

Info Item 2: SAC Update

Presented to the Environment Committee

February 28, 2012

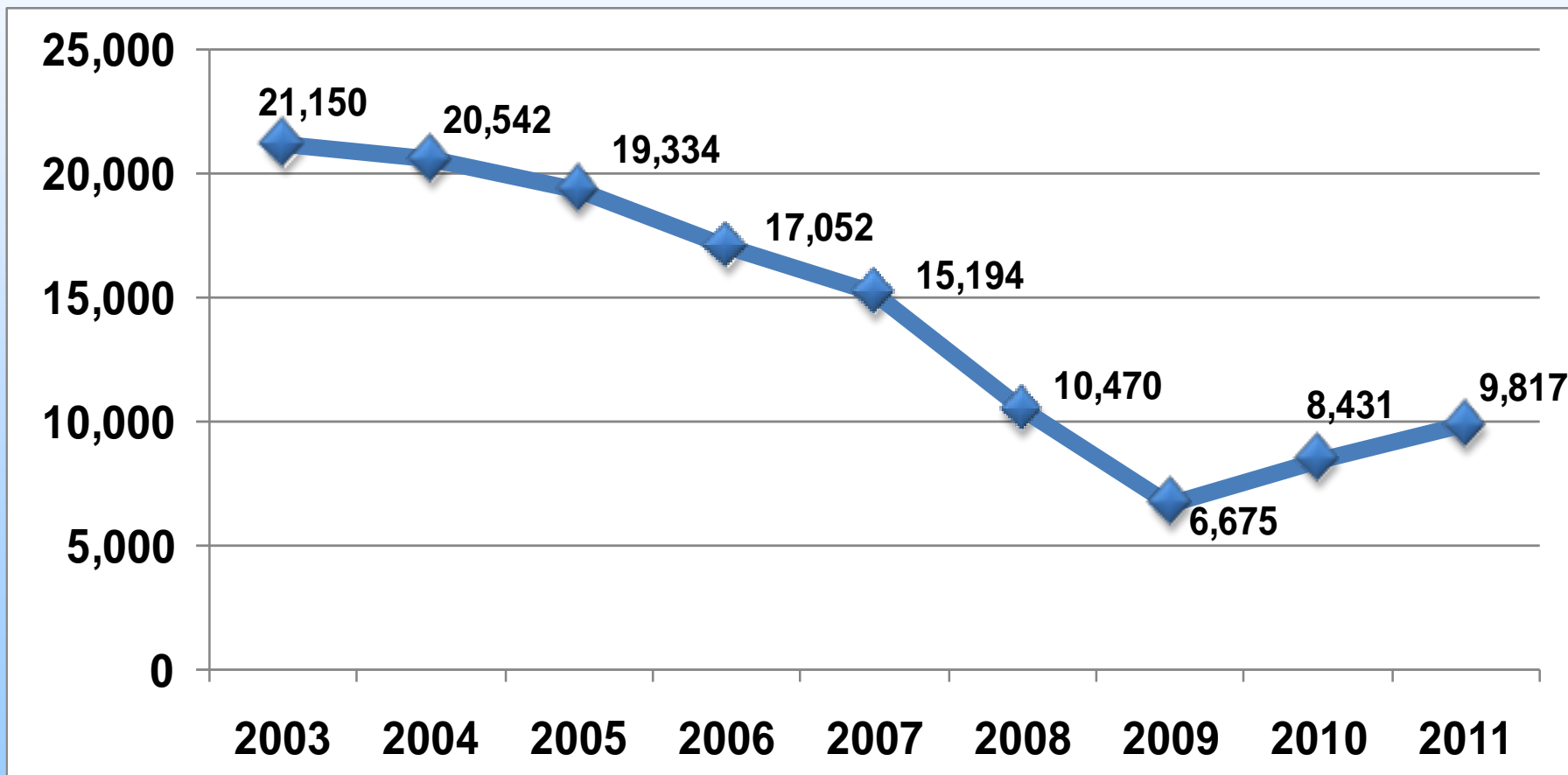
Jason Willett, MCES Finance Director





SAC Units Collected

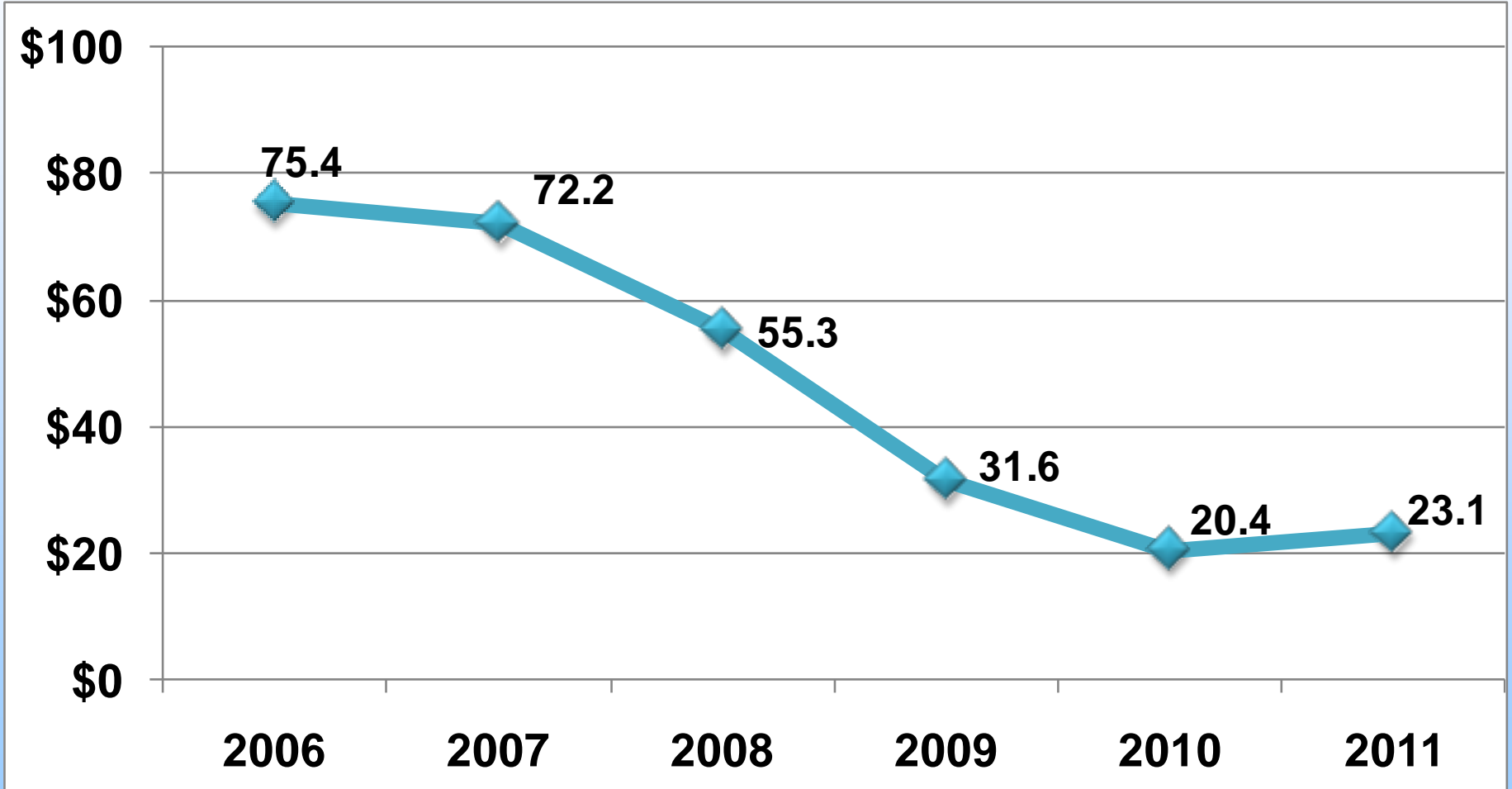
■ A moderate recovery in SAC units





SAC Reserve Fund: Year-end Balance

millions



2011 = unaudited 3



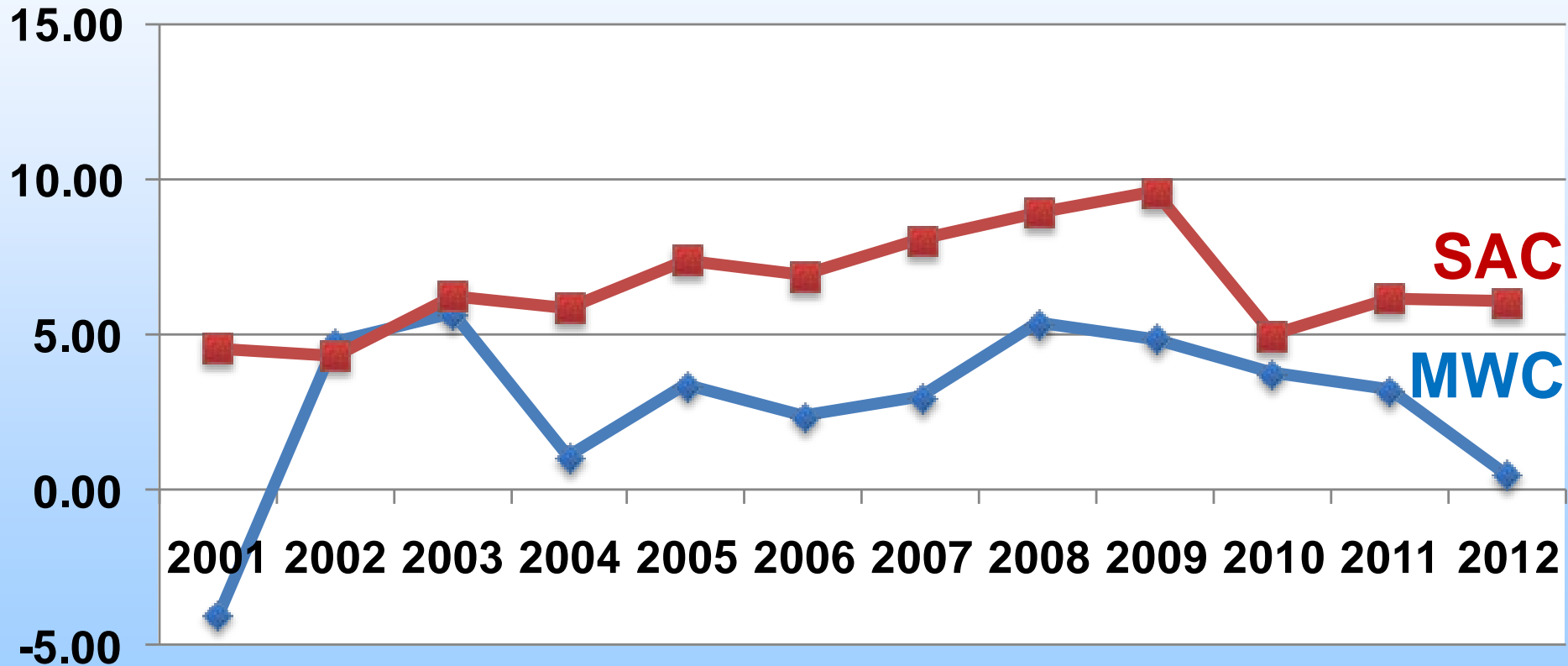
Historical SAC Rates

Per residence or equivalent unit



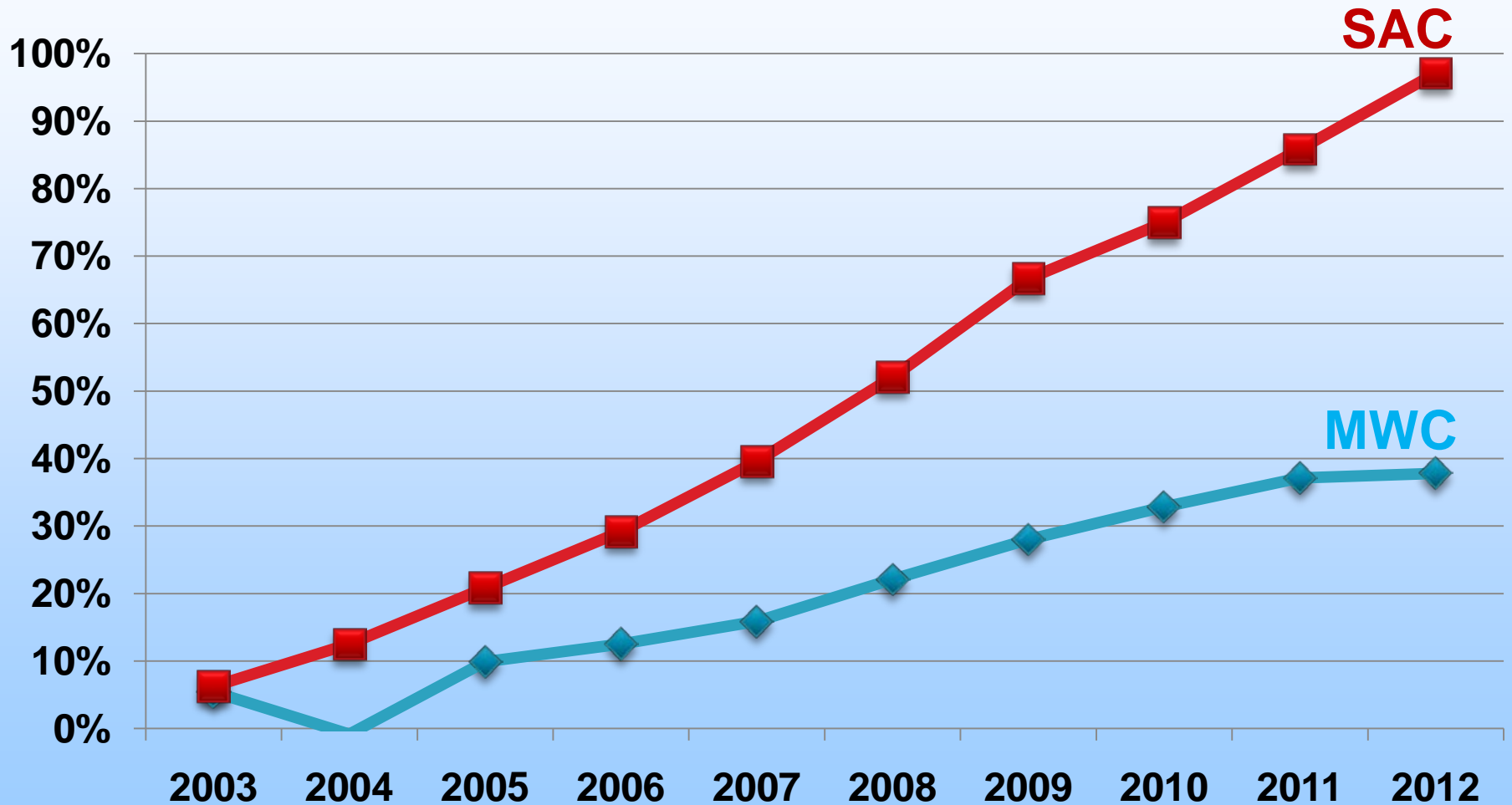


Historical Fee Increases (%)





SAC, MWC Cumulative Increases





SAC 'Shift'

- **Allows Council flexibility to temporarily reduce SAC transfer and shift amount to Municipal Wastewater Charges (MWC)**
- **Requires shift back when fund balance recovers**
- **Revision to this legislation is currently being pursued to extend sunset date from 2015 to 2018**
- **\$4.5M in shift in 2011; \$4.3M in 2012**



SAC Analysis: Base Case

- **No SAC rate increase in 2013; 6% per year in following years**
- **10,000 SAC units in 2012**
 - Increasing 500/year for following 2 years
 - 1,000/year thereafter
 - Capped at 16,000 units
- **Result:**
 - No SAC shift needed in 2013, future years
 - With continual 6% SAC rate increases, minimum balance (per Council policy) will not be reached until 2022



SAC Forecast (Base Case)

(\$ in millions)

Year	Shift Amount	SAC Rate
2013	\$0	2,365 (0.0%)
2014	\$0	2,510 (6.1%)
2015	\$0	2,660 (6.0%)
2016	\$0	2,820 (6.0%)
2017	\$0	2,990 (6.0%)
2018	\$0	3,170 (6.0%)
2019	\$0	3,310 (4.4%)
2020	\$0	3,410 (3.0%)



SAC Reserve Balance (Base Case)

Year/SAC Units		SAC Shift	Year-End SAC Reserve Balance
2007	15,193		\$72.1
2008	10,470		\$55.3
2009	6,675		\$31.6
2010	8,431		\$20.4
2011	9,817	\$4.5	\$23.1
2012	10,000	\$4.3	\$24.2
2013	10,500	\$0	\$20.0
2014	11,000	\$0	\$16.3
2015	12,000	\$0	\$14.0
2016	13,000	\$0	\$13.3
2017	14,000	\$0	\$14.1

(\$ in millions)

  actual

  projected



Additional SAC Scenarios

Scenario	2013 SAC Rate	Total Shift Next 5 yrs	2012 SAC Units	2013 SAC Units	2014 SAC Units
Base case	\$2,365	\$0	10,000	10,500	11,000
Lowest units requiring no shifts and no 2013 rate increase	\$2,365	\$0	9,770	10,270	10,770
Lowest units with 6% 2013 rate increase	\$2,510	\$0	9,250	9,750	10,250
Low case with shifts	\$2,510	\$11.7M*	8,500	9,000	9,500

■ Note: All scenarios force SAC reserve balance to stay over \$10 million

* \$2.1M in 2014, \$4.8M in 2015, \$3.2M in 2016 and \$1.6M in 2017



SAC Rate Scenarios to Achieve Minimum Balance

- **Council Policy 3-2-5: Except in a multi-year economic downturn, the minimum balance will be average of the required SAC transfer projected for each of the 5 following years**
- **Rate increases needed to achieve minimum balance by year end*:**
 - 2013 \$1,700 (72%) 2013 rate increase -OR-
 - 2014 \$800 each of next 2 years (34%, 25%)
 - 2015 \$500 each of next 3 years (21%, 18%, 15%)
 - 2016 \$360 each of next 4 years (15%, 13%, 12%, 10%)

** If rates are increased this much, future rate decreases will be needed as SAC units increase*



Conclusions

- **No SAC shift required in 2013**
 - If SAC unit receipts come in as projected in base case, no shifts will be needed in future

- **No SAC rate increase is needed in 2013**
 - However, exception from minimum balance in Council policy would need to be continued

- **Wastewater operating reserve that was designated for SAC shifts may not be needed for shifts**



Questions

