

**AN ORDINANCE OF THE COMMON COUNCIL OF THE
CITY OF MADISON, INDIANA TO REPEAL AND REPLACE SECTIONS
52.20, 52.21, 52.22, 52.23, 52.24, 52.25 AND 52.26 OF THE CITY OF
MADISON CODE OF ORDINANCES ESTABLISHING THE RATES AND
CHARGES FOR THE USE OF AND SERVICES RENDERED BY THE
WATERWORKS SYSTEM OF THE CITY OF MADISON, INDIANA**

WHEREAS, the City of Madison, Indiana owns, operates and maintains a municipal water utility commonly known as The City of Madison Water Utilities; and

WHEREAS, The City of Madison Water Utilities has caused studies to be performed by independent rate experts analyzing its financial condition and rate design; and

WHEREAS, those studies conclude that the existing rates and charges need to be revised to produce additional revenues and to better reflect costs of service and recommend that the Common Council of the City of Madison, Indiana adopt a revised schedule of rates and charges for services in compliance with I.C.8-1.5-3-8; and

WHEREAS, the existing rates and charges for water service rendered by The City of Madison Water Utilities were placed into effect in 2008; that existing rates and charges for the use of and services rendered by the City of Madison Water Utilities do not produce revenues sufficient to provide for the cost of service and other expenses incident to the operation of The City of Madison Water Utilities and are not sufficient to produce an income sufficient to maintain such utility property in a sound physical and financial condition to render adequate and efficient service; and

WHEREAS, the Common Council of The City of Madison, Indiana now finds that new rates and charges as set forth below be established, which are reasonably expected to provide sufficient revenue to pay the necessary expenses incident to the operation of The City of Madison Water Utilities, including maintenance costs, operating charges, repairs, depreciation and interest charges on its proposed and currently outstanding indebtedness and other obligations; to provide a sinking fund for liquidation of its outstanding bonds and other evidence of indebtedness; to provide adequate funds for making extensions and replacements, and to provide funds for payment of any taxes that may be assessed against the waterworks, including payments in lieu of property taxes which may be transferred to the City's General Fund; and

WHEREAS, the Common Council of the City of Madison, Indiana has determined that said proposed rates and charges are reasonable and just charges within the meaning of I.C.8-1.5-3-8 and are necessary to provide for the continued operation of said The City of Madison Water Utilities; and

WHEREAS, the Clerk-Treasurer of the City has given notice of the public hearing on proposed rates as provided for in the Act; and

WHEREAS, the public hearing was held before this Council on May 17, 2022, at which time testimony from interested persons was received, after introduction of this ordinance and as provided for in the Act.

NOW THEREFORE BE IT ORDAINED BY THE COMMON COUNCIL OF THE CITY OF MADISON, INDIANA, as follows:

Section 1. Sections 52.20, 52.21, 52.22, 52.23, 52.24, 52.25 and 52.26 of the City of Madison Code of Ordinances are amended to provide in their entirety as follows:

RATES AND CHARGES

§ 52.20 CHARGE TO BE PAID FOR ALL SERVICES RENDERED.

- (A) The city shall establish, maintain and collect just and equitable rates or charges for the facilities and service afforded by its waterworks system which shall be sufficient at all times to pay reasonable and proper costs of maintenance and operation of the system, to provide a proper and reasonable depreciation account, and to pay the principal and interest on the bonds as the same become due.
- (B) All persons receiving city water service shall pay such rates, fees and charges as are established by the city in the manner prescribed by it. All persons desiring water service shall pay such applicable fees, deposits and other fees as are required by the city.
- (C) Each customer shall pay a minimum monthly charge in accordance with the size of the water meter installed, and for which said customer shall be entitled to a minimum quantity of water per month. Usage of water in excess of the minimum monthly gallons allowed will result in the customer being billed for the excess usage utilizing the rates and charges as established by ordinance.
- (D) Billing Adjustments: Adjustments for water leaks are only given for the wastewater portion of the bill, according to the following rules:
 - (1) Adjustments are only available if the excess water did not enter the wastewater collection system to be treated.
 - (2) Adjustments will not be given below the average usage.
 - (3) The **Application for Adjustment** must be received within six (6) months of the occurrence and include all required information and attachments.
 - (4) If the adjustment totals over \$1,000.00, then the customer will be required to attend a Board of Public Works meeting to receive the adjustment.
 - (5) No adjustments are available for watering your lawn, watering your garden, watering your flowers or filling your pool. We do, however, offer the choice of a second water meter, installed at the customer's expense, for irrigation and water uses that do not include wastewater charges.

- (6) Exceptional Circumstances: It is impossible to foresee all circumstances in which an adjustment to a customer's bill may or may not be adjusted. In circumstances which are not specifically addressed by this ordinance, the Utility Manager shall determine, in conformity with the Board of Public Work's general policy objectives and business practices, whether or not to make a billing adjustment.

(E) No water service will be furnished to any customer without charge.

§ 52.21 TAPPING/INSPECTION FEES.

- (A) All costs and expenses incident to establishing water service, including the installation of and connection of a building to the distribution system, shall be borne by the property owner. The owner shall indemnify the city from any loss or damage that may directly or indirectly be occasioned by establishing water service.
- (B) The city shall maintain and repair at its expense the Waterworks from the main up to and including the service valve, meter pit, or curb stop for a user.
- (C) The user shall maintain at its own expense the service pipes beginning outside of the service valve, meter pit, or curb stop into a building serviced by the Waterworks, together with all service pipes contained within the building.
- (D) In the event that an inside meter setting is permitted, the following shall apply:
1. User shall maintain at its expense all piping beginning at the service connection; and
 2. City shall only be responsible for maintenance of the meter.
- (E) If an inside meter setting is vacated by establishing an outside meter setting, the meter previously used for the inside setting shall convert to being part of the piping and the user's responsibility.
- (F) The city shall inspect and approve of the work prior to initiation of service to the customer, and shall assess a fee.
1. The fee shall be \$450 for residential and other users within the city limits, and \$600 for residential and other users outside the city limits.
 2. Mobile home and trailer parks shall pay a fee of \$125 per space.
 3. NOTIFICATION WHEN WATER SERVICE READY FOR INSPECTION.
The applicant for establishing water service shall notify the Department 24 hours in advance of commencing work on establishing water service. The applicant shall then notify the Department when the water service connection is ready for inspection. No backfill shall be placed until the work has been inspected.
 4. All excavations for water line or service installation shall be adequately guarded with barricades and lights so as to protect the public from hazard. Streets, sidewalks, parkways, and other public property disturbed in the course of work shall be restored in a manner satisfactory to the city.

5. The installation of service pipes shall meet the current recommended practices as established by the American Water Works Association ("AWWA") and the local specifications adopted by the Board of Public Works. In the absence of applicable AWWA standards or local specifications, the ten state standards shall apply.
6. Official workers of the city shall have free access at all reasonable hours to all parts of the premises to which water is supplied to make necessary examinations and inspections.

§ 52.22 USER CLASSES AND BILLING METHODS; WATER SERVICE RATES AND CHARGES; MINIMUM CHARGES; FIRE PROTECTION CHARGES AND FEES.

(A) Definitions of user classes. For the purpose of this subchapter, the following definitions shall apply unless the context clearly indicates or requires a different meaning.

- (1) "RESIDENTIAL USER." A user who demands normal domestic usage from a single-family dwelling and where the quantity of water usage is measured by a single meter.
- (2) "MULTIPLE USER."
 - (a) "MULTIPLE-USER DWELLING." A user who demands normal domestic usage from multiple-family dwellings or users, such as duplexes, apartments, trailer parks, hotels, motels and others providing transient lodging, and where the quantity of water usage is measured by a single meter.
- (3) "OTHER USER." A user, including commercial, governmental and industrial, where usage is measured by a single meter, and where the property does not qualify as a residential or multiple user, being further defined as:
 - (a) "COMMERCIAL USER." Retail and wholesale establishments, or places engaged in providing merchandise for personal, household or industrial consumption, and/or rendering service to others.
 - (b) "INDUSTRIAL USER." Any establishment or place engaged in the processing or production of merchandise for personal, household or industrial consumption, and/or rendering service to others.
 - (c) "GOVERNMENTAL USER." A user engaged in legislative, judicial or administrative activities of federal, state and local governments, such as courthouses, police and fire stations, city halls, similar governmental users and Water Reseller companies.

(B) Billing methods.

- (1) Residential and other users. Actual monthly usage shall be billed in accordance with the rates and charges prescribed in division (C).
- (2) Multiple users. Actual monthly usage shall be utilized in calculating the monthly bill for customers which are multi-user or multi-family establishments by using the following formula:

MULTI-USER BILL CALCULATION

“Number of Equivalent Users” = EU [For multi-user accounts]

EU = Total Gallons used for month / Average monthly usage (average monthly usage per data from State= 4000 gallons)

Water Bill for Month = (EU) X (Water Charge of resident using 4000 gallons)

The water charge for 4000 gallons shall be calculated by applying the rates and charges as prescribed in the “Rates and Charges” section of the Madison City Code of Ordinances.

- (3) Temporary users. Water furnished to temporary users, such as contractors, festivals, circuses, and the like, shall be charged for in accordance with division (C). Unmetered usage shall be estimated by the Utility Manager, the water supervisor or the Utility Billing Office.
- (C) Water service rates and charges. There shall be and are hereby established for the use of, and the service rendered by, The City of Madison Water Utilities, the following rates and charges, based on the use of water supplied by the waterworks system and the user classes defined in division (A):
- (1) Rates for metered usage per month.

<u>Metered Consumption Per Month</u>	<u>Monthly Rate Per 1,000 Gallons</u> <u>Proposed Rate</u>
First 5,000 Gallons	\$ 4.25
Next 15,000 Gallons	\$ 3.67
Next 30,000 Gallons	\$ 3.14
Over 50,000 Gallons	\$ 2.86

- (2) Minimum monthly charge. Each user shall pay a minimum monthly charge in accordance with the following applicable size of meter installed, for which the user will be entitled to the quantity of water set out in the metered usage per month schedule of rates:

<u>Minimum Charge per Meter Size</u>	<u>Allowance</u>	<u>Per Month</u>
5/8 or ¾ Inch Meter	3,000 Gallons	\$ 12.75
1 Inch Meter	7,500 Gallons	\$ 30.43
1 ½ Inch Meter	17,400 Gallons	\$ 66.76
2 Inch Meter	30,000 Gallons	\$ 107.70
3 Inch Meter	69,000 Gallons	\$ 224.84
4 Inch Meter	123,000 Gallons	\$ 379.28
6 Inch Meter	276,000 Gallons	\$ 816.86

- (3) Public Fire Protection Surcharge Outside Corporate Limits.

In addition to the charges for water used in accordance with the above rates, there shall be a surcharge to each metered user located outside the corporate limits who is afforded fire protection from a public fire hydrant.

<u>Metered Service Surcharge</u>	<u>Per Month</u>
5/8 or ¾ Inch Meter	\$ 3.64
1 Inch Meter	\$ 9.07
1 ½ Inch Meter	\$ 21.06
2 Inch Meter	\$ 36.29
3 Inch Meter	\$ 83.47
4 Inch Meter	\$ 148.78
6 Inch Meter	\$ 333.86
8 Inch Meter	\$ 595.14

(4) Public Fire Protection Surcharge Inside Corporate Limits.

In addition to the charges for water used in accordance with the above rates, there shall be a surcharge to each metered user located inside the corporate limits who is afforded fire protection from a public fire hydrant.

<u>Metered Service Surcharge</u>	<u>Per Month</u>
5/8 or ¾ Inch Meter	\$ 2.58
1 Inch Meter	\$ 6.47
1 ½ Inch Meter	\$ 14.98
2 Inch Meter	\$ 25.83
3 Inch Meter	\$ 59.42
4 Inch Meter	\$ 105.91
6 Inch Meter	\$ 237.63
8 Inch Meter	\$ 423.60

(5) Fire hydrant rental fee.

(a) A private fire hydrant fee shall be assessed only in the event that a customer has no sprinkler system.

(b) Unmetered Private Fire Hydrants, per hydrant \$684.92/year / \$57.84/month.

(6) Monthly charges for private fire protection using automatic sprinklers.

<u>Private Fire Protection (Automatic Sprinklers)</u>	<u>Per Month</u>
Service through 3" Line	\$ 28.95
Service through 4" Line	\$ 57.48
Service through 6" Line	\$ 95.71
Service through 8" Line	\$ 172.37
Service through 10" Line	\$ 287.22
Service through 12" Line	\$ 429.73

Permanent fire protection systems and permanent fire protection apparatus, including standpipe and sprinkler connections, owned and maintained by an entity other than the city may be connected to the water distribution system where compatible, and are to be used only for fire protection and in extinguishing fires, except as otherwise expressly authorized by the city's ordinances or the Board of Public Works. Those connections shall be made only with prior express written consent of the Water Department, and they shall be assessed and pay an annual availability charge, based on the size of the connection to the Waterworks, in addition to charges for water supplied by the Waterworks, which shall be charged per rates as established by city ordinance.

§ 52.23 METER DEPOSIT.

- (A) A meter deposit of \$150 shall be required of each new customer who is a tenant of the premises to which water service is to be provided.
- (B) Meter deposits shall be held by the utility until such time as service to the customer is discontinued either by the customer or the utility. Upon discontinuance of service, the utility shall apply all or any part of the customer's meter deposit to payment of any outstanding water charges, including any delinquencies, with the renter's meter deposit being first applied to the payment of water charges. The remaining balance of the meter deposit shall then be applied to any unpaid sanitation fees, then to any unpaid sewer fees and if the total of all the balances due are less than the deposit, a check will be sent to the customer for the remainder of the deposit.

§ 52.24 TEMPORARY USERS.

- (A) Water furnished to temporary users, such as contractors, festivals, circuses, etc., shall be charged per rates as established in accordance with City Ordinances or Policies. Unmetered usage shall be estimated by the Utility Manager, Water Supervisor or the Utility Billing Office and be subject to the Fees in 52.24 (B).
- (B) Water Fire Hydrant Temporary Connection
 - 1. Any person or firm desiring to utilize a fire hydrant for the purpose of purchasing water from the Madison Water Utility, shall notify the Utility Billing Office and/or the Utility Manager.
 - 2. Upon approval by the Utility Manager or the Water Supervisor, the applicant shall pay a deposit to the Utility Billing Office in the amount listed below under Deposit Fees.
 - 3. The person or firm applying for the hydrant permit shall be responsible for any damage or problems that may occur to the fire hydrant or hydrant meter in the course of obtaining water.
 - 4. Upon receiving a paid receipt from the Utility Billing Office, the applicant will be issued the proper size water meter. When the meter is returned, the Water Department will notify Utility Billing Office of the amount of water used and the applicant shall be responsible for issuing payment for the amount of water used. A hydrant may only be opened by an employee of the City of Madison after issuance of a valid permit.

5. Deposit Fees.

The following deposit and rental/usage fees are established:

- i. Deposit for hydrant meter with backflow device: \$1000.00
- ii. The rental fee for the hydrant meter shall be \$50.00 per week for each week of usage payable in advance. Any unpaid fees and/or damage to the hydrant meter or wrench shall be deducted from the deposit.
- iii. It shall be unlawful for any person to open a hydrant without a permit having been issued to such person as herein above provided.

(C) Festival Meter Usage

1. Any person or group desiring to utilize a water meter for events recognized by the City of Madison as “festivals” shall notify the Utility Billing Office.
2. A “Festival Meter Request Form” will need to be filled out by the responsible person and/or group. Rates and charges are as shown on the “Festival Meter Request Form” on file in the Utility Billing Office.

§ 52.25 & § 52.26 COLLECTION AND PAYMENT POLICIES, CHARGES AND DISCONNECTION

- (A) Penalties for Late Payment. All bills for water consumed and not paid on or before the due date thereof, as stated in such bills, shall be subject to the collection of a late payment charge of **ten percent (10%) on the first \$3.00 and three percent (3%) on the excess over \$3.**

- (B) Disconnect/Reconnect Charge. **\$25.00**

If a delinquent bill is not paid within ten days after the “delinquent due date”, the water supply to said customer may be discontinued for nonpayment of a delinquent bill, a charge of \$25.00 will be made for the disconnection and/or reconnection of water service, but such reconnection will not be made until after all delinquent bills and charges, if any, owed by the customer to the City have been paid.

(C) Non-Sufficient Funds Check

- a. The city shall accept personal checks as conditional payment towards sums due to the city. In the event that for some reason a check is not honored in the ordinary course of business, then the person or group issuing the check shall be subject to a return check fee of \$5 plus the applicable bank charge, but in no event be less than **\$20.**
- b. In the event that a person issues a second check to the city which is not honored in the regular course of business, then the City Utility Billing Office shall not accept further personal checks from such person or group.
- c. The Billing Department is authorized to add the charges to the accounts of the customer who delivers the check to the Department

(D) SERVICE FEES:

- a. Special Turn Off/On (Realtor Inspection) **\$25.00**

§ 52.28 SHUTTING OFF WATER; NOTICE. UNAUTHORIZED TURNING ON/OFF WATER SERVICES. OBSTRUCTION OF METERS; WATER METER ACCESS.

- (A) The city reserves the right at any time, without notice, to shut off water in the street mains for repairs, extensions, or for any other purpose. All persons having any apparatus connected to the water system dependent on the water pressure are cautioned against danger of collapse when the supply is cut off. When circumstances permit, the consumer will be advised of a shut-off by public notice or otherwise, but in no case shall the city, the Board of Public Works, the Utility Manager or any other city employee be held responsible for damages resulting from failure from any cause to supply water to any consumer.
- (B) Any person, excepting only a licensed plumber in an emergency situation, who turns water service of any user on or off at the curb shut-off valve, at the meter or at any other juncture of the city's distribution system without permission from the Water Department shall be fined up to \$100.00 for each offense. In the emergency situation excepted above, it shall be that licensed plumber's obligation to provide a reasonably detailed written notice of particulars within three (3) business days thereafter to the Madison Waterworks Billing Office. The plumber shall be fined up to \$100.00 for each failure to do so.
- (C) It shall be unlawful for any person to cover up, or in any way obstruct, the free access to any water meter in the service of the Madison Waterworks Department. In case of violation of this provision on the part of the owner or tenant, and failure on the part of the owner or tenant to remove such obstructions upon notice from the Waterworks Department, the water service shall be immediately shut off from the premises; the city reserves the right to examine every meter connected to the waterworks system, whether located for convenience on private property or in any public street or alley.

Section 2. Unless facts and circumstances dictate otherwise, it is the sense of the Common Council that a new waterworks rate study should be performed at least once every five (5) years.

Section 3. This Ordinance shall become immediately effective upon its adoption by the Common Council, signature of the Mayor, enrollment in the book of Ordinances, and publication of notice as required by law.

Section 4. Any Ordinance in conflict with this Ordinance is hereby repealed.

Passed and adopted by the Common Council of the City of Madison, Indiana on the _____ day of _____, 2022.

Presiding Officer

Attest:

Katie M. Rampy, Clerk-Treasurer

Presented by me to the Mayor of the City of Madison, Indiana on the ____ day of _____, 2022, at the hour of _____, _____.m.

Katie M. Rampy, Clerk-Treasurer

This ordinance approved and signed by me on the _____ day of _____, 2022, at the hour of _____, _____.m.

Bob Courtney, Mayor

CITY OF MADISON, INDIANA
MUNICIPAL WATER WORKS

HISTORICAL FINANCIAL STATEMENT
AND
FORECASTED FINANCIAL STATEMENTS AND SCHEDULES

SHERMAN, BARBER & MULLIKIN
CERTIFIED PUBLIC ACCOUNTANTS
210 W. THIRD STREET
MADISON, INDIANA 47250

CITY OF MADISON - MUNICIPAL WATER WORKS

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Principals

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Shaun A. King, CPA

To the Honorable Mayor
and City Council of the
City of Madison
Madison, Indiana

Management is responsible for the accompanying historical income statement - modified cash basis of the City of Madison Municipal Water Works for the year ended December 31, 2019, in accordance with the modified cash basis of accounting, and for determining that the modified cash basis of accounting is an acceptable financial reporting framework. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the historical financial statement nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this financial

The financial statement is prepared in accordance with the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures ordinarily included in an historical financial statement prepared on the modified cash basis of accounting. If the omitted disclosures were included in the financial statement, they might influence the user's conclusions about the City of Madison Water Works' revenues and expenses. Accordingly, the financial statement is not designed for those who are not informed about such matters.

Management is also responsible for the accompanying forecast of the City of Madison Municipal Water Works, which comprises the forecasted statements of income - modified cash basis at current and required rates and forecasted schedule of cash flows and cash revenue requirements for the year ending December 31, 2023, and the related summary of significant assumptions in accordance with guidelines for the presentation of a forecast established by the American Institute of Certified Public Accountants (AICPA). We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not examine or review the forecast nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on this forecast.

To the Honorable Mayor
and City Council of the
City of Madison
Madison, Indiana

The forecasted results may not be achieved, as there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for event and circumstances occurring after the date of this report.

Management has elected to omit substantially all the disclosures required by guidelines for presentation of a forecast established by the AICPA other than those related to the significant assumptions. If the omitted disclosures were included in the forecast, they might influence the user's conclusions about the City of Madison Water Work's results of operations and cash flows for the forecast period. Accordingly, this forecast is not designed for those who are not informed about such matters.

The supplementary information contained in the Schedule of Estimated Project Costs and Source of Funds, Amortization Schedule - Proposed State Revolving Fund Bonds, Calculation of Forecasted Debt Coverage at Present and Proposed Rates, and the Schedule of Current and Required User Rates is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, a conclusion, nor provide any form of assurance on such supplementary information.

The accompanying forecast and this report were prepared to assist officials of the City of Madison in evaluating the adequacy and propriety of rates and charges after financing a water improvements project and should not be used for any other purpose.

Sherman, Barber & Mullikin

Madison, Indiana

March 23, 2022

CITY OF MADISON - MUNICIPAL WATER WORKS

Historical and Forecasted Statements of Income - Modified Cash Basis at Current Rates

	Historical at Current Rates Year Ended 12/31/2019			Forecasted at Current Rates Year Ending 12/31/2023	
<u>Operating Revenues</u>					
Water Revenue	\$ 1,824,490	(1)	(561,322)	\$ 1,222,783	
		(1)	(40,385)		
Water Revenue - Highest Volume Rate	-	(1)	561,322	561,322	
Disconnect and Late Fees	-	(1)	40,385	40,385	
Tap Fee Receipts	3,550	(1)	(3,550)	-	
Miscellaneous	15,610	(1)	(5,328)	10,282	
Total Operating Revenues	1,843,650		(8,878)	1,834,772	
<u>Operating Expenses</u>					
Operations and Maintenance					
Materials and Supplies	289,269	(1)	(3,550)	359,144	
		(6)	73,425		
Contract Services	264,012	(6)	67,014	331,026	
Salaries and Wages	189,667	(2)	41,698	231,365	
Purchased Power	213,000	(6)	54,066	267,066	
Other	40,262	(6)	7,706	47,968	
Customer Accounts	34,152	(1)	(28,828)	5,324	
Administrative and General					
Salaries and Benefits	216,312	(2)	20,460	226,212	
		(3)	5,190		
		(4)	(15,750)		
Payroll Taxes	47,510	(3)	5,008	52,518	
Utility Receipts Tax	26,192		-	26,192	
Insurance	76,263	(6)	19,358	95,621	
PILOT	-	(1)	20,655	84,698	
		(7)	64,043		
Contract Services	2,037	(1)	1,945	3,982	
Office Supplies	9,298	(1)	900	10,198	
Other	24,197	(5)	(6,120)	28,378	
		(6)	10,301		
Total Operating Expenses	1,432,171		337,521	1,769,692	
Net Operating Income - Modified Cash Basis	411,479		(346,399)	65,080	

See Summary of Significant Assumptions
and Accountant's Report.

CITY OF MADISON - MUNICIPAL WATER WORKS
Historical and Forecasted Statements of Income - Modified Cash Basis at Current Rates

	Historical at Current Rates Year Ended <u>12/31/2019</u>		Forecasted at Current Rates Year Ending <u>12/31/2023</u>
<u>Other Income/(Expense)</u>			
Interest Income	4,599	-	4,599
Interest Expense	<u>(39,541)</u>	(8)	<u>(217,799)</u>
Total Other Income/(Expense)	<u>(34,942)</u>		<u>(252,741)</u>
Net Income - Modified Cash Basis	<u>\$ 376,537</u>	<u>\$ (564,198)</u>	<u>\$ (187,661)</u>

See Summary of Significant Assumptions
and Accountant's Report.

CITY OF MADISON - MUNICIPAL WATER WORKS

Forecasted Statements of Income - Modified Cash Basis at Current and Required Rates

	Forecast at Current Rates Year Ending 12/31/2023		Forecasted at Required Rates Year Ending 12/31/2023
<u>Operating Revenues</u>			
Water Revenue	\$ 1,222,783 (10)	968,845	\$ 2,191,628
Water Revenue - Highest Volume Rate	561,322 (9)	530,774	1,092,096
Disconnect and Late Charges	40,385	-	40,385
Tap Fee Receipts	-	-	-
Miscellaneous	10,282	-	10,282
Total Operating Revenues	1,834,772	1,499,619	3,334,391
<u>Operating Expenses</u>			
Operations and Maintenance			
Materials and Supplies	359,144	-	359,144
Contract Services	331,026	-	331,026
Salaries and Wages	231,365	-	231,365
Purchased Power	267,066	-	267,066
Other	47,968	-	47,968
Customer Accounts	5,324	-	5,324
Administrative and General			
Salaries and Benefits	226,212	-	226,212
Payroll Taxes	52,518	-	52,518
Utility Receipts Tax	26,192	-	26,192
Insurance	95,621	-	95,621
PILOT	84,698	-	84,698
Contract Services	3,982	-	3,982
Office Supplies	10,198	-	10,198
Other	28,378	-	28,378
Total Operating Expenses	1,769,692	-	1,769,692
Net Operating Income - Modified Cash Basis	65,080	1,499,619	1,564,699
<u>Other Income/(Expense)</u>			
Interest Income	4,599	-	4,599
Interest Expense	(257,340)	-	(257,340)
Total Other Income/(Expense)	(252,741)	-	(252,741)
Net Income - Modified Cash Basis	\$ (187,661)	\$ 1,499,619	\$ 1,311,958

See Summary of Significant Assumptions
and Accountant's Report.

CITY OF MADISON - MUNICIPAL WATER WORKS

Forecasted Schedule of Cash Flows and Revenue Requirements and Required Increase in Rates and Charges

	Year Ending 12/31/2023	
	<u>Current Rates</u>	<u>Required Rates</u>
Forecasted Net Income - Modified Cash Basis	\$ (187,661)	\$ 1,311,958
Add Back Interest Expense	<u>257,340</u>	<u>257,340</u>
Forecasted Annual Cash Provided by Operations	69,679	1,569,298
Maximum Annual Debt Service Proposed Debt	(792,540)	(792,540)
Proposed Debt Service Reserve	(158,508)	(158,508)
Forecasted Capital Improvement Reserve	<u>(618,250)</u>	<u>(618,250)</u>
Forecasted Annual Cash Flow (Deficit)	(1,499,619)	-
Costs Recovered from Increase in Highest Usage Bracket	<u>530,774</u>	
Remaining Forecasted Annual Cash Flow (Deficit)	(968,845)	
Total Forecasted Rate Sensitive Revenue	<u>\$ 1,222,783</u>	
Required Increase in Rates	<u>79.23%</u>	

See Summary of Significant Assumptions
and Accountant's Report.

CITY OF MADISON - MUNICIPAL WATER WORKS

Summary of Significant Assumptions

Note A. Nature of the Forecast

This financial forecast presents, to the best of management's knowledge and belief, the City of Madison Municipal Water Works' expected income and expenses (on the modified cash basis) and other cash flows for the forecasted year ending December 31, 2023. Accordingly, the forecast reflects its judgment as of March 23, 2022, the date of this forecast, of the expected conditions and its expected course of action. The assumptions disclosed herein are those that management believes are significant to the forecast. There will usually be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material.

Note B. Summary of Significant Assumptions

The Utility will undertake a \$13,000,000 capital improvements project. The total estimated project costs were provided by the project engineer and are reflected in the Supplementary Schedule of Estimated Project Costs and Source of Funds.

The improvements project will be financed through a bond issuance through the Indiana State Revolving Loan Fund (SRF). It is assumed that the bond funds will be released in and the project will be completed during 2022. The proposed bonds provide for a 20-year term with principal and interest due semi-annually. An interest rate of 2.00% has been used for this presentation, based on current rates offered by SRF.

The required debt service reserve, after issuing the SRF bonds, will be funded over a five-year period.

Forecasted amounts of specific revenue and expenses are based on the test year, the year ended December 31, 2019, with changes for known or expected increases or decreases, as explained in the accompanying forecast adjustments.

The Utility will complete the planned equipment replacement and plant improvements, as described in this report.

It is assumed that the City of Madison will adopt a 79.23% general increase in rates and an additional increase in the highest volume rate bracket, in anticipation of closing the SRF bonds on the improvements project. The forecasted annual income and revenue requirements are outlined in this report and support the overall increase in the Madison Water Work's rates.

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 1

The following receipts and disbursements have been reclassified or deducted due to the following:

Tap fee collections have been reclassified to offset amounts expensed for meter installations.	\$ <u>3,550</u>
PILOT is reclassified to a separate line item.	\$ <u>20,655</u>
Water Receipts are reclassified to reduce expense.	\$ <u>5,328</u>
SBOA Audit Expense is reclassified to contract services.	\$ <u>1,945</u>
Annual Software Support is reclassified to office expenses.	\$ <u>900</u>
Disconnect and Late Fees are reclassified to a separate line item.	\$ <u>40,385</u>
Water Revenue from the highest usage rate bracket is reclassified to a separate line item.	\$ <u>561,322</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 2

Salaries have been forecasted based on actual annual increases per employee for both 2020 and 2021, an approved 5% increase for 2022, and an expected 5% increase for 2023. In addition, overtime for treatment and pumping employees has been estimated at 4% of base pay for 2022.

	Administrative and General	Treatment and Pumping
Forecasted salaries and wages for 2023	\$ 82,029	\$ 231,365
Salaries and wages for the year ended December 31, 2019	<u>(61,569)</u>	<u>(189,667)</u>
Increase in salaries and wages	<u>\$ 20,460</u>	<u>\$ 41,698</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 3

Payroll tax and employee benefits for the employees allocated to the Water Division have been adjusted due to the increases in salaries and wages (Adj. 2). It is further assumed that the City of Madison's payroll tax and benefit plan contribution rates will remain the same as experienced during the year ended December 31, 2019.

Forecasted salaries and wages	\$ 313,394
Employer's % pension contribution	<u>11.20%</u>
Total forecasted pension expense	35,100
Pension expense for the year ended December 31, 2019	<u>(29,910)</u>
Adjustment to pension expense	<u>\$ 5,190</u>
Forecasted salaries and wages	\$ 313,394
Employer's combined Medicare and Social Security tax rate	<u>7.65%</u>
Total forecasted payroll tax expense	23,975
Payroll tax expense for the year ended December 31, 2019	<u>(18,967)</u>
Adjustment to payroll tax expense	<u>\$ 5,008</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 4

Employee health insurance expense has been adjusted based on the cost for each employee during 2019. The average cost of health insurance per employee was determined for 2021. Annual increases of 5% were forecasted for 2022 and 2023.

Health Insurance Premiums	\$ 90,612
Gap Insurance Premiums	8,271
HSA Funding	3,000
Clinic Fees	<u>7,200</u>
Forecasted Health Care Benefits for the year ending December 31, 2023	109,083
Employee health insurance - test year	<u>(124,833)</u>
Adjustment to employee health insurance	<u>\$ (15,750)</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 5

Rent expense experienced by the City of Madison Water Utility has been reduced for the amount allocatable to the Sewer Utility based on the total water and sewer customers billed.

Forecasted annual rent charged to the water and sewer utilities	\$ 12,000
Percentage of total sewer customers billed	<u>51.0%</u>
Decrease to administrative and general expense	<u>\$ 6,120</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 6

The following operating expenses are expected to increase 1.4% in 2020, 7.0% in 2021, and 7.5% in 2022 and 2023 due to annual inflation:

	Operations						
	Materials and Supplies	Contract Services	Purchased Power	Uniforms	Gas and Oil	Chemicals	Transportation
Operating Expenses - 2019	<u>\$ 289,269</u>	<u>\$ 264,012</u>	<u>\$ 213,000</u>	<u>\$ 799</u>	<u>\$ 10,439</u>	<u>\$ 13,241</u>	<u>\$ 5,879</u>
Anticipated increase - 2020	4,050	3,696	2,982	11	146	185	82
Anticipated increase - 2021	20,532	18,740	15,119	57	741	940	417
Anticipated increase - 2022	23,539	21,484	17,333	65	849	1,077	478
Anticipated increase - 2023	<u>25,304</u>	<u>23,095</u>	<u>18,632</u>	<u>70</u>	<u>913</u>	<u>1,158</u>	<u>514</u>
	<u>\$ 73,425</u>	<u>\$ 67,014</u>	<u>\$ 54,066</u>	<u>\$ 203</u>	<u>\$ 2,650</u>	<u>\$ 3,361</u>	<u>\$ 1,492</u>

	Administrative and General						
	Office Supplies	Memberships and Dues	Telephone	Training	Computer Maintenance	Insurance	Contract Services
Operating Expenses - 2019	<u>\$ 10,198</u>	<u>\$ 7,546</u>	<u>\$ 5,513</u>	<u>\$ 2,546</u>	<u>\$ 10,794</u>	<u>\$ 76,263</u>	<u>\$ 3,982</u>
Anticipated increase - 2020	143	106	77	36	151	1,068	56
Anticipated increase - 2021	724	536	391	181	766	5,413	283
Anticipated increase - 2022	830	614	449	207	878	6,206	324
Anticipated increase - 2023	<u>892</u>	<u>660</u>	<u>482</u>	<u>223</u>	<u>944</u>	<u>6,671</u>	<u>348</u>
	<u>\$ 2,589</u>	<u>\$ 1,916</u>	<u>\$ 1,399</u>	<u>\$ 646</u>	<u>\$ 2,740</u>	<u>\$ 19,358</u>	<u>\$ 1,011</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 7

The Utility will experience an increase in the Payment in Lieu of Taxes experienced during the test year. The projected expense is based on the City's 2022 Net Corporate Tax Rate, the Water Utility's estimated Net Utility Plant in Service within City limits as of December 31, 2020, and the estimated cost of the proposed waterworks project.

Water Utility Plant in Service Net Book Value as of December 31, 2020		\$ 13,257,486
Waterworks Project less 3% Composite Rate for Year in Service		<u>11,999,676</u>
Water Utility Plant in Service including new Waterworks Project		25,257,162
Estimated % of Water Utility Plant in Service Within City Limits:		
Transmission and Distribution Mains - Estimated feet within City limits	546,546	
Transmission and Distribution Mains - Estimated feet outside City limits	<u>130,861</u>	
	677,407	
Estimated % of Water Utility Plant in Service Within City Limits		<u>80.68%</u>
Estimated Water Utility Plant in Service Net Book Value Within City Limits December 31, 2023		20,378,002
Divide by 3		3
Times the City's Net Corporate Tax Rate - 2022		<u>1.2469%</u>
Projected Payment in Lieu of Taxes		84,698
Payment in Lieu of Taxes for the year ended December 31, 2019		<u>20,655</u>
Projected increase in Payment in Lieu of Taxes		<u>\$ 64,043</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 8

Forecasted interest expense has been adjusted based on the proposed bond terms.

Interest expense for 2023:

Proposed SRF Bonds	\$ 257,340
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Interest expense for the year ended December 31, 2019	<u>(39,541)</u>
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Increase in interest expense	<u>\$ 217,799</u>
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CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 9

Calculation of estimated cost of 1,000 gallons of water

Forecasted Operating Expenses for the year ending December 31, 2023	\$ 1,769,692
Capital Improvements	618,250
Less: forecasted distribution specific expenses	(386,093)
Less: forecasted customer account expense	(19,852)
Less: forecasted administrative specific expenses	<u>(44,831)</u>
Estimated 2023 Cost of Water	1,937,166
Total gallons sold for the year ended December 31, 2019	<u>676,750,021</u>
Estimated cost per 1,000 gallons	<u>\$ 2.86</u>

Adjustment for implementation of base cost as lowest rate per 1,000 gallons:

Test year gallons sold exceeding 50,000 gallons per month	381,851,721
Test year rate	<u>1.47</u>
Test year revenues per 1,000 gallons	561,322
Revenues at \$2.86 cost per 1,000 gallons	<u>1,092,096</u>
Increase in revenue to recover cost	<u>\$ 530,774</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Adjustment 10

Adjust rate sensitive revenue for the required increase in rates.

Total forecasted rate sensitive revenue excluding high volume rate bracket	\$	1,222,783
Required increase in rates		<u>79.23%</u>
Increase in forecasted water revenue	\$	<u>968,845</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Schedule of Planned Capital Improvements and Plant Rehabilitation and Calculation of Annual Reserve Requirement

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Totals</u>
Storage Tank Improvements	\$ 2,490,400	\$ -	\$ -	\$ -	\$ 2,490,400
Water Treatment Plant Upgrades	1,138,500	-	-	-	1,138,500
Water Distribution Improvements	6,074,100	-	-	-	6,074,100
Contingencies/Non-construction Costs	3,297,000	-	-	-	3,297,000
Equipment Upgrades and Replacements	-	195,000	40,000	-	235,000
Capital Improvement Fund	522,000	522,000	522,000	522,000	2,088,000
Fire Hydrant Replacement	-	100,000	-	-	100,000
Tower and Tank Inspections	-	-	-	50,000	50,000
Totals	<u>\$13,522,000</u>	<u>\$ 817,000</u>	<u>\$ 562,000</u>	<u>\$ 572,000</u>	15,473,000
Less anticipated financing of 2022 project					<u>(13,000,000)</u>
Subtotal					2,473,000
Divided by four years					<u>4</u>
Average five-year capital improvements and plant rehabilitation reserve					<u>\$ 618,250</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Proposed SRF Bonds - Calculation of Annual Debt Service Reserve

Maximum Annual Debt Service - Proposed SRF Bonds	\$ 792,540
Divided by number of years to fund	<u>5</u>
Required Annual Debt Service Reserve	<u>\$ 158,508</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Schedule of Estimated Project Costs and Source of Funds

Construction Costs per Project Engineer:

Storage Tank Upgrades	\$ 2,490,400
Water Treatment Plants	1,138,500
Distribution System Upgrades	6,074,100
Construction Contingencies	<u>1,579,500</u>

Total Estimated Construction Costs 11,282,500

Non-Construction Costs:

Design	825,000
Bidding	35,000
CE	175,000
Post-Construction Assistance	10,000
Inspection	300,000
Field Work/Survey	50,000
Geotech	25,000
Regulatory Assistance	30,000
Asbuilts	25,000
Start-up Assistance	10,000
Erosion Control Plan	10,000
Legal/Financial Assistance	20,000
Fiscal Sustainability Plan	5,000
American Iron and Steel	10,000
Water Model Update	15,000
Labor Standards	16,500
Legal Council	20,000
Bond Council	36,000
Rate Consultant	80,000
IBB Fee	<u>20,000</u>

Total Estimated Project Costs \$ 13,000,000

Source of Funds:

State Revolving Fund Loan \$ 13,000,000

CITY OF MADISON - MUNICIPAL WATER WORKS
Amortization Schedule - Proposed State Revolving Fund Bonds

Date of Loan: 8/1/2022
Terms: Semi-Annual
Interest Rate: 2.00%

Date	Loan Funds Released	Principal	Interest Rate	Interest	Principal Balance	Annual Debt Bond Year
8/1/2022	\$ 13,000,000				\$ 13,000,000	
2/1/2023		\$ 266,000	2.00%	\$ 130,000	12,734,000	
8/1/2023		269,000	2.00%	127,340	12,465,000	\$ 792,340
2/1/2024		271,000	2.00%	124,650	12,194,000	
8/1/2024		274,000	2.00%	121,940	11,920,000	791,590
2/1/2025		277,000	2.00%	119,200	11,643,000	
8/1/2025		279,000	2.00%	116,430	11,364,000	791,630
2/1/2026		282,000	2.00%	113,640	11,082,000	
8/1/2026		285,000	2.00%	110,820	10,797,000	791,460
2/1/2027		288,000	2.00%	107,970	10,509,000	
8/1/2027		291,000	2.00%	105,090	10,218,000	792,060
2/1/2028		294,000	2.00%	102,180	9,924,000	
8/1/2028		297,000	2.00%	99,240	9,627,000	792,420
2/1/2029		300,000	2.00%	96,270	9,327,000	
8/1/2029		303,000	2.00%	93,270	9,024,000	792,540
2/1/2030		306,000	2.00%	90,240	8,718,000	
8/1/2030		309,000	2.00%	87,180	8,409,000	792,420
2/1/2031		312,000	2.00%	84,090	8,097,000	
8/1/2031		315,000	2.00%	80,970	7,782,000	792,060
2/1/2032		318,000	2.00%	77,820	7,464,000	
8/1/2032		321,000	2.00%	74,640	7,143,000	791,460
2/1/2033		324,000	2.00%	71,430	6,819,000	
8/1/2033		328,000	2.00%	68,190	6,491,000	791,620
2/1/2034		331,000	2.00%	64,910	6,160,000	
8/1/2034		334,000	2.00%	61,600	5,826,000	791,510
2/1/2035		338,000	2.00%	58,260	5,488,000	
8/1/2035		341,000	2.00%	54,880	5,147,000	792,140
2/1/2036		344,000	2.00%	51,470	4,803,000	
8/1/2036		348,000	2.00%	48,030	4,455,000	791,500
2/1/2037		351,000	2.00%	44,550	4,104,000	
8/1/2037		355,000	2.00%	41,040	3,749,000	791,590
2/1/2038		358,000	2.00%	37,490	3,391,000	
8/1/2038		362,000	2.00%	33,910	3,029,000	791,400
2/1/2039		366,000	2.00%	30,290	2,663,000	
8/1/2039		369,000	2.00%	26,630	2,294,000	791,920
2/1/2040		373,000	2.00%	22,940	1,921,000	
8/1/2040		377,000	2.00%	19,210	1,544,000	792,150
2/1/2041		380,000	2.00%	15,440	1,164,000	
8/1/2041		384,000	2.00%	11,640	780,000	791,080
2/1/2042		388,000	2.00%	7,800	392,000	
8/1/2042		392,000	2.00%	3,920	-	791,720
Totals		<u>\$ 13,000,000</u>		<u>\$ 2,836,610</u>		<u>\$ 15,836,610</u>

See Accountant's Report.

CITY OF MADISON - MUNICIPAL WATER WORKS

Calculation of Forecasted Debt Coverage at Present and Proposed Rates

	Forecasted at Current Rates	Forecasted at Proposed Rates
Net Income	\$ (187,661)	\$ 1,311,958
Add back Interest Expense	<u>257,340</u>	<u>257,340</u>
Net Income for Debt Coverage	<u>\$ 69,679</u>	<u>\$ 1,569,298</u>
Forecasted Annual Debt Service:		
Maximum Annual Debt Service - Proposed SRF Bonds	<u>\$ 792,540</u>	<u>\$ 792,540</u>
Forecasted Debt Coverage Ratio	<u>8.79%</u>	<u>198.01%</u>

CITY OF MADISON - MUNICIPAL WATER WORKS

Schedule of Current and Required User Rates

(A) Basic Rate

	Charge per 1,000 Gallons	
	Present Rate	Proposed Rate
First 5,000 gallons	\$ 2.37	\$ 4.25
Next 15,000 gallons	\$ 2.05	\$ 3.67
Next 30,000 gallons	\$ 1.75	\$ 3.14
Over 50,000 gallons	\$ 1.47	\$ 2.86

(B) Minimum Monthly Charge

Each user shall pay a minimum monthly charge in accordance with the following applicable size of meter installed for which the user will be entitled to the quantity of water set out in the metered usage per month schedule of rates:

		Minimum per Month	
		Present Rate	Proposed Rate
<u>Meter Size</u>	<u>Allowance</u>		
5/8 or 3/4 inch meter	3,000 gallons	\$ 7.11	\$ 12.75
1 inch meter	7,500 gallons	\$ 16.98	\$ 30.43
1 1/2 inch meter	17,400 gallons	\$ 37.27	\$ 66.76
2 inch meter	30,000 gallons	\$ 60.10	\$ 107.70
3 inch meter	69,000 gallons	\$ 123.03	\$ 224.84
4 inch meter	123,000 gallons	\$ 202.41	\$ 379.28
6 inch meter	276,000 gallons	\$ 427.32	\$ 816.86

(C) Public Fire Protection Outside Corporate Limits

In addition to the charges for water used in accordance with the above rates, there shall be a surcharge to each metered user located outside the corporate limits and who is afforded fire protection from a public fire hydrant.

		Minimum per Month	
		Present Rate	Proposed Rate
<u>Metered Service Surcharge</u>			
5/8 or 3/4 inch meter		\$ 2.03	\$ 3.64
1 inch meter		\$ 5.06	\$ 9.07
1 1/2 inch meter		\$ 11.75	\$ 21.06
2 inch meter		\$ 20.25	\$ 36.29
3 inch meter		\$ 46.57	\$ 83.47
4 inch meter		\$ 83.01	\$ 148.78
6 inch meter		\$ 186.27	\$ 333.86
8 inch meter		\$ 332.05	\$ 595.14

(D) Public Fire Protection Inside Corporate Limits

In addition to the charges for water used in accordance with the above rates, there shall be a surcharge to each metered user located inside the corporate limits and who is afforded fire protection from a public fire hydrant.

<u>Metered Service Surcharge</u>	<u>Minimum per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
5/8 or 3/4 inch meter	\$ 1.44	\$ 2.58
1 inch meter	\$ 3.61	\$ 6.47
1 1/2 inch meter	\$ 8.36	\$ 14.98
2 inch meter	\$ 14.41	\$ 25.83
3 inch meter	\$ 33.15	\$ 59.42
4 inch meter	\$ 59.09	\$ 105.91
6 inch meter	\$ 132.58	\$ 237.63
8 inch meter	\$ 236.34	\$ 423.60

(E) Fire Hydrant Rental

	<u>Per Annum</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
Private fire hydrants, per hydrant	\$ 382.14	\$ 684.92

	<u>Per Month</u>	
	<u>Present Rate</u>	<u>Proposed Rate</u>
Private fire protection (automatic sprinklers)		
Service through 3" line	\$ 16.15	\$ 28.95
Service through 4" line	\$ 32.07	\$ 57.48
Service through 6" line	\$ 53.40	\$ 95.71
Service through 8" line	\$ 96.17	\$ 172.37
Service through 10" line	\$ 160.25	\$ 287.22
Service through 12" line	\$ 239.76	\$ 429.73

(F) Tapping Fee

Each user at the time of connection with the waterworks system shall have paid a charge to cover the cost of tapping the main, furnishing and laying service pipe, corporation and stop cocks, meter box and installing the meter, concrete and asphalt cuts and repairs, and road bore fees. The charge to each user shall be the actual costs incurred.