

2016-2017 SAC Task Force Recommendations

*Ned Smith, Director of Finance
Environmental Services*

Oct. 26, Nov. 2, & Nov. 9, 2017



Agenda

- SAC Task Force
- Recommendations
 - Outdoor Seating Policy adjustment
 - Grants for manufactured homes
 - Changes to the SAC Determination process
 - Remodels with no change of use
 - Update to the SAC Credit process
- Impact to our Customer Communities

SAC Task Force

Environmental Services



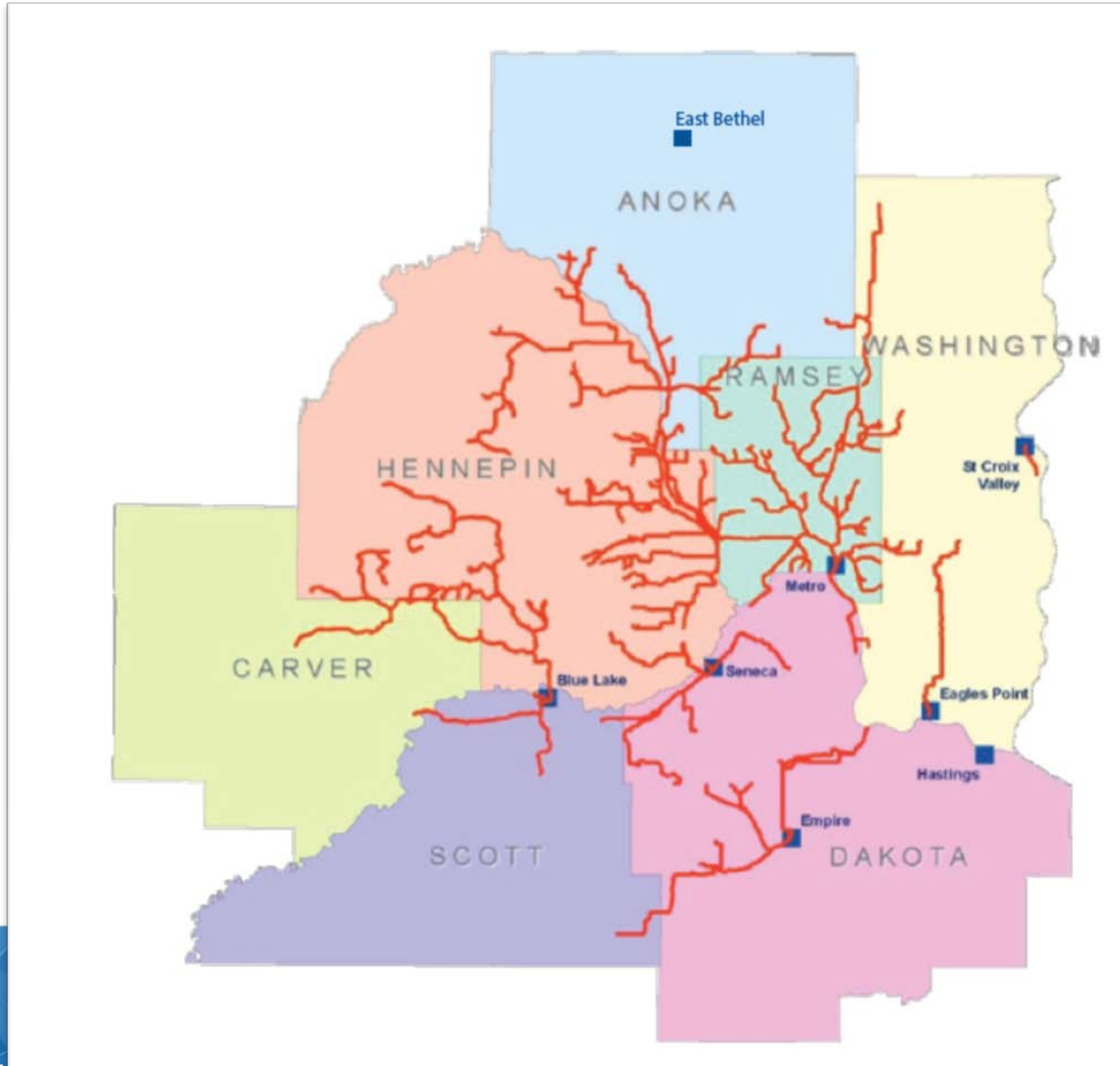
**Protect
Public Health**



**Manage assets
effectively**



**Protect other
infrastructure**



WHO WE SERVE

7-county Twin Cities Metro Area
114 SAC communities
109 Wastewater communities
2,600,000 people

OUR FACILITIES

8 wastewater treatment plants
610 miles of interceptors
250 million gallons per day (average)
212 meter stations

OUR ORGANIZATION

600+ employees
\$7 billion in assets (replacement cost)
\$140 million per year capital program

SAC Background

- SAC program instituted **January 1, 1973**
- SAC is payment for maximum potential capacity availability
- **SAC is not flow**
- 1 SAC Unit charged per 274 gallons of maximum daily wastewater capacity availability
- **Current rate is \$2,485 per SAC**
- MCES charges SAC directly to communities

2016-2017 SAC Task Force

Name	Title	City/Organization
Wendy Wulff	Task Force Chair	Met Council
Patty Nauman	Exec Director	Metro Cities
Ron Hedberg	Finance Director	Apple Valley
James Dickinson	City Administrator	Andover
Kyle Klatke	Plans Examiner	Brooklyn Park
Bob LaBrosse	Chief Building Official	Cottage Grove
Kevin Schmieg	Building Official	Eden Prairie
Sue Virnig	Finance Director	Golden Valley
Katrina Kessler	Director of Surface Water & Sewers	Minneapolis
Loren Olson	Gov. Relations Rep	Minneapolis
Dan McElroy	Executive Vice President	MN Restaurant Association
Merrill King	Finance Director	Minnetonka
David Englund	Building Code Coordinator	Roseville
Brian Hoffman	Director of Inspections	St. Louis Park
Steve Ubl	Building Official	St. Paul
Tom Thomasser	COO	Summit Brewing

2016-2017 SAC Task Force

- 8 Task Force meetings held December 2016 – July 2017
- Task Force reviewed:
 - Outdoor seating policy
 - Options for manufactured homes
 - Opportunities to simplify the SAC Determination process
 - Opportunities to simplify the SAC Credit process

2016-2017 SAC Task Force Public Outreach

- Customer Community Meetings
 - October 26: Metro Cities – St. Croix Room
 - November 2: Eagan Community Center – Oasis Room
 - November 9: Golden Valley City Hall – Chambers
- Business Outreach Meetings
 - November 29: Minneapolis Business Advisory Group
 - December 6: St. Paul Business Group
- October 2017: Business Groups Correspondence for Public Input
- January 9, 2018: Planned Environment Committee Review of Public Input
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- First Half 2018: Testing Period & Community Training
- Second Half 2018: Adoption of SAC Task Force Recommendations

Task Force Recommendations

1. Keep outdoor seating policy
 - New criteria results in increased free seats
2. Continue grants & data study for manufactured homes
3. Changes to the SAC Determination criteria
4. Eliminate SAC collection for remodels with no change of use
5. Update to the SAC Credit process

Outdoor Seating Policy Update

- Outdoor seating for restaurants currently receives a 75% discount
- With proposed changes to the SAC criteria, restaurants will receive twice the amount of “free” outdoor capacity
 - Up to 593 gross square feet, which is typically around 39 seats
 - “Free” is the result of rounding and may not apply if other capacity is demanded

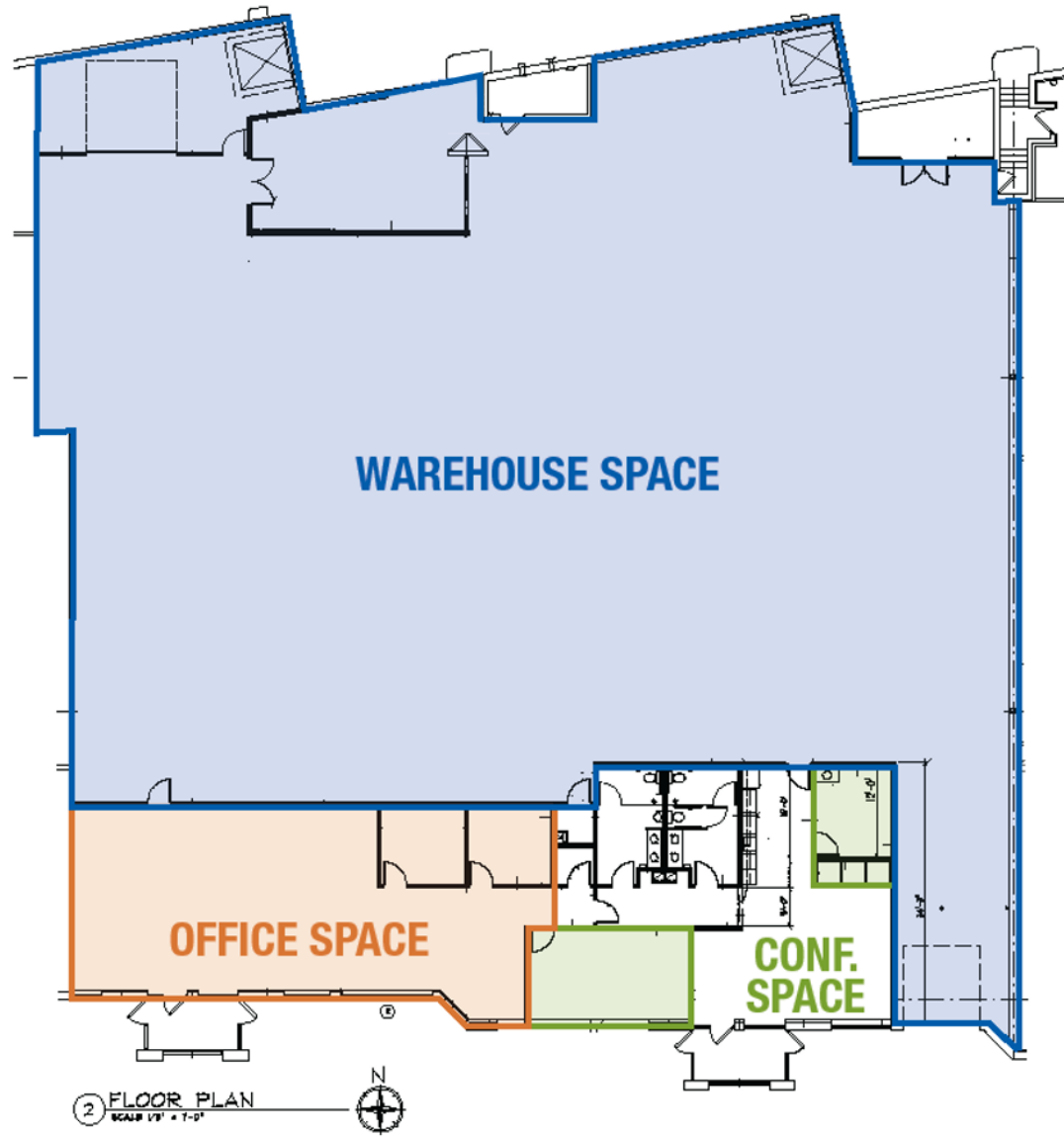
Continue to implement business friendly policies that encourage development in the region.

Grants for Manufactured Homes

- Some manufactured homes in the region are joining the region's wastewater system and will have SAC due
- The task force recommends continuing to monitor manufactured home output capacity, while providing grants to alleviate the financial burden of SAC units owed

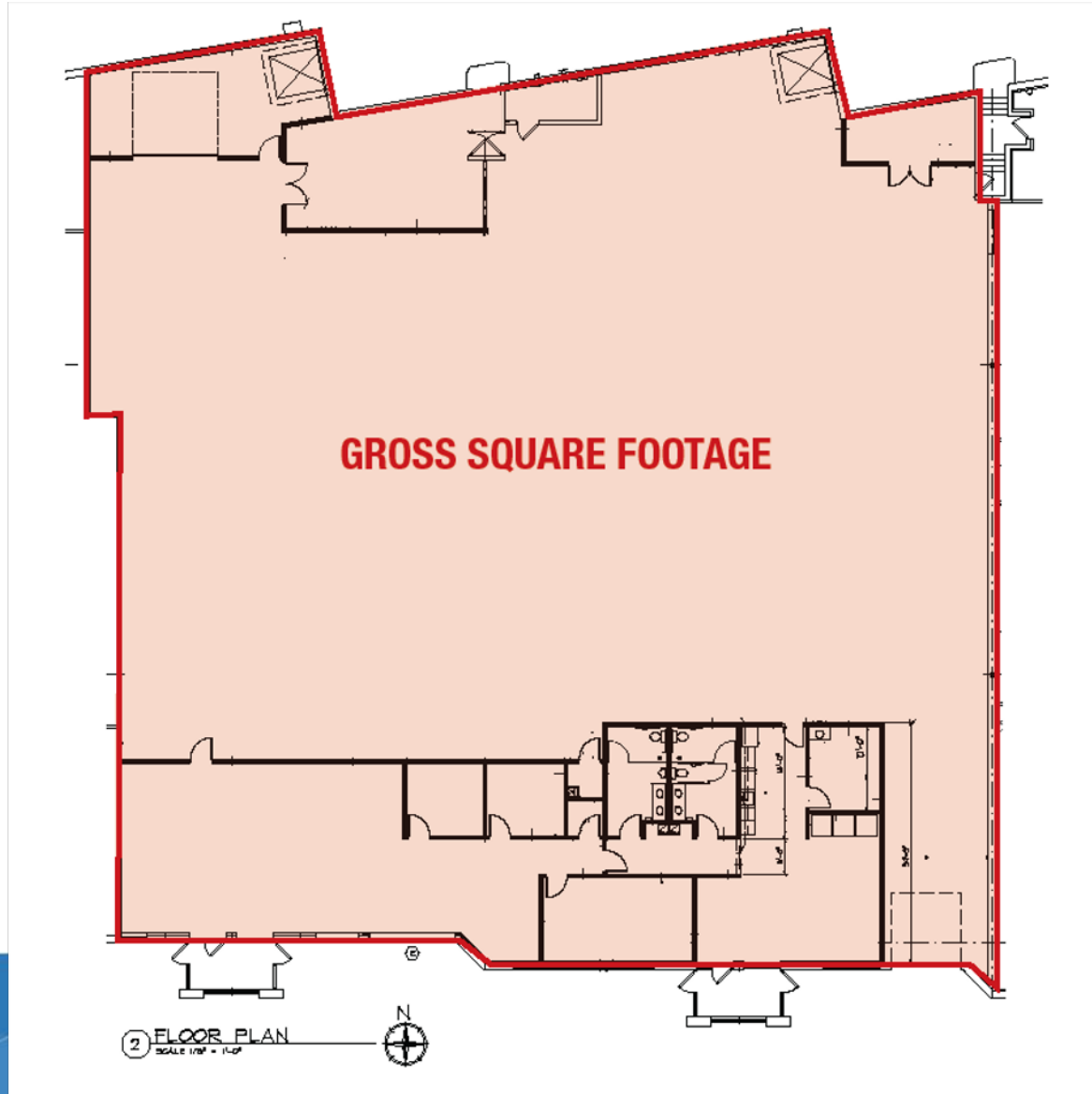
MCES will continue to partner with communities for the transition of manufactured homes to the regional wastewater system.

Existing SAC Determination Process



Currently, SAC determinations are calculated by *usage* or *category*, using Net Square Feet.

Recommended Changes



The SAC Task Force recommends using **Gross Square Feet** for SAC Determinations to simplify the process.

Impact of this Change

- Primarily impact SAC criteria categories currently based on square-foot criteria
 - Offices, warehouses, conference spaces, restaurants, etc.
- Some categories would be combined
 - School & learning centers, vehicle services, salons, food & drink establishments, etc.

Materials for SAC Determinations

- SAC Determination Application form(s)
- Site Plan – showing the location of the building on the overall site
- Scalable Floor Plan – rooms must be labeled for the general use of entire tenant/business space
- Scalable Demolition Floor Plan – need to show the gross square feet of previous tenant/business use

Go to metro council.org/SACforms for forms, sample forms and sample plans

Examples of Gross Square Foot Determinations

Proposed process is *less* SAC than current process

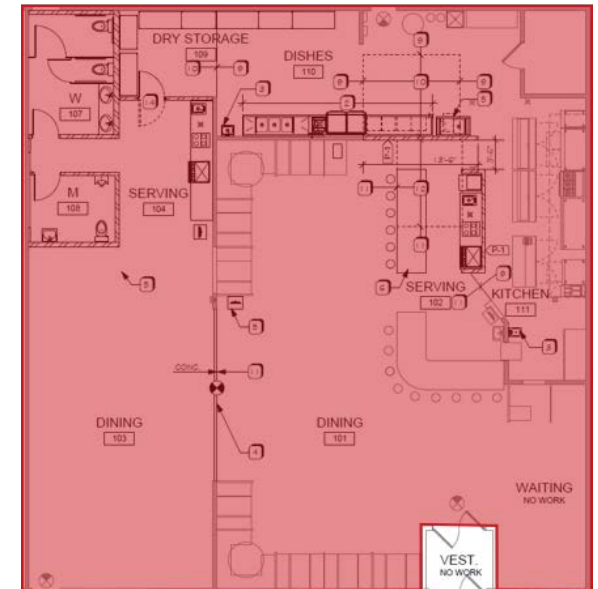
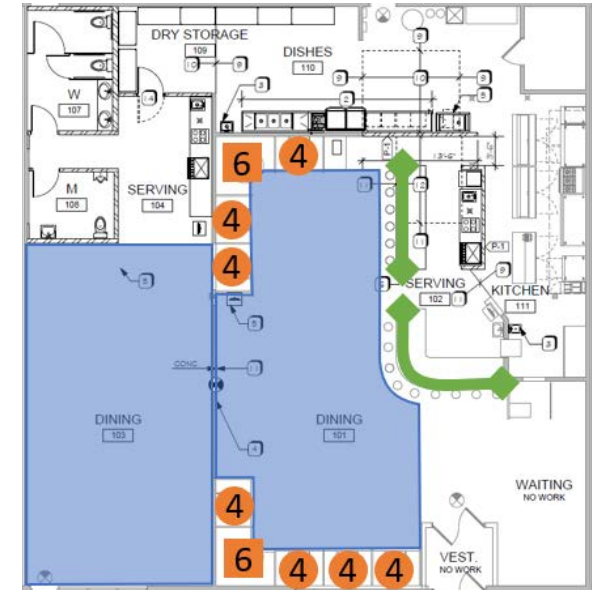
Current Process

- Bar: 32.25 feet @ 1.5 feet/seat @ 23 seats/SAC = 0.93
- Fixed Seating: 40 seats @ 10 seats/SAC = 4.00
- Non-Fixed Seating: 1703 sq. ft. @ 15 sq. ft./seat @ 10 seats/SAC = 11.35

TOTAL CHARGE: 16.28 OR 16

Proposed Process

- Gross Square Feet: 4372 sq. ft. @ 300 sq. ft./SAC = **14.57 OR 15**



Examples of Gross Square Foot Determinations

Proposed process is *more* SAC than current process

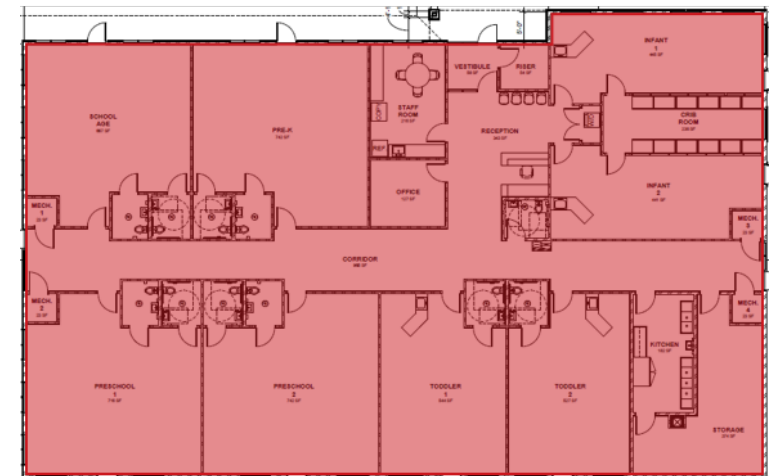
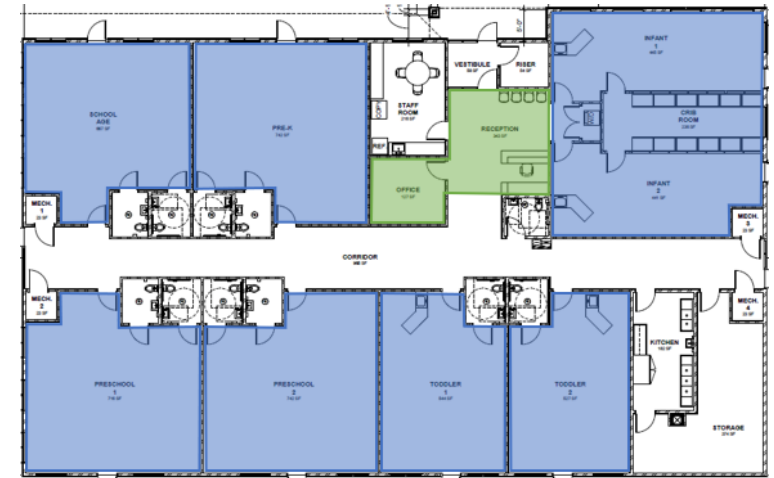
Current Process

- Daycare: 5151 sq. ft. @ 620 sq. ft./SAC = 8.31
- Office: 397 sq. ft. @ 2400 sq. ft./SAC = 0.17

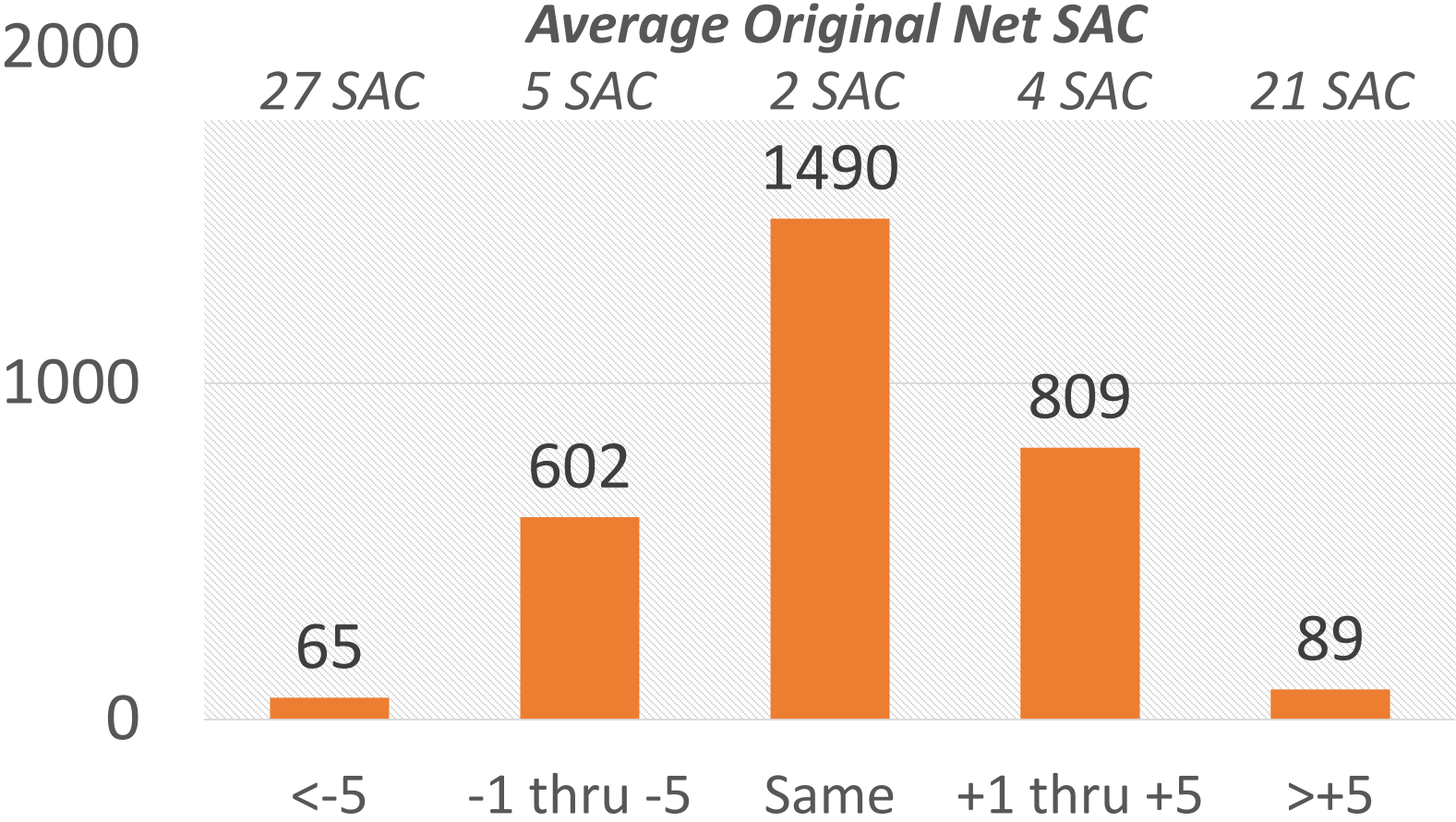
TOTAL CHARGE: 8.47 OR 8

Proposed Process

- Gross Square Feet: 8161 sq. ft. @ 900 sq. ft./SAC = **9.07 OR 9**



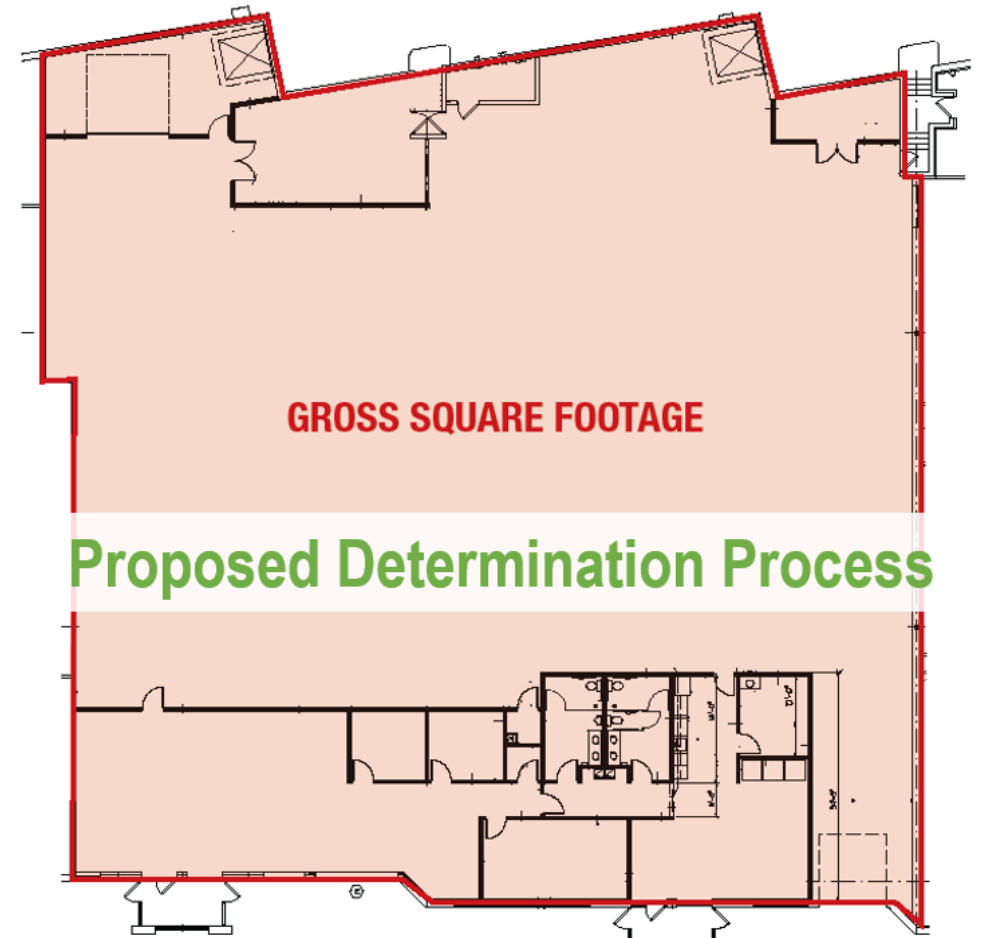
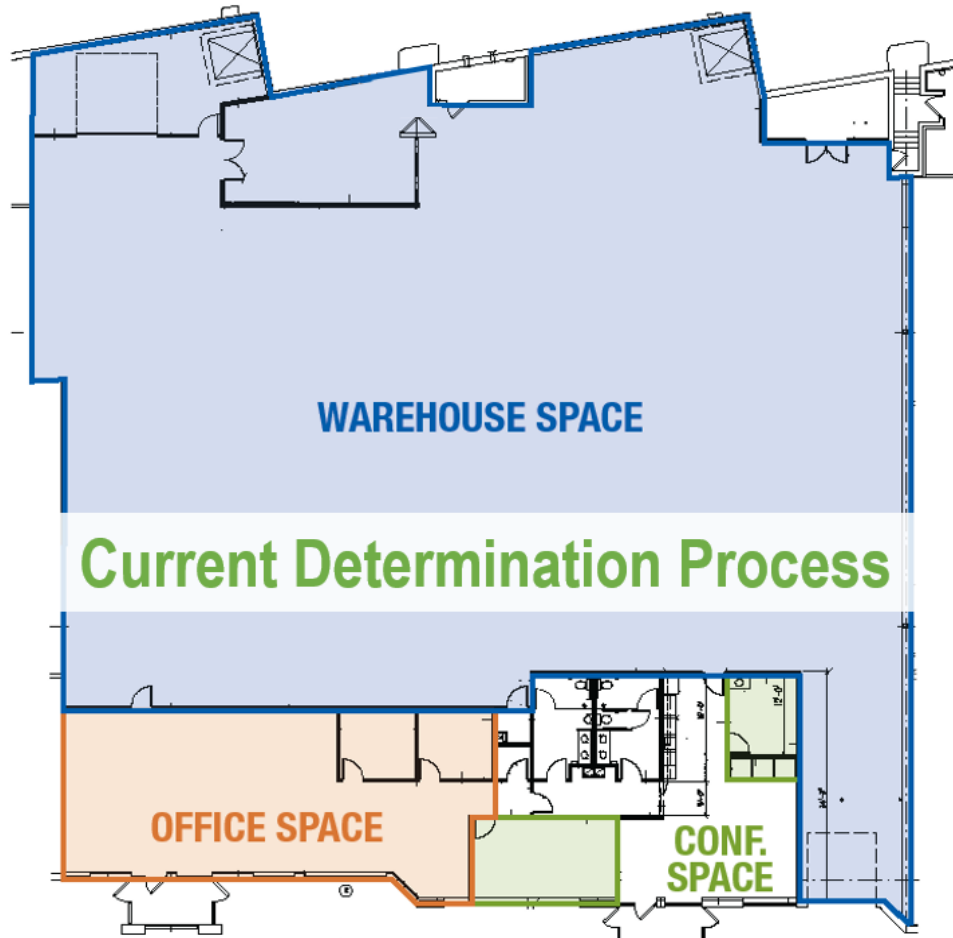
New Determination Process (Change of Use)



Change in Net SAC Determined for Change of Use Remodels, New Buildings and Additions, Current Process vs. Proposed Process

Records

Recap: Gross Square Foot Determinations



SAC Determinations should be easier, faster, and more straightforward under the new Gross-Square-Feet process.

No-Change-of-Use Remodel Determinations

- Currently, business renovations require a full SAC Determination and often require collection
- The SAC Task Force recommends eliminating SAC collection for remodels that result in no change of use
 - MCES will need to verify that no change of use has occurred
 - A determination is still required for MCES records

Example of No-Change-of-Use Remodel

- Businesses that remodel without changing their usage will face no additional SAC collections.
- Determination is still required to verify record of use



Business renovations should be easier to manage, with fewer “surprise” charges.

Current SAC Credit Process

- Current SAC Credit types include:
 - SAC Paid to MCES
 - Grandparent (January 1, 1973)
 - Unpaid (Non-Conforming) Long Continuous Use Demand
- Ultimately, distribution of Credits are managed at a community level

Update to the SAC Credit Process

- SAC Task Force recommends updating the Grandparent date to January 1, 2009
 - Before 1/1/2009, Credit is the greater of SAC paid or the gross-square foot (GSF) calculation
 - After 1/1/2009, if SAC was paid, Credit is the greater of the SAC paid or the GSF calculation
 - After 1/1/2009, if SAC was not paid, charge can be at historic rate based on new GSF calculation



Examples of Recommended SAC Credits

- **Before January 1, 2009: SAC Records Exist, Same Use**
 - A 10-SAC Applebee's was built and SAC was reported to MCES in 1985
 - In 2018 Olive Garden moves into the existing Applebee's and completes a remodel only of the existing gross square feet (no addition)
 - **SAC credit for Olive Garden is the greater of the 10-SAC paid from Applebee's or the Olive Garden SAC due (based on the Food & Drink gross square feet criteria)**
 - No additional SAC is due

Examples of Recommended SAC Credits

- **Before January 1, 2009: SAC Records Exist, Different Record Use**
 - A 2-SAC Barnes & Noble was built and SAC was reported to MCES in 1980
 - The bookstore converted into an Applebee's in 1985 but SAC was not reported to MCES
 - In 2018 Olive Garden moves into the existing Applebee's without changing the gross square feet
 - **Original SAC credit for Olive Garden is the 2-SAC bookstore based on SAC records**
 - City provides a copy of the building permit and floor plan showing Applebee's was operating in 2008
 - **Based on this proof, the revised SAC credit for Olive Garden is the Olive Garden SAC due (based on Food & Drink gross square feet criteria)**
 - No additional SAC is due

Examples of Recommended SAC Credits

- **After January 1, 2009: SAC Records Exist, Same Use**
 - An Applebee's was built and SAC was reported to MCES in 2012
 - In 2018 Olive Garden moves into the existing Applebee's and completes a remodel only of the existing gross square feet (no addition)
 - **SAC credit for Olive Garden is the greater of Applebee's SAC paid or the Olive Garden SAC due (based on the Food & Drink gross square feet criteria)**
 - No additional SAC is due

Examples of Recommended SAC Credits

- **After January 1, 2009: SAC Records Exist, Different Use**
 - A 2-SAC Barnes & Noble was built and SAC was reported to MCES in 2010
 - The bookstore converted into an Applebee's in 2012 but SAC was not reported to MCES
 - In 2018, a 10-SAC Olive Garden moves into the existing Applebee's without changing the gross square feet
 - **Original SAC credit for Olive Garden is the 2-SAC bookstore based on SAC records**
 - City provides a copy of the building permit and floor plan showing Applebee's was permitted in 2012
 - **There are 8 SAC due but the historic 2012 SAC rate from the unreported Applebee's is applied (instead of the current rate)**

Recap: SAC Credit Process

- SAC Task Force recommends updating the Grandparent date to January 1, 2009
 - If there is no record of a previous SAC Determination, proof of usage prior to January 1, 2009 is all that is needed to establish the credit basis



Credit process should be simpler for applicants, businesses, and Customer Communities.

Impact to our Customer Communities

Customer Impacts

The aim of the SAC Task Force was to simplify SAC Determinations for businesses and communities.

- Rollout: **Second Half of 2018**
 - Testing Period and Community Training first half of 2018
- **This change has minimal impact to SAC revenue.** SAC rates should not go up in response to this change.
- **1 SAC UNIT (old system) \approx 1 SAC UNIT (new system)**

Recommendations

1. Keep outdoor seating policy
 - New criteria results in increased free seats
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Questions?