



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

Date: April 28, 2009
To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee
Referral: Honorable Paul Ostrow, Chair, Ways & Means/Budget Committee
Subject: **Water sale agreement with Metropolitan Airports Commission (MAC), City of Edina and City of Hilltop**

Recommendation:

Authorize the proper City officials to enter into three separate 20-year agreements for the sale of water to Metropolitan Airport Commission, City of Edina and City of Hilltop.

Previous Directives:

Prepared by: Shahin Rezania, P.E., Director, Water Treatment & Distribution Services, x2418

Approved by:

Steven A. Kotke, P.E., City Engineer, Director of Public Works

Presenters: Rob Verke, P.E., Water Treatment & Distribution Services

Reviews

Permanent Review Committee (PRC):	Approval	NA	Date
Civil Rights Affirmative Action Plan	Approval	NA	Date
Policy Review Group (PRG):	Approval	NA	Date

Financial Impact (Check those that apply)

No Financial Impact

Community Impact

Neighborhood Notification: Not Applicable

City Goals: Not Applicable

Comprehensive Plan: Not Applicable

Zoning Code: Not Applicable

Background/Supporting Information

The City of Minneapolis has been supplying water to Metropolitan Airport Commission (MAC), City of Edina (Morningside) and Hilltop for many years. The sale arrangement for all three entities was based on a residential or retail consumption rate model without any specific agreements in place. Last November, the MAC contacted City staff with a request to review their water purchasing arrangement with a desire to purchase water as a wholesale customer similar to the Joint Water Commission.

Since the MAC, as well as the City of Edina and the City of Hilltop, own and manage their own distribution system we concluded they do meet the criteria to be considered as a wholesale customer. We conducted a rate study for MAC and the conclusion was that their rate should be 62% of the Minneapolis Inside City Residential Rate. 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 MAC rate takes into account their share of the base demand and the extra capacity demand.

After review, we believe that the cities of Edina and Hilltop should be charged at the same rate due to the fact that our delivery system to them is similar to the MAC. The combinations of these three changes in rates will result in an annual revenue decrease of approximately \$500,000.

Therefore, we are requesting that the proper City officials are authorized to negotiate and enter into three separate agreements for the sale of water to the Metropolitan Airport Commission, City of Edina and the City of Hilltop.