



MEMORANDUM

Date: July 1, 2026

To: Honorable Mayor and Commissioners

Via: Brian L. Barroso
City Manager

From: Matt Willman
Director of Utilities

Subject: **Approving the 1st Amendment to the Interlocal Agreement (ILA) with Monroe County (County) Supporting the “Certification Capability for Perpetual Operation & Maintenance Costs” for the Flagler Avenue Road Resiliency and Adaptation Project (File26-5552)**

Introduction

Approving the 1st Amendment to the ILA with Monroe County Supporting the “Certification Capability for Perpetual Operation & Maintenance Costs” for the Flagler Avenue Road Resiliency and Adaptation Project.

Background

Monroe County has undertaken the Flagler Avenue Road Resiliency and Adaptation Project. The project includes design and construction improvements to the Flagler Avenue roadway and the stormwater drainage system servicing Flagler Avenue and is intended to reduce roadway flooding and improve stormwater management along the Flagler Avenue corridor during tidal events and significant rainfall events. Portions of the stormwater drainage system will be located within a City owned parcel and in City right-of-way.

In order to establish the roles and responsibilities for the project, the County and the City have entered into an Interlocal Agreement (ILA). The City agrees to the following 1st amendment to the ILA.

- This project will require long-term operations and maintenance; Monroe County is requesting that the City of Key West agree to take on long-term operations and maintenance and associated costs of the stormwater system once it is constructed.

Procurement

The 1st amendment to the ILA is an agreement by the City to execute the “Certification Capability for Perpetual Operation & Maintenance Costs”. The ILA helps support the County’s application for grant funding opportunities through the Florida Division of Emergency Management (FDEM) Hazard Mitigation Grant Program (HMGP) program by showing an operational funding stream upon completion, and in future years.

The Utilities Dept has engaged with financial consultant Raftelis to develop a Stormwater Rate Model scenario using existing pump station operational costs to project future costs and annual rate increases to operate the enhanced drainage system. The projected cost increase to the utility is +/- \$900,000/year once the system reaches five years old (2032). Staff anticipates implementing phased stormwater rate adjustments following construction, beginning with an increase sufficient to generate approximately \$180,000 annually and gradually increasing to support the projected annual operating cost of approximately \$900,000 by 2032.

As the stormwater utility customer base grows and revenues increase over time, annual rate adjustments may be reduced to levels more closely aligned with inflationary increases.

Below are the projected Operational and Capital costs for three years out following construction based on the scenario prepared by Raftelis. These estimates are preliminary planning-level projections, and actual costs may vary.

Infrastructure Cost Items	Yr 1 (2028)	% increase	Yr 2 (2029)	% increase	Yr 3 (2030)	% increase
O&M Costs						
Ongoing New PSs O&M (2)	\$185,354		\$370,708		\$556,062	
New Wells Cleaning (15)			\$120,000.00		\$300,000	
New Wells Rehab (15)	\$11,595		\$11,595		\$11,595	
New Outfalls (2)					\$10,000	
New Storm Sewers (2 miles)	\$13,318.17		\$13,318.17		\$13,318.17	
Total O&M Cost	\$210,267	4.5%	\$515,621	13%	\$1,127,657	25%
Capital Costs						
PS Pump Replacement	\$0.00		\$0.00		\$260,000	
Rate Model Scenario		+5%		+18%		+12%

Approval of this amendment does not create an immediate financial obligation. However, if the project is funded and constructed, the City will assume responsibility for future operation, maintenance, rehabilitation, and replacement costs associated with the stormwater infrastructure.

Recommendation

The City Manager's Office recommends the Mayor and Commission approve the 1st amendment to the ILA with Monroe County to provide support for the Flagler Avenue Road Resiliency and Adaptation Project by approving the "Certification Capability for Perpetual Operation & Maintenance Costs". This item supports the City's strategic agenda priority of 1. Infrastructure, 2. Financial Stability; and 3. Climate Adaptation.

Any future stormwater rate adjustments require Commission approval through the annual budget process following public notice and public hearings as required by City ordinance. It is critical that the approval of the amendment is fully understood. There may be a scenario when the public voices opposition to the proposed rate increase of a specific year. Approval of this amendment represents the City's commitment to providing the operational funding necessary to maintain the infrastructure if constructed. Future Commissions would need to identify sufficient funding sources, which may include stormwater utility rate adjustments, to satisfy those obligations.

While the amendment commits the City to future operation and maintenance responsibilities, participation in the project supports community flood mitigation, climate resiliency, and long-term infrastructure improvements requiring a future financial commitment of the City.

