



THE CITY OF KEY WEST

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MEMORANDUM

TO: Jim Scholl, City Manager

CC: Greg Veliz, Assistant City Manager - Operations
Sarah Spurlock, Assistant City Manager - Admin

FROM: John Paul Castro, Utilities Director

DATE: February 23, 2016

SUBJECT: Amending the Contract for Wastewater Services between the Navy and the City of Key West to Extend Current Terms and Conditions through September 30, 2016

Action Statement: City Staff requests amending the current Navy wastewater service contract to extend it to the end of the fiscal year 2016.

Background:

On March 31, 1986 the City of Key West agreed to accept wastewater from the Navy's specific connection points for the use of Navy land on Fleming Key. This agreement reserved the Navy a 23% plant capacity for a 10 year contract with the option for 2 additional 10 year contracts.

The Navy charges for sewer are derived from a formula that has components of wastewater flow, capital improvements at the plant, capital improvements at the lift stations, and repairs and rehabilitation.

Purpose and Justification:

The City has been in discussions with the Navy since October 2015 to review the current wastewater contract and negotiate a new term prior to the current terms expiration. On February 5th, 2016 the Navy responded with a request to renegotiate a wastewater contract that aims at charging the Navy fees "more in line with other customers" and are requesting to be treated as the City's other "best customers."

Due to the timing of the request for a restructured contract and the City's simultaneous assessment to accept wastewater flows from Key Haven via FKAA, extending the contract would allow the City to prepare bulk user agreement for both users.

Rate models and budgets for past years have used the current Navy wastewater revenues and billing structure to predict future capital needs. Extending the contract will allow a full budget year of revenues. This is advantageous to the City as staff can work through FY17 rate models with anticipation of the Navy and FKAA future

Key to the Caribbean – Average yearly temperature 77° F.

revenues.

Attached is the e-mail from contracting office, NAVFAC-SE, Chris McLaughlin who requests the restructuring of the Navy's wastewater contract with the understanding the best course of action is to extend the current contract to the end of the fiscal year allowing both parties sufficient time to work out an agreement.

The contract shall be extended pursuant to the same terms and conditions as the original contract, contract extensions, and associated amendments.

Financial Impact:

Revenue for Fund 401 would be consistent with charges calculated from the current contract.

Recommendation:

Staff recommends amending the Navy's Wastewater Service contract to extend the term from March 31, 2016 until September 30, 2016 pursuant to the terms and conditions of the current contract.