



MEMORANDUM

Date: June 4, 2026

To: Honorable Mayor and Commissioners

Via: Brian L. Barroso
City Manager

From: Matt Willman
Utilities Director

Subject: **An Ordinance of The City of Key West, FL, Amending Chapter 74 of The Code of Ordinances, Entitled, “Utilities”, Article II “Sanitary System” Division 5 “Service Rates, Charges, Billing Procedure”, Subdivision II “Monthly Rates and Charges”, Section 74-246 “Annual Sewer Rates, Charges and Components” (a), (b) and (e), and Section 74.202 Other Charges (1: a-e). Providing For Severability; Providing for Repeal of Inconsistent Provisions; Providing for an Effective Date. File ID: 25-5472**

Introduction

The proposed amendments are adjusting the consumer price index from CPI-(U) to CPI-(WST) used to annually adjust the monthly base charge unit (BCU) and proportional use charge (flow) to align with industry specific escalators related to Water, Sewer, and Trash services. Also reducing the average residential monthly wastewater production BCU from 3,600gal to 3,400gal. And to adjust other sewer charges that have not been modified since 1986.

Background

Operational costs associated with providing sewer, stormwater, and solid waste services continue to increase annually. The City currently uses the Consumer Price Index for all Urban Consumers (CPI-U) to calculate the annual rate increase for annual sewer rates. CPI-U measures broad consumer inflation across all sectors of the economy and does not accurately reflect the specialized operational costs associated with utility services, such as contracted maintenance, equipment, fuel,

disposal, and infrastructure-related expenses. It is recommended to transition to Consumer Price Index Water, Sewer, Trash (CPI-WST) as it specifically tracks inflation related to utility and sanitation services and therefore more closely aligns with the City's actual sewer operational expenses. Long term City contracts for sewer, water and trash services use CPI-WST to calculate the annual rate increase paid to contractors. It is in the City's best interest to use the CPI-WST to calculate stormwater rate changes. Without an annual rate adjustment based on the actual cost of service infrastructure cannot be properly maintained or improved and in some instances a reduction in services may be necessary.

Also, annual rate modeling has indicated the residential average flow per BCU has declined over the last five years, with a 5-year average of 3,312. This trend will continue to be monitored and adjusted when appropriate in the future. It is fiscal responsibility to reduce the currently utilized BCU of 3600 to 3400 for the calculation of commercial usage. The reduction will have no impact on the residential consumer, and minor impact on commercial users.

Procurement

This amendment will promote an accurate and equitable annual increase to all users, more noticeably the commercial sewer rate. And assist in earlier budget preparation by moving the CPI calculation to May from June as the ordinance currently states.

The increase to CPI-WST from CPI-U is about 1.4% higher and could increase revenue by +/- \$190,674 for fy2027.

The "other charges" fee increases are not a large balance within the fund, but the proposed average increase of 400% to present day values, will fairly compensate the City for said services provided.

Recommendation

The City Manager's Office recommends the Mayor and Commission approve the first reading of the Ordinance; Amending Chapter 74 of The Code of Ordinances, Entitled, "Utilities", Article II "Sanitary System" Division 5 "Service Rate, Charges, Billing, Procedure" Subdivision II "Monthly Rates and Charges" Section 74-246 "Annual Sewer Rates, Charges and Components" (a), (b) and (e), and Section 74.202 Other Charges (1:a-e) as proposed, authorizing the City Manager to execute all documents upon the review and consent of the City Attorney. This effort aligns with the strategic plan initiative of Financial Stability.