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ECONOMIC DEVELOPMENT
DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

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April 21, 2000

City Council
Sacramento, CA

Honorable Members in Session:

**SUBJECT: Sacramento Regional County Sanitation District (SRCSD)
Economic Development Treatment Capacity Bank**

LOCATION/COUNCIL DISTRICT: Citywide

RECOMMENDATION:

It is recommended that the Council support the SRCSD staff recommendation to their Board to approve the implementation of the Economic Development Treatment Capacity Bank and direct staff to develop the policy and administration of the City of Sacramento's credits.

**CONTACT PERSONS: Kristan Otto, Economic Development Manager, 264-7948
Gary Reents, Manager, Utilities Department, 264-1433
Thomas V. Lee, Deputy City Manager, 264-5704**

**FOR COUNCIL MEETING OF: May 2, 2000
Afternoon Session**

SUMMARY:

This report recommends the approval and support of the formation of the Economic Development Treatment Capacity Bank that will be proposed to the Sacramento Regional County Sanitation District (SRCSD) at their regularly scheduled Board Meeting on May 10, 2000 @ 2:00pm. The agreement, as discussed below, is the product of meetings of a committee consisting of representatives from all jurisdictions served by SRCSD: the Economic and Utility Departments of the Cities of Sacramento, Citrus Heights, and Folsom, and the County of Sacramento, the representatives of SACTO, SHRA, the Sacramento Metropolitan Chamber of Commerce and SRCSD.

BACKGROUND INFORMATION:

In 1995, the SRCSD Board approved an agreement with the California Almond Growers

Exchange to purchase excess sewer capacity as an important economic development tool. Language was inserted into the District's Connection Fee Ordinance that provided for a Treatment Capacity Buyback Program (the "Program") to guide future purchases of excess capacity. The Program was to be administered by the District Engineer to provide economic incentives for selected commercial and industrial sewer customers.

In April 1998, a Program was presented to the SRCSD Board for approval. This program set forth conditions under which the District would buy back wastewater treatment capacity that was surplus to the industrial customers' current or anticipated needs. During 1998 and 1999, SRCSD staff held meetings with both the industrial group and with specific industrial representatives to discuss the proposed Treatment Capacity Buyback Program. This Treatment Capacity Buyback Program was presented and approved by the Board on June 30, 1999.

In September 1999, the District Engineer set up a committee of representatives from the County, SRCSD, Cities of Sacramento, Citrus Heights and Folsom, Sacramento Housing and Redevelopment Agency, SACTO and Metro Chamber. The committee met several times to discuss the issues related to setting up an Economic Development Treatment Capacity Bank (the "Bank") and how it should be implemented. A subcommittee was formed to further develop criteria for the Bank and how the credits could be allocated.

In October 1999, the District purchased \$12.3 million worth of excess wastewater treatment capacity from four industries: Lodi Mission Partners (Tri Valley Growers), Campbell Soup, Chinet and Proctor & Gamble. The \$12.3 million converts to 16,606 ESD's (equivalent single-family dwelling units) of credit available in the Bank. The method for distribution of credits is now being submitted to your Board for approval.

DISCUSSION:

The original intent of the Bank was to assist economic development in the region for commercial and industrial customers. It was envisioned that this excess capacity would be sold at a discounted rate to encourage economic development within SRCSD's service area or commercial or industrial development within designated redevelopment areas. The Bank's capacity would be used to reduce the sewer impact fees paid by all new or expanding businesses. It was later determined that each jurisdiction should define their own methodology for use of the credits within their economic development framework.

Many options and scenarios for the distribution of credits were discussed by the subcommittee, i.e., what qualified uses for the credits would be, the amount allocated to each jurisdiction, and how the District would be reimbursed. The subcommittee came up with four different proposals for administering Bank credits. These four proposals were presented to the full committee in March 2000:

1. Criteria Method – SRCSD retains control

- Proposes the use of options by category to develop a total discount factor to be used when determining bank credits: redevelopment areas; job creation; area of origin; enterprise zones; types of industry; low income.
2. Dividing up the “pie” or fair share distribution – control with individual jurisdictions
 Proposes to divide up the area into “pieces of a pie” for an allocated distribution of credits based on: government jurisdiction; jurisdictional esd contributions; or population contributions.
 3. First right to credits depending on industry location – control with SRCSD and local jurisdictions
 Proposes that the affected jurisdiction (where industry has left the region) has suffered an economic loss and should have the first right to the capacity of that industry.
 4. To recognize closed industry capacity within the City and County of Sacramento from 1976.
 Proposes to recognize historical industry closures within the City of Sacramento (55%) and the County of Sacramento (45%).

RECOMMENDATION:

After much discussion, the committee agreed to a “hybrid” of proposals #2 and #4, which allocates the Bank ESD’s as follows:

JURISDICTION	ALLOCATION	NUMBER OF ESD’S
SRCSD	10.0 %	1,661
County of Sacramento	32.1 %	5,331
City of Sacramento	48.0 %	7,971
City of Citrus Heights	6.3 %	1,046
City of Folsom	3.6 %	597
TOTAL	100.0%	16,606

The excess capacity was purchased at a discounted rate; therefore, the available credits will also be discounted. It is estimated that the credits will be purchased at approximately 35% of the current impact fee rate. SRCSD staff has not determined the actual cost of the Bank credits, but the District must recover the \$12.3 million plus administrative costs. City staff will report back to Council on the actual costs.

It was further agreed upon among the participating jurisdictions that the credits would not be used to lure businesses from one jurisdiction to another within the District. However, the credits may be used to attract businesses from outside the District boundaries. It is estimated, based on current demand, that there is a 10-15 year supply of credits.

Each jurisdiction will define their individual policy and methodology for use of the credits. If Council approves this recommendation, staff will return to you within 60 days with a proposed policy for the City of Sacramento’s use of the credits.

COMMITTEE/COMMISSION ACTION: None

FINANCIAL CONSIDERATIONS: The unused capacity has been purchased by SRCSD funds and therefore there is no financial responsibility on the part of the City of Sacramento.

ENVIRONMENTAL CONSIDERATIONS:

The action recommended in this report is exempt from CEQA review pursuant to Section 15378 (b)(2) of the California Environmental Quality Act, "general policy and procedure making"

POLICY CONSIDERATIONS:

The economic development views this as an excellent incentive to add to our "toolbox". In the recently adopted Economic Development Strategy, the City Council mandated that this department "Improve the Coordination of Human and Financial Resources to Maximize Economic Growth". With the ability to offer sewer capacity at a reduced rate, the City will have a powerful incentive and will be able to offer public funding to leverage private investment.

ESBD CONSIDERATIONS: Not Applicable

Respectfully Submitted,




Kristan Otto
Economic Development Manager

APPROVED


Andrew J. Plescia
Economic Development Director

RECOMMENDATION APPROVED


ROBERT P. THOMAS
City Manager

Respectfully Submitted,




Gary Reents
Utilities Department Manager

APPROVED


Jim Sequeria
Utilities Department Director

APPROVED


Thomas V. Lee
Deputy City Manager

RESOLUTION NO. 2000-195

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED
MAY 2 - 2000
OFFICE OF THE
CITY CLERK

**SACRAMENTO REGIONAL COUNTY SANITATION
DISTRICT (SRCSD) ECONOMIC DEVELOPMENT
TREATMENT CAPACITY BANK**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

WHEREAS, the Economic Development Department was created to develop comprehensive economic development strategies for the City of Sacramento and to create and maintain a vital and diverse economic climate; and

WHEREAS, the Economic Development Department has begun to outline an economic development strategy for the City which includes developing incentives to stimulate and enhance business growth and development; and

WHEREAS, these incentives include the utilization of public funding to leverage private investment in addition to cooperating with other agencies and governmental entities in the region to further maximize business investment and development in Sacramento.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO AS FOLLOWS:

- 1) The City Council of the City of Sacramento strongly supports the recommendation to the SRCSD Board to approve the implementation of the Economic Development Treatment Capacity Bank.
- 2) The City Council authorizes the City Manager to develop the policy and administration of the City of Sacramento's excess capacity sewer credits.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

Amended 2000-195
RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

APPROVED

MAY - 2 2000

OFFICE OF THE
CITY CLERK

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- 2) The City Council authorizes the City Manager to develop the policy and administration of the City of Sacramento's excess capacity sewer credits. Under direction of the City Council, the policy research is to also consider infill residential development as an economic development.

MAYOR

ATTEST:

CITY CLERK

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RESOLUTION NO: _____

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