



WASHOE COUNTY

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STAFF REPORT BOARD MEETING DATE: March 13, 2018

DATE: February 8, 2018
TO: Board of County Commissioners
FROM: Ben Hutchins, CPA, Director, Finance and Customer Service Division
Community Services Dept., 954-4646, bhutchins@washoecounty.us
THROUGH: Dave Solaro, Arch., P.E., Assistant County Manager
Community Services Department, 328-3600, dsolaro@washoecounty.us
SUBJECT: Possible action to introduce and conduct the first reading of an ordinance amending Ordinance 1536, Washoe County’s Requirements and Schedule of Rates and Charges and Pretreatment for Sanitary Sewer Service, to amend connection fees within the Spanish Springs service area; and other matters properly relating thereto; and if approved, set the Public Hearing for second reading and possible adoption for March 27, 2018. (Commission District 4.)

SUMMARY

There are currently two sanitary sewer connection fees within Washoe County’s Spanish Springs service territory; first, an equivalent residential unit (ERU) connection fee of \$5,618.00 due to the City of Sparks, and second, a connection fee of \$4,200.00 per ERU due to Washoe County (\$9,818.00 total).

After performing an evaluation of the County’s Spanish Springs sewer connection fee, it has been determined that it should be reduced to \$1,083.00 per ERU. This represents \$43.32 per weighted fixture unit (WFU) for commercial customers, with 25 WFUs used as the basis for one ERU.

If approved, the combined sanitary sewer connection fee for the County’s Spanish Springs service territory would be \$6,701.00 per ERU, a reduction of \$3,117.00.

Washoe County Strategic Objective supported by this item: Proactive Economic Development and Diversification.

PREVIOUS ACTION

On June 27, 1995, the Board of County Commissioners (Board) approved an agreement to lease sanitary sewer treatment and interceptor capacity from the City of Sparks.

On June 14, 2005, the Board acknowledged receipt of the Spanish Springs Valley Wastewater Facility Plan.

AGENDA ITEM # _____

On June 21, 2005, the Board authorized an Interlocal Agreement between Washoe County and the City of Sparks titled “Agreement to Provide Sanitary Sewer Service in Spanish Springs Valley” including payment of all fees and charges as outlined in the agreement, including connection fees of \$13,413,627 for the first 2,889 equivalent residential units (ERUs) with an estimated \$31,494,508 for the next 5,606 ERUs based on current cost projections.

On September 13, 2005, the Board held a public hearing and adopted ordinance 1274, amending the Washoe County Schedule of Rates and Charges for Sanitary Sewer Service by adding provisions establishing a formula for reduction of the connection fee under certain circumstances.

On September 25, 2007, the Board held a public hearing and adopted Ordinance 1344, amending the Washoe County Schedule of Rates and Charges for Provision of Sanitary Sewer Service within certain areas of Washoe County; adding provisions to allow a connection fee surcharge for properties previously served by the Verdi Meadows Utility Company, LLC now being connected to the Lawton Verdi Sewer Interceptor; removing the Senior Citizen’s Discount Program.

On July 8, 2014, the Board held a public hearing and adopted Ordinance 1536, revising the Washoe County requirements and schedule of rates and charges and pretreatment program for sanitary sewer service within Washoe County by providing options for when an applicant may choose to pay required sanitary sewer connection privilege fees.

BACKGROUND

On June 27, 1995, the Board approved an agreement to lease sanitary sewer treatment and interceptor capacity from the City of Sparks.

During the next decade various environmental and financial studies were completed to determine the best approach to permanently serve the sewer customers in the County’s Spanish Springs service area. As part of these studies, a thorough evaluation was performed to determine if a County sewer treatment plant should be constructed in Spanish Springs. The final decision was to permanently utilize the sewer interceptor and treatment plant capacity owned and operated by the City of Sparks.

On June 21, 2005, the Board executed an interlocal agreement with the City of Sparks allowing all sewer customers within the County’s Spanish Springs service area to permanently utilize the City of Sparks sewer interceptor and treatment capacity. The agreement required the County to pay the City \$13,413,627.00 for the first 2,889 ERUs (\$4,643.00 per ERU) and \$5,618.00 per ERU for any remaining and future ERUs.

After executing the interlocal agreement, the County paid the City all amounts owed under the terms of the contract. Although Spanish Springs sewer connection fees on hand at the time paid a large majority of what was owed, the balance had to be paid by a bond that was subsequently defeased as part of the County’s water utility consolidation with Truckee Meadows Water Authority. At that time, the balance owed (previously funded by the bond) was paid by the County’s sewer operating fund.

The interlocal agreement required future connection fees to be paid to the City of Sparks. As a result, the Board held a public hearing on September 13, 2005, to amend the sewer ordinance to reduce the County’s sewer connection fee in Spanish Spring by 25%. Since September 2005, developers have paid two sewer connection fees; one fee to the City of

Sparks (\$5,618.00 since approximately 2006), and a second fee to the County (75% of the County's then-existing sewer connection fee, currently \$4,200.00). The City's connection fee was set to accommodate the cost of the City's sewer interceptor capacity and future treatment plant expansion. The County's sewer connection fees were the result of having to fund the shortfall of connection fees to pay the City of Sparks under the June 21, 2005 interlocal agreement.

Since it's been over 12 years since the County has evaluated the Spanish Springs sewer connection fees, staff has performed an analysis of the current financial condition of the fund and has determined that the sewer connection fees in the Spanish Springs service area should be reduced from \$4,200.00 to \$1,083.00 per ERU.

If the Board approves the modified sewer connection fees in the Spanish Springs service area, total connection fees required per ERU would be reduced from \$9,818.00 (\$5,618.00 City + \$4,200.00 County) to \$6,701.00 (\$5,618.00 City + \$1,083.00 County).

FISCAL IMPACT

The revised sewer connection fees for the Spanish Springs service area was calculated by considering: the connection fee cash balance as of December 31, 2017, the remaining amount owed as a result of the June 21, 2005 interlocal agreement with the City of Sparks, financing costs, future project costs, investment income on connection fees paid, future growth expectations and remaining build-out capacity allowed under the terms of the interlocal agreement.

The revised sewer connection fees would reduce the current fee of \$4,200.00 per ERU to \$1,083.00 per ERU, a decrease of \$3,117.00 per ERU.

Developers build-and-dedicate a majority of the sewer infrastructure in the Spanish Springs service area. To this end, continuing to collect 75% of the County's standard sewer connection fee through build-out would cause an over-collection of sewer connection fees for that service area based on currently known obligations to serve future customers.

RECOMMENDATION

It is recommended that the Board of County Commissioners introduce and conduct the first reading of an ordinance amending Ordinance 1536, Washoe County's Requirements and Schedule of Rates and Charges and Pretreatment for Sanitary Sewer Service, to amend connection fees within the Spanish Springs service area; and other matters properly relating thereto; and if approved, set the Public Hearing for second reading and possible adoption for March 27, 2018.

POSSIBLE MOTION

Should the Board agree with staff's recommendations, a possible motion could be: "Move to introduce and conduct the first reading of an ordinance amending Ordinance 1536, Washoe County's Requirements and Schedule of Rates and Charges and Pretreatment for Sanitary Sewer Service, to amend connection fees within the Spanish Springs service area; and other matters properly relating thereto; and if approved, set the Public Hearing for second reading and possible adoption for March 27, 2018."