



City of Cleveland Department of Public Utilities Division of Water (CWD)

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 capital improvements program
- Fund current and future debt obligations
- Maintain CWD financial requirements and targets (debt coverage, reserves)
- Provide long-term rate stability (eliminating one-time rate spikes)

Facilitate the financial plan through implementation of water rates that:

- Recover the full cost of providing water service
- Equitably allocate costs among users of the system
- Structure rates to provide equity and affordability

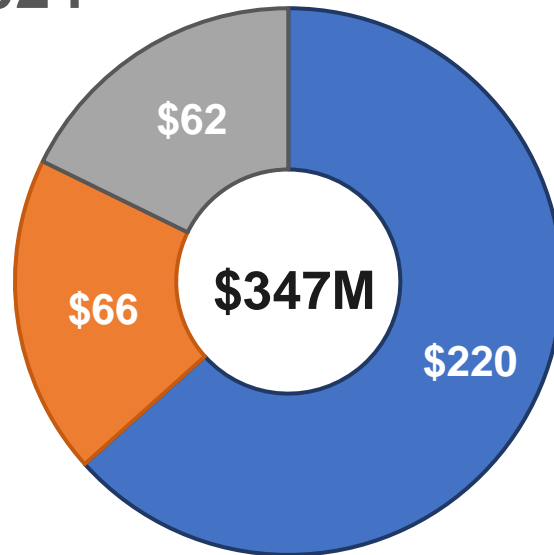
CWD Financial Position

- In the last 20 years CWD has invested nearly \$1.5 billion in the system.
- Over the last ten years, CWD has reduced its outstanding debt by \$430 million
- CWD maintains a strong credit rating and is in a healthy financial position given prudent financial management and system reinvestment

Annual Revenue Requirement Comparison

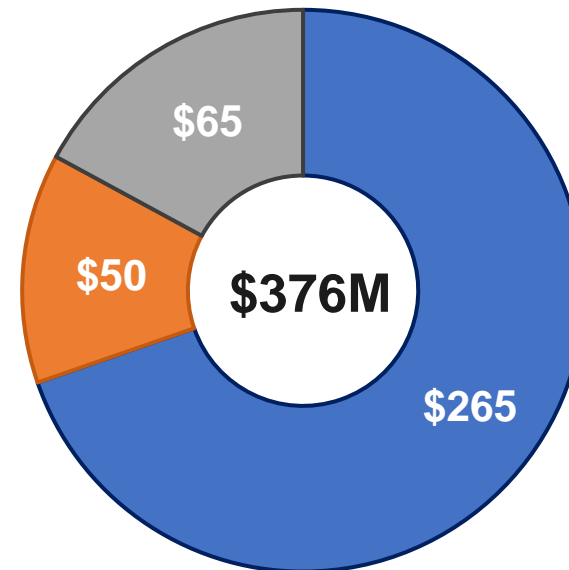
CWD projects to increase O&M spending by approximately 3.75% annually through 2029

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

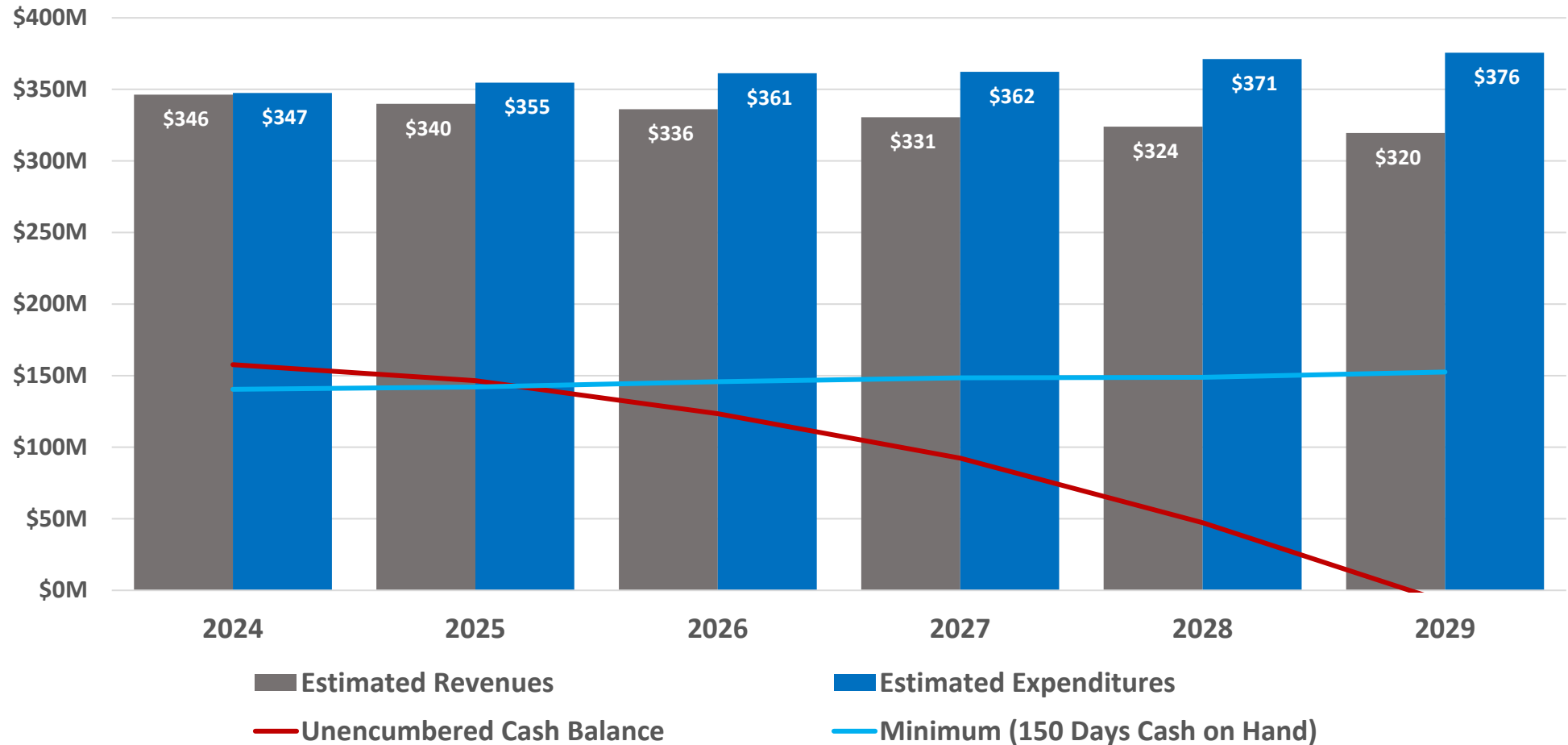
- Unencumbered cash balance minimum: 150 days
- Total cash balance minimum: 270 days

Capital Funding

- Fund from Operating Budget: \$55M per year
- Annual debt payments no more than 25% of total expenditures

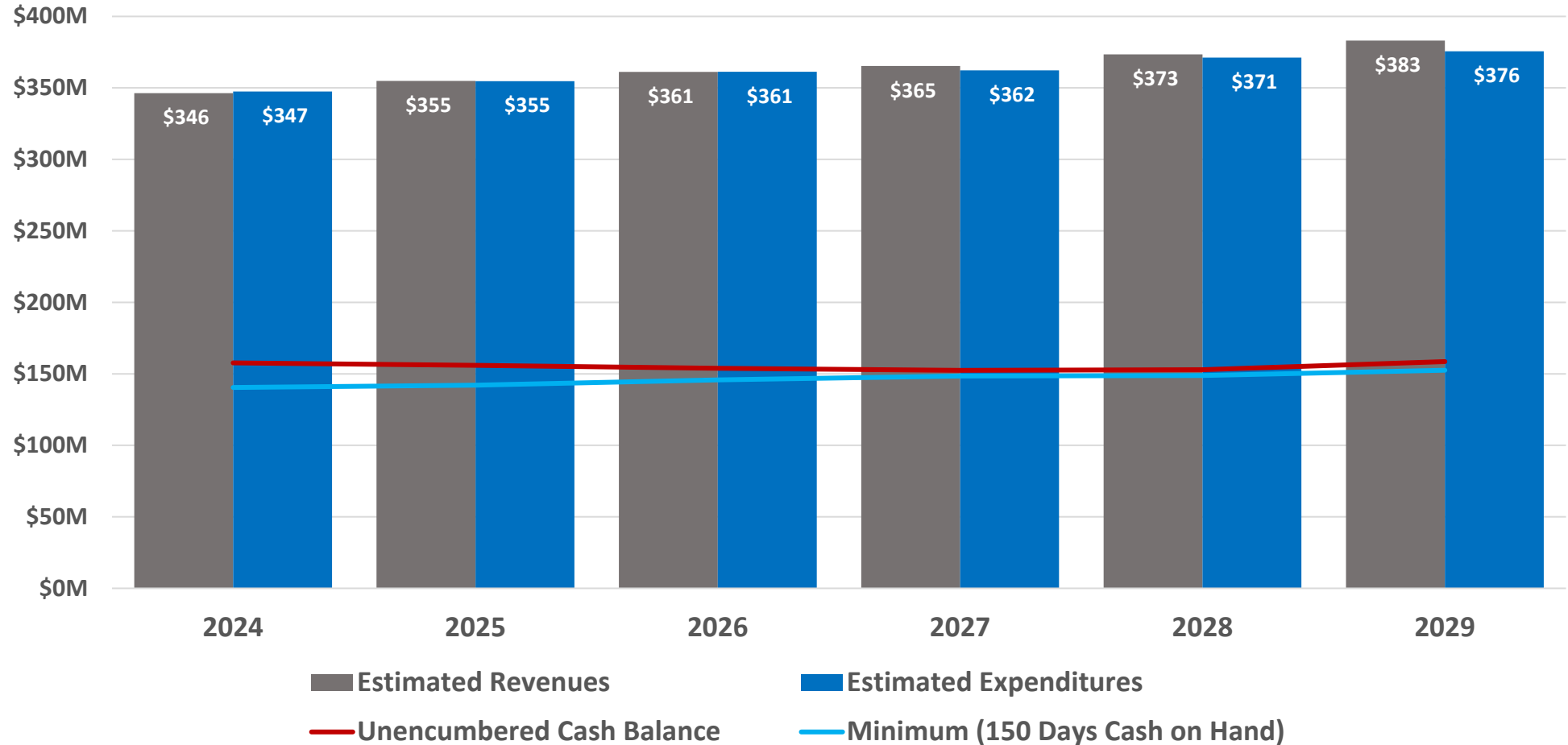
Use of Unencumbered Cash

Assuming Rates Remain Unchanged (FY 25 to FY 29)



Use of Unencumbered Cash

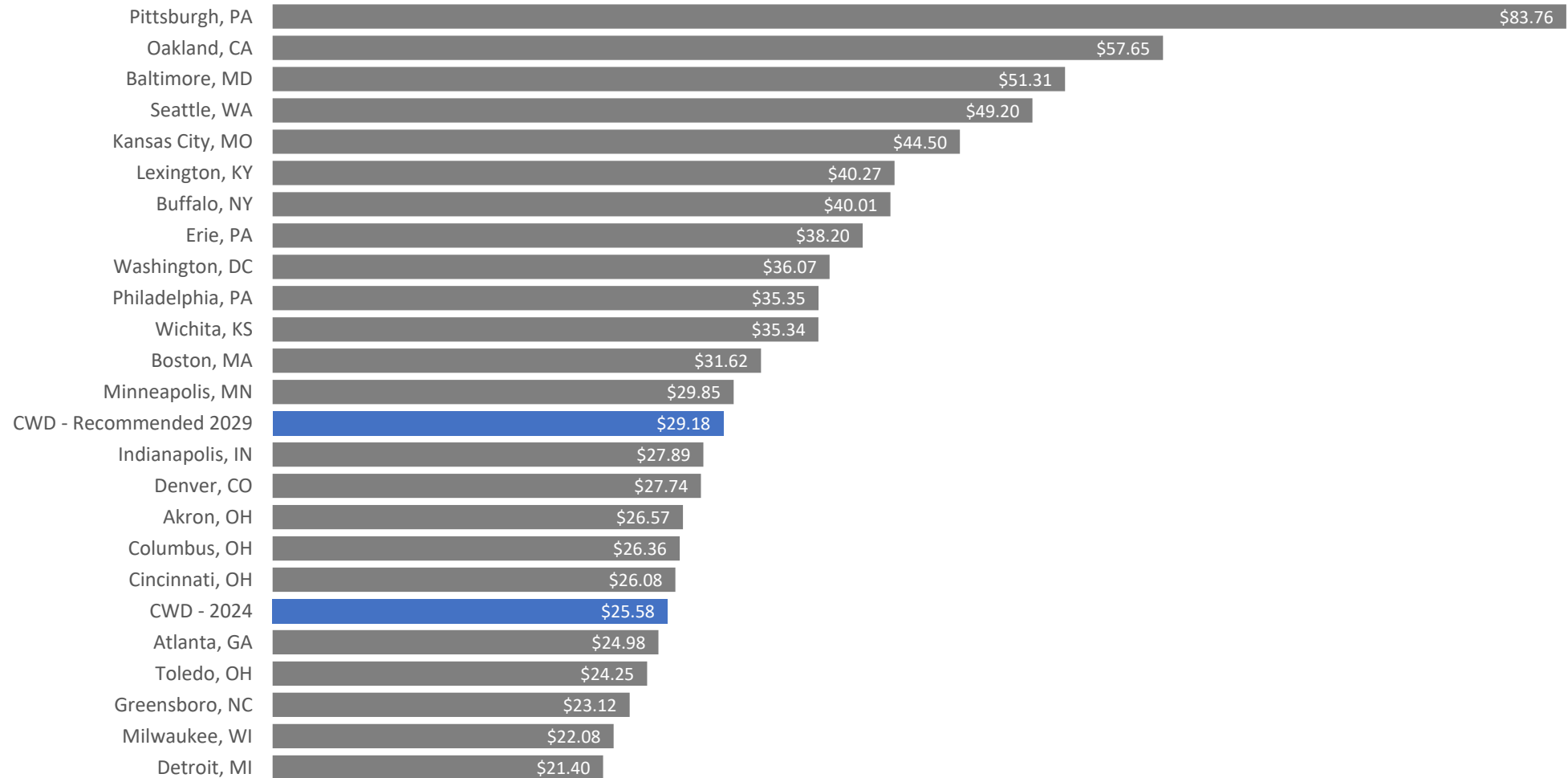
Assuming Recommended Rate Change (FY 25 to FY 29)



Recommended Rate Plan

Recommended Rates (Cleveland)	2024	2025	2026	2027	2028	2029
<i>Increase</i>		3.50%	0.50%	0%	0%	0%
Fixed Charge	\$9.50	\$9.85	\$9.90	\$9.90	\$9.90	\$9.90
<i>Increase</i>		3.50%	3.75%	3.75%	3.75%	3.75%
Tier 1 (0 - 0.2 MCF)	\$22.65	\$23.44	\$24.32	\$25.23	\$26.18	\$27.16
<i>Increase</i>		3.50%	3.75%	3.75%	3.75%	3.75%
Tier 2 (Over 0.2 MCF)	\$38.49	\$39.84	\$41.33	\$42.88	\$44.49	\$46.16
Sample Bills						
0.2 MCF Customer (Low User)	2024	2025	2026	2027	2028	2029
Monthly Bill	\$14.03	\$14.54	\$14.76	\$14.95	\$15.14	\$15.33
<i>Monthly Change</i>		\$0.51	\$0.22	\$0.19	\$0.19	\$0.19
0.5 MCF Customer (Average User)	2024	2025	2026	2027	2028	2029
Monthly Bill	\$25.58	\$26.49	\$27.16	\$27.81	\$28.48	\$29.18
<i>Monthly Change</i>		\$0.91	\$0.67	\$0.65	\$0.67	\$0.70
1.0 MCF Customer (High User)	2024	2025	2026	2027	2028	2029
Monthly Bill	\$44.82	\$46.41	\$47.83	\$49.25	\$50.73	\$52.26
<i>Monthly Change</i>		\$1.59	\$1.42	\$1.42	\$1.48	\$1.53

Typical Monthly Residential Water Bills Cleveland (0.5 MCF)



Conclusions

- Rate adjustments are necessary to maintain CWD's healthy financial position
- Increasing costs of operations and essential system reinvestment will require modest rate increases to ensure continued financial health
- Recommended rate adjustments are designed to promote affordability by minimizing fixed charge increases
- CWD rates are and will continue to be among the lowest of CWD peers



Questions and Discussion