Bill No. 2022-20: Sewer Service Charges and Sewer Connection Fees Based on CITY OF LAS VEGAS 2022 SEWER RATE STUDY

Mike Janssen, P.E., PTOE
Executive Director of Infrastructure

Submitted at Recommending Committee
Date: 8/15/2022 Item: 4
Submitted by: Staff

Submitted after Final Agenda (City Council)
Date: 8/15/2022 Item: 27
Submitted by: Staff

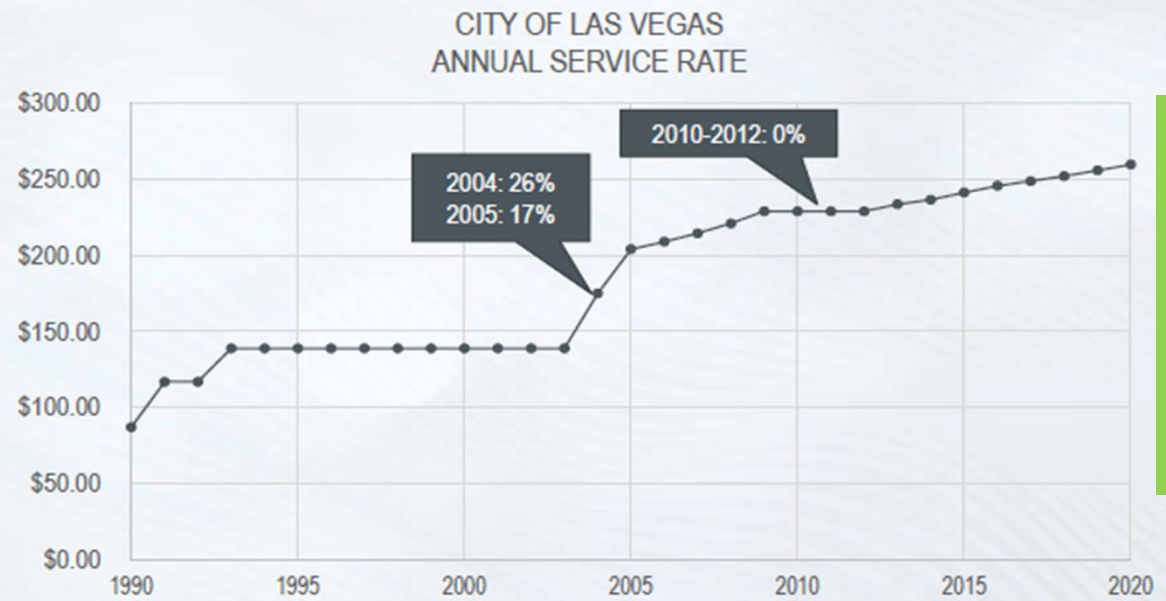
Sewer Rate Study

- Study largely completed by FCS Group in 2020 but due to the COVID pandemic, final recommendations put on hold until now
- Shows need for 4% per year rate increase on top of annual CPI adjustment for next 10 years (rates have not been increased above CPI since 2005 with no increase 2010-2012 due to Great Recession)
- Increase needs are largely capital project driven (treatment plant and collection system *capacity increases* to meet growth demands and rehab of aging infrastructure)

Sewer Rate Study

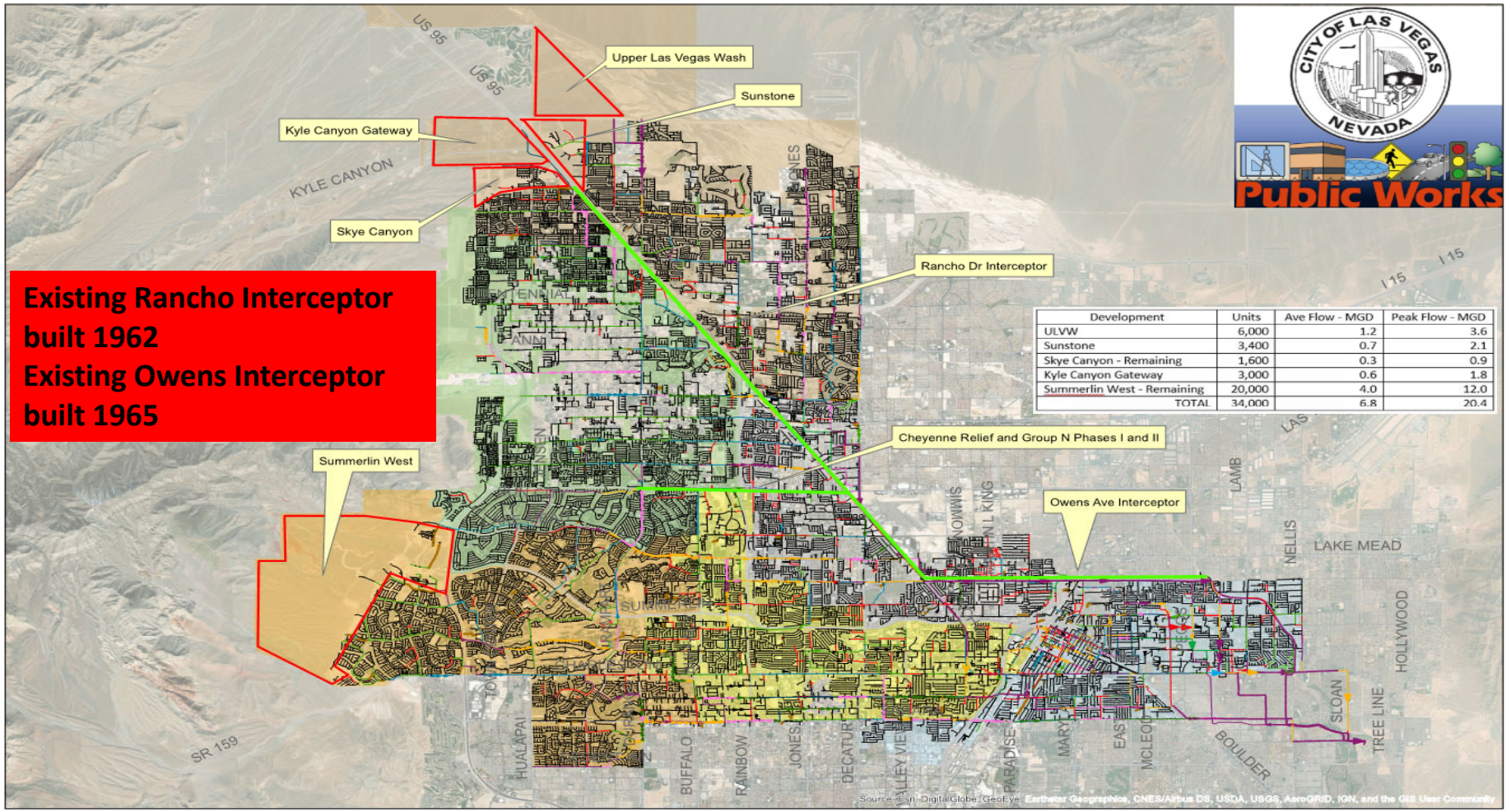
FREQUENTLY ASKED QUESTION

When was the last time the City increased rates higher than inflation?



Last study in 2011 recommended 3% increases but decision was to stay with CPI (which was about 1.5% at the time) and that has been used since 2013

34,000 NEW RESIDENTIAL UNITS JUST ALONG OUR OUTER EDGES WILL NEED ADDITIONAL SEWER CAPACITY



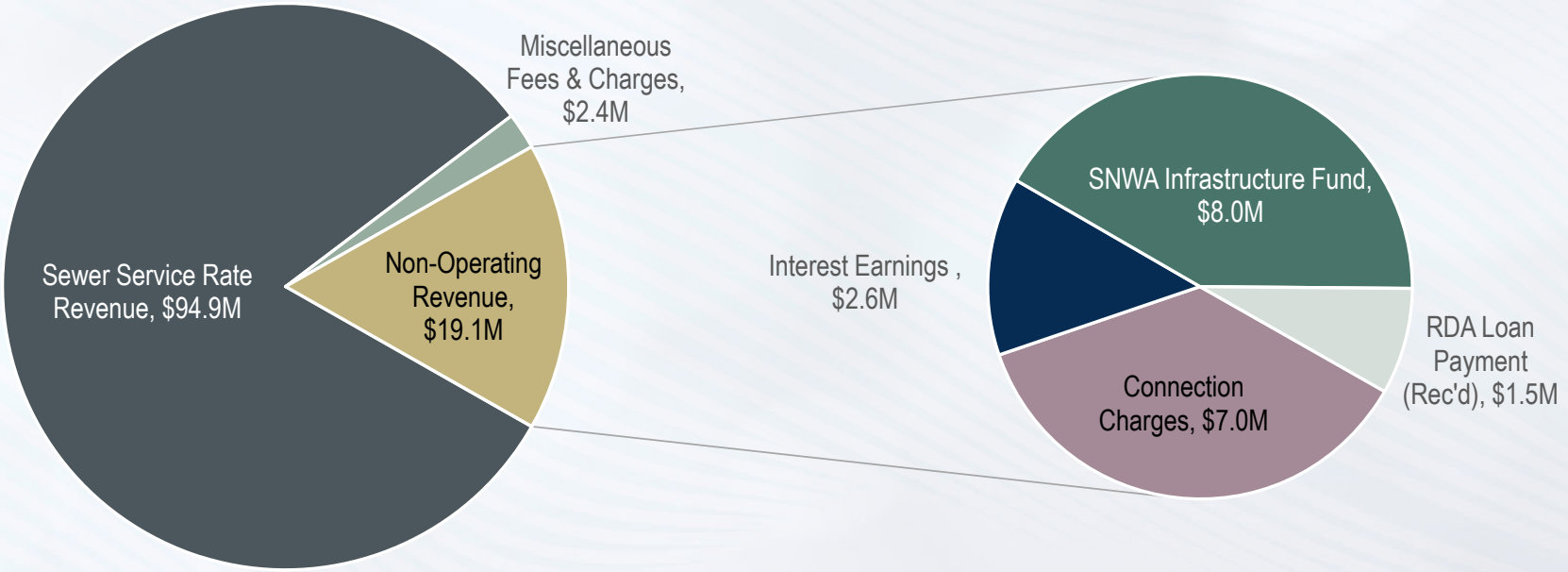
Development	Units	Ave Flow - MGD	Peak Flow - MGD
ULVW	6,000	1.2	3.6
Sunstone	3,400	0.7	2.1
Skye Canyon - Remaining	1,600	0.3	0.9
Kyle Canyon Gateway	3,000	0.6	1.8
Summerlin West - Remaining	20,000	4.0	12.0
TOTAL	34,000	6.8	20.4

Impacts of Deferring Capital Projects

- Inability to meet growth demands (we do not want to get to a situation where we can't issue a building permit for lack of sewer capacity)
- Higher operating expenses when lower cost sewer re-lining jobs are no longer feasible and more expensive R&R needed
- Regulatory issues (SSO's and EPA/NDEP MS4 permit violations will increase)

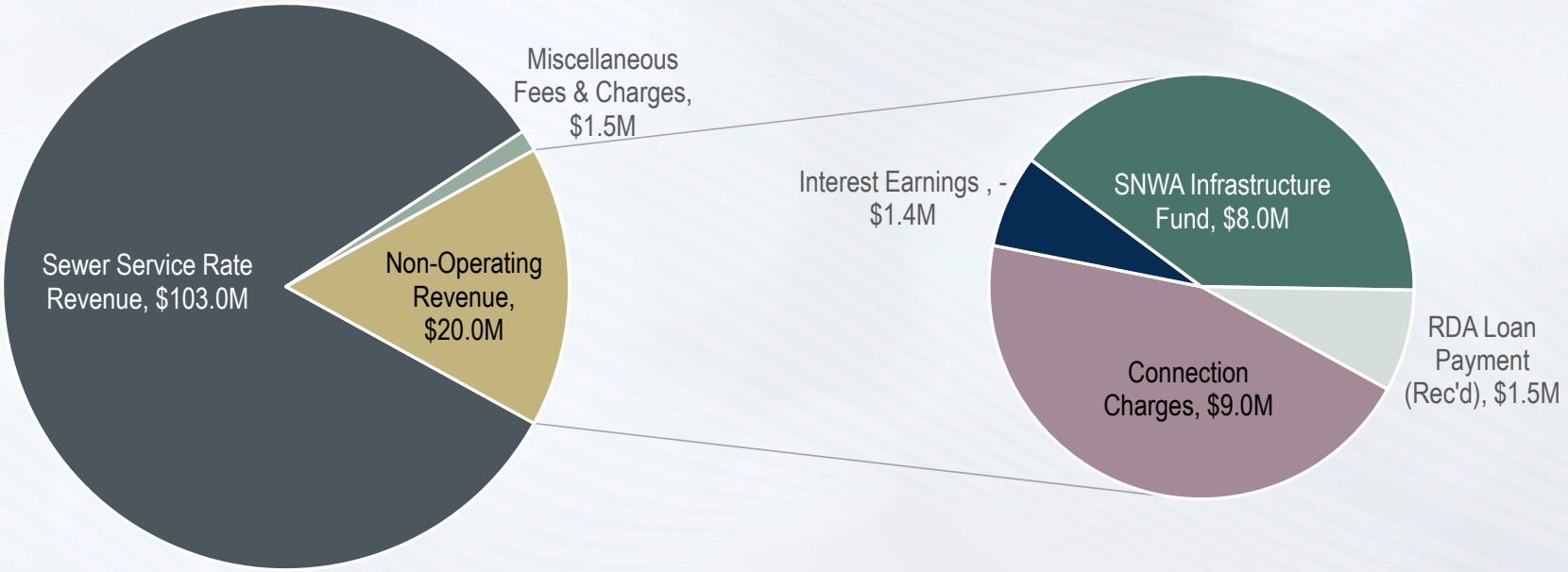
UNDERSTANDING THE SEWER FUNDS FINANCIAL STRUCTURE

FY 21 Adopted Budget - Revenues

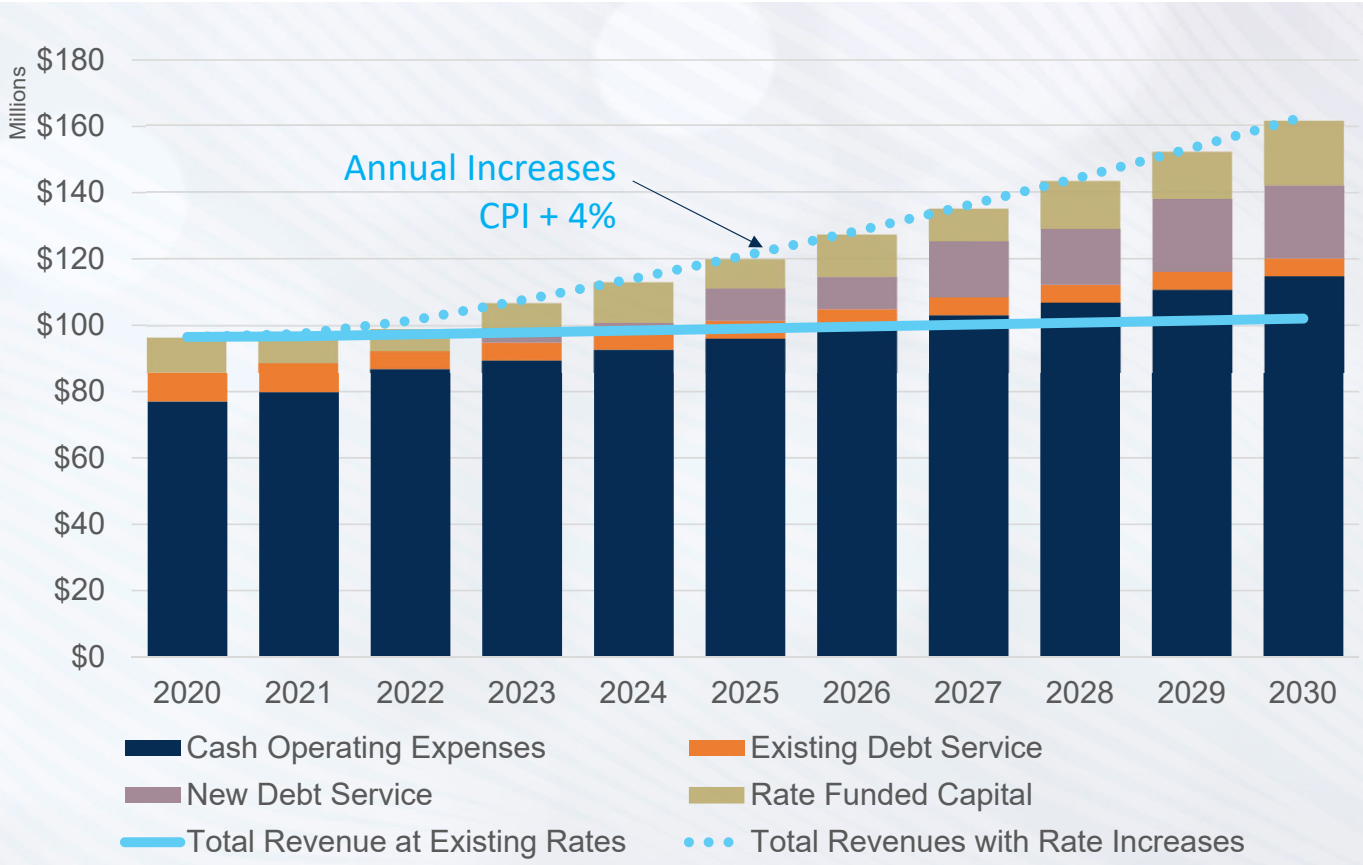


UNDERSTANDING THE SEWER FUNDS FINANCIAL STRUCTURE

FY 23 Adopted Budget - Revenues

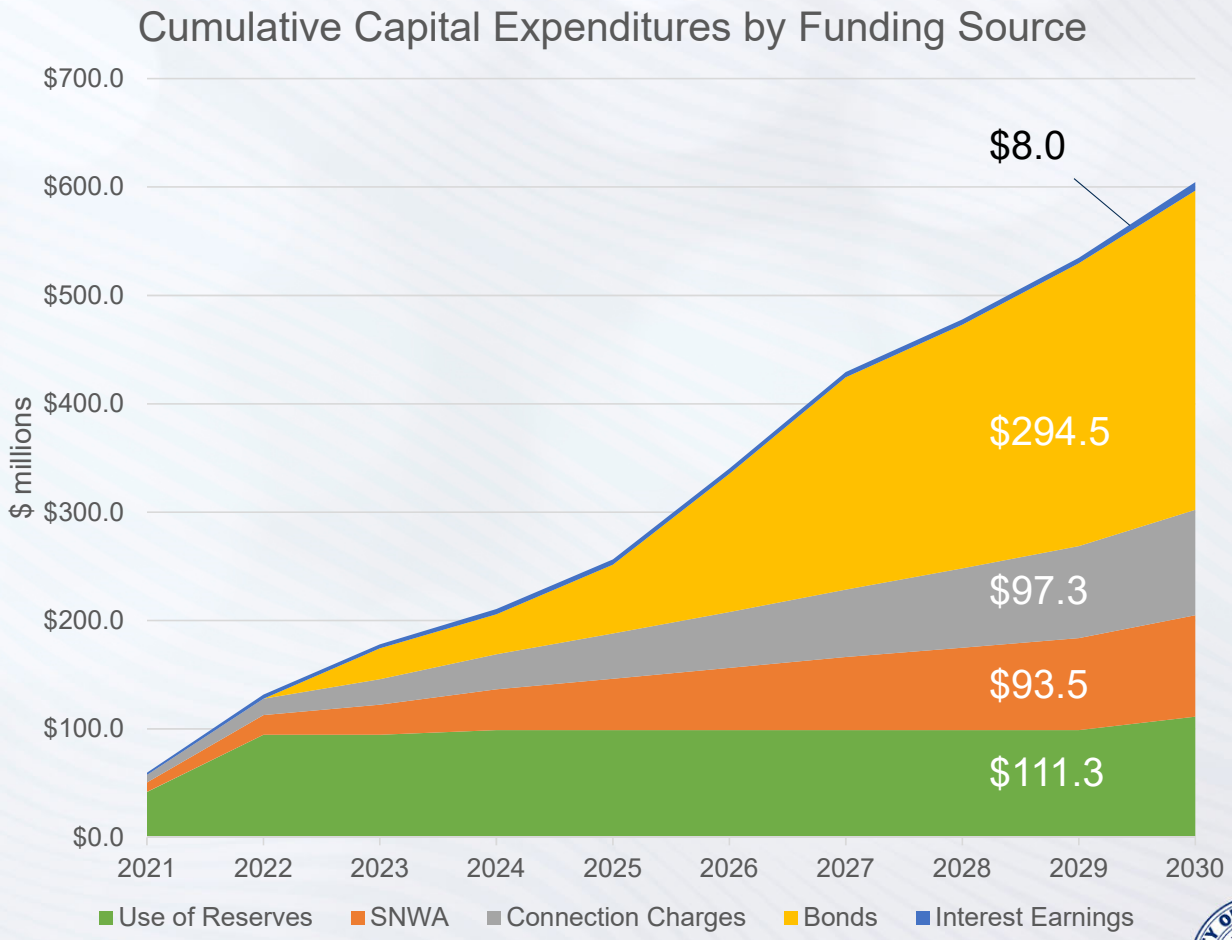


CURRENT RATE REVENUES ARE TOO LOW BEGINNING IN 2023



*Per LVMC 14.04.030, existing sewer rates were adjusted on 1/1/22 with a CPI change of 2.4% as per preceding 5 year rolling average CPI formula

CAPITAL PROJECTS



Capital funding relies on debt proceeds for about 50% of the total obligations.

Total CIP = $605M

Major Projects:
WPCF 30MGD Expn - $100M
Owens Ave Interceptor - $60M
Rancho Dr Interceptor - $100M

*We currently have about 1700 miles of sewer main with some from 1911 in the Downtown Area

COMPARABLE SINGLE FAMILY SERVICE RATES IN THE REGION



Nationally, a single family residence pays an average rate of $504 annually for wastewater collection and treatment per 2021 IRC

PROPOSED CONNECTION FEE POLICY

Current Policy: Increase Connection Fee based on 5-year average change in Inflation

Proposed Policy: Increase Connection Fee based on the change in User Rates (4%+CPI)



Fees shown are for 1 Equivalent Residential Unit (ERU) or Single Family Dwelling

SEWER TREATMENT PROCESS CHEMICAL PRICE SURGE



The San Diego Union-Tribune 8/3/22

POLITICS

The cost of clean water: Inflation, supply-chain snarls force San Diego to pay $80M more for treatment chemicals

Primary Chemicals Used in Sewer Treatment Process:

Ferric Chloride increased 55% ($900k/Year Impact to CLV)

Sodium Hypochlorite increased 100% ($850k/Year Impact to CLV)

Aluminum Sulfite and Sodium Bisulfite expected to be 55% ($800k/Year Impact to CLV)

Total Increase Over Prior Year Expected to Be $2.55M (Total Chemical Budget expected to rise from $4.75 M in FY23 to $7.3M in FY24)

BLUE RIBBON PANEL INVOLVEMENT

Craig Galati – Vegas Chamber of Commerce

George Garcia – NAIOP

Peter Guzman – Latin Chamber of Commerce

Warren Hardy – Nevada Restaurant Association

Brian Walsh – SNHBA, Howard Hughes Corp

Sept. 3, 2020	1st Meeting discussed basic rate-setting process and historical context
Sept. 16, 2020	2nd meeting presented different forecast scenarios and potential outcomes
Oct. 6, 2020	3rd meeting presented answers to questions asked by BRP
Nov. 10, 2020	4th meeting solidified staff recommendations and BRP consensus

SUMMARY OF PROPOSED POLICIES

Rate Component	Existing Policy	Recommended Policy
Sewer Rates	CPI Increase	CPI + 4.0%/year
Sewer Connection Fees	CPI Increase	CPI + 4.0%/year

Major Steps:

Ordinance Sponsor – Jorge Cervantes

Prepare Ordinance and BIS Process – Completed

Council Meeting to Introduce Ordinance and BIS – August 3

Recommend Ordinance to Committee – August 15

Council Meeting for Second Reading of Ordinance – August 17

Council Meeting to Vote on Ordinance – September 7

*Policy changes would be for a 10 year period with a 5 year review to ensure projections in rate study are proper and necessary. For example, we are applying for federal grants that could offset some projected costs or we could see a significant slowdown in development that might allow delaying some CIP projects