

Divisions of Water, Water Pollution Control, Cleveland Public Power

Request for Legislation

**An emergency ordinance authorizing the Director of Public Utilities to employ one or more professional consultants to provide a comprehensive financial plan for five years including but not limited to, rate and fee analyses for the Divisions of Water, Water Pollution Control, and Cleveland Public Power.**

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**Background/Purpose:**

In order to continue its sound financial management practices, the Department of Public Utilities needs to develop comprehensive financial plans for a five-year period for the Divisions of Water, Water Pollution Control and Cleveland Public Power. These plans may include but not be limited to comprehensive Cost of Service studies and/or Rate and Fee Analysis Studies. Thus, this requested legislation would authorize the undertaking of the contemplated financial studies for these Divisions.

In order to address all of the needs outlined in the following scope of services, the Divisions of Water, Water Pollution Control, and Cleveland Public Power desire to hire the services of professional consultant(s) to develop a detailed 5-year comprehensive financial plans that would include rate studies, financing plans, competitiveness and rate structure issues, and/or any additional system expansion opportunities.

**Scope of Work/Commodities/Services:**

This requested legislation will authorize the Divisions of Water (CWD), Water Pollution Control (WPC), and Cleveland Public Power (CPP) to enter into Professional Services Contract(s) with financial/management consultant(s) to perform various services related to the development of comprehensive financial plan for the next five year planning period. These services will include, but are not limited to, the following issues:

- Develop financial management plans for the next 5 years.
- Review all relevant historical information including rates, consumption and operations and maintenance expenses to identify trends. Review Division's reporting methods regarding historical data and make recommendations for improvements.
- Financial plan includes water and sewer rate studies and fee analyses.
- Includes capital financing plan and other financial services.
- Also to include analysis, development and recommendation of rate structure alternatives.
- Impact analysis to be included for various rate structure alternatives.
- Competitive assessment to be performed in regard to rates and rate structure including rate equity issues.
- Pro-forma analyses to be prepared including projections of revenue and O & M, long-term financial plan, financing scenarios, etc.

**Justification/Urgency:**

The current water and water pollution control increases were passed at the end of 2021 for the years 2022 through 2024, after which these rates will remain in effect until further action by Cleveland City Council. In order to properly plan, these Divisions need to hire a consultant in 2023 to perform the scope of services that will validate the financial position and rate structure.

Because the information needed for Water Pollution Control and Water are similar, it would be best to have the same consultant complete the work. At the conclusion of this study, the Division of Water and Water Pollution Control expect to have the same 5 year cycle for rate review.

CPP will have a rate study/cost of service completed to address the future financial needs of the division including operating and capital needs.

**Anticipated Costs and funding source:**

The preliminary cost estimate for these studies for the Divisions of Water and Water Pollution Control is \$450,000.00. The funding source will be from the appropriate operating budget of each respective division. The preliminary cost estimate for the Division of Cleveland Public Power is \$750,000.

**Schedule or Term of Contract:**

Legislation is to lead to a professional service contract or contracts for the completion of the rate study.

**Previous Contracts:**

<b>Vendor Information</b>	<b>Services/Work performed (current contract)</b>	<b>Contract Info</b>	<b>CSB Participation Goal 10% (OEO Actual %'s)</b>
Stantec Consulting Services, Inc	<u>CWD/WPC:</u> Comprehensive financial plan including a cost of service rate & fee analysis for the years 2020 through 2024	Contract #: PS2018.0128  Awarded Amt: \$485,810.00  <b>Contract Total-to-date:</b> \$359,239.15  Contract Exp. Date: completed 12/2021	16%
Municipal & Financial Services Group 911A Commerce Road Annapolis, MD 21401	<u>CWD/WPC:</u> Comprehensive financial plan including a cost of service rate & fee analysis for the years 2011 through 2015	Contract #: 69748  Awarded Amt: \$1,037,217.00  <b>Contract Total-to-date:</b> \$1,008,108.67  Contract Exp. Date: 4/2015	16%

