

EXHIBIT A-1
REQUEST FOR SERVICES

CONSULTING SERVICES AGREEMENT

Between

City of Key West ("Client")

And

Black & Veatch Management Consulting, LLC ("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 Management Consulting, LLC. ("Consultant" or "Black & Veatch"), Client hereby requests Consultant perform and Consultant agrees to perform the following Services:

Effective Date: This Exhibit A-1 will be effective on March 20 2018.

A. Requested Services:

Project Understanding

The City of Key West (City) has requested that Black & Veatch perform a financial feasibility assessment for the City's Sewer System and develop a financial model in support of the financial feasibility assessment.

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

| TASK | TASK DESCRIPTION |
|--|--|
| FINANCIAL FEASIBILITY ASSESSMENT AND MODEL DEVELOPMENT | |
| 100 | Project Initiation |
| 200 | Data Collection and Review |
| 300 | Development of Revenues and Revenue Requirements |
| 400 | Determination of the Adequacy of Revenues under Existing Rates |
| 500 | Capital Financial Plan |
| 600 | Development of Letter Project Report |
| 700 | Financial Model Transfer |

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 the project tasks defined herein, the Black & Veatch team will employ the work plan provided below.

Task 100: Project Initiation

A project kick-off meeting will be held to initiate the project. The purpose of this task is to review the project objectives, procedures, and approach. Prior to the meeting, Black & Veatch will review the project scope of work and will provide data requirements and assumptions necessary to initiate and complete the Financial Feasibility Assessment.

Task 200: Data Collection and Review

Black & Veatch will forward a preliminary data request outlining the financial, operating, customer, and other pertinent data requirements necessary to complete the engagement defined herein. Upon receipt of the requested data, Black & Veatch will perform initial reviews, of the existing operating and capital budgets, and other information. As needed, Black & Veatch will provide supplemental data requests.

Task 300: Development of Revenues and Revenue Requirements

The primary objective of this task is to update and project revenues under existing rates and appropriately forecast the operating and capital requirements over the study period to develop a five-year cash flow statement. The forecast of revenue requirements establishes the cost basis to compare the adequacy of revenues from existing rates.

300.1 Customer, Usage, and Flow Projections

The Black & Veatch team will update the recent sewer customer demand requirements with a specific focus on projecting appropriate sewer system customer growth.

The forecast of sewer flow will be based on factors associated with the Client's anticipated customer growth projections, historical organic customer growth, and water usage patterns. Historical number of utility accounts and sewer flow per account will be analyzed to project future billed flow by customer class over the study period.



Figure 1: Financial Planning Process

300.2 Revenue Projections

Black & Veatch will apply the existing sewer rates to the projected sewer customers and flows to determine revenues under existing rates for all customer classes over the study period.

300.3 Miscellaneous Revenue Projections

The revenues to be generated from other existing sources including interest earnings, late payment charges, and other miscellaneous service charges will be projected over the study period. These revenue sources are important to determine the net level of future revenues required from user rates and charges.

300.4 Annual Revenue Requirement Projections

Black & Veatch will update the five-year forecast of annual revenue requirements for the sewer system operations on a cash basis. We will examine historical financial reports, historical and budgeted operating and capital expenditures, expected operational and staffing changes, potential new facilities, and system growth, other related financial information. In addition, we'll project O&M costs for the study period using appropriate escalation factors by cost category. In addition, the Black & Veatch team will coordinate with the Client to determine any one-time adjustments and/or any other additional recurring costs that may need to be included in the cost projections.

Black & Veatch will develop revenue requirements for the Client's respective utility systems taking into consideration the following factors:

- Budgeted and Projected Operation and Maintenance Expenditures.
- Debt Service Payments on existing and projected bond issues and State Revolving Fund (SRF) loans.
- Cash financing of Capital Improvements Plan (CIP) from rate revenues that are not funded through debt issuance.
- Transfer Payments to the General Fund.
- Contributions to specified reserve funds.
- Any other cash expenditure as appropriate.

As a part of the development of five-year revenue requirements, Black & Veatch will coordinate with the Client to identify any other financial policies and/or other factors that could impact the revenue requirement projections.

Task 400: Determination of the Adequacy of Revenues under Existing Rates

The objective of this task is to determine whether the existing sewer rates and charges are adequate to meet the revenue requirements and achieve the financial policies established for the sewer system.

Black & Veatch will update the five-year cash flow analyses over the study period showing a comparison of revenues under existing rates with revenue requirements. As a part of the cash flow analyses, we will determine the annual revenue increase required to adequately support utility operations. The cash flow analyses will provide a practical financial plan over the study period.

Task 500: Capital Financing Plan

The sewer utility's latest Capital Improvement Program (CIP) will be reviewed to understand the projects scheduled; the timing associated with such projects, anticipated source of financing, and the anticipated timing of proposed financing, to develop a reasonable. Black & Veatch will work with the Client to determine the optimal mix of financing for the sewer system.

Task 600: Project Letter Report

Black & Veatch will develop and present a Draft Project Letter Report for review by the Client that summarizes the analysis and findings of the Financial Feasibility Assessment. Upon the Client's review, Black & Veatch will incorporate the City's comments as necessary and finalize the Project Letter Report.

Task 700: Financial Model Transfer

At the completion of the Financial Feasibility Assessment, Black & Veatch will deliver the Financial Model to the City and provide four (4) hours of training to the dedicated resource within the City.

B. Commencement Date:

The scope of 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 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 **\$24,600** which includes the reimbursement of travel and direct expenses at cost.

| <u>Line</u> | <u>Tasks</u> | <u>Description</u> | <u>Level of Effort</u> | <u>Project Cost</u> |
|-------------|---------------------------|--|------------------------|---------------------|
| 1 | 100 | Project Initiation | 12 | \$ 2,520 |
| 2 | 200 | Data Collection and Review | 6 | 1,140 |
| 3 | 300 | Develop Revenues & Reveue Requirements | 24 | 4,560 |
| 4 | 400 | Adequacy of Revenue under Existing Rates | 12 | 2,280 |
| 5 | 500 | Capital Financing Plan | 18 | 3,420 |
| 6 | 600 | Development of Letter Project Report | 26 | 5,100 |
| 7 | 700 | Transfer of Financial Model | 12 | 2,280 |
| 8 | Total | | 110 | \$ 21,300 |
| 9 | Project Expenses | | | \$ 3,300 |
| 10 | Total Project Cost | | | \$ 24,600 |

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-1, Consultant shall invoice Client for services performed on the 15th of each month for the term of the engagement. 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-1, 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 Management Consulting, LLC

By: _____

By: 

By: _____
(Printed)

Robert E. Welch
By: _____
(Printed)

Title: _____

Vice President/COO
Title: _____

Date: _____

March 7, 2018
Date: _____

Legal 
Approved _____
Reviewed _____
Date 03/07/2018

PM RSC
Approved _____
Date 03/07/2018