



WASHOE COUNTY

Integrity Communication Service

www.washoecounty.gov

STAFF REPORT

BOARD MEETING DATE: April 16, 2024

DATE: March 25, 2024

TO: Board of County Commissioners

FROM: Dwayne Smith, Division Director, Engineering & Capital Projects
Community Services, 775-328-2043, desmith@washoecounty.gov

THROUGH: Dave Solaro, Assistant County Manager

SUBJECT: Recommendation to introduce and conduct the first reading of an ordinance amending Ordinance 1535, Washoe County's Requirements and Schedule of Rates and Charges for Provision of Reclaimed Water Service, to remove rates and charges for reclaimed water irrigation service, charges for bulk reclaimed water service (subdivision construction), water rights fee, connection privilege fee for new connections, and associated deposits, and other matters properly relating thereto; and if approved, set a Public Hearing for the second reading and possible adoption to be held May 14, 2024. The rates and charges for reclaimed water irrigation service will be removed, currently as \$1.16 per 1000 gallons used each month in Zone 1 and \$1.74 per 1000 gallons used each month in Zone 2, including removal of the monthly base rate. The charge for bulk reclaimed water service will be removed, currently \$2.00 per 1000 gallons used monthly with a minimum charge of \$50 per month per temporary connection, and the removal of the water rights fee, currently \$3,500.00 for each acre-foot of demand, and removal of the connection privilege fee for new connections, currently \$2,500 in Zone 1 and \$4,135 in Zone 2, per acre-foot of estimated annual water demand, as recommended at the November 14, 2023 Washoe County Commission meeting and supported by the 2023 Utility User Rate and Connection Fee Study, thereby encouraging the continued and increasing use of reclaim water for irrigation, construction and other allowed purposes and reducing regional dependency on potable water that is currently sourced from the Truckee River and Nevada groundwater sources. (Commission District 2).

SUMMARY

Washoe County completed the 2023 Utility User Rate and Connection Fee Study (Study) and developed a long-term financial plan for the sustainability of Washoe County's sanitary sewer and reclaimed water utilities (Utility). The Study included the necessary financial approach to respond to continued growth in our service areas and associated financial threats, as well as opportunities and sustainable solutions to allow for the

AGENDA ITEM # _____

continued treatment, management, and delivery of non-potable water within the Sanitary Sewer and Reclaimed Water services areas.

The Study found that the existing Reclaimed Water utility, when operated separate and individually from the Sanitary Sewer utility, is not sustainable and would likely violate Washoe County financial policies within the next five to seven years, when considering operating and capital cash reserves and cash flow outlook. This expectation was based on the recognition that continuing to operate under the current framework does not incentivize an increased demand of reclaimed water or bring with it the necessary connection privilege fees to build infrastructure to manage the increasing reclaimed water volumes at a rate equal to the volume of wastewater flows entering in the South Truckee Meadows Water Reclamation Facility (STMWRF). While initially considered, any rate increases to either the reclaimed water connection privilege or user rate would immediately reduce the current and future demand for reclaimed water; an unacceptable outcome of raising user fees and/or connection fees. Further, recognizing that the STMWRF facility operational permits do not allow for a disposal of treated water to the Truckee River environment, other options such as advance treatment including artificial recharge would include significant capital costs as well as significant increase to operational costs, requiring increases in user fees. While it may initially appear that a loss of revenue has a negative impact to the financial sustainability of the Utility, the projected capital and operational costs associated with other alternatives would raise both connection fees and user rates for all utility customers, raising costs for all.

With this knowledge, staff recommends the Board of County Commissioners (Board) introduce and conduct the first reading of an ordinance amending Ordinance 1535, Washoe County's Requirements and Schedule of Rates and Charges for Provision of Reclaimed Water Service as identified within this staff report and set a public hearing for the second reading and possible adoption for May 14, 2024. This ordinance amendment takes advantage of the efficiencies and identified cost reductions to reduce internal operational costs while allowing staff to continue and sustainably provide the high levels of service, both to the customers and to the State of Nevada regulatory agencies and ultimately encourage maximizing the use of reclaim water thereby preserving potable water sourced from the Truckee River and Nevada groundwater resources.

This recommendation is also made with the understanding that staff will bring before the Board a future recommendation to unify Amended Ordinance 1535 (Washoe County's Requirements and Schedule of Rates and Charges for provision of Reclaimed Water Service) and Ordinance 1713 (Washoe County's Requirements and Schedule of Rates and Charges and Pretreatment Program for Sanitary Sewer Service), resulting in a single Utility ordinance that includes the identified Study recommendations as well as other necessary updates previously recommended by staff and affirmed by the Board on November 14, 2023.

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

PREVIOUS ACTION

On March 19, 2024, Board conducted a Public Hearing for the second reading of an ordinance amending Ordinance 1615, Washoe County's Requirements and Schedule of Rates and Charges for Sanitary Sewer Service, amending connection fees within all service areas; and other matters properly relating thereto, and adopted ordinance 1713 with an effective date of March 29, 2024.

On February 20, 2024, the Board acknowledged the Business Impact Statement findings pursuant to NRS 237, and 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, amending connection fees within all service areas; and other matters properly relating thereto, and set a public meeting for the second reading and adoption of the new connection fees.

On January 17, 2023, the Board adopted Resolution R23-02, to temporarily remove reclaimed water use rates for the 2023 irrigation season.

On November 14, 2023, the Board acknowledged the August 2023 Utility User Rate and Connection Fee Study and directed staff to initiate the Business Impact Statement as required by NRS 237.090 in response to the recommended increase of new development utility connection fees, along with other matters relating thereto.

On February 22, 2022, the Board adopted Resolution R22-026, to temporarily remove reclaimed water use rates for the 2022 irrigation season.

On August 31, 2020, the Board adopted Resolution R20-025 to temporarily reduce reclaimed water use rates by fifty percent for the 2020 irrigation season.

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 in the amount of \$166,800.

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.

On September 25, 2018, the Board adopt Resolution R18-056 to temporarily reduce reclaimed water use rates by fifty percent from the August 2018 billing cycle through the end of the November 2019 irrigation season to encourage improved management practices of reclaimed water irrigation.

On July 8, 2017, the Board held a Public Hearing for second reading and adoption of Ordinance No. 1535, revising the Washoe County requirements and schedule of rates and

charges for reclaimed water service within Washoe County by providing options for when an applicant may choose to pay required reclaimed water connection privilege fees; and providing other matters properly relating thereto, effective July 18, 2014.

On June 24, 2017, the Board held the Introduction and first reading of an ordinance amending Ordinance No. 1299, revising the Washoe County requirements and schedule of rates and charges for reclaimed water service within Washoe County by providing options for when an applicant may choose to pay required reclaimed water connection privilege fees; and providing other matters properly relating thereto; and if approved, set the second reading and adoption for July 8, 2014.

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 1713 (Sanitary Sewer) and 1535 (Reclaimed Water).

Recognizing the need to incentivize both existing reclaim water customers as well as the need to develop new customers, beginning in 2018 Washoe County began to reduce or completely remove user rates and fees. This action recognized the limited revenue associated with establishing new reclaim customers under the requirements of the Ordinance. Since the same time frame, on average, five to six customers per year have applied for new reclaim water service which has generated approximately \$86,000 per year in connection and water rights fees. Prior to reducing or removing reclaim user fees, reclaim water rate revenues averaged between \$850,000 and \$1,200,000 annually, which is not sustainable and requires the recommended approach for the long-term success of Washoe County's Utility.

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 local Nevada groundwater to irrigate area and regional parks, schools, ball fields, golf courses, as well as open areas, median and street-side landscaping.

FISCAL IMPACT

The removal of reclaimed water fees and charges and the combining of the sanitary sewer and reclaim water business units is a critical component of the long-term fiscal sustainability of the Washoe County Utility, as identified and recommended in the accepted 2023 Utility User Rate and Connection Fee Study. This approach 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.

Should the Board approve adoption of the recommended amendments to Ordinance 1535 Washoe County's Requirements and Schedule of Rates and Charges for provision of Reclaimed Water Service, to remove reclaimed water use rates and fees, an estimated reduction in revenues of \$1,200,000 are expected in the Utilities Fund (566), Reclaimed Water Operations (664500), Water-metered (491000) on an annual basis.

RECOMMENDATION

It is recommended the Board of County Commissioners introduce and conduct the first reading of an ordinance amending Ordinance 1535, Washoe County's Requirements and Schedule of Rates and Charges for Provision of Reclaimed Water Service, to remove rates and charges for reclaimed water irrigation service, charges for bulk reclaimed water service (subdivision construction), water rights fee, connection privilege fee for new connections, and associated deposits, and other matters properly relating thereto; and if approved, set a Public Hearing for the second reading and possible adoption to be held May 14, 2024. The rates and charges for reclaimed water irrigation service will be removed, currently as \$1.16 per 1000 gallons used each month in Zone 1 and \$1.74 per 1000 gallons used each month in Zone 2, including removal of the monthly base rate. The charge for bulk reclaimed water service will be removed, currently \$2.00 per 1000 gallons used monthly with a minimum charge of \$50 per month per temporary connection, and the removal of the water rights fee, currently \$3,500.00 for each acre-foot of demand, and removal of the connection privilege fee for new connections, currently \$2,500 in Zone 1 and \$4,135 in Zone 2, per acre-foot of estimated annual water demand, as recommended at the November 14, 2023 Washoe County Commission meeting and supported by the 2023 Utility User Rate and Connection Fee Study, thereby encouraging the continued and increasing use of reclaim water for irrigation, construction and other allowed purposes and reducing regional dependency on potable water that is currently sourced from the Truckee River and Nevada groundwater sources..

POSSIBLE MOTION

Should the Board agree with staff's recommendation, a possible motion would be:
"Move to introduce and conduct the first reading of an ordinance amending Ordinance 1535, Washoe County's Requirements and Schedule of Rates and Charges for Provision of Reclaimed Water Service, to remove rates and charges for reclaimed water irrigation service, charges for bulk reclaimed water service (subdivision construction), water rights fee, connection privilege fee for new connections, and associated deposits, and other matters properly relating thereto; and if approved, set a Public Hearing for the second reading and possible adoption to be held May 14, 2024. The rates and charges for reclaimed water irrigation service will be removed, currently as \$1.16 per 1000 gallons used each month in Zone 1 and \$1.74 per 1000 gallons used each month in Zone 2, including removal of the monthly base rate. The charge for bulk reclaimed water service will be removed, currently \$2.00 per 1000 gallons used monthly with a minimum charge of \$50 per month per temporary connection, and the removal of the water rights fee, currently \$3,500.00 for each acre-foot of demand, and removal of the connection privilege fee for new connections, currently \$2,500 in Zone 1 and \$4,135 in Zone 2, per acre-foot of estimated annual water demand, as recommended at the November 14, 2023 Washoe County Commission meeting and supported by the 2023 Utility User Rate and Connection Fee Study, thereby encouraging the continued and increasing use of reclaim water for irrigation, construction and other allowed purposes and reducing regional dependency on potable water that is currently sourced from the Truckee River and Nevada groundwater sources."