

E Environment Committee

Meeting date: March 11, 2008

ADVISORY INFORMATION

Date:	March 5, 2008
Subject:	Service Availability Charge (SAC) Economics
District(s), Member(s):	All
Policy/Legal Reference:	Policy 3-2-5 and MN Statute 473.517 subd. 3
Staff Presented/Prepared:	Jason Willett 651-602-1196
Division/Department:	MCES c/o William G. Moore 651-602-1162

Discussion of Housing Market Impact on SAC:

MCES SAC receipts are negatively affected by the slowing of housing development in the metro area. The SAC transfer (used for wastewater debt) is specified by law, so decreased SAC receipts puts substantial pressure on the SAC reserve fund and causes a need to increase future SAC rates. The number of SAC units collected in 2007 was 15,194, which was the lowest in 16 years and is well below the historical average of about 20,000 units per year.

An analysis of how various economic scenarios (a quick recovery, slow recovery, no near-term recovery and the economy getting worse) affects future SAC rates and the fund will be discussed at the Committee meeting. In addition to development, other material variables include the interest earned in the fund, annual flow volume, and the amount of capital spending in the CIP. The effect of changes in these factors will also be discussed at the meeting.

Background on SAC and its Finances:

The Service Availability Charge (SAC) is a one-time fee imposed, since 1973, by the Council on communities for increases in peak daily demand on the metropolitan wastewater system. The SAC is assessed, by the local community, to a builder or property owner when a building permit is issued or when a connection permit is issued for an existing building connecting to the sanitary sewer system for the first time. A freestanding, single-family residence is charged one SAC unit. In 2008 the metro SAC is \$1,825 (some local communities add to our SAC rate to cover costs in their local sewer system and their SAC administration). Other types of development pay a prorated SAC fee based on the estimated volume of wastewater potentially generated - one SAC unit equals 274 gallons of maximum potential daily wastewater flow volume. Credits are allowed for prior uses of existing buildings.

Historical data on rates, paid SAC units, and SAC receipts are attached as Table 1. The SAC fund's revenues and expenses for 2007 are shown as Table 2.

Additional background information on SAC program can be found on the Council's web site at: http://www.metrocouncil.org/environment/RatesBilling/SAC_Program.htm

Table 1

Historical SAC Rates and Units

SAC Rates and Units Paid			
Year	Base Fee	Units Paid	\$ Paid (\$ in 000s)
1998	\$1,000	21,810	\$21,590
1999	\$1,050	24,135	\$25,090
2000	\$1,100	21,744	\$23,680
2001	\$1,150	19,539	\$22,215
2002	\$1,200	19,175	\$22,734
2003	\$1,275	21,150	\$26,667
2004	\$1,350	20,542	\$27,443
2005	\$1,450	19,334	\$27,673
2006	\$1,550	17,052	\$26,185
2007	\$1,675	15,194	\$25,112
2008	\$1,825		
	Average	19,968	\$24,839

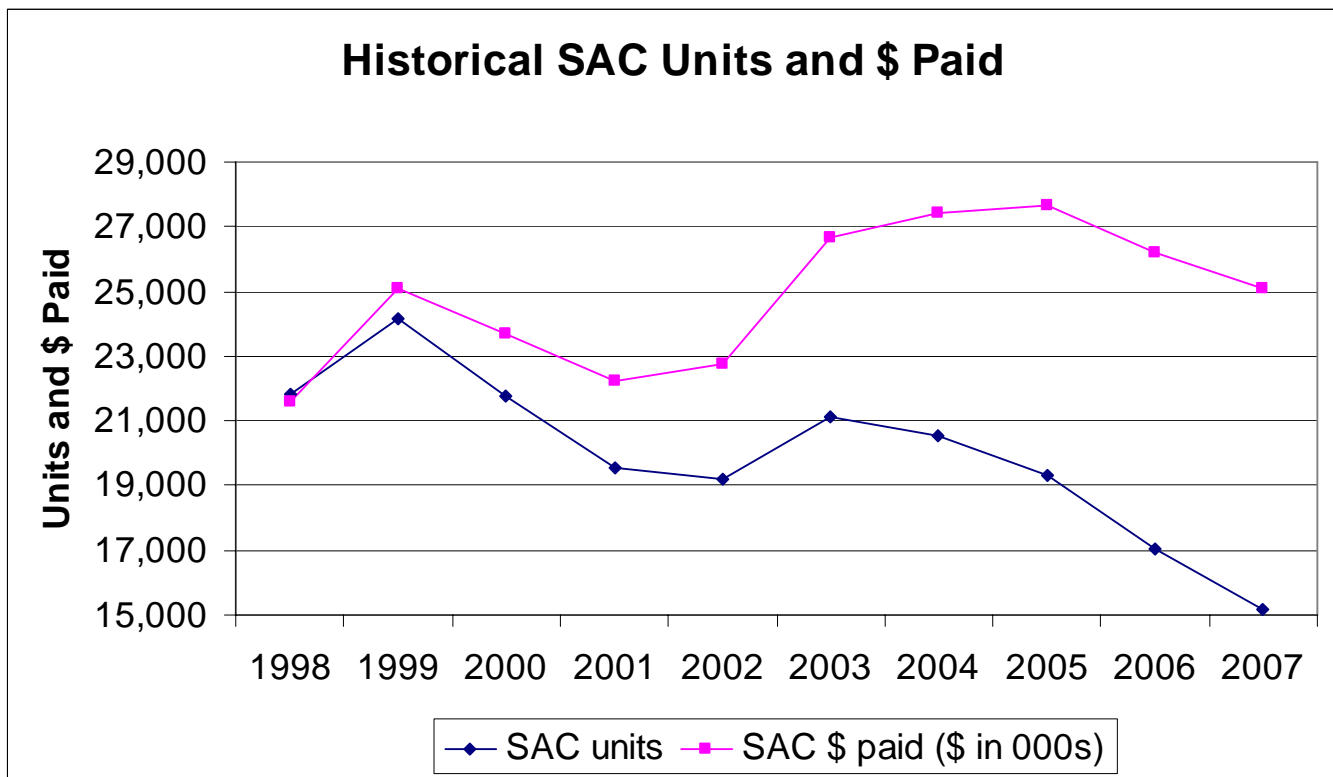


Table 2**SAC Funds as of 12/31/07**

SAC Fund Balance 12/31/06		\$75,373,000
Investment Earnings	4,711,000	
SAC Receipts	25,112,000	
SAC Transfer		
2007 Transfer – admin expenses	441,000	
2007 Transfer – Debt Service Payments	<u>34,120,000</u>	
Total Transfer	34,561,000	
Net Change		<u>(4,738,000)</u>
SAC Fund Balance 12/31/07		\$70,636,000