



Water Utility Update

AUGUST 31, 2015



Agenda

- 1. Review Current Status of Options**

- 2. Outline Decision Making Process**
 - **CWD & ESG Presentations to Council**
 - **Public Engagement Process**
 - **Legislative Schedule**



Progress Report

- **Rate & Fixed Fee Adjustments**
 - Stem monthly losses to prevent further escalation of deficit
 - Effective 8/1/2015
 - Customers will experience increase on September billings due in October
- **Bill Redesigned**
- **Billing system audits and 2015 Annual Leak Survey still in progress**
- **Import/Export Meter Analysis complete**
- **Financial aspects of CWD and ESG proposals near completion**
 - ESG reviewed with Council 8/10/15 – updated tonight
 - CWD updated and will be reviewed tonight



Progress Report – Import/Export Meter Analysis

- **Import (Master) Meters**
 - 24 Import meters
 - 6 were being misread due to dropped fixed zeros
 - All meters have fixed zeros – some have 3, some have 2
- **Export (Credit) Meters**
 - 6 Export meters (4 serve East Cleveland)
 - Previously served East Cleveland through a master meter arrangement
 - EC transitioned to direct service with CWD and export meters became credit meters
- **Corrections were made in August 2014 going forward**
 - Previous billing periods needed review and adjustment
- **Detailed analysis by CWD and CH staff**
 - \$2.2M owed to CWD after all adjustments applied



Options Considered

Private Partnership with Aqua Ohio

Performance Contract with ESG

Direct Service with City of Cleveland



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Tabled in May 2015 – No further action taken

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Original project scope narrowed to reduce cost (risk)

Direct Service with City of Cleveland

Finalized financial aspects of proposal



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Detailed Engineering Evaluation

- Identify and quantify areas of non-revenue water
- Make recommendations to remediate losses and produce positive cash flow to sustain future investment
- Provide financing alternatives to fund improvements



PERFORMANCE CONTRACT W/ESG



60% Non-Revenue Water

**Apparent
Losses**



Real Losses



ESG Study Recommendations

- Replace all commercial meters
 - Replace portion of residential meters
 - Install new meter reading system
 - Audit billing system and correct errors
- \$6.3M**
- Repair major leaks
- \$9.4M**
- Invest in new operational tools to improve performance
- \$4.2M**



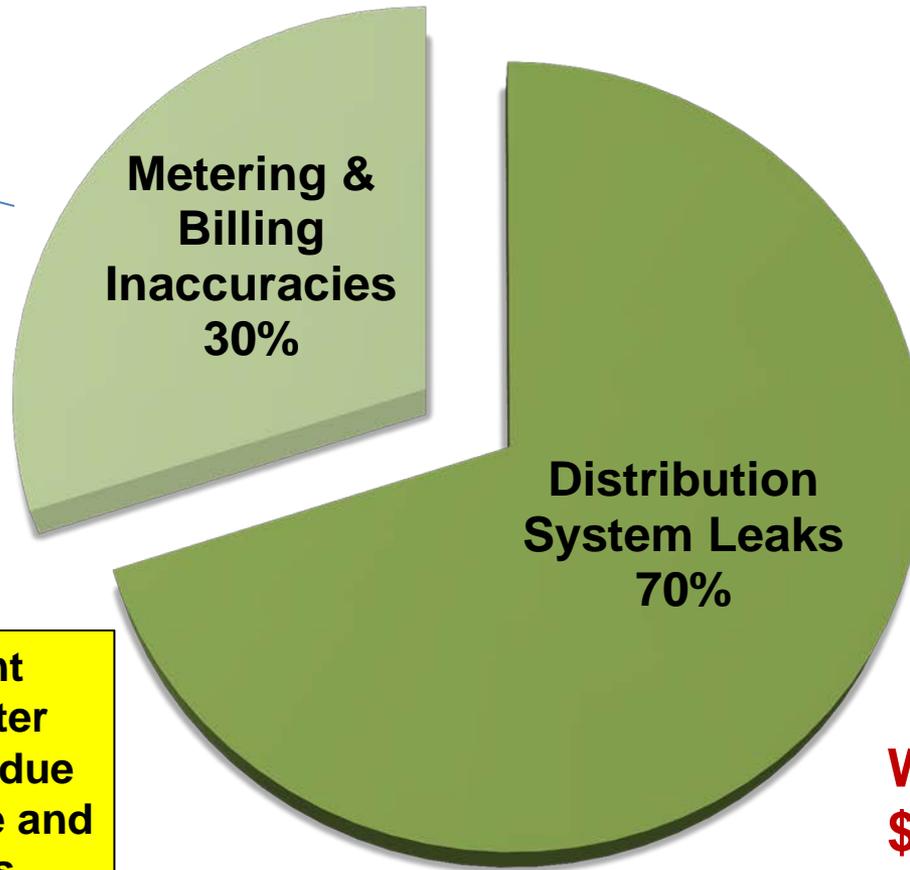
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60% Non-Revenue Water

**Retail Rate
\$88.04/mcf**



**Wholesale Rate
\$33.35/mcf**

Minimizing apparent losses provide a faster return on investment due to the higher retail rate and lower costs of fixes



Performance Contract w/ESG

- What is an Energy Savings Performance Contract (ESPC)?
 - An ESPC is a funding mechanism that allows municipally owned water utilities to implement upgrades designed to create more efficient systems and pay for the project with the guaranteed savings
 - The savings are guaranteed by the Energy Savings Provider, in the case ESG, and ESG would pay CH the difference if the guaranteed savings amount is not achieved



Performance Contract w/ESG

- **Update the Project Baseline**
- **Agreement executed in December for \$10.5M project**
 - Construction to begin January 2016
- **Improvements completed over 15-18 month period**
- **Debt service paid for 20 years using savings and new revenue generated by improvements**
- **Savings and new revenue of \$3.2M per year guaranteed by ESG for first 4 years**
 - Net of \$2.5M after debt service payments



Performance Contract w/ESG

Benefits of this option:

- CH retains ownership and control
- No upfront cash required
- Investment in system is guaranteed
- CH retains control of rate
- Potentially significant long term positive cash flows
- Additional professional assistance from ESG

Limitations of this option:

- Deficit is not resolved
- CWD arrearage is not addressed
- Financial risk is minimized but not eliminated
 - Guarantee expires 4 years in to 20 year debt service*
 - Guarantee does not extend to interest payments
- Rates remain high for customers
 - Markup currently 160%

*ESG willing to extend guarantee for additional annual cost plus revenue sharing



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ESG Cash Flow Analysis Handout

Proposed ESPC by ESG

	Escalation	Base Year		Construction Period	Partial Construction Period	Perform									
		0	0	1	2	1	2	3	4	5	6	7	8	9	10
		12/31/2014	12/31/2015	12/30/2016	12/30/2017	12/30/2018	12/30/2019	12/29/2020	12/29/2021	12/29/2022	12/29/2023	12/28/2024	12/28/2025	12/28/2026	12/28/2027
RESOURCES - FUND 601															
Cleveland Heights Water Rate	1.5%		88.04	88.04	88.04	89.36	90.70	92.06	93.44	94.84	96.27	97.71	99.18	100.66	102.17
Sales to Residents	0.0%	\$ 11,914,816	\$ 11,914,816	\$ 12,687,308	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185
Rate Increase	1.5%	\$ -	\$ 612,000	\$ 2,448,000	\$ 2,448,000	\$ 2,627,602	\$ 2,809,897	\$ 2,994,927	\$ 3,182,733	\$ 3,373,355	\$ 3,566,837	\$ 3,763,221	\$ 3,962,551	\$ 4,164,871	\$ 4,370,226
Service Fee Change	0%	\$ -	\$ 29,356	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442
Penalty/Delinquent Water Bills	0%	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019
Special Assessment Property Certifications	0%	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048
Administrative Fees as Billing Agent for NEO Sewer District	0%	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319
Other Revenue	0%	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538
Note Proceeds	0%	\$ 185,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
NEORS Shared Revenue				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FUND RESOURCES		\$ 13,171,741	\$ 13,628,097	\$ 16,324,675	\$ 16,730,552	\$ 16,910,154	\$ 17,092,449	\$ 17,277,479	\$ 17,465,285	\$ 17,655,907	\$ 17,849,389	\$ 18,045,774	\$ 18,245,103	\$ 18,447,423	\$ 18,652,778
*Local Sewer benefit is not included in the above															
OBLIGATIONS - FUND 601															
Wholesale Water Rate (\$/MCF)			\$ 33.35	\$ 33.35	\$ 33.35	33.85	34.36	34.87	35.40	35.93	36.47	37.01	37.57	38.13	38.70
Wholesale Water Purchases from Cleveland	1.5%	\$ 11,701,595	\$ 13,220,000	\$ 12,265,592	\$ 11,621,384.20	\$ 11,795,705	\$ 11,972,641	\$ 12,152,230	\$ 12,334,514	\$ 12,519,531	\$ 12,707,324	\$ 12,897,934	\$ 13,091,403	\$ 13,287,774	\$ 13,487,091
Wholesale Water Purchase Reduction from CAPEX 1	1.5%									\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wholesale Water Purchase Reduction from CAPEX 2	1.5%													\$ -	\$ -
Wholesale Water Purchase Reduction from CAPEX 3	1.5%													\$ -	\$ -
Portion related to payment plan with CWD	0%	\$ 369,407	\$ 1,580,638	\$ 2,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Wages	1%	\$ 863,933	\$ 863,933	\$ 814,926	\$ 716,911	\$ 724,080	\$ 731,321	\$ 738,634	\$ 746,021	\$ 753,481	\$ 761,016	\$ 768,626	\$ 776,312	\$ 784,075	\$ 791,916
Benefits	1%	\$ 352,373	\$ 352,373	\$ 326,989	\$ 276,222	\$ 277,603	\$ 278,991	\$ 280,386	\$ 281,788	\$ 283,197	\$ 284,612	\$ 286,036	\$ 287,466	\$ 288,903	\$ 290,348
Operating Costs -Other Than Personal Services	2%	\$ 676,137	\$ 676,137	\$ 583,519	\$ 398,284	\$ 406,249	\$ 414,374	\$ 422,662	\$ 431,115	\$ 439,737	\$ 448,532	\$ 457,503	\$ 466,653	\$ 475,986	\$ 485,505
Ohio Public Works Loan Repayment	0%	\$ 47,044	\$ 47,044	\$ 47,044	\$ 47,044	\$ 47,044	\$ 47,044	\$ 23,522							
Transfer to Fund 234 - Earned Benefits	0%	\$ 15,025	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500
Bond Anticipation Note Principal	0%	\$ 185,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPWC Loan for Meadowbrook BLVD Project	0%	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372
Bond Anticipation Note Interest	0%	\$ 1,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
OPWC Loan for Runnymede/Quilliams Project	0%	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207
Capital Projects and Purchases	0%	\$ 205,790	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000
Water Deposit Refunds & Operating Refunds	0%	\$ 30,238	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850
Performance Contract Payment	0%			\$ 467,983	\$ 467,983	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972
Performance Contract Related Expenses	0%			\$ 57,042	\$ 201,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126
Future CAPEX 1									\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Future CAPEX 2													\$ -	\$ -	\$ -
Future CAPEX 3													\$ -	\$ -	\$ -
FUND OBLIGATIONS		\$ 14,486,970	\$ 16,859,053	\$ 16,414,041	\$ 13,847,883	\$ 14,360,708	\$ 14,554,398	\$ 14,727,461	\$ 14,903,464	\$ 15,105,973	\$ 15,311,511	\$ 15,520,125	\$ 15,731,861	\$ 15,946,765	\$ 16,164,887
CASH SURPLUS + / DEFICIT () - "Excess Cash Flow"		(\$1,315,229)	(\$3,230,956)	(\$89,366)	\$2,882,669	\$2,549,445	\$2,538,052	\$2,550,019	\$2,561,821	\$2,549,935	\$2,537,878	\$2,525,648	\$2,513,243	\$2,500,658	\$2,487,891
Cumulative			(\$3,196,426)	(\$3,285,792)	(\$403,123)	\$2,146,323	\$4,684,375	\$7,234,393	\$9,796,214	\$12,346,149	\$14,884,027	\$17,409,675	\$19,922,918	\$22,423,576	\$24,911,467

Support Services Agreement

ESG Personnel	2.5%									\$245,000	\$251,125	\$257,403	\$263,838	\$270,434	\$277,195
Capital Reserve	0%					\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000
ESG Share	0.0%					\$759,834	\$756,416	\$760,006	\$763,546	\$686,480	\$681,026	\$675,474	\$669,821	\$664,067	\$658,209
CH Share	0%					\$1,539,612	\$1,531,636	\$1,540,013	\$1,548,275	\$1,368,454	\$1,355,727	\$1,342,772	\$1,329,583	\$1,316,157	\$1,302,487
Cumulative Fund Balance						\$1,136,489	\$2,668,125	\$4,208,138	\$5,756,413	\$7,124,867	\$8,480,594	\$9,823,366	\$11,152,949	\$12,469,106	\$13,771,593

Indicate areas impacted by the project

Forecasted future capital expenditures to further remediate real water losses

Capital Reserve	\$ 250,000
ESG Support Services Fee	100% \$ 100,000
ESG Shared Revenue	30% After ESG personnel, Capital Reserve and Support Services Fee
CH Share	70% Plus 100% of construction period benefit



Performance Period										
11	12	13	14	15	16	17	18	19	20	
12/27/2028	12/27/2029	12/27/2030	12/27/2031	12/26/2032	12/26/2033	12/26/2034	12/26/2035	12/25/2036	12/25/2037	
103.71	105.26	106.84	108.44	110.07	111.72	113.40	115.10	116.82	118.58	
\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185	\$ 13,093,185
\$ 4,578,661	\$ 4,790,222	\$ 5,004,957	\$ 5,222,913	\$ 5,444,139	\$ 5,668,682	\$ 5,896,594	\$ 6,127,925	\$ 6,362,725	\$ 6,601,048	
\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442	\$ 117,442
\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019	\$ 284,019
\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048	\$ 231,048
\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319	\$ 340,319
\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538	\$ 216,538
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 18,861,213	\$ 19,072,775	\$ 19,287,509	\$ 19,505,465	\$ 19,726,691	\$ 19,951,234	\$ 20,179,146	\$ 20,410,477	\$ 20,645,277	\$ 20,883,600	
39.28	39.87	40.47	41.08	41.70	42.32	42.96	43.60	44.25	44.92	
\$ 13,689,397	\$ 13,894,738	\$ 14,103,159	\$ 14,314,707	\$ 14,529,427	\$ 14,747,369	\$ 14,968,579	\$ 15,193,108	\$ 15,421,004	\$ 15,652,319	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 799,835	\$ 807,833	\$ 815,912	\$ 824,071	\$ 832,312	\$ 840,635	\$ 849,041	\$ 857,531	\$ 866,107	\$ 874,768	
\$ 291,799	\$ 293,258	\$ 294,725	\$ 296,198	\$ 297,679	\$ 299,168	\$ 300,663	\$ 302,167	\$ 303,678	\$ 305,196	
\$ 495,216	\$ 505,120	\$ 515,222	\$ 525,527	\$ 536,037	\$ 546,758	\$ 557,693	\$ 568,847	\$ 580,224	\$ 591,828	
\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ 12,500	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ 18,372	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ 20,207	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ 36,000	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ 31,850	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972	\$ 779,972
\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126	\$ 211,126
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 16,386,274	\$ 16,610,977	\$ 16,839,045	\$ 17,070,529	\$ 17,305,482	\$ 17,543,956	\$ 17,667,075	\$ 17,912,751	\$ 18,162,111	\$ 18,415,210	
\$2,474,939	\$2,461,798	\$2,448,465	\$2,434,936	\$2,421,208	\$2,407,278	\$2,512,071	\$2,497,726	\$2,483,166	\$2,468,390	
\$27,386,406	\$29,848,203	\$32,296,668	\$34,731,604	\$37,152,812	\$39,560,091	\$42,072,162	\$44,569,888	\$47,053,054	\$49,521,444	
\$284,125	\$291,228	\$298,509	\$305,971	\$313,621	\$321,461	\$329,498	\$337,735	\$346,179	\$354,833	
\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	\$250,000	
\$652,244	\$646,171	\$639,987	\$633,689	\$627,276	\$620,745	\$614,214	\$607,683	\$601,152	\$594,621	
\$1,288,570	\$1,274,399	\$1,259,969	\$1,245,275	\$1,230,311	\$1,215,072	\$1,200,000	\$1,185,000	\$1,170,000	\$1,155,000	
\$15,060,163	\$16,334,562	\$17,594,531	\$18,839,806	\$20,070,117	\$21,285,189	\$22,567,991	\$23,834,984	\$25,085,876	\$26,320,365	

DIRECT SERVICE W/CLEVELAND



Direct Service w/Cleveland

- **CH executes direct service and Joint Economic Development Zone (“non-poaching”) agreements with City of Cleveland**
- **Ownership of CH distribution system transferred to Cleveland**
- **Cleveland Water assumes all water utility operations**
- **CH customers pay a transition recovery charge**
- **CH eligible for Suburban Water Main Renewal Program for infrastructure improvements**
 - **Pool of \$15M for all suburban direct service communities**



Direct Service w/Cleveland Transition Recovery Charge

- **CWD will recover the costs of converting Cleveland Heights from a Master Meter to a Direct Service community including:**
 - **Installation of new meter reading system**
 - **Conversion of customer accounts to CWD billing system**
 - **Modification of the existing distribution system**
 - **Additional anticipated O&M beyond normal scope (main breaks)**
 - **Billing of accounts**
 - **Expansion of GIS and hydraulic modeling to CH system**
 - **Revenue losses**
- **Initial proposal was \$34.17/mcf for 5 years**



Direct Service w/Cleveland Transition Recovery Charge

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 - Installation new meter reading system
 - Conversion of customer accounts to CWD billing system
 - Modification of the existing distribution system
 - Additional anticipated O&M beyond normal scope (main breaks)
 - Billing
 - Expansion of GIS and hydraulic modeling to CH system
- **Charge will be \$28.86 for 7 years and will also include:**
 - \$2.2M of CWD arrearage
 - \$3M towards 2015 deficit



Direct Service w/Cleveland Rate Structure

Fixed Charge (based on meter size)

+ 0.0 – 0.6mcf @ \$30.82

+ Additional mcf @ \$52.39

+28.86/mcf Transition Charge

Quarterly Bill



Direct Service w/Cleveland

Benefits of this option:

- Deficit is eliminated
- CWD arrearage is addressed
- New AMR system
- No upfront cash required
- Lower rate for customers

Limitations of this option:

- CH responsible for outstanding debt w/o ownership
- Investment not guaranteed – competitive annual program required
- CH turns over system control and ownership
 - Loss of dedicated maintenance (i.e. main breaks, leaks, etc.)
- CWD controls rate
- Service accessibility



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Rate Comparison Handout

**Comparison of the Estimated Average Costs for a Residential Customer
Current Pricing compared to Cleveland Water (during and post transition)
Quarterly Basis**

Current Pricing for Cleveland Heights

Service Fee*	\$30.00
Consumption**	\$165.08
Total Average Per Quarter	\$195.08

CWD During Transition

Service Fee*	\$27.00
Consumption (0-.6 mcf)**	\$18.49
Consumption (over .6 mcf)**	\$66.80
Transitional Fee**	\$54.11
Total Average Per Quarter	\$166.40

Difference Per Quarter - CH Current Pricing compared to CWD during Transition **\$28.67**

CWD Post Transition

Service Fee*	\$27.00
Consumption (0-.6 mcf)**	\$18.49
Consumption (over .6 mcf)**	\$66.80
Total Average Per Quarter	\$112.29

Difference Per Quarter - CH Current Pricing compared to CWD post Transition **\$82.79**

* - Based on a residential meter of 5/8 to 1 inch in size. Service fee is the same for these meters

** - Based on a residential average of 1.875 mcfs usage per quarter (.625 mcf per month)

All estimates above are calculated using the current pricing for CH and CWD

**Comparison of the Estimated Average Cost for a Commercial Customer
Current Pricing compared to Cleveland Water (during and post transition)
Quarterly Basis**

Current Pricing for Cleveland Heights

Service Fee*	\$60.00
Consumption**	\$1,601.98
Total Average Per Quarter	\$1,661.98

CWD During Transition

Service Fee*	\$53.00
Consumption (0-.6 mcf)**	\$18.49
Consumption (over .6 mcf)**	\$921.85
Transitional Fee**	\$525.14
Total Average Per Quarter	\$1,518.48
Difference Per Quarter - CH Current Pricing compared to CWD during Transition	\$143.49

CWD Post Transition

Service Fee*	\$53.00
Consumption (0-.6 mcf)**	\$18.49
Consumption (over .6 mcf)**	\$921.85
Total Average Per Quarter	\$993.35
Difference Per Quarter - CH Current Pricing compared to CWD post Transition	\$668.63

* - Based on a commercial meter of 1.5 and 2 inches in size (Per ESG Study, this encompasses 89% of commercial meters)

** - Based on a commercial average of 18.196 mcfs usage per quarter (6.065 mcfs per month)

All estimates above are calculated using the current pricing for CH and CWD

**Average Residential User Bill
Quarterly Basis
FY 2016-2024**

Year	Cleveland Heights	CWD	Aqua
2016	\$195.08	N/A	\$170.52
2017	\$195.08	\$166.40	\$178.95
2018	\$197.55	\$166.40	\$186.40
2019	\$200.06	\$166.40	\$194.22
2020	\$202.62	\$166.40	\$199.14
2021	\$205.20	\$166.40	Unknown
2022	\$207.83	\$166.40	Unknown
2023	\$210.50	\$166.40	Unknown
2024	\$213.21	\$112.29	Unknown

Notes:

CWD 2016 is N/A due to the possible transition period starting 1/1/17

CWD transition period would end 12/31/23. Therefore, there is a decrease in 2024

Aqua 2021-2024 is unknown. The rate proposal and financials presented were for the first five years only (2016-2020)

as of 8/31/15

	ESG	AQUA	CWD
System Control	CH	CH	CWD
System Ownership	CH	SHARED	CWD
Term of Contract	20 YEARS	20 YEARS	20 YEARS
Buyback Option	N/A	YES	YES
Rate Control	CH	SHARED	CWD
Proposed Rate Change	2018 	2016 	2017 
Capital Investment	CH	AQUA	CWD
Guaranteed Investment	YES	YES	NO
Cost to City for Implementation	\$10.5M	\$0	\$0
Deficit Elimination	NO	YES	YES
Existing Debt Service Payments	CH	AQUA	CH
CWD Arrearage	NO	N/A	YES
Operation & Maintenance of Distribution Sys	SHARED	AQUA	CWD



Primary Considerations

	ESG	AQUA	CWD
Resolve the projected deficit		✓	✓
Address CWD Arrearage		N/A	✓
Secure the necessary capital investments to improve the system now and in to the future	✓	✓	
Retain an active role in managing the system	✓	✓	
Manage financial risks associated with improvements	✓	✓	✓



Primary Considerations

	ESG	AQUA	CWD
Maintain high levels of service (accessibility due to proximity)			
Stabilize rate increases			
Respect the Water Department's existing workforce and uphold the labor agreement			
Protect options for the City's future leadership			



Next Steps

- **ESG & CWD Presentations to Council**
- **Public Engagement Process**
- **Legislative Schedule**



CH Water Utility Expenses

