

1. Discussion Objective:

Work Session Date: December 2, 2013

Review and discuss the Water Utility Administrative Services recommendation.

2. Submitter of Information:

- Council
- Town Staff
- Town Attorney

3. Estimated Time for this item:

15 minutes

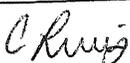
5. Background:

In July, 2011 the Town was reviewing and setting forth a new Operations Agreement with Woodard & Curran to manage and operate the Town's water utility. Through the course of that proposal review, staff prepared a cost comparison for continuing with contract operations vs. providing those services through Town staffing. In October, 2012 staff was asked to re-evaluate that comparison and modify some of the budgetary estimates that were previously provided.

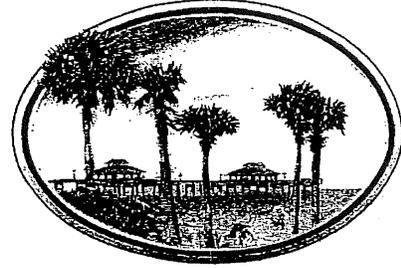
As part of the recently performed rate analysis the Town's consultant, GAI Consultants, were asked to review the current operations contract, the budgetary work provided by staff and provide a recommendation.

Attached for reference is the budget projections provided in 2011 and 2012 with supporting documentation and the management letter recently provided to Town Council from GAI.

Attachments:

Town Manager	Town Attorney	Finance Director	Public Works Director	Community Development Director	Parks & Recreation Director	Town Clerk
						

TOWN OF FORT MYERS BEACH



MEMORANDUM

DATE: October 9, 2013
TO: Terry Stewart, Town Manager
FROM: Cathie Lewis, Public Works Director *CLewis*
SUBJECT: Water Utility Administrative Services Analysis

Attached you will find the previously prepared documents related to a budgetary evaluation associated with bringing the water utility administrative services in house vs. having a contractual arrangement for these operations activities. I prepared the initial evaluation shortly after the new Operations & Maintenance Contract was placed with Woodard & Curran, in 2011.

Resulting from that initial evaluation I was requested to update it and remove certain administrative and start-up projections in October 2012.

I am providing this entire package so that Town Council has an opportunity to review it as they consider the rate study recently completed by GAI which also included an evaluation of the water system operations efficiencies.

Please let me know if you have any questions or require additional information.

TOWN OF FORT MYERS BEACH



MEMORANDUM

DATE: July 11, 2011

TO: Terry Stewart, Town Manager
Evelyn Wicks, Finance Director
Marilyn Miller, Town Attorney (via e-mail)

FROM: Cathie Lewis, Public Works Director *C. Lewis*

SUBJECT: Water Utility Administrative Cost Analysis

The Town recently finalized a Request for Proposals (RFP) for the water utility system operations and placed a contract with Woodard & Curran in the amount of \$454,612 for the first year. Based on cost concerns associated with this contract service it was prudent to investigate the potential cost savings of providing the service with Town staff vs. a contracted arrangement. This analysis has only assumed administration and routine maintenance services that are identified in the scope of services utilized in the RFP (a copy is attached for reference).

Also attached is a line item detail associated with the costs to provide the scope of services as referenced. The following is a description of what the budget categories on the attached detail represent and the basis for the same.

Personnel Costs – staffing positions are shown nearly identical to how the utility is currently staffed and it is assumed that existing personnel will transfer with those positions into the new administration. The proposed listing reclassifies the Operations Manager to Supervisor and the Administrative Assistant is shown as a full time position. The annual salary allocation for each position is consistent with similar positions with other local utilities, but is markedly lower than what is being paid to Woodard & Curran employees.

The overhead costs are based on Town expenses associated with these benefits.

Call in pay is based on local rates and what Woodard & Curran had budgeted. Overtime will be necessary from time to time.

The Additional Allocation is in addition to what is currently charged for various staff members' time associated with the water utility. Although certain PW staff members spend an appreciable amount of time working with the utility, I have not budgeted for an Operations Manager as I believe this can continue to be managed as is currently done. I have also included in the increased allocation the additional A/P invoicing that will need to be processed by PW and Finance. Currently this process is mostly handled as pass through on the monthly invoice from W & C.

Other Contractual Services – this detail is self explanatory and is based on actual confirmed costs.

TOWN OF FORT MYERS BEACH

Page 2
July 11, 2011

Utility Services – Office – again self explanatory and based on actual confirmed costs.

Insurance – Vehicle – it will be necessary to increase the Town's vehicle insurance coverage to include the water utility vehicles, this is an estimate based on 3 vehicles.

Rentals & Leases – until the utility is able to be housed at Town Hall, office space will be needed. It is anticipated that the office lease would be transferred to the Town and the budget line is based on current costs.

Office Supplies & Office Maintenance – is based on both existing known costs and best estimates for these types of requirements.

Vehicle Maintenance – utility vehicles and equipment will be included in the Town's fleet and charged directly to the utility.

Uniforms – based on known costs.

Training & Travel – PW staff will need to obtain water distribution licenses as required by FL DOT and all utility staff will also be required to obtain licenses. It will be necessary for staff to attend regular training to maintain the licensure.

Dues & Memberships – it is advisable for the Town to be members of various professional organizations.

Legal Services – this is in addition to what is currently budgeted and will be allocated annually as is done with Town staff.

Start-up Costs – these are basically once and done costs. The estimates for vehicles, tools, office furniture and computers may be somewhat reduced should the Town be able to purchase the existing assets from Woodard & Curran. All of these items should be provided for in long term capital replacement planning.

The "Transition Costs" assume that it will take approximately three months to complete the transition. The \$10,100. represents the net of prorating the current Woodard & Curran fees for three months by the new budget costs.

The attached budget represents an estimated annual savings of \$40,600 from the current contract price. Of course with the start-up costs the first year is estimated to exceed the current contract by \$41,400.

Please let me know if you have any questions associated with this memo or the attached budget.

PROPOSAL SPECIFICATIONS

1. INTRODUCTION

The Town of Fort Myers Beach Public Works Services Inc. (PWSI) is requesting proposals from firms interested in providing water utility meter reading, billing and collection, monitoring services and operations and maintenance of the system. The Town of Fort Myers Beach Public Works Services Inc. water storage, transmission, and distribution system (the System) includes:

1. Approximately thirty (30) miles of distribution piping
2. Two (2) storage tanks
3. Approximately 3,200 residential and commercial meters
4. Marina Booster Station
5. North Pumping Station
6. South Pumping Station
7. Approximately 250 fire hydrants and 160 fire line meters
8. Miscellaneous system valves
9. Distribution and transmission piping
10. Spare parts, tools, and equipment for the operation and maintenance of the System
11. Billing software and service support is provided through AVR (Ad Valorem Records) Utility Billing basic software package
12. Emergency services

PWSI's water is purchased from Lee County and is pre-chlorinated to approximately 3.0 ppm total free chlorine residual. Monthly bills are issued to approximately 3,200 customers.

2. SCOPE OF SERVICES

The key elements of the services to be provided include industry best practices related to water utility management including operations and maintenance of the system, water utility meter reading services, bill preparation and bill collection services typical of residential and commercial water users, and monitoring services. Specific services to be provided include, but are not limited to the following:

- a. Maintain an independent office within the corporate limits of the Town of Fort Myers Beach that shall be open during regular business hours at a minimum of eight (8) hours per day, Monday through Friday;
- b. Perform all monthly meter reading, billing and financial accounting activities;
- c. Provision of invoice and remittance collection services;
- d. Prepare and submit monthly utility financial transactions;
- e. Resolve issues with customers concerning: billing, high water consumption, field repairs, low pressure, odors, or other water quality complaints;
- f. Perform service connects and disconnects; and repair or replace water meters, boxes, and box covers as necessary;
- g. Perform or facilitate the proper repair of all breaks and leaks within the system;
- h. Perform and document distribution system chlorine residuals and master meter reads five (5) days per week;
- i. Properly collect and process all regulatory sampling; create, submit, and maintain all regulatory sampling, and monitoring reports as required by EPA, the Florida DEP, and Lee County Health administrative statutes;
- j. Develop and mail an annual Consumer Confidence Report (CCR) to all water system consumers;
- k. Develop and implement a fire hydrant flushing program in accordance with Florida DEP and Lee County Health Department requirements.
- l. Perform routine maintenance of fire hydrants, storage system high service pumps, on-line Chlorine Residual analyzers, and pump emergency generator systems;
- m. Schedule large meter annual calibrations, testing, and documentation records;
- n. Document all maintenance activities through a formal work order system;

Request for Proposals – #RFP-10-08-PWU
Water Utility System Operations for
Town of Fort Myers Beach Public Works Services Inc.

- o. Develop, implement, and document a valve maintenance program that includes, but is not limited to valve exercising, and the maintenance of the valve data within the Town's GIS mapping and maintenance system;
- p. Provide and maintain all "as-built" information within the system for any and all additions, deletions and changes which will also include GIS updates for meters, hydrants, and any other physical equipment within the system;
- q. Develop and implement a cross-connection control program for all system backflow devices;
- r. Order water utility parts and maintain a parts inventory for PWSI;
- s. Prepare requests for utility work bids;
- t. Review construction plans for new connections consistent with operational standards; coordinate with Town and/or County staff when developing impact and connection fees associated with new construction;
- u. Coordinate water system work activities with subcontractors;
- v. Perform water system locates;
- w. Review and issue invoices for utility damage or work performed on systems;
- x. Witness hot taps and pressure tests on distribution lines;
- y. Work with Lee County and State of Florida Agencies on impact fees, water quality issues, fire hydrant management, and routine sampling requirements; and
- z. Maintain at all times and keep up to date an Emergency Operations Plan for the water utility system and required training consistent with the National Incident Management System.

Respondents must be prepared to provide on-call response 24 hours per day, 365 days per year. Respondents must also be able to respond to an after hours service call-out within thirty (30 minutes) of being contacted. Successful Respondent shall work closely with the Town and PWSI and be available prior to, during, and after emergency situations. The water utility system operator is an integral component in the Town's Emergency Operations Structure and will be relied upon to provide assistance with damage assessment and repairs associated with an emergency event.

3. **FORM OF PROPOSAL**

Proposal Format: Each proposal shall be of typewritten form on 8 ½" x 11" white paper inside a three ring or other type binder. Font size shall be no less than 12 point type and printed on one side only. Margins shall be no less than ¼" around the perimeter of each page. The number of pages, including required attachments, shall be kept to a minimum, with each page numbered. Submit one (1) original proposal and four (4) identical copies of the accompanying information with an electronic copy of the same as a PDF on CD/DVD. The electronic file submitted shall be a PDF copy of the original paper proposal. No other electronic files shall be included as part of the proposal. Each proposal must include the sections and attachments in the sequence listed in this Form of Proposal Section. Failure to meet the above conditions may result in disqualification of the proposal.

Respondent's proposal shall include the following items in the following sequence, titled and tabbed:

A. EXECUTIVE SUMMARY: Summary of the Respondents proposal; brief description of the organization's mission, experience overall and any specific relevant experience in Lee County and or other Florida Counties. Please limit summaries to two pages.

B. NARRATIVE: Detailed statement of the work to be accomplished; how the Respondent proposes to accomplish and perform the listed services; explanations regarding any unique issues perceived by the Respondent and their proposed solutions. Please provide a clear and concise description of the program using the format below.

The narrative portion of the application is limited to ten double spaced pages (minimum 12-point

Fort Myers Beach Public Water Works Service		
Fiscal Year 2012 Budget Working Sheets		
Administrative Expenses		
		FY12
Account	Description	
Personnel Costs		
40.000.533.5110	Salaries	
	Operations Supervisor	34,320
	Billing/Office Manager	34,320
	Distribution Tech	31,200
	Distribution Tech	31,200
	Adm. Assistant	30,451
	Salaries	161,491
40.000.533.5210	FICA	12,354
40.000.533.5220	Retirement	16,149
40.000.533.5238	Life Health & Disability	48,680
	Benefits	77,183
	Call In Pay	3,000
	Overtime	5,000
	Other Pay	8,000
	Additional Annual Allocation of PW Staff	33,600
	Total Personnel	280,274
	Other Contractual Service	
	Answering Service	10,000
	Collection Agency	3,000
	Contractual Labor (meter reading)	5,000
	Other Contractual Services	13,000
	Utility Services - Office	
	Water	1,200
	Electric	3,000
	Telephone/Internet	8,500
	Solid Waste	300
	Utility Services	11,800
	Insurance	
	Vehicle	3,000
	Insurance	3,000
	Rentals & Leases	
	Office Rental	16,000
	Copier/Scanner/Printer	1,200
	Rentals & Leases	17,200
	Other Current Charges	
	Janitorial	7,000
	Contracting	2,000
	Utility Locates (One-Call System)	1,000
	Other Current Charges	10,000
	Office Supplies	
	Invoice Prep & Mailing	30,000
	Postage	2,400
	General Office Supplies	6,000
	Computer Supplies	1,000
	Misc.	5,000
	Office Supplies	44,400
	Office Maintenance	
	Computers/IT/Software	5,000
	Other Office Equipment	5,000
	Miscellaneous	1,500
	Office Maintenance	11,500
	Vehicle Fuel	4,000

Fort Myers Beach Public Water Works Service		
Fiscal Year 2012 Budget Working Sheets		
Administrative Expenses		
		FY12
Account	Description	
	Vehicle & Equipment Maintenance	
	Vehicles	3,000
	Equipment/Tools	300
	Vehicle & Equip Maintenance	3,300
	Uniforms & Personal Safety	
	Uniforms	4,000
	First Aid/Safety	1,000
	Uniforms & Personal Safety	5,000
40.000.533.5440	Training & Travel Per Diem	5,000
40.000.533.5540	Dues and Memberships	2,500
40.000.533.5591	Professional Services-Legal	3,000
	Total Administration/Staffing	413,974
	Initial Start Up Costs	
	Transition Costs	10,100
	Vehicles (3)	60,000
	Hand Tools	2,000
	Office Furniture	6,000
	Computers	4,000
		82,100
		496,074

**Fort Myers Beach Potable Water Utility - Beach Water
Fiscal Year 2012 Budget Proposal
Administrative Expenses**

Description	Initial Cost Proposal	Revised Cost Proposal	Description	Initial Cost Proposal	Revised Cost Proposal
Personnel Costs			Office Maintenance		
Salaries			Computers/IT/Software	5,000	5,000
Operations Supervisor	34,320	34,320	Other Office Equipment	5,000	5,000
Billing/Office Manager	34,320	34,320	Miscellaneous	1,500	1,500
Distribution Tech	31,200	31,200	Office Maintenance	11,500	11,500
Distribution Tech	31,200	31,200	Vehicle Fuel	4,000	4,000
Adm. Assistant	30,451	22,854			
Salaries	161,491	153,894	Vehicle & Equipment Maintenance		
FICA	12,354	11,773	Vehicles	3,000	3,000
Retirement	16,149	13,104	Equipment/Tools	300	300
Life Health & Disability	48,680	38,944	Vehicle & Equip Maintenance	3,300	3,300
Benefits	77,183	63,821			
Call In Pay	3,000	3,000	Uniforms & Personal Safety		
Overtime	5,000	5,000	Uniforms	4,000	4,000
Other Pay	8,000	8,000	First Aid/Safety	1,000	1,000
Additional Annual Allocation of PW Staff	33,600	-	Uniforms & Personal Safety	5,000	5,000
Total Personnel	280,274	225,715	Training & Travel Per Diem	5,000	5,000
Other Contractual Service			Dues and Memberships	2,500	2,500
Answering Service	10,000	10,000	Professional Services-Legal	3,000	-
Collection Agency	3,000	3,000			
Contractual Labor (meter reading)	5,000	5,000	Total Administration/Staffing	413,974	330,115
Other Contractual Services	13,000	13,000			
Utility Services - Office			Initial Start Up Costs		
Water	1,200	-	Transition Costs	10,100	2,020
Electric	3,000	-	Vehicles (3)	60,000	12,000
Telephone/Internet	8,500	8,500	Hand Tools	2,000	400
Solid Waste	300	-	Office Furniture	6,000	1,200
Utility Services	11,800	8,500	Computers	4,000	800
Insurance			Initial Start Up Costs	82,100	16,420
Vehicle	3,000	3,000			
Insurance	3,000	3,000	Total First Year	496,074	346,535
Rentals & Leases					
Office Rental	16,000	-	Office Costs/Utilities		
Copier/Scanner/Printer	1,200	1,200	Office Rental		16,000
Rentals & Leases	17,200	1,200	Janitorial		7,000
Other Current Charges			Water		1,200
Janitorial	7,000	-	Electric		3,000
Contracting	2,000	2,000	Solid Waste		300
Utility Locates (One-Call System)	1,000	1,000	Office Costs/Utilities		27,500
Other Current Charges	10,000	3,000			
Office Supplies					
Invoice Prep & Mailing	30,000	30,000			
Postage	2,400	2,400			
General Office Supplies	6,000	6,000			
Computer Supplies	1,000	1,000			
Misc.	5,000	5,000			
Office Supplies	44,400	44,400			

September 26, 2013

GAI # A120244.00

Ms. Evelyn Wicks, Director of Finance
Town of Fort Myers Beach
2523 Estero Boulevard
Fort Myers Beach, FL 33931

**Water Rate and Charge Study
Management Letter**

Dear Ms. Wicks:

The Town of Fort Myers Beach, Florida (the "Town") retained GAI Consultants, Inc. (GAI) to prepare a Comprehensive Water Rate and Charge study (the "Study") to provide a review and update of the existing water monthly user rates and charges and miscellaneous charges. Additionally as part of this Study, GAI reviewed various aspects of the Utility System operations which included an onsite inspection of the Utility System and discussions with both the Town Utility Staff and the contract operator. This Management Letter will present a discussion of two areas which may potentially result in Financial Optimizations for the Utility in the future:

- Utility System Operations/Efficiencies – Contract Operations
- Lee County Wholesale Rate

1. Utility System Operations/Efficiencies – Contract Operations

The Town currently provides water purchased from Lee County to its customers through its distribution system. In general, effective operation of the Town's Utility system would include, but not be limited to, the following:

- a. Perform monthly meter reading, billing and financial accounting activities;
- b. Invoice and remittance collection services;
- c. Resolve Issues with customers concerning: billing, high water consumption, field repairs, low pressure, odors, or other water quality complaints;
- d. Perform service connects and disconnects; and repair or replace water meters, boxes, and box covers as necessary;
- e. Perform or facilitate the proper repair of all breaks and leaks within the system;
- f. Perform and document distribution system chlorine residuals and master meter reads five (5) days per week;
- g. Properly collect and process all regulatory sampling; create, submit, and maintain all regulatory sampling, and monitoring reports as required by EPA, the Florida Department of Environmental Protection, (FDEP), and Lee County Health administrative statutes;
- h. Develop and mail an annual Consumer Confidence Report (CCR) to all water system consumers;
- i. Develop and implement a fire hydrant flushing program in accordance with FDEP and Lee County Health Department requirements;
- j. Perform routine maintenance of fire hydrants, storage system high service pumps, on-line Chlorine Residual analyzers, and pump emergency generator systems;
- k. Schedule large meter annual calibrations, testing, and documentation records;
- l. Document all maintenance activities through a formal work order system;
- m. Develop, implement, and document a valve maintenance program;
- n. Prepare and maintain all "as-built" information within the system for any and all additions, deletions and changes which will also include GIS updates for meters, hydrants, and any other physical equipment within the system;
- o. Develop and Implement a cross-connection control program for all system backflow devices;

- p. Review construction plans for new connections consistent with operational standards;
- q. Coordinate water system work activities;
- r. Perform water system locates;
- s. Review and Issue Invoices for utility damage or work performed on systems;
- t. Witness hot taps and pressure tests on distribution lines;
- u. Work with Lee County and State of Florida Agencies on water quality issues, fire hydrant management, and routine sampling requirements; and
- v. Maintain at all times and keep up to date an Emergency Operations Plan for the water utility system and required training consistent with the National Incident Management System.

The Town currently has an Operations Contract with Woodard and Curran to provide these services. The term of this contract, with extensions, is through January 1, 2017. The total cost of all labors and materials for the first year of this contract (2011) was not-to-exceed \$454,612 and can be adjusted annually based on changes in the Consumer Price Index – All Urban Consumers (CPI-U) Southern Region. The projected expense related to the Operations Contract for FY 2014 included in the Rate Study is \$480,000, which is 12% of the total projected fiscal requirements of approximately \$4 million.

As the expense related to the Operations Contract accounts for more than 10% of the overall annual fiscal requirements, this is an area that should be reviewed for potential savings. However, when evaluating bringing operations in-house, the Town should strive to, at a minimum, maintain the level of service currently provided to its customers as well as minimize the impact of changes on its customers.

Items to be considered in our analysis of bringing the operations in-house include:

- Cost to provide the services in-house vs. contract operations
- Timing of bringing the services in-house including transitioning of services to minimize customer impacts
- Condition and age of the system

There are advantages of outsourcing utility system operations including:

- Economies of scale – contract operator typically has bulk contracts in place for equipment, chemical, etc.
- Personnel resources – ability to utilize personnel throughout the company to provide service as needed (i.e. certain skill-set needed to fulfill short or long-term need, additional employees needed during emergency situation)
- Equipment can be transferred/borrowed from one area served to another as needed potentially at a lower cost than having to go out and procure the equipment.

However, bringing the operations in-house provides for greater control over the operations and expenses incurred to provide those services.

GAI has worked with numerous smaller utility systems, and in many cases recommended the Utility System operations be outsourced as a potential efficiency/cost savings method for the system. The majority of the systems where this has been recommended provided both production and distribution. However, there are also instances where providing the operations in-house can better meet the financial and operational needs of the community being served. As the Town System does not produce water, some of the cost benefits that would typically be experienced by outsourcing are minimized.

As part of this Study, GAI reviewed the Water Utility Administrative Cost Analyses prepared by the Town. While we would anticipate some items may cost more (i.e. personnel related costs) overall, this cost estimate appears reasonable once the operations are brought in-house and the system operations fully optimized. However, in our experience, start-up and transition costs are typically more, than less costly. Therefore, we would include a minimum contingency of 20% to the costs in the first couple of years to address start-up/efficiency issues related to providing the services in-house. Based on our knowledge of the Town's System, field observations from our inspection, discussions with Woodard and Curran, and our experience with numerous other utility systems, we have prepared a preliminary cost estimate of the annual expenses anticipated to bring the operations in-house. **Schedule 1** presents a comparison of the initial cost estimates prepared by the Town to GAI's preliminary cost estimates. It should be noted, that these cost estimates do not include start-up capital costs including two vehicles, office equipment, tools, etc. In the long-run, potential cost savings of providing the services in-house should be achievable once the transition takes place.

The next items to address when considering bringing the operations in-house are the timing and related transition plan. The Town is currently implementing a \$20 million Capital Improvement Plan (CIP), which is anticipated to be completed no later than 2019. This CIP is a major undertaking for the Town, which includes replacing and upgrading the Town's distribution system and installing automatic read meters. In order to minimize the impact on Town customers this CIP will be a major focus of the Public Works staff.

Personnel from Woodard and Curran have been working with the Town System for a number of years and have detailed knowledge of the existing System. While the current capital improvement plan includes upgrading and replacing a good portion of the Town's

System, Woodard and Curran's historical knowledge is invaluable, especially while the capital improvement plan is in process.

GAI would recommend that the Town look to transition from contract operations to in-house operations at the end of the current contract with Woodard and Curran in January of 2017. This recommendation is based on the following:

- Repairs and replacements should be negligible within the upgraded system.
- Detailed system records including a complete set of accurate record drawings will be available for the upgraded system.
- The CIP includes the installation of automatic read meters, which allows for less time/personnel required to read meters.
- As the CIP is complete, more administrative time will be available to focus on operating the system.
- The Town can slowly gear up for it such that customer impact can be minimal.

GAI recommends that the Town work to put a transition plan in place. One of the main components of the transition plan would be to hire the Operations Supervisor/Utility Manager approximately 6 to 12 months before bringing the operations in-house. This will allow the Operations Supervisor/Utility Manager time to work with Woodard and Curran staff to be educated on the Town's existing system as well as to become familiar with the upgrades and additions to the System as part of the current CIP. Additionally, this would provide time to procure the equipment and other resources required to provide the services in-house, and provide training to existing and additional needed staff, both while continuing to serve the current customers. This transition plan should allow for minimal impact to the Town's customers and in the end, once fully transitioned, potentially result in cost savings for the Town's system which could minimize future rate increases.

2. Lee County Wholesale Rate

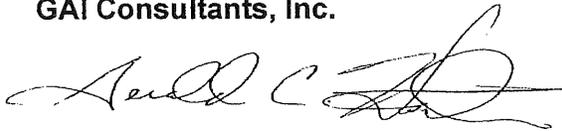
The Town currently purchases water from Lee County through a Wholesale Water Agreement. In reviewing this wholesale rate, it falls between the Block 1 and Block 2 Retail rates for the County. Typically, wholesale rates are at or below the Retail System Block 1 Rate. The wholesale rate can be impacted by items including peak demand, type of service, type of contract (i.e. firm commitment, surplus water, emergency/reciprocal, peak requirement), percentage use of system assets, etc. GAI was not involved in developing the current County rates and rate structure. We would recommend that a Comprehensive Cost of Service Rate Study be performed (if it has not already been done); to ensure that one customer class is not subsidizing another customer class within the County. The projected expense related to the Wholesale Water Purchases for FY 2014 included in the Rate Study is \$1,374,300, which is over 34% of the total projected fiscal requirements of approximately \$4 million. This may be another area of potential system financial efficiency.

Summary

Collectively, the Contract Operations Expense and the Wholesale Water Purchased Expense accounts for over 46% of the FY 2014 fiscal requirements to be recovered through rates in the Rate Study. With proper planning and implementation with regard to transitioning the System Operations in-house as well a review of the system demands and cost allocations utilized to develop the wholesale rate, efficiencies may be achieved that would result in minimizing future water rate increases for the Town.

We appreciate the opportunity to provide the technical services the Town desires. If you have any questions, comments, or need additional information, please contact us.

Sincerely,
GAI Consultants, Inc.



Gerald C. Hartman, PE, BCEE, ASA
Vice President



Tara L. Hollis, CPA, MBA
Director of Management Consulting

Schedule 1
Town of Fort Myers Beach, FL
Water Enterprise Fund
Preliminary Annual Expense Projections
Utility Operations Services Provided In-house (1)

Description	Estimate Prepared By		
	Fort Myers Beach	GAI	Difference
<u>Personal Services Costs</u>			
Operations Supervisor	\$ 34,320	\$ 49,920	\$ 15,600
Billing/Office Manager	34,320	41,600	7,280
Distribution Tech	31,200	38,480	7,280
Distribution Tech	31,200	37,925	6,725
Adm. Assistant	30,451	28,080	(2,371)
Salaries	<u>161,491</u>	<u>196,005</u>	<u>34,514</u>
FICA	12,354	14,994	2,640
Retirement	16,149	19,601	3,451
Life Health & Disability	48,680	48,680	-
Benefits	<u>77,183</u>	<u>83,275</u>	<u>6,092</u>
Call In Pay	3,000	2,400	(600)
Overtime	5,000	5,220	220
Other Pay	<u>8,000</u>	<u>7,620</u>	<u>(380)</u>
Additional Annual Allocation of PW Staff	33,600	22,160	(11,440)
Staff Overhead Allocation	<u>33,600</u>	<u>22,160</u>	<u>(11,440)</u>
Total Personal Services	<u>280,274</u>	<u>309,060</u>	<u>28,786</u>
<u>Operations and Maintenance</u>			
Professional Services	-	9,000	9,000
Answering Service	10,000	3,000	(7,000)
Collection Agency	3,000	3,000	-
Contractual Labor (meter reading)	5,000	11,230	6,230
Other Contractual Services	<u>18,000</u>	<u>26,230</u>	<u>8,230</u>
Utility Services - Office			
Water (2)	1,200	900	(300)
Electric (2)	3,000	1,800	(1,200)
Telephone/Internet (2)	8,500	6,000	(2,500)
Solid Waste (2)	300	300	-
Utility Services	<u>13,000</u>	<u>9,000</u>	<u>(4,000)</u>
Vehicle	3,000	3,000	-
Insurance	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Office Rental (2)	16,000	15,000	(1,000)
Copier/Scanner/Printer (2)	1,200	1,200	-
Rentals & Leases	<u>17,200</u>	<u>16,200</u>	<u>(1,000)</u>

Schedule 1
Town of Fort Myers Beach, FL
Water Enterprise Fund
Preliminary Annual Expense Projections
Utility Operations Services Provided In-house (1)

Description	Estimate Prepared By		Difference
	Fort Myers Beach	GAI	
Janitorial (2)	7,000	4,800	(2,200)
Contracting	2,000	3,000	1,000
Utility Locates (One-Call System)	1,000	1,200	200
Other Current Charges	10,000	9,000	(1,000)
Invoice Prep & Mailing	30,000	28,080	(1,920)
Postage	2,400	1,560	(840)
General Office Supplies	6,000	3,600	(2,400)
Computer Supplies	1,000	900	(100)
Misc.	5,000	4,200	(800)
Office Supplies	44,400	38,340	(6,060)
Computers/IT/Software	5,000	3,600	(1,400)
Other Office Equipment	5,000	3,000	(2,000)
Miscellaneous	1,500	1,200	(300)
Office Maintenance	11,500	7,800	(3,700)
Vehicle Fuel	4,000	4,200	200
Vehicles	3,000	1500	-1500
Equipment/Tools	300	600	300
Vehicle & Equip Maintenance	3,300	6,300	(1,000)
Uniforms	4,000	1,800	(2,200)
First Aid/Safety	1,000	600	(400)
Uniforms & Personal Safety	5,000	2,400	(2,600)
Training & Travel Per Diem	5,000	5,000	-
Dues and Memberships	2,500	2,000	(500)
Professional Services-Legal	3,000	2,400	(600)
Subtotal Personal Services and O&M Costs	420,174	440,930	16,756
Start-up Contingency (20%)	-	88,186	88,186
Total Personal Services and O&M Costs	<u>\$ 420,174</u>	<u>\$ 529,116</u>	<u>\$ 104,942</u>

Notes:

(1) Excludes Start-up Capital Costs.

(2) Assumes rental of office space to house staff. Potential cost savings, if existing Town space and existing janitorial contract can be utilized.

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200
Distribution tech		31200
Billing Manager		34200
		96,600

FICA		
Retirement		
Life, Health		20,528

Call In/Overtime		8000
------------------	--	------

Collection Services		3000
----------------------------	--	------

Meter reading		5000
----------------------	--	------

Vehicle insurance		3000
--------------------------	--	------

Office supplies

Computer IT		5000
--------------------	--	------

Office equipment		1500
-------------------------	--	------

Vehicles		4000
-----------------	--	------

Uniforms		1000
-----------------	--	------

247,228

Expense Reduction	454,000	247,228	206,772
--------------------------	---------	---------	---------

Most charges that do not appear are not charged to any other Town department.
Billing clerk at Town Hall/Code Officers at Fire Dept
No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200	
Distribution tech		31200	
Billing Manager		34200	
		96,600	
FICA			
Retirement			
Life, Health		20,528	
Call In/Overtime		8000	
Collection Services		3000	
Meter reading		5000	
Vehicle insurance		3000	
Office supplies			
Computer IT		5000	
Office equipment		1500	
Vehicles		4000	
Uniforms		1000	
		247,228	
Expense Reduction	454,000	247,228	206,772

Most charges that do not appear are not charged to any other Town department.
Billing clerk at Town Hall/Code Officers at Fire Dept
No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200	
Distribution tech		31200	
Billing Manager		34200	
		96,600	
FICA			
Retirement			
Life, Health		20,528	
Call In/Overtime		8000	
Collection Services		3000	
Meter reading		5000	
Vehicle insurance		3000	
Office supplies			
Computer IT		5000	
Office equipment		1500	
Vehicles		4000	
Uniforms		1000	
		247,228	
Expense Reduction	454,000	247,228	206,772

Most charges that do not appear are not charged to any other Town department.
Billing clerk at Town Hall/Code Officers at Fire Dept
No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200
Distribution tech		31200
Billing Manager		34200
		96,600

FICA		
Retirement		
Life, Health		20,528

Call In/Overtime		8000
------------------	--	------

Collection Services		3000
Meter reading		5000

Vehicle insurance		3000
--------------------------	--	------

Office supplies

Computer IT		5000
Office equipment		1500

Vehicles		4000
-----------------	--	------

Uniforms		1000
-----------------	--	------

247,228

Expense Reduction	454,000	247,228	206,772
--------------------------	---------	---------	---------

Most charges that do not appear are not charged to any other Town department.
Billing clerk at Town Hall/Code Officers at Fire Dept
No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200	
Distribution tech		31200	
Billing Manager		34200	
		96,600	
FICA			
Retirement			
Life, Health		20,528	
Call In/Overtime		8000	
Collection Services		3000	
Meter reading		5000	
Vehicle insurance		3000	
Office supplies			
Computer IT		5000	
Office equipment		1500	
Vehicles		4000	
Uniforms		1000	
		247,228	
Expense Reduction	454,000	247,228	206,772

Most charges that do not appear are not charged to any other Town department.
Billing clerk at Town Hall/Code Officers at Fire Dept
No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200	
Distribution tech		31200	
Billing Manager		34200	
		96,600	
FICA			
Retirement			
Life, Health		20,528	
Call In/Overtime		8000	
Collection Services		3000	
Meter reading		5000	
Vehicle insurance		3000	
Office supplies			
Computer IT		5000	
Office equipment		1500	
Vehicles		4000	
Uniforms		1000	
		247,228	
Expense Reduction	454,000	247,228	206,772

Most charges that do not appear are not charged to any other Town department.
Billing clerk at Town Hall/Code Officers at Fire Dept
No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200	
Distribution tech		31200	
Billing Manager		34200	
		96,600	
FICA			
Retirement			
Life, Health		20,528	
Call In/Overtime		8000	
Collection Services		3000	
Meter reading		5000	
Vehicle insurance		3000	
Office supplies			
Computer IT		5000	
Office equipment		1500	
Vehicles		4000	
Uniforms		1000	
		247,228	
Expense Reduction	454,000	247,228	206,772

Most charges that do not appear are not charged to any other Town department.
Billing clerk at Town Hall/Code Officers at Fire Dept
No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200	
Distribution tech		31200	
Billing Manager		34200	
		96,600	
FICA			
Retirement			
Life, Health		20,528	
Call In/Overtime		8000	
Collection Services		3000	
Meter reading		5000	
Vehicle insurance		3000	
Office supplies			
Computer IT		5000	
Office equipment		1500	
Vehicles		4000	
Uniforms		1000	
		247,228	
Expense Reduction	454,000	247,228	206,772

Most charges that do not appear are not charged to any other Town department.

Billing clerk at Town Hall/Code Officers at Fire Dept

No need for receptionist

Expenses

Personnel Costs

Dirtribution Tech	Ops supervisor	34,200	
Distribution tech		31200	
Billing Manager		34200	
		96,600	
FICA			
Retirement			
Life, Health		20,528	
Call In/Overtime		8000	
Collection Services		3000	
Meter reading		5000	
Vehicle insurance		3000	
Office supplies			
Computer IT		5000	
Office equipment		1500	
Vehicles		4000	
Uniforms		1000	
		247,228	
Expense Reduction	454,000	247,228	206,772

Most charges that do not appear are not charged to any other Town department.

Billing clerk at Town Hall/Code Officers at Fire Dept

No need for receptionist