



## THE CITY OF KEY WEST

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### EXECUTIVE SUMMARY

**TO:** Jim Scholl, City Manager  
Greg Veliz, Asst. City Manager- Operations

**FROM:** John Paul Castro, Utilities Director

**DATE:** February 4, 2016

**SUBJECT:** **Approval of Task Order 01-2016-SW for FY 2017  
Solid Waste Rate Study by Arcadis U.S., Inc. in the Amount  
of \$37,400.00**

**Action statement:**

This resolution will approve Task Order 01-2016-SW from Arcadis U.S., Inc in the amount of \$37,400 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:

- *Initial kickoff meeting* – Staff has requested Arcadis U.S., Inc. to meet prior to the initial budget deadline to assist in streamlining the model and layout specific goals the model is to provide.
- *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.

MEMORANDUM

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

- *Update Billing Information* – Arcadis U.S., Inc. will incorporate the last 12 months of historical billing information and the forecast stormwater usage.
- *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 2016
- *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.

The increase in price for Solid Waste in FY17 is due to the necessity of creating a new model for the utility. The current model is dated and complex due to its inclusion of the old Solid Waste to Energy plant, multiple redundancies, and assumptions from a staff now replaced.

Rate models are created to recommend the most appropriate utility charges to the public. These models take into account 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 particular task.

**Options:**

- 1) The City may opt to not award the task order with Arcadis U.S., Inc. No 3<sup>rd</sup> party prepared rate model would be completed.
- 2) The City can hire Arcadis U.S., Inc. for a cost of \$37,400.00 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 \$37,400.00. It will be charged to the City’s budget for line item 403-3401-534-31. The amount budgeted for this item is \$20,000. Staff will need to make a budget transfer from account number 403-3402-534-4600 in the amount of \$17,400.

**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 \$37,400.00