

Environment Committee

Meeting date: September 8, 2015

Management Committee

Meeting date: September 9, 2015

For the Metropolitan Council meeting of September 23, 2015

<p>Subject: Approval of changes to the Metropolitan Council Policy 3-2-5, Sewer Availability Charge (SAC) Management</p>

Proposed Action

That the Metropolitan Council approve changes to the Metropolitan Council Policy 3-2-5 Sewer Availability Charge Management so that the General Manager, MCES and Council CFO may have discretion in the frequency of community reviews in the event of excessive SAC determination requests or SAC staff shortages.

Summary of Environment Committee Discussion/Questions

Metro Cities is aware of the policy change and has no objections.

Motion to approve the proposed action was made, seconded, and passed unanimously.

Summary of Management Committee Discussion/Questions

Motion to approve the proposed action was made, seconded, and passed unanimously.

Environment Committee

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For the Metropolitan Council meeting of September 23, 2015

Subject: Approval of changes to the Metropolitan Council Policy 3-2-5, Sewer Availability Charge (SAC) Management

District(s), Member(s): All Districts, All Members

Policy/Legal Reference: Policy 3-2-5, MN Statute 473.517, subd. 3

Staff Prepared/Presented: Ned Smith, 651-602-1162

Division/Department: MCES c/o Leisa Thompson, 651-602-8101

Proposed Action

That the Metropolitan Council approve changes to the Metropolitan Council Policy 3-2-5 Sewer Availability Charge Management so that the General Manager, MCES and Council CFO may have discretion in the frequency of community reviews in the event of excessive SAC determination requests or SAC staff shortages.

Background

Currently, the policy requires community reviews every three years by the SAC Supervisor. Due to the continuing economic recovery in the region, SAC determination requests have increased at a rapid rate. Through May 31, 2015, SAC units charged are up 30% to 2014. In addition, there is a continuing trend of cities choosing to have MCES complete the determinations where they had historically done so themselves. Finally, due to staffing changes the SAC department is currently training three new employees. As a result, the SAC Supervisor is required to spend much of the day completing determinations or training staff. The goal is to have a determination take 10 business days. Throughout most of the summer of 2015, the processing time has been closer to 15 business days. Delays in issuing determinations usually result in delayed development, as most cities will not issue a building permit until SAC determinations are complete. The purpose of this revision is to give the General Manager, MCES, and the Council CFO the discretion to delay community reviews so that SAC staff may focus on completing current determinations. As new staff gain experience and efficiency, such delays should not be necessary.

Rationale

For financial and customer service reasons, the best use of SAC staff time when SAC determination requests are at a high level is in completing determinations and keeping the processing time to 10 business days or less. The timing of the three year review is not mandated by statute. This policy change allows flexibility so the General Manager, MCES and Council CFO have the authority to delay reviews until SAC processing times are in accordance with customer expectations.

Funding

There is minimal impact to the funding of Environmental Services. While some revenue may be delayed from longer community review intervals, the increased revenue from timely determinations more than offsets any delays.

Known Support / Opposition

No known opposition

POLICY – Sewer Availability Charge Management

Section/Number: 3-2-5	Total Pages: 2
Dept. Responsible: MCES Office of Finance & Revenue (aka ES Finance)	Effective Date: 9/11/98
Special Note: Subordinate to Water Resources Management Policy Plan policies on “Rates and Charges”	Last Revision Date: 9/1/15
	Last Review Date: 9/23/15
	Revision No. 5 (9/23/15)

I. Policy

Metropolitan Council Environmental Services (MCES) shall maintain a community Sewer Availability Charge (SAC) system for funding the reserve capacity portion of the Council’s capital project expenses for the Metropolitan Disposal System (MDS).

As generally prescribed in M. S. 473.517 subd. 3, SAC rates shall be based upon MCES’s projected and actual reserved capacity; and using a publicly reviewed methodology, capital project costs, residential equivalent connections (RECs) for connection directly or indirectly to the MDS, and the Council’s financing decisions (borrowing or pay-as-you-go). Metropolitan SAC rates will be analyzed by MCES staff and approved by the Council.

SAC Treatment for urban vs. rural growth centers is addressed in the Water Resources Policy Plan. Except in a multi-year economic downturn, the Council will set rates to maintain a SAC reserve fund with a minimum balance requirement at the end of each year. That minimum balance will be the average of the required SAC transfer projected for each of the five following years. Use of the minimum reserve shall be allowed only in an economic downturn or natural disaster and as approved by the Council.

MCES will maintain community SAC Rules to assure consistent treatment of all communities in the Region. MCES staff is authorized to maintain the SAC Procedure Manual, including the rules, and make editorial or non-substantive changes as needed. MCES will review each SAC-paying community’s records at least once every three years (except in cases where the CFO and ES General Manager agree that longer periods are reasonably necessary) to assure conformance and consistency to its SAC Rules. The SAC Procedural Manual (available on the Council’s website) is authorized as part of this policy and by the Waste Discharge Rules.

MCES will maintain a credit system to tally reduced capacity demanded in a community through the change of use on properties. These credits shall be allowed to offset SAC that would otherwise occur for new development or new capacity demand within the community.

For issues of Region-wide economic significance, SAC payments by municipalities may be amortized over a period of up to 10 years. Payments must include interest and a guarantee of payment by the municipality.

At least every third year, MCES will review and report on the SAC program’s financial performance.

II. Purpose of policy

Each year, capacity is reserved for and the costs of reserve capacity are allocated to communities that are either served by and discharging wastewater into the Metropolitan Disposal System or which will be served by and able to discharge wastewater directly or indirectly into the MDS. This policy provides for the establishment, implementation, and review of the metropolitan SAC system.

III. Background and reasons for policy

This policy is based on Minnesota Statutes 473.517 subd. 3 and subd. 6 and case law related to the community SAC system. The Water Resources Policy Plan provides some general direction for the SAC program, and this document provides additional internal management policy.

IV. Implementation/Accountability

MCES's Office of Finance and Revenue is responsible for calculating and recommending SAC rates to the Council and the triennial financial review of the program. In addition, the SAC section within ES-Finance is responsible for all Council determinations of SAC units, maintaining all SAC determination records, maintaining SAC rules, and reviewing SAC functions in the communities. ES-Finance will negotiate agreements for any deferral of SAC payments and keep records of these amortizations.

Links:

Revision/Review Tracking

Date	Revision No.	Review Only – No changes
10/24/08	4	Unknown
9/23/15	5	Revision: Community Review Timing