



WASHOE COUNTY

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STAFF REPORT

BOARD MEETING DATE: August 19, 2025

DATE: July 16, 2025

TO: Board of County Commissioners

FROM: Abbe Yacoben, Chief Financial Officer, Finance
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THROUGH: Kate Thomas, Interim County Manager

SUBJECT: Discussion and possible action on the required legal change to the County's Southwest Gas Franchise Agreement to remit 2% of net revenues to the State Treasurer for the benefit of public education; this is a change to the current practice of remitting to the Washoe County Treasurer for the benefit of the Washoe County School District. Finance (All Commission Districts.) FOR POSSIBLE ACTION

SUMMARY

Staff is requesting the Board of County Commissioners (Board) approve the legally-required change to the Southwest Gas Franchise Agreement, which would direct the annual remittance of 2% of net revenues from Southwest Gas operations in unincorporated Washoe County to the State Treasurer for the benefit of public education, rather than the current practice of remitting these funds to the Washoe County Treasurer for the benefit of the Washoe County School District. This report is presented to ensure compliance with Nevada Revised Statutes Section 709.110, which governs the remittance of franchise fees by utility providers and specifies the appropriate recipient and use of such funds.

PREVIOUS ACTION

On June 9, 2015, the Washoe County Board considered and approved a motion to publish notice and set a public hearing for July 14, 2015, regarding an application by Southwest Gas Corporation for a Franchise Agreement to provide natural gas service to portions of Washoe County. Community Services Director David Solaro presented the item, noting that the Franchise Agreement would include terms consistent with state law, specifically referencing a 2% fee to benefit the School District. Legal counsel Paul Lipparelli clarified that, pursuant to Nevada Revised Statute (NRS) 709.070, the company was required to provide a deposit to the Clerk to cover publication costs for the hearing notice. The Board confirmed with County Clerk Nancy Parent that the notice could be published in time for the scheduled hearing. The motion to proceed with the public hearing was made by Commissioner Hartung, seconded by Commissioner Lucey, and passed with Commissioner Jung absent.

AGENDA ITEM # _____

At the subsequent public hearing on July 14, 2015, the Board reviewed the terms of the proposed Franchise Agreement with Southwest Gas Corporation. The agreement included a provision for the annual payment of 2% of net profits derived from operations under the franchise in unincorporated Washoe County, in accordance with NRS 709.110. The Board approved the Franchise Agreement, which was later formalized and recorded on September 4, 2015, as Document No. 4510679.

On December 15, 2015, the Board also considered and approved a similar franchise agreement with NV Energy (Sierra Pacific Power Company) for both electric and natural gas service. As part of these approvals, the Board adopted associated agreements requiring the payment of 2% of net profits for the benefit of the County School District Fund of Washoe County, State of Nevada. The motions were made by Commissioner Jung, seconded by Commissioner Lucey, and approved unanimously. Kevin Schiller, Assistant County Manager, advised the Board on legal considerations regarding the franchise fee for gas, noting that further legal review was required to ensure compliance with applicable codes.

As previously stated, the current report is presented to ensure compliance with statutory requirements and to clarify the County's role in the distribution of franchise fees. For further details on the legal context and rationale for the proposed amendment, refer to the Summary section.

BACKGROUND

Historical Summary

The Southwest Gas Franchise Agreement in Washoe County is part of a broader framework of utility franchise arrangements authorized under Nevada law, which allow utility providers to operate within county boundaries in exchange for certain obligations, including the payment of franchise fees. The intent of these agreements is to ensure that utility operations contribute to the public good, often through financial support for community priorities such as public education. Over time, the administration and allocation of these franchise fees have evolved in response to changes in state statutes and local governance practices.

Historically, franchise agreements with utility providers such as Southwest Gas and NV Energy have included provisions for the payment of a percentage of net profits or revenues derived from operations within unincorporated areas of Washoe County. These payments have been directed toward educational funding, reflecting a longstanding policy objective to leverage utility revenues for the benefit of local schools and, more broadly, public education in Nevada. The specific mechanisms for remittance and the designated recipients of these funds have been subject to periodic review and adjustment to ensure alignment with statutory requirements and community needs.

Legal and Regulatory References

The legal authority for franchise agreements and the associated remittance of fees is established by Nevada Revised Statutes (NRS) Chapter 709, which governs the granting of franchises to utility companies by counties and other local governments. Of particular

relevance is NRS 709.110, which requires that a utility operating under a franchise in an unincorporated area pay annually, by the first Monday in July, 2% of its net profits derived from operations under the franchise. The statute specifies that these payments are to be made to the State Treasurer for deposit in the State Education Fund for the benefit of public schools in Nevada, rather than directly to a local school district. This statutory language reflects a statewide policy to centralize certain educational revenues for broader distribution and oversight.

FISCAL IMPACT

The proposed amendment to the Southwest Gas Franchise Agreement, effective July 1, 2025, will alter the recipient of the annual 2% franchise fee on net revenues from Southwest Gas operations in unincorporated Washoe County, redirecting payments from the Washoe County School District to the State Treasurer for the benefit of public education statewide. This change is mandated by Nevada Revised Statutes Section 709.110, which requires such remittances to be deposited in the State Education Fund rather than to a local school district 1. There is no fiscal impact to Washoe County.

RECOMMENDATION

Discussion and possible action on the required legal change to the County's Southwest Gas Franchise Agreement to remit 2% of net revenues to the State Treasurer for the benefit of public education; this is a change to the current practice of remitting to the Washoe County Treasurer for the benefit of the Washoe County School District.

POSSIBLE MOTION

Should the Board agree with the staff's recommendation, a possible motion would be: "Move to approve the legal change to the Southwest Gas Franchise Agreement to require the annual remittance of 2% of net revenues from Southwest Gas operations in unincorporated Washoe County to the State Treasurer for the benefit of public education, effective July 1, 2025, in accordance with Nevada Revised Statutes Section 709.110, and authorize the Chair to execute the Amended and Restated Agreement as presented."