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February 28, 2025

Town Council
Town of Roanoke, Indiana
141 W Third Street
P.O. box 328
Roanoke, IN 46783

Re: Roanoke (Indiana) Municipal Sewage Works – Rate Analysis

Dear Council Members:

The attached schedules (listed below) present unaudited and limited information for the purpose of discussion and consideration in the preliminary planning stage of the proposed Sewage Works Project by appropriate officers and officials of the Town of Roanoke. The use of these schedules should be restricted to this purpose as the information is subject to future revision and further reports.

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|---|---|
| 2 | Schedule of Estimated Project Costs and Funding |
| 3 | Estimated Annual Revenue Requirements and Annual Operating Receipts |

We would appreciate your questions or comments on this information and would provide additional information upon request.

Very truly yours,

BAKER TILLY ADVISORY GROUP, LP

A handwritten signature in cursive script that reads "Jeffrey P. Rowe".

Jeffrey P. Rowe, Principal

ROANOKE (INDIANA) MUNICIPAL SEWAGE WORKS

SCHEDULE OF ESTIMATED PROJECT COSTS AND FUNDING
(Per Consulting Engineers)

ESTIMATED PROJECT COSTS

	<u>2 Tanks SBR</u>	
	<u>No Grant</u>	<u>READI 2.0</u>
Construction Costs:		
New Screening Structure	\$896,300	\$896,300
New SBRs	5,635,600	5,635,600
New UV System	514,800	514,800
Post Aeration System	200,000	200,000
RAS/WAS Pump Station	278,600	278,600
Aerobic Sludge Holding Tanks Improvements	785,000	785,000
Chemical Storage and Electrical Building	805,000	805,000
Site Electrical and Instrumentation and SCADA	400,000	400,000
Backup Generator(s)	125,000	125,000
Site Work	300,700	300,700
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Sub-totals	\$9,941,000	\$9,941,000
Mobilization-Demobilization (5%)	498,000	498,000
Contingency (10%)	995,000	995,000
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Total Construction Costs	11,434,000	11,434,000
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Non-Construction Costs:		
Engineering (1)	\$469,200	\$469,200
Construction Administration (18-month)	425,000	425,000
Resident Inspection (18-month)	552,000	552,000
BAN Payoff (2)	5,642,560	5,642,560
Financial, legal and rounding	150,800	150,800
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Total Non-Construction Costs	7,239,560	7,239,560
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Total Project Costs	\$18,673,560	\$18,673,560
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ESTIMATED PROJECT FUNDING

Proposed Sewage Works Revenue Bonds of 2026	\$18,069,000	\$14,334,000
Proposed READI 2.0 Grant Funding (3)	-	3,735,000
Cash on hand (accrued interest on BANs)	604,560	604,560
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Total Project Funding	\$18,673,560	\$18,673,560
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(1) See below for the calculation.

Engineering Design (12%)		\$1,253,000
Total engineering costs built into 2023 BANs	\$1,358,000	
Less: estimated engineering costs for BAN projects*	(574,200)	
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Less: Remaining allowance for engineering costs		783,800
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Engineering costs to be paid for using the Proposed Bonds		\$469,200
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Construction Costs included in 2023 BAN	\$3,281,000	
Times: 17.5% allowance used for engineering in BAN	17.5%	
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Engineering costs related to BAN projects	\$574,200 *	
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(2) Assumes BANs are extended at the 4% interest rate and paid off on June 1, 2026. The current BAN maturity date is June 1, 2025.

(3) Assumes a READI 2.0 Grant equal to 20% of the total project costs.

(Preliminary - Subject to Change)
(Internal Use Only)

ROANOKE (INDIANA) MUNICIPAL SEWAGE WORKS

**ESTIMATED ANNUAL REVENUE REQUIREMENTS
AND ANNUAL OPERATING RECEIPTS**
(Amounts rounded to the nearest \$100)

	20-Year Loan		35-Year Loan	
	No Grant	READI 2.0	No Grant	READI 2.0
<u>Revenue Requirements:</u>				
Operation and maintenance disbursements (1)	\$461,300	\$461,300	\$461,300	\$461,300
Changes in operation and maintenance disbursements post-project (2)	105,300	105,300	105,300	105,300
Proposed 2026 SRF Bonds (20-Year) (3)	1,313,700	1,042,100	-	-
Proposed 2026 SRF Bonds (35-Year) (4)	-	-	1,033,000	819,800
Debt service reserve (funded over five years)	262,700	208,400	206,600	164,000
Allowance for replacements, improvements and coverage (5)	60,000	58,000	47,000	46,000
Total Annual Revenue Requirements	2,203,000	1,875,100	1,853,200	1,596,400
Less interest income (6)	(25,000)	(25,000)	(25,000)	(25,000)
Net Annual Revenue Requirements	\$2,178,000	\$1,850,100	\$1,828,200	\$1,571,400
<u>Annual Receipts:</u>				
Sewage Collections (2024 Actual)	\$926,600	\$926,600	\$926,600	\$926,600
Additional Receipts Required	\$1,251,400	\$923,500	\$901,600	\$644,800
Approximate Across-the-Board Increase in Present Rates and Charges (7)	135%	100%	97%	70%
* Change in Average Monthly Residential Bill (Current 2,000 gallon Bill = \$59.82)	\$80.78	\$59.62	\$58.20	\$41.62
Approximate Average Residential Monthly Bill (2,000 gallons)	\$140.60	\$119.44	\$118.02	\$101.44
* Change in Average Monthly Residential Bill (Current 4,000 gallon Bill = \$67.74)	\$91.47	\$67.51	\$65.91	\$47.13
Approximate Average Residential Monthly Bill (4,000 gallons)	\$159.21	\$135.25	\$133.65	\$114.87
Bond Coverage	125%	126%	125%	126%

- (1) Based on operating disbursements for the twelve months ended December 31, 2024, plus a 3% inflation for four years to reflect estimated O&M post project. This analysis does not include the hiring of a full-time Deputy Clerk-Treasurer, which would add an additional \$25,000 to the operating disbursements, assuming that the Sewage Works would pay 50% of the total salaries and benefits of \$50,000.
- (2) Annual purchased power, chemicals, and sludge removal costs have been adjusted based on estimates provided by consulting engineers.
- (3) Assumes the bonds are issued at par amounts reflected on page 2, amortized over 21 years at current SRF pool interest rates (approximately 3.95%).
- (4) Assumes the bonds are issued at par amounts reflected on page 2, amortized over 35 years at current SRF pool interest rates (approximately 4.46%).
- (5) To provide an allowance for 125% debt service coverage.
- (6) Assumes that 50% of the December 31, 2024 cash balances, excluding the Construction Fund, are invested at an annual return rate of 3%.
- (7) The proposed rate increases can be implemented in three equal phases, with effective dates of July 1, 2025, July 1, 2026, and January 1, 2027.

(Preliminary - Subject to Change)
(Internal Use Only)

* Verbal Commitment by Hunt County Commissioners will reduce this amount by approx \$3.-