

Municipal Wastewater Rates and Service Availability Charge

Presented to the Metropolitan Council

July 22, 2009

Bill Moore, Environmental Services General Manager

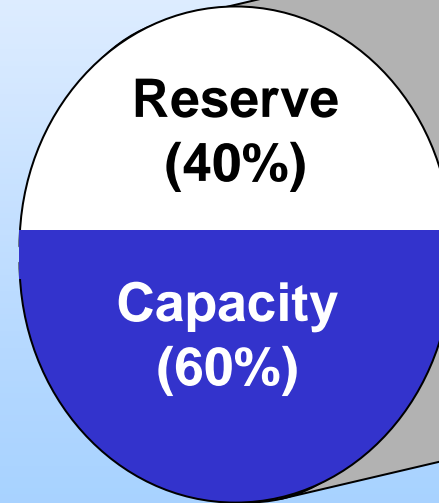
Current SAC System

- **Worked for 35 years**
- **Lowest flow in 30+ years**
- **Lowest SAC units in history**
- **Reserve Balance will fall below minimum balance**

SAC Transfer

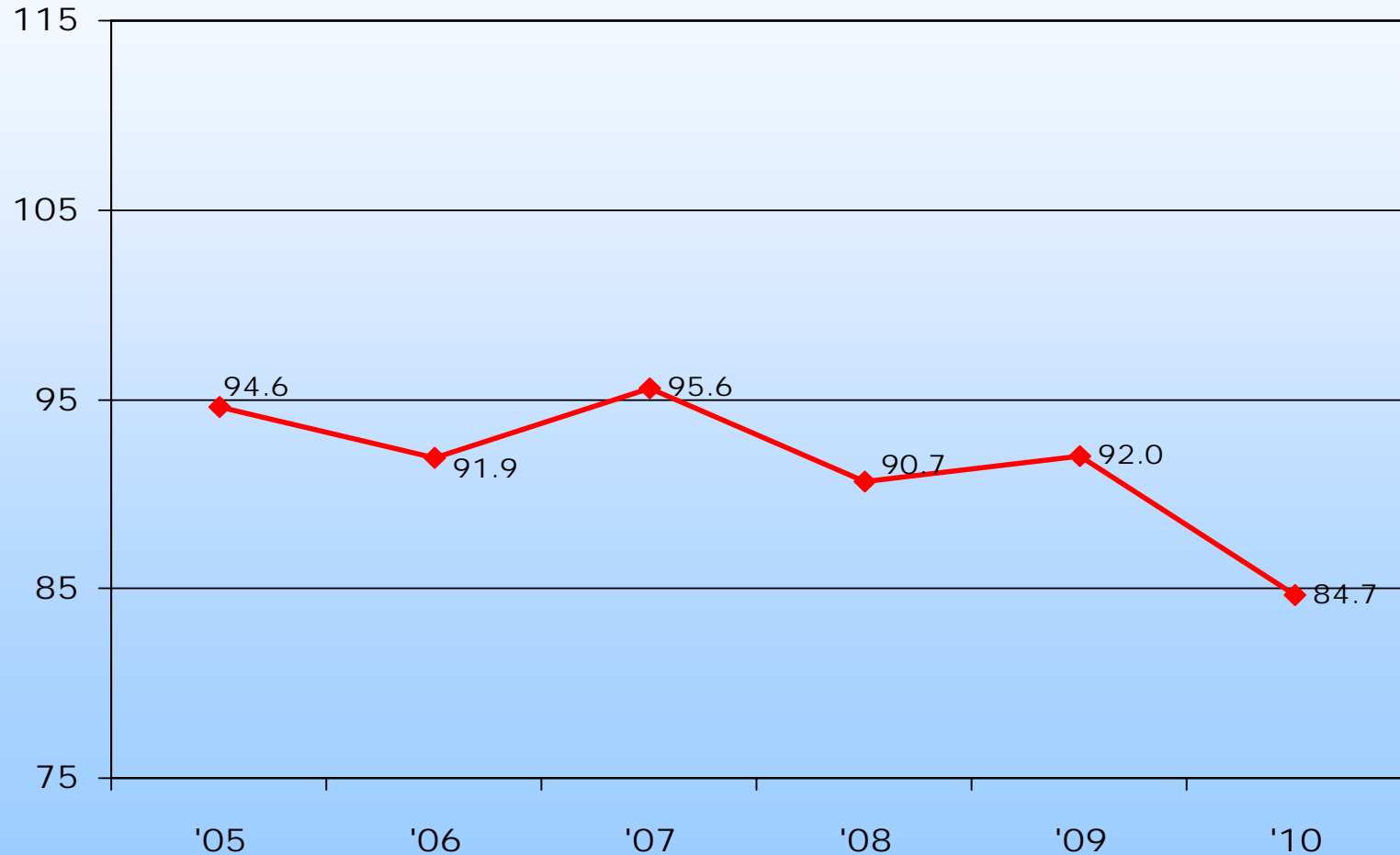
Debt Service x .40 = SAC Transfer

\$90 million x .40 = \$36 million



2005-2010 Flow

Billed flow in billion gallons

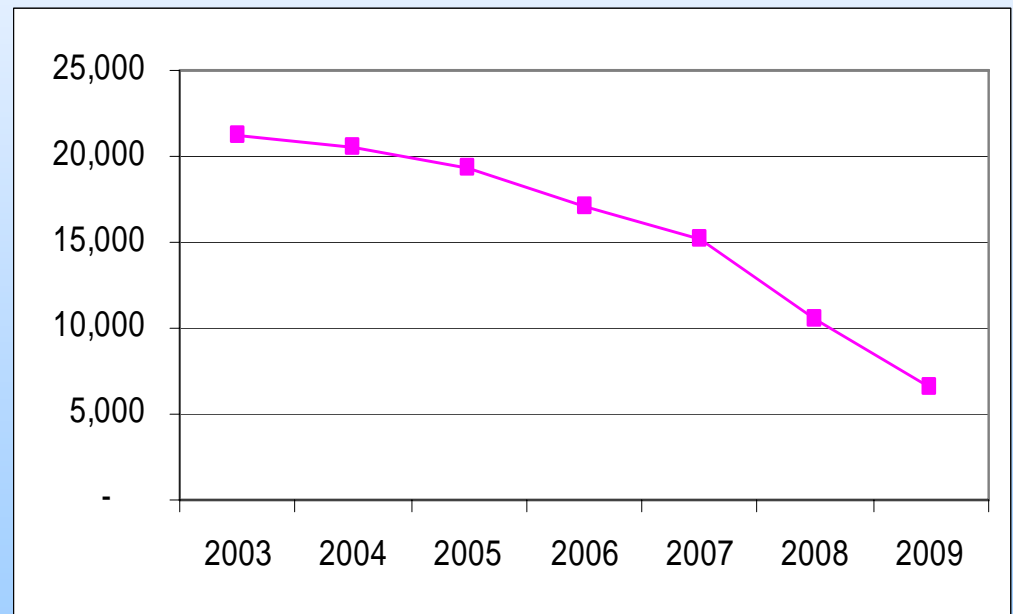


Note: 2010 is estimated

Service Availability Charge

The recent decrease in SAC units has caused pressure on the SAC reserve fund balance:

- **2003: 21,150**
- **2004: 20,542**
- **2005: 19,334**
- **2006: 17,052**
- **2007: 15,193**
- **2008: 10,470**
- **2009: 6,000-7,500 *projected***



Service Availability Charge

Three scenarios of SAC units under different levels of economic recovery:

year	Slow	Moderate	Stronger
2009	6,000	7,000	8,000
2010	8,000	10,000	12,000
2011	10,000	12,000	14,000
2012	12,000	14,000	16,000
2013	14,000	16,000	18,000
2014	16,000	18,000	20,000
2015	18,000	20,000	20,000
2016	20,000	20,000	20,000

Service Availability Charge

■ Slow economic recovery scenario:

	SAC rate needed to keep positive-fund balance	SAC reserve balance	Estimated minimum- balance deficit
2009	\$2,000	\$32M	\$6M
2010	\$2,100	\$15M	\$20M
2011	\$2,600	\$3M	\$34M
2012	\$3,100	\$1M	\$38M
2013	\$3,200	\$3M	\$41M

Revenue Generation

2010 SAC Transfer	\$35.0 million
8,000 SAC units	16.8 million
<hr/>	
Reserve needed	18.2 million
Raise SAC \$2,000	16.0 million
8,000 x \$2,000	
MWC increased 10%	16.0 million

Service Availability Charge

■ Slow economic recovery scenario:

	SAC rate needed to keep positive-fund balance	<u>SAC Reserve Balance</u>	
		With full CIP	If projects not yet under construction are eliminated
2009	\$2,000	\$32M	\$32M
2010	\$2,100	\$15M	\$15M
2011	\$2,600	\$3M	\$3M
2012	\$3,100	\$1M	\$8M
2013	\$3,200	\$3M	\$20M
2014	\$3,300	\$5M	\$39M

SAC Revenue Alternatives

- **Borrow from Operating Reserve**
- **Legislative change that allows transfer of funds from Municipal Wastewater Charge (MWC) to SAC fund**
- **Change SAC Transfer Formula**

Rationale

■ Changing SAC Transfer Formula

- Weather can have a significant impact on reserve capacity
- Reserve capacity purchased (SAC) Is not reducing reserve capacity because of low flows

Model Comparison

Flow Based

- **System Capacity:**
million gallons/day
(MGD)
- **Capacity Used:**
measured annual
flow (variable)
- **Reserve Capacity:**
system capacity
minus measured
annual flow (variable)

SAC Based

- **System Capacity:**
SAC units (MGD/274)
- **Capacity Used:**
SAC purchased/
credits (stable)
- **Reserve Capacity:**
SAC units built
minus SAC
paid/credit (stable)