

2016 SAC Task Force

December 1, 2016



Welcome and Introductions

Wendy Wulff, Metropolitan Council Member

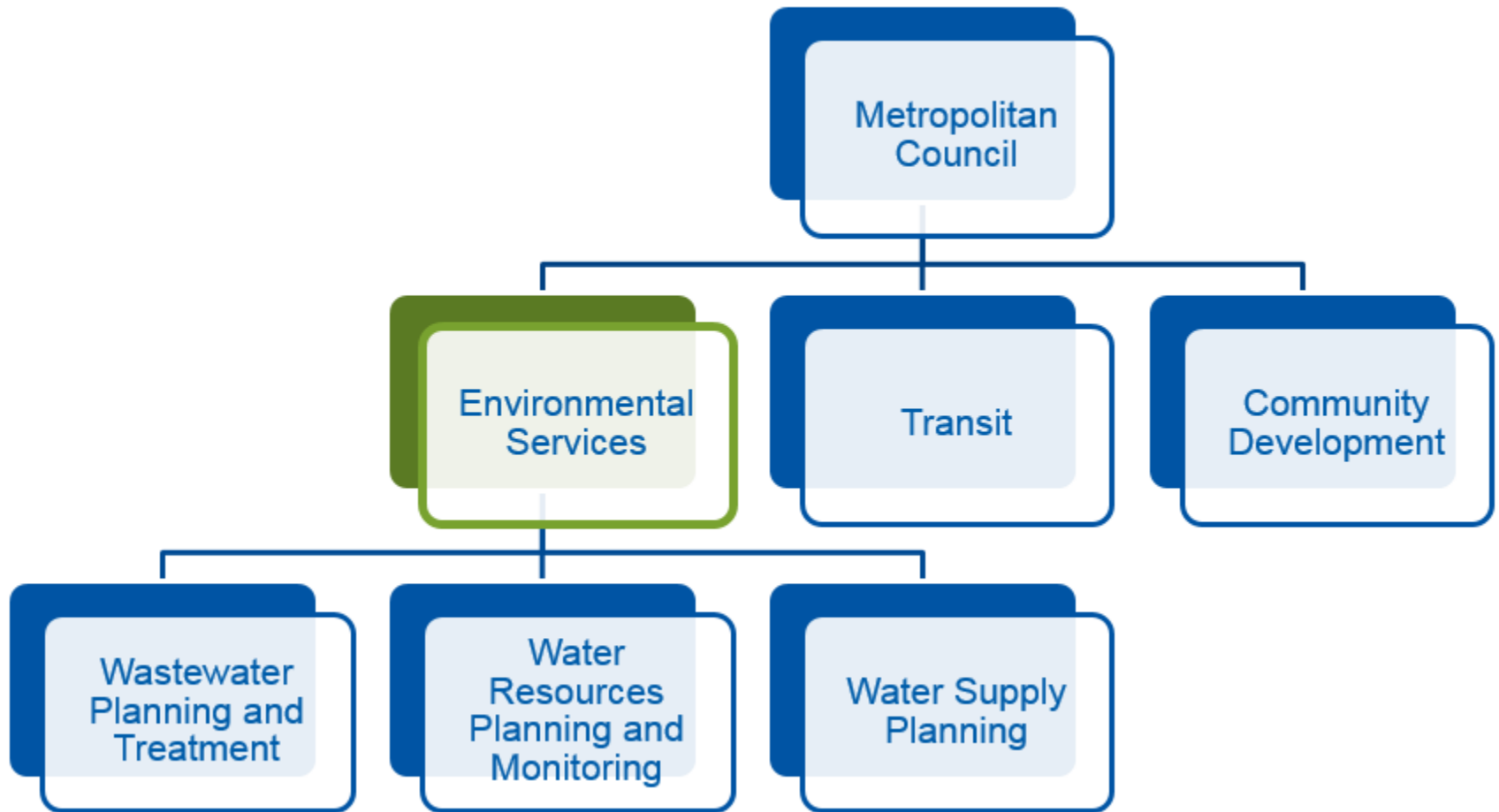


Meeting 1 Overview

- Charter, Timeline & Meeting Plan, History of SAC Work Groups/Task Forces
- Issue 1 – Outdoor Seating Policy
- Issue 2 (time permitting) – Discounts for Manufactured Homes

MCES Overview and SAC Background

Ned Smith, MCES Director of Finance & Revenue



The mission of the Metropolitan Council is to foster efficient and economic growth for a prosperous metropolitan region.

About MCES

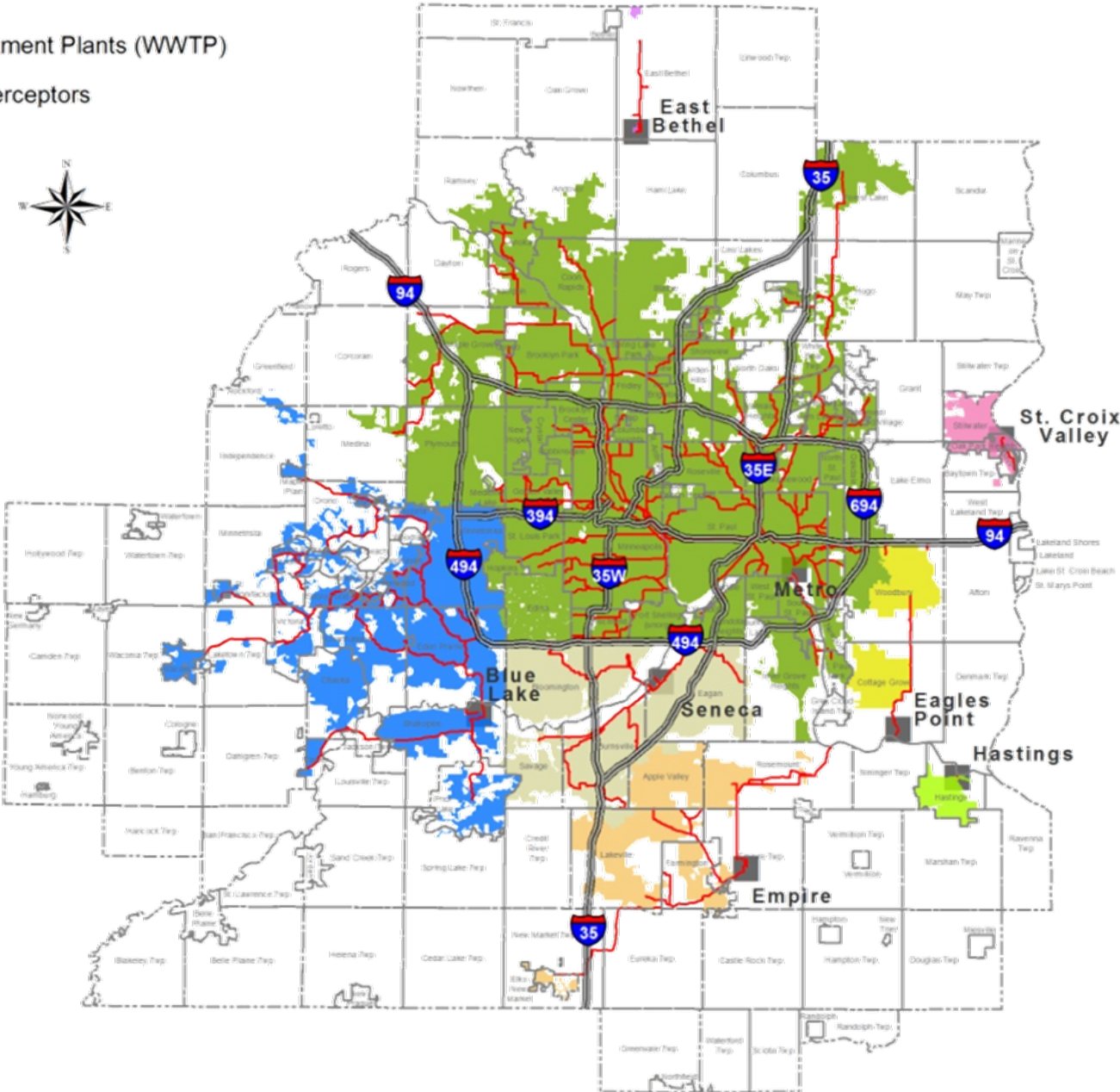


Metropolitan Wastewater Plant, St. Paul

- Wastewater treatment
 - 8 treatment plants with 108 communities connected
 - 370 million gallons/day wastewater capacity (250mgd average)
 - 600 miles of pipes
 - 61 lift stations
 - 206 metering sites
- Water supply planning
- Water quality monitoring
- Industrial pollution prevention

MCES Service Area and Facilities

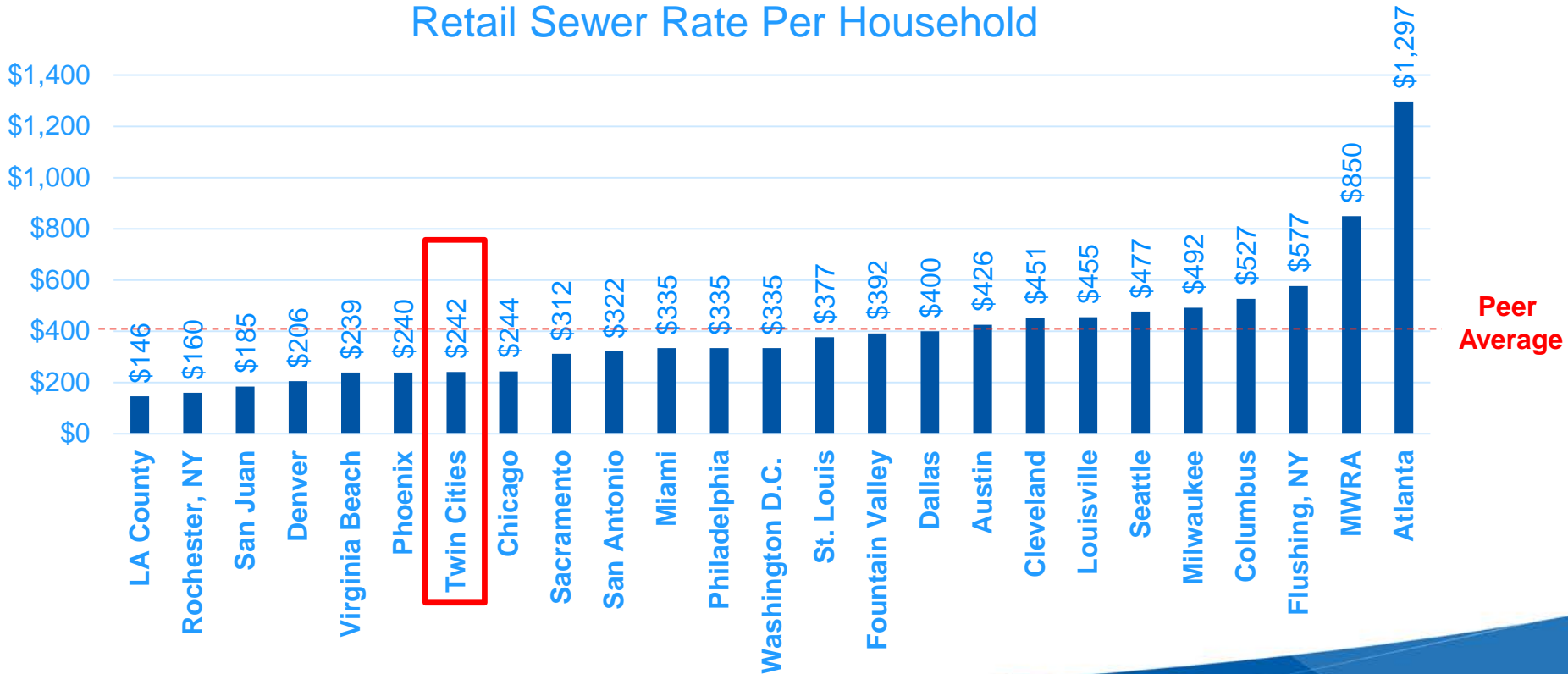
- Wastewater Treatment Plants (WWTP)
 - MCES Sewer Interceptors
- Service Areas
- Blue Lake
 - Eagles Point
 - East Bethel
 - Empire
 - Hastings
 - Metro
 - Seneca
 - St Croix Valley



Comparative Information

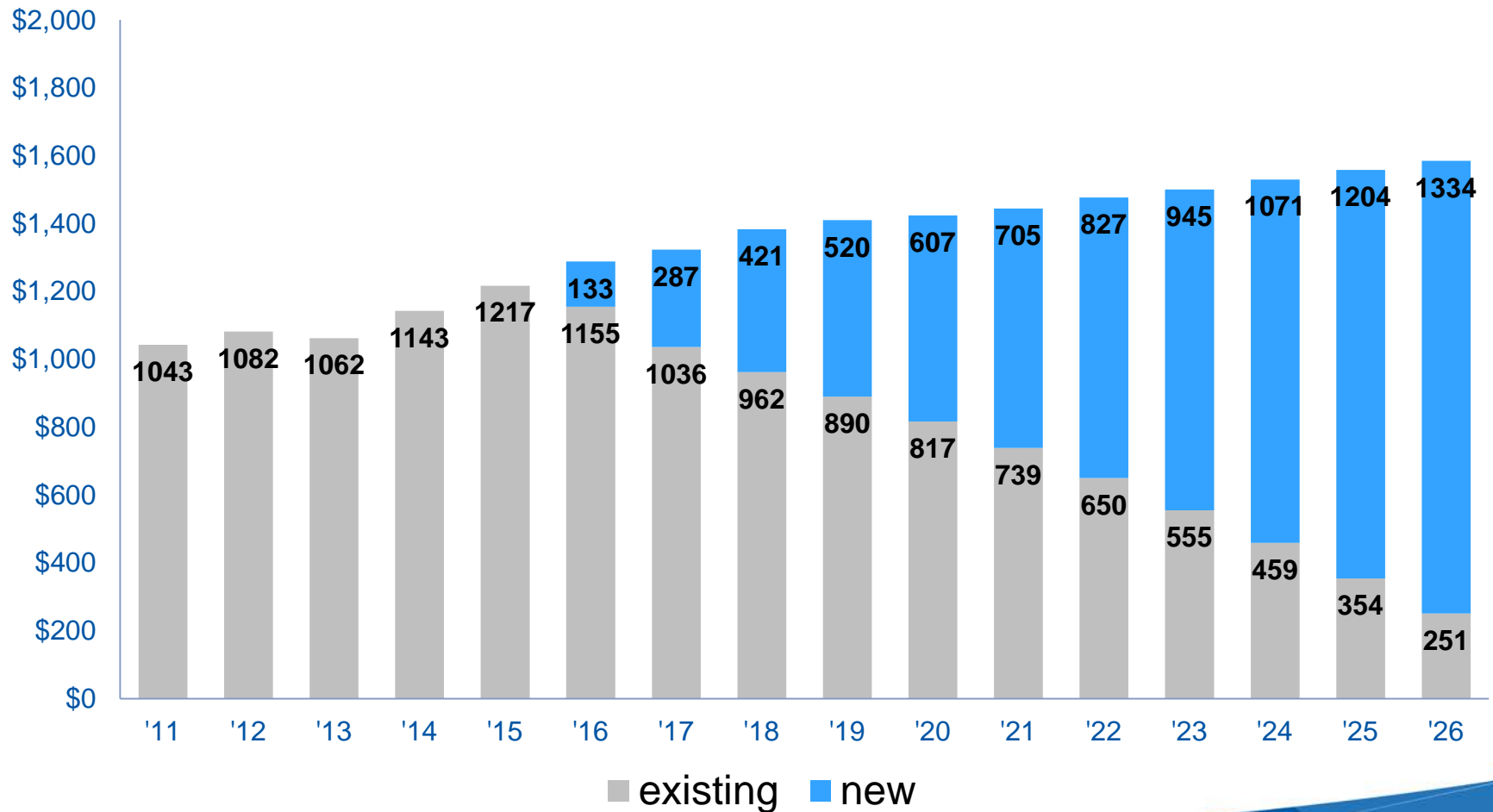
25 peer city average retail sewer rate per household = \$404

Retail Sewer Rate Per Household



2013 Rates (per 2014 NACWA survey)

Wastewater Outstanding Debt



Peer Agencies

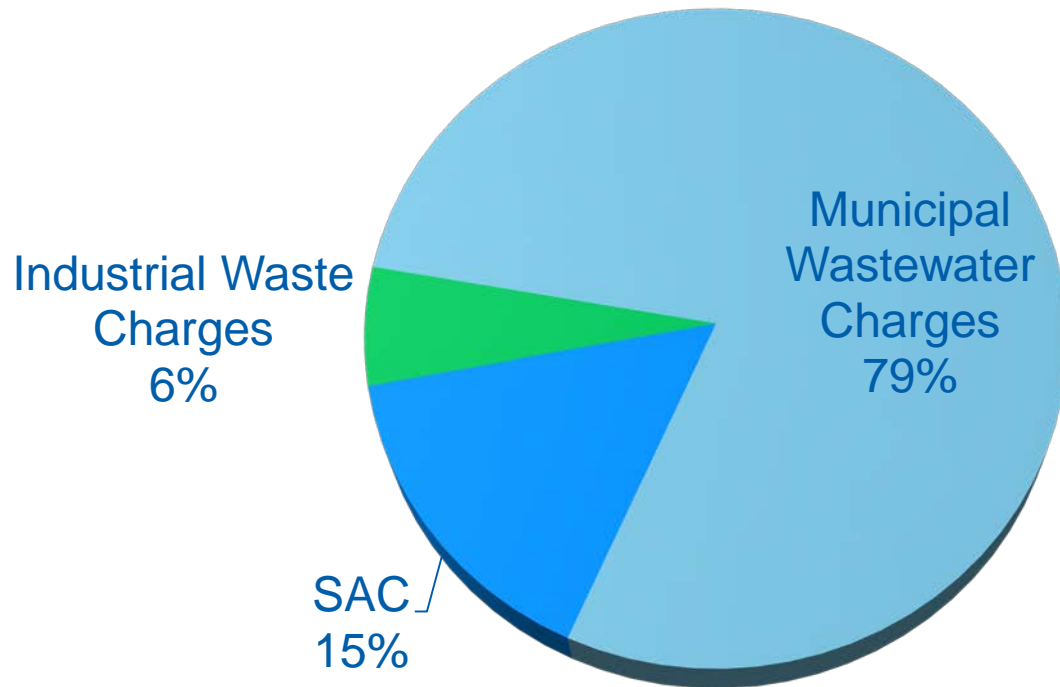
Debt per capita (person)*

Los Angeles	\$188	Philadelphia	\$766	Seattle	\$2,607
Denver	\$370	Sacramento	\$922	Boston	\$2,647
MCES	\$392	Milwaukee	\$930		
Virginia Beach	\$451	Washington, DC	\$939		
Orange County	\$464	Cleveland	\$987		
Chicago	\$473	Miami	\$1,037		
Phoenix	\$525	Austin	\$1,259		
San Antonio	\$622	Columbus	\$1,514		
St. Louis	\$653	Louisville	\$1,971		

* 2013 data from 2014 NACWA survey

Met Council's Wastewater Treatment is 100% Fee for Service

2016 Sources of Funds*

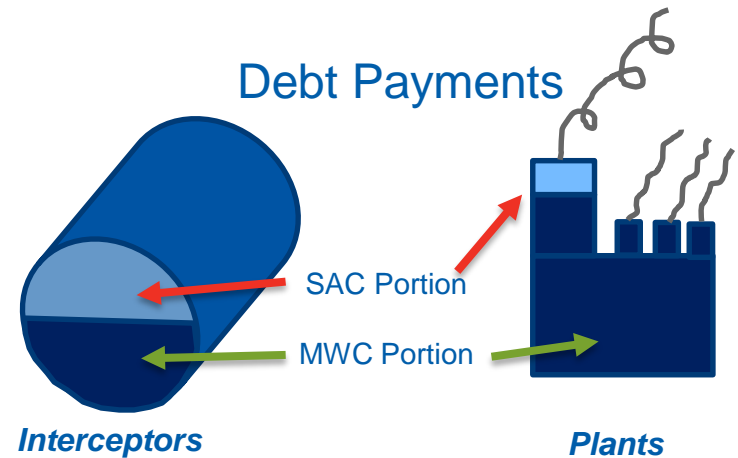


- SAC pays ~35% of annual debt service
- SAC pays 15% of overall wastewater expenses
- **Any reduction in SAC must be paid by other SAC payers or Municipal Wastewater customers**

* 2016 Budget

SAC is a wholesale charge on new or expanding capacity demand

- Pays the capacity portion of debt payments
- For new connections or increased demand (available capacity)
- Availability \neq Treatment Service = “Capacity we stand ready to serve”



There are options to ease the SAC burden, including the SAC deferral program

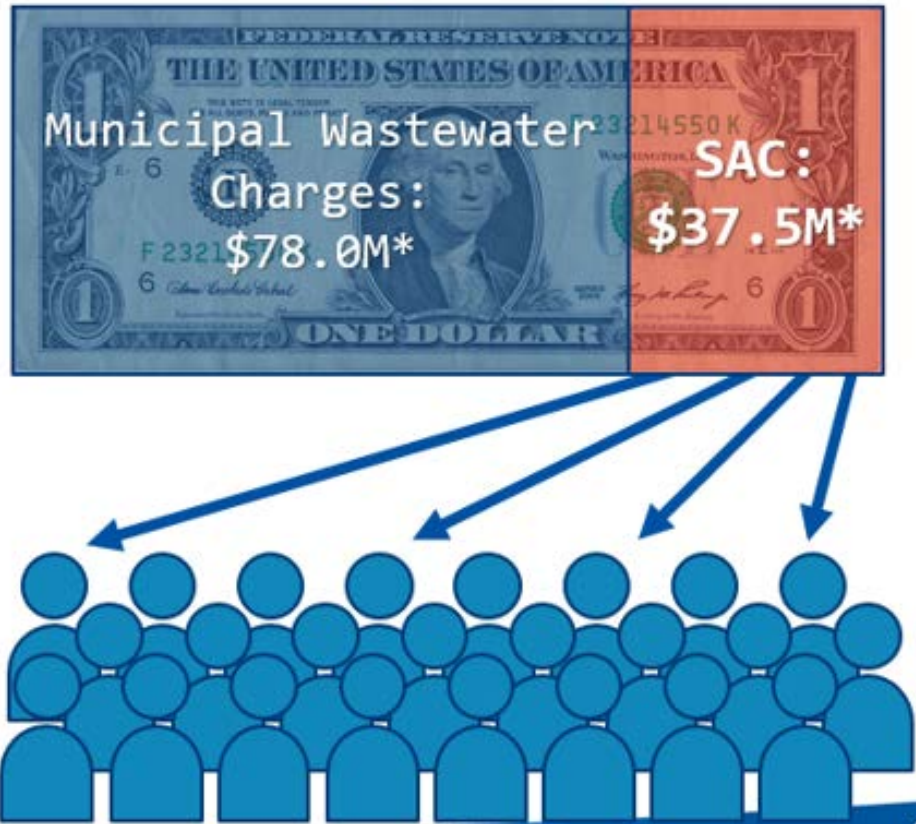
When do you pay SAC?

- The Metropolitan Council charges this one-time fee when a residence or business connects to the regional wastewater (sewer) system for the first time.
- The Council may also charge SAC when a business grows or changes the use of its space, which may create more potential demand on the system.



How the “SAC Fee” is determined

*Annual Debt Service: \$115.5M**



- SAC pays the capacity portion of debt payments
- In 2016, this was ~35% of \$115.5M, or \$37.5M
- This amount is divided among estimated SAC units, resulting in an annual SAC rate
 - 15,000 est. units
 - $37.5M / 17k = \$2485$

**2016 Figures*

Task Force 2016 Charter & Meetings Plan Task Force History

Patricia Nauman, Metro Cities



Purpose of Task Force

- Examine and evaluate general and specific issues around MCES SAC process, policy, and procedures
- Joint effort of MCES and Metro Cities
- Task Force will:
 - Review current policies
 - Examine different approaches
 - Conduct financial and other impact analyses
 - Make final recommendations
- MCES will work with staff and Council as needed to implement recommendations



Scope of Task Force

Issue 1: Review current outdoor seating policy



Scope of Task Force

Issue 2: Review discounts for manufactured homes



Scope of Task Force

Issue 3: Request evaluation of conversion to building-code criteria for SAC determinations



Scope of Task Force

Issue 4: Implement Historic Rate Payment in lieu of Long Continuous Demand Credits



Member Representation

- Chairs:
 - Wendy Wulff Council Member, Metropolitan Council
 - Patricia Nauman, Executive Director, Metro Cities
- Membership is 17 members, consisting of:
 - City Administrative (Finance, Public Works, Building Officials, Administrators)
 - Business representatives (trade groups, small business, medium/large business)

Timeline & Meeting Plan

Plan:

- Examine issue background
- Discuss pros and cons of the issue, ask questions
- Recommend course of action

Meeting 1	December 1	MCES & SAC overview, work group history, Issue 1 (and Issue 2 – time permitting)
Meeting 2	December 20	Issue 2 & 3 (time permitting)
Meeting 3	January 10	Issue 3 & 4 (time permitting)
Meeting 4	January 26	Issue 4 & final recommendations

Note:

- Agenda will be sent out 1 day prior to meeting
- Please bring your binder to each meeting

History of SAC Task Force/Work Groups

Work Group/Task Force	Discussion	Recommendation	Outcome
Net Credit Rules Work Group (2006)	Review rules relating to net credit	Use a 7-year look-back period for credits instead of looking at grandparent and/or SAC paid. If a property was vacant more than 7 years, there would be no credit and no net credits.	Adopted, added to 2010 SAC manual
Reserve Capacity Task force (2009-10)	Methodology the council uses to computer reserve capacity amounts that the Council recovers from SAC; determination of SAC fees for certain types of commercial building uses.	<p>Add rental capacity charge in lieu of SAC for temporary use.</p> <p>Revise SAC procedure manual to change criteria for restaurants and day care facilities</p> <p>Amend state statute so that capital costs provide additional capacity in regional wastewater system would be paid by SAC – based on principle “growth pays for growth”</p>	<p>Adopted, added to SAC manual</p> <p>Adopted, added to SAC manual</p> <p>Required legislative actions; MCES submitted the legislative proposal but it did not make the floor.</p>

Work Group/Task Force	Discussion	Recommendation	Outcome
<p>Helping Small Business Work Group (2011)</p>	<p>Help small businesses avoid the “SAC surprise” that often occurs when people start a small business.</p>	<p>MCES develop private sector outreach program emphasizing agencies who work with small business owners continue to better educate small business about SAC and provide education materials.</p>	<p>MCES committed to more comprehensive outreach campaign, but nothing was brought to the Council for approval. The group briefed Environment Committee in September 2011.</p>
<p>Net Credits Work Group (2012)</p>	<p>Revisit SAC rules regarding “net credits” for the SAC program, consider loans for small businesses, and improve services and outreach.</p>	<p>Non-conforming use credits would be available but limited.</p> <p>SAC paid at any time should be sufficient evidence to generate potential SAC credits.</p> <p>Allowance should be made for a minor SAC credit transfer for use on a new site within a community.</p> <p>MCES develop a SAC loan program to help small businesses</p>	<p>Adopted; revisions made to SAC manual.</p> <p>Adopted; revisions made to SAC manual.</p> <p>Adopted; revisions made to SAC manual.</p> <p>Adopted; and changed name to SAC Deferral Program.</p>

SAC Work Groups/Task Forces (cont.)

Work Group/Task Force	Discussion	Recommendation	Outcome
<p>“Is SAC still the best way to pay for reserve capacity?” Big Picture Work Group (2013)</p>	<p>High level local government work group asked to determine whether Sac is still the best way to pay for reserve capacity in the wastewater system.</p>	<p>Growth should pay for growth.</p> <p>Expand use of SAC deferrals (include determinations up to and including 25 SAC units).</p> <p>Pursue technical review of SAC charges based on water meter size.</p> <p>Maintain SAC as a utility fee – based on technical analysis of costs of capacity</p>	<p>Adopted by Council in 2014 and required Minnesota statutory change</p> <p>Adopted; revisions made to SAC manual</p> <p>Adopted and implemented in 2015</p> <p>Worked with broader MC to remove affordable housing SAC subsidies from the Water Resources Policy Plan so that it could be funded by other Council initiatives.</p>

Issue 1: Outdoor Seating

Background

Discussion

Recommendation



METROPOLITAN
COUNCIL

Overview

- Spring 2016 legislative proposal to exempt outdoor seating from SAC unless adding fixtures
- Bill was in House (Wagenius) and Senate (Torres-Ray)
- MCES and Metro Cities committed to convening a task force review



Arguments Against

- Seating not used year-round
- SAC discourages expansion including lost business and lost revenue
- Outdoor seating leads to no increase of capacity-demand



Arguments by MCES and Metro Cities

- No exceptions or exemptions
- SAC = capacity, not flow
 - E.g., St. Patrick's Day, Superbowl
- More business (chairs) = more SAC



What would happen if it was free?

Outdoor Seating – the True Impact

- Currently, a 75% discount is given to outdoor seating
- Given the discount, there is **no SAC charged** for additions of **19 outdoor seats** or less (or 290 sq. ft.)

For seating >19 seats, the patio subsidy would be paid for by all other businesses (and schools, churches, clinics, etc.):

- A new 50 seat restaurant would pay an additional \$120
- A new 100 bed group home would pay an additional \$800
- Had Pankalo Education Center (District 916 elementary expansion) applied in 2017, it would have paid an additional \$960
- Had Higher Ground Shelter been built in 2017, it would have been charged an additional \$1,920

Discussion

Recommendations

**Next Meeting:
Tuesday, December 20, 2016**

