

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

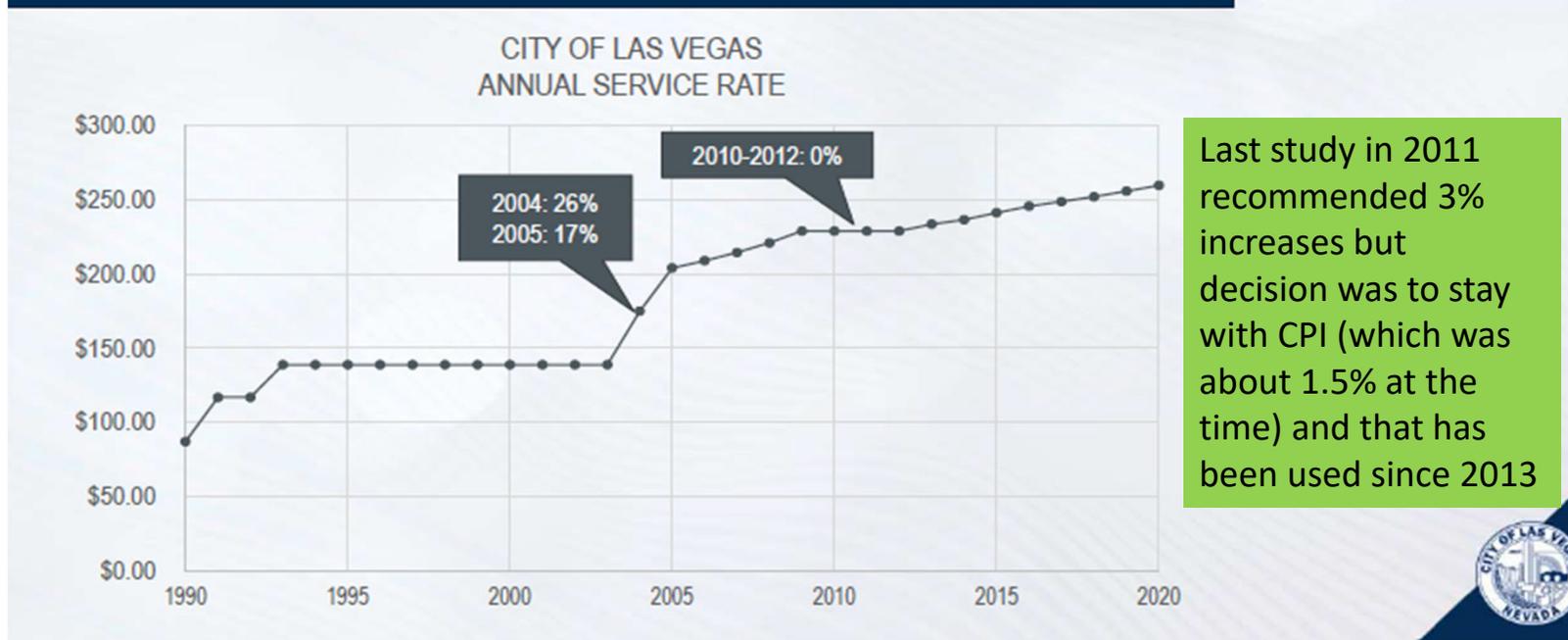
- Study largely completed by FCS Group in 2020 but due to the COVID pandemic, final recommendations put on hold until now
- Shows need for 4% per year rate increase on top of annual CPI adjustment for next 10 years (rates have not been increased above CPI since 2005 with no increase 2010-2012 due to 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)



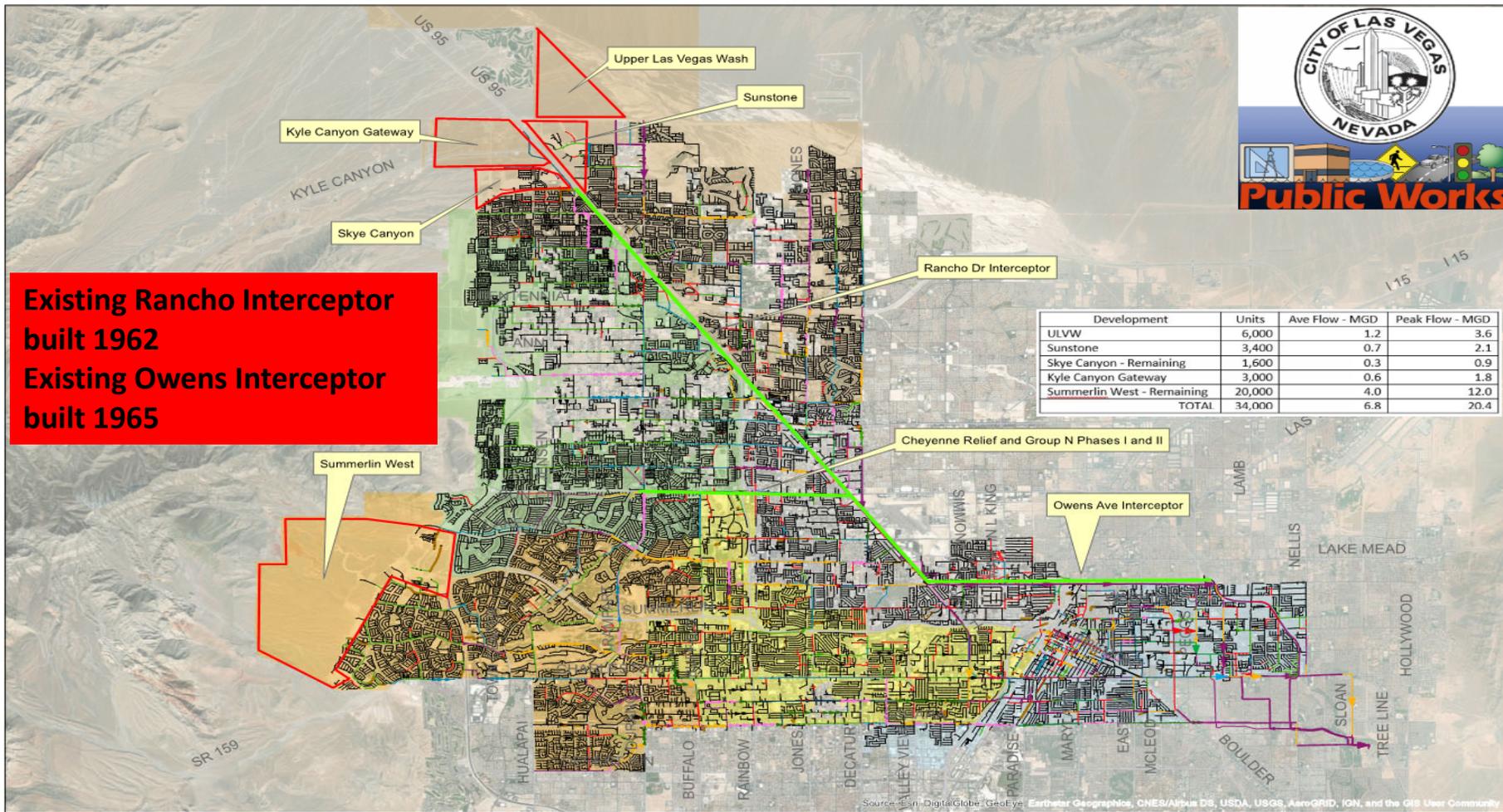
Sewer Rate Study

FREQUENTLY ASKED QUESTION

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



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



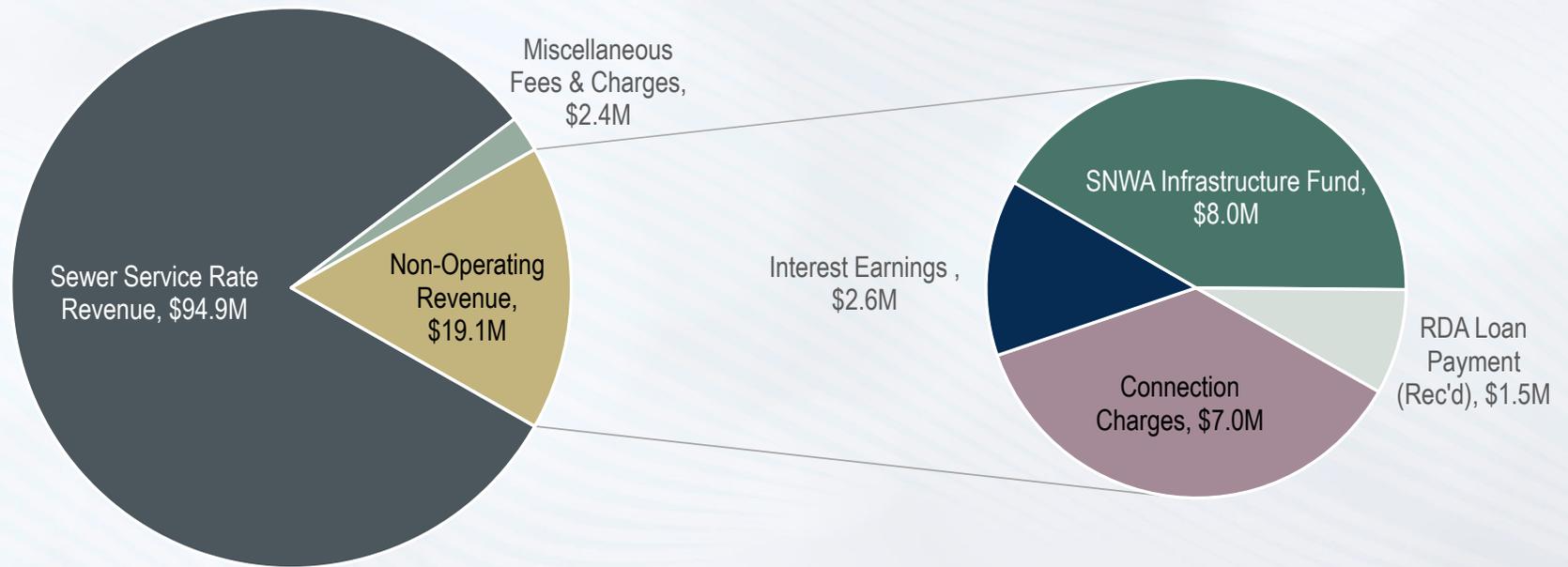


Impacts of Deferring Capital Projects

- 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)

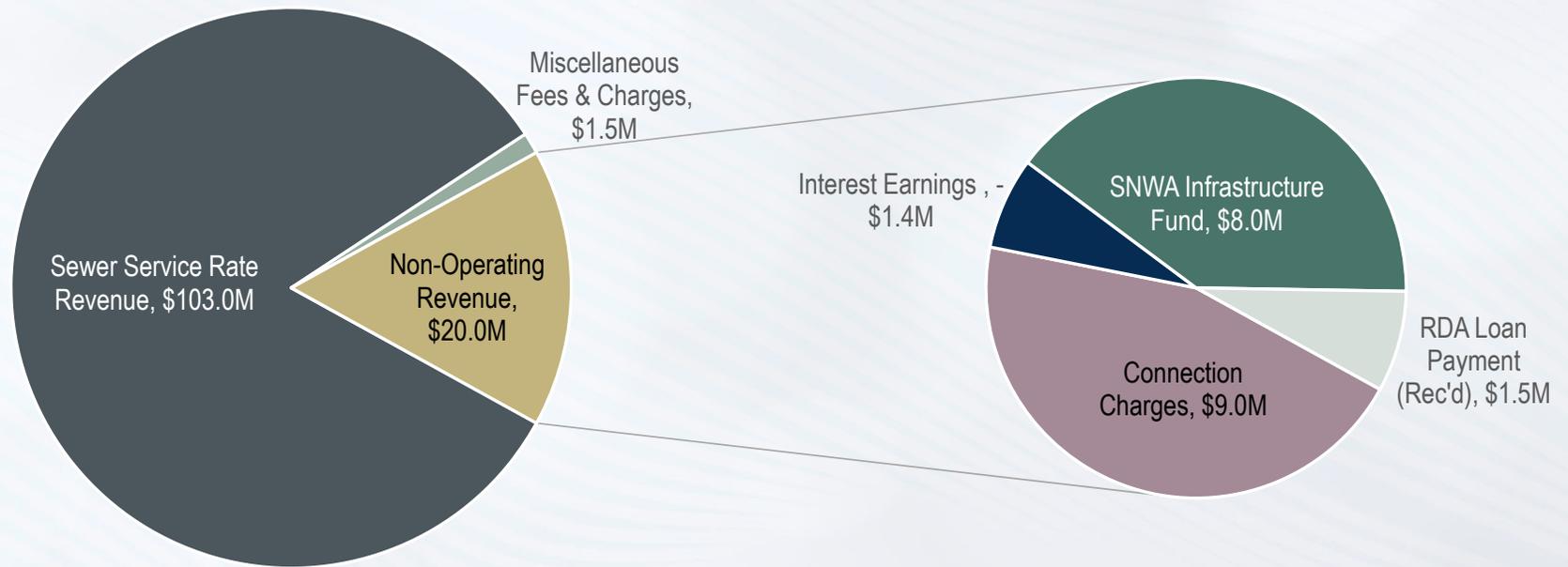
UNDERSTANDING THE SEWER FUNDS FINANCIAL STRUCTURE

FY 21 Adopted Budget - Revenues

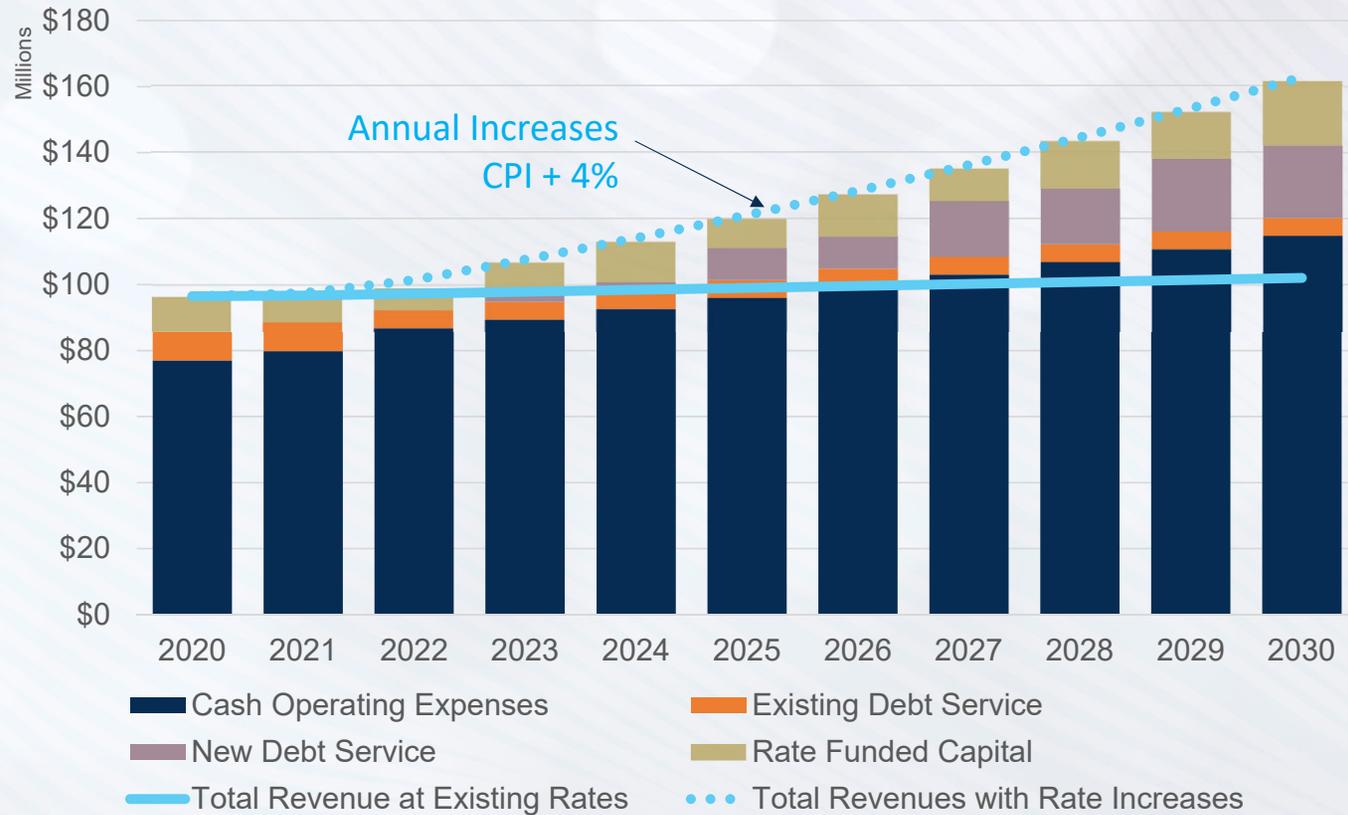


UNDERSTANDING THE SEWER FUNDS FINANCIAL STRUCTURE

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

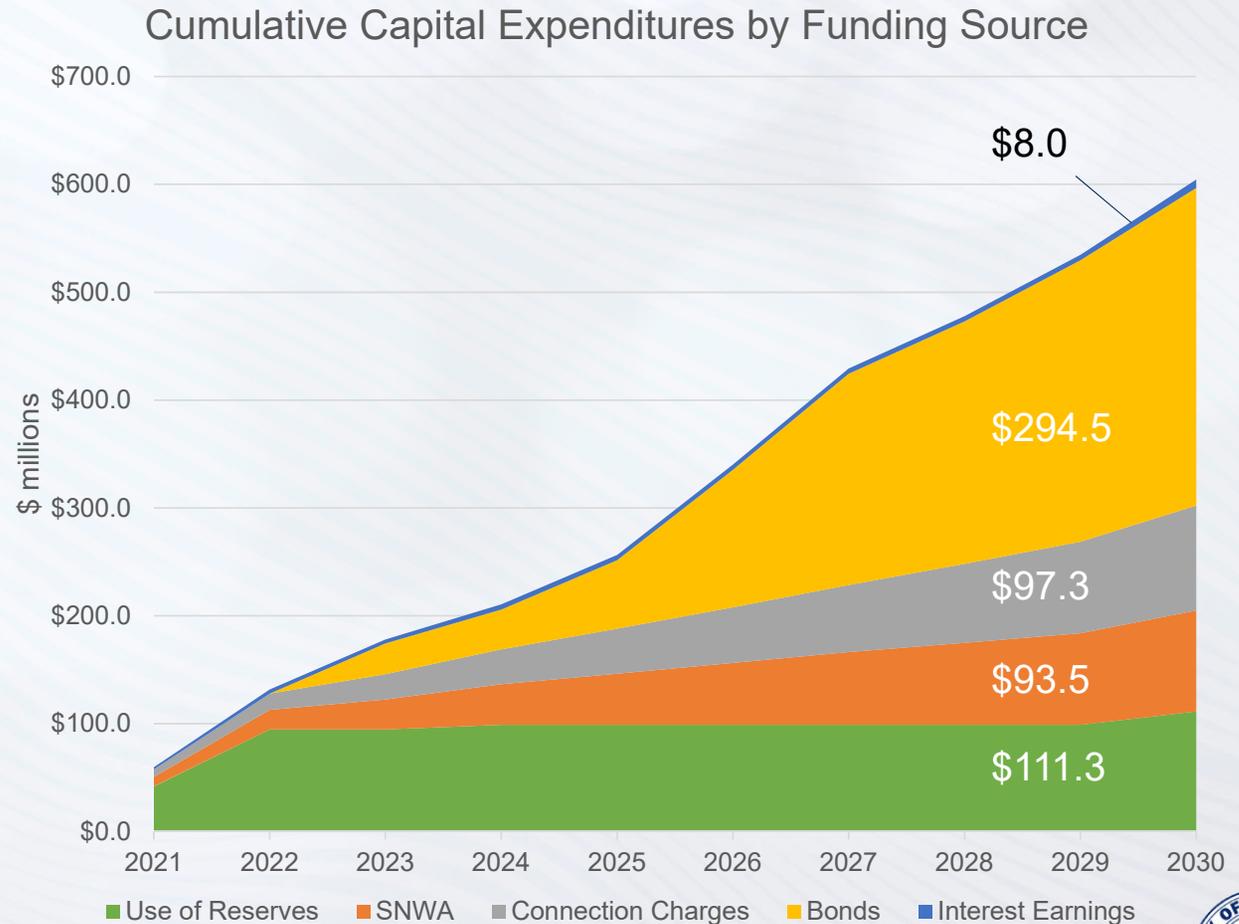
Major Projects:

WPCF 30MGD Expn - \$100M

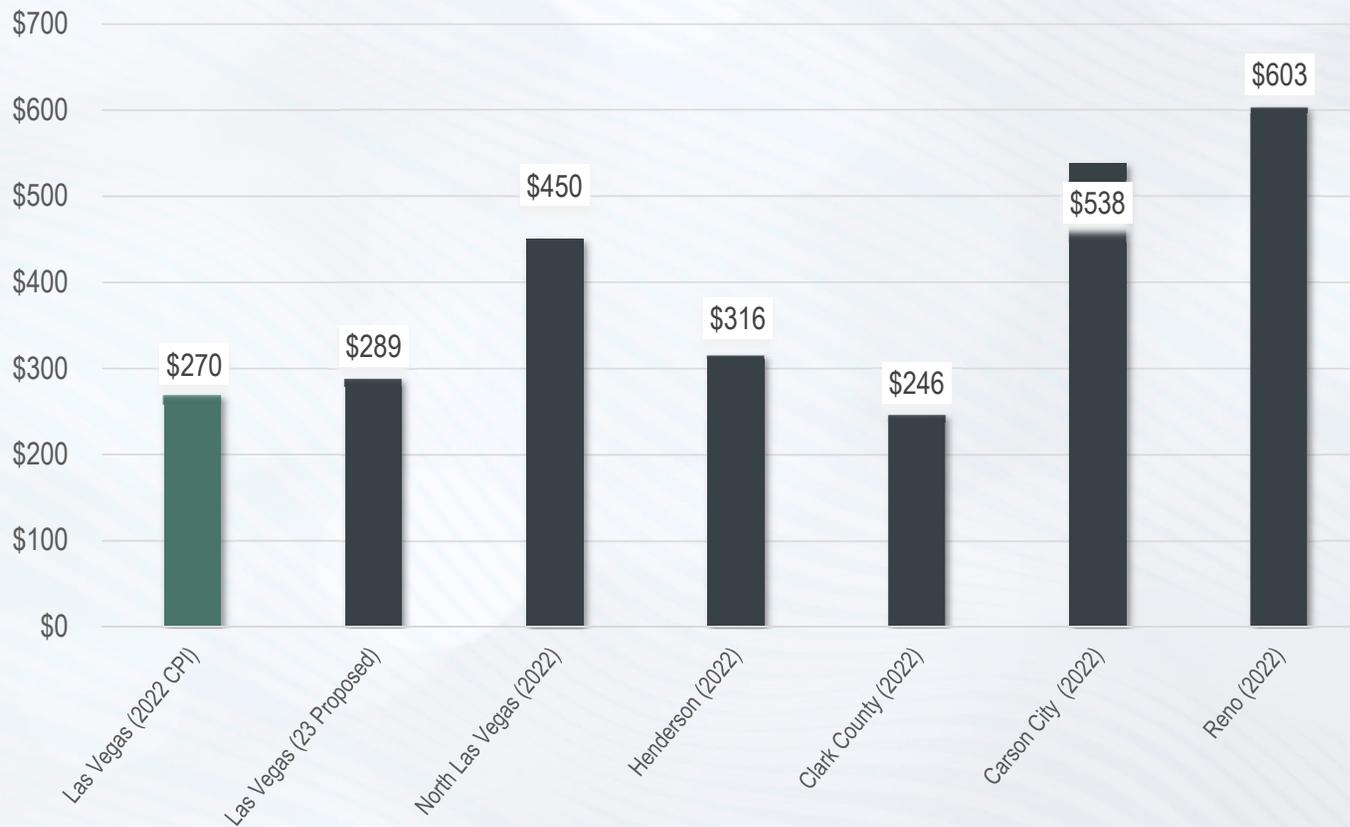
Owens Ave Interceptor - \$60M

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

