MEMORANDUM

Date: September 3, 2025

To: Honorable Mayor and Commissioners

Via: Brian L. Barroso
City Manager

From: Matt Willman
Utilities Director

Subject: **Approve a Fifth Amendment to the Agreement for Operation, Maintenance, and Management Services for the City of Key West, Florida, Wastewater Facilities. Removing Sludge Hauling from the Agreement Between the City of Key West and Operations Management International, Inc. (OMI.** (File ID 25-4312)

Introduction

Staff recommends the Mayor and City Commission approve the 5th Amendment to the agreement with Operations Management International, Inc., (OMI) for operation, maintenance, and management of the wastewater treatment facility and collection / transmission system, by amending "Paragraph 3.2.7.b pertaining to the removal of non-processible waste" and "Paragraph 3.2.7.c pertaining to the removal of process residue" by deleting OMI's obligations under the Agreement for Operations, Maintenance, and Management Services for the City of Key West, Florida, Wastewater Facilities.

Background

The Agreement between the City of Key West and OMI was entered into on March 24, 2014, and specified obligations were par. 3.2.7.b and par. 3.2.7.c to remove "Non Processible Waste" i.e., screenings, grit and sludge.

Per the agreement, paragraph 2.7, the Contractor shall apply a management fee to total budget direct cost, or indirect costs at a rate 13.75% over cost. Sludge Hauling continues to increase and has been budgeted in the amount of $809,912 for FY2026. The management fee on this line item alone will be +/-$110,000. By bringing the task of Sludge Hauling in house the City may save the 13.75% fee with minimal extra work to the department.

The current sludge hauling contract with OMI expires 9/30/2025, thus being the proper time to revise & re-align as a City contract agreement with WM Inc. for said services.

In 2018, Resolution 18-366 amended the contract to reduce direct costs by allowing the city to pay electrical power charges directly to Keys Energy Services. This is another action that reduced City expenses.

A sole proposal has been submitted by Waste Management Inc. of Florida to provide the services of sludge transportation and disposal. A separate resolution shall also direct the City Manager or his designee, to begin negotiations, develop an agreement, and execute said agreement prior to October 1, 2025.

Procurement

OMI operates, maintains, and manages the Richard A. Heyman Environmental Protection Facility, and wastewater and stormwater collection and transmission systems on a cost-plus basis with an incentive to return surplus budgeted funds to the city. Under the contract and current five-year term, OMI has operated under budget and returned surplus funds to the city through the reconciliation process in past years.

In an effort to save costs and reduce the overall Sewer budget this amendment will reduce the total budget by nearly $110,000.

The city commission will approve the Fiscal Year 25/26 budgets for operation, maintenance, and management of the Richard A. Heyman Environmental Protection Facility, and wastewater and stormwater collection and transmission systems. The preliminary fy26 budget is $6,556,817.00 for the Treatment Plant Operation and Collection System Ops. And $821,036.00 for Stormwater Maintenance and Operations.

Recommendation

The City Manager’s Office recommends the Mayor and City Commission approve the Fifth Amendment to the agreement with OMI for operation, maintenance, and management of the wastewater treatment facility and collection/transmission system, in accordance by amending “Paragraph 3.2.7.b pertaining to the removal of non-processible waste” and “Paragraph 3.2.7.c pertaining to the removal of process residue” by deleting OMI’s obligations, for Operations, Maintenance, and Management Services for the City of Key West, Florida, Wastewater Facilities, authorizing the city manager to execute necessary agreements, budget transfers, and paperwork upon consent of the city attorney.