



February 13, 2025

Via Electronic Delivery Only

Town of Lapel, Indiana
c/o Teresa Retherford, Clerk-Treasurer
825 North Main Street
P.O. Box 999
Lapel, IN 46051-0999

RE: Proposal for Sewer Rate Study

Dear Teresa:

LWG CPAs & Advisors ("LWG") is pleased to provide a proposal to serve and assist the Town of Lapel (the "Town") by preparing a rate study (the "Study") for the Town's Sewer Utility (the "Utility"). This study will be in conjunction with the Town's planned multi-phased financing for various utility improvement projects. We understand that the Town has engaged MS Consultants Inc to serve as project engineer on the proposed projects.

As you are aware, a municipal utility is required to have just and equitable fees for services that are necessary to maintain the utility in a sound physical and financial condition necessary to render adequate and efficient service. The purpose of this letter is to provide a basic outline of the services to be offered, a timeline and an estimation of the costs for these services.

Scope of Service:

We propose that this engagement would begin with a comprehensive analysis of the Utility's revenue requirements including but not limited to: operations and maintenance costs; taxes other than income taxes; annual capital extension and improvement costs not financed through long term debt; working capital requirements; debt coverage requirements, if any; and a reasonable return on the Utility's investment in Utility Plant.

Our analysis would include written recommendations pertaining to the amount of increase (if any) and options and alternatives for implementation that could assist in alleviating potential "rate shock" by the Town's ratepayers/residents.

The overall scope of our services will include, but not be limited to, the following:

- Procurement of financial and consumption/usage/billing records for the Utility for the twelve months ending December 31, 2024.
- Consultation with Town and Utility officials to determine and forecast the capital improvement needs of the Utility along with an estimate of the timing of those needs.

- Meetings, as needed, with the appropriate Town officials in order to review the results of the Study and the impact of these results on individual customers' monthly/annual billings.
- Comparison of the Town's current and proposed rates to similar sized communities and other communities in the surrounding area.
- Preparation and presentation of final written findings and recommendations to the Town Council for their consideration and action.
- Assist the Town Council's legal representative with the drafting of the required rate ordinances and related items, as/if needed.
- Attendance and presentation to the Town Council and the members of the public at the required public hearing prior to the adoption of the final rate ordinance.

As part of the Study, we may propose for the Town Council's consideration the inclusion of annual rate adjustments (based on inflationary factors) to be included in the proposed ordinance to provide for revenue adjustments between now and any future rate studies that would be undertaken.

In addition to the above, we propose to evaluate the current make-up and structure of the Utility's non-recurring fees and charges (**capacity, tap and availability fees, NSF check fees, etc.**). We will also look for and address, if necessary, any inconsistencies that may exist amongst and between the current ordinances.

Timeline:

We will make every effort to complete the Study in the most efficient manner possible. It is anticipated that the results of the Study will be available for the Town Council's consideration within 60-90 days of our engagement.

Compensation:

Our fees for the services to be provided will be based upon the hourly billing rates for the actual time expended by the staff members assigned to this engagement. Reimbursement will be requested for out-of-pocket expenses that are associated with this engagement. The normal out of pocket items include travel, and postage/delivery charges.

It is a practice of LWG to staff each engagement with the individuals that will provide the best service in the most efficient and economical fashion for the client. In addition to myself, Bob Reynolds will be actively involved in this engagement. Mr. Reynolds will use staff accountants where appropriate, and their work will be directly supervised by Mr. Reynolds.

Based upon our experience, the anticipated cost of the Study would fall in the \$9,000 - \$11,000 range. However, we are willing to propose that our fees associated with this engagement will not exceed **\$9,500**. Accordingly, the Utility will be billed the **lower of the actual time and expense incurred or \$9,500, whichever is less.**

Town of Lapel, Indiana

February 13, 2025

Page 3

Invoicing:

Upon completion of the Study, we will submit an invoice to you for the time and expense incurred in the preparation of the Study. The invoice will include the date, staff member, work description and time expended/cost incurred. In the event that the Study is not completed, upon notification from the Town, we will stop work and submit an invoice for payment of the time and expense incurred to date.

We appreciate this opportunity to offer our assistance to the Town and its ratepayers and residents. If you should have any questions or need additional information, please do not hesitate to contact me.

Sincerely,



James P. Higgins

c: Nathan Delisle (MS Consultants Inc.)

ACKNOWLEDGED AND AGREED TO:

TOWN OF LAPEL, INDIANA

By: _____

Title: _____

Date: _____