



## THE CITY OF KEY WEST

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# EXECUTIVE SUMMARY

**TO:** Bogdan Vitas, City Manager  
E. David Fernandez, Asst. City Manager

**FROM:** Jay Gewin, Utilities Manager

**DATE:** February 9, 2014

**SUBJECT:** **Approval of Task Order 02-2014-STM for FY 2015  
Stormwater Rate Study by Arcadis/Red Oak Consulting in  
The Amount of \$19,750.00**

### Action statement:

This resolution will approve Task Order 02-2014-STM for Arcadis/Red Oak Consulting in the amount of \$19,750 to provide a rate study preparation of the City's stormwater billing.

The agreement is executed pursuant City Code 2-841, and the City's contract with Red Oak Consulting (a division of Arcadis, which purchased Malcolm Pirnie - City Commission Resolution # 09-137 and extended through Resolution 13-053)

### Background:

The City has established rate models for billing for our wastewater, solid waste, and stormwater accounts. This study will provide an independent analysis of our stormwater rate model.

For several years, staff from Arcadis/Red Oak Consulting have been very helpful in assisting the City's preparation of its stormwater budget. They have solid knowledge of our fee structure and capital improvement plan for stormwater, as well as a background in utility financial standards for the industry. Staff from Arcadis/Red Oak have also assisted in our past budget presentations to the City Commission. The price for this task order has not changed since their work for FY 2011.

The City's original contract for financial consulting services was with Red Oak Consulting, who originally was a subsidiary of Malcolm Pirnie, Inc. Malcolm

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

MEMORANDUM

Pirnie was subsequently purchased by Arcadis, with the Red Oak Consulting subsidiary still intact. The staff that has worked on the City's rate model in previous years therefore remains the same through the purchase of Malcolm Pirnie by Arcadis.

### **Purpose and Justification:**

Arcadis/Red Oak Consulting will prepare a rate model as described in the attached scope of work:

- *Update Billing Information* – Arcadis/Red Oak Consulting will incorporate the last 12 months of historical billing information and forecast stormwater usage.
- *Forecast of Revenues* – Upon loading the billing determinant information, Arcadis/Red Oak Consulting will apply the existing stormwater rates to forecast revenues.
- *Operating and Maintenance Expenses*– Arcadis/Red Oak Consulting will incorporate the forecast of operating and maintenance expenses for FY 2015
- *Capital Improvement Program*– Arcadis/Red Oak Consulting will incorporate the City's CIP to determine the financial implications of funding the plan over the forecast period.
- *Financial Plan* – The Arcadis/Red Oak Consulting team will review the financial forecast to determine the appropriate financial plan which is necessary to maintain the financial viability of the stormwater utility.
- *Present a Rate Recommendation* – The Arcadis/Red Oak Consulting team will present a rate recommendation to the City Commission and answer questions based on the financial plan decided by City staff.
- *Updated Rate Model and Recommendation* – Arcadis/Red Oak Consulting will provide the City with an updated stormwater rate model along with a summary letter documenting any recommended stormwater rate adjustments.

### **Options:**

- 1) The City may opt to not award the task order with Arcadis/Red Oak Consulting. No 3<sup>rd</sup> party prepared rate model would be completed.
- 2) The City can hire Arcadis/Red Oak Consulting for a cost of \$19,750 to provide an independent rate study to give further credibility and financial insight to our stormwater rate model and billing structure.

### **Financial Impact:**

The maximum price for this task order will be \$19,750.00. This figure is within the City's budget for the rate model found in line item 402-3801-538-31

### **Recommendation:**

Staff recommends option #2, the hiring of Arcadis/Red Oak Consulting to perform a stormwater rate model study for FY 2015 for a cost of \$19,750.