

ATTACHMENT A

1. Initial Capital Costs

1.1 The capital related costs of the Dennis Street Pump Station (“Pump Station”) shall include all costs related to planning, design, and construction of the Pump Station. The City of Key West (“City”) has represented that the total of these costs is estimated to be \$3,042,704. This amount represents the Initial Capital Cost of the Pump Station, which shall be apportioned between Monroe County (“County”) and the City.

1.2 The amount calculated as the Initial Capital Cost may be offset, or reduced, by the amount of grant monies obtained by the City for the sole purpose of, and whose monies are specifically restricted for use toward, the Pump Station. In such a circumstance, the total planning, design, and construction costs, minus the amount of applicable grant monies received by the City shall represent the Initial Capital Cost of the Pump Station, which shall then be apportioned between the County and the City.

1.3 The City represents that the total amount of grant monies whose use is specifically restricted to the Pump Station, and whose amount shall serve as an offset to the Pump Station’s planning, design, and construction related costs, is estimated to be \$982,094. Therefore, the Initial Capital Cost of the Pump Station shall be calculated as follows:

Planning, design and construction costs – Applicable grant funds = Initial Capital Cost

$$\$3,042,704 - \$982,094 = \$2,060,610$$

1.4 In the event that the actual cost of planning, designing, and constructing the Pump Station, or the amount of the applicable grant funds, differs from the amounts identified above, such amounts shall be adjusted to actual cost amounts.

1.5 The Initial Capital Cost shall be apportioned between the County and the City based on the proportional use of the Pump Station’s peak capacity by the County and the City, respectively. The peak stormwater flows attributable to the County and the City, as represented by the City, are as follows:

Peak stormwater flow attributable to County = 8.55 cubic feet per second (“CF/s”)

Peak stormwater flow attributable to City = 15.28 CF/s

Therefore, the proportional use of the Pump Station’s peak capacity shall be as follows:

$$\text{County portion} = 8.55 \text{ CF/s} \div (8.55 \text{ CF/s} + 15.28 \text{ CF/s}) = 35.9\%$$

$$\text{City portion} = 15.28 \text{ CF/s} \div (8.55 \text{ CF/s} + 15.28 \text{ CF/s}) = 64.1\%$$

1.6 The County’s proportional use of the Pump Station’s peak capacity shall be thirty-five-point-nine-percent (35.9%) and the County agrees to repay the City for thirty-five-point-nine-percent (35.9%) of the Initial Capital Cost of the Pump Station. Based on the cost estimates provided by the City, the County’s share of the Initial Capital Cost of the Pump Station is \$739,759, which has been determined according to the following calculation.

Initial Capital Cost × County portion = County share of Initial Capital Cost

$$\$2,060,610 \times 35.9\% = \$739,759$$

1.7 If the City elects to use grant funding whose purpose is at the discretion of the City, and whose funds are not specifically restricted for use toward the Pump Station, such grant monies shall not serve as an offset in the calculation of the County's share of the Initial Capital Cost. However, the City may use such funds to pay for its own share of the Initial Capital Cost.

1.8 County Payment of Initial Capital Cost:

The City shall substantiate all applicable Initial Capital Costs associated with the Pump Station and provide such cost substantiation to the County. The Initial Capital Cost apportioned to the County shall be paid to the City by the County upon substantial completion of the construction of the Pump Station and within 45 days of the County's receipt of cost substantiation documentation from the City.

2. Capital Repair and Replacement Costs:

2.1 From time-to-time over the service life of the Pump Station, certain capital repairs and/or replacements may be needed. The decision to undertake repair and/or replacement work on the Pump Station shall be at the sole discretion of the City. The City shall notify the County at the earliest time practicable that the City will incur Capital Repair and Replacement Costs associated with the Pump Station.

2.2 The County shall be responsible for, and pay to the City, thirty-five-point-nine-percent (35.9%) of all future Capital Repair and Replacement Costs related to the Pump Station.

2.3 Future Capital Repair and Replacement Costs apportioned to the County shall be recoverable from the County and payable to the City in the fiscal year in which the Capital Repair and Replacement Costs are made.

2.4 Capital Repair and Replacement Costs will be identified as such solely by the City and differentiated from on-going operating and maintenance expenses by the City on a case-by-case basis using the following criteria:

- a. The repair and/or replacement work completed is not routine in nature.
- b. The repair and/or replacement work completed extends the expected service life of the Pump Station.
- c. The total cost of the repair and/or replacement work completed exceeds the minimum capitalization threshold for the City.

2.5 The County shall pay the City for its proportionate share of the Capital Repair and Replacement Cost within 45 days of the County's receipt of cost substantiation documentation from the City.

3. Future Upgrades and Expansion of Capacity:

3.1 If additional capacity is determined to be needed at the Pump Station due to increased City or County stormwater flows, the City may undertake capacity expansion related work on the Pump Station at its sole discretion. The City shall notify the County of plans to upgrade and expand the Pump Station during the planning phase and prior to the construction of such upgrade or expansion. The parties shall work in good faith to arrive at an agreement of the proportion of the upgrade or expansion that shall be apportioned between the County and the City based on the proportional use of the peak capacity that has been added.

3.2 The Upgrade Capital Cost apportioned to the County shall be paid to the City by the County upon substantial completion of the construction of the Pump Station upgrade or expansion and within 45 days of the County's receipt of cost substantiation documentation from the City.

4. Operating and Maintenance Expenses:

4.1 The County shall be responsible for, and pay to the City on an annual basis, operation and maintenance ("O&M") expenses associated with the Pump Station for each year that the Pump Station provides stormwater pumping service to the County.

4.2 On-going O&M expenses associated with the Pump Station shall include costs incurred by the City related to the day-to-day operation and maintenance of the Pump Station. Such expenses may include, but not be limited to, salaries and wages, employee benefits, indirect costs, electricity, supplies, materials, routine repairs and maintenance, and incremental contractual management costs incurred by the City or its contract operator associated with operating and maintaining the Pump Station.

4.3 The County shall be responsible for, and pay to the City, thirty-five-point-nine-percent (35.9%) of the annual O&M expenses identified by the City as pertaining to the Pump Station.

4.4 To determine the dollar amount of O&M expenses related to the Pump Station that the County shall be responsible for, and pay to the City in each year, the City shall use the following method:

Actual Cost Method: The annual amount of O&M expenses shall be determined by the City subsequent to the end of the fiscal year based on the total costs related to operating and maintaining the Pump Station, as reflected in the City's financial records for the fiscal year, and then multiplied by thirty-five-point-nine-percent (35.9%).

5. Discontinuation of Service:

If the Pump Station is taken out of service or retired prior to the completion of a fiscal year based on *Actual Cost Method*, used to compute the amount of O&M expenses due from the County, the County is responsible for 35.9% up to the point when service is discontinued.