

BURTON & ASSOCIATES

July 8, 2015

Ms. Shanea Jones
OMB Director/Assistant County Manager
Nassau County Board of County Commissioners
96135 Nassau Place, Suite 2
Yulee, FL 32097

Re: Nassau County Utilities Rate Study Proposal

Dear Ms. Jones:

As requested, this letter presents our proposal to conduct of a Utilities Rate Study (Study) for Nassau County's water and wastewater utilities. As also requested, this proposal includes all rates, fees and charges currently in the County Ordinance 2014-02. This includes the addition of the rates, fees and charges in Task 6 in the attached Project Work Plan and Cost Estimate Schedule (Schedule) presents our proposed work plan and the estimated cost of the Study.

We have proposed to conduct the Study in two Work Elements. Work Element I includes the development of a ten (10) year Revenue Sufficiency Analysis of the Utility Rate System and a Diagnostic Evaluation of the Current Rate Structure. Work Element II includes a Detailed Cost Allocation and Rate Design. Each Work Element is described in more detail in the following paragraphs.

In Work Element I, two primary analyses will be performed. First, a ten (10) year revenue sufficiency analysis will be performed and a ten (10) year revenue forecast and financial management plan will be developed, including annual rate adjustments, borrowing requirements, etc. Second, a diagnostic evaluation of the current water and wastewater rate structures will be performed. The revenue requirements for FY 2016 (from the revenue sufficiency analysis), and desired modifications to the rate structure (from the diagnostic rate structure evaluation) will guide the cost allocation and rate design work of Work Element II.

In Work Element II, a detailed cost allocation analysis will be conducted and all specific rates and charges included in the scope will be developed to recover the FY 2016 revenue requirement identified in Work Element I within the cost allocation results and desired rate structure determined in Work Element I. A customer impact analysis will be developed as a part of the work in this phase that will show the impact of the rate adjustments upon the monthly water and wastewater bills of the system's customers.

Burton & Associates

2902 Isabella Blvd, Suite 20 • Jacksonville Beach, Florida 32250 • Phone (904) 247-0787 • Fax (904) 241-7708
E-mail: mburton@burtonandassociates.com

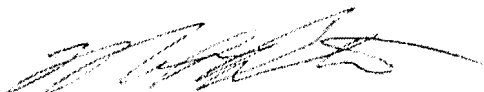
The attached Project Work Plan and Cost Estimate Schedule (Schedule) shows that successful completion of the project will require approximately 345 man-hours for an estimated fee of \$54,245 inclusive of out-of-pocket expenses.

Therefore we propose to complete the project for a fixed fee of \$54,245, inclusive of out-of-pocket expenses.

We can begin work on this assignment immediately upon receipt of a notice to proceed and estimate that it can be completed within 120 days. We appreciate the opportunity to present the County with this proposal and look forward to 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,



Michael E. Burton
President

If the terms of this proposal are acceptable, please affix the appropriate signature below and return a copy (facsimile will be acceptable) to us for our files:

Accepted by Nassau County, FL:



Signature

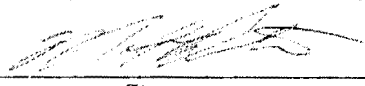
Chairman

Title

8-19-15

Date

Accepted by Burton & Associates, Inc.



Signature

President

Title

7/8/15

Date

Burton & Associates

2902 Isabella Blvd, Suite 20 • Jacksonville Beach, Florida 32250 • Phone (904) 247-0787 • Fax (904) 241-7708

E-mail: mburton@burtonandassociates.com



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

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project	
	Project Principal Burton	Project Manager Burnham	Project Consultant/ Analyst	Clerical		
	\$205	\$185	\$135	\$40		
<u>WORK ELEMENT I - REVENUE SUFFICIENCY ANALYSIS AND RATE STRUCTURE EVALUATION</u>						
<u>TASK 1 - Conduct a revenue sufficiency analysis and develop a ten year financial management program</u>						
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	0	0.5	1	0	1.5
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	32	0	40
	o Capital Improvements Program					
	- 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					
	- Annual revenue projections					
	- Annual rate plan to provide sufficient revenues					
	o Sources and Uses of Funds Analysis					
	o Funds Analysis					
	- Spend down limits (minimum reserve requirements) by fund					
	- Beginning and ending funds balances by fund by year					
1.4	Review preliminary output.	0	4	4	0	8
1.5	Make adjustments and re-run FAMS XL ©.	1	1	4	0	6
1.6	Prepare scenarios for interactive review session with County staff.	0	0.5	2	0	2.5
1.7	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
1.8	Make adjustments based upon input from County staff.	0	2	8	0	10
1.9	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.	3	3	3	0	9

Burton & Associates

2902 Isabella Blvd, Suite 20 • Jacksonville Beach, Florida 32250 • Phone (904) 247-0787 • Fax (904) 241-7708

E-mail: mburton@burtonandassociates.com



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

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Principal Burton	Project Manager Burnham	Project Consultant/ Analyst	Clerical	
	Hourly rate-> \$205	\$185	\$135	\$40	
<u>TASK 2</u> <u>Conduct a diagnostic rate structure evaluation</u>					
2.1 Conduct an analysis of the current water and wastewater rate structure to identify strengths and weaknesses in terms of but not limited to the following criteria: <ul style="list-style-type: none"> o Fiscal stability of the utility o Fair and equitable distribution of the cost of service to customers in proportion to the benefit received o Market acceptability o Administrative simplicity o Capability of the Billing system to implement changes to the rate structure In this task we will develop recommendations regarding rate structure modifications. Rate structure modifications may be identified which address the following areas: <ul style="list-style-type: none"> o Fixed monthly charges, to include: <ul style="list-style-type: none"> - Customer Charge. - Capacity Charge - Base Facility Charge for maintaining a readiness-to-serve. o Commodity, or Usage Charge per unit of usage such as 1,000 gallons of metered water. o Conservation rates, o Lifeline rates, o Wholesale or bulk rates. o Ancillary charges for specific services that benefit the recipient and should be paid for by the recipient of o Other as identified during the study. 	0	1	4	0	5
2.2 Identify the implications in terms of cost impact to customer classes (at various usage levels within class, e.g. low volume vs. high volume user) of implementing identified potential modifications to the rate structure.	1	1	4	0	6
TOTAL ESTIMATED MAN-HOURS - WORK ELEMENT I	9	26	70	0	105
TOTAL ESTIMATED CONSULTING FEE - WORK ELEMENT I	\$1,845	\$4,810	\$9,450	\$0	\$16,105
ESTIMATED EXPENSES - WORK ELEMENT I 3.00%					\$483
TOTAL ESTIMATED COST - WORK ELEMENT I					\$16,588



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

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Principal Burton	Project Manager Burnham	Project Consultant/ Analyst	Clerical	
	Hourly rate-> \$205	\$185	\$135	\$40	
<u>WORK ELEMENT II - DETAILED COST ALLOCATION AND RATE DESIGN</u>					
<u>TASK 3 - Conduct a detailed cost allocation analysis and development of specific rates and charges.</u>					
3.1	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 components of the rate structure alternatives to be evaluated, i.e. fixed and variable rate components.				
	1	4	12	0	17
	b. Review cost allocations with County staff and make adjustments in the cost allocations where				
	0	2	2	0	4
<u>TASK 4 Perform detailed bill frequency analysis (BFA)</u>					
4.1	Define BFA specifications.				
	0	1	2	0	3
4.2	Discuss data requirements for a detailed BFA with customer service/information technology staff.				
	0	1	1	0	2
4.3	Review BFA data obtained and prepare compilation program.				
	0	1	2	0	3
4.4	Load the BFA data into the compilation program and perform a revenue test to validate the BFA data.				
	0	2	8	0	10
<u>TASK 5 Load BFA data, cost allocation results and rate structure parameters into our proprietary FAMS XL® Rate Model and calculate rates and charges</u>					
5.1	Load BFA data, cost allocation results and rate structure parameters into our proprietary FAMS XL® Rate Model (the Model).				
	0	0	6	0	6
5.2	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
5.3	Set up alternative utility rate structure scenarios for evaluation with County staff.				
	1	2	4	0	7
5.4	Evaluate elasticity of demand parameters and set up elasticity of demand table in the rate Model with appropriate elasticity factors.				
	0	1	2	0	3
5.5	Set up the customer impact module to evaluate the impacts of alternative rate structure scenarios.				
	0	1	2	0	3
5.6	Test and adjust the Model for each alternative rate structure scenario to be evaluated.				
	0	1	2	0	3
5.7	Review alternative rate structure scenarios with consulting team.				
	2	2	2	0	6
5.8	Review the preliminary results with County staff in an interactive work session.				
	--- Included in Task 1.9 ---				
5.9	Make adjustments based upon input from County staff.				
	0	2	4	0	6
5.10	Review the adjusted results with County staff in an interactive work session.				
	2	2	2	0	6
5.11	Conduct additional interactive work sessions with County staff and make adjustments accordingly.				
	--- At Hourly rates ---				

Burton & Associates

2902 Isabella Blvd, Suite 20 • Jacksonville Beach, Florida 32250 • Phone (904) 247-0787 • Fax (904) 241-7708

E-mail: mburton@burtonandassociates.com



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

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Principal Burton	Project Manager Burnham	Project Consultant/ Analyst	Clerical	
	Hourly rate-> \$205	\$185	\$135	\$40	
<u>TASK 6</u> <u>Review and update other water and wastewater rates, fees and charges</u>					
6.1 Update Private Fire Protection Charges.	1	3	4	0	8
6.2 Update Water Service Availability Charges:					
a. Impact Fees.	0	3	8	0	11
b. AFPI.	1	2	4	0	7
c. Meter Installation Charges.	0	1	2	0	3
d. Service Installation Charges.	0	1	2	0	3
6.3 Update Wastewater Service Availability Charges:					
a. Impact Fees.	0	3	8	0	11
b. AFPI.	1	2	4	0	7
c. Service Installation Charges.	0	1	2	0	3
6.4 Update Effluent Service and Other Miscellaneous Charges.	1	2	3	0	6
6.5 Update Customer Deposits.	0	2	4	0	6
6.6 Review with consulting team.	2	2	2	0	6
6.7 Make adjustments as required.	0	2	3	0	5
6.8 Review with County staff in an interactive work session.	3	3	3	0	9
6.9 Perform adjustments and distribute workbook of results and schedules of updates fee/charges	0	2	6	0	8
<u>TASK 7</u> <u>Present results to County Management and County Commission</u>					
7.1 Prepare a PowerPoint presentation to present the results of the Study to County Management.	0	1	2	0	3
7.2 Meet with County Management to present the preliminary results of the Study.	2	2	2	0	6
7.3 Make adjustments to the analysis based upon input from County Management.	0	2	4	0	6
7.4 Review adjusted analysis with County staff in a final interactive work session.	0	2	2	0	4
7.5 Present the results of the Study to the County Commission in one Commission workshop/meeting.	2	2	2	0	6

Burton & Associates

2902 Isabella Blvd, Suite 20 • Jacksonville Beach, Florida 32250 • Phone (904) 247-0787 • Fax (904) 241-7708

E-mail: mburton@burtonandassociates.com



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

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Principal Burton	Project Manager Burnham	Project Consultant/ Analyst	Clerical	
	Hourly rate-> \$205	\$185	\$135	\$40	
TASK 8 <i>Document the results in a Final Report and assist in Ordinance preparation.</i>					
8.1 Prepare a Draft Report to document the results of the Study and a proposed language for inclusion by the County attorney in a Rate Ordinance for adoption of the proposed rates.	1	2	8	4	15
8.2 Review the Draft Report and Ordinance language with County staff.	0	2	2	0	4
8.3 Make adjustments and prepare a Final Draft Report and final Ordinance language.	0	1	2	4	7
8.4 Review the Final Draft Report and Rate Ordinance with County staff.	0	1	1	0	2
8.5 Make adjustments and prepare the Final Report and Ordinance language.	1	1	4	2	8
8.6 Attend one rate hearing.	2	2	0	0	4
8.7 Attend additional presentations to the County Commission and/or rate hearings.			--- At Hourly rates ---		
TOTAL ESTIMATED MAN-HOURS - WORK ELEMENT II	23	70	137	10	240
TOTAL ESTIMATED CONSULTING FEE - WORK ELEMENT II	\$4,715	\$12,950	\$18,495	\$400	\$36,560
ESTIMATED EXPENSES - WORK ELEMENT II 3.00%					\$1,097
TOTAL ESTIMATED COST - WORK ELEMENT II					\$37,657
TOTAL ESTIMATED MAN-HOURS - TOTAL PROJECT	32	96	207	10	345
TOTAL ESTIMATED CONSULTING FEE - TOTAL PROJECT	\$6,560	\$17,760	\$27,945	\$400	\$52,665
ESTIMATED EXPENSES - TOTAL PROJECT 3.00%					\$1,580
TOTAL ESTIMATED COST - TOTAL PROJECT					\$54,245

Burton & Associates

2902 Isabella Blvd, Suite 20 • Jacksonville Beach, Florida 32250 • Phone (904) 247-0787 • Fax (904) 241-7708

E-mail: mburton@burtonandassociates.com