



ALLEGHENY INSTITUTE

FOR PUBLIC POLICY

March 22, 2017

Allegheny Institute Op-Ed

675 Words

Tough Choices for the PWSA

By Colin McNickle

The Pittsburgh Water & Sewer Authority finds itself between the proverbial devil and the deep blue sea, conclude scholars at the Allegheny Institute for Public Policy.

“Dramatic actions” are required to right the badly listing ship that is the PWSA, say the think tank’s Frank Gamrat and Jake Haulk (*in Policy Brief Vol. 17, No. 14*). But there are many devils in the details of all actions, they add.

The PWSA has a long and storied history of problems. Nearly 20 years ago, there was the scandal involving catch-basin cleaning. There was the water line insurance scandal. Then there was a scuttled privatization experience. And let’s not forget the spate of erroneous water bills and management shakeups.

Just this year already there was a massive boil-water advisory over concerns about inadequate chlorination, a pumping station problem and a stubborn water line break.

The latter’s slow diagnosis led to the leak of hundreds of thousands of gallons of water with repair costs expected to be near \$2 million. It’s likely the tip of a large iceberg, given the average age of such lines is at least 70 years old with some dating to the late 19th century, Gamrat and Haulk warn.

Pittsburgh Mayor Bill Peduto has convened a study group to explore seeking an outside entity to right the PWSA ship. The idea is that while the authority would retain ownership of the system, an outside firm would manage it and pay for its replacement. But Gamrat and Haulk see some dire straits.

First, the cost of replacing the entire system, water and sewer, has been estimated to be above \$2.5 billion. Second, the system is well past its design life, thus subject to an unknowable failure rate and unpredictable future capital costs.

Then there’s the PWSA’s heavy \$763 million debt load. And, fourth, for the past two years, the authority’s operating costs and debt service have exceeded net income.

“(It’s) not exactly a resume that will have suitors beating down the door,” Gamrat and Haulk note. “Who would contemplate pouring billions of dollars into an economic entity that is losing money and whose

maintenance and repair costs could swell losses for years to come and long before the infrastructure replacement can be completed?”

Institute researches say that unless an outside company is given the authority to enhance future revenue substantially as needed -- i.e. raise customer rates -- and has the power to cut operating expenses -- i.e. through personnel and other changes -- it “is unlikely there will be serious bidders” for the PWSA.

“(R)esidential bills could double with comparable increases in commercial and industrial users’ bills,” Gamrat and Haulk calculate, reminding that would be *before* any firm makes any profit.

So, what “dramatic actions” must take place to better position the PWSA for survival?

Gamrat and Haulk say it must audit the condition of all large pipe and catalog the most likely to fail (valves included) for immediate attention. Then it must create and implement a plan for replacement of all infrastructure with a high probability of failure over the next 15 years.

But the institute scholars say the PWSA also must enact a schedule of water and sewer rate increases to pay for it all.

“Once those rate hikes have been authorized, (the authority) should look for a large water or sewer firm (or other suitable management firm) to take over the PWSA.”

And if no firm can be found?

Gamrat and Haulk say “the city might have to take back ownership of the water and sewer system and find new sources of revenue and divert city funds to supplement usage charge revenue in order to have the funds necessary to begin the badly needed replacement.”

Sans tough choices, the Pittsburgh Water & Sewer Authority, wedged between those many devils and that deep blue sea, risk ending up in Davy Jones’ locker.

Colin McNickle, Senior Fellow

*Op-Eds may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org*

<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
