

Business Item: 2014-19

Authorization to Change the Determination Limit in the SAC Deferral Program

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Environment Committee
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MCES 2013 SAC Deferrals

- Met Council allows a deferral of SAC payments from cities for small businesses
 - Limited to where SAC charge is 10 or less
- In 2013, only Prior Lake has entered into a SAC Deferral Agreement with MCES
 - Two projects have utilized the deferral program
 - Interest rate = 2.28%

2014 SAC Deferral Proposal

Increase SAC deferral eligibility (25 instead of 10)

Pros:

- Responsive to recommendation of 2013 Work Group
- Spreads out payments over time for larger businesses
- Encourages cities to participate by making it available for more determinations
- Improves the appearance of Council helping business, whether used or not

Cons:

- A bit more complexity in SAC records & billings

MCES SAC Deferral Steps

Initiation: A city makes a request to participate in “SAC Deferral Program” & executes standard agreement

- There are some city options

Implementation:

- Per site determination, *city may note “deferral” on its monthly SAC report*
- e.g., an April building permit, is reported in May, full pay with report, *or 20% due and deferral term starting June*

MCES SAC Deferral Terms

- Deferral Amounts: Up to 80% of SAC due, with a *maximum* individual site deferral
- Principal: Amortized like a mortgage with fixed payments
- Interest: Annually Met Council determines the rate; all new SAC deferrals will get that rate, fixed for the duration of the deferral
- Term of Deferrals: 5 or 10 years

MCES SAC Deferral Terms (cont.)

Business or Property Owner Default to City:

- City chooses to not finish the payments...
 - The site will not be credited with the capacity not paid, but will get credit the SAC actually paid
 - No payments will be refunded
- City finishes the payments
 - Site will get full credit for next development

SAC Deferral Example

December invoice to the city. In this case for a single deferral:

- \$15,904 spread over 5 years with 2.26% interest = \$280.57/month
- 2014 payment = $\$280.57 \times 9 \text{ months} = \$2,525.13$
- Invoice is sent out annually (for all city deferrals)
- The city only needs to pay for 3 months in the last year's invoice (2019)
 - The full 8-SAC is creditable to future use

SAC Deferral Example – part 2

- The same situation initially:
 - City completes two deferral payments (2014 for 9 months, 2015 for 12 months)
- June 2016 city notifies MCES that business is closed. City has option:
 - Continue remitting the remainder of the payments
 - The full 8-SAC is creditable to future use on the site
 - OR -
 - Discontinue payments
 - Only what has been paid is creditable to future use

Questions?

