



MEMORANDUM

Date: May 7, 2026

To: Honorable Mayor and Commissioners

Via: Brian L. Barroso
City Manager

From: Matt Willman
Utilities Director

Subject: **Approving the Exceptional Circumstance Procurement for Three (3) Proposals from Raftelis Financial Consultants, Inc. to Generate Utility Rate Models for Fiscal Year 2027 (File ID: 26-5342)**

Introduction

This resolution approves the procurement of professional services under an exceptional circumstances exemption, whereby the City Manager authorized and executed three (3) proposals from Raftelis Financial Consultants, Inc., each in the amount of \$26,960.00, for the preparation of utility rate models for the Fiscal Year 2026/2027 budget, for a total amount not to exceed \$80,880.00.

Background

Per Section 74 of the Code of Ordinances, the City of Key West has procedures for establishing rates for utility services which include: wastewater, storm drainage and solid waste. The rates are reviewed and updated annually by city staff. As part of the review process, rate models are developed as an analytic tool. The subsequent rate models ultimately inform staff of the most appropriate utility rates for the end user. These models consider a proposed budget, historical data, inflation, and future capital needs to provide forecasts that ensure the public utilities will maintain assets and proper operations for future years. Utility rate models are complex, lengthy, and time consuming. Current staffing is not adequate to prepare both budgets and rate models at the level of expertise made available by our financial consultants.

Staff proposes issuing three (3) task orders to Raftelis Financial Consulting, Inc. (Raftelis) for the development of wastewater, storm drainage and solid waste rate models. City staff has worked with John Mastracchio, Vice President of Raftelis for over 14 years in developing our rate models. He has historical knowledge of our City and our utility capital improvement plan which is beneficial by mitigating the amount of staff time needed for this effort. Mr. Mastracchio also has an extensive background in the utilities financial standards for the industry. Raftelis will prepare rate models as described in the attached scope of work:

- Update Billing Information -Raftelis will incorporate the last 12 months of historical billing information and the forecast anticipated usage.
- Forecast of Revenues - Upon loading the billing determinant information, Raftelis will apply the existing utility rates to forecast revenues.
- Operating and Maintenance Expenses- Raftelis will incorporate the forecast of operating and maintenance expenses for FY 2027
- Capital Improvement Program- Raftelis will incorporate the City's CIP to determine the financial implications of funding the plan over the forecast period.
- Financial Plan - The Raftelis team will review the financial forecast to determine the appropriate financial plan which is necessary to maintain the financial viability of the utilities.
- Present a Rate Recommendation - The Raftelis 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 - Raftelis will provide the City with updated rate models along with a summary letter documenting any recommended utility rate adjustments.

Historically, rate model costs ranged from \$19,500 in 2015 up to \$26,030 per model in FY 2025. The proposals for this FY from Raftelis are \$ 26,960 each, Staff believe the proposed costs to be fair and reasonable.

Pursuant to Section 2-797(4)(b) of the City of Key West Code of Ordinances, exempt contractual services and commodities may be excluded from the competitive procurement requirements when, in the opinion of the City Manager, exceptional circumstances exist and such exemption is determined to be in the best interests of the City. In such cases, the City Manager is required to place a resolution before the City Commission seeking approval of the exemption.

In this instance, staff is recommending that the City utilize this exemption to authorize the issuance of three proposals to Raftelis Financial Consulting, Inc. for the development of the City's wastewater, storm drainage, and solid waste rate models. Due to the time-intensive nature of preparing, advertising, and evaluating a formal competitive solicitation, staff does not have sufficient time to complete an RFP process and still ensure the rate models are prepared in time to support the City's upcoming budget and rate review cycle. Given the complexity of the utility rate modeling process, the need for continuity, and the importance of timely completion, staff believes it is in the best interest of the City to proceed with Raftelis on an exempt basis for this immediate effort.

Staff further notes that the City intends to formally solicit these services in the near future through a competitive procurement process to ensure long-term compliance, transparency, and market participation for future rate modeling needs.

Procurement

Both Utilities and Finance staff have worked with Mr. Mastracchio for over a decade and believe his knowledge of the Utilities budget and the City's Municipal Code provide superior support and greatly reduces the burden on staff.

Each proposal is in an amount not to exceed \$26,960 per proposal. The Utilities Department staff budgeted in FY 2026/27 Professional Services: \$170,875 in Account 401-3504-535-3100 (Sewer Fund), \$72,500 in Account 402-3801-538-3100 (Stormwater Fund), and \$43,000 in Account 403-3401-534-3100 (Solid Waste).

Recommendation

The City Manager's Office recommends the Mayor and City Commission approve three (3) proposals from Raftelis Financial Consulting, Inc. in an amount not to exceed \$80,800 and authorize the City Manager to execute any necessary documents and budget transfers upon the consent of the City Attorney.

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