



## **City Council Workshop – SAC & WAC Fees**

**Monday, November 2, 2020 @ 5:30 p.m.**

**Meeting Via Electronic Access Due to Health Pandemic**

**Public login:**

**<https://us02web.zoom.us/j/82928369204?pwd=bzVMbXZyTUxuNUttbVRTMy9jRXpiQT09>**

- a. SAC & WAC Overview
- b. What SAC & WAC Pays For
- c. City's Deferral Program
- d. Recommendation



## **City of Hastings**

SAC & WAC Discussion

November 2, 2020

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# Overview

1. SAC & WAC overview
2. What SAC & WAC pays for
3. City's deferral program
4. Recommendation



## SAC & WAC

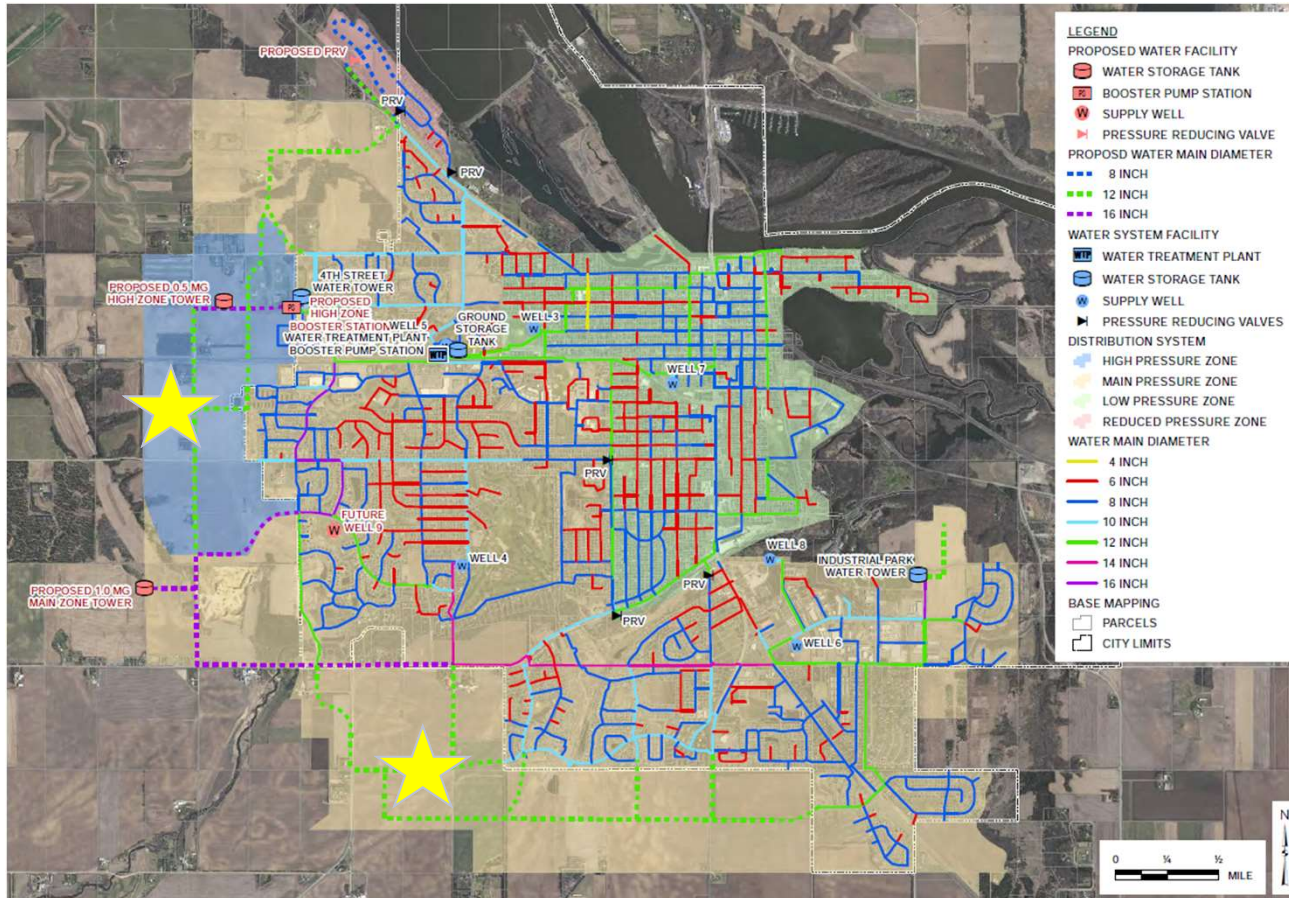
- Charges authorized by statute to pay for **construction, reconstruction, enlargement, and maintenance of facilities and infrastructure** to provide for the availability and additional capacity of water and sewer service to future customers
  - ✓ Increased sewer and water pipe sizes
  - ✓ Trunk line extensions
  - ✓ Lift station and/or capacity improvements
  - ✓ Additional wells
  - ✓ Water towers
  - ✓ Water treatment capacity or capability upgrades



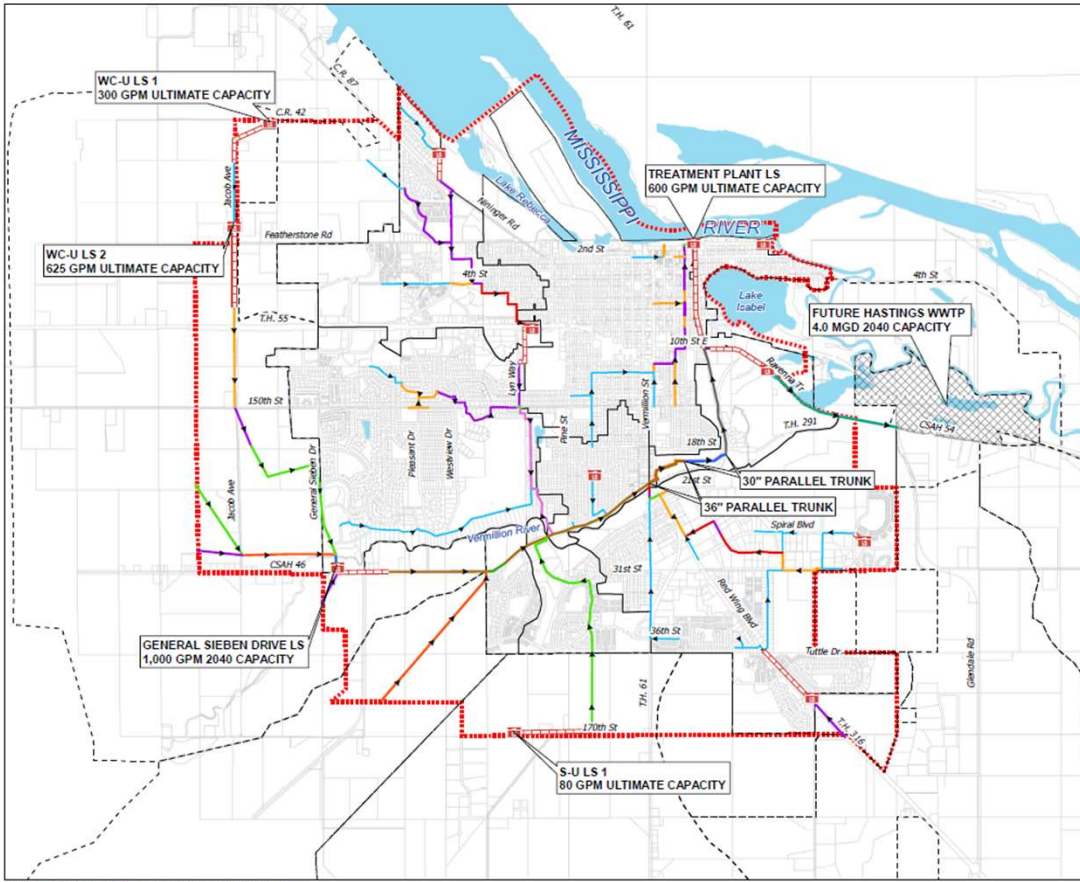
## SAC & WAC

- The City's Comprehensive Plan Chapters for the Water and Wastewater Systems lay out future system changes
  - ✓ Future uses
  - ✓ Timing
  - ✓ Costs
- This is the basis for development of the City's Capital Improvement Plan (CIP)

# Water System Plan



# Sewer System Plan



## City of Hastings Comprehensive Sanitary Sewer Plan

Figure 6-2  
2040 Trunk System

### Legend

	2040 Sewer Service Area Boundary		Diameter 10"
	Ultimate District		12"
	Existing District		15"
	Future WWTP Site		16"
	2040 Lift Station		18"
	2040 Force Main		21"
			24"
			27"
			30"
			36"
			42"
			48"
			54"





## SAC & WAC

- Usually paid for at time of platting or permitting
- Number of SAC units are determined by Met Council





# What SAC & WAC Pay For

Water Capital projects of **\$13.6** million over next **10** years.

**\$4.150** million or **30%** to be paid with WAC, but not fully funded

Sewer Capital projects of **\$8.1** million over next **10** years.

**\$1.279** million or **15%** to be paid with WAC, but not fully funded

## Water Availability Charge (WAC)

Capital Projects	Year	Amount*
Gas Chlorination Project	2020	450,000
Well and pump house no. 9	2026	1,200,000
Elevated storage tank	2026	2,500,000
<b>Total Projects to be Funded with WAC</b>		<b>4,150,000</b>

## Sewer Availability Charge (SAC)

Capital Projects	Year	Amount
<b>Projected Future Development</b>		
Trunk oversizing	2025	1,094,805
New Lift Station	2025	184,325
<b>Total Projects to be Funded with SAC</b>		<b>1,279,130</b>



# WAC Funding

WAC previously used to pay for **75% of 2013A** bond payments (for water treatment plant construction, new well and pumphouse)

Year	Rate	Units	Annual Revenue	75% of 2013A Bond Issue	Projected Annual Debt Service	Projected Ending WAC Cash Balance
2020	2,306	235	541,910	-	450,000	715,028
2021	3,075	90	276,750	-	-	991,778
2022	3,075	50	153,750	-	-	1,145,528
2023	3,075	50	153,750	-	-	1,299,278
2024	3,075	50	153,750	-	-	1,453,028
2025	3,075	50	153,750	-	-	1,606,778
2026	3,075	50	153,750	-	-	1,760,528
2027	3,075	50	153,750	-	628,780	1,285,498
2028	3,075	50	153,750	-	628,780	810,469
2029	3,075	50	153,750	-	628,780	335,439
2030	3,075	50	153,750	-	628,780	(139,590)
<b>Total 10-Year Projections</b>			<b>\$2,202,410</b>	<b>\$ -</b>	<b>\$2,965,118</b>	<b>\$ (139,590)</b>

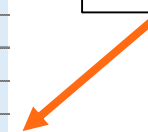
Shortfall increases to **(\$554,800)** if WAC rate stays at current rate of **\$2,306**



# SAC Funding

Year	Rate	Units	Annual Revenue	Current Projects	Projected Annual Debt Service	Projected Ending SAC Cash Balance
2020	709	235	166,615		-	1,518,728
2021	100	90	9,000		-	1,527,728
2022	100	50	5,000		-	1,532,728
2023	100	50	5,000		-	1,537,728
2024	100	50	5,000		-	1,542,728
2025	100	50	5,000	1,279,130	-	268,598
2026	100	50	5,000		-	273,598
2027	100	50	5,000		-	278,598
2028	100	50	5,000		-	283,598
2029	100	50	5,000		-	288,598
2030	100	50	5,000		-	293,598
<b>Total 10-Year Projections</b>			<b>\$ 220,615</b>	<b>\$ 1,279,130</b>	<b>\$ -</b>	<b>\$ 293,598</b>

SAC Fund projected to have some funds on hand





## City SAC/WAC Deferral Program

1. In place since **2017**
2. Mirrors Metropolitan Council's SAC Deferral Program
  - ✓ Targeted to small business (**25** units or less)
    - *Will consider other businesses on case-by-case basis*
  - ✓ Allows up to **80%** of cost to be paid over **10** years
3. Who would use
  - ✓ Typically reuse of existing space for restaurant, bar, daycare, etc.
  - ✓ Number of credits depends on
    - Site (existing credits or not)
    - Use
    - Square feet of space
4. 1 user to date
  - ✓ CrossFit



## SAC & WAC Rate Options

### Current Rates

WAC = **\$2,306** / Unit

SAC = **\$709** / Unit

TOTAL = **\$3,015** / Unit

### Recommended Rates

WAC = **\$3,075** / Unit

SAC = **\$100** / Unit

TOTAL = **\$3,175** / Unit

### Option 1 – Keep Current Rates

- Increase water rates slightly
  - ✓ **+\$0.11** / Qtr impact on Residential User
  - ✓ **+\$0.78** / Qtr impact on Commercial User

### Option 2 – Shift Rates (Recommended)

- WAC rate back to 2016 levels
  - ✓ Replenish fund to help pay for current and future capital and debt
- SAC rate reduced
  - ✓ Future infrastructure needs dependent on development
- **\$160** more per “unit”



## Conclusion

1. Both sewer and water systems have needs that are typically paid by SAC/WAC connection fees
2. If eliminated, burden of a new business just gets spread across all users of the system in rate increases
  - ✓ Development isn't paying its way for demand/use of system
  - ✓ Residents/existing businesses are "penalized"
3. Significant reduction in City SAC offsets SAC that has to be paid to Metropolitan Council
  - ✓ Met Council SAC = **\$2,485**/unit
4. WAC really needs to be increased beyond what we show, but are only recommending increasing it back to **2017** level