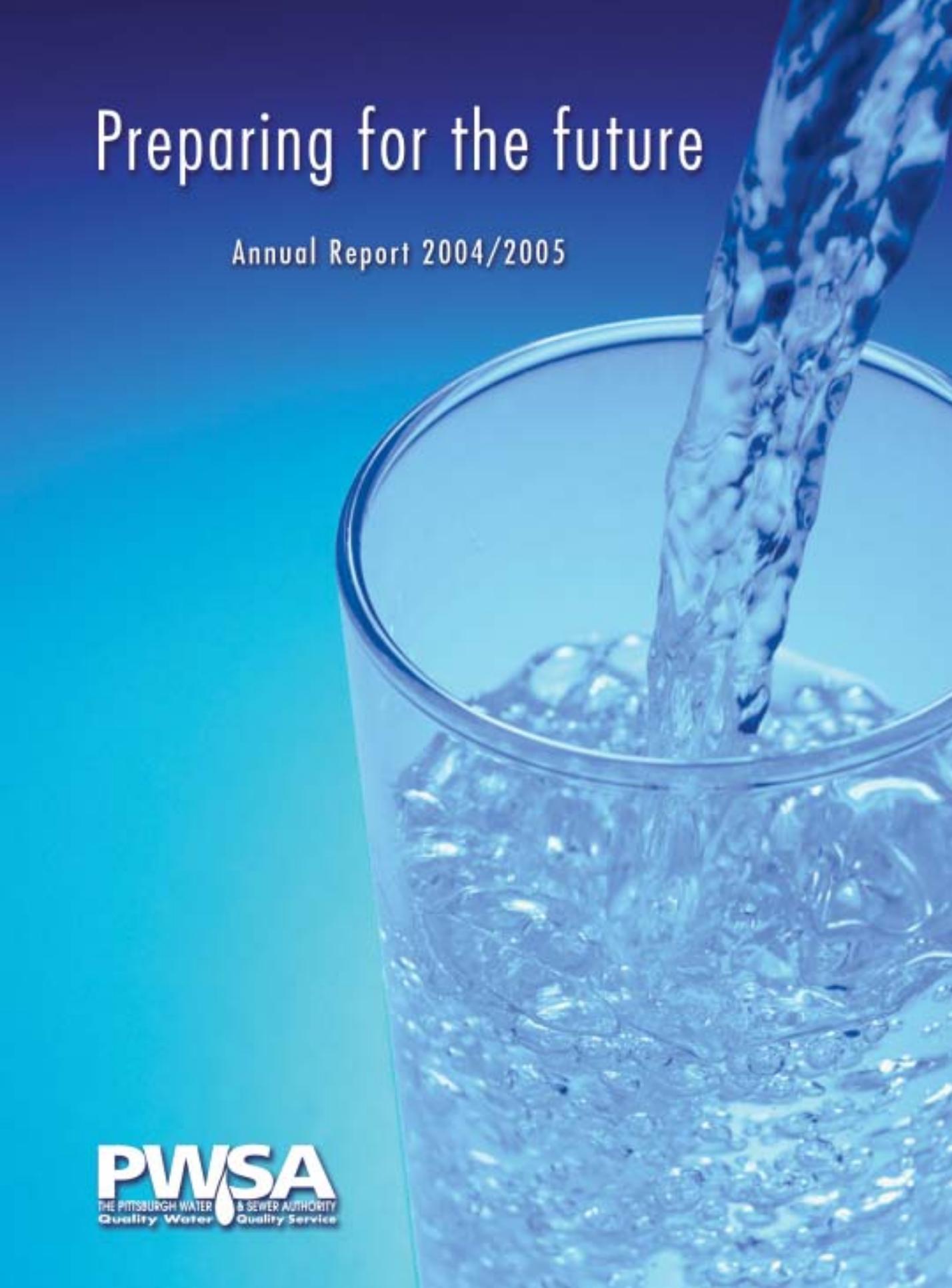


# Preparing for the future

Annual Report 2004/2005



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



Gregory Tutsock  
Executive Director

**"Our business plan formalizes and documents initiatives and objectives that will guide us into the future."**

*"The Pittsburgh Water and Sewer Authority's vision of providing water and wastewater services that meet or exceed regulations and customer expectations at the lowest possible cost is supported by a five-year strategic business plan. Our business plan formalizes and documents initiatives and objectives that will guide us into the future. Fiscal constraint for both operating and capital budgets, improving levels of service, maintaining water quality and ongoing employee development are key components of our plan."*

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

PWSA's mission is multifaceted and diverse. We serve a variety of constituencies, including:

**Our Customers:**

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

**Our Financial Stakeholders:**

We seek to strengthen our financial condition and controls to meet our financial responsibilities and to position us for future market opportunities.

**Our Employees and Associates:**

We foster a culture that encourages employee development and safety.

**Our Internal Systems:**

We focus on providing efficient, cost-effective service, operations and capital program delivery to maintain a competitive offering.

**Our Regulatory and Environmental Stakeholders:**

We deliver our services in compliance with all regulatory and environmental requirements.



Joseph Preston, Jr.  
Chairman

As the leader of an organization dedicated to providing the residents of the city of Pittsburgh with quality water and quality services each and every day, I am pleased to present to you The Pittsburgh Water and Sewer Authority's (PWSA) 2004 – 2005 Annual Report.

It's been another busy year at PWSA. Working in collaboration with the city of Pittsburgh and developers, we continued to help lay the foundations for many of the major projects that are ongoing throughout the city, as well as concentrated on making vital repairs and modifications to our existing infrastructure. We have also carried out a number of initiatives, such as updating our water distribution model, analyzing our Clearwell, and installing a Laboratory Information Management System (LIMS) to ensure compliance with state and federal regulations pertaining to the Clean Water Act.

In 2005, we saw significant progress in addressing the ongoing challenges of the Combined Sewer Overflow (CSO) issue. PWSA is facing a potential \$1 billion expense for repair, replacement and improvements to our sewer collection and conveyance system. Although these improvements and expenditures will span several decades, we are designing the plans and making the critical decisions on how to fund those expenses now. We have developed a rational and reasonable approach to address both Combined Sewers and Sanitary Sewers which will provide full regulatory compliance without placing an unreasonable burden on our ratepayers. We are committed to working with the Allegheny County Sanitary Authority (ALCOSAN) and the surrounding municipalities in resolving this issue and ultimately improving the quality of our region's waterways.

As we prepare the water and sewer infrastructure for the future, we are committed not only to the city of Pittsburgh, but to the residents we serve. PWSA is dedicated 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, all at the lowest cost to our ratepayers.

Please take a few minutes to review the following pages of this annual report. We at PWSA value our relationship with each and every customer and are proud to be an active member in the city of Pittsburgh's past and will help prepare it for the future.

As always, we welcome your questions, comments and suggestions.

Sincerely,

Joseph Preston, Jr.  
Chairman

## Board of Directors



**Richard Fees**  
Vice-Chairman



**Len Bodack**  
Secretary-Councilman



**Robert Provolt, Sr.**  
Assistant Secretary-Treasurer



**Ann J. Davis**  
Member

Since the inception of PWSA in the early 1980's, there have been significant changes in the city of Pittsburgh's economy. As Pittsburgh has evolved from an industrial powerhouse, with facilities lining the banks of our rivers, into a center of education, healthcare advancement and business, we have seen the demand for PWSA's services shift significantly. Our organization has been called on to support growth in areas where there were never needs before. Yet, through it all, PWSA has responded with exceptional service, technical know-how and a commitment to doing the job right.

A strong and reliable water and sewer infrastructure is the foundation of continued growth and development initiatives. However, with much of the city's water and sewer infrastructure being nearly a century old, it is necessary to rebuild and reinforce our facilities on a regular basis to address those new needs. To that end, PWSA has contributed approximately \$90 million in capital improvement funding – along with operational funding and personnel resources – to support development projects since 1984. And to ensure ongoing future progress on matters such as the Combined Sewer Overflow (CSO) issue, water line replacements, and upgraded water treatment facilities, PWSA has secured \$50 million in funding for our 2005-2007 Capital Improvement Program. The needs of the future are clear, and they must be addressed now.

To maintain our level of service, as well as the integrity of our distribution system, PWSA has formed partnerships with government agencies, developers, and community officials to support key projects and accommodate emerging needs throughout the city of Pittsburgh. From the North Shore to the South Side, from Oakland to Downtown, PWSA has been, and continues to be, a vital participant in the advancement of this city. By making these investments, PWSA is enhancing the quality of life for the citizens of our region and doing its part to ensure a prosperous and strong tomorrow.

## 2005 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:

### Combined Sewer Overflow (CSO) Study, Engineering and Flow Monitoring:

The CSO Long Term Control Plan and the Consent Order and Agreement with the Department of Environmental Protection (DEP) and the Allegheny County Health Department (ACHD) are in their second year of implementation. Over the past year, PWSA has inspected over 3,000 manholes within the system to comply with the Consent Order and Agreement. Over the next five years, approximately 30,000 additional manholes will be inspected.

### Nine Mile Run Development:

As the Summerset at Frick Park residential development – one of the city's newest neighborhoods – moves forward into its next phase, PWSA continues to work closely with the Urban Redevelopment Authority (URA) to install new water and sewer infrastructure within the development.

### South Side Industrial Development

Over the past year, PWSA and the URA continued to work together to prepare the site for development by installing water and sewer infrastructure.

### Schenley Plaza

In conjunction with the city of Pittsburgh and the Pittsburgh Parks Conservancy, PWSA has repaired and rehabilitated the existing sewer infrastructure and installed storm drainage facilities for Schenley Plaza and the University of Pittsburgh.

### Water Distribution Model Update:

Internal teams at PWSA have been analyzing and calibrating PWSA's water distribution model to support capital planning activities.

### Clearwell Analysis:

PWSA has commissioned a study of the 44-million gallon Clearwell at PWSA's Water Treatment Plant to pinpoint needed renovations to the existing Clearwell structure. The Clearwell supports disinfection of water leaving the treatment plant.

### Sewer Repair and Rehabilitation Work:

A number of sewer repairs and rehabilitation projects have been undertaken over the past year, including:

- Centre Avenue Sewer Repair
- Murray Avenue Sewer Repair
- North Neville Street Sanitary and Storm Repairs
- Phipps Conservatory Sewer Replacement
- Schenley Drive Storm Sewer Installation
- Virginia Avenue Sewer Repair
- West Liberty Avenue Sewer Lining

## Upcoming Projects for 2006

In the coming year, PWSA will be working on a number of projects, including:

### East Carson Street Widening:

Pennsylvania Department of Transportation (PENNDOT) is preparing to widen State Route 837 – known locally as East Carson Street – in the vicinity of the new South Side Works development. PWSA, in cooperation with PENNDOT, will be replacing large diameter water and sewer utilities in the Carson Street corridor.

### Upper Oakland Main Replacement:

PWSA will be installing new, large diameter transmission mains in upper Oakland to provide water supplies to universities and hospitals.

### Sewer Repair and Rehabilitation Work:

- Banksville Road Diversion Chamber Relocation
- Kemper Street Storm Sewer Installation
- Maple Terrace Sewer Replacement

## STATEMENTS OF NET ASSETS:

Years ended December 31, 2004 and 2003  
(dollars expressed in thousands)

ASSETS	2004	2003
Current assets:		
Cash and cash equivalents (unrestricted)	\$20,617	\$20,895
Accounts Receivable, net:		
Water and Sewer	12,473	11,764
Wastewater Treatment	7,454	3,129
Other	2,332	1,358
Inventory and prepaid expenses	1,734	1,642
<b>Total current assets</b>	<b>44,610</b>	<b>38,788</b>
Restricted Funds:		
Cash and cash equivalents	25,843	8,479
Investments	16,004	56,774
<b>Total restricted funds</b>	<b>41,847</b>	<b>65,253</b>
Fixed assets - at cost, net	441,722	425,451
Bond issue costs, net	7,357	6,384
<b>TOTAL ASSETS</b>	<b>\$535,536</b>	<b>\$535,876</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Bonds and loans payable, current portion	\$11,467	\$8,531
Accrued payroll	810	743
Accounts payable - wastewater	11,965	3,598
Accounts payable	6,186	6,900
<b>Total current liabilities</b>	<b>30,428</b>	<b>19,772</b>
Restricted funds payable:		
Bonds payable, current portion	4,713	3,444
Accounts payable	2,357	4,939
Accrued interest	6,551	6,230
<b>Total restricted funds</b>	<b>13,621</b>	<b>14,613</b>
Deferred revenue	442	551
Payroll related obligations	962	1,209
Bonds and loans payable, net	550,506	554,836
Refunding loss	(18,833)	(20,973)
<b>TOTAL LIABILITIES</b>	<b>\$577,126</b>	<b>\$570,008</b>
Net Assets:		
Invested in capital assets, net	\$(52,022)	\$(44,789)
Retricted for capital activity and debt service	7,726	9,254
Unrestricted	2,706	1,403
<b>Total net asset deficit</b>	<b>(41,590)</b>	<b>(34,132)</b>
<b>TOTAL LIABILITIES AND NET ASSET DEFICIT</b>	<b>\$535,536</b>	<b>\$535,876</b>

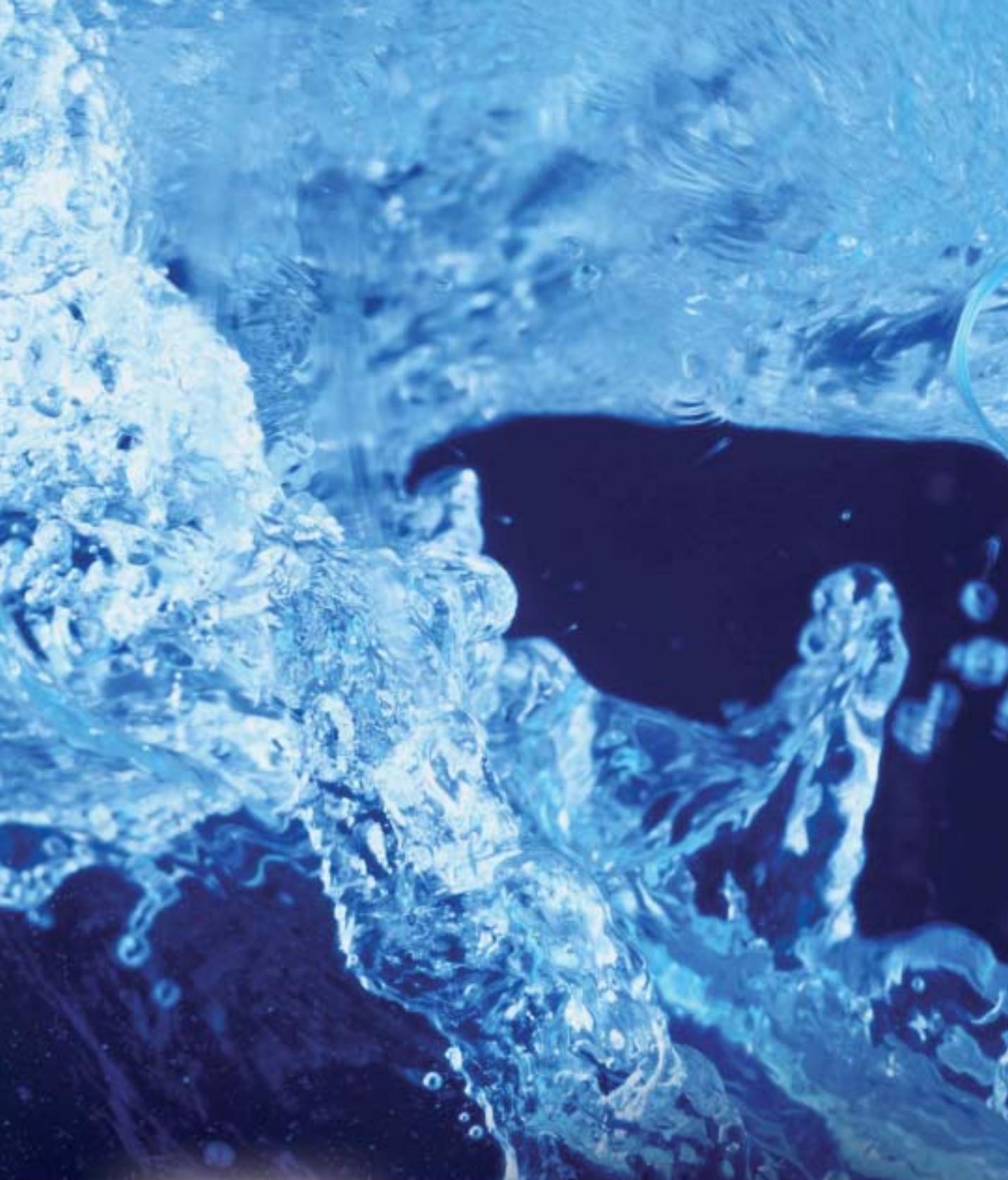
## STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

Years ended December 31, 2004 and 2003  
(dollars expressed in thousands)

OPERATING REVENUES	2004	2003
Residential, commercial and industrial water sales	\$71,559	\$63,242
Other	2,241	1,945
<b>TOTAL OPERATING REVENUES</b>	<b>\$73,800</b>	<b>\$65,187</b>
<b>OPERATING EXPENSES</b>		
Direct operating expenses:		
Production	\$18,802	\$18,170
Other	10,805	11,841
Payments to city of Pittsburgh under Cooperation Agreement	7,150	7,150
City rate equalization - subsidy to other water companies	2,543	3,187
Depreciation	12,647	11,921
Capitalized lease amortization	2,557	2,557
<b>TOTAL OPERATING EXPENSES</b>	<b>\$54,504</b>	<b>\$54,826</b>
<b>OPERATING INCOME</b>	<b>\$19,296</b>	<b>\$10,361</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest revenue	\$685	\$1,322
Interest expense	(26,811)	(28,408)
Amortization of bond issue costs	(628)	(401)
<b>TOTAL NON-OPERATING EXPENSE</b>	<b>\$(26,754)</b>	<b>\$(27,487)</b>
<b>DECREASE IN NET ASSETS</b>	<b>\$(7,458)</b>	<b>\$(17,126)</b>
<b>CHANGE IN NET ASSETS</b>		
Net asset (deficit)		
Beginning of Year	(34,132)	(17,006)
<b>END OF YEAR</b>	<b>\$(41,590)</b>	<b>\$(34,132)</b>

## Facts

2003 Revenues:	\$67 million
2003 Expenditures:	\$84 million
2004 Revenues:	\$75 million
2004 Expenditures:	\$82 million
Budgeted Employees:	262
Current 2005 Capital Improvement Program Value:	\$50 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:	335,000 residents
Miles of Water Lines:	1,200
Storage Facilities:	Five 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 Water Main Leaks repaired in 2005:	332
Number of Water Service Line Leaks repaired in 2005:	193
Lab Tests Performed:	More than 54,000 annually
Miles of Sewer Lines:	1,300
Sewage Pumping Stations:	4
Number of Catch Basins:	More than 40,000
Number of Manholes:	More than 30,000



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

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