Item # 14E

City of Carson City
Agenda Report

Date Submitted: March 7, 2008 **Agenda Date Requested:** March 20, 2008
Time Requested: 15 minutes

To: Mayor and Supervisors

From: Public Works Department

Subject Title: Action to adopt, on second reading, Bill No. 112 AN ORDINANCE AMENDING TITLE 12, WATER, SEWERAGE AND DRAINAGE, CHAPTER 12.03, SEWER CONNECTION CHARGES AND USE RATES, SECTION 12.03.020, SCHEDULE OF RATES, BY INCREASING ALL RATES TWENTY-FOUR (24) PERCENT EFFECTIVE JULY 1, 2008, AND OTHER MATTERS PROPERLY RELATED THERETO.

Staff Summary: The proposed increase of rates reflected in Chapter 12.03 provide for the necessary revenue requirements to operate, maintain and meet debt obligations.

Type of Action Requested: (check one)
(____) Resolution (XXX) Ordinance
(____) Formal Action/Motion (____) Other (Specify)

Does This Action Require A Business Impact Statement: (_Completed_) Yes (___) No

Recommended Board Action: I move to adopt, on second reading, Bill No. 112 AN ORDINANCE AMENDING TITLE 12, WATER, SEWERAGE AND DRAINAGE, CHAPTER 12.03, SEWER CONNECTION CHARGES AND USE RATES, SECTION 12.03.020, SCHEDULE OF RATES, BY INCREASING ALL RATES TWENTY-FOUR (24) PERCENT EFFECTIVE JULY 1, 2008, AND OTHER MATTERS PROPERLY RELATED THERETO.

Explanation: The proposed 24% increase of rates reflected in Chapter 12.03, effective July 1, 2008, provides for the necessary revenue requirements to operate, maintain and meet debt obligations.

As directed by the Board of Supervisors on March 6, 2008, the ordinance was revised to reflect a 24% increase as of July 1, 2008 versus the previously proposed 12% as of April 1 and an additional 12% as of July 1, to avoid the additional cost to the customer as a result of the compounding effect of the two phase rate increase.

Staff gave notice to the public on February 2, 2008, through the Nevada Appeal, in addition to providing the proposed ordinance revisions and Business Impact Statement to the Builder's Association of Western Nevada, Manufacturer's Association, and the Chamber of Commerce. Staff held a public information meeting on February 5, 2008. Staff provided a report on all utility budgets and capital improvement programs to the Board of Supervisors on February 7, 2008, a portion of which explained the need for a rate increase for the sewer budget.

Fiscal Impact: Upon approval of second reading, revenues will increase.
Funding Source: NA
Explanation of Impact: Less debt financing will be required.
Alternatives: Do not approve; modify; and/or give additional direction to staff.

Prepared By: Ken Arnold, Public Works Operations Manager

Reviewed By: ______________________ Date: 3/11/08
(Department Head)

Concurrences: ______________________ Date: 3/4/08
(City Manager)

Melanie Brukotta ______________________ Date: 3-11-08
(District Attorney)

______________________ Date: 3-11-08
(Finance Director)

Board Action Taken:

Motion: ______________________ 1) ______________ Aye/Nay
2) ______________

____
(Vote Recorded By)

ORDINANCE NO. ________

BILL NO. ____

AN ORDINANCE AMENDING TITLE 12, WATER, SEWERAGE AND DRAINAGE, CHAPTER 12.03, SEWER CONNECTION CHARGES AND USE RATES, SECTION 12.03.020, SCHEDULE OF RATES, BY INCREASING ALL RATES TWENTY-FOUR PERCENT EFFECTIVE JULY 1, 2008, AND OTHER MATTERS PROPERLY RELATED THERETO.

Fiscal Impact: Increased Revenues to the Sewer Funds

THE BOARD OF SUPERVISORS OF CARSON CITY DO HEREBY ORDAIN:

SECTION I:

That Section 12.03.020 of the Carson City Municipal Code is hereby amended as follows:

12.03.020 Schedule of rates. 1. The following schedule of rates for the sanitary sewer facilities and services furnished by or through, or for the use of, the Carson City sanitary sewer system, which rates are found and declared to be reasonable and just, taking into account and consideration the cost and value of the system and cost of maintaining and operating the system, and the proper and necessary allowances for the depreciation thereof and the amount necessary for the retirement of all bonds and other securities payable from revenues of the system, the accruing interest on all such securities, and reserves therefor are fixed, established, levied, imposed and otherwise prescribed in subsection (2) of this section.

2. The monthly rate for each property shall be computed as detailed in Schedule A of this section, unless otherwise required by this chapter.

Schedule A

Class	Fixed Capitalization Charge	Variable Capitalization Charges $/Thousand Gallons of Water Usage (Debt Service and Capital Maintenance or Depreciation)	User Charges $/Thousand Gallons of Water Usage (Operation Maintenance and Replacement Operating Components)	Maximum Water Usage For Applying Commodity Charge
Commercial	[$4.91] $6.09 (eff. 7/01/08)	$0.02	[$1.96] $2.43 (eff. 7/01/08)	No Maximum
Commercial Multifamily	[$4.91] $6.09 (eff. 7/01/08)	$0.02	[$1.96] $2.43 (eff. 7/01/08)	Winter Sewer Average/Actual
Residential	[$4.91] $6.09 (eff. 7/01/08)	$0.02	[$1.96] $2.43 (eff. 7/01/08)	Winter Sewer Average/Actual
Quasi-Residential	[$4.91] $6.09 (eff. 7/01/08)	$0.02	[$1.96] $2.43 (eff. 7/01/08)	Winter Sewer Average/Actual
	[$4.91]			
Wholesale Bakery	[$4.91] $6.09 (eff. 7/01/08)	$0.04	[$3.79] 4.70 (eff. 7/01/08)	No Maximum 1
Motel with Dining Facilities	[$4.91] $6.09 (eff. 7/01/08)	$0.02	[$2.51] $3.11 (eff. 7/01/08)	No Maximum
Commercial Laundry	[$4.91] $6.09 (eff. 7/01/08)	$0.02	[$2.31] $2.86 (eff. 7/01/08)	No Maximum
Mortuaries	[$4.91] $6.09 (eff. 7/01/08)	$0.05	[$3.82] $4.74 (eff. 7/01/08)	No Maximum
Restaurants	[$4.91] $6.09 (eff. 7/01/08)	$0.04	[$3.23] $4.01 (eff. 7/01/08)	No Maximum

Septic haulers shall be charged [twenty-five dollars and twenty-two cents ($25.22)] thirty-one dollars and twenty-seven cents ($31.27) effective July 1, 2008 for the first one thousand (1,000) gallons or fraction thereof plus [$0.0252] $0.031 effective July 1, 2008 per gallon for each gallon in excess of the first one thousand (1,000) gallons.

3. This user charge system is in accordance with CFR Section 35.2140 (February 17, 1984) which is incorporated herein by this reference. (Refer to Section 12.03.010 (9), Definitions.) (Ord. 2003-12 § 1, 2003: Ord. 1994-61 §2, 1994: Ord. 1993-44 §12, 1993: Ord. 1992-29 §2, 1992: Ord. 1991-11 §2, 1991: Ord. 1988-15 §1, 1988: Ord. 1986-34 §1, 1986: Ord. 1986-17 §1, 1986: Ord. 1985-16 §1, 1985: Ord. 1983-10 §1, 1983: Ord. 1982-9 §1, 1982: Ord. 1981-18 § §1,2,3, 1981; Ord. 1980-22 §3 (part), 1980).

SECTION II:

That no other provisions of Title 12 of the Carson City Municipal Code are affected by this ordinance.

PROPOSED this 6 day of March, 2008

PROPOSED by Supervisor Shelly Aldean

PASSED on the ___ day of __________, 2008

VOTES: AYES: ______________

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NAYES: ______________

ABSENT: ______________

____

Marv Teixeira, Mayor

ATTEST:

____

ALAN GLOVER, Clerk-Recorder

This ordinance shall be in force and effect from and after the ___ day of ___________, 2008.

WASTEWATER RECLAMATION PLANT REQUIREMENTS

The Wastewater Reclamation Plant (WWRP) is currently in compliance with its discharge permit issued by the State of Nevada. However, an aging infrastructure and a trend toward higher levels of nutrients (process stressors) in the influent, combine to threaten future compliance and reuse capabilities.

The design has been completed to meet the needs of the WWRP through build out and the reduced first phase of construction ($8 Million) was to begin in budget year 2008/2009. Due to the net 4% decrease of sewer rates over the past 21 years and the recent steep decline in connection fees, construction projects for FY 2008/2009 have been postponed.

Staff will address as many of the WWRP's immediate needs as possible, with the limited funds available, to ensure proper operation and compliance until revenues will allow sufficient bonding to rehabilitate and expand.

Sewer Rate History – Monthly User Charges

YEAR	SEWER	CPI
1987	No Change	4.4
1988	Decrease 6%	4.4
1989 -1990	No Change	5.35 Avg.
1991	Increase 11%	3.1
1992	No Change	2.9
1993	Decrease 10%	2.7
1994 – 2002	No Change	2.43 Avg.
2003	Increase 9%	1.9
2004 -2006	No Change	3.07 Avg.
2007	No Change	3.0
Overall Change	4% Decrease	64.18
Average Annual	0.22% Decrease	3.06%

SEWER RATE COMPARISON

CUSTOMER TYPE		CARSON CITY				MINDEN	INDIAN HILLS	DAYTON
		CONSUMPTION (1000 gal)	CURRENT COST	COST +12%	COST +12%	MGSD		
Single-Family Home		12.00	$ 16.79	$ 18.80	$ 21.05	$ 36.00	$ 23.54	$ 43.70
Small Commercial		30.00	$ 64.31	$ 72.03	$ 80.67	$ 108.00	$ 70.62	$ 113.19
Large Commercial Examples								
Mission Linen	Laundry	5,898.00	$ 13,577.25	$ 15,206.52	$ 17,031.30	$ 53,082.00	$ 34,709.73	$ 18,832.11
Carson Nugget	Casino	1,249.00	$ 4,094.05	$ 4,585.34	$ 5,135.58	$ 11,241.00	$ 7,350.37	$ 4,001.80
Carson-Tahoe Hosp	Medical	981.00	$ 2,491.75	$ 2,790.76	$ 3,125.65	$ 8,829.00	$ 5,773.19	$ 3,146.88
Casino Fandango	Casino	952.00	$ 3,122.86	$ 3,497.60	$ 3,917.31	$ 8,568.00	$ 5,602.52	$ 3,054.37
Chromalloy	Industrial	654.00	$ 1,299.83	$ 1,455.81	$ 1,630.51	$ 5,886.00	$ 3,848.79	$ 1,874.39
Parkway Manor	176 Units Apartments	599.00	$ 1,190.93	$ 1,333.84	$ 1,493.90	$ 5,391.00	$ 2,071.52	$ 6,994.24
Evergreen	Retirement Home	576.00	$ 1,462.19	$ 1,637.65	$ 1,834.17	$ 5,184.00	$ 3,389.76	$ 1,854.93
Carson Station	Casino	478.00	$ 1,214.25	$ 1,359.96	$ 1,523.16	$ 4,302.00	$ 2,813.03	$ 1,542.31
Catalina Apartments	152 Units Apartments	468.00	$ 931.55	$ 1,043.34	$ 1,168.54	$ 4,212.00	$ 1,789.04	$ 6,040.48

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WATER RATE COMPARISON

CUSTOMER TYPE	SIZE	CARSON CITY			MINDEN	GARDNERVILLE	DOUGLAS COUNTY	INDIAN HILLS	DAYTON	MOUNDHOUSE	TMWA
		CONSUMPTION (1000 gal)	CURRENT COST	COST +6%			EAST VALLEY				
Single-Family Home	5/8"	12	$ 15.96	$ 16.92	$ 27.55	$ 24.36	$ 16.72	$ 29.79	$ 33.56	$ 53.79	$86.00
Small Commercial	5/8"	30	$ 47.95	$ 50.83	$ 66.40	$ 53.80	$ 52.57	$ 64.89	$ 73.52	$ 172.77	$80.74
Large Commercial Examples											
Mission Linen	4'	5,898	$ 15,912.33	$ 16,867.07	$ 9,979.86	$ 9,437.88	$ 8,585.83	$ 11,507.49	$ 13,202.49	$ 30,412.01	$15,473.85
Carson Nugget	2" + 1 1/2"	1,249	$ 3,267.42	$ 3,463.47	$ 2,129.78	$ 1,971.44	$ 1,851.94	$ 2,441.94	$ 2,809.47	$ 6,475.87	$3,446.92
Carson-Tahoe Hosp	6" + 6"	981	$ 2,782.18	$ 2,949.11	$ 1,768.47	$ 1,815.36	$ 2,215.50	$ 1,919.34	$ 2,796.71	$ 6,444.15	$1,624.73
Casino Fandango	2" + 2"	952	$ 2,558.10	$ 2,711.59	$ 1,633.79	$ 1,508.12	$ 1,433.34	$ 1,862.79	$ 2,339.75	$ 5,286.14	$2,585.62
Chromalloy	3"	654	$ 1,735.29	$ 1,839.41	$ 1,194.58	$ 1,221.24	$ 1,124.96	$ 1,281.69	$ 1,598.04	$ 3,693.62	$1,451.80
176 Units Parkway Manor Apts	4"	599	$ 1,605.03	$ 1,701.33	$ 1,130.53	$ 1,171.44	$ 941.94	$ 1,174.44	$ 1,400.46	$ 3,238.83	$1,004.92
Evergreen	2"	576	$ 1,506.45	$ 1,596.84	$ 1,005.87	$ 921.56	$ 909.74	$ 1,129.59	$ 1,366.47	$ 3,154.37	$1,495.22
Carson Station	3"	478	$ 1,260.09	$ 1,335.70	$ 900.66	$ 946.68	$ 878.56	$ 938.49	$ 1,315.41	$ 3,036.84	$747.10
152 Units Catalina Apartments	3" + 3"	468	$ 1,287.78	$ 1,365.05	$ 883.96	$ 931.08	$ 864.56	$ 918.99	$ 1,050.06	$ 2,620.52	$722.80

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WATER/SEWER COMBINED RATE COMPARISON

CUSTOMER TYPE		CARSON CITY		MINDEN	INDIAN HILLS	DAYTON
		CURRENT COST	PROPOSED COST (all increases)	MGSD		
Single-Family Home		$ 33.58	$ 37.97	$ 63.55	$ 53.33	$ 77.26
Small Commercial		$ 128.62	$ 131.50	$ 174.40	$ 135.51	$ 186.71
Large Commercial Examples						
Mission Linen	Laundry	$ 29,489.58	$ 33,898.37	$ 63,061.86	$ 46,217.22	$ 32,034.60
Carson Nugget	Casino	$ 7,361.47	$ 8,599.05	$ 13,370.78	$ 9,792.31	$ 6,811.27
Carson-Tahoe Hosp	Medical	$ 5,273.93	$ 6,074.76	$ 10,597.47	$ 7,692.53	$ 5,943.59
Casino Fandango	Casino	$ 5,680.96	$ 6,628.90	$ 10,201.79	$ 7,465.31	$ 5,394.12
Chromalloy	Industrial	$ 3,035.12	$ 3,469.92	$ 7,016.53	$ 5,023.23	$ 3,472.43
Parkway Manor	Apartments	$ 2,795.96	$ 3,195.23	$ 6,396.87	$ 3,201.11	$ 8,394.70
Evergreen	Retirement Home	$ 2,968.64	$ 3,431.01	$ 6,084.66	$ 4,328.25	$ 3,221.40
Carson Station	Casino	$ 2,474.34	$ 2,858.86	$ 5,185.96	$ 3,732.02	$ 2,857.72
Catalina Apartments	Apartments	$ 2,219.33	$ 2,533.59	$ 4,212.00	$ 1,789.04	$ 7,090.54

02/22/2008

Carson City
Overview of Implementation Plan to Provide Financial Stability to the City's General Fund, Sewer Fund, Water Fund, Building Permit Fund and Street Maintenance Fund
For Fiscal Year 2007-2008

At the January 17th Board of Supervisors meeting, the Board heard details of the revenue shortfalls in the City's General Fund, Sewer Fund, Water Fund, Building Permit Fund and Street Maintenance Fund for Fiscal Year 2007-2008. The Board directed staff to return to the Board on February 7th with a plan to implement corrective action to stabilize the City's finances.

Listed below is an overview of the recommended implementation plan to stabilize the City's finances for these funds. After this agenda item, staff has prepared specific stand alone Board agenda items for Board action to implement the stabilization plan on a fund by fund basis.

1) General Fund. The City's General Fund is experiencing a projected $3 million loss of revenue in FY 07-08. In order to compensate for this loss, it is recommended the City implement the following financial stabilization measures:

1) With the City moving the Landfill operations into the General Fund, it is recommended the City use the $1,172,252 on-going net income in the Landfill to cover a portion of the revenue loss.

2) Eliminate the $722,735 Capital Acquisition Fund transfer from the General Fund for FY 07-08.

3) Economic Development. Any future economic development programs be funded only through the Carson City Redevelopment Authority incentive programs. This does not include the already agreed to Burlington Coat Factory incentives or the car dealer incentives.

4) Increase Business License Fees now and in November of 08 in order to help the City keep up with inflationary costs. The Business License Fee is allowed to increase by 3.4% which won't generate much revenue or impact the businesses this fiscal year, but would add to the business license fee revenue for FY 08-09. Next year, this will generate approximately $26,000 to the City's General Fund and will cost the average business $3.84 per year.

5) Retain the FY 07-08 City staff General Fund cuts in the amount of $848,224. City staff will provide detail of these General Fund cuts.

6) Increase the Landfill Fees to keep more in line with comparable market rates.

Summary of General Fund Financial Stabilization Measures in the Amount of $3,000,000.

General Fund Revenue Shortfall		($3,000,000)
Add:	Landfill Net Income	1,172,252
	Cut Capital Acquisition Transfer	722,735
	Increase Business License Fees Now and in November, 2008 (Little effect in 07-08 but will increase revenues for FY 08-09)	0
	Retain City Staff Budget Cuts	848,224
	Increase Landfill Fees	85,000
	Net Decrease in Fund Balance	(171,789)

2) Sewer Fund $1.6 Million Revenue Shortfall.

To compensate for the $1.6 million projected FY 07-08 revenue shortfall in the Sewer Fund, it is recommended the City implement the following financial stabilization measures:

1) Raise the amount of the proposed rate increase from 10% as of March 1, 2008 and 5% as of July 1, 2008 to 12% as of March 1, 2008 and 12% as of July 1, 2008 in order to insure the Sewer Fund is financially stable and able to meet its bond covenants.
2) Postpone the budgeted $7.8 million bond issuance for at least one year.
3) Postpone as much of the Sewer Fund capital improvement programs as possible at least for one year until the economy begins to recover.
4) Base the timing of future rate increases on the financial requirements of the fund. Another Sewer rate increase may be necessary as of July 1, 2009 if the economy does not begin to recover by then.

3) Water Fund $500,000 Revenue Shortfall.

To compensate for the $500,000 revenue shortfall in the Water Fund, it is recommended the City implement the following financial stabilization measures:

1) Raise the Water rates by 6% as of July 1, 2008.
2) Postpone any new Water Fund bond issuance for at least one year.
3) Postpone as much of the Water Fund non-bonded capital improvement projects as possible at least for one year until the economy begins to recover.
4) Base the timing of future rate increases on the financial requirements of the fund in order to insure the City's ability to meet its bond covenants.

4) Building Permit Fund $575,000 Revenue Shortfall.

Building permit revenue is projected to decrease by 20% in FY 07-08. This decrease will cause a negative net assets balance in the amount of approximately ($405,000) in the Building Permit Fund. This will cause a cash and fund deficit in the Fund this fiscal year if not immediately mitigated. It is recommended the City implement the following financial stabilization measures in the total amount of $444,917 which will create an estimated positive net assets of $39,509 as of June 30, 2008:

1) Cut the General Fund Internal Service Charges by 20% to compensate for less work performed based on the percentage decrease in the projected building permit revenue. In addition, cut the General Fund Internal Service Charge by an additional $10,000 in recognition of services the Building Permit Fund provides to the Planning Department. This will save the Building Permit Fund $90,000 but will cause a corresponding shortfall in the General Fund which is anticipated with the projection noted above.

2) Transfer $211,000 from the Capital Facilities Fund back to the Building Permit Fund. The Capital Facilities monies were slated for Building Permit Fund capital projects.

3) Implement Building Permit Fund Budget Cuts for FY 07-08 in the amount of $143,917 as recommended by staff. This includes $31,917 in salary savings, $102,000 cut in services and supplies and $10,000 cut in the depreciation.

4) Once the fund is stabilized where revenues generally equal expenditures, the Board may wish to consider moving the Building Permit Fund back into the General Fund. However, wherever the building permit fund is placed, it should be self supporting.

5) Give direction to staff to return with budget cuts/revenue enhancements in the Building Permit Fund for FY 08-09 in order to assure a self-supporting enterprise status and the fund's financial stability for FY 08-09.

<u>Summary of Building Permit Fund Financial Stabilization Measures</u>
<u>For FY 07-08</u>

1) Cut the General Fund Internal Service Charges	90,000
2) Transfer $211,000 from Capital Facilities Fund	211,000
2) Building Permit Fund FY 07-08 Budget Cuts	143,917
Total Financial Stabilization Measures	$444,917

5) Street Maintenance Fund $650,000 Revenue Shortfall.

The loss of Street Maintenance Fund revenues in the amount of $650,000 for FY 07-08 will cause a cash and fund deficit in the Street Maintenance Fund at the current budgeted expenditures. To compensate for this revenue shortfall, it is recommended the City implement the following financial stabilization measures:

1) Cut the Street Maintenance Fund carryover from prior year by $650,000 in FY 07-08 in order to compensate for this revenue shortfall.

2) Direct staff to return to the Board during the FY 08-09 budget process to look at long-term financial strategies which best serve the public's transportation needs by working with RTC and gathering public input on a long-term transportation financial strategy. This would include a discussion and recommendation from the RTC and City Staff whether the 1/8th cent Infrastructure Sales Tax is necessary to be used for Street Maintenance.

SUMMARY

General Fund:

The financial stabilization measures listed above will correct the impacts of the City's current economic decline for FY 07-08 for the General Fund. There is a second financial plan for the FY 2008-2009 in a separate agenda item for the February 7, 2008 Board meeting.

Other funds:

The financial stabilization measures listed above will provide for the financial stabilization of the Sewer Fund, Water Fund and Street Maintenance Fund for FY 07-08 and FY 08-09. There is no other financial stabilization measures needed for these funds at this time. The Building Permit Fund will have to return with a financial stabilization plan for the Fund for FY 08-09.

The action items to implement this Financial Stabilization Plan are in the ensuing Board agenda items on a fund by fund basis.