

June 28, 2023

Mr. Ron Wiederman, P.E.
City Engineer
City of Crest Hill
1610 Plainfield Road
Crest Hill, IL 60403

Re: Water & Sewer Utility Financial Plan Update

Dear Ron,

This letter proposal follows up on our recent message exchange regarding the update of the City of Crest Hill's financial plan for your water and sewer utility.

Major elements of scope include:

- ▶ Review the utility's revenues, operating expenses, debt payments, balances, and capital expenditures that City records indicate were actually incurred in 2022 and are estimated to be incurred in 2023. During this review we will compare these results to projections in our studies completed last year. The purpose of this review is to understand variances that may influence future projections.
- ▶ Update the financial plan for each utility to reflect FY2024 budget
- ▶ Beginning balances available at the start of FY2024
- ▶ Updated assumptions regarding growth, usage, inflation, and interest rates
- ▶ Updated water supply costs from the Grand Prairie Water Commission expected to be available in May or June
- ▶ Conduct review meetings with you and other City staff
- ▶ Provide a technical memorandum summarizing findings
- ▶ Present findings in person to Council in a work session

We are pleased to continue supporting you and the City of Crest Hill. I am open to adjustments you may wish to consider that tailor our approach to meet the City's needs. Please reach out to me either by phone or email at 816-822-4207 / dnaumann@burnsmcd.com.

Sincerely,



David F. Naumann / Senior Project Manager

Scope of Services

Task 1 - Initiate Project

The objective of Task 1 is to initiate the Study.

To begin the Study, we will need to obtain the following key data sets:

- ▶ Detailed actual results for FY2022 and estimated year-end results for FY2023.
- ▶ Beginning balances for FY 2023.
- ▶ Estimated beginning balances for FY 2024.
- ▶ Billing summaries by class including accounts, volumes and revenues for 2023.
- ▶ The 2024 utility budget.
- ▶ The most recent capital improvement plan, with estimates over a 20-year planning period.

We will host a Teams meeting to initiate this Study, including a review of key issues or concerns the City may have that impacts financial planning, and a review of scope and milestones.

Task 2 - Review Historical Results

The City of Crest Hill's water and sewer rate study finalized in early 2022 included a 10-year forecast, with FY2022 as the first year projected. In mid-2022, the rate study model was extended to cover a 20-year period, with FY2023 as the first year projected. We will compare the projections of 2022 and 2023 in those models to the actual 2022 and estimated 2023 financial data to identify areas of material difference and how those potential variances may impact new forecasting.

Task 3 - Update Financial Planning

To refresh the financial plans, we will update customer data including accounts, water sales, and revenue for 2023. O&M will be based on the FY2024 budget, with inflation to project future periods. The Grand Prairie Water Commission's cost calculator, expected to be available in May or June, will be used to refresh water supply costs. Balances will be updated to reflect those available at the beginning of FY2024, and the capital plan will be updated to reflect the City's most recent understanding of capital needs through the 20-year forecast horizon. If detailed capital plans are not available for the full 20 years, we will collaborate with the City to develop estimates of future spending beyond the City's CIP.

We will use the same financial planning principles followed in the rate study (reserves, debt service coverage, etc) to evaluate the sufficiency of revenues over the full 20-year period. We assume the first 10 years of rate increases will be similar to those reflected in the rate study, but will propose modifications if needed, to the extent other key assumptions have changed.

The financial plan will be reviewed with the City and refined based on feedback received.

To the extent indicated revenue increases change from last year's forecast, a revised rate schedule will be proposed following the rate design principles from the rate study completed in 2022.

Task 4 - Deliverables

Burns & McDonnell will summarize the Study results in a draft memorandum, reviewing the key findings and documenting how the analysis and recommendations were developed. This memo will be an abbreviated form of the financial planning chapter of the rate study report. Feedback from the City will be incorporated into the memo as appropriate.

We will present findings to Council during an in person work session.

Project Timeline

A timeline of proposed major milestones is shown below and assumes the City Council approves the study at the earliest opportunity on August 7th.

Activity	Target Date
Initiate Study with Council Approval	August 7
Data Received	Week of August 14 th
First Draft Financial Plan	Week of September 4 th
Finalize Financial Plan	Week of September 18 th
Draft Memorandum	Week of October 1 st
Council Briefing	October TBD
Finalize Memo	October TBD

** Timely receipt of data is required to maintain this schedule.*

Estimated Level of Effort and Cost

Based on the proposed scope described in this letter, we anticipate approximately 67 man-hours to complete with a not-to-exceed fee of \$16,768, including one in-person meeting for the Council presentation. All other meetings are assumed to be conducted virtually. Consistent with prior studies, we propose billing on a time and material basis. Billing rates for 2023 are also shown in the table below.

Crest Hill, IL 2023 Financial Plan Support							
	Task 1 - Initiate Project	Task 2 - Review Historical Results	Task 3 - Update Financial Planning	Task 4 - Deliverables	Estimated Total Hours	Total Labor & Expense	Hourly Rate
Consultant							
Dave Naumann	2	1	6	10	19	\$ 5,358	\$ 282
Alex Craven	2	4	34	8	48	\$ 10,560	\$ 220
Total Labor	4	5	40	18	67	\$ 15,918	
Expense \$ ⁽¹⁾						\$ 850	
Total Project Fees	\$ 1,004	\$ 1,162	\$ 9,172	\$ 4,580		\$ 16,768	

⁽¹⁾ Costs for travel and on-site meetings, to be billed at cost



TERMS AND CONDITIONS FOR PROFESSIONAL SERVICES

Table with 2 columns: Project/Client information and Date/Signature information.

1. SCOPE OF SERVICES

For the above-referenced Project, Burns & McDonnell Engineering Company, Inc. (BMcD) will perform the services set forth in the above-referenced Letter, Proposal, or Agreement, in accordance with these Terms and Conditions.

2. PAYMENTS TO BMcD

A. Compensation will be as stated in the above-referenced Letter, Proposal, or Agreement. Statements will be in BMcD's standard format and are payable upon receipt.

B. Taxes as may be imposed on professional consulting services by state or local authorities shall be in addition to the payment stated in the above-referenced Letter, Proposal, or Agreement.

3. INSURANCE

A. During the course of performance of its services, BMcD will maintain Worker's Compensation insurance with limits as required by statute, Employer's Liability insurance with limits of \$1,000,000, Commercial General Liability with limits of \$1,000,000 per occurrence and \$2,000,000 general aggregate, and Automobile Liability insurance with combined single limit of \$1,000,000 per accident.

B. If the Project involves on-site construction, construction contractors shall be required to provide (or Client may provide) Owner's Protective Liability Insurance naming Client as a Named Insured and BMcD as an Additional Insured or to endorse Client and BMcD using ISO forms CG 20 10 0704 & CG 20 37 0704 endorsements or their equivalents as Additional Insureds on all construction contractor's liability insurance policies covering claims for personal injuries and property damage in at least the amounts required of BMcD in 3A above.

C. Client and BMcD release each other and waive all rights of subrogation against each other and their officers, directors, agents, or employees for damage covered by property insurance and self-insurance during and after the completion of BMcD's services.

4. INDEMNIFICATION

A. To the extent allowed by law, Client will require all construction contractors to indemnify, defend, and hold harmless Client and BMcD from any and all loss where loss is caused or alleged to be caused in whole or in part by the construction contractors, their employees, agents, subcontractors or suppliers.

B. If this Project involves construction and BMcD does not provide consulting services during construction including, but not limited to, on-site monitoring, site visits, site observation, shop drawing review, and/or design clarifications, Client agrees to indemnify and hold harmless BMcD from any liability arising from this Project or Agreement, except to the extent caused by BMcD's negligence.

5. PROFESSIONAL RESPONSIBILITY- LIMITATION OF REMEDIES

A. BMcD will exercise reasonable skill, care, and diligence in the performance of its services and will carry out its responsibilities in accordance with customarily accepted professional practices. If BMcD fails to meet the foregoing standard, BMcD will perform at its own cost, the professional services necessary to correct errors and omissions reported to BMcD in writing within one year from the completion of BMcD's services for the Project.

B. In no event will BMcD be liable for any special, indirect, or consequential damages including, without limitation, damages or losses in the nature of increased Project costs, loss of revenue or profit, lost production, claims by customers of Client, and/or governmental fines or penalties.

C. BMcD's aggregate liability for all damages connected with its services for the Project not excluded by the preceding subparagraph, whether or not covered by BMcD's insurance, will not exceed \$100,000.

D. These mutually negotiated obligations and remedies stated in this Paragraph 5, Professional Responsibility - Limitation of Remedies, are the sole and exclusive obligations of BMcD and remedies of Client, whether liability of BMcD is based on contract, warranty, strict liability, tort (including negligence), indemnity, or otherwise.

6. PERIOD OF SERVICE AND SCHEDULE

The provisions of this Agreement have been agreed to in anticipation of the orderly and continuous progress of the Project through completion of the services stated in the Proposal. BMcD's obligation to render services hereunder will extend for a period that may reasonably be required for the completion of said services. BMcD shall make reasonable efforts to comply with deliverable schedules (if any) and consistent with BMcD's professional responsibility.

7. COMPUTER PROGRAMS OR MODELS

Any use, development, modification, or integration by BMcD of computer models or programs does not constitute ownership or a license to Client to use or modify such computer models or programs.

8. ELECTRONIC MEDIA AND DATA TRANSMISSIONS

A. Any electronic media (computer disks, tapes, etc.) or data transmissions furnished (including Project Web Sites or CAD file transmissions) are for Client information and convenience only. Such media or transmissions are not to be considered part of BMcD's instruments of service. BMcD, at its option, may remove all indicia of its ownership and involvement from each electronic display.

B. BMcD shall not be liable for loss or damage directly or indirectly, arising out of Client's use of electronic media or data transmissions.

9. DOCUMENTS

A. All documents prepared by BMcD pursuant to this Agreement are instruments of service in respect of the Project specified herein. They are not intended or represented to be suitable for reuse by Client or others in extensions of the Project beyond that now contemplated or on any other Project.

for the specific purpose intended will be at Client's sole risk and without liability or legal exposure to BMcD.

B. In the event that BMcD is to reuse, copy or adapt all or portions of reports, plans, or specifications prepared by others, Client represents that Client either possesses or will obtain permission and necessary rights in copyright, patents, or other proprietary rights and will be responsible for any infringement claims by others. Client warrants the completeness, accuracy, and efficacy of the information, data, and design provided by or through Client (including prepared for Client by others), for which BMcD shall rely on to perform and complete its services.

10. ESTIMATES, SCHEDULES, FORECASTS, AND PROJECTIONS

Estimates, schedules, forecasts, and projections prepared by BMcD relating to loads, interest rates and other financial analysis parameters, construction costs and schedules, operation and maintenance costs, equipment characteristics and performance, and operating results are opinions based on BMcD's experience, qualifications, and judgment as a professional. Since BMcD has no control over weather, cost and availability of labor, cost and availability of material and equipment, cost of fuel or other utilities, labor productivity, construction contractor's procedures and methods, unavoidable delays, construction contractor's methods of determining prices, economic conditions, government regulations and laws (including the interpretation thereof), competitive bidding or market conditions, and other factors affecting such estimates or projections, BMcD does not guarantee that actual rates, costs, quantities, performance, schedules, etc., will not vary significantly from estimates and projections prepared by BMcD.

11. POLLUTION

In view of the uncertainty involved in investigating and recommending solutions to environmental problems and the abnormal degree of risk of claims imposed upon BMcD in performing such services, notwithstanding the responsibility of BMcD set forth in Paragraph 5A to the maximum extent allowed by law, Client agrees to release, defend, indemnify and hold harmless BMcD and its officers, directors, employees, agents, consultants and subcontractors from all liability, claims, demands, damages, losses, and expenses including, but not limited to, claims of Client and other persons and organizations, reasonable fees and expenses of attorneys and consultants, and court costs, except where there has been a final adjudication that the damages were caused by BMcD's willful disregard of its obligations under this Agreement. Such indemnification includes claims arising out of, or in any way relating to, the actual, alleged, or threatened dispersal, escape, or release of, or failure to detect or contain, chemicals, wastes, liquids, gases, or any other material, irritant, contaminant, or pollutant.

12. ON-SITE SERVICES

A. Project site visits by BMcD during investigation, observation, construction or equipment installation, or the furnishing of Project representatives shall not make BMcD responsible for construction means, methods, techniques, sequences, or procedures; for construction safety precautions or programs; or for any construction contractor(s)' failure to perform its work in accordance with the contract documents.

B. Client shall disclose to BMcD the location and types of any known or suspected toxic, hazardous, or chemical materials or wastes existing on or near the premises upon which work is to be performed by BMcD's employees or subcontractors. If any hazardous wastes not identified by Client are discovered after a Project is undertaken, Client and BMcD agree that the scope of services, schedule, and compensation may be adjusted accordingly. Client agrees to release BMcD from all damages related to any pre-existing pollutant, contaminant, toxic, or hazardous substance at the site.

13. CHANGES

Client shall have the right to make changes within the general scope of BMcD's services, with an appropriate change in compensation and schedule, upon execution of a mutually acceptable amendment or change order signed by authorized representatives of Client and BMcD.

14. TERMINATION

Services may be terminated by Client or BMcD by seven (7) days' written notice in the event of substantial failure to perform in accordance with the terms hereof by the other party through no fault of

the terminating party. If so terminated, Client shall pay BMcD all amounts due BMcD for all services properly rendered and expenses incurred to the date of receipt of notice of termination, plus reasonable costs incurred by BMcD in terminating the services. In addition, Client may terminate the services for Client's convenience upon payment of twenty percent of the yet unearned and unpaid estimated, lump sum, or not-to-exceed fee, as applicable.

15. DISPUTES, NEGOTIATIONS, MEDIATION

A. If a dispute arises relating to the performance of the services to be provided and, should that dispute result in litigation, it is agreed that the substantially prevailing party (as determined in equity by the court) shall be entitled to recover all reasonable costs of litigation, including staff time, court costs, attorney's fees and other related expenses.

B. The parties shall participate in good faith negotiations to resolve any and all disputes. Should negotiations fail, the parties agree to submit to and participate in a third party-facilitated mediation as a condition precedent to resolution by litigation. Unless otherwise agreed to, mediation shall be conducted under the rules of the American Arbitration Association and shall be held in Kansas City, Missouri.

C. The parties agree that any dispute between them, including any action against an officer, director or employee of a party, arising out of or related to this Agreement, whether in contract or tort, not resolved through direct negotiation and mediation, shall be resolved by litigation in the state or federal courts located in Jackson County, Missouri, and each party expressly consents to jurisdiction therein. Any litigation to compel or enforce, or otherwise affect the mediation shall be in state or federal courts located in Jackson County, Missouri, and each party expressly consents to jurisdiction therein.

D. Causes of action between the parties shall accrue, and applicable statutes of limitation shall commence to run the date BMcD's services are substantially complete.

16. WITNESS FEES

A. BMcD's employees shall not be retained as expert witnesses, except by separate written agreement.

B. Client agrees to pay BMcD pursuant to BMcD's then current schedule of hourly labor billing rates for time spent by any employee of BMcD responding to any subpoena by any party in any dispute as an occurrence witness or to assemble and produce documents resulting from BMcD's services under this Agreement.

17. CONTROLLING LAW

This Agreement shall be subject to, interpreted and enforced according to the laws of the State of Missouri without regard to any conflicts of law provisions.

18. RIGHTS AND BENEFITS – NO ASSIGNMENT

BMcD's services will be performed solely for the benefit of Client and not for the benefit of any other persons or entities. Neither Client nor BMcD shall assign or transfer interest in this Agreement without the written consent of the other.

19. ENTIRE CONTRACT

These Terms and Conditions and the above-referenced Letter, Proposal, or Agreement contain the entire agreement between BMcD and Client relative to BMcD's services for the Project herein. All previous or contemporaneous agreements, representations, promises, and conditions relating to BMcD's services for the Project are superseded. Since terms contained in purchase orders do not generally apply to professional services, in the event Client issues to BMcD a purchase order, no preprinted terms thereon shall become part of this Agreement. Said purchase order documents, whether or not signed by BMcD, shall be considered only as an internal document of Client to facilitate administrative requirements of Client's operations.

20. SEVERABILITY

Any unenforceable provision herein shall be amended to the extent necessary to make it enforceable; if not possible, it shall be deleted and all other provisions shall remain in full force and affect.

- END -