



THE CITY OF KEY WEST

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MEMORANDUM

EXECUTIVE SUMMARY

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

FROM: Jay Gewin, Utilities Manager

DATE: March 10, 2011

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

Action statement:

This resolution will approve Task Order 01-2011-STM for Malcolm Pirnie/Red Oak Consulting in the amount of \$19,750 to provide a rate study preparation of the City's stormwater 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, solid waste, and stormwater accounts. This study will provide an independent analysis of our stormwater rate model.

For several years, staff from Malcolm Pirnie/Red Oak Consulting have been helpful in assisting the City's preparation of its stormwater budget. They have solid knowledge of our fee structure and capital improvement plan for stormwater. Staff from Malcolm Pirnie/Red Oak has also assisted in our past budget presentations to the City Commission.

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 forecast stormwater usage.
- *Forecast of Revenues* – Upon loading the billing determinant information, Malcolm Pirnie/Red Oak will apply the existing stormwater 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.
- *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 stormwater 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 stormwater rate model along with a summary letter documenting any recommended stormwater 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.
- 2) The City can hire Malcolm Pirnie/Red Oak Consulting for a cost of \$19,750 to provide an independent rate study to give further credibility to our stormwater rate model and billing structure.

Financial Impact:

The maximum price for this task order will be \$19,750.00. This figure is within the City's budget for the rate model found in line item 402-3801-538-31

Recommendation:

Staff recommends option #2, the hiring of Malcolm Pirnie/Red Oak Consulting to perform a stormwater rate model study for FY 2012 for a cost of \$19,750.