

**Task Order: 02-2013-STM**  
**Stormwater Rate Study for FY2014**  
**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 Malcolm Pirnie, the Water Division of ARCADIS ("Malcolm Pirnie") 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 June 16, 2009 between the City and Malcolm Pirnie.

**2. Scope of Work**

Malcolm Pirnie will utilize the City's existing Stormwater Rate Model to complete the engagement detailed herein. The Stormwater 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 2013. Malcolm Pirnie will prepare a 5-year forecast of Stormwater rates for the period starting in FY 2014 and ending in FY 2018. However, the intent of this scope of work is not to complete a detailed rate design analysis. The following Tasks will be completed:

**2.1 Update Billing Information**

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

Malcolm Pirnie understands that the City has contracted with Daniel R. Houser, Inc. ("DRH") to provide stormwater customer billing services. Malcolm Pirnie will rely on Stormwater billing information as provided by DRH. The format of the billing information to be provided by DRH will be detailed in the Initial Data Request to be provided at the initiation of the engagement detailed herein.

**2.2 Prepare Revenue Forecast**

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

### **2.3 Forecast Operating and Maintenance Expenses**

Malcolm Pirnie will incorporate the budgeted operating and maintenance (“O&M”) expenses for FY 2013 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.

### **2.4 Incorporation of the Capital Improvement Plan**

Malcolm Pirnie 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 without the need for long-term debt financing. Malcolm Pirnie will work with the City to incorporate the most appropriate funding approach into the rate model.

### **2.5 Develop and Update Financial Plan**

Upon updating the stormwater rate model with updated historical cost data and forecast assumptions, a baseline financial forecast and financial plan will be developed. The financial plan will identify the rate revenues required to cover the anticipated stormwater 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 stormwater 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.

### **2.6 Present Rate Recommendation**

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

### **2.7 Document the Rate Recommendation and Provide Updated Stormwater Rate Model**

Malcolm Pirnie will document the Stormwater rate recommendations in a summary letter report. In addition, we will provide the City with an updated stormwater rate model at the completion of the project.

## **3: Summary of Deliverables**

The following deliverables are associated with this project.

- An updated Stormwater Rate Model for FY 2014; and
- A presentation of the Stormwater Rate Study results to the City Commission.

We have assumed one trip to the City for the presentation of the Stormwater Rate Study results to the City Commission. If more than one visit to the City or additional analysis beyond the scope identified above is required and requested by the City, Malcolm Pirnie 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 within a four month time frame that corresponds with the City's budget adoption process.

**6. Cost of the Project**

Malcolm Pirnie proposes to complete the scope of work for a lump sum, fixed fee of \$19,750. We will bill the City monthly based on the percent of project completion.

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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 Mr. John Mastracchio at [john.mastracchio@arcadis-us.com](mailto:john.mastracchio@arcadis-us.com).

**City of Key West**

By: \_\_\_\_\_

Title: \_\_\_\_\_

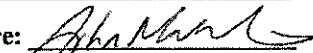
Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**Malcolm Pirnie, Inc.**

By: John Mastracchio

Title: Associate Vice President

Signature: 

Date: 2/15/13