



Town of Lapel, Indiana

2026 Water Rate Study

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KROHN
&
— ASSOCIATES —
CPAS AND CONSULTANTS

Rate History & Indiana Code

- Current water rates and charges were adjusted in 2021 per Ordinance 17-2021.
 - Average Customer Bill (4,000 gallons) - \$44.65
- Per Indiana Code IC 8-1.5-3-8, **Utility Rates SHALL BE SUFFICIENT to cover:**
 - Cash Operation & Maintenance Expenses
 - Working Capital
 - Debt Service on Bonds & Other Indebtedness
 - Debt Service Reserve Requirements
 - Depreciation and/or Allowance for Replacements & Improvements

Pro Forma Operating Disbursements

| | TEST YEAR | ADJUSTMENTS | PRO FORMA AMOUNT | |
|--------------------------------------|-------------------|------------------|---------------------|-----|
| OPERATION AND MAINTENANCE: | | | | |
| SALARIES AND WAGES | \$ 236,842 | \$ 22,158 | \$ 259,000 | (1) |
| EMPLOYEE BENEFITS | 72,539 | 7,461 | 80,000 | (1) |
| FUEL AND POWER PURCHASED | 41,677 | 4,323 | 46,000 | (1) |
| CONTRACTUAL SERVICES | 151,585 | (31,585) | 120,000 | (2) |
| REPAIRS AND MAINTENANCE | 26,048 | 3,952 | 30,000 | (2) |
| MATERIALS AND SUPPLIES | 62,949 | 2,051 | 65,000 | (2) |
| TOWN INSURANCE | 13,743 | 2,257 | 16,000 | (1) |
| OTHER | 23,573 | 6,427 | 30,000 | (2) |
| TOTAL OPERATING DISBURSEMENTS | \$ 628,956 | \$ 17,044 | \$ 646,000 | |

(1) Assumes a 3.00% annual inflationary factor for three years, rounded to the nearest thousand.

(2) Estimates based on previous periods.

Pro Forma Revenue Requirements

| <u>Pro Forma Revenue Requirements:</u> | Current | Proposed |
|--|---------------------|---------------------|
| Operating Disbursements | \$ 646,000 | \$ 646,000 |
| Annual Lease Payments | 53,500 | 53,500 |
| Debt Service on Outstanding Bonds | 286,980 | 286,980 |
| Depreciation and Bond Coverage | 561,501 | 114,792 |
| Total Pro Forma Revenues Required | \$ 1,547,981 | \$ 1,101,272 |
| <u>Pro Forma Revenues:</u> | | |
| Water Collections | 1,546,681 | 1,546,681 |
| Adjustment to Normalize for Billing Irregularities | - | (873,153) |
| Tower Rent | 1,300 | 1,300 |
| Total Pro Forma Revenues Available | \$ 1,547,981 | \$ 674,828 |
| Revenue Shortfall | \$ - | \$ 426,444 |
| Proposed Increase in Rates and Charges | 0.0% | 63.3% |
| Residential Bill - State Average (4,000 gallons) | \$ 44.68 | \$ 72.97 |

- **Revenue Requirements:**

- Operating and Maintenance Costs
- Debt Service on Outstanding Obligations
- Depreciation and Bond Coverage – Required per Bond Covenants Allocated for Capital Expenses

- **Revenue:**

- Test Year Revenue
 - Adjustment to account of billing irregularities
- Shortfall = Increases to Meet Required Revenues

Current and Proposed Water Rates

| | | | | Current | Proposed |
|--|------------|---------|--|----------|--------------|
| | | | | | 63.3% |
| <u>Metered Flow Rates (per 1,000 gallons):</u> | | | | | |
| First | 2,000 | Gallons | | \$ 11.71 | \$ 19.12 |
| Next | 4,000 | Gallons | | 10.63 | 17.36 |
| Next | 9,000 | Gallons | | 9.04 | 14.76 |
| Next | 15,000 | Gallons | | 8.20 | 13.39 |
| Over | 30,000 | Gallons | | 5.92 | 9.67 |
| | | | | | |
| <u>Minimum Charge Per Month</u> | | Gallons | | Current | Proposed |
| | | | | | 63.3% |
| <u>Water Meter size:</u> | | | | | |
| 5/8 - 3/4 | Inch meter | 2,000 | | \$ 23.43 | \$ 38.24 |
| 1 | Inch meter | 3,120 | | 35.32 | 57.68 |
| 1 1/4 | Inch meter | 5,300 | | 58.80 | 95.53 |
| 1 1/2 | Inch meter | 7,800 | | 82.20 | 134.25 |
| 2 | Inch meter | 9,120 | | 94.14 | 153.73 |
| 3 | Inch meter | 11,700 | | 117.54 | 191.81 |
| 4 | Inch meter | 20,000 | | 188.27 | 307.47 |
| 6 | Inch meter | 34,000 | | 293.93 | 480.05 |

Rate Study Recommendations

- Provides an allowances for changes in operations and depreciation funding
- Provides an allowance for Working Capital and required bond coverage on outstanding bonds
- Provides replacement revenue to replace reduction due to billing irregularity in test year.

Proposed User Charge:

- 3,500 Gallons: \$64.28
- 4,000 Gallons: \$72.97