

AGENCY INITIATIVE

Sewer Availability Charge (SAC)

Request: Simplify & improve the cost-of-service design for paying for new wastewater capacity. This is a revenue neutral improvement to wastewater fees.

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BACKGROUND:

- Wastewater systems are designed and built for both current and future users to support economical development in the region.
- Minn. Stat. § 473.517 requires the Council to allocate capital project costs to cities through two fees:
 - “Current users” are billed based on annual wastewater volume (known as the Municipal Wastewater Charges). (Subd.1)
 - Reserve capacity costs (for “future users”) are billed to cities through a metropolitan Sewer Availability Charge (SAC) when development demands additional sewer capacity. Funds raised by these charges are placed in the Council’s wastewater reserve capacity fund. (Subd. 3)
- By statute, SAC **must pay** a portion of costs **for all types of wastewater capital projects**: growth-related, rehabilitation, regulatory, or other.
- Reserve Capacity funds (from SAC receipts) are transferred to the wastewater operating fund - typically about 30 percent of the amount of capital project spending, (or debt service therefore).

PROPOSED change:

- This change is part of the recommendations of several stakeholder task forces, including a 2013 Work Group, co-led by the Council and Metro Cities, that included the Mayors of Andover, Cottage Grove, Minnetonka, and Roseville; the City Manager for Prior Lake; a Minneapolis Council Member; and Metropolitan Council Members.
- Recommendations the Work Group are proposing include:
 - Providing an expanded deferral of SAC to cities to provide more middle-sized businesses a multi-year time frame to pay SAC (plus interest), thus assisting growing businesses & economic development
 - SAC continues to be a utility-like cost of service fee
 - Technical and stakeholder review of possibly charging SAC in a simpler way, based on water meter size
- However, this bill’s purpose is that “**growth should pay for growth**” that is, SAC should pay for all growth-related wastewater capital project costs and nothing else. SAC is now charged for growth of demand and so it makes sense that accommodating that new demand is the only thing it pays for.
- Lower metropolitan wastewater system growth costs expected in the future will mean this proposed change will also reduce the pressure to increase SAC rates. Over time SAC (due to limited growth needs) is expected to pay only about 10% of wastewater project costs, and this could help economic development in the region.
- Although, as a result of the decrease in the percentage of project costs attributed to growth, and this proposed change, sewer volume charges will increase over time (5-10% over 20 years), sewer volume rates in the Twin Cities region are currently about 40% lower than the national average.

