

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 solid waste rate/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 Solid Waste Rate/Fee Study.

Scope of Work

Raftelis will update the City’s Solid Waste Rate/Fee Model to complete the engagement detailed herein. The Solid Waste Rate/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 Solid Waste Rates/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 solid waste fee considerations.

2. Update Billing Information

Raftelis will incorporate the last 12 months of historical billing information and prepare a forecast of solid waste customers and waste volumes over the forecast period for inclusion into the existing Solid Waste Rate Model. Upon receiving the historical solid waste customer and volume data, we will prepare the forecast, review it with the City for reasonableness, and incorporate it into the City’s Solid Waste Rate Model.

We will rely on solid waste billing information provided by the City that breaks out tons of solid waste by customer class (e.g., residential units, Navy residential, commercial + Navy, and other haulers), city facilities, recycling, non-billable sources (e.g., public housing and exempt residential units), and other miscellaneous sources, such as construction debris recycling to calculate the cost justified rate per residential dwelling and the cost justified tipping fee per ton.

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 and we will work with the City to use the best data available.

3. Prepare Revenue Forecast

Upon incorporating the billing information into the Solid Waste Rate Model, forecasted revenues under existing rates will be calculated. These revenues will be compared to projected expenses to estimate the adequacy of existing rates and revenues to cover expenses.

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 collection-, recycling-, disposal-, 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, the Bureau of Labor Statistics Water, Sewer, and Trash 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. 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 Solid Waste Rate 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 Solid Waste Fund revenue requirements over the five-year forecast period and will assess the ability of the City to maintain its desired levels of cash reserves. In addition, we will identify the solid waste rates and rate adjustments that may be necessary to maintain a sound financial position. Additional financial plan scenarios will be developed for City consideration at its request. Future revenue needs will be compared against the annual limits on annual user rate and fee increases as contained within § 58-67 of the City’s municipal code.

7. Present Rate Recommendation

Raftelis will present the proposed financial plan and solid waste rate recommendations to the City Commission for their consideration and be available to answer solid waste rate-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 solid waste rate recommendations in a Microsoft PowerPoint presentation that will be provided to the City Commission. In addition, we will provide the City with the updated Solid Waste Rate 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