

City of Reno Stormwater Utility Rate Structure and Financial Plan Implementation Update

November 29, 2023

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Background

The proposed Stormwater Utility would collect fees to provide a dedicated funding source committed exclusively to maintaining and improving stormwater and flood control infrastructure. The fees would be used to prevent flooding, protect water quality, maintain, replace, or repair aging infrastructure, and improve or install needed upgrades to avoid costly emergency responses. Many structures that protect our City from these stormwater threats are aging, damaged, or do not exist, and the City needs a long-term solution. Providing a sufficient and stable revenue source will enable the City to implement a backlog of projects and provide a proactive approach that will save money in the long run, compared to reactive emergency responses.

The City has no dedicated funding source to repair, replace, or rehabilitate City-owned stormwater infrastructure. Currently, approximately 8% of the Sewer Fund is used for Maintenance and Operations, Engineering and Environmental Permitting for the City's stormwater system, and only a small amount is allocated for known stormwater Capital Improvement Program projects. Over the last 20-30 years, localized and citywide drainage reports, studies and recurrent flooding locations have identified needs that have been captured in a Stormwater Capital Improvement Program (CIP). In addition, the City is experiencing increased intensity and frequency of storm events with higher snow lines, resulting in more frequent flooding and increased maintenance activities. With all new development, additional infrastructure is dedicated to the City without any funding mechanism for repair, replacement or rehabilitation.

In 2018, the City retained Raftelis to conduct a study to determine the feasibility of forming a stormwater utility and implementing a fee to provide a predictable, sustainable, and equitable source of stormwater funding. The current funding through the Sewer Fund is inadequate to meet the known backlog of projects, current and future needs for managing stormwater infrastructure. The City engaged Raftelis and Tri Sage Consulting to study the feasibility of a stormwater funding approach and to develop recommendations on a path forward. Based on the results of the study, it was determined that a dedicated funding source through a stormwater fee was a favorable option and would provide equitable, predictable, and sustainable funding for the stormwater program.

Since completion of the Feasibility Study, several key assumptions and factors influencing the financial plan have been refined and updated. The major drivers of change are related to the inflation of capital costs, the length and magnitude of the CIP and other changes related to general public and business feedback including potential credit programs, utility implementation date, and additional staffing needs. **This memo serves to document the process, assumptions, models scenarios, stormwater utility structure evaluation and resulting impacts to the financial plan including rates.**

Feasibility Study (Previous Findings)

For the purposes of the Feasibility Study (City of Reno Stormwater Funding Feasibility Report- June 23, 2019), Raftelis used a ten-year planning period to understand stormwater program needs and revenue requirements. This timeline allowed the City a reasonable amount of time to address current operational needs, as well as the current and future capital needs.

Assumptions

The Feasibility Study incorporated the following assumptions:

Description	FY 2019 (Year 1 of the utility) through study period
Account Growth	0.0%
Expense Inflation Factors	
General	3.0%
Salaries	3.0%
Benefits	5.0%
Capital	5.0%
Units of Service: Equivalent Residential Units (ERUs)	
Single Family Residential (SFR)	55,014
Non-Single Family Residential (NSFR)	110,779

Revenue Requirements

During the Feasibility Study, stormwater program needs were grouped into four categories. These categories and their projected costs as part of the Feasibility Study are described below. All costs noted are based on actuals from the City’s FY16-17 budget¹ projected to FY2019 dollars.

Operations and Maintenance (O&M)

- Includes inlet and catch basin cleaning, drainage conveyance maintenance.
- Projected annual cost of \$1.8M in FY2019 with 3% annual inflation.

Costs Associated with the NPDES MS4 Permit Requirements

- The City is a co-permittee, along with the City of Sparks and Washoe County, and program manager of the Truckee Meadows Municipal Separate Storm Sewer (MS4) permit. In accordance with the MS4 permit, the permittees developed the Truckee Meadows Storm Water Management Program (SWMP) which documents the stormwater related activities to be completed to maintain compliance with the MS4 permit.
- Includes activities associated with the illicit discharge detection and elimination (IDDE) program, best management practices trainings for staff, project designers, developers, and contractors, tracking of fertilizer and pesticide usage, construction inspections, post-

¹ Source: Stormwater Operation Expenses.xlsx – received August 20, 2018

construction best management practice (BMP) plan review and inspection, and public outreach and trainings.

- This permit was issued in 2010 and expired in 2015 but has been administratively continued until a new MS4 permit can be written by the State agency. During the Feasibility Study, additional permit requirements and associated costs were not known but were assumed to be approximately \$251,000 annually.
- Projected annual costs of \$1.1M with 3% annual inflation and additional non-inflated annual costs of \$251,000 beginning in FY 2019.

Capital Projects

- Includes high-priority capital projects within the City, including a number identified through the Truckee River Flood Management Authority (TRFMA).
- Projected total capital costs within the City during the Feasibility Study were approximately \$286.4 million and assumed to have 4% annual inflation.

Utility Administration

- Includes costs associated with billing and technology, customer service staff, data maintenance staff, and imagery. Additional staff will also be required to effectively manage and ensure the completion of capital projects.
- Total additional engineering staffing costs are estimated at approximately \$695,000 annually with 3% annual inflation.
- Projected annual cost (excluding additional staff) of \$327,000 in FY2021, with 3% annual inflation.

Units of Service, Rate Structure, and Rates

It was crucial to establish a dedicated stormwater fee to accurately recover the expenses associated with stormwater management. This approach ensures a fair distribution of costs that aligns more closely with the individual demand each property places on the City's stormwater infrastructure. Raftelis recommended using an impervious area (IA)-based rate structure with equivalent residential units (ERUs) as the units of charge. IA is ground surface that is compacted or covered with material that prevents water from penetrating into the ground. Examples of impervious surfaces include roofs, patios, driveways, parking lots, concrete and asphalt paving, and compacted gravel or dirt roads used for vehicles. An IA-based rate structure recovers revenue in an equitable manner that reflects the demand placed on the utility by each property based on their resulting runoff. Properties with grass and landscaped areas, for example, create less runoff than a parking lot and thus place a lower demand on the City's stormwater system.

To determine the ERU value, Raftelis measured IA for a statistically significant sample of randomly selected single family residential (SFR) parcels, ensuring the sample encompassed parcels from various areas in the City. The ERU represents the statistical median of IA on SFR properties within the service area. Raftelis calculated an ERU value of 3,500 sq ft of IA. Raftelis

incorporated this value with a visual evaluation technique to estimate the total IA in the City² which was determined to be between 376 and 407 million sq. feet, equating to approximately 110,779 NSFR ERUs. SFR parcels were assessed at 1 ERU per parcel, with 55,014 SFR parcels within the City.

During the Feasibility Study, Raftelis recommended a fee in the \$8 – 10 range per ERU. This fee range would allow the City to effectively complete necessary operations and maintenance and capital projects identified at the time. It was noted that a moderate fee level would provide an option to lower the sewer fee to reflect the reallocation of stormwater costs from the sewer utility to the stormwater utility. Raftelis allowed for the possibility of the creation of a credit program but did not include an analysis of credit programs during this phase of the study.

Implementation Study

In August 2020, the City Council approved an agreement with Raftelis and directed staff to conduct a Stormwater Utility Implementation Work Plan. As part of the Implementation Work Plan, the Council approved a Public Outreach and Communications Plan in January of 2021, to inform the public, stakeholders, and affected groups about the proposed Stormwater Utility. Also under the work plan effort, CIP costs were updated to 2020 costs, then again to account for historic cost increases due to the pandemic and associated supply chain issues, resulting in a \$470.6M program.

Stormwater Management and Infrastructure

The City's network of roadways, catch basins, storm drains, ditches, culverts, bridges, and water quality infrastructure are all vital to convey stormwater runoff to local streams and river, reducing sediment and other harmful contaminants impacting stream ecology and preventing dangerous flooding of homes and property. Stormwater and other precipitation that does not soak into the ground flows off streets, parking lots, construction sites and neighborhoods where it is channeled into the City's stormwater drainage system of pipes, ditches, and other flood control facilities. The City uses miles of pipes, drainage inlets, culverts, bridges, channels, ditches and other infrastructure to manage stormwater.

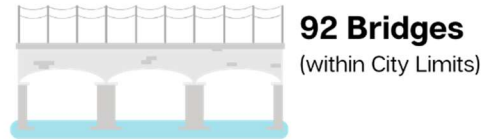
² Further details can be found in the Feasibility Study.

City Owned and/or Maintained Stormwater Infrastructure

Storm Drains & Culverts*



Bridges



Irrigation Ditches



Creeks / Manmade Channels

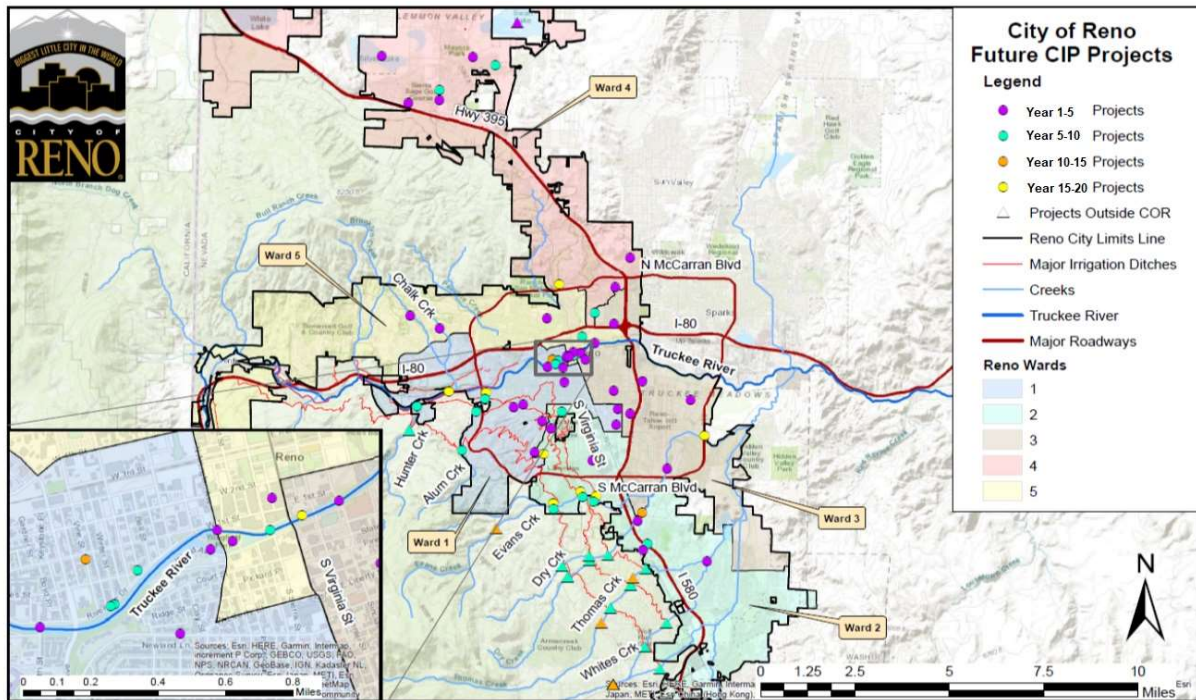


Basins



Capital Improvement Plan

The City developed a Capital Improvement Plan (CIP) during the 2019 Feasibility Study with over 39 project locations at a cost of \$127 million dollars. Many of these projects were identified in the last 20-30 years of drainage reports and studies but never implemented due to lack of funding. After the Feasibility Study was completed, estimated costs were updated to reflect current construction estimates. This increased the overall CIP cost to \$286 million dollars. During this same period, a countywide property tax proposal to fund the Truckee River Flood Management Authority's (TRFMA) "Truckee River Flood Project" had failed to pass. The tax increase would have provided nearly \$82 million, as well as the efforts to secure approximately \$182 million in federal funding, to support projects along the Truckee River that could prevent the damage the region saw in both 1997 and 1955. Following the failure of this funding mechanism in 2020, City staff identified additional projects for bridges, floodwalls, pumps, and other improvements along the river corridor with assumed contributions by other regional partners such as the Regional Transportation Commission or the TRFMA. These added projects and updates resulted in a \$362 million (uninflated) CIP.



Costs Associated with the NPDES MS4 Permit Requirements

The City of Reno has a municipal separate storm sewer system (MS4) and is regulated under a National Pollutant Discharge Elimination System (NPDES) MS4 permit that was issued in 2010. This permit regulates the City of Reno, the City of Sparks, and Washoe County. The permit requires all the regulated jurisdictions to address municipal operations, stormwater discharge monitoring, land use planning, structural controls, and oversee the detection and elimination of hazardous discharges to our streams and rivers. Currently, the Western Regional Water Commission (WRWC) provides funding for the program, but this funding is not guaranteed and is reallocated on a year-by-year basis. Although permits are typically for a five-year term, the current permit, which was to expire in 2015, has been administratively continued while a new permit is developed. The terms of the new MS4 permit remain unknown, but it is likely that there will be additional costs associated with compliance under the new permit. As no additional details are known at this time, additional costs were not included in the financial plan.

Operations and Maintenance (O&M) and Utility Administration

City staff determined several expenses would not be included in the stormwater utility, including herbicide application, homeless camp inspection and resolution, and non-point source issue inspection and resolution. Projected annual cost for O&M is \$1.5M with 3% inflation.

Units of Service and SFR Rate Structure

Raftelis updated the units of service using land use codes from Washoe County tax assessor data to identify SFR and NSFR parcels within the City and satellite imagery from 2019 (the most recently available data). Raftelis digitized IA for NSFR parcels and calculated IA for SFRs using

an algorithm based upon tax assessor data, all of which are available in the tax assessor data. They then calculated parcel ERUs for NSFRs by dividing IA by the ERU value of 3,500 sq ft, then rounding up to the nearest whole number, as shown in the example below.

$$\begin{aligned}
 & \text{IA} = 4,968 \text{ sq ft} \\
 & \text{ERUs} = 4,968 \text{ sq ft} / 3,500 \text{ sq ft per ERU} = 1.419 \text{ ERUs} = 2 \text{ ERUs}
 \end{aligned}$$

For SFRs, Raftelis developed a three-tier structure reflecting parcels with a small, medium, or large amount of IA. ERUs for each tier reflect the relative IA for each parcel. As IA can vary greatly from residence to residence, a tiered rate structure can provide greater equity within the SFR class.

SFR Tier	ERU	Calculated IA (sq ft)
Tier 1	0.6	400 – 2,400
Tier 2	1.0	2,401 – 5,000
Tier 3	1.7	>5,001

The updated units of service calculated for the Implementation Study include 137,580 NSFR and 57,562 SFR ERUs. This represents the units of service within the City in FY 2021.

Public Outreach and Communication Plan

As part of the proposed Stormwater Utility Implementation, Council approved a Public Outreach and Communications Plan in January 2021. The plan aimed to engage stakeholders, help identify goals and inform how the new fee would be implemented. The plan involved consulting and informing the public, specific stakeholders, and other groups about the development of the proposed Stormwater Utility and identified methods to participate in the process. As part of the public outreach process, Staff:

- Held three (3) public meetings.
- Presented at all five (5) Neighborhood Advisory Boards (NABs).
- Had eight (8) media stories/press releases published through local news agencies.
- Developed a City of Reno Stormwater Utility website with an option to provide feedback.
- Provided an informational mailer insert in all City of Reno Sewer Bills directing property owners to the website for more information and to provide feedback.
- Provided approximately thirty (30) other public outreach and education opportunities through numerous social media posts and videos and/or directing the public to the website for additional information and to provide feedback.

1**Public Meetings****3 public meetings**

- Council chambers
- Neil Road Recreation Center
-Spanish Speaking
- Virtual (Zoom)

**2****Media & Other Messaging****8 Media Stories**

(Spanish Radio, RGJ, KOLO, KTNV)

City of Reno Website**Notices in Sewer Bills****Instagram, Facebook, Twitter, Nextdoor Messaging****3****Board Meetings & Stakeholder Group****13 stakeholder groups or boards**

- Reno Tahoe Airport Authority (RTAA)
- National Association for Industrial and Office Parks (NAIOP)
- Builders Association of Northern Nevada (BANN)
- Nevada Resort Association
- Washoe County School District (WCSD)
- Nevada System of Higher Education (NSHE)
- Reno Sparks Indian Colony
- Chamber of Commerce
- Reno Sparks Association of Realtors
- others

**4****Neighborhood Advisory Boards (NAB)****Presentations All 5 Ward Neighborhood Advisory Boards**

July 2021 - September 2021

Feedback received from these efforts included 118 general public comments that primarily focused on one of the following topics:

- New development should pay for a Stormwater Utility
- Stormwater Utility should be funded by removing internal inefficiencies and the City should disallow any building in Flood Zones
- In favor of the Stormwater Utility
- Seeking clarification
- Perception that there are sufficient funds in sewer fund, that residents are overpaying on sewer rates, and the desire to cease sewer rate increases
- No new fees or taxes
- Fixed Income / Cost of living / Financial impact considerations

In addition to the public outreach conducted, staff also presented to 13 targeted stakeholder groups, focusing on stormwater and the implementation of a proposed Stormwater Utility. Feedback received from the targeted stakeholder groups generally included comments or questions regarding:

- In favor / seeking general clarification
- How the mechanism to charge fees was determined
- Homeowners Associations (HOAs) inquired whether individual homeowners within the HOA and the HOAs/drainage districts would be charged
- Request for a non-residential rate ramp up
- Request for fee reduction for non-residential properties that demonstrate compliance with existing code for flood reducing and/or water quality drainage infrastructure
- Request for fee reduction from Washoe County School District (WCSD) for implementation of a Stormwater Education Program

- Request from Reno Tahoe Airport Authority (RTAA) for exclusion of runways, taxiways, and aprons from fee calculations.

Model Changes and Updates to Assumptions

As a result of the public input and through the refinement of the model, the City developed an updated stormwater model and fee. As part of the Implementation Study, key assumptions were updated to reflect new information.

Capital Inflation

The most notable changes include updates to inflation due to cost increases that occurred since the Feasibility Study, the most impactful of which is capital inflation. While costs are generally expected to increase annually, the costs of capital greatly outpaced the assumed inflation included in the Feasibility Study. The Western Region Urban Consumer Price Index has seen a 23.4% increase since 2019.

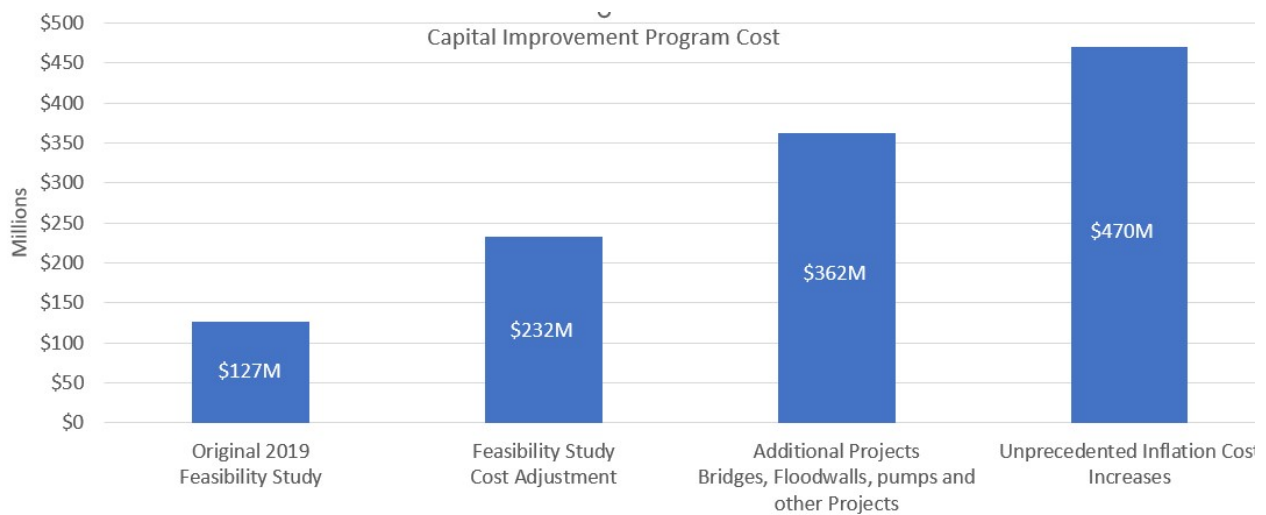
US Bureau of Labor Statistics	
Urban Consumer Price Index (CPI-U) Western Region	
Year	Annual Percent Change (rate of inflation)
2019	2.80%
2020	1.50%
2021	7.10%
2022	6.20%
2023*	5.80%
*Value as of May 2023	

According to the Bureau of Labor and Statistics, the producer price index (PPI) for non-farm industries has increased approximately 72% over the last three years. Water and wastewater infrastructure costs have well outpaced standard inflation rates. In July of 2022 Water Smart Magazine noted, “In the last year, the value of other materials has risen, including concrete pipe (16.2 percent), copper pipe (20.8 percent), fabricated steel (39.8 percent), and PVC pipe (35.6 percent).”³ These increases are consistent with project price increases experienced by recently encumbered projects by the City.

In alignment with the observed experiences of City staff of capital costs for the sewer utility, Raftelis was directed by the City to increase total capital costs by 30% to account for unprecedented growth in material and other costs associated with capital projects. This 30% one-time adjustment of total capital is followed by an annual inflation of 3.5% beginning in FY2025.

³ “Inflation dampens water utilities’ infrastructure projects”, <https://smartwatermagazine.com/news/smart-water-magazine/inflation-dampens-water-utilities-infrastructure-projects>, accessed November 29, 2023

The unprecedented inflation cost increased from 2019 to 2023 resulted in an increase CIP of \$470.6 million dollars.



Revenue Requirements

The revenue requirements for the Implementation Study were calculated using budget information provided by City staff. Raftelis worked with the City to determine which activities and costs would be under the purview of the stormwater utility.

The total projected capital expenses varied among scenarios. The later expenses were incurred, either due to a later start date or longer timeline, the more influence inflation had, adding to the total inflated capital costs. Total inflated capital costs within the City are projected to range from \$871.5 – 1,149.1M depending on the timeline scenario.

In addition to direct capital costs, due to the level of effort associated with the CIP and program management, the City determined additional staff and accompanying equipment would be required. These roles include six to ten additional FTEs, with total costs ranging from \$1.1 – 2.3M in FY 2024.

Capital Projects Approach and Staffing Resources

An additional adjustment made from the Feasibility Study is the approach used to determine capital funding requirements. During the Feasibility Study, capital expenditures were determined annually using the CIP provided by the City. This plan included estimated dates for each project to use as a guideline for projecting costs each year. This approach resulted in variable spending year to year depending on project schedules, including some years where more work was projected to be done than the City feels is currently possible.

For the Implementation Study, the City sought to use a different approach that would more realistically reflect the level of construction possible within a year while smoothing out capital expenses. For this approach, Raftelis was directed to use the total estimated costs of the CIP,

including the 30% inflation. Raftelis worked with the City to determine the level of construction and resultant spending that was realistic during the first five years of the utility. Raftelis then calculated the remaining costs of the total capital program and divided these evenly among the rest of the study period. The annual inflation rate of 5.0% was then applied to the adjusted CIP.

Programmatic Updates

Raftelis analyzed several other programmatic options, including bond funding capital and credit programs for different customer classes. The Feasibility Study considered using a mixture of debt and pay-go to fund capital expenditures, an approach which would enable the City to meet revenue requirements in years where capital costs were exceptionally high without needing to increase rates or draw down available reserve balances. Debt funding can be a helpful tool to use in years with uneven or irregular capital costs. However, as the capital funding approaches used in the Implementation Study levels out spending over a given time period or relies on funding available after OM and reserves are met, given this approach, debt funding would likely not help the City in reducing rates.

Lastly, the City has noted they will pursue grants and other funding sources for CIP. Revenue from the utility can be used to support those grants with required matches.

Through feedback and outreach, crediting and other program elements were proposed to be implemented into the model. The City asked Raftelis to determine the impact of offering stormwater credits to certain customers. Stormwater credits are conditional reductions of the stormwater fee for customers taking measures to reduce stormwater volume or protect the water quality of runoff flowing from their property. Raftelis looked in depth at revenue impacts resulting from varying levels of credits offered to schools, all NSFRs, NSFRs managed by HOAs, and SFRs within managed drainage districts. Raftelis is working with City staff to draft a document detailing the credit policy, including eligibility requirements and maximum credits available by credit type. The following credit programs were evaluated.

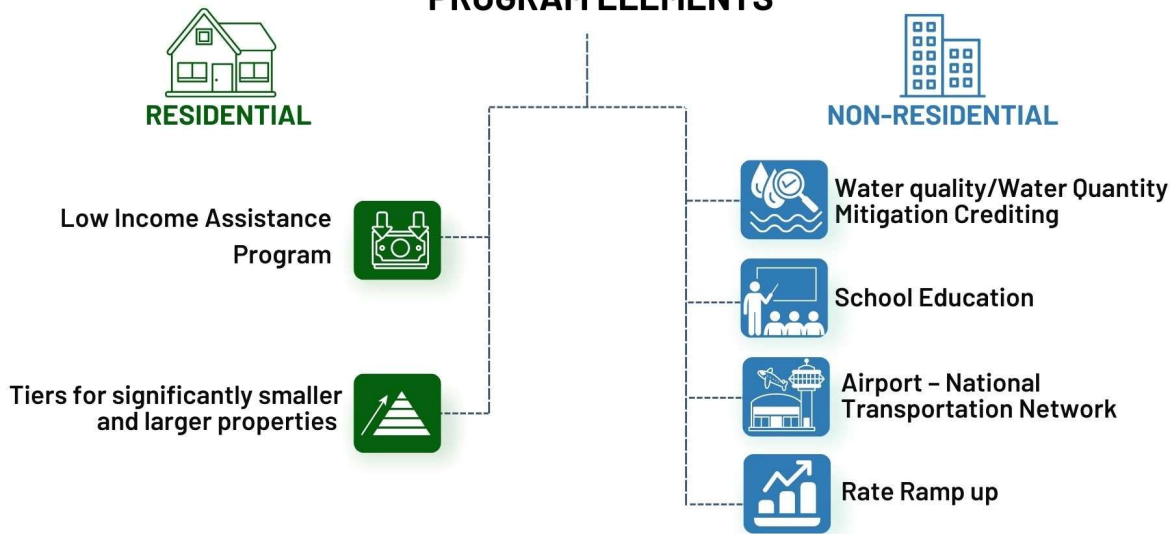
- Water quality and quantity credits for drainage districts
- School/Education credit

Raftelis also evaluated other factors that could impact rates, including rate structure design and utility billing policies. These include:

- Low-Income Assistance Program
- Residential tiers for larger and smaller properties
- Exclusion of runways and taxiways from fees
- Non-residential rate ramp-up

STORMWATER UTILITY FINANCIAL MODEL PROPOSED

PROGRAM ELEMENTS



Water quality/Water quantity Mitigation Crediting: Crediting for NSFR and SFR properties in drainage districts with stormwater, flood mitigation and water quality measures that reduce the volume and pollutant load from runoff and/or are in compliance with current code.

School/Education Credit: K-12 educational institutions that provide watershed education or promote stormwater topics in support of the City’s storm water goals may earn credit with a maximum of 50% reduction in fees.

Low-Income Assistance Program: As a result of the comments received from the general public, the City recommended creating a stormwater utility income assistance program for low- or fixed-income individuals that meet certain income criteria. In order to qualify, applicants would need to provide proof of residency in the City of Reno and have received, during the preceding fiscal period, benefits from one of the following sources: Nevada State Welfare Division Energy Assistance Program (EAP), Social Security Disability Income (SSD), Supplemental Social Security Income (SSSI), or the Veterans Administration Disability (VA). Staff recommends a \$250,000 per year program cap.

Residential tiers for significantly smaller and larger properties: In order to address properties that have significantly smaller (less than 2,400 sq. ft. of impervious surface) and significantly larger (greater than 5,000 sq. ft. of impervious surface), an additional program element of tiered rates was developed where residential properties would pay approximately 35% lower or higher rates, respectively.

Airport runway and taxiway exclusion: Similar to the City of Reno roadways and right of way, and due to their being a part of the National Transportation Network, airport runways and

taxiways would be exempt from Stormwater Fees. Other airport impervious areas would be subject to the stormwater fee based on the established impervious surface ERUs.

Rate ramp-up: Parcels with higher stormwater fees (more than 4 ERUs) will receive a rate ramp-up over a 3-year period. The fee will increase annually until rate fees reach 100 percent of the full property stormwater fee. This would impact approximately 88% of NSFR ERUs.

Implementation Financial Plan Scenarios

Raftelis analyzed numerous scenarios to evaluate the impacts of a number of variables. Due to the variety and number of elements considered, the rates resulting from each scenario are too numerous to cover in this memo.

Four scenarios were evaluated with all scenarios include the following assumptions.

- Go-live date of July 1, 2024
- Education credits are available to all K-12 schools who meet application requirements.
- 10% of existing and all new NSFR parcels will receive a 30% credit.
- NSFRs managed by Homeowners Associations located within drainage districts and meeting drainage district requirements will receive a 30% credit.
- Annual rate increase of 8.5% in FY2024 and 2025, then 3.5% thereafter.
- Tiers for SFRs.
- Runways and taxiways excluded from fee calculations.

Key variables for these scenarios include the maximum amount of credit available for schools (K-12), additional staff or equipment, the timeline within which capital was expected to be completed, and the go-live date for the stormwater fee. These key assumptions are shown in the table below, as well as the resulting monthly fee per ERU required to fund all expenditures. Additional assumptions remained constant for each of these scenarios. The table below highlights key scenarios and resulting rates that we have evaluated.

Scenario	Variable Credits (max %)	Additional Staff/ Equipment	Model Timeline	Monthly Rate/ERU
Scenario 1	75% education	Six FTEs	20 years	\$13.46
Scenario 2	75% education 25%-50% credits for SFRs in drainage district	Ten FTEs, add'l equip.	20 years	\$13.90
Scenario 3	75% education 25%-50% credits for SFRs in drainage district	Ten FTEs, add'l equip.	25 years	\$11.25
Scenario 4	75% education 25%-50% credits for SFRs in drainage district	Ten FTEs, add'l equip.	30 years	\$9.70

The figures below show the annual operating and capital expenditures by scenario. Please note that not all of these options would complete the CIP within the model timeline. The figures also include the estimated end of year balance anticipated in the Stormwater Utility enterprise fund.

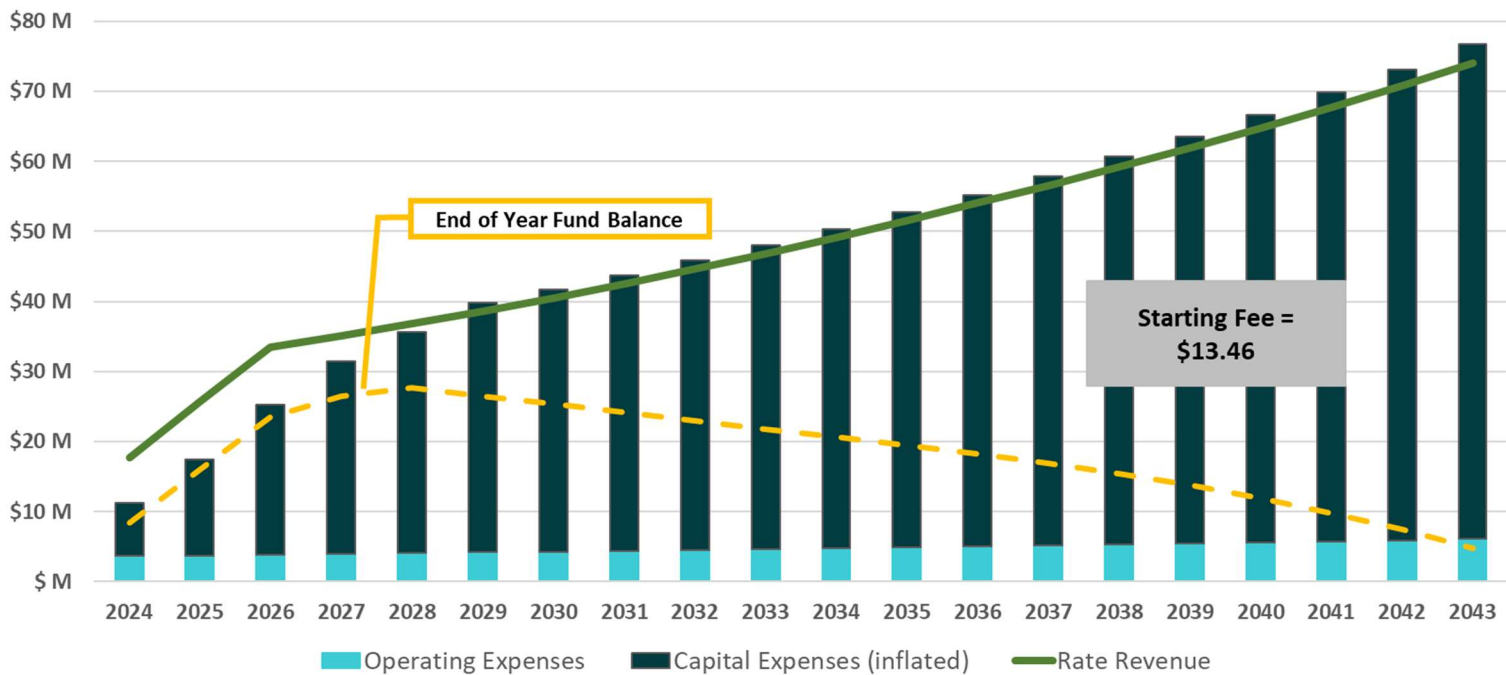


Figure 1 - Scenario 1

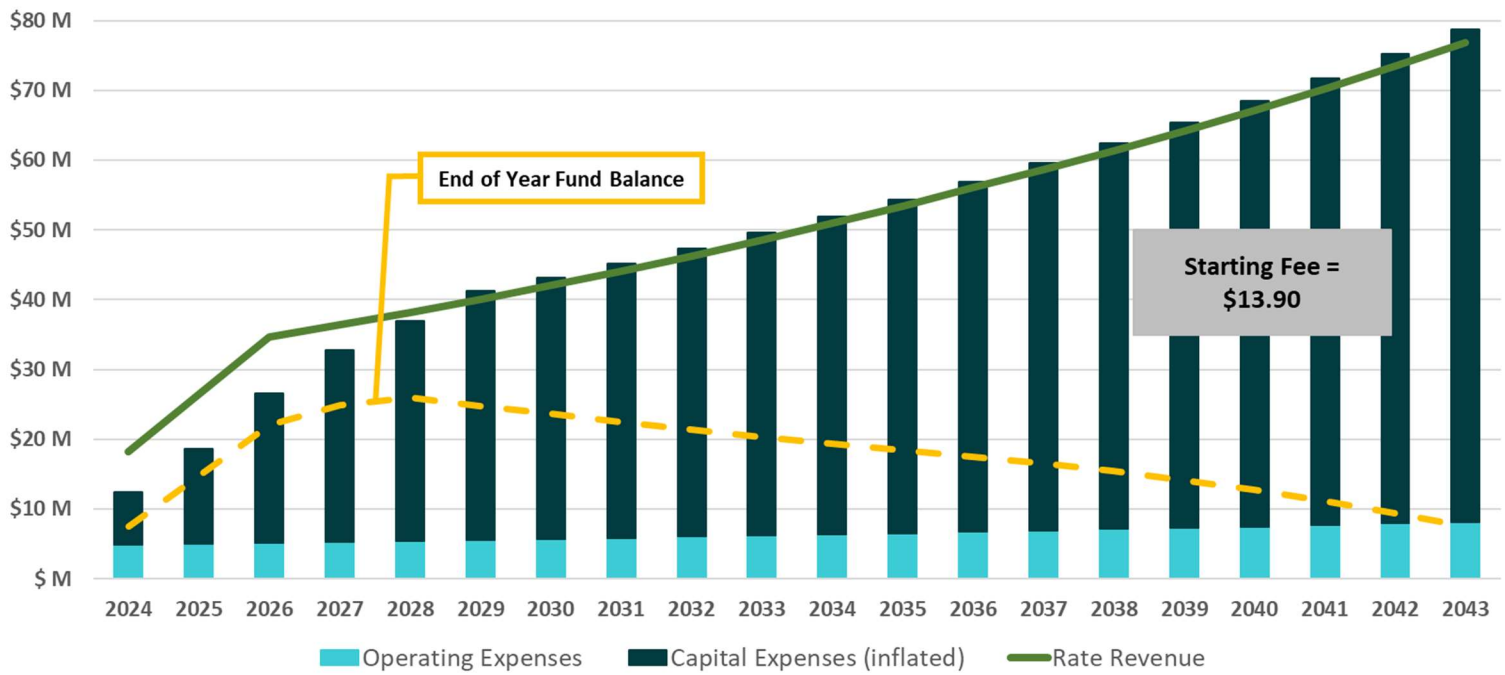


Figure 2 - Scenario 2

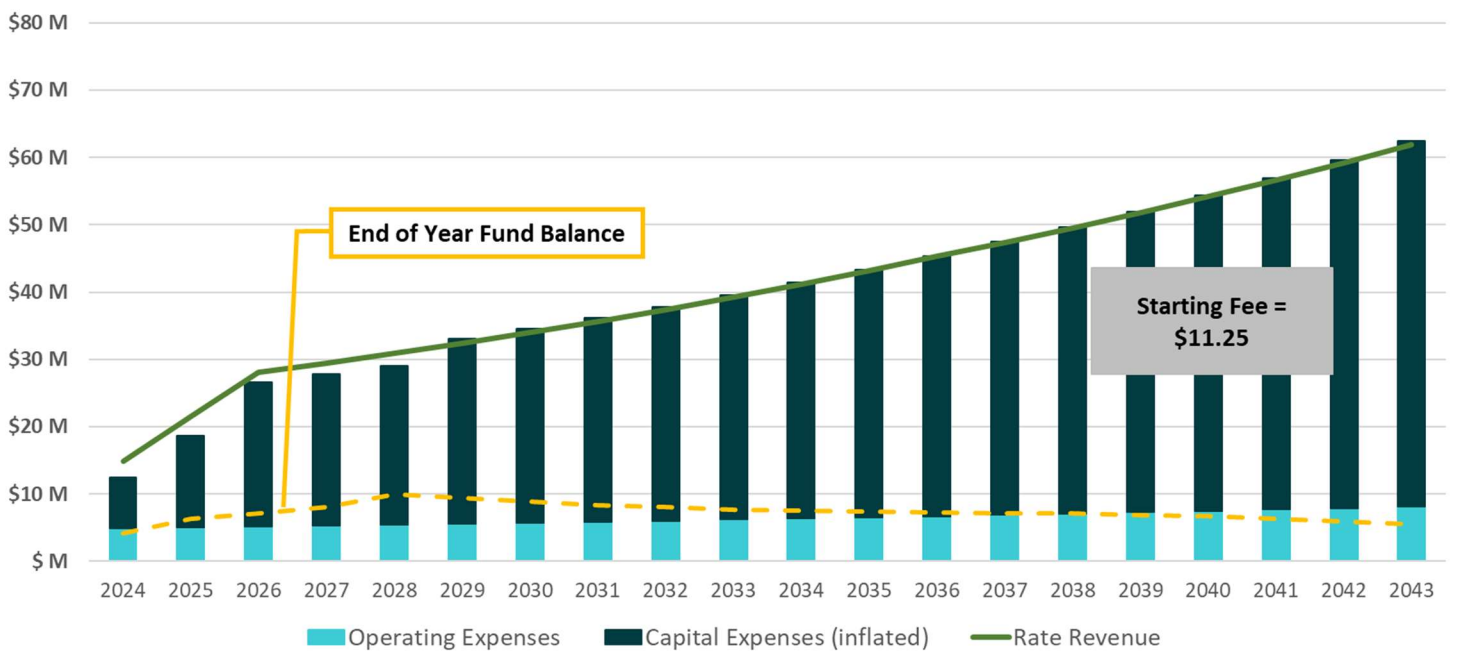


Figure 3 - Scenario 3

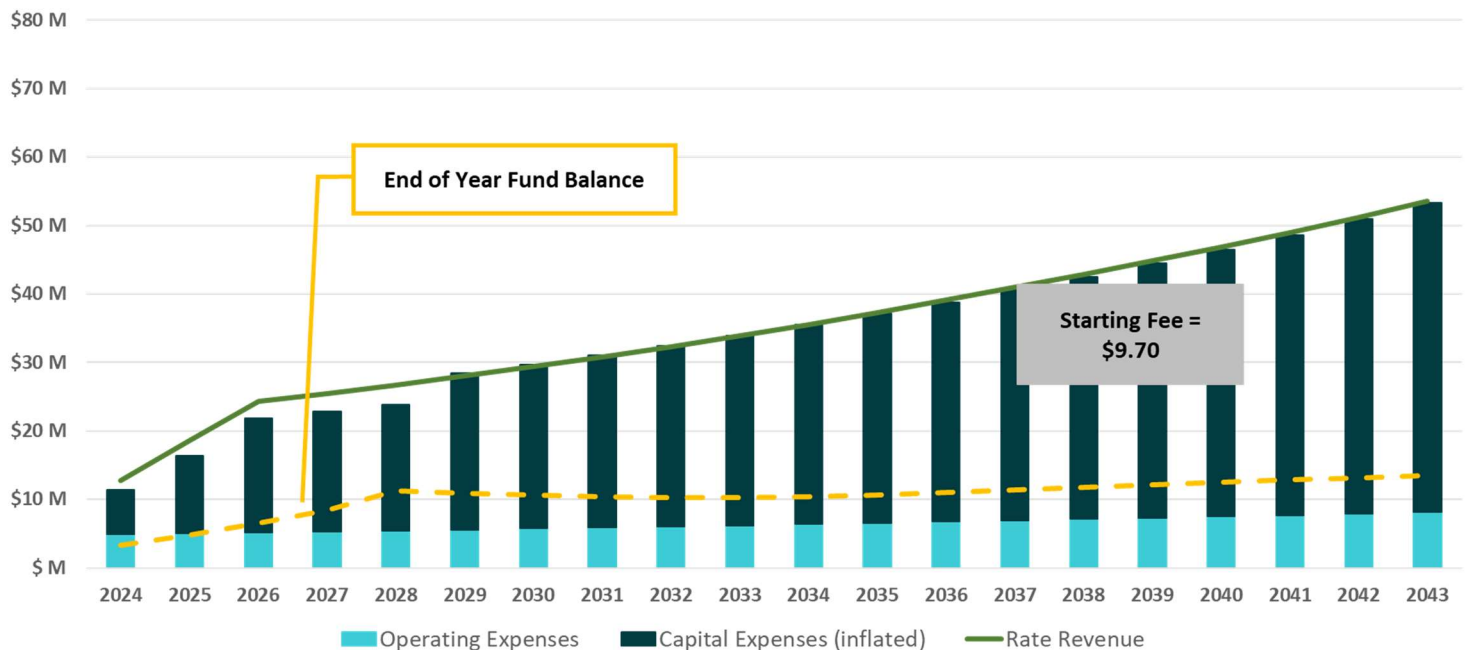


Figure 4 - Scenario 4

Staff presented these options to Council for a discussion on December 14, 2022, with direction to move forward with the recommended rate which included the \$470.6M CIP cost and an assumed CIP completion in a 20-year duration (Scenario 1). Staff published the first Business Impact Statement (BIS) process, conducted in December 2022 to January 2023 which included the following:

- \$13.46 rate per ERU
- \$470.6M CIP to be accomplished in 20 years
- Assumed inflation and rate increases tied to the consumer price index (CPI)
- A Low-Income Assistance Program
- A tiered residential rate for small, medium, and large properties
- NSFR Crediting for water quality/quantity mitigation
- NSFR 3-year rate ramp up
- National Transportation Network exclusion for portions of Reno Tahoe Airport Authority properties
- Washoe County School District (WCSD) education credits

First Business Impact Statement Feedback and Program Evaluation and Modifications

General Public and BIS Feedback

In January of 2023, City of Reno staff received comments and feedback from the BIS. Staff also received numerous comments from non-profit companies, the education sector, and the public at large through concerted public outreach efforts. The following list of comments received are categorized by comment source:

Business Impact Statement Formal Comments (20 received):

- Government-owned facilities should be exempt
- Opposes stormwater utility fee
- Fees are too high
- Requests the \$3.50/month fee be eliminated in the sewer utility bill, because it was created to support stormwater maintenance, management, and construction
- Requests a sunset date
- Requests no more than four (4) employees be hired to manage all aspects of the stormwater utility, including billing, construction contract management, supervisor oversight, etc.
- Requests the annual increase not be tied to the consumer price index (CPI), but instead to the Producer Price Index (PPI), with a maximum of 3.5% annually with Council approval
- Requests a later implementation date or longer ramp-up period
- Requests a more streamlined credit program, less complex
- Objects to the complicated calculation process of using equivalent residential units and the estimated scale of the City of Reno's needs related to a stormwater utility
- Requests a less complex; more flexible credit program
- Program clarification

Non-Profit Comments (9 received):

- Washoe County School District (WCSD) fee exclusion because of the 12.4 million square feet of impervious surface owned by WCSD
- Annual increase in fees should not be based on CPI
- Reno Housing Authority (RHA) – allow the use of low-income credits for individual tenants to minimize administrative burden
- Increase credit up to a maximum of 80% for a particular property that complies with the Stormwater Quality and Quantity Credit guidelines
- Reno-Tahoe Airport Authority (RTAA) Requests taxiways, runways, Terminal Loop Road and other public roads be exempt
- Requests implementation date of July 1, 2024
- The fee is a tax and cannot be assessed against UNR/TMCC/DRI

- Remove faith-based institutions
- Large budget increase for non-profit, opposed to the fee

General Public Comment (233 received throughout entire public outreach program)):

- In Favor / Seeking Clarification
- Sufficient funds in sewer rates, overpaying on sewer rates, cease sewer rate increases
- City should remove internal inefficiencies
- Cease development subsidies / developers should pay
- Truckee River Flood Management Authority (TRFMA) is funding flood projects, how is this fee different
- Fixed Income / Cost of living / Other financial impacts
- Where are these services being funded now and how will new fees be used
- No perceived need due to lack of or frequency of rainfall events / flooding
- No new fees or taxes
- Maintenance Issues
- The fee is a tax/special assessment; therefore, is not legal

General Public Comment from Damonte Ranch Residents (325 received)

- Homeowners within Drainage Districts that already pay for stormwater management
- Remove Damonte Ranch residential property owners from the fee
- Opposed the new tax/fee

BIS Program Changes

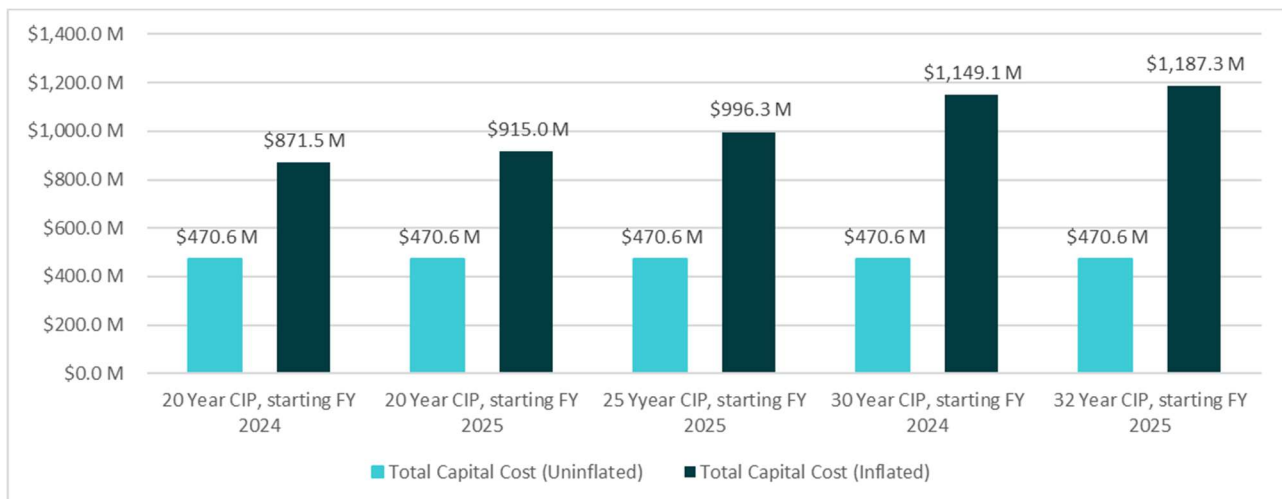
Raftelis and City staff analyzed the feedback and determined that some of the proposed changes would require a new Business Impact Statement (BIS) process. While all comments are important, some feedback could not be resolved through changes or modifications to the program. General response to some of the items are noted below:

- Responding to individuals that were opposed, asked to be removed, or feel others should pay for the cost of the program by stopping implementation or removing some customers' responsibility for paying does not allow the City to meet the overall purpose and objective of the program that all properties contribute to the stormwater system and should participate in the cost.
- The proposed fee is based on what many other agencies have established, including here in northern Nevada. The program has been reviewed and is in line with applicable laws and regulations. A stormwater utility is legal.
- Damonte Ranch homeowners feel that since they already pay stormwater fees to their HOAs and drainage districts (DDs), they should not be required to pay a City of Reno stormwater fee. A letter was sent to all property owners within Damonte Ranch to clarify the costs associated with their HOA/DD are for improvements on private property and the proposed City of Reno Stormwater Utility fees are for City-owned and maintained infrastructure.

Staff continued to work with the public and stakeholders as they prepared an update to the stormwater utility ordinance and crediting policy to address comments and concerns raised. In general, staff looked at options to lower the stormwater utility rate, reduce or eliminate some of the complexities of the program, postpone the implementation date, and address specific concerns from Washoe County Schools, Reno Housing Authority, Reno Tahoe Airport, and others. Items City Staff and Raftelis evaluated are outlined below.

To address feedback regarding the high cost per ERU, the City requested that Raftelis evaluate longer duration programs to accomplish the \$470.6M CIP using a number of revenue scenarios and implementation state dates. The table and figure below provide examples of the impact of adjusting the program start date to collect fees and the duration to complete the \$470.6M CIP.

Scenario	Capital Expenses, millions (Uninflated)	Capital Expenses, millions (Inflated)
20-year CIP, starting FY 2024	\$470.6	\$871.5
20-year CIP, starting FY 2025	\$470.6	\$915.0
25-year CIP, starting FY 2025	\$470.6	\$996.3
30-year CIP, starting FY 2024	\$470.6	\$1,149.1
32-year CIP, starting Jan 2025	\$470.6	\$1,187.3



Impervious Area and ERU Calculations:

A number of comments received questioned the program rate structure based on IA and the basis of IA measurement. Although some feel this method may be overly complex, Raftelis confirmed that an IA-based rate structure is the most fair and equitable option for aligning the nexus of stormwater runoff generation contributing to the stormwater system. In order to simplify SFR

rates, the tiered rate was removed and all SFR properties will pay one ERU. Properties with less than 400 square feet of calculated IA will not be billed a fee.

Customer Class	ERU
SFR	1.0

The NSFR property structure was not revised and remains as the calculated parcel ERUs by dividing IA by the ERU value of 3,500 sq ft, then rounding up to the nearest whole number, as shown in the example below.

IA = 4,968 sq ft
ERUs = 4,968 sq ft / 3,500 sq ft per ERU = 1.419 ERUs = 2 ERUs

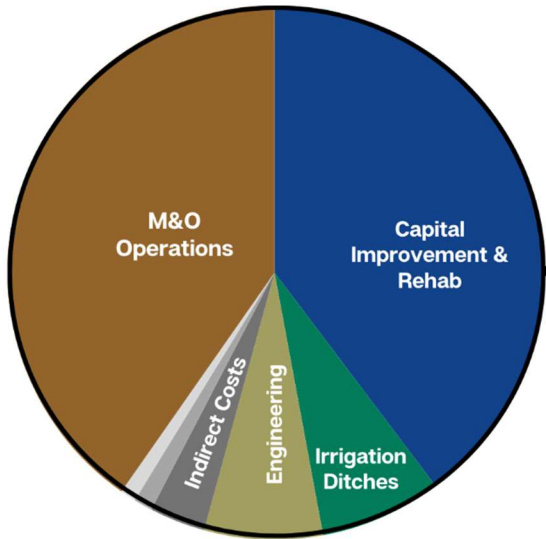
The units of service calculated for the Implementation Study were updated to the following:

Customer Class	ERUs
Single Family Residential (SFR)	63,009 ERUs
Non-Single Family Residential (NSFR)	136,414 ERUs
Total	199,423 ERUs

Existing Funding

Funding for stormwater infrastructure is currently provided through the sewer fund. The estimated revenue in 2018-2019 was estimated at \$3.50 per month per account from the sewer fund. Staff updated the evaluation with more current FY22 data and determined that approximately \$7.5 million dollars annually or 8% of the sewer fund spending was dedicated to the maintenance and operations, permitting, environmental compliance, rehabilitation, and capital improvements to the stormwater system.

FY 2022 Stormwater Funding
\$7,447,811



FY22 Current Funding Allocated to Stormwater \$7,486,811	
\$ 2,957,141	M&O Operation Costs
\$ 549,530	Utility Services Department (Engineering)
\$ 533,751	Irrigation Ditches (Annual Maintenance Cost)
\$ 251,763	Indirect Costs (6% Sewer Services & Supply)
\$ 84,276	Environmental Control
\$ 71,350	Billing Admin
\$ 4,447,811	Subtotal
\$ 3,000,000	Capital Improvements **
\$ 7,447,811	TOTAL

** Actual FY22 CIP Cost \$3,696,346, however due to annual fluctuation in spending an average from FY17 thru FY23 was used for the CIP Total

User Category	Sewer Fee Associated with Stormwater
Commercial – Water Meter Consumption	8.30%
Commercial – Standard Rate	\$4.46
Single Family Residential	\$4.46
Multi-Family Residential	\$3.65
*488 units are considered a special case	

The updated expenditures from FY22 were added to the model. Any decision to remove this amount from sewer fees or keep it in place for sewer use will be directed by Council.

Rates & Model Scenarios: Model scenarios and program rate options were evaluated with the goal of reducing the overall rate. Multiple model scenarios were evaluated by City staff and Raftelis. Two additional model scenarios are presented in the table below.

The first scenario evaluated a reduced rate of \$5.00 per ERU per month beginning in January 2025. This scenario removed almost all crediting options, providing funding just slightly higher than the current stormwater program expenses incurred through the sewer fund. Using this rate greatly reduced revenue that could be used to fund the CIP. It was determined that it would take 98 years to fund the planned capital amount. While this option would establish a Stormwater Utility enterprise fund with more transparency, the resulting funding would still be inadequate for the infrastructure, permitting, and maintenance needs.

The second scenario used one of the alternatives to extend the CIP implementation duration while reducing the crediting programs and staffing levels. This scenario resulted in a fee of \$9.80 per month per ERU starting in January 2025. This scenario provides a good balance of revenue and an acceptable CIP implementation timeline. For this scenario, the capital spending was calculated annually based on the funds available, including a 5.0% annual inflation rate, and estimated that funding the CIP would take 32 years. This scenario eliminated several credit programs but kept credits for schools and regional water quality/quantity mitigation and funding for low-income assistance. The \$9.80 rate was ultimately used for the second BIS solicitation.

The table below provides an overview of four scenarios modeled:

1. The original Feasibility Study
2. The December 2022 1st Business Impact Statement,
3. The \$5.00 rate option, and
4. The October 2023 2nd BIS.

Financial Model and Program Breakdown				
	Feasibility Study 2019	December 2022 1st Business Impact Statement	\$5.00 Rate Option	Oct 2023 2nd Business Impact Statement
General Model				
Model Years	10yrs	20yrs	98yrs	32yrs
Start Date (Implementation)	2019	July 2023	Jan. 2025	Jan. 2025
Account Growth Factor	0.0%	1.3%	1.3%	1.3%
Single Family Residential (ERUs)	55,014	59,831	63,009	63,009
Non-Single Family Residential (NSFR)	110,779	143,003	136,414	136,414
Annual Rate Increase (CPI)		8.2% FY24 & 25 3.5% FY26+	3.5%	3.5%
Capital Improvements				
CIP Costs Est. (Uninflated)	\$127 Million	\$471 Million	\$471 Million	\$471 Million
Capital Inflation	4% per yr	0% FY24 2025+ 5% per yr	0% FY24 2025+ 5% per yr	0% FY24 2025+ 5% per yr
Staff Added	4 - 6	7	2	4
O&M (Operations and Maintenance)				
M&O Annual Assumed Costs	\$1.8 Million	\$1.5 Million	\$2.9 Million	\$2.9 Million
Staff Added	0	4	0	2
M&O Equipment	0	2	0	1
Environmental Compliance				
NPDES MS4	\$1.1 Million	\$754,000	\$550,000	\$550,000
Future Increased Environmental Costs	\$251,000	\$251,000	\$0	\$0
General Inflation Factors	3.0%	3.0%	3.0%	3.0%

Other Elements

Low Income Housing		✓	✓	✓
Tiered Residential Rate		✓		
Water Quality/Water Quantity Mitigation Credit		✓		
School Education Credit		✓		✓
National Transportation Network Credit		✓	✓	✓
Rate Ramp-up		✓		
Regional Improvement Benefit Credit				✓

Revenue and Rates

1st Year Annual Revenue	\$15.9 – 19.9M (based on \$8-10/ERU)	\$25.7 Million	\$11.7 Million	\$22.5 Million
1st Year Annual Cost Programmed to CIP	\$0 (1)	\$13.6 Million	\$2.2 Million	\$14.0 Million
Total Cost of Program (Inflated)	\$375 – 409M (2)	\$872 Million	\$8.8 Billion	\$1.2 Billion
Monthly Rate per ERU	\$8.00 - \$10.00	\$13.46	\$5.00	\$9.80

(1) The feasibility plan examined a range of capital funding scenarios, most of which included \$0 for capital in the first year of the utility. Second year costs range from \$0.9 - 1.8M

(2) This number represents the full inflated costs of CIP over 20 - 25 years. Please note, the Feasibility Study did NOT plan for funding this full amount, as the study focused only the first 10 years of utility implementation.

Recommendations

Based on the updated stormwater utility revenue requirements, public and business input through the recent outreach and business impact statement, Raftelis recommends that the City implement a monthly fee of \$9.80/ERU beginning January 1, 2025.

The rate would be tied to the Western Region Urban Consumer Price Index (CPI-U) to maintain a consistent funding source that will not degrade or require repeated council ordinance changes to keep up with inflation.

A crediting program will allow for an education credit and a community Stormwater Management Credit for regional stormwater benefits. Airport runways, taxiways, and aprons associated with the National Transportation system would be excluded from fees. The program would also include a Low-Income Assistance program.

The resulting rate would allow the City to meet its stormwater program goals, fund stormwater M&O, and provide the funding necessary to complete the \$470.6 million CIP within 32 years. This rate would also include two additional M&O staff with a new service vehicle and associated equipment, two additional engineers, a GIS specialist, and a finance member to manage the program.

It is important to note that the Stormwater Utility fee would not end or sunset with the completion of the current CIP. The current CIP addresses the backlog of projects that have been unfunded for 20+ years. As the CIP projects are programmed and completed, other existing infrastructure will continue to age, additional stormwater maintenance and rehabilitation needs will be identified, and the continual management of the stormwater system will be required beyond that which is identified in this CIP.

The table below provides the anticipated cash flow for the program if the \$9.80 fee is adopted and fees begin to be collected on January 1, 2025. This includes the financial model parameters outlined above.

Fiscal 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 fee collection

