

**PROPOSAL FOR RATE CONSULTING SERVICES – Water Utility**

February 12, 2024

Members of the Lapel Indiana Town Council  
P.O. Box 999  
Lapel, Indiana 46051

**Re: Proposal to the Town of Lapel, Indiana – Municipal Water Utility**

Dear Council Members:

I want to thank you for considering Callahan Utility Consulting (the “Consultant”) to serve as rate consultant to the Town of Lapel, Indiana-Municipal Water Utility, Indiana (“Client”) in connection with the proposed rate adjustments to the current revenue requirements of the Client. I have been requested to provide to the Town a proposal/quote outlining the scope of services and the fee schedule to perform the outlined services.

The proposal/quote has three (3) schedules and all are an integral part of Consultant’s understanding of the engagement between the Client and Consultant.

Schedule A - **Scope of Services**

This schedule outlines the services to be provided by the Consultant which includes preparing the preliminary and final rate analyses and serve as rate advisor in determining the proper level of revenue requirements. The increase will be established on an “across-the-board” basis.

Schedule B - **Professional Fees and Charges**

This schedule outlines the fees and charges for preparing and presenting the rate study to the Town Council and to the general ratepayers, if necessary. The professional fee will be based on an hourly rate and will include a “not-to-exceed” amount. If the cost to perform the services outlined in Schedule A exceeds the “not-to-exceed” amount in Section B, the “not-to-exceed” amount will be billed.

Schedule C - **Other Terms and Conditions**

This schedule outlines other understandings and representations between the Client and Consultant. It is assumed Client is not borrowing or committed to any indebtedness for any expansion or improvements of its existing facilities.

The information for each of these schedules is detailed on the following pages.

## **SCHEDULE A**

### **Scope of Services**

“Consultant” agrees to provide the following services to the “Client”:

#### **REVENUE REQUIREMENT ANALYSIS [Municipal Water Utility]**

- A.) Prepare three (3) years of historical Statement of Receipts & Disbursements based on financial information provided by Client. The most recent twelve months of activity will be considered the “Test Year” for determining the pro-forma revenue requirements of the Client.
  
- B.) Prepare exhibits detailing the financial and operational data of Client. These exhibits may include, but will not be limited to, the following reports and calculations:
  - 1.) Comparative Statement of Receipts & Disbursements
  - 2.) Detail of Operating Receipts
  - 3.) Detail of Operating Disbursements
  - 4.) Bond amortization schedule(s): Current & Proposed
  - 5.) Analysis of all funds
  - 6.) Proposed rate schedules
  - 7.) Pro-forma Net Operating Receipts (Disbursement) Statement
  - 8.) Detail of pro-forma adjustments to Net Operating Statement
  - 9.) Historical extensions & replacements and depreciation schedule
  - 10.) Capital improvement program
  - 11.) Working capital calculation
  - 12.) Payment in Lieu of Property Taxes (PILT)
  - 13.) Revenue requirement statement
  - 14.) Additional schedules and exhibits deemed necessary

(Schedules stated above may change due to the nature of accounting system maintained by Client.)

- C.) Perform voucher analysis:
  - 1.) Analyze vouchers for possible going-level-adjustment
  - 2.) Determine if expenses are non-recurring in nature
  - 3.) Determine if disbursements should be capitalized or expensed
  - 4.) Normalize operating expenses
  
- D.) Normalize operating revenues and adjust for unusual fluctuations:
  - 1.) Normalize the effect of any addition or loss of a major customer

- and/or major change in the customer count of any customer classification.
- 2.) Normalize for the potential impact of the Wholesale Water Cost Tracker (“WWCT”) or mid-test year rate adjustment(s).
- E.) Prepare rate scenarios reflecting the impact on proposed water rates to customers.
- F.) Review current bond and rate ordinances.
- G.) Prepare historical extensions & replacement/depreciation calculations and discuss with Consulting Engineers and Town Officials to determine the proper level of the short-lived asset replacement allowance (“SLARA”).
- H.) Prepare financial rate studies (preliminary and final) in report form for the elected Town Officials and other representatives reflecting the impact of the proposed rate increase/(decrease) to the ratepayers.
- I.) Attend Council meetings and/or any other necessary meetings to explain the financial rate analyses, if necessary.
- J.) Attend public hearing to discuss rate study and answer questions from interested parties.
- L.) Assist local counsel in the preparation of the User Rate Ordinance (tariff).
- M.) Prepare billing charts for the Client, if requested.

## **SCHEDULE B**

### **Professional Fees and Charges (“Charge”)**

The Charge will include, in addition to the services provided by the professional staff, all expenses relating to travel, per diem, lodging, typing, reproducing, supplies and postage. The total charge of the Consultant and expenses shall be in the range of \$3,500 to \$4,500 for the services agreed upon in Schedule A. Charges incurred over and above this amount shall be borne by the Consultant. In the event, the Client request additional services that are not included in Schedule A attached hereto, the Consultant shall put in writing the additional services requested by the Town Officials and the estimated additional fee. The Consultant shall receive approval, in writing, from Town Officials before the additional services are rendered. The Charge for the services outlined in Schedule A will be based on an hourly fee basis.

Estimated Range: \$3,500 to \$4,500

“Not-to-Exceed” Amount: \$ 4,500

## **SCHEDULE C**

### **Other Terms and Conditions**

- 1.) The Client shall make available to the Consultant all books, records, minutes, files, capital improvement and replacement plans, loan documents and any other documents of the Client applicable to Consultant conducting the required rate studies.
- 2.) The Client and Consultant may terminate this engagement at any time after notice is given in writing to the other party. At the time of written notice, all services will cease and the Consultant shall submit invoice and be paid for services rendered. The invoice shall be paid within thirty (30) days of receipt of invoice.
- 3.) The Consultant will rely on information provided by Client. We will not audit, review or examine the information, and accordingly, cannot be relied upon to detect fraud or any other illegal acts that may have occurred. In the event the Consultant does detect any significant irregularities or material errors, it will be reported to the Client. The State Board of Accounts has the responsibility to conduct an audit and the Consultant shall not express an opinion on the financial information or imply that the Consultant has performed an audit or review of the financial information.
- 4.) The Client is responsible for all decisions regarding the funding of any capital improvement project, as well as other management decisions. It is assumed the Client has identified individual(s) within the Town with the required skills, knowledge and experience to oversee the services the Consultant will provide. The Client is responsible for evaluating the services provided by the Consultant and shall notify Consultant of any concerns. The Client shall be responsible for establishing and maintaining proper internal controls.
- 5.) Consultant shall invoice Client soon after the services have been provided and completed outlined in Schedule A. The Client may request monthly invoices from Consultant and Consultant shall be required to do so. The invoice is due within thirty (30) days from the date of billing. The Consultant has the right to charge 1% interest per month for outstanding balances over thirty (30) days beyond the due date. Any questions, errors or concerns in the Consultant's invoice shall be brought promptly to the Consultant's attention.

\*\*\*\*\*

If the foregoing terms are acceptable, please indicate so by signing and returning a copy of this letter, retaining the original for your files. We appreciate this opportunity to be of service and look forward to serving the citizens and ratepayers of Lapel, Indiana.

Should you have any questions or concerns, please do hesitate to contact me.

---

Patrick Callahan  
Callahan Utility Consulting

**ACCEPTANCE OF QUOTE**

The undersigned hereby understands and agrees to the foregoing letter of engagement.

ACKNOWLEDGED and AGREED to  
this \_\_\_\_ day of \_\_\_\_\_, 2024

**Town of Lapel, Indiana**

By: \_\_\_\_\_

Title: \_\_\_\_\_