

# BURTON & ASSOCIATES, INC.

## AGREEMENT FOR PROFESSIONAL SERVICES

Agreement No. 55801

Title: Utility Rate Study

This Agreement, made and entered into when executed by both parties, by and between BURTON & ASSOCIATES, INC. hereinafter called "CONSULTANT" and NASSAU COUNTY, FLORIDA hereinafter called "CLIENT", is for the Project and Service described under Sections 1 and 2 respectively of this Agreement.

### CONSULTANT

Contact: Mr. Michael E. Burton - President  
Address: 2902 Isabella Blvd., Suite 20  
Jacksonville Beach, Florida 32250  
Phone No. (904) 247-0787

### CLIENT

Contact: Mr. Michael S. Mullin  
County Attorney  
Address: 191 Nassau Place  
Fernandina Beach, Florida 32034  
Phone No. (904) 491-3600

1. **PROJECT:** General Nature of Project - Conduct a utility rate study in order to establish rates for the utility being purchased from Florida Water Services and prepare a five year revenue forecast to demonstrate the sufficiency of the proposed rates to fund all projected costs of the utility operations and to provide adequate debt service coverage for the revenue bonds to be issued to acquire the utility.
2. **SCOPE OF SERVICES:** Description of services to be performed by CONSULTANT. The scope of services to be performed by CONSULTANT are described in Attachment A and will be performed in accordance with the Project Workplan described in Attachment B.
3. **TIME OF COMPLETION:** Services called for herein shall be completed within 90 days of execution of this Agreement by both parties, unless otherwise extended by the agreement of both parties.
4. **COMPENSATION:** The compensation to be paid CONSULTANT for providing the services called for herein shall be:  

\_\_\_\_\_ A. A Lump-Sum charge of \$ NA.

✓ B. Unit Cost/Time Charges in Section 6 plus reimbursable expenses; total not to exceed \$27,428.
5. **DURATION:** This Agreement shall remain in effect until expiration of the Term of Completion as specified in Section 3 and any additional services authorized in accordance with Section 10, unless terminated as provided herein, or extended by mutual agreement in writing.

IN WITNESS WHEREOF, this Agreement is accepted on the date last written below, subject to the terms and conditions above stated and the provisions set forth on the second page.

**For CLIENT:**

SIGNED: Vickie Samus

TYPED NAME: Vickie Samus

TITLE: Chairman

DATE: May 14, 2003

ATTEST:

J. M. "Chip" Oxley, Jr.  
J. M. "Chip" Oxley, Jr.  
Ex-Officio Clerk

**For CONSULTANT:**

SIGNED: Michael E. Burton

TYPED NAME: Michael E. Burton

TITLE: President

DATE: May 9, 2003

Approved as to Form by the  
Nassau County Attorney

Michael S. Mullin  
Michael S. Mullin

**6. UNIT COST TIME  
CHARGES AND REIM-  
BURSABLE EXPENSES:**

Unit cost time charges are defined as hourly rates specified below. Reimbursable costs include out-of-pocket expenses, the cost of which shall be charged at actual cost, up to any limit imposed by the CLIENT. The hourly billing rates authorized under this contract are as follows:

Principal-in-Charge	\$165	per hour
Project Director	\$135	per hour
Senior Consultant	\$115	per hour
Project Consultant	\$ 95	per hour
Clerical	\$ 40	per hour

- 7. INVOICE PROCEDURE:** CONSULTANT shall submit monthly invoices to CLIENT requesting payment for work accomplished during each calendar month. Payment of invoices will be made by CLIENT within 30 days of receipt of invoice.
- 8. INSURANCE:** CONSULTANT shall procure and maintain throughout the term of this Agreement the following insurance with the limits set forth herein, and shall, upon executing this Agreement, provide to CLIENT a certificate(s) of insurance evidencing same, and showing CLIENT as an additional insured:
- A. Worker's Compensation Insurance as required by law.
  - B. Unless otherwise provided for herein, Comprehensive General Liability Insurance including contractual liability and liability arising out of the use of automobiles with the following limits:
    - (1) Bodily Injury Liability Insurance with limits of \$100,000 per person and \$300,000 per occurrence;
    - (2) Property Damage Liability Insurance with a limit of \$50,000 per occurrence.
  - C. Unless otherwise provided for herein, Errors and Omissions Liability Insurance with a limit of \$1,000,000 per claim and aggregate.
- 9. TERMINATION:** This Agreement may be terminated by either party by seven (7) days written notice in the event of substantial failure to perform in accordance with the terms herein by the other party through no fault of the terminating party. If this Agreement is so terminated, CLIENT shall pay CONSULTANT compensation for work satisfactorily completed up to date of termination.
- CLIENT may terminate this agreement for convenience, or suspend the work called for herein for any business reason. In the event of such termination or suspension, CLIENT shall pay CONSULTANT for the work accomplished up to the date of termination or suspension.
- 10. ADDITIONAL SERVICES:** Additional services may be performed under this Agreement if agreed to by both parties in writing. CONSULTANT will accomplish these additional services at cost and an additional services authorization will be negotiated with a not-to-exceed cost if these additional services are requested by CLIENT.
- 11. ENTIRETY OF AGREEMENT:** This writing embodies the entire agreement and understanding between the parties hereto, and there are no other agreements and understanding, oral or written, with reference to the subject matter hereof that are not merged herein and superseded hereby. No alteration, change or modification of the terms of the Agreement shall be valid unless made in writing, signed by both parties hereto.

## **Attachment A**

### **Scope of Services**

Conduct a utility rate study in order to establish rates for the utility being purchased from Florida Water Services and prepare a five year revenue forecast to demonstrate the sufficiency of the proposed rates to fund all projected costs of the utility operations and to provide adequate debt service coverage for the revenue bonds to be issued to acquire the utility.

## **Attachment B**

### **Project Workplan**

The scope of services presented in Attachment A will be accomplished by execution of Work Element I and Work Element II of the Project Workplan presented in the Project Workplan and Cost Estimate Schedule presented on the following pages.



**NASSAU COUNTY**  
**WATER AND WASTEWATER RATE STUDY**  
**PROJECT WORKPLAN & COST ESTIMATE**  
**Prepared by Burton & Associates**

**Burton & Associates**

PROJECT TASK S		ESTIMATED MAN-HOURS			Total Project
		Project Principal	Project Consultant	Clerical	
Hourly rate->		\$165	\$115	\$40	
<b><u>WORK ELEMENT I: CONDUCT A FIVE YEAR REVENUE SUFFICIENCY ANALYSIS AND A SCHEDULE OF PROPOSED RATES</u></b>					
<b><u>TASK I-1</u></b>	<b><u>Conduct project kick-off meeting and obtain and review required data and information.</u></b>				
	a. Conduct Project kick-off meeting to validate project objectives, identify required data and confirm project responsibilities and project monitoring and reporting procedures.	2	2	0	4
	b. Obtain and review required data and information to include historical financial statements, customer information and capital cost information.	2	4	0	6
<b><u>TASK I-2</u></b>	<b><u>Develop a five year projection of annual revenue requirements.</u></b>				
	a. Develop a projection of operations and maintenance costs based upon the historical operations and maintenance costs of the utility under private ownership, adjusted for County ownership.	2	8	0	10
	b. Develop a five year schedule of capital improvements based upon input from the County's engineer.	1	4	0	5
	c. Include a five year schedule of acquisition bonds debt service and the associated debt service coverage	1	2	0	3
	d. Develop a schedule of available funding sources for capital projects, including acquisition bond proceeds, as applicable, projected impact fees or other identified sources.	1	2	0	3
<b><u>TASK I-3</u></b>	<b><u>Run FAMS model and produce preliminary output to include a five (5) year financial management plan which will include the following:</u></b>				
	o Capital Improvements Program:	2	8	0	10
	- Project listing by year				
	- Optimum funding source by project by year				
	- Borrowing program, as applicable:				
	. Amount				
	. Timing				
	. Annual debt service				
	o Revenue Sufficiency Analysis:				
	- Annual revenue and expense projections:				
	. Alternative revenue/funding sources				
	. General fund allocations, as applicable				
	. Capital requirements funding from impact fees, revenues, reserves and borrowing.				
	- Annual rate plan to provide sufficient revenues:				
	. Include consideration of annual price indexing				
	. Identification of just in time rate revenue increases and alternative rate plans such as equal annual percentage increases, etc.				
	- Preparation of projected operating statements, cash flow analyses, fund balances and sources and uses of funds for each year in the projection period.				
	o Sources and Uses of Funds Analysis				
	o Funds Analysis:				
	- Spend down limits (minimum reserve requirements) by fund				
	- Beginning and ending fund balances by fund by year				



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PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Hourly rate ->	Project Principal \$165	Project Consultant \$115	Clerical \$40	
<b>TASK I-4</b> <i>Develop a schedule of proposed rates based upon the current rates of the utility under private ownership, adjusted by the across-the-board percentage increase, if any, indicated by the results of the analysis in Task I-3.</i>		2	4	0	6
<b>TASK I-5</b> <i>Review preliminary FAMS output and proposed rates schedule with consulting team management, calibrate and adjust as necessary, re-run model and produce draft output.</i>		4	8	0	12
<b>TASK I-6</b> <i>Review results with County staff.</i>					
a. Conduct interactive review session with County staff to review draft results of revenue sufficiency analysis and schedule of proposed rates.		4	4	0	8
b. Make adjustments based upon Input from County staff and produce adjusted revenue sufficiency analysis output schedules and an adjusted schedule of proposed rates.		1	4	0	5
c. Review final draft revenue sufficiency results with County staff in an interactive work session.		4	4	0	8
<b>TASK I-9</b> <i>Prepare report and attend rate hearing.</i>					
a. Make adjustments based upon Input from County staff and produce a Draft Report.		2	6	4	12
b. Review Draft Report with County staff.		2	2	0	4
c. Make adjustments and produce a Final Draft Report.		1	4	2	7
d. Present the Final Draft Report to the Board of County Commissioners for review and approval.		2	2	0	4
e. Make any required adjustments and produce a Final Report.		1	2	2	5
f. Attend one rate hearing for adoption of the proposed rates.		2	2	0	4
<b>TOTAL ESTIMATED MAN-HOURS - WORK ELEMENT I</b>		36	72	8	116
<b>TOTAL ESTIMATED CONSULTING FEE - WORK ELEMENT I</b>		\$5,940	\$8,280	\$320	<b>\$14,540</b>
<b>ESTIMATED EXPENSES - WORK ELEMENT I</b>	2.00%				<b>\$291</b>
<b>TOTAL ESTIMATED CHARGES - WORK ELEMENT I</b>					<b>\$14,831</b>



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PROJECT TASK S	ESTIMATED MAN-HOURS			Total Project
	Project Principal	Project Consultant	Clerical	
	\$165	\$115	\$40	
<i>Hourly rate-&gt;</i>				
<b><u>WORK ELEMENT II: RATE DESIGN, COST ALLOCATION AND CALCULATION OF RATES AND CHARGES</u></b>				
<b><u>TASK II-1 Evaluate current rate structure and develop rate structure alternatives.</u></b>				
a. Prepare a summary description of the current rate structure to validate our understanding of the current				
o Review current tariff of the utility under private ownership,	1	1	0	2
o Prepare a description of the current rates and charges and the structure of the rates in a rate	0	2	4	6
o Review the description of the current rates and charges and rate structure with County staff to ensure a consensus understanding of the rate structure under private ownership, discuss the County's objectives regarding potential rate structure modifications and conduct an evaluation of the rate structure under private ownership relative to the County's objectives and accepted rate making practice, to include inclining block water rates,	2	2	0	4
b. Based upon input from County staff in Task II.1a, define alternative rate structure changes to be evaluated to include inclining block water conservation rates (up to three alternative rate structures).	1	2	0	3
<b><u>TASK II-2 Allocate costs of service.</u></b>				
a. Identify and determine values for appropriate allocation criteria for allocation of cost components to elements of the alternative rate structures to be evaluated to include, but not necessarily be limited to:	1	4	0	5
o Customer costs				
o Base facility costs				
o Commodity or usage costs				
o Costs to provide wholesale service, if applicable				
o Other costs as identified during the study				
b. Develop cost allocation schedules based upon the above referenced allocation criteria.	1	4	0	5
c. Review the cost allocations with County staff in an interactive work session.	2	2	0	4
d. Make adjustments to the cost allocations based upon input from County staff.	0	2	0	2
e. Apply the cost allocation results to the FY 2004 revenue requirements (the test year for rate making purposes) from Task 1 to properly allocate the net revenue requirements for the test year.	1	2	0	3
<b><u>TASK II-3 Conduct a bill frequency analysis.</u></b>				
a. Prepare specifications for required historical billing data and conduct conference call with County staff and to discuss the required data.	0	2	0	2
b. County to provide required billing history data from private owner in accordance with the specifications	NA	NA	NA	NA
c. Review billing history data provided by County staff and compile into the bill frequency module of Burton & Associates' Rate Model.	0	4	0	4
d. Test predicted revenue with historical billing history against actual revenue to validate the accuracy of the	1	10	0	11
e. Make adjustments as required to validate billing data based upon additional input, as required, from County staff.	0	2	0	2



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PROJECT TASKS	ESTIMATED MAN-HOURS			Total Project
	Project Principal	Project Consultant	Clerical	
	\$165	\$115	\$40	
<b>TASK II-4</b> <u>Calculate alternative schedules of rates and charges.</u>				
a. Adjust the FAMS rate calculation module to 1) incorporate the alternative rate structures to be evaluated based upon the rate structure results of Task 2, and 2) calculate the impact upon the monthly bills of customers in each customer class.	1	8	0	9
b. Prepare scenarios in the rate module that calculate rates for each rate structure scenario to be evaluated including inclining block water conservation rates (up to three alternative rate structure scenarios).	1	8	0	9
c. Review alternative rate structure scenarios with consulting team management and adjust as required.	1	2	0	3
d. Review the rate structure scenarios in an interactive work session with County staff.	4	4	0	8
e. Make adjustments as required based upon input from County staff in Task 5.4.	1	4	0	5
f. Review the adjusted rate structure scenarios in an interactive work session with County staff.	4	4	0	8
g. Make adjustments based upon County staff input in Task II-4.f.	1	4	0	5
<b>TASK I-5</b> <u>Prepare report and attend rate hearing</u>				
a. Make adjustments based upon input from County staff and produce a Draft Report.	Hours Covered in Work Element I (1)			
b. Review Draft Report with County staff.				
c. Make adjustments and produce a Final Draft Report.				
d. Present the Final Draft Report to the Board of County Commissioners for review and approval.				
e. Make any required adjustments and produce a Final Report.				
f. Attend one rate hearing for adoption of the proposed rates.				
<b>TOTAL ESTIMATED MAN-HOURS - WORK ELEMENT II</b>	<b>23</b>	<b>73</b>	<b>4</b>	<b>100</b>
<b>TOTAL ESTIMATED CONSULTING FEE - WORK ELEMENT II</b>	<b>\$3,795</b>	<b>\$8,395</b>	<b>\$160</b>	<b>\$12,350</b>
<b>ESTIMATED EXPENSES - WORK ELEMENT II</b> 2.00%				<b>\$247</b>
<b>TOTAL ESTIMATED CHARGES - WORK ELEMENT II</b>				<b>\$12,597</b>
<b>TOTAL ESTIMATED MAN-HOURS - TOTAL PROJECT</b>	<b>59</b>	<b>145</b>	<b>12</b>	<b>216</b>
<b>TOTAL ESTIMATED CONSULTING FEE - TOTAL PROJECT</b>	<b>\$9,735</b>	<b>\$16,675</b>	<b>\$480</b>	<b>\$26,890</b>
<b>ESTIMATED EXPENSES - TOTAL PROJECT</b> 2.00%				<b>\$538</b>
<b>TOTAL ESTIMATED CHARGES - TOTAL PROJECT</b>				<b>\$27,428</b>

(1) If Work Element II is included in the Study, the report will be prepared at the completion of Work Element II.

**SOURCE: BURTON & ASSOCIATES**

F:\DATA\Nassau County\Water and Wastewater Rate Study.xls\A

2/5/2003



# Burton & Associates

May 9, 2003

Mr. Michael S. Mullin  
County Attorney  
Nassau County  
191 Nassau Place  
Fernandina beach, FL 32034

Re: Utility Rate Study

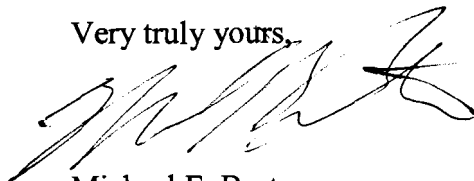
Dear Mr. Mullin:

I am in receipt of your letter of May 2, 2003 in which you informed me that the Board of County Commissioners approved Burton & Associates to conduct a utility rate study in order to establish rates for the utility being purchased from Florida Water Services and to prepare a five year revenue forecast to demonstrate the sufficiency of the proposed rates to fund all projected costs of the utility operations and to provide adequate debt service coverage for the revenue bonds to be issued to acquire the utility. You indicated that the Board selected option 2 in the amount of \$27,428.

We are extremely pleased to have been approved for this project and look forward to working with you and other members of County staff. As requested, I have enclosed a proposed contract for our services.

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

Very truly yours,



Michael E. Burton  
President

MEB/cs  
Enclosure