



April 30, 2020

Bernard Lenz, P.E. - Utility Manager
City of La Crosse
400 La Crosse Street
La Crosse, WI 54601

VIA EMAIL ONLY

RE: Proposal to Update the Sewer Rate Study

Dear Mr. Lenz:

Trilogy Consulting has enjoyed working with you and the City to develop a plan for sewer rates to fund the WWTP upgrade and expansion and keep the utility in sound financial health.

As we have discussed, the projected rates for 2021 through 2023 should be updated based on more recent data on customer flows, utility revenues and expenses, and final facility plan cost estimates. The update will use the utility basis method and will include calculation of non-contract rates if needed. Our attached scope of services and cost is designed to complete the update and provide a recommended schedule of rates for 2021-2023 for adoption by the City Council in order to secure a Clean Water Fund loan for the WWTP project. We understand that the rates need to be adopted before September 30, so we will have our final report ready for presentation at the August 13 Council meeting.

We look forward to working with you on this project and welcome any questions you may have about our proposal.

Sincerely,

A handwritten signature in blue ink, appearing to read "Christine DeMaster", is written over a light blue horizontal line.

Christine DeMaster, Principal
Trilogy Consulting, LLC

**La Crosse Sewer Rate Update
Scope of Services and Estimated Cost**

Task	Estimated Hours			Rate	Cost
	Granum	DeMaster	Total		
Project Kickoff Meeting					
Prepare draft information request	0.25	1.00	1.25		
Conference call for kickoff meeting	1.00	1.00	2.00		
Task Subtotal	1.25	2.00	3.25	\$ 110.00	\$ 357.50
Update Historical Trend Analysis and Forecast Revenue Requirements					
<i>Update historical trend analysis with 2019 data and 2020 budget/forecast</i>					
O&M expense	0.50	1.50	2.00		
Customer usage	0.50	4.00	4.50		
Capital improvements	0.50	2.00	2.50		
<i>Update forecast 2020-2023 revenue requirements</i>					
Projected operating expenses	0.50	1.00	1.50		
Projections for other operating revenues		0.50	0.50		
Projections of depreciation expense	0.50	2.00	2.50		
Projections of rate base and return on investment	0.50	2.00	2.50		
<i>Update forecast revenues at present rates</i>					
Develop projected customer demand	0.50	1.00	1.50		
Calculate revenues at current rates	0.25	0.50	0.75		
<i>Discuss projections with City staff</i>	1.00	1.00	2.00		
Task Subtotal	4.75	15.50	20.25	\$ 110.00	\$ 2,227.50
Update Cash Flow Forecast					
Update the planned WWTP upgrade cost with final facility plan estimates		2.00	2.00		
Update other capital replacement needs based on the CIP, past history, annual depreciation expense, and discussion with City staff	1.00	3.00	4.00		
Prepare updated schedules of estimated cash financing, debt issuances and debt service	1.00	2.00	3.00		
Update recommendations for reserve levels based on operating expenses, debt service, and capital replacement needs	0.50	2.00	2.50		
Analyze projected cash flows, debt coverage, reserve levels and projected amount available for transfer to the General Fund by year	2.00	2.00	4.00		
Task Subtotal	4.50	11.00	15.50	\$ 110.00	\$ 1,705.00
Cost of Service and Rate Calculations					
<i>Cost of Service Allocation for 2021, 2022, and 2023 rate models</i>					
Allocation of costs to utility function - collector system, interceptor system, WWTP flows and loadings, etc.	1.00	4.00	5.00		
Allocation of revenue requirements to customer classes - retail classes, wholesale customers, high-strength, holding tank and septic waste	0.50	2.00	2.50		
<i>Rate Structure Recommendations</i>					
Calculate rates based on current rate structure	0.25	2.00	2.25		
Prepare summary comparisons of rates and impacts on wholesale customers and example retail customers	0.50	3.00	3.50		
Forecast total revenues and increase over present rates for customer classes	0.50	2.00	2.50		
Conference call with City staff to discuss cost of service and rates	1.00	1.00	2.00		
<i>Update community comparison of rates for comparable local, regional, and state utilities</i>	4.00	0.25	4.25		
Task Subtotal	7.75	14.25	22.00	\$ 110.00	\$ 2,420.00
Report and Presentation					
Prepare draft report	2.00	8.00	10.00		
Meeting or conference call with City staff to review draft report	2.00	2.00	4.00		
Prepare final report based on comments received	1.00	4.00	5.00		
Prepare PowerPoint presentation for final report		4.00	4.00		
Present final report to City Council	1.00	1.00	2.00		
Task Subtotal	2.00	9.00	11.00	\$ 110.00	\$ 1,210.00
Grand Total	20.25	51.75	72.00		7,920.00