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PROFESSIONAL ENGINEERS

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December 21, 2015

Members of the Board
Municipal Authority of the Borough
of Leetsdale
5 Sixth Street
Leetsdale, PA 15056

Subject: Annual Report for Fiscal Year 2015
2016 Annual Budget

Gentlemen:

We submit herewith, as Consulting Engineers for the Authority, the Annual Report for the year 2015, including the recommended budget and program for the fiscal year ending October 31, 2016, as was required in Article VII, Section 7.10, of the Trust Indenture of the Municipal Authority of the Borough of Leetsdale, entered into in June 1, 1963, with the Pittsburgh National Bank as Trustee. On December 1, 1999, the last bond payments were made and the Bond issue was defeased.

In accordance with provisions in the Authority's NPDES permit, the EPA in conjunction with PaDEP mandated that the Authority accurately account for combined sewer overflows, maximizing sewer capacity and plan for the elimination of these overflows. On March 30, 2004, the Authority in conjunction with the outlying municipalities entered into a Consent Order and Agreement (COA) in compliance with EPA's Combined Sewer Overflow Control Strategy. This COA requires that the Authority transport, capture and treat 85% of the total annual discharge from the sewerage system. This compromise substantially reduces the overall cost to the Authority. The Authority designed the Edgeworth Lane Pump Station upgrade, parallel forcemain and interceptor sewer and enlargement of the treatment plant to 0.99 MGD with a peak flow rate of 10 MGD. This design was completed on January 7, 2007 in compliance with the COA. The tributary municipalities are also required to continue their on-going sewer separation projects. The implementation of the COA as mandated by EPA/PaDEP was completed on June 8, 2010 and the COA was lifted on November 24, 2010. The success of this important project required the cooperative effort of both Borough's and the Authority.

On August 1, 2007, the Authority began payments of the PennVEST Loan I at a rate of 3.312% until maturity. This was followed by the PennVEST II and PennVEST III loans which began their 20 year terms in October and December 2010, respectively at a rate of 2.019% for the first five years and 2.965% until maturity. The Authority in anticipation of the impact from the COA raised sewerage rates effective August 1, 2010.

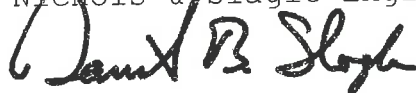
This report sets forth our findings relative to maintenance and operation of the sewage system during the fiscal year ending October 31, 2015, an analysis and projection for the 2016 fiscal year, and other pertinent matters involved in the operations of the Authority. This is the fifty-fifth year of Authority operation. The projected net income, exclusive of miscellaneous revenues such as LIP Debt Reimbursement for the current year 2015, as compared to the actual record for the past year, 2014, and compared to the next year's 2016 budget, is presented as follows:

	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Net Income Operations</u>
Audit - 2014	\$1,006,900	\$613,087	\$393,813
Increase or Decrease	<u>77,800</u>	<u>34,987</u>	<u>112,787</u>
Projected - 2015	\$1,084,700	\$578,100	\$506,600
Increase or Decrease	<u>(4,700)</u>	<u>(43,100)</u>	<u>38,400</u>
Budgeted - 2016	\$1,080,000	\$535,000	\$545,000

Revenues continued to modestly increase while expenses modestly decreased during fiscal year 2015. Operating expenses are expected to decrease moderately during fiscal year 2016, as a result of the passing of the Authority's Superintendent, Ron Yankello, the retirement of the Authority's Secretary Bev Smith and the transfer of the billing to Edgeworth Authority. We also budgeted inflationary increases in supplies, labor, telephone, insurance and benefits and deregulation of electric power. The Authority must continue to exercise strict fiscal control in order to hold expenses within the proposed budget.

The operation and maintenance of the system has continued to be excellent throughout the past year. The work requirements of the system are exacting and the superintendent and the operating personnel are to be commended for their dedication and skill in the performance of the many difficult and demanding tasks required of them. This report indicates that the Board of Directors, management and staff have conducted operations of the system on a sound, competent basis. This office as Consulting Engineers for the Authority, continues to receive complete cooperation from the Board of Directors and operations staff.

Respectfully submitted,
Nichols & Slagle Engineering, Inc.



Daniel B. Slagle, P.E.
Principal Engineer

MUNICIPAL AUTHORITY OF THE BOROUGH OF LEETSDALE
COUNTY OF ALLEGHENY, COMMONWEALTH OF PENNSYLVANIA

ANNUAL REPORT
FISCAL YEAR ENDING OCTOBER 31, 2015

MEMBERS OF THE BOARD AND AUTHORITY OFFICIALS

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2015

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MUNICIPAL AUTHORITY OF THE BOROUGH OF LEETSDALE
COUNTY OF ALLEGHENY, COMMONWEALTH OF PENNSYLVANIA

ANNUAL REPORT
FISCAL YEAR ENDING OCTOBER 31, 2015

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MUNICIPAL AUTHORITY OF THE BOROUGH OF LEETSDALE
COUNTY OF ALLEGHENY, COMMONWEALTH OF PENNSYLVANIA

ANNUAL REPORT
FISCAL YEAR ENDING OCTOBER 31, 2015

INTRODUCTION

This report is prepared in accordance with the requirements set forth in Article VII, Section 7.10, of the Trust Indenture of the Municipal Authority of Leetsdale, dated June 1, 1963, with Pittsburgh National Bank as Trustee. Under this Indenture, the Authority issued Sewer Revenue Bonds in the principal amount of \$1,285,000 for the purpose of refunding the original bond issue and constructing an intercepting sewer to serve industrial property in the Borough of Leetsdale. On December 1, 1999, the last bond payments were made and the Bond issue was defeased. On September 12, 2003, the Authority's Charter was extended by the founding municipalities to 2043. The Authority received a loan from PennVEST I on November 17, 2004 in the amount of \$860,000 to fund the first phase of the Consent Order and Agreement (COA) with payments starting August 1, 2007 at a rate of 2.462 for the first five years and 3.312% until maturity. The Authority secured a \$400,000 interim loan at 70 percent of prime in December 2006 to fund the second phase of the anticipated major capital improvement projects mandated by PaDEP in the COA. This loan was capitalized as part of a \$1,400,000 revolving Line of Credit for two years with PNC bank at 70 percent of prime. The Authority received PennVEST II financing in the amount of \$5,864,000 on July 14, 2008 to fund this next phase of the COA. This PNC loan was closed on August 27, 2009. The Authority received an additional PennVEST III Loan in the amount of \$890,000 on October 27, 2009. The PennVEST II and PennVEST III loans began their 20 year terms in October and December 2010, respectively at a rate of 2.019% for the first five years and 2.965% until maturity.

At the present time, the Authority provides sewage service to about 1,501 customers, including 166 residential customers in the Camp Meeting Road Area of Leet Township and approximately 154 customers in the public, commercial, industrial and school categories in the Boroughs of Leetsdale and Edgeworth. The Authority is responsible for the maintenance and operation of the treatment plant, interceptor sewer system, sewage pumping stations, and diversion structures.

This report sets forth our findings relative to the maintenance, repair, and operation of the Authority's sewerage facilities during the fiscal year ending October 31, 2015; an analysis and projection of the same phases for the 2016 fiscal year and discussion of other pertinent matters relative to the operations of the Authority.

GENERAL OPERATION AND MAINTENANCE WORK

GENERAL

The Authority is in its fifty-fifth year. The intercepting sewer system, pumping stations and wastewater treatment plant are maintained in good condition by the Authority. The new plant and pump station upgrades and new Bethlehem Interceptor and Edgeworth 16-inch force main went on-line on June 8, 2010. The Authority updated its service availability charge (SAC) in January 2006 in accordance with Pennsylvania Act 57 to recover the value of the reserve capacity at the wastewater treatment plant.

The major capital expansion project which upgraded the original facilities to provide secondary treatment was completed during the 1977 fiscal year. The original vacuum filter was replaced by a new belt filter press during the 1989 fiscal year. The anaerobic digester roof rehabilitation project was completed in December 1992. The hydro-pneumatic tank was replaced in 1994, in accordance with the requirements of the Department of Labor and Industry. The waste activated sludge pumps were also replaced on June 6, 1995. All of the plants roofs were repaired with the exception of the secondary building on October 18, 1996. The Edgeworth Lane Pump Station controls and flap gates were replaced together with the installation of the Little Sewickley Creek Flow Meter and a new raw water well during 1998. The preaeration headers were also replaced during 1998 under emergency conditions. The corner house which was refurbished and converted into the new Authority office during 1999. The froth spray, main plant comminutor and the Leet Street Pump Controls were replaced during 2000 along with the installation of the First Street Sewer Project. The Little Sewickley Creek comminutor, main plant flow and hydroneutic controls were replaced during 2002. During 2003, the Authority converted the old sludge holding tank into a Primary Effluent Diversion (PED) System and recalibrated/reconstructed the Bethlehem leaping weir as mandated by PaDEP. The Authority completed a major expansion project which included enlarging the Leet Street, Edgeworth Lane and Little Sewickley Creek Pump Stations along with the Main Plant's pumps in compliance with the first phase of the COA on July 31, 2005. This major project also included adding emergency generators at each location at a total combined cost of \$830,049 funded by PennVEST I. The completion of the Leet Street sewer separation project by Leetsdale Borough allowed the Authority to seal off the Leet Street overflow on July 29, 2005. On August 15, 2006, the Authority completed enlarging the Leet Street forcemain funded by PaDOT as part of the Leetsdale Borough's Overpass Project. On December 20, 2007, the parallel Bethlehem Interceptor sewer was completed.

As required by PADEP's nine minimum control plan, the data from these five remote flow meters is relayed to the treatment plant over the telephone lines. The Authority purchased five new flow monitors in 2012/2013. PADEP's goal is for the Authority to maximize its' flow to

the treatment plant. All of the six combined sewer overflow regulators were removed/breached, maximizing the flow to the wastewater treatment plant and correspondingly reducing the number and volume of overflows. The Leet Street overflow sewer was sealed on July 29, 2005.

In accordance with provisions in the Authority's NPDES permit, the EPA in conjunction with PaDEP requires the Authority to accurately account for combined sewer overflows, maximizing sewer capacity and plan for the elimination of these overflows. On March 30, 2004, the Authority in conjunction with the outlying municipalities entered into a Consent Order and Agreement (COA) in compliance with EPA's Combined Sewer Overflow Control Strategy. This COA required that the Authority prepare a Nine Minimum Control (NMC) Plan, O&M Manual, System Hydraulic Characterization Report (SHCR), Long Term Control Plan (LTCP) and Feasibility Study. Each Borough evaluated the alternatives in this plan and adopted alternative 3B which was submitted to and approved by PaDEP in accordance with the COA. The LTCP was approved by PaDEP on April 7, 2006. This COA requires that the Authority transport, capture and treat 85% of the total annual discharge from the sewerage system. This compromise substantially reduces the overall cost to the Authority. The project involves the design of the Edgeworth Lane Pump Station upgrade, parallel forcemain and interceptor sewer and enlargement of the treatment plant to 0.99 MGD with a peak flow rate of 10 MGD. This design was completed within the required 755 days of PaDEP's approval of the WQM Part II permit in compliance with the COA. The tributary municipalities are also required to continue their on-going sewer separation projects. The implementation of the COA as mandated by EPA/PaDEP was completed on June 8, 2010 and the COA was lifted on November 24, 2010. The success of this important project required the cooperative effort of both Borough's and the Authority.

Miscellaneous tasks included preparing the 2014 Census of Public Utilities, MIPP re-permitting administration, 2014 Wasteload Management Report, and solid waste re analysis as required by PaDEP. Laboratory Analysis was out sourced in compliance with PaDEP's laboratory accreditation requirement. Additional monitoring requirements are anticipated.

Intercepting Sewers

The 2014-15 flows to the treatment plant decreased from the prior year as a result of a drier year maximizing flow to the plant. The intercepting sewers are operating within design limits.

The following maintenance work was completed during the last fiscal year:

1. The overflow stations were inspected daily for proper operation.
2. Maintained five flow monitors at the overflow stations.
3. Maintained 2 rain gauges at the main plant and Edgeworth Lane Pump Station.
4. Five new Sigma FL900 Series Flow Logger Batteries were purchased.
5. Monitor/evaluate flow data on a daily/weekly basis to eliminate erroneous flow data from malfunctioning/compromised meter sensors.

The following maintenance work should be considered for the coming fiscal year:

1. Continue the inspection and maintenance of the overflow stations and interceptor main.
2. Monitor, maintain and evaluate flow data from the five flow meters at the overflow stations.
3. Monitor nine minimum control plan implementation.

The plant's performance, based on treatment efficiency, was outstanding during 2014-15. The following table illustrates this statement as a function of Carbonaceous Biochemical Oxygen Demand (CBOD) verses daily flow.

<u>Month</u>	<u>Average Daily Flow (MGD)</u>	<u>Weekly Average Influent CBOD (lbs/day)</u>	<u>Weekly Average Effluent CBOD (lbs/day)</u>	<u>Removal Efficiency (%)</u>
<u>2014</u>				
November	0.330	463.50	6.75	98.54
December	0.420	629.20	13.40	97.87
<u>2015</u>				
January	0.438	512.00	8.50	98.34
February	0.514	525.00	10.00	98.10
March	1.168	1,381.75	30.75	97.77
April	0.792	409.50	54.00	86.80
May	0.437	464.75	10.00	97.85
June	0.684	306.25	12.25	96.00
July	0.585	321.20	19.20	94.02
August	0.328	342.75	7.75	97.74
September	0.437	685.20	19.60	97.14
October	<u>0.432</u>	<u>533.25</u>	<u>22.75</u>	<u>95.73</u>
Average	0.547	547.86	17.91	96.73
PADEP Limits	0.990	2,000.00	162.00	82.00

The average efficiency for the plant was 96.73% as compared with the required efficiency of 82.0% by PaDEP.

The anaerobic digester was taken off-line in November 2010 and replaced with an aerobic digester.

Capital Additions

The following Capital Additions were completed during fiscal year ending October 31, 2015.

1. Purchase New Ford F250 Pickup Truck.

Proposed Capital Additions for fiscal year ending October 31, 2012 include:

1. Repair Roofs on Secondary Building -- \$10,000
2. Paint Outside Office Building -- \$5,000
3. Bell Acres Force Main -- \$368,000
4. Construct New Maintenance/Administrative Building - \$108,000

TOTAL 2016 CAPITAL ADDITONS -- \$491,000

TRUST INDENTURE REQUIREMENTS
APPLICATION OF RECEIPTS AND REVENUES

In December 1, 1999, the last bond payment was made and the Authority's bond was defeased. The 1963 Trust Indenture requirements listed above are no longer required, however, the Authority has requested that the same general format be followed. The Debt Service, Sinking, Capital Expenditures and Surplus Funds were converted into a single fund known as the Construction Fund and in conjunction with the Authority's Liquid Deposit Fund. The foregoing Revenue Fund Balance reflects a \$1,400,000 loan from PNC Bank that was borrowed on November 30, 2007, for the purpose of funding the capital improvements as required by Consent Order and Agreement.

The status of the Authority's Revenue Fund as of October 31, 2015, was as follows:

Revenue Fund

Cash	\$	360.00
Cash		99,542.74
Total - Revenue Fund		\$99,902.74

Capital Expenditures Fund

Invest	\$	240,161.71
Total - Capital Expenditures Fund		\$ 240,161.71

PennVEST Fund

Cash	\$	9,652.35
PennVEST II		65,330.79
PennVEST III		8,938.87
Total - Cash		\$ 83,922.01
		\$ 424,056.46

Accounts Receivable

Leet Township	\$	20,004.46
Total		\$ 444,060.92

CONDENSED SCHEDULE OF SEWAGE CHARGES

The following indicates the present schedule of rates, which was adopted effective August 1, 2010. The Authority will be required to increase this Schedule of Rates in subsequent years as operation and maintenance costs increase due to inflationary pressure.

1. SCHEDULE OF RATES BASED ON METER SIZE/USAGE

BOROUGH OF EDGEWORTH

Minimum Quarterly Charge Allowance 9,000 Gallons	\$88.20
Average Rate per 1,000 Gallons	\$ 6.50

BOROUGH OF LEETSDALE

Minimum Quarterly Charge Allowance 9,000 Gallons	\$79.60
Average Rate per 1,000 Gallons	\$ 6.50

LEET TOWNSHIP

Minimum Quarterly Charge Allowance 9,000 Gallons	\$79.60
Average Rate per 1,000 Gallons	\$ 6.50

BOROUGH OF BELL ACRES

Minimum Quarterly Charge Allowance 9,000 Gallons	\$79.60
Average Rate per 1,000 Gallons	\$ 6.50

NOTE: In no case will any bill be rendered for an amount less than the minimum established in the applicable schedule of rates heretofore set forth in Section 1 above.

3. SCHEDULE OF SURCHARGES - COMMERCIAL AND INDUSTRIAL

The commercial and industrial premises shall be subject to the following surcharges if the suspended solids and/or biochemical oxygen demand exceed certain limits, and if the chlorine demand is unusually high:

A. Suspended solids and biochemical oxygen demand

$$F = 1 + 0.15 \left(\frac{0.75 (SS - 350)}{350} \right) + \frac{0.25 (BOD - 300)}{300}$$

Where:

F = Factor to be applied to basic

SS = Suspended solids of particular wastes in parts per million (ppm)

BOD = B.O.D. of particular wastes in ppm

B. Chlorine Demand

$$R_c = 0.00835 P_c (C - 5)$$

Where:

R_c = Surcharge rate for chlorine demand in cents per thousand gallons of wastes

P_c = Contract price of chlorine in cents per pound

C = Chlorine demand of particular wastes in ppm

4. RESIDENTIAL, COMMERCIAL AND INDUSTRIAL TAP-IN CHARGE

In accordance with Resolution No. 192 passed August 19, 1991, all new residential, commercial, and industrial customers shall be assessed a fee for connection based on an adopted fee schedule. This fee schedule includes connection fee, customer facilities fee, and tapping fee.

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

INSURANCE

An examination of the insurance now in effect indicates the Authority is provided with complete protection. The Authority did not renew the flood insurance policy for the anaerobic digester in 2009. The insurance policy must be revised/updated upon completion/acceptance of the Comprehensive Wastewater Treatment Plant Improvement Project in 2012. The following table indicates the insurance now in effect:

Kind of Insurance	Amount of Coverage	Expiration Date	Annual Premium	Coverage
Package Policy Property	\$2,000,000/\$1,000,000 \$14,010,268	1/22/13	<u>\$19,867</u>	General Liability Buildings and Contents Coverage written on an Agreed Amount Basis for the structures known as the Leetsdale Plant, against All-Risk Perils including Burglary and Replacement Cost subject to \$1,000 Deductible as outlined below.
	\$1,000,000 \$1,000,000			Broad Form Property Damage Personal Injury Liability Advertising Offense Liability
	\$100,000			Fire Legal Liability Glass - All-Risk Coverage
	\$ 5,000			Medical Payments
	\$ 25,000		<u>\$250</u>	\$250 -Crime - Employee Dishonesty (\$250 Deductible)
	\$ 10,000			Valuable Papers (\$250 Deductible)
	\$ 9,000			Computer Coverage (90% Coinsurance) (\$1,000 Deductible)
Automobile Liability	\$1,000,000/Combined Single Limit \$ 35,000 Statutory \$250 Ded. Comp. \$500 Ded. Collision \$2,500 Funeral Expense \$25,000 Accidental Death	1/22/13	<u>\$821</u>	Bodily Injury Property Damage Uninsured Motorist No-Fault, Non-owned and Hired Car 1999 Ford 3/4 Ton Pickup Truck 1FTNX2153XEE75409

Municipal Authority of the Borough of Leetsdale
 Annual Report and Budget - continued

Kind of Insurance	Amount of Coverage	Expiration Date	Annual Premium	Coverage
Workmen's Compensation	Statutory	1/22/13	<u>\$8,431</u>	All Employees - \$1,000,000 Employer's Limit \$1,000,000 Bodily Injury by Disease
System Breakdown	\$15,703,045 \$1,000 Deductible	1/22/13	Included in package	Repair and Replacement Broad Form Coverage
Public Official Liability	Each Loss \$1,000,000 Aggregate \$1,000,000	1/22/13	<u>\$1,857</u>	Errors and Omissions Board Members
Umbrella Policy	\$2,000,000	1/22/13	<u>\$1,732</u>	\$0 Deductible

Replacement Costs - October 31, 2012

<u>Location</u>	<u>Replacement Cost December 31, 2012</u>
Main Control Building	\$ 2,316,885
Digester & Control Bldg.	602,610
Little Sewickley Creek P.S.	727,351
Edgeworth Lane P.S.	809,252
Leet Street P.S.	375,141
Concrete Block Garage	36,689
One Family Dwelling	841,152
Air Flotation Building	38,250
Secondary Treatment Fac.	4,797,436
New SBR Facility	5,158,279
TOTAL	<u>\$15,703,045</u>

CUSTOMERS

The following tabulation sets forth the number of premises currently connected to the Authority sewage treatment system through the internal Borough's and Leet Township's sewage collection systems:

	Leetsdale *		Edgeworth		Leet		Totals	
	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>
Residential	560	583	621	620	166	173	1,347	1,376
Commercial	31	47	14	15	0	0	45	62
Industrial	90	89	0	0	0	0	90	89
Public	3	4	7	5	0	0	10	9
Schools	<u>2</u>	<u>2</u>	<u>7</u>	<u>6</u>	<u>0</u>	<u>0</u>	<u>9</u>	<u>8</u>
Totals	686	725	649	646	166	173	\$1,501	1,544
							2014	2014
							172	172
							625	625
							16	16
							650	650
							646	646
							649	649
							553	553
							31	31
							93	93
							3	3
							2	2
							682	682
							682	682

*Includes multiple minimums

The foregoing tabulation indicates that there are currently **1,504** customers, including multiple dwellings, served by the Authority. The Leetsdale Industrial Park submetered the entire park allowing for the individual billing of each tenant. This project resulted in an decrease of the industrial category. A slight decrease in this Leetsdale/Edgeworth/Leet Residential category was also noted.

Municipal Authority of the Borough of Leetsdale
 Annual Report and Budget - continued

REVENUES, EXPENSES AND FINANCIAL DATA

Revenues

The following summary indicates the total revenues reported by accrual, classified by accounts, for the Borough of Leetsdale, the Borough of Edgeworth, and the Township of Leet for the current fiscal year, which ends October 31, 2015.

	<u>Leetsdale - 2014</u>			Total Revenue Projected Revenue
	November through February <u>2015</u>	March through May <u>2015</u>	June through August <u>2015</u>	through August <u>2015</u> through October <u>2015</u>
Residential West End				
Commercial				
Industrial				
School				
Public				
<u>Total Operating</u>				
Net Penalties				
TOTAL				

* Note: Transitional Industrial Billing

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

The following summary indicates the revenues as of August 31 2015, in Leetsdale and Edgeworth Boroughs and Leet Township, as provided by the Authority projected for the full fiscal year ending October 31, 2015, compared with the 2015 Budget Estimate, and further projects the 2016 Budget Estimates:

	Actual Revenues Nov. 1, 2014 to August 31, 2015	Projected Revenues thru Oct. 31, 2015	2015 Budget Estimate	Projected Revenues Above or Below 2015 Estimate	2016 Budget Estimate
<u>Borough of Leetsdale</u>					
Residential	\$ 437,903	\$ 539,200	\$ 510,000	\$ 29,200	\$ 540,000
West End	24,112	30,600	20,000	10,600	20,000
Commercial					
Industrial					
School					
Public					
Total Operating	\$ 462,015	\$ 569,800	\$ 530,000	\$ 39,800	\$ 560,000
Penalties					
Total Revenues - Borough of Leetsdale	\$ 462,015	\$ 569,800	\$ 530,000	\$ 39,800	\$ 560,000
<u>Borough of Edgeworth</u>					
Residential	\$ 422,976	\$ 437,900	\$ 450,000	\$ (12,100)	\$ 450,000
Commercial					
School					
Public					
Total Operating	\$ 422,976	\$ 437,900	\$ 450,000	\$ (12,100)	\$ 450,000
Penalties					
Total Revenues - Borough of Edgeworth	\$ 422,976	\$ 437,900	\$ 450,000	\$ (12,100)	\$ 450,000
<u>Leet Township</u>					
Residential	\$ 63,359	\$ 77,000	\$ 80,000	\$ (3,000)	\$ 80,000
TOTAL REVENUES- AUTHORITY OPERATIONS	\$ 948,350	\$1,084,700	\$1,060,000	\$ 24,700	\$1,080,000
<u>Miscellaneous Revenues</u>					
Revenue Fund					
Investment Income	\$ 0	\$ 0	\$ 500	\$ (500)	\$ 500
Interest	0	\$ 10	200	(190)	200
SAC Fee		8,400	3,000	5,400	3,000
Industrial Permit Fees	9,300	9,600	15,000	(5,400)	10,000
LIP Debt Payment	12,309	14,770	14,800	(30)	14,800
Miscellaneous	0	192	500	(308)	500
Total Misc. Revenues	\$ 58,909	\$ 32,972	\$ 34,000	\$ (1,028)	\$ 34,000
TOTAL REVENUES-ALL SOURCES		\$1,117,672	\$1,094,000	\$ 23,672	\$1,124,000

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

The Total Revenues - Authority Operations are projected to be more than the budgeted amount for the year ending October 31, 2015 as a result of Starbucks and a new mini-mall being constructed in Edgeworth Borough and a dry year resulting in more water usage. Comparison of operating revenues, not including penalties, projected for this year with the Revenues from the previous Audit ending October 31, 2014 projected Operating Revenue for 2015, and with the Budgeted Revenues for the 2016 year, indicates the following:

	<u>Operating Revenues Audit-2014</u>	<u>Increase or Decrease</u>	<u>Operating Revenues Projected 2015</u>	<u>Increase or Decrease</u>	<u>Operating Revenues Budget 2016</u>
Leetsdale	\$ 461,644	\$108,156	\$ 569,800	\$ (9,800)	\$ 560,000
Edgeworth	467,411	(29,511)	437,900	12,100	450,000
Leet	<u>77,845</u>	<u>(845)</u>	<u>77,000</u>	<u>3,000</u>	<u>80,000</u>
TOTALS	\$1,006,900	\$77,800	\$1,084,700	\$ 5,300	\$1,080,000

The projected revenue for 2015 demonstrated a **dramatic increase** in revenues when compared with the 2014 Audit as a result of Hussey Copper sewage flows and a dry year resulting in more water usage.

The estimated operating revenues for the coming fiscal year ending October 31, 2016 are expected to increase slightly as a result of Starbucks and a mini-mall being constructed in Edgeworth Borough

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

Expenses

The following summary indicates the actual expenses as of August 31, 2015 provided by the Authority, projected for the full fiscal year ending October 31, 2015, compared to the 2015 Budget Estimate, and further projects the 2016 Budget Estimate:

	Actual Expenses Nov. 1, 2014 to Aug. 31, 2015	Projected Expense Oct. 31, 2015	2015 Budget Estimate	Projected Expenses Above or Below 2015 Budget	2016 Budget Estimate
<u>OPERATING EXPENSES</u>					
5120 - <u>Salaries & Wages</u>	\$ 179,436	\$204,000	\$ 195,000	(9,000)	\$160,000
5211 - <u>Electricity</u>					
52111 Sigma	0	0	500	500	500
52112 Treatment Plant	41,667	49,800	55,000	5,200	50,000
52113 Leet Street P.S.	2,436	2,700	3,500	800	3,000
52114 Little Sewickley P.S.	5,629	6,500	7,500	1,000	7,000
52115 Edgeworth Lane P.S.	4,446	5,200	6,000	800	6,000
52116 Office	0	0	500	500	500
Subtotal	\$ 54,178	\$ 64,200	\$ 73,000	\$8,800	\$ 67,000
5212 - Gas	5,016	5,200	6,500	1,300	5,500
5213 - Water	1,317	1,700	2,000	300	2,000
5220 - <u>Purification and Laboratory Supplies</u>					
52202 Soda Ash	0	0	100	100	100
52203 Laboratory Supplies	1,367	1,500	2,000	500	2,000
52204 Testing	5,992	7,100	5,000	(2,100)	5,000
5221 - <u>Plant Maintenance</u>					
52211 Main Plant	7,149	7,600	10,000	2,400	10,000
52212 Tools and Equipment	250	800	800	0	800
52213 Collection System	7,583	7,600	5,000	(2,600)	5,000
5226 - <u>Motor Vehicle</u>	2,181	2,600	3,000	400	3,000
5227 - <u>Flow Meters</u>	5,075	5,600	5,000	(600)	5,000
5228 - <u>Corner Property</u>	75	100	1,000	900	1,000
5230 - <u>Operating Supplies/Expenses</u>	2,747	5,900	6,000	100	6,000
5235 - <u>Training/Conf.</u>	1,814	1,900	2,500	600	2,000
5240 - <u>Waste Disposal</u>					
52401 Polymer (Conditioning)	1,085	1,100	2,000	900	2,000
52402 Sludge Removal	8,837	8,900	13,000	4,100	10,000
52403 SBR Cleaning	0	4,300	1,000	(3,300)	5,000
52404 Dumpster	0	0	800	800	500
5301 - West End	22,965	30,100	22,000	(8,100)	22,000
5302 - License/Permits	835	900	900	(900)	600
5300 - Other	130	200	500	300	500
TOTAL OPERATING EXPENSES	\$ 302,632	\$361,300	\$356,200	(5,100)	\$315,000

Municipal Authority of the Borough of Leetsdale
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	Actual Expenses Nov. 1, 2014 Aug. 31, 2015	Projected Expense Oct. 31, 2015	2015 Budget Estimate	Projected Expenses Above or Below 2015 Budget	2016 Budget Estimate
<u>5500 General/Administration</u>					
5510 Secretary	\$ 5,595	\$ 5,600	\$ 4,000	\$ (1,600)	\$ 400
5512 Administrative Bonus	0	0	0	0	0
5520 Edgeworth Billing	7,860	10,500	11,000	500	12,000
5525 Computer Upgrade	75	200	500	300	500
5530 Office Supplies	669	800	1,500	700	1,000
5532 Minutes Reporting	450	800	0	(800)	2,400
5535 Administrative Expenses	2,058	2,800	4,000	1,200	3,000
5536 Billing Postage	178	200	1,000	800	600
<u>5540 Communications</u>					
55401 Telephone	5,718	5,800	6,000	200	6,000
55402 Internet	1,579	2,000	2,500	500	2,500
<u>5550 Insurance</u>					
55501 Workmen's Comp.	7,528	10,300	10,000	(300)	10,000
55503 Officers Liability					
55504 Boiler and Machinery					
55505 Automobile Liability					
55506 Gen. Liab./Fire	20,587	27,000	27,000	0	30,000
<u>5610 Employee Welfare/Pension</u>					
56101 Life Insurance	1,292	0	0	0	2,000
56101A Health and Life Ins.	60,080	68,000	100,000	32,000	80,000
56101B Eye, Dental Ins.	4,535	5,200	0	(5,200)	6,000
56101C Health Reimb.	10,015	10,100	0	(10,100)	10,000
56102 Pension	0	6,800	7,000	200	8,000
56103 Physical Exams	0	0	100	100	100
56104 Clothing Allowance	1,653	1,700	0	(1,700)	1,500
5615 FICA (All Employees)	14,155	16,000	18,000	2,000	15,000
5616 Unemployment Comp.	1,587	1,600	2,000	400	2,000
TOTAL GENERAL OPERATING EXPENSES	\$ 127,669	\$175,400	\$194,600	\$ 19,200	\$193,000
<u>ADMINISTRATIVE EXPENSES</u>					
5560 Legal	\$ 7,968	\$ 8,800	\$ 10,000	\$ 1,200	\$ 10,000
5571 Retainer	960	1,300	1,500	200	1,500
5572 Engineering	22,020	23,000	8,000	(15,000)	8,500
5580 Auditing	6,989	8,300	6,500	(1,800)	7,000
TOTAL ADMINISTRATIVE EXPENSES	\$ 37,937	\$41,400	\$ 26,000	\$ (15,400)	\$ 27,000
<u>SUMMARY OF EXPENSES</u>					
Operating	\$ 302,632	\$361,300	\$356,200	\$ (5,100)	\$315,000
General Operating	127,669	175,400	194,600	19,200	193,000
Administrative	37,937	41,400	26,000	(15,400)	27,000
TOTAL OPERATING EXPENSES	\$468,238	\$578,100	\$576,800	\$ (1,300)	\$535,000

Municipal Authority of the Borough of Leetsdale
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Comparison of the projected expenses for this year ending October 31, 2015, with actual expenses from the previous year ending October 31, 2014, and with the budgeted expenses for the next year ending October 31, 2016, indicates the following:

	<u>Actual Expenses 2014 Audit</u>	<u>Increase or Decrease</u>	<u>Projected Expenses 2015</u>	<u>Increase or Decrease</u>	<u>Budgeted Expenses 2016</u>
Collection and Treatment	\$393,377	\$32,077	\$361,300	\$46,300	\$315,000
General Operating	188,618	13,218	175,400	(17,600)	193,000
Administrative	<u>31,092</u>	<u>(10,308)</u>	<u>41,400</u>	<u>14,400</u>	<u>27,000</u>
TOTAL	\$613,087	\$34,987	\$578,100	\$43,100	\$535,000

The Authority has made a concerted effort to reduce electrical, natural gas, insurance and health care costs. Health care package was adjusted to take advantage of recent new programs. Operating expenses are projected to stabilize during the coming year as the Authority continues operations of the larger wastewater treatment plant in compliance with the Consent Order and Agreement. Correspondingly, we anticipate a decrease in salary, benefits and health care with the recent passing of the Superintendent and retirement of the Authority's Secretary. The Authority should continue to exercise careful fiscal control to stay within budget. Allowances have been made for inflationary increases in electricity, gas, supplies, labor, insurance and benefits. The Authority has secured a PennVEST I low interest loan in the amount of \$860,000 at an interest rate of 3.312 percent until maturity to fund the required upgrades to the wastewater facilities as required by PaDEP in the Consent Order and Agreement. The Authority also secured PennVEST low interest loans No. II and No. III in the amount of \$5,864,000 and \$890,000 at an interest rate of 2.109 percent for the first five years and 2.965 percent for the next fifteen years to fund the required upgrades to the wastewater facilities as required by PaDEP in the Consent Order and Agreement. No rate increase is projected for this year.

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND OTHER COSTS

The net income available for debt service and other costs during the fiscal years ending October 31, 2012, 2013, 2014, 2015 and 2016, respectively, based on the 2012, 2013 and 2014 Audits and on the foregoing data, is as follows:

	Audit			Cash Basis Projected 2015	Budget 2016
	2012	2013	2014		
Revenues - Authority Operations	\$ 1,027,225	\$ 964,694	\$ 1,006,900	\$ 1,084,700	\$ 1,080,000
Operating & Administrative Expense	<u>559,551</u>	<u>618,774</u>	<u>613,077</u>	<u>578,100</u>	<u>535,000</u>
Net Income - Authority Operations	\$ 467,674	\$ 345,920	\$ 393,823	\$ 506,600	\$ 545,000
LIP Debt Payment	14,629	14,771	14,771	14,770	14,800
Interest Earned Revenue Fund Investments	50	50	0	10	200
Customer Deposit Fund	2,518	16,075	0	0	500
SAC Fees	2,800	17,300	37,300	8,400	3,000
Industrial Permit Fees	8,700	600	1,248	9,600	10,000
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>192</u>	<u>500</u>
Net Revenue Other Sources	\$ 28,697	\$ 48,796	\$ 53,319	\$ 32,972	\$ 34,000
Net Income Available for Debt Service and Other Costs	\$ 496,371	\$ 394,716	\$ 447,142	\$ 539,572	\$ 579,000
Average Annual Debt Service (A.A.D.S.) Requirements*	\$ 469,487	\$ 469,487	\$ 469,497	\$ 469,500	\$ 498,430
Net Income	\$ 26,884	\$ (74,771)	\$ (22,355)	\$ 70,072	\$ 80,570
Times Average Annual Debt Service Earned-Authority Operations (Coverage)	1.00	0.74	0.84	1.08	1.09
Ratio-Total Operating and Administrative Expenses to Revenues	54.5%	64.1%	60.9%	53.3%	49.5%
Times Average Annual Debt Service Earned- Net Income Available	1.06	0.84	0.95	1.15	1.16

The foregoing indicates that, under the present rate schedule, the revenues produced from all sources were sufficient to provide a positive cash flow. The Authority will complete the Capital Improvements outlined on page 10 totaling \$56,000. The Authority increased sewerage rates by 25 percent effective August 1, 2010 to fund the interim financing and PennVEST Loan.

* PENNVEST I Payment Began August 2007 @ 2.462% for the first 5 years and 3.312% until maturity.

** PENNVEST II Payment Began October 2010 @ 2.019% for the first 5 years and 2.965% until maturity.

*** PENNVEST III Payment Began December 2010 @ 2.019% for the first 5 years and 2.965% until maturity.

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

ALLOCATION OF NET INCOME

The estimated net revenues for the fiscal years ending October 31, 2015 and 2016, respectively, available for transfers to the Construction Fund are as follows:

	<u>2015</u>	<u>2016</u>
TOTAL NET INCOME AVAILABLE	\$483,200	\$565,000
<u>DEBT SERVICE PAYMENT</u>		
PennVEST I*		
Interest	\$ 19,950	\$ 19,950
Principal	<u>37,880</u>	<u>37,880</u>
Total Payments	\$ 57,830	\$ 57,830
PennVEST II**		
Interest	\$123,300	\$133,650
Principal	<u>236,400</u>	<u>248,350</u>
Total Payments	\$359,700	\$382,000
PennVEST III**		
Interest	\$ 20,300	\$ 21,000
Principal	<u>35,200</u>	<u>37,600</u>
Total Payments	<u>\$ 55,500</u>	<u>\$ 58,600</u>
TOTAL DEBT SERVICE REQUIREMENT	<u>\$473,030</u>	<u>\$498,430</u>
CONSTRUCTION FUND TRANSFER	\$ 10,170	\$100,570

* PENNVEST I Loan Payments Began August 2007

** PENNVEST II Loan Payments Began October 2010

*** PENNVEST III Loan Payments Began December 2010

On December 1, 1999, the Authority's bond issue was defeased. The Debt Service, Sinking, Capital Expenditures and Surplus fund was dissolved and the Construction Fund was formed. The Brentwood Bank Loan term ended December 3, 2007 and was capitalized through a new \$1,400,000 PNC revolving loan executed on November 30, 2007 for duration of two years. This loan was refinanced in full upon closing the PennVEST financing on August 27, 2009.

The Authority has secured a PennVEST I low interest loan in the amount of \$860,000 at an interest rate of 2.462 percent for the first five years and 3.312 percent for the next fifteen years to fund the required upgrades to the wastewater facilities as required by PaDEP in the Consent Order and Agreement. The Authority also secured PennVEST low interest loans No. II and No. III in the amount of \$5,864,000 and \$890,000 at an interest rate of 2.109 percent for the first five years and 2.965 percent for the next fifteen years to fund the required upgrades to the wastewater facilities as required by PaDEP in the Consent Order and Agreement. No rate increase is projected for this year.

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

ANNUAL BUDGET

FISCAL YEAR ENDING OCTOBER 31, 2016

The following Budget is recommended for adoption:

Revenues

Authority Operations

<u>Borough of Leetsdale</u>	\$ 540,000
Residential	
West End	20,000
Commercial	
Industrial	
School	
Public	
	<hr/>
Total Operating Revenues - Leetsdale	\$ 560,000
Penalties	
TOTAL REVENUES - BOROUGH OF LEETSDALE	\$ 560,000
<u>Borough of Edgeworth</u>	\$ 450,000
Residential	
Commercial	
School	
Public	
	<hr/>
Total Operating Revenues - Edgeworth	\$ 450,000
Penalties	
TOTAL REVENUES - BOROUGH OF EDGEWORTH	\$ 450,000
<u>Leet Township</u>	
Residential	
Total Operating Revenues - Leet Twp.	
TOTAL REVENUES - LEET TOWNSHIP	\$ 80,000
TOTAL REVENUES AUTHORITY OPERATIONS	\$1,080,000

Municipal Authority of the Borough of Leetsdale
 Annual Report and Budget - continued

Total Revenues-Authority Operations (Carried Forward) \$1,080,000

OPERATING EXPENSES

COLLECTION AND TREATMENT EXPENSES

Account 5120 - Salaries		\$160,000
Account 5200 - Utilities		
5211 Electricity		
52111 Sigma	\$ 500	
52112 Treatment Plant	50,000	
52113 Leet St. Pump Station	3,000	
52114 Little Sewickley Pump Station	7,000	
52115 Edgeworth Lane Pump Station	6,000	
52116 Office	500	
Subtotal	<u>\$67,000</u>	
5212 Gas		\$ 5,500
5213 Water		\$ <u>2,000</u>
Account 5220 - Purification and Lab Supplies		
52202 Soda Ash	100	
52203 Laboratory Supplies	2,000	
52204 Testing	<u>5,000</u>	
		\$ 7,100
Account 5221 - Parts and Maintenance		
52211 Water Pollution Control Plant	\$10,000	
52212 Tools and Equipment	800	
52213 Collection System	<u>5,000</u>	
		\$ 15,800
Account 5226 - Motor Vehicle	\$ 3,000	
Account 5227 - Flow Meters	\$ 5,000	
Account 5228 - Corner Property	<u>\$ 1,000</u>	
		\$ 9,000
Account 5230 - Operating Supplies Expenses	\$ 6,000	
5235 - Training Conference	<u>2,000</u>	
		\$ 8,000
Account 5240 - Sludge Handling		
52401 Polymers (Conditioning)	\$ 2,000	
52402 Sludge Removal	10,000	
52403 SBR Cleaning	5,000	
52404 Dumpster	<u>500</u>	
		\$ 17,500
Account 5301 West End		\$ 22,000
Account 5302 License/Permits		\$ 500
Account 5300 Other		<u>\$ 600</u>
TOTAL COLLECTION AND TREATMENT EXPENSES		\$315,000

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

Total Revenues-Authority Operations (Carried Forward) \$1,080,000

GENERAL OPERATING EXPENSES

Account 5500 - General/Administrative

5510 Secretary	\$ 400	
5512 Administrative Bonus	0	
5520 Edgeworth Billing	12,000	
5525 Computer Upgrades	500	
5530 Office Supplies & Expenses	1,000	
5532 Minutes Reporting	2,400	
5535 Administrative Expenses	3,000	
5536 Billing Postage	<u>600</u>	
		\$ 19,900

Account 5540 - Communication

55401 Telephone	\$ 6,000	
55402 Internet	<u>2,500</u>	
		\$ 8,500

Account 5550 - Insurance

55501 Workmen's Compensation	\$ 10,000	
55502 General Liability/Fire	30,000	
55503 Officers Liability		
55504 Boiler and Machinery		
55505 Automobile Liability	<u></u>	
		\$ 40,000

Account 5610 - Employees' Welfare/Pension

56101 Life Insurance	\$ 2,000	
56101A Health and Life Ins.	80,000	
56101B Eye, Dental Ins.	6,000	
56101C Health Reimb.	10,000	
56102 Pension	8,000	
56103 Physical Exams	100	
56104 Clothing Allowance	1,500	
5615 FICA (All Employees)	15,000	
5616 Unemployment Comp.	<u>2,000</u>	
		\$124,600

TOTAL GENERAL OPERATING EXPENSES

\$193,000

ADMINISTRATIVE EXPENSES

5560 Legal	\$ 10,000	
5571 Retainer	1,500	
5572 Engineering	8,500	
5580 Auditing	<u>7,000</u>	
Total Administrative Expenses		\$ 27,000

TOTAL OPERATING EXPENSES

\$535,000

NET INCOME - AUTHORITY OPERATIONS

\$545,000

Municipal Authority of the Borough of Leetsdale
Annual Report and Budget - continued

NET INCOME - AUTHORITY OPERATIONS (Brought Forward) \$ 545,000

Miscellaneous Revenues

LIP Debt Payment	\$ 14,800
Interest Earned - Revenue Fund	500
Interest Earned - Customer Deposit Fund	200
SAC Fees	3,000
Industrial Permit Fee	14,800
Miscellaneous	<u>500</u>

TOTAL MISCELLANEOUS REVENUES \$ 33,800

NET INCOME AVAILABLE FOR DEBT SERVICE AND
OTHER FUND DEPOSITS \$ 578,800

DEBT SERVICE REQUIREMENTS

PennVEST I*		
Interest	\$ 19,950	
Principal	<u>37,880</u>	
Total Debt Service Requirements		\$ <u>54,407</u>

PennVEST II**		
Interest	\$133,650	
Principal	<u>248,350</u>	
Total Debt Service Requirements		\$ <u>374,300</u>

PennVEST III***		
Interest	\$ 21,000	
Principal	<u>37,600</u>	
Total Debt Service Requirements		\$ <u>52,970</u>

TOTAL DEBT SERVICE \$ 481,677

Balance for Deposit to Construction Fund \$ 80,370

* PENNVEST Loan I Payments Began August 2007 (2027)

** PENNVEST Loan II Payments Began October 2010 (2030)

*** PENNVEST Loan III Payments Will Began December 2010 (2030)

CONCLUSIONS AND RECOMMENDATIONS

In accordance with the Authority Boards action to maintain a similar format to the Trust Indenture with respect to the duties of the Consulting Engineer, the following recommendations are set forth:

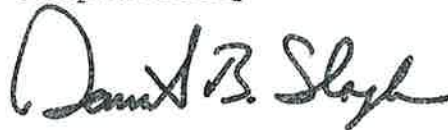
1. The Authority should continue to maintain, repair and operate the sewage system in accordance with good practice. The operating and maintenance program should continue as required as the sewerage system is upgraded/expanded in accordance with the COA.
2. The insurance schedule appears adequate for the original plant. These policies must be renewed/updated during the coming fiscal year upon completion of the Comprehensive Wastewater System Improvement project in order to maintain adequate coverage.
3. The average daily wastewater flow remained within the treatment plant's capacity according to PADEP's criteria. The operation of the treatment plant as documented by the daily reports submitted to PADEP indicates that the plant operates successfully at waste flows in excess of the plant's design capacity. The plant was not hydraulically and organically overloaded during 2014/2015 as a result of maximizing flows to the treatment plant in accordance with the COA. The Authority and tributary municipalities entered into Consent Orders and Agreement with PADEP on March 30, 2004 which was satisfied on November 24, 2010.
4. The Authority received an annual debt payment in the amount of \$14,770 from LIP for expanding the Leet Street Pump Station.
5. The net income from Authority operations, projected to be \$506,600 for 2015, when combined with income and expenses from all other sources will produce net income for 2015 of \$539,572.
6. Implemented Optional ACH Payment Program.
7. The budget for the 2016 fiscal year indicates that the net income from Authority operations will stabilize as a result of a 25% rate increase effective August 1, 2010. This income, combined with income from all other sources, will produce a net available income of \$579,000 for 2015 allowing for an estimated debt partial payment of \$498,430.

Municipal Authority of the Borough of Leetsdale
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8. The Authority should closely monitor the residential funds for 2016 as the rate structure relies on a combination of a base rate plus water usage.
9. The rates adopted August 1, 2010, will generate sufficient revenues to operate the Authority for 2016.
10. The Authority plans to construct Capital Improvements totaling \$491,000 as outlined on page 10. The outstanding balance in the Capital Expenditures Fund was \$240,162 leaving a negative balance of \$250,838 which is scheduled to be financed by a short term loan (7 years) from PNC Bank as the need arises.
11. The Authority should adopt the Budget, as set forth in this report, for the fiscal year ending October 31, 2016.

The Authority Board, Management, and Staff are commended for the administration and management of this sewerage system. We wish to thank the Management and Staff for the valuable assistance given in the preparation of this Report.

Respectfully submitted,



Daniel B. Slagle, P.E.
Principal Engineer

DBS/ss