# Service Availability Charge (SAC) Program Overview

#### **SAC Overview - History**

- Metropolitan Council Environmental Services (MCES) provides sewer service to the metropolitan area.
- The cost of reserve capacity is allocated to individual local governments on a pay as you grow system.
- The current Service Availability Charge (SAC) program has been in place since 1973.

#### SAC Overview - Program

- SAC is a fee imposed by MCES for each new connection or increase in volume.
- A SAC determination is a computation of SAC unit(s) assigned to a given property.
  - One SAC unit equals 274 gallons of maximum potential daily wastewater flow volume.
  - One SAC unit is the equivalent to a single-family home.
- Other types of buildings pay a prorated SAC fee based upon the estimated potential capacity.

#### SAC Overview - Program

- MCES charges the City of Minneapolis and the City charges the individual permit/license applicant.
- The City is required to pay MCES any SAC fees collected within 30 days of the end of each month.
- MCES grants credits to properties based upon grandparent credits (prior to 1973) and previously paid SAC fees.
  - If the new use has fewer SAC units than the prior use, a net credit balance is available to the City.
  - Any net credit balance available to the City reduces the monthly payment to MCES.

#### SAC Overview - Program

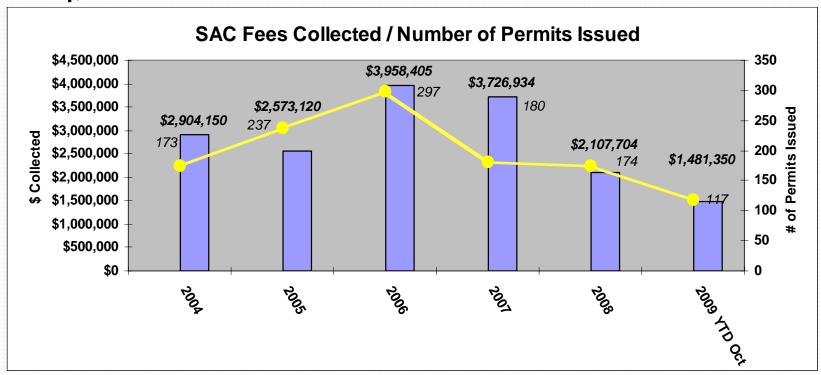
- 1 & 2 family dwelling unit SAC determinations are completed by Regulatory Services
- All other properties are completed by MCES using the following steps:
  - Applicants propose a development with Regulatory Services
  - Applicant is directed to MCES
  - MCES completes a SAC Determination
    - Appeals may be submitted to MCES
  - Regulatory Services collects the SAC fee through the Sanitary Enterprise Fund
  - Regulatory Services pays MCES for SAC fees collected

#### SAC Overview - What's New

- Effective October 1, 2009 MCES approved a 75% discount for certain outdoor spaces that will be exposed to wet weather conditions.
  - The discount is not retroactive.
  - The discount does not apply to audit findings.
- Effective January 1, 2010 Program Changes
  - Any excess "net credits" will no longer be applied to monthly payments to MCES.
  - Credits will be based on the demand over the seven years prior to the year of permitting.

## Service Availability Charge Payment Plan Options

• The average SAC fee collected from an applicant is \$14,220.



- MCES made recommendations during an annual audit.
  - Include any Business License applicants who is expanding, upgrading, or applying for a new food/liquor license.
- Regulatory Services integrated the changes in the SAC Program.
  - Inform business license applicants, change application forms, update a checklist, and educating Business License staff
  - The changes were implemented in August 2008.
  - MCES conducted their annual audit in February 2009.

• The average SAC fee due from the applicant during the 2008 audit is \$7,650.

	2004		2005		2006		2007		2008	
Categories	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount	Cases	Amount
Adjustment to Reports	3	9,450	3	(9,280)	4	79,000	-	-	5	(17,125)
Closed Permit/Business	-	-	-	-	-	-	-	-	6	42,500
City Disputes Findings	-	-	-	-	-	-	-	-	11	49,575
City Agrees w. Findings	4	7,080	-	-	-	-	6	14,600	8	61,175
Totals	7	\$ 16,530	3	\$ (9,280)	4	\$79,000	6	\$14,600	30	\$136,125

**Total** 

Current Status of the audit findings as of 01/05/2010:

•	RFS from Business Licensing - paid (4)	\$ 17,800
•	RFS from Business Licensing – not paid (3)	\$ 30,050
•	RFS change of ownership – fee waived (1)	\$ 10,950
•	Previously reported to MCES (5)	(\$ 17,125)
•	Appeals pending (1)	\$ 4,000
•	Outdoor seating (6)	\$ 34,025
•	Daycares (5)	\$ 15,550
•	Closed business or permit (5)	\$ 32,700

\$ 127,950

- No change to the current SAC program
- 2. Small business programs through CPED
- 3. Payment plan using COMPASS
  - Option 3A Audit Findings
  - Option 3B All SAC Customers
- 4. Assessment of SAC fees to the Property

- No Change to the current SAC Program
  - Applicants pay the SAC fee with building/plumbing permit or business license.
  - Applicants who have SAC fees due to the audit findings will pay the SAC fees within 30 days.
  - Applicants who do not pay the SAC fees risk a revocation or withholding of their business license or building permit.
  - The City incurs limited risk with Option #1

- Small Business Programs through CPED
  - Two-Percent Loan Fund provides financing in partnership with private lenders.
    - Renovating or purchasing production equipment
    - Loans up to \$50,000 at 2% interest
    - Project range from \$10,000 to \$100,000
  - Alternative Financing Program provides an alternative to financing in accordance to Islamic law.
    - Purchase of equipment and/or make building improvements.
    - Loans up to \$50,000 at a 2% rate of return.
  - The programs are already in place with CPED.

- Set up a monthly payment plan in Compass
  - Develop a policy for Regulatory Services
    - Limit to no longer than 12 months
    - Interest rate to special assessments or Utility Billing
  - Option 3A Payment plan for audit customers (no violations)
    - Regulatory Services staff could manage the workload with no additional FTE's
    - Public Works requests an appropriation of \$150,000 –
       \$300,00
    - Public Works identified a sanitary sewer rate change from 12.3% to 13%
    - Businesses may close before payments are collected.

- Set up a monthly payment plan in Compass
  - Develop a policy for Regulatory Services
    - Limit to no longer than 12 months
    - Interest rate to special assessments or Utility Billing
  - Option 3B Payment plan for all SAC customers
    - Regulatory Services staff would require an additional FTE
    - Public Works requests an appropriation of \$2.7 3.0 million
    - Public Works identified a sanitary sewer rate change from 12.3% to 16.5%
    - Businesses may close before payments are collected.

- Assessment of SAC Fees to the Property
  - MN State Statute, Chapter 473 gives power to Metropolitan Council to impose fees.
  - MN State Statute Chapter 473.519 provides that Municipalities are able to recoup SAC fees from recipients of waste treatment services.
  - MN Supreme Court ruling Crown Cork & Seal Company, Inc.
     v. City of Lakeville
  - City of Maplewood Agreement with the property owner to waive the notice of hearing, the hearing itself, and the right to appeal the assessment.

- Assessment of SAC Fees to the Property
  - Additional 1.0 FTE for Regulatory Services staff to manage the program
  - Public Works requests an appropriation of \$2.7 3.0 million
  - Public Works identified a sanitary sewer rate change from 12.3% to 16.5%
  - Waiver would be required from the property owner prior to issuance of permit or license
  - Businesses may close before payments are collected

### Questions?