

Business Item 2017-83:
**Elko New Market Wastewater
Services Agreement Amendment**

Ned Smith, Director of Finance & Revenue

Environment Committee: April 11, 2017



Chronology

- 2002: Study proposed to build Elko New Market pipe due to high growth and discharge to Vermillion River
(Source: Pioneer Press 9/9/02)
- 2010: Elko Wastewater Service Agreement signed
- 2012: Wastewater Service Agreement amended to set incremental SAC rate based on final capital costs
- 2017: Proposed Contract Amendment #2

Rates & Charges SAC Policy 3-2-5

- Municipal wastewater (volume) charges are allocated to communities uniformly based on flow.
- Rural Center pays a higher City-specific SAC rate that is based on the debt service and reserve capacity specific to the Center.

Problem

- Very low growth since construction of interceptor
- Unexpected burden on Elko New Market rate payers
- Per Springsted, debt approaching 20% of total town levy puts the city's bond rating at risk

Current Contract

- *“If 30 years after the first loan is recorded, ...planned growth has not occurred the parties agree to renegotiate in good faith to provide for an end to the Loan that does not require an unreasonable burden on the sewer rates of the still small City.”*

Proposal: Set Limit on Reserve Capacity Loan

- Cap loan balance at \$1.2 million and establish payment plan
- If and/or when \$1.2 million loan is reached
 - Elko New Market SAC increment will be fixed at the current rate until the end of the contract term in 2030.
 - During this time, Elko New Market also pays the urban SAC rate. After 2030, they pay only the urban rate.

Thrive Lens Analysis

- Sustainability
- Stewardship

Proposed Action

- That the Metropolitan Council authorizes its Regional Administrator to execute an amendment to the Wastewater Services Agreement with Elko New Market according to the attached agreement (Amendment Two) in the business item.

Questions