

Request for Committee Action

To: Transportation & Public Works
Date: 4/5/2016
From: Public Works Department
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File type: Action
Subcategory: Contracts & Agreements

Subject:

Contract with the City of New Brighton for emergency back-up supply and wholesale water

Description:

Authorizing the proper City Officials to enter into an agreement with the City of New Brighton for the provision of wholesale water to New Brighton or alternatively to reserve capacity to serve as an emergency back-up supply for New Brighton.

Previous Actions:

None

Ward/Neighborhood/Address:

Not Applicable

Background/Analysis:

Minneapolis currently sells water at wholesale rates to seven cities: Bloomington, Columbia Heights, Hilltop, Golden Valley, New Hope, Crystal, and Edina, as well as the Metropolitan Airport Commission.

The City of New Brighton is interested in entering into an agreement with Minneapolis for provision of potable water at wholesale rates for a period of five years. It is anticipated that New Brighton would rely entirely on Minneapolis water during the first half of the contract period while modifying their treatment processes, followed by a period of time where Minneapolis would be available for standby emergency back-up. Minneapolis would charge monthly standby capacity fees for maintaining the connection to our system during months when New Brighton is not obtaining water from Minneapolis.

Key elements of the contract include:

- Agreement duration of 5 years.
- The agreement allows New Brighton to purchase water at any time during the 5 year time period.
- The volume rate for water is 61.45% of the Minneapolis rate (i.e. \$3.45), which translates to \$2.12 per unit. This rate will be adjusted for 2017 based on the new Cost of Service Model and adjusted annually based on same methodology used for our other wholesale customers.
- Monthly standby capacity charge is \$4,582 per month and is charged when New Brighton is not obtaining water from Minneapolis, increased annually by 4%. This is a charge for the capacity they are reserving in our system and their ability to utilize us as an emergency back-up.

Minneapolis produces potable water in sufficient quantities to meet the demands of the current wholesale customers as well as the anticipated demand from New Brighton. New Brighton would be required to finance, construct, own, operate, and maintain the water distribution system and storage facilities necessary to supply potable water from the point of delivery to its customers within the city limits of New Brighton. The water would be measured by a meter furnished and maintained by Minneapolis.

Financial Review:

No additional appropriation required, amount included in current budget.