



## THE CITY OF KEY WEST

Post Office Box 1409 Key West, FL 33041-1409 (305) 809-3700

# EXECUTIVE SUMMARY

**TO:** Jim Scholl, City Manager  
E. David Fernandez, Asst. City Manager - Operations

**FROM:** Jay Gewin, Utilities Manager

**DATE:** October 27, 2011

**RE: Approval of a 1-Year Contract Extension with Malcolm Pirnie/Red Oak Consulting to Serve as Financial Consultants to the City.**

### ACTION STATEMENT:

This resolution will approve a one year extension to the City's financial services consulting contract with Malcolm Pirnie/Red Oak Consulting). The City Commission approved the original 3-year contract via City Commission Resolution 09-137.

The duration of this contract is three years, with an option, maintained by the City, to renew the contract on a yearly basis for up to two years. This would represent the first of the two one-year extensions allowed by the contract.

### BACKGROUND:

The City has a need of financial consulting services to assist us as we create our rate models for utility budgets in sewer, stormwater, and solid waste. Financial consulting firms help staff analyze rates, revenues, capital expenditures, budgetary planning, projections, along with other tasks. They also assist with the utility budget presentations to the City Commission.

A Financial consulting firm under contract can also assist the City if there is a need for consulting in areas such as capital financing support, financial and compliance reporting support, special rate determination assistance (stormwater), and operations benchmarking.

As the City has multiple projects of all sizes and disciplines simultaneously, it typically contracts with multiple consultants to handle the workload.

Staff has reviewed the performance of Malcolm Pirnie/Red Oak Consulting, and determined that they are a qualified financial consultant with a beneficial historical

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

MEMORANDUM

knowledge of City budgeting and operations. The City Commission selected this firm from a shortlist at its May 19, 2009 meeting, and authorized a contract to be negotiated. The contract was approved in June, 2009.

## **PURPOSE AND JUSTIFICATION**

This consultant has unique expertise in financial areas that can provide very beneficial information and knowledge for the City as we move forward on our annual utility budgets and other financial needs. Malcolm Pirnie/Red Oak Consulting can also provide resources and manpower to meet tight budgetary schedules.

Malcolm Pirnie/Red Oak Consulting has staff with experience working with City utility budgets in the past. This background knowledge facilitates the completion of the rate model in a timely fashion. Additionally, the City's sewer bonds require us to use a financial consultant in the creation of that utility's rate model.

## **OPTIONS / ADVANTAGES / DISADVANTAGES:**

1. The City Commission can decline hiring financial consultants. This option is not recommended by staff. Utilizing consulting contracts with multiple firms has been one of the key ingredients in the City's ability to complete multiple large and small tasks simultaneously. Without the assistance of a financial consultant, the amount of City staff time required to complete the utility rate models independently would greatly inhibit our ability to manage other projects running concurrently.
2. The City Commission can approve this contract extension Malcolm Pirnie/Red Oak Consulting. Having several firms on contract assures that plenty of qualified resources are available regardless of project size or scope, without having to advertise a separate RFQ for every individual project. This makes project management much more efficient for the City saving much time, resources and money. It also provides the City with financial expertise in utility rate models that is of tremendous benefit.
3. The City can go out for bid for financial services consulting. This option is not recommended by staff, as the existing contract allows for two one-year extensions at the City's discretion. Staff is pleased with the level of service we have received in the past for financial consulting with Malcolm Pirnie/Red Oak Consulting, and believes that the City is best served extending the existing contract for another year.

## **FINANCIAL IMPACT:**

Although there is no direct cost related to contracting this firm, having multiple firms under contract has helped the City complete projects in a timely manner. No tasks or minimum amount of work will have to be assigned under the contract. The cost of services for any particular project will be based on the amount of effort to complete the task assigned and the contract Per Diem Rates.

In past years, the utility rate models for sewer, stormwater, and solid waste have each been below \$20,000. Any task order created for one of these financial consultants that would surpass \$20,000 would require approval from the City Commission. Other task orders will be budgeted within whichever City Department that may be seeking financial consulting assistance.

Staff has analyzed the hourly rates that Malcolm Pirnie/Red Oak Consulting will be billing the City, and have determined that they are reasonable rates for the industry.

**RECOMMENDATION:**

Staff recommends that the City Commission select option 2, the approval of a one year extension to the City's financial consulting contract with Malcolm Pirnie/Red Oak Consulting.