



Overview of Utility Rate Study

City Council Meeting
September 18, 2023



Items to Cover

X-E-01

- Review study objectives
- Conclusions and recommendations
- Key financial information
- Utility rates and customer impacts

Study Objectives

X-E-01

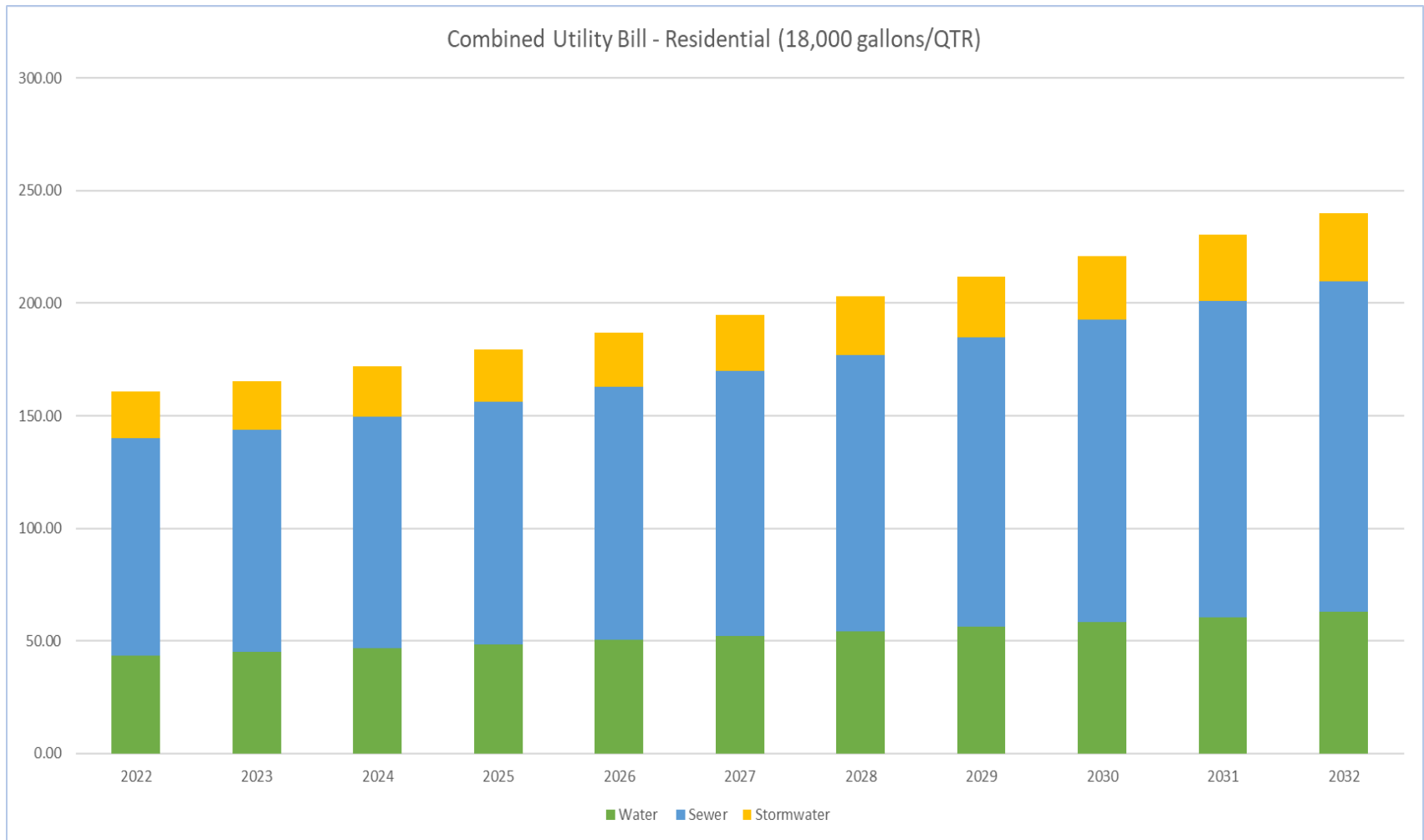
- Provide City with information to evaluate updated proposed rates for charging for service
- Review existing plans and projections
- Collect and analyze customer data
- Provide recommendation on planning for major capital improvements and financing

Utility Rates

- Rates set at level to fund operations, meet debt service, and to provide for annual capital improvements
- Plan anticipates the following future level of rate increases will be needed over the planning period (2024-2032):
 - 3.5% increase for Water rates
 - 4.5% increase for Sanitary Sewer rates
 - 4.0% increase for Storm Water rate

Impact on Example Customer

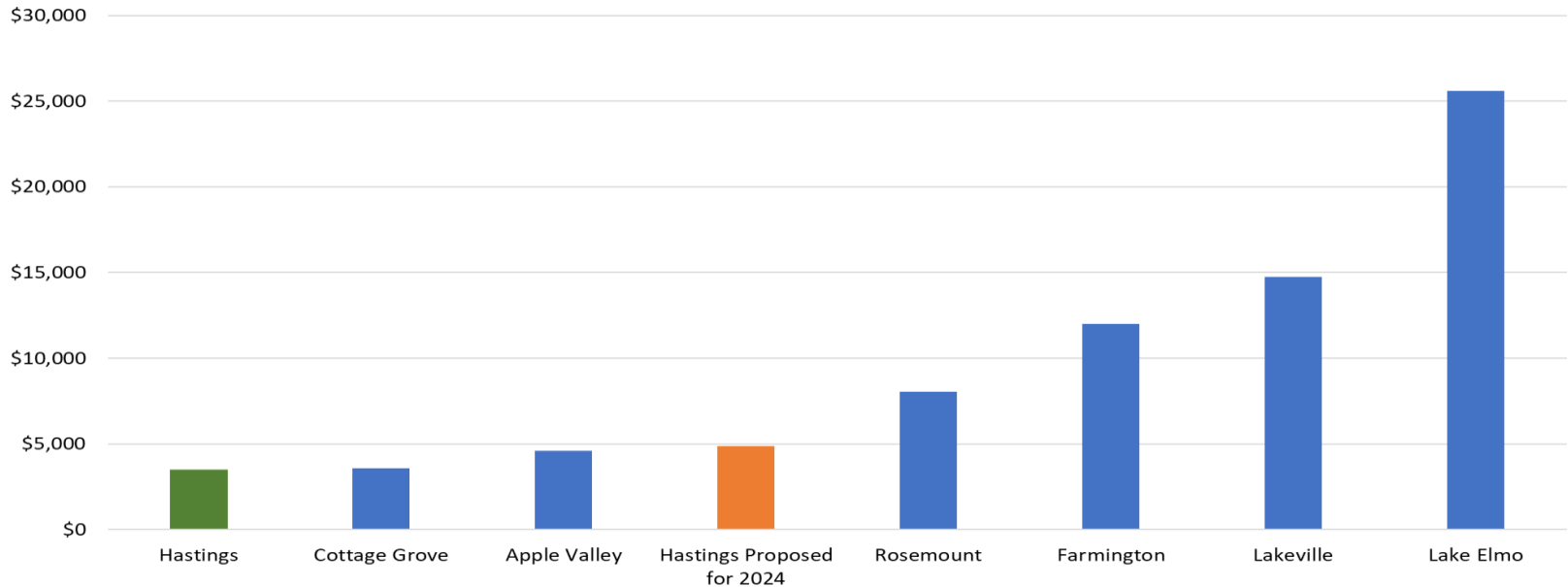
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Impact on Development Fees

X-E-01

City Sewer and Water Development Charges Per Residential Equivalent Unit
Based on Low-Density Unit, 0.25 Acres



Note and disclaimer: The estimated total cost per REU is based on interpretation of a city's current published/adopted fee schedules and assumes a low density residential unit (0.25 acres). The interpretation may be incorrect, either missing fees, or INCORRECTLY interpreting how fees may be applied. The estimate is believed to be accurate but may not be accurate. Data is from published 2023 fee schedules. MCES SAC fee is not included in the amounts.

Financial Management of Utility Funds

X-E-01

- Activities of the utility enterprise funds should be recovered with the fees and charges of the individual utility
- Objectives for year-end cash balances:
 - Cash sufficient to cover 3-months of operations
 - Cash sufficient to cover following year debt service
 - Cash sufficient to cover planned (pay-go) capital outlay

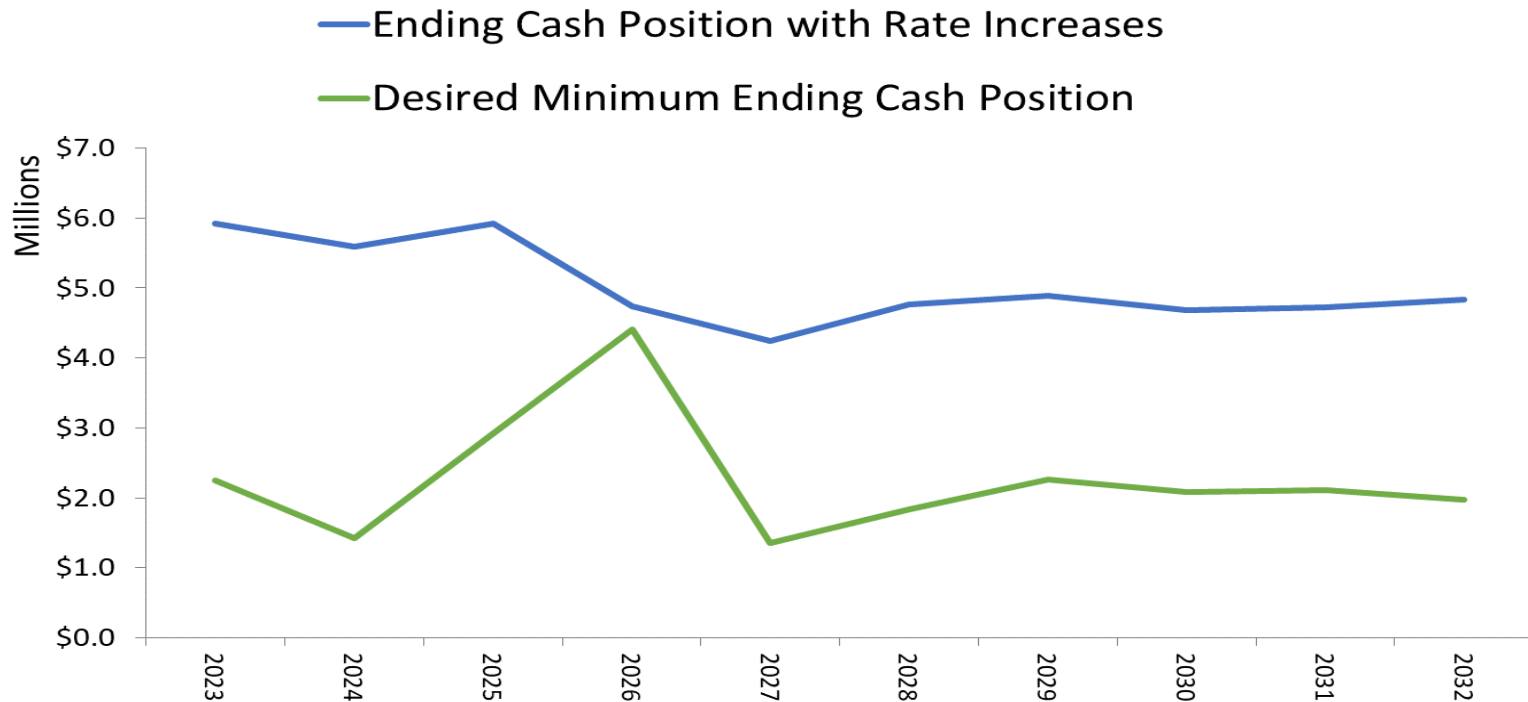
- Sound financial condition – revenues sufficient to cover expenses
- Plan assumes an average annual rate increase to customers of 3.5%
- Plan includes 1/3 FTE increase in 2025
- Capital improvements to be funded with a combination of cash (pay-go) and bonding:
 - Debt issuance anticipated in 2025, 2028, and 2029 to finance an estimated \$7.905 million of \$14.69 million of project costs

Water Fund Cash Balance

X-E-01

Water Fund

Projected Ending Cash Position is projected to be sufficient to meet policy objectives and to position City to accumulate cash for infrastructure improvements

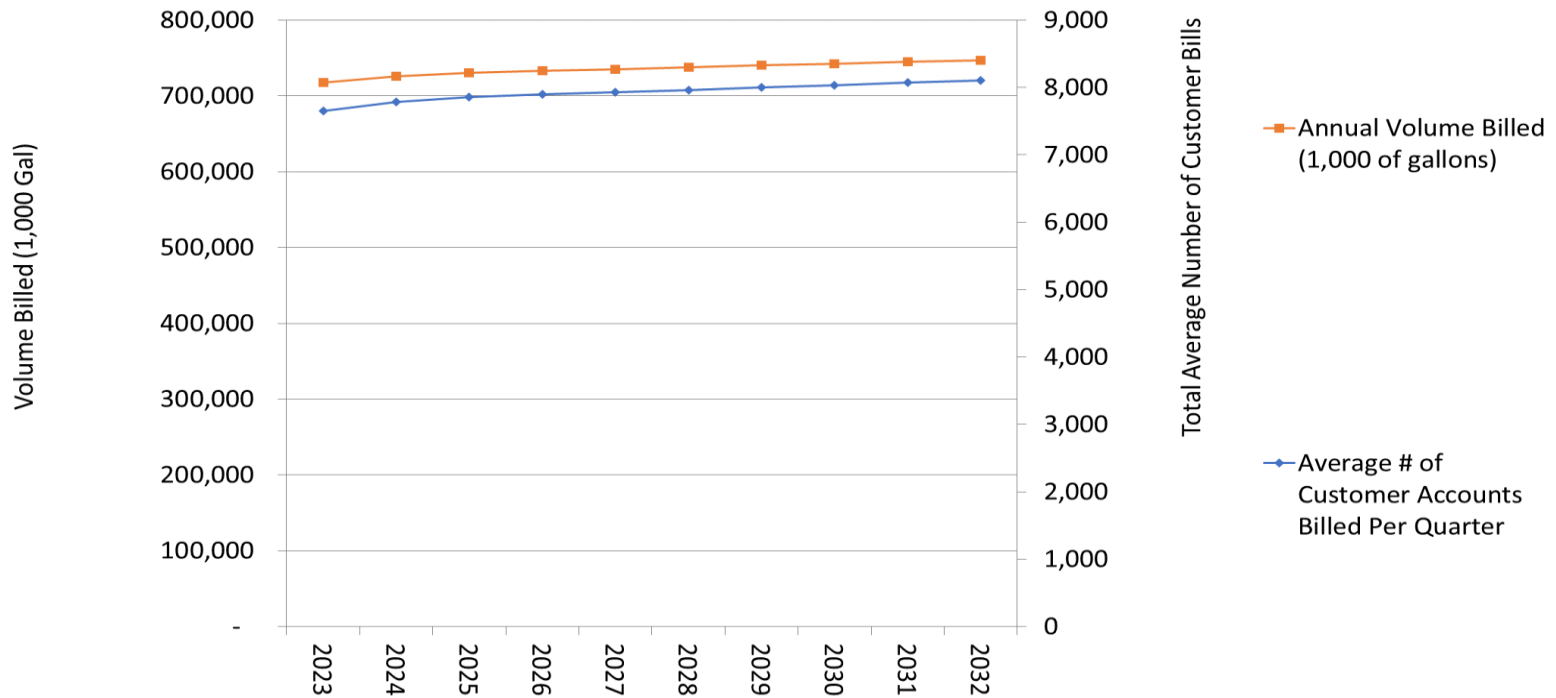


Water Fund Customers and Usage

X-E-01

Chart 5
Water Fund
Customers and Annual Water Volume Billed

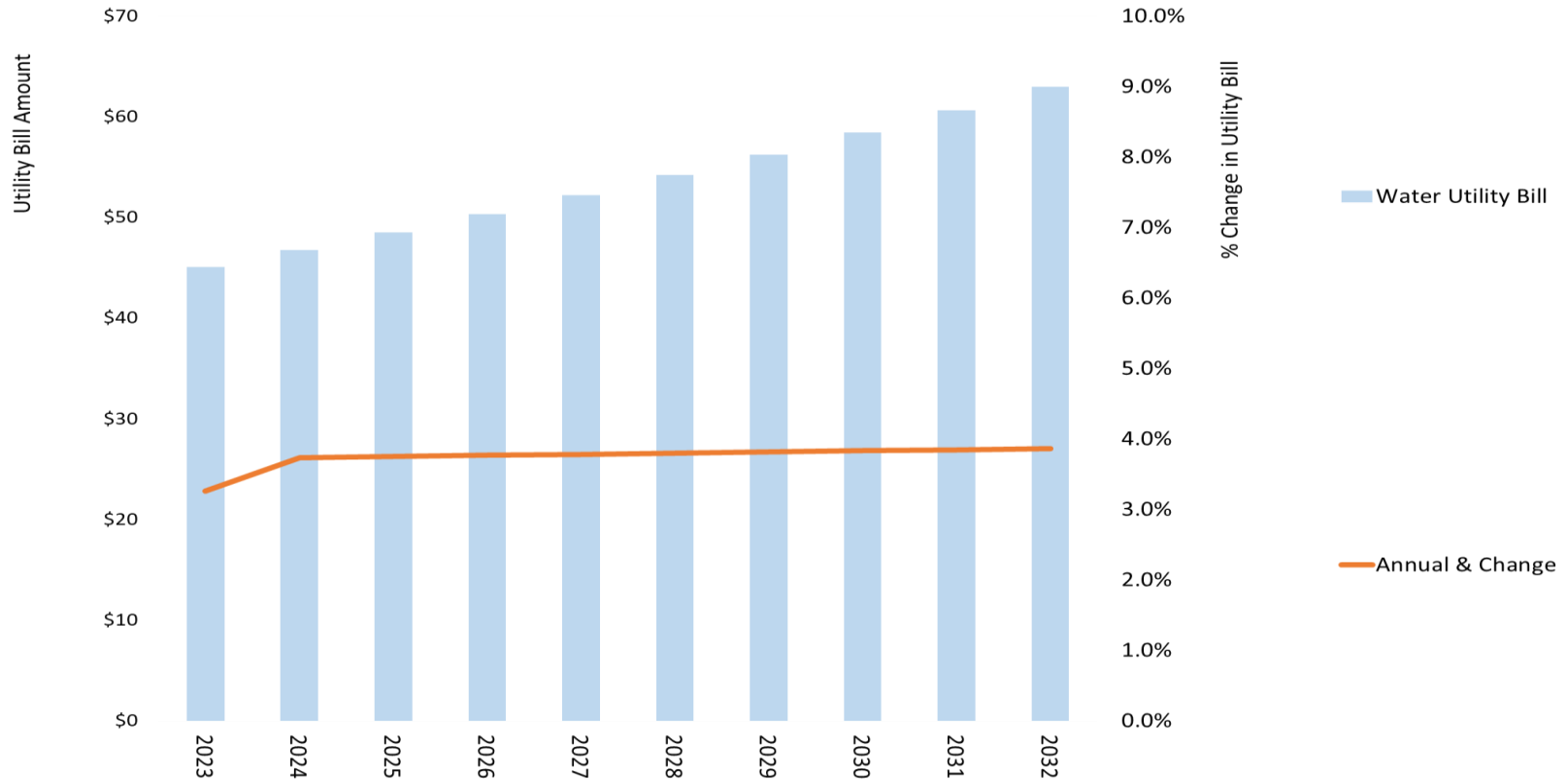
Plan anticipates about 50 new customers added annually with average water volume of 65,000 gallons/year per customer



Impact on Example Water Customer

X-E-01

Water Services
Medium Volume Customer (18,000 gallons/qtr)



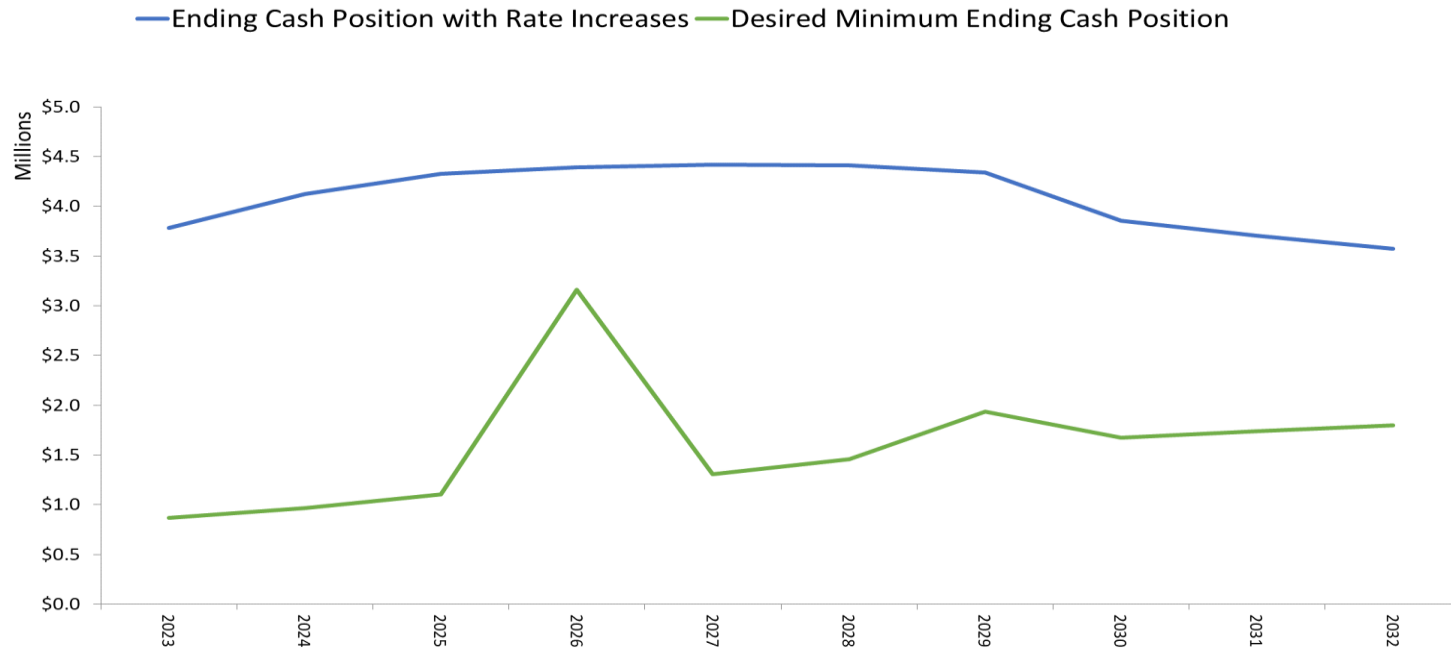
- Sound financial condition – revenues sufficient to cover expenses
- Plan includes 1/3 FTE increase in 2025
- Plan assumes an annual average rate increase to customers of 4.5%
- Bonding is anticipated for capital improvements in all years, with the exception of 2030.
 - Total debt issuance of \$9.1 million anticipated to finance total project costs of approximately \$10.425 million

Sanitary Sewer Fund Cash Balance

X-E-01

Sewer Fund

Projected Ending Cash Position is projected to be sufficient to meet policy objectives over the planning period

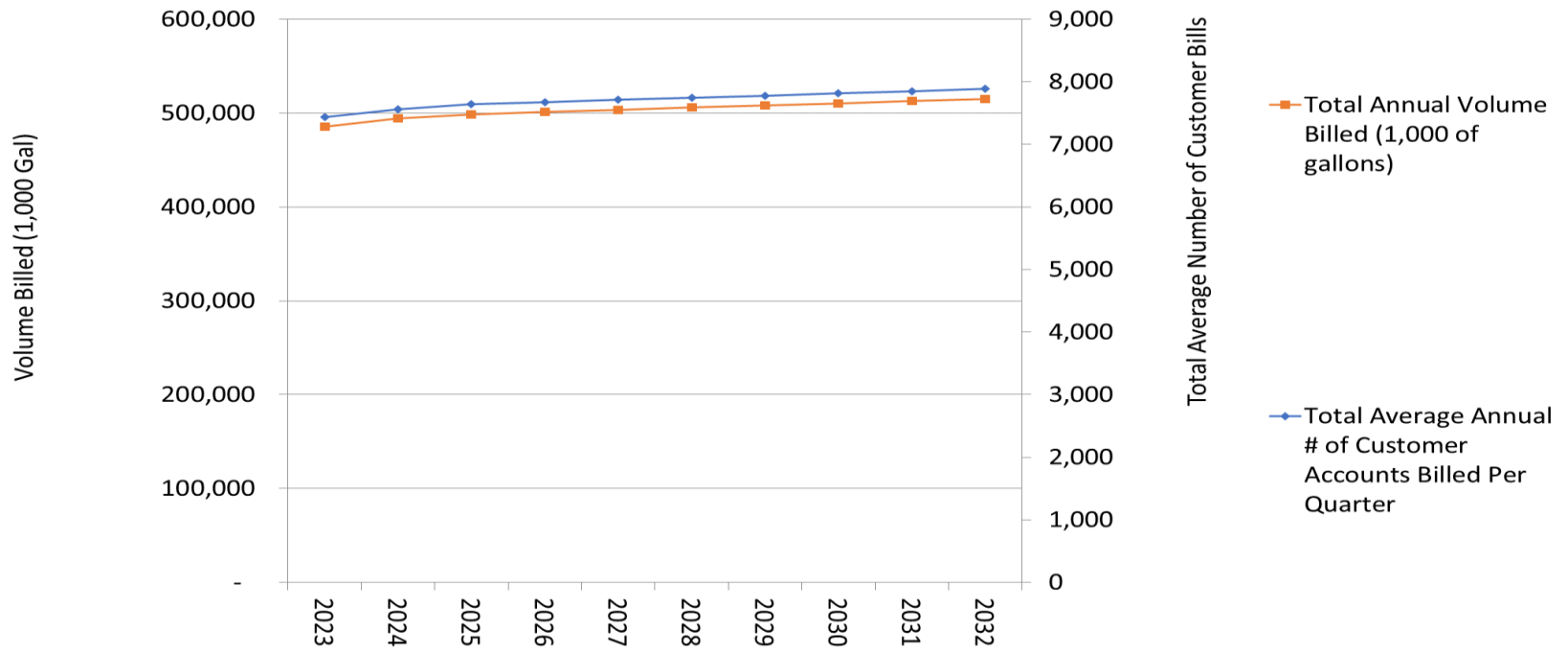


Sanitary Sewer Fund Customers and Usage

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Sewer Fund
Customers and Annual Water Volume Billed

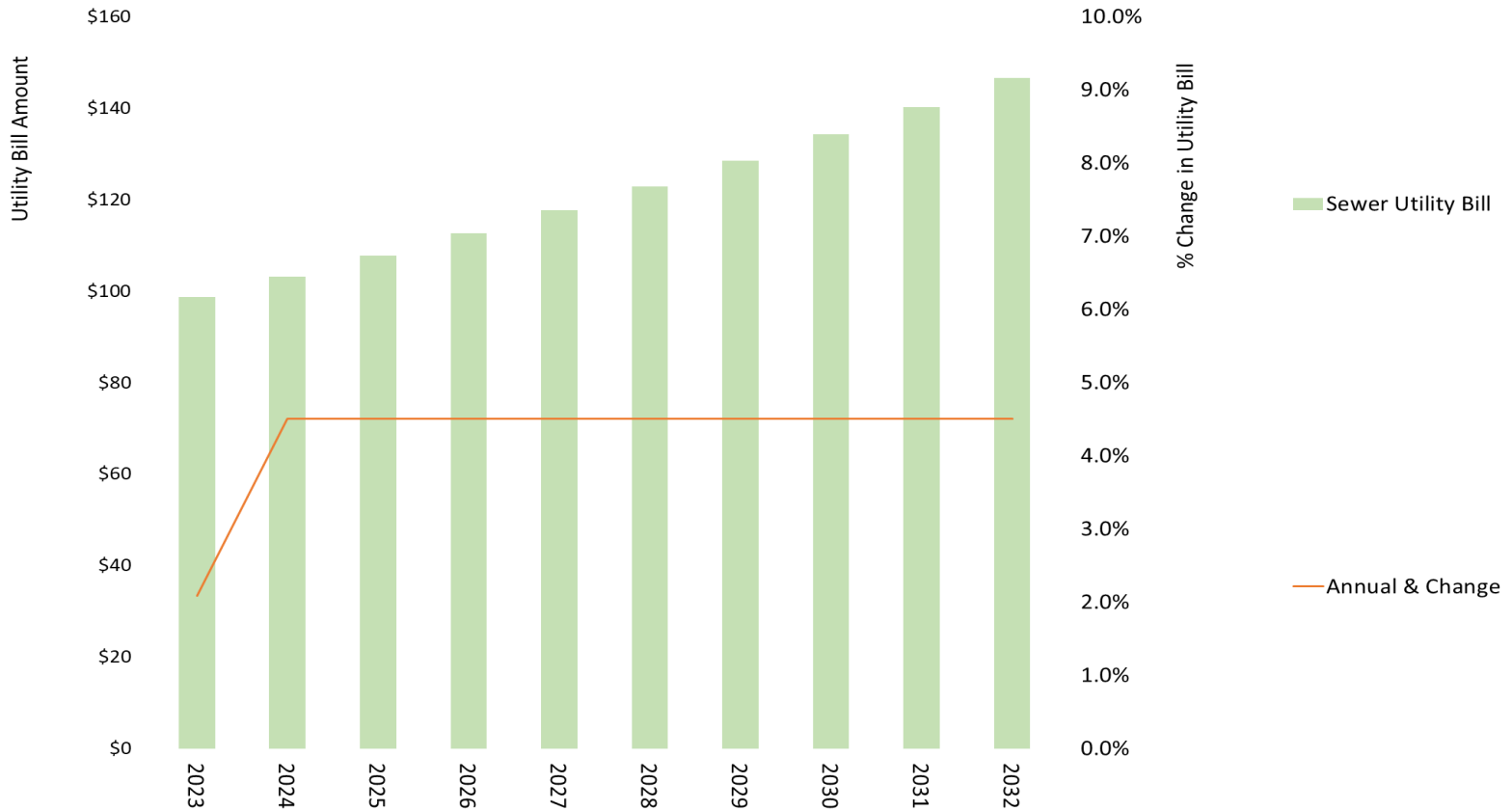
Plan anticipates about 50 new customers added annually with average volume of 65,000 gallons/year per customer



Impact on Example Sanitary Sewer Customer

X-E-01

Sewer Services
Medium Volume Customer (18,000 gallons/qtr)



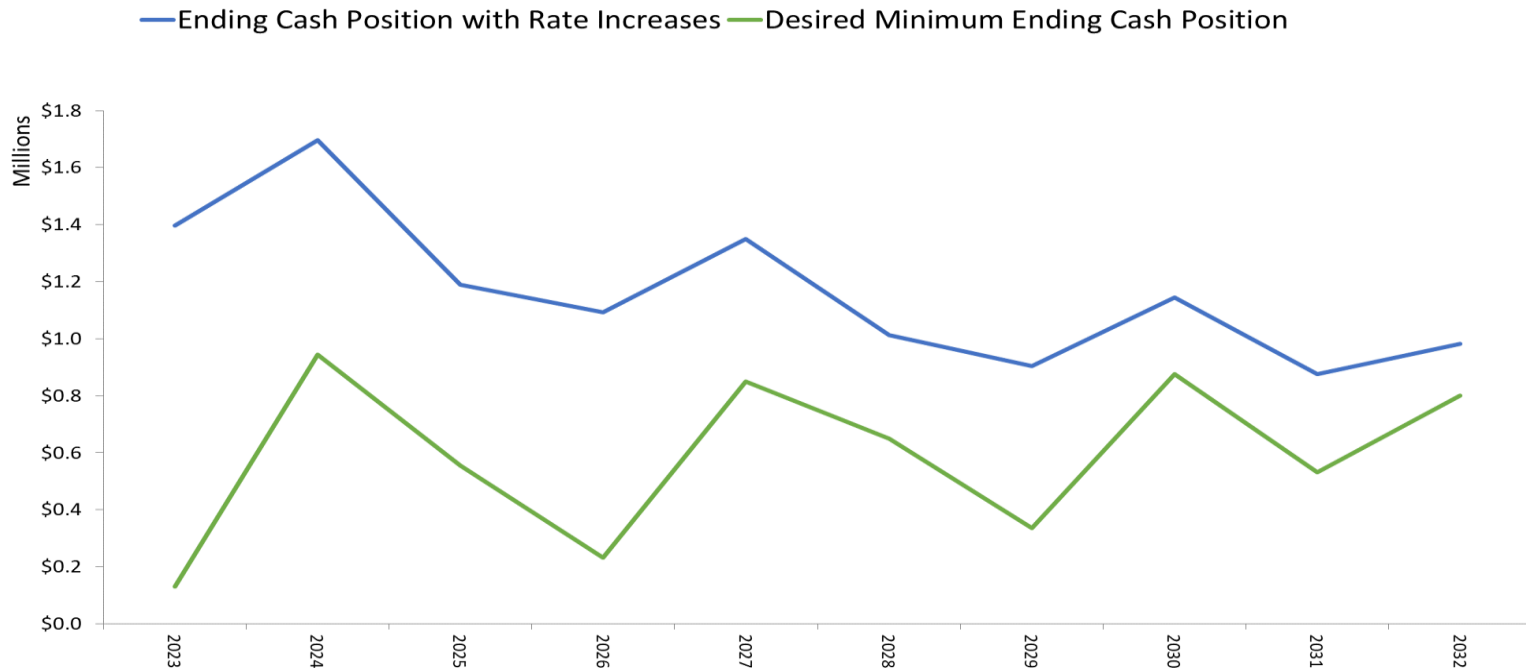
- Sound financial condition – revenues sufficient to cover expenses
- Plan includes 1/3 FTE increase in 2025
- Plan assumes average annual increase of 4.0% annually
- Capital improvements to be funded with a combination of cash and bonding
 - Debt issuance anticipated in 2024, 2027, 2030 and 2032 to finance the estimated \$2.65 million of the \$4.9 million of total storm utility projects

Storm Water Fund Cash Balance

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Storm Fund

Projected Ending Cash Position is projected to be sufficient to meet policy objectives over the planning period

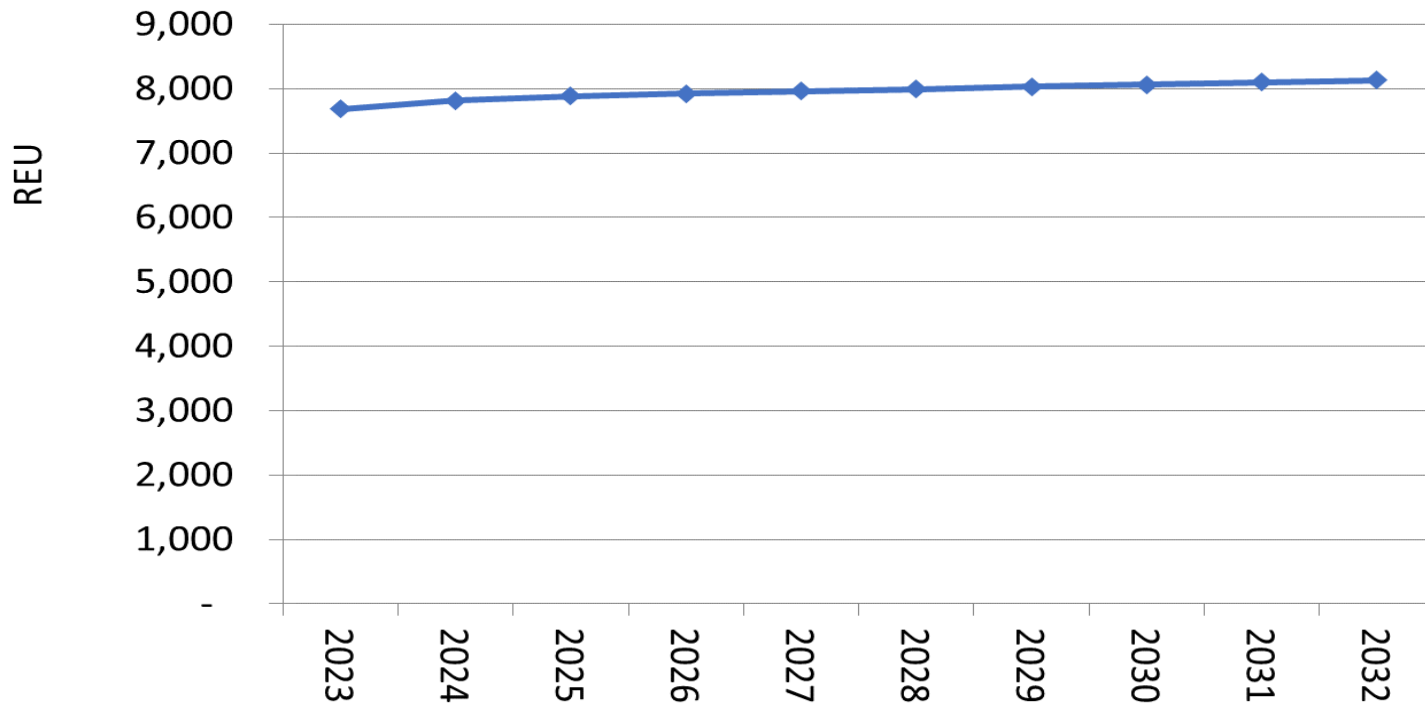


Storm Water Fund Customers and Usage

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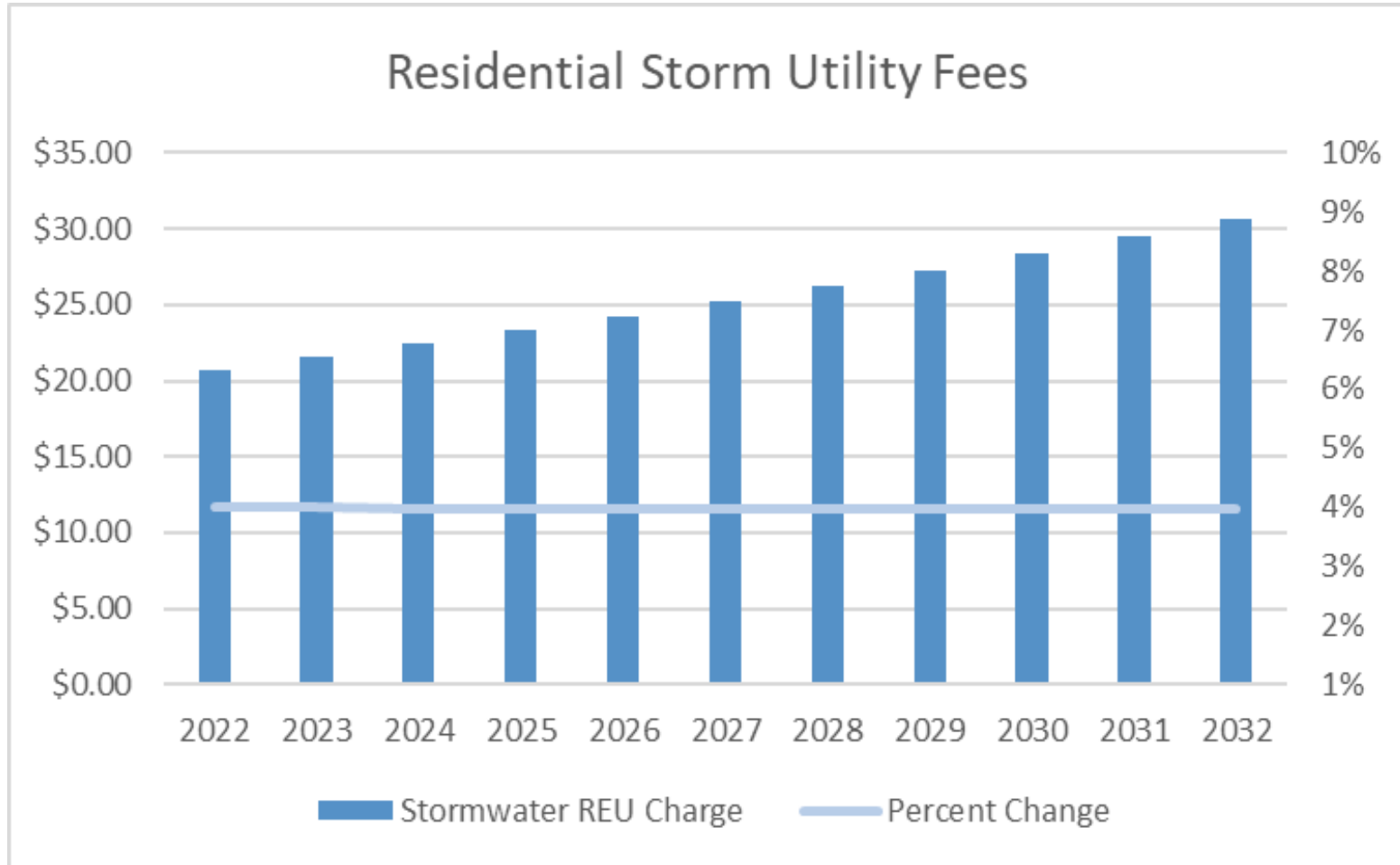
Storm Fund
Residential Equivalent Units (REU) Billed

Plan anticipates about 50 new REU added per year



Impact on Example Storm Water Customer

X-E-01

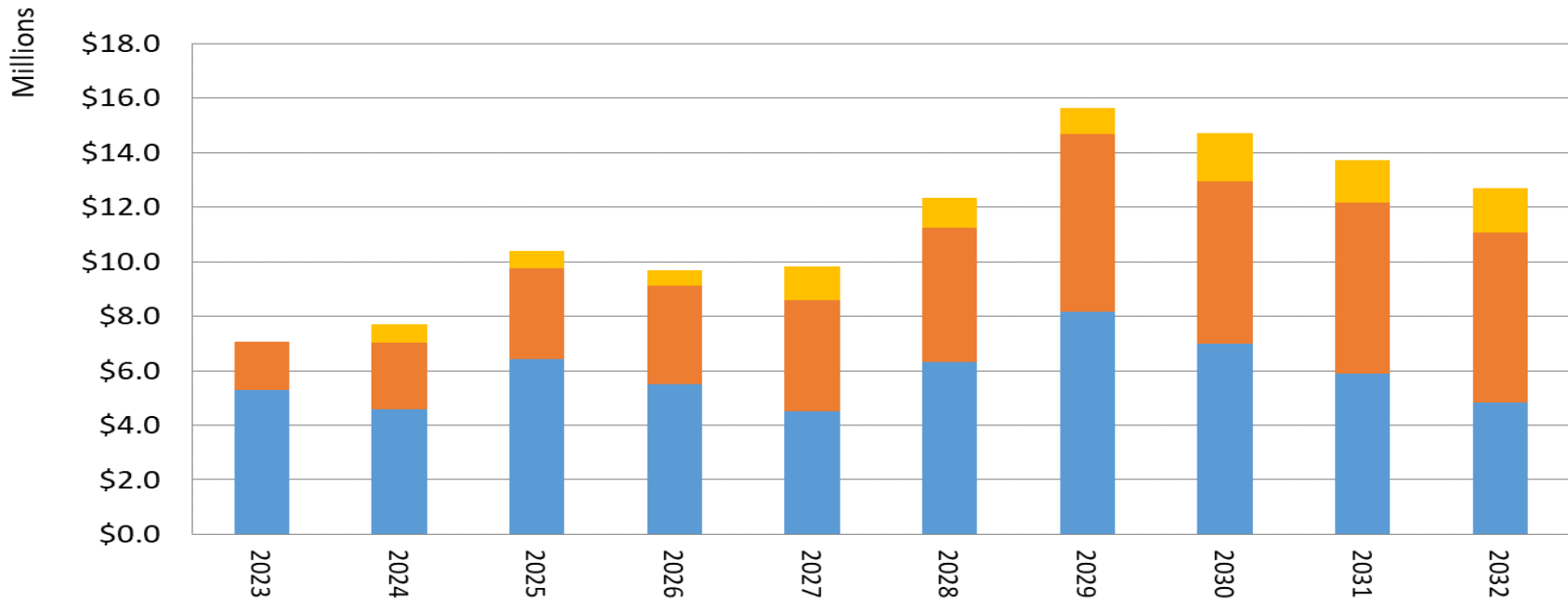


Bonds Outstanding Paid from Utility Revenue

X-E-01

Outstanding Bonds Payable
Includes Existing and Planned Debt Issuance

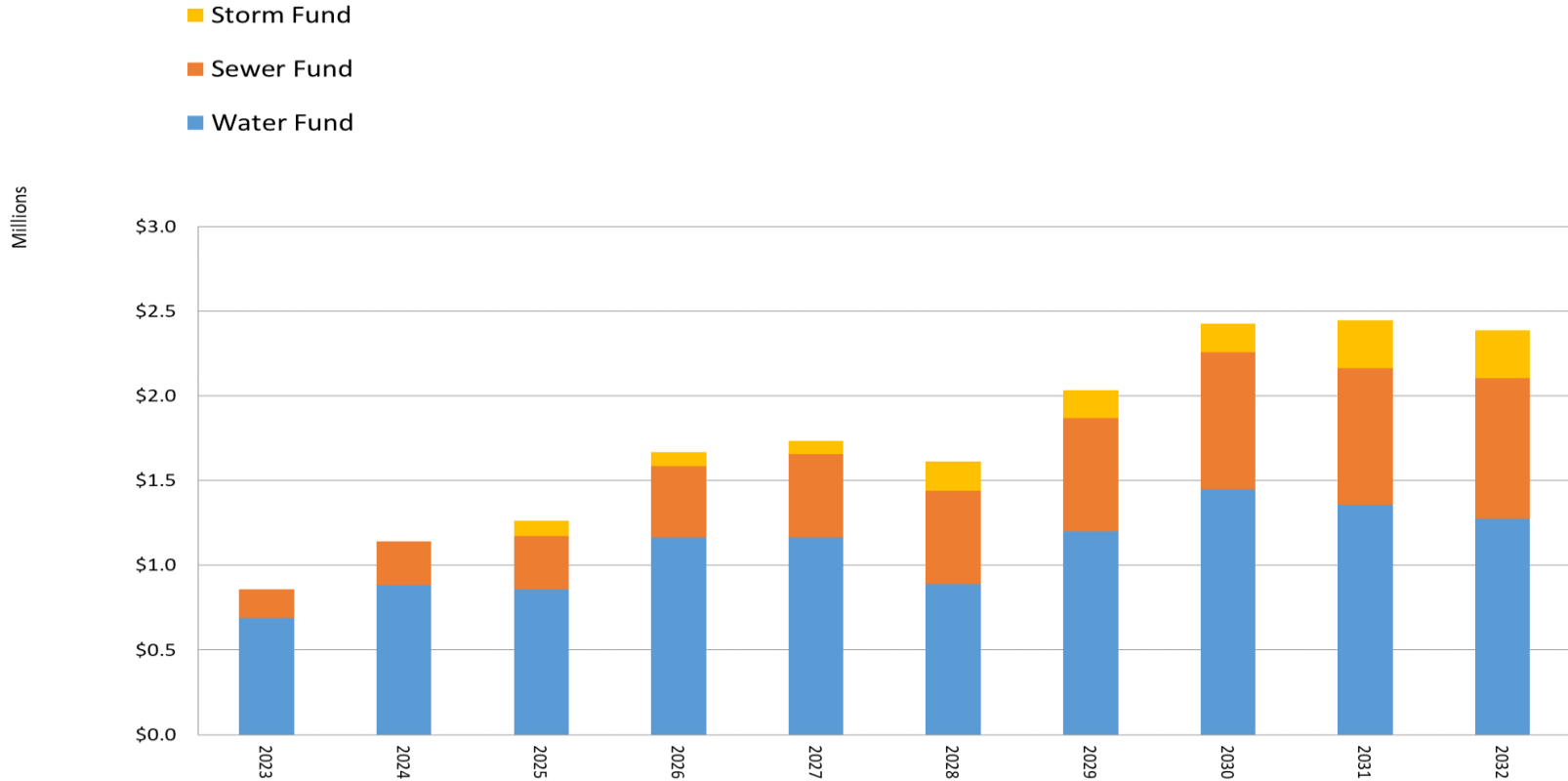
- Storm Fund
- Sewer Fund
- Water Fund



Annual Debt Service Paid from Utility Revenue

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Debt Service Payable
Includes Existing and Planned Debt Issuance



Comparison to Other Cities

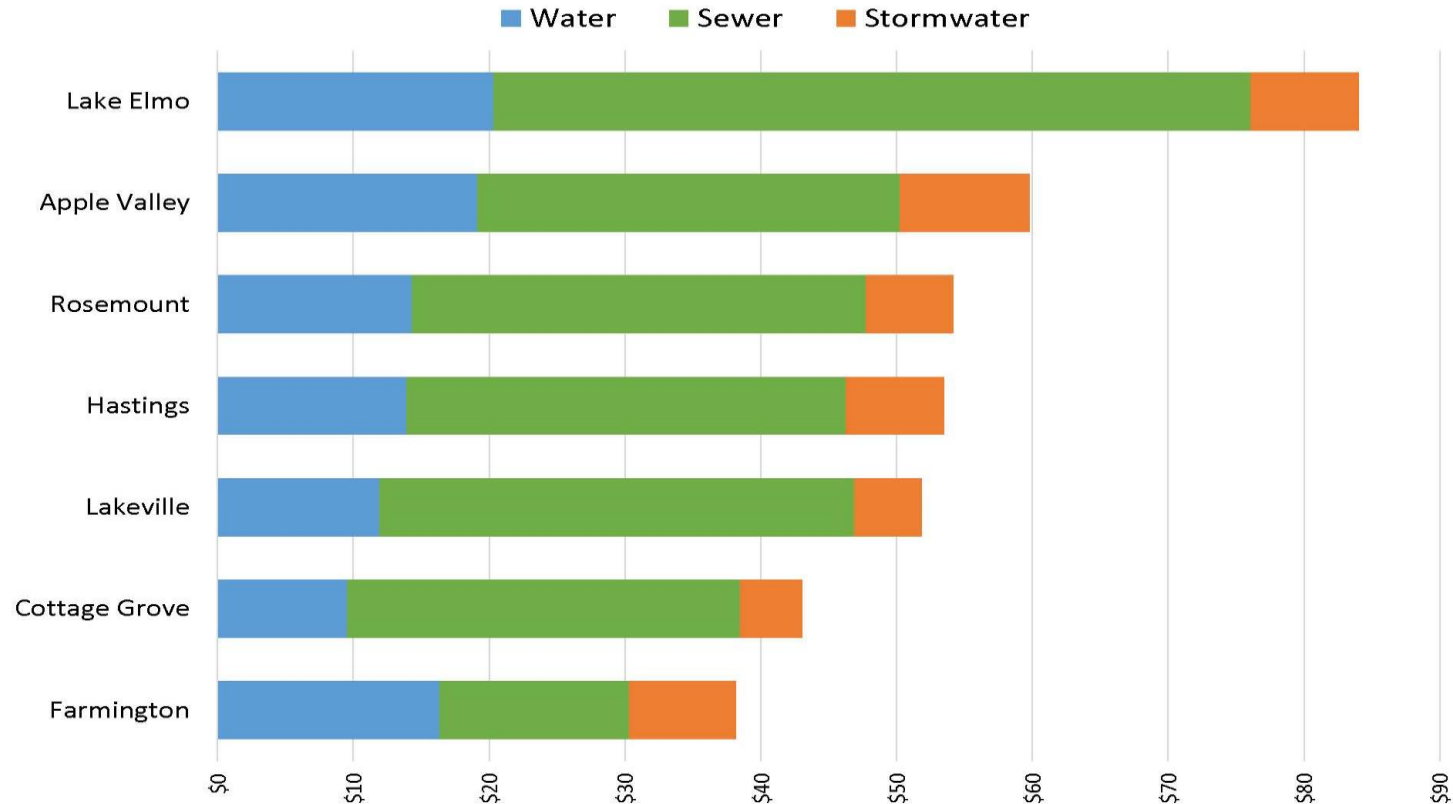
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Chart 23

6,000 Gallons Monthly Volume - Residential

Estimated Based on Published Rate Data and Interpretation of Fee Schedules

Cities have different billing cycles for comparison billing is shown as monthly equivalent bills



- City should annually review and adopt rate increases, paying particular attention to anticipated changes to MCES charges and impact on Sewer expenses
- City should adopt rates that achieve revenues to meet both cash objectives and net position targets

Thank You

X-E-01

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Registered with SEC and MSRB



City of Hastings, MN

**Financial Management Plan For
Water Fund, Sewer Fund, and Storm Fund (Utility Study)**

September 18, 2023



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September 18, 2023

Chris Eitemiller
Finance Manager
City of Hastings
101 4th Street East
Hastings, MN 55033

RE: Financial Management Plan for Water, Sewer, and Storm Funds

Dear Chris,

Northland is pleased to present the City of Hastings with a Financial Management Plan for Water, Sewer, and Storm Funds (the "Plan"). The Plan provides the results of our analytical work and facilitation of the process to guide the city towards arriving at a conclusion on utility rate fee schedule for the next decade. The Plan provides options for revenue generation structure that is projected to be financially solvent, fair to end-users, economically competitive, and in proposed alignment with what we understand to be the city's overall philosophy on utility fees.

Sincerely,

NORTHLAND SECURITIES, INC.

A handwritten signature in black ink that reads "Tammy Omdal".

Tammy Omdal
Managing Director

A handwritten signature in blue ink that reads "Jessica Green".

Jessica Green
Managing Director

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INTRODUCTION AND SUMMARY

Overview

The Financial Management Plan for Water, Sewer, and Storm Funds (the “Plan”) is intended to serve as a guide for financial management of the water, sewer, and storm systems of the city (the “Utility Funds”).

The objectives of the study for the Plan were as follows:

- **Revenue Sufficiency** - develop and populate a forecasting model to determine the revenue needed to satisfy projected operating, capital improvements, and debt service while maintaining adequate reserves for future capital needs. The city desires to minimize debt issuance for capital improvements when possible.
- **Rate Calculation** - Review existing rate structures for the Utility Funds and develop and propose modifications to ensure that rates reflect accepted practices, fair and equitable distribution of costs.

The Plan includes anticipated future capital improvements for the Utility Funds for years 2023-2032 (the “CIP”). Estimates include future costs and timing of projects. The actual timing for future system improvements will depend in part on the growth rate of the city. While the specific timing is uncertain, awareness of the necessity of these future improvements is important when considering rates and level of reserves as presented in the Plan.

Study Approach

The following steps were taken as part of the study:

- City provided information on customer activity, includ-

ing reports on customer billings for years 2020 and 2021, with volumes billed by billing period and customer classifications. Northland relied on the data as presented by the city for projection of water use and volumes by tier and average number of billing units per year.

- City provided historical financial data along with current budget plans and CIP.
- Information provided by the city was organized, analyzed, and used to support the development of the Plan. Prior year data included in the Plan is reconciled with the city’s audited financial statements.
- City staff offered input and feedback on assumptions for the study.

Revenue Sufficiency

The study evaluated the sufficiency of revenues to meet current and projected financial requirements for the Utility Funds over the next decade, and determined the rates necessary in each year of the projection period to provide sufficient revenues to meet objectives. For purposes of the Plan, the objectives included providing revenue sufficient to achieve year-end cash balances to cover the following purposes:

- Three-months of operating expense
- Following year debt service payments
- Following year capital acquisition (planned to be paid from cash)
- Reserves for future capital improvements

Reserves for future capital improvements includes cash available from connection and access charges collected at time of development reserved for future improvements.

The city accounts for water, sewer, and storm services in the Water Fund, Sewer Fund, and the Storm Fund, reported as Enterprise Funds of the city. Enterprise Funds are used to account for ongoing activities that are similar to businesses found in the private sector.

The Enterprise Funds are considered self-supporting in that the services rendered by them are financed primarily through user charges. The costs of providing services, such as capital costs, depreciation, and debt service, are recovered with fees and charges, rather than with taxes or similar revenues.

The graphics and tables that follow provide a summary of key financial information for the Utility Funds, including the revenue sufficiency of the proposed rates to meet ending cash objectives.

Rate Calculation

The city has a practice of annually adjusting utility rates to ensure revenue is sufficient. The city has a two-part rate structure for the water and sewer services, comprised of both fixed and variable charges based on volume. A tier structure is recommended by generally accepted practices and is a practice followed by most cities within the Twin Cities metropolitan area. A two-part rate structure recovers a portion of system costs in a fixed charge, recognizing that the water and sewer services have certain fixed costs that are incurred year-round regardless of the level of water usage by customers. Storm services are billed based on a per customer basis.

It is estimated that approximately 70%-85% of the Water Fund and Storm Fund expenses, including depreciation, are fixed, and for the Sewer Fund it is approximately 30%. The fixed expenses for the Sewer Fund are lower because of the collection and treatment system operated by Metropolitan

Council Environmental Services (MCES).

Based on the results of the study, for usage or metered volume-based rates the following is recommended:

- Maintain the city's structure for base rate charges with annual inflationary adjustments to cover the projected annual increases in fixed costs for services.
- Consider the cost/benefit of converting from a quarterly to monthly billing cycle. The benefits of a monthly billing cycle are covered later.
- Establish rates at a level that provides an appropriate level of cash reserves for future capital improvements that are not yet programmed in the CIP. The reserves should be maintained at a level that is consistent with the city's past experience for contingency and at a level that reflects uncertainty about cost and timing of future infrastructure needs, and the city's desire to limit the issuance of debt financing when feasible.

The Plan anticipates approximately 3.5% average annual rate increase for water services, 4.5% for sewer services, and 4% for storm services beginning in 2024. The annual rate increases are approximate average annual increases, and reflect the anticipated net cost increases and revenue sufficiency objectives in the Plan.

The graphics and tables that follow present the impact to an average residential customer at various levels of water use resulting from the proposed rates. Customer bill amounts are shown on a quarterly basis consistent with the city's current billing cycle.

Utility rates and tier structures should be reviewed annually to ensure that rates and structure provide adequate revenues based on actual experience. Future rates should be set based on actual data and performance, which will be

impacted by timing of future development, among other factors.

Organization of Plan

The Plan is organized into seven sections:

1. Introduction and Summary provides information on the study approach, revenue sufficiency, and rate calculations.
2. Best Practices Evaluation provides information on literature search for best practices, and comparison to other cities.
3. Rate Structure provides information on equity of the current rate structure, evaluation of funding approach for infrastructure, and approach for funding depreciation.
4. Capital Improvement Plan provides information on the city's plans for maintaining and improving the water and sanitary sewer systems. This includes estimates on project costs, timing, and sources of funds. The time horizon for the CIP is 2023-2032. Information on outstanding debt obligation and debt service of the Utility Funds is included in this section.
5. Financial Plans provides the financial plans for the Utility Funds. The financial plans include historical, current, and projected sources and uses of funds and estimated ending cash balances. Financial plans take into account capital improvement plans and proposed rates.
6. Appendixes provides additional data and graphics.

Table 1
Water Fund
Summary

Water Fund

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues	2,668,223	2,966,836	2,896,394	2,890,923	5,099,397	3,108,955	3,229,588	3,348,716	3,479,382	3,608,946
Expenses	2,466,901	2,528,002	2,675,770	2,768,771	2,835,231	2,949,089	3,126,681	3,196,458	3,208,998	3,228,181
Revenue Over (Under) Expense	201,322	438,834	220,624	122,152	2,264,166	159,866	102,907	152,258	270,384	380,765

Projected Ending Cash by Purpose

For future capital and unassigned	3,674,334	4,164,382	3,014,665	345,656	2,906,639	2,961,850	2,682,702	2,655,622	2,699,475	2,979,426
For planned capital	1,035,000	214,000	1,390,100	2,863,500	78,200	239,000	400,300	314,000	405,400	314,000
For 3-months of operating cash	334,054	351,659	362,209	373,075	384,267	395,796	407,669	419,899	432,496	445,471
For following year debt service	883,057	856,125	1,164,125	1,164,850	887,375	1,199,075	1,448,350	1,355,690	1,276,378	1,211,950
Total Projected Ending Cash	5,926,446	5,586,167	5,931,099	4,747,082	4,256,482	4,795,721	4,939,022	4,745,211	4,813,749	4,950,847

Net Position

Ending unrestricted net position	5,669,155	5,308,976	5,659,059	4,480,244	3,994,899	4,539,445	4,688,106	4,499,709	4,573,714	4,716,335
As % of expense	230%	210%	211%	162%	141%	154%	150%	141%	143%	146%

Net Revenues as % of Debt Service

	200%	185%	168%	124%	310%	172%	133%	119%	133%	147%
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Customers

Average # of Customer Accounts Billed Per Quarter	7,653	7,785	7,858	7,894	7,930	7,965	8,001	8,036	8,072	8,107
Annual Volume Billed (1,000 of gallons)	717,493	726,073	730,818	733,158	735,498	737,773	740,113	742,388	744,728	747,003

Example Customer

Residential Bill for Water Service (36,000 gallons per quarter)	45	47	48	50	52	54	56	58	61	63
\$ Change in Total Annual Billed		2	2	2	2	2	2	2	2	2
% Change in Total Annual Billed		3.7%	3.7%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.9%

Notes:

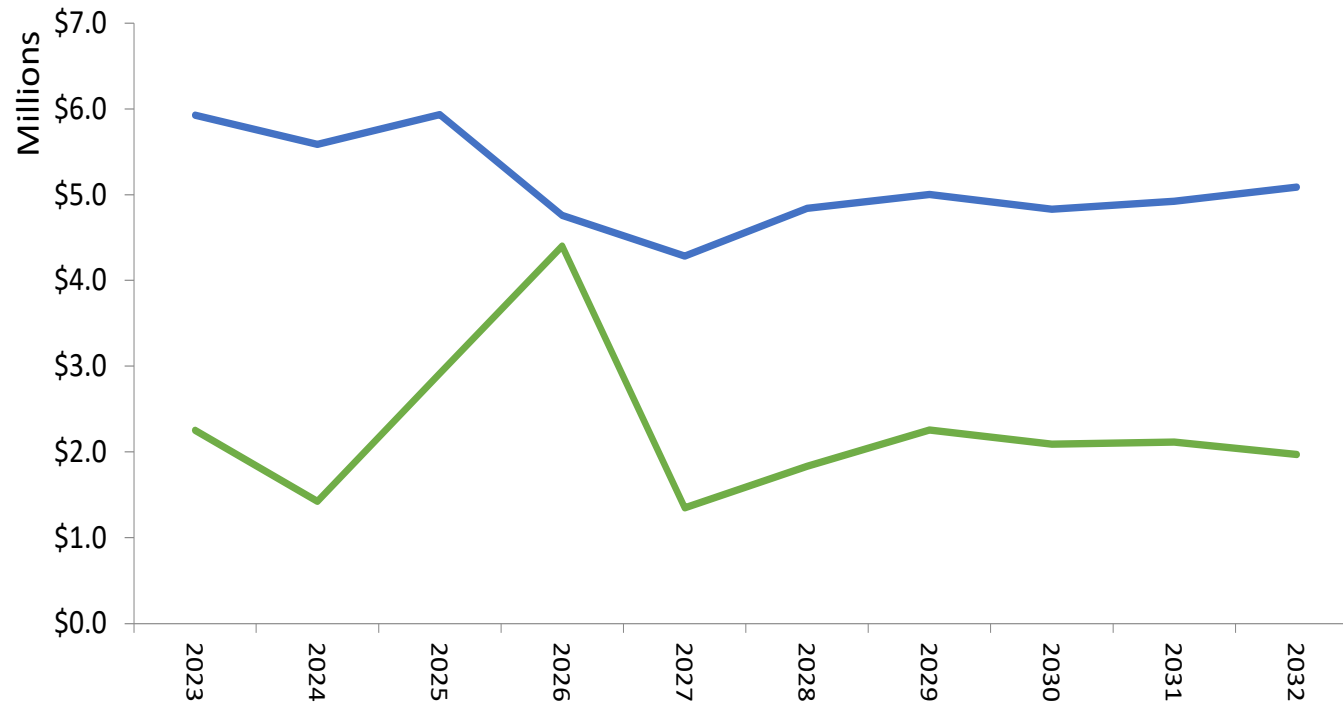
- Expenses includes depreciation expense.

Chart 1.

Water Fund

Projected Ending Cash Position is projected to be sufficient to meet policy objectives and to position City to accumulate cash for infrastructure improvements

- Ending Cash Position with Rate Increases
- Desired Minimum Ending Cash Position



Water Fund

Introduction and Summary

X-E-01

Chart 2
Water Fund
Projected Ending Cash (Investments) by Designation

Cash is projected to be sufficient to meet minimum annual cash needs and to provide reserve for future capital improvements

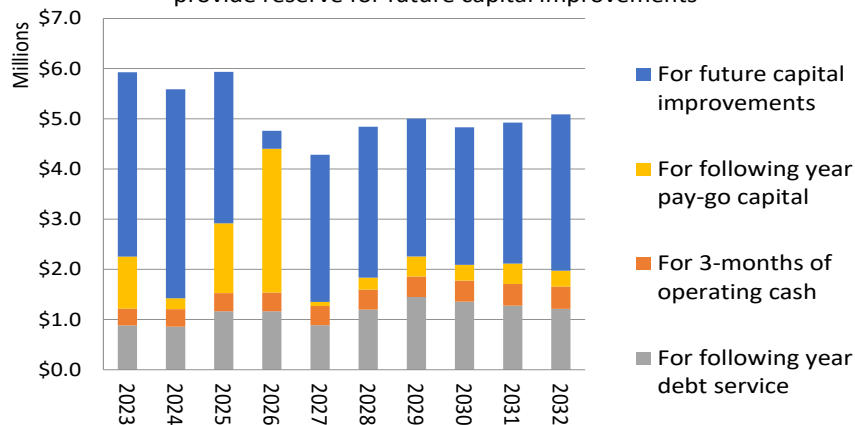


Chart 3
Water Fund
Ending Unrestricted Net Position

Ending unrestricted net position as % of expense is projected to be at or above a minimum target of 50%

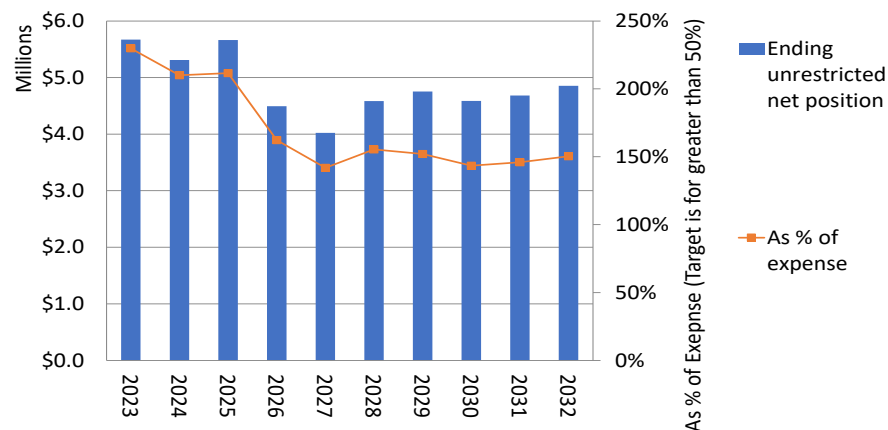


Chart 4
Water Fund
Revenue and Expense

Revenues are projected to cover expenses, revenues in excess of annual expenses comes from development fees collected to pay for future improvements

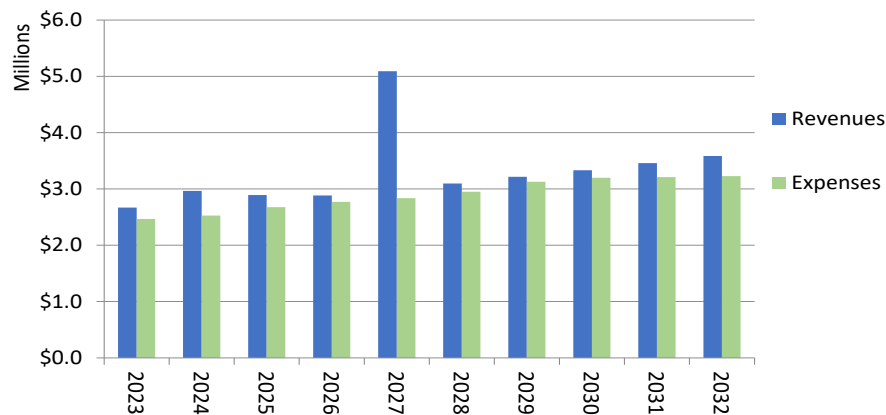


Chart 5
Water Fund
Customers and Annual Water Volume Billed

Plan anticipates about 50 new customers added annually with average water volume of 65,000 gallons/year per customer

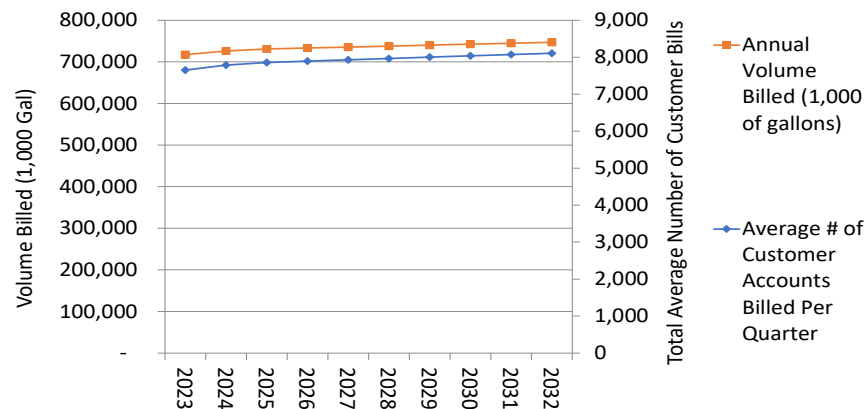


Table 2
Sewer Fund
Summary

Sewer Fund

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues	2,981,209	3,120,164	3,196,015	3,296,463	5,407,373	3,624,323	3,802,874	3,986,785	4,183,169	4,385,738
Expenses	2,886,951	3,096,743	3,306,366	3,469,696	3,673,517	3,864,458	4,099,039	4,283,115	4,462,320	4,647,975
Revenue Over (Under) Expense	94,258	23,422	(110,351)	(173,234)	1,733,856	(240,135)	(296,165)	(296,330)	(279,151)	(262,237)

Projected Ending Cash by Purpose

For future capital and unassigned	2,912,371	3,155,626	3,219,397	1,234,401	3,113,222	2,951,114	2,399,841	2,177,257	1,966,827	1,773,378
For planned capital	-	-	-	1,950,000	-	-	300,000	-	-	-
For 3-months of operating cash	614,857	654,192	685,600	718,585	753,158	789,538	827,675	867,809	909,887	954,173
For following year debt service	255,837	314,713	419,463	490,263	552,588	669,088	808,213	807,535	827,891	841,525
Total Projected Ending Cash	3,783,065	4,124,530	4,324,460	4,393,248	4,418,967	4,409,740	4,335,729	3,852,602	3,704,605	3,569,077

Net Position

Ending unrestricted net position	4,158,065	4,502,630	4,705,622	4,777,432	4,806,131	4,799,839	4,728,716	4,248,429	4,103,221	3,970,427
As % of expense	144%	145%	142%	138%	131%	124%	115%	99%	92%	85%

Net Revenues as % of Debt Service

	219%	154%	114%	98%	376%	73%	75%	82%	82%	88%
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Customers

Total Average Annual # of Customer Accounts Billed Per Quarter	7,432	7,564	7,637	7,673	7,709	7,744	7,780	7,815	7,851	7,886
Total Annual Volume Billed (1,000 of gallons)	485,489	494,069	498,814	501,154	503,494	505,769	508,109	510,384	512,724	514,999

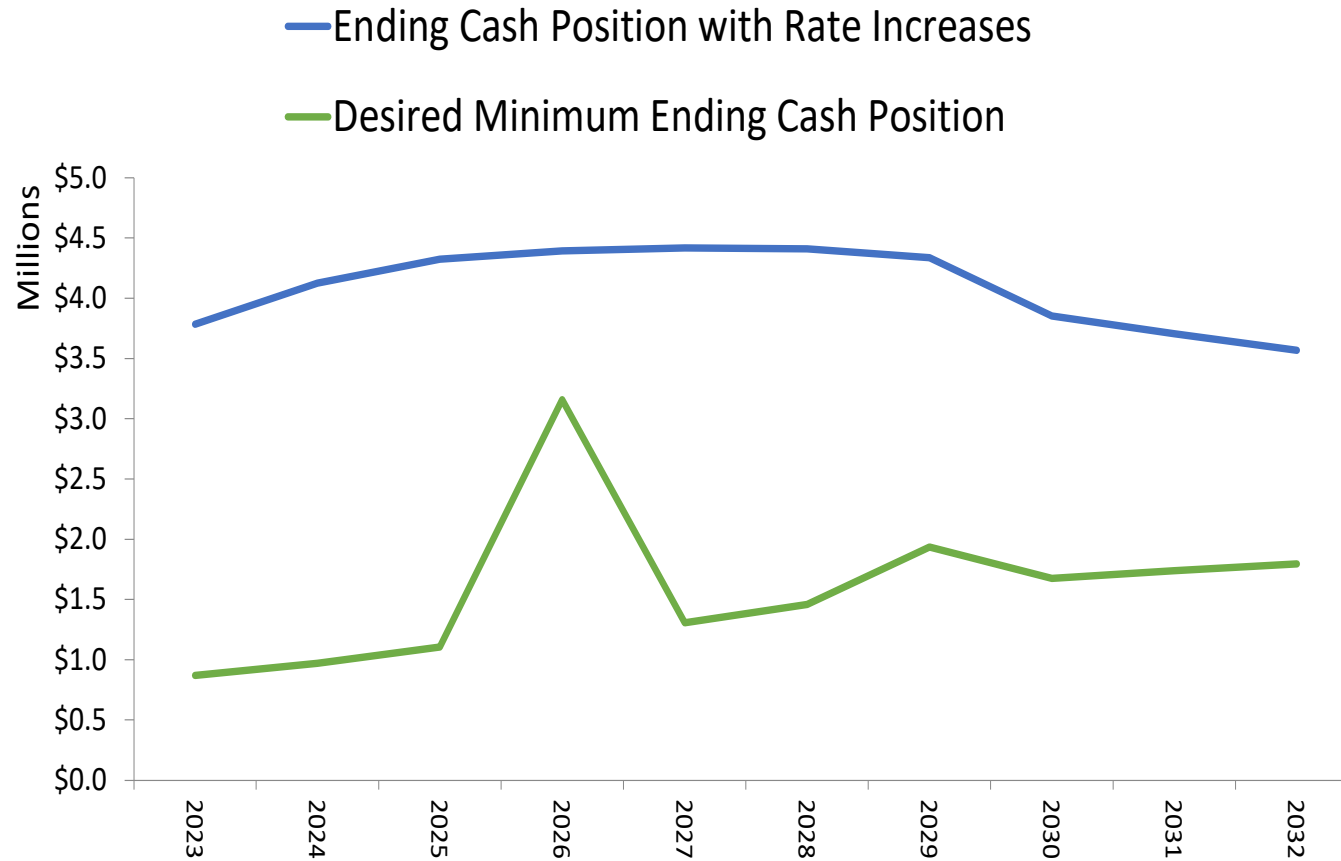
Example Customer

Residential Bill for Water Service (36,000 gallons per quarter)	178	186	194	203	212	222	232	242	253	264
\$ Change in Total Annual Billed		8	8	9	9	10	10	10	11	11
% Change in Total Annual Billed		4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%

Notes:

- Expenses includes depreciation expense.

Chart 6.
Sewer Fund
Projected Ending Cash Position is projected to be sufficient to meet policy objectives over the planning period



Sewer Fund

Introduction and Summary X-E-01

Chart 7
Sewer Fund
Projected Ending Cash (Investments) by Designation

Cash is projected to be sufficient to meet minimum annual cash needs and to provide reserve for future capital improvements

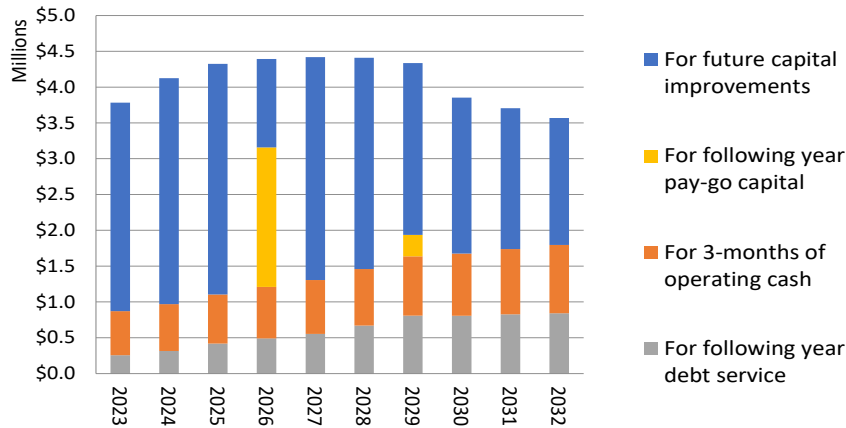


Chart 8
Sewer Fund
Ending Unrestricted Net Position

Ending unrestricted net position as % of expense is projected to be at or above a minimum target of 50%, but at a decline rate

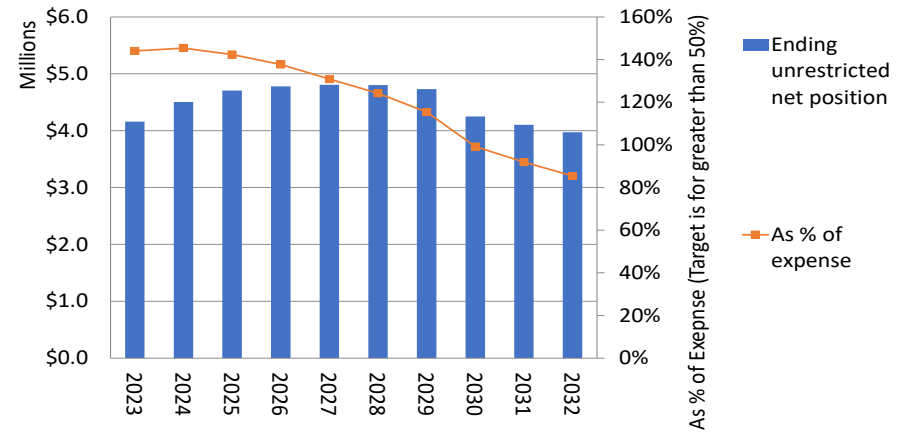


Chart 9
Sewer Fund
Revenue and Expense

Expenses, including depreciation, are anticipated to outpace revenues over the planning period

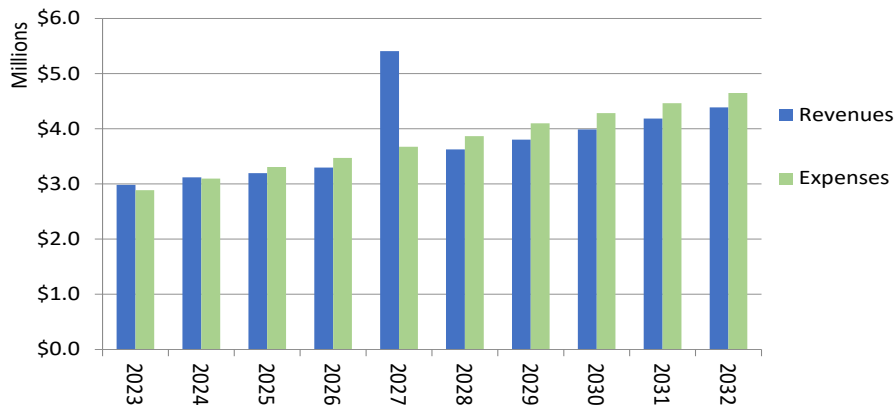


Chart 10
Sewer Fund
Customers and Annual Water Volume Billed

Plan anticipates about 50 new customers added annually with average volume of 65,000 gallons/year per customer

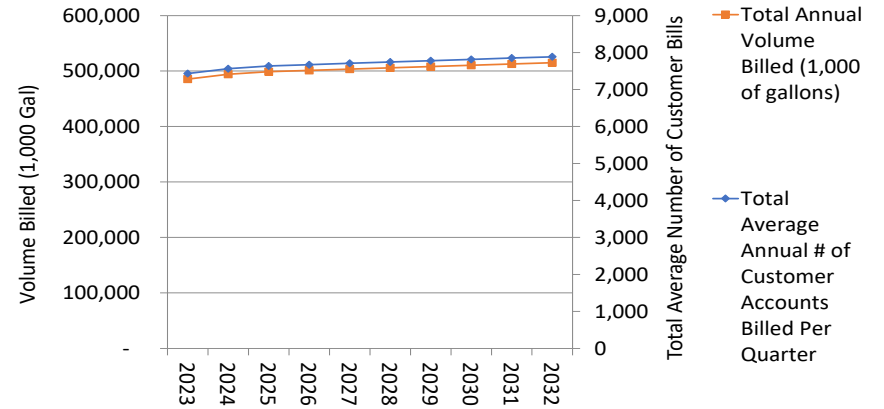


Table 3
Storm Fund
Summary

Storm Fund

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Revenues	836,262	820,338	859,890	897,708	937,558	978,658	1,022,070	1,066,845	1,114,134	1,162,911
Expenses	559,947	603,889	675,627	696,920	741,231	779,777	800,172	852,935	892,282	916,630
Revenue Over (Under) Expense	276,315	216,449	184,263	200,788	196,327	198,882	221,897	213,910	221,852	246,281

Projected Ending Cash by Purpose

For future capital and unassigned	1,266,564	753,435	633,634	861,914	497,693	361,391	569,974	268,245	342,738	183,045
For planned capital	-	775,000	325,000	-	525,000	325,000	-	425,000	75,000	300,000
For 3-months of operating cash	130,204	141,694	145,944	150,323	154,832	159,477	164,262	169,190	174,265	179,493
For following year debt service	-	26,300	83,800	81,400	171,100	166,100	170,900	281,700	282,900	320,400
Total Projected Ending Cash	1,396,768	1,696,429	1,188,379	1,093,637	1,348,625	1,011,968	905,136	1,144,135	874,903	982,938

Net Position

Ending unrestricted net position	1,161,768	1,451,929	934,104	829,303	1,073,942	726,635	608,844	836,565	555,729	651,821
As % of expense	207%	240%	138%	119%	145%	93%	76%	98%	62%	71%

Net Revenues as % of Debt Service

	105%	68%	60%	57%	48%	44%	48%	47%	52%	55%
--	------	-----	-----	-----	-----	-----	-----	-----	-----	-----

Customers

Total Average # of Residential Equivalent Units Billed Per Quarter	7,680	7,812	7,885	7,921	7,957	7,992	8,028	8,063	8,099	8,134
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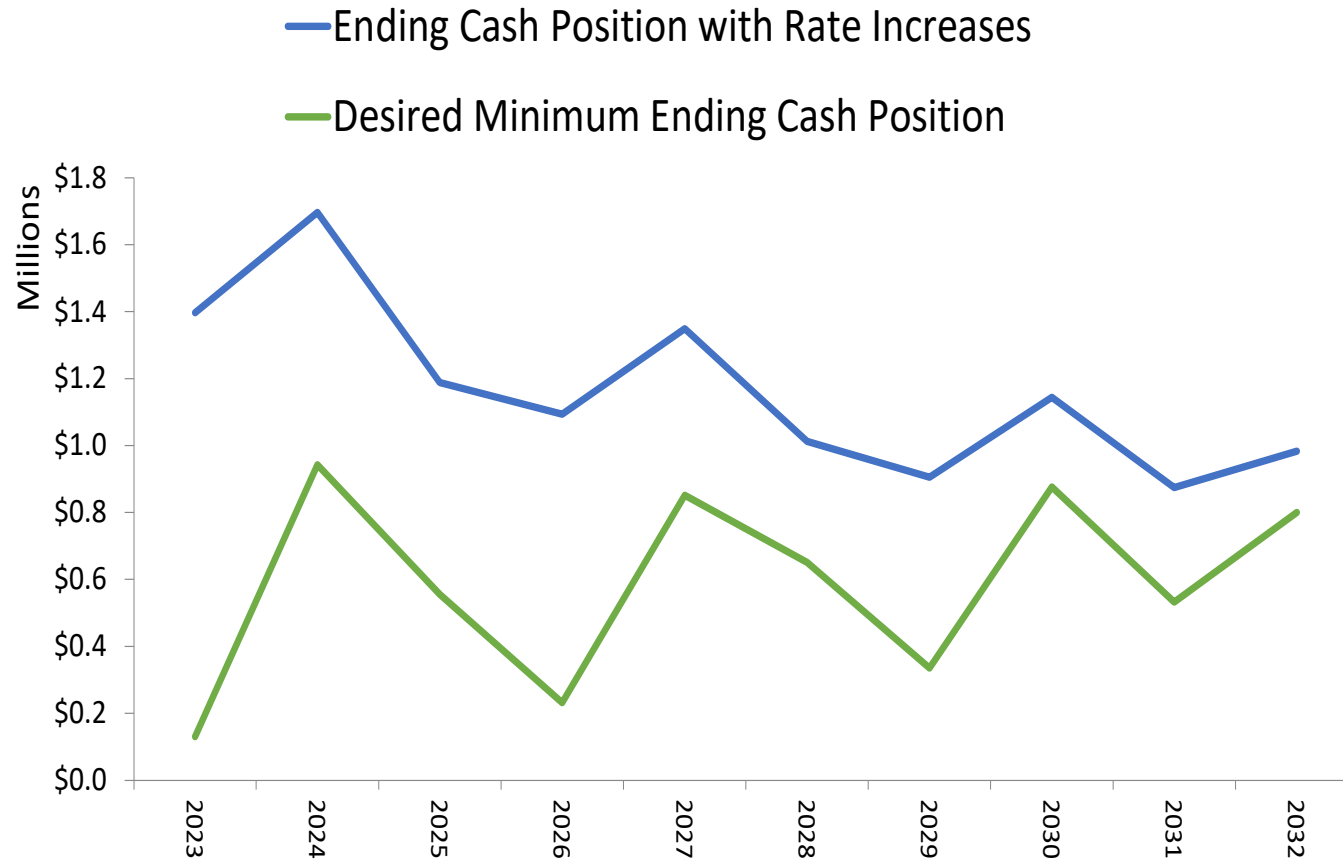
Residential Customer

Average Residential Bill for Service	22	22	23	24	25	26	27	28	29	31
\$ Change in Total Annual Billed		1	1	1	1	1	1	1	1	1
% Change in Total Annual Billed		4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%

Notes:

1. Expenses includes depreciation expense.

Chart 11.
Storm Fund
Projected Ending Cash Position is projected to be sufficient to meet policy objectives over the planning period



Storm Fund

Chart 12
Storm Fund
Projected Ending Cash (Investments) by Designation

Cash is projected to be sufficient to meet minimum annual cash needs and to provide reserve for future capital improvements

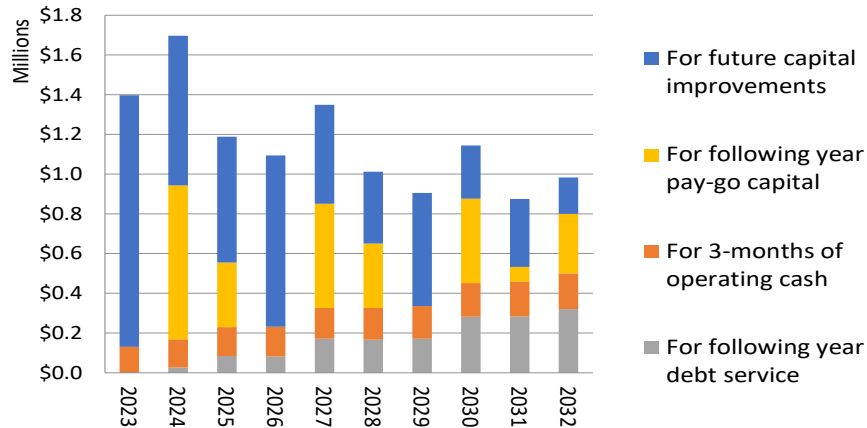


Chart 13
Storm Fund
Ending Unrestricted Net Position

Ending unrestricted net position as % of expense is projected to be at or above a minimum target of 50%, but at a decline rate

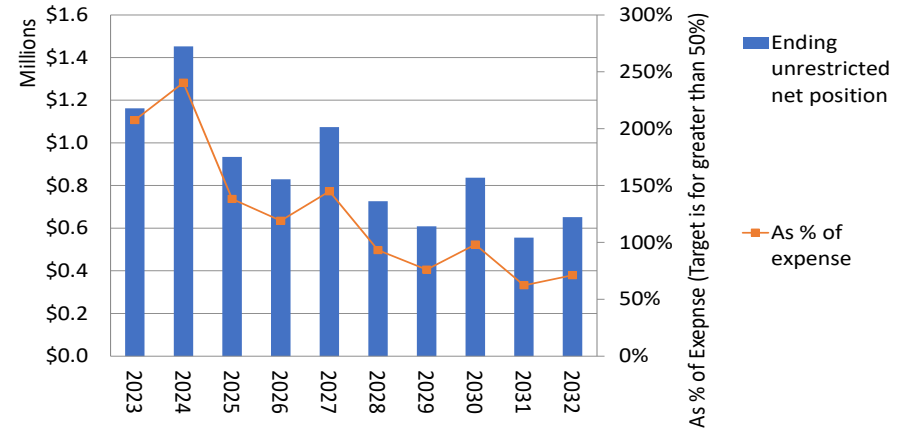


Chart 14
Storm Fund
Revenue and Expense

Revenues are projected to cover expenses within the Storm Fund

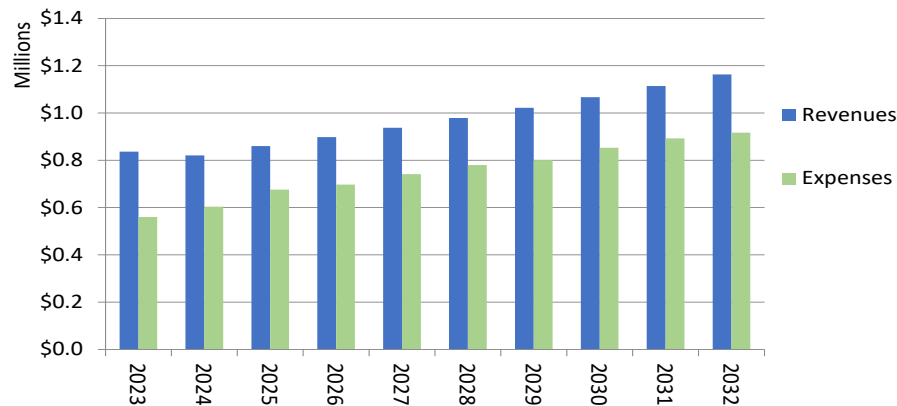
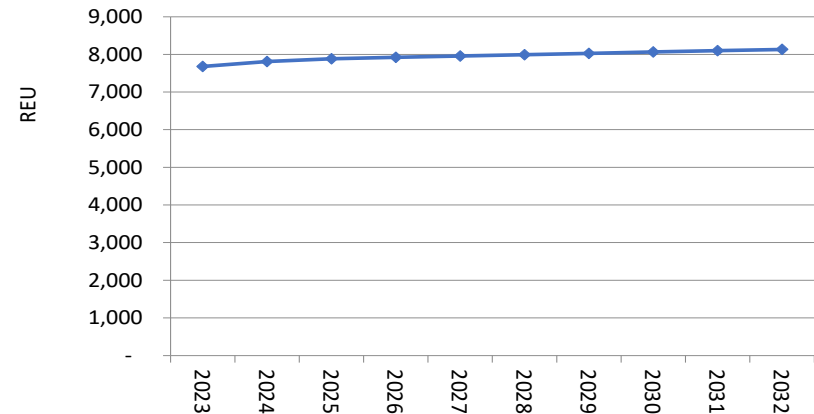
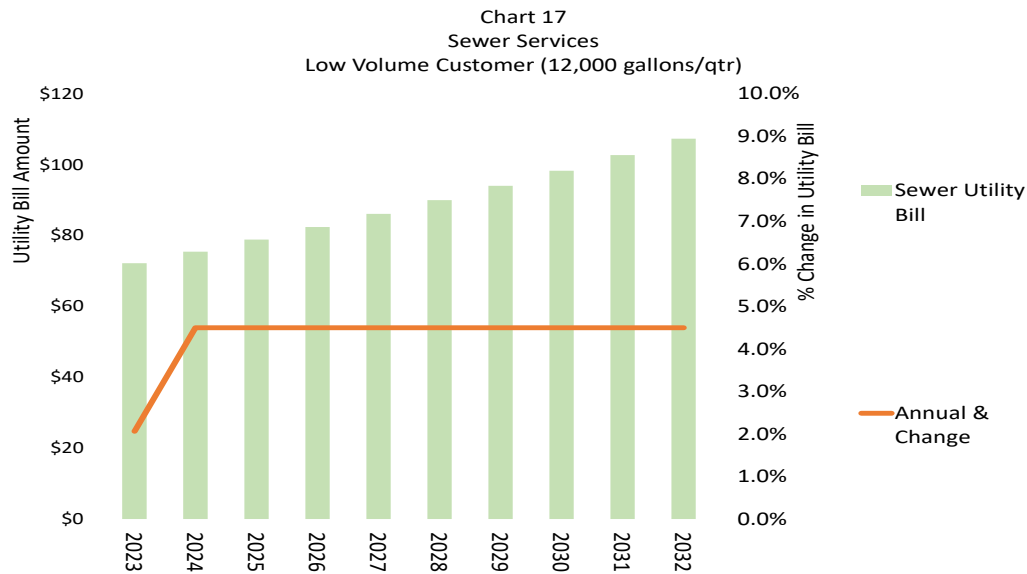
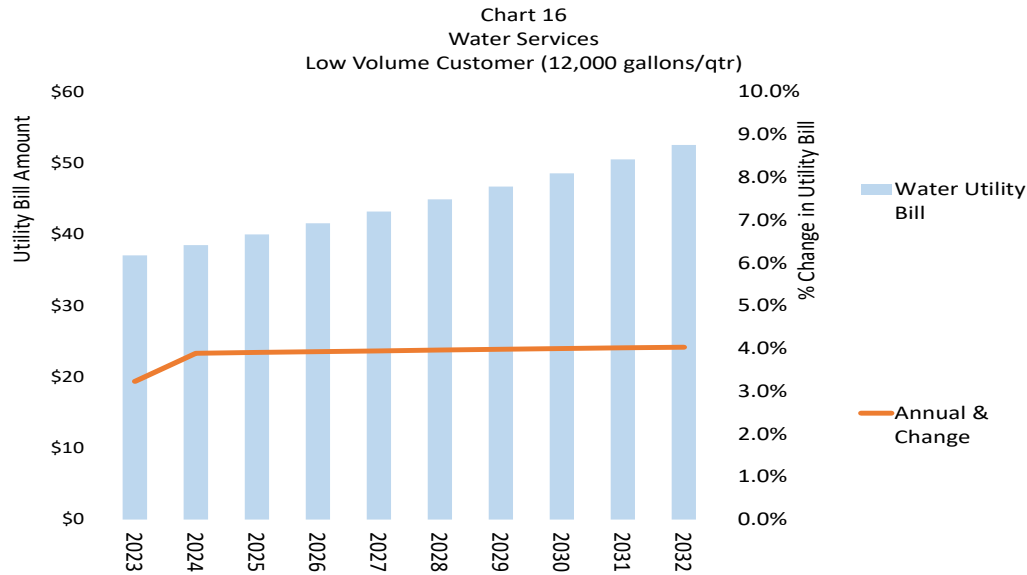


Chart 15
Storm Fund
Residential Equivalent Units (REU) Billed

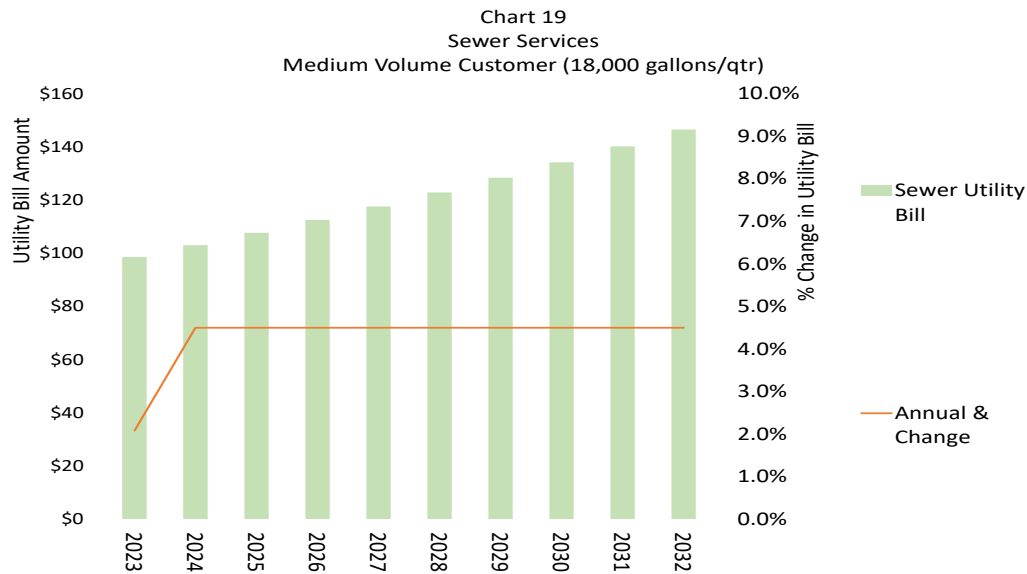
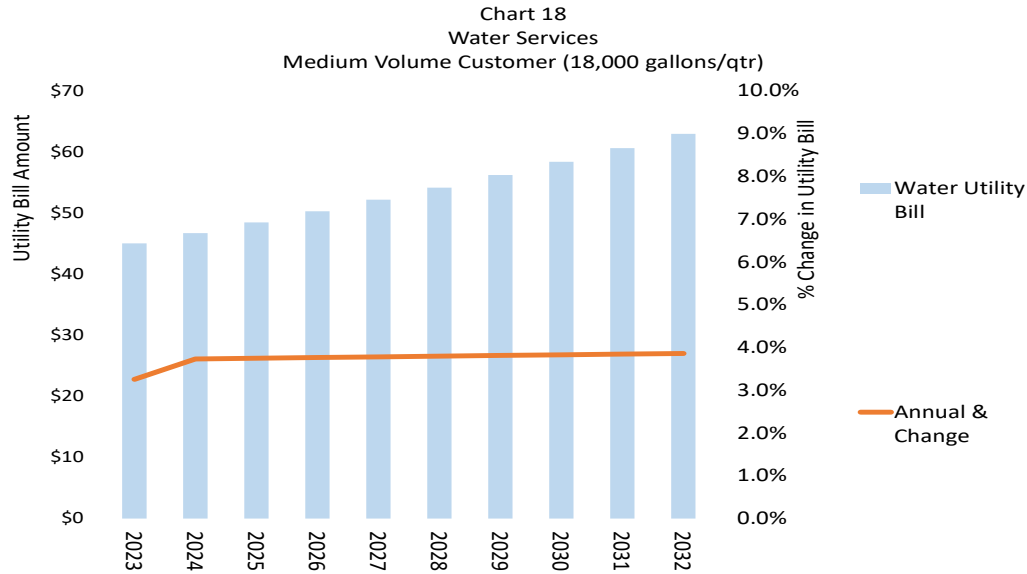
Plan anticipates about 50 new REU added per year



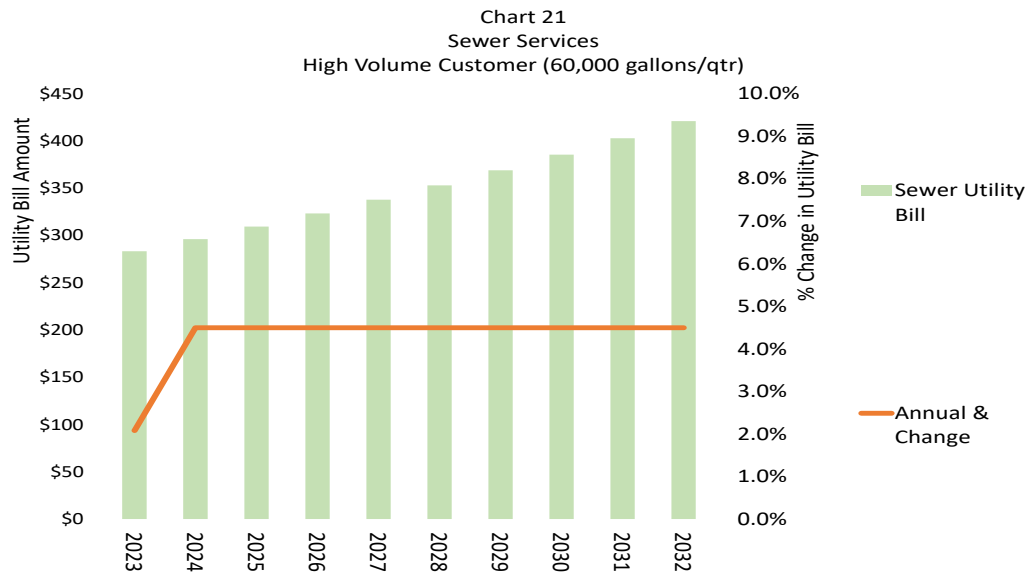
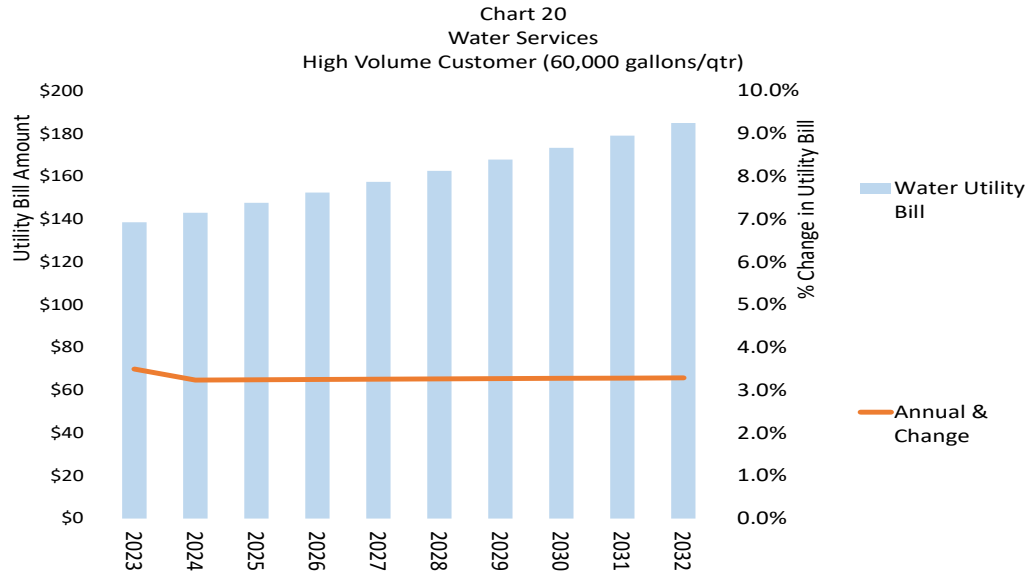
Low Volume Residential Customer Water and Sewer Bill



Medium Volume Residential Customer Utility Bill Examples



High Volume Residential Customer Utility Bill Examples



Best Practices and Comparisons

Overview

This section provides information on best practices and comparisons to other cities to help inform city decisions for utility rates and billing cycles, among other purposes.

Irrigation / Rate Structures

Research regarding the relationship between inclining rate structures and demand for water is readily available. Research specific to rates versus irrigation demand is less prevalent, particularly for residential customers as these customers often lack separate irrigation meters.

Research has shown that inclining rate structures are often successful in reducing overall water demand, which would suggest that demand for water used for irrigation purposes would also decline.

Most studies specific to irrigation focus on the use of metering, consumption control devices, and the use of other measures specific to landscaping (soil additives, drought tolerant turf, etc.). Separate irrigation metering has proven to be a successful tool in reducing demand for water as it identifies the specific use of outdoor watering and is separate from normal residential use. Hastings promotes separate irrigation meters when appropriate and beneficial to the customer.

Consumption control devices, such as weather sensitive irrigation control switches (WSICS), are powerful tools in reducing irrigation demand, particularly for high volume users. WSICS are designed to override automated or timer-controlled irrigation systems to prevent over watering dur-

ing rainy or wet weather.

WSICS have proven to be valuable tools for residential customers with automated irrigation systems, particularly in suburban areas. Studies have shown that suburban properties are more likely to have in-ground irrigation systems. This, coupled with the fact that suburban lot sizes are generally larger than those in more denser urban environments, often leads to a greater demand for outdoor watering, particularly in areas with higher property values. Additionally, research indicates that property owners in these areas are more likely to be concerned with the condition and appearance of landscaping and maintaining lawn health.

High-demand residential water users are particularly sensitive to increasing rate structures. Their outdoor water usage can be discretionary and may be scaled back should the cost of water become less palatable.

Specific example of Midwestern cities with experience in modifying water rate structures in a way that results in a reduction in irrigation demand, includes cities of all sizes, located within large metropolitan areas and suburban areas. Most of the examples of cities implementing programs for water conservation tend to be focused on providing financial assistance (grants or otherwise) to assist private property owners with acquisition of new plumbing fixtures (sinks, toilets, sprinkler systems) to improve water conservation.

Water Conservation Elements and Rate Structures

National studies support the finding that the utility rate level itself matters more than the rate structure. Rates that are kept too low do not adequately cover the cost of operation, future replacement, and infrastructure expansion. Rates kept too low in the short term provide inaccurate information to customers on the long term cost of service.

The setting of rates and rate structure needs to take into account both current and future needs for revenue. The rates and structure need to balance what are sometimes competing objectives. Those objectives may include:

- Providing a stable source of revenue, recognizing water usage can vary from year to year due to weather conditions and other factors, to cover both variable and fixed costs, both in the short term and long term.
- Promoting water conservation.
- Providing for affordable and fair structure for charging for services.
- Balancing the decision to pay for capital infrastructure with cash versus debt recognizing that future customers will benefit from the improvements funded today.

Conservation measures include placing the lowest 10-20% of users in the first tier, the more average users of 20-30% in the second tier, and the highest 20-30% and 10-20% of users in the third and fourth tiers, respectively.

Tiered rates should increase respective to the desire for water conservation. Some studies suggest that each tier should be increased by 10, 20, and 30%, while more aggressive rate structures may have each tier increasing by 20 to 50%.

In Minnesota, public water suppliers serving more than 1,000 people, large private water suppliers in designated Groundwater Management Areas, and all water suppliers in the Twin Cities metropolitan area are required to prepare and submit a water supply plan (WSP). For water suppliers in the metropolitan area, the WSP helps local governmental units to fulfill their statutory requirements to complete a local comprehensive plan.

The water industry recognizes that there are many ways to design rates. Research and studies suggest that utilizing a three-or-four tiered approach, such as Hastings has adopted, can demonstrate success in reducing water usage and encouraging conservation.

Some cities tend to recover significant amounts of fixed costs through volumetric rates, primarily for the purpose of promoting conservation. However, when drought-related water shortages over the past five years resulted in declining water sales, those cities may find themselves at greater risk of not recovering their fixed costs. To promote revenue stability its important to not shift fixed costs into volumetric rates.

The proposed rate structure for Hastings does not propose changes to shift any fixed costs of the systems into fixed charges versus volumetric rates.

Billing Cycles

Research has shown that monthly billing cycles can be helpful in promoting water conservation as less frequent billing tends to disconnect users from monitoring usage. Hastings has a quarterly billing cycle.

Billing on a monthly basis can more easily help to identify issues with water supply (plumbing that may be leaking) and allow customers to easily see the impacts of increasing or decreasing usage which can lead to behavior modification. Monthly billing can sometimes be more budget friendly for the rate payer and can be beneficial in reducing late payments.

Monthly billing will likely have a direct impact on costs associated with utility billing due to the need for increased administrative support and distribution expense. Providers that utilize and promote online billing benefit from reduced costs associated with printing and mailing physical bills.

To analyze the cost of monthly versus the city's current quarterly billing cycle, more information would be needed regarding the city's data collection (meter readings) and other information gathered by the city. The cost of a monthly versus quarterly billing cycle was not analyzed as part of the study.

Comparison to Other Cities

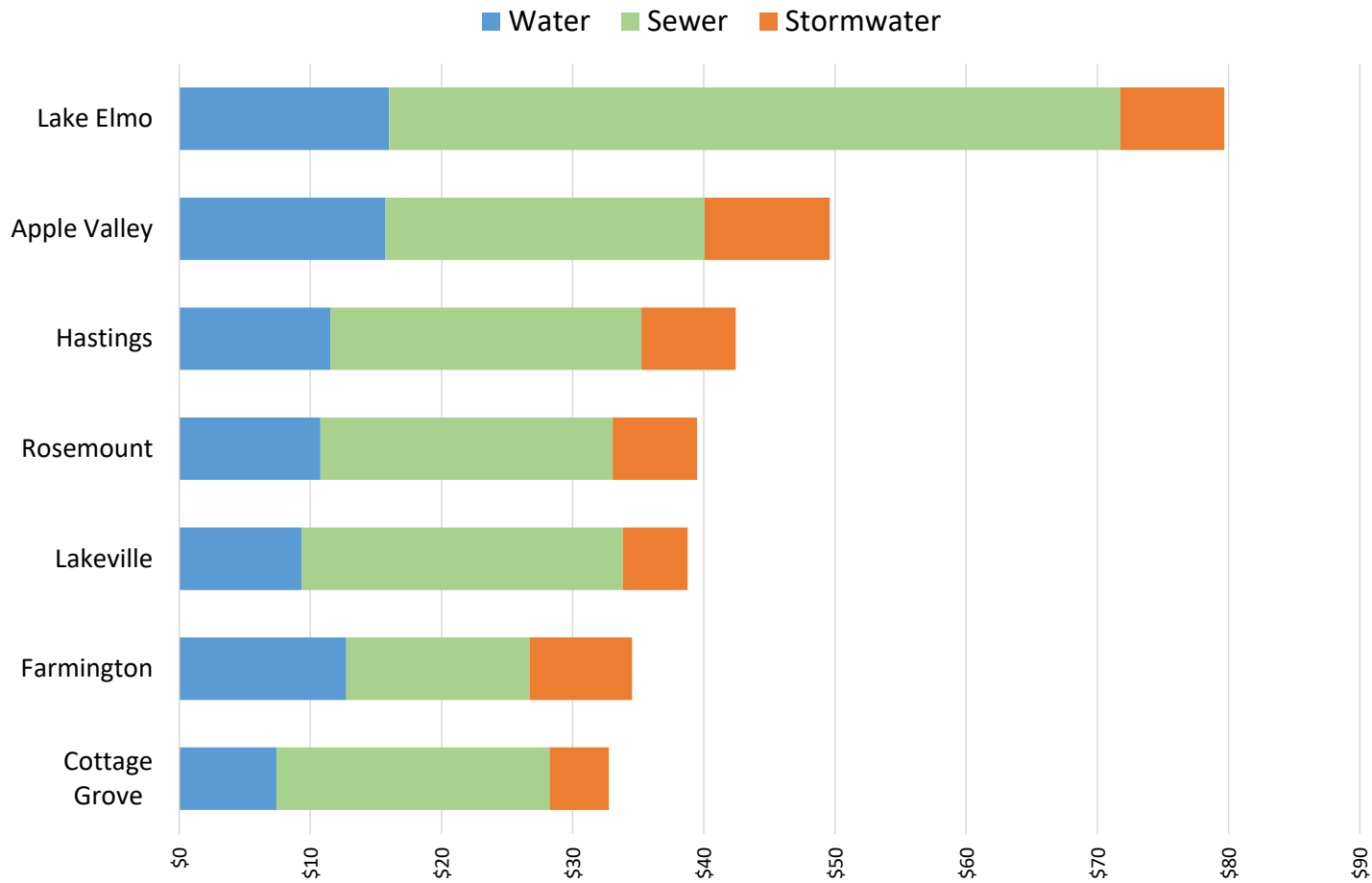
As part of the study, water and sewer rate information for other cities was compiled and compared to Hastings.

As shown in the charts that follow, water and sewer bills for utility customers in Hastings tend to fall in the lower range compared to the other cities included in the study. For equivalent comparison purposes, the bill comparisons are based on monthly equivalent bills. The actual billing cycles vary across cities.

The rates used to calculate the monthly bills for the comparative cities comes from the published fees schedule for each of the cities available on respective city websites.

LOW VOLUME CUSTOMER COMPARISON

Chart 22
3,000 Gallons Monthly Volume - Residential
Estimated Based on Published Rate Data and Interpretation of Fee Schedules
Cities have different billing cycles for comparison billing is shown as monthly equivalent bills



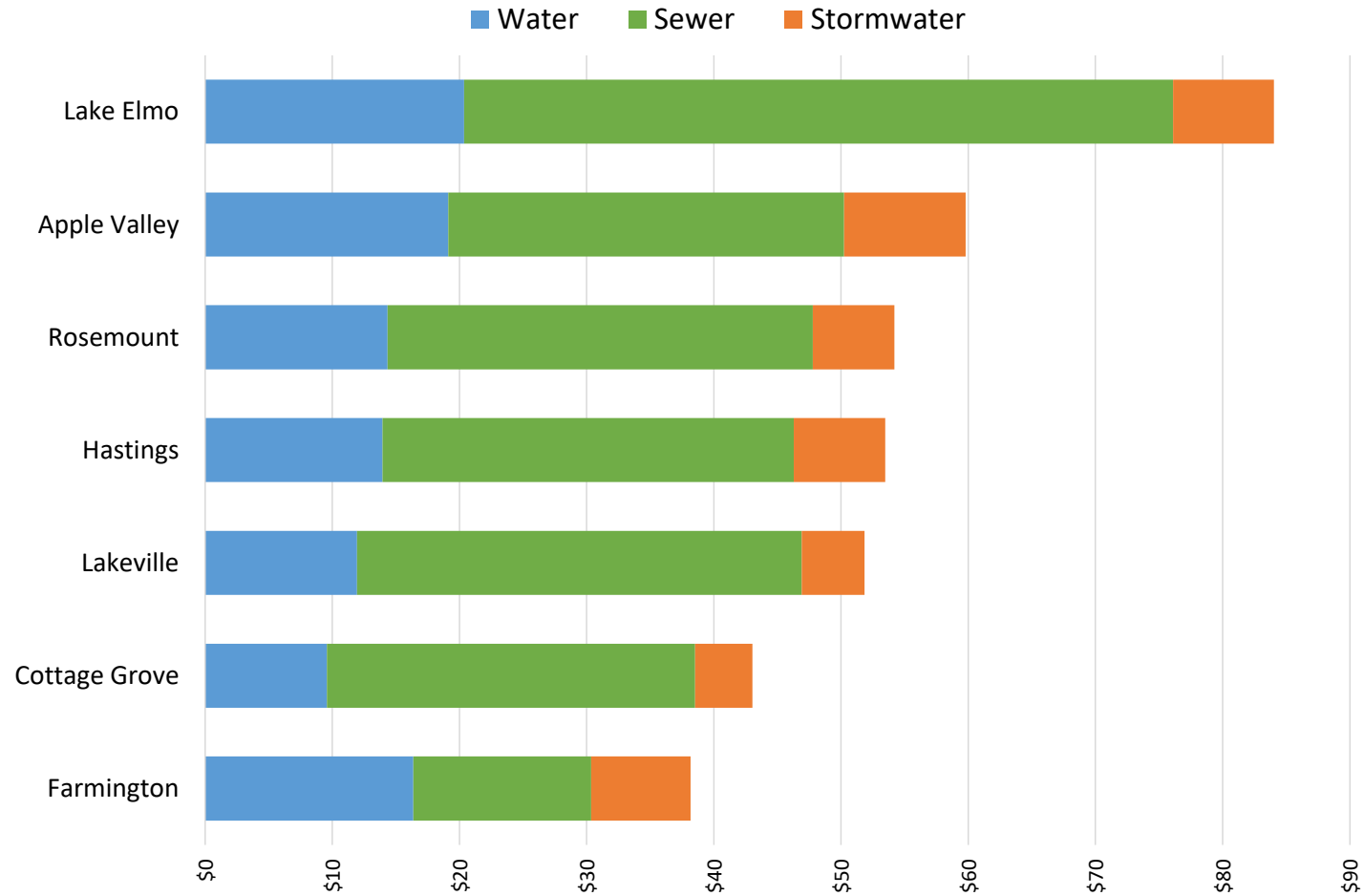
MEDIUM VOLUME CUSTOMER COMPARISON

Chart 23

6,000 Gallons Monthly Volume - Residential

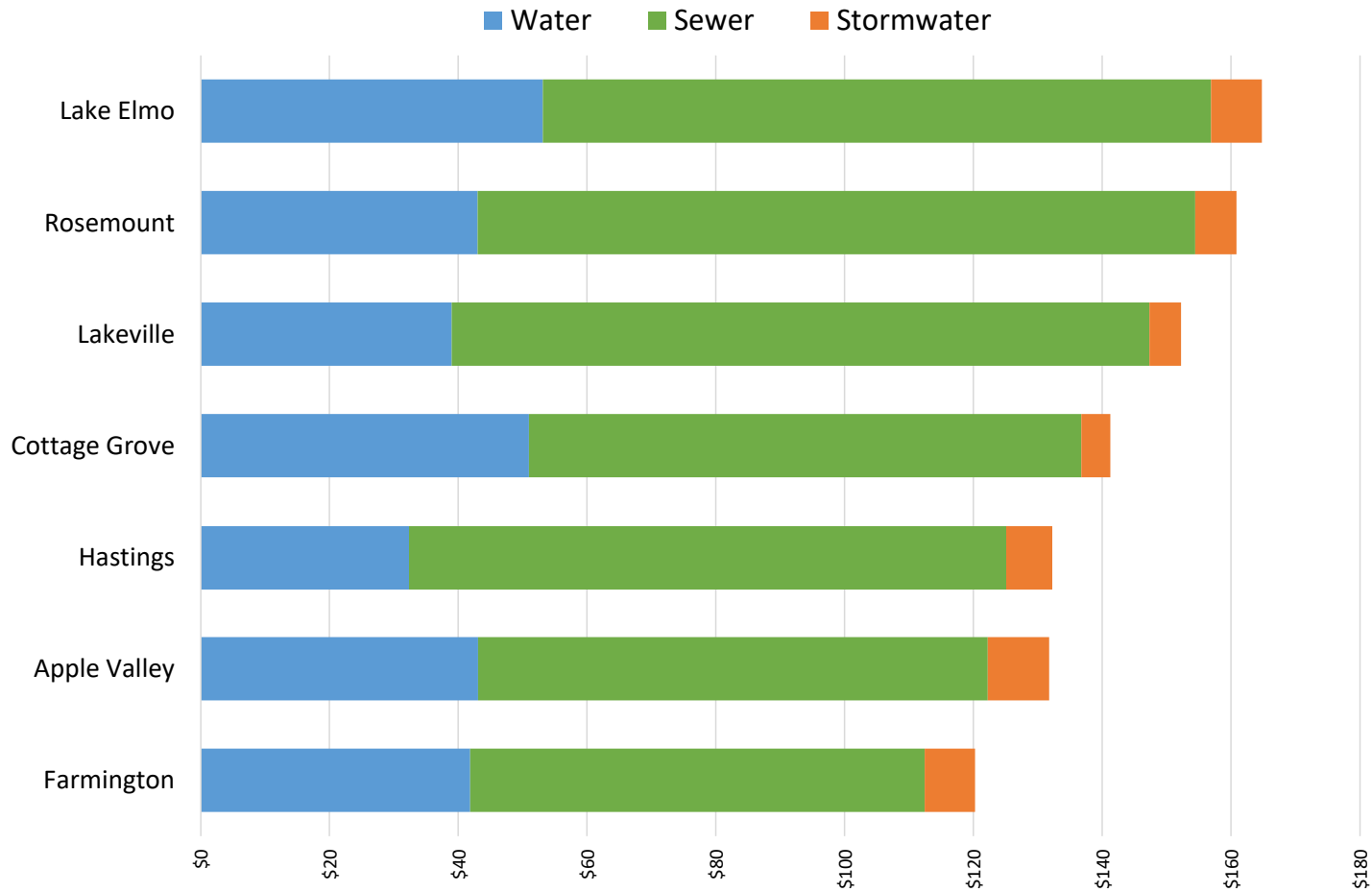
Estimated Based on Published Rate Data and Interpretation of Fee Schedules

Cities have different billing cycles for comparison billing is shown as monthly equivalent bills



HIGH VOLUME CUSTOMER COMPARISON

Chart 24
20,000 Gallons Monthly Volume - Residential
Estimated Based on Published Rate Data and Interpretation of Fee Schedules
Cities have different billing cycles for comparison billing is shown as monthly equivalent bills



Rate Structure

Equity of Current Rate Structure

The study included review and analysis of the city's current utility rates. The proposed rates are based on meeting the following objectives:

- Provide a clear understanding of the costs of water and sewer operations; and
- Provide revenue generation structures that are financially solvent, fair to end-users, economically competitive, and in alignment with the city's overall philosophy on user fees.

The existing rate structure is comprised of quarterly fixed charges per customer for water, sewer, and storm services.

Water Rate Structure

The quarterly charges include base charges for water services and for sewer services. The city varies the base charge based on customer meter size. The base charge for irrigation meters is twice the charge for non-irrigation meters.

The city's existing volumetric rates for water customers is a four-tier block rate structure, with volumes capped by tier and different rates charged per 1,000 gallon by tier.

Residential customers are charged based on different maximum volumes per tier compared to other customers, for example for commercial and industrial customers, but the rate charged per tier, for the four tiers, is the same for all customers.

Sewer Rate Structure

Sewer volume is currently billed at a fixed rate per 1,000 gallons. Sewer services are billed based on actual consumption during the first quarter of the year, or actual water consumption during the billing period, whichever is less. The city does not bill sanitary sewer volume based on a tiered block rate structure. And the city does not vary sanitary sewer rates charged based on customer classifications - all customers are charged based on the same rate structure for sewer services.

Revenue from Fixed Rate Versus Volume Basis

A comparison of volume basis revenue versus non-volume basis revenue is provided in the charts that follow. The projected revenues from the fixed rate charges (non-volume basis revenue) compared to total fixed expenses and total revenues is projected to remain fairly constant.

Base Rates

The proposed base rates for water and sanitary sewer services were determined based on the following targets:

- Non-volume basis revenues from base charge equal to not less than 50% of total fixed expenses.
- Non-volume basis revenues from base charge equal to not less than 30% of total revenues (total revenues includes both base charges and volumetric-charges).

The base rate for water services is projected to meet the above targets by year 2027 based on the proposed increases assumed within the Plan. The base rate for sewer is projected to meet the minimum percentage of not less than 50% of total fixed expenses, but not less than 30% of total revenues. Significantly higher adjustments than proposed would be necessary to meet this target.

Figure 1 below provides information on revenue from fixed rates charges for both water and sewer.

Figure 1.

Revenue from Fixed Rate Charges (Non-Volume Basis Revenue)	Year 2023 Projected	Year 2027 Projected
Water Fund		
Non-Volume Basis Revenue (NVR)	\$807,756	\$995,710
Total Fixed Expense	\$1,808,026	\$2,093,661
Total Revenue	\$2,668,223	\$2,999,397
NVR as % of Total Fixed Expense	45%	48%
NVR as % of Total Revenue	30%	33%
Sanitary Sewer Fund		
Non-Volume Basis Revenue (NVR)	\$577,318	\$714,122
Total Fixed Expense	\$1,031,956	\$1,309,192
Total Revenue	\$2,981,209	\$3,457,373
NVR as % of Total Fixed Expense	56%	55%
NVR as % of Total Revenue	19%	21%

Evaluation of Funding Approach for Infrastructure

The CIP provides that the city will strive to fund infrastructure for water, sewer, and storm systems with cash versus debt when doing so does not put undue pressure on utility rates.

The Plan includes bond issuance for the following:

- \$1.535 million in 2024 to finance \$845,000 in Sewer Improvements and \$690,000 in Storm Improvements.
- \$3.680 million in 2025 to finance \$2,550,000 in Water Improvements and \$1,130,000 in Sewer Improvements.
- \$595,000 in 2026 to finance Sewer Improvements.
- \$1.515 million in 2027 to finance \$805,000 in Sewer improvements, and \$710,000 in Storm improvements.
- \$3.775 million in 2028 to finance \$2,550,000 in Water improvements and \$1,225,000 in Sewer improvements.
- \$4.905 million in 2029 to finance \$2,805,000 in Water improvements and \$2,100,000 in Sewer improvements.
- \$945,000 in 2030 to finance Storm improvements.
- \$915,000 in 2031 to finance Sewer improvements.
- \$840,000 in 2032 to finance \$535,000 in Sewer improvements and \$305,000 in Storm improvements.

The city plans to adopt annual rate increases to ensure sufficient cash is available to pay for planned capital improvements, operations and debt service.

Recognizing that future customers will benefit from the improvements funded with today's dollars, it is always a balancing decision to decide whether to pay for capital infrastructure with cash versus debt. There are many factors to consider, including balancing other city demands for debt financing of projects and the impact on the city's overall outstanding debt obligations, among other factors. The city should continue to consider which projects make financial sense to fund from cash versus the issuance of debt.

Funding Depreciation

The funding of depreciation, or setting aside of funds to replace depreciated infrastructure, is an important element for establishment of sufficient rates.

The study focused on the city’s asset management practices to maintain and replace aging infrastructure, including the city’s adoption of a long-range capital improvements plan.

Rather than focus on “funding depreciation” we find it is better to gain a strong understanding of the expected future costs and, maybe more importantly, their timing, and plan for replacement of infrastructure and facilities. Using a planned schedule for capital improvements and the incorporation of those plans into the study does that. Capital improvement plans combined with financial management targets are an important element that allows for the setting of rates that meet city goals.

Financial management targets begin with criteria for evaluating overall financial condition. For instance, do projections show sufficient revenues to cover planned operating and capital improvement expenses? The Utility Funds must do better than break even, but by how much?

Cash Balance Targets

The Plan helps to answer these question by allocating projected year-end cash balance to defined purposes. One of the purposes is for planned capital acquisition and reserves for future capital. The year end cash balances are targeted to meet the following purposes:

- Three-months of operating expense
- Following year debt service payments
- Following year capital acquisition (planned to be paid from cash)

- Reserves for future capital

Taken together these targets for ending cash help determine if future financial scenarios provide adequate amounts of available financial resources.

Unrestricted Net Position Target

The Plan provides a second criteria to evaluate revenue sufficiency. The second criteria is ending unrestricted net position as percent of expense. The unrestricted net assets of the Water Fund and the Sewer Fund can be considered a measure of available financial resources.

The Plan sets a target (a floor) to strive to maintain an unrestricted net position in the Utility Funds in the range of 50% of the subsequent year’s estimated expenditures.

The majority of revenues in the Water Fund and the Sewer Fund come from user charges. Maintaining an unrestricted net position that is equal to at least 50% of the subsequent year’s expenditures will help to ensure that sufficient resources are available to fund services between receipts of user charges.

The target (or floor) for unrestricted net position of 50% is meant to be an equivalent of the target for an unrestricted fund balance for the General Fund. Hastings has a stated policy to strive to maintain a year-end unassigned fund balance in the Governmental Funds in the range of 35%–45% of the subsequent year’s budgeted expenditures.

Equity is reported as “fund balance” in the General Fund and as “net position” within the Utility Funds. Net position and fund balance are the difference between fund assets and liabilities reflected on the statement of net position or balance sheet.

Price Elasticity of Demand for Water

The model developed for the study provides the ability to test different assumptions for how water usage may respond to price changes. The model allows for an input of estimated price elasticity of demand for water to adjust water usage for each one-percent increase in rate.

While the model provides the ability to input different assumptions for price elasticity of demand, the Plan does not include a factor for reduction in demand based on proposed pricing changes in the Plan. General demand for municipal water is assumed to remain constant, with the exception of growth from new development.

While not proposed in the Plan, a more aggressive rate structure may result in a stronger economic relationship between water use and price, with water use responding to price.

Chart 25
Water Revenue

Non-volume basis revenue as % of total revenue is projected to increase slightly over

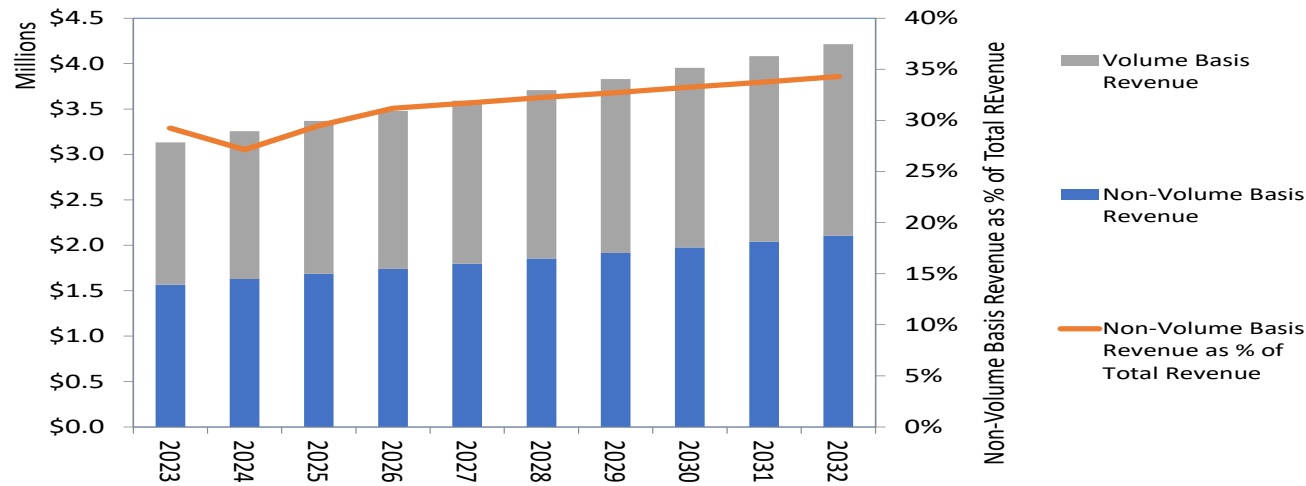
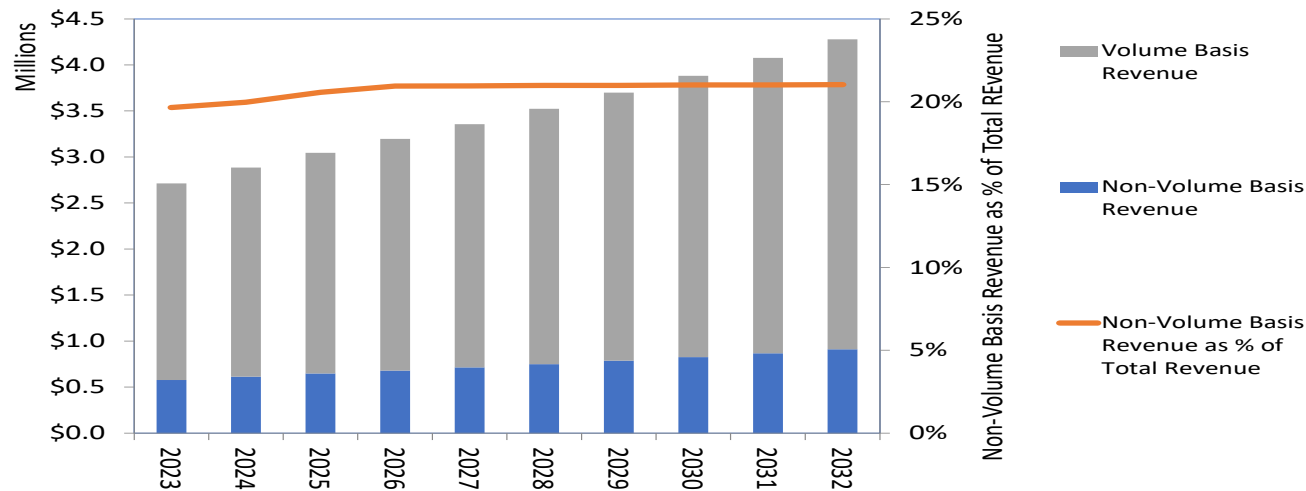


Chart 26
Sewer Revenue

Non-volume basis revenue as % of total revenue is projected to increase over the planning period but below 30% target



CAPITAL IMPROVEMENT PLAN

Overview

For purposes of the Plan, the city provided a Capital Improvement Plan (the “CIP”) that included planned water, sewer, and storm capital improvement projects.

A purpose of the Plan is to provide the city with options and recommendation for financing future capital improvement projects for water and sanitary sewer services.

The tables that follow in this section provide information on planned capital improvement projects.

Capital Projects

The projects in the CIP include projects to manage both existing and expanding service demands and to reconstruct or replace existing infrastructure.

Future updates to the CIP may include service expansion to support development. The city collects development fees at time of development of property.

Development fees collected are deposited into the Water Fund and the Sewer Fund and available to pay for future improvements needed as a result of development.

Source of Funding for Capital Projects

The source of funding for the planned capital projects is anticipated to come from the use of estimated available cash within the Utility Funds and the issuance of debt on a limited basis.

The Plan includes proposed utility fees and charges at a level to provide for pay-go funding of annual capital improve-

ments and to minimize the issuance of debt, with some limited exceptions in years where cash is not projected to be sufficient and bonding is anticipated for major improvement projects.

Capital projects and source of funding are evaluated on an on-going basis by the city, including for timing and estimated costs.

Capital Improvement Plan X E-01

Chart 27
Water Fund
Capital Improvement Plan
Annual Project Costs



Chart 28
Sewer Fund
Capital Improvement Plan
Annual Project Costs

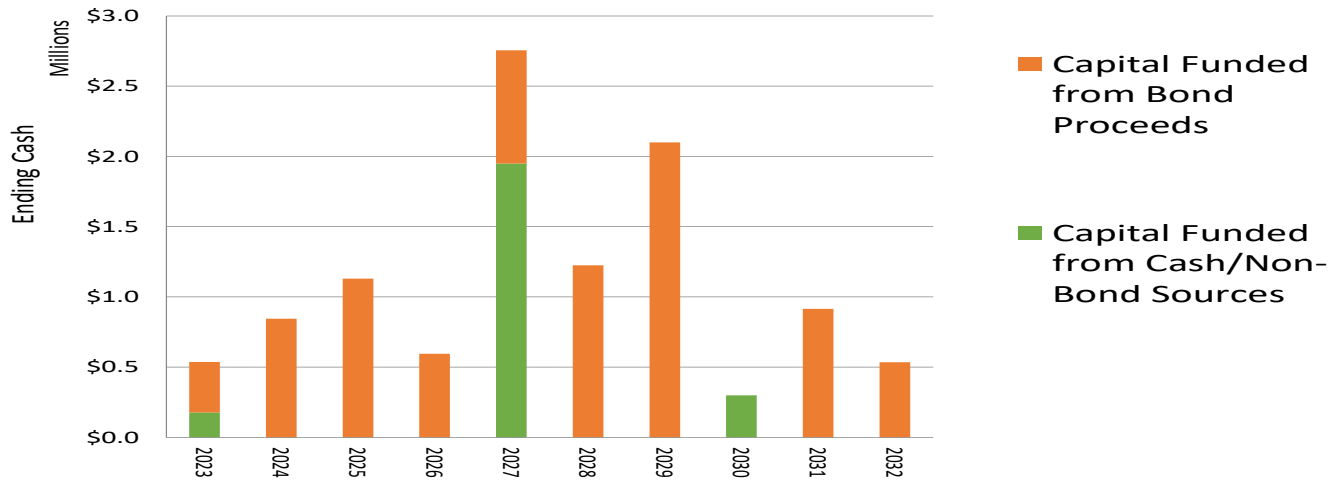


Chart 29
Storm Fund
Capital Improvement Plan
Annual Project Costs

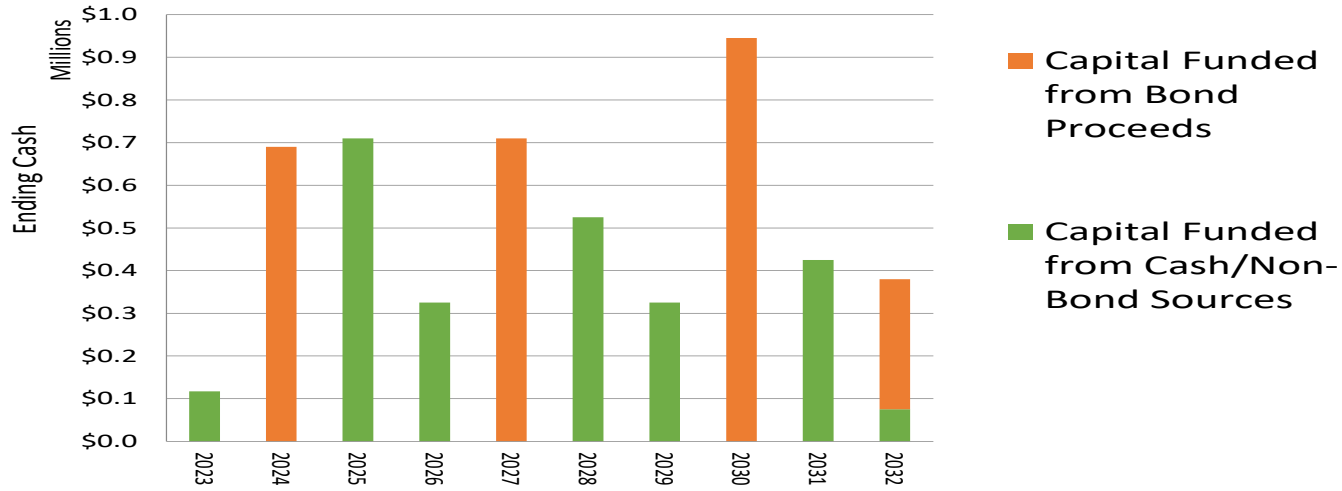


Table 4
Water Fund

Capital Improvement Plan
X E-01

City of Hastings
Capital Improvement Plan (CIP)
Water Fund

	Budget 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital Outlay										
Acquisition of capital assets	431,500	1,035,000	2,714,000	1,390,100	2,863,500	2,578,200	2,989,000	400,300	314,000	405,400
Bond issuance cost	-	-	50,000	-	-	50,000	55,000	-	-	-
Total Capital Outlay	431,500	1,035,000	2,764,000	1,390,100	2,863,500	2,628,200	3,044,000	400,300	314,000	405,400
Source of Funds										
Bond proceeds	610,000	-	2,550,000	-	-	2,550,000	2,805,000	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-
Current revenue / use of cash in fund	(178,500)	1,035,000	214,000	1,390,100	2,863,500	78,200	239,000	400,300	314,000	405,400
Total Source of Funds	431,500	1,035,000	2,764,000	1,390,100	2,863,500	2,628,200	3,044,000	400,300	314,000	405,400

Table 5
Sewer Fund

Capital X E-01
Improvement Plan

City of Hastings
Capital Improvement Plan (CIP)
Sewer Fund

	Budget 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital Outlay										
Acquisition of capital assets	537,500	830,000	1,110,000	585,000	2,740,000	1,200,000	2,060,000	300,000	895,000	525,000
Bond issuance cost	-	15,000	20,000	10,000	15,000	25,000	40,000	-	20,000	10,000
Total Capital Outlay	537,500	845,000	1,130,000	595,000	2,755,000	1,225,000	2,100,000	300,000	915,000	535,000
Source of Funds										
Bond proceeds	360,000	845,000	1,130,000	595,000	805,000	1,225,000	2,100,000	-	915,000	535,000
Transfers in	18,333	18,883	19,449	20,033	20,634	21,253	21,891	22,547	23,224	23,920
Current revenue / use of cash in fund	159,167	(18,883)	(19,449)	(20,033)	1,929,366	(21,253)	(21,891)	277,453	(23,224)	(23,920)
Total Source of Funds	537,500	845,000	1,130,000	595,000	2,755,000	1,225,000	2,100,000	300,000	915,000	535,000

Table 6
Storm Fund

**Capital X E-01
Improvement Plan**

City of Hastings
**Capital Improvement Plan (CIP)
Storm Fund**

	Budget 2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Capital Outlay										
Acquisition of capital assets	117,000	675,000	710,000	325,000	695,000	525,000	325,000	925,000	425,000	375,000
Bond issuance cost	-	15,000	-	-	15,000	-	-	20,000	-	5,000
Total Capital Outlay	117,000	690,000	710,000	325,000	710,000	525,000	325,000	945,000	425,000	380,000
Source of Funds										
Bond proceeds	-	690,000	-	-	710,000	-	-	945,000	-	305,000
Transfers in	-	-	-	-	-	-	-	-	-	-
Current revenue / use of cash in fund	117,000	-	710,000	325,000	-	525,000	325,000	-	425,000	75,000
Total Source of Funds	117,000	690,000	710,000	325,000	710,000	525,000	325,000	945,000	425,000	380,000

Table 7
Debt Payable from Utility Funds, Includes Existing and Planned New Debt

Summary of Debt (Existing and New)

Fiscal Year	Water Fund				Sewer Fund				Storm Fund				Total Enterprise Funds			
	Principal	Interest	Total P&I	Outstanding	Principal	Interest	Total P&I	Outstanding	Principal	Interest	Total P&I	Outstanding	Principal	Interest	Total P&I	Outstanding
2021	360,000	111,642	471,642	4,210,000	40,000	27,558	67,558	1,340,000	-	-	-	-	400,000	139,200	539,200	5,550,000
2022	440,000	118,262	558,262	5,190,000	75,000	38,965	113,965	1,550,000	-	-	-	-	515,000	157,227	672,227	6,740,000
2023	510,000	176,575	686,575	5,290,000	120,000	50,379	170,379	1,790,000	-	-	-	-	630,000	226,954	856,954	7,080,000
2024	705,000	178,057	883,057	4,585,000	195,000	60,837	255,837	2,440,000	-	-	-	690,000	900,000	238,894	1,138,894	7,715,000
2025	705,000	151,125	856,125	6,430,000	230,000	84,713	314,713	3,340,000	65,000	26,300	91,300	625,000	1,000,000	262,138	1,262,138	10,395,000
2026	940,000	224,125	1,164,125	5,490,000	300,000	119,463	419,463	3,635,000	60,000	23,800	83,800	565,000	1,300,000	367,388	1,667,388	9,690,000
2027	975,000	189,850	1,164,850	4,515,000	360,000	130,263	490,263	4,080,000	60,000	21,400	81,400	1,215,000	1,395,000	341,513	1,736,513	9,810,000
2028	730,000	157,375	887,375	6,335,000	405,000	147,588	552,588	4,900,000	125,000	46,100	171,100	1,090,000	1,260,000	351,063	1,611,063	12,325,000
2029	975,000	224,075	1,199,075	8,165,000	490,000	179,088	669,088	6,510,000	125,000	41,100	166,100	965,000	1,590,000	444,263	2,034,263	15,640,000
2030	1,155,000	293,350	1,448,350	7,010,000	565,000	243,213	808,213	5,945,000	135,000	35,900	170,900	1,775,000	1,855,000	572,463	2,427,463	14,730,000
2031	1,105,000	250,690	1,355,690	5,905,000	585,000	222,535	807,535	6,275,000	215,000	66,700	281,700	1,560,000	1,905,000	539,925	2,444,925	13,740,000
2032	1,065,000	211,378	1,276,378	4,840,000	590,000	237,891	827,891	6,220,000	225,000	57,900	282,900	1,640,000	1,880,000	507,169	2,387,169	12,700,000
2033	1,040,000	171,950	1,211,950	3,800,000	605,000	236,525	841,525	6,565,000	260,000	60,400	320,400	1,380,000	1,905,000	468,875	2,373,875	11,745,000
2034	825,000	135,500	960,500	2,975,000	590,000	250,800	840,800	5,975,000	270,000	49,800	319,800	1,110,000	1,685,000	436,100	2,121,100	10,060,000
2035	855,000	101,900	956,900	2,120,000	620,000	226,600	846,600	5,355,000	200,000	40,400	240,400	910,000	1,675,000	368,900	2,043,900	8,385,000
2036	575,000	73,300	648,300	1,545,000	640,000	201,400	841,400	4,715,000	205,000	32,300	237,300	705,000	1,420,000	307,000	1,727,000	6,965,000
2037	600,000	49,800	649,800	945,000	600,000	176,600	776,600	4,115,000	215,000	23,900	238,900	490,000	1,415,000	250,300	1,665,300	5,550,000
2038	620,000	25,400	645,400	325,000	620,000	152,200	772,200	3,495,000	135,000	16,900	151,900	355,000	1,375,000	194,500	1,569,500	4,175,000
2039	325,000	6,500	331,500	-	640,000	127,000	767,000	2,855,000	140,000	11,400	151,400	215,000	1,105,000	144,900	1,249,900	3,070,000
2040	-	-	-	-	590,000	102,400	692,400	2,265,000	145,000	5,700	150,700	70,000	735,000	108,100	843,100	2,335,000
2041	-	-	-	-	510,000	80,400	590,400	1,755,000	35,000	2,100	37,100	35,000	545,000	82,500	627,500	1,790,000
2042	-	-	-	-	545,000	59,300	604,300	1,210,000	35,000	700	35,700	-	580,000	60,000	640,000	1,210,000
2043	-	-	-	-	420,000	40,000	460,000	790,000	-	-	-	-	420,000	40,000	460,000	790,000
2044	-	-	-	-	325,000	25,100	350,100	465,000	-	-	-	-	325,000	25,100	350,100	465,000
2045	-	-	-	-	150,000	15,600	165,600	315,000	-	-	-	-	150,000	15,600	165,600	315,000
2046	-	-	-	-	155,000	9,500	164,500	160,000	-	-	-	-	155,000	9,500	164,500	160,000
2047	-	-	-	-	80,000	4,800	84,800	80,000	-	-	-	-	80,000	4,800	84,800	80,000
2048	-	-	-	-	80,000	1,600	81,600	-	-	-	-	-	80,000	1,600	81,600	-
2049	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	14,505,000	2,850,853	17,355,853		11,125,000	3,252,316	14,377,316		2,650,000	562,800	3,212,800		28,280,000	6,665,969	34,945,969	

Capital X E-01 Improvement Plan

Chart 30
Outstanding Bonds Payable
Includes Existing and Planned Debt Issuance

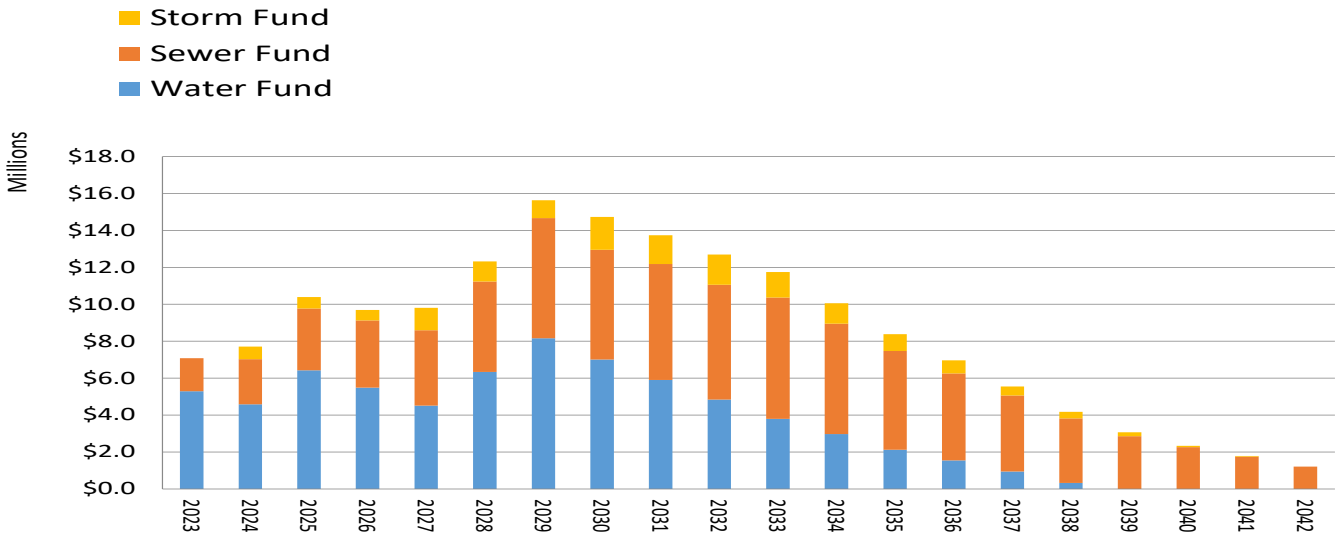
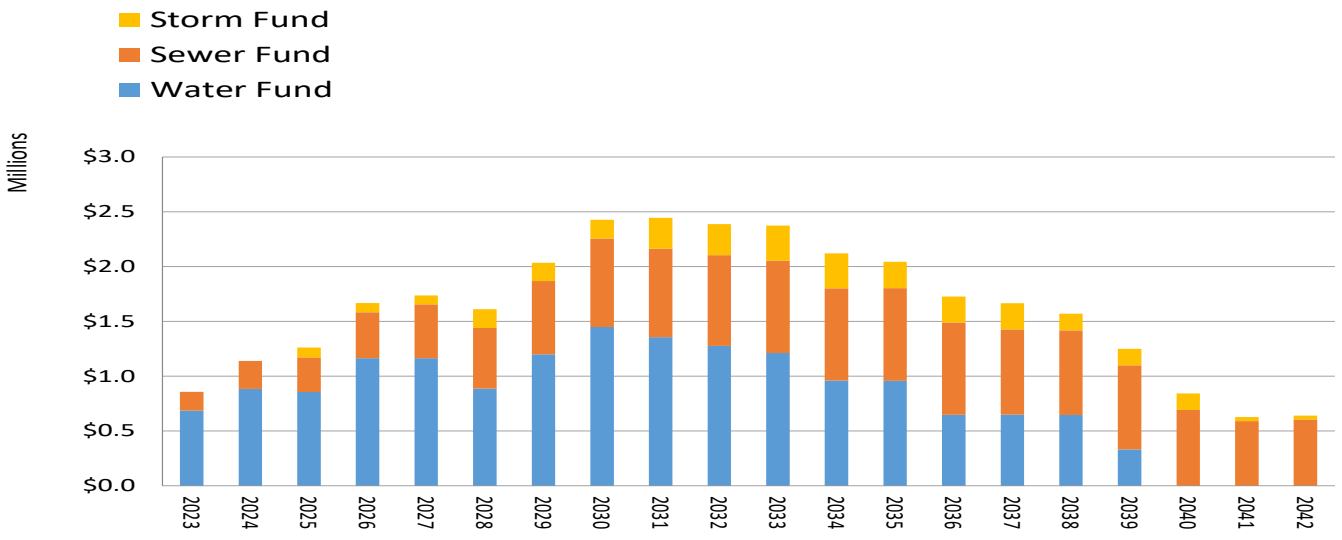


Chart 31
Debt Service Payable
Includes Existing and Planned Debt Issuance



The bonds outstanding and annual debt service amounts shown in the charts here are for the combined total estimated debt payable from revenues from the Water Fund, Sewer Fund and Storm Fund.

The charts include combined existing debt and future estimated debt based on anticipated bond issuance as shown in the Plan.

The charts include debt supported by utility revenue only and does not include debt payable from property tax levy or other sources of revenue.

FINANCIAL PLANS

Revenue Sufficiency

Based on historical financial performance, current utility rates and structure, and anticipated future capital projects, financial plans have been prepared for the Utility Funds.

The reports demonstrate revenue sufficiency, which is the level of revenue needed to satisfy each system's projected operating, capital costs, and debt service while maintaining adequate reserves for future capital needs of the systems.

The following reports are provided for the Water Fund, Sewer Fund, and Storm Fund:

- **Pro Forma** - Includes information on annual revenues and expenses and balance sheet items.
- **Year End Cash Balance** - Includes explanation of the projected changes in year end cash balances.
- **Customers/Usage and Rates** - Includes the number of customers, usage (volume billed) for prior years and projections for future years. Revenues by non-volume basis and volume basis are shown by customer type.

Key Assumptions

The financial plans are based on certain key assumptions, which are as follows:

- Operating expenditures, including personnel costs, materials supplies, utilities and all other operating expense will increase by approximately 3.0% per year, with exception for sanitary sewer disposal charges payable to the Met Council, which are estimated to in-

crease by 6.80% in 2024 and 5% annually throughout the planning period; the City should closely monitor annual increases to MCEs charges and adjust rates as necessary. The Plan includes an increase of one new position (FTE), split equally between the utility funds.

- Depreciation is adjusted for anticipated annual depreciable capital acquisitions. New capital is depreciated over a 50 year term in the Plan.
- Capital improvement plan will be implemented at estimated project costs and sources of funding as included in the Plan.
- Water customers and volume billed is based on historical customer volumes plus estimates for future development. The Plan anticipates an average annual increase of approximately 50 new residential customer units between 2023-2032. The average annual consumption per unit is assumed to remain constant over the planning period at 65,000 gallons for water and for sewer.
- Rate increases to provide revenue sufficiency. The Plan anticipates fees and charges will increase by an average annual amount of 3.5% for water, 4.5% for sewer, and 4.0% for storm services between 2024-2032. There are no proposed changes to the tier structure for charging water and sewer volume.
- Base rate and volume based tiered rate structure includes charging a fixed quarterly fee for water and sanitary sewer services, consistent with the past structure for billing. Volume based tiered rate structure, including maximum volumes per tier, are not proposed to be modified.
- Development related charges for access (city WAC and SAC) are accounted for in the Water Fund and the

Sewer Fund. There are no access charges for the Storm Fund. The City also charges a “Interceptor Sewer Fee” on a per unit basis. The timing of collection of development related charges does not directly correlate to the use of funds for capital improvements. Development related charges that have been collected but not spent are reflected in the cash reserve balances of the funds. The Plan assumes the following for WAC, SAC, and Sewer Interceptor fee:

- Increase WAC fee from \$2,306.25 to \$2,957 per unit
- Increase SAC fee from \$708.75 to \$945 per unit
- Maintain Sewer Interceptor Fee at \$485 per unit

The proposed WAC and SAC fees are based on an analysis of the City’s estimated water and sewer improvement project costs in future years that are planned to support new development. Improvement projects include a new water well and pump house and elevated storage tank, and sanitary sewer pipe over-sizing and new lift station. The estimated costs for these future projects were spread over the City’s estimated growth in units (from development) out to year 2030.

WATER FUND

Background

The Water Fund is used to account for the operating and capital improvement costs related to maintenance of the water utility system. The Fund is in sound financial condition. Future financial performance will be impacted by future capital improvement needs and the timing of future development in the city.

Future development will increase the demands on the water utility infrastructure but will also provide increased revenue to support the maintenance and operation of the system. Expansion of infrastructure, including treatment may be needed in the future. The city anticipates collection of future development related revenue, which is reported as revenue in the Water Fund.

Revenues

The major source of revenue comes from the collection of quarterly charges, including a fixed based charge to each customer, along with volume-based charges for water use.

The financial plan for the Water Fund reflects the adopted rates for 2023 and proposed future year increases averaging 3.5% annually.

Interest income is earned on the cash balance in the Fund that is recorded as revenue. The investment earnings rate is projected to be 2.0% for future years.

Expenses

The expenses are for payment of operating expenses, debt service expense, and depreciation expense.

The Plan anticipates a 3.0% annual inflationary increase in operating expenses with .33 personnel (FTE) additions.

Debt service expense includes interest expense on both existing outstanding bonds and for anticipated new issuance. The Plan models annual depreciation expense on both existing capital assets and anticipated new assets to be acquired.

The Water Fund includes annual transfers to other funds based on historical levels.

Cash Balance

The financial plan includes projected assets and liabilities for the Fund. This includes projected annual year-end cash balance. A table that follows provides a detailed summary on projected change in cash year by year.

Based on assumptions in the Plan, including collection of development fees related to growth (that will be used to pay for future capital improvements), it is projected that the cash balance position of the Fund will decrease over the planning period. The Fund is projected to have future cash sufficient to meet the objectives for cash balance, including cash sufficient to cover:

- Three-months of operating expense
- Following year debt service payments
- Following year capital acquisition (planned to be paid from cash)
- Reserves for future capital improvements

The sufficiency of the estimated reserves for capital improvements will depend on future capital improvement projects that may not yet be programmed in the CIP.

Table 8
Water Fund

City of Hastings
Finance Plan
Water Fund

	2021 Actual	2022 Actual	2023 Estimated	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj
Revenues												
Charges for services	2,563,573	2,326,389	2,347,973	2,409,023	2,511,592	2,610,992	2,714,795	2,822,501	2,935,226	3,052,215	3,174,677	3,301,798
Availability charges	113,006	724,163	160,000	393,281	215,861	106,452	106,452	103,495	106,452	103,495	106,452	103,495
Service charges - state testing fee	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - unbilled revenues	-	-	-	-	-	-	-	-	-	-	-	-
Service charges - cancels/manual bill adjust	-	-	-	-	-	-	-	-	-	-	-	-
Property taxes	-	-	-	-	-	-	-	-	-	-	-	-
Capital contributions - non-cash	328,395	402,154	-	-	-	-	-	-	-	-	-	-
Distillery waste disposal	-	-	-	-	-	-	-	-	-	-	-	-
Connection permits	-	-	-	-	-	-	-	-	-	-	-	-
Sales of meters	11,448	26,106	35,000	36,050	37,132	38,245	39,393	40,575	41,792	43,046	44,337	45,667
Penalties and other revenues	43,200	53,547	104,250	107,378	110,599	113,917	117,334	120,854	124,480	128,214	132,061	136,023
Investment income and other earnings	(4,055)	(70,710)	21,000	21,105	21,211	21,317	21,423	21,530	21,638	21,746	21,855	21,964
Connection charges	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	2,100,000	-	-	-	-	-
Other revenues and special items	1,345	3,862	-	-	-	-	-	-	-	-	-	-
Special assessments	114,436	59,148	-	-	-	-	-	-	-	-	-	-
Special item	(3,762)	9,082	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	3,167,586	3,533,741	2,668,223	2,966,836	2,896,394	2,890,923	5,099,397	3,108,955	3,229,588	3,348,716	3,479,382	3,608,946
Expenses												
<i>Fixed Expenses</i>												
Personnel services	465,560	633,889	638,423	657,576	677,303	697,622	718,551	740,107	762,310	785,180	808,735	832,997
Personnel services / FTE changes	-	-	-	-	30,333	31,243	32,181	33,146	34,140	35,165	36,220	37,306
Transfers out General Fund	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out Other Funds	33,806	38,877	40,822	40,822	40,822	40,822	40,822	40,822	40,822	40,822	40,822	40,822
Interest and fiscal expense	102,647	159,845	176,575	178,057	151,125	224,125	189,850	157,375	224,075	293,350	250,690	211,378
Depreciation	897,045	943,576	952,206	972,906	1,027,186	1,054,988	1,112,258	1,163,822	1,223,602	1,231,608	1,237,888	1,245,996
<i>Subtotal Fixed Expenses</i>	1,499,058	1,776,187	1,808,026	1,849,361	1,926,769	2,048,800	2,093,661	2,135,272	2,284,950	2,386,124	2,374,355	2,368,499
<i>Variable Expenses</i>												
Supplies	392,349	107,713	159,100	163,873	168,789	173,853	179,068	184,441	189,974	195,673	201,543	207,589
Meters	-	-	-	-	-	-	-	-	-	-	-	-
Placeholder	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	135,144	139,198	143,374	147,675	152,106	156,669	161,369	166,210	171,196	176,332
Professional services and other expense	554,608	516,488	364,631	375,570	386,837	398,442	410,395	422,707	435,388	448,450	461,904	475,761
Bond issuance cost	-	-	-	-	50,000	-	-	50,000	55,000	-	-	-
<i>Subtotal Variable Expenses</i>	946,957	624,201	658,875	678,641	749,000	719,971	741,570	813,817	841,731	810,333	834,643	859,682
Total Expenses	2,446,015	2,400,388	2,466,901	2,528,002	2,675,770	2,768,771	2,835,231	2,949,089	3,126,681	3,196,458	3,208,998	3,228,181
Change in Net Position	721,571	1,133,353	201,322	438,834	220,624	122,152	2,264,166	159,866	102,907	152,258	270,384	380,765
Ending net position	17,283,965	18,417,318	18,618,640	19,057,474	19,278,098	19,400,250	21,664,416	21,824,282	21,927,189	22,079,447	22,349,832	22,730,597

Table 8
Water Fund

City of Hastings
Finance Plan
Water Fund

	2021 Actual	2022 Actual	2023 Estimated	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj
Assets and Deferred Outflow of Resources												
Cash and cash equivalents	3,721,657	5,061,827	5,926,446	5,586,167	5,931,099	4,747,082	4,256,482	4,795,721	4,939,022	4,745,211	4,813,748	4,950,847
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds / advances	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments receivable	146,838	149,166	125,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Other assets / receivables	554,787	507,713	510,000	515,100	520,251	525,454	530,708	536,015	541,375	546,789	552,257	557,779
Capital assets	38,040,940	39,962,106	40,393,606	41,428,606	44,142,606	45,532,706	48,396,206	50,974,406	53,963,406	54,363,706	54,677,706	55,083,106
Less Accumulated depreciation	(20,022,912)	(20,882,724)	(21,834,930)	(22,807,836)	(23,835,022)	(24,890,010)	(26,002,268)	(27,166,090)	(28,389,692)	(29,621,300)	(30,859,188)	(32,105,184)
Deferred outflows of resources	196,001	184,372	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000	200,000
Total Assets and Deferred Outflows	22,637,311	24,982,460	25,320,122	25,022,037	27,058,934	26,215,231	27,481,128	29,440,052	31,354,111	30,334,406	29,484,524	28,786,549
Liabilities and Deferred Inflow of Resources												
Other current liabilities / payables	595,562	783,987	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000	600,000
Contracts payable	-	-	-	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Bonds payable	4,210,000	5,190,000	5,290,000	4,585,000	6,430,000	5,490,000	4,515,000	6,335,000	8,165,000	7,010,000	5,905,000	4,840,000
Unamortized bond premium	290,577	354,656	319,190	287,271	258,544	232,690	209,421	188,479	169,631	152,668	137,401	123,661
Net pension liability (non-current)	209,916	443,614	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000	445,000
Other non-current liabilities	(152,401)	(218,247)	(152,401)	(152,401)	(152,401)	(152,401)	(152,401)	(152,401)	(152,401)	(152,401)	(152,401)	(152,401)
Deferred inflows of resources	199,692	11,132	199,692	199,692	199,692	199,692	199,692	199,692	199,692	199,692	199,692	199,692
Total Liabilities and Deferred Inflows	5,353,346	6,565,142	6,701,481	5,964,562	7,780,835	6,814,981	5,816,712	7,615,770	9,426,922	8,254,959	7,134,692	6,055,952
Total Liabilities, Deferred Inflows, and Net Position	22,637,311	24,982,460	25,320,122	25,022,037	27,058,934	26,215,231	27,481,128	29,440,052	31,354,111	30,334,406	29,484,524	28,786,549
Net investments in capital assets	13,517,451	13,534,726	12,949,486	13,748,499	13,619,040	14,920,006	17,669,517	17,284,837	17,239,083	17,579,738	17,776,117	18,014,261
Unrestricted net position	3,766,514	4,882,592	5,669,155	5,308,976	5,659,059	4,480,244	3,994,899	4,539,445	4,688,106	4,499,709	4,573,714	4,716,335
Total net position	17,283,965	18,417,318	18,618,640	19,057,474	19,278,098	19,400,250	21,664,416	21,824,282	21,927,189	22,079,447	22,349,832	22,730,597

Table 9
Water Fund

City of Hastings
Ending Cash Balance
Water Fund

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Budget	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Use of Cash										
Operations & Maintenance	1,297,298	1,336,217	1,406,637	1,448,836	1,492,301	1,537,070	1,583,182	1,630,678	1,679,598	1,729,986
Capital Acquisition and Cost of Issuance of Bonds	431,500	1,035,000	2,764,000	1,390,100	2,863,500	2,628,200	3,044,000	400,300	314,000	405,400
Other Interfund Transfers	40,822	40,822	40,822	40,822	40,822	40,822	40,822	40,822	40,822	40,822
Debt Service (includes transfers for debt)	686,575	883,057	856,125	1,164,125	1,164,850	887,375	1,199,075	1,448,350	1,355,690	1,276,378
Total Use of Cash	2,456,195	3,295,096	5,067,584	4,043,883	5,561,473	5,093,467	5,867,079	3,520,150	3,390,110	3,452,585
Source of Cash										
Revenue from Service Charges	2,508,223	2,573,555	2,680,533	2,784,471	4,992,945	3,005,460	3,123,136	3,245,221	3,372,930	3,505,451
Revenue from Connection and Availability Charges	160,000	393,281	215,861	106,452	106,452	103,495	106,452	103,495	106,452	103,495
Bond Proceeds	610,000	-	2,550,000	-	-	2,550,000	2,805,000	-	-	-
Interfund Transfers	-	-	-	-	-	-	-	-	-	-
Total Source of Cash	3,278,223	2,966,836	5,446,394	2,890,923	5,099,397	5,658,955	6,034,588	3,348,716	3,479,382	3,608,946
Net Change in Other Assets and Liabilities	42,590	(12,019)	(33,878)	(31,057)	(28,524)	(26,249)	(24,208)	(22,377)	(20,735)	(19,263)
Change in Cash Balance	864,618	(340,279)	344,932	(1,184,017)	(490,600)	539,239	143,301	(193,811)	68,538	137,098
Beginning Cash Balance	5,061,827	5,926,446	5,586,167	5,931,099	4,747,082	4,256,482	4,795,721	4,939,022	4,745,211	4,813,749
Total Projected Ending Cash	5,926,446	5,586,167	5,931,099	4,747,082	4,256,482	4,795,721	4,939,022	4,745,211	4,813,749	4,950,847
Ending Cash by Purpose										
For future capital improvements	3,674,334	4,164,382	3,014,665	345,656	2,906,639	2,961,850	2,682,702	2,655,622	2,699,475	2,979,426
For following year pay-go capital	1,035,000	214,000	1,390,100	2,863,500	78,200	239,000	400,300	314,000	405,400	314,000
For 3-months of operating cash	334,054	351,659	362,209	373,075	384,267	395,796	407,669	419,899	432,496	445,471
For following year debt service	883,057	856,125	1,164,125	1,164,850	887,375	1,199,075	1,448,350	1,355,690	1,276,378	1,211,950
Total Projected Ending Cash	5,926,446	5,586,167	5,931,099	4,747,082	4,256,482	4,795,721	4,939,022	4,745,211	4,813,749	4,950,847

Note: Cash balances include cash and investments.

Table 10
Water Fund

City of Hastings

Customers and Charges for Sales and Development Revenue

Water Fund

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual	Actual	Budget	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj

CUSTOMER DATA

Average Annual Billing Units (Customers)

Residential	6,919	6,942	7,010	7,142	7,215	7,251	7,286	7,321	7,356	7,391	7,426	7,461
Commercial	388	391	392	392	392	392	393	393	394	394	395	395
Governmental	50	53	53	53	53	53	53	53	53	53	53	53
Other	3	3	3	3	3	3	3	3	3	3	3	3
Irrigation	198	195	195	195	195	195	195	195	195	195	195	195
Total Customers	7,558	7,584	7,653	7,785	7,858	7,894	7,930	7,965	8,001	8,036	8,072	8,107

Volume (in thousands of gallons)

Residential	572,631	531,081	505,501	514,081	518,826	521,166	523,441	525,716	527,991	530,266	532,541	534,816
Commercial	80,372	79,104	79,169	79,169	79,169	79,169	79,234	79,234	79,299	79,299	79,364	79,364
Governmental	35,968	41,191	41,191	41,191	41,191	41,191	41,191	41,191	41,191	41,191	41,191	41,191
Other	15,561	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322
Irrigation	91,872	76,310	76,310	76,310	76,310	76,310	76,310	76,310	76,310	76,310	76,310	76,310
Total Volume	796,404	743,008	717,493	726,073	730,818	733,158	735,498	737,773	740,113	742,388	744,728	747,003

Table 10
Water Fund

City of Hastings

**Customers and Charges for Sales and Development Revenue
Water Fund**

	2021 Actual	2022 Actual	2023 Budget	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj
REVENUE												
Revenue - Base Charge												
Residential	\$519,202	\$539,255	\$563,604	\$602,928	\$639,545	\$674,873	\$712,037	\$751,230	\$792,563	\$836,150	\$882,115	\$930,587
Commercial	\$72,804	\$75,932	\$78,792	\$82,732	\$86,868	\$91,212	\$96,016	\$100,817	\$106,128	\$111,434	\$117,303	\$123,168
Governmental	\$9,382	\$10,293	\$10,653	\$11,186	\$11,745	\$12,332	\$12,949	\$13,596	\$14,276	\$14,990	\$15,739	\$16,526
Other	\$1,801	\$1,864	\$1,929	\$2,026	\$2,127	\$2,234	\$2,345	\$2,463	\$2,586	\$2,715	\$2,851	\$2,993
Irrigation	\$74,305	\$75,730	\$78,390	\$82,310	\$86,425	\$90,746	\$95,284	\$100,048	\$105,050	\$110,303	\$115,818	\$121,609
Total Revenue	\$677,495	\$703,074	\$733,368	\$781,180	\$826,710	\$871,396	\$918,631	\$968,154	\$1,020,602	\$1,075,592	\$1,133,826	\$1,194,882
Revenue - State Testing Charge												
Residential	\$67,253	\$67,476	\$68,137	\$69,420	\$70,130	\$70,480	\$70,820	\$71,160	\$71,500	\$71,841	\$72,181	\$72,521
Commercial	\$3,771	\$3,801	\$3,810	\$3,810	\$3,810	\$3,810	\$3,820	\$3,820	\$3,830	\$3,830	\$3,839	\$3,839
Governmental	\$486	\$515	\$515	\$515	\$515	\$515	\$515	\$515	\$515	\$515	\$515	\$515
Other	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29	\$29
Irrigation	\$1,925	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895	\$1,895
Total Revenue	\$73,464	\$73,716	\$74,387	\$75,670	\$76,380	\$76,730	\$77,080	\$77,420	\$77,770	\$78,110	\$78,460	\$78,800
Revenue - Volume Charge												
Residential	\$1,012,412	\$836,559	\$823,866	\$862,985	\$897,079	\$928,158	\$960,176	\$993,280	\$1,027,506	\$1,062,891	\$1,099,474	\$1,137,297
Commercial	\$222,389	\$216,310	\$224,009	\$230,729	\$237,651	\$244,780	\$252,331	\$259,901	\$267,917	\$275,955	\$284,466	\$293,000
Governmental	\$141,031	\$167,792	\$173,620	\$178,829	\$184,194	\$189,719	\$195,411	\$201,273	\$207,311	\$213,531	\$219,937	\$226,535
Other	\$21,941	\$22,539	\$23,305	\$24,004	\$24,724	\$25,466	\$26,230	\$27,017	\$27,827	\$28,662	\$29,522	\$30,407
Irrigation	\$370,474	\$310,849	\$321,647	\$331,296	\$341,235	\$351,472	\$362,016	\$372,877	\$384,063	\$395,585	\$407,452	\$419,676
Total Revenue	\$1,768,246	\$1,554,048	\$1,566,446	\$1,627,842	\$1,684,882	\$1,739,596	\$1,796,164	\$1,854,347	\$1,914,624	\$1,976,623	\$2,040,852	\$2,106,915

Table 10
Water Fund

City of Hastings

Customers and Charges for Sales and Development Revenue
Water Fund

	2021 Actual	2022 Actual	2023 Budget	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj
Availability Charge (WAC)												
Residential	\$113,006	\$724,163	\$157,694	\$393,281	\$215,861	\$106,452	\$103,495	\$103,495	\$103,495	\$103,495	\$103,495	\$103,495
Commercial	\$0	\$0	\$2,306	\$0	\$0	\$0	\$2,957	\$0	\$2,957	\$0	\$2,957	\$0
Governmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Irrigation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$113,006	\$724,163	\$160,000	\$393,281	\$215,861	\$106,452	\$106,452	\$103,495	\$106,452	\$103,495	\$106,452	\$103,495
Total Unadjusted Revenue	\$2,632,211	\$3,055,001	\$2,534,201	\$2,877,974	\$2,803,833	\$2,794,174	\$2,898,326	\$3,003,416	\$3,119,448	\$3,233,820	\$3,359,589	\$3,484,093
Adjustments / other changes ¹	\$44,368	-\$4,449	-\$26,228									
Total Revenue Calculated	\$2,676,579	\$3,050,552	\$2,507,973	\$2,877,974	\$2,803,833	\$2,794,174	\$2,898,326	\$3,003,416	\$3,119,448	\$3,233,820	\$3,359,589	\$3,484,093
Total Revenue from Service Charges	\$2,519,205	\$2,330,838	\$2,374,201	\$2,484,693	\$2,587,972	\$2,687,722	\$2,791,874	\$2,899,921	\$3,012,996	\$3,130,325	\$3,253,137	\$3,380,598
Total Revenue Other / Adjustments	\$44,368	-\$4,449	-\$26,228	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue from Connection Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue from Availability Charges	\$113,006	\$724,163	\$160,000	\$393,281	\$215,861	\$106,452	\$106,452	\$103,495	\$106,452	\$103,495	\$106,452	\$103,495
Total	\$2,676,579	\$3,050,552	\$2,507,973	\$2,877,974	\$2,803,833	\$2,794,174	\$2,898,326	\$3,003,416	\$3,119,448	\$3,233,820	\$3,359,589	\$3,484,093

Note:

1. The Adjustments/other changes is the difference between how the Study calculated revenue compared to revenue reported in the city's financial statements or budget document. The difference are subject to further review.

SEWER FUND

Background

The Sewer Fund is used to account for the operating and capital improvement costs related to maintenance of the sanitary sewer system. The sanitary sewer utility system provides for the collection and treatment of wastewater. The treatment of wastewater is provided by Metropolitan Council Environmental Services (MCES). The city builds and maintains the collection system that transports wastewater to the MCES treatment facilities.

The Sewer Fund is in sound financial condition, but notably the level of reserves and net assets as percentage of expense is comparatively less than compared to the Water Fund. The Plan proposes higher rate increases for sewer services compared to water.

Future development will increase the demands on the sanitary sewer utility infrastructure but will also provide increased revenue to support the maintenance and operation of the system.

The city anticipates collection of future development fees to support expansion of the system as the community continues to grow. Development fees are accounted for in the Sewer Fund.

Revenues

The major source of revenue comes from the collection of quarterly charges, including a fixed based charge to each customer, along with volume-based charges for sanitary sewer volume billed.

The financial plan for the Sewer Fund reflects the adopted rates for 2024 and proposed future year increases averaging 4.5% annually.

Interest income is earned on the cash balance in the Fund that is recorded as revenue. The investment earnings rate is projected to be 2.0% for future years.

Expenses

The expenses are for payment of operating expenses, debt service expense, and depreciation expense.

The Plan anticipates a 3.0% annual inflationary increase in operating expenses and .33 personnel (FTE) additions.

Debt service expense includes interest expense on both existing outstanding bonds and for anticipated new issuance. The Plan models annual depreciation expense on both existing capital assets and anticipated new assets to be acquired. With the inclusion of depreciation expense, annual operating losses are shown within the Sewer Fund, on a declining basis beginning in 2030, due to the retirement of debt service.

The Sewer Fund includes annual transfers to other funds based on historical levels.

MCES charges the city a fee for the regional collection and treatment of wastewater (disposal charges). The city does not have control over this operating expense. Future charges payable to the MCES are projected based on total estimated sanitary sewer volume reported to the MCES with an estimated 6.8% increase in 2024 and 5.0% annual increase in years 2025-2032 per unit of volume. The City should closely monitor changes to MCES charges and adjust rates as necessary.

MCES uses an allocation method based on previous flow to calculate each municipality's charges. For example, the

method uses 2022 calendar year flow to allocate 2023 fees. The city pays the Metropolitan Council a disposal charge based on volume. Disposal charges payable to the MCES represent approximately 48% of the estimated 2023 expenses in the Sewer Fund, increasing to an average of 58% in years 2024-2032.

Cash Balance

The financial plan includes projected assets and liabilities for the Fund. This includes projected annual year-end cash balance. A table that follows provides a detailed summary on projected change in cash year by year.

Based on assumptions in the Plan, including collection of development fees related to growth (that will be used to pay for future capital improvements), it is projected that the cash balance position of the Fund will decrease over the planning period. The Fund is projected to have future cash sufficient to meet the objectives for cash balance, including cash sufficient to cover:

- Three-months of operating expense
- Following year debt service payments
- Following year capital acquisition (planned to be paid from cash)
- Reserves for future capital improvements

The sufficiency of the estimated reserves for capital improvements will depend on future capital improvement projects that may not yet be programmed in the CIP.

Table 11
Sewer Fund

City of Hastings
Finance Plan
Sewer Fund

	2021 Actual	2022 Actual	2023 Estimated	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj
Revenues												
Charges for services	2,608,421	2,627,715	2,876,876	2,885,742	3,044,592	3,196,539	3,355,996	3,522,878	3,698,458	3,882,211	4,075,529	4,277,844
Availability charges	108,984	222,548	60,000	188,760	104,390	51,480	51,480	50,050	51,480	50,050	51,480	50,050
Penalties and other revenues	-	-	12,000	12,360	12,731	13,113	13,506	13,911	14,329	14,758	15,201	15,657
Investment income and other earnings	(2,774)	(44,484)	14,000	14,420	14,853	15,298	15,757	16,230	16,717	17,218	17,735	18,267
Connection charges	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	-	-	-	-	-	-	1,950,000	-	-	-	-	-
Other revenues and special items	37,299	169,082	-	-	-	-	-	-	-	-	-	-
Special assessments	(233)	-	-	-	-	-	-	-	-	-	-	-
Transfers in	18,333	18,333	18,333	18,883	19,449	20,033	20,634	21,253	21,891	22,547	23,224	23,920
Capital contributions	223,782	339,292	-	-	-	-	-	-	-	-	-	-
Total Revenues	2,993,812	3,332,486	2,981,209	3,120,164	3,196,015	3,296,463	5,407,373	3,624,323	3,802,874	3,986,785	4,183,169	4,385,738
Expenses												
<i>Fixed Expenses</i>												
Personnel services	321,850	383,932	437,876	451,012	464,543	478,479	492,833	507,618	522,847	538,532	554,688	571,329
Personnel services / FTE changes	-	-	-	-	30,333	31,243	32,181	33,146	34,140	35,165	36,220	37,306
Transfers out General Fund	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out Debt Service Fund	-	-	-	-	-	-	-	-	-	-	-	-
Transfer out Other Funds	387,429	37,293	39,158	40,333	41,543	42,789	44,073	45,395	46,757	48,159	49,604	51,092
Interest and fiscal expense	32,068	58,955	50,379	60,837	84,713	119,463	130,263	147,588	179,088	243,213	222,535	237,891
Depreciation	476,605	493,793	504,543	521,143	543,343	555,043	609,843	633,843	675,043	681,043	698,943	709,443
<i>Subtotal Fixed Expenses</i>	<i>1,217,952</i>	<i>973,973</i>	<i>1,031,956</i>	<i>1,073,325</i>	<i>1,164,474</i>	<i>1,227,017</i>	<i>1,309,192</i>	<i>1,367,590</i>	<i>1,457,874</i>	<i>1,546,112</i>	<i>1,561,990</i>	<i>1,607,062</i>
<i>Variable Expenses</i>												
Supplies	5,358	6,201	6,400	6,592	6,790	6,993	7,203	7,419	7,642	7,871	8,107	8,351
Repairs and maintenance	102,471	1,600	65,000	66,950	68,959	71,027	73,158	75,353	77,613	79,942	82,340	84,810
MCES Disposal Charges	1,412,707	1,595,532	1,659,271	1,806,822	1,914,248	2,018,807	2,129,036	2,244,970	2,367,460	2,496,287	2,632,392	2,775,538
Professional services and other expense	219,428	182,409	124,324	128,054	131,895	135,852	139,928	144,126	148,449	152,903	157,490	162,215
Bond issuance cost	-	-	-	15,000	20,000	10,000	15,000	25,000	40,000	-	20,000	10,000
<i>Subtotal Variable Expenses</i>	<i>1,739,964</i>	<i>1,785,742</i>	<i>1,854,995</i>	<i>2,023,418</i>	<i>2,141,891</i>	<i>2,242,680</i>	<i>2,364,325</i>	<i>2,496,868</i>	<i>2,641,165</i>	<i>2,737,003</i>	<i>2,900,330</i>	<i>3,040,913</i>
Total Expenses	2,957,916	2,759,715	2,886,951	3,096,743	3,306,366	3,469,696	3,673,517	3,864,458	4,099,039	4,283,115	4,462,320	4,647,975
Beginning net position	11,153,684	11,189,580	11,762,351	11,856,608	11,880,030	11,769,679	11,596,446	13,330,302	13,090,167	12,794,002	12,497,671	12,218,520
Change in Net Position	35,896	572,771	94,258	23,422	(110,351)	(173,234)	1,733,856	(240,135)	(296,165)	(296,330)	(279,151)	(262,237)

Table 11
Sewer Fund

City of Hastings
Finance Plan
Sewer Fund

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual	Actual	Estimated	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Assets and Deferred Outflow of Resources												
Cash and cash equivalents	3,285,758	3,457,029	3,783,065	4,124,530	4,324,460	4,393,248	4,418,967	4,409,740	4,335,729	3,852,601	3,704,605	3,569,076
Due from other governments	-	-	-	-	-	-	-	-	-	-	-	-
Due from other funds / advances	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments receivable	15,358	13,527	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Other assets / receivables	841,186	848,936	850,000	858,500	867,085	875,756	884,513	893,359	902,292	911,315	920,428	929,632
Capital assets	20,438,295	21,482,497	22,019,997	22,849,997	23,959,997	24,544,997	27,284,997	28,484,997	30,544,997	30,844,997	31,739,997	32,264,997
Less Accumulated depreciation	(11,453,653)	(11,926,911)	(12,431,454)	(12,952,597)	(13,495,940)	(14,050,983)	(14,660,826)	(15,294,669)	(15,969,712)	(16,650,755)	(17,349,698)	(18,059,141)
Deferred outflows of resources	148,311	117,240	125,000	128,750	132,613	136,591	140,689	144,909	149,257	153,734	158,346	163,097
Total Assets and Deferred Outflows	13,275,255	13,992,318	14,361,608	15,024,180	15,803,215	15,914,609	18,083,340	18,653,336	19,977,562	19,126,893	19,188,678	18,882,662
Liabilities and Deferred Inflow of Resources												
Other current liabilities / payables	194,282	195,498	195,000	198,900	202,878	206,936	211,074	215,296	219,602	223,994	228,474	233,043
Contracts payable	-	-	-	-	-	-	-	-	-	-	-	-
Due to other governments	-	-	-	-	-	-	-	-	-	-	-	-
Bonds payable	1,340,000	1,550,000	1,790,000	2,440,000	3,340,000	3,635,000	4,080,000	4,900,000	6,510,000	5,945,000	6,275,000	6,220,000
Unamortized bond premium	111,704	119,010	100,000	80,000	60,000	40,000	20,000	-	-	-	-	-
Net pension liability (non-current)	163,873	125,802	175,000	180,250	185,658	191,227	196,964	202,873	208,959	215,228	221,685	228,335
Other non-current liabilities	120,127	232,722	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000	170,000
Deferred inflows of resources	155,689	6,936	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
Total Liabilities and Deferred Inflows	2,085,675	2,229,968	2,505,000	3,144,150	4,033,536	4,318,163	4,753,038	5,563,169	7,183,561	6,629,222	6,970,158	6,926,378
Total Liabilities, Deferred Inflows, and Net Position	13,275,255	13,992,318	14,361,608	15,024,180	15,803,215	15,914,609	18,083,340	18,653,336	19,977,562	19,126,893	19,188,678	18,882,662
Net investments in capital assets	7,532,938	7,886,576	7,698,543	7,377,400	7,064,057	6,819,014	8,524,171	8,290,328	8,065,285	8,249,242	8,115,299	7,985,856
Unrestricted net position	3,656,642	3,875,775	4,158,065	4,502,630	4,705,622	4,777,432	4,806,131	4,799,839	4,728,716	4,248,429	4,103,221	3,970,427
Total net position	11,189,580	11,762,351	11,856,608	11,880,030	11,769,679	11,596,446	13,330,302	13,090,167	12,794,002	12,497,671	12,218,520	11,956,283

Table 12
Sewer Fund

City of Hastings
Ending Cash Balance
Sewer Fund

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Budget	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Use of Cash										
Operations & Maintenance	2,292,871	2,459,430	2,616,767	2,742,402	2,874,339	3,012,632	3,158,152	3,310,700	3,471,238	3,639,549
Capital Acquisition and Cost of Issuance of Bonds	537,500	845,000	1,130,000	595,000	2,755,000	1,225,000	2,100,000	300,000	915,000	535,000
Other Interfund Transfers	39,158	40,333	41,543	42,789	44,073	45,395	46,757	48,159	49,604	51,092
Debt Service (includes transfers for debt)	170,379	255,837	314,713	419,463	490,263	552,588	669,088	808,213	807,535	827,891
Total Use of Cash	3,039,908	3,600,600	4,103,023	3,799,653	6,163,674	4,835,615	5,973,996	4,467,072	5,243,377	5,053,532
Source of Cash										
Revenue from Service Charges	2,902,876	2,912,522	3,072,175	3,224,950	5,335,259	3,553,020	3,729,503	3,914,187	4,108,465	4,311,768
Revenue from Connection and Availability Charges	60,000	188,760	104,390	51,480	51,480	50,050	51,480	50,050	51,480	50,050
Bond Proceeds	360,000	845,000	1,130,000	595,000	805,000	1,225,000	2,100,000	-	915,000	535,000
Interfund Transfers	18,333	18,883	19,449	20,033	20,634	21,253	21,891	22,547	23,224	23,920
Total Source of Cash	3,341,209	3,965,164	4,326,015	3,891,463	6,212,373	4,849,323	5,902,874	3,986,785	5,098,169	4,920,738
Net Change in Other Assets and Liabilities	24,735	(23,100)	(23,062)	(23,022)	(22,980)	(22,935)	(2,889)	(2,840)	(2,788)	(2,735)
Change in Cash Balance	326,036	341,465	199,930	68,788	25,719	(9,228)	(74,011)	(483,127)	(147,997)	(135,528)
Beginning Cash Balance	3,457,029	3,783,065	4,124,530	4,324,460	4,393,248	4,418,967	4,409,740	4,335,729	3,852,602	3,704,605
Total Projected Ending Cash	3,783,065	4,124,530	4,324,460	4,393,248	4,418,967	4,409,740	4,335,729	3,852,602	3,704,605	3,569,077

Ending Cash by Purpose

For future capital improvements	2,912,371	3,155,626	3,219,397	1,234,401	3,113,222	2,951,114	2,399,841	2,177,257	1,966,827	1,773,378
For following year pay-go capital	-	-	-	1,950,000	-	-	300,000	-	-	-
For 3-months of operating cash	614,857	654,192	685,600	718,585	753,158	789,538	827,675	867,809	909,887	954,173
For following year debt service	255,837	314,713	419,463	490,263	552,588	669,088	808,213	807,535	827,891	841,525
Total Projected Ending Cash	3,783,065	4,124,530	4,324,460	4,393,248	4,418,967	4,409,740	4,335,729	3,852,602	3,704,605	3,569,077

Note: Cash balances include cash and investments.

Table 13
Sewer Fund

City of Hastings

Customers and Charges for Sales and Development Revenue

Sewer Fund

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual	Actual	Budget	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj

CUSTOMER DATA

Average Annual Billing Units (Customers)

Residential	6,917	6,947	7,015	7,147	7,220	7,256	7,291	7,326	7,361	7,396	7,431	7,466
Commercial	372	371	372	372	372	372	373	373	374	374	375	375
Non-Profit	-	-	-	-	-	-	-	-	-	-	-	-
Governmental	45	45	45	45	45	45	45	45	45	45	45	45
Other	1	1	1	1	1	1	1	1	1	1	1	1
Total Customers	7,335	7,363	7,432	7,564	7,637	7,673	7,709	7,744	7,780	7,815	7,851	7,886

Volume (in thousands of gallons)

Residential	351,801	348,823	353,243	361,823	366,568	368,908	371,183	373,458	375,733	378,008	380,283	382,558
Commercial	69,341	69,042	69,107	69,107	69,107	69,107	69,172	69,172	69,237	69,237	69,302	69,302
Non-Profit	-	-	-	-	-	-	-	-	-	-	-	-
Governmental	45,822	47,817	47,817	47,817	47,817	47,817	47,817	47,817	47,817	47,817	47,817	47,817
Other	15,561	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322	15,322
Total Volume	482,525	481,004	485,489	494,069	498,814	501,154	503,494	505,769	508,109	510,384	512,724	514,999

REVENUE

Revenue - Base Charge

Residential	\$521,561	\$529,045	\$544,886	\$580,121	\$612,419	\$643,169	\$675,354	\$709,133	\$744,585	\$781,791	\$820,838	\$861,816
Commercial	\$28,011	\$28,217	\$28,858	\$30,157	\$31,514	\$32,932	\$34,506	\$36,059	\$37,783	\$39,483	\$41,371	\$43,232
Non-Profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Governmental	\$3,393	\$3,427	\$3,496	\$3,653	\$3,817	\$3,989	\$4,169	\$4,356	\$4,552	\$4,757	\$4,971	\$5,195
Other	\$75	\$76	\$78	\$81	\$85	\$89	\$93	\$97	\$101	\$106	\$110	\$115
Total Revenue	\$553,040	\$560,766	\$577,318	\$614,012	\$647,835	\$680,179	\$714,122	\$749,646	\$787,021	\$826,137	\$867,290	\$910,359

Revenue - Volume Charge

Residential	\$1,502,190	\$1,503,427	\$1,554,269	\$1,663,662	\$1,761,326	\$1,852,335	\$1,947,628	\$2,047,745	\$2,152,929	\$2,263,433	\$2,379,523	\$2,501,477
Commercial	\$296,086	\$297,571	\$304,071	\$317,754	\$332,053	\$346,995	\$362,951	\$379,284	\$396,724	\$414,577	\$433,639	\$453,153
Non-Profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Governmental	\$195,660	\$206,091	\$210,395	\$219,863	\$229,756	\$240,095	\$250,900	\$262,190	\$273,989	\$286,318	\$299,203	\$312,667
Other	\$66,445	\$66,038	\$67,417	\$70,451	\$73,621	\$76,934	\$80,396	\$84,014	\$87,794	\$91,745	\$95,873	\$100,188
Total Revenue	\$2,060,382	\$2,073,127	\$2,136,152	\$2,271,729	\$2,396,756	\$2,516,360	\$2,641,874	\$2,773,233	\$2,911,436	\$3,056,073	\$3,208,239	\$3,367,485

Table 13
Sewer Fund

City of Hastings

**Customers and Charges for Sales and Development Revenue
Sewer Fund**

	2021 Actual	2022 Actual	2023 Budget	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj
Availability Charge (SAC) and Interceptor Sewer Fee												
Residential	\$183,411	\$374,838	\$116,988	\$188,760	\$104,390	\$51,480	\$50,050	\$50,050	\$50,050	\$50,050	\$50,050	\$50,050
Commercial	\$0	\$0	\$1,194	\$0	\$0	\$0	\$1,430	\$0	\$1,430	\$0	\$1,430	\$0
Non-Profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Governmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$183,411	\$374,838	\$118,181	\$188,760	\$104,390	\$51,480	\$51,480	\$50,050	\$51,480	\$50,050	\$51,480	\$50,050
Total Unadjusted Revenue	\$2,796,832	\$3,008,732	\$2,831,651	\$3,074,502	\$3,148,982	\$3,248,019	\$3,407,476	\$3,572,928	\$3,749,938	\$3,932,261	\$4,127,009	\$4,327,894
Adjustments / other changes ¹	-\$79,427	-\$158,469	\$105,225									
Total Revenue Calculated	\$2,717,405	\$2,850,263	\$2,936,876	\$3,074,502	\$3,148,982	\$3,248,019	\$3,407,476	\$3,572,928	\$3,749,938	\$3,932,261	\$4,127,009	\$4,327,894
Total Revenue from Service Charges	\$2,613,422	\$2,633,893	\$2,713,469	\$2,885,742	\$3,044,592	\$3,196,539	\$3,355,996	\$3,522,878	\$3,698,458	\$3,882,211	\$4,075,529	\$4,277,844
Total Revenue Other / Adjustments	-\$79,427	-\$158,469	\$105,225	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue from Connection Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue from Availability Charges	\$183,411	\$374,838	\$118,181	\$188,760	\$104,390	\$51,480	\$51,480	\$50,050	\$51,480	\$50,050	\$51,480	\$50,050
Total	\$2,717,405	\$2,850,263	\$2,936,876	\$3,074,502	\$3,148,982	\$3,248,019	\$3,407,476	\$3,572,928	\$3,749,938	\$3,932,261	\$4,127,009	\$4,327,894

Note:

1. The Adjustments/other changes is the difference between how the Study calculated revenue compared to revenue reported in the city's financial statements or budget document. The difference are subject to further review.

STORM FUND

Background

The Storm Fund is used to account for the operating and capital improvement costs related to maintenance of the stormwater system. The city builds and maintains the collection system that transports and manages stormwater.

The Storm Fund is in sound financial condition. Future development will increase the demands on the sanitary sewer utility infrastructure but will also provide increased revenue to support the maintenance and operation of the system.

The Plan does not include collection of future development fees to support the stormwater system.

Revenues

The major source of revenue comes from the collection of quarterly charges from a fixed charge that is based on customer classification.

The financial plan for the Storm Fund reflects the adopted rates for 2023 and proposed future year increases averaging 4.0% annually.

Interest income is earned on the cash balance in the Fund that is recorded as revenue. The investment earnings rate is projected to be 2.0% for future years.

Expenses

The expenses are for payment of operating expenses, including depreciation expense.

The Plan anticipates a 3.0% annual inflationary increase in operating expenses and .33 personnel (FTE) additions.

Debt service expense includes interest expense on anticipated new bond issuance.

The Storm Fund includes annual transfers to other funds based on historical levels.

Cash Balance

The financial plan includes projected assets and liabilities for the Fund. This includes projected annual year-end cash balance. A table that follows provides a detailed summary on projected change in cash year by year.

Based on assumptions in the Plan, which does not include any collection of development fees related to growth, it is projected that the cash balance position of the Fund will decrease over the planning period. The Fund is projected to have future cash sufficient to meet the objectives for cash balance, including cash sufficient to cover:

- Three-months of operating expense
- Following year debt service payments
- Following year capital acquisition (planned to be paid from cash)
- Reserves for future capital improvements

The sufficiency of the estimated reserves for capital improvements will depend on future capital improvement projects that may not yet be programmed in the CIP.

Table 14
Storm Fund

City of Hastings
Finance Plan
Storm Fund

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual	Actual	Estimated	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Revenues												
Charges for services	761,135	802,509	829,762	813,643	852,995	890,605	930,242	971,123	1,014,308	1,058,851	1,105,900	1,154,430
Availability charges	-	-	-	-	-	-	-	-	-	-	-	-
Penalties and other revenues	-	(49,568)	3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567
Investment income and other earnings	(1,270)	(31,805)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Connection charges	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	119,525	-	-	-	-	-	-	-	-	-	-	-
Other revenues and special items	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-
Special item	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Capital contributions	260,554	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	1,139,944	721,136	836,262	820,338	859,890	897,708	937,558	978,658	1,022,070	1,066,845	1,114,134	1,162,911
Expenses												
<i>Fixed Expenses</i>												
Personnel services	308,885	362,258	401,250	413,288	425,686	438,457	451,610	465,159	479,113	493,487	508,291	523,540
Personnel services / FTE changes	-	-	-	-	30,333	31,243	32,181	33,146	34,140	35,165	36,220	37,306
Transfer out Other Funds	7,526	8,655	9,088	9,361	9,641	9,931	10,229	10,535	10,852	11,177	11,512	11,858
Interest and fiscal expense	-	-	-	-	26,300	23,800	21,400	46,100	41,100	35,900	66,700	57,900
Depreciation	32,093	42,872	45,212	58,712	72,912	79,412	93,312	103,812	110,312	128,812	137,312	144,812
<i>Subtotal Fixed Expenses</i>	<i>348,504</i>	<i>413,785</i>	<i>455,550</i>	<i>481,360</i>	<i>564,872</i>	<i>582,842</i>	<i>608,731</i>	<i>658,752</i>	<i>675,517</i>	<i>704,540</i>	<i>760,035</i>	<i>775,416</i>
<i>Variable Expenses</i>												
Supplies	3,856	5,132	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Meters	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Professional services and other expense	58,653	84,596	101,397	104,439	107,572	110,799	114,123	117,547	121,073	124,706	128,447	132,300
Bond issuance cost	-	-	-	15,000	-	-	15,000	-	-	20,000	-	5,000
<i>Subtotal Variable Expenses</i>	<i>62,509</i>	<i>89,728</i>	<i>104,397</i>	<i>122,529</i>	<i>110,755</i>	<i>114,077</i>	<i>132,500</i>	<i>121,025</i>	<i>124,655</i>	<i>148,395</i>	<i>132,247</i>	<i>141,214</i>
Total Expenses	411,013	503,513	559,947	603,889	675,627	696,920	741,231	779,777	800,172	852,935	892,282	916,630

Table 14
Storm Fund

City of Hastings
Finance Plan
Storm Fund

	2021 Actual	2022 Actual	2023 Estimated	2024 Proj	2025 Proj	2026 Proj	2027 Proj	2028 Proj	2029 Proj	2030 Proj	2031 Proj	2032 Proj
Revenues												
Charges for services	761,135	802,509	829,762	813,643	852,995	890,605	930,242	971,123	1,014,308	1,058,851	1,105,900	1,154,430
Availability charges	-	-	-	-	-	-	-	-	-	-	-	-
Penalties and other revenues	-	(49,568)	3,500	3,605	3,713	3,825	3,939	4,057	4,179	4,305	4,434	4,567
Investment income and other earnings	(1,270)	(31,805)	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Connection charges	-	-	-	-	-	-	-	-	-	-	-	-
Intergovernmental revenues	119,525	-	-	-	-	-	-	-	-	-	-	-
Other revenues and special items	-	-	-	-	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-	-	-	-	-
Special item	-	-	-	-	-	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	-	-	-	-
Capital contributions	260,554	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	1,139,944	721,136	836,262	820,338	859,890	897,708	937,558	978,658	1,022,070	1,066,845	1,114,134	1,162,911
Expenses												
<i>Fixed Expenses</i>												
Personnel services	308,885	362,258	401,250	413,288	425,686	438,457	451,610	465,159	479,113	493,487	508,291	523,540
Personnel services / FTE changes	-	-	-	-	30,333	31,243	32,181	33,146	34,140	35,165	36,220	37,306
Transfer out Other Funds	7,526	8,655	9,088	9,361	9,641	9,931	10,229	10,535	10,852	11,177	11,512	11,858
Interest and fiscal expense	-	-	-	-	26,300	23,800	21,400	46,100	41,100	35,900	66,700	57,900
Depreciation	32,093	42,872	45,212	58,712	72,912	79,412	93,312	103,812	110,312	128,812	137,312	144,812
<i>Subtotal Fixed Expenses</i>	<i>348,504</i>	<i>413,785</i>	<i>455,550</i>	<i>481,360</i>	<i>564,872</i>	<i>582,842</i>	<i>608,731</i>	<i>658,752</i>	<i>675,517</i>	<i>704,540</i>	<i>760,035</i>	<i>775,416</i>
<i>Variable Expenses</i>												
Supplies	3,856	5,132	3,000	3,090	3,183	3,278	3,377	3,478	3,582	3,690	3,800	3,914
Meters	-	-	-	-	-	-	-	-	-	-	-	-
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	-
Professional services and other expense	58,653	84,596	101,397	104,439	107,572	110,799	114,123	117,547	121,073	124,706	128,447	132,300
Bond issuance cost	-	-	-	15,000	-	-	15,000	-	-	20,000	-	5,000
<i>Subtotal Variable Expenses</i>	<i>62,509</i>	<i>89,728</i>	<i>104,397</i>	<i>122,529</i>	<i>110,755</i>	<i>114,077</i>	<i>132,500</i>	<i>121,025</i>	<i>124,655</i>	<i>148,395</i>	<i>132,247</i>	<i>141,214</i>
Total Expenses	411,013	503,513	559,947	603,889	675,627	696,920	741,231	779,777	800,172	852,935	892,282	916,630
Change in Net Position	728,931	217,623	276,315	216,449	184,263	200,788	196,327	198,882	221,897	213,910	221,852	246,281
Ending net position	1,640,105	1,857,728	2,134,044	2,350,493	2,534,756	2,735,544	2,931,872	3,130,753	3,352,651	3,566,560	3,788,412	4,034,693

Financial Plans X-E-01

Table 15
Storm Fund

City of Hastings
Ending Cash Balance
Storm Fund

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Budget	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj
Use of Cash										
Operations & Maintenance	505,647	520,816	566,774	583,777	601,291	619,330	637,909	657,047	676,758	697,061
Capital Acquisition and Cost of Issuance of Bonds	117,000	690,000	710,000	325,000	710,000	525,000	325,000	945,000	425,000	380,000
Other Interfund Transfers	9,088	9,361	9,641	9,931	10,229	10,535	10,852	11,177	11,512	11,858
Debt Service (includes transfers for debt)	-	-	91,300	83,800	81,400	171,100	166,100	170,900	281,700	282,900
Total Use of Cash	631,735	1,220,177	1,377,716	1,002,508	1,402,919	1,325,965	1,139,861	1,784,124	1,394,970	1,371,819
Source of Cash										
Revenue from Service Charges	836,262	820,338	859,890	897,708	937,558	978,658	1,022,070	1,066,845	1,114,134	1,162,911
Revenue from Connection and Availability Charges	-	-	-	-	-	-	-	-	-	-
Bond Proceeds	-	690,000	-	-	710,000	-	-	945,000	-	305,000
Interfund Transfers	-	-	-	-	-	-	-	-	-	-
Total Source of Cash	836,262	1,510,338	859,890	897,708	1,647,558	978,658	1,022,070	2,011,845	1,114,134	1,467,911
Net Change in Other Assets and Liabilities	95,972	9,500	9,775	10,058	10,350	10,650	10,959	11,277	11,605	11,942
Change in Cash Balance	300,499	299,661	(508,050)	(94,742)	254,989	(336,657)	(106,832)	238,999	(269,232)	108,035
Beginning Cash Balance	1,096,269	1,396,768	1,696,429	1,188,379	1,093,637	1,348,625	1,011,968	905,136	1,144,135	874,903
Total Projected Ending Cash	1,396,768	1,696,429	1,188,379	1,093,637	1,348,625	1,011,968	905,136	1,144,135	874,903	982,938
Ending Cash by Purpose										
For future capital improvements	1,266,564	753,435	633,634	861,914	497,693	361,391	569,974	268,245	342,738	183,045
For following year pay-go capital	-	775,000	325,000	-	525,000	325,000	-	425,000	75,000	300,000
For 3-months of operating cash	130,204	141,694	145,944	150,323	154,832	159,477	164,262	169,190	174,265	179,493
For following year debt service	-	26,300	83,800	81,400	171,100	166,100	170,900	281,700	282,900	320,400
Total Projected Ending Cash	1,396,768	1,696,429	1,188,379	1,093,637	1,348,625	1,011,968	905,136	1,144,135	874,903	982,938

Note: Cash balances include cash and investments.

Table 16
Storm Fund

City of Hastings

**Customers and Charges for Sales and Development Revenue
Storm Fund**

	2	3	4	5	6	7	8	9	10	11	12	13
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
	Actual	Actual	Budget	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj	Proj

CUSTOMER DATA

Average Annual REU Units (Customers)

Residential	7,056	7,164	7,232	7,364	7,437	7,473	7,508	7,543	7,578	7,613	7,648	7,683
Commercial	334	332	333	333	333	333	334	334	335	335	336	336
Non-Profit	-	-	-	-	-	-	-	-	-	-	-	-
Governmental	-	-	-	-	-	-	-	-	-	-	-	-
Other	108	115	115	115	115	115	115	115	115	115	115	115
Total Customers	7,498	7,611	7,680	7,812	7,885	7,921	7,957	7,992	8,028	8,063	8,099	8,134

REVENUE

Revenue - REU Charge

Residential	\$562,202	\$593,732	\$623,377	\$660,145	\$693,357	\$724,582	\$757,095	\$791,050	\$826,509	\$863,540	\$902,210	\$942,593
Commercial	\$127,599	\$132,003	\$137,702	\$143,210	\$148,939	\$154,896	\$161,576	\$168,039	\$175,284	\$182,295	\$190,153	\$197,759
Non-Profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Governmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$8,605	\$9,510	\$9,891	\$10,287	\$10,699	\$11,127	\$11,572	\$12,034	\$12,516	\$13,016	\$13,537	\$14,079
Irrigation												
Total Revenue	\$698,407	\$735,245	\$770,970	\$813,643	\$852,995	\$890,605	\$930,242	\$971,123	\$1,014,308	\$1,058,851	\$1,105,900	\$1,154,430

Access Charge

Residential	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Commercial	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Non-Profit	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Governmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Other

Total Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
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Total Unadjusted Revenue	\$698,407	\$735,245	\$770,970	\$813,643	\$852,995	\$890,605	\$930,242	\$971,123	\$1,014,308	\$1,058,851	\$1,105,900	\$1,154,430
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Adjustments / other changes ¹	\$62,728	\$67,264	\$58,792									
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Total Revenue Calculated	\$761,135	\$802,509	\$829,762	\$813,643	\$852,995	\$890,605	\$930,242	\$971,123	\$1,014,308	\$1,058,851	\$1,105,900	\$1,154,430
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Total Revenue from Service Charges	\$698,407	\$735,245	\$770,970	\$813,643	\$852,995	\$890,605	\$930,242	\$971,123	\$1,014,308	\$1,058,851	\$1,105,900	\$1,154,430
Total Revenue Other / Adjustments	\$62,728	\$67,264	\$58,792	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue from Connection Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Revenue from Availability Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$761,135	\$802,509	\$829,762	\$813,643	\$852,995	\$890,605	\$930,242	\$971,123	\$1,014,308	\$1,058,851	\$1,105,900	\$1,154,430

APPENDIXES

Appendix A
PFAS Scenario Comparison Memo



City of Hastings, MN
Utility Study
Finance Plan Development for Water Fund

Presentation of Potential Scenarios to City Staff
As of August 4, 2023

Prepared by Northland Public Finance



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INTRODUCTION

The City of Hastings engaged Northland to aid the city with a study of the municipal utility funds for development of the scenarios for funding future planned capital improvements, including related debt service on planned bond issuance to support the planned capital improvements. The aims of the study, which in process, are as follows:

- *Revenue Sufficiency* – For the Enterprise Funds, develop and populate a forecasting model to decide the level of revenue needed to fund planned operations, capital improvements, and debt service while maintaining adequate reserves for future services and capital needs.
- *Rate Calculations* - Model projected future utility fees and charges for revenue sufficiency.

The study includes planned future capital improvements for years 2023-2033. Estimates were made by the city for capital improvement project costs and the timing of projects. While the specific timing and costs of future improvements is uncertain, awareness of the projects and the funding needed for each project are important when considering utility fees and charges and level of reserves.

Future development of property within the city will supply increased utility revenue from charges for services. The rate of future development and addition of new utility customers is a significant variable for the study. Future development will affect the projected service demands and revenues included in the study.

The purpose of this document is to supply preliminary information to the city on three different scenarios specific to the Water Fund. Northland will update the study and final report based on the city's direction to Northland on which of the three scenarios should be incorporated into the final "Financial Management Plan For Water Fund, Sewer Fund, and Storm Water Fund (Utility Study)".

SCENARIOS

There are three scenarios presented for review and discussion with city staff, as outlined below.

Scenario A

Scenario A is presented as the "base" scenario. The results and key assumptions and parameters for this scenario are as follows:

RESULTS

1. Total average annual change in utility bills for water services for all users, including high volume, medium volume, and low volume, over the planning period (10 years) does not exceed 3.5%.
2. Annual ending cash balances for the Water Fund between 2023-2033 are projected to be sufficient to cover at a minimum the following: three months of operating expense; following year planned pay-go capital improvements; and following year debt service. Cash balance is projected above minimum amounts for future capital improvements.

ASSUMPTIONS

1. City will issue debt as needed to spread the financial impact of capital improvements over multiple years to achieve the parameters for average annual change in water utility bills, as listed in item 1 above. Total bonds issued between years 2024 and 2028 is \$9.945 million; and no bonds issued between 2029-2033. Debt issuance is assumed as follows:
 - \$2.55 million in 2025

- \$3.825 million in 2027
 - \$3.57 million in 2028
2. City will structure amortization of debt to achieve the parameters for average annual change in water utility bills as listed in items 1 above.
 3. City will implement its plans for personnel increases, including positions and wage adjustments as planned and salary and wages, personnel costs are assumed to increase by approximately 3.0% annually.
 4. Non-personnel operating expenses are assumed to increase by an average of approximately 3.0% annually.
 5. City will annually adjust fees for water services at amounts needed to achieve revenue sufficiency for the Water Fund. This includes annual increases for fees for meters, usage, and water availability charge (WAC).

Scenario B

Scenario B is based on the same assumptions as Scenario A, except Scenario B includes future capital improvements for water treatment facility improvements and issuance of bonds to finance the improvements.

RESULTS

Because Scenario B includes spending for water treatment facility improvements and issuance of bonds to finance these improvements, Scenario B does not achieve the same results as Scenario A. The results for Scenario B are as follows:

1. Total average annual change in utility bills for water services, for all users including high volume, medium volume, and low volume, over the planning period (10 years) will average 14.5%. This scenario includes larger increases between years 2024-2028, with a five-year average annual increase of 26.4%.
2. Total average annual change for City Water Availability Charge (WAC) will average 4.0%.
3. Ending cash balances for the Water Fund is projected to be sufficient to cover at a minimum the following: three months of operating expense; following year planned pay-go capital improvements; and following year debt service. Cash balance is projected above minimum amounts for future capital improvements.

ASSUMPTIONS

Same assumptions as Scenario A, except Scenario B includes project costs and bonding for water treatment facilities, as noted above.

1. No external funding is assumed to be available for the water treatment facility improvements. Scenario B assumes the project costs are funded entirely from customers of the water utility, and from fees and charges collected and deposited by the city into the Water Fund.
2. Water revenue bonds are structured with relatively level annual debt service over terms ranging from 10-25 years. The treatment facility improvements are structured over the longer 25-year term, bonds for other projects are structured over a 10 year terms. Total bonds issued between years 2024 and 2028 is \$80.23 million; and no issuance between 2029-2033. Debt issuance is assumed as follows:

- a. \$21.05 million in 2024
- b. \$29.775 million in 2025
- c. \$22.01 million in 2027
- d. \$3.57 million in 2028

Scenario C

Scenario C is based on the same assumptions as Scenario A, except Scenario C includes \$850,000 for costs related to planning for construction of future water treatment facilities. Only the planning dollars are included in Scenario C and not the construction costs.

Results

The results for Scenario C are as follows:

1. Total average annual change in utility bills for water services, for all users including high volume, medium volume, and low volume, over the planning period (10 years) will average 3.8%. This scenario includes slightly larger increases than Scenario A to supply funds related to planning for future treatment facility improvements.
2. Ending cash balances for the Water Fund is projected to be sufficient to cover at a minimum the following: three months of operating expense; following year planned pay-go capital improvements; and following year debt service. Cash balance is projected above minimum amounts for future capital improvements.

ASSUMPTIONS

Same assumptions as Scenario A, except Scenario C includes spending for capital improvement planning, as noted above.

1. Water revenue bonds are structured with relatively level annual debt service over term of 25 years. Total bonds issued between years 2024 and 2028 is \$80.23 million; and no issuance between 2029-2033. Debt issuance is assumed as follows:
 - a. \$2.55 million in 2025
 - b. \$1.42 million in 2026
 - c. \$3.825 million in 2027
 - d. \$3.57 million in 2028
 - e. \$415,000 in 2032

PRESENTATION AND COMPARISON OF SCENARIOS

Exhibit A includes charts to graphically present the results for the three scenarios based on the assumptions outlined above. The charts include the following information that is intended to summarize the data in the more detailed information included in the other exhibits that follow:

Chart 1: City Quarterly Utility Bill for Water Services

Chart 2: Five Year Average Annual % Increase in Quarterly Water Utility Bill

Chart 3: Bonds Issued to Finance Improvements Supported by Water Revenues

Chart 4: Total Principal Amount of Bonds Outstanding Supported by Water Revenues

Chart 5: Total Debt Service Paid from Water Revenues

Chart 6: Amortization of Bonds Supported by Water Revenues

COMPARISON OF WATER UTILITY BILLS TO OTHER CITIES

Exhibit B includes a comparison of water utility bills to other cities. A comparison to the City of Hastings' water bills is provided for current year bills (year 2023) and future estimated Hastings' water bills under Scenarios A, B, and C, for year 2028. Year 2028 is used for comparison purposes to account for the phasing of fee increases between years 2024-2028 under Scenario B and Scenario C.

COMPARISON OF SCENARIOS

Exhibit C includes a summary report with key financial data for each of the three scenarios.

SCENARIO FINANCIAL RESULTS

Exhibit D, Exhibit E, and Exhibit F includes reports for Scenario A, Scenario B, and Scenario C, respectively.

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Exhibit A

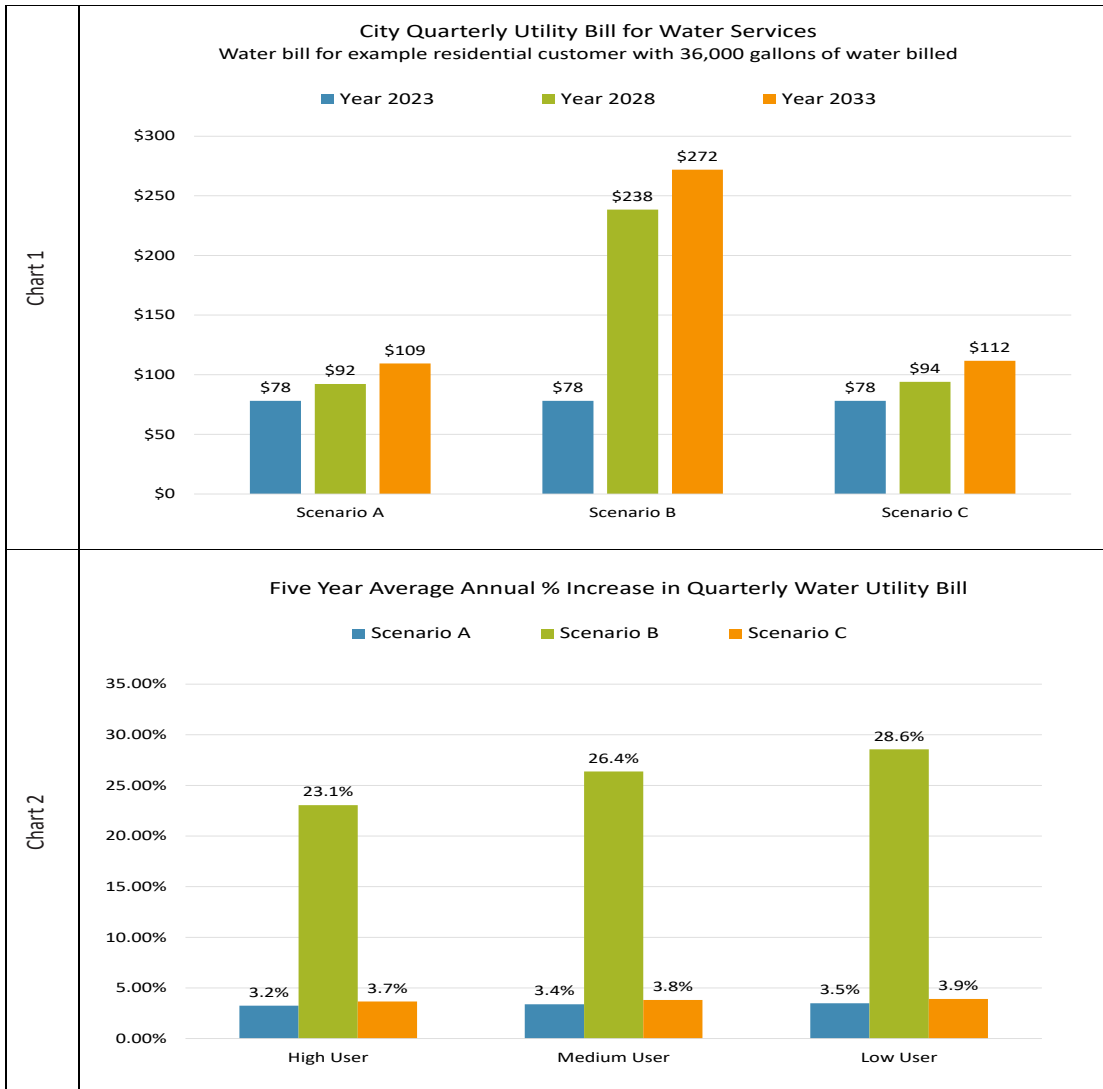


Exhibit A

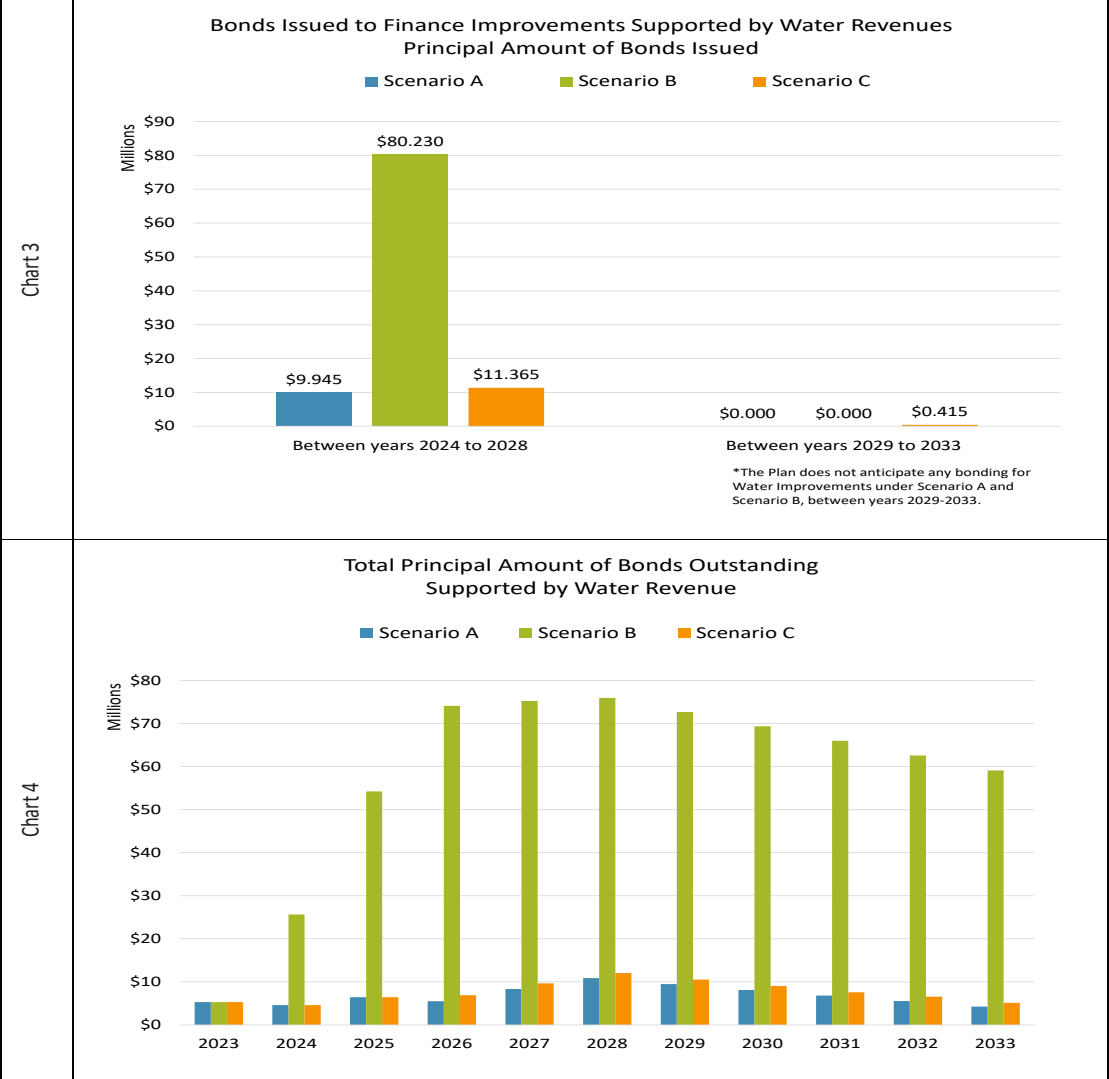


Exhibit A

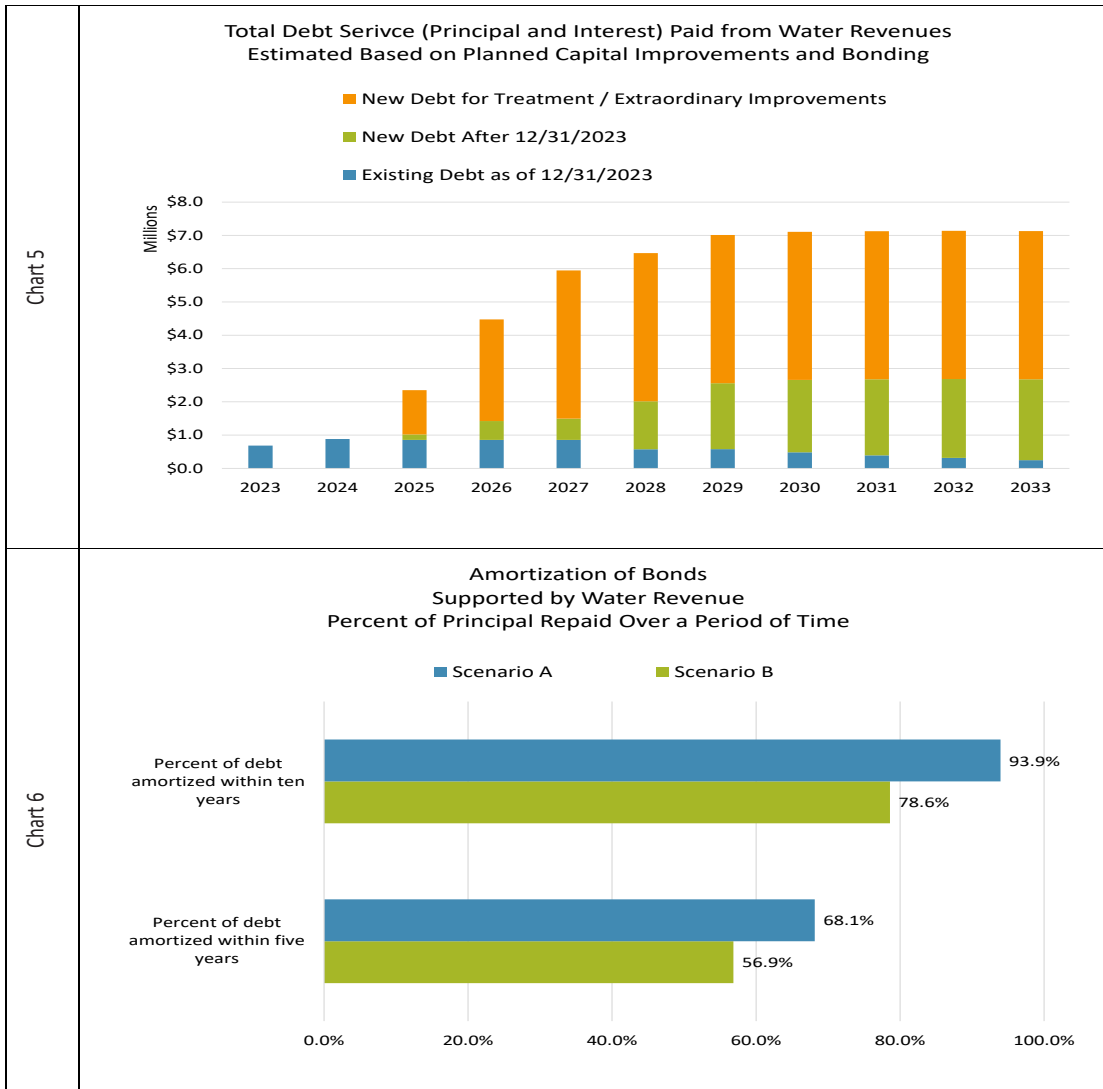


EXHIBIT B

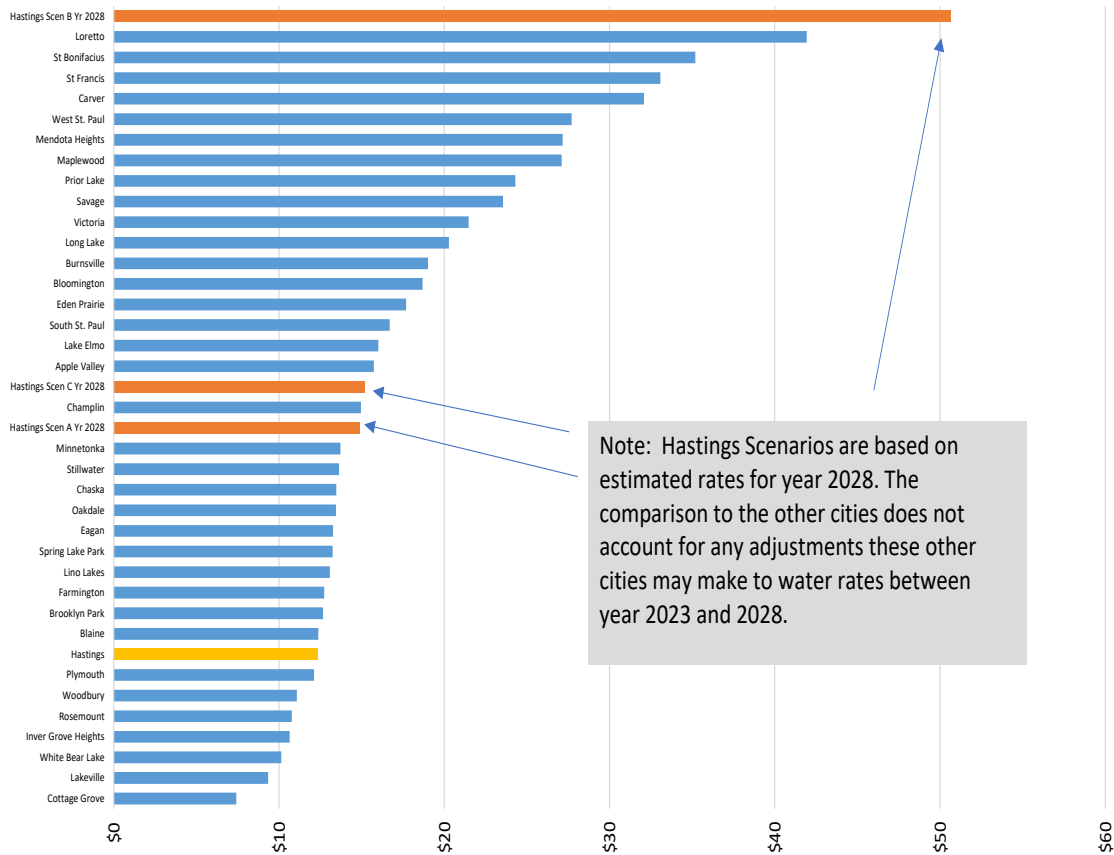
Comparison of Water Utility Bills to Other Cities

Includes City of Hastings Current Rates for Year 2023 and Estimated Future Rates for Scenarios A, B, and C for Year 2028

Water Bill for 3,000 Gallons Monthly Volume - Residential

Estimated Based on Published Rate Data and Interpretation of Fee Schedules

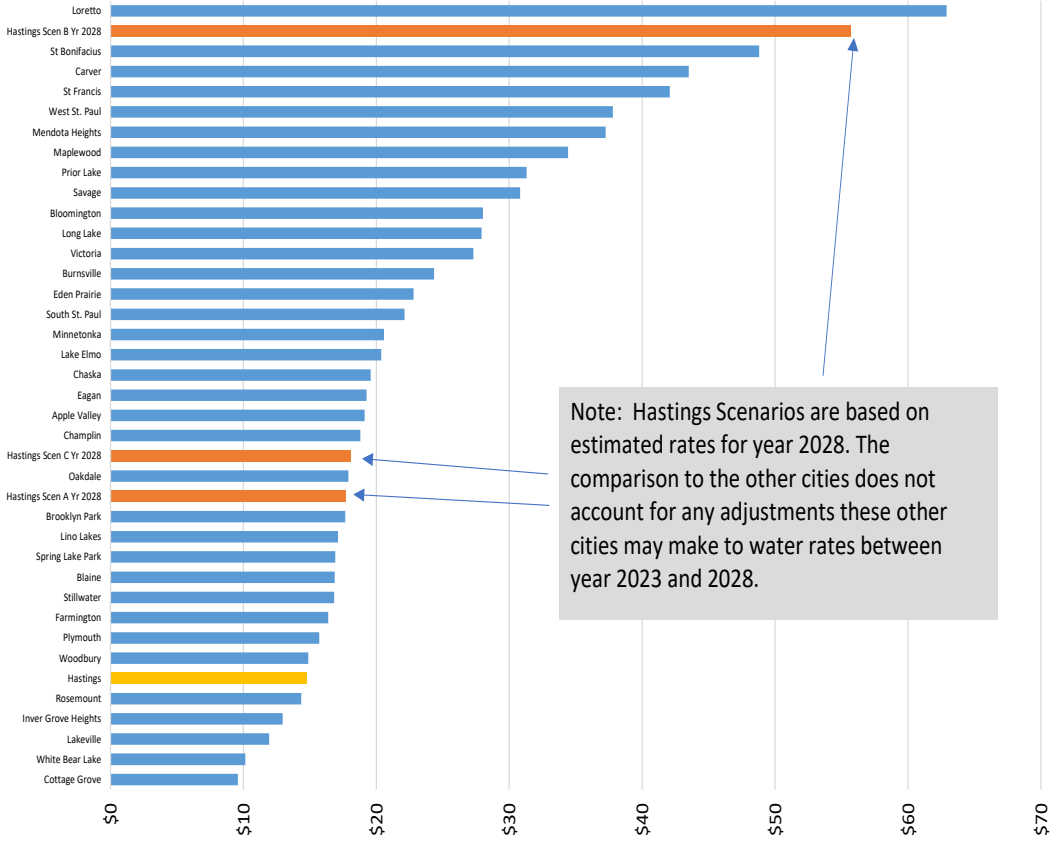
Cities have different billing cycles for comparison billing is shown as monthly equivalent bills



Note: Hastings Scenarios are based on estimated rates for year 2028. The comparison to the other cities does not account for any adjustments these other cities may make to water rates between year 2023 and 2028.

EXHIBIT B
Comparison of Water Utility Bills to Other Cities
Includes City of Hastings Current Rates for Year 2023 and Estimated Future Rates for Scenarios A, B, and C for Year 2028

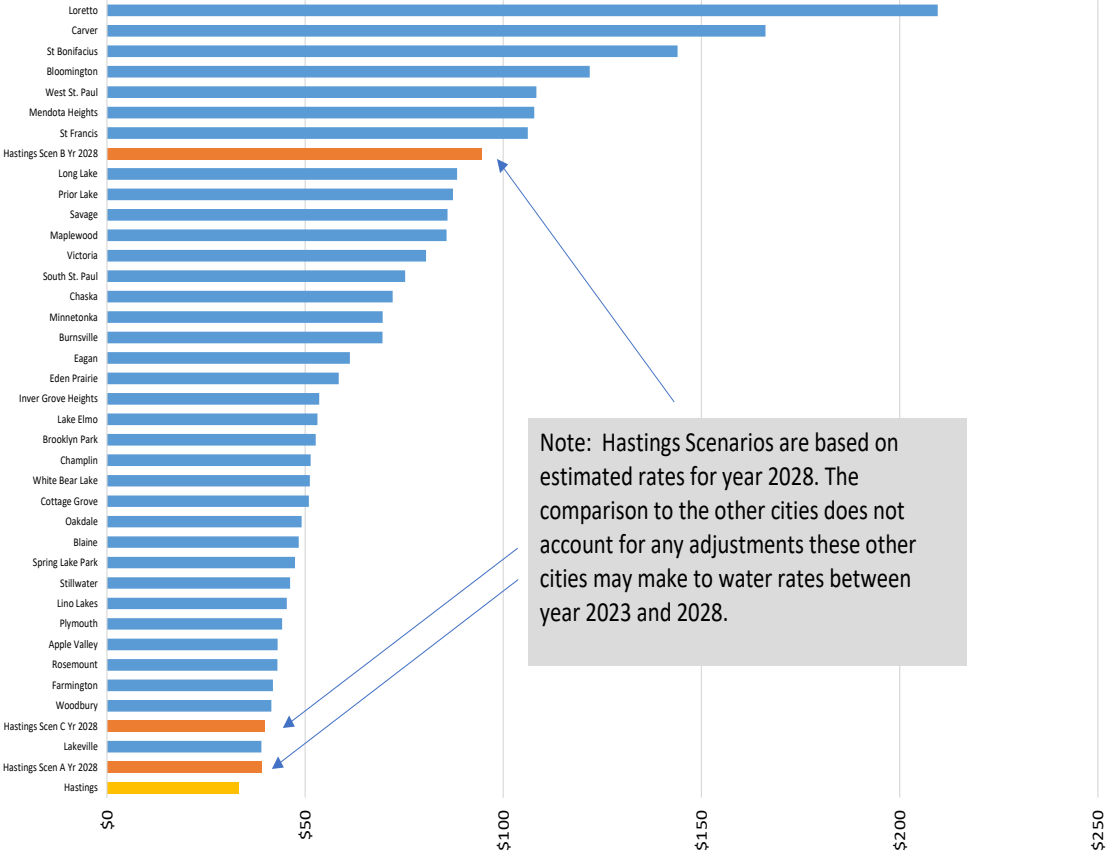
Water Bill for 6,000 Gallons Monthly Volume - Residential
Estimated Based on Published Rate Data and Interpretation of Fee Schedules
Cities have different billing cycles for comparison billing is shown as monthly equivalent bills



Note: Hastings Scenarios are based on estimated rates for year 2028. The comparison to the other cities does not account for any adjustments these other cities may make to water rates between year 2023 and 2028.

EXHIBIT B
Comparison of Water Utility Bills to Other Cities
Includes City of Hastings Current Rates for Year 2023 and Estimated Future Rates for Scenarios A, B, and C for Year 2028

Water Bill for 20,000 Gallons Monthly Volume - Residential
Estimated Based on Published Rate Data and Interpretation of Fee Schedules
Cities have different billing cycles for comparison billing is shown as monthly equivalent bills



Note: Hastings Scenarios are based on estimated rates for year 2028. The comparison to the other cities does not account for any adjustments these other cities may make to water rates between year 2023 and 2028.



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