

SAC Residential Deferral Program

Description and Application

To help facilitate homeowners transitioning to the Metropolitan Disposal System from on-site private sewage systems, Metropolitan Council Environmental Services (MCES) provides communities the option to participate in the SAC Deferral Program to defer some SAC payment obligations. Home owners may include single family dwellings and multi-family dwellings that are owner-occupied. This option allows deferral of up to 80% of SAC due for the wastewater demand assigned to residential properties (communities are required to pass on the benefits of deferred SAC payments to the participating home owners). Home owners allowed to participate are those within an eligible community and where they are currently on on-site private sewage systems. Each community will be assessed on a case-by-case basis to determine need and the maximum eligible assessed property value that qualifies for the deferral. To obtain these deferments, communities must first complete and submit to MCES a signed master SAC Deferral Agreement (Agreement). This Agreement will be sent to interested communities for signature after the information in the following is completed and returned to MCES.

1. Community:
2. Community Address:
3. Contact Name & Title (Finance Director or CFO):
4. Contact Email Address:
5. Assessed Value Eligibility Cap:
6. Community-Wide Maximum Percent of SAC that can be Deferred (80% maximum):
7. Community-Wide SAC Deferral Period (years):
8. Payment Month(s):
9. Bundle Reporting Month(s):

For 5-9 above, each participating community has options that will apply to all its deferrals:

5. The assessed value eligibility cap will be negotiated between the Council and the Community. The valuation will be based on the tax year assessed value when the deferral occurs.
6. For qualifying SAC liabilities (homeowners on existing on-site private sewage systems that meet the needs set by the specific Community on a case-by-case basis), MCES allows the Community to defer up to 80% of SAC due; however, a Community can set a maximum that is lower than this (fill in the percentage on line 5 above). Once this Community maximum is set, the percentage deferred for the deferral can be lower than this maximum but cannot be higher (e.g., a Community chooses a 75% maximum, but the Community chooses to pay 50% up front). For each individual deferral, this site-specific percentage must be noted on the MCES SAC-F Form, available at: <http://www.metrocouncil.org/SACforms>

7. Deferment period (term): Choose any whole number up to a maximum of ten (10) years. This term will apply to all individual deferrals from the Community. However, note that the Agreement allows the Community to prepay the remaining principal (and interest up to the payoff date) for any specific bundle of properties at any time (not individual properties). If home owners prepay the Community, this will not change the amount due to the Council.
8. Timing of payments: The Council and the Community will determine the invoice month for deferral payments. Semi-annual payments are also allowed, on any month-end during the year - such a schedule may be preferred that corresponds with local SAC collections, assessments, or other payments from home owners. For consistency, MCES suggests choosing semi-annual payments due at June and December month end.
9. Communities must bundle their eligible deferrals. A Community may not submit more than two bundles per year. If an annual payment is chosen in #8 above, the bundle month must be two months or more prior to the billing month. If a semi-annual payment is chosen in #8 above, there will need to be two bundle months that are six months apart. Each deferral bundle must be reported at the same time every year.

Communities are strongly encouraged to:

- Consider which staff will be responsible for authorizing SAC deferrals and what the process will be to implement site specific deferral arrangements as are allowed under the Agreement with MCES;
- Consider the need for policies or ordinances around your agreements or arrangements with home and property owners (in some cases those parties may have different interests);
- Consider in advance how to react if a home owner fails to pay, which will not relieve the Community of its deferral payment obligation to MCES. A minimum of 1 SAC is assigned to each property connecting to the Metropolitan Disposal System; and
- Review the Agreement with involved Community staff and legal advisors before signing. Please note that this program is offered only as described in the Agreement; MCES does not anticipate changing it.

Once the Agreement is executed, SAC reporting staff in your Community must also attach the MCES SAC-F form with monthly SAC reporting for the one-time submittal for the residential properties that will be deferred for which the Community is allowing the deferred SAC payment. Each deferral liability will be effective the first day of the subsequent month (e.g., for an April building permit that is due and typically reported in May, interest will begin accruing June 1).

Principal on the deferred amount will be amortized monthly at a fixed interest rate based on MCES' average cost of debt (per statute). MCES' average cost of debt, computed on December 31 each year, will be used as the interest rate for all new deferrals entered into the following calendar year. For example, the average rate was 2.06% on 12/31/23, so all deferrals originating in 2024 use that rate. Near the end of January each year, MCES will provide the new interest rate (for deferrals started in the new calendar year) to participating communities.

If a participating home owner moves, or the property is torn down, the Community will be required to continue making deferral payments to MCES as a minimum of 1 SAC is assigned to each property connecting to the Metropolitan Disposal System.

Late payments on deferrals will incur an additional administrative charge of 2% per month plus the maximum interest allowed by law.

If you wish to participate in the deferral program and are ready for the master SAC Deferral Agreement, fill out the boxes at the top of this application and return it to Jessie Nye, MCES, 390 North Robert Street, St. Paul, MN 55101 or jessica.nye@metc.state.mn.us. For questions about the SAC program in general, please contact Jessie Nye. For SAC determinations, please contact the SAC program at SACprogram@metc.state.mn.us.