



THE CITY OF KEY WEST

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MEMORANDUM

TO: Jim Scholl, City Manager

Cc: Greg Veliz, Asst. City Manager

FROM: John Paul Castro, Utilities Director

DATE: November 14, 2018

SUBJECT: Extending the Operations Management International, Inc. Contract for 5 years, Amending Section 2.5

Action statement:

Staff requests extending the contract for Wastewater and Stormwater Operations with Operations Management International, Inc. (OMI) for 5 years pursuant to section 4.1 of the contract and amending Section 2.5 of the contract to exclude electricity.

Background:

In 2013, the City of Key West advertised a request for proposals (RFP), RFP 09-13 to operate, maintain, and manage the City's wastewater treatment plant, wastewater collection and lift/pumping stations, and stormwater collection and pumping stations.

OMI was the highest ranked firm as decided by City Staff ranking committee. On March 24th of 2014, the City signed into agreement with Operations Management International, Inc., as the most qualified and cost-efficient respondent to the RFP. The contract term was for 5 years with an option for two additional 5-year terms approved by resolution 13-304.

Prior to the 2013 RFP for a contract operator of the City's wastewater and stormwater utilities, OMI has managed the two utilities for the City of Key West since the commissioning of the Richard A. Heyman Environmental Facility in 1989. The current project manager, John Bartelmo, was on staff for the opening of the facility.

Purpose and Justification:

The wastewater and stormwater utilities are two of the most important operations the City of Key West owns and operates. The Wastewater Treatment Plant (WWTP) treats on average 4.5 million gallons of wastewater

Key to the Caribbean – Average yearly temperature 77° F.

a day and is estimated that over 50% or all rainfall in the City enters into the City's stormwater system. The management of these utilities are of utmost importance for the health and safety of the community.

On the operations side OMI operates the WWTP and stormwater infrastructure nearly flawlessly. In their contract term they have won multiple national plant of the year awards, as well as the recent Water Heroes Award from WEF for their response to Hurricane Irma. The City was just approved for a 5-year operational permit from FDEP for the WWTP without challenge. The FDEP operations permit application is based on but not limited to the quality of the plant operations in areas such as quality of effluent, violations of environmental metrics, mechanical maintenance and operations, etc.

The OMI budgets for the two utilities as of FY 2018 is \$5.85 million dollars. The contract is on a cost-plus basis with an incentive to return surplus budgeted funds back to the City. During the current 5-year term the project has operated under budget every year with budget surplus's as high as \$200,000. OMI has been as excellent a financially efficient contractor as it has been operationally.

City staff and OMI are also requesting an amendment to Section 2.5 of the contract for direct cost. Electricity is currently being paid by OMI through the contract with a management fee of 13.75% as standard for all costs. Staff has requested to take over the payment of electricity bills which are approximately \$850,000 per year. This amendment, agreed to by OMI, will save the City approximately \$115,000 per year.

Options:

- 1) The City may choose to deny staff's recommendation to apply the contractually available 5-year extension. This would forego one of the City's longest and contractual relationships, require a new RFQ to be developed, and risk increased costs for operations.
- 2) The City can approve the 5-year extension with OMI, pursuant to Section 4.1 of the contract as recommended by City staff.
- 3) The City can approve the 5-year extension with OMI, pursuant to Section 4.1 of the contract, including amending Section 2.5 of the contract which omits "electricity" as a responsibility of the contractor.

Recommendation:

Staff recommends approving option #3, extending the contract with Operations Management International, Inc. for 5 years and amending Section 2.5 of the contract.