

**City of Carson City
Agenda Report**

Date Submitted: August 10, 2015

Agenda Date Requested: August 20, 2015
Time Requested: 5 Minutes

To: Mayor and Supervisors

From: Ande Engleman – Utility Financial Oversight Committee Chair

Subject Title: For Possible Action: To accept the report from the Chair of the Utility Financial Oversight Committee for the June 30, 2015 meeting. (Ande Engleman, andelee@sbcglobal.net)

Staff Summary: The Utility Financial Oversight Committee met on June 30, 2015 and had five (5) possible action items on their agenda.

UFOC Agenda item #6: The Committee recommends that water utility customers with a connection with a 1 ½" meter or larger, be charged a connection fee of \$6,219 per maximum day, gallon per minute, use. And for the sewer utility, a connection charge of \$4,493 per Sewer Equivalent Residential Customer (SERC). The Committee passed this recommendation on a vote of 5-0.

UFOC Agenda item #7: This item was pulled from the agenda. It was a request that commercial / industrial connection fees be used as an economic development tool in attracting manufacturers to Carson City and setting up a policy whereby fees may be abated, waved or forgiven on a case by case basis, based on a set of economic factors.

UFOC Agenda item #8: The Committee recommends an implementation start date of July 1, 2016, for both water and sewer, with a five (5) year phase in period. The Committee passed this recommendation on a vote of 5-0.

UFOC Agenda item #9: The Committee recommends connection fees be limited to funding capital projects. The Committee passed this recommendation on a vote of 5-0.

UFOC Agenda item #10: The Committee recommends that after connection fees are fully implemented, they be adjusted annually based on the Engineering New-Record's Construction Cost Index, at an amount not be greater than 3%. The Committee passed this recommendation on a vote of 5-0.

Type of Action Requested: (check one)

Resolution Ordinance
 Formal Action/Motion Other (Information only)

Does This Action Require A Business Impact Statement: Yes No

Recommended Board Action: I move to accept the report from the Chair of the Utility Financial Oversight Committee for the June 30, 2015 meeting.

Explanation for Recommended Board Action: N/A

Applicable Statute, Code, Policy, Rule or Regulation: N/A

Fiscal Impact: N/A

Explanation of Impact: N/A

Funding Source: N/A

Alternatives: N/A

Supporting Material: Meeting minutes from 06-30-2015 Utility Financial Oversight Committee.

Prepared By: David Bruketta – Utility Manager / Ande Engleman – Utility Financial Oversight Committee Chair

Reviewed By:

DM Bruketta Date: 8/11/15
(Public Works Director)

Lickman Date: 8/11/15
(City Manager)

[Signature] Date: 8/11/2015
(District Attorney)

Wang Paula Date: 8/11/15
(Finance Director)

Board Action Taken:

Motion: _____ 1: _____ Aye/Nay
2: _____

(Vote Recorded By)

CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE
Minutes of the June 30, 2015 Meeting
Page 1

A meeting of the Carson City Utility Financial Oversight Committee was scheduled for 6:00 p.m. on Tuesday, June 30, 2015 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Andrea Engleman
Vice Chairperson Michael Bennett
Member Randy Bowling
Member Bruce Scott
Member Michael Spell

STAFF: Darren Schulz, Public Works Department Director
David Bruketta, Utility Manager
Joseph Ward, Deputy District Attorney
Kathleen King, Chief Deputy Clerk

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the Clerk, during the meeting, are part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (6:00:00) - Chairperson Engleman called the meeting to order at 6:00 p.m. Roll was called; a quorum was present.

3. PUBLIC COMMENT (6:00:24) - Chairperson Engleman entertained public comment. The Builders Alliance CEO Aaron West read a prepared statement into the record. In response to a question, he provided an overview of a letter he distributed and reviewed at a recent Board of Supervisors meeting.

4. POSSIBLE ACTION TO ADOPT THE AGENDA (6:03:00) - Chairperson Engleman advised that, at Brad Bonkowski's request, she would modify the agenda to address item 8 prior to item 7. She entertained a motion to adopt the agenda, as modified. **Member Scott so moved. Member Bowling seconded the motion. Motion carried 5-0.**

5. POSSIBLE ACTION ON APPROVAL OF MINUTES - March 24, 2015 (6:03:59) - Chairperson Engleman entertained suggested revisions to the minutes. When no suggested revisions were forthcoming, she entertained a motion to approve the minutes. **Member Bowling so moved. Member Scott seconded the motion. Motion carried 5-0.**

6. REVIEW AND DISCUSSION OF COMMERCIAL CONNECTION CHARGES; PRESENTATION FROM AND DISCUSSION WITH FCS GROUP REPRESENTATIVES AND CITY STAFF ON COMMERCIAL WATER AND SEWER CONNECTION CHARGES; POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (6:04:25) - Chairperson Engleman introduced this item. Mr. Bruketta provided background information and an overview of the presentation. Krista Shirley, of FCS Group, narrated a PowerPoint presentation, copies of which were included in the agenda materials. Ms. Shirley and Mr. Bruketta responded to questions of clarification.

CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE
Minutes of the June 30, 2015 Meeting
Page 2

(6:56:41) Vice Chairperson Bennett moved to recommend to the Board of Supervisors, for the water utility customers that connect to an inch and a half meter or larger, to be charged a connection fee of \$6,219 per maximum day, gallon per minute, use. Member Scott seconded the motion, and suggested an amendment. Vice Chairperson Bennett amended his motion to include the sewer utility connection charge of \$4,493 per sewer equivalent residential customer. Member Scott continued his second. Chairperson Engleman entertained discussion on the motion and, when none was forthcoming, called for a vote.

RESULT:	Approved [5 - 0]
MOVER:	Vice Chair Mike Bennett
SECOND:	Member Bruce Scott
AYES:	Vice Chair Bennett, Members Scott, Bowling, Spell, Chair Engleman
NAYS:	None
ABSENT:	None
ABSTAIN:	None

Chairperson Engleman entertained committee member or public comment on the motion; however, none was forthcoming.

7. DISCUSSION TO ESTABLISH POLICY TO USE COMMERCIAL / INDUSTRIAL CONNECTION FEES AS AN ECONOMIC DEVELOPMENT TOOL; POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (6:18:44) - Chairperson Engleman introduced and provided background information on this item. Based on the previous discussion, Mr. Bonkowski suggested withdrawing this item. (6:56:06) Vice Chairperson Bennett moved to table item 7. Member Scott seconded the motion. Motion carried 5-0.

8. REVIEW AND DISCUSSION OF AN IMPLEMENTATION DATE AND PHASE-IN APPROACH OF CONNECTION FEES; POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (6:11:59) - Chairperson Engleman introduced this item, and Mr. Bruketta reviewed the agenda materials. Chairperson Engleman recognized Brad Bonkowski. (6:13:07) Mr. Bonkowski introduced himself for the record as “the owner of a commercial real estate firm ...” In response to a question, Mr. Bonkowski advised of approximately 600 acres of commercial / industrial land that is currently vacant and available. He further advised that “zero acres” have been developed in the last ten years. Krista Shirley, of FCS Group, responded to questions of clarification relative to information included in the PowerPoint presented as part of item 6, and discussion ensued.

(6:20:10) The Builders Alliance CEO Aaron West expressed agreement “with the rationale for calculating the fees going forward, but we still have strong concerns about the ... short-term impacts of the implementation of the fees ...” He expressed surprise over the “three-year and the immediate implementation proposal ... just based on the five-year conversation that we had at the last meeting and what we pushed forward.” He expressed “continued support for the original recommendation from the UFOC for a five-year phase in of all the connection fees, beginning July 1, 2016.” He read into the record a prepared statement expressing support for the phased-in approach.

CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE
Minutes of the June 30, 2015 Meeting
Page 3

(6:23:48) Rob McFadden advised that nearly every property he has purchased in Lyon County included water rights.

(6:25:07) Northern Nevada Development Authority Executive Director Rob Hooper acknowledged the diminished land capacity in Carson City, but stated “we still have a lot of land for commercial development.” He discussed the importance of competitive water and sewer connection fees in Carson City, and costs associated with expansion of existing businesses. He expressed agreement with The Builders Alliance position on the phased-in approach.

(6:27:41) Bill Miles, of Miles Construction, discussed concerns over the meter sizes required for commercial / industrial applications. “So when we're talking about a development such as a City Center in downtown, it's a good possibility a Hyatt Hotel needs a six-inch meter. And ... there's been a lot of planning here in Carson City ... where if we all of a sudden implement an increase in our commercial rates that are significant, the pro formas that they base that on are not going to work anymore.” Mr. Miles discussed concerns over commercial rates as applicable to multi-family apartments. He expressed support for the five-year phased-in approach, and discussion followed.

Extensive discussion took place regarding the intent of the subject agenda item. Chairperson Engleman entertained additional public comment. (6:38:30) Mark Turner assured the committee that potential developers have based decisions on the “five-year assumption. ... if that ... changes, some of those projects will not move forward.” He requested the committee's consideration as to “whether the dollar gain of the fees that would be generated is worth the loss of the economic activity ...” Chairperson Engleman entertained additional public comment; however, none was forthcoming.

At Vice Chairperson Bennett's request, Mr. Bruketta provided background information on the recommended three-year phase-in period. Extensive discussion followed among the committee members, staff, and the members of the development community who were present in the meeting room. Chairperson Engleman entertained a motion. Vice Chairperson Bennett moved to start the five-year implementation on January 1, 2016 with the 20 percent. Member Spell seconded the motion. Following discussion, Chairperson Engleman modified the agenda to address action on item 7.

(6:58:38) Chairperson Engleman entertained a motion. **Vice Chairperson Bennett moved to recommend to the Board of Supervisors an implementation start date of January 1, 2016, for both water and sewer for a five-year phase-in period. Member Spell seconded the motion.** Chairperson Engleman entertained discussion on the motion and, when none was forthcoming, public comment.

(6:59:30) The Builders Alliance CEO Aaron West inquired as to the intent of the motion, and Chairperson Engleman advised him that it was “specific to commercial; not to include residential.” Vice Chairperson Bennett expressed understanding for Chairperson Engleman's concern, and pointed out staff's concern that “connection fees are not separated by commercial versus residential. They're done by meter size. And meter sizes are not specific to residential. It just so happens that smaller meters are residential meters.” Extensive discussion followed.

Chairperson Engleman entertained public comment. (7:06:38) Mark Turner requested clarification of an earlier suggestion to provide for advance payment of water and sewer connection fees. Member Scott provided the requested clarification. Public Works Department Director Darren Schulz clarified the process

CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE
Minutes of the June 30, 2015 Meeting
Page 4

associated with payment of connection fees in Carson City. In response to a question, Mr. Turner described the pending motion as “an unexpected curve ball ...”

(7:11:00) The Builders Alliance CEO Aaron West discussed the revenue stream created by the connection fees.

(7:12:20) Bill Miles, of Miles Construction, requested the committee to “go back to the original recommendation to the Board; that you would follow this commercial recommendation with the recommendation that you previously made because those dollars in a six-month time period ... are not going to be huge.”

Additional discussion took place among the committee members regarding the pending motion and, at Member Scott's request, Ms. King read back the motion. Chairperson Engleman requested a roll-call vote.

RESULT:	Failed [3 - 2]
MOVER:	Vice Chair Mike Bennett
SECOND:	Member Mike Spell
AYES:	Vice Chair Bennett, Member Spell
NAYS:	Members Bowling, Scott, Chair Engleman
ABSENT:	None
ABSTAIN:	None

Chairperson Engleman entertained a motion. **Member Scott moved to recommend to the Board of Supervisors that the adjustments be made on a five-year basis, beginning July 1, 2016, as outlined in staff's recommendation, for both water and sewer, residential and commercial. Member Bowling seconded the motion.** Chairperson Engleman entertained discussion on the motion. Following a request for clarification by staff, Chairperson Engleman requested that the motion for item 6 be read back. Ms. King read back the motion for item 6. Chairperson Engleman called again for discussion on the pending motion and, when none was forthcoming, entertained public comment.

(7:26:04) In response to previous comments, Mark Turner advised that Public Works Department staff recently met with members of The Builders Alliance to clarify the issues.

Chairperson Engleman entertained additional public comment and, when none was forthcoming, called again for discussion on the motion. When no further discussion was forthcoming, she requested a roll call vote on the pending motion.

RESULT:	Approved [5 - 0]
MOVER:	Member Bruce Scott
SECOND:	Member Randy Bowling
AYES:	Members Scott, Bowling, Spell, Vice Chair Bennett, Chair Engleman
NAYS:	None
ABSENT:	None
ABSTAIN:	None

CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE
Minutes of the June 30, 2015 Meeting
Page 5

9. DISCUSSION TO ESTABLISH POLICY WHEREBY CONNECTION CHARGE FEES WILL BE LIMITED TO FUNDING CAPITAL PROJECTS AND USING RATES TO FUND DEBT SERVICE AND OPERATIONS AND MAINTENANCE EXPENSES; POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (7:27:43) - Chairperson Engleman introduced and provided background information on this item. Mr. Schulz reviewed the agenda materials. Karen Johnson, of FCS Group, responded to questions of clarification. She and Mr. Bruketta provided additional explanation of the recommended action.

Following discussion, Chairperson Engleman entertained public comment. (7:31:24) The Builders Alliance CEO Aaron West thanked staff for the meeting and helping to clarify the structure within the enterprise funds. He expressed agreement that the funds should be used for capital projects and “very specific to the enterprise fund for which they were generated ...”

Chairperson Engleman entertained additional committee discussion. Member Scott expressed agreement with Vice Chairperson Bennett's earlier comment that the funds be restricted and not utilized for debt service. Chairperson Engleman entertained a motion. **Vice Chairperson Bennett moved to recommend to the Board of Supervisors that connection charge fees be limited to funding capital projects. Member Bowling seconded the motion.** Chairperson Engleman called for a vote on the pending motion.

RESULT:	Approved [5 - 0]
MOVER:	Vice Chair Mike Bennett
SECOND:	Member Randy Bowling
AYES:	Vice Chair Bennett, Members Bowling, Scott, Spell, Chair Engleman
NAYS:	None
ABSENT:	None
ABSTAIN:	None

10. DISCUSSION OF ADJUSTING CONNECTION FEES, ONCE THEY ARE FULLY IMPLEMENTED, ANNUALLY FOR INFLATION BASED ON THE ENGINEERING NEWS RECORD CONSTRUCTION COST INDEX; POSSIBLE ACTION TO PROVIDE RECOMMENDATIONS TO THE BOARD OF SUPERVISORS (7:33:17) - Chairperson Engleman introduced this item. At Public Works Department Director Darren Schulz's request, Karen Johnson, of FCS Group, provided background information and reviewed the agenda materials. Ms. Johnson responded to questions of clarification.

Chairperson Engleman entertained public comment. (7:35:34) The Builders Alliance CEO Aaron West expressed the opinion that “the variables in determining the connection fee are very real ...”

Mr. Bruketta responded to additional questions of clarification, and discussion ensued. Chairperson Engleman entertained a motion. **Member Scott moved to recommend to the Board of Supervisors that, after the connection fees are fully implemented, they be adjusted annually, based on the Engineering News Record Construction Cost Index, at an amount not to be greater than three percent. Member Bowling seconded the motion.** Chairperson Engleman entertained discussion on the motion; however, none was forthcoming.

CARSON CITY UTILITY FINANCIAL OVERSIGHT COMMITTEE
Minutes of the June 30, 2015 Meeting
Page 6

Chairperson Engleman entertained public comment. (7:41:57) The Builders Alliance CEO Aaron West expressed support for the motion.

Chairperson Engleman called for a vote on the pending motion.

RESULT:	Approved [5 - 0]
MOVER:	Member Bruce Scott
SECOND:	Member Randy Bowling
AYES:	Members Scott, Bowling, Spell, Vice Chair Bennett, Chair Engleman
NAYS:	None
ABSENT:	None
ABSTAIN:	None

11. **PUBLIC COMMENT (7:42:27)** - Chairperson Engleman entertained public comment; however, none was forthcoming.

12. **ACTION TO ADJOURN (7:42:40)** - Member Scott moved to adjourn the meeting at 7:42 p.m. Member Bowling seconded the motion. Motion carried 5-0.

Respectfully submitted this 6th day of August, 2015.

SUSAN MERRIWETHER, Clerk - Recorder

By:

KATHLEEN M. KING, Chief Deputy Clerk