

# **Minden Gardnerville Sanitation District**

## **Public Hearing for Updated Fees Schedule**

Board Meeting October 3, 2023

# Customer Fees being Updated

- **Daily Use Fees**

- Fees billed quarterly to all District customers
- Lower rate for Gardnerville Ranchos GID customers as their GID collects the sewer, MGSD treats and disposes of it
- **Last increased in 2012**

- **New Development Fees**

- One-time fees for new connections and/or new EDUs obtaining service from the District
- **Last increased in 2006**

- **Administrative Fees**

- Fees to cover customer-generated requests and direct costs
- Updated piecemeal, not all together

# Why raise the rates?

A good that cost \$14 in 2012 now costs \$20

*source: West Region CPI (Bureau of Labor Statistics)*

## Utilities costs typically outstrip inflation

*In May 2019, the American Water Works Association released an article, "Rate survey: water cost increases outpacing other U.S. goods and services" in which it reported between 2014 and 2018 **water rates increased 5.1% per year and wastewater rates increased 5.6% per year.***

*In June 2020, the National Association of Clean Water Agencies determined that the **cost of wastewater service more than doubled the rate of inflation over the past twelve months, the 18<sup>th</sup> consecutive year that the increase in charges has outpaced inflation.***

Utilities costs typically outstrip inflation because of the need to constantly reinvest in aging facilities. Most utility providers do not recover the full cost of depreciation, which keeps rates artificially low in the short-term.

# What are Expenses?

**NRS 354.523** “Expenses” are any charges incurred under the accrual basis, whether paid or unpaid, for operation, maintenance or interest or any other charge which is presumed to provide benefit in the current fiscal period.

- Depreciation Expense

- Included in all official financial documents
- Non-cash item; not reflected in bank statements
- Hidden future cost
- Necessary to collect for depreciation in rates so that existing assets can be rehabilitated to extend their useful lives, and/or replaced at the end of their useful lives ideally without the need to borrow money

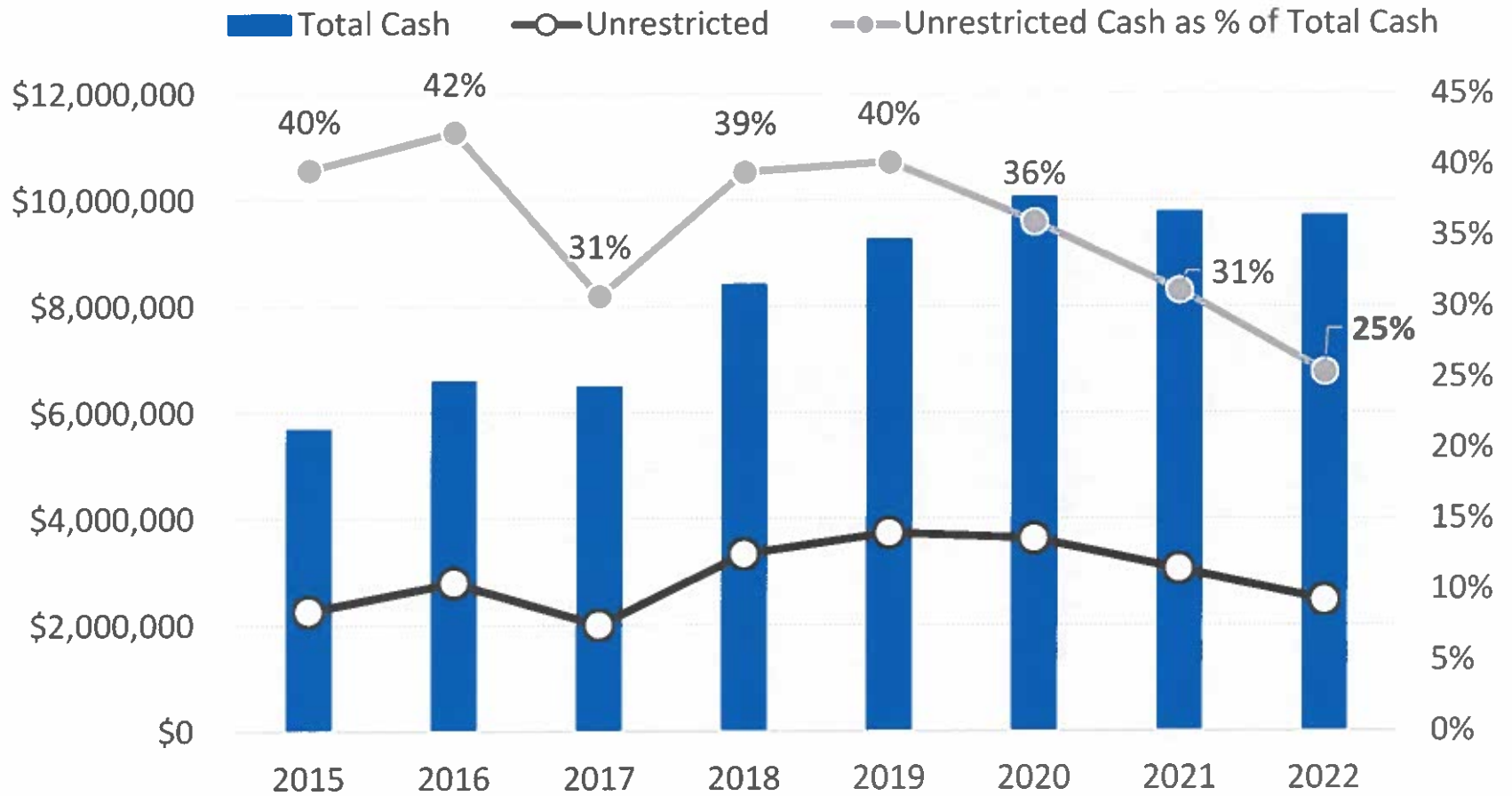
# Enterprise Fund Revenue Sufficiency

**Nevada NRS 354.517** “Enterprise Fund” means a fund established to account for operations:

..financed and conducted in a manner similar to the operations of private business enterprises, where the intent of the governing body is to have the expenses (including depreciation) of providing goods or services on a continuing basis to the general public, financed or recovered primarily through charges to the users..

- Fees/charges must cover operations, rehabilitation, capital projects expenses at current levels and as projected & **prudent reserves**

# The Financial Picture



# Revenue Measures for Financial Health

## **Increase User Fees Revenue**

- Increase the daily user fees
- Charge the vacant and otherwise 'water off' connected customers a minimum service fee
- Ensure all customers are paying – add fees for accessory dwelling units

## **Increase Other Fees Revenue**

- Raise New Development Fees to the extent justified by new growth's share of costs
- Raise Administrative Fees to reflect current costs of business
- Add new administrative fees if warranted

# Revenue Requirement



- Determine funding needed to achieve

## **revenue sufficiency**

- Operations & Maintenance
- Debt Service
- System Rehabilitation
- Capital Improvements
- Fund Reserves



# Facilities Improvements (FY24-FY29) Costs by Facility Function

Improvements	Estimated Cost in Future Dollars
Treatment Plant	\$12,433,000
Collection System	\$6,516,000
General Facilities	\$1,141,000
<b>TOTAL</b>	<b>\$20,090,000</b>

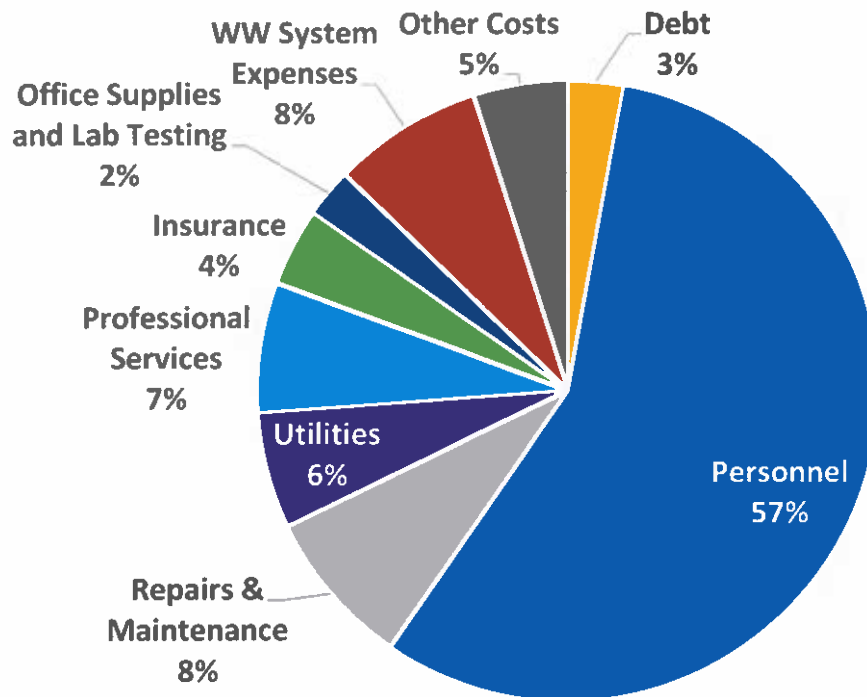
# Facilities Improvements Funding Sources

- 2022 WWTP Master Plan identifies projects with estimated cost of \$5.2 Million to be completed over the next 3 years. **Benefits new customers**
- Repair and Rehabilitation (R&R) Costs estimated \$14.9 Million over the next 6 years. **75% of capital costs is to maintain the system – benefits existing customers**

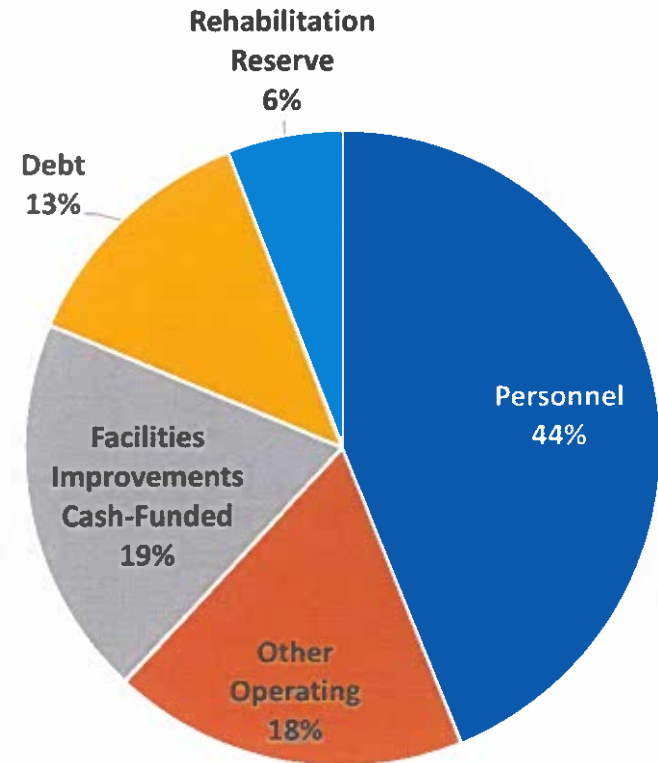
Funding Source	Improvement Projects		Total Cost Est.	Percentage of Total
	CIP	Rehabilitation		
<i>Figures in Inflated Dollars</i>				
Treatment Plant Debt	\$0	\$6,455,173	\$6,455,173	32%
Collection System Debt	\$0	\$4,117,838	\$4,117,838	20%
New Development Fees	\$5,186,987	\$843,089	\$6,030,076	30%
Rates (Unrestricted Cash)	\$0	\$3,487,782	\$3,487,782	17%
<b>Total</b>	<b>\$5,186,987</b>	<b>\$14,903,881</b>	<b>\$20,090,868</b>	<b>100%</b>

# Operating Costs and Debt

Last 3 Years

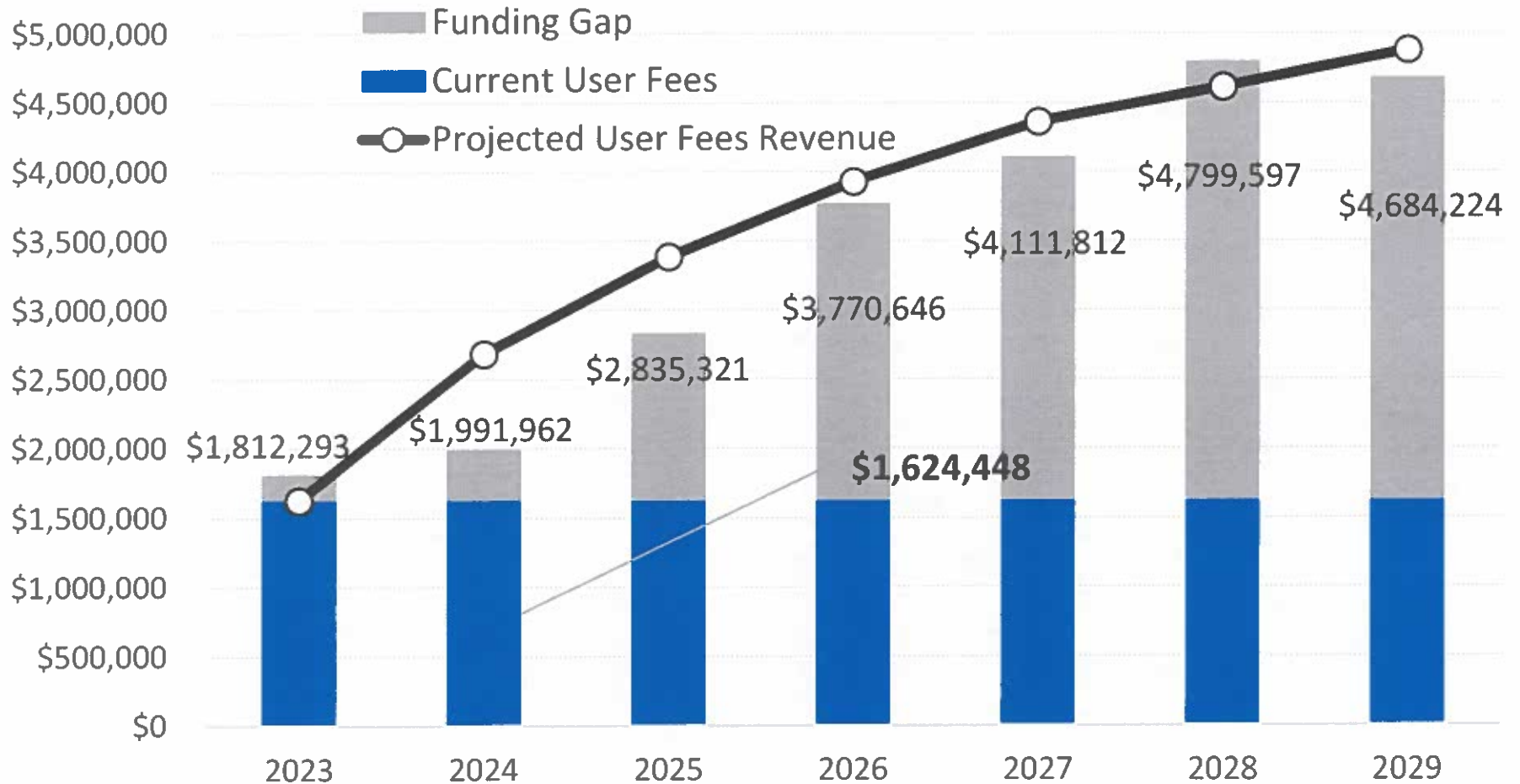


Next 6 Years



**Change in charts shows the need to reinvest in system assets**

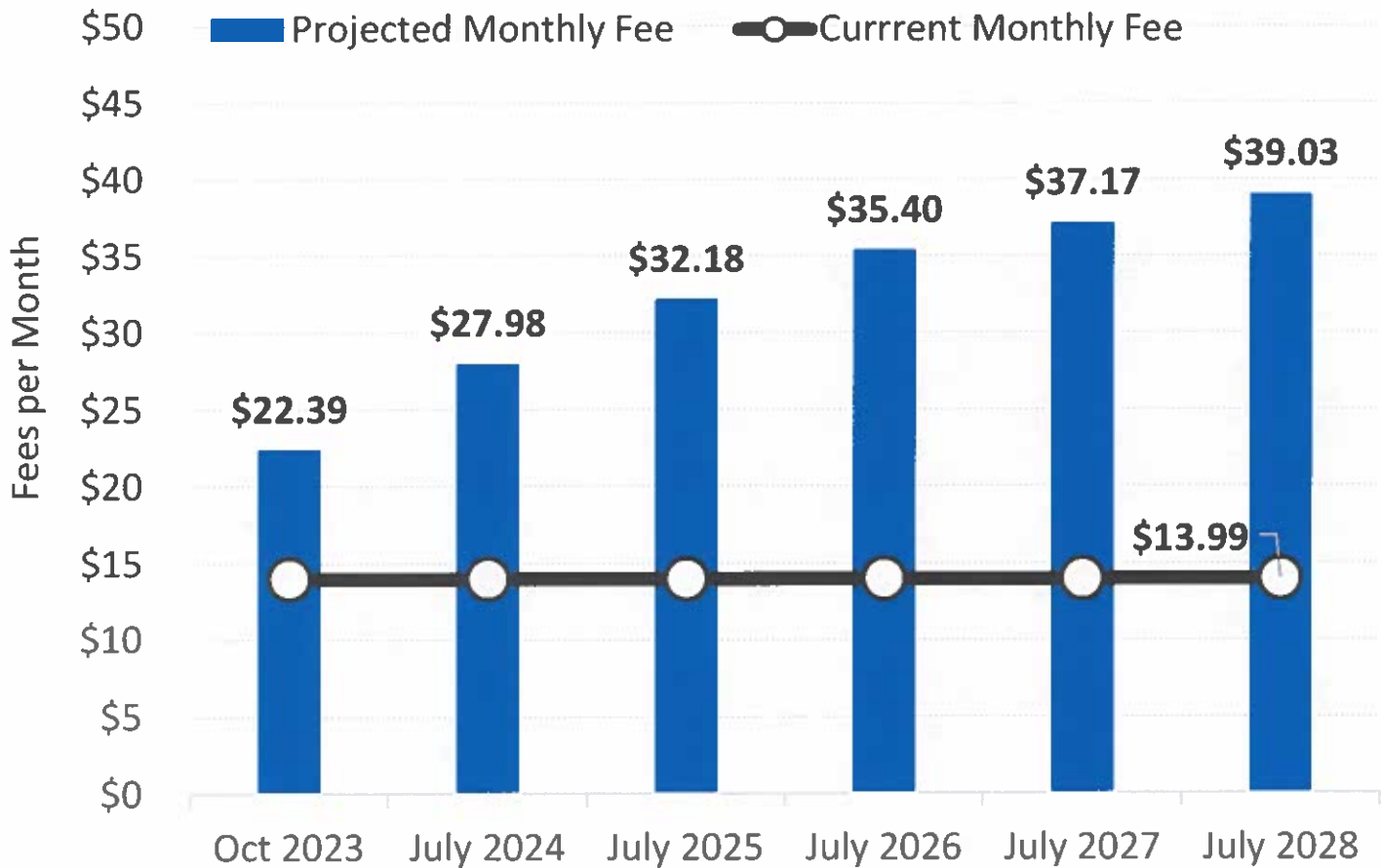
# How much more is needed from user fees?



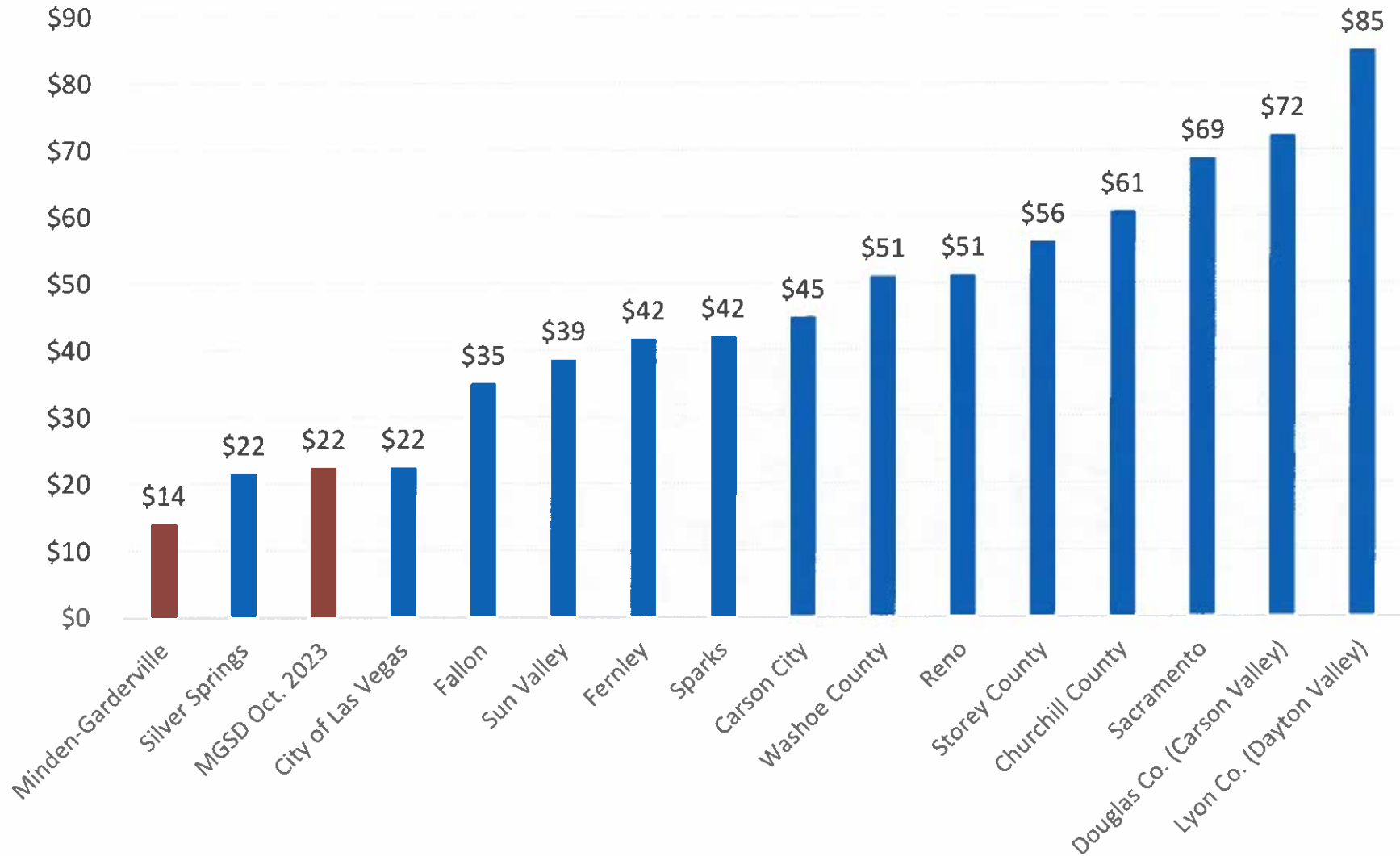
# Monthly User Fee Active MGSD Customers

(GRGID customers @ 88.83%)

(New Minimum Fee for Inactive MGSD customers @ 48%)



# Comparison Monthly Sewer Bills



# NV State Measurement of Affordability

- Minden and Gardnerville are NOT Disadvantaged communities / no preferential terms for loans
- The current and proposed rates, even with a 60% increase, stay below 0.5% of median household income
- The State considers rates  $>2.0\%$  of median household income to be unreasonable

# New Development Fees: Capacity Fees

**Purpose: *to pay for new growth's share of major infrastructure costs to provide capacity to serve new customers***

- Last updated in 2006; only included the treatment plant capacity costs (collection improvements not included); the updated fee includes collection system costs. **The updated capacity fee is lower for GRGID customers because they should not pay collection system capacity costs.**
- The Fee Study recommends removal of the difference in fees for properties inside the 1978 boundary as all properties pay ad valorem taxes (or in-lieu taxes).



# Current and Calculated New Development Fees per EDU

New Development Fees	Last Updated	Current Fee	Calculated 2023/24 Fee
<b>Capacity Fees</b>			per EDU
In District Boundary (1978)	2006	\$3,150	\$5,720
All Other MGSD Service Areas [1]	2006	\$3,800	\$5,720
GRGID Service Area			\$4,810
<b>Connection Fees</b>			per EDU
Residential	1978	\$275	discontinued
Commercial	1978	\$300	discontinued
GRGID	1990	\$179	discontinued
<b>Total (One EDU) in MGSD Service Areas</b>		<b>\$4,075</b>	<b>\$5,720</b>

Fees should be updated every year using the ENR CCI for the previous 12 months (May to May) for a July 1 adjustment.

Source: MGSD and HEC.

dev fees

[1] Currently, all service areas (including the GRGID service area) outside the 1978 District boundary pay the same capacity fee because the current capacity fee only includes costs associated with capacity at the wastewater treatment plant (no collection costs are included).

# Capacity Fees Components per EDU

	Treatment & Disposal	Collection System	Total Fee
Buy-In	\$1,394	\$149	\$1,543
New Facilities	\$3,408	\$762	\$4,170
<b>Total</b>	<b>\$4,810</b>	<b>\$920</b>	<b>\$5,720</b>

↑  
GRGID  
customers  
fee

↑  
All other  
MGSD  
customers fee

# Comparison Capacity Fee for a New Home

