




MEMORANDUM

Date: March 14, 2024

To: Honorable Mayor and Commissioners

Via: Albert P. Childress
City Manager 

From: Kelly Crowe, P.E.
Utilities Director

Subject: **24-5483 Approval of Three (3) Proposals from Raftelis Financial Consultants, Inc. for Utility Rate Models**

Introduction

Staff requests authorizing the City Manager to execute three (3) proposals from Raftelis Financial Consultants, Inc. to prepare utility rate models for the Fiscal Year (FY) 2024/25 budget in an amount not to exceed \$74,370.00 pursuant to Code of Ordinances 2-797 (4)(b), exempt purchase from competitive bid requirements for the best interest of the city.

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 12 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 2025
- 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 have ranged from \$19,500 in 2015 up to \$23,100 per model in FY 2019/20. The proposals for this FY from Raftelis are \$ 24,790 each. Staff believes the proposed costs to be fair and reasonable.

Procurement

Staff believes exceptional circumstances exist that qualify this purchase as exempt from competitive procurement pursuant to Section 2-797(4)(b) of the Code of Ordinances. John Mastracchio of Raftelis, formally of Arcadis U.S., Inc. has the most experience and expertise with the City of Key West utility rate models. 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 \$24,790 per proposal. The Utilities Department staff budgeted in FY 2023/24: \$25,000 in Account 401-3504-535-3100 (Sewer Fund), \$25,000 in Account 402-3801-538-3100 (Stormwater Fund), and \$25,000 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 \$74,370.00 and authorize the City Manager to execute any necessary documents and budget transfers upon the consent of the City Attorney.