



Water Utility Update

JULY 13, 2015



Agenda

- 1. Operations Update**
- 2. Current Status of Options**
- 3. Review Revenue Requirements**
- 4. Next Steps**



Operations Update



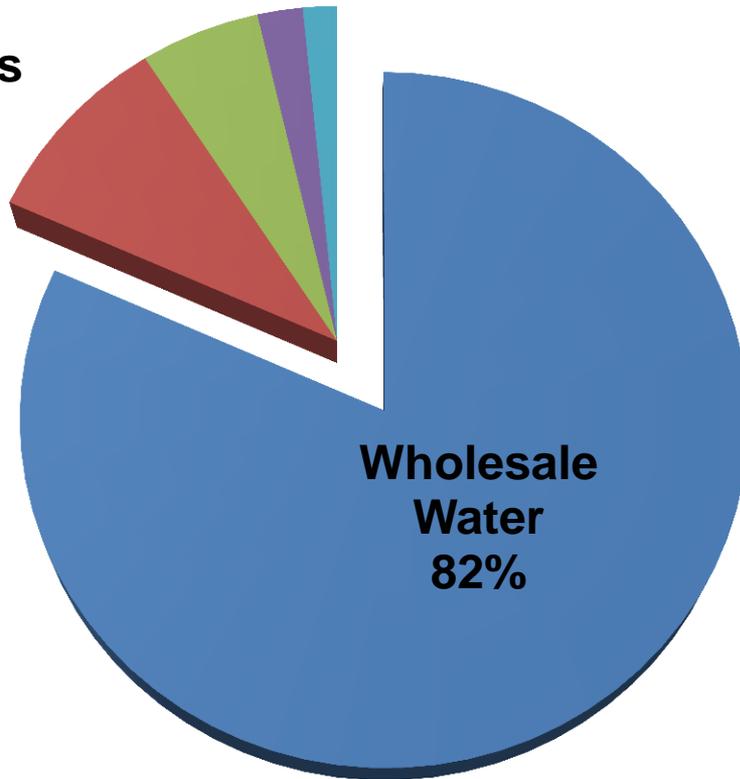
Operations Update

- **Revenue Recovery Efforts**
 - Billing System Audits
 - Delinquent Account Management
- **Water Leak Survey**
 - Address all leaks
- **Other Budget Reduction Efforts**
 - Personnel procedural changes
 - Purchasing



Operations Update

**All other
expenses
18%**



- Wholesale Water Purchases from Cleveland
- Personnel
- Operating Costs -Other Than Personal Services and Refunds
- Debt Service and Loan Repayments
- Capital Projects & Purchases

**Focus on areas we can
immediately control &
afford while options under
review**



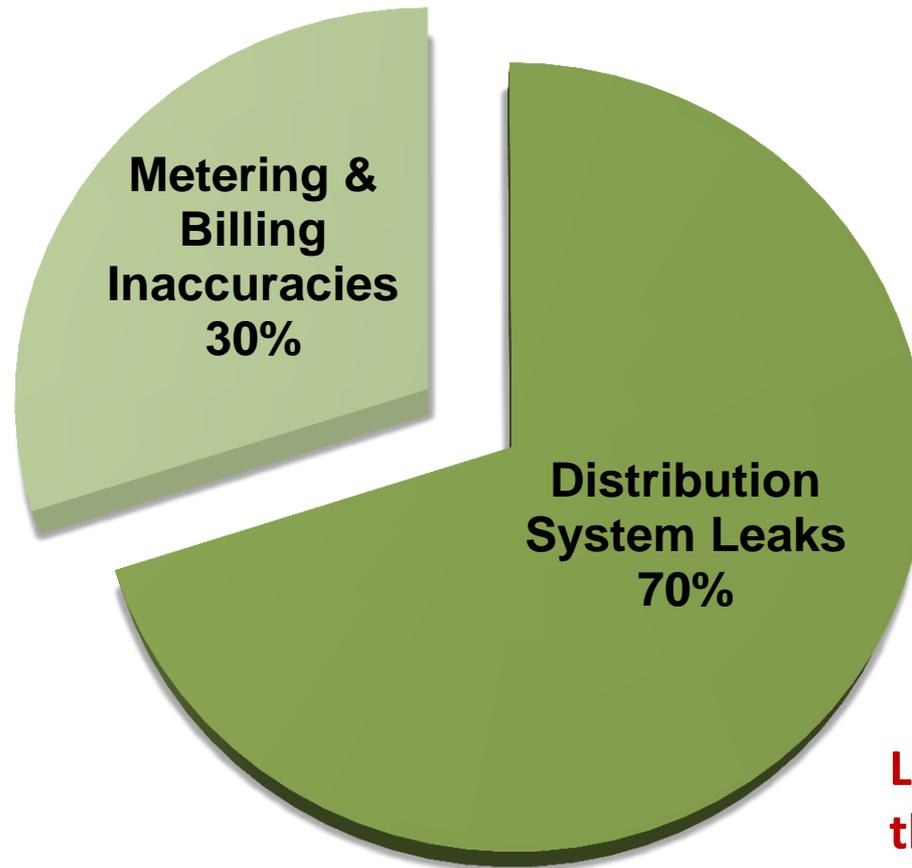
ESG Recommendations

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



Water Loss

**Loss occurring at
the retail rate**



**Loss occurring at
the wholesale rate**



Billing System Audits

- **Rate/Service Type Audit** – Compared rates and service types to accounts ensuring a match and validated all rates and charges within rate codes
- **Account Status Audit** – Validated that all accounts had a status and ensured that “inactives” were indeed “inactives”



Billing System Audits

- **Test Circle Code Audit** – Compared assigned test circle code to meter size to ensure proper billing and assignment of automatic meter read (AMR) system (Orion or Trace)
- **Zero Consumption** – Verified the zero consumption report used for investigations was accurate



Revenue Recovery Efforts



Revenue Recovery Efforts Arrearage Report

- **Accounts in Arrears** **4,016**
- **Value** **890,772.59**

- **Approximate Makeup**
 - **Water** **\$450,000**
 - **Local Sewer** **\$108,000**
 - **Landfill** **\$159,000**
 - **Service Charge** **\$146,000**
 - **Misc. & Credits \$** **27,000**



Revenue Recovery Efforts Arrearage Report

Accounts	Range	Value
811	< \$50	\$21,868.92
885	< \$100	\$65,054.42
596	< \$150	\$73,527.79
454	< \$200	\$79,162.59
619	< \$300	\$152,231.06
302	< \$500	\$112,191.52
349	> \$500	\$386,736.29
TOTAL:		
4,016		\$890,772.59

Note: 201 Total Payment Plan Accounts with a value of \$192,395.11
For >\$500: 105 Payment Plan Accounts valued at \$189,000 and 236
Accounts with terminated status valued at \$190,000



Revenue Recovery Efforts

Tax Bill Certification

- Certify certain delinquent accounts in March and September
 - March 2015: \$159,110.08
 - September 2014: \$212,058.86
- Collection activity tracked on annual basis
 - Difficult to determine collection rate due to timing



Revenue Recovery Efforts Service Termination Program

- **Revenue due to Water Termination Program**
(Tracking began 7-17-2013)
 - **Revenue to Date:** **\$3,496,451.33**
 - **Payments to Date:** **11,539**

- **2014 Summary** *(3-26-2014 thru 10-29-2014)*
 - **Termination Processes:** **21**
 - **Termination Letters Sent:** **5,997**
 - **Revenue Collected:** **\$1,871,686.90**
 - **Payments:** **6,946**

- **2015 Summary** *(3-25-2015 thru present)*
 - **Termination Processes:** **9**
 - **Termination Letters Sent:** **2,701**
 - **Revenue Collected:** **\$763,701.26**
 - **Payments:** **2,058**



Leak Detection Program

- **Leak Survey Performed Annually**
- **2014 Survey Results**
 - Main Leaks – 17
 - Service Leaks – 16
 - All 2014 leaks repaired
 - 2,020,000 Gallons Per Day
- **2015 Survey In Progress**
 - Includes valve checks around border communities



Other Budget Reduction Efforts

- **Personnel**

- **Overtime management**

FY 2013	FY 2014
\$95,120	\$74,129

6/30/14	6/30/15
\$43,960	\$25,570

- **Purchasing**

- **Inventory Management**
 - **Exploring joint purchasing w/CWD**



Current Status of Options



Options Considered

Private Partnership

Performance Contract

Direct Service with City of Cleveland



Options – Updated

- **Private Partnership**
 - No additional analysis needed
- **Performance Contract**
 - Revised proposal received
- **Direct Service with City of Cleveland**
 - Received/reviewed initial discussion terms



Revenue Requirements



Rate Structure

Consumption-Based Charges

- set to recover all variable costs and sometimes a portion of fixed costs

Fixed Costs

- Do not vary with sales
- Personnel, materials, equipment, debt service

Fixed Charges

- set to recover all or part of fixed costs regardless of usage
- may vary by meter size

Consumption-Based Costs

- Vary with sales
- Purchased water



CH Rate Structure

- **Fixed charge is called Service Fee**
 - Currently \$10 across all meter sizes
 - Not applied to homestead customers
 - Generates approximately \$1.7M
 - Fixed costs are currently \$2M
- **Consumption-Based charge is \$70.04mcf**
 - Generates approximately \$10.4M
 - Purchased water costs are approximately \$12.6M
- **Current rate and service fee do not cover costs**



Revenue Needs

- **\$200,000 Monthly Loss at current rate and service fee**
- **Rate Need of \$88.04 (25%) to stop monthly losses**
 - Average Residential Bill from \$53.79 to approx \$65.04
 - Accumulated deficit would remain but would not get larger
- **Service Fee structured adjusted to include variable rates based on meter size for large meters**
 - Most residential customers not affected



Cleveland Water Division Quarterly Fixed Charge

- **Cleveland applies a quarterly fixed-cost recovery charge**
- **This charge is based on the size of the water meter**
- **Most residential customers have a meter between 5/8th's of an inch and 1 inch**



Cleveland Water Division

Quarterly Fixed Charge

Meter Size	2013	2014	2015
5/8" to 1"	\$21	\$24	\$27
1 1/2" to 2"	\$41	\$47	\$53
3" to 4"	\$140	\$160	\$180
6"	\$250	\$290	\$320
8"	\$380	\$430	\$480
10"	\$480	\$540	\$610
12"	\$570	\$650	\$730



Proposed Service Fee Changes

Meter Size	Cleveland's Charge <small>(converted to monthly amounts for comparative purposes)</small>	CH Current Fee	CH Proposed Fee	Number of Accounts	CH Additional Revenue
5/8" to 1"	\$9	\$10	\$10	14,425	\$0
1 1/2" to 2"	\$18	\$10	\$20	436	\$52,320
3" to 4"	\$60	\$10	\$26	39	\$7,488
6"	\$107	\$10	\$41	8	\$2,976
8"	\$160	\$10	\$68	10	\$6,960
10"	\$203	n/a	n/a	0	\$0
12"	\$243	n/a	n/a	0	\$0
Homestead	\$6	\$0	\$6	950	\$68,400



Proposed Service Fee Changes

- **Establish a Homestead Service Fee of \$6**
 - Recover additional estimated \$68,400 towards fixed costs
 - Homestead accounts may fluctuate after audit/verification process
- **Increase Service Fee for meters sized 1 ¹/₂ inch and up**
 - Fee schedule would have similar % differential as CWD schedule
 - Recover additional estimated \$69,744 towards fixed costs
- **Total additional revenue of \$138,144**
 - \$117,422 with assumed collection rate of 85%



Next Steps

- **Follow up meeting with CWD officials**
- **Present all options once finalized**
- **Rate & Service Fee Adjustments on July 20, 2015**
 - **August 1, 2015**