



Department of Public Works
Milwaukee Water Works

Mariano A. Schifalacqua
Commissioner of Public Works

James P. Purko
Director of Operations

Carrie M. Lewis
Superintendent of Water Works

May 30, 2003

The Honorable Common Council of the
City of Milwaukee

Dear Council Members:

Re: Common Council File 021758 - Resolution authorizing the
execution of a water service agreement with the City of New Berlin

Several issues were discussed during the deliberations of Common Council File 021758 at the Common Council meeting on May 7, 2003 regarding the proposed water service agreement with the City of New Berlin. The following information is provided to address pertinent issues regarding this matter.

Common Council Resolution 020205 adopted on June 25, 2002 authorized the Water Works to negotiate a water service agreement with New Berlin. Subsequently, City officials including the City Attorney, have engaged in good faith efforts with New Berlin officials to negotiate specific terms and provisions contained in the agreement to which both parties now agree to in principle. The referenced agreement is considered favorable and is before the Common Council for final consideration.

The Common Council has identified and discussed many complicated and pertinent regional and local issues facing both communities in its deliberations. While these remain valid areas of concerns, they require continued, mutual dialogue and discussions at many levels to resolve and mitigate. This agreement can become an important part of the foundation for this action.

The policy issue of expanded water sales is indeed complex with many different considerations and ramifications. The Milwaukee Water Works not only provides an essential public service but also serves as a critical economic asset to the City of Milwaukee and a viable, strategic business enterprise. The City of Milwaukee and the Water Works, as business entities, are continually faced with controlling costs, ensuring productive practices, and diversifying potential revenue sources in order to ensure stable future water rates for all customers. Maintaining a viable presence to increased growth, expansion and serving an increased

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customer base during periods of continued decreased consumption and conservation measures is an essential business strategy.

While this strategy does not preclude continued efforts to increase the customer base in existing service areas, there are limits to that expansion potential. Increasing an existing customer base is more difficult and uncertain than the expansion to incorporate and serve other established customer bases.

The sale of water to New Berlin is enormously beneficial to residents of Milwaukee and will offset their direct costs for many years into the future. In addition, favorable adoption of this agreement will formulate long-term business strategies that include Milwaukee Water Works as a viable resource in future discussions on issues relating to expanded water sales. This is a crucial strategy at a critical time when increased water supply needs in the area are being identified.

The Milwaukee Water Works remains committed to its mission to provide customers with a continuous supply of high quality water while maintaining a sound financial and economically viable asset to the City of Milwaukee.

Your favorable consideration of continuing this mission to serve new customers is requested.

Very truly yours,



Carrie M. Lewis, Superintendent
Milwaukee Water Works



Mariano A. Schifalacqua, Commissioner
Department of Public Works

CL:DM

C: Mayor John O. Norquist