SHAKOPEE

TO: Mayor & City Council
Bill Reynolds, City Administrator

FROM: Darin Manning, Project Coordinator

SUBJECT: Financing and Connection Timing Options for the
Maras Street, 13th Avenue, and Hansen Avenue Utility Extension Project

DATE: January 18, 2022

This memorandum summarizes proposed funding and connection timing options for the Maras Street, 13th Avenue and Hansen Avenue Utility Extension Project. While City Code 52.08 establishes the standard conditions for hook-up pertaining to routine utility extension projects (e.g. within three years), the extensive cost to hook-up, the variability of property types, and the varying age and investment of some properties in their existing septic systems and wells have prompted optional considerations for this project. The below options have been coordinated with and approved by Shakopee Public Utilities Commission.

A "Lateral Sanitary Sewer Connection Charge" and a similar water fee will be established for this project, consistent with past practice and other similar fees that exist in the city's fee schedule for project specific areas. These fees are used for projects that provide sanitary sewer and water service to an area that is not currently developed or a developed area where the properties will not be required to connect immediately to the utility.

Funding Options:
Property owners may pay the full fees at the time of connection or request the city to specially assess the fees over a ten-year period. Typically, an annual cost escalation is included in the connection fees; however, a three-year grace period would apply to the fees for this project to aid and promote volunteer connections. The typical annual cost escalation will be applied thereafter. See attachment A for the draft language that will be included in the city's fee schedule for this project.

Connection Timing Options:
Property owners will be required to connect to the utilities if one of the following occur:

1. Property is redeveloped (lateral fee's must be paid when final plat is recorded)
2. Sale of property
3. Failure of system
4. Voluntary connection

Property owners may connect to the sewer and water systems concurrently or non-concurrently. If a property owner experiences failure of one of their systems, they may decide to connect to both utilities concurrently due to economy of scale. If they chose this option, the connection fee for the system that didn't fail could be deferred for a period of three years. No annual cost escalation would be applied to the system that didn't fail for that three-year period.

Property owners may also decide to connect non-concurrently. This option allows for property owners with newer systems to obtain the maximum return on their investment. If property owners choose this option, the non-failing system would be required to be connected within 15-years. If sanitary sewer is connected without water, a flat rate will be developed and used to charge for sewer service.

ATTACHMENT A

Draft Lateral Connection Fee Language in the City Fee Schedule (Sanitary Sewer):

A. Maras Street, Hansen Avenue, and 13th Avenue Sanitary Sewer Lateral Connection Charge……$5,077/Developable Acre

This charge applies to all properties and developments connecting to the sanitary sewer extending along Maras Street between 13th Avenue and Hansen Avenue, Hansen Avenue between Maras Street and Stagecoach Road and 13th Avenue between Stagecoach Road and the City of Savage boundary.

The charge is to be collected at the time of connection to the public sanitary sewer, sale of the property, or the recording of a final plat for a future development utilizing the sanitary sewer, whichever is earlier.

B. Stagecoach Road Sanitary Sewer Lateral Connection Charge….$4,625/Developable/Acre

This charge applies to all properties and developments connecting to the sanitary sewer extending along the east side of Stagecoach Road between 13th Avenue and Hansen Avenue.

The charge is to be collected at the time of connection to the public sanitary sewer, sale of the property, or the recording of a final plat for a future development utilizing the sanitary sewer, whichever is earlier.

2. **Draft Lateral Connection Fee Language in the SPUC Fee Schedule (Water):**

A. Maras Street, Hansen Avenue, Stagecoach Road, and 13th Avenue Watermain Lateral Connection Charge…….$14,083/Developable Acre

This charge applies to all properties and developments connecting to the watermain extending along Maras Street between 13th Avenue and Hansen Avenue, Hansen Avenue between Maras Street and Stagecoach Road, east side of Stagecoach Road between 13th Avenue and Hansen Avenue and 13th Avenue between Stagecoach Road and the City of Savage boundary.

The charge is to be collected at the time of connection to the public watermain, sale of the property, or the recording of a final plat for a future development utilizing the watermain, whichever is earlier.