



City of Cleveland Department of Public Utilities  
Division of Water Pollution Control (WPC)

Comprehensive Financial Planning & Rate Study (2025 - 2029)

# Study Goals and Objectives

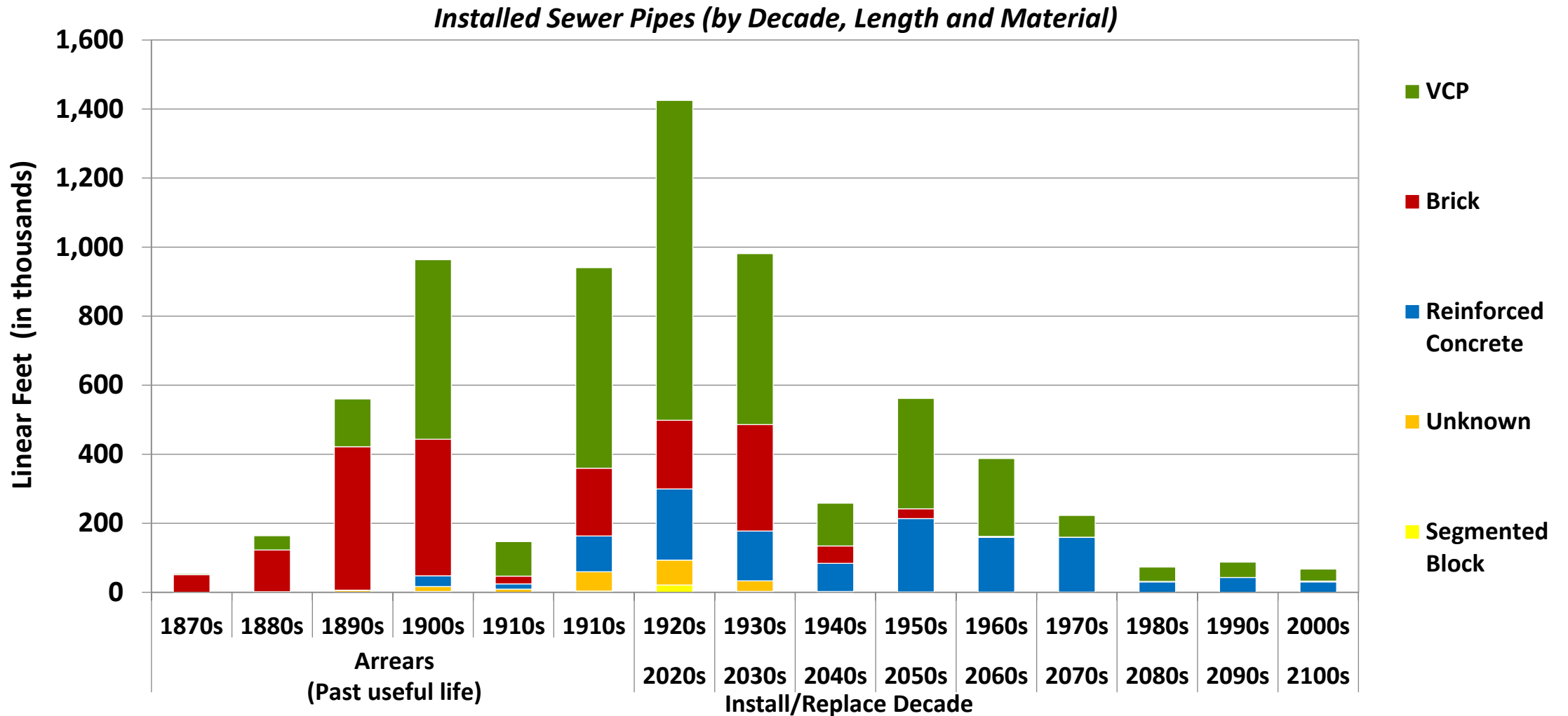
## **Develop a five-year financial plan 2025 – 2029 that will:**

- Fund annual operating expenditures
- Support the increased capital improvements program
- Fund current and future debt obligations
- Maintain WPC financial requirements and targets (debt coverage, reserves)
- Provide long-term rate stability (eliminating one-time rate spikes)

## **Maintain affordability while meeting system needs**

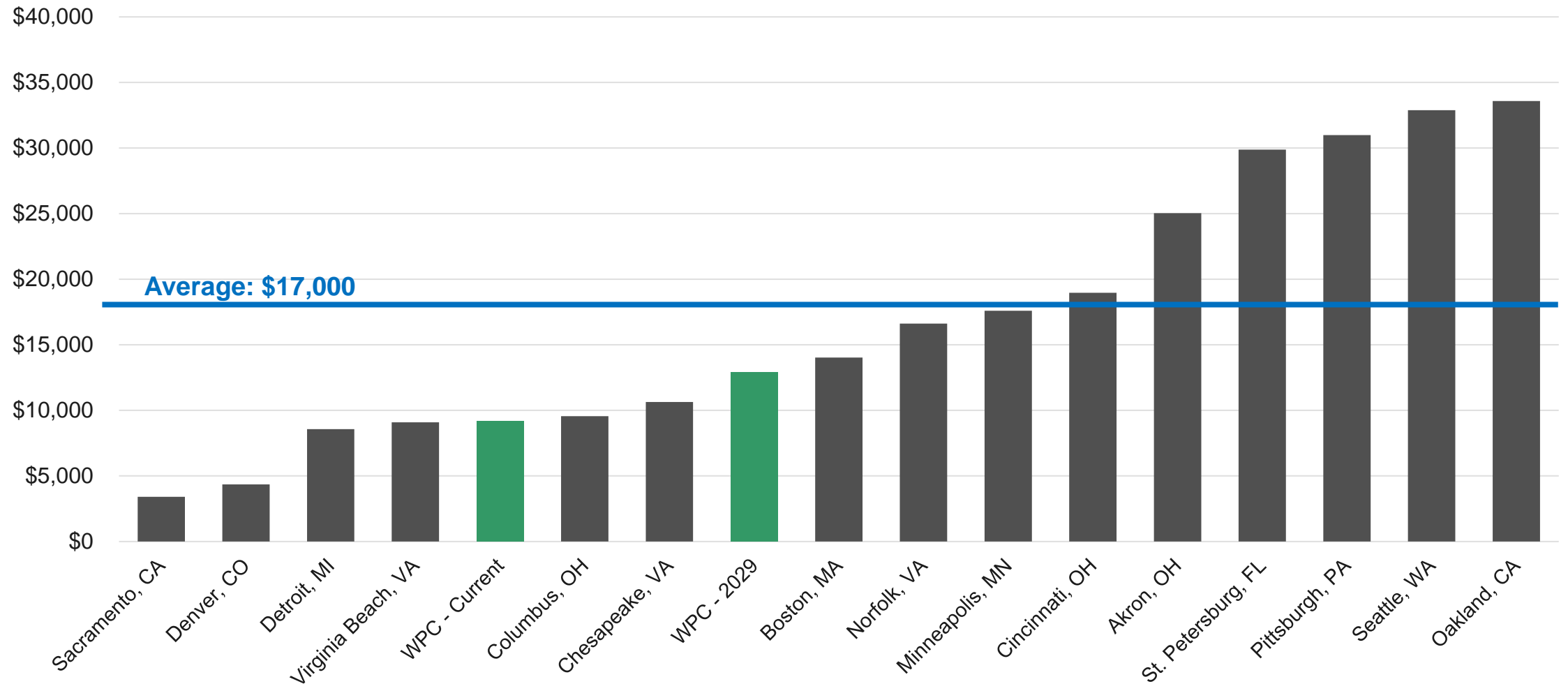
- Ensure adequate funds are available to address aging infrastructure
- Fund increasing operational expenditures
- Structure rates to provide equity and affordability

# WPC Sewer Collection System



# Sewer Line Renewal & Replacement Benchmarks

## R&R Spending per Mile of Pipe

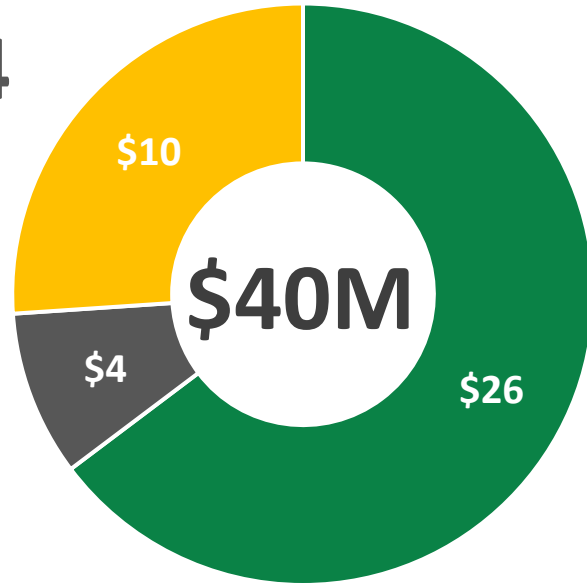


Comparison utility data based on estimates using publicly available information

# Annual Revenue Requirement Comparison

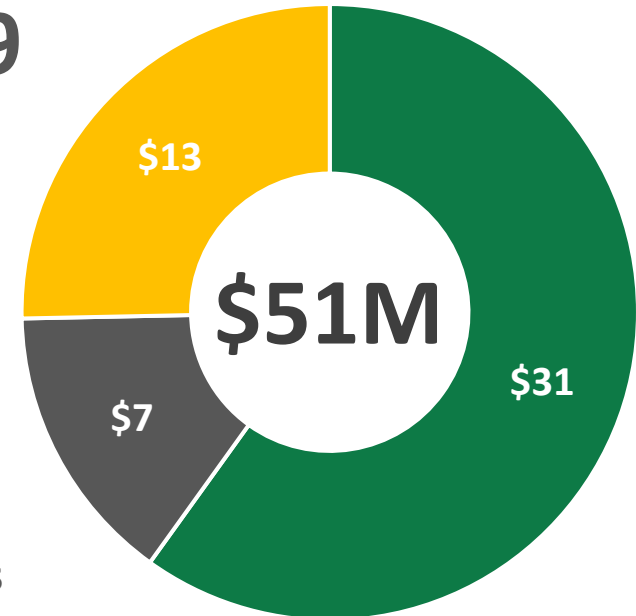
*WPC projects to increase O&M spending by approximately 3.5% annually through 2029*

2024



2029

- O&M expenditures
- Debt Service Payments
- Cash-funded Capital Expenses



# Financial Planning Metrics

## **Maintain debt service coverage (DSC) at target level**

- Senior DSC management target: 1.50x
- Total DSC management target: 1.10x

## **Maintain adequate reserve requirements**

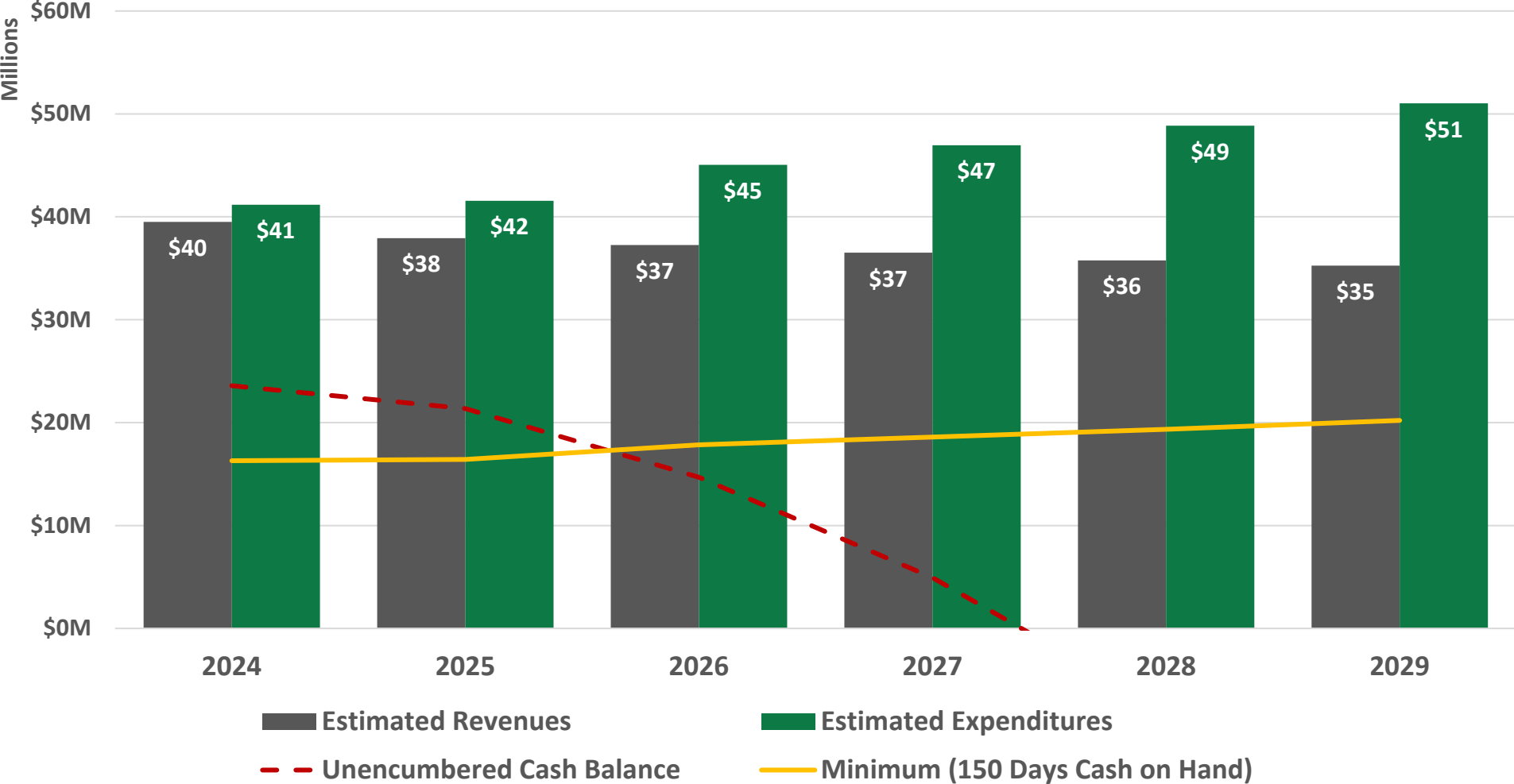
- Unencumbered cash balance minimum of 150 days
- Total cash balance minimum of 270 days

## **Capital Funding**

- Capital operating expenditures increase by \$1 million per year until reaching 1% pipe replacement per year
- Annual debt payments no more than 25% of total expenditures

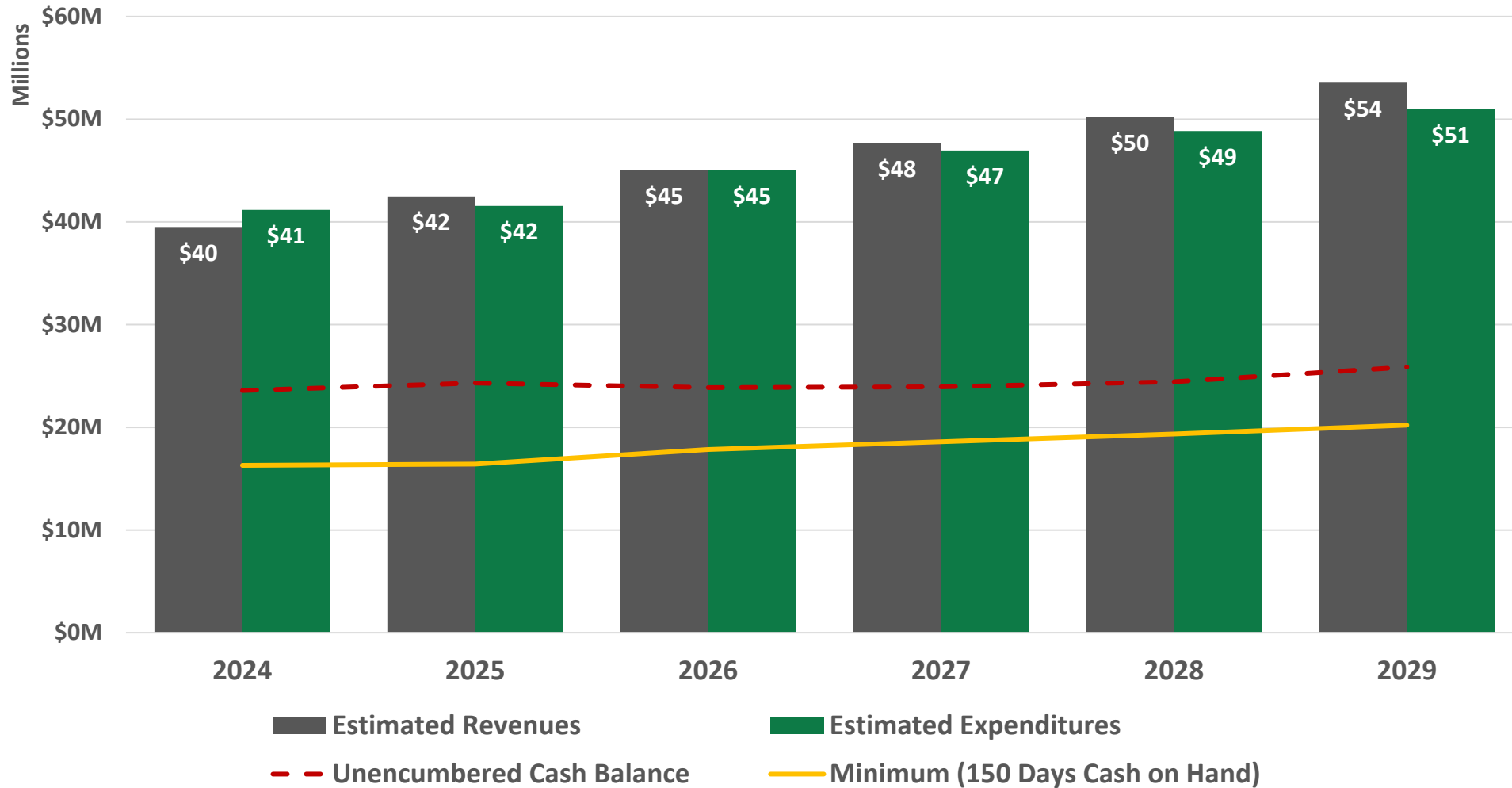
# Use of Unencumbered Cash

Assuming Rates Remain Unchanged (FY25 to FY29)



# Use of Unencumbered Cash

Assuming Recommended Rate Change (FY25 to FY29)





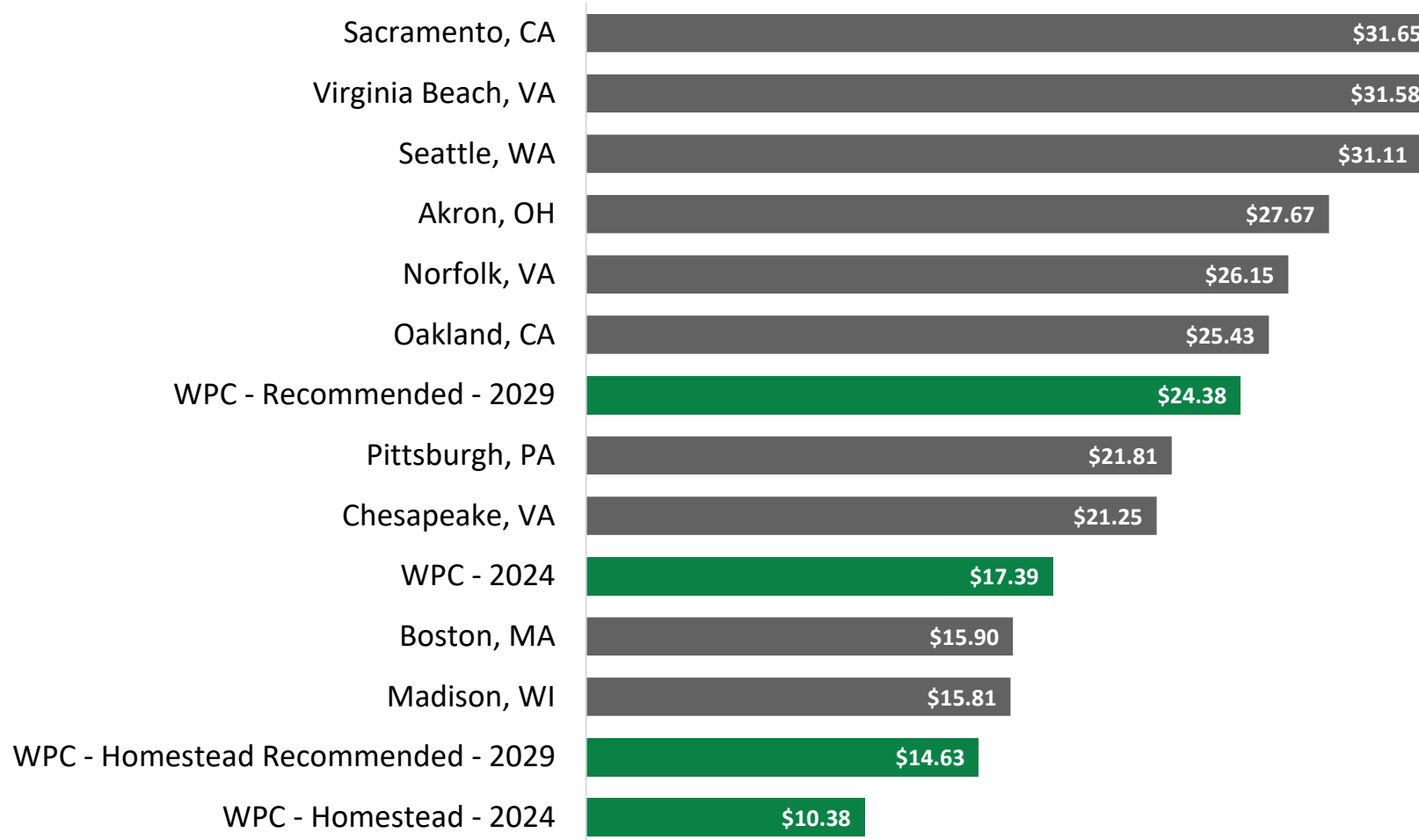
# Recommended Rate Plan

Recommended Rates	2024	2025	2026	2027	2028	2029
<i>Increase</i>		8.50%	2.50%	0.00%	0.00%	0.00%
<b>Fixed Charge</b>	<b>\$8.90</b>	<b>\$9.65</b>	<b>\$9.90</b>	<b>\$9.90</b>	<b>\$9.90</b>	<b>\$9.90</b>
<i>Increase</i>		8.50%	12.00%	12.00%	12.00%	12.00%
<b>Usage Rate (per MCF)</b>	<b>\$16.97</b>	<b>\$18.41</b>	<b>\$20.62</b>	<b>\$23.09</b>	<b>\$25.86</b>	<b>\$28.96</b>

## Sample Bills

0.2 MCF Customer (Low User)	2024	2025	2026	2027	2028	2029
Monthly Bill	\$12.29	\$13.33	\$14.02	\$14.52	\$15.07	\$15.69
<i>Monthly Change</i>		\$1.04	\$0.69	\$0.50	\$0.55	\$0.62
0.5 MCF Customer (Average User)	2024	2025	2026	2027	2028	2029
Monthly Bill	\$17.39	\$18.86	\$20.21	\$21.45	\$22.83	\$24.38
<i>Monthly Change</i>		\$1.47	\$1.35	\$1.24	\$1.38	\$1.55
1.0 MCF Customer (High User)	2024	2025	2026	2027	2028	2029
Monthly Bill	\$25.87	\$28.06	\$30.52	\$32.99	\$35.76	\$38.86
<i>Monthly Change</i>		\$2.19	\$2.46	\$2.47	\$2.77	\$3.10

# Typical Monthly Residential Sewer Bills Collection Only\* (0.5 MCF)



*\*Collection only portion of bill shown to provide comparison to WPC which is only responsible for providing collection services*

# Conclusions

- Significant reinvestment is required to address aging collection system
- Addressing replacement needs and increasing operational costs will require rate adjustments
- Recommended rate adjustments are designed to promote affordability by minimizing fixed charge increases
- WPC rates are and will continue to be among the lowest of WPC peers



# Questions and Discussion