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

• 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

Metropolitan Wastewater Plant, St. Paul
MCES Service Area and Facilities
Comparative Information
25 peer city average retail sewer rate per household = $404

Retail Sewer Rate Per Household

Peer Average

2013 Rates (per 2014 NACWA survey)
## Peer Agencies

### Debt per capita (person)*

<table>
<thead>
<tr>
<th>City</th>
<th>Debt per capita ($)</th>
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<th>City</th>
<th>Debt per capita ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Los Angeles</td>
<td>$188</td>
<td>Philadelphia</td>
<td>$766</td>
<td>Seattle</td>
<td>$2,607</td>
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<tr>
<td>Denver</td>
<td>$370</td>
<td>Sacramento</td>
<td>$922</td>
<td>Boston</td>
<td>$2,647</td>
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<tr>
<td>MCES</td>
<td>$392</td>
<td>Milwaukee</td>
<td>$930</td>
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<tr>
<td>Virginia Beach</td>
<td>$451</td>
<td>Washington, DC</td>
<td>$939</td>
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<tr>
<td>Orange County</td>
<td>$464</td>
<td>Cleveland</td>
<td>$987</td>
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<tr>
<td>Chicago</td>
<td>$473</td>
<td>Miami</td>
<td>$1,037</td>
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<td>Phoenix</td>
<td>$525</td>
<td>Austin</td>
<td>$1,259</td>
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<td>San Antonio</td>
<td>$622</td>
<td>Columbus</td>
<td>$1,514</td>
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<td>St. Louis</td>
<td>$653</td>
<td>Louisville</td>
<td>$1,971</td>
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* 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 ≠ 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

<table>
<thead>
<tr>
<th>Meeting 1</th>
<th>December 1</th>
<th>MCES &amp; SAC overview, work group history, Issue 1 (and Issue 2 – time permitting)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Meeting 2</td>
<td>December 20</td>
<td>Issue 2 &amp; 3 (time permitting)</td>
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<td>Meeting 3</td>
<td>January 10</td>
<td>Issue 3 &amp; 4 (time permitting)</td>
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<td>Meeting 4</td>
<td>January 26</td>
<td>Issue 4 &amp; final recommendations</td>
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</tbody>
</table>

Note:
• Agenda will be sent out 1 day prior to meeting
• Please bring your binder to each meeting
<table>
<thead>
<tr>
<th>Work Group/Task Force</th>
<th>Discussion</th>
<th>Recommendation</th>
<th>Outcome</th>
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<tbody>
<tr>
<td>Net Credit Rules Work Group (2006)</td>
<td>Review rules relating to net credit</td>
<td>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.</td>
<td>Adopted, added to 2010 SAC manual</td>
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<tr>
<td>Reserve Capacity Task force (2009-10)</td>
<td>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.</td>
<td>Add rental capacity charge in lieu of SAC for temporary use. Revise SAC procedure manual to change criteria for restaurants and day care facilities 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”</td>
<td>Adopted, added to SAC manual</td>
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<td>Helping Small Business Work Group (2011)</td>
<td>Help small businesses avoid the “SAC surprise” that often occurs when people start a small business.</td>
<td>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.</td>
<td>MCES committed to more comprehensive outreach campaign, but nothing was brought to the Council for approval. The group briefed Environment Committee in September 2011.</td>
</tr>
<tr>
<td>Net Credits Work Group (2012)</td>
<td>Revisit SAC rules regarding “net credits” for the SAC program, consider loans for small businesses, and improve services and outreach.</td>
<td>Non-conforming use credits would be available but limited. SAC paid at any time should be sufficient evidence to generate potential SAC credits. Allowance should be made for a minor SAC credit transfer for use on a new site within a community.</td>
<td>Adopted; revisions made to SAC manual. Adopted; revisions made to SAC manual. Adopted; revisions made to SAC manual.</td>
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### SAC Work Groups/Task Forces (cont.)

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<tr>
<td>“Is SAC still the best way to pay for reserve capacity?” Big Picture Work Group (2013)</td>
<td>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.</td>
<td>Growth should pay for growth. Expand use of SAC deferrals (include determinations up to and including 25 SAC units). Pursue technical review of SAC charges based on water meter size. Maintain SAC as a utility fee – based on technical analysis of costs of capacity</td>
<td>Adopted by Council in 2014 and required Minnesota statutory change Adopted; revisions made to SAC manual Adopted and implemented in 2015 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.</td>
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Issue 1: Outdoor Seating

Background
Discussion
Recommendation
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