

CITY OF **PEMBROKE PINES**

Utility Function Conversion Cost Analysis

January 15, 2020



Agenda

- Raftelis Introduction
- Study Background and Objectives
- OMI-Jacobs Contract Overview
- Comparative Costs
- Scenarios
 - › Scenario 1: Maintain Current Delivery Resources
 - › Scenario 2: Maintain Current Utility Costs
- Conclusions



Who is Raftelis?

The most experienced
water utility financial and
management consulting
practice in the nation

With more than...

100+ Consultants
across Florida and
the U.S.

*Raftelis has provided financial/
organizational assistance for...*

1,000⁺

water/wastewater/stormwater utilities

Which serve more than...

25%

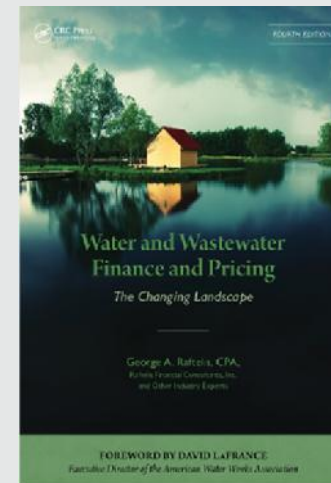
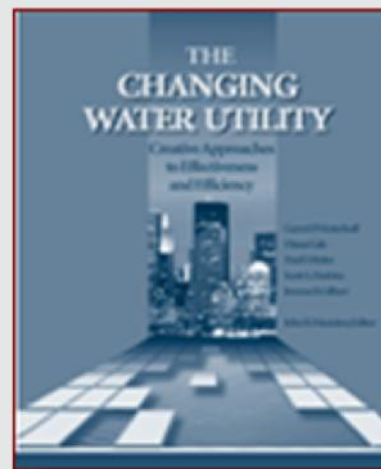
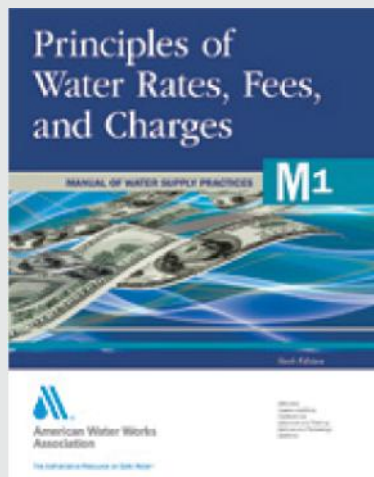
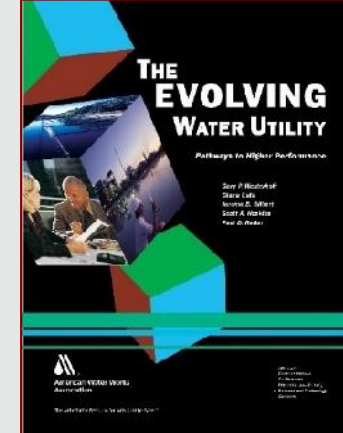
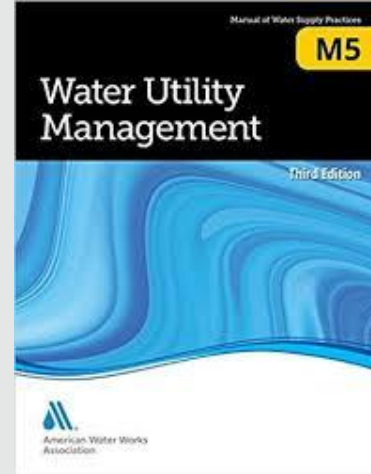
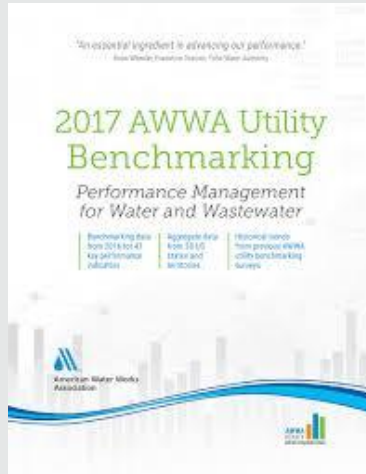
Of the U.S. population

and includes the utilities serving...

33/50

Of the nation's 50 largest cities

We Wrote The Book



Study Background and Objectives

- Perform a cost comparison of the...
 - › Utility Function Sourcing Contract under OMI-Jacobs
VS.
 - › Similar utility services performed by City staff
- Create scenarios showing probable costs of City-staffed operations
- Comment on the cost variables for insourcing vs. outsourcing utility functions
- Study did not include any of the following:
 - › A review of OMI-Jacobs contract performance
 - › Qualifications of OMI-Jacobs employees



OMI-Jacobs Contract Overview

- Initiated February 2015 for operations, maintenance, and management of the water and wastewater systems
- Initial value was \$6,175,000
 - › Escalated annually by the CPI
 - › Adjustments for maintenance costs
 - › Value was \$8,007,975 in FY 2020
- Includes a \$750,000 maintenance and repair budget for reimbursable, pass-through expenses

Note that Facility Contract Services (FCS) also provides some utility services on a contract basis



Comparative Cost Centers

Major Cost Centers

- › Personnel (salaries, benefits, overtime)
- › Vehicles/Equipment (fleet, insurance, repairs, fuel)

Other Costs

- › Training/Certifications
- › After-hours call center
- › Miscellaneous costs (uniforms, tools, telecommunications)
- › Maintenance and repair budget taxes

*Transition Costs**

** Costs to move from contract to City operations*



Personnel: OMI-Jacobs

- Assumptions
 - › **Personnel represents approximately 85%** of contract value (roughly \$6.8 M in FY 2020)*
 - › Benefits are approx. 45-70% of salary*
 - › Profit typically represents approx. 5-15% of contract costs
 - › 93 FTEs in Pembroke Pines, plus other corporate services
- Personnel Costs (approx.)
 - › Salary: \$3.8-4.1 M / year
 - › Benefits: \$2.0-2.4 M / year

** Reported by OMI-Jacobs*



Personnel: City – Salary Only

Est. Salary Costs	FY 2019-20
Minimum	\$4,084,911
25 th Percentile	\$4,582,799
Median	\$5,080,688
75 th Percentile	\$5,578,577
90 th Percentile	\$5,877,310

**Comparative Est. of
OMI-Jacobs Range**

\$3,811,000 - \$4,120,000

Estimated city salary ranges based on data from area utilities (the Cities of Hollywood and Miramar, and Broward County), and validated using AWWA Compensation Survey data



Personnel: City - Benefits

Est. Benefits Costs	FY 2019-20
Minimum	\$2,856,332
25 th Percentile	\$2,965,233
Median	\$3,074,139
75 th Percentile	\$3,147,124
90 th Percentile	\$3,248,396
Comparative Est. of OMI-Jacobs Range	\$2,010,723 - \$2,429,624

Benefits include FICA, retirement, health insurance, life insurance, workers' compensation, and OPEB



Vehicles: OMI-Jacobs and City

Organization	Year 1	Year 2	Year 3	Year 4	Year 5	Total
City	\$2,408,700	\$637,261	\$656,379	\$876,070	\$902,353	\$5,480,763
OMI-Jacobs	\$858,000	\$1,077,290	\$1,547,159	\$937,624	\$783,703	\$5,203,776

Costs include vehicle ownership, insurance, repairs/fuel



Other Costs

- Training/Certifications - \$12,000/year*
 - After-hours call center - \$39,600/year*
 - Uniforms - \$45,600/year*
 - Tools - \$15,000/year*
 - Telecommunications - \$64,000/year*
-
- Savings related to the Maintenance and Repair Budget Taxes - \$45,000/year

**Costs are escalated at 3% annually*



Transition Costs

Primary Transition Cost Category	Estimated Costs
OMI-Jacobs Agreement (FY 2020) - 6 months	\$4,011,763
Staff Recruitment Costs	\$400,000
New 51-Vehicle Fleet	\$1,790,000
Computer Work Stations	\$23,000
Total Estimated 6-Month Transition Costs	\$6,224,763

Year 1 costs could be as high as \$15,716,725, if City personnel costs and other expenses (FY 2020) are included



Scenario 1: Maintain Contract Resources

Operator	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Total
City (Median Salaries)	\$15,716,725	\$9,821,781	\$10,163,025	\$10,716,089	\$11,087,385	\$57,505,004
OMI-Jacobs	\$8,023,525	\$8,280,278	\$8,545,247	\$8,818,695	\$9,100,893	\$42,768,637
<i>Difference</i>	\$7,693,200	\$1,541,503	\$1,617,778	\$1,897,395	\$1,986,492	\$14,736,368

Under this scenario the city would maintain the same activities as OMI-Jacobs and number of positions (93 on-site FTEs, plus corporate functions).



Scenario 2: Maintain Costs

Salary Range	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
OMI-Jacobs	\$6,798,300	\$7,015,846	\$7,240,353	\$7,472,044	\$7,711,149
Personnel: Median	\$8,742,062	\$9,048,034	\$9,364,715	\$9,692,480	\$10,031,717
% Increase over OMI-Jacobs	22%	22%	22%	23%	23%
~# of FTE Reductions	21	21	22	22	22

Under this scenario the city would try to hold contract costs constant through a reduction in total FTEs to preserve current rates.



Conclusions

- Major cost variable between contract and City operations is personnel costs – approx. 85% of contract costs
 - › Many other costs would be similar
- Transition cost from contract to City operations would likely be at least \$6,224,763 in the first year
- City utility operations, assuming comparable salaries to other utilities, City benefits, and the same number of FTEs, would likely cost \$1.5-2 M more than contract operations
- Significant position cuts would be needed to maintain the current budget costs



Thank you!

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