



WASHOE COUNTY

Integrity Communication Service

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STAFF REPORT

BOARD MEETING DATE: March 19, 2024

DATE: February 22, 2024

TO: Board of County Commissioners

FROM: Dwayne Smith, Division Director, Engineering & Capital Projects
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THROUGH: Eric Crump, Director,
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SUBJECT: Public Hearing for the second reading and possible adoption of an ordinance amending Ordinance 1615, Washoe County's Requirements and Schedule of Rates and Charges for Sanitary Sewer Service, to amend connection fees within all service areas; and other matters properly relating thereto. The Sanitary Sewer Connection Privilege Fee Charges (Connection Charges) will increase from the current rate of \$5,900.00 per equivalent residential unit (ERU) to \$9,477.00 per ERU with a change to the annual rate adjustment from \$50.00 per ERU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year; the Connection Fee for each Weighted Fixture Unit (WFU) will increase from the current rate of \$320.00 to \$379.00 with a change to the annual rate adjustment from \$5.00 per WFU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year. (All Commission Districts).

SUMMARY

On February 20th, 2024, the Board of County Commissioners (Board) acknowledged the Business Impact Statement (BIS) findings and subsequently introduced and conducted the first reading of an ordinance amending Ordinance 1615, Washoe County's Requirements and Schedule of Rates and Charges for Sanitary Sewer Service (Sanitary Sewer Ordinance), amending connection fees within all service areas as identified in the recommended ordinance change. Subsequent to that action, staff now recommends the Board conduct a public hearing for the second reading to adopt the ordinance revising Washoe County's Sanitary Sewer Ordinance as identified. If adopted, the new sanitary sewer connection fees will take effect on April 1, 2024.

This recommendation follows the recommendations and actions identified in the August 2023 Utility User Rate and Connection Fee Study (Study), a study outlining a long-term financial plan for the sustainability of Washoe County's sanitary sewer utility (Utility). The Study included the necessary financial approach to respond to continued growth in

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our service areas which places greater demands on our resources and increases costs to the customers who receive the benefit of these services through the Utility enterprise fund (Fund 566).

While the Study found that the existing user rates are sufficient to maintain the required cost recovery for operations and maintenance costs, and therefore no increase to the base user rate was recommended, the Study found that the current connection charge is insufficient to address the increasing costs for required capital improvements to sustain the Utility through the 10-year study period. To adequately recover the increasing infrastructure costs for the planned capacity and treatment improvements and expansions, the Study recommended the connection charge to be increased from \$5,900 per equivalent residential unit to \$9,477 per equivalent residential unit, an increase of approximately 60-percent.

In accordance with NRS 237, staff initiated and completed the required business impact statement (BIS) process. The BIS process was initiated at the direction of the Board on November 21, 2023, at which time 499 “request for comment” packages were sent to developers, business owners, and agencies. The packages included a cover letter, a copy of the November 14, 2023, County Commission staff report and a draft BIS statement. Three public notices were published in the Reno Gazette Journal and a website was created for public responses. In addition, staff attended a local business leaders’ meeting to present the rate study findings and the recommendation to increase connection charges supporting new development.

Three (3) responses were received via email and one via a telephone call. Verbal comments were received during a NAIOP Northern Nevada presentation meeting. In general, the comments recognized that need to increase sewer connection charges, but the commenters are concerned that the magnitude of the increase will, or possibly will, have a negative impact on new development and construction, potentially affecting small businesses and builders. A comment was also made that certain agencies have limited funding to address increasing connection fees costs but also commented on the benefits of removing the user costs for reclaim water, thereby offsetting the potential impacts. Verbal comments received at the NAIOP Northern Nevada meeting recognized the increase in connection fees was necessary but asked that alternative funding approaches be evaluated in the future. They also emphasized the benefit of the current connection fee deferment provision in Ordinance. Finally, a prominent residential developer stated they would attend a County Commission meeting to provide support for the connection charge increase recognizing that connection charges fund capacity increases within Washoe County facilities thereby allowing new development to occur.

With the recommended connection charge increase, there will be a financial impact on businesses that need a new connection to a Washoe County sewer system, or for those requiring additional sewer connections for re-development. The increase in sewer connection charges will require builders, developers, and re-modelers to pay higher sewer connection charges both for new development.

This impact is also understood within the context that Washoe County’s sewer capacity needs outweigh the impacts of the connection charge increase because the issue of

running out of sewer capacity is more detrimental to businesses than the charge increase. If the County does not raise sewer connection charges and does not collect the revenue to be able to fund the capital improvement projects to increase conveyance, treatment and effluent management capacity, then there will not be capacity available in the future to allow for growth or development. Without capacity, businesses will not be able to continue to grow or develop in Washoe County.

As required by the current Ordinance, sewer connection charges have been adjusted by a fixed amount annually (i.e., \$50 per year). This approach is not in accordance with accepted nationally recognized inflationary factors. The recommended approach using the ENR-CCI is an accepted nationally recognized factor as it reflects the costs for construction as opposed to the consumer price index, which reflects changes to food, housing, fuel costs, etc.

No changes are recommended to the process by which developers may defer connection charges until prior to the issuance of a certificate of occupancy.

This recommendation is also made with the understanding that staff will bring before the Board a future resolution unifying Ordinances 1615 (Washoe County's Requirements and Schedule of Rates and Charges and Pretreatment Program for Sanitary Sewer Service) and 1535 (Washoe County's Requirements and Schedule of Rates and Charges for provision of Reclaimed Water Service), resulting in a single Utility ordinance that includes the identified recommendations as well as other necessary updates. This ordinance change will place Washoe County on this path and staff will continue to reassess both user rates and connection fees every five years.

Washoe County Strategic Objective supported by this item: Fiscal Sustainability: Long-term sustainability.

PREVIOUS ACTION

On February 20, 2024, the Board: 1) acknowledged and considered the Business Impact Statement findings pursuant to NRS 237; and 2) introduced and conducted the first reading of an ordinance amending Ordinance 1615, Washoe County's Requirements and Schedule of Rates and Charges for Sanitary Sewer Service, to amend connection fees within all service areas; and other matters properly relating thereto; and 3) set the Public Hearing for the second reading and possible adoption to be held March 19, 2024. The Sanitary Sewer Connection Privilege Fee Charges (Connection Charges) will increase from the current rate of \$5,900.00 per equivalent residential unit (ERU) to \$9,477.00 per ERU with a change to the annual rate adjustment from \$50.00 per ERU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year; the Connection Fee for each Weighted Fixture Unit (WFU) will increase from the current rate of \$320.00 to \$379.00 with a change to the annual rate adjustment from \$5.00 per WFU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year.

On March 10, 2020, the Board approved a professional services agreement with Farr West Engineering, Inc., (now DOWL) for the Washoe County Sanitary Sewer and

Reclaimed Utilities Infrastructure and Customer Base Alternatives and User Rate/Connection Fee Analysis.

On December 10, 2019, the Board heard a presentation and provided direction to staff to pursue: 1) the development of the framework for a memorandum of understanding between Washoe County and the City of Reno establishing the rights and responsibilities for the conveyance, treatment and effluent management of wastewater flows from new development in all service territories; 2) the development of the framework to exchange existing sanitary sewer customers between Washoe County and the City of Reno based on their location within the respective jurisdictions' service territory; 3) the development of alternative effluent management strategies in the South Truckee Meadows with a focus on commodity rate modifications in conjunction with long-term commitments through user agreements; and, 4) the coordination of the existing operational baseline with associated recommendations for possible future operational strategies of the Washoe County and City of Reno wastewater treatment facilities located in the North Valleys.

BACKGROUND

The Washoe County Utility includes both the sanitary sewer and reclaim water business units under the Utility enterprise Fund 566, allowing Washoe County to successfully manage over 28,000 user accounts which treat wastewater and require the management of treated effluent (reclaimed water) produced at Washoe County's three treatment facilities. The essential functions of the utility are funded in total by user rates and connection fee charges. User rates are used to fund the successful operation of the utilities including the maintenance, repair, and replacement of existing infrastructure. Connection fees are paid by new development to fund the necessary increases in conveyance, treatment, and effluent management capacity. The legal basis for both user rates and connection fees are found in Washoe County's Ordinance numbers 1615 (Sanitary Sewer) and 1535 (Reclaimed Water).

The Washoe County Utility is committed to maintaining critical infrastructure and complying with all applicable laws, rules, and regulations to receive and treat sanitary sewer flows in our three service areas and to successfully manage the delivery of highly treated effluent to users in the South Truckee Meadows. The Utility strives to maintain the affordability of these services but also recognizes increasing annual costs.

The Utility has planned capital improvements to the sanitary sewer and reclaimed water systems that meet the increasing treatment capacity demands while allowing Washoe County to operate in compliance with the State of Nevada Department of Environmental Protection requirements. Current projects include the expansion of the South Truckee Meadows Water Reclamation Facility (STMWRF) and near-term projects include improvements/replacement of the Steamboat Lift Station and force main, the construction of the Pleasant Valley Sewer Interceptor and the repair/replacement of portions of aged and failing sewer collection systems. The reclaimed water system is focused on increasing distribution system capabilities to provide more highly treated reclaim water to new customers as well as the development and construction of rapid infiltration basins and wetland areas to provide long term benefits to our region. This approach focuses on the direct benefits through the maximization of the use of reclaim water, avoiding the use of Truckee River water and Nevada groundwater to irrigate area and regional parks, schools, ball fields, golf courses, as well as open areas and street landscaping.

FISCAL IMPACT

The increase in sanitary sewer connection fees will enable the Utility to meet our current and future financial requirements to fund future capital projects and programs to meet the future financial obligations in support of new and increasing sewer flows treated and managed by Washoe County.

The revised sewer connection fee would increase the current fee of \$5,900.00 per equivalent residential unit (ERU) to \$9,477.00 per equivalent residential unit, an increase of \$3,577 per ERU, and Connection Fee for each Additional Fixture Unit will increase from \$320.00 to \$379.00, an increase of \$59 per fixture unit.

RECOMMENDATION

It is recommended the Board of County Commissioners hold a public hearing for the second reading and possible adoption of an ordinance amending Ordinance 1615, Washoe County's Requirements and Schedule of Rates and Charges for Sanitary Sewer Service, to amend connection fees within all service areas; and other matters properly relating thereto. The Sanitary Sewer Connection Privilege Fee Charges (Connection Charges) will increase from the current rate of \$5,900.00 per equivalent residential unit (ERU) to \$9,477.00 per ERU with a change to the annual rate adjustment from \$50.00 per ERU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year; the Connection Fee for each Weighted Fixture Unit (WFU) will increase from the current rate of \$320.00 to \$379.00 with a change to the annual rate adjustment from \$5.00 per WFU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year.

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be: "Move to adopt bill #1903, ordinance number _____ for Washoe County's Requirements and Schedule of Rates and Charges for Sanitary Sewer Service, to amend connection fees within all service areas; and other matters properly relating thereto. The Sanitary Sewer Connection Privilege Fee Charges (Connection Charges) will increase from the current rate of \$5,900.00 per equivalent residential unit (ERU) to \$9,477.00 per ERU with a change to the annual rate adjustment from \$50.00 per ERU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year; the Connection Fee for each Weighted Fixture Unit (WFU) will increase from the current rate of \$320.00 to \$379.00 with a change to the annual rate adjustment from \$5.00 per WFU to the annual averaged Engineering New Record Construction Cost Index (ENR-CCI) percentage for the previous calendar year."