

DISCUSSION ON THE INTERLOCAL COOPERATION AGREEMENT

Initially the Somervell County Water District (SCWD) had indicated a willingness to grant the City franchise fees in exchange for being given permission to supply water to the Squaw Valley Meadows Subdivision. Later, staff was told that rather than granting franchise fees, they would give the City a substantial discount on our water rate via a contract amendment. Staff was asked to wait to present this Interlocal Agreement to the Council until the contract amendment was available. Then, staff was told that they had decided they were going to spend money improving their plant and couldn't give the City a discount, but would instead raise other customers' rates while keeping the City's rates stable to create a wider spread between their wholesale and retail rates. When staff asked if a commitment from them to create a certain spread between wholesale and retail rates within a certain time frame could be included in the interlocal agreement, staff was told that such a move probably wouldn't go over well.

Staff has some concerns regarding the last portion of part 1 of the agreement: *and other properties which may be annexed into the City at a future date which are already receiving water service from the District or are readily serviceable from the District's network of water mains.* This portion of the agreement expands the agreement beyond the boundaries of the Squaw Valley Meadows Subdivision. Expanding the grant to include properties which are annexed and are already receiving water from the SCWD doesn't give cause for concern, but including properties which aren't receiving water from the SCWD but "*are readily serviceable from the District's network of water mains*" is. What if both city and SCWD mains are nearby?

The agreement and the noted concern have been presented to City Attorney Pendleton for his consideration.