



CITY OF TARPON SPRINGS, FL

PURCHASING DEPARTMENT

324 East Pine Street
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Tarpon Springs, Florida 34688-5004
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MEMORANDUM

TO: Honorable Mayor and Board of Commissioners
THRU: Arie L. Walker, CPA, Finance Director *AW*
FROM: Jay Jackus, CPPO, CPPB, Purchasing Administrator *AK for JJ*
DATE: 2/07/2012
SUBJECT: Award File No. 120052-N Water & Wastewater Revenue Sufficiency Analysis Update and Bond Report

RECOMMENDATION:

Award File No. 120052-N, Water & Wastewater Revenue Sufficiency Analysis Update and Bond Report with Burton & Associates on a single source basis, in an amount not to exceed \$27,212.00 for the Finance Department.

BACKGROUND:

Burton & Associates (B&A) was initially selected through RFQ 01-005 to perform a Water and Sewer Rate Study in FY 2002. B&A has also prepared a Rate Restructure Plan for the utility in FY 03. In FY 2003-2005 they performed Revenue Sufficiency Analysis updates. At that time, staff was planning for the Alternative Water Supply project and B&A performed a Cost Feasibility Analysis for the project. The firm has also updated the Revenue Sufficiency Analysis in FY 2007, 2008, 2009 and 2010.

Staff is now in the final steps of preparing a plan of finance to build the water plant and other related project expenses. We are in need of an update of the Revenue Sufficiency Analysis and a five (5) year projection for the Official Statement of the Bond Issue. Although other firms may have the capability to perform the work, it would be significantly more expensive and labor intensive as they would be required to recreate the work already accomplished by B&A and would therefore be in the best interest of the City to engage B&A for the required work.

The purpose of this contract is to conduct an FY 2012 Water and Wastewater Revenue Sufficiency Analysis Update and Bond Report for inclusion in the Official Statement of the upcoming revenue bonds to finance the Alternative Water Supply project. The update is to include all aspects of the water and wastewater enterprise fund and will include analysis of variances from projections relative to growth, the Consumer Price Index for All Urban Consumers (CPI-U) and any other variances that have occurred.

FUNDING: 404-4305-536-3100 Construction Fund

BURTON & ASSOCIATES

January 18, 2012

Ms. Arie Walker
Finance Director
City of Tarpon Springs
324 Fast Pine Street
Tarpon Springs, Florida 34688-5004

Re: FY 2012 Water and Wastewater Revenue Sufficiency Analysis Update and Bond Report Proposal

Dear Ms. Walker:

As requested, this letter is to present the above referenced proposal to conduct an FY 2012 Water and Wastewater Revenue Sufficiency Analysis Update and Bond Report for inclusion in the Official Statement of the upcoming revenue bonds to finance the alternative water supply project. The update will include all aspects of the water and wastewater enterprise fund and will include analysis of variances from projections relative to growth, the CPIU and any other variances that have occurred.

The analysis will also include updated information, as provided by the City, relative to the Alternative Water Project and will include a Bond Feasibility report, or "Rate Consultant's Report", for inclusion in the Official Statement of the bond issue. The "Rate Consultant's Report" will include a presentation of five (5) years of historical net income and debt service coverage, a financial forecast of five (5) years of future net income and debt service coverage, comprehensive notes to the financial forecast and a letter report describing the process used to prepare the financial forecast and our assurances as to the reasonableness of the underlying assumptions and conclusions.

We propose to accomplish the work in two work elements. Work Element I will include the FY 2012 Water and Wastewater Revenue Sufficiency Analysis Update and Work Element II will include the Bond Feasibility Report. I have enclosed a Project Work Plan and Cost Estimate Schedule (Schedule), which shows that successful completion of Work Element I will require approximately 118 man-hours for an estimated cost of \$17,311 inclusive of estimated out-of-pocket expenses. The enclosed Schedule also shows that successful completion of Work Element II will require approximately 61 man-hours for an estimated fee of \$9,901 inclusive of estimated out-of-pocket expenses. Based upon this analysis, both work elements can be completed for a total estimated project cost of \$27,212.

Burton & Associates

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Page 1

We can begin work on this project immediately and estimate that it can be completed within approximately 60 days, depending upon the availability data and of City staff relative to the interactive work sessions specified in the attached Schedule.

I trust that this proposed approach and cost estimate meets with your approval. If you have any questions or any suggested adjustments, please call me. I look forward to working with you on this project.

Very truly yours,

A handwritten signature in blue ink, appearing to read "Michael E. Burton", is written over a light blue horizontal line.

Michael E. Burton
President

MEB/cs
Enclosure



CITY OF TARPON SPRINGS
 FY 2012 WATER AND WASTEWATER REVENUE SUFFICIENCY ANALYSIS UPDATE AND BOND REPORT
PROJECT WORK PLAN & COST ESTIMATE
Prepared by Burton & Associates

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Principal	Senior Consultant	Project Consultant	Cloribel	
	\$205	\$185	\$115	\$40	
Work Element I - Revenue Sufficiency Analysis					
TASK 1 <u>Obtain all data and information required to update the Water and Wastewater Revenue Sufficiency analysis on Burton & Associates proprietary Financial Analysis and Management System (FAMS-XL®)</u>					
a. Conduct telephone project kick-off conference to validate project objectives, identify required data and confirm project responsibilities and project monitoring and reporting procedures.	1	1	1	0	3
b. Obtain and review for adequacy, all required data and information to include historical financial statements, customer information and capital cost information.	0	1	2	0	3
TASK 2 <u>Review all data required to update the RSA analysis.</u>					
a. Review budget, financial, growth and cost escalation information and assumptions provided by City staff and consult with City staff to ensure a proper understanding of all data received and all assumptions to be used in the analysis.	0	2	6	0	8
b. Review the Water and Wastewater Utility Systems CIP and consult with City staff regarding a final schedule of capital projects to be completed during the projection period, including the Alternative Water Supply Project.	0	1	2	0	3
TASK 3 <u>Adjust FAMS-XL® as required to accurately reflect the City's assumptions and flow of funds and input all data, information and assumptions into FAMS-XL® and produce preliminary output to include a five (5) year financial management plan which will include the following:</u>					
o Capital Improvements Program:		8	20	0	28
- 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 plan of rate revenue adjustments for each utility 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					



CITY OF TARPON SPRINGS

FY 2012 WATER AND WASTEWATER REVENUE SUFFICIENCY ANALYSIS UPDATE AND BOND REPORT

PROJECT WORK PLAN & COST ESTIMATE

Prepared by Burton & Associates

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Principal	Senior Consultant	Project Consultant	Clerical	
	\$205	\$195	\$115	\$40	
TASK 4 <u>Review, cross check and adjust the FAMS-XL® model to ensure that the results accurately reflect the City's assumptions, flow of funds and other variables.</u>	0	2	4	0	6
TASK 5 <u>Review results with City staff in two (2) interactive work sessions.</u>					
a. Conduct an interactive work session with City staff to review the preliminary results of the revenue sufficiency analysis and schedule of proposed rate revenue adjustments	3	3	3	0	9
b. Make adjustments based upon input from City staff and updated data.	0	1	4	0	5
c. Prepare an "Assumptions and Results Workbook" to reflect the assumptions included in the analysis and the results of the analysis and distribute to City staff for review and comment.	0	2	6	0	8
d. Make adjustments based upon input from City staff.	0	1	3	0	4
e. Conduct an interactive work session with City staff to review the adjusted results of the revenue sufficiency analysis and schedule of proposed rate revenue adjustments.	2	2	2	0	6
f. Make adjustments based upon input from City staff and new data; prepare updated "Assumptions and Results	0	1	6	0	7
TASK 6 <u>Review results with City management and City Commission.</u>					
a. Meet with City management to review the results of the analysis.					-- At Standard Hourly Rate as Required --
b. Make adjustments as required based upon input from City management.					-- At Standard Hourly Rate as Required --
c. Prepare a Power Point presentation for a City Commission workshop.					-- At Standard Hourly Rate as Required --
d. Attend one (1) City Commission Workshop to present the results of the analysis.					-- At Standard Hourly Rate as Required --
TASK 7 <u>Document the results in a Water and Wastewater Revenue Sufficiency Analysis Report.</u>					
a. Prepare a Draft Report to document the results of the Study.	2	8	8	4	20
b. Review the Draft Report with City staff.	0	1	1	0	2
c. Prepare the Final Report of the results of the Study.	1	1	3	1	6
TASK 8 <u>Attend one (1) Rate Hearing for adoption of rate adjustments recommended in the analysis.</u>					
a. Attend one (1) rate hearing.					-- At Standard Hourly Rate as Required --
TOTAL ESTIMATED MAN-HOURS	9	33	71	5	118
TOTAL ESTIMATED CONSULTING FEE	\$1,845	\$6,435	\$8,165	\$200	\$16,645
ESTIMATED EXPENSES 4.00%					\$666
TOTAL ESTIMATED CHARGES					\$17,311
Work Element II - Bond Financial Feasibility Report					
TASK II-1 <u>Prepare the Draft "Rate Consultant's Report" to be included in the Official Statement (OS) of the bond issue.</u>					
a. Obtain historical financial reports and prepare a five (5) year historical summary of net income and debt service	0	2	6	0	8
b. Prepare a schedule presenting a five (5) year projection of net income and debt service coverage from the Revenue Sufficiency Analysis Update in Work Element I.	0	1	4	0	5
c. Prepare "Notes" to the historical and projected net income and debt service coverage schedules prepared in the prior sub-tasks.	0	1	2	0	3
d. Prepare Draft of the "Rate Consultant's Report".	1	3	6	2	12

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CITY OF TARPON SPRINGS

FY 2012 WATER AND WASTEWATER REVENUE SUFFICIENCY ANALYSIS UPDATE AND BOND REPORT

PROJECT WORK PLAN & COST ESTIMATE

Prepared by Burton & Associates

BURTON & ASSOCIATES

PROJECT TASKS	ESTIMATED MAN-HOURS				Total Project
	Project Principal	Senior Consultant	Project Consultant	Clerical	
	\$205	\$195	\$115	\$40	
<i>Hourly rate-></i>					
TASK II-2 <u>Prepare the Final "Rate Consultant's Report"</u>					
a. Participate in a conference call with the Finance Team to discuss the Draft "Rate Consultant's Report".	1	1	1	0	3
b. Make appropriate adjustments and prepare a Final Draft of the "Rate Consultant's Report" and distribute to the Finance Team for final review and comment.	0	1	4	0	5
c. Review final comments from the Finance Team, make appropriate adjustments and prepare the Final "Rate Consultant's Report".	0	1	2	1	4
TASK II-3 <u>Review the Engineer's Report and the Official Statement</u>					
a. Review the Draft Engineer's Report and provide comments.	0	2	0	0	2
b. Review the Preliminary Official Statement (POS) and provide comments.	0	2	0	0	2
c. Participate in a conference call with the Finance Team to discuss the Engineer's Report and the POS.	0	1	0	0	1
d. Review the Final Draft of the Engineer's Report and the adjusted POS and provide comments.	0	1	0	0	1
e. Participate in a conference call with the Finance Team to discuss the Engineer's Report and the POS.	0	1	0	0	1
TASK II-4 <u>Attend City Commission meetings and participate in additional conference calls or meetings with the Finance</u>					
a. Attend City Commission meetings (assume two meetings)	4	4	0	0	8
b. Participate in additional conference calls and/or meetings with the Finance Team (assume 1 call and 1 meeting).	3	3	0	0	6
c. Attend additional meetings as requested.					
	— All Standard Rates —				
TOTAL ESTIMATED MAN-HOURS - WORK ELEMENT II	0	24	25	3	52
TOTAL ESTIMATED CONSULTING FEE - WORK ELEMENT II	\$1,845	\$4,680	\$2,875	\$120	\$9,520
ESTIMATED EXPENSES - WORK ELEMENT II 4.00%					\$381
TOTAL ESTIMATED CHARGES - WORK ELEMENT II					\$9,901
Total Project					
TOTAL ESTIMATED MAN-HOURS	18	57	96	3	174
TOTAL ESTIMATED CONSULTING FEE	\$3,690	\$11,115	\$11,040	\$320	\$26,165
ESTIMATED EXPENSES 4.00%					\$1,047
TOTAL ESTIMATED CHARGES					\$27,212

SOURCE: BURTON & ASSOCIATES

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