MEMORANDUM

Date: July 23, 2025

To: Honorable Mayor and Commissioners

Via: Brian L Barroso,
City Manager

From: Matt Willman,
Utilities Director

Subject: **Authorizing FY2026 Preliminary Stormwater Assessment Resolution in the amount of $171.31 per ESU, for the City's Annual Stormwater Rate User Fee. (file 25-4087)**

Introduction

The preliminary stormwater assessment resolution is necessary for the process of setting a maximum annual stormwater service charge of $171.31 per Equivalent Service Unit (ESU), as a non-ad valorem assessment on the property tax bill.

Background

The City Commission of Key West, Florida, enacted Ordinance No. 13-10, which authorizes the re-imposition of annual Stormwater Service Assessments for Stormwater Management Services, facilities or programs against real residential property specifically benefited by the City's Stormwater Management Services. The user fee is expressed in terms of Equivalent Stormwater Units (ESU). The unit of ESU is based on the average impervious area of developed property.

There are two main components for the process of adopting the rates: adopting a preliminary rate resolution and a final rate resolution or Ordinance. This resolution will adopt a preliminary rate. Due to the increase in costs associated with Stormwater Management the FY26 funding demands are greater than the max rate for future years, thus requiring the need for a preliminary rate resolution.

The preliminary rate resolution authorizes a public hearing to receive and consider comments from the public and consider adoption of the final rate resolution for the stormwater service assessment. The final rate Resolution/Ordinance public hearing will be held on September 3, 2025, at 5:00pm in the City Commission chambers.

The following are examples of the stormwater utility core functions that are supported by the fee:

- Support City of Key West staff administrative operation of the utility.
- Administer existing and seek future grants.
- Fund capital planning and implementation of improvement projects. Such as:
  - Add additional Stormwater Wells.
  - Purchase additional equipment to be utilized in extreme events and other system enhancements.
  - Provide a more aggressive approach to canal maintenance.
- Continued support of operations and maintenance crews through our contract operator, OMI, to ensure:
  - A safe and effective level of service to maintain our stormwater collection system. Crews ensure that storm drains and outfalls are regularly cleaned, and that the City's stormwater pump-assist wells and generators are fully operational.
  - Respond to emergency situations as required.
  - Initiate repairs and select replacement of system infrastructure.
- Repay existing debt service.

The City Commission establishes the Storm Water rates for all parcels each fiscal year through an annual rate resolution. Each year, staff and our financial rate consultant analyze the storm water utility financial data which includes all projected revenue and expenditures for the upcoming year and recommends the rate to be assessed.

Procurement

Per Section 74-387 of the Code of Ordinances, a user fee is charged per ESU. This rate may be adjusted each October 1, by up to 100 percent of the percentage increase in the CPI-(U), the U.S. City Averages (as of June). The CPI for May 2025 was 2.4% thus supporting an increase in the user fee. The city commission shall enact an ordinance amendment to this section in order to increase the ESU in excess of the CPI.

The proposed ESU rate for Fiscal Year 2025-26 is as follows:

	FY 2025 Budget (current)	Proposed FY 2026 Budget	Increase
ESU Rate	$121.31 (per year)	$171.31 (per year)	$50.00/ESU

Projected assessments to be apportioned among benefited parcels for the Fiscal Year commencing October 1, 2025, of $ 3,785,437.07 will held in fund 4020000-3435101. The anticipated increase over FY25 rate is designed to be earmarked for capital improvement projects.

Per the Uniform Assessment Collection Act, notices will be sent August 13, 2025, by mail to Key West property owners who acquired new units or adjustments. These notices inform the property owners of the public hearing to be held at the Sept 3, 2025, City Commission Meeting. The hearing notices the rate payers of the proposed rate and allows for the adoption of the final assessment resolution/Ordinance and approval of the stormwater assessment roll. They also included a maximum rate that could only be

exceeded if approved by the Commission, and if notices were re-sent by mail to all those paying the user fee.

Last year notices were sent out at a maximum rate ($124.97) that cannot be exceeded without new notices being mailed to all parcel owners and commission approval. The maximum rate is expected to be exceeded this year, with notices sent to all affected parcel owners. The rates on this year's notice are:

FY 2025 - $171.31
Maximum Rate for Future Years - $271.31

Recommendation

The City Manager's Office recommends the Mayor and City Commission approve an annual Stormwater rate of $171.31 per ESU.