

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*



C I T Y O F  
**RENO**

# 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

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Rate sufficiency analysis conducted every 2 years per RMC

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

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

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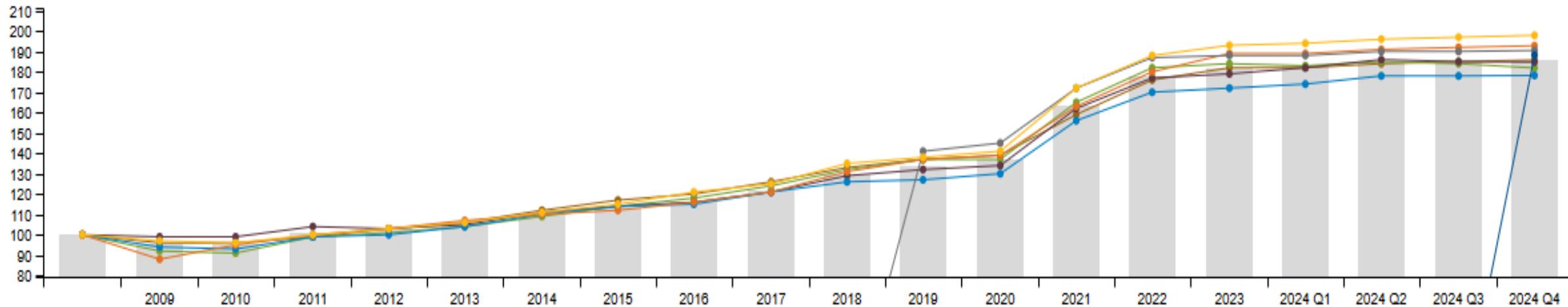
Consultant recommended a rate increase of 8% for 2 consecutive years (FY 26 & FY 27)

# 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

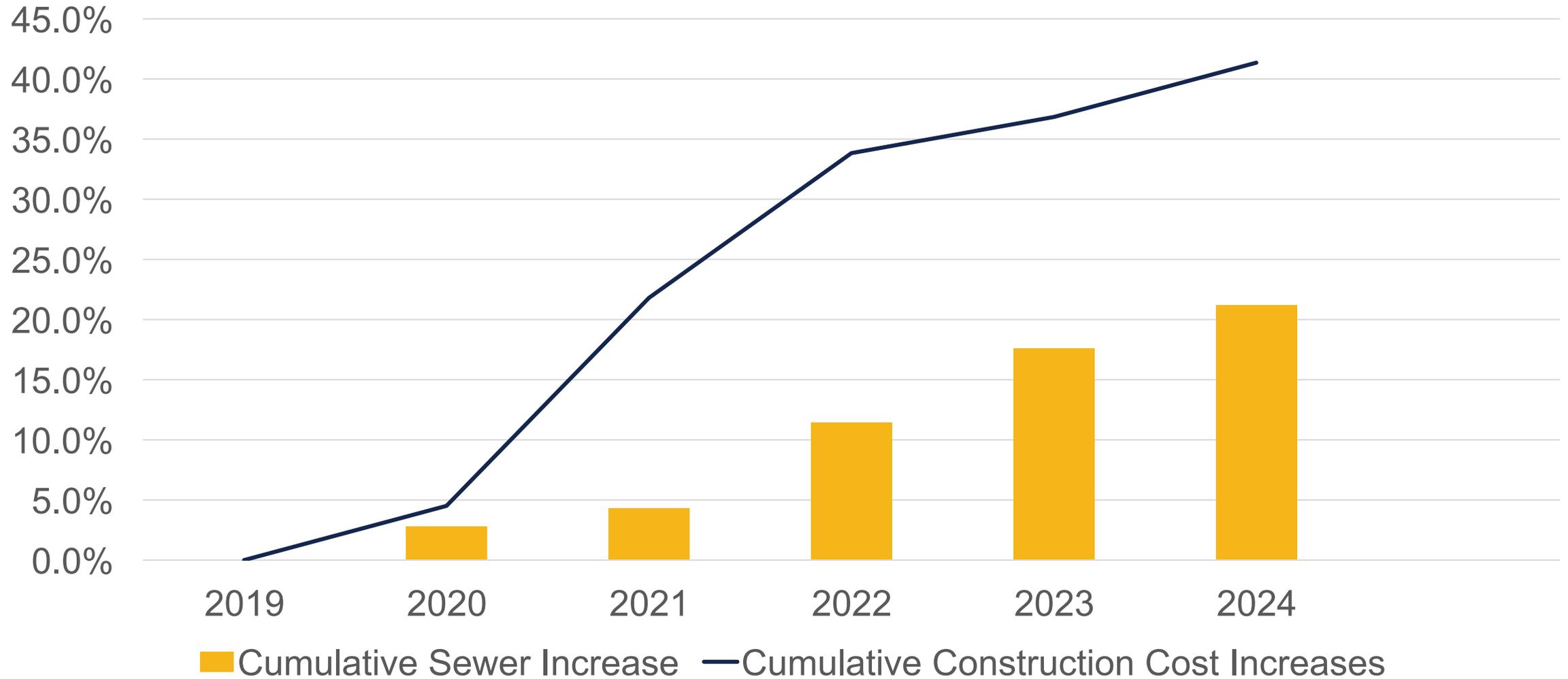
# Overall Construction Cost Index Q4 2024

(JANUARY 2009 = 100)



Reference: [www.Mortenson.com/cost-index](http://www.Mortenson.com/cost-index)

# Cumulative Sewer Rate Increases vs. Cumulative Construction Cost Increases

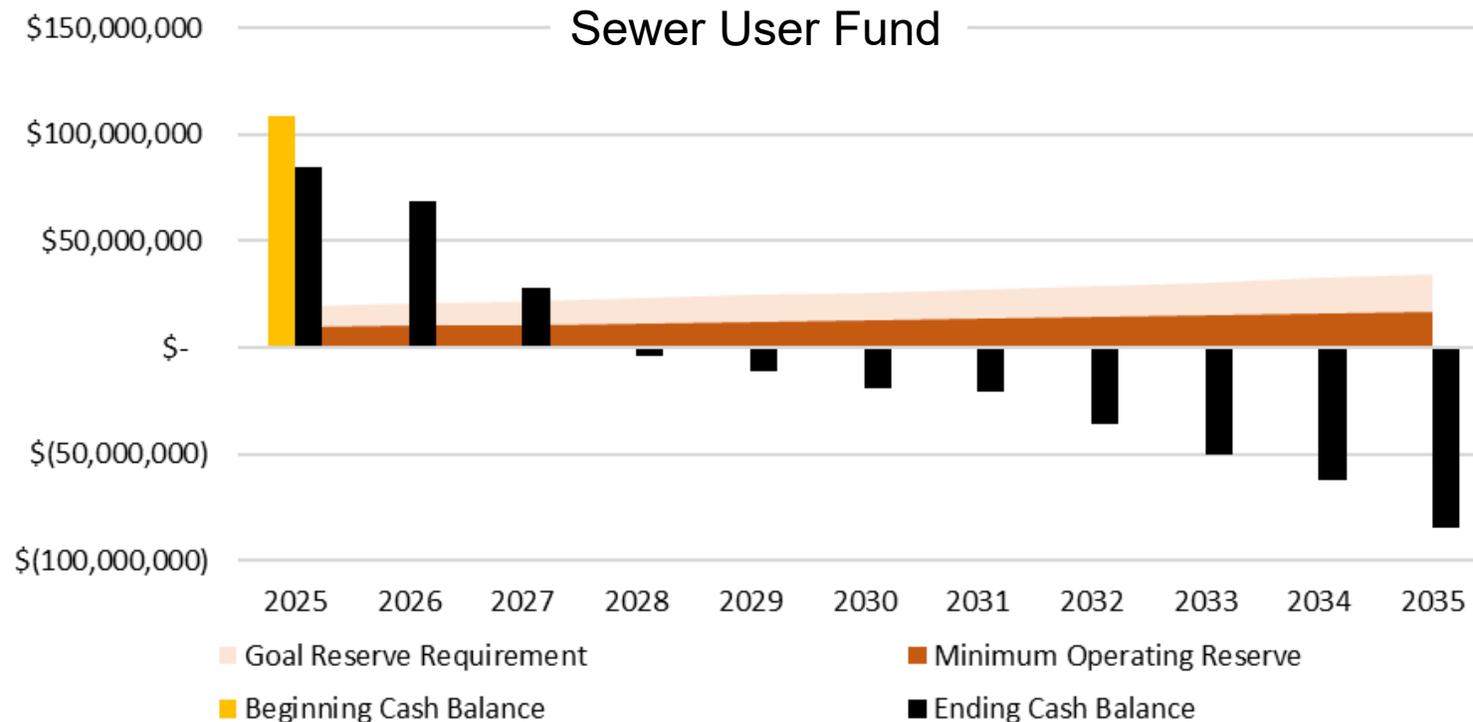


\*\*Sewer increases based upon annual CPI increase

\*\*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

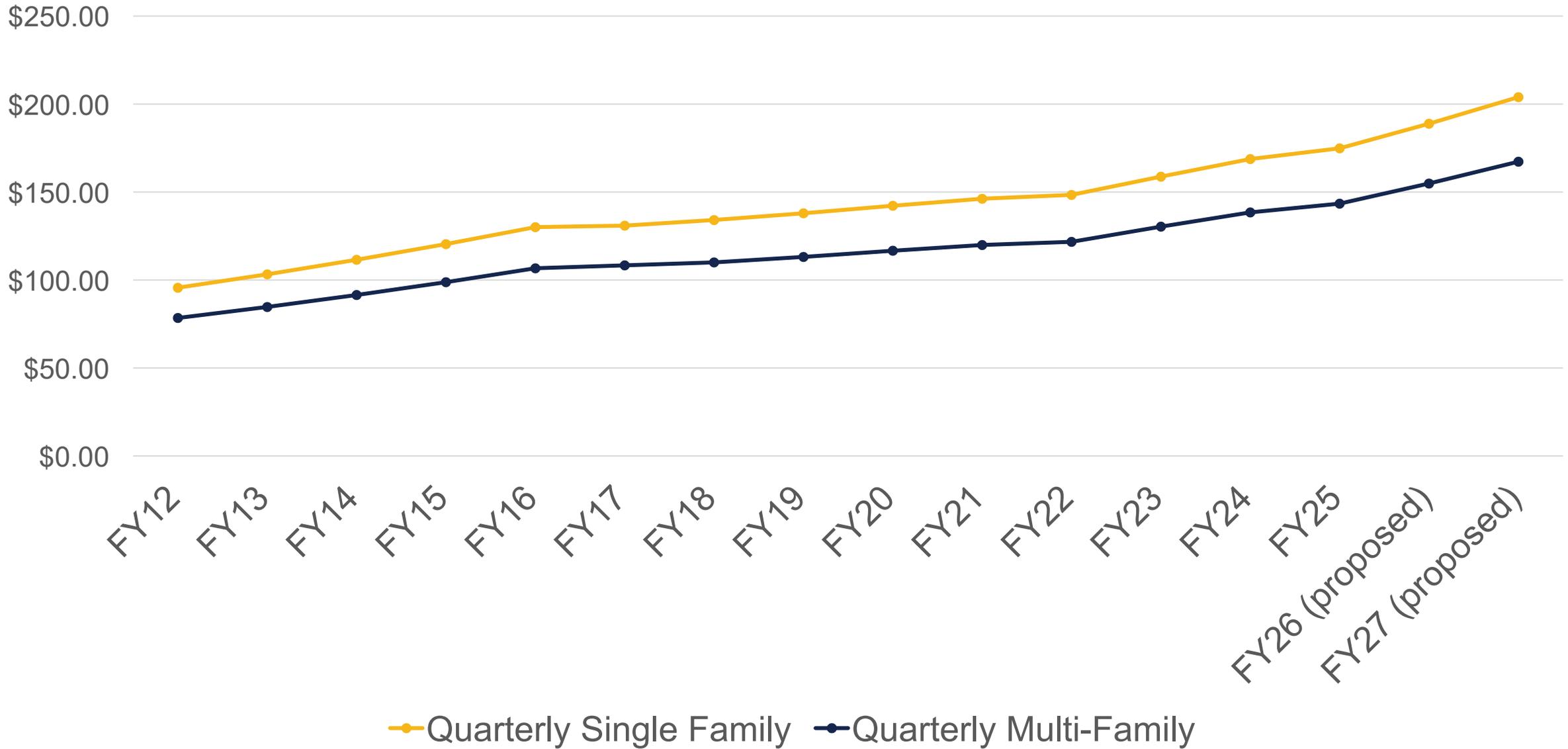


Things **not** included in  
the user rate model

## 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

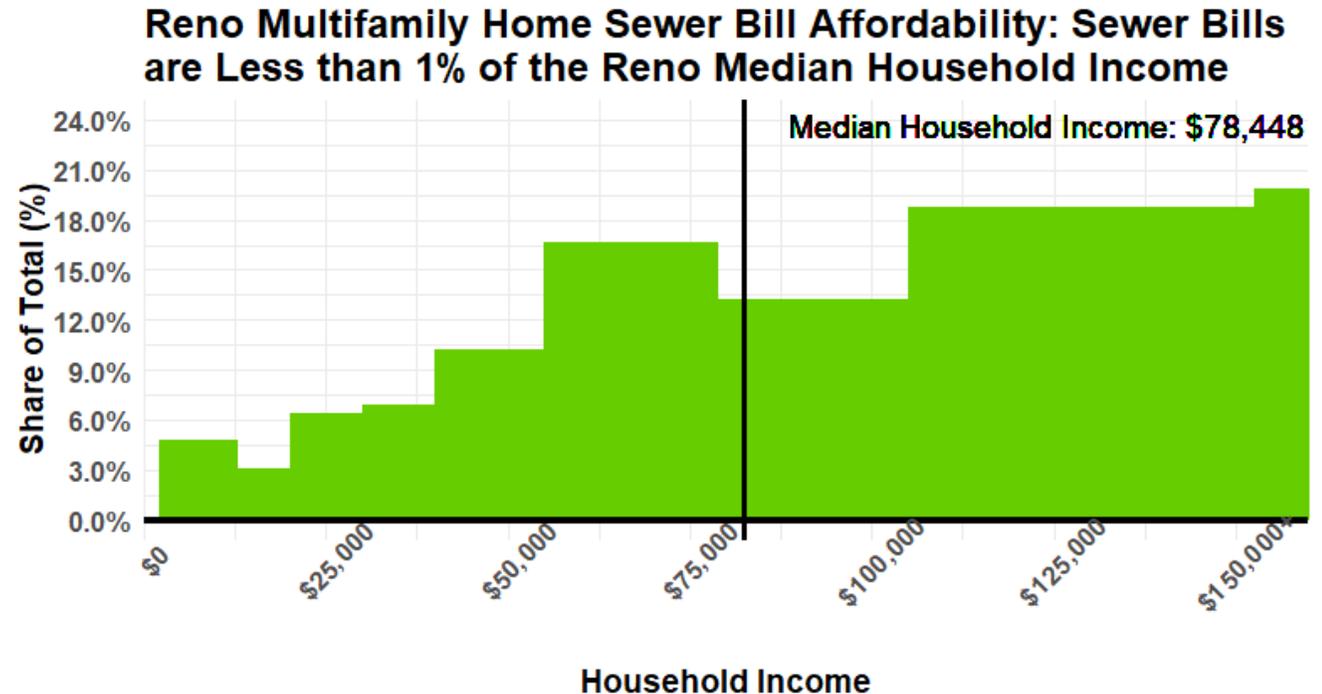
	Current	FY26	FY27	FY28
MFH rate with 8% increase for 2 consecutive years	\$145.80	\$157.36 Increase of \$11.48	\$169.76 Increase of \$12.40	+CPI-U

# 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

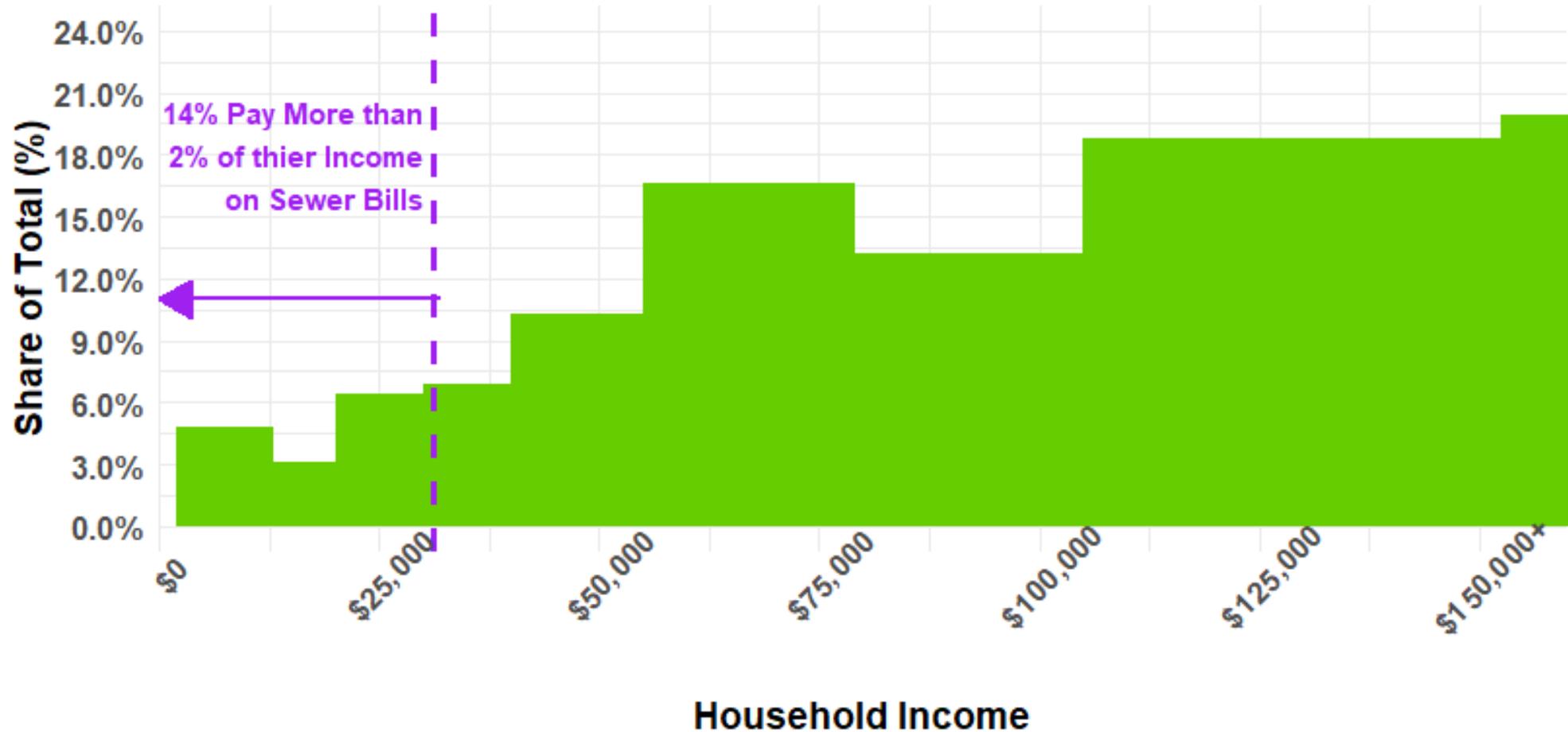
# Sewer User Rate Affordability

- 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

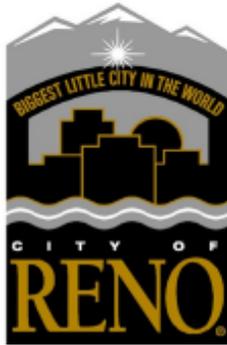
## Nearly 86% of Multifamily Households in Reno Pay Less than 2% of their Income on Sewer Bills



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  
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Phone:(775) 334-2365

Fax: (775) 334-2409

Email: [sewerrebate@reno.gov](mailto: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

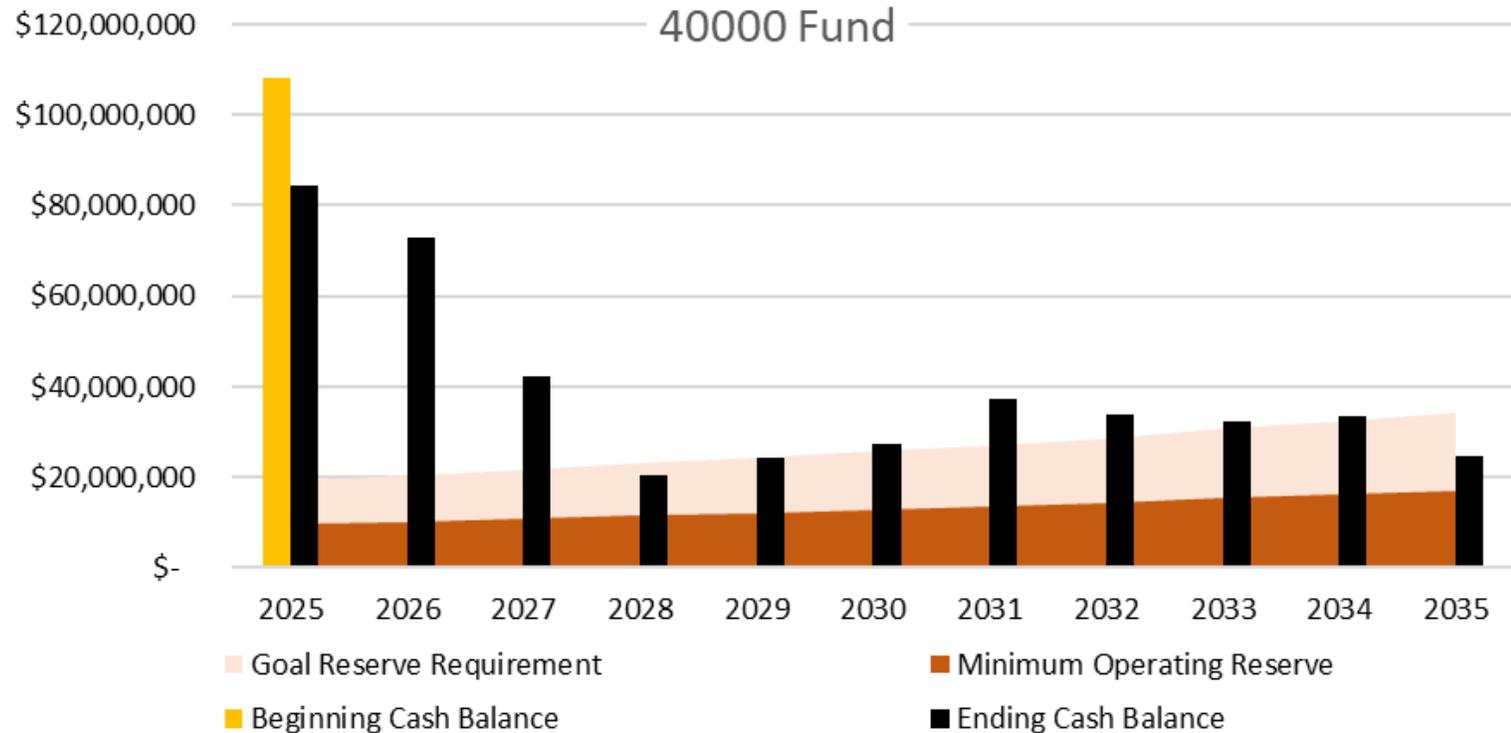
## Proposed Program Changes

- 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.