



MEMORANDUM

Date: May 7, 2026

To: Honorable Mayor and Commissioners

Via: Brian L. Barroso
City Manager

From: Matt Willman
Utilities Director

Subject: **Approval/Rejection of a Contract for Wastewater Services and Billing Agreement Between the Navy and the City of Key West for Navy Use of the Wastewater Infrastructure and Treatment Facility. File ID: 26-5225**

Introduction

Approval/Rejection of a Contract for Wastewater Services and Billing Agreement Between the Navy and the City of Key West for Navy Use of the Wastewater Infrastructure and Treatment Facility. The last agreement expired in 2016, City Staff & Navy personnel have been working together since that time to redevelop an agreement that serves the interest of both parties.

Background

On March 31, 1986 the City of Key West agreed to accept wastewater from the Navy's specific connection points for the use of Navy land on Fleming Key. This agreement reserved the Navy a 23% plant capacity for a 10-year contract with the option for 2 additional 10 year contracts ending in 2016. The Navy fees for sewer are derived from a formula that has components of wastewater flow, capital improvements at the plant, capital improvements at the lift stations, and repairs and rehabilitation.

Since the expiration of the contract in 2016 the City has had numerous communications with the Navy attempting to renegotiate the agreement. Their constant request has been to reduce their reserve capacity from 23% to 18% and/or to be charged like Key West civilian customers.

The City has explained why billing them for wastewater services as typical residential or commercial properties is not only impossible but impractical. The City has in place flow meters for Navy generated wastewater. Typical billing for other customers is derived from a percentage of potable water flows, the metered/billable flow to the Navy is much more accurate.

The parties agree to a current Capacity Reservation/Billing Rate of 23% until the end of FY2027, or until the current capital improvement project(s) established at 23% funding are complete. Upon completion of the project(s) funded at 23%, the rate applied to new projects, and similar projects not currently budgeted within the capital improvement plan will be adjusted to an 18% Capacity Reservation Rate. Accordingly, the Navy will relinquish 5% of its previously reserved wastewater treatment capacity at the WWTP.

Procurement

Depending on the amount of capital projects billed to the Navy, the City may experience an annual reduction in revenue from the Navy in the amount of \$100,000 to \$150,000, commencing October 1, 2027.

However, the 5% capacity surrendered by the Navy holds value to the City, as it may be utilized to accommodate additional system connections. In the event this 5% capacity is utilized by civilian users, the corresponding increase in the City's available reserve capacity may represent an estimated revenue of approximately \$1,100,000 annually.

Recommendation

The City Manager's Office recommends the Mayor and Commission approve this resolution for a 10-year contract and billing agreement with the Navy, authorizing the City Manager to enter into a new billing agreement and execute necessary documents.

This effort aligns with the strategic plan initiative of Financial Stability.