

Task Order: 03-2019-SWR
Sewer Rate Study for FY2020
City of Key West, Florida

1. Authorization to Proceed

The execution of this Task Order by the City of Key West, Florida (the “City”) or receipt of a purchase order for the compensation in the amount detailed in Section 6 will establish permission for Arcadis to proceed with the scope of work detailed herein.

The parties agree that the Task Order presented herein shall be performed based on the terms and conditions established in the Master Agreement to Furnish Financial and Other Consulting Service (“Master Agreement”) made effective on May 2015 between the City and Arcadis.

2. Scope of Work

Arcadis will utilize the City’s existing Sewer Rate Model to complete the engagement detailed herein. The Sewer Rate Model will be updated to reflect current revenue forecasts, operating and capital cost projections, and develop the appropriate rate increase recommendation required for FY 2020. Arcadis, with support from our subconsultant, Raftelis Financial Consultants, Inc., will prepare a 5-year forecast of Sewer rates for the period starting in FY 2020 and ending in FY 2024. The following Tasks will be completed:

2.1 Initial Kickoff Meeting

We will facilitate an initial kickoff meeting via teleconference to discuss the rate model changes anticipated to be made.

2.2 Update Billing Information

We will incorporate the last 12-months of historical billing information and the forecast of Sewer customers over the forecast period as provided by the City into the existing Sewer rate model. Upon receiving the forecast of Sewer customers over the forecast period, the forecast will be reviewed for reasonableness and will be incorporated into the City’s Sewer rate model.

We will rely on Sewer billing information provided by the City. The format of the billing information to be provided will be detailed in the Initial Data Request to be provided at the initiation of the engagement detailed herein.

2.3 Prepare Revenue Forecast

Upon incorporating the billing information into the Sewer rate model, forecasted revenues under existing rates will be calculated. The estimation of revenues under existing rates will provide an understanding of the expected levels of Sewer revenues under existing rates and an understanding of the expected levels of Sewer revenues based on the existing and future anticipated Sewer customers.

2.4 Forecast Operating and Maintenance Expenses

We will incorporate the budgeted operating and maintenance (“O&M”) expenses for FY 2019 and FY2020 as provided by the City. A forecast of O&M expenses will be prepared for the five-year forecast period. Expenses will be escalated based on cost indices, such as the Engineering-News Record construction cost index and the Consumer Price Index.

2.5 Incorporation of the Capital Improvement Plan

We will incorporate the City’s capital improvement plan (“CIP”) as provided by the City to determine the financial implications of funding the plan over the forecast period. Historically, the City has funded a large portion of the CIP on a pay-as-you-go basis or with grants without the need for long-term debt financing. Arcadis will work with the City to incorporate the most appropriate funding approach into the rate model.

2.6 Develop and Update Financial Plan

A baseline financial forecast and financial plan will be developed upon updating the Sewer rate model with updated historical cost data and forecast assumptions. The financial plan will identify the rate revenues required to cover the anticipated Sewer utility revenue requirements over the five-year forecast period, and will assess the ability of the City to meet its debt service coverage requirements, maintain acceptable levels of cash reserves. In addition, the financial plan will identify the Sewer rates and rate adjustments that may be necessary to maintain a sound financial position. Up to three financial plan scenarios will be developed for City consideration. Participation at one meeting at the City offices to review the updated financial plan with the City has been budgeted.

2.7 Present Rate Recommendation

We will present the proposed financial plan and Sewer rate recommendations to the City Commission for their consideration, and be available to answer Sewer rate-related questions. Participation at one City Commission meeting has been budgeted.

2.8 Document the Rate Recommendation and Provide Updated Sewer Rate Model

We will document the Sewer rate recommendations in a summary report, which will be in the form of a Microsoft PowerPoint presentation that will be provided to the City Commission. In addition, we will provide the City with an updated Sewer rate model at the completion of the project.

2.9 Limitation of the Scope of Work

In the completion of the rate study for the City, Arcadis is (a) not recommending any action regarding municipal financial products or the issuance of municipal securities; (b) is not acting as a registered municipal advisor to the City and does not owe a fiduciary duty to the City pursuant to Section 15B of the Securities Exchange Act of 1934, as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act, with respect to the information and material that will be prepared in connection with this scope of work. The City should discuss any information and material prepared in connection with this scope of work with any and all internal or external

registered municipal advisors that it deems appropriate before acting on this information and material.

3. Summary of Deliverables

The following deliverables are associated with this project.

- An initial kickoff meeting to discuss rate model changes for the upcoming fiscal year;
- An updated Sewer Rate Model;
- Meeting to review updated Sewer Rate Model; and
- A presentation of the Sewer Rate Study results to the City Commission.

We have assumed two trips to the City for (1) a meeting to review the updated model and (2) the presentation of the Sewer Rate Study results to the City Commission. If more than two visits to the City or additional analysis beyond the scope identified above is required and requested by the City, Arcadis will provide on a time and expense basis at an additional cost.

4. City Responsibilities

The City will provide the necessary data and information to complete this scope of work in a timely manner, including customer, financial, and CIP data, and any other information that may be deemed necessary to complete the study.

5. Schedule

It is anticipated that the work will be completed in an expedited time frame that corresponds with the City's budget adoption process.

6. Cost of the Project

Arcadis proposes to complete the rate study scope of work for a lump sum, fixed fee of \$23,100 including an allowance of \$1,600 for other direct costs. We will bill the City monthly based on the percent of project completion.

The budget estimate for this effort is summarized below:

Description	Rate	Hours	Total
Arcadis - Contract Management and Deliverable Review			
PM / Principal Consultant	\$295.00	8	\$2,360
Senior Consultant	\$185.00	16	\$2,960
Administrative Support	\$100.00	2	\$200
Other Direct Cost			\$650
(travel, postage, printing, supplies, etc.)			
Raftelis - Project Execution			
VP / Principal Consultant	\$295.00	30	\$8,850
Senior Consultant	\$205.00	34	\$6,970
Administrative Support	\$80.00	2	\$160
Other Direct Cost			\$950
(travel, postage, printing, supplies, etc.)			
Total			\$23,100

If this scope of work and cost estimate is acceptable to the City, please accept and sign this task order below, and provide an executed copy to Ms. Leah Richter at leah.richter@arcadis.com.

City of Key West

By: _____

Title: _____

Signature: _____

Date: _____

Arcadis

By: _____

Title: _____

Signature: _____

Date: _____