

BUSINESS IMPACT STATEMENT

The following business impact statement was prepared pursuant to NRS 237.090 to address the proposed impact of adoption of RMC 12.17.

1. The following is a description of the manner in which comment was solicited from affected trade associations or businesses, and a summary of their comments:

A. NOTICE

A notice was published in the Reno Gazette Journal on October 13, 2023, notifying that interested persons could submit comments on or before November 6, 2023 to Jon Simpson at PO Box 1900, Reno, Nevada 89501 and/or simpsonj@reno.gov.

Potentially affected businesses were also mailed the same notice directly.

B. SUMMARY OF COMMENTS

A summary of the comments received is attached as Exhibit "A."

Other interested parties may obtain a copy of the Business Impact Statement including a summary of comments by contacting the City Clerk, at City Hall, 1 E. First Street, Second Floor, P.O. Box 1900, Reno, NV 89505, phone: (775) 334-2030.

2. The estimated economic effect of the proposed ordinance on businesses, including, without limitation, both adverse and beneficial effects, and both direct and indirect effects:

Adverse effects:

- a) A new stormwater utility fee, adjusted annually by the consumer price index (CPI), for all Non-Single Family Residential (NSFR) Property. This amendment will detail the stormwater utility fee for all NSFR Property.

The proposed Stormwater Utility fee will be charged to businesses who own property in the City of Reno. The fee amount is based on the property's total impervious surface area, which has a direct nexus to stormwater contribution to the stormwater system. One Equivalent Residential Unit (ERU) equals 3500 square feet of impervious surface area. NSFR properties are billed using the formula total impervious area divided by the square feet of impervious area of a typical residential unit, or ERU, rounded up to the next whole number, multiplied by the ERU rate on a per month basis, billed quarterly.

Total ERU = $\frac{\text{Property Total Impervious Area}}{3,500 \text{ SQFT}}$ - Rounded up to the next whole number

The Rate for one ERU is \$9.80.

Beneficial effects:

- a) The stormwater utility fee will allow the City of Reno to collect the necessary funds for capital improvements needed to properly manage and control stormwater within

the City of Reno through a dedicated funding source; thus, reducing and/or mitigating future risks of flooding, reducing maintenance and operations costs, and reducing recurrent temporary improvement costs.

- b) There is a cost savings to the stormwater utility program by properly mitigating infrastructure because rather than short term fixes, a long term permanent fix can be effectuated.
- c) The Stormwater Utility will have annual Consumer Price Index adjustments to include costs of inflation for capital improvement projects, thereby eliminating or reducing the frequency of required fee increases in future years.
- d) The fee would add additional staff in the Maintenance and Operations Department for stormwater cleaning, maintaining and repairs, to the Utility Services Department for implementation of Capital Improvement Program (CIP) projects and program implementation, and to the Finance Department for billing of customers.

Direct effects:

- a) Higher cost for NSFR Property.
- b) The City of Reno will be able to address long standing deferred capital improvement program repair and replacement projects to effectively manage stormwater and mitigate future risk of flooding.
- c) If a stormwater utility is not created and fees not assessed, then the City of Reno will continue to have insufficient funding to proceed with necessary capital improvements to manage stormwater and prevent future flooding.

Indirect effects:

- a) If the stormwater utility and associated rates are not created now, the existing \$470 million of estimated backlog in capital improvements needed will continue to grow. The costs to manage stormwater will increase, the flooding risk will increase, and there will be increased risk to flood damage to property.
 - b) If fees are not collected now, the fee will require a much higher rate in the future to manage the same stormwater system and infrastructure needs. Based on our modeling data, extending the program 12 years by deferring the identified Capital Improvement Program will increase the overall cost approximately \$315 million dollars or an average annual amount of \$6.4 million per year.
 - c) NSFRs may pass along fees to tenants or customers; thus, increasing the costs of goods and services downstream.
 - d) City, State, and Federal entities will increase fees to users in order to pass along costs.
 - e) The Stormwater Utility is a potential factor in decisions for new or existing businesses in locating to communities that do not have a stormwater the fee in place.
3. The following constitutes a description of the methods the local government considered to reduce the impact of the proposed ordinance on businesses and a statement regarding whether any, and if so which, of these methods were used: (include whether the following

was considered: simplifying the proposed rule; establishing different standards of compliance for a business; and if applicable, modifying a fee or fine set forth in the rule so that business would pay a lower fee or fine).

- a) Numerous public and stakeholder meetings were held to obtain feedback from business owners. As a result of this feedback, the stormwater utility fee is proposed to go in effect January 1, 2025, to allow for business to prepare for the fee implantation and effects on budgets.
- b) Further, the plan includes credit options that:
 - i. Activities that alleviate the City of Reno's cost of providing regional stormwater management.
 - ii. Properties with zero stormwater discharge to City of Reno stormwater systems; and/or
- c) The City extended the \$470 million dollar Capital Improvement Program from 20yrs to 32yrs to reduce the ERU rate based on business feedback.
- d) Modified the crediting program due to the businesses onus requirements to document and pay to managing credits.

The City has developed a Capital Improvement Projects (CIP) plan from previous drainage reports, hydrology studies, known deferred maintenance, and reoccurring flooding locations that have been documented over the last 20-30 years. Most of these improvement needs are items that are not addressed due to the current limited funding for stormwater projects. Over fifty priority projects dealing with bridges, downtown flood mitigation, storm drain/culvert rehabilitation and capacity, channel and ditch, stormwater basin, floodplain mitigation, and other improvement projects though out the City. Originally staff established the CIP plan to complete this work in a 20 years. A higher rate was required to meet this timeline, however due to business and public feedback, it was reported that businesses felt the rate was too high and costly. Business requested we look at options that reduced the overall fee and rate. Staff evaluated various options to reduced rate though reduction in crediting and extending the timeline to complete the CIP improvements. The table below show a few of the options evaluated and the resulting timeline, crediting changes and cost impacts.

Stormwater Utility Rate Options			
	January 2023 BIS (\$13.46 per ERU/Month)	Rate Option #1 \$9.80 per ERU/Month)	Rate Option #2 (\$5.00 Per ERU/Month)
Annual Revenue	\$25.8 Million	\$22.0 Million	\$8.5 Million
Yearly CIP Allocation	\$20.8 Million	\$14 Million	\$3.3 Million
Additional Staff Required	11 Staff & Equipment	8 Staff & Equipment	3 Staff & Equipment

Crediting Available	Low Income Assistance K-12 Education Credit Federal Transportation Rate Ramp-up Stormwater Mitigation Credit	Low Income Assistance K-12 Education Credit Federal Transportation Stormwater Regional Mitigation Credit	Low Income Assistance K-12 Education Credit Federal Transportation
Total CIP	\$470 Million	\$470 Million	\$470 Million
Years to Complete	20 years	32 years	98 years
Total CIP Expenditures	\$890 Million	\$1.2 Billion	\$8.8 Billion

The Stormwater Utility proposed rate of \$9.80, depending on project costs and phasing, allows the City to program 2-3 stormwater improvement projects per year to complete the overall CIP in 32 years.

Delaying the CIP timeline results in an overall increased cost of the program an average approximately \$6.4 million per year with a 12yr extended timeline but would reduce the monthly fee to businesses.

Scenario	Total inflated CIP	Years	Average Annual Expense
32-year CIP, starting FY2025	\$1,187,278,628	32	\$37,102,457
20-year CIP, starting FY2024	\$871,474,153	20	\$43,573,708
<i>Difference in CIP expenses</i>	<i>\$315,804,475</i>	<i>12</i>	<i>(\$6,471,251)</i>

The Stormwater Utility fee will be tied to an annual Consumer Price Index increase to mitigate the effects of inflation and the diverging costs of maintenance and construction cost versus the funds collected.

The Stormwater Utility fee would not end or sunset with the completion of the current CIP. The current CIP addresses the backlog of projects. While these projects are programed and completed over the next 32 years, existing infrastructure will age, additional stormwater maintenance and rehabilitation needs will be identified and the continually manage the stormwater system will be required beyond that which is identified in the 32 year CIP Plan.

4. The annual estimated cost to the local government for enforcement of the proposed ordinance.
 - a) The cost is \$264,850 annually for two employees to process and manage bills for the stormwater utility. These staff will manage the collection of the Stormwater

Utility fee and associated late penalties, possible property liens similar to the sewer billing and enforcement.

5. If the proposed ordinance provides a new fee or increases on existing fee, the total annual amount the local government expects to collect and the manner in which the money will be used is.

- a) Based on the current City impervious area mapping, the calculated ERU's totals are as follows:

Single Family Residential	63,009 ERUs
Non-Single Family Residential	136,414 ERUs

The table below provides the total anticipated cash flow for the program if the \$9.80 fee is adopted and fees begin to be collected on January 1, 2025. This include the financial model parameters; tied to CPI, assumed inflation; low income assistance; and the crediting program.

Year	2025**	2026	2027	2028	2029
Revenue	10,730,339	22,504,239	23,594,353	24,755,165	25,965,877
M&O, Environmental, Engineering, Billing, Irrigation Ditches, Other Indirect Costs	\$6,599,425	\$6,172,741	\$6,351,090	\$6,534,618	\$6,723,477
Capital Improvement Projects Yearly Expense (W/ Inflation)	\$4,200,000	\$13,980,618	\$16,331,121	\$17,297,934	\$18,309,012
End of Year Balance	1,550,942	3,043,185	3,087,772	3,133,654	3,180,869

** - Assumes 6 month at new fee rate

6. If the proposed rule includes provisions which duplicate or are more stringent than current federal, state or local standards regulating the same activity, the following explanation of why such duplicative or more stringent provisions are necessary is provided:

Not applicable.

7. Set forth the reasons for the conclusions regarding the impact of the proposed rule on business.


There will be a financial impact to the NSFR properties with impervious surfaces. This is a new fee which is proposed with implementation date of January 1, 2025. The fee will adjust annually in accordance with the consumer price index in order to align the fee with inflationary factors that will impact the cost of capital improvement projects. The fees will

allow the City of Reno to enhance and create much needed stormwater infrastructure to mitigate against future flooding risk.

The City Stormwater Utility need outweighs the impact the new fee as not maintaining the infrastructure and improving flood mitigation is more detrimental to businesses. If the City does not raise fees for the stormwater infrastructure and does not collect the needed revenue to fund the capital improvements, then existing infrastructure will continue to deteriorate, we will see failures, and likely see increased flooding impacts to the City Businesses.

I, Doug Thornley, City Manager for the City of Reno, hereby certify that, to the best of my knowledge or belief, the information contained in the statement was prepared properly and is accurate.

Dated this 29 day of November, 2023



Doug Thornley, City Manager

City of Reno

EXHIBIT A

Comments

- Requesting a better fee structure for commercial properties
- Requesting longer ramp up due to still recovering from Covid shut downs
- General opposition to stormwater utility fee
- Restricts the expansion of their business
- Requests easily understandable system
- ERU is difficult to understand
- Requests for flexible credit program to reduce or eliminate tax burden
- Requests for longer ramp up to after 2025 legislative session
- Request reduced scope and financial cost of the new program to only include what is required to address stormwater runoff in a prudent way
- Requests elimination of the automatic CPI increases and require City Council to approve any increases through a formal process that includes public input.
- Requests any exclusions that city properties receive should be available to residential and commercial properties as well.
- Not opposed to reasonable fee increase
- Fee is economic burden on business properties
- General opposition to ERU rate
- Fee will almost double combined water and sewer annual budget
- Cost increase is excessive

