

BUSINESS IMPACT STATEMENT

The following business impact statement was prepared pursuant to NRS 237.090 to address the proposed impact of adoption of amendments to RMC 12.16.290 and RMC 12.16.300.

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 November 18, 2022 notifying that interested persons could submit comments on or before December 16, 2022 to Kayla Garcia at PO Box 1900, Reno, Nevada 89501 and/or garciaka@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: higher costs for builders and developers

This amendment will set forth in detail the sewer connection fee for single family homes, multifamily homes, large single family homes, micro-unit multifamily homes, and the rate for individual fixture unit connection fees. The

proposed sewer connection fees will also be charged using an area specific rate for each sewer shed – Truckee Meadows Water Reclamation Facility (TMWRF), Lawton Verdi – Truckee Meadows Water Reclamation Facility, and Reno Stead Water Reclamation Facility (RSWRF). Each sewershed will be responsible for paying the costs of getting their flows to their respective treatment facility and capacity at their respective treatment facility. The proposed new rates also include a rate for micro units and a calculation for large single family homes based upon number of fixture units in the home.

The current TMWRF connection fee for a single family home (SFH) is \$6,376. The proposed TMWRF connection fee for a (SFH) is \$12,002, an increase of \$5,626 for a SFH. The current connection fee for a multifamily home (MFH) is \$5,445 per unit. The proposed fee for a MFH in the TMWRF service area is \$10,202, a difference of \$4,757.

The proposed connection fee of a SFH in Lawton-Verdi sewershed is \$6,376. The proposed connection fee for a SFH is \$14,594, an increase of \$8,218. The current connection fee for a MFH in Lawton-Verdi sewershed is \$5,445. The proposed fee is \$12,405, an increase of \$6,960 for a MFH.

The current connection fee for the RSWRF sewershed is \$6,376. The proposed connection fee for RSWRF for a SFH is \$11,906, an increase of \$5,530. The current rate for RSWRF MFH's is \$5,445. The proposed connection fee for RSWRF MFH's is \$10,120, an increase of \$4,675.

The current single fixture unit cost is \$295. The proposed new individual fixture unit fee is proposed at \$554 for TMWRF, \$673 for Lawton Verdi, and \$549 for RSWRF.

Beneficial effects:

- a) The increase of the sewer connection fee will allow the City of Reno to collect the necessary funds to proceed with the capital improvement projects needed to increase sewer capacity to allow for continued development, re-development, and growth.
- b) The increased revenue will allow for the City to have the necessary sewer capacity to allow for businesses to locate here or expand here.

- c) The new sewer connection fees will have an annual Consumer Price Index adjustment to include costs of inflation for capital improvement projects, and hopefully will not require another large increase in connection fees in the coming years.

Direct effects:

- a) Higher costs for builders and developers when connecting to the sewer for the first time or purchasing additional sewer capacity for re-development. Proposed fees are approximately 88% of the current fee.
- b) The proposed sewer connection fee rate is charged based upon the mathematical calculation of the cost of all capital improvement projects related to sewer capacity divided by the remaining sewer capacity available plus future capacity created. If the proposed rate is adopted, then the City will be able to provide the commodity of sewer capacity for those businesses and developers going forward. If there is no sewer capacity, then builders and developers have no capacity available to provide further development in the City of Reno.

Indirect effects:

- a) If fees are not increased now, the City will not have the funding to proceed with necessary capital improvement projects for sewer capacity at the reclamation facilities and in the collection system. The end result will be that there will not be enough sewer capacity available for businesses to continue to develop and grow.
- b) If rates are not increased now, they will need to be increased at a much higher rate in the future. As the City's sewer capacity decreases, the cost of remaining capacity increases.
- c) If the City does not have the funding to be able to complete capital improvement projects to increase sewer capacity, the City will not be equipped to allow for growth, development, or redevelopment in the coming years.

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).

After holding a public meeting and receiving a question about a stepped up rate increase rather than a one-time rate increase, the City calculated a potential step up rate increase and the loss to the overall cash flow if implemented. The step up rate still included sewer connection fee rates by area and accounted for an assumed annual CPI adjustment of 3%. The total lost cash flow for implementing a stepped up rate increase vs. a one-time rate increase is estimated at \$12.8M.

The below table reflects the projected revenue if Council adopts the stepped up fee schedule.

Step up fee schedule revenue predictions	FY 23*	FY 24	FY 25	FY 26	FY 27
TMWRF					
Single Family	\$9,500	\$9,500	\$11,000	\$12,500	\$13,467
Multi-Family	\$8,113	\$8,113	\$9,394	\$10,675	\$11,500
Commercial	\$439	\$439	\$508	\$578	\$622
Lawton - Verdi					
Single Family	\$12,092	\$12,092	\$13,592	\$15,092	\$16,299
Multi-Family	\$10,327	\$10,327	\$11,608	\$12,889	\$13,918
Commercial	\$559	\$559	\$628	\$698	\$753
RSWRF					
Single Family	\$9,424	\$9,424	\$10,912	\$12,400	\$13,188
Multi-Family	\$8,048	\$8,048	\$9,319	\$10,589	\$11,262
Commercial	\$435	\$435	\$504	\$572	\$609
Revenue (TMWRF)	\$7,196,963	\$17,272,710	\$19,999,980	\$22,727,250	\$24,484,819
Revenue (RSWRF)	\$2,855,755	\$6,909,065	\$7,935,970	\$9,018,148	\$9,590,975
Total Revenue	\$10,052,717	\$24,181,775	\$27,935,950	\$31,745,398	\$34,075,794

*Assume 5 months at new rate

The projected cash flow lost if the step up increase is implemented is \$12.8M as shown in the table below. It will take 15 years to recover the lost revenue. The lost revenue will mean that capital projects will have to be delayed.

	FY 23*	FY 24	FY 25	FY 26	Total Reduced Revenue from FY23-FY26
TMWRF Reduced Revenue	\$1,895,463	\$4,474,914	\$2,399,964	\$344,946	\$9,115,287
RSWRF Reduced Revenue	\$751,763	\$1,748,978	\$981,684	\$167,115	\$3,649,540
Total Reduced Revenue	\$2,647,226	\$6,223,892	\$3,381,648	\$512,061	\$12,764,827

4. The annual estimated cost to the local government for enforcement of the proposed ordinance.

The costs are anticipated to remain the same. Once the new connection fees go into effect, they will be input into the permitting department’s system and collected using current standard business practice.

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.

The table below reflects the amount of revenue projected to be collected if the recommended connection fees by sewershed are adopted in full without a step increase. The revenue calculation is the product of the proposed connection fees times the anticipated number of units added per year.

Projected revenue if recommended rate increase is implemented	FY 23*	FY 24	FY 25	FY 26	FY 27
TMWRF					
Single Family	\$12,002	\$12,002	\$12,362	\$12,733	\$13,115
Multi-Family	\$10,250	\$10,250	\$10,558	\$10,875	\$11,201
Commercial	\$554	\$554	\$571	\$588	\$606
Lawton - Verdi					
Single Family	\$14,594	\$14,594	\$15,032	\$15,483	\$15,947
Multi-Family	\$12,463	\$12,463	\$12,837	\$13,222	\$13,619
Commercial	\$673	\$673	\$693	\$714	\$735
RSWRF					
Single Family	\$11,906	\$11,906	\$12,263	\$12,631	\$13,010
Multi-Family	\$10,168	\$10,168	\$10,473	\$10,787	\$11,111
Commercial	\$549	\$549	\$565	\$582	\$600
Revenue (TMWRF)	\$9,092,425	\$21,747,624	\$22,399,944	\$23,072,196	\$23,764,380
Revenue (RSWRF)	\$3,607,518	\$8,658,043	\$8,917,654	\$9,185,263	\$9,460,872
Total Revenue	\$12,699,943	\$30,405,667	\$31,317,598	\$32,257,459	\$33,225,252

*Assume 5 months at new rate

The revenue generated through the payment of sewer connection fees will go into the sewer fund, specifically in the sewer connection fee account. The funds will be used solely to pay for sewer capacity capital improvement projects related to growth either at the treatment facilities or in expansion of the pipes and pumps to get the raw sewage to the respective treatment plant.

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 businesses that need a new connection to City sewer or for those needing additional sewer connections for re-development. The increase in sewer connection fees will require builders, developers, and re-modelers to pay higher sewer connection fees both for residential and commercial/industrial development. The proposed sewer connection fee increase is approximately 88% higher than the current fee for residential development. The sewer connection fees have not had an increase or a CPI adjustment in 8 years, thus requiring a significant one time increase at this time. Going forward, it is recommended that sewer connection fees be adjusted by the consumer price index (CPI-U) for all west users in order to align the fee with inflationary factors that will impact capital improvement projects. Ultimately, builders and developers incorporate this cost into the total cost of the home.

Additionally, per RMC 12.16.280 (c), the connection fee for connection to city facilities may be deferred until prior to the issuance of a certificate of occupancy. If the applicant chooses to defer the connection fee pursuant to this subsection, the maximum number of years payment can be deferred is one year. No certificate of occupancy will be issued until such time as the connection fees are paid. This section of the code lessens the burden on businesses by allowing them more time to pay their total for sewer connection fees.

Finally, the City's sewer capacity need outweighs the impact of the fee increase because the issue of running out of sewer capacity is more detrimental to businesses than the fee increase. If the City does not raise sewer connection fees and does not collect the revenue to be able to fund the capital improvement projects to increase sewer capacity, then there will not be sewer capacity available in the future to allow for growth or development. Without sewer capacity, businesses will not be able to continue grow or develop in the City of Reno.

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 2nd day of JANUARY, 2023



Doug Thornley, City Manager
City of Reno

EXHIBIT A

During the business impact statement comment period, the most common question received was when the new sewer connection fees would become effective. The general feedback was that no one wants or likes new fees, but they understand the necessity to allow for expanded sewer capacity to allow for continued growth, development, and re-development.

Feedback was received regarding support for the micro-unit fee type and connection fees based upon fixture unit counts. As for the recommended large single family home fees being calculated based upon the standard single family home connection fee for up to 31 fixture units + the individual fixture unit fee per additional fixture unit, responses were mixed. Some people supported the idea in order to capture the equity piece to account for larger homes with higher fixture unit counts to pay their equitable share. Other individuals did not want to see an additional charge for larger homes and wanted to keep it to the standard single family home fee.

During the business impact comment period, a meeting was held with the Builder's Association of Northern Nevada and the Commercial Real Estate Development Association. In general, the consensus of the group was that they would like to see the City implement sewer connection fees by sewershed and the step up fee schedule rather than the one time increase. Additionally, the development community has asked if they can pay the sewer connection fees at a time other than at building permit. They would like to be able to pay the fee at certificate of occupancy when they have already sold the home.

Questions arose about the current proposed connection fee rate being higher than in previous presentations. A few questions also arose about the Farr West Sewer Connection Fee study including how the growth rate was calculated, when the City would return to a surplus of sewer capacity, and if the public could view the financials.

Questions were received regarding the Reno Stead Water Reclamation Facility (RSWRF) expansion. A follow-up question was asked about the sewer allocation program at RSWRF, and if the expansion would allow that process to be eliminated.

Questions were received regarding potential grant funding in the future and if that could potentially lower connection fees in the future. A concern was noted regarding a slowing in the economy and new fees being implemented at this time which ultimately land on the end user.

