



## Request for City Council Committee Action From the Department of Public Works

**Date:** February 1, 2005  
**To:** Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee  
**Referral to:** Honorable Barbara Johnson, Chair Ways & Means Budget Committee  
**Subject:** **Joint Water Commission (Crystal, Golden Valley, New Hope)**

### Recommendation:

Authorize the proper City officials to enter into a 20-year contract retroactive to January 1, 2004, for the sale of water to the Joint Water Commission (Crystal, Golden Valley, New Hope)

### Previous Directives:

**Prepared by:** Adam J. Kramer, 673-2418

### Approved by:

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Klara A. Fabry, P.E., City Engineer, Director of Public Works

**Presenters:** Adam Kramer, P.E., Director of Water Treatment & Distribution Systems

### Financial Impact (Check those that apply)

No financial impact - or - Action is within current department budget.  
(If checked, go directly to Background/Supporting Information)

Action requires an appropriation increase to the Capital Budget

Action requires an appropriation increase to the Operating Budget

Action provides increased revenue for appropriation increase

Action requires use of contingency or reserves

Other financial impact (Explain):

Request provided to the Budget Office when provided to the Committee Coordinator

### Background/Supporting Information:

We have been supplying water to the Joint Water Commission (JWC) since 1962. Our contract with the JWC has expired. The expired contract was based on a declining rate structure, i.e. the rates the JWC paid for water decreased as the amount they used increased. The proposed contract has a flat rate structure; the JWC would pay the same rate on all water purchased.

The methodology used to determine the rate structure is the base-extra capacity method. The base extra capacity methodology pro rates the total costs related to treatment and delivery of water to all users, including Minneapolis customers. Non-Minneapolis customers only pay for the part of the distribution system used to transport water to them. The JWC rate takes into account their share of the base demand and the extra capacity demand.

The contractual rate adjustment each year is based on the cost of service pro forma for the Minneapolis Water Works. The rate increases for the 2004-2008 will increase based on the city's 5 year financial plan (water works proforma). See attachment A in the attached draft contract for the first five years. The rate increases after 2008 will be based on a percentage of the Minneapolis inside city residential rate. The percentage will be determined by cost of service studies potential every 5 years. The cost of service study will use the base extra capacity method described above.

The draft contract includes a provision on Joint Planning and Governance which the city (MWW) and the JWC agree to participate in a joint MWW/JWC water task force that will meet regularly over the next three years to consider a stronger governance role for the JWC in the MWW water system, emergency interconnections with neighbors of the JWC, conjunctive use of JWC groundwater and MWW river water, development of an emergency backup water supply, and the use of JWC groundwater to augment MWW's supplies. The parties agree to prepare an interim report to the cities within two years and a final report or reports within three years. Such reports to be prepared either jointly or separately.

Attachment.