



## MAYOR AND COUNCIL COMMUNICATION

DATE: June 21, 2016

**REGULAR**

ITEM #:

**MOTION**

**AGENDA ITEM:** Wastewater Incentive Program

**SUBMITTED BY:** Kristina Handt, City Administrator

**REVIEWED BY:** Cathy Bendel, Finance Director

Sarah Sonsalla, City Attorney

Finance Committee

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### **BACKGROUND:**

Over the course of three Finance Committee meetings, staff has been asked to look into providing some financial break to existing residents that will be required to hook up to municipal sewer in the future. At the May meeting, staff referenced an incentive offered by the Melrose Public Utilities Commission. Direction was given to look into that option more.

The City Attorney was also asked to look into what is allowed under statute. Water and sewer fees are guided by Minnesota Statutes Section 444.075, which provides broad authority to cities to charge “just and equitable” fees for the use and availability of water and sewer service. There is case law that discusses the broad legislative authority of cities to create and set these fees. Based on that, the City Council could consider and adopt a formal policy or program which lays out how credits will be awarded, who is eligible, etc. If the program is being offered to any resident who has a septic system that is in an area where the property may be hooked up to the City’s sanitary sewer system, that could be considered “just and equitable” under the statute. In this situation, the City would be treating all similarly situated residents the same.

### **ISSUE BEFORE COMMITTEE:**

Should the Council approve an incentive to encourage folks to move from subsurface sewage treatment systems (SSTS) to municipal sewer when it is available?

### **PROPOSAL DETAILS/ANALYSIS:**

Included in your packet is a draft of a letter that could be sent to qualifying properties (those currently on SSTS) after municipal sewer is completed in front of their property. The committee they did not want to extend the incentive program to those currently on city owned and operated community systems but will review those. A map showing those systems is included in your packet.

The dates are estimates as the sewer project is still in progress. The first letters could be sent out after the final assessment hearing for phase one this fall. A letter making this change retroactive could also be sent to those properties first impacted when sewer was brought up 39<sup>th</sup> St. (i.e. Brookfield, condos, etc.). This was recommended by the Finance Committee.

To encourage people to connect to the municipal sewer sooner rather than later and potentially eliminate environmental concerns related to some private systems, an incentive of 50% or (\$2,000) of the SAC and connection fee would be offered.

In order to make this work however, the City would also need to update ordinance 51.022 to change the required time for connection from one year to two, which would also be consistent with Met Council Rules..

**§ 51.022 CONNECTIONS WITH SEWER REQUIRED.**

(A) Any building used for human habitation or in which a toilet or other plumbing facility for the disposal of human waste is installed and located on property adjacent to a sewer main, or in a platted block through which the system extends, shall be connected to the municipal sanitary sewer system within ~~1-year~~ 2 years from the date on which a connection is available to the building.

(B) All buildings subsequently constructed within the city on property adjacent to a sewer main or in a platted block through which the municipal sanitary sewer system extends, shall be provided with a connection to the sewer system for the disposal of all human waste.

(1997 Code, § 705.03) Penalty, see § 10.99

Increasing the time for connection may also help some with their financial planning, even if they take the full two years to connect.

**FISCAL IMPACT:**

Approximately 300 RECs (Residential Equivalent Connections) could be impacted by this incentive. An additional 50 RECs are currently on the city owned community sewage treatment systems within the MUSA area.

Impact to the wastewater fund could be a loss of \$600,000 in future revenue if all participate in the incentive. The wastewater fund had an ending cash balance of \$850,198 as of 12/31/15. That balance is projected to increase each year by at least \$500,000 to over \$1,000,000 until 2022.

**OPTIONS:**

- 1) Approve the incentive as presented
- 2) Amend the incentive to increase/decrease amount of incentive then approve
- 3) Approve a different incentive or financing plan for properties moving from private to municipal sewage treatment system.

**RECOMMENDATION:**

Finance Committee is recommending approval of the incentive as presented.

**Motion to adopt the Connection Fee and SAC Incentive of 50% discount for those currently on private septic systems who connect to municipal sewer within one year from the date the main is available to their property.**

Staff's previous recommendation to the Finance Committee was not to approve any changes to fees. Instead the Council should look at lowering assessments in order to minimize risks to the fund from potential challenges. Fees cannot be challenged in the same manner as assessments. For example, instead of lowering fees by \$2,000 as presented above, the assessment per REC could be lowered by \$2,000 (currently set at \$13,000) and have the same impact to the fund while also helping the property owners.