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January 16, 2013

Mr. Jay Gewin
Utilities Manager
City of Key West
P.O. Box 1409
Key West, FL 33041-1409

Subject: Request to Extend Financial Consultant Agreement

Dear Mr. Gewin:

As you are aware, CDM Smith presently has a Financial Consulting Agreement with the City of Key West dated July 22, 2009. The Agreement has a term of 3 years with 2 yearly renewal options maintained by the City. Last year the City exercised its first year option. CDM Smith is requesting the City to exercise its second option year. This extension will benefit the City in the following ways:

- The expiration of the Agreement would occur during the utility rate adoption period for the City. The possibility of having two rate consultants during the development and adoption of utility rates will not be economically efficient. Extending our Agreement will make this a moot issue.
- The City can defer, for up to two years, the expense and staff time required to conduct a procurement process for replacement Financial Consultant(s).
- The billing rates currently in effect under the existing agreement will remain in effect. Entering into new agreements will likely cost the City more money because the private sector, to remain competitive in the labor market place, has had to give employees raises even in these economic hard times. Consequently, new Agreements will likely include higher billing rates.

CDM Smith respectfully requests that the City grant the second one year extension, in accordance with Section 6.1 A, of our current Agreement with the City, so that we may continue to provide the high level of financial consulting service and expertise that the City receives and has come to expect from CDM Smith.

Very truly yours,

Daniel E. Strobridge, QEP
Vice President
CDM Smith, Inc.

cc: Dan Anderson, CDM Smith

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