



THE CITY OF KEY WEST

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MEMORANDUM

EXECUTIVE SUMMARY

TO: Jim Scholl, City Manager
E. David Fernandez, Asst. City Manager- Operations

FROM: Jay Gewin, Utilities Manager

DATE: March 10, 2011

SUBJECT: **Approval of Task Order 01-2011-SWR for FY 2012 Wastewater Rate Study by Malcolm Pirnie, Inc. in the Amount of \$19,750.00**

Action statement:

This resolution will approve Task Order 01-2011-SWR for Malcolm Pirnie/Red Oak Consulting in the amount of \$19,750 to provide a rate study preparation of the City's wastewater billing. The agreement is executed pursuant City Code 2-841, and the City's contract with Red Oak Consulting (a division of Malcolm Pirnie - City Commission Resolution # 09-137).

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 models. We have worked with staff from Malcolm Pirnie/Red Oak Consulting over the last several years for our rate model, so the firm has good knowledge of our City and our sewer capital improvement plan. The fee for this service has not increased and will remain at the same as FY 2011.

Purpose and Justification:

Malcolm Pirnie/Red Oak Consulting will prepare a rate model as described in the attached scope of work:

- *Update Billing Information* – Malcolm Pirnie/Red Oak will incorporate the last 12 months of historical billing information and the forecast sewer usage over the forecast period as provided by the City.

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

- *Forecast of Revenues* – Upon loading the billing determinant information, Malcolm Pirnie/Red Oak will apply the existing sewer rates to forecast revenues.
- *Operating and Maintenance Expenses*– Malcolm Pirnie/Red Oak will incorporate the forecast of operating and maintenance expenses for FY 2012
- *Capital Improvement Program*– Malcolm Pirnie/Red Oak will incorporate the City's CIP to determine the financial implications of funding the plan over the forecast period.
- *Update the Cost Allocation Analysis* – The Malcolm Pirnie/Red Oak team will update the billing information necessary to determine the allocation of cost for the sewer system.
- *Update Navy Data*– Malcolm Pirnie/Red Oak will update the billing information on the total annual historical and projected sewer flows from the Navy to determine the projected Navy revenues over the forecast period.
- *Financial Plan* – The Malcolm Pirnie/Red Oak team will review the financial forecast to determine the appropriate financial plan which is necessary to maintain the financial viability of the sewer utility.
- *Present a Rate Recommendation* – The Malcolm Pirnie/Red Oak 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* – Malcolm Pirnie/Red Oak will provide the City with an updated sewer rate model along with a summary letter documenting any recommended sewer rate adjustments.

Options:

- 1) The City may opt to not award the task order with Malcolm Pirnie/Red Oak Consulting. No 3rd party prepared rate model would be completed, which would violate bond requirements.
- 2) The City can hire Malcolm Pirnie/Red Oak Consulting for a cost of \$19,750.00 to provide an independent rate study to give further credibility to our wastewater rate model and billing structure.

Financial Impact:

The maximum price for this task order will be \$19,750.00. It will be charged to the City's budget for line item 401-3501-535-31. This figure is within the amount we have budgeted for the rate model.

Recommendation:

Staff recommends option #2, the hiring of Malcolm Pirnie/Red Oak Consulting to perform a wastewater rate study for a price of \$19,750.00