

March 27, 2023

Matt Willman
City of Key West
1300 White Street
Key West, FL 33040

RE: Proposal for Preparing the FY 2023-24 Update to the Stormwater Fee Study

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 2023-24 update to the Stormwater Fee Study.

Scope of Work

Raftelis will update the City’s Stormwater Fee Model to complete the engagement detailed herein. The Stormwater 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 rate increase recommendation required for FY 2023-24. In addition, we will prepare a five-year forecast of Stormwater Fund rates for the period starting in FY 2023-24 and ending in FY 2027-28 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 stormwater fee considerations.

2. Update Billing Information

Raftelis will incorporate the last 12-months of historical billing information and prepare a forecast of stormwater customers and billing units over the forecast period for inclusion into the existing Stormwater Fee Model. Upon receiving stormwater customer and equivalent stormwater unit (ESU) data, we will prepare a forecast of stormwater billing units over the forecast period, review it with the City for reasonableness, and incorporate it into the City’s Stormwater Fee Model.

We will rely on stormwater billing information provided by the City. 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.

3. Prepare Revenue Forecast

Upon incorporating the billing information into the Stormwater Fee Model, revenues under existing fees will be forecasted and calculated. These revenues will be compared to projected expenses to estimate the adequacy of existing fees 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 2022-23 and FY 2023-24 as provided by the City for stormwater operation, maintenance, 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 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. Historically, the City has funded a large portion of the CIP on a pay-as-you-go basis or with grants without the need for long-term debt financing. We will work with the City to incorporate the most appropriate funding approach into the rate model.

6. Develop and Update Financial Plan

A baseline financial forecast and financial plan will be developed upon updating the Stormwater Fee 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 Stormwater Fund revenue requirements over the five-year forecast period and will assess the ability of the City to maintain desired levels of cash reserves. In addition, we will identify the stormwater 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.

7. Present Rate Recommendation

Raftelis will present the proposed financial plan and stormwater fee recommendations to the City Commission for their consideration and be available to answer stormwater fee-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 stormwater fee recommendations in a summary report, which will be in the form of a Microsoft PowerPoint presentation that will be provided to the City Commission. In addition, we will provide the City with the updated Stormwater Fee Model at the completion of the project.

Schedule and Budget

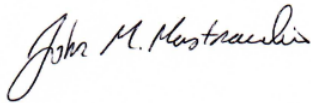
The work will be completed in an expedited time frame that corresponds with the City’s budget adoption process. Raftelis proposes to complete this scope of work on a lump sum basis for a fixed fee of \$22,750. Our budget estimate is detailed in the table below.

<u>Description</u>	<u>Rate</u>	<u>Hours</u>	<u>Total</u>
Principal Consultant	\$360.00	24	\$8,640
Manager	\$260.00	24	\$6,240
Associate Consultant	\$175.00	40	\$7,000
Administrative Support	\$90.00	2	\$180
Other Direct Cost (travel, postage, printing, supplies, etc.)			<u>\$690</u>
Total			\$22,750

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.

Very truly yours,

RAFTELIS FINANCIAL CONSULTANTS, INC.



John M. Mastracchio, CFA
Executive Vice President

CC:

Philip Sapone (Raftelis)