

January 26, 2024

Matt Willman
City of Key West
1300 White Street
Key West, FL 33040

Subject: Proposal for preparing the FY 2024-25 update to the stormwater fee projections

Dear Mr. Willman

At your request, Raftelis Financial Consultants, Inc. (“Raftelis”) is pleased to provide the City of Key West (“City”) with this proposal for preparing the FY 2024-25 update to the Stormwater Fee Study.

Scope of Work

Raftelis will update the City’s Stormwater Fee Model to complete the engagement detailed herein. The Stormwater Fee Model will be updated in Microsoft Excel using information from the City’s existing model and information provided by the City to prepare revenue forecasts, operating and capital cost projections, and to develop the appropriate fee increase recommendation required for FY 2024-25. In addition, we will prepare a five-year forecast of stormwater fees for the period starting in FY 2024-25 and ending in FY 2028-29 for planning purposes. The following specific tasks will be completed:

1. Initial Kickoff Meeting

Raftelis will facilitate an initial kickoff meeting held via teleconference to discuss current situations that may impact the financial projections or stormwater fee considerations.

2. Update Billing Information

Upon receiving stormwater customer and equivalent stormwater unit (ESU) data, we will prepare a forecast of stormwater billing units over the forecast period, review it with the City for reasonableness, and incorporate it into the City’s Stormwater Fee Model. We will rely on stormwater billing information provided by the City. The format of the billing information to be provided will be detailed in the Initial Data Request to be provided at the initiation of the engagement detailed herein.

3. Prepare Revenue Forecast

Upon incorporating the billing information into the Stormwater Fee Model, revenues under existing fees will be forecasted and calculated. These revenues will be compared to projected expenses to estimate the adequacy of existing fees and revenues to cover expenses. The revenue forecast will include a breakout and development of separate components of the stormwater fee for (1) assessments for service costs and (2) stormwater infrastructure improvements per §74-366 and §74-367 of the City’s municipal code. The fee for service costs will be designed to recover operations and maintenance costs, while the fee for stormwater improvements will be designed to fund the City’s capital investments into its stormwater system.

4. Prepare Forecast Operating and Maintenance Expenses

Raftelis will incorporate into the rate model the budgeted operating and maintenance (“O&M”) expenses for FY 2023-24 and FY 2024-25 as provided by the City for stormwater operation, maintenance, and

administrative-related expenses. A forecast of O&M expenses will be prepared for the five-year forecast period. Expenses will be escalated based on cost indices, such as the Engineering-News Record Construction Cost Index and the Consumer Price Index.

5. Incorporation of the Capital Improvement Plan

Raftelis will incorporate into the rate model the City’s capital improvement plan (“CIP”) as provided by the City to determine the financial implications of funding the plan over the forecast period. Historically, the City has funded a large portion of the CIP on a pay-as-you-go basis or with grants without the need for long-term debt financing. We will work with the City to incorporate the most appropriate funding approach into the rate model and will evaluate multiple CIPs and/or funding plans, as requested by the City.

6. Develop and Update Financial Plan

A baseline financial forecast and financial plan will be developed upon updating the Stormwater Fee Model with historical cost data and forecast assumptions. Using the rate model and draft financial plan, we will identify the rate revenues that are necessary to cover the anticipated Stormwater Fund revenue requirements over the five-year forecast period and will assess the ability of the City to maintain desired levels of cash reserves. Future revenue needs will be compared against the annual limits on annual user fee increases as contained within § 74-387 of the City’s municipal code.

7. Present Rate Recommendation

Raftelis will present the proposed financial plan and stormwater fee recommendations to the City Commission for their consideration and be available to answer stormwater fee-related questions. Participation at one City Commission meeting has been budgeted.

8. Document the Rate Recommendation and Provide Updated Rate Model

We will document the stormwater fee recommendations in a Microsoft PowerPoint presentation that will be provided to the City Commission. In addition, we will provide the City with the updated Stormwater Fee Model at the completion of the project.

Schedule and Budget

The work will be completed in an expedited time frame that corresponds with the City’s budget adoption process. Raftelis proposes to complete this scope of work on a lump sum basis for a fixed fee of \$24,790. Our budget estimate is detailed in the table below.

Description	Rate	Hours	Total
Principal Consultant	\$400	24	\$9,600
Manager	\$285	24	\$6,840
Associate Consultant	\$185	40	\$7,400

Administrative Support	\$100	2	\$200
Other Direct Costs (travel, postage, printing, supplies, etc.)			\$750
Total			\$24,790

Thank you for the opportunity to continue to provide financial consulting services to the City. If you need any additional information or have any questions regarding this proposal, please contact me at 518-391-8944.

Sincerely,



John Mastracchio, CFA
Executive Vice President