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June 1, 2009

Doug Hewett, Director of Utilities  
Nassau-Amelia Utilities  
5390 First Coast Highway  
Fernandina Beach, FL 32035

**Re: 10 - Revenue Sufficiency Analysis and Conservation Rate Analysis**

Dear Mr. Hewett:

Per your request we have prepared a Scope and Budget for a 10 - year revenue sufficiency analysis and development of a potential inclining block rate water conservation rate structure including the following:

1. An update of the ten (10) year Revenue Sufficiency Analysis, prepared for the NAU water and wastewater system in FY 2007.
2. A detailed cost allocation and conservation rate design including the development of a potential inclining block rate water rate structure.

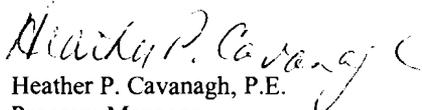
A conservation rate structure is expected to be required by the St Johns Water Management District in the next permitting cycle. The Revenue Sufficiency Analysis and rate design will be conducted by our subconsultant, Burton & Associates with the assistance of PBS&J, NAU and County personnel.

Our proposed fee for the preparation of the analysis, including meetings, workshops, and a final presentation to the County Commission is **\$50,267.00**.

This proposal is submitted as a task order under the Renewal of the Professional Service Agreement dated August 10, 2007 of the original agreement dated December 17, 2003, between Nassau County Board of County Commissioners and Post, Buckley, Schuh & Jernigan, Inc.

Please review the attached proposal and give us a call if you have any questions or require further information.

Sincerely yours,

  
Heather P. Cavanagh, P.E.  
Program Manager

Attachment: Scope of Work

cc: Robert A. Morrell, P.E.

### General

Nassau Amelia Utilities (NAU) has requested that PBS&J provide a Scope and Budget for an update of the revenue sufficiency analysis completed for NAU in FY 2007. The request specifically address the following:

1. An update of the ten (10) year Revenue Sufficiency Analysis, prepared for the NAU water and wastewater system in FY 2007.
2. A detailed cost allocation and conservation rate design including the development of a potential inclining block rate water rate structure.

The request includes presentation to the Board of County Commissioners of the rate sufficiency analysis.

PBS&J will subcontract with Burton & Associates to conduct the requested revenue sufficiency analysis and conservation rate design. A detailed work plan provided by Burton & Associates is attached.

### Assumptions

This Scope of Work is based on the following assumptions:

- NAU will provide available system information, including rate structures, meter and billing records.
- NAU will provide available information on requirements for capital projects within the service area

### Tasks

1. PBS&J will conduct a meeting with NAU to evaluate the timing and prioritize the the upgrades, and improvements for included in the current CIP.
2. Based on the results of the meeting, PBS&J will update the cost for the proposed projects and prepare a draft CIP Update. Copies of the Draft CIP will be submitted to NAU and Burton & Associates for review and comment.
3. Working in parallel, PBS&J's subconsultant, Burton & Associates, will update the ten (10) year Revenue Sufficiency Analysis previously prepared for the water and wastewater system in FY 2007.
4. Burton & Associates will develop a detailed cost allocation and conservation rate design including the development of a potential inclining block rate water rate structure
5. Burton & Associates, will conduct a formal presentation of the Master Plan and Utility Rate Study at a scheduled meeting of the Nassau County Board of County Commissioners
6. Burton & Associates will develop a Final Revenue Sufficiency Analysis Report documenting the findings of the study and assistance in preparing any corresponding ordinance language revisions.

Deliverables

Ten (10) copies of the final CIP Update and Revenue Sufficiency with electronic files will be submitted. The electronic files will be submitted in secure Adobe format.

Project Schedule

Exclusive of the presentation to the Board of County Commissioners the work plan can be expected to be completed in approximately 12 weeks.

Compensation

Compensation for the above Scope of Work shall be a Lump Sum Fee of FIFTY THOUSAND TWO HUNDRED AND SIXTY SEVEN DOLLARS (\$50,267.00) as detailed below. A budget worksheet is attached.

**PROJECT BUDGET WORKSHEET**



CLIENT: Nassau-Amelia Utilities  
 PROJECT: Revenue Sufficiency Analysis Update  
 JOB NO.:

LABOR MULTI.: 1.00  
 REIMBUR. MULTI.: 1.10  
 PREPARED BY: HUX

Manhours/Labor Costs PERSONNEL CLASSIFICATION	TASK RATE	TASK 1	TASK 2	TASK 3	TASK 4	TASK 5	TASK 6	TASK 7	TASK 8	TASK 9				TOTAL HOUR	RAW LABOR COST	MULTI. LABOR COST
		Kick-Off Meeting	Update CIP	Revenue Sufficiency Analysis	Conservation Rate	BOCC Presentation	Final Report									
Principal	\$ 180.00													0	\$0	\$0
Project Manager	\$ 180.00	4	2	2	2	2	4							16	\$2,880	\$2,880
Sr. Engineer IV	\$ 180.00	8	6	6	6	8	8							42	\$7,560	\$7,560
Sr. Engineer III	\$ 150.70													0	\$0	\$0
Sr. Engineer II	\$ 120.00													0	\$0	\$0
Sr. Engineer I	\$ 95.30													0	\$0	\$0
Engineer II	\$ 80.70													0	\$0	\$0
Construction Observer	\$ 76.90													0	\$0	\$0
Sr. CADD/GIS Tech.	\$ 69.20													0	\$0	\$0
CADD Operator	\$ 63.80													0	\$0	\$0
Clerical	\$ 45.30	4	4	4	4	4	4							24	\$1,087	\$1,087
<b>Total Hours</b>		16	12	12	12	14	16		0	0	0			<b>82</b>		
<b>Raw Labor Cost</b>		\$2,341	\$1,621	\$1,621	\$1,621	\$1,981	\$2,341	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$11,527</b>	
<b>Multi. Labor Cost</b>		\$2,341	\$1,621	\$1,621	\$1,621	\$1,981	\$2,341	\$0	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$11,527</b>	<b>\$11,527</b>

Reimbursable Costs	TASK 1	TASK 2	TASK 3	TASK 4	TASK 5	TASK 6	TASK 7	TASK 8	TASK 9	TASK 10	TASK 11	TASK 12	Reinbur. Costs	Multi. Costs
Local Transportation	\$50				\$50								\$100	\$110
Other Travel													\$0	\$0
PC Computer													\$0	\$0
PC CADD/GIS													\$0	\$0
Printing/Copying						\$150							\$150	\$165
Telephone													\$0	\$0
Courier/Shipping													\$0	\$0
Miscellaneous Expenses													\$0	\$0
Subconsultants	\$0	\$0	\$10,933	\$11,536	\$5,552	\$6,947							\$34,968	\$38,465
<b>Total Reimbursables</b>	\$0	\$0	\$10,933	\$11,536	\$5,602	\$7,097	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$35,218</b>	<b>\$38,465</b>
<b>Total Multi. Reimbursables</b>	\$0	\$0	\$12,026	\$12,690	\$6,162	\$7,807	\$0	\$0	\$0	\$0	\$0	\$0	<b>\$35,218</b>	<b>\$38,740</b>

	<b>\$2,341</b>	<b>\$1,621</b>	<b>\$13,648</b>	<b>\$14,311</b>	<b>\$8,143</b>	<b>\$10,148</b>	<b>\$0</b>									
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# BURTON & ASSOCIATES

May 29, 2009

Mr. Charles E. Hucks,  
PBS&J  
7406 Fullerton Street Suite 350  
Jacksonville, FL 32256

Re: Nassau County FY 2010 Water and Wastewater Rate Study Proposal

Dear Charles:

As requested, this letter presents our proposal to assist PBS&J with the conduct of a Water and Wastewater Rate Study (Study) for Nassau County's water and wastewater utilities. The attached Project Work Plan & Cost Estimate Schedule presents our proposed work plan and the estimated cost of the Study, while the attached Project Milestone Schedule presents the timeframes for completing key tasks in order to perform the requested analyses before the beginning of the next fiscal year.

We have proposed to conduct the Study in three Tasks. Task 1 includes an update to the ten (10) year Revenue Sufficiency Analysis previously prepared for the water and wastewater system in FY 2007. Task 2 includes a detailed cost allocation and conservation rate design analysis that would include the development of a potential inclining block water rate structure. Task 3 includes the presentation of the results of the Study to County Management and the Board of County Commissioners, while Task 4 includes the development of a Final Report documenting the findings of the Study and assistance in preparing any corresponding ordinance language revisions. Each Task is described in more detail in the attached Project Work Plan & Cost Estimate Schedule.

Below is a summary of the attached Project Work Plan & Cost Estimate Schedule that shows the approximate number of man-hours required, estimated consulting fees, and estimated out-of-pocket expenses by Task.

<b>TASK SUMMARY: FY 2010 WATER &amp; WASTEWATER RATE STUDY</b>					
<u>Task</u>		<u>Man</u>	<u>Consulting</u>	<u>Out-Of-</u>	<u>Total</u>
<u>No.</u>	<u>General Description</u>	<u>Hours</u>	<u>Fees</u>	<u>Pocket Exp.</u>	<u>Expenses</u>
Task 1	Revenue Sufficiency Analysis	78	\$10,615	\$318	\$10,933
Task 2	Cost Allocation & Conservation Rate Analysis	79	\$11,200	\$336	\$11,536
Task 3	Senior Management/BOCC Presentation	38	\$5,390	\$162	\$5,552
Task 4	Final Report & Ordinance Language	48	\$6,745	\$202	\$6,947
<b>TOTAL ALL TASKS</b>		<b>243</b>	<b>\$33,950</b>	<b>\$1,019</b>	<b>\$34,969</b>

**Burton & Associates**

200 Business Park Circle, Suite 101 • Saint Augustine, Florida 32095 • Phone (904) 247-0787 • Fax (904) 241-7708  
E-mail: [aburnham@burtonandassociates.com](mailto:aburnham@burtonandassociates.com)

We can begin work on this assignment immediately upon receipt of a notice to proceed and estimate that it can be completed as shown on the Project Milestone Schedule assuming a project start date no later than the week of June 8, 2009. We trust that this schedule will work within the Nassau County staff desired timeframe. However, to the extent that it does not, we would be happy to discuss the feasibility of potential modifications to the schedule as currently presented.

We appreciate the opportunity to present the PBS&J and the County with this proposal and look forward to the possibility of working with you on this assignment.

If you have any questions, please do not hesitate to call me at (904) 247-0787.

Very truly yours,



Andrew Burnham  
Senior Vice President

***Burton & Associates***

200 Business Park Circle, Suite 101 • Saint Augustine, Florida 32095 • Phone (904) 247-0787 • Fax (904) 241-7708  
E-mail: [aburnham@burtonandassociates.com](mailto:aburnham@burtonandassociates.com)



**NASSAU COUNTY**  
 FY 2010 WATER AND WASTEWATER RATE STUDY  
PROJECT WORK PLAN & COST ESTIMATE

**BURTON & ASSOCIATES**

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Director	Project Manager	Project Consultant	Clerical	
	Burton	Burnham	Grau/Krueger		
	\$200	\$185	\$105	\$40	
<b><u>TASK 1 - Conduct a revenue sufficiency analysis and develop a ten year financial management program</u></b>					
1.1 Meet with County staff (1 meeting) to finalize project objectives, establish project monitoring and control procedures and begin data gathering.	1	1	1	0	3
1.2 Review prior rate study reports, current and historical financial data, water and wastewater systems configuration, customer billing statistics, capital improvement programs and other relevant information to gain an understanding of the current water and wastewater utility systems for which the rate analysis is to be performed.	0	2	2	0	4
1.3 Obtain, verify and input financial and billing data into Burton & Associates proprietary FAMS XL © model, run the model and produce preliminary output, including a ten year financial management program that will include the following:	0	8	28	0	36
o Capital Improvements Program (as developed by PBS&J and the County)					
- Project listing by year					
- Optimum funding source by project by year					
o Borrowing Program					
- Borrowing required (by source) to fund CIP projects not funded by other sources to include but not					
- Timing of bond issue(s)/loan(s) to provide required borrowed funds					
- Annual debt service of bond issue(s)/loan(s)					
o Revenue Sufficiency Analysis					
- Cost of service allocation					
- Annual revenue projections					
- Annual rate increase/adjustment plan to provide sufficient revenues (applicable to existing rates/charges in Exhibits A, B, E, F, G, H of County Ordinance No. 2007-22, adopted August 13, 2007 which amended Ordinance 2006-45).					
o Sources and Uses of Funds Analysis					
o Funds Analysis					
- Spend down limits (minimum reserve requirements) by fund consistent with Resolution 2006-151					
- Beginning and ending funds balances by fund by year					
o Rate Survey					
1.4 Review preliminary output.	1	3	3	0	7
1.5 Make adjustments and re-run FAMS XL ©.	0	1	4	0	5
1.6 Conduct an interactive review session with County staff to review the preliminary results of the ten year projection of revenue sufficiency of the water and sewer enterprise fund.	3	3	3	0	9
1.7 Make adjustments based upon input from County staff.	0	2	6	0	8
1.8 Conduct an interactive review session with County staff to review the adjusted results of the ten year projection of revenue sufficiency of the water and sewer enterprise fund and make any final adjustments.	2	2	2	0	6



**NASSAU COUNTY**  
 FY 2010 WATER AND WASTEWATER RATE STUDY  
**PROJECT WORK PLAN & COST ESTIMATE**

**BURTON & ASSOCIATES**

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Director	Project Manager	Project Consultant	Clerical	
	Burton	Burnham	Grau/Krueger		
<i>Hourly rate-&gt;</i>	\$200	\$185	\$105	\$40	
<b><u>TASK 2- Conduct a cost of service allocation and conservation rate design analysis</u></b>					
2.1 Conduct a cost of service allocation analysis:					
a. Conduct a cost allocation analysis to allocate costs to services and further to functional cost pools for recovery by fixed and variable components of the rate structure alternatives to be evaluated.	1	2	4	0	7
b. Review cost allocations with County staff and make adjustments in the cost allocations where appropriate.	0	1	1	0	2
2.2 Define BFA specifications.	0	1	0	0	1
2.3 Discuss data requirements for a detailed BFA with customer service/information technology staff.	0	1	1	0	2
2.4 Review BFA data obtained and prepare compilation program.	0	2	6	0	8
2.5 Load the BFA data into the compilation program and perform a revenue test to validate the BFA data.	0	6	8	0	14
2.6 Load BFA data, cost allocation results and rate structure parameters into our proprietary FAMS XL® Rate Model (the Model).	0	2	6	0	8
2.7 Test the Model to ensure that the data in the Model returns the current rate structure with current rate structure parameters loaded.	0	1	2	0	3
2.8 Set up alternative utility rate structure scenarios for evaluation with County staff.	0	1	1	0	2
2.9 Evaluate elasticity of demand parameters and set up elasticity of demand table in the rate Model with appropriate elasticity factors.	0	1	1	0	2
2.10 Set up the customer impact module to evaluate the impacts of alternative rate structure scenarios.	0	1	2	0	3
2.11 Test and adjust the Model for each alternative rate structure scenario to be evaluated.	0	1	2	0	3
2.12 Review alternative rate structure scenarios with consulting team.	1	1	1	0	3
2.13 Review the preliminary results with County staff in an interactive work session.	3	3	3	0	9
2.14 Make adjustments based upon input from County staff.	0	2	4	0	6
2.15 Review the adjusted results with County staff in an interactive work session.	2	2	2	0	6
2.16 Conduct additional interactive work sessions with County staff and make adjustments accordingly.					
	--- At Hourly rates ---				



**NASSAU COUNTY**  
 FY 2010 WATER AND WASTEWATER RATE STUDY  
PROJECT WORK PLAN & COST ESTIMATE

**BURTON & ASSOCIATES**

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Director	Project Manager	Project Consultant	Clerical	
	Burton	Burnham	Grau/Krueger		
	\$200	\$185	\$105	\$40	
<b>TASK 3 - Present results to County Management and County Commission</b>					
3.1 Prepare a PowerPoint presentation (including rate survey) with the results of the study for County Management.	0	4	6	2	12
3.2 Meet with County Management to present the preliminary results of the study.	2	2	2	0	6
3.3 Make adjustments to the analysis based upon input from County Management.	0	2	6	0	8
3.4 Review adjusted analysis with County staff in a final interactive work session.	2	2	2	0	6
3.5 Present the results of the study to the County Commission in one Commission workshop/meeting.	2	2	2	0	6
<b>TASK 4 - Document the results in a Final Report and assist in Ordinance preparation.</b>					
4.1 Prepare a Draft Report to document the results of the study and necessary language for inclusion by the County attorney in a Rate Ordinance for adoption of the proposed rates.	1	8	12	0	21
4.2 Review the Draft Report and Ordinance language with County staff.	1	2	1	0	4
4.3 Make adjustments and prepare a Final Draft Report and final Ordinance language.	0	3	6	0	9
4.4 Review the Final Draft Report and Rate Ordinance with County staff.	1	1	1	0	3
4.5 Make adjustments and prepare the Final Report and Ordinance language.	0	1	2	2	5
4.6 Attend one County Commission rate hearing regarding recommended fees.	2	2	2	0	6
4.7 Attend additional presentations to the County Commission and/or rate hearings.					
	--- At Hourly rates ---				
<b>TOTAL ESTIMATED MAN-HOURS - TOTAL PROJECT</b>	25	79	135	4	243
<b>TOTAL ESTIMATED CONSULTING FEE - TOTAL PROJECT</b>	\$5,000	\$14,615	\$14,175	\$160	\$33,950
<b>ESTIMATED EXPENSES - TOTAL PROJECT</b> 3.00%					\$1,019
<b>TOTAL ESTIMATED COST - TOTAL PROJECT</b>					\$34,969



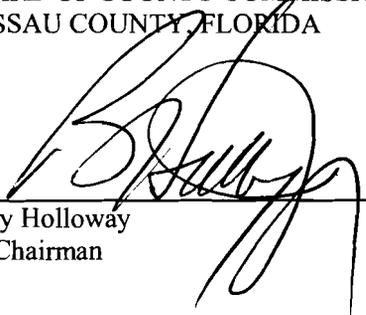
**NASSAU COUNTY**  
FY 2010 WATER AND WASTEWATER RATE STUDY  
ESTIMATED PROJECT MILESTONE SCHEDULE

**BURTON & ASSOCIATES**

<i>Date (Week of)</i>	<i>Task Reference</i>	<i>Event Milestone</i>
6/8/09	1.1	Start project and have kick-off meeting
6/8/09	1.2	Gather and review required system configuration, customer, financial, CIP, and billing data
6/8/09	1.3	Input appropriate data into rate model and prepare preliminary analysis
6/29/09	1.6	Meet with County staff to review preliminary results of revenue sufficiency analysis
7/13/09	1.8	Meet with County staff in second worksession to review adjusted results of revenue sufficiency analysis
6/8/09	2.3	Discuss data requirements for a detailed BFA with customer service/information technology staff.
6/15/09	2.4	Review BFA data obtained and prepare compilation program.
6/22/09	2.5	Load the BFA data into the compilation program and perform a revenue test to validate the BFA data.
6/29/09	2.8	Set up alternative utility rate structure scenarios for evaluation with County staff.
7/6/09	2.13	Review the preliminary results with County staff in an interactive work session.
7/13/09	2.15	Review the adjusted results with County staff in an interactive work session.
7/20/09	3.2	Meet with County Management to present the results of the study.
7/27/09	3.4	Meet with County staff to review adjusted results based upon input from County Management meeting.
8/3/09	3.5	Present final results to BOCC in one meeting/workshop.
8/17/09	4.1	Deliver and review draft report and ordinance language.
8/24/09	4.3	Deliver and review final draft report and ordinance language.
8/31/09	4.5	Deliver final report and ordinance language.
TBD	4.7	Attend presentations to the Board of County Commissioners and/or rate hearings as requested.

DATED this 8th day of July, 2009

BOARD OF COUNTY COMMISSIONERS  
NASSAU COUNTY, FLORIDA

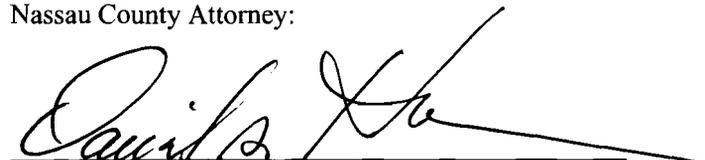
  
\_\_\_\_\_  
Barry Holloway  
Its: Chairman

ATTEST:

  
\_\_\_\_\_  
John A. Crawford  
Its: Ex-Officio Clerk

*EBK 7/8/09*

Approved as to form by the  
Nassau County Attorney:

  
\_\_\_\_\_  
David A. Hallman