

Information Item: Sewer Availability Charge (SAC) Overview

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Committee of the Whole: August 7, 2019



Wastewater Treatment Service Area and Facilities



WHO WE SERVE

7-county Twin Cities Metro Area

110 communities

3,000 square miles

2,600,000+ people

OUR FACILITIES

9 wastewater treatment plants

610 miles of interceptors

61 pump stations

250 million gallons per day (avg)

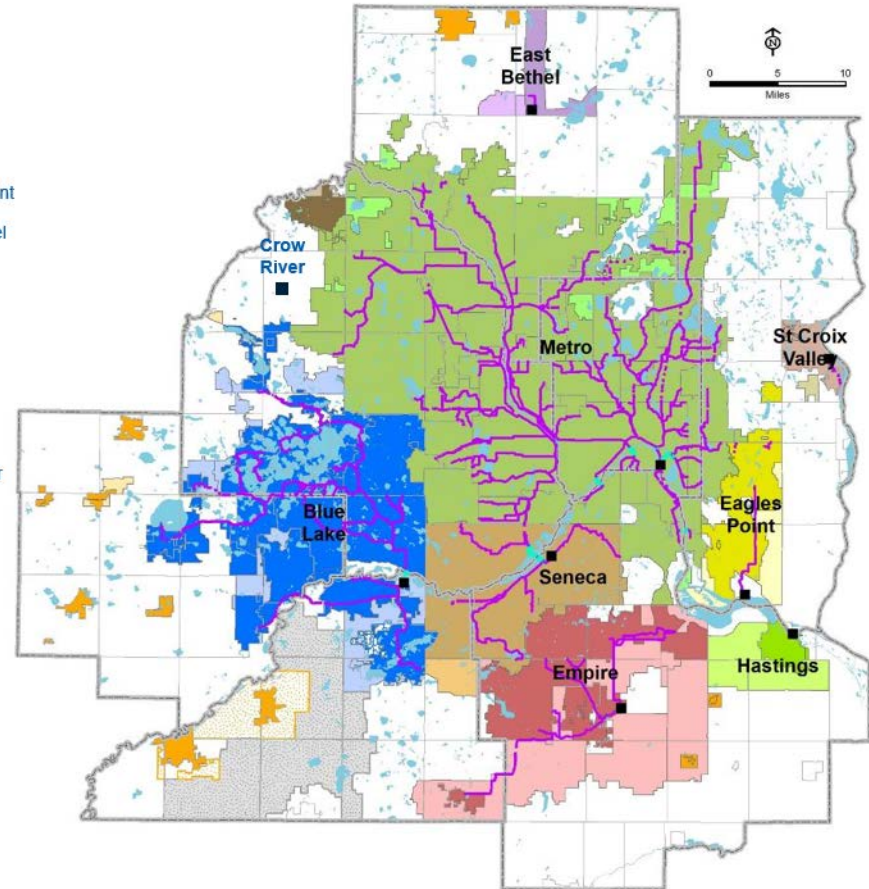
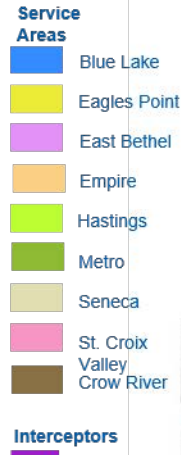
OUR ORGANIZATION

600+ employees

\$7 billion in valued assets

\$140 million per year capital program

\$311 million annual operating budget



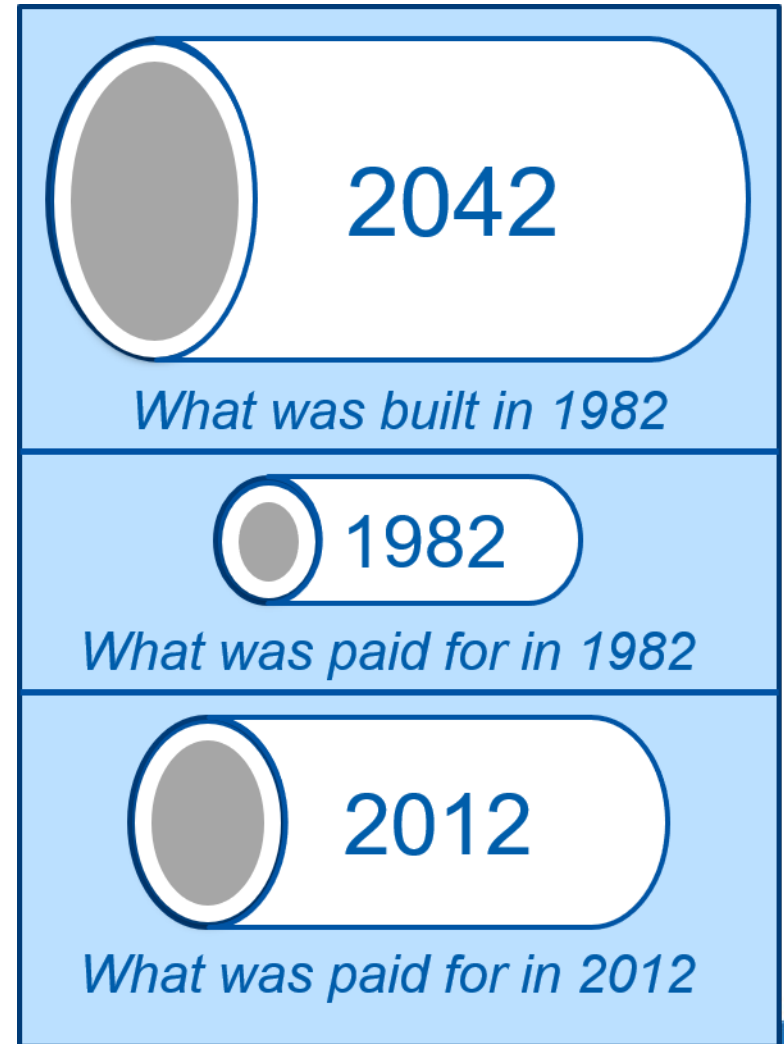
What is SAC?

- The Sewer Availability Charge, or SAC, is a one-time fee charged to local governments for *new or increased capacity demand* on the system
- One single family home = 1 SAC unit
- Non-residential properties require a determination (or calculation) of the **maximum potential wastewater capacity** needed for the site.
- The Council charges SAC to local governments, who pass it on to business or property owners.
- Capacity demand **is not** the same as flow



SAC allows MCES to build for the future, & charge in the future

- MCES builds pipes in anticipation of future growth, but distributes the cost over time and generations.
- SAC future-proofs our system, allowing *all* communities to grow



SAC is about providing capacity for the busiest day of the year

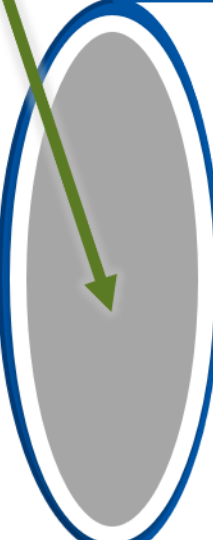
Consider TCF Stadium:

- Capacity (pipe size) needed for average flow VS.
- Capacity needed during a Gophers-Badger game

Result: 526 SAC



 Average Flow

 Gophers-Badgers game

SAC is only charged for increased capacity

- SAC is only charged when a new or existing business increases the capacity demand on the system
 - New construction
 - Remodel changes use to higher demand (e.g., bookstore to restaurant)
- There are programs to help small to medium businesses defer the cost of SAC

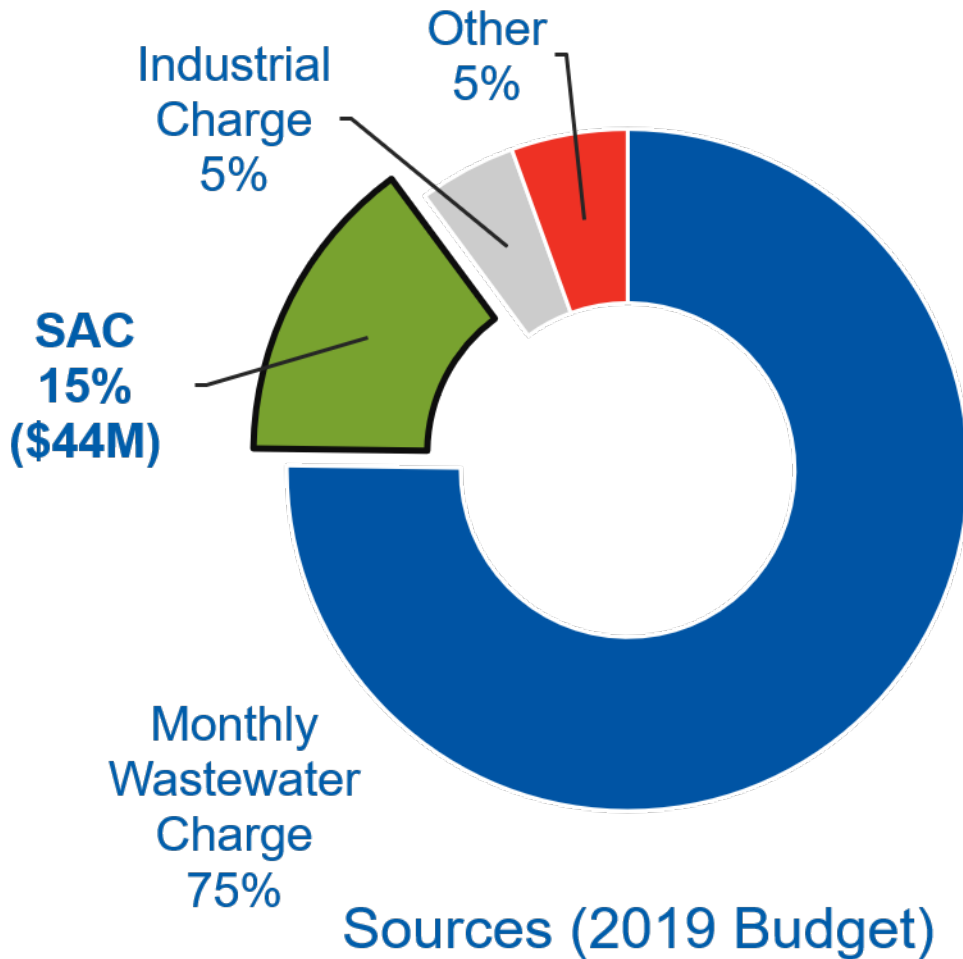
Local SAC & Local WAC

- The Metropolitan Council charges SAC fees directly to communities.
- Communities then charge SAC (and potentially local SAC and/or local Water Availability Charges (WAC)) to businesses, industries, and residences.



Local SAC/WAC can increase developer fees by up to 4X

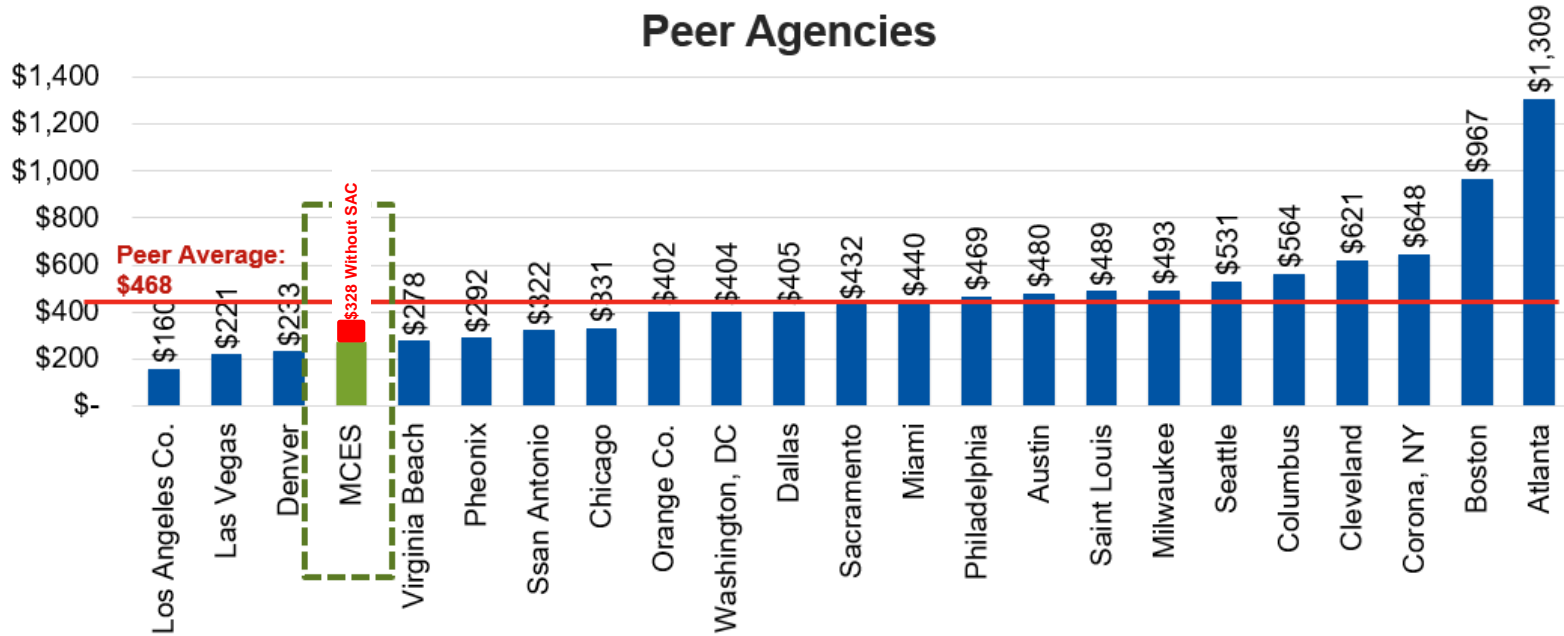
SAC is a critical revenue source



- A material component of waste water fees
- Elimination would increase monthly sewer fees by ~20%
- Accrued benefits over 45 years

Comparative Information – Retail Rates are 40% lower than the National Average

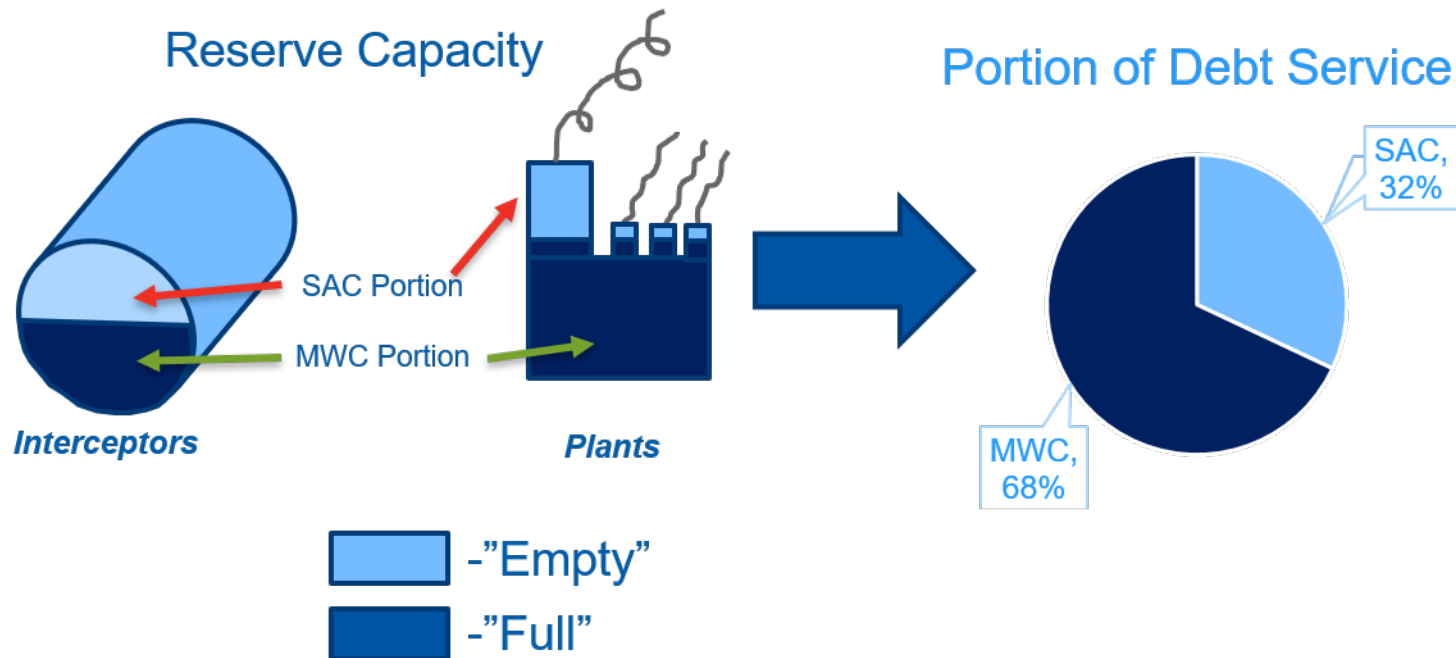
2016 Retail Sewer Charges per Household



* 2017 NACWA survey (2016 rates)

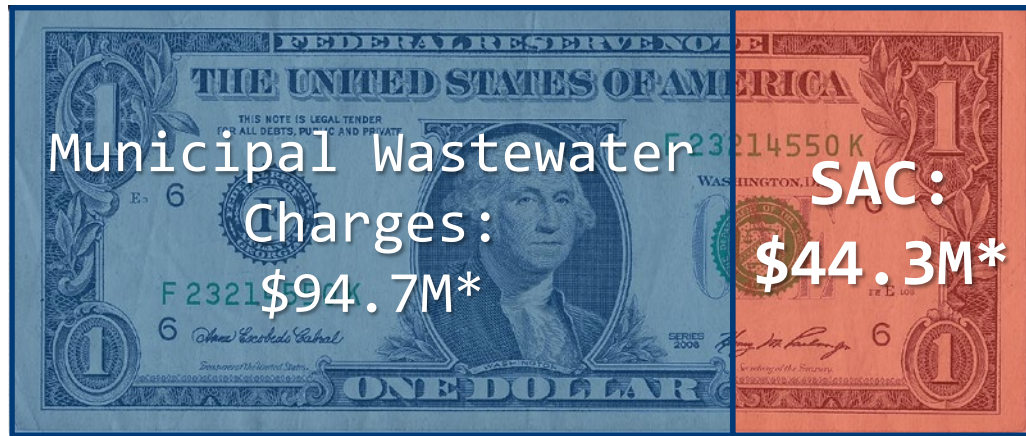
How the per-unit “SAC Fee” is determined

SAC pays the reserve capacity “portion” of debt payments
(MN Statute 473.517)



How the per-unit “SAC Fee” is determined – cont’d

Annual Debt Service: \$139M*

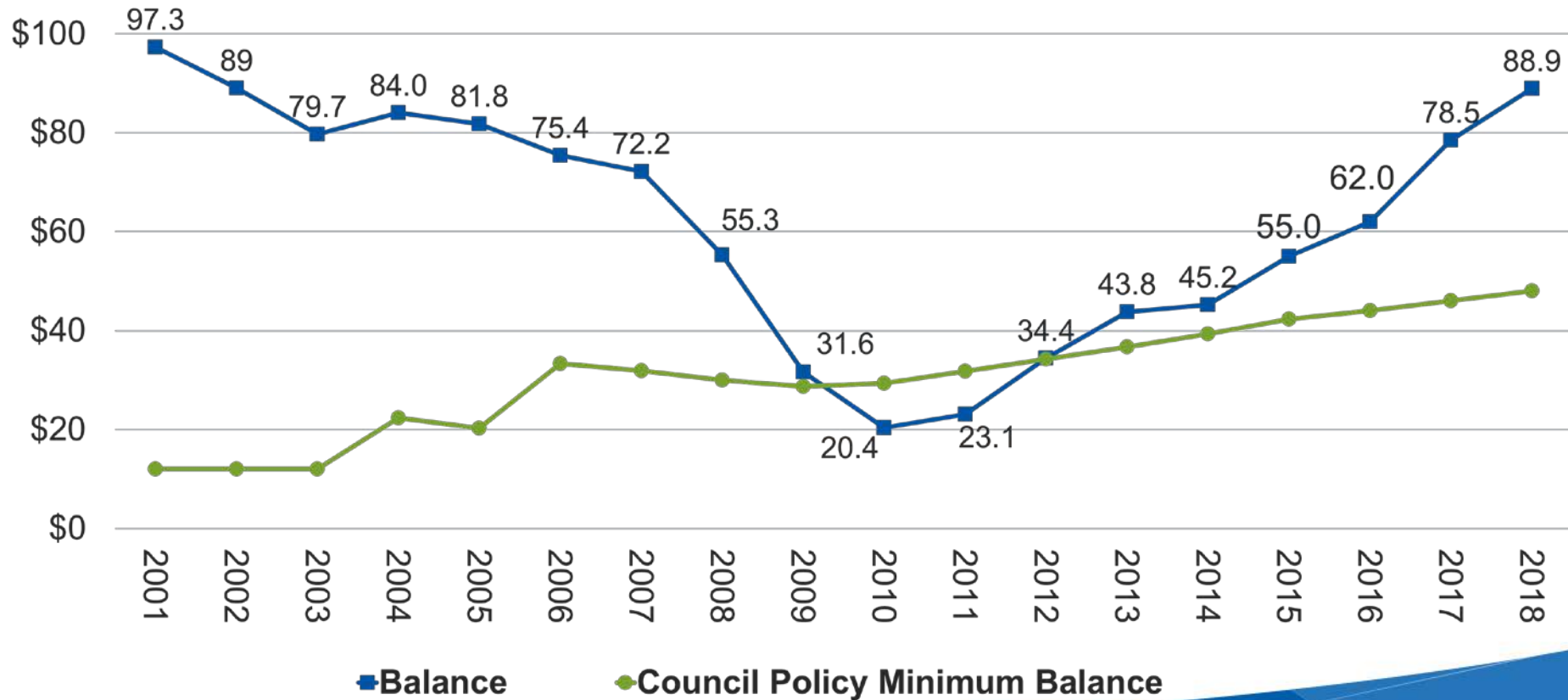


- SAC pays the reserve capacity portion of debt payments**
- In 2019, this is ~32% of \$139M, or \$44.3M
- This amount is divided among estimated SAC units, resulting in the SAC rate
- 17,000-18,000 est. units
- $\$44.3\text{M} / \sim 18\text{k} = \2485

***2019 Figures**

****It also pays about \$.5 million of SAC administrative costs.**

The SAC Reserve is healthy



Options for the SAC reserve

Not preferred

- Lower rates now: gives advantage to future competition/development

Preferred Option

- Use reserve for recession: when units fall short of projections, we can still hold rates constant

Included in 2020 budget

- Use reserve for Pay As You Go during debt bubble: reduces MWCs – requires adjustments for 20 years

2016-2017 SAC Task Force

- Comprised of 14 representatives from customer communities and businesses, including Metro Cities
- Focused on reviewing:
 - Outdoor seating policy – *maintain but with higher “free” seats due to new determination process*
 - Options for manufactured homes – *maintain but monitor flow data and encourage grants*
 - Opportunities to simplify SAC Determination process
 - Opportunities to simplify SAC Credit process

SAC Process

- Developer contacts his/her city for permit
- City holds permit until SAC determination issued
- Developer works directly with SAC team on determination application
- SAC Team issues SAC Determination to the city (*usually within 10 business days*)
- City submits end of month SAC activity report

Questions

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