

January 12, 2026

Proposal to Provide a Sewer Rate Study for the:

# City of Lodi, WI



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Prepared by:

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**BUILDING COMMUNITIES. IT'S WHAT WE DO.**

# Transmittal Letter

January 12, 2026

## Re: Proposal to Provide a Sewer Rate Study to the City of Lodi, WI

Dear Jennifer,

We are pleased to present this proposal to the City of Lodi. We believe our expertise and reputation, our dedication to proactive client service, and our unique project approach provide a compelling relationship option for the City to consider.

For more than 60 years, Ehlers has helped its municipal clients build strong and vibrant communities through its municipal advisory services. The following qualitative factors separates us from competing firms:

**Expertise.** Ehlers has staff dedicated to the specialized work of completing utility rate studies. We serve clients across Wisconsin and throughout the upper Midwest. **In the last five years, our firm has completed over 90 utility rate studies.**

**Accessible Team Players.** We are responsive to our clients by meeting short deadlines and assigning more than one Municipal Advisor to each client to ensure we meet their needs. Our process is flexible and designed to avoid delays and facilitate decision-making.

**Client-First Values.** Ehlers prides itself on transparent communication, proactive service, and an unwavering dedication to deploying client resources most efficiently and effectively. At the core, we will provide the City with ongoing dialogue and idea-sharing, independent analysis, customized sewer rate options, and a competitive, value-oriented fee structure.

Thank you for including us in this process. We appreciate your consideration and look forward to discussing how Ehlers can best serve the City of Lodi.

Respectfully submitted,



Kayla Thorpe  
Municipal Advisor  
262-796-6197



Casey Griffiths  
*Senior Financial Specialist*  
262-796-6198



## Scope of Service - Sewer Utility Rate Study

The project team proposes to undertake the following steps for the Sewer utility. Our approach is flexible and has proven to deliver the information, recommendations, and facilitated discussions essential to setting utility rates with confidence and accuracy. Ehlers proposes and agrees to provide the following scope of services for the sewer utility rate study (“Study”):

### Phase I – Information Request, Review, and Long-Range Cash Flow Analysis

- Under this phase we will assess the need for a Sewer Rate study using a long-range cash flow analysis. This analysis will make projections on future operation expenses, future capital funding, and identify future rate increases.
- Prepare a cash flow analysis for the previous 5 years and next 10 years including the test year. The analysis will include:
  - Actual (for the past 5 years) and budgeted revenues and expenses based upon the work completed in Phase I above.
  - Development of annual operating expenses for the utility using an assumed rate of inflation based on historical expenses and discussions with staff.
  - Actual annual debt service expenses for existing utility debt.
  - The development of preliminary financing plans for planned capital improvement expenses including the use of cash vs. debt financing.
  - The planned debt service for the sewer utility upgrades taking into consideration available and minimum recommended reserves, existing debt, and existing revenue bond covenants if applicable.
  - Project out revenues and identify projected user rate increases to meet all financial obligations of each utility in future years.
  - Use benchmarking analysis to put forth a plan for fiscal sustainability. Using key metrics established by rating agencies, creditors, underwriters, and the PSC, create a plan that focuses on self-sustaining rates.
  - Determine an initial rate adjustment based on existing cash flow analysis through Budget Year 2026.
  - User Rate Comparison
    - Develop a comparison of existing and proposed user rates for example properties by customer class.
    - Develop a comparison of existing and proposed user rates to other communities.
- To complete this phase Ehlers will need to request and review the following:



- Current schedule of sewer rates.
- Annual audits for the past five years. (We have this information on file).
- Year to date actual expenses and revenues.
- Latest line-item budget.
- Current annual debt service schedules for existing utility debt. (We have this information on file).
- Any available capital improvement plan documents.
- **Draft Report**
  - Meet with municipal staff virtually (phone or web-based service) to discuss initial findings
- **Final Report and Presentation**
  - Prepare a report including all project tables and a brief presentation describing the findings and recommendations of the LRCFA.
  - Review the report with staff and make any appropriate changes.
  - Prepare a final report and submit via PDF or paper copy
  - Prepare and be available for one (1) presentation of the report and findings to the Common Council or other designated governing body.
- **Implementation**
  - Assist utility in determining implementation date
  - Provide updated rate schedules for implementation
  - Discuss proper implementation process as it relates to the municipality's ordinance

### **Phase II - Utility Rate Study (as necessary)**

- Under this phase we will complete the Sewer Rate Study. This analysis will include:
  - Development of Revenue Requirements
    - Based on the available budget, debt and asset detail, develop the revenue requirements for the utility under the cash based or utility-based method.
  - Cost of Service Study
    - Allocate the revenue requirements for the test year to the appropriate utility functions.
  - Rate Design



- Calculate the user rates for all customer classes based on the revenue requirements allocated to each utility function divided by the appropriate billable units.
- Create a cash flow analysis for the test year to ensure that the calculated user rates will meet the cash flow needs of the utility.
- User Rate Comparison
  - Develop a comparison of existing and proposed user rates for example properties by customer class.
  - Develop a comparison of existing and proposed user rates to other communities.
- To complete this phase Ehlers will need to request and review the following:
  - As applicable, detailed sewer billing records for the past 3 years showing:
    - billed consumption by customer class and rate block
    - number of customers by class and meter size (if billed by meter size).
  - Billing records for all high strength industrial waste customers of the utility showing the amount of excess loadings by type by month or quarter for the past 3 years.
  - Total Inflow at the wastewater treatment plant (or master meter to regional plant) for the previous 3 calendar years 2022-2025.
  - Any available information on upcoming developments and population growth over the study planning period that would increase the customer base and usage, or conversely any information on customers reducing usage or moving out of the municipality.
  - Current number of un-metered customers within the utility, if any.
  - Current depreciation rates depreciation schedule including accumulated depreciation.
  - Copy of current sewer service agreement(s) with governmental and/or private entities.

### **Phase III – Report, Presentation(s), & Implementation (as necessary)**

- Draft Report
  - Meet with municipal staff virtually (phone or web-based service) to discuss initial findings
- Final Report and Presentation
  - Prepare a report including all project tables and a brief executive summary describing the findings and recommendations of the study.
  - Review the report with staff and make any appropriate changes.



- Prepare a final report and submit via PDF or paper copy
- Prepare and be available for one (1) presentation of the report and findings to the Common Council or other designated governing body.
- **Implementation**
  - Assist utility in determining implementation date
  - Provide updated rate schedules and sample resolution for implementation
  - Discuss proper implementation process as it relates to the municipality’s ordinance

## Compensation

In return for the services set forth in the “Scope of Service,” Client agrees to compensate Ehlers as follows based on the following Scope of Service Events:

Phase	Scope of Service Event	Fee
I	LRCFA Delivered to Client	Included in FMP
II	Sewer Rate Study (as necessary)*	\$ 8,525
III	Final Report & Implementation (as necessary)*	\$ 2,500
	<b>All Phases Total</b>	<b>\$ 11,025</b>

\*As necessary. Phase I may indicate the remainder of the Study is not needed. In the event the Client determines not to proceed with additional Phases Ehlers will send the invoice for Phases completed. In the event Client determines not to proceed with the Study once a Phase has been authorized, but prior to that Phase’s completion, the compensation due for that Phase will be prorated to reflect the percentage of the work completed.

For any service directed by Client and not covered by this, or another applicable Appendix, Ehlers & Associates will bill Client at an hourly rate that is dependent upon the task/staff required to meet Client request at no less than \$125.00/hour and not to exceed \$350.00/hour. This may include for example, additional scenarios for the Long-Range Cash Flow Analysis.

## Payment for Services

Ehlers will invoice Client after the completion of each Scope of Service Event noted above. Our fees include our normal travel, printing, computer services, and mail/delivery charges. The invoice is due and payable upon receipt by the Client.

## Client Engagement

If the City finds this proposal suitable, please take the appropriate action and/or governing body approval. Please inform us of the decision and we will provide our required disclosures for signature.