

March 20, 2025

Ms. Amy Zukowski
Finance Director
Village of Homewood
2020 Chestnut Road
Homewood, IL 60430

RE: Proposed Water Rate Study Change Order

Dear Amy,

Thank you for the opportunity to discuss next steps with you, Napoleon, and Lindsay. As a follow-up to our call this week, I've made some adjustments in the approach to the work involved in the change order and want to confirm it aligns with the Village's needs.

Based on our discussions we anticipate the following steps for the rate study to be as follows.

- Update the baseline financial plan to reflect
 - Year to date trends in sales & accounts, including usage for the new casino
 - Anticipated FY25 expenses and FY26 operating budget
 - Anticipated FY26 beginning balances
 - Lead service line program costs and timeline
 - Updated capital improvement plan, as available
- Analyze a baseline scenario to be presented to the Board on April 22, which is anticipated to reflect a combination of water rate increases and IEPA loans.
 - Review and refine this scenario with the Village
 - Prepare and review a draft presentation with the Village
 - Present at the April 22 Village Board meeting
- Based on Board feedback, and using information available regarding potential sales tax as an alternate funding source, develop up to four additional financial planning scenarios. Examples may include
 - A combination of water rate increases and IEPA loans with and without principal forgiveness
 - A combination of water rate increases, IEPA loans, sales tax funding, and alternate debt issuance
- Review scenarios with the Village and refine. Select up to two financial planning scenarios for rate development.
- Develop proposed rates for up to two financial planning scenarios
 - Rate design scenario 1 – keep existing retail rate structure, all users share in costs
 - Rate design scenario 2 – derivative of scenario 1, but altering the impact on fixed and variable rates
 - Review rate designs with the Village
- Present financial planning and associated rate design options to the Board in June, date to be determined
- Prepare a draft report in June addressing all aspects of the rate study for Village review
- Refine the report based on Village feedback and provide a final report in PDF format in July

Some elements of the approach outlined above were included in the original scope. Additional work is required for the following key activities:

- Updating the baseline financial plan to current assumptions/budgets, etc
- Additional scenario analysis
- A more narrow set of rate design options, but for two financial planning scenarios
- One additional Board presentation

Data Request for Additional Work

- Year to date revenue and expenses for current fiscal year
- Budgeted 2026 operating expenses and revenue
- Updated capital cost estimates and timing, if applicable
- Embumbered cash balances
- Changes to the LSLR costs and timing, if applicable
- Assumed sales tax funding for capital funding
- Other data as identified

Timeline

Milestones	Timeline
Financial Plan Conceptual Presentation to Board	April 22 nd
Financial Plan Scenarios and Rate Design Presentation to Board	June
Deliver Draft and Final Report	End of June

Funding Request

To complete the additional tasks, we respectfully request additional funding of \$23,500 to amend the existing agreement.

We look forward to completing this project with you and the entire team. If you have any questions, please contact me at (816) 822-4207 or dnaumann@burnsmcd.com.

Sincerely,

A handwritten signature in black ink, reading "David F. Naumann" followed by a horizontal line.

David F. Naumann, Senior Project Manager