

**TECHNICAL MEMORANDUM
CITY OF RENO
SEWER UTILITY USER RATE AND CONNECTION FEE ANALYSIS**

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Subject: Adjusting Sewer Connection Fee for Inflation

1.0 BACKGROUND

The City of Reno (City) contracted Farr West Engineering (Farr West) to provide an analysis of user rates and connection fees for its sewer utility in December 2021. This technical memorandum (TM) updates the findings of the *Reno Connection Fee Study Report (2022)* to include inflationary adjustments from January 2021 through September 2022.

2.0 INFLATIONARY FACTORS

The City currently utilizes the Consumer Price Index-All Urban Consumers West Region Class A [CPI-U (W)] to adjust the sewer utility user rate on an annual basis every October 1. CPI-U (W) measures the change in prices paid by U.S. consumers for all goods and services in the West Region. The project team has selected the January 2021 index as the starting point for this analysis since the Capital Improvement Plan used in the 2022 study was considered to be in January 2021 dollars. The CPI-U (W) index values used for the adjustment are listed in Table 1.

Table 1: Inflationary Adjustment

Inflation Index	Index Value January 2021	Latest Index Value 2022	Percent Change
CPI-U (W)	277.238	315.094 (September)	13.65%

3.0 PROPOSED CONNECTION FEE – MAY 2022 REPORT

The *Reno Connection Fee Study Report (2022)* calculated connection fees based on (i) an existing cost basis (i.e., remaining capacity) and (ii) a future cost basis (i.e., expanded capacity) of the system. To quantify the existing cost basis, the City provided a valuation list of all its existing assets (i.e., existing cost basis) related to the collection system by service territory. The valuation list included the acquired value and date of acquisition for each asset as well as the accumulated depreciation, as of January 2021. Asset values and accumulated depreciation were aggregated by each collection system within each service territory.

To calculate the future cost basis, the City provided a 20-year CIP that was in January 2021 dollars. This information included the project type, service territory, proposed project schedule, and projected cost estimation. For the connection fee study, only costs associated with expansion projects were considered. According to the January 2021 20-year CIP, the City plans on spending \$685M on capital projects with approximately \$319M devoted to adding capacity in Reno’s share of the system. Table 2 summarizes the cost basis and proposed uniform connection fee, as recommended in the *May 2022 Report*.

Table 2: 2022 Report Recommended Connection Fee

ITEM	VALUE
Existing Cost Basis	\$296,059,443
Future Cost Basis	\$319,146,570
Total Cost Basis	\$615,206,013
ERU’s Served by Capacity	56,355
Uniform Connection Fee per 2022 Study	\$10,917
TMWRF Service Are Connection Fee per 2022 Study	\$10,560
Lawton/Verdi Service Are Connection Fee per 2022 Study	\$12,841
RSWRF Service Are Connection Fee per 2022 Study	\$10,476

4.0 UPDATED CONNECTION FEE RECOMMENDATION

In order to adjust the connection fee calculated in the 2022 Study to include price inflation from January 2021 to the present, the inflationary factor was applied directly to the proposed connection fee. Tables 3, 4, 5, and 6 provide the adjusted connection fee schedule(s) for implementation.

Table 3: TMWRF Service Area Specific Connection Fee Adjusted for Inflation

Proposed TMWRF Connection Fee	
Single Family Dwelling	\$12,002
Multi-Family Dwelling	\$10,250
Micro-unit Dwelling (<500 sf)	\$ 8,310
Mobile Home Estates or Subdivisions (per space)	\$12,002
Mobile Home Parks (per space)	\$12,002
Residential Dwelling Unit Shared Kitchen or Rooming House Kitchen	\$ 4,275
Rooming House (per room rental)	\$ 3,842
Commercial Fixture Unit Fee	\$ 554

Table 4: Lawton/Verdi Service Area Specific Connection Fee Adjusted for Inflation

Proposed Lawton/Verdi Connection Fee	
Single Family Dwelling	\$14,594
Multi-Family Dwelling	\$12,463
Micro-unit Dwelling (<500 sf)	\$10,095
Mobile Home Estates or Subdivisions (per space)	\$14,594
Mobile Home Parks (per space)	\$14,594
Residential Dwelling Unit Shared Kitchen or Rooming House Kitchen	\$ 5,198
Rooming House (per room rental)	\$ 4,672
Commercial Fixture Unit Fee	\$ 673

Table 5: RSWRF Service Area Specific Connection Fee Adjusted for Inflation

Proposed RSWRF Connection Fee	
Single Family Dwelling	\$11,906
Multi-Family Dwelling	\$10,168
Micro-unit Dwelling (<500 sf)	\$ 8,235
Mobile Home Estates or Subdivisions (per space)	\$11,906
Mobile Home Parks (per space)	\$11,906
Residential Dwelling Unit Shared Kitchen or Rooming House Kitchen	\$ 4,241
Rooming House (per room rental)	\$ 3,811
Commercial Fixture Unit Fee	\$ 549

Table 6: Uniform Connection Fee Adjusted for Inflation

Proposed Uniform Connection Fee	
Single Family Dwelling	\$12,407
Multi-Family Dwelling	\$10,596
Micro-unit Dwelling (<500 sf)	\$ 8,595
Mobile Home Estates or Subdivisions (per space)	\$12,407
Mobile Home Parks (per space)	\$12,407
Residential Dwelling Unit Shared Kitchen or Rooming House Kitchen	\$ 4,419
Rooming House (per room rental)	\$ 3,972
Commercial Fixture Unit Fee	\$ 573

It is recommended that the City pursue adoption of the three (3) area-specific connection fee schedules shown in Tables 3, 4, and 5 and adjust the fees on annual basis according to the CPI-U (W) inflation index.