



THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

EXECUTIVE SUMMARY

TO: Jim Scholl, City Manager
Greg Veliz, Asst. City Manager

FROM: John Paul Castro, Utilities Director

DATE: March 20, 2018

**SUBJECT: Approval of Task Order 01-2018-SW for FY 2019
Solid Waste Rate Study by Arcadis U.S., Inc. in the Amount
of \$21,440.00**

Action statement:

This resolution will approve Task Order 01-2018-SW from Arcadis U.S., Inc in the amount of \$21,440.00 to provide a rate study preparation of the City's solid waste billing. The agreement is executed pursuant City Code 2-841, and the City's contract with Arcadis U.S., Inc. in response to RFQ 15-002, resolution number 15-162.

Background:

The City has established rate models for billing for our wastewater, stormwater, and solid waste accounts. This study will provide an independent analysis of our rate Solid Waste model.

We have worked with staff from Arcadis U.S., Inc. over the last several years for our rate model, so the firm has good knowledge of our City and our solid waste capital improvement plan. This consultant also has an extensive background in knowing the utilities financial standards for the industry.

Purpose and Justification:

Arcadis U.S., Inc. will prepare a rate model as described in the attached scope of work:

- *Develop New Solid Waste Rate Model* – Arcadis U.S., Inc. will create a new Solid Waste model for the City using Microsoft excel from the existing contracts and model provided by the City.
- *Update Billing Information* – Arcadis U.S., Inc. will incorporate the last 12 months of historical billing information and the forecast stormwater usage.

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

MEMORANDUM

- *Forecast of Revenues* – Upon loading the billing determinant information, Arcadis U.S., Inc. will apply the existing solid waste rates to forecast revenues.
- *Operating and Maintenance Expenses*– Arcadis U.S., Inc. will incorporate the forecast of operating and maintenance expenses for FY 2019
- *Capital Improvement Program*– Arcadis U.S., Inc. will incorporate the City’s CIP to determine the financial implications of funding the plan over the forecast period.
- *Financial Plan* – The Arcadis U.S., Inc. team will review the financial forecast to determine the appropriate financial plan which is necessary to maintain the financial viability of the solid waste utility.
- *Present a Rate Recommendation* – The Arcadis U.S., Inc. team will present a rate recommendation to the City Commission and answer questions based on the financial plan decided by City staff.
- *Updated Rate Model and Recommendation* – Arcadis U.S., Inc. will provide the City with an updated solid waste rate model along with a summary letter documenting any recommended solid waste rate adjustments.

Rate models are created to recommend the most appropriate utility charges to the public. These models consider a proposed budget, historical data, inflation, and future capital needs to provide forecasts that ensure the public utilities will maintain assets and proper operations for future years. The models allow the commission to use rates that flow consistently as they consider major future capital requirements.

Utility rate models are complex, lengthy, and time consuming. Current staffing is not adequate to prepare both budgets and rate models at the level of expertise made available by our financial consultants.

The rates proposed are consistent with the contract documents attached. The labor mix is reasonable for the level of effort necessary for this task.

Options:

- 1) The City may opt to not award the task order with Arcadis U.S., Inc. no 3rd party prepared rate model would be completed.
- 2) The City can hire Arcadis U.S., Inc. for a cost of \$21,440.00 to create and provide an independent rate study to give further credibility to our solid waste rate model and billing structure.

Financial Impact:

The maximum price for this task order will be \$21,440.00. It will be charged to the City’s budget for line item 403-3401-534-31.

Recommendation:

Staff recommends option #2, the hiring of Arcadis U.S., Inc. Consulting to create a new Solid Waste rate study for a price of \$21,440.00