

City of Minneapolis

Request for Committee Action

To: Transportation & Public Works
Date: 7/26/2016
Referral: N/A
From: Public Works Department
Lead Staff: Katrina Kessler, Director, Surface Water and Sewers
Presented by: Katrina Kessler, Director, Surface Water and Sewers
File Type: Action
Subcategory: Contract/Agreement

Subject:
Sewer Availability Charge (SAC) Deferral Program

Description:

Authorizing Public Works to renegotiate and execute the master loan agreement to participate in the MCES SAC Deferral Program that will include changing the terms to increase the aggregate (or gross) SAC units from 10 to 25 to expand the participants in the MCES SAC Deferral Program and increase the deferral period from 5 years to 10 years to ease the burden of SAC payments for the businesses.

Previous Actions:

December 13, 2013 - City Council authorized Public Works to negotiate and execute the master loan agreement to participate in the Metropolitan Council Environment Services (MCES) SAC Deferral Program.

Ward/Address:

All Wards

Background/Analysis:

The Metropolitan Council Environmental Services (MCES) collects and treats wastewater at its seven (7) regional treatment plants. MCES is responsible for ensuring that sufficient sewer capacity exists to serve planned development and providing regional wastewater collection and treatment services.

Funds to operate MCES systems are collected in two ways. Municipal Wastewater Charges (MWC) are paid by municipalities for treatment of wastewater generated within their jurisdiction. In Minneapolis, MWC are passed onto individual property owners within the City's utility bills. The second funding source is the Sewer Availability Charge (SAC). SAC is a charge to "reserve" sewer capacity for new or increased discharges into the MCES collection system.

SAC is assessed based upon the estimated maximum potential daily wastewater flow, which is in turn based upon the usage of individual properties. One SAC unit equals 274 gallons of maximum potential daily wastewater flow capacity. A freestanding, single-family residence is charged one SAC unit, a base unit. Other types of buildings are charged a SAC fee based on the estimated potential capacity of wastewater.

MCES formed a Work Group in 2012 which included the City of Minneapolis. One of the recommendations of the Work Group was the creation of the SAC deferral program. The deferral program was designed to promote business development and allow small business participants to defer some SAC obligations. The initial program began in 2013 and was available to small businesses of 10 gross SAC units or less. The gross SAC for a particular property is the SAC owed prior to application of any credits available on the Site. MCES later expanded the deferral program to medium size businesses of 25 gross SAC units or less.

The City entered into a contract with MCES in January 2014 for the SAC Deferral Program. The current terms of the agreement include the following:

1. Aggregate (or gross) SAC Determination: 10 gross SAC units
2. SAC deferment period: Five (5) years
3. SAC deferred amount: 70%
4. Twice annual payment month(s): June and December

The City began to advertise the program in February 2014 and currently there are approximately 30 small businesses within the City signed up for the program. One (1) business closed and the SAC deferral payments were discontinued.

The recommended changes to the new contract with MCES are:

1. Change the terms to increase the aggregate (or gross) SAC units from 10 to 25 to expand the participants in the MCES SAC Deferral Program and;
2. Increase the deferment period from 5 years to 10 years to ease the burden of SAC payments for the businesses.

Financial Review:

No financial impact.