

# **Business Item 2014-18: Acceptance of 2013 SAC Work Group's Final Report**

Jason Willett, Director MCES Finance & Energy Management

Environment Committee  
January 14, 2014



# 2013 SAC Work Group

- Members

- Jon Commers, Council Member & Co-Chair
- Patty Nauman, Metro Cities & Co-Chair
- Mike Gamache, Andover Mayor
- Myron Bailey, Cottage Grove Mayor
- Sandy Colvin Roy, Minneapolis Council Member
- Terry Schneider, Minnetonka Mayor
- Frank Boyles, Prior Lake City Manager
- Dan Roe, Roseville Mayor
- Wendy Wulff, Met Council Member



## Meeting Dates:

- April 29, June 3, July 10, September 18, October 17, November 12

# Process Highlights

- Stakeholders' interests discussed
- Group determined principles of good charges
- Consultant's comparative analysis
  - National methods for charging for capacity
  - Costs of development vs. SAC
- Master list of ideas compiled, then refined
  - MCES staff screening, then discussion
  - Developed recommendations

# SAC “Evaluative Principles”

MCES method of funding for reserve capacity should:

1. Be transparent & simple to explain to anyone
2. Be equitable for all types of served communities and supportive of their businesses
3. Be equitable between current & future users
4. Support the principles & goals being developed for *Thrive MSP 2040*

# SAC “Evaluative Principles”

MCES method of funding for reserve capacity should:

5. Support cities’ sewer fee capabilities
6. Be administratively reasonable
7. Consider use of SAC for any specific goals or incentives with respect to impacts on the SAC program, and specifically its equity, transparency and simplicity

# Ehlers' Analysis

- Reviewed 10 peer metro regions:
  - Metro King County (Seattle), Denver, Hampton Roads (Virginia), Madison, Austin, Phoenix, Sacramento, San Antonio, San Diego, and Tampa
- SAC-like fees also called:
  - Impact fees
  - Facility charges
  - Connection fees
  - Capacity charges or fees

# Ehlers – What Costs Get Included in the Impact Fees?

- Most incorporate future capital costs
- Phoenix and Madison tie fees directly to specific improvements
- Denver includes depreciation
- Texas state law limits impact fees so they do not cover the full costs of new development
- Several regions charge separate impact fee for treatment and interceptors

# Ehlers' Findings – Determining SAC Units

- Most use a residential equivalency system
- Majority determine SAC based on water meter size.
  - Ease of administration
  - Limited push-back from developers and cities
  - Cities track water meter changes
- Second most common to use fixture counts
  - Administratively burdensome
  - Uncertainty of final costs for developers
  - SAC fees most accurately reflect final use
- One other entity uses floor area ratios and fixtures



# Ehlers – Is SAC Paying for Cost of Growth?

- MCES method of determining SAC fee based on state law
- Funds reserve capacity already built into system
- Does not answer the question: Is SAC paying for the cost of growth?
- Assumptions of cost of growth analysis:
  - Looked at “growth” CIP Projects 2000-2013
  - Does not include costs of rehab or regulatory-driven improvements
  - Takes historic costs and puts into today’s dollars

# Ehlers – Sample Redevelopment

- 50 unit condo project on site of old industrial building
  - Net new 48 SAC units

Interceptor Cost for 48 units     \$ 56,870

Treatment Cost for 48 units     \$ 88,441

**Total Cost**     **\$145,311**

**SAC Revenue (48 Units)**     **\$116,880**

**Difference**     **(\$28,431)**

# Ehlers – Sample Greenfield Development

- 50 new single family homes in outer ring suburb

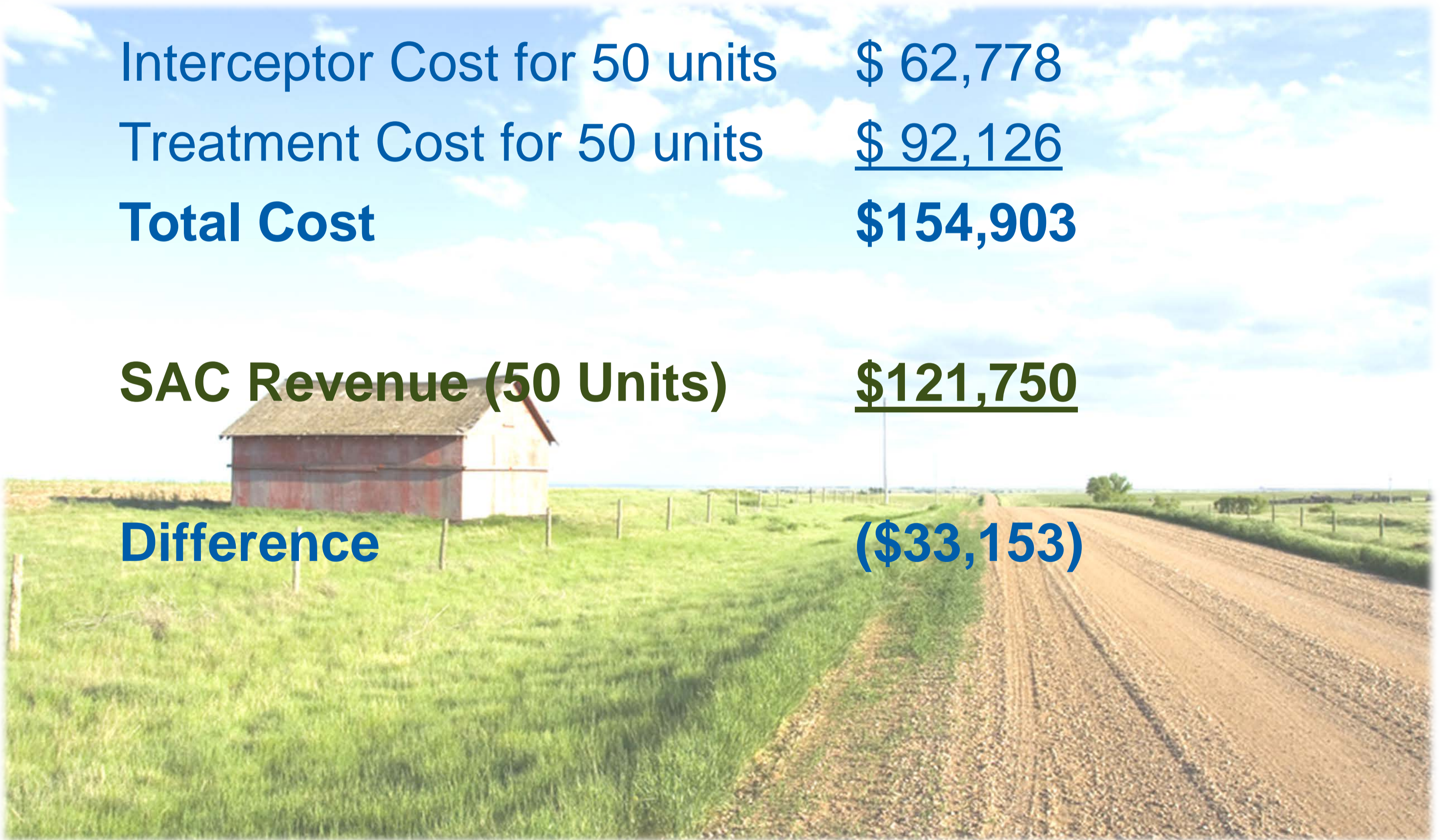
Interceptor Cost for 50 units      \$ 62,778

Treatment Cost for 50 units      \$ 92,126

**Total Cost**      **\$154,903**

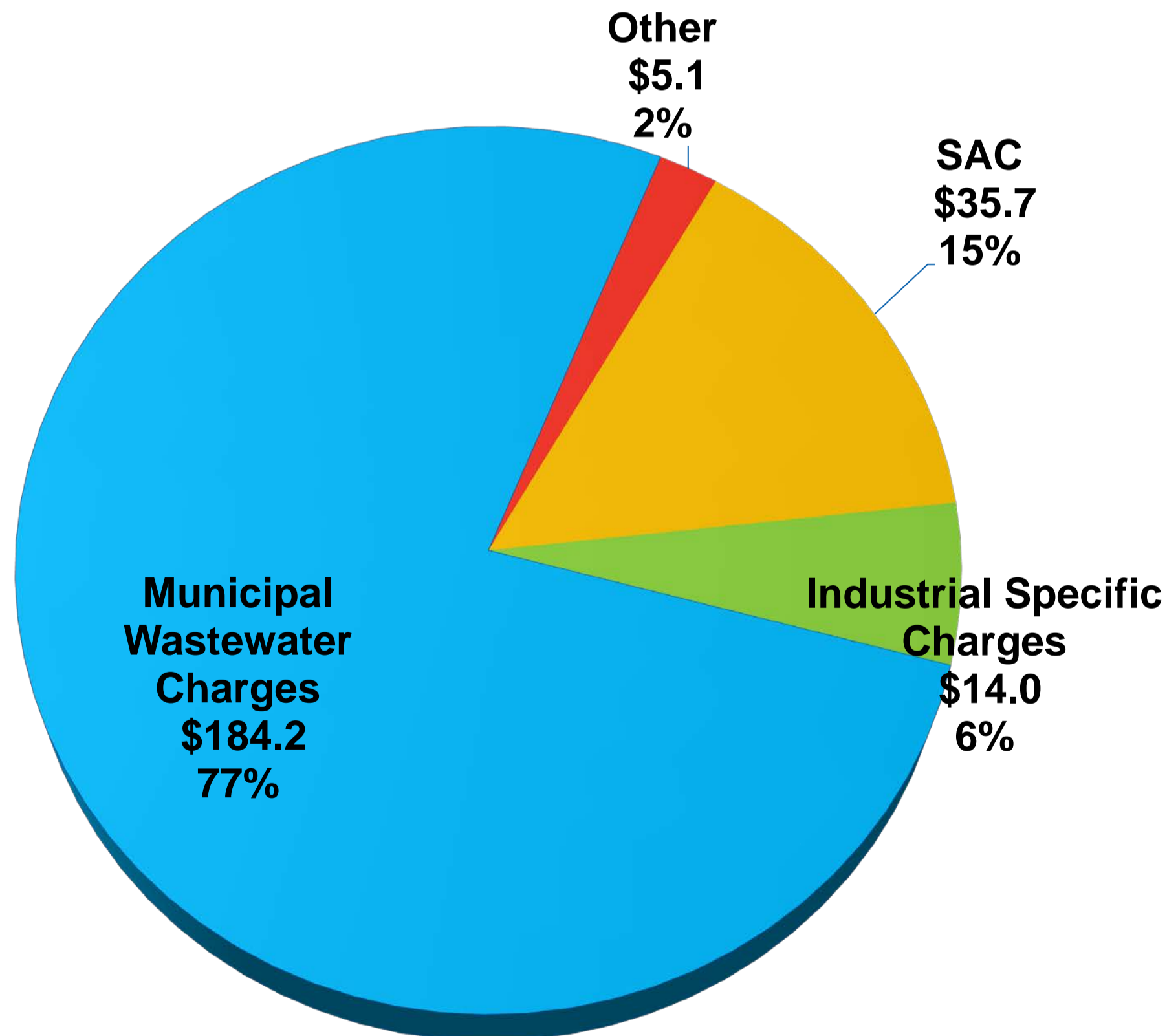
**SAC Revenue (50 Units)**      **\$121,750**

**Difference**      **(\$33,153)**



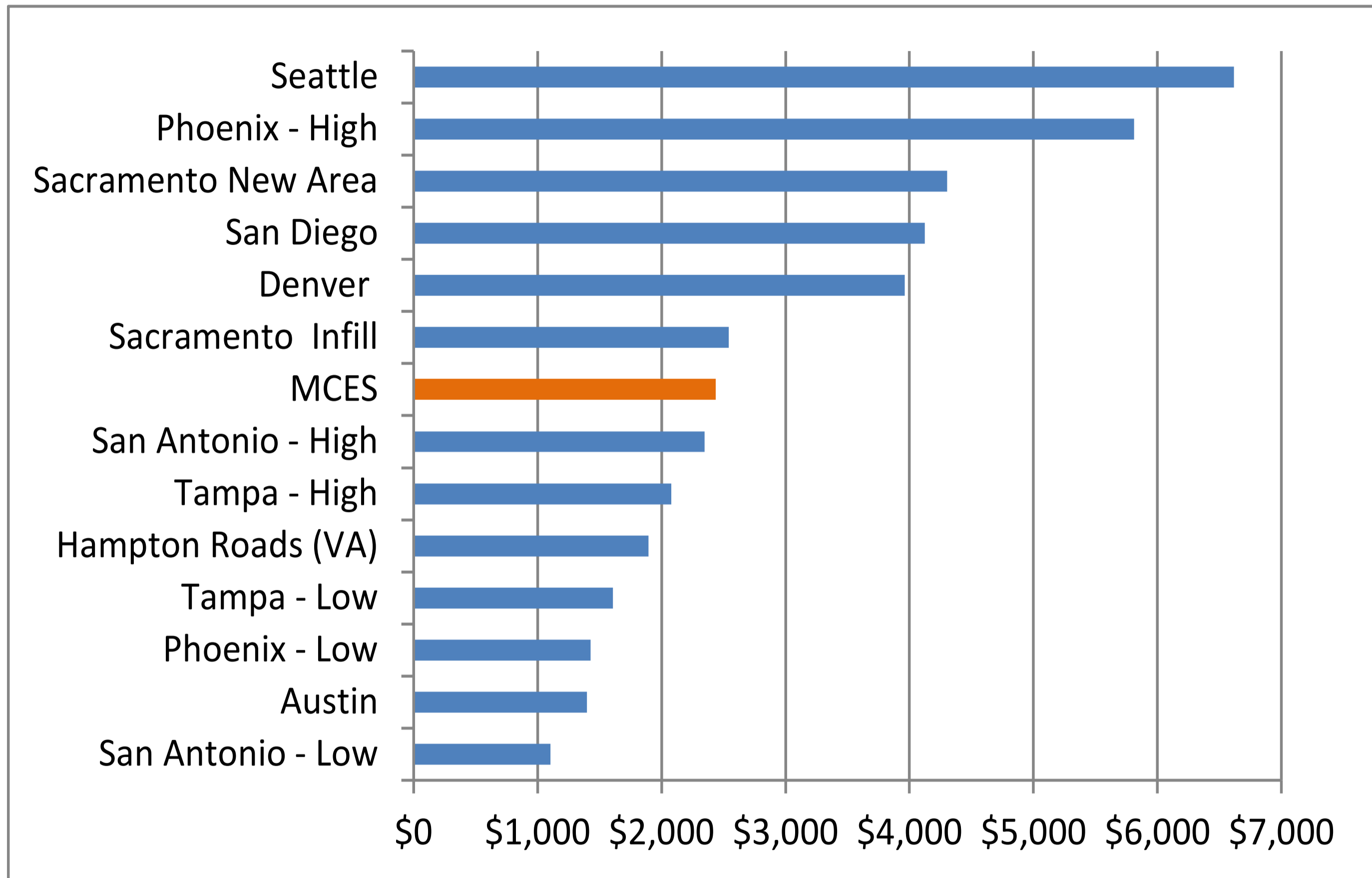
# Ehlers – % of Total Revenue

- Most collect 5% or less of total revenues with SAC fees
- MCES, MWRD (Denver) and King County (Seattle) collect 11-13% of total revenue



MCES 2014 Budgeted Revenues

# Ehlers – Fee Comparison



# Ehlers – Conclusions

- MCES is unique among its peers
  - Most units of local government
  - Oldest system of development fees
  - Law ties SAC revenue to reserve capacity
  - Does not include future CIP in determination of SAC revenue
  - Most refined determination of SAC Units for commercial property
- Current MCES fee is less than estimated cost of growth capital improvements

# Refined List of Ideas

1. Growth Pays for Growth
2. Limit SAC to interceptors
3. Forward Looking SAC
4. SAC charged only to residential projects
5. SAC on aggregate metershed demand
6. SAC based on water meters
7. SAC based on building code categories
8. Status Quo Plus – I/I adjustments to criteria
9. Status Quo Plus – Increase eligibility for SAC deferrals
10. Status Quo Plus – Eliminate SAC for small commercial
11. Status Quo Plus – Separate funding for any incentives

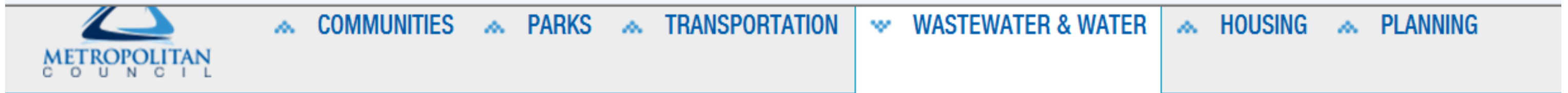
# Work Group Recommendations

1. Seek “growth pays for growth” legislation for SAC
2. Expand SAC deferral option from 10 SAC to 25
3. Pursue technical review of charging SAC based on water meter size
4. Maintain SAC as a utility fee - based on technical analysis of costs of capacity



# SAC Website

Visit [www.metrocouncil.org](http://www.metrocouncil.org), search words “SAC program”



## RATES/CHARGES

Sewer Availability Charge (SAC) Program

SAC Forms

## SEWER AVAILABILITY CHARGE

### SAC Program

The Sewer Availability Charge (SAC) is a one-time fee imposed by MCES to customer communities for each new connection or increase in capacity demand of the Metropolitan Disposal System.

The customer communities may pass the SAC fee along with possible local fees to the building or property owners. The SAC fee is usually assigned when a building permit is issued for either a new building or a remodeling permit or when a connection permit is issued for an existing building connecting to the sanitary sewer system for the first time. 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 pay a prorated SAC fee based on the estimated potential capacity of wastewater they may need.

The links on this page go to PDF documents. For best results, [download the latest version of the free Acrobat Reader](#).

- [2014 SAC Procedure Manual](#)
- [2014 SAC Criteria \(Appendix A\)](#)
- [SAC Determination Application Forms - html](#)
- [SAC Activity Report Forms - html](#)
- [SAC Deferral Program - Description and Application](#)

#### Contacts

Kristi Goble--Submittal Information and Determination Status

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## QUICK LINKS

[SAC Work Group Publications](#)

[SAC Outreach Brochure](#)

[Español](#)

[Hmoob](#)

[Soomaaliga](#)

## 2013 WORK GROUP

[Presentations](#)

[Minutes](#)

[Ideas](#)

[Regional Sewer System Comparison](#)

[Regional Sewer System Comparison-Background Report](#)

## CONNECT



# Additional Input

- LUAC
- Thrive subcommittee

## Next Steps

- 1/14/14: EC accepts report, thanks and discharges work group
- 1/14/14: EC recommends to Council an increase in SAC deferral threshold
- 2014: MCES staff conducts technical review of using water meter sizes for capacity charges
  - Includes stakeholder process
  - Public Meeting, if recommending
- 2015: Legislative proposal on “growth pays for growth”

# Questions

