



THE CITY OF KEY WEST

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MEMORANDUM

TO: Jim Scholl, City Manager
CC: Greg Veliz, Assistant City Manager - Operations
FROM: John Paul Castro, Utilities Director
DATE: March 14, 2016

SUBJECT: Approving a Task Order from Black and Veach Corporation for Financial Consulting to Develop Wholesale Wastewater Agreements for the City of Key West in the amount of \$87,000.00

Action Statement:

Staff requests approval of the financial consulting task order from Black and Veach Corporation to create Bulk User Wastewater agreements in the amount of \$87,000.00. This will require a budget transfer from reserves.

Background:

The City entered into an agreement with the United States of America in 1986 to accept wastewater from Navy properties within the City of Key West. The agreement was for 10 years with two additional 10 year terms.

The basis of the agreement was for the Navy to contribute an appropriate buy in portion of the new treatment plant plus ongoing capital improvements plus a flow rate.

This agreement was extended for both 10 year terms which terminates on March 30, 2016. The contract was amended by the City Commission on March 16, 2016 to be extended to the end of the 2016 fiscal year (September 30, 2016).

Purpose and Justification:

The wastewater rates for bulk users differ from those users within the City who pay a base rate plus a flow charge. The base users pay fees and rates that take into account the cost of the plant operations, capital improvements, system improvements and upgrades including lift stations and infrastructure.

The current contract with the Navy is now 30 years old. The Navy has requested a change to the billing method including a reduction to the current 23% reserve capacity. To create a method for billing, the entire system will have to be analyzed as a whole to take into account the Navy's current usage, base user usage, potential additional bulk users, and long term capital planning via rate models.

Key to the Caribbean – Average yearly temperature 77° F.

This analysis is very complex and will likely require multiple drafts and negotiations. The corresponding agreement will need to be updated into the rate models to appropriate costs.

The task order is to create an up to date bulk user agreement with specifics for the Navy system. The new agreement will take into account staff's proposed budget that includes OMI operations, lift station maintenance, and capital improvements. The Navy's request to eliminate the reserve capacity and be charged as a best customer will be considered where possible. Black and Veatch will attend meetings, assess the City's rate models and financial forecast, determine service and scenarios including the addition of Key Haven, and deliver a complete agreement. The basis of that agreement shall be the boiler plate for similar agreements.

Task 1200 includes the development of a wholesale service agreement for Key Haven. Florida Keys Aqueduct Authority (FKAA) has approached the City requesting rates to accept the effluent wastewater from Key Haven. This task would create a bulk user agreement that accounts for the capital and maintenance costs from the impact of Key Haven flows. The task to create the agreement and provide deliverables for Key Haven has a cost of \$15,950.

Staff has reviewed the task order and finds the proposal to be reasonable and balanced appropriately. The hourly rates match those from the financial consulting agreement in resolution 15-162.

Financial Impact:

A budget transfer from reserves in an amount of \$87,000.00 will be needed to allocate funds to account 401-3501-535-3100 for this task order.

Recommendation:

Staff recommends approving the task order for financial services to create wholesale wastewater agreements for the City of Key West.