

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

| | |
|-----------------------------|---|
| <u> </u> | Resolution or Ordinance (Blue) |
| <u> X </u> | Recommendations of Boards, Commissions & Committees (Green) |
| <u> </u> | Other Business (Pink) |

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: Scott Niehaus, Village Manager

DATE: February 26, 2024 (COW)(B of T) Date March 7, 2024

TITLE: Request Waiver of Bid and Authorization to Execute an Agreement with NewGen Strategies & Solutions for a Water and Sewer Rate Study Update


SUBMITTED BY: Timothy Sexton, Director of Finance

BACKGROUND/POLICY IMPLICATIONS:

Attached is the scope of work and cost proposal to update the Water and Sewer Rate Study that NewGen completed (as MFSG) for the Village in 2019. The goal is to complete the update before August 30th to incorporate the updated rates in the 2025 budget. Included in this proposal is the option for NewGen to conduct an in person meeting rather than virtually.

Staff is requesting a waiver of bid and authorization to execute an agreement with NewGen Strategies & Solutions, Inc. in an amount not to exceed \$28,400.

Review (as necessary):

| | | | |
|------------------|---|------|----------------|
| Village Attorney | X | Date | _____ |
| Finance Director | X  | Date | <u>2/23/24</u> |
| Village Manager | X | Date | _____ |

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda Distribution.



900 Bestgate Road
Suite 402
Annapolis, Maryland 21401

February 14, 2024

Ms. Jamie Cunningham
Assistant Finance Director
Village of Lombard
255 E Wilson Ave. Lombard, IL 60148

Subject: Water and Sewer Rate Study Update

Dear Ms. Cunningham:

Thank you for the opportunity to continue our professional relationship with the Village of Lombard. Based on your recent request, we have prepared the following scope of work and cost proposal to update the Water and Sewer Rate Study that NewGen completed (as MFSG) for the Village in 2019.

The scope of work outlines the tasks necessary for NewGen to complete a comprehensive update to the 2019 study. Tasks include updating the rate model's expense and revenue forecasts based on the latest available data, providing updated rate recommendations, and submitting to the Village a report and presentation supporting our recommendations. Also included is the option for NewGen to conduct our presentation to a joint meeting of the Public Works and Environmental Concerns and Finance and Administration Committees in person rather than virtually.

If you have any questions about our proposed scope of work, please do not hesitate to contact me directly at ecallocchia@newgenstrategies.net or 443-951-4207.

Very truly yours,

DocuSigned by:

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Eric Callocchia
Partner

1. SCOPE OF WORK

TASK 1 – DATA COLLECTION AND KICKOFF MEETING

Upon notice to proceed, NewGen will submit a data request to the Village along with a link to a shared project data folder using Microsoft SharePoint® to which authorized NewGen and Village personnel will have access. The SharePoint® folder will serve as the repository of all study data. NewGen will schedule a virtual kickoff meeting with the Village to discuss the desired outcomes of the study update, including how any issues related to the water and sewer systems have evolved since the previous study. NewGen will also confirm the study's required timeline and key deliverables at the kickoff meeting.

TASK 2 – UPDATE OPERATING AND CAPITAL COSTS

NewGen will update the water and sewer rate model based on the new data provided by the Village. The new base year for the model will be the Village's Fiscal Year (FY) 2024 budget. NewGen will update the model to provide a ten-year projection period beyond the base year, namely FY 2025 – FY 2034. The water and sewer system revenue requirement components that NewGen will update include:

- Operating and maintenance expenses
- Debt service payments on existing obligations
- Future capital improvements projects
- Contributions to reserves

NewGen will also update the model's assumptions regarding escalation rates for various cost components.

TASK 3 – UPDATE CUSTOMER AND CONSUMPTION INFORMATION

NewGen will ask the Village to provide the most recently available customer and consumption data for the water and sewer systems dating back to the most recent actual data within the current model. NewGen will organize the updated data and base all future projections off the most recently available full fiscal year of data, i.e., through the end of FY 2023. NewGen will determine, based on discussions with the Village, the appropriate rate of customer and consumption growth for the new projection period.

TASK 4 – UPDATE FINANCIAL FORECAST AND DEVELOP RATES

NewGen will develop recommended water and sewer rates necessary to maintain the financial and operational health of the Village's water and sewer systems through the projection period.

Note: The scope of work does not include any changes to the Village's rate structure. NewGen will recommend future water and sewer volumetric rates, Capital Charges, Service Charges, and Cross Connection Control Program Charges based on the updated revenue requirement and customer data forecasts. NewGen will maintain the 1.50x differential for outside Village service. No other Village water and sewer related fees or charges will be evaluated during the study update.

SCOPE OF WORK

TASK 5 – MEETINGS AND REPORTING

NewGen anticipates the following meetings over the course of the study update, which will all be conducted virtually:

- A kickoff meeting with Village staff.
- Semi-monthly project status meetings with Village staff to discuss study progress.
- A public meeting to a joint meeting of the Public Works and Environmental Concerns and Finance and Administration Committees to present NewGen's recommendations.

NewGen will develop a narrative report presenting our findings, conclusions, and recommendations, supported by the updated financial model.

2. PROJECT SCHEDULE

The following is an estimate of the key project deadlines, with the intention to develop rates that will be effective on January 1, 2025:

- **Notice to Proceed and Submission of Data Request:** May 1, 2024
- **Project Kickoff Meeting:** Week of May 6, 2024
- **Draft Results:** Before June 15, 2024
- **Public Presentation to Joint Committee Meeting:** Before July 31, 2024
- **Delivery of Final Report:** Before August 30, 2024
- **Recommended Rates Effective:** January 1, 2025

3. PROJECT COST

We develop our cost proposals by determining the number of hours of effort that will be required by each of our proposed project staff on a task-by-task basis and multiplying this number by each staff member's hourly rate. To this estimate of professional fees, we add estimated out-of-pocket at actual cost, with no profit or overhead added to out-of-pocket expenses. There are two NewGen staff members that will be providing our services to the Village:

ERIC CALLOCCHIA | PROJECT MANAGER



EDUCATION: BA, Economics/Mathematics, Johns Hopkins University

AFFILIATIONS: AWWA, WEF, CSWEA, GFOA

AWWA Rates and Charges Committee - Cost of Service Subcommittee

PUBLICATIONS: Contributing author, WEF Manual of Practice (MOP) 27 – *Financing and Charges for Wastewater Systems*; AWWA Manual M1 – *Principles of Water Rates, Fees, and Charges*

Mr. Callocchia has over thirteen years of utility cost of service and financial consulting experience. His expertise is related to a broad range of industry issues, including revenue stability, customer affordability, operational sustainability, and public education. He is a contributing author to the most recent edition of the Water Environment Federation's Manual of Practice 27 – *Financing and Charges for Wastewater Systems*. He is an active member of the American Water Works Association (AWWA) Rates and Charges Committee, and a *contributing* author to the upcoming eighth edition of AWWA's Manual M1 – *Principles of Water Rates, Fees, and Charges*.

Mr. Callocchia has worked with over 100 water, wastewater, and stormwater utilities throughout the United States. Through his efforts, clients have justified revenue increases, adopted rate structure changes, enhanced reserve policies, funded capital financing plans, and applied other industry best practices.

AIDAN OATES | FINANCIAL ANALYST



EDUCATION: Master of Energy Management, Tulane University

Bachelor of Arts in English Literature and Finance, The College of William and Mary

Mr. Aidan Oates joined NewGen in 2021. He provides financial modeling, cost of service and rate design for water, wastewater, solid waste, and energy projects. His experience includes valuation, trading, economics, and investment banking specific to the Energy industry. He earned his BA in English Literature and Finance from William and Mary and a Masters in Energy Management from Tulane University.

Mr. Callocchia and Mr. Oates will be supported by NewGen's administrative staff to produce the study's deliverables.

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PROJECT COST

Assuming that all meetings are held virtually, our cost for the scope of work and deliverables outlined in this document is **\$25,400** as set forth below:

Exhibit 1. Study Cost Detail

| Task | | Hourly Rate | Callocchia | Oates | Admin | Hours | Professional | Fees | Expenses | Total |
|--------|---|-------------|------------|-------|-------|--------------------|--------------|------|----------|----------|
| | | | \$260 | \$165 | \$120 | | | | | |
| Task 1 | Data Collection and Kickoff Meeting | | 8 | 8 | | 16 | \$ 3,400 | | | \$ 3,400 |
| Task 2 | Update Operating and Capital Costs | | 4 | 12 | | 16 | \$ 3,020 | | | \$ 3,020 |
| Task 3 | Update Customer and Consumption | | 4 | 24 | | 28 | \$ 5,000 | | | \$ 5,000 |
| Task 4 | Update Financial Forecast and Develop Rates | | 8 | 24 | | 32 | \$ 6,040 | | | \$ 6,040 |
| Task 5 | Meetings and Reporting | | 16 | 20 | 4 | 40 | \$ 7,940 | | | \$ 7,940 |
| | Labor Hours | | 40 | 88 | 4 | 132 | | | | |
| | | | | | | Subtotals | \$25,400 | | \$ - | |
| | | | | | | Total Project Cost | | | | \$25,400 |

If the Village desires any of the study's meetings to be in-person, the cost per meeting with our Project Manager is as follows:

Exhibit 2. Cost per In-Person Meeting

| | Hourly Rate | Callocchia | Oates | Admin | Hours | Professional | Fees | Expenses | Total |
|----------------------------|-------------|------------|-------|-------|-------|--------------|------|----------|----------|
| | | \$260 | \$165 | \$120 | | | | | |
| Optional In-Person Meeting | | 8 | | | | \$ 2,080 | | \$ 920 | \$ 3,000 |

By engaging NewGen, you agree that the services rendered by NewGen will be accomplished in accordance with instructions or specifications provided by authorized representatives of the Village of Lombard and will be performed with the degree of skill and judgment exercised by recognized professionals performing services of similar nature and consistent with the applicable industry best practices.

If the preceding scope of work and cost proposal are acceptable to the Village, then please contact Mr. Callocchia to organize contract documents that meet your procurement requirements.