.

Sincerely,

Thomas Palmosina

  
Acting Executive Director



Stephen Simcic  
Acting Executive Director

Financially, 2010 was a successful year for the Authority. This is the second year in a row that the Authority collected more than 100% of its billings. This is largely due to collection efforts by PWSA staff and third party collection efforts.

PWSA installed a new public notification system. This system works like a reverse 911, allowing us to reach PWSA customers, in the event of a public health emergency affecting public drinking water. In addition, the system is also being used to enhance collection efforts, saving the Authority time and money.

In January 2010, the Authority began assessing a 5% Distribution Infrastructure System Charge (DISC) on all bills. This fee is applied to water and sewer conveyance and the money is dedicated to infrastructure improvements and other capital needs. The 2010 DISC collection total was over \$4.0 million.

In June of 2010, the Authority awarded the purchase of a new Enterprise Resource Program (ERP) to serve its customer service, finance, operations, engineering and IT infrastructure needs. Projected savings will exceed 50% of 2010 expenditures for IT support services.

In July of 2010, the Authority approved development of a 40 year Capital Master Plan. The Authority expended \$41.77 million on capital projects in 2010, more than doubling the \$20 million expended in 2009.

In summary, during 2010 the Authority continued to address and improve its collections on bad debts, established a public notification system and DISC program, while making preparations for the future by investing in critical infrastructure needs such as acquiring a new ERP system, and developing a 40 year plan that will assist the Authority in serving the needs of its ratepayers and stakeholders for decades to come.

Sincerely,

A handwritten signature in black ink, appearing to read "Stephen Simcic". The signature is written in a cursive, flowing style.

Stephen Simcic  
Acting Executive Director

# 2010 BOARD OF DIRECTORS



**Dan Deasy, Chairman**

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, strengthening penalties for crimes against children, providing more funding for policeman, enacting more fiscally responsible municipal and state budgets, and expanding services for senior citizens.



**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 is the Director of Finance for the City of Pittsburgh and has a background in municipal finance including policy and budget analysis, auditing and operations management. He has served the City of Pittsburgh for 26 years and offers his financial expertise to the Authority. Mr. Kunka is the Executive Director of the City's combined pension trusts, Chairman of both the Pittsburgh Parking Authority and the Equipment Leasing Authority and serves as the Treasurer of the PWSA Board.



**Margaret L. Lanier, Assistant Secretary / Assistant Treasurer**

Ms. Lanier has 28 years experience in City Government in roles of Customer Service, Real Estate and Tax Office Supervisor to Assistant Director in the Department of Finance Ms Lanier also served 5 years in the customer service division with the Department of Water. Ms. Lanier currently serves as Treasurer of the City of Pittsburgh/School District of Pittsburgh. She is responsible for the tax collections for 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).



**Patrick Dowd, Member**

In 2008, Patrick Dowd Began his first term as a 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 a 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.

# 2010 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:*

## 2010 PWSA Projects

### Water Treatment Plant

#### SCADA

Upgrade of SCADA system for new remote management of all pumping and storage equipment and facilities, improving electronic record keeping.

#### Clarifiers #1, #2, #3

Sludge collecting equipment will be replaced.

#### Clarifier Joint Repairs

Clarifier expansion joints in 2 of the 4 basins will be repaired

#### Chemical Containment Walls

Installation of concrete chemical containment walls for hypo tanks at the Water Treatment Plant

### Pumping and Storage

#### Highland #2 Reservoir

Inspection of tank and replacement of floating cover and liner

#### Ross Pump Station

Replacement of Switchgear equipment

#### Brashear Tank #2

Rehabilitating inside and out, painting and installing new mixing system

### Water Distribution

#### Bigelow Boulevard

Installation of 1800 ft of 12-inch water main.

#### Bates Street

Relay a 12-inch water line from Boulevard of the Allies to South Bouquet Street.

#### Saw Mill Run Boulevard

Installation of 1,000 ft of 8-inch water main, pressure regulating valves and a valve vault.

#### Freeport Road

Cleaning and Cement Lining 10,000 ft. of 60-inch water main from Blawnox to Fox Chapel. Installation of 1,000 ft. of 8-inch water line and installation of a 48-inch double disc gate valve.

#### 34th Street

Installation of 470 ft of 8-inch waterline from Liberty Avenue to Penn Avenue at Butler Street.

#### Diamond Street

Installation of 600 ft. of 8-inch water line.

#### 30th Street

Relaying a 12-inch water line from Liberty Avenue to Penn Avenue.

#### Valve Replacemen

Installation of a 42-inch valve at 36th St. and Smallman St. Installation of a 20-inch valve at Liberty Ave. and Taylor St. Installation of a 20-inch valve at Penn Ave. and N. St. Clair St. Installation of a 20-inch valve at Penn Ave and Penn Circle West.

### Waste Water Collection

#### South 6th Street

Reconstruction of 60 ft. of 20-inch sewer collapse CSX under railroad right-of-way

#### Mifflin Road

Installation of 400 ft. of 24-inch RCP storm sewer, 1,275 ft. of 18-inch storm sewer, 1,150 ft. of 24-inch storm sewer in Rodgers Street, Homeland Avenue, Mohrbach Street and Mifflin Road.

#### Sample Street

Installation of 625-feet of 24-inch RCP storm sewer.

#### Brackenridge

Installation of 725 ft. of 8-inch water main, 560 ft. of 30-inch storm sewer, 330 ft. of 36-inch RCP storm sewer and 580 ft. of 8-inch sanitary sewer.

#### Sewer Lining

12 miles of PWSA sewers to be lined with cured in place polyester lining.

## 2010 PWSA/ Developer Projects

#### Garfield Phase II (HACP)

Installation of 950 ft. of sewers and 200 ft. of water lines.

#### Steuben Street

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

#### Oakhill (HACP) (URA)

Installation of an 8-inch water line, installation of an 8-inch sanitary sewer, Installation of an 18-inch, 24-inch and 30-inch storm sewers.

# MAKING THE MOST OF OUR RESOURCES

## STATEMENTS OF NET ASSETS:

Years ended December 31, 2010 and 2009  
(dollars expressed in thousands)

ASSETS	2010	2009
Current assets:		
Cash and cash equivalents (unrestricted)	\$37,129	\$42,937
Accounts Receivable, net:		
Water and Sewer	13,696	12,814
Wastewater Treatment	6,395	8,101
Other	7,853	1,077
Inventory and prepaid expenses	2,082	1,919
<b>Total current assets</b>	<b>67,155</b>	<b>66,848</b>
Restricted Funds:		
Cash and cash equivalents	3,890	10,726
Investments	74,180	96,462
<b>Total restricted funds</b>	<b>78,070</b>	<b>107,188</b>
Fixed assets - at cost, net	517,029	470,352
Deferred Outflow	31,447	29,957
Bond issue costs, net	25,011	25,626
<b>TOTAL ASSETS</b>	<b>\$718,712</b>	<b>\$699,971</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Bonds and loans payable, current portion	\$15,711	\$16,435
Accrued payroll	672	683
Accounts payable - wastewater	17,631	15,703
Accounts payable	11,700	4,101
<b>Total current liabilities</b>	<b>45,714</b>	<b>36,922</b>
Restricted funds payable:		
Bonds payable, current portion		
Accounts payable	6,308	3,359
Accrued interest	11,563	10,052
<b>Total restricted funds</b>	<b>17,871</b>	<b>13,411</b>
Deferred revenue	314	335
Payroll related obligations	1,045	1,149
Swap Liability	36,856	35,057
Bonds and loans payable, net	647,079	648,635
Refunding loss	(0)	(0)
<b>TOTAL LIABILITIES</b>	<b>\$748,879</b>	<b>\$735,509</b>
Net Assets:		
Invested in capital assets, net	\$(40,489)	\$(62,556)
Restricted for capital activity and debt service	11,053	13,954
Unrestricted	(731)	13,064
<b>Total net asset deficit</b>	<b>(30,167)</b>	<b>(35,538)</b>
<b>TOTAL LIABILITIES AND NET ASSET DEFICIT</b>	<b>\$718,712</b>	<b>\$699,971</b>

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

Years ended December 31, 2010 and 2009  
(dollars expressed in thousands)

OPERATING REVENUES	2010	2009
Residential, commercial and industrial water sales	\$88,829	\$86,271
Wastewater Treatment	49,223	45,514
Other	1,701	2,390
<b>TOTAL OPERATING REVENUES</b>	<b>\$139,753</b>	<b>\$134,175</b>
<b>OPERATING EXPENSES</b>		
Direct operating expenses:		
Production	\$27,659	\$29,465
Other	8,734	9,305
Wastewater Treatment	48,788	44,795
Payments to City of Pittsburgh under Cooperation Agreement	8,650	8,631
City rate equalization - subsidy to other water companies	2,326	1,603
Depreciation	10,929	10,317
Capitalized lease amortization	1,491	1,491
<b>TOTAL OPERATING EXPENSES</b>	<b>\$108,577</b>	<b>\$105,607</b>
<b>OPERATING INCOME</b>	<b>\$31,176</b>	<b>\$28,568</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Federal Grants	\$52	\$248
Donated Property	15,100	14,819
Interest Revenue	550	690
Interest Revenue-Swap	(309)	7,187
Interest Expense	(39,387)	(38,133)
Amortization of bond issue costs	(1,811)	(1,633)
<b>TOTAL NON-OPERATING EXPENSE</b>	<b>\$(25,805)</b>	<b>\$(16,822)</b>
<b>INCREASE/(DECREASE IN NET ASSETS)</b>	<b>\$5,371</b>	<b>\$11,746</b>
<b>CHANGE IN NET ASSETS:</b>		
Net asset (deficit)		
Beginning of Year	(35,538)	(47,284)
<b>END OF YEAR</b>	<b>\$(30,167)</b>	<b>\$(35,538)</b>

# PWSA FACTS

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



- 2009 Revenues: 134 million
- 2009 Expenditures: 130 million
- 2010 Revenues: 140 million
- 2010 Expenditures: 134 million
- Budgeted Employees: 260
- 2010 Capital Improvement Program Value: 187 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 2010: 384
- Number of Service Line Leaks Repaired in 2010: 243
- 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



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