



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 Article V, Stormwater Utility System of The Code of Ordinances, Section 74-387 “Equivalent Stormwater Unit (ESU) Rate” Amending the CPI Escalator from CPI-U to CPI-WST (as of May) Providing for Severability; Providing for Repeal of Inconsistent Provisions; Providing for an Effective Date, File ID: 26-5473**

Introduction

The proposed amendment is intended to revise the consumer price index used to annually adjust the CPI escalator from CPI-U to CPI-WST to align with actual cost of services related to a stormwater Utility. And to adjust the month that said CPI to be calculated from June to May.

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 the non-ad valorem stormwater assessment. 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 stormwater 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.

Procurement

Historically, CPI-WST has averaged approximately 1.5% higher than CPI-U, which would generate an estimated additional \$58,488 annually beginning in FY2027. This adjustment would help the City more accurately recover increasing stormwater operational and maintenance costs. In addition, changing the CPI calculation month from June to May will allow staff to incorporate finalized rate calculations earlier in the annual budget development process.

Recommendation

The City Manager's Office recommends approval of the first reading of the ordinance amending Chapter 74, Article V, Section 74-387 of the Code of Ordinances to replace CPI-U with CPI-WST as the annual escalator index for the Stormwater Utility assessment and to revise the calculation month from June to May as proposed, authorizing the City Manager to execute all documents upon the review and consent of the City Attorney. These amendments will provide a more accurate reflection of utility-related cost increases, improve budget forecasting, and support the long-term financial stability of the Stormwater Utility Fund and align with the strategic plan initiative of Financial Stability.