

Item D.4 Presentation, Discussion and Potential
Direction to Staff Regarding the Sewer User Rate
Sufficiency Analysis, Including Direction to Initiate a
Community Feedback Process on a Potential Rate
Increase and Bring Back an Ordinance for
Consideration at a Future Meeting

April 9, 2025



Alignment with Strategic Plan



Fiscal Sustainability



Infrastructure, Climate
Change, & Environmental
Sustainability

Sewer User Fee

- Paid quarterly by utility customers
- Pays for maintenance & rehab of sewer infrastructure, operations & treatment costs

~~Sewer Connection Fee~~

- Paid once by new connections "developers"
- Pays for capacity/growth

Sewer Fund

Summary

Rate sufficiency analysis conducted every 2 years per RMC

Analysis looks at revenues, ongoing operation & maintenance costs, and 20-year Capital Improvement Program

Directors in the departments with sewer funded positions/projects met to create a base model for the rates

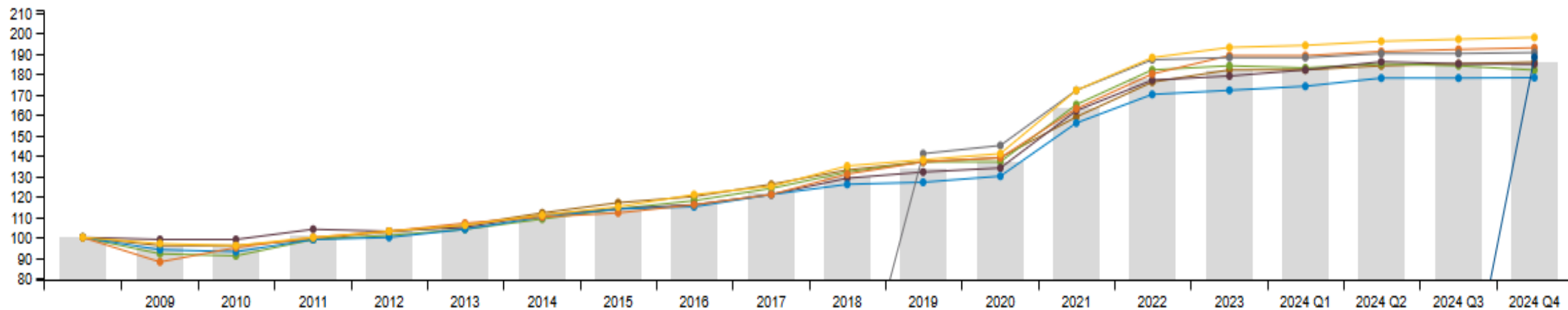
Consultant recommended a rate increase of 8% for 2 consecutive years (FY 26 & FY 27)

Why do we need a rate increase?

- Capital improvement construction costs have significantly increased (41.4%)
- Treatment costs – chemicals, electricity, insurance (~54%)
- 20-year repair/replacement CIP \$964M
- Multiple user fee funded CIP needed in the near term
 - APWF \$89.3M in FY26
 - Dewatering building \$45M in FY27
 - Fluidized bed reactor \$8.2M in FY29

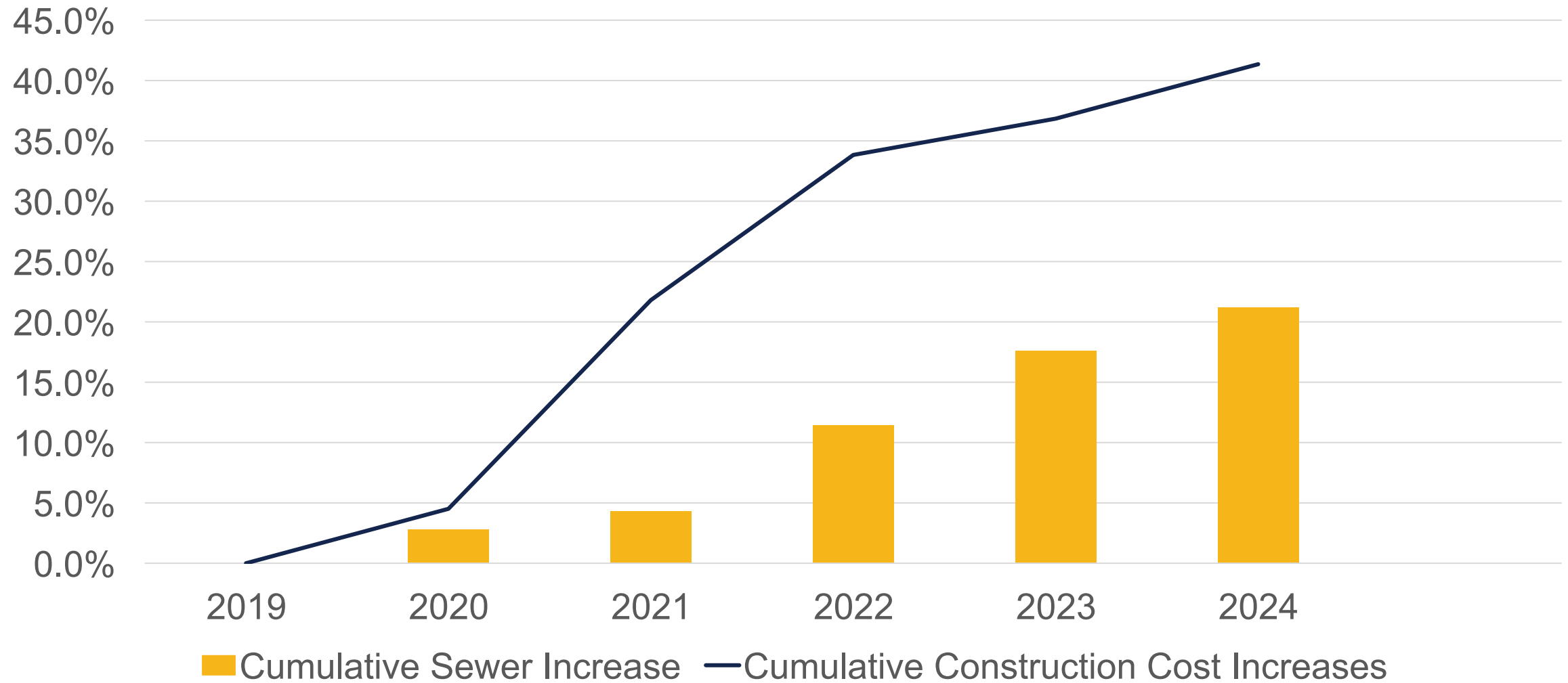
Overall Construction Cost Index Q4 2024

(JANUARY 2009 = 100)



Reference: www.Mortenson.com/cost-index

Cumulative Sewer Rate Increases vs. Cumulative Construction Cost Increases

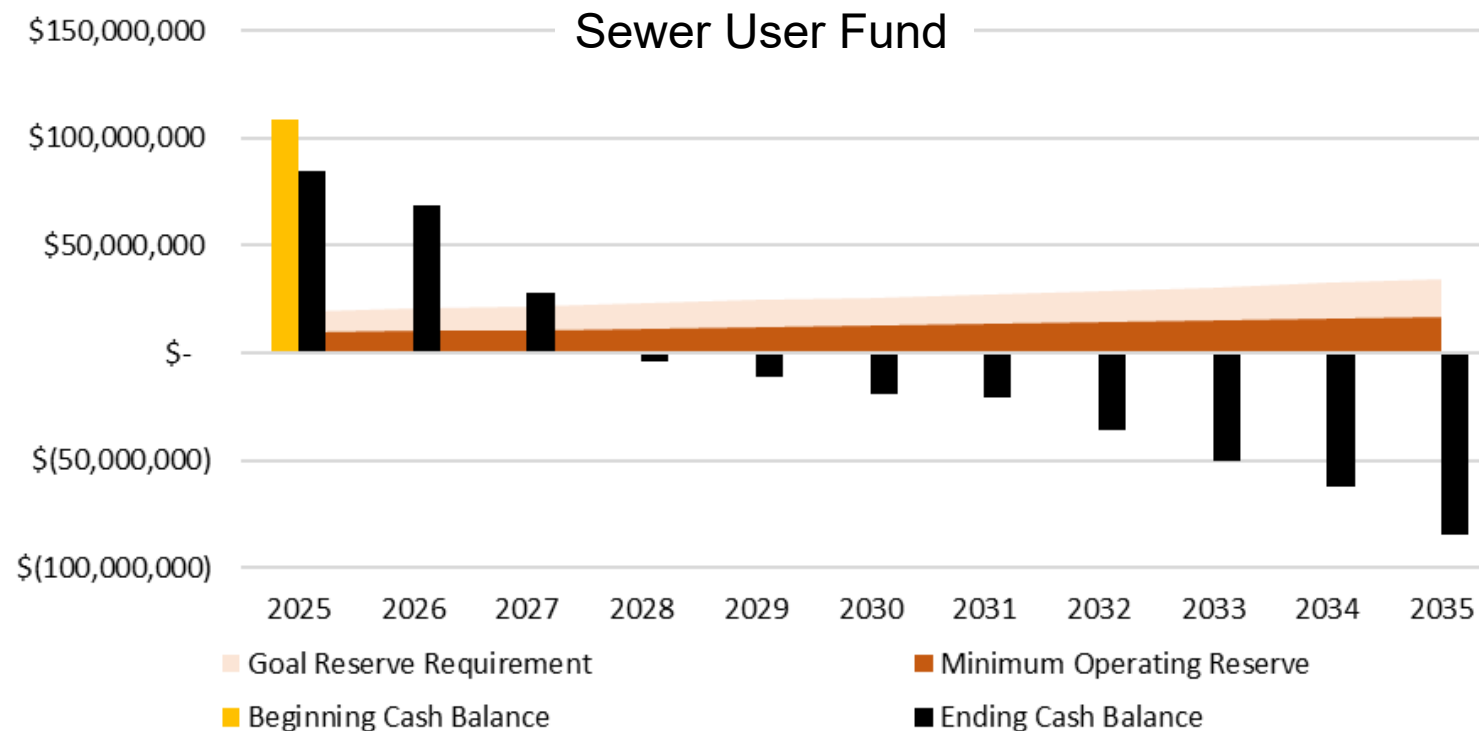


**Sewer increases based upon annual CPI increase

**Construction Cost increases based upon Mortenson's Construction Cost Index for western U.S.

Risks to No Rate Increase:

- Rate revenues do not cover expenses
- Sewer User Fee Fund becomes **insolvent** by FY28
- Further reduction to CIP at TMWRF, RSWRF, and in the collection system with **increased risk of failure**



What happens if we do nothing?

Increased
Risk

Environmental
Impacts

Stranded
Assets

What's Included in the Current User Rate Model

Large Capital Expenses

- APWF - \$89M in FY26
- \$80M in loans - \$45M for dewatering building in FY27 & \$35M for APWF in FY26
- Fluidized bed reactor - \$8.2M in FY29

Programs

- \$18-22M/ year - Annual sewer collection system rehabilitation (piping, manholes, and lift stations)
- \$200K/year - Sewer Utility Assistance Program with additional eligibility criteria

Reductions

- \$3.2M/yr reduction in sewer repair replacement CIP in FY30-34
- \$2.1M/yr reduction in stormwater capital maintenance program in FY26-28

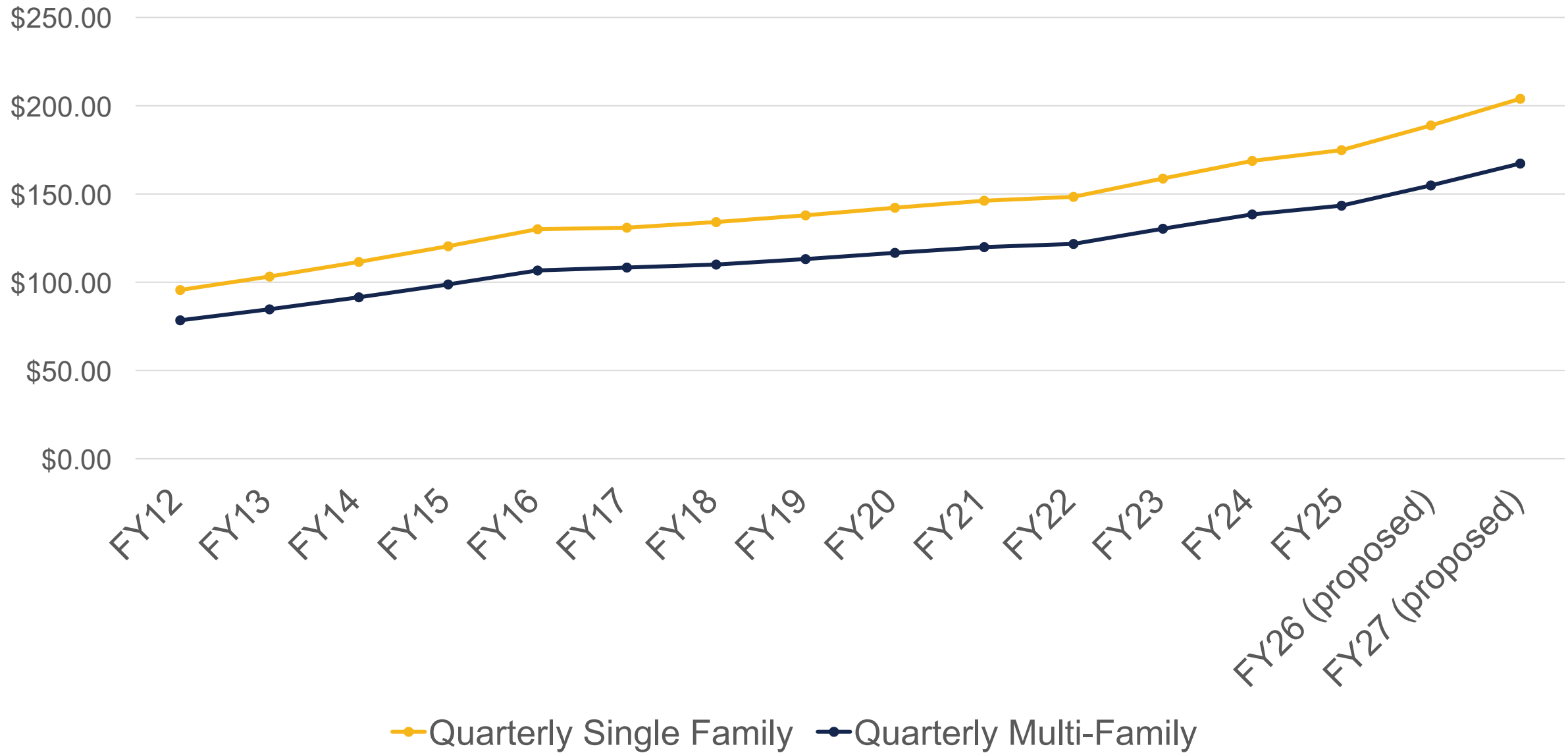


Things **not** included in
the user rate model

User Fees:

- Ongoing affordable housing sewer connection fee reduction
- Increase in annual stormwater program

Quarterly Sewer User Rates Over Time



Recommended Single-Family Quarterly Rates

	Current	FY26	FY27	FY28
SFH quarterly rate with 8% increase for 2 consecutive years	\$177.24	\$191.23 Increase of \$13.99	\$206.34 Increase of \$15.11	+CPI-U

Recommended Multi-Family Quarterly Rates

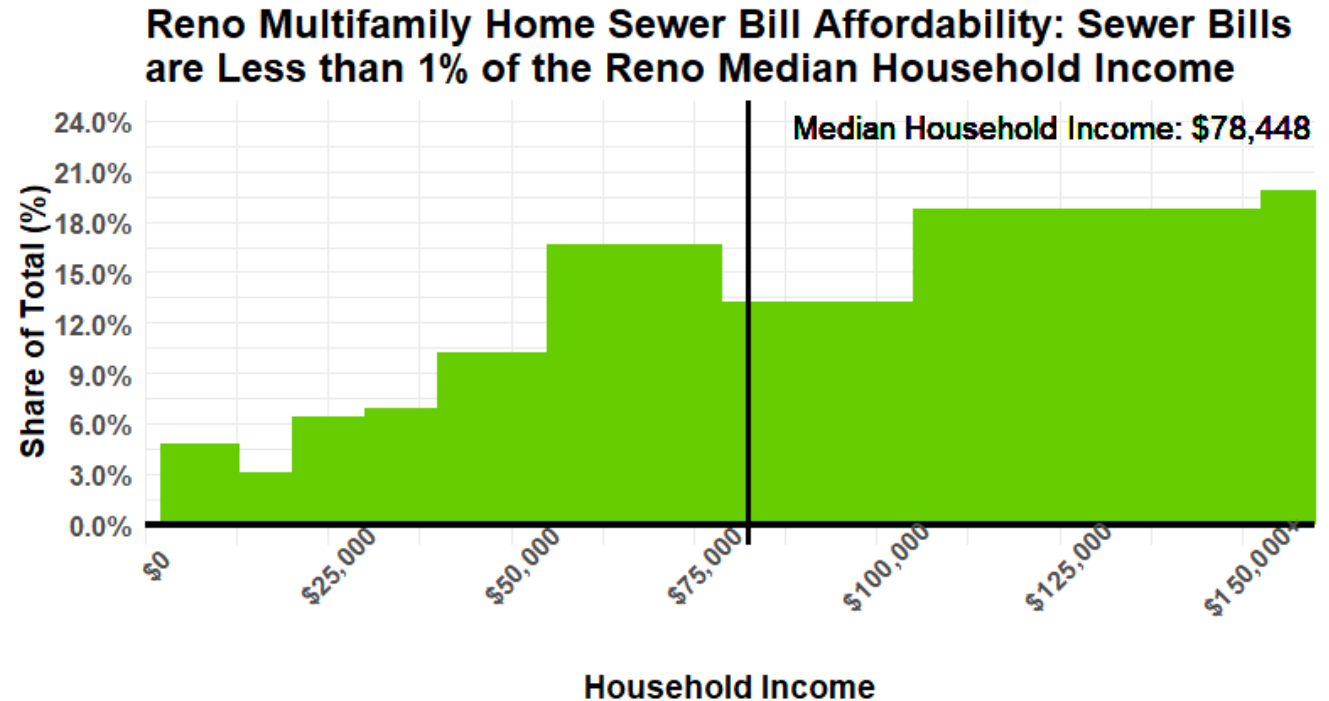
	Current	FY26	FY27	FY28
MFH rate with 8% increase for 2 consecutive years	\$145.80	\$157.36 Increase of \$11.48	\$169.76 Increase of \$12.40	+CPI-U

Recommended Commercial Quarterly Rates

	Current	FY26	FY27	FY28
Special commercial customer class rates per 1,000 gallons	Avg. \$9.10	\$9.83 +8%	\$10.62 +8%	+CPI-U
Quarterly commercial base rate with 8% increase for 2 consecutive years	\$177.24	\$191.23 +\$13.99	\$206.34 +\$15.11	+CPI-U

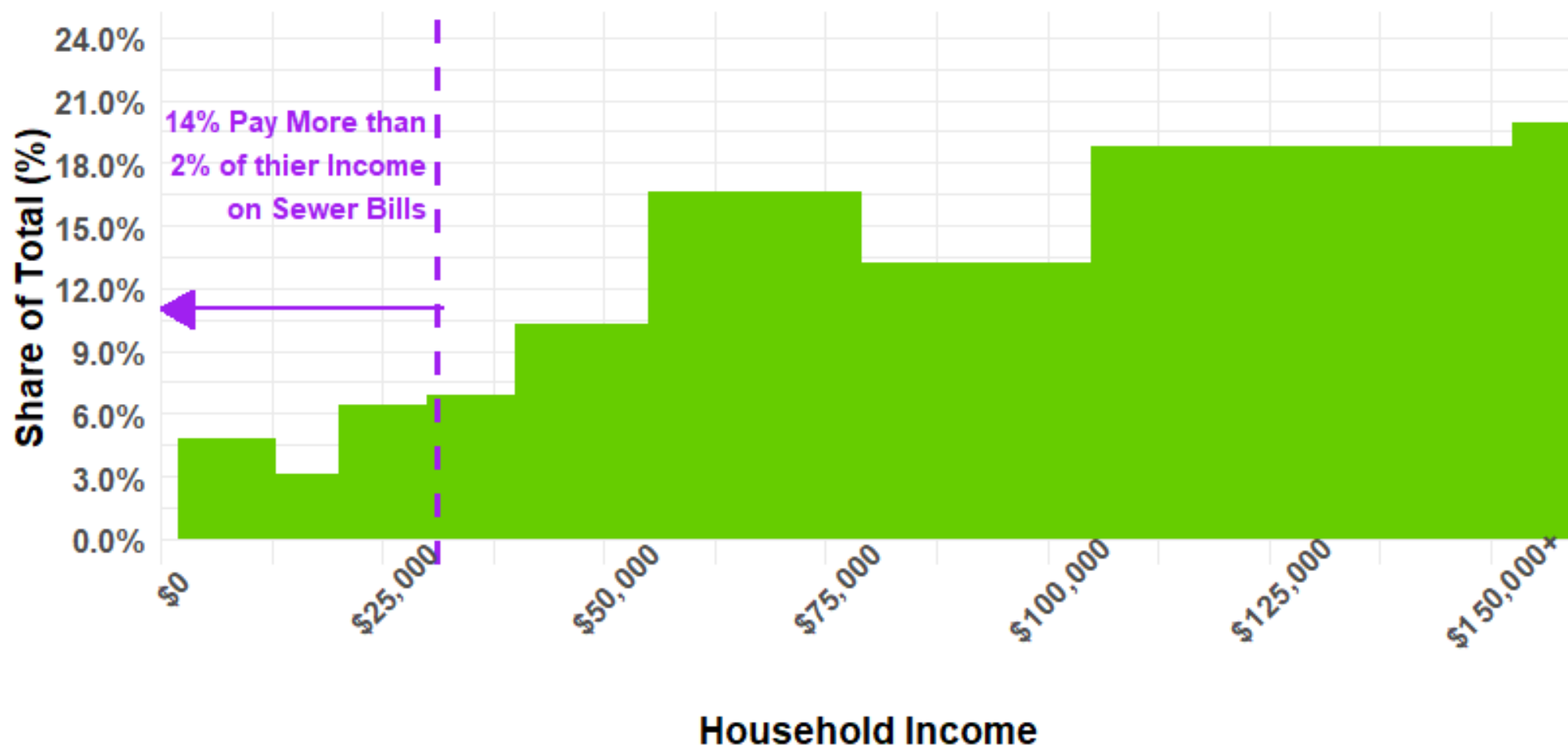
Sewer User Rate Affordability

- Sewer user rates should be no more than 2-2.5% of the household income
- Proposed rates are ~1% of median household income



Source: U.S. Census Bureau, American Community Survey 5-Year Estimates

Nearly 86% of Multifamily Households in Reno Pay Less than 2% of their Income on Sewer Bills



Source: U.S. Census Bureau, American Community Survey 5-Year Estimates

City of Reno Sewer Rebate Program 2024



CONTACT INFORMATION

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Reno, NV 89501
www.reno.gov**

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Fax: (775) 334-2409

Email: sewerrebate@reno.gov

Monday - Friday

9:00 AM – 4:00 PM

**CLOSED 7/4/2024 in Observance
of Independence Day**

One-time payment annually to Reno residents that qualify to assist with sewer costs

FY25 budget for the program is \$50,000

Program served 360 households in FY25 and denied 29 applicants

2025 single family household rebate is \$221, multi-family household rebate is \$10-\$185 based on rent subsidy

Applications and documentation must be submitted each year between July 1-August 31

Sewer Rebate Program Qualification Criteria

Existing Program

- Must be a City of Reno resident who is a property owner or renter
- Must receive at least one benefit from:
 - The Nevada State Welfare Division Energy Assistance Program (EAP or WSAP)
 - Social Security Disability Income (SSD) due to a disability
 - Supplemental Social Security Income (SSSI)
 - Veterans Administration Disability benefits due to a disability

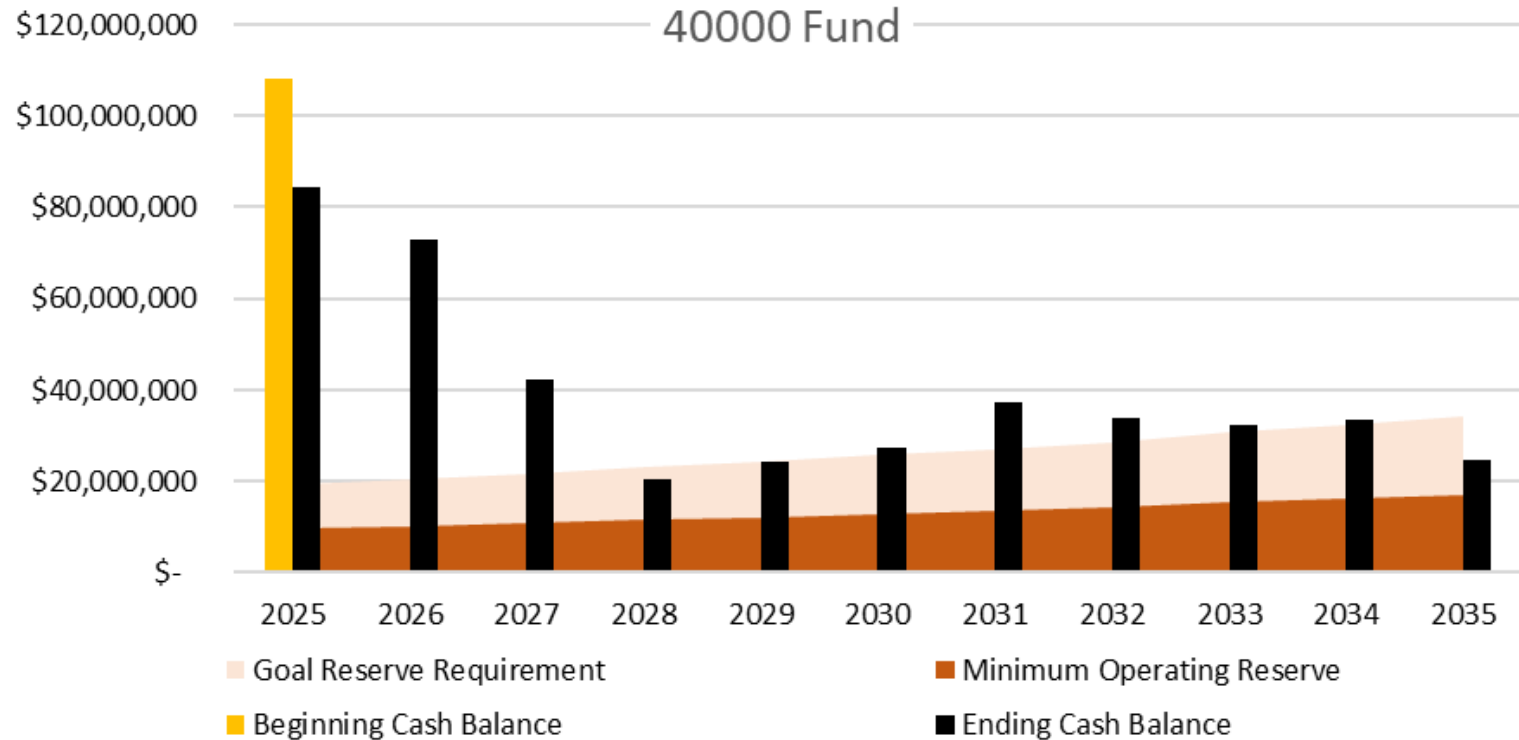
Proposed Program Changes

- Rename program to Sewer Utility Assistance Program
- Add Supplemental Nutrition Assistance Program (SNAP) eligibility as a qualification criteria
- Increase annual budget to \$200K
- Make the application available throughout the year
- First come, first served



Recap

- 8% increase of sewer user fees needed for 2 consecutive years to keep the fund solvent
- Expand sewer utility assistance program eligibility criteria to include SNAP benefits and increase the program budget



Proposed Motions

- I move to direct staff to go initiate a community feedback process on a potential rate increase and bring back an ordinance for consideration at a future meeting.
- I move to direct staff to bring back a resolution to include the sewer utility assistance program in the Enterprise Fund Resolution regarding sewer user fees.