

EXHIBIT A
REQUEST FOR SERVICES

CONSULTING SERVICES AGREEMENT

Between

City of Key West ("Client")

And

Black & Veatch Corporation ("Consultant")

Pursuant to the terms and conditions of the Consulting Services Agreement executed and made effective as of the 10th day of July, 2015, between City of Key West ("Client") and Black & Veatch Corporation ("Consultant" or "Black & Veatch"), Client hereby requests Consultant perform and Consultant agrees to perform the following Services:

Effective Date: This Exhibit A will be effective on February 29, 2016.

A. Requested Services:

Project Understanding

The City of Key West (City) has requested that Black & Veatch perform an analysis of the existing wholesale wastewater rate furnished to the Navy, and develop a wholesale wastewater rate for Key Haven (a new service territory that was acquired and operated by the Florida Key Aqueduct Authority (FKAA), update the existing Navy Wholesale Wastewater Agreement, and develop a new Wholesale Wastewater Agreement for Key Haven.

Black & Veatch will complete the analysis by performing the specific tasks as listed below:

TASK	TASK DESCRIPTION
FINANCIAL CONSULTING SERVICES SUPPORT	
PHASE 1 – FINANCIAL FORECAST REVIEW AND RESTATEMENT	
100	Project Kickoff and Data Review
200	FY 2017 through 2021 Financial Forecast Review
300	Inclusion of Additional Cost associated with new and existing Wholesale Service
400	Restatement of the Financial Forecast
PHASE 2 –WASTEWATER COST ALLOCATION AND WHOLESALE RATE DETERMINATION	
500	Functionalization of Cost Components
600	Determination of Units of Service
700	Allocation of Cost to Customer Classes
800	Cost of Service Customer Class Summary
900	Cost of Service Results Meeting and Rate Determination Discussion
1000	Design Wholesale Wastewater Service Rates
PHASE 3 – REVIEW AND DEVELOP OF WHOLESALE SERVICE AGREEMENTS	
1100	Review the existing Navy Wholesale Wastewater Service Agreement
1200	Develop a Wholesale Service Agreement to provide Wholesale Wastewater Service to Key Haven

Detailed description of specific phases and tasks as provided in the proceeding Scope of Work section of the task authorization presented herein.

Scope of Services

To complete objectives of the project defined herein, the Black & Veatch team will employ the work plan provided below.

Phase 1 - Financial Forecast Review and Restatement:

Task 100 – Project Kick-off and Data Review

This task will involve the facilitation of a project kick-off meeting to define and align the goals and objectives of the study, agree upon the project schedule, establish the project protocol related to the lines of communication, and agree upon project deliverables and milestones. Prior to attending the kick-off meeting, Black & Veatch will forward an initial data request to the City for review. The data request may include reports provided by others, historical and current financial and utility system planning information, existing operating and capital budgets, and other applicable reports. All information transferred to Black & Veatch is preferred in an electronic form, where available.

Task 200 – Perform an FY 2017 Financial Forecast Review

Black & Veatch will perform a review of the City's existing FY 2017 through FY 2021 Financial Forecast. Black & Veatch understands that the City maintains its existing Financial Model. As such, Black & Veatch will not try to re-create the forecast of financial conditions, but will review and rely upon the City's financial forecast to gain an understanding of the anticipated revenues and utility system requirements for the period FY 2017 through FY 2021. Upon the completion of the review, Black & Veatch will seek clarification, where necessary, of items related to the forecast of revenues and utility system requirements.

Task 300 – Inclusion of Additional Cost associated with New and Existing Wholesale Wastewater Service

The City currently serves one wholesale wastewater customer, the Navy, and is currently considering the addition of Key Haven as another wholesale wastewater customer. The existing wholesale wastewater service agreement between the Navy and the City is scheduled to expire in March 2016 with the option to extend the agreement on a monthly basis until a new agreement is ratified. As a part of completing its technical due diligence and negotiating and finalizing both agreements, certain additional operating and capital costs may become evident to the City and these costs must be incorporated into the City's financial plan. Black & Veatch will work with the City to appropriately capture and include these costs.

Task 400 – Restatement of the FY 2017 Financial Forecast

Upon the completion of the review of the FY 2017 through FY 2021 Financial Forecast and including the additional costs associated with negotiating the new and existing wholesale wastewater service agreements, Black & Veatch will restate the FY 2017 through FY 2021 Financial Forecast. The restated FY 2017 through FY 2021 Financial Forecast will serve as the baseline estimate of total utility system cost to be utilized in the cost allocation and wholesale rate determination analysis.

Phase 2 - Cost Allocation and Wholesale Rate Determination:

Task 500 – Functionalization and Allocation of Costs to Functional Components

Black & Veatch will evaluate the appropriateness and update utility cost causative service parameters upon which costs are allocated between retail and wholesale customers, inside-city and outside-city customers, and customers receiving distinct service from the City. This process recognizes that costs incurred by the utility are typically caused by a service requirement of the system. These requirements generally include annual flow, wastewater strength (TSS and BOD or COD), number of customers, and other services. In addition, the allocation of the utility system requirements and investment will recognize key functional components associated with providing service to retail and wholesale customers and other special service customers.

Task 600 – Determination of Units of Service

Black & Veatch will develop the estimate of the units of service associated with each of the cost causative elements associated with providing wastewater treatment service. The units of service will be estimated based on the service characteristics that are defined for each customer class. Specific attention will be dedicated to breaking out special classes of service such as existing and future anticipated wholesale service. These units of service will be updated to recognize the customer flow characteristics and good engineering judgment related to the customer class service requirements. At the completion of the unit of service analysis, the Black & Veatch team will align the functional allocation of revenue requirements with the determined units of service and develop the unit costs of service for each functional component.

Task 700 – Allocation of Cost to Customer Classes

Black & Veatch will assign the total costs of service for each customer class by applying unit costs of service to each individual customer classes' units of service for each cost component. The relative responsibility of each customer class will be specifically determined based on each class' or user's estimated service requirements. A direct assignment and calculation of the utility systems inside and outside the city cost differential will be developed based on the utility's current cost of equity and a reasonable rate of return from customers served by the utility.

Task 800 – Cost of Service Customer Class Summary

Upon completion of this Task 700, Black & Veatch will provide a summary of the costs of service by customer class in comparison to the revenues under existing rates for the FY 2017 Test Year to determine the degree of cost recovery and to identify possible revenue adjustments for consideration in rate design task. This process will serve in aligning the customer class, including wholesale customers, burden of cost with the proposed FY 2017 revenues.

Task 900 – Cost of Service Results Meeting and Rate Determination Discussion

Upon completion of this Task 800, Black & Veatch will schedule a meeting with the City to review the cost of service results and discuss the objectives of the Wholesale Wastewater Rate Design. At the completion of this discussion, Black & Veatch will outline a general framework to determine the wholesale wastewater rates.

Task 1000 – Design Wholesale Service Rates

The objective of this task is to recommend fair and equitable wholesale wastewater rate structure options. Our recommended approach seeks to establish a reasonable nexus between costs incurred in providing service and the rates that are designed to recover these costs of providing service. Black & Veatch recognizes that there needs to be a balance between the rates as determined by the cost of service analysis and the City's goals and objectives.

Black & Veatch in conjunction with the City will consider City policies, existing tariffs, pricing and project objectives, and practical limitations as a part of the wholesale rate design analysis. Issues around the nature of the service, the anticipated length of the wholesale service agreement, the location of the wholesale customer and the desired points of connection(s), and the appropriate recovery of cost are a few of the issues to be considered as a part of this task.

Upon updating the rate design analysis, the Black & Veatch team will prepare bill impact comparisons between the existing and proposed wholesale wastewater service rates and the utility service rates of neighboring utilities.

Phase 3 - Review and Development of Wholesale Service Agreements:**Task 1100 – Review the existing Navy Wholesale Wastewater Service Agreement**

Black & Veatch will review the existing Navy wholesale wastewater service agreement to determine the appropriateness of the existing agreement based on the nature of the existing wastewater treatment services provided to the Navy by the City, the anticipated changes in the service requirement of the Navy, and current industry practices related to the fundamentals of typical wastewater service agreements. Upon the completion of the review, Black & Veatch will prepare and submit a list of considerations to the City along with an update draft Navy Agreement for review by the City.

Task 1200 – Develop a Wholesale Wastewater Service Agreement to provide Wholesale Wastewater Service to Key Haven

Black & Veatch will develop a draft Wholesale Service Agreement for the City to provide wholesale wastewater service to Key Haven. The agreement will outline the nature of the services to be provided by the City, the general rules, requirements, terms, and conditions of both parties, and the pricing framework associated with the service to be provided by the City to Key Haven. Black & Veatch will work with the City to incorporate the City's goals & objectives in the development of the agreement and incorporate current industry practices within the framework of the service agreement. At the completion of developing the draft Wholesale Service Agreement, Black & Veatch will meet with the City to review the draft Key Haven Wholesale Wastewater Service Agreement.

B. Commencement Date:

The Services detailed herein will commence as soon as reasonably possible upon getting an official notice to proceed from the City.

C. Billing Basis:

Invoices are due upon receipt with payment terms of net 30 (full payment is due within 30 days of receipt of the invoice).

D. Estimated Cost of the Services:

Black & Veatch proposes to complete the Services for a fixed fee of **\$87,000** which includes the reimbursement of travel and direct expenses at cost.

Listed below are the cost details by phase and major cost category associated with the fixed fee submitted herein.

<u>Line</u>	<u>Description</u>	<u>Level of Effort (Hours)</u>	<u>Total Cost</u>
1	Phase 1	44	\$ 8,280
2	Phase 2	94	17,890
3	Phase 3	80	15,320
4	Deliverables	122	23,100
5	Meetings & Presentations	68	13,800
6	Total Level of Effort	408	\$ 78,390
7	Expenses		\$ 8,610
8	Total Cost		\$ 87,000

E. Estimated Completion Date:

Black & Veatch will complete the analysis detailed herein in four (4) months after receiving the official notice to proceed. In addition, the project schedule is dependent on the City providing information requested within one full week of the information request's submittal date.

- F. Monthly Billing: Immediately upon execution of this Exhibit A, Consultant shall invoice Client for services performed on the 15th of each month for the term of the engagement. The invoice is due upon receipt and the client is required to pay the invoicing full with 30 days of receipt of the invoice. In addition, the invoices submitted by the Consultant will be based on the level of effort completed and the agreed upon billing rates as a part of the agreement referenced herein.

Commencing on or about the first day of the calendar month following execution of this Agreement, and monthly thereafter, Consultant shall furnish Client with an invoice covering the Reimbursable Costs and Fee for services provided during the previous month and any interest due under this Agreement. Invoices may be submitted electronically by email to jcastro@cityofkeywest-fl.gov. In such event, the electronic copy of the invoice will be considered the official invoice and will not be followed by a hard copy invoice. Notwithstanding any other provision of the above-referenced Agreement, or this Exhibit A, Consultant is under no obligation to submit any deliverable if any invoice is more than 45 days outstanding.

- G. Method of Payment: Payments to be made to Consultant under this Agreement shall be electronically transferred either by ACH, specifically in CCD+ or CTX format, or wire transfer to the bank account and in accordance with the bank instructions identified in Consultant's most recent invoice in immediately available funds no later than the payment due date. Invoice number and project name shall be referenced in the bank wire reference fields or the ACH addenda information.

For Independent Engineer personnel approved by Client that ultimately remain on the assignment for more than 1-year an increased tax burden pursuant to home and work jurisdiction tax laws may arise. Client will be responsible for, and will pay, all such increased expenses related to federal, state and local tax assistance provided by Independent Engineer to the affected Independent Engineer personnel, as well as any increased tax and compliance costs incurred by Independent Engineer personnel. Application of the appropriate tax rules will be determined by B&V. The charges will be billed, when appropriate, with the travel and living expenses affected and incurred in the performance of the Services detailed in this SOW. Should Client be required under any law or regulation of any governmental entity or authority, domestic or foreign, to withhold or deduct any portion of the payments due to Independent Engineer, then the sum payable to Independent Engineer shall be increased by the amount necessary to yield to Independent Engineer an amount equal to the sum it would have received had no withholdings or deductions been made. Independent Engineer will notify you at least thirty (30) days in advance of any resource reaching his or her twelfth month of being staffed under this Exhibit or in the event that staffing of any particular resource may give cause for additional taxes or other charges to be assessed. You have the right to request that any resource that has or may exceed twelve months of Services under this Exhibit be replaced with a resource with similar skill sets to continue to perform the Services under this Exhibit. Such request will not be unreasonably denied by

Independent Engineer. These compensatory charges are typically related to direct expenses that a Independent Engineer consultant may incur while remaining in the same work location for more than 12 months. With prior notice and approval from Client, any tax compensatory charges will be passed through to Client as expense line items.

- H. Disputes: In the event Client disputes any invoice item, Client shall give Consultant written notice of such disputed item within 10 days after receipt of such invoice and shall pay to Consultant the undisputed portion of the invoice according to the provisions hereof. If Client fails to pay any invoiced amounts when due, interest will accrue on each unpaid amount at the rate of eighteen percent per annum, or the maximum amount allowed by law if less, from the date due until paid according to the provisions of this Agreement. Interest shall not be charged on any disputed invoice item which is finally resolved in Client's favor. Payment of interest shall not excuse or cure any default or delay in payment of amounts due. In the event Consultant refers this Agreement to a third party for collection or enforcement of its terms, Consultant shall be entitled to reimbursement for all costs and expenses incurred, including a reasonable attorneys' fee. In the event that Client has an unpaid invoice over 50 days past due, Consultant may, in addition to all other remedies available at law and equity, terminate this Request for Services.

This Request for Services and the above-referenced Agreement constitute the complete understanding of the parties with respect to the Services specified herein. Terms and conditions contained in purchase orders, work orders, or other documents issued by Client with respect to the Services shall be of no force and effect.

IN WITNESS WHEREOF, the parties have executed this Request for Services on the date(s) indicated below.

CITY OF KEY WEST

BLACK & VEATCH CORPORATION

By: _____

By: _____

By: _____
(Printed)

By: Ralph Eberts
(Printed)

Title: _____

Title: Executive Vice President

Date: _____

Date: March 1, 2016

Legal
Approved _____
Reviewed _____
Date 3/1/16

PM
Approved _____
Date _____

**City of Key West, Florida
Consulting Support Services
Cost Estimate Detail**

Line	Description	Project Team (Hours)					Expense (\$)
		Director	Client Manager	Project Manager	Project Consultant	Project Consultant	
Phase 1: Financial Forecast Review and Restatement							
1	Project Kickoff and Data Review		4				
2	FY 2017 through 2021 Financial Forecast Review		4			4	
3	Inclusion of Additional Wholesale Service Cost		4			4	
4	Restatement of the Financial Forecast		4	4		16	
Phase 2: Cost Allocation and Wholesale Rate Determination							
5	Functionalization of Cost Components			6		16	
6	Determination of Units of Services			4		12	
7	Allocation of Cost to Customer Classes			4		8	
8	Cost of Service Customer Class Summary			4		6	
9	Cost of Service Results Meeting and Rate Determination Discussion		4	4		4	
10	Design Wholesale Wastewater Service Rates	2	8	8		4	
Phase 3: Review and Development of Wholesale Service Agreements							
11	Review the existing Navy Wholesale Wastewater Service Agreements	4	4	6	20		
12	Develop a Wholesale Wastewater Service Agreement for Key Haven	4	4	6	32		
Deliverables:							
13	Project Report	4	8	16		30	
14	Draft Navy Wholesale Wastewater Service Agreement	2	2	4	16		
15	Draft Key Haven Wholesale Wastewater Service Agreement	2	2	4	32		
Meetings & Workshops:							
16	Kick-Off Meeting		12	12			
17	Cost Allocation Results and Rate Determination Discussion (Teleconference)		4	4		4	
18	Draft Wholesale Agreements' Presentation (Teleconference)		4	4	4	4	
19	Final Results Presentation		8	8			
20	Total	18	76	98	104	112	
21	Billing Rate	\$ 285	\$ 210	\$ 210	\$ 170	\$ 170	
22	Cost	\$ 5,130	\$ 15,960	\$ 20,580	\$ 17,680	\$ 19,040	\$ 8,610
							Total
							Project Cost
23	Total Project Cost						\$ 87,000
Summary by Phase and Activity:							
24	Phase 1: Financial Forecast Review and Restatement	\$ -	\$ 3,360	\$ 840	\$ -	\$ 4,080	\$ 8,280
25	Phase 2: Cost Allocation and Wholesale Rate Determination	\$ 570	\$ 2,520	\$ 6,300	\$ -	\$ 8,500	17,890
26	Phase 3: Review and Develop Wholesale Service Agreements	\$ 2,280	\$ 1,680	\$ 2,520	\$ 8,840	\$ -	15,320
27	Deliverables	\$ 2,280	\$ 2,520	\$ 5,040	\$ 8,160	\$ 5,100	23,100
28	Meetings & Workshops	\$ -	\$ 5,880	\$ 5,880	\$ 680	\$ 1,360	13,800
29	Expenses						8,610
30	Total						\$ 87,000