2016-2017 SAC Task Force: Meeting 3

January 10, 2017
Meeting 3 Overview

Patricia Nauman, Metro Cities
Meeting 3 Overview

• Approve minutes from Meeting 2
• Review Issue 1 Statement and Next Steps
• Finish Issue 2 – Discounts for Manufactured Homes
• Begin Issue 3 – Conversion to Building-Code Criteria for SAC Determinations
Review Issue 1 Summary
Outdoor Seating

Ned Smith, MCES Director of Finance & Revenue
Review Issue 2
Manufactured Homes

Ned Smith, MCES Director of Finance & Revenue
Pros and Cons – Manufactured Homes SAC Credit

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<th>Pros</th>
<th>Cons</th>
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<td>Some Mfg. Homeowners are at or below poverty and cannot afford $2,485</td>
<td>Prior taskforces have expressed “no exemptions” policy</td>
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<td>SAC is a material burden, especially for converting homes</td>
<td>Less revenue for SAC; will be distributed across paying base</td>
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<td>Encourage mfg. parks with environmentally underperforming treatment facilities to convert to cleaner MDS</td>
<td>1 residence = 1 SAC</td>
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<td>Most mfg. home parks have overall owner: SAC benefit not necessarily shared with homeowners</td>
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Potential Outcomes

• No change
  • Promote deferral program with community assistance on tenant-benefit enforcement
  • Pursue non-MCES funded affordability grants
  • Continue flow study and modify criteria as data supports
  • Notify task force members of result

• Manufactured home exemption or discount

• Other Ideas
Final Discussion and Vote
Next steps: Issue 2

• MCES staff will draft summary and distribute to Task Force
• Task Force will review with interested staff and submit requested edits
• MCES will summarize edits and distribute prior to meeting 4
• Meeting 4 for final approval
Issue 3: SAC Determinations
Issue 3 Goals

Consider options to…

• Simplify Application process
  – Reduce Applicant Work
  – Reduce Applicant Expense
  – Eliminate duplication of City Application Process

• Determination Process easier to understand from an Applicant Perspective
Determination 101

1. Go to local government for permit/license.
2. Visit metrocouncil.org/SACforms to get SAC application and other forms.
3. Complete application materials and submit to SACprogram@metc.state.mn.us.
4. Metropolitan Council or local government calculates the amount of SAC owed. Local government may add local fees to the SAC.
5. Pay any SAC owed to local government.
6. Local government will then issue permit/license, report SAC determination and pay SAC to Metropolitan Council.
Financial Process

SAC owed is:

• Paid to local governments by business/property owner, usually as part of a permit or business license
  • Local governments may add additional fees to MCES SAC determination

• Local government then pays owed SAC to the Metropolitan Council

• The Metropolitan Council then uses SAC towards the required debt
Existing Determinations Process

- **SAC Estimation Tool** (online at metrocouncil.org/SACprogram)
- Residential Equivalent Connection (REC) = 274 GAL / Day
- Technical Services criteria, based primarily on square footage and flow
- Examples:
  - Restaurant: 10 seats = 1 SAC
  - Nursery School/Daycare: 620 sq. feet = 1 SAC
  - K-12 School (without showers): 540 sq. feet = 1 SAC
- For most criteria, square footage is a proxy for people (and their resulting flow)
Alternate Determination Process: #1

- Water Meter Size Criteria

  2013 SAC Work Group
  - National review water meters for debt service recovery
  - Wastewater + Water suppliers
  - October 2013 Interviews with metro communities
  - April 2014 electronic survey – 80 communities, 20 respond
  - 2015-16 solicitation for community water meter data & evaluation – 90 requests vs. 25 responses w/ 443 meter assignment records
Alternate Determination Process: #1 - Cons

• Water Meter Size Criteria Findings (April 2014 Survey)
  • Size not always technically based – Inventory
  • Size determination based on various references, codes, manufacturer
  • Meter type effects capacity/size
  • Remodels don’t require meter size change – Original over charge?
  • Size determined by various parties, PW, Bldg. Dept., Mech, Eng., etc.
Alternate Determination Process: #1 – Cons, continued

- Water Meter Size Criteria Findings (April 2014 Survey)
  - Sub-regional water suppliers – local Bldg Dept’s. collect SAC
  - Private wells – unmetered
  - Local water system pressure impacts meter sizing
  - Opinion on a meter based assignment varied. Some strongly opposed. Others neutral - only if unit rate is unaffected.
  - Rate per SAC unit expected to increase due to fewer unit assignments.
Alternate Determination Process: #1 - continued

• Water Meter Size Criteria Findings (Local meter assignment analysis)
  • 443 meter assignment records vs. SAC units
  • No statistical correlation between meter size and SAC units
  • No distinct range grouping for SAC vs. meter size (1-1/2” = 1 to 41 SAC)
  • Data suggests that smaller businesses (SAC) often assigned larger meters.

• Multiple water meters per address – single SAC assignment.
  MCES decided little to no benefit in pursuing criteria change to water meter size.
• Stopped further study.
Alternate Determination Process: #2

- Use building occupancy codes to determine maximum number of people on site
  - Most criteria are based on people
  - Occupancy codes are consistent across the region (and state)
  - Occupancy rating would come from the city
- MCES would still have business category-specific criteria
  - For example: Mercantile Occupancy M includes restaurants and retail – these would continue to have different SAC criteria
  - A determination with Occupancy Codes vs. a determination with current criteria would yield the same SAC due
  - Would not increase or decrease SAC due for a given business
- Not the same as fire codes
  - Fire codes change based on ceiling height and number of doors
Alternate Determination Process: #2 - Examples

Current System:

Applicant submits Plan to MCES => MCES Determines Sq. Ft. => Tech. Services Calcs # of People from Sq. Ft. => SAC determined

This is embedded in the manual/criteria

Proposed System:

Applicant submits Plan to City => City Calcs # of People Occupancy Code => Applicant Submits # of People => SAC determined
## Pros and Cons – SAC Determination Process Approach #2
### Business Occupancy

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| #2 | • Simplifies SAC application (no plans required for certain businesses)  
  • Faster processing  
  • Less paperwork  
  • City better engaged  
  • Eliminates arguments over how many chairs will or will not be used  
  • Customers have a better understanding of criteria logic | • Not all applications to the city require occupancy codes  
• Not all applications to the city require plans  
• Could increase work for the city (but could be mitigated by offering MCES calculation)  
• Credits are still a problem  
• Occupancy codes can change  
• Not all communities use the same codes (?)  
• Plans will still be required for multi-tenant buildings & new builds |
Alternate Determination Process: #3

Fixture Unit Based Criteria (Proposal)

• Idea from Water Meter Study

• Original basis for many of the criteria developed in early 1970’s

• Use fixture units in lieu of area based criteria

• Exceptions (seats, beds, showers, industrial flow, vehicle wash, others?)

• Review a random sample set of previous SAC determinations that used existing criteria, and re-determine SAC assignment based on fixture units.
Alternate Determination Process

Fixture Unit Based Criteria (Proposal)

- Compare current methodology vs. fixture unit method.
- Determine potential impact on total annual unit assignments and SAC rate.
- Attempt to identify any unintended consequences for methodology change to using fixture units.
- Determine if further evaluation is warranted or if proposed change should be rolled out.
## Pros and Cons – SAC Determination Process Approach #3 Fixture Unit

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<td>• Simplify determination process</td>
<td>• Less revenue for SAC; will be distributed across paying base</td>
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<td>• Less debate on final determinations</td>
<td>• Less nuance in determinations (i.e., fixture at restaurant = fixture at bookstore)</td>
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<td>• Less “change of use” determinations</td>
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<td>• Keeps assignment of SAC units within single community Dept. (Building Dept.)</td>
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Next Meeting: Tuesday, January 26, 2017