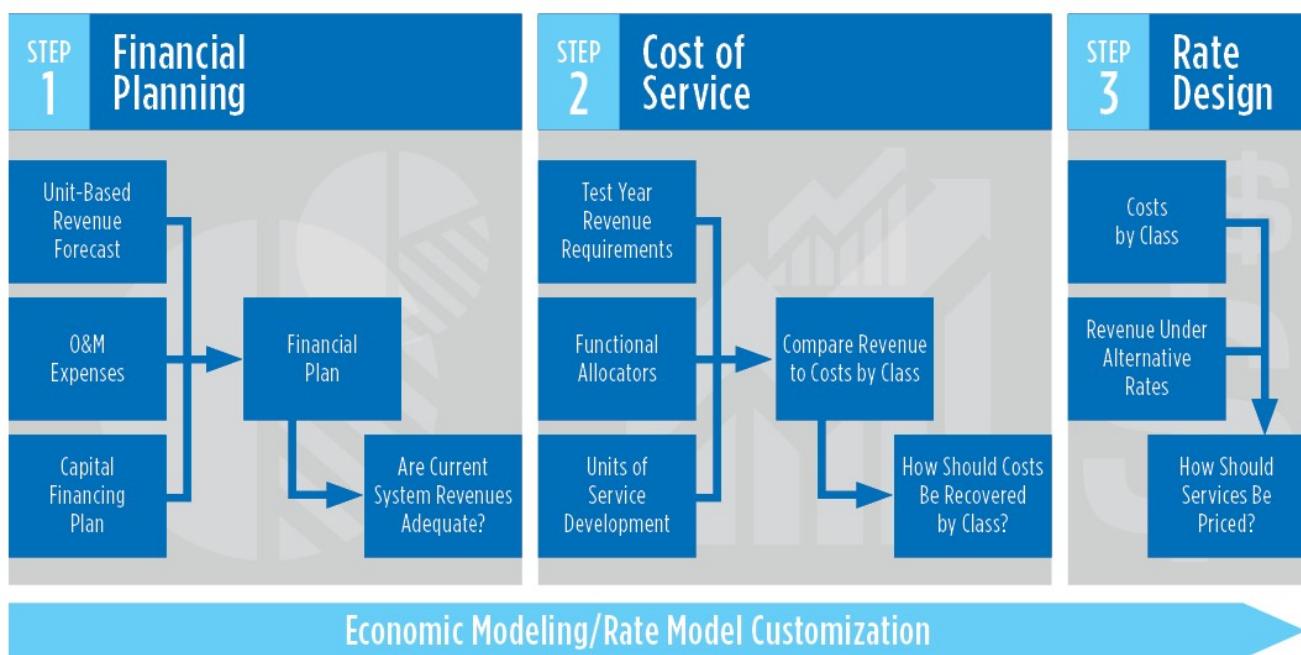


PROPOSED PROJECT APPROACH, TIMELINE, AND COST

OUR APPROACH TO MUNICIPAL RATE STUDIES

At its most basic level, Burns & McDonnell's rate studies are designed to create a financial roadmap to prudently plan for funding requirements, to defensibly and equitably recover costs and to implement rate adjustments that achieve utility policy goals and objectives.

Our approach to executing utility rate studies is grounded in the principles established by the American Water Works Association (AWWA) *MI Rate Manual* and the Water Environment Federation (WEF) *Financing and Charges for Wastewater Systems*. The three-step approach we follow to complete utility rate studies aligns with industry standards and is depicted on the following page. Each study we perform is tailored to meet each individual client's needs; however, at its core, our proposed project team has applied this three-step approach in essentially all comprehensive financial planning, cost of service and rate studies we conduct. This approach is proven and will serve as a solid basis for the execution of DuPage County's desired Study.



- ▶ **Step 1: Financial Planning provides an indication of the adequacy of the revenue generated by current rates.** The results of the financial forecast analysis will answer the questions "Are the existing rates adequate?" and "If not, what level of overall revenue adjustment is needed?"
- ▶ **Step 2: Cost of Service focuses on assigning cost responsibility to customer classes.** Each customer class is allocated an appropriate share of the overall system costs based on the level of service provided. The net revenue requirements (costs to be recovered from rates) identified in Step 1 are allocated to customers in accordance with industry standards and principles and system characteristics.
- ▶ **Step 3: Rate Design provides for the required revenue recovery.** Once the overall level of revenue required is identified and customer class responsibility for that level of revenue is determined, schedules of rates for each rate class are developed that will generate revenues accordingly.

We have organized the Proposed Work Plan below to address the specific scope of services requested in DuPage County's

PROPOSED PROJECT APPROACH, TIMELINE, AND COST

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scope as indicated in the QBS document, as well as our recent conversations. All requested scope components are included herein and are sequenced in a way we believe will enable project completion efficiently and effectively. We are prepared to adjust our approach to meet DuPage County's needs as may be desired.

PROPOSED WORK PLAN

The studies for each utility are very similar in content and philosophy but there are subtle differences based on nuances for each particular utility. The following specific tasks are proposed to be undertaken to complete the proposed Study.

Task 1 – Initiate Project

The objective of Task 1 is to initiate the Study, collecting pertinent data and collaborating with DuPage County to confirm consensus understanding of issues, milestones, communication strategies and other matters.

Task 1.1 – Request for Information

Within five working days following receipt of the Notice to Proceed, Burns & McDonnell will provide DuPage County with a preliminary data request to complete the Study. The data request will itemize information needed for understanding the financial and operating characteristics and cost drivers of the utilities and within each of the service areas. Such information is anticipated to include items such as:

- ▶ Budgets and capital plans;
- ▶ Audited financial statements for the previous three fiscal years;
- ▶ Budget versus actual revenues and expenses for the previous three fiscal years;
- ▶ Bond covenants, intergovernmental agreements and other contractual requirements, as applicable;
- ▶ Historical summary customer data (e.g. number of active accounts by meter size and by customer class, usage for water and sewer by class, revenues by class – stratified by service area)
- ▶ A full fiscal year of detailed billing data for each utility representing all water and sewer bills issued for service in that fiscal year, including customer account number, meter size, billed water and sewer volume, and revenue for each bill.
- ▶ Projected capital expenditures;
- ▶ Fund balances;
- ▶ Existing debt and loan payment schedules;
- ▶ Reserve policies;
- ▶ Fixed asset system records, including original cost, vintage date, annual depreciation, accumulated depreciation and related depreciation rates; and,
- ▶ Other appropriate information as deemed necessary.

We recognize that DuPage County may not have all information requested readily available or may track information differently than requested. If any requested data represents a substantial effort to compile, we will work with DuPage County to discuss alternative options as may be available. To facilitate the exchange of data, and particularly for large files, we can provide a data exchange or SharePoint site for use during the project.

Task 1.2 – Conduct Project Kick-off Meeting

Burns & McDonnell will conduct a project kick-off meeting virtually via Microsoft Teams. This meeting will provide the opportunity for Burns & McDonnell and DuPage County to discuss the project approach, schedule, deliverables, various issues to be addressed, and the initial data and information requested. During the meeting, we will work with DuPage County to finalize the study goals, objectives, and timeline that will result in completion of all tasks and deliverables in accordance with DuPage County's needs. Burns & McDonnell will provide an agenda in advance of the meeting.

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Task 1 Deliverables and Meetings:

- ▶ Deliverables: Initial data request
Electronic copies of kick-off meeting agenda
- ▶ Formal Meeting: Project kick-off Teams meeting

Task 2 – Financial Plan Development

The objective of Task 2 is to develop a multi-year financial plan for each utility system that adequately funds the operating and capital requirements, complies with financial management policies and bond covenants, and provides a defensible and implementable plan for the utilities to move forward. DuPage County's scope indicates a preference for a detailed 4-year forecast and a 20-year long term plan, which we will provide.

Burns & McDonnell will develop the financial forecasts specifically for the water and sewer utilities. This will determine whether each utility's revenues under current rates can be expected to provide adequate funding for future utility operating and capital costs. The results of the financial forecasts will be utilized to define the targeted annual revenue requirements for each system.

Task 2.1 – Evaluate Current Usage Levels and Prepare Revenue Forecast

Projected annual utility service revenues under existing rates will be developed. Burns & McDonnell will review historical growth in the number of customers by class and by service area, and then forecast the annual number of customers for each utility rate class for each year of the forecast period. *For the purposes of this study, a service area is defined as any area with its own distinct rate for DuPage County's water or sewer service.*

Burns & McDonnell will analyze water consumption characteristics for a recent, representative fiscal year to determine quantities billed by class at various usage blocks, as applicable. Burns & McDonnell will assess trends in usage for water and sewer billable flow by class over a three-year period. Based on the trend analysis and other available information, Burns & McDonnell will estimate the future usage per customer for each rate class for each utility.

This information will be used in the forecast of revenues under existing rates, and will provide important data used in the consideration of rate structures.

Task 2.2 – Project Capital Flow of Funds

Burns & McDonnell will review the capital improvement plan (CIP) provided by DuPage County and develop a capital planning flow of funds. This plan will acknowledge anticipated sources and uses of capital funds to implement the CIP. Funding sources may include issuance of proposed bonds, loans, growth-related fees, existing balances, and other sources as applicable. Uses of funds will include the CIP, cost of debt issuance, and other costs as identified through consultation with DuPage County.

Task 2.3 – Project Operating Revenue Requirements

Projections of annual system operation and maintenance expenses will be developed based on variables that may include projected water and sewer usage, historical expense levels, existing budgets, inflation estimates and the input of DuPage County staff regarding any planned changes to the operation and maintenance of the utility systems.

Annual debt service requirements on any outstanding debt will be included in the operating forecast. To the extent additional financing of expected capital improvements is indicated to be required, estimates of new debt service requirements will also be incorporated in the forecast. In addition, the impacts of any financial performance requirements or targets, i.e. debt service coverage requirement, reserve levels, target operating ratio, etc., whether imposed internally or externally, will be considered.

Projections of any other system cash expenditures not included in any of the above categories will also be captured in the financial forecast. Such expenditures often include transfers or routine capital expenditures not otherwise included in a capital

PROPOSED PROJECT APPROACH, TIMELINE, AND COST

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improvement plan.

Task 2.4 – Review and Finalize Operating Cash Flows

Burns & McDonnell will summarize the annual forecasts of each utility's revenues and operating requirements in the form of pro-forma cash flow analyses. These analyses will identify any annual operating surplus or deficit anticipated during the study period. Additionally, these cash flows will be structured to separate expansion and non-expansion sources and uses of revenue. The sufficiency of existing rates to meet future revenue requirements will be evaluated based the ability to meet certain financial performance measures, including the anticipated annual surplus or deficit, debt service coverage levels, reserve balance goals, and other policies or measures developed in conjunction with DuPage County. If revenues under existing rates are not sufficient to meet future revenue requirements, adjustments will be proposed.

Burns & McDonnell will review the preliminary forecast results with DuPage County during a virtual Microsoft Teams meeting. During this meeting, Burns & McDonnell will review assumptions and results for each component of the cash flow forecast. Adjustments may be made "real time" to optimize the financial plans and meet DuPage County's needs.

Task 2 Deliverables and Meetings:

- ▶ Deliverables:
 - Evaluation of usage characteristics and trends
 - Projected cash flows for each utility
 - Cash flow scenario analyses
- ▶ Formal Meeting:
 - Teams meeting to finalize cash flow

Task 3 –Cost of Service Analysis

A cost of service analysis focuses on assigning cost responsibility to the different classifications of customers. Each customer class is allocated an appropriate share of the overall system costs of providing service. The test year revenue requirement selected in collaboration with DuPage County will serve as the basis for the cost of service analysis for the utility systems. The revenue requirement will be calculated using the cash basis.

Under the cash basis, the revenues of the utility must be sufficient to cover all the cash needs for the period during which the rates are intended to be adequate. This basis is generally used by publicly owned utilities and is an extension of cash-oriented budgeting and accounting systems traditionally used by local governments. Revenue requirements under this basis include operation and maintenance expenses, routine annual replacements, debt service requirements, revenue-financed major capital improvements, as well as any payment or transfers to DuPage County general fund and reserve fund deposits.

Burns & McDonnell will utilize the test year revenue requirement to conduct a cost of service analysis that result in allocation of costs to each of DuPage County's existing rate classes by utility and by service area. The development of the class specific allocated cost of service will be consistent with industry standards assuming cost accounting data is sufficient to support this process.

Task 3.1 – Determine Utility Cost Assignments

Burns & McDonnell will complete the cost of service analysis using customized models that reflects the specific requirements of DuPage County's utility systems. Burns & McDonnell will complete cost functionalization and classification to functional service areas. Functions for the water system may include base, maximum day, maximum hour, fire protection and customer or meter components. Functions for the sewer system may include flow, strength (BOD, TSS), customer accounts, etc.

The amounts included in the test year revenue requirement for each component of revenue or expense will be classified as or assigned to the various functional services by one of several methods. These methods include direct assignment to a specific related function, assumed percentage breakdowns based on estimated levels of related activities within multiple functions, ratios of statistical factors affecting multiple functions, and composite ratios of the assignments resulting from the previous methods. The classified test year revenue requirement will then be summarized by functional service.

PROPOSED PROJECT APPROACH, TIMELINE, AND COST

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Task 3.2 – Analyze Customer Rate Classifications

Burns & McDonnell will review existing customer groups and available information to develop recommendations on additions or deletions to customer groups. In completing this task, we will review previous cost of service analyses completed by DuPage County as may be available. Understanding the levels of service provided to each part of DuPage County is critical in this assessment, and will set the foundation for defensible consolidation of rates.

Task 3.3 – Allocate Functional Costs to Classes

The test year revenue requirement of each utility system will be allocated among the existing rate classifications. This is generally referred to as development of each utility's units of service by customer class. At a minimum, units of service will include base volumes, capacity-related volumes, equivalent meters, and customers. For the sewer utility, units for strength and levels of infiltration/inflow will also be developed. The cost of service models will summarize the allocated revenue requirement by rate class. This output will be compared with the projected revenue to be generated by each rate class to estimate for each class the extent to which the current rates would recover the corresponding allocated share of the test year revenue requirement. As a result, a breakdown by rate classification of the total revenue change at the system level will be determined.

Task 3.4 – Review Cost of Service Results

Burns & McDonnell will conduct a project review meeting with DuPage County staff to review and discuss the preliminary cost of service analysis results. Any revisions to the assumptions used in the cost of service analysis will be agreed upon for purposes of finalizing the analysis. In addition, guidance will be obtained from DuPage County as to any adjustments to the cost recovery to be provided by each rate classification prior to beginning Task 4 of the Study.

Task 3 Deliverables and Meetings:

- ▶ Deliverables: Cost of service allocations to customer classes
- ▶ Formal Meeting: Teams meeting to discuss cost of service results

Task 4 – Proposed Rate Design

The objective of Task 4 is to develop proposed rates that meet the needs and objectives of each utility system and service area. Burns & McDonnell will assess the existing rate structures for its performance, overall equity, and ability to meet DuPage County's objectives for utility rates. The appropriateness of the current rate structures will be examined, and recommendations for change will be made to improve the fairness and equitability in cost recovery, achieve DuPage County goals, and align with DuPage County policies.

Task 4.1 – Design Proposed User Charge Rates

Based on the forecasted revenue requirements, cost of service analysis, and opportunity for rate and fee consolidation or simplification, proposed water and sewer user charges will be developed.

Rates will be structured to equitably recover costs and provide necessary funding identified in the financial plan to achieve revenues sufficient to meet the operating and capital needs of the system and achieve targeted reserves. Changes in rates may be phased-in over a multi-year period if needed to assist in implementation and mitigate adverse impacts to customer classes. Three rate alternatives will be provided along with a recommendation for DuPage County to consider.

Task 4.2 – Develop Forecast of Revenues Under Proposed Rates

Burns & McDonnell will utilize the detailed billing data provided by DuPage County to test and project revenues at the proposed rates for all proposed rate classes for both the water and sewer utility service. This will provide a check that the proposed rates will generate revenues to cover each system's revenue requirement, while taking into consideration the revenue responsibility indicated by the cost of service analysis and DuPage County's rate design policies and objectives.

PROPOSED PROJECT APPROACH, TIMELINE, AND COST

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Task 4.3 – Review Proposed Rates

Burns & McDonnell will conduct a project review meeting with DuPage County staff to review and discuss the proposed rates, and the forecast of revenues at proposed rates. Any revisions to the proposed rates used in the analysis will be agreed upon for purposes of finalizing the proposed rate development.

Task 4 Deliverables and Meetings:

- ▶ Deliverables: Proposed rates
Typical bill comparison
- ▶ Formal Meeting: Teams meeting to review draft and final proposed rates

Task 5 – Study Reports & Presentations

Upon completion of the utility rate development, Burns & McDonnell will summarize the Study results in a draft report for review by DuPage County. The report will include an executive summary describing the study process, and key findings and recommendations regarding rate design and proposed fees. Subsequent sections of the report will describe the analysis in more tactical detail and will identify the results of each task of the Study.

Based on completion of prior project tasks, the report will document the following key deliverables:

- ▶ A summary of current and proposed rates for established service areas
- ▶ Document the analysis performed to support proposed rates and fees
- ▶ Document significant policies and assumptions utilized in the rate study
- ▶ Compare DuPage County's existing and proposed rates with those used by regional municipal water and sewer utility peers (data to be provided by DuPage County).

Burns & McDonnell will discuss the results of Study and review the draft reports with DuPage County staff. Based upon comments and input from DuPage County, Burns & McDonnell will complete a final revision to the reports and will provide ten printed copies of the final report and a digital copy to DuPage County.

Although no presentations are anticipated to be provided by Burns & McDonnell for this Study, Burns and McDonnell staff will be available for 1 virtual presentation with the County Board to help answer questions during the delivery of the study results.

Task 5 Deliverables and Meetings:

- ▶ Deliverables: Draft & final reports
Adobe PDF copy of the final reports
- ▶ Formal Meeting: Microsoft Teams meeting to discuss reports
Microsoft Teams meeting to support staff during Board presentation

Task 6 – Model Delivery

A Microsoft Excel spreadsheet model will be developed during the Study and will be provided to DuPage County at the Study conclusion. The model will enable updating of study results and assessing impacts of future conditions on utility financial plans, cost of service analyses, and rates. The model will allow changes in customer demand and growth, capital improvements, operating costs, and debt service, among other variables as determined in consultation with DuPage County. Burns & McDonnell follows a few simple modeling techniques to improve the end user's experience in navigating and utilizing the model. These techniques involve:

- *Labeled section headers with range names and page numbers.* Each section of the model is uniquely identified to assist the user in navigating the model and producing printed copies if desired.

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- *Source identification and input design.* In sections of the model that require data input, data sources are noted to help the user understand where information is sourced when the model is updated. Additionally, we custom design input ranges to match as much as possible the original format and arrangement of source data, such that updates can be accomplished with cut and paste techniques.
- *Intuitive modeling.* Data in our models is set up to flow in an understandable manner. Our models are customized to the unique needs and data sets of each client. We work with your information in ways that makes sense to you, the end user.
- *Scenario management.* Inputs for key cash flow scenario updates are centrally located to improve the ability to change assumptions and update results.
- *Standard reports and graphs.* Our models are equipped to produce standard reports and graphs that assist the user in evaluating the assumptions used and communicating results to others. All tables featured in our report are included in the model.

Additionally, use of our models is not constrained by licensing requirements. Our clients have full access and control over all aspects of their models.

The model will be delivered via email to the County. If desired, we can also provide a copy on a USB device.

KEY ASSUMPTIONS

- The County has not made any substantive changes to its utility financial practices which will require Burns and McDonnell to change the prior rate modeling architecture. Such changes may include additional classification for customers, rate structures, or implementation of a new chart of accounts.
- Data received from the County will be in the same structure and depth of detail as was received in the prior study. Burns and McDonnell will rely on the County's data in the execution of the Study without independent verification.
- Any projections of future debt issuance and related payments for this Study are done solely for the purpose of estimating revenue requirements, and does not constitute recommendations for debt structure. The County will engage the services of a Financial or Municipal Advisor to evaluate debt strategy and assist in the issuance of debt as needed.

PROPOSED PROJECT APPROACH, TIMELINE, AND COST

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PROPOSED WORK SCHEDULE

A comprehensive utility rate study generally requires about 4 to 6 months to complete but can be tailored to meet the County's needs. Assuming a notice to proceed of February 24, 2026 and contract date that runs through November 30, 2026, we propose the following general timeline to complete the study.

Task	Delivery Date
Notice to Proceed	February 24, 2026
Study Kickoff	Week of March 3
Draft Financial Plan Review	End of April*
Draft Cost of Service Review	End of May *
Propose Rate Review	End of June *
Draft and Final Reports	July
Model Delivery	August

*Dependent on capital cost estimate availability

We propose conducting project status meetings about every three to four weeks. These meetings are to be regularly scheduled conversations about project progress, roadblocks, and upcoming milestones. We are open to adjusting the frequency of these meetings to suit DuPage County's needs.

PROPOSED FEE

Burns & McDonnell proposes to perform the rate consulting services described in this proposal for a not-to-exceed fee of \$41,763 to be billed monthly on a time and material basis. This price reflects approximately 162 man-hours.

Consultant	Task 1 - Initiate Project	Task 2 - Financial Plan Development	Task 3 - Cost Of Service Analysis	Task 4 - Proposed Rate Design	Task 5 - Reports and Presentations	Task 6 - Model Development / Delivery	Estimated Total Hours	Total Labor & Expense	Hourly Rate
Dave Naumann	1	6	6	6	4	2	25	\$ 8,575	\$ 343
Alex Craven	1	24	10	4	2	2	43	\$ 13,072	\$ 304
Colin Wood		40	24	20		10	94	\$ 20,116	\$ 214
Total Labor	2	70	40	30	16	4	162	\$ 41,763	
Total Project Fees	\$ 647	\$ 17,914	\$ 10,234	\$ 7,554	\$ 4,120	\$ 1,294		\$ 41,763	