

# Westlake looking to ditch Cleveland water system

Suburb would create own department, buy from Avon Lake

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Suburban Westlake is making large waves in regional water politics with an ambitious gambit to tap an outside water source — a move that could lead to major financial problems for the Cleveland Water Department.

Westlake, one of Cleveland's biggest customers, is working on plans to set up its own water department and buy wholesale from the Avon Lake water sys-

tem in neighboring Lorain County.

The Cleveland Water Department, already struggling with declining consumption, is moving aggressively to stop the revolt led by longtime Westlake Mayor Dennis Clough.

It would be the first defection from the regional water system since several Lake County communities left in the early 1980s, and the move could have far-reaching ramifications. Some fear that if Westlake pulls out, other dissatisfied western suburbs will follow.

Clough has been talking for several years about leaving the Cleveland water system, which serves 70 communities in five counties. A consultant first evaluated a switch in 2008. The effort moved ahead in recent months when the consultant issued a second report that encouraged the suburb of 32,000 to pursue an agreement with Avon Lake Municipal Utilities, a small, independent water and sewer authority that serves about 90,000 customers in five counties.

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FROM A1

### Westlake looking to ditch Cleveland

The consultant, HNTB Ohio Inc., said Westlake can make the switch for about \$18 million. The price tag includes a new pumping station, a ground storage tank, 30,000 feet of new water lines and new water meters for every house. The Westlake City Council approved the plan in November.

Clough, like other suburban mayors, has logged many complaints about Cleveland water service and rates, which are on track to increase by about 50 percent for suburban customers by 2015. Clough also takes issue with his suburb shouldering costs to replace inadequate water lines during road construction projects. He says that the replacements have cost Westlake \$12 million since 2003 but that Cleveland should be paying for the upgrades.

"We're double paying right now," Clough said. "The money our people are paying to purchase water is not coming back to us to replace water lines."

The mayor said he believes buying water wholesale from Avon Lake would save Westlake customers about 10 percent on their bills. The city also would generate enough revenue through billing customers to pay for water line replacements, he said.

But he and Cleveland officials have clashed over the mechanics, costs and legalities of splitting Cleveland and setting up a new system.

Among the disputes: Clough wants to keep Cleveland as a secondary supplier; Cleveland officials say they won't go along with that. The two sides disagree on whether Cleveland has exclusive rights to provide water under its contract with Westlake and whether Westlake is obligated to give five years' notice to change providers.

Cleveland hired its own consultant, Arcadis U.S. Inc., which said Westlake's plan would cost tens of millions of dollars more than the suburb has been led to believe. Arcadis also challenged key engineering details of Westlake's plan.

Arcadis said Westlake's capital costs alone would be about \$47 million, including \$17 million to reroute connections to Westlake's suburban neighbors. The report also questioned the adequacy of a proposed 1 million-gallon ground storage tank to provide backup service should Avon Lake's single main line to Westlake break. Cleveland says the storage tank provides four hours of backup service.

"In most instances, it takes more than four hours — sometimes it takes days — to restore water service," said Darnell Brown, chief operating officer for Mayor Frank Jackson.

In addition, Cleveland would hold Westlake responsible for about \$39 million in "stranded costs" — the value of improvements Cleveland has made and is still paying for.

Arcadis said that by its calculations the higher costs would push water bills up almost 20 percent in the suburb.

"Claims regarding cost savings in the proposed Westlake system are built on flawed financial assumptions/information which will result in Westlake customer rates that are much higher than [Cleveland] rates," Brown said in a Dec. 14 letter to Clough.

Cleveland and its consultant also question whether under Westlake's plan water flow would be sufficient to fight fires, and whether water pressure would be too great.

Westlake has two water pressure



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**"What Westlake is doing is totally incorrect. It's a pig in a poke. It sounds real good, but to me it's taking on a risk beyond belief."**

Julius Ciaccia,  
*former Cleveland utilities director who now heads the Northeast Ohio Regional Sewer District*



### Online

What do you think of Westlake's water system move? Post your comments and read more news from the community at [cleveland.com/westlake](http://cleveland.com/westlake)

zones. A conversion would create one, which would increase water pressure in some areas. The higher pressure could cause leaks for homeowners and more water line breaks, according to Cleveland's report. Clough said problems can be avoided with pressure regulators installed on some lines and in some homes.

### Cleveland leaders playing hardball

Cleveland, which in recent years has faced harsh criticism about billing, maintenance and customer service, is playing hardball to keep its fifth-largest customer from bailing — and perhaps to discourage others from thinking about it.

Westlake generates more than \$6 million a year in revenue for the Cleveland system — which already sits on hundreds of millions of gallons a day in excess capacity.

"Brown said in an interview: 'They may already have taken an action that could be considered breach of contract.'"

But Cleveland Councilman Mike Polensek struck a conciliatory tone, saying he agrees with Westlake that Cleveland has been remiss not to replace deteriorating water lines. Polensek said the water system can't afford to lose customers, as it did when the Lake County communities pulled out.

"We've got to do everything we can to keep Westlake in," Polensek said. "If Westlake goes, then there's pressure on Bay Village, Rocky River, Fairview Park — all the surrounding suburbs — to do likewise."

Clough has not rebutted Cleveland's report point by point. But he isn't backing down. In response to Cleveland's insistence that Westlake would owe \$39 million for capital improvements, he said in a Jan. 6 letter to Cleveland officials, "There is no provision in [the contract] that would entitle Cleveland to the damages you now assert."

He also said the five-year termination notice doesn't apply because it was part of a long-term contract that has expired. Westlake and Cleveland are now on a year-to-year contract.

Clough said he is waiting for a

anti-poaching economic development pact sought by Cuyahoga County Executive Ed Fitzgerald. And he has refused to sign an agreement under which Cleveland takes over and improves wastewater lines in exchange for sharing income tax revenue when a business relocates.

"I'm very hopeful Westlake will stay in," Mulcahy said. "I think the city of Cleveland has shown over and over they're willing to work with us."

Nobody interviewed for this story was willing to predict the impact on the system if Westlake withdraws, though several said the financial blow would be significant. Cleveland officials said the purpose of seeking to recover so-called stranded costs from Westlake is to protect other ratepayers.

Over the last quarter-century, Cleveland has borrowed to make \$1.6 billion in improvements to its water facilities and has based plans for paying off the debt on continuing to collect from the 70 communities in the system.

Water rates are set for the next four years. Whether Westlake's departure triggers a future rate increase would have to be studied, said public-utilities spokesman Jason Wood.

Rachel Cortez, an analyst who follows the Cleveland water department for the bond-rating agency Moody's Investors Service, said she didn't think the loss of revenue from Westlake would have significant impact on the department's finances or its bond rating.

But rumors of a domino effect are circulating. Bratenahl Mayor John Licastro, who recently served as president of the county mayors and city managers association, said he doesn't see much threat of that happening.

"I don't see anyone willing to take as radical a step as Westlake is taking," Licastro said.

Westlake has deeper pockets than most communities, and its proximity to Lorain County "gives them options the rest of us

don't have," he said.

North Olmsted, under former Mayor Thomas O'Grady, partnered with Westlake on the initial phase of the study that evaluated a switch to Avon Lake water. But current Mayor Kevin Kennedy said North Olmsted didn't take part in the second round of the study because of budget issues. He was cautious about the prospect of North Olmsted following Westlake.

"Sometimes it's best to let someone else blaze that path," he said.

Rocky River Mayor Pamela Bobst said that Cleveland has become more responsive to billing and service complaints but that she'd be willing to consider Avon Lake if it meant cost savings.

"If Westlake were able to accomplish that, I think there are opportunities for Rocky River," Bobst said.

Indeed, Westlake's breakaway move appeals to free-market thinkers who believe competition is healthy for all, including large public water systems.

Cuyahoga County Councilman Dave Greenspan, who lives in Westlake, says Clough and the City Council are doing residents a favor by looking for a better deal on water.

"Competition is a great thing," Greenspan said. "There's a term in sales: Fear of loss drives business."

But Julius Ciaccia, former Cleveland utilities director who now heads the Northeast Ohio Regional Sewer District, said the Westlake plan is full of sinkholes. For one, he took issue with a single water main feeding Westlake from Avon Lake. And he said it's not realistic that Westlake could receive water from two incompatible systems.

"What Westlake is doing is totally incorrect," Ciaccia said. "It's a pig in a poke. It sounds real good, but to me it's taking on a risk beyond belief."

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