

A COMMUNITY RESOURCE

2003 / 2004 ANNUAL REPORT

PWWSA
THE PITTSBURGH WATER & SEWER AUTHORITY
Quality Water  Quality Service

VISION

PWSA will provide water and wastewater services that meet or exceed regulations and customer expectations at the lowest possible cost.



MISSION

CUSTOMERS

To deliver water and wastewater services that meet our customers' expectations.

FINANCIAL MANAGEMENT

To strengthen our financial condition and controls in order to meet the responsibilities to our stakeholders and position us for future market opportunities.

INTERNAL EFFECTIVENESS

To focus on efficient, cost-effective service, operations and capital program delivery in order to maintain a competitive offering.

EMPLOYEES AND ASSOCIATES

To provide a culture that encourages employee development and safety.

REGULATORY AND ENVIRONMENT

To deliver these services in compliance with regulatory requirements.

“Through our business plan, vision and mission, PWSA is committed to maintaining and improving current levels of service, providing an ample and safe supply of water, and supporting the infrastructure needs required for economic development and growth.”

On behalf of The Pittsburgh Water and Sewer Authority (PWSA) and its Board of Directors, it is my pleasure to present to you the 2003 – 2004 Annual Report. 2004 marks a major milestone for PWSA. We not only had an extremely busy year undertaking many new projects, we also celebrated our 20th Anniversary as an organization.

PWSA saw many changes and improvements throughout the year. Driven by our five-year business plan, many new initiatives were implemented. Key Performance Indicators were developed and applied throughout the entire organization to measure and refine performance and expenses. To further improve our tracking processes, a Computerized Maintenance Management System was put in place for our Operations Division as well as a Project Management System in order to move our Engineering Division and Capital Improvement Program forward. Our Customer Service Division began processing ALCOSAN charges on PWSA bills for all City of Pittsburgh residents, as well as offering a water line replacement program. As an organization, we continued our pursuit to seek alternative funding for both capital and operational expenditures. Through this effort, we were able to utilize loan proceeds from the Pennsylvania Infrastructure Investment Authority (PENNVEST) for various projects and several other grants for security and sewer-related work.

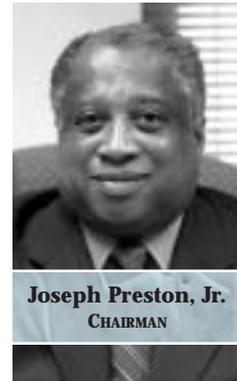
PWSA has truly undergone a transformation since its inception in 1984. At the beginning, PWSA’s primary objective was to oversee a \$200,000,000 capital improvement program for the water system. Since then, PWSA’s obligations have expanded, and today we are responsible for all of the daily water and sewer operations as well as maintaining a capital improvement program. PWSA currently provides 335,000 residents with water and sewer services, produces 70 million gallons of water per day, maintains approximately 1,200 miles of water and sewer lines and has 240 employees.

PWSA is proud of its accomplishments over the past 20 years. We value the relationship we have developed with our customers and are very pleased to be a partner with the City of Pittsburgh in its past, present and future endeavors.

Please take a few moments to review the following pages. As always, we at PWSA welcome your questions, comments and suggestions on how we can help you.

Sincerely,

Joseph Preston, Jr.
Chairman

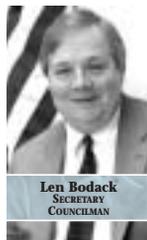


Joseph Preston, Jr.
CHAIRMAN

BOARD OF DIRECTORS



Richard Fees
VICE CHAIRMAN



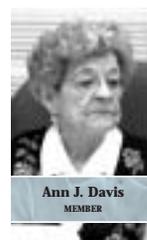
Len Bodack
SECRETARY
COUNCILMAN



Ellen M. McLean
TREASURER



Robert Provolt, Sr.
ASSISTANT SECRETARY
ASSISTANT TREASURER



Ann J. Davis
MEMBER

PWSA ENGINEERING AND CONSTRUCTION PROJECTS 2004

- **BEDFORD DWELLINGS**
Installation and upgrade of current water and sewer infrastructure for new housing development
- **HOWARD STREET PUMP STATION**
Rehabilitation of current building, including new offices and Vector Truck parking area
Modification of perimeter area to include Vector Sludge Handling Tank
- **LOWER NINE MILE RUN**
Repair and rehabilitation of 54" trunk sewer within Lower Nine Mile Run
- **NINE MILE RUN REDEVELOPMENT**
Installation of new water and sewer infrastructure at Summerset at Frick

- **SOUTH SIDE INDUSTRIAL DEVELOPMENT**
Installation of new water and sewer infrastructure for the South Side Industrial Development
- **SOUTH SIDE RIVERFRONT HOUSING**
Upgrade and replacement of water and sewer infrastructure in support of new housing development
- **SQUIRREL HILL - SOUTH**
Upgrade of fire protection system
- **STREETS RUN TRUNK SEWER PROJECT**
Repair of the Streets Run Trunk Sewer and provide service to unsewered properties
- **WESTWOOD**
Upgrade of fire protection system

ONGOING PROJECTS 2004 - 2005

- **COMBINED SEWER OVERFLOW (CSO) STUDY, ENGINEERING AND FLOW MONITORING**
The CSO Long Term Control Plan is underway, and the Consent Order and Agreement with the Department of Environmental Protection (DEP) and Allegheny County Health Department (ACHD) has been signed and is in the process of being implemented. The first stage of this plan includes the assessment of the sewer system and the development of a hydraulic model.
- **SCHENLEY PLAZA**
Project involves repair of the existing sewer infrastructure and installation of storm drainage facilities, Schenley Plaza, University of Pittsburgh



1929: Water Line Relay — North Avenue



1963: Completion of Herron Hill Tank



1967: Installing 8-foot Water Main at Sand Plant

STATEMENTS OF NET ASSETS

Years ended December 31, 2003 and 2002
(dollars expressed in thousands)

ASSETS	2003	2002
Current assets:		
Cash and cash equivalents (unrestricted)	\$20,895	\$31,643
Accounts receivable, net:		
Water and Sewer	11,764	10,710
Wastewater Treatment	3,129	3,652
Other	1,358	347
Inventory and prepaid expenses	1,642	1,495
Total current assets	38,788	47,847
Restricted Funds:		
Cash and cash equivalents	8,479	4,253
Investments	56,774	87,236
Total restricted funds	65,253	91,489
Fixed assets - at cost, net	425,451	410,535
Bond issue costs, net	6,384	3,786
TOTAL ASSETS	\$535,876	\$553,657
LIABILITIES AND NET ASSETS		
Current liabilities:		
Bonds and loans payable, current portion	\$8,531	\$7,349
Accrued payroll	743	783
Accounts payable - wastewater	3,598	3,764
Accounts payable	6,900	3,248
Total current liabilities	19,772	15,144
Restricted funds payable:		
Bonds payable, current portion	3,444	3,355
Accounts payable	4,939	4,276
Accrued interest	6,230	7,531
Total restricted funds	14,613	15,162
Deferred revenue	551	703
Payroll related obligations	1,209	1,264
Bonds and loans payable, net	554,836	558,249
Refunding loss	(20,973)	(19,859)
TOTAL LIABILITIES	\$570,008	\$570,663
Net Assets:		
Invested in capital assets, net	\$(44,789)	\$(34,974)
Restricted for capital activity and debt service	9,254	7,273
Unrestricted	1,403	10,695
Total net asset deficit	(34,132)	(17,006)
TOTAL LIABILITIES AND NET ASSET DEFICIT	\$535,876	\$553,657

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2003 and 2002
(dollars expressed in thousands)

OPERATING REVENUES	2003	2002
Residential, commercial and industrial water sales	\$63,242	\$62,236
Other	1,945	1,680
TOTAL OPERATING REVENUES	\$65,187	\$63,916
OPERATING EXPENSES		
Direct operating expenses:		
Production	\$18,170	\$16,057
Other	11,841	10,310
Payments to City of Pittsburgh under Cooperation Agreement	7,150	7,150
City rate equalization - subsidy to other water companies	3,186	3,886
Depreciation	11,922	9,877
Capitalized lease amortization	2,557	2,554
TOTAL OPERATING EXPENSES	\$54,826	\$49,834
OPERATING INCOME	\$10,361	\$14,082

NON-OPERATING REVENUES (EXPENSES)

Interest revenue	\$1,322	\$1,564
Interest expense	(28,408)	(25,944)
Amortization of bond issue costs	(401)	(496)
TOTAL NON-OPERATING EXPENSE	\$(27,487)	\$(24,876)
DECREASE IN NET ASSETS	\$(17,126)	\$(10,794)

CHANGES IN NET ASSETS

Net asset (deficit)		
Beginning of year	(17,006)	(6,212)
END OF YEAR	\$(34,132)	\$(17,006)

"PWSA has many initiatives underway to improve financial management and performance, including but not limited to, implementation of a two-year rate plan, billing for city related ALCOSAN charges and information technology investments in engineering and operations."



Over the past 20 years, PWSA has been an integral partner with the City of Pittsburgh in its development. Throughout this report, we highlight their contributions to this great city.

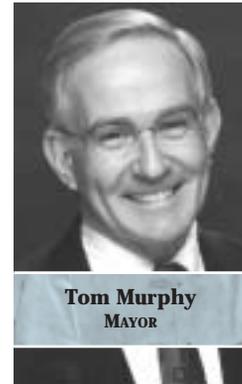
PWSA not only operates and maintains the water and sewer system, but also helps to support the many growth initiatives to accommodate the city's emerging needs. Over the years, PWSA has taken a water and sewer system that was once dominated by the demands of heavy industry to a system that is able to assist the City of Pittsburgh in

“PWSA and the City of Pittsburgh are dedicated to protecting and improving our three rivers and maintaining a high quality of life for all of our residents.”

constructing new housing developments, retail establishments, technology centers, hospitals and universities.

Mayor Tom Murphy and his staff work closely with PWSA's leaders to not only support improvement projects, but to help ensure compliance with state and federal

water and sewer regulations. Over the next few years, PWSA and the City of Pittsburgh will be working hand-in-hand to comply with the Combined Sewer Overflow (CSO) Consent Order and Agreement implemented by the Department of Environmental Protection (DEP) and the Allegheny County Health Department (ACHD). Many changes and challenges lie ahead for this region as we tackle this issue. However, we are committed to working collectively with the surrounding communities to address problem areas in order to work towards solutions that will ultimately end the flow of untreated wastewater into our rivers during heavy periods of rain.



1999: Covering of Highland Reservoir #2



2000: Construction of Highland Reservoir #1 Microfiltration Plant



2004: Rehabilitation of 60" sewer at Nine Mile Run



FACTS

2002 Revenues:	\$65 million
2002 Expenditures:	\$76 million
2003 Revenues:	\$67 million
2003 Expenditures:	\$84 million
Budgeted Employees:	273
Current Capital Improvement Program Value:	\$90 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 (combined):	335,000 residents
Miles of Waterlines:	1,200
Storage Facilities:	5 reservoirs and 11 tanks
Storage Capacity:	455 million gallons
Number of Valves:	More than 32,000
Number of Fire Hydrants:	More than 7,800
Number of Leaks Repaired:	More than 1,200 annually
Lab Tests Performed:	More than 54,000 annually
Miles of Sewer Lines:	1,100
Sewage Pumping Stations:	4
Number of Catch Basins:	More than 20,000
Number of Manholes:	More than 15,000



PWSA
THE PITTSBURGH WATER & SEWER AUTHORITY
Quality Water Quality Service

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