2012 SAC WORK GROUP FINAL REPORT

METROPOLITAN COUNCIL

October 2012

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The mission of the Metropolitan Council is to develop, in cooperation with local communities, a comprehensive regional planning framework, focusing on wastewater, transportation, parks and aviation systems that guide the efficient growth of the metropolitan area. The Council operates wastewater and transit services and administers housing and other grant programs.

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Introduction

Metropolitan Sewer Availability Charge (SAC) is required by state statute MS 473.517 subd. 3. This charge to communities (cities and other building authorities) is determined on a site by site basis and the revenue is used to pay for the “reserve capacity” built into the metropolitan wastewater system for future users (typically about 1/3 of the capital project costs of the system). This helps keep regular, volume-based, sewer fees among the lowest for metropolitan areas in the country. It also provides for the costs of wastewater demand to be borne by those communities where the service is growing and only as needed (pay-as-you-build). The SAC fee system was implemented metro-wide in 1973 and largely eliminated the market risk for communities in the building of reserve capacity into the metropolitan wastewater system. The collected metropolitan SAC fees, by law, are used only to fund the construction or betterment of the metropolitan wastewater system, an award winning system worth over a billion dollars.

SAC “credits” are a tally of regional wastewater capacity that has been ‘freed up’ within a community and which are used to offset metropolitan SAC for wastewater demand that otherwise would be charged to the community. Policies around SAC credits have changed over time. Current policy restricts metropolitan SAC credits to the site on which they are generated, and the primary request of the 2012 SAC Work Group was to determine whether to allow the re-implementation of SAC credits, where the freed up capacity is not needed on a site, for use elsewhere in a community.

2012 SAC Work Group

In early 2012 Metro Cities requested that Metropolitan Council Environmental Services (MCES), as well as various stakeholders, to revisit SAC rules regarding “net credits” for the Sewer Availability Charge (SAC) program. Metro Cities and MCES staff solicited volunteers from diverse communities to review the rules and determine if a consensus could be achieved for improvements to the rules. Additionally, the Council and Mayor of the City of St. Paul independently asked that the Council consider loans for small businesses needing to pay SAC and the City of Minneapolis asked for a review of those issues and all other MCES services and outreach related to SAC. The work group addressed all these areas.

The 2012 SAC work group met 5 times from July through October 2012 (minutes are attached). Work Group Members include:

- Gary Van Eyll, Metropolitan Council Member & Co-chair
- Patricia Nauman, Metro Cities & Co-chair
- Wendy Wulff, Metropolitan Council Member
- James Dickinson, Andover
- Robert Cockriel, Bloomington
- Amy Baldwin, Brooklyn Park
- Jon Watson, Brooklyn Park
- Brent Mareck, Carver (resigned)
- Gene Abbott, Lakeville
- Lisa Cerney, Minneapolis
- Pierre Willette, Minneapolis
- Patrick Trudgeon, Roseville
- Brian Hoffman, St. Louis Park
- Ellen Muller, St. Paul
- Jim Bloom, St. Paul

- Lorrie Louder, St. Paul Port Authority
- Jay Scherer, Savage
- Bruce Loney, Shakopee

Various meetings were also attended by:

- Mary Ubl, Minneapolis

Brief History on Current SAC Policy

After a stakeholder group discussion in 2005 and 2006, changes to the then current SAC credit policy were adopted and the SAC program went to a 'no net credit' system effective at the beginning of 2010. Prior to that time, a community could use SAC credits on a community-wide (net credit) basis. The calculation of SAC credits were based either on: i) the payment history of SAC for a property and ii) properties built before 1973 were "grand-parented" into the system, and both types were allowed to generate credits on site or net credits for use off site. Property use/demand was not taken into account in the determination of credits. In 2010, community-wide credits were disallowed and credits became limited to the amount needed on a specific site for a new use. The calculation of SAC credits are determined based on prior use over the last seven or eight years (the 'Look-Back Period').

The impetus for the 2010 changes centered on difficulties in accessing 1973 data, perceived inequity in long vacant or underused properties not paying regular sewer fees to help maintain sewer capacity, and fewer net credits taken community-wide mean more SAC paid to reduce SAC rate pressure. The changes were also proposed with the intent of making the program simpler to administer. The Council did not want to incent a de-intensification of development where infrastructure was already in place. Metro Cities convened a work group of city officials in 2006 to make recommendations and the final product had wide agreement.

Nevertheless, the SAC changes that were implemented effective January 1, 2010 have since generated numerous concerns, some stemming from impacts of the recession on businesses and restrictions on SAC credits, particularly the challenges associated with redeveloping properties and the inability to use net (community-wide) SAC credits in those efforts.

Recommendation: SAC Credits

The current work group finalized a set of recommendations which, *when SAC has been paid for a site*, in large measure represents a reversal of current policy on SAC credits to again allow for the use of credits community-wide. These changes are intended to both make the program more flexible for communities and to simplify the administrative aspects of the program for all parties (as SAC payment records are in good order and usually not controversial).

The changes proposed, which received unanimous support by the group, are as follows:

SAC paid at any time (1973-present) is sufficient evidence in generating potential SAC credits. In such cases, net credits can occur that can be used community-wide or left site-specific at the community's option (a one-time election with monthly reporting). The Look-Back Period and vacancy rules would no longer apply.

Also, non-conforming use credits (where SAC was not paid) would be available but limited. If a community shows either *grand-parented* (between 1968-1978) or *continuous demand* (property built post-1973 but did not pay SAC and has been in existence 10 years prior to the current determination) on a site, those credits will be available to offset SAC charges, but only on that site. No community-wide (net) credits would be available.

Allowance for a *minor* SAC credit transfer (where determination is 10 SAC or less and upon request by the community) for use on a new site within a community. This would allow communities to move up to 10 credits from the former site of a business to its new site, before a new use occurs on the former site (credits generally are not available until a new use is determined on a site, and the availability of any credits is known).

The new rules would go into effect January 1, 2013 (existing rules would be enforced through December 31, 2012).

Additional Recommendation: MCES Services and Outreach

1. The group recommendations include a proposal that the MCES develop a SAC loan program, specifically to assist communities in helping small businesses where a SAC determination is 10 SAC or less. Such loans are authorized now under M.S. 473.517 subd. 6. After two years of availability, MCES will review the effectiveness and demand for the loan program and make the data and review findings available to Metro Cities and others upon request.

   Under the recommendation, a community could make a request to MCES to participate in the SAC deferral loan program and execute an agreement with the Council. MCES would provide loans to the community on a case by case basis (community option) contingent on the community agreeing to pass through the loan terms to the property owner or responsible SAC party.

   Under the tentative loan agreement, 20% of SAC would be due upfront and 80% deferred. Interest for the loans would be based on the Council's average rate on its wastewater bonds and new loans would be fixed at that rate. The terms of loans would be 5-10 years (at the community's option) with payments required annually. If there is a default on the loan, the site would not be credited for any SAC unpaid, but would be credited for the portion paid. No payments would be refunded. The community would have the option to complete the payments regardless of default by a property owner (and thus the full SAC credit would then be available for that property).

2. Community reviews are recommended to be limited to review of SAC activity no more than three years prior to the date of the review initiation. This would not relieve communities from paying SAC for demand where it becomes known to the community that SAC should have been paid but was not.

3. MCES is requested to provide regular training opportunities for community staff, and in the near term particularly around these new rules.

4. MCES is also requested to provide alternate language versions of the SAC brochure to help outreach to non-English speaking business owners and developers.

APPENDIX A

<u>2012 Work Group Recommendations for Improvements in metropolitan SAC</u>

A. Net Credits should be reestablished, as follows:

1. **Gross credit** eligibility is redefined such that SAC paid at any time <u>is sufficient evidence by itself</u> for gross credit eligibility. Such paid capacity will continue to be available and never "lost."
2. In addition, gross credits shall be available, upon Community application to MCES, if records are provided for a site which shows either: a) a "grandparented" demand on the site within 5 years± of the start of SAC in 1973 (note that any prior acceptance of the grandparent status of a site is acceptable) or b) the "continuous" demand from the site, as evidenced by Community records for 10 years or more prior and within 0-3 years prior to the current permit determination. It is acknowledged that these two non-paid credit possibilities are non-conforming uses (similar to non-conforming uses as provided in Minn. statute section 394.36 subd (1)) since SAC was not paid for the capacity demand at the site and may be hard to document for a Community. If details are not available, potential credits will be based on the minimal demand type indicated by the records available. Alternatively, continuous demand may be established by certification of a Community official (as is allowed now); that certification should provide specific data (i.e. number of seats, square feet of classroom, square feet of sanctuary, etc.) or a reasonably but minimal demand (for that business type) will be used to compute the gross credits available on the site.
3. For paid SAC (#1 above) the number of gross credits shall be simply the number of units paid. For unpaid SAC (#2 above), the number of gross credits for a prior demand on a site shall be determined by the current rules and criteria (i.e. at the time of redetermination), even though the rules or criteria may have been changed. Note, charges will only be applied to the incremental capacity demand; these statements are just about the credits available on site.
4. As done now, gross credit determinations will be decreased by any use of the Net Credits from a site on other sites (i.e. Community claimed Community-Wide credits previously and subtracted them from what is available on the site). Also, as now done, the actual credits occur only once a new use is permitted for a site.
5. The Look-Back Period and the vacancy rules will no longer apply.
6. Where SAC was actually paid, Net Credits will be the gross credits on the site less what is needed for the new development on that site. Where a SAC payment was not established, but a non-conforming use allowed to continue its demand (i.e. #2 above), Net Credits will not occur. Net Credits from actual SAC payment may be taken Community-Wide or left Site-Specific at the Community's option (one-time election with monthly reporting). There will be no expiration of such Site-Specific credits. Community-Wide credits shall be required to be used by the Community at the first opportunity (as is now required).
7. Formal Community Council approved "phased redevelopments" on contiguous areas shall have all the gross credits available within the defined area for the full term of a reasonable and formal Community approved plan (the current rule 5.4.3 allows 10 years). Net Credits from the area will only be available where the SAC was actually paid.
8. This proposal will not change the speculative building process, and the speculative spaces not occupied will get credit for what was paid when originally built.
9. As now, for capacity needed for industrial process flow from MCES-permitted industries, baselines already established will be maintained, but not be creditable off the site of permitted industry use. MCES will write rules to allow a Net Credit from paid SAC on an industrial site if there is a permanent process change requiring building changes.

10. Minor transfers (where SAC determination is 10 SAC or less) will be allowed within a Community for a specific small business moving to a new location within the Community. That is, at the Community's discretion and upon written request, SAC paid capacity demand may be moved to another site within the same Community. However, as with current rules, a minimal use of the site must be retained (e.g. retail, office or warehouse for multi-tenant buildings, minimum 1 SAC for stand-alone buildings.)
11. These new rules should be effective 1/1/13.

B. MCES Services and Outreach:

12. The Metropolitan Council should set up a program to allow a Community the option to pay metropolitan SAC for small businesses (where the SAC determination is 10 SAC or less), on a case by case basis, over time based on a written master agreement between the Community and the Metropolitan Council.
13. MCES's SAC "Community Reviews" should be limited to review of SAC activity no more than 3 years prior to the date of the review initiation. This does not relieve the communities of paying SAC to MCES for demand where it becomes known to the Community that SAC should have been paid but was not (in the period up to the qualification of a use for the "continuous demand" non-conforming credit.
14. MCES to hold training session(s) for Community staff around the end of the year, focused on new rules.
15. MCES to make available to Communities the SAC outreach brochure in 4 languages.

MCES SAC Loan:

9/24/12

Initiation: A City (voluntarily) makes a request to Council to participate in the "SAC Deferral loan" and executes a standard Agreement.

Implementation: When a city wants to implement a loan (as opposed to paying for the capacity in full) they note "Loan" on their monthly SAC reporting and the loan will be effective as of the first of the month (e.g. April building permit, reported in May, loan will be as of June 1st).

Proposed Loan Terms: Key terms in the standard SAC deferral loan agreement between the Council and City may include:

1. MCES would provide such loans contingent on the City agreeing to pass through the loan terms (or better) to the property owner or responsible SAC party.
2. Loan amounts: Up to 80% of SAC due, with a maximum individual loan equal to the value of 10 SAC units.
3. Principal: Would be amortized like a mortgage with fixed payments.
4. Interest: Each year-end, Council will determine the average rate on its wastewater bonds pursuant to statute (on the back of this page). All new SAC deferment loans entered into the following year will get that rate, fixed for the duration of the loan. For example, the average rate was 3.24% at 12/31/11 so loans originating in 2012 would be at this rate (if the program existed this year).
5. Term of loans: 5 or 10 years (City option, specified in Agreement for all such loans). Cities may want to make the loans with MCES consistent with assessment terms provided for property owner assessed under their ordinances.
6. Payment timing: Cities must make payments to MCES at least annually. Semi-annual or more frequent payments may be preferred to correspond to collections from assessments or loan payments from the property owner. Again this must be specified in Agreement.
7. Default: If a City does not make the entire stream of payments required by the loan, the site will *not* be credited with the wastewater capacity not paid (for future SAC determinations), but will get credit for each full SAC unit paid. No payments will be refunded. The City could have the option of finishing the payments regardless of default by the property owner.
8. Late Payments: If a City payment is late, an additional administrative charge of 2% per month plus interest as allowed by law will be applied.

Availability of Loan Funding: Typically the Council will be able to use internal funds to fund the deferred payments. However, in the Agreements, the Council will reserve the right to stop making additional SAC deferral loans available if cash flows become problematic.

Council Authority for SAC loans to Cities: M.S. 473.517 subd.6

The council may provide for the deferment of payment of all or part of the allocated costs which are allocated by the council to a local government unit in any year pursuant to subdivision 3, repayable at such time or times as the council shall specify, with interest at the approximate average annual rate borne by council bonds outstanding at the time of the deferment, as determined by the council. Such deferred costs shall be allocated to and paid by all local government units in the metropolitan area which will discharge sewage, directly or indirectly, into the metropolitan disposal system in the budget year for which the deferment is granted, in the same manner and proportions as costs are allocated under subdivision 1.

Meeting Title: **SAC Work Group Meeting #1**

Date: July 16, 2012 Time: 9:30 – 11:00 PM Room: Metro 94 Business Center

Members in Attendance: Wendy Wulff, Metropolitan Council Member; Gary Van Eyll, Metropolitan Council Member; James Dickinson, Andover; Robert Cockriel, Bloomington; Amy Baldwin, Brooklyn Park; Jon Watson, Brooklyn Park; Brent Mareck, Carver; Gene Abbott, Lakeville; Pierre Willette, Minneapolis; Brian Hoffman, St. Louis Park; Ellen Muller, St. Paul; Jay Scherer, Savage; Bruce Loney, Shakopee; Patricia Nauman, Metro Cities

Members Absent: Lisa Cerney, Minneapolis; Patrick Trudgeon, Roseville; Jim Bloom, St. Paul; Lorrie Louder, St. Paul Port Authority

Staff in Attendance: Jason Willett, MCES; Bob Pohlman, MCES; Jessie Nye, MCES; Kelly Barnebey, MCES

Meeting Notes:

Item	Notes
1. Welcome and Introductions	Patty Nauman with Metro Cities and Met Council Member Gary Van Eyll will be co-chairs of this work group. They asked members to introduce themselves.
2. MCES Overview & SAC Background	Jason Willett, Director of MCES Finance and Energy Management, gave a presentation on MCES and Sewer Availability Charge (SAC). He mentioned that the Met Council Environment Committee has approved a 3% increase in the 2013 SAC rate; it still needs to be approved by the Council at large.
3. Net Credit Options	The PowerPoint presentation handout given to members included five Net Credit Options that has been previously identified. 1) Current Net Credit Policy (post 1/1/2010) 2) Previous Net Credit Policy (prior 1/1/2010) 3) Net Credits if SAC Paid in Last 10 Years 4) Change Look-Back Period (LBP) Term 5) Depreciating Value of Credits 6) Minor Transfer 7) Gross Credits Redefined The idea of each option and the MCES staff-identified pros/cons were described. Hypothetical examples were given as to how gross credits and net credits would be derived (e.g. restaurant being remodeled to print shop). At the end, a table was shown of the approximate financial impact of the various options – using 2011 SAC determinations with the 2012 rate. It was noted that other options or variations could be created, and that these are meant as illustration and a discussion starter. Regarding Option 1 – Current Net Credit Policy – a member asked what happens to the net credits in the restaurant to print shop example. The site retains the potential for additional credits for up to 8 years, and the rate base benefits. A member indicated he does not like the fact the net

	credits go away after 8 years. Jason pointed to the reasons for the policy change: 1) The Council does not want to reward deintensification where infrastructure has already been built (City and Council pipes). 2) Fewer net credits mean more paid SAC to reduce SAC rate pressure. 3) Some feel this is more equitable, because when the capacity is not being used it is not paying (through volume charges) to help maintain that system capacity, and so should not get credits which actually increase in value. It was asked what it means when MCES says the site pays to maintain system capacity. Jason answered that SAC pays to buy into the system capacity SAC pays about 1/3 of debt service, but the other 2/3 debt service and maintenance costs in the MCES operating budget are paid through volume charges (Municipal Wastewater Charge [MWC] to cities and sewer bills from cities to sites). Regarding Option 2 – Previous Net Credit Policy – a member asked the drawback when a property receives unpaid SAC credits, and another member asked what not paying for capacity means. The answer to both is it increases SAC rate pressure. Regarding Option 3 – Net Credits if SAC Paid in Last 10 Years – Jason indicated the 10 years can be changed to a different number but to keep in mind record keeping is a factor. It was asked if MCES has kept good records to verify if SAC was paid. The answer is yes, to which other members agreed based on their experience. A member asked if the 2010 credit rules changed for financial reasons. No, the changes were proposed in 2005-2006 when SAC revenue was strong. Cities were given until 2010 to prepare for the changes. Jason was asked to make a general statement about lengthening the Look-Back Period. He said the 7 years was a compromise at the conclusion of the 2006 Work Group. MCES finds that obtaining information as far back as 7 years can be a challenge, and so extending the LBP means the older data needs to be available. When it is not available, customers are having to bear the burden of obtaining it themselves. It was also asked why MCES does not rely on property tax statements. The answer is that it would be difficult with non-residential properties because they do not provide enough detail of the use (e.g. salon, daycare, manufacturing), particularly if there are multiple tenants. A member commented that leaving credits on site is more palatable in terms of attracting future tenants. Property owners may not consider it fair if they have paid those SAC more than 10 years ago, and now they are gone. Another member commented the equity issue related to not paying to maintain the capacity does not really hold water because it does not reflect the different intensity of use anyway. Consider a struggling restaurant versus a new restaurant "going gangbusters." A member asked what the "penalty" is for a property being vacant beyond

	the LBP. There is no penalty, but it means there are no credits available for the new use. It was asked what happens if the net credits are absorbed in redevelopment (i.e. taken city-wide) – does that mean MCES collects less toward its debt? The answer yes, and that puts pressure on the SAC rate (a financial analysis was provided at the end of presentation handout). It was asked why MCES does not raise the MWC at times when business owners are suffering. This led to discussion regarding the 2010 SAC Task Force's recommendation to the Met Council to introduce legislation so that "growth pays for growth." The proposed bill never made it to legislative committee. A member indicated he favors using SAC paid for potential credit with no time limit. He also asked how many credits are currently unused – are we talking about a large amount to be relevant to this conversation? To that, Jason asked the group to skip to the last slide in the presentation showing the financial impact of the various net credit options. In addition, Jason noted the expectation is for 11,000 units to be collected in 2012. It was noted that 1000 not paid through net crediting would be a 9% reduction. Another member stated his opinion is if there is record of SAC paid, the project should receive that credit. If there is no record of SAC being paid, it is understandable to pay now. At this point the meeting has run past the allotted time. The work group will continue the net credit discussion in the next meeting. A member asked if the intent is for this work group to make a formal recommendation to the Council. Yes, the Council is open to hearing the recommendation but would have to adopt a material change. It is also likely a public meeting for anyone to comment on a recommendation would be scheduled prior to Council adoption. Patty Nauman added that Metro Cities' approach to SAC has been and is simplification, low rates, and equity. Patty asked members to bring specific net credit issues to the next meeting. It is set for Monday, August 13 in the same location.
4. Adjournment	11:10 AM

Meeting Title: **SAC Work Group Meeting #2**

Date: August 13, 2012 **Time: 9:30 – 11:00 PM** **Room: Metro 94 Business Center**

Members in Attendance: Wendy Wulff, Metropolitan Council Member; Gary Van Eyll, Metropolitan Council Member; Robert Cockriel, Bloomington; Amy Baldwin, Brooklyn Park; Jon Watson, Brooklyn Park; Gene Abbott, Lakeville; Lisa Cerney, Minneapolis; Pierre Willette, Minneapolis; Brian Hoffman, St. Louis Park; Ellen Muller, St. Paul; Lorrie Louder, St. Paul Port Authority; Jay Scherer, Savage; Patricia Nauman, Metro Cities
Others in Attendance: Mary Ubl, Minneapolis

Members Absent: James Dickinson, Andover; Brent Mareck, Carver; Patrick Trudgeon, Roseville; Jim Bloom, St. Paul; Bruce Loney, Shakopee

Staff in Attendance: Jason Willett, MCES; Bob Pohlman, MCES; Jessie Nye, MCES; Kelly Barnebey, MCES

Meeting Notes:

Item	Notes
1. Review & Approval of July 16 Minutes	Co-Chairs Patty Nauman with Metro Cities and Met Council Member Gary Van Eyll asked members to introduce themselves. There were no changes requested to the July 16 Minutes; they were approved.
2. Continuation of Net Credit Discussion	Jason Willett, Director of MCES Finance and Energy Management, resumed the discussion of the Identified Net Credit Options where we left off last time – Option 5 Depreciating Value of Credits. He described its idea and the pros/cons. A member asked if, using this example, Sewer Availability Charge (SAC) was paid in 1992, is depreciation scaled? The answer is no. This example is not strictly a depreciation method (like straight line depreciation over some assumed useful life) – it is just holding the dollar value constant while the cost of a SAC unit increases, thereby depreciating the part of a SAC unit the credit would cover. Jason then described Option 6 Minor Transfer and its pros/cons. A member asked if MCES already transfers credits for large industries. Yes, 3 times this has happened, but only for very large industries where the Commissioner of DEED says it is an issue of statewide economic importance. MCES and local communities must also agree. There is a formal process by which credits can be transferred, described in the SAC Procedure Manual. One example is Michael's Foods when it moved to Chaska. Another member asked, since cities are responsible for paying SAC, why can't *they* decide how credits are transferred? Jason answered that cities' and MCES rules are different. Cities have statutory authority to make their own credit rules for development within their cities, so they could do a transfer now. However, they still would have to pay MCES per our

rules. This idea is that upon a city request, MCES' SAC rules would not charge a city for this kind of move by a small business, so it would give the city the requested flexibility without having different rules than MCES's.

Regarding Option 7 – Gross Credits Redefined – the big idea here is that net credits can be simple if the possible gross credits for a site are better defined, and gross credits have been based on payment, grandparenting or use of the site (in a look-back period), with pros and cons to each of those. It was asked what the reasoning is for a site being required to be in use for 3 years. The 2010 switch to a use-based determination of gross credits was to get away from 1) having to look at records from 1973, and 2) to allow credits where there has been a longstanding continuous use (but not legitimate payment). Another reason cited was that when a site is vacant it is not paying to maintain the capacity in the system, and if the site gets full credit it will have actually increased in value due to others paying for that maintenance. Jason stated if the net credits are used (at other sites) quickly or if the unused city-wide credit balances are reduced by 5% every year is accepted, then it seems that reasonable equity would not require a use criteria at all.

A member asked staff to explain the columns in the slide for Financial Impact of Identified Net Credit Options. It is easiest to understand this slide by looking first at the middle column, the number of additional net credits that would have been allowed if each of these options were in place, based on 2011 data, then look at the left column to see how much money those additional credits would have meant (using the 2012 SAC rate) as lost revenue, and finally at the right for an indication of the higher SAC rate that would be required to recover that lost revenue.

The Net Credit Options presentation concluded with robust discussion, including the following questions:

A member asked, what does staff mean when they say a site is in "use?" Answer: some establishments are still there demanding wastewater capacity (i.e. the local and regional sewers must stand ready to serve).

Another member stated it is a challenge to obtain records from 3 years because certain business uses do not require license or permit, and relying on city sewer records does not address individual tenant use in multi-tenant situations.

It was asked if in this discussion the group is supposed to consider residential properties as well. Jason answered it is up to the group, but MCES was not suggesting changing residential rules. To that, a member asked if under Option 7 a 50 year old house that is demolished for a new house would pay SAC. The answer was yes unless they were exempted.

A member asked why not keep the 7 year Look-Back Period instead of going to 3 years, and what would be the impact of this on deintensification? For example, what if the 10-SAC restaurant was replaced by the 2-SAC print shop? Answer: it does not appear that the deintensification is technically significant, assuming the city uses the capacity elsewhere. In the example the print shop would not generate SAC, and depending on this discussion there could be 8 net credits available for use elsewhere in the City or reserved on the site.

	It was asked what MCES considers a valid record of use currently? Answer: cities have different records and amounts of detail, and MCES does not want that to result in different liabilities. Jason mentioned that a few years ago MCES added the form to allow certification by a city official (if records were lacking). Jason asked if completing that form as a last resort is an issue with this person's City, and she answered it is involved and time-consuming, as they have an internal approval process and other staff (e.g. the building official and managers) is involved. Another member asked if previous work groups considered treating cities with different population densities differently. The answer is that it had come up years ago, but ultimately there was concern about equity among cities, because even being "built-out" for planning purposes does not mean that more capacity may not be demanded when redevelopment occurs. There are political concerns with cities being treated differently. A member asked that this group concern itself with the commercial/industrial sector because that is where a majority of the current issues lie, and other members agreed there is no need to address or change the rules for residential SAC. Another member mentioned that the former Metro Waste Control Commission made cities pay SAC even though properties were not connected to sewer. Jason said this did happen many decades past, even when there was no sewer availability plan in place. Because there was political pushback cities were given the option for a refund. A couple cities did not take the refund, and a member indicated he does not want those potential credits to go away with a new credit proposal. A member wanted clarification for the example used in Option 7 – Gross Credits Redefined. A 2-SAC print shop paid in the last 20 years and now a 10-SAC restaurant is being built. 8 SAC would be due. If the print shop went in 100 years ago then there would be no credit, and the charge would be 10 SAC. To that point, another member asked if the print shop has to be the same owner/company all this time? The answer is no; none of our rules or the identified ideas for changes consider ownership – only the use of the site and/or SAC payment are considered. It was asked if homes or businesses from the 1950s were torn down for a big area redevelopment but the redevelopment does not take place for several years, do those credits go away under Option 7? Jason answered there is currently a mechanism by which cities protect credits in such situations: Phased Development. If this group gets a consensus on a specific idea, we will look at how we might protect against loss of credits in this type of situation. To that point, another member asked if speculative buildings pay SAC but are not built out for years, does the SAC paid credit go away? MCES does not intend for those credits to go away. MCES will have to look at this in detail too. It was asked if this work group can recommend a 1-for-1 tradeoff with respect to residential, i.e. a home demolished for a new home does not have to pay SAC? Staff said yes, that can be a recommendation. Then a member asked what about vacant lots too? Jason answered the idea to

	have a look-back period for use could be taken out of the recommendation. Another member countered that any recommendation ought to include an option based on use; while proving use is extra work, it is worth it if it reaps more credit. "It's work because it's worth it." [Finance Director's note: this is about adding some determination of long-standing use as an additional method of allowing gross credits, not as an additional requirement when SAC was paid. That is, instead of both payment **and** use requirement, it is about payment **or** use establishing the gross credit possibility.] A member said he favors the idea of leaving net credits on site (instead of city-wide) but that other cities can do what they want. Jason replied that everyone's SAC rate is impacted a bit by this decision as credits being taken city-wide are more likely to get used in the near term. Cities will differ on which they prefer, and MCES would prefer to not make requirements about City business. A member said he favors getting rid of use – if SAC was not paid, it is acceptable there would be no credit. Another member countered that use is important because if an old business wants to add on or remodel, under current rules it is able to prove use to offset new SAC charges. Met Council Member Wendy Wulff expressed concern about the fairness of allowing net credits to be taken city-wide from a property that was grandfathered, since it did not actually pay SAC. She thinks the grandparenting should be property specific, not transferrable. A member suggested the group's recommendation includes a method to establish use going forward so that these issues are not as difficult for future work groups, and to take the burden off cities that do not retain old records. Another member said the Look-Back Period should be longer if "SAC paid" evidence is not available or SAC wasn't paid. It was mentioned that SAC paid can be tricky because an old restaurant may have reported 40 seats with a capacity for more, and now many years later a new restaurant goes in and is only credited those 40 seats. The city staff has difficulty explaining to customers why additional SAC is due when nothing appears to have changed. Patty Nauman said Metro Cities' policy committee recognized how complex the net credit issue has become, as evidenced by the comments and scenarios above. They wish to keep the credit rules simple. In addition, there is tension between net credits and overall system equity. She is seeking balance without drastic changes. Another member asked that the recommendation include the Option 6 Minor Transfer. To that point, another member indicated he does not feel the transfer should be part of this discussion because MCES has no say as to how cities interpret demand within the same sewer line. He added also that if cities want to use their existing city-wide credit balance to offset a charge that is preferable to using Minor Transfer. This gives cities more control.

	At this point the meeting was close to concluding, and MCES staff was asked to draw up a proposal, using the work group's consensus, to present for the next meeting scheduled Monday, August 27. The ideas to flesh out are: - Based on Option 7 (Gross Credits Redefined) but with SAC paid as a safer harbor and additional possible gross credit for continuous use (It was noted this could be hard to prove and that was ok). Length of time of continuous use was not settled; - Net Credits, simple gross credits less those needed on site; however availability of net credits where SAC was not paid was unsettled; - 5% reduction in net credit balances was not resolved; - Add in Option 6 Minor Transfer upon City request; - Protect residential from changes; - Credits determined by the new rules in place at the time of the determination (not based on rules at the time SAC paid); - Examine application of idea to Phased Development and speculative property development needs. The next agenda will also cover the "SAC Loan" idea and if time allows a discussion of MCES services and outreach.
3. Adjournment	11:00 AM

Meeting Title: **SAC Work Group Meeting #3**

Date: August 27, 2012 **Time: 9:30 – 11:00 PM** **Room: Metro 94 Business Center**

Members in Attendance: Wendy Wulff, Metropolitan Council Member; James Dickinson, Andover; Robert Cockriel, Bloomington; Amy Baldwin, Brooklyn Park; Jon Watson, Brooklyn Park; Gene Abbott, Lakeville; Pierre Willette, Minneapolis; Brian Hoffman, St. Louis Park; Jim Bloom, St. Paul; Lorrie Louder, St. Paul Port Authority; Jay Scherer, Savage; Patricia Nauman, Metro Cities

Others in Attendance: Mary Ubl, Minneapolis

Members Absent: Gary Van Eyll, Metropolitan Council Member; Brent Mareck, Carver; Lisa Cerney, Minneapolis; Patrick Trudgeon, Roseville; Ellen Muller, St. Paul; Bruce Loney, Shakopee

MCES Staff in Attendance: Jason Willett; Bob Pohlman; Jessie Nye; Kelly Barnebey

Meeting Notes:

Item	Notes
1. Review & Approval of August 13 Minutes	Chair Patty Nauman with Metro Cities asked if anyone had changes to the July 16 Minutes; they were approved with no changes. Jason Willett, reviewed all the materials in the packet handed out, which included: • August 13 Minutes • PowerPoint presentation handout • Draft of “2012 Work Group Recommendations” • 3 articles regarding small business loans from finance-commerce.com • Copy of letter from St. Paul Mayor • Email of suggestions from Brian Hoffman, St. Louis Park Director of Inspections and work group member
2. Net Credit Recommendation	Jason Willett presented members with a memo of the draft Recommendation – which was the staff interpretation of the results from the discussion in the previous meeting. This memo included details yet to be decided on (noted in blue in the handout given to members). *In Summary:* *Gross Credits* • Gross credit eligibility would be redefined such that SAC (Sewer Availability Charge) paid at any time is sufficient evidence of gross credit eligibility. • If SAC was not paid or SAC paid could not be proven for a site, the City could provide reasonable documentation to MCES of *continuous* use for [?] years prior to the current permit/determination. • The calculation of gross credits would be determined by the

	current SAC rules & criteria. • The Look-Back Period and vacancy rules would no longer apply. A member wanted to know how MCES handles properties with multi tenants. The answer is MCES keeps records of multi-tenant buildings suite by suite. It was asked if “SAC paid” means at any time? The answer is yes in this proposed recommendation. A member asked Jason to define “reasonable” documentation from the above list. Jason replied MCES needs to have something that shows evidence it was there, and an old newspaper article by itself from years before the SAC program would not be considered reasonable. In any case, if evidence is not available, MCES would continue to accept a City Official’s certification of use (Affidavit-D) as we currently allow. Jason emphasized that this recommendation would allow either SAC paid <u>or</u> use as a basis for credits (as opposed to the original Option 7 that required SAC paid <u>and</u> recent use). It was asked how a vacancy would impact “continuous” use. For example, if a building had been there since the 1960s (before SAC started) and was in use until 2008 but has been vacant since then, do those credits go away? To that, other members expressed a concern with “continuous” and asked that it be better defined. Jason indicated in that example under this proposal, the prior use was not continuous and the new use would be charged like development on a green field (i.e. new development, without credits applied). Met Council Member Wendy Wulff added that there should be a distinction between a business that has been in operation since the 1960s and was grandparented versus a business that has operated in the last decade without paying SAC. The business that did not pay SAC should not generate city-wide net credits for the next business, even if it can show continuous use. A member said if the building was either grandparented in or paid SAC at some point, it has met its obligation to pay for capacity, and that should not be changed. However, he favored availability of net credits only on site. To that point, Jason suggested “continuous” use of a site could be evidenced by city records at two points: 10 years prior and same business use at 3 years prior to the current permit determination. He mentioned that Minneapolis staff had acknowledged these two non-paid credit possibilities (non-conforming uses) may be hard to document for a City, and that this has been a challenge with the current 7 year Look-Back Period. Several members responded that it made no sense to them to credit SAC that did not pay. They felt it is unfair to businesses that paid SAC and followed proper procedure. It was asked if utility billing could provide an adequate basis for evidence of use – not necessarily to calculate credit but at least point to continuous use. This would be a challenge for multi-tenant buildings.

A member said there are cases where work is unpermitted, particularly with restaurant and salon turnover, which means establishing continuous use can be a challenge. It also seems unfair to future businesses on that site to have to pay for those uses that flew under the radar. To that point, another member said the other side of the coin is fairness to businesses that did pay. Another member indicated this has happened in his City as well, and their staff decided to address it proactively and implement other solutions so that businesses are less likely to operate under the radar or miss a SAC determination.

Another member asked that the 2nd bullet point on the slide be broken in to 2 bullet points, one acknowledging grandparent properties having been accepted as having met the obligation for reserve capacity and the other dealing with those site/uses that did not pay that should have (during the SAC era, i.e. 1973 or later).

A member expressed concern over the burden of proof for cities if continuous use goes back too far.

A member felt that grandparenting in 1973 when the SAC program started did not take growth of the system into consideration. He gave the example of former breweries that were producing huge flows but were later converted or have been sitting vacant. He asked if it was appropriate that a City can now receive credit for its grandparented flow. Jason stated that a concern of the 2005 work group regarding vacancy was that vacant properties were not paying to help maintain the system capacity and 2/3 of the debt service is paid by the Municipal Wastewater Charge, so that they should not get credit for the increasing value of the capacity that others are paying to maintain.

Patty Nauman expressed concern this group was straying too far from the goal to simplify Net Credits and that the group's questions point toward complexity. Jason asked that the group turn its attention to the next PowerPoint slide on Net Credits which does show some simplification.

Net Credits

- Net Credits = gross credits – (credit needed on site for a new permit).
- Net Credits may be taken city-wide or left site-specific at the City's option.
- City-wide credits are only available where SAC was actually paid.
- Unused Net Credits at each year end are… [carried forward in their entirety, or decremented on the books by 5%] – still to be decided.

A member said for larger redevelopments there is already a formal way of maintaining credits – Phased Development. He felt this should offset some concerns over site-specific credits going away. Another member asked if those credits would go away under new rules. The proposal is that Phased Developments would not go away, but be changed to a term in the City's control (the formal plan for the site) instead of 10 years as under the current rules.

A member did not agree that unused net credit balances should be reduced by 5% annually, and another member concurred. All but one

	seemed to not favor this proposition. Jason asked if this group was in agreement that cities should not have the option to take net credits city-wide if no SAC was paid. The group seemed to be in agreement with a possible concern from Minneapolis staff. The group came to the consensus not to decrement year-end net credit balances by 5%. It was asked if cities will be able to take net credits city-wide for a demolition that occurred where no new building takes place but there is a designated new use, such as a parking lot. The proposal then being discussed was that those credits would be available to take city-wide *as long as the building paid SAC*. Of course, a City could also choose to leave the net credits on site for a future development there. A member asked to go back to the Gross Credits slide. He asked if under this recommendation an existing business that is expanding or adding a patio would be charged entirely as though it is new, or if only the increment would be charged. Under the proposal being discussed, if the existing use qualifies for gross credits in any of the three ways (paid SAC, grandparent, or continuous use) the answer is MCES would charge only the increment. Also, MCES proposes to use the current rules to calculate gross credit where SAC paid data is not available. For example, if only 2 SAC were paid on a business in 1980 (but under current rules it could garner 10 credits) the gross credit would be 2 SAC. A building being looked at for the first time will have current rules used to determine credits - however, any net credits would be restricted to future development on that site (i.e. cannot be taken city-wide). A member wanted to touch on the question asked earlier: what is reasonable for "continuous use?" Another member responded that he feels businesses should not be "rewarded" for never paying, even if they were open 20 years. To that point, another member replied charging a new tenant could be seen as penalizing those future tenants for a mistake made. Jason mentioned that charging a new tenant for continuing a preexisting use has been bad politics. One solution offered was that cities that wanted to help such new tenants (in a site that has fairly continuous use but for which SAC was not paid) could opt to give credit from its existing city-wide credit balance to help those tenants. Other members indicated this seemed fair. Patty Nauman asked staff from Minneapolis what the issue is regarding how far to look back for records. The member felt that 1973 is too old and that finding reasonable documentation for a specific point in time poses a challenge. At this point the meeting was close to concluding, and MCES staff was asked to email a revised Recommendation to members based on today's discussion. Patty also asked that MCES staff provide examples showing how SAC would be charged/credited using new rules. Patty asked members to bring examples of the challenges "continuous use" might pose for them and their staff to the next meeting scheduled

	Monday, September 17.
3. Adjournment	11:00 AM

Meeting Title: **SAC Work Group Meeting #4**

Date: September 17, 2012 Time: 9:30 – 11:00 PM Room: Metro 94 Business Center

Members in Attendance: Gary Van Eyll, Metropolitan Council Member; Wendy Wulff, Metropolitan Council Member; Robert Cockriel, Bloomington; Amy Baldwin, Brooklyn Park; Jon Watson, Brooklyn Park; Brent Mareck, Carver; Gene Abbott, Lakeville; Pierre Willette, Minneapolis; Patrick Trudgeon, Roseville; Brian Hoffman, St. Louis Park; Ellen Muller, St. Paul; Jim Bloom, St. Paul; Bruce Loney, Shakopee; Patricia Nauman, Metro Cities

Others in Attendance: Mary Ubl, Minneapolis

Members Absent: James Dickinson, Andover; Lisa Cerney, Minneapolis; Lorrie Louder, St. Paul Port Authority; Jay Scherer, Savage

MCES Staff in Attendance: Jason Willett; Bob Pohlman; Jessie Nye; Kelly Barnebey

Meeting Notes:

Item	Notes
1. Review & Approval of August 27 Minutes	Chair Gary Van Eyll, Met Council Member, asked if anyone had changes to the August 27 Minutes; they were approved with no changes. A member asked for clarification as to how MCES keeps Sewer Availability Charge (SAC) records for multi-tenant buildings. Records are stored first by address then by suite.
2. Gross & Net Credit Recommendations	In the previous meeting, Patty Nauman with Metro Cities asked MCES staff to provide examples of the gross and net credit recommendations, based on the revised memo of the draft Recommendation – which was the staff interpretation of the results of the August 13 meeting. This “Recommendations” memo was revised and included details that had yet to be clearly decided (noted in blue in the handout given to members). Jason Willett started the PowerPoint presentation with Net Credit examples, assuming the Recommendations are adopted. The first slide described straightforward cases where SAC was paid and the City was able to take the net credits city-wide or leave them onsite. A member asked Jason to clarify whether site-specific credits stay on-site indefinitely. The answer is yes, that is the proposed recommendation. It would be a one-time election at the time of reporting to MCES. The second example slide described two cases with non-conforming uses that as proposed would not allow for net credits since SAC was not paid. The third and fourth example slides described cases with both a SAC paid and non-conforming use credit. Jason then presented the Minor Transfer recommendation and indicated this group needed to discuss how “minor” the transfer would be. Jason mentioned a possible limit at 25 SAC and members expressed that was too much. A limit to a business with a determination of 10 SAC or fewer

	was suggested. A member gave an example of a large industry with 1000 potential credits. He understood they would not be able to be taken city-wide because they are non-conforming from grandparenting, but asked could the City use the credits piecemeal for future development in and around that site? The answer is no; only where SAC was actually paid is it proposed that it be creditable. However, “Phased Development” is proposed to remain an option for cities (see #7 in the Recommendations memo). Jason said indeed the proposal is to eliminate the current 10-year deadline in the rules for Phased Developments and instead use a full term in a reasonable City-approved plan. Jason mentioned the word “reasonable” was added so that this is really about an actual redevelopment plan, and so that a City could not just claim a huge area like the whole city in the plan. A member asked what is the rationale if a business is only temporarily relocating so there is no permanent increase in capacity needed. MCES staff answered that this situation would qualify for the temporary capacity charge (TCC) under the current rules (not proposed to be changed) and not have to pay SAC for the temporary location. It was asked if a long-established restaurant for a site that never paid SAC due to grandparented credit could also use the minor transfer of its gross credits as proposed. Jason replied his interpretation of the current proposal is no, since SAC was not paid, in no event would it be transferrable. To that, the member said he preferred that a Minor Transfer to be an option *regardless if SAC was ever paid.* To that, a few members said they are not in favor of exceptions that undermine the principle of the proposal. A member mentioned that the Minor Transfer could be a private party issue (recognizing possible difference between business and property owner interests) to which member Wendy Wulff expressed concern that MCES would be portrayed as the bad guy for allowing the Transfer without all parties involved knowing. She added that cities have the option to fall back on their net credit bank if they do not wish to allow a Minor Transfer. Another member mentioned this is an option and the City would not have to allow it, or might allow it only where the business and property owners were the same entity. Another member expressed concern over a developer who owns several buildings playing “the shell game” – that is, the developer transfers gross credits to suit his interest in the properties he owns. MCES staff reiterated that cities would have the choice whether or not to allow Minor Transfers. Patty Nauman indicated her concern about the level of complexity in the Recommendations and specifically asked: 1. How the new rules would interact with MCES audits (Community Reviews), especially in cases where SAC was not paid. 2. In 2010 when the current rules were implemented, there was an overarching philosophy for that changed. Is that undermined or is it still the same? 3. What is the cost to the program if the Recommendations are implemented?

	Jason explained the Community Review process (question 1): it occurs every 3 years and is a random sampling of city records. He pointed to the Community Review Findings slide in the PowerPoint presentation, which describes how much has been collected in the years 2002 to 2011, and without some enforcement that may be unequal treatment of businesses and unfair burden on those that comply well. He also mentioned the reviews only go as far back as the Look-Back Period and that was a shortening that was implemented in 2010. MCES utilizes any means to identify missing SAC and asks cities to make whole. He stated the City of Minneapolis has asked to shorten the review look- back and we will be discussing that. Related to question #2, he recalled most of the reasons for the 2010 credit rule changes (below): a) Responsiveness to customer input. There were perceived inequities about credits generated from long vacant properties, and in 2006, a work group - working with Metro Cities - recommended changes; b) The Council did not want to reward a de-intensification of wastewater use where the infrastructure was already in place; c) Fewer net credits means more paid SAC which reduces the pressure on the SAC rate (the rate base benefits, not MCES); d) If a site was not paying (or paying less) it had been seen by some as not paying to maintain the capacity represented by the SAC; and e) Cities would not have to rely on records from 1973; there would be a Look-Back Period. Jason expressed that some of those reasons are reversed by the current proposal, but it seems equitable to split the rules into the two types: paid SAC where generation would be reinstated and continuing to not allow net credits where SAC was not paid. Regarding a cost analysis (question 3), in the August 16 work group meeting, MCES staff showed the financial impact estimate for the various identified net credit options. Jason pointed out the largest potential increase in the SAC rate came from the pre-2010 credit policy (in which cities generate net credits regardless if SAC was paid originally). That analysis identified the additional credits and the illustrative SAC rate impact (a $220 increase) because any new credit opportunities means a higher SAC rate eventually. What this group is proposing closely resembles the August "Option 7 – Gross Credits Redefined" – which, in the analysis, resulted in an estimated $85 increase in the SAC rate. A member expressed concern over what appears to be internet searches as part of Community Reviews. He felt MCES is "condemning" the businesses without knowing all the facts and charging them accordingly. Jason emphasized MCES works with cities to obtain correct information and charge (or not charge) appropriately; internet information is used only to generate questions, because the reviews are just a sampling and will occasionally miss things. Another member did not feel the Community Review was a random sampling. She felt the Look-Back Period should be less than 7 years. Her

	experience in auditing has been when the books are closed, they are closed and not revisited. She added that substantial City staff time and resources are spent retrieving information and following up on businesses identified in Community Reviews. Jason asked whether the Look-Back Period for MCES Community Reviews should be constrained to 3 years. A member said in instances where not only was SAC not paid but the business was never permitted, collecting SAC can be very difficult and even more so when the activity took place more than 3 years ago. To that, another member said no matter when unpaid SAC is found, it presents a problem. It was asked what “upon City application” in the Recommendations handout entails. The answer is MCES will work with the City, not the applicant, to calculate potential credit based on the documentation provided. There is no proposal to have a formal process. Regarding the cost analysis, a member asked about debt service and if the SAC rate will flatten out. Jason said SAC changes are not a win-win proposition because MCES has to raise a fixed amount, so the SAC rate will be impacted if the current proposal is adopted. However, it was pointed out that many other factors affect that SAC rate, and most importantly SAC collections are picking up. Jason asked the group to look at the blue text in the handout and then reviewed it. No member expressed the need to change it (i.e. the blue Items 1-4 in the handout). Jason asked members to give a threshold for the Minor Transfer, and suggested 25 SAC units. Some members felt 25 credits were too high. The group seemed to end the discussion at 10 credits as the threshold. It was noted that in a formal Phased Development plan, the credits can be moved around within the defined redevelopment area. There will be no threshold like what is proposed for Minor Transfer. Jason indicated a minority report was an option for this group if there was disagreement regarding the recommendations. *He also emphasized the current SAC rules will remain in place until the effective date of a change*. A member added his staff is “excited” about the Recommendations. He asked that instead of ±3 years for grandparenting, can we change it to ±5 years, i.e. from 1968-1978. Jason said this is fine, and asked if there were objections. No members disagreed. It was asked if pre-1973 grandparent credits count as paid SAC because cities paid to build the system, thereby satisfying the obligation for grandparent properties. Jason replied cities were paid for facilities that were regionalized per state statute so grandparenting really allows demand of capacity where it was not paid. This is why the proposal is to treat that as a non-conforming use and allow continuation of demand on site, but not allow it to be used elsewhere. To that point, the member asked if the new use on the site is not a building (e.g. a parking lot) and the credit is grandparented, then the City cannot take the net credit city-wide? The answer is that is correct, the proposal is that in this situation there would be no net credits (the non-conforming but grandparented use

	would just end). It was asked how Industrial properties would be impacted by the Recommendations. Jason's mentioned that for buildings, industries pay the same as commercial businesses, but process flow is more complicated and monitored by MCES (with notices to City staff when SAC needs to be paid). He described how industries got a 1991 "baseline" that is different than creditable SAC. SAC is charged only if and when the capacity demand increases above the established baseline, or for commercial activity (e.g. a building expansion) that results in increased demand. The proposal would allow paid SAC to generate a net credit but not for unpaid SAC (including the baseline above the paid SAC). A member asked if SAC was paid but the industry reduces its water flow, what happens? Item #9 in the handout states MCES will write rules to allow a net credit from paid SAC on an industrial site if there is a *permanent* process change requiring building changes. Permanent will be defined as something more than just a valve change; it should require a building permit, disconnection of electrical utilities, and the like. MCES staff was asked to provide a list of SAC Contacts at the cities that receive Industrial Waste's correspondence; members want to know who is handling it at their respective cities. This list will be provided prior to the next work group meeting.
3. MCES Services & Outreach	The PowerPoint presentation gave a list of members from the 2011 SAC Work Group. That work group discussed how a "SAC surprise" was particularly hard on small businesses. SAC charges were sometimes not included in customers' loan package, and the funds are reportedly difficult to procure after the loan is set. *[Note: in response to this, in 2011 MCES staff was asked to provide private sector outreach. This will be described further in the next work group meeting.]* The MCES SAC loan idea (discussed by 2011 work group) proposed that MCES loan funds to cities (instead of paying full SAC up front) that wanted to participate (pursuant to existing M.S. 473.517 subd. 6) with interest . A City would make a request to set up a "SAC deferral line of credit." Cities would make arrangement to collect from the businesses at the retail level. If a business defaults, cities would not be required to make the remaining payments (but also would not receive full SAC credit). The 2011 work group was concerned about the politics of collections from delinquent small businesses and the administrative effort of such a program and did *not* recommend it. However, the loan idea was renewed with a 2012 letter from City of St. Paul's Mayor and Council. MCES responded by making it part of this work group's agenda. A member asked if SAC charges can be part of a property assessment. The answer is that cities can do that, but MCES cannot. Another member said her City does this with WAC, and they ensure property owners know about the transaction. It was asked how small business would be defined. The member's concern was a Super Target, for example, asking for a line of credit. It was suggested that this be the same as the definition for the minor SAC transfer.

	A member asked if cities can extend loans now and keep MCES out of the equation. The answer is yes, they have the authority. A member asked whether MCES can extend loans to businesses directly. Jason replied that issuing loans directly to small businesses would probably require a law change (because MCES does not bill businesses SAC, the cities do, by statute), and in the last session we could not get a hearing in either house for a well supported non-controversial SAC bill. The SAC loan discussion will be continued at the next meeting scheduled for Monday, October 1. Patty Nauman asked that it include the risk and impact to cities in implementing an MCES loan program.
4. Adjournment	11:05 AM

Meeting Title: **SAC Work Group Meeting #5**

Date: October 1, 2012 **Time: 9:30 – 11:00 PM** **Room: Metro 94 Business Center**

Members in Attendance: Gary Van Eyll, Metropolitan Council Member; Wendy Wulff, Metropolitan Council Member; James Dickinson, Andover; Robert Cockriel, Bloomington; Jon Watson, Brooklyn Park; Gene Abbott, Lakeville; Pierre Willette, Minneapolis; Patrick Trudgeon, Roseville; Brian Hoffman, St. Louis Park; Ellen Muller, St. Paul; Jim Bloom, St. Paul; Jay Scherer, Savage; Bruce Loney, Shakopee; Patricia Nauman, Metro Cities

Members Absent: Amy Baldwin, Brooklyn Park; Brent Mareck, Carver; Lisa Cerney, Minneapolis; Lorrie Louder, St. Paul Port Authority

MCES Staff in Attendance: Jason Willett; Dan Schueller; Jessie Nye; Kelly Barnebey

Meeting Notes:

Item	Notes
1. Approval of September 17 Minutes	Chair Gary Van Eyll, Met Council Member, asked if anyone had changes to the September 17 Minutes; they were approved with no changes. Chair Van Eyll indicated the timeline for getting the recommendations to the Met Council was getting short if we are to have changes implemented by year end. He asked for member feedback regarding the revised Net Credit Recommendations memo. No one gave feedback or made comments.
2. MCES Services & Outreach	Jason Willett, Director of MCES Finance and Energy Management, summarized the SAC loan idea. If such a program were adopted, he described the MCES staff-envisioned steps: *Initiation*: A Community could (voluntarily) make a request to Met Council to participate in the "SAC Deferral Loan Program" and execute a standard agreement. (Note: there would be one agreement form for all communities, but it may have some options embedded in it.) This Agreement just sets up a community to participate. *Implementation*: Per qualifying SAC determination, a participating Community may note "loan" on its monthly SAC report. Some determinations could be all paid, and some enter the loan program. An example of the timing: an April building permit, reported to MCES in May - where loan is elected - means the loan is incurred and will begin to accrue interest as of June 1. Jason then described the proposed loan terms: • Loan Amounts: up to 80% of SAC due with a maximum individual loan equal to the value of 10 SAC Units. • Principal: the loan would be amortized like a mortgage with a fixed interest rate and payments, determined by months outstanding.

- Interest: Each year end, Met Council will determine the average rate on its wastewater bonds pursuant to statute. All *new* SAC loans entered into the following year will get that rate, fixed for the duration of the loan.
- Terms of loans: 5 or 10 years (this could be a Community option which would be specified in the standard agreement).
- Payment timing: Communities must make payments to MCES at least annually. Semi-annual or more frequent payments may be preferred and could be another option. This must be specified in the standard agreement.
- Default: If a Community does not make the entire stream of payments, the site will **not** be credited with the wastewater entire capacity - that is, for the part not paid. It will get credit for the SAC actually paid. No payments will be refunded, and the Community could have the option to finish the payments regardless of default by the property owner.
- Met Council Finance will make an aggregate billing to the Community for all loans in process.
- Late Payments: If a Community's loan payment is late, an interest charge (as allowed by law) will be applied.

It was noted that there is a matrix in the PowerPoint presentation showing the weighted average interest rates on MCES outstanding debt from years 2002-2011.

Jason described a loan example:

- A Community signs an agreement in October 2012, establishing the basic loan terms (loan's length, annual payments, annual interest rate setting described, and commitment to pass through loan to businesses).
- An 8-SAC business is permitted in February 2013. On the Community's February SAC Activity Report (sent to MCES in March), the following happens:

  - The Community pays 20% of the SAC for the site: 8 x 20% = 1.60 x $2435/unit = $3896.
  - The Community checks the "Deferral Loan" box and attaches a form detailing the loan information: address, business name, permit issue date, start loan date (1st day of month after SAC report due), and loan amount (6.40 SAC x $2435 = $15,584).

- In December 2013, Met Council Finance sends out a Loan Invoice detailing the amount due on the SAC Deferral Loan(s) by the Community. In the example above:

  - $15,584 spread over 5 years with monthly amortization at 3.24% interest = $281.69/month
  - 1st Payment on this loan = $281.69 x 9 months = $2535.20
  - Single invoice is sent out annually (for all of that Community's SAC loans) and payment is due within 30 days.
  - The Community only needs to pay for 3 months in the last year's invoice (2018) and the full 8-SAC business is creditable for future use.

It was asked if net credits can be taken Community-wide in this example,

	and the answer is yes (assuming the credit changes proposed are adopted) because the full SAC was paid. A member asked how many individual loans a Community could take. Jason answered the proposal is 10 SAC *per SAC determination*, not per Community or per time period. A member noted the 2011 Work Group's concern about the administrative effort in such a loan program. She asked whether MCES' administrative effort would impact the rate base. Jason replied it would, but only very slightly (MCES records and charges SAC hours to SAC fund). He did not feel there would be much effort needed on behalf of MCES to implement such a program. It was asked, what if the Community owes 15 SAC for a determination and wants to take a loan for 10 SAC and pay 5, is that allowable? Jason answered that would be doable, but not what staff is proposing. The staff proposal is that loans be limited to businesses with a total determination of 10 SAC or less. It was asked if the "standard agreement" and the SAC Deferral Loan Program is the same thing. The answer was yes. Then the member asked if a standard agreement has to be executed every time a loan is taken. That answer was no. The concept is that the Community just signs one agreement and then their staff implements the loans through the monthly SAC reporting process. This does mean that all the loans for a Community would have the same terms. It was asked whether communities can specify that a determination 10 SAC or less has a length of 5 years, and more than that would have a length of 10 years? MCES has not proposed loans for more than 10 SAC per determination. Other members expressed sentiment to keep this to small businesses. Jason said, different terms could be specified in the Agreement, but for simplicity, the MCES staff proposal is that all loans to a Community would have the same terms. A member expressed concern over the enforcement of loan payments – that a loan program puts the Community in a terrible position to hound businesses/property owners who do not pay. To that, Patty Nauman with Metro Cities asked which members are in favor of a SAC loan program. Members from St. Paul, Minneapolis, and Lakeville raised their hands. Others indicated that they did not mind if MCES made the option available. Another member indicated his Community administers SAC loans already, usually with bars/restaurants because the liquor license can be used as leverage. The Community pays the SAC up front to MCES and allows the business to pay over time. Jason used the same example to illustrate what might happen if the business closed in June 2015 without completing its SAC loan obligation. The proposal is that Community would have the option to: • Continue remitting the remainder of the SAC Loan payments and then the full 8-SAC business would be creditable to a future use on the site (and net creditable since it was paid); **or**

	• Discontinue payments. And then, only what had been paid would be creditable to future demand (21 months of the 60 were paid = 35% x 6.40 SAC = 2.24 + 1.60 from the original payment = 3.84 potential SAC credits available on the site). Jason discussed the Community business related to a SAC Loan which might include: • A review and revision to ordinances to allow a SAC loan or assessment with property owners or businesses • Execution of the Standard Agreement with Met Council • Developing an agreement form between the Community and business/property owners • Executing payment plans or assessments with private parties. It was asked if MCES would be involved in which businesses qualify and how much they would pay. After discussion, it was decided that communities should determine any further limits to eligibility, within the limits of the MCES program (i.e. to small businesses generally). Another member noted that a bank may include SAC in a small business loan but often that opportunity is lost, as SAC is determined after the loan has already been set. She is in favor of a SAC loan program. A member asked if the individual loan is limited to 10 SAC – would there be push-back from larger corporations also wanting loans? That was unanswered. Another member said maybe there ought to be a minimum SAC amount as well. MCES prefers to leave this to communities to decide. Jason said that MCES would be willing to design a website describing the SAC loan program, and it could include a toolkit for customers pointing them to communities' individual loan programs (where some forms and procedures are already developed). It was not clear this was wanted, as some communities will not participate. A member asked what the 2011 Work Group was most concerned with regarding a proposed loan program, besides the collection of bad debt. Jason said there was concern that communities would feel pressured to participate in the program, if it was available and others were participating. To that point, another member said his Community likes the option but does not see a need for it at this time. They feel it would be an administrative burden. It was asked if the SAC loan would be for small commercial/industrial determinations only. The answer is yes. A member expressed concern over the idea a property owner of a strip mall, for example, may have several businesses with individual SAC loans. In the end that is a large default liability potentially for the property owner. To that, another member asked if we might limit the loans to 10 SAC per tenant and 20 SAC per site to prevent such a liability. Again, MCES staff suggested that communities could further limit the program if they wished.

Patty Nauman asked if the SAC Deferral Loan proposal could be a 2-year pilot program. Jason answered it could be (note, it was not clear if others wanted this).

The presentation moved on to MCES Customer Service & Outreach. Jason described the following:

- MCES' SAC services as well as the Communities' SAC services
- Roles and responsibilities for the SAC Program Administrator, SAC Technical Specialist, and the SAC Program Assistant
- A graph in the PowerPoint showing the rise of determinations completed by MCES from years 2009-present
- A graph showing historical SAC Community Review findings from years 2002-2011 – a total of $4,961,621
- SAC outreach to date
- The meeting agendas for the 2009 and 2010 SAC Training Sessions.

A member asked for future training sessions. MCES agreed to provide trainings for the work group's proposed changes (if adopted), most likely in early 2013.

A member asked for copies of the Industrial Waste 3-year review schedule, which staff will distribute to members after this meeting.

It was asked if MCES would produce SAC literature in other languages. Jason said MCES will look into providing this for customers. It was suggested to have the literature in Spanish, Hmong, and Somali, as well as English.

It was asked if MCES has done any surveys on customer service. The Met Council has done public satisfaction surveys a few years ago but none specific to SAC.

A member asked if MCES would prefer communities do determinations. Jason replied that some can be complex and for those MCES may be best, but for easier determinations MCES would prefer the Community complete them. MCES is OK with providing this service to communities.

To that point, another member indicated his Community decided to send everything to MCES as a result of a "very costly audit." Other members concurred. A member stated it was a higher level of comfort to have MCES complete determinations, with the SAC rate being higher, the dollar amount of errors is compounded.

Jason pointed to the proposed language in the Recommendations memo regarding MCES Community Reviews which had been discussed briefly in a prior meeting – and asked was everyone in agreement with limiting the reviews to 3 years? There was conversation of limiting reviews to just new information since the last review (usually less than 3 years); however, there seemed to be a consensus that 3 years was a good enough improvement.

A member asked whether MCES could post an online calculator for customers who wish to make informal estimates. The answer was there is

	not one now, although the SAC criteria are on the Council's website. Also, there is an ongoing process with Council IS staff to look at the opportunity for web-based improvements to service, so MCES will consider this. Also noted was that SAC staff now does a lot of informal estimates on the phone. It was asked how to better explain to customers where the SAC criteria come from. Jason answered this is complex, as they are individually developed over years based on building and plumbing codes, water studies, along with occasional policy decisions. He gave the example of the 75% discount for outdoor spaces as a policy decision after many complaints. Since Minneapolis specifically asked for MCES to cover customer service in this work group, Jason asked the member from Minneapolis if he had anything to add regarding this portion of the presentation. The answer was no. It was asked that MCES make <u>**re**</u>determinations (when additional information comes in after initial submittal) a higher priority than those determinations initially submitting to MCES. MCES will look into this.
3. Next Steps	This meeting is the last one for this work group. Jason discussed the next steps. <u>*Work Group Next Steps – to be pursued via email*</u>: • MCES staff to finalize and distribute the Recommendations document • MCES staff to finalize and distribute a Work Group Final Report <u>*Adoption Steps*</u>: • Met Council's Environment Committee meeting (to authorize a public meeting for broader public input): October 9 • Formal Public Meeting: October 23 • Public input period ends: November 2 • Environment Committee and Council adoption: in November • Effective Date: 1/1/13 Changes adopted will be incorporated into the 2013 SAC Procedure Manual, which is usually distributed in December and posted to the SAC web page. The Final Report will also be posted to the SAC web page. Chair Van Eyll thanked members for their input and participation in the work group.
4. Adjournment	11:07 AM

Metropolitan Council

SEWER AVAILABILITY CHARGE (SAC) "NET CREDITS"

Jason Willett
Director, MCES Finance & Energy Management
(651) 602-1196

July 16, 2012

Today's Agenda

1) MCES Overview
2) SAC Background
3) Net Credits & Options

August Meeting: Small Business Loan & Follow-up on Net Credits

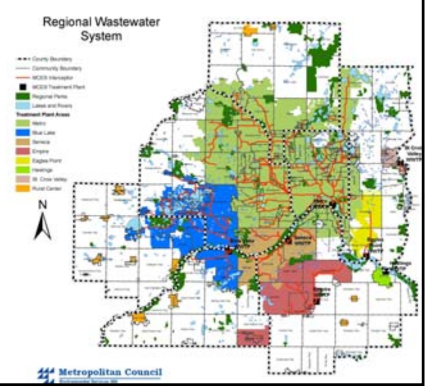
September Meeting: Wrap-up of issues (if needed)

Final Report – by email?

Metropolitan Council

MCES Wastewater System

- Seven Treatment Plants
- 600 miles of Regional Interceptors
- Estimated $5 Billion Replacement Value
- Capacity to treat 372 million gallons per day of Wastewater Flow
- 106 Communities Connected



MCES Metropolitan Plant

MCES Performance Awards

National Association of Clean Water Agencies (NACWA) - compliance with clean water discharge permits
- all plants, most years

MCES/Xcel Energy Awards

NACWA Operations Award for Environmental Achievement (I/I program)

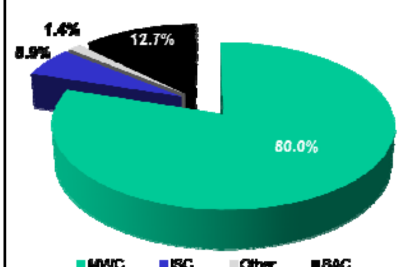
Metropolitan Plant Solids Management Building design
- 3 awards

(see fact sheet for details)

Metropolitan Council

MCES: Budget - Sources

Wastewater costs are 100% user-fee funded; no taxes

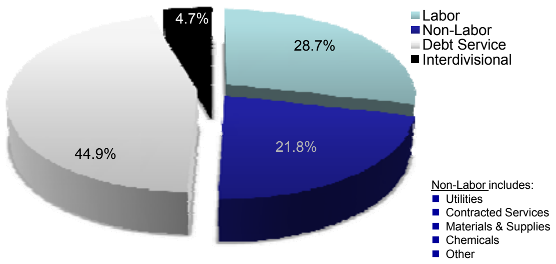


MWC = Municipal Wastewater Charge (flow volume)
SAC = Sewer Availability Charge (capacity demand)
ISC = Industry Specific Charges

Based on 2012 budget of $217 million

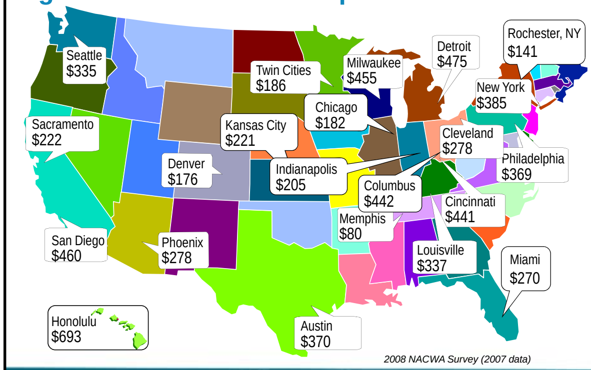
Metropolitan Council

MCES: Budget - Uses

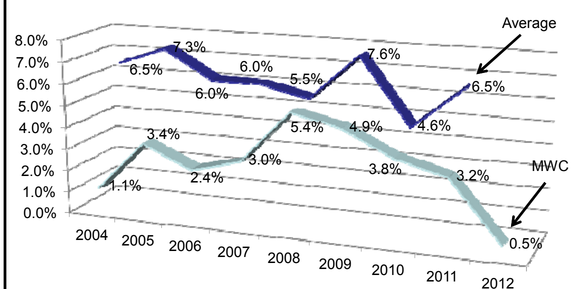


Based on 2012 budget of $217 million

Regional Retail Rates Comparative Information



MWC Increases vs. NACWA Average



SAC Background

History

- Reserve Capacity originally assessed to developing cities as lump sum
- SAC program instituted January 1, 1973
- SAC is payment for Reserve Capacity (i.e., capacity intended for future users)

SAC Source of Funds

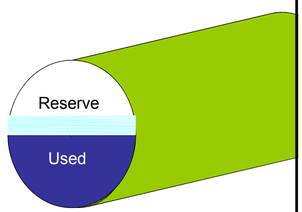
- Charged to municipalities ("wholesale charge")
  - SAC revenue reduces volume charges to cities
- For new connections or increased demand (capacity) to the Metropolitan Disposal System (MDS)
- 1 SAC Unit charged per 274 gallons of maximum daily wastewater availability
- Availability ≠ Treatment
"capacity we stand ready to serve"

SAC 2012 Rate

Urban* Base Fee: Dwelling Units:	$2,365 1 unit each
- Apartments (without individual laundry facilities)	20% discount
- Multi-Dwelling Public Housing (without garbage disposals nor dishwashers)	25% discount
Commercial & Institutional: Base fee times number of residential equivalent capacity (RECs) units. The number of RECs is based on estimated maximum potential flow by type of use.	
- Qualified Outdoor Spaces	75% discount
Industrial Process Flow: Base fee times number of RECs where the number of RECs is based on maximum normal flow volume measured.	
** "Rural Growth Centers" (RGCs): Elko New Market, East Bethel, and New Germany have higher SAC base rates set by contract.*	

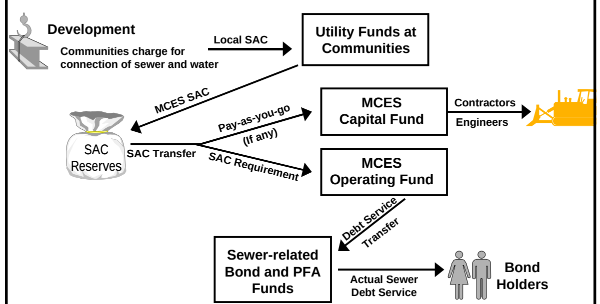
SAC Use of Funds

- Pays a portion of the capital or debt service (payments) on all MCES debt
  - Portion paid is based on the "reserve capacity"
- Pays for administrative costs of SAC program



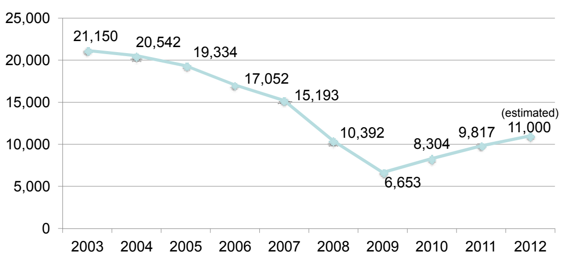
Per MN Statute 473.517 subd (3)

SAC Flow of Funds



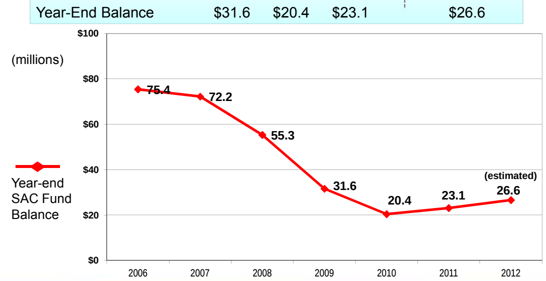
SAC Collection by Units

Decreasing SAC units causing pressure on SAC reserve fund balance & rates



SAC Reserve Fund

	Actual			Projected
	2009	2010	2011	2012
Year-End Balance	$31.6	$20.4	$23.1	$26.6



SAC Credits – General

- When a new use occurs on a site, the previous wastewater demand is credited to the new demand.
  - Any increased net capacity is charged SAC.
  - Any decreased net capacity *could* be a net credit (was prior to 2010).
- Provides some equity among cities.

SAC Key Concept Summary

- SAC is required by statute to fund part of MCES capital costs.
- Availability of capacity is a separate service from use (volume of sewage treated).
- SAC at retail level is a City charge (retail rate & credit rules are often different than MCES').
- SAC provides some inter-city equity (roughly growth pays for growth).
- SAC receipts and reserves are down due to recession.

Identified Net Credit Options

1) Current Net Credit Policy (post 1/1/2010)
2) Previous Net Credit Policy (prior 1/1/2010)
3) Net Credits if SAC Paid in Last 10 years
4) Change Look-Back Period (LBP) Term
5) Depreciating Value of Credits
6) Minor Transfer
7) Gross Credits Redefined

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Option 1: Current Net Credit Policy

- Credits are limited to the amount needed on the site for the new use. The potential remaining credit remains onsite for future use (up to 8 years) = Look-Back Period.
- Cities are not able to take credits city-wide.

Metropolitan Council

Option 1: Example

- A 10-SAC restaurant is remodeled to a 2-SAC print shop.
  - The print shop development generates no SAC from MCES.
- The potential of net 8 credits automatically remain on site for future use up to 8 years.

Metropolitan Council

Option 1: Pros/Cons

- Pro: Current policy and City staff are becoming familiar with these rules.
- Pro: The reasons for the policy change in the first place
  - Policy: Does not reward deintensification
  - Financial: Fewer net credits means more paid SAC to reduce SAC rate pressure
  - Equity: No credit = site is not paying to help maintain the system capacity
  - Offset Charge: LBP allows credit even if not paid, occasionally
- Con: Reduces potential credits for City use for redevelopment.
- Con: Less financial flexibility for cities.
- Con: City staff hesitant to evaluate credits for determinations.

Metropolitan Council

Option 2: Previous Net Credit Policy

- Prior to 1/1/2010, Cities earned net credits and had the choice to leave site-specific or take city-wide.
- Site-specific credits were available for the use on the site indefinitely.
- City-wide credits had to be used by the City to offset its next SAC charges to MCES (from other sites).

Metropolitan Council

Option 2: Example

- A 10-SAC restaurant is remodeled to a 2-SAC print shop.
  - The print shop development generates no SAC from MCES.
- Cities have the option to leave the net 8 SAC credits on site indefinitely for future use at that site, or to take them city-wide to offset charges for development elsewhere in the city.

Metropolitan Council

Option 2: Pros/Cons

- Pro: Historical practice was familiar to City staff since the rule was in use for 20+ years.
- Pro: More financial flexibility for cities.
- Pro: Potentially encourages redevelopment with credits.
- Con: By allowing net credits, SAC rate pressure increases.
- Con: Net credits preserve (or likely increase) value while physical assets maintenance is not being supported.
- Con: Chance of property receiving unpaid SAC credits and net credit (financial hit to SAC rate base).
- Con: Building/property owners do not benefit from net credits being taken offsite.
- Con: Extends reward for non-reporting.

Metropolitan Council

Option 3: Net Credits if SAC Paid in Last 10 years

- Net credits if (and only if) there was actual payment of SAC to MCES by the City for the site in the last 10 years.
  - Does not allow net credits for grandparented properties (pre-1973) or where SAC was never paid.
  - Does not allow net credit for capacity where SAC paid was >10 years ago.
  - The potential remaining net credit remains on site for future use up to 8 years.

Metropolitan Council

Option 3: Example

- A 10-SAC restaurant for which SAC was paid in the last 10 years is remodeled to a 2-SAC print shop.
  - The print shop development generates no SAC from MCES.
- The net 8 SAC credits may be taken city-wide, or left on site for future use at that site up to 8 years.
- If the SAC was not paid, no credits.

Metropolitan Council

Option 3: Pros/Cons

- Pro: More equitable since SAC has been recently paid for needed system capacity.
- Pro: Better acceptance by the SAC payer (business/property owner) who may know of the prior payment.
- Con: By allowing net credits, SAC rate pressure would increase.
- Con: Some increase in value of net credits while maintenance not supported.
- Con: Confusion between LBP gross credit criteria and net credit periods.

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Option 4: Change Look-Back Period (LBP) Term

- Current rules have Look-Back Period for 7 years (plus portion of current year).
- This option would increase the LBP term to 10 years plus portion of current year.

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Option 4: Example

- A 10-SAC restaurant is remodeled to a 2-SAC print shop.
  - The print shop development generates no SAC from MCES.
  - The potential net 8 credits are left on site for future use at that site for up to 11 years (instead of 8).
- Variation: The 10-SAC restaurant opened in the year preceding the Look-Back Period (2001 in this example) and never paid SAC.
  - In order to prove the use in to the LBP and apply full credit from the restaurant, City needs to provide record of it from 2001 (e.g. building plan or food license).
  - If no proof, the minimal use will be assumed.

Metropolitan Council

Option 4: Pros/Cons

- Pro: No change to the current format of the rule, only extending the term.
- Con: Records need to be kept by City longer.
  - Note: Many cities have 3-5 year record retention schedules.
- Con: Small rate impact with increase in credits allowed due to the longer LBP.
- Con: Does not help with businesses or redevelopment at other sites.

Metropolitan Council

Option 5: Depreciating Value of Credits

- If SAC has been paid to MCES in the last 20 years, Cities would be allowed to take net credits but at depreciated value.
- Net credits depreciated value would be recognized simply at the dollar amount originally paid to MCES.

Metropolitan Council

Option 5: Example

- A 10-SAC restaurant for which SAC was paid in 1998 (within the last 20 years) is remodeled to a 2-SAC print shop. This results in 8 net credits.
- The 1998 rate was $1,000/unit, and so the 8 net credits are worth $8,000.
- Net Credit available to City = $8,000 (approx. 3.4 units in 2012).

Metropolitan Council

Option 5: Pros/Cons

- Pro: Depreciating value of the net credit is more equitable because value of capacity needs to be maintained by others.
- Pro: Some credits means more financial flexibility for Cities.
- Con: More difficult to administer and explain to customers (though explanation to cities would be easier).

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Option 6: Minor Transfer

- At City request, SAC paid capacity could be moved if within same sewer line.
- For example, a business moving across the street; SAC capacity at original site reduced; SAC capacity at new site increased without payment.

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Option 6: Pros/Cons

- Pro: Could be an option for cities & also restricted to only when property owners agree.
- Pro: Improvement to cost-of-service design.
- Pro: Fixes perceived inequity by business owners.
- Con: May cause private sector legal arguments (might need to require owner to agree to explicitly disclose).
- Con: Minor loss of SAC revenue.
- Con: Does not help if properties are in different cities.
- Con: Complex tracking & explaining.

Metropolitan Council

Option 7: Gross Credit Redefined

- Gross credit eligibility redefined to:
  - SAC paid for site in last 20 years (and in use for last 3 years)
- Net Credit = gross credit - those needed for development
- Unused City-Wide Credit balances reduced by 5% at the end of each year

Metropolitan Council

Option 7: Example

- 10-SAC restaurant remodeled to a 2-SAC print shop
  - Case i) restaurant has actually paid 10 SAC ⟹ no charge + 8 net credits available in year 1; 7.6 in year 2, and so on
  - Case ii) restaurant has been in use but never actually paid SAC ⟹ print shop pays 2 SAC + no net credits
  - Case iii) restaurant has paid 10 SAC but has been vacant for 4 years ⟹ print shop pay 2 SAC + no net credits

Metropolitan Council

Option 7: Pros/Cons

- Pro: Net credits simpler.
- Pro: Cost of service improvement.
- Pro: Look-Back Period needed only for 3 years (matches most city retention schedules).
- Pro: Some net credits generated.
- Con: Vacancies greater than 3 years = no SAC credit, could be seen as inequitable.

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Financial Impact of Identified Net Credit Options (If applied in 2012*)

Net Credit Option	Demand in $ Value	Demand in SAC Units	Implied SAC Rate (vs. 2012 Rate $2,365)
1) Current Credit Policy	-0-	-0-	-0-
2) Previous Credit Policy	$2,473,790	1046	$2,585
3) If Paid in Last 10 Yrs	$558,140	236	$2,420
4) Change LBP Term	NA	NA	NA
5) Depreciating Value	$524,075	407	$2,420
6) Minor Transfer	NA	NA	NA
7) Gross Credits Redefined	$948,365	401	$2,450

Assumes no "permanent process change" net credit re-established for industry.

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-Questions?
-Other Options?
-Discussion
-Consensus?

www.metrocouncil.org/environment/RatesBilling/SAC_Program.htm

Metropolitan Council

Metropolitan Council

SEWER AVAILABILITY CHARGE (SAC)
NET CREDIT & SAC LOAN DISCUSSION

Jason Willett
Director, MCES Finance & Energy Management
(651) 602-1196

August 13, 2012

Today's Agenda

1) Review & Approval of July 16 Minutes
2) Continuation of Net Credit Discussion
3) Next Steps on Recommended Change for Net Credits

If time permits

4) Introduction of SAC Loan Issue
5) Topics & Scheduling for August & September Meetings

Metropolitan Council

Identified Net Credit Options

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Metropolitan Council

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Metropolitan Council

Option 2: Example

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Metropolitan Council

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Metropolitan Council

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Metropolitan Council

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- If the SAC was not paid, no credits.

Metropolitan Council

Option 3: Pros/Cons

- Pro: More equitable since SAC has been recently paid for needed system capacity.
- Pro: Better acceptance by the SAC payer (business/property owner) who may know of the prior payment.
- Con: By allowing net credits, SAC rate pressure would increase.
- Con: Some increase in value of net credits while maintenance not supported.
- Con: Confusion between LBP gross credit criteria and net credit periods.

Metropolitan Council

Option 4: Change Look-Back Period (LBP) Term

- Current rules have Look-Back Period for 7 years (plus portion of current year).
- This option would increase the LBP term to 10 years plus portion of current year.

Metropolitan Council

Option 4: Example

- A 10-SAC restaurant is remodeled to a 2-SAC print shop.
  - The print shop development generates no SAC from MCES.
  - The potential net 8 credits are left on site for future use at that site for up to 11 years (instead of 8).
- Variation: The 10-SAC restaurant opened in the year preceding the Look-Back Period (2001 in this example) and never paid SAC.
  - In order to prove the use in to the LBP and apply full credit from the restaurant, City needs to provide record of it from 2001 (e.g. building plan or food license).
  - If no proof, the minimal use will be assumed.

Metropolitan Council

Option 4: Pros/Cons

- Pro: No change to the current format of the rule, only extending the term.
- Con: Records need to be kept by City longer.
  - Note: Many cities have 3-5 year record retention schedules.
- Con: Small rate impact with increase in credits allowed due to the longer LBP.
- Con: Does not help with businesses or redevelopment at other sites.

Metropolitan Council

Option 5: Depreciating Value of Credits

- If SAC has been paid to MCES in the last 20 years, Cities would be allowed to take net credits but at depreciated value.
- Net credits depreciated value would be recognized simply at the dollar amount originally paid to MCES.

Metropolitan Council

Option 5: Example

- A 10-SAC restaurant for which SAC was paid in 1998 (within the last 20 years) is remodeled to a 2-SAC print shop. This results in 8 net credits.
- The 1998 rate was $1,000/unit, and so the 8 net credits are worth $8,000.
- Net Credit available to City = $8,000 (approx. 3.4 units in 2012).

Metropolitan Council

Option 5: Pros/Cons

- Pro: Depreciating value of the net credit is more equitable because value of capacity needs to be maintained by others.
- Pro: Some credits means more financial flexibility for Cities.
- Con: More difficult to administer and explain to customers (though explanation to cities would be easier).

Metropolitan Council

Option 6: Minor Transfer

- At City request, SAC paid capacity could be moved if within same sewer line.
- For example, a business moving across the street; SAC capacity at original site reduced; SAC capacity at new site increased without payment.

Metropolitan Council

Option 6: Pros/Cons

- Pro: Could be an option for cities & also restricted to only when property owners agree.
- Pro: Improvement to cost-of-service design.
- Pro: Fixes perceived inequity by business owners.
- Con: May cause private sector legal arguments (might need to require owner to agree to explicitly disclose).
- Con: Minor loss of SAC revenue.
- Con: Does not help if properties are in different cities.
- Con: Complex tracking & explaining.

Metropolitan Council

Option 7: Gross Credit Redefined

- Gross credit eligibility redefined to:
  - SAC paid for site in last 20 years (and in use for last 3 years)
- Net Credit = gross credit - those needed for development
- Unused City-Wide Credit balances reduced by 5% at the end of each year

Metropolitan Council

Option 7: Example

- 10-SAC restaurant remodeled to a 2-SAC print shop
  - Case i) restaurant has actually paid 10 SAC ⟹ no charge + 8 net credits available in year 1; 7.6 in year 2, and so on
  - Case ii) restaurant has been in use but never actually paid SAC ⟹ print shop pays 2 SAC + no net credits
  - Case iii) restaurant has paid 10 SAC but has been vacant for 4 years ⟹ print shop pay 2 SAC + no net credits

Metropolitan Council

Option 7: Pros/Cons

- Pro: Net credits simpler.
- Pro: Cost of service improvement.
- Pro: Look-Back Period needed only for 3 years (matches most city retention schedules).
- Pro: Some net credits generated.
- Con: Vacancies greater than 3 years = no SAC credit, could be seen as inequitable.

Metropolitan Council

Financial Impact of Identified Net Credit Options (If applied in 2012*)

Net Credit Option	Demand in $ Value	Demand in SAC Units	Implied SAC Rate (vs. 2012 Rate $2,365)
1) Current Credit Policy	-0-	-0-	-0-
2) Previous Credit Policy	$2,473,790	1046	$2,585
3) If Paid in Last 10 Yrs	$558,140	236	$2,420
4) Change LBP Term	NA	NA	NA
5) Depreciating Value	$524,075	407	$2,420
6) Minor Transfer	NA	NA	NA
7) Gross Credits Redefined	$948,365	401	$2,450

Assumes no "permanent process change" net credit re-established for industry.

Metropolitan Council

-Questions?
-Other Options?
-Discussion
-Consensus?
-Next Steps

Metropolitan Council

"SAC Loan" Discussion

Metropolitan Council

2011 SAC Work Group

- Meeting Schedule
  - July 11, 2011
  - July 25, 2011
  - August 23, 2011
- Members
  - Wendy Wulff, Council Member & Chair
  - Joe Huss, Blaine
  - Harlan Van Wyhe, Maple Grove
  - Lisa Cerney, Minneapolis
  - Mary Ubl, Minneapolis
  - Patricia Nauman, Metro Cities
  - Aaron Day, Blue Construction
  - John Ryden, CB Richard Ellis
  - Christine Renne, Ecolab
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  - Jason McCarty, Westwood Professional Services

Metropolitan Council

2011 Small Business Loan Discussion

- "SAC surprise" particularly hard on small businesses.
- Cities have authority to provide terms to businesses now.
- SAC charges sometimes not included in customers' loan package and funds may be difficult to procure after determination.

Metropolitan Council

MCES 2011 Loan Idea

- Met Council would loan funds to Cities that wanted to participate (M.S. 473.517 subd. 6) with interest.
- A City voluntarily makes a request to set up a "SAC Deferral line-of-credit" for loans allowing deferring eligible SAC payments.
- Cities would enter loan agreement for payments over time from businesses or property owners.
- If business defaults, Cities would not be required to make remaining payments (but also would not receive full SAC credit).

Metropolitan Council

-Questions?
-Other Options?
-Discussion
-Consensus?

Metropolitan Council

Topics & Scheduling

Next Meetings

- Monday, August 27
- Monday, September 17

Metropolitan Council

Metropolitan Council

SEWER AVAILABILITY CHARGE (SAC)
NET CREDIT & SAC LOAN DISCUSSION

Jason Willett
Director, MCES Finance & Energy Management
(651) 602-1196

August 27, 2012

Today's Agenda

1) Review of August 13 Minutes
2) Discussion on Net Credit Recommendation

If time permits

3) MCES Services & Outreach
   - SAC loan idea
   - Current services

Metropolitan Council

Discussion of Net Credit Recommendation

Metropolitan Council

Recommendation Finalization
see handout for more detail

Gross Credits

- Gross credit eligibility redefined such that SAC paid at any time is sufficient evidence for gross credit eligibility.
- If SAC was not paid or cannot be proven for a site, City may provide reasonable documentation to MCES of the continuous use for [?] years prior to current permit/determination.
- The calculation of gross credits shall be determined by the current rules & criteria.
- The Look-Back Period and vacancy rules will no longer apply.

Metropolitan Council

Recommendation Finalization (cont.)
see handout for more detail

Net Credits

- Net Credits = gross credits – (credit needed on site for new permit).
- Net Credits may be taken city-wide or left site-specific at the City's option.
- City-wide credits only available where SAC was actually paid.
- Unused Net Credits at each year-end [are carried forward in their entirety, or decremented on the books by 5%].

Metropolitan Council

Recommendation Finalization (cont.)
see handout for more detail

Additional Detail

- City approved Phased Developments shall not have their eligible gross or net credits decremented for full term (current rule 5.4.3 allowed 10 years).
- Speculative buildings are initially determined as if 30% of the space were office and 70% warehouse. As spaces are built out for tenants a redetermination occurs. This proposal will not change that process.
- Minor Transfers will be allowed within a City. At City's written request, SAC gross credits may be moved to another site within the same City.
- New rules all to be effective [1/1/13].

Metropolitan Council

Examples

- In 2013 a new 15-SAC restaurant goes in to a 10-SAC retail business that paid SAC in August 1980 → 15 SAC – 10 = net 5 due.
- The City provides documentation there was a 13-SAC restaurant there in 2003 and believes it has been in continuous use there → 15 SAC – 13 = net 2 due.

Metropolitan Council

Examples (continued)

- In 2013 a new 10-SAC retail goes in to a 15-SAC restaurant that paid SAC in August 1980 → 10 SAC – 15 SAC = net 5 credits *that can be left on site or taken city-wide.*
- The City provides documentation there was a 20-SAC restaurant there in 2003 → 10 SAC – 20 SAC = net 10 credits *that can be left on site [or taken city-wide?]*

Metropolitan Council

Minor Transfer

- SAC Minor Transfer Form
  - Amount of credit to be transferred
  - Address where credit taken from
  - Address where credit will be applied
  - Date of Transfer
  - Signature of City Official

Metropolitan Council

-Questions?
-Consensus?
-Next Steps

Metropolitan Council

MCES Services & Outreach

- **SAC Loan Idea**

Metropolitan Council

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  - Harlan Van Wyhe, Maple Grove
  - Lisa Cerney, Minneapolis
  - Mary Ubl, Minneapolis
  - Patricia Nauman, Metro Cities
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  - George Anderson, Vision-Ease Lens
  - Jason McCarty, Westwood Professional Services

Metropolitan Council

2011 Small Business Loan Discussion

Background

- "SAC surprise" particularly hard on small businesses.
- Cities have authority to provide terms to businesses now.
- SAC charges sometimes not included in customers' loan package and funds may be difficult to procure after loan is set.

Metropolitan Council

MCES 2011 Loan Idea

- Met Council would loan funds to Cities that wanted to participate (M.S. 473.517 subd. 6) with interest.
- A City makes a request to set up a "SAC Deferral line-of-credit."
- Cities would use line-of-credit, case by case, via monthly reporting to Met Council.

- If business defaults, Cities would not be required to make remaining payments (but also would not receive full SAC credit).

Metropolitan Council

-Questions?
-Discussion
-Consensus?

Metropolitan Council

SAC Roles and Responsibilities

MCES' Role

- Performs determinations for commercial properties and credit availability, upon request of the community.
- Performs all Determinations for industrial properties including a third year review process.
- Conducts a SAC Community Review at least once every three years on permit records and payments.
- Reserves the right to interpret and update SAC procedures, subject to authorizing legislation and case law.

Metropolitan Council

SAC Roles and Responsibilities

Community's Role

- Reports payments to MCES in accordance with reporting deadlines and procedures.
- Performs determinations for Residential Properties according to established MCES criteria.
- Reports demolitions.
- Verifies final Commercial Determinations (as built).
- Assessment of Local SAC in accordance with local ordinances.
  - MN Statutes 444.075 subd. 3c and 473.521 or other fund raising authority of the Local Government.

Metropolitan Council

SAC Roles and Responsibilities

Community's Role (continued)

- Notifies MCES of any new, previously unpermitted, Industries.
- Keeps local SAC records for an 8 year record retention.
- Resolves all Community Review findings and remits any unpaid SAC to MCES within 60 days of discovery.

Metropolitan Council

MCES SAC Customer Service Instruction

- Staff strives to return calls/emails within 24 hours (M-F).
- Customers who are not satisfied with determination will be given information regarding the appeal process or supervisor contact information.
- Customers will always be able to receive the status of their determination reviews.
- Staff will complete determinations within 1-2 weeks of receiving all necessary information.
- Should staff be out of the office, it is their responsibility to update their voicemail greeting & email auto-reply.
- The SAC website will be kept up to date.

SAC Staff

Jessie Nye – SAC Program Administrator

- Completes SAC community reviews
- Reviews monthly SAC Activity Reports
- Provides training to cities upon request
- Provides backup for SAC Program Technical Specialist for determinations

Karon Cappaert – SAC Program Technical Specialist

- Provides determinations
- Reviews Phased Development projects
- Provides estimates at customers' request

SAC Staff (continued)

Kelly Barnebey – SAC Assistant

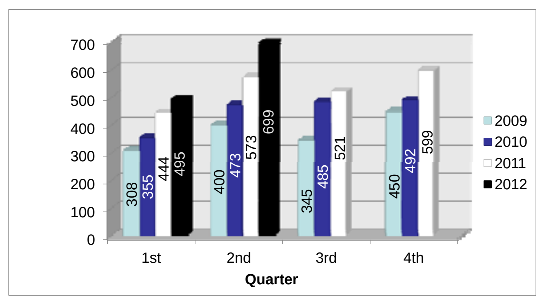
- Provides administrative support to SAC staff
- Is often the first point of contact for customers
- Answers questions regarding determination review status
- Provides basic estimates at customers' request

Part-time:

Jason Willett, Director, MCES Finance & Energy Mgmt

Various MCES Industrial Waste staff

SAC Determinations



+ approx. 500 informal determinations/estimates annually

Historical Community Review Findings

Year	Dollar Amount	Year	Dollar Amount
2002	$424,640	2007	$258,515
2003	$1,245,792	2008	$167,438
2004	$245,190	2009	$456,482
2005	$593,933	2010	$984,267
2006	$118,876	2011	$466,488

10 year Community Review Finding Collection: $4,961,621

Services to Customers

- Cities may inform customers to contact MCES if a determination is required.
  - Inquiries made via phone or email.
  - Some cities include submittal information in their packets.
  - Customers can either download the application from SAC website or request the materials.
- Customers are notified how long determinations take and whether any information is missing.
- Submittals are tracked internally.
- Determination letters are emailed to SAC Contacts at the cities, and applicants are copied in email.

Services to Customers (cont.)

- Customers seeking estimates are asked basic questions (e.g. intended use of the space, the address) and given calculations to run the math themselves.
- Historical record-keeping: determinations are entered in SAC database and documents are stored electronically.

Metropolitan Council

Summary of Appeal Process to MCES

- Cities may send written appeals of determinations to MCES Finance Director.
- Upon completion of the appeal review, a written decision is sent to the City.
- Appeal reviews generally last 2-6 weeks.

Metropolitan Council

SAC Outreach

- 2011 Work Group recommended a more comprehensive outreach campaign: small business groups as well as architect, developer, and builder associations; local Chambers; and economic development agencies.
- An outreach brochure was distributed to cities and posted to the SAC webpage.

Metropolitan Council

Outreach Contacts to Date

- 20 organizations contacted*
- 6 presentations made*
- Additional entities to contact?

**see handout for more detail*

Metropolitan Council

2009 Training Sessions for City Staff

- Meeting Schedule
  - August 2, 2009
  - August 20, 2009
  - September 17, 2009
- Agenda
  - Program Background
  - SAC Roles & Responsibilities
  - SAC Credits & 2010 Credit Rules
  - Common Questions & Issues
  - Small Group Discussion

Metropolitan Council

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- Meeting Schedule
  - March 31, 2010
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  - Definition of Change of Use
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  - Questions & Discussion

Metropolitan Council

Future Training Sessions

- Always available during MCES Community Reviews or upon request

- Once a year for City staff
- Once a year for public?

Metropolitan Council

-Questions?
-Discussion

Next Meeting:
Monday, September 17
9:30-11:00 AM, same location

Metropolitan Council

Metropolitan Council

SEWER AVAILABILITY CHARGE (SAC)
NET CREDIT & SAC LOAN DISCUSSION

Jason Willett
Director, MCES Finance & Energy Management
(651) 602-1196

September 17, 2012

Today's Agenda

1) Review of August 27 Minutes
2) Gross and Net Credit Recommendations

If time permits

3) MCES Services & Outreach
 - SAC loan idea
 - Current services

Metropolitan Council

Discussion of Gross and Net Credit Recommendations

Metropolitan Council

Recommendation Finalization Examples

- Property built in 1980 paid **10 SAC**. In 2013 a 15-SAC use replaces existing use.
  - **15 – 10 = 5 SAC due**
- Property built in 1980 paid **20 SAC**. In 2013 a 15-SAC use replaces existing use.
  - **15 – 20 = 5 Net Credits** to take city-wide or leave site-specific
- Property built in 1980 did not pay SAC. On City application, they show it was a **10-SAC** use that has been in continuous demand through 2012. In 2013 a 15-SAC use replaces existing use.
  - **15 – 10 = 5 SAC due**

Metropolitan Council

Recommendation Finalization Examples (continued)

- Property built in 1980 did not pay SAC. On City application, they show it was a **20-SAC** use that has been in continuous demand through 2012. In 2013 a 15-SAC use replaces existing use.
  - **15 – 20 = 0 SAC due**, *no Net Credits*
- Using the same prior example, in 2015 an 18-SAC use replaces existing use.
  - **18 – 15 = 3 SAC due**
- Property was built in 1960. On City application, they show it was a **10-SAC** use around 1973. In 2013 a 15-SAC use replaces existing use.
  - **15 – 10 = 5 SAC due**
- Property was built in 1960. On City application, they show it was a **20-SAC** use around1973. In 2013 a 15-SAC use replaces existing use.
  - **15 – 20 = 0 SAC due**, *no Net Credits*
- Using the same prior example, in 2015 an 18-SAC use replaces existing use.
  - **18 – 15 = 3 SAC due**

Metropolitan Council

Recommendation Finalization Examples (continued)

- Property built in 1960. On City application, they show it was a **10-SAC** use around 1973. In 1980 a **20-SAC** use went in but did not pay and has been vacant since 2000. In 2013 a 15-SAC use replaces existing use.
  - **15 – 10 = 5 SAC due** since the unpaid 1980 use was not in continuous demand. It receives grandparent gross credit.
- Property was built in 1960 and paid an additional **10 SAC** in 1985. On City application, they show it was a **2-SAC** use around 1973. In 2013 a 15-SAC use replaces existing use.
  - **15 – 12 = 3 SAC due**

Metropolitan Council

Recommendation Finalization Examples (continued)

- Property was built in 1960 and paid an additional **10 SAC** in 1985. On City application, they show it was a **10-SAC** use around 1973. In 2013 a 15-SAC use replaces existing use.
  - **15 – 20 = 0 SAC due**, *no Net Credits because the SAC paid does not offset the new use*
- Property was built in 1960 and paid an additional **20 SAC** in 1985. On City application, they show it was a **10-SAC** use around 1973. In 2013 a 15-SAC use replaces existing use.
  - **15 – 30 = 0 SAC due, and 5 Net Credits** available to take city-wide or leave site-specific because the SAC paid offsets the new use by 5 SAC

Metropolitan Council

Minor Transfer

- SAC Minor Transfer Form
  - Amount of credit to be transferred
  - Address where credit taken from
  - Address where credit will be applied
  - Date of Transfer
  - Signature of City Official
- As with current rules, a minimal use of the site must be retained, i.e. retail, office, or warehouse for multi-tenant buildings, minimum 1 SAC for stand-alone buildings.

Metropolitan Council

-Questions?
-Consensus?
-Next Steps

Metropolitan Council

MCES Services & Outreach

- **SAC Loan Idea**

Metropolitan Council

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- "SAC surprise" particularly hard on small businesses.
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Metropolitan Council

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Metropolitan Council

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Metropolitan Council

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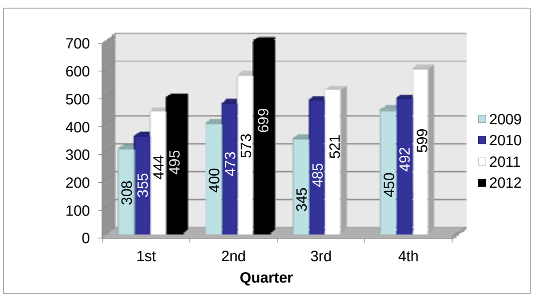

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Metropolitan Council

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Metropolitan Council

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Metropolitan Council

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Metropolitan Council

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Metropolitan Council

-Questions?
-Discussion

Next Meeting:
Monday, October 8
9:30-11:00 AM, same location

Metropolitan Council

Metropolitan Council

SEWER AVAILABILITY CHARGE (SAC)

SAC LOAN & MCES SERVICES

2012 WORK GROUP MEETING #5

Jason Willett
Director, MCES Finance & Energy Management
(651) 602-1196

October 1, 2012

Today's Agenda

1) Revisions to September 17 Minutes, if requested

2) MCES Services & Outreach
   - SAC loan idea
   - Current services

3) Next Steps

MCES Loan Idea

- SAC charges are sometimes not included in customers' loan package.
- Funds may be difficult to procure after the loan package is set.
- Cities have the authority to provide terms now.
- In 2011, MCES staff discussed a loan idea with previous work group.
- Cities concerned about administrative effort.

MCES Loan Idea Steps

- Initiation: A City voluntarily makes a request to Met Council to participate in "SAC Deferral Loan" & executes standard agreement.
- Implementation: Per site determination, City may note "loan" on its monthly SAC report.
  - For example, April building permit, reported in May, loan will be as of June 1.

Proposed Loan Terms

- Loan Amounts: Up to 80% of SAC due, with a maximum individual loan equal to the value of 10 SAC Units.
- Principal: Would be amortized like a mortgage with fixed payments.
- Interest: Each year-end, Met Council will determine the average rate on its wastewater bonds pursuant to statute. All new SAC loan deferment loans entered into the following year will get that rate, fixed for the duration of the loan.
- Terms of loans: 5 or 10 years (City option, specified in Agreement).
- Payment timing: Cities must make payments to MCES at least annually. Semi-annual or more frequent payments may be preferred. This must be specified in Agreement.

Proposed Loan Terms (cont.)

- Default: If a City does not make the entire stream of payments, the site will **not** be credited with the wastewater capacity not paid, but will get credit the SAC acutally paid.
  - No payments will be refunded.
  - City has option to finish the payments regardless of default by the property owner.
- Late Payments: If a City payment is late, an interest charge (as allowed by law) will be applied.

Weighted average interest rates on MCES outstanding debt

Year	Rate
2011	3.24%
2010	3.34%
2009	3.60%
2008	3.62%
2007	3.60%
2006	3.60%
2005	3.62%
2004	3.53%
2003	3.66%
2002	4.26%

SAC Deferral Loan Example #1

- City signs MCES SAC Deferral Loan Agreement October 2012, establishing basic loan terms (loan length, annual payments on loans, interest rate).
- An 8-SAC business is permitted February 2013. On the February SAC Activity Report the City:
  - Pays 20% of the SAC for site: 8 x 20% = 1.60 x $2,435/unit = $3,896
  - Checks "Deferral Loan" box and attaches Form detailing the loan information
    - Address
    - Business Name
    - Permit Issued Date – 2/15/13
    - Start Loan Date – 4/1/13 (1st day of month after SAC report due)
    - Loan Amount – 8 SAC x 80% = 6.40 x $2435 = $15,584

SAC Deferral Loan Example #1 (cont.)

- December 2013 MCES Finance sends out Loan Invoice detailing the amount due on the SAC Deferral Loan(s) by the City to MCES. In this single-loan example:
  - $15,584 spread over 5 years with monthly amortization at 3.24% interest = $281.69/month
  - Payment on this loan = $281.69 x 9 months = $2,535.20
  - Single Invoice is sent out annually (for all City loans) and payment due in 30 days.
  - The City only needs to pay for 3 months in the last year's invoice (2018) and the full 8-SAC business is creditable to future use.

SAC Deferral Loan Example #2

All the same information through City completing two loan payments (2013 for 9 months, 2014 for 12 months)

- June 2015 City notifies MCES that business is closed. City has option:
  - Continue remitting the remainder of the SAC Deferral Loan payments and the full 8-SAC business is creditable to future use on the site (and net creditable since it was paid).
  - Discontinue payments. Only what has been paid is creditable to future use (21 months of the 60 were paid = 35% x 6.40 SAC = 2.24 + 1.60 from original payment = 3.84 potential SAC credits available on the site.

City Business Related to SAC Deferral Loan

- Review and revise City ordinances to allow loan or assessment with property owner or business
- Execute Standard Agreement with MCES
- Develop Agreement between City and business/property owner
- Execute payment plans or assessments with private parties
- Other?

-Questions?
-Discussion
-Consensus?

SAC Roles and Responsibilities

MCES' SAC Services

- Performs determinations for commercial properties and credit availability, upon request of the community.
- Performs all Determinations for industrial properties including a third year review process.
- Conducts a SAC Community Review at least once every three years on permit records and payments.
- Reserves the right to interpret and update SAC procedures, subject to authorizing legislation and case law.
- Provides explanatory brochures to cities & outreach as requested.

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SAC Roles and Responsibilities

Community's SAC Services

- Reports payments to MCES in accordance with reporting deadlines and procedures.
- Performs determinations for Residential Properties according to established MCES criteria.
- Reports demolitions.
- Verifies final Commercial Determinations (as built).
- Assessment of Local SAC in accordance with local ordinances.
  - MN Statutes 444.075 subd. 3c and 473.521 or other fund raising authority of the Local Government.

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SAC Roles and Responsibilities

Community's SAC Services (continued)

- Notifies MCES of any new, previously unpermitted, Industries.
- Keeps local SAC records for an 8 year record retention.
- Resolves all Community Review findings and remits any unpaid SAC to MCES within 60 days of discovery.

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MCES SAC Customer Service Instruction

- Staff strives to return calls/emails within 24 hours (M-F).
- Customers will always be able to receive the status of their determination reviews.
- Staff will complete determinations within 1-2 weeks of receiving all necessary information.
- The SAC website will be kept up to date.
- Customers who are not satisfied with a determination will be given information regarding the appeal process or supervisor contact information.

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SAC Staff

Jessie Nye – SAC Program Administrator

- Completes SAC community reviews
- Reviews monthly SAC Activity Reports
- Provides training to cities upon request
- Provides backup for SAC Technical Specialist for determinations

Karon Cappaert – SAC Technical Specialist

- Provides determinations
- Reviews Phased Development projects
- Provides estimates at customers' request

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SAC Staff (continued)

Kelly Barnebey – SAC Program Assistant

- Provides administrative support to SAC staff
- Is often the first point of contact for customers
- Answers questions regarding determination review status
- Provides basic estimates at customers' request

Part-time:

Jason Willett, Director, MCES Finance & Energy Mgmt

Various MCES Industrial Waste staff

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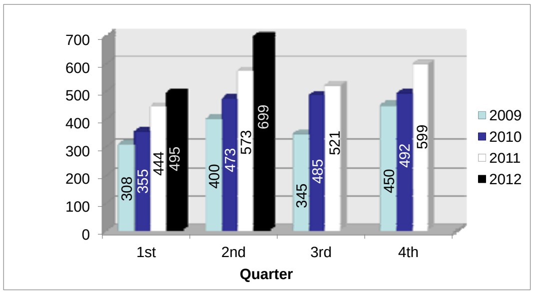
SAC Determinations



+ approx. 500 informal determinations/estimates annually

Historical SAC Community Review Findings

Year	Dollar Amount	Year	Dollar Amount
2002	$424,640	2007	$258,515
2003	$1,245,792	2008	$167,438
2004	$245,190	2009	$456,482
2005	$593,933	2010	$984,267
2006	$118,876	2011	$466,488

10 year Community Review Finding Collection: $4,961,621

Determination Services to "Customers"

- Cities may inform customers to contact MCES if a determination is required.
  - Inquiries made via phone or email.
  - Some cities include submittal information in their packets.
  - Customers can either download the application from SAC website or request the materials.
- Customers are notified how long determinations take and whether any information is missing.
- Determination letters are emailed to SAC Contacts at the cities, and applicants are copied in email.

Determination Services to "Customers" (continued)

- Historical record-keeping: determinations are entered in SAC database and documents are stored electronically.

- Customers seeking estimates are asked basic questions (e.g. intended use of the space, the address) and given calculations to run the math themselves.

Summary of Appeal Process to MCES

- Cities may send written appeals of determinations to MCES Finance Director.
- Upon completion of the appeal review, a written decision is sent to the City.
- Appeal reviews generally last 2-6 weeks.

SAC Outreach

- 2011 Work Group recommended a more comprehensive outreach campaign: small business groups as well as architect, developer, and builder associations; local Chambers; and economic development agencies.
- An outreach brochure was distributed to cities and posted to the SAC webpage.

Outreach Contacts 2011 & 2012

- 20 organizations contacted*
- 6 presentations made*
- Additional entities to contact?

**see handout for more detail*

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2009 Training Sessions for City Staff

- Meeting Schedule
  - August 2, 2009
  - August 20, 2009
  - September 17, 2009
- Agenda
  - Program Background
  - SAC Roles & Responsibilities
  - SAC Credits & 2010 Credit Rules
  - Common Questions & Issues
  - Small Group Discussion

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2010 Training Sessions for City Staff

- Meeting Schedule
  - March 31, 2010
  - April 1, 2010
  - April 12, 2010
  - April 15, 2010
  - April 21, 2010
  - April 29, 2010
  - May 17, 2010
- Agenda
  - 2010 Credit Rule Change & Look-Back Period
  - How to Do Determinations
  - Definition of Change of Use
  - SAC Monthly Reporting
  - Questions & Discussion

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Future Training Sessions

- Always available during MCES Community Reviews or upon request

- Once a year for City staff?
- Once a year for public?

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Work Group Next Steps – email

- Finalization of “Recommendations” document
- Finalization of Report

Adoption Steps

- Met Council’s Environment Committee meeting: October 9
- Formal Public Meeting: October 23
- Public input period ends: November 2
- Environment Committee & Council adoption
- Effective Date: 1/1/13

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Questions?

www.metrocouncil.org/environment/RatesBilling/SAC_Program.htm

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