

1. Discussion Objective:

Work Session Date: August 1, 2011

Review and discuss matters associated with modifications within the operating structure and system rehabilitation of the FMB potable water distribution system.

2. Submitter of Information:

Council

X Town Staff - Finance Department and Public Works

 Town Attorney

3. Estimated Time for this item:

35 minutes

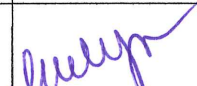
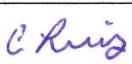
5. Background:

Town Council requested staff to bring forward information related to modifications within the water utility for consideration. One being the functionality of the PWSI and its supporting Agency since it is a cumbersome structure that has potential for improvement. An estimated project cost and schedule is also provided for review and discussion. And lastly, another modification requested for consideration is the potential of managing the administrative aspects of the operations and maintenance of the utility vs. contract operations.

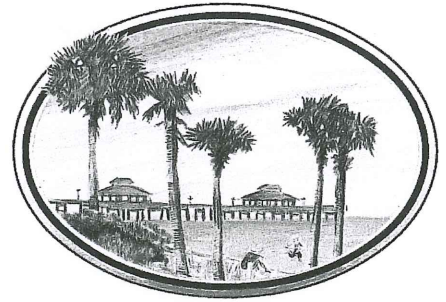
Finance and Public Works has researched these matters and compiled information for discussion of them.

Documents attached:

Memorandum to Town Manager

Town Manager	Town Attorney	Finance Director	Public Works Director	Community Development Director	Cultural Resources Director	Town Clerk
						

Town of Fort Myers Beach



Memo

To: Terry Stewart, Town Manager

From: Cathie Lewis, Public Works Director
Evelyn Wicks, Finance Director

Date: July 5, 2011

Subject: Water utility

In response to your inquiry about bringing Public Works Services, Inc. into the Town as an enterprise fund we have researched the accounting requirements, corporate and banking arrangements.

Corporation Dissolution - the corporate officers must complete a state provided form dissolving the corporation and forward it to the State of Florida. Ideally, the dissolution should take place once the Town has adopted a legal budget and passed the resolution specifically assuming the debt on behalf of the Town.

Accounting/Financial/Statements - from an accounting perspective the transfer should be very simple. Public Works Services, Inc. has been reflected as a blended component unit within the Town's financial statements. All accounts, assets, liabilities and capital/fixed assets will transfer as they are. The depreciation schedule will transfer with the assets and will reflect the appropriate/current stages of depreciation.

SunTrust - Public Works Services, Inc. has entered into a loan agreement with SunTrust. The note is collateralized by a lien on and a pledge of the net revenues of the Town of Fort Myers Beach Public Works Services, Inc. and the Town has pledged its non-Ad-Valorem revenues for payment of the principal and interest on this debt in the event Public Works Services revenue cannot make the payments. Our banking contact at SunTrust is Nick Ayotte. Nick is the Assistant Vice President of the Institutional and Government Banking section at SunTrust. SunTrust will require that the Resolution incorporating the Utility into the Town explicitly states that the Town will assume the debt.

Future construction projects The public works department has prepared the attached time line and estimated costs for construction of the necessary improvements to the water system. The outstanding debt for the utility as of 9/30/2010 is \$2,340,000. The projects are listed below and summarized by phases.

Phase #	Project Name	Engineering	Outreach	Design	Inspection	Contingency	Construction	Total
1	Bay Beach Lane	\$ 23,370	\$ 8,200	\$ 63,755	\$ 13,440	\$ 184,500	\$ 512,500	\$ 805,765
1	Buccaneer Lagoon	42,750	15,000	151,625	31,360	337,500	937,500	1,515,735
1A	Basin Based Project	41,051	22,506	150,251	44,800	405,110	1,125,305	1,789,023
Total Phase 1		\$ 107,171	\$ 45,706	\$ 365,631	\$ 89,600	\$ 927,110	\$ 2,575,305	\$ 4,110,523

Phase #	Project Name	Engineering	Outreach	Design	Inspection	Contingency	Construction	Total
2A	Abandon AC Pipe	\$ 95,475	\$ 41,875	\$ 260,463	\$ 62,720	\$ 753,750	\$ 2,093,750	\$ 3,308,033
2B	Abandon AC Pipe	95,475	41,875	260,463	62,720	753,750	2,093,750	3,308,033
2C	Abandon AC Pipe	95,475	41,875	260,463	62,720	753,750	2,093,750	3,308,033
2D	Abandon AC Pipe	95,475	41,875	260,463	62,720	753,750	2,093,750	3,308,033
Total Phase 2		\$ 381,900	\$ 167,500	\$ 1,041,852	\$ 250,880	\$ 3,015,000	\$ 8,375,000	\$ 13,232,132

Phase #	Project Name	Engineering	Outreach	Design	Inspection	Contingency	Construction	Total
3	Side Streets	\$ 14,250	\$ 15,000	\$ 113,250	\$ 53,760	\$ 270,000	\$ 750,000	\$ 1,216,260
3	Side Streets	\$ 14,250	\$ 15,000	\$ 113,250	\$ 53,760	\$ 270,000	\$ 750,000	\$ 1,216,260
Total Phase 3		\$ 28,500	\$ 30,000	\$ 226,500	\$ 107,520	\$ 540,000	\$ 1,500,000	\$ 2,432,520

Total Project Costs		\$ 517,571	\$ 243,206	\$ 1,633,983	\$ 448,000	\$ 4,482,110	\$ 12,450,305	\$ 19,775,175
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Total Anticipated Project Costs - All phases

Engineering	\$ 517,571
Outreach	243,206
Design	1,633,983
Inspection	448,000
Contingency	4,482,110
Construction	12,450,305
Total - all phases	<u>\$ 19,775,175</u>

The attached project schedule is preliminary and should be considered a planning tool. This schedule provides the Council and other interested parties with detailed information which will be needed to plan, finance, implement and complete the anticipated utility projects in a timely manner.

The schedule shows a five year time line which is quite aggressive given the constraints on Fort Myers Beach and it is likely to be extended in some regards and perhaps shortened in others. The project schedule simply represents a guidepost for moving forward. The time line and project cost estimates do not include the cost or time associated with acquiring financing or other advance requirements. It outlines only the time and cost to bring each phase to construction and through completion. The phases identified in the cost estimate and preliminary project schedule basically follow the priority listing that was developed as part of the AECOM Evaluation of the Water Distribution as updated in 2010.

Phase I equates to Priority No. 1 and No. 2.

Phase IA is identified as part of Priority No. 3 and No. 4. The area comprises the side streets and Estero Blvd. from Carolina to Tropical Shores Way. This area has been moved up due to the Basin Based Stormwater Improvement project that has recently received funding. The section of Estero Blvd. is also identified within the Small Scale Improvement projects and as a priority within the Estero Blvd. rehabilitation project. From a cost standpoint and project management perspective it is prudent to combine the stormwater improvements with the potable water system improvements.

Phase II equates to Priority No. 3 and Phase II equates to Priority No. 4. You will note that the project schedule for these phases overlap. The schedule has been developed in this manner to systematically take old segments of both AC and galvanized pipe out of service as well as undersized piping. The side streets are interconnected to everything on Estero Blvd. and it is quite likely that substantial work will be required to the service lines on the side streets when taking pipe segments out of service along Estero Blvd.

Again the preliminary cost estimate and project schedule are contingent upon many things happening and so will be subject to modification should the Town move forward with this program.

Town of Fort Myers Beach
Water Utility Rehabilitation Projects
Preliminary Project Schedule Estimate

[illegible]

Operational Review

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.

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.

**Fort Myers Beach Public Water Works Services
 Fiscal Year 2012 Budget Working Sheets
 Administrative Expenses**

<i>Description</i>	<i>FY12</i>	<i>Description</i>	<i>FY12</i>
Personnel Costs		Office Supplies	
Salaries		Invoice Prep & Mailing	30,000
Operations Supervisor	34,320	Postage	2,400
Billing/Office Manager	34,320	General Office Supplies	6,000
Distribution Tech	31,200	Computer Supplies	1,000
Distribution Tech	31,200	Misc.	5,000
Adm. Assistant	30,451	Office Supplies	44,400
Salaries	161,491		
FICA	12,354	Office Maintenance	
Retirement	16,149	Computers/IT/Software	5,000
Life Health & Disability	48,680	Other Office Equipment	5,000
Benefits	77,183	Miscellaneous	1,500
		Office Maintenance	11,500
Call In Pay	3,000		
Overtime	5,000	Vehicle Fuel	4,000
Other Pay	8,000		
Additional Annual Allocation of PW Staff	33,600	Vehicle & Equipment Maintenance	
Total Personnel	280,274	Vehicles	3,000
		Equipment/Tools	300
Other Contractual Service		Vehicle & Equip Maintenance	3,300
Answering Service	10,000		
Collection Agency	3,000	Uniforms & Personal Safety	
Contractual Labor (meter reading)	5,000	Uniforms	4,000
Other Contractual Services	13,000	First Aid/Safety	1,000
		Uniforms & Personal Safety	5,000
Utility Services - Office		Training & Travel Per Diem	5,000
Water	1,200		
Electric	3,000	Dues and Memberships	2,500
Telephone/Internet	8,500	Professional Services-Legal	3,000
Solid Waste	300		
Utility Services	11,800	Total Administration/Staffing	\$ 413,974
Insurance			
Vehicle	3,000	Initial Start Up Costs	
Insurance	3,000	Transition Costs	10,100
Rentals & Leases		Vehicles (3)	60,000
Office Rental	16,000	Hand Tools	2,000
Copier/Scanner/Printer	1,200	Office Furniture	6,000
Rentals & Leases	17,200	Computers	4,000
			\$ 82,100
Other Current Charges			
Janitorial	7,000	Total first year	\$ 496,074
Contracting	2,000		
Utility Locates (One-Call System)	1,000		
Other Current Charges	10,000		