



City of Fernley CITY MANAGER'S OFFICE

Administration,
Human Resources,
Budgeting,
Risk Management,
& Contracts

November 16, 2016

Dear Fernley Resident,

As utility costs throughout the industry continue to rise, the City of Fernley (City) is committed to managing those costs, staying efficient, and addressing aging infrastructure. Utility rates are used to provide services, maintain infrastructure, while preserving adequate cash reserve to handle any planned repairs or emergencies (such as a water line break).

The City recently completed a comprehensive utility rate study, a priority that was set by the City Council who governs the water and sewer utilities similar to the manner Public Utility Commission (PUC) governs and protects rate users of private utility companies such as SW Gas and NV Energy. A neutral, third party expert completed the study, Ms. Catherine Hansford of Hansford Economic Consulting. Ms. Hansford reviewed the financial needs for maintenance, operations, capital improvement projects, debt services, reserves and the City's financial ability to manage emergencies.

Utility system costs have increased at a greater rate than inflation, which is typically 3% per year. The City increased rates in 2014 (a 3% increase), however, the financial needs of the water and sewer enterprise funds exceed this amount. For the past several years, both the water and sewer enterprise funds have been operating at a loss of over \$1 million per year, which has been taken from City reserve funds. With current utility rates, the City cannot maintain the infrastructure at the necessary level to provide adequate service. With this knowledge, the City Council had to make some difficult decisions and increase rates significantly. Since City sales and property taxes do not fund water or sewer, those costs must be recovered through monthly fees (user rates). Because of the operating loss, the City has been forced to use available reserves to pay for operating expenses, which means the City has been unable to put that money back into infrastructure, some of which is 50-60 years old. Instead of preparing for the next major failure, reserve funds have been used to cover necessary costs. This has proven unsustainable. As reserve funds diminish, a major change to the rates was required.

The new rate structure will increase residential water and sewer utility rates effective January 1, 2017. The resolution for commercial rates is set to be brought back to City Council at a later date after the City performs further impact analysis. Adjustments were made to the following rates, per resolution passed by City Council on November 14, 2016: sewer, water, the water bond debt.

Sewer Rate Schedule

Effective Date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Residential					
Flat	\$29.51	\$34.67	\$36.60	\$37.85	\$ 39.25

Residential rates will increase effective January 1, 2017, with an additional increase on July 1, 2017, and an annual increase for the following three years.

Water Rate Schedule

Effective Date	1/1/2017	7/1/2017	7/1/2018	7/1/2019	7/1/2020
Service Charge (Flat Fee)	Monthly Charges per Meter				
3/4"	\$42.85	\$44.03	\$46.80	\$49.29	\$ 51.44
1"	\$71.05	\$73.00	\$77.61	\$81.74	\$85.31
1.5"	\$168.92	\$173.54	\$184.55	\$194.43	\$202.93
2"	\$266.50	\$273.79	\$291.20	\$306.80	\$320.23
3"	\$609.58	\$626.24	\$666.09	\$701.80	\$732.52
4"	\$847.64	\$870.83	\$926.01	\$975.47	\$1,018.08
6"	\$1,891.22	\$1,942.91	\$2,066.56	\$2,177.36	\$2,272.70
Treated Water Use Charges (in addition to monthly flat fee)					
Rate per 1,000 Gallons	\$3.03	\$3.10	\$3.28	\$3.45	\$3.60

Residential rates will increase effective January 1, 2017, with an additional increase on July 1, 2017, and an annual increase for the following three years.

Water Bond Debt Fee

City Council adopted a resolution for the water ancillary fee (previous called water bond debt fee). This fee will be collected as part of the Lyon County Property Tax Statement in an amount equal to the annual Water Enterprise Fund debt service payments (principal and interest).

Previously in 2012, the City Council established resolution to require a set amount (\$31.08) to be collected on the property tax statement. This amount did not cover the entire cost of the debt service payments. Therefore, the current Council requested the entire amount be collected in response to the recent rate study information (2016). This amount will likely decrease over time as the bond is paid as well as if the system is expanded and more meters are added (more users paying the debt down equals less per customer). It is estimated at this time that amount will be approximately \$40.24 monthly, and will be billed yearly on your property tax statement (all users, commercial and residential).

As our customer you are our most valuable asset, and we thank you for your business. Your continued confidence in the safety and high quality of our utility services remains our primary goal. Our staff takes pride in providing the community safe and reliable drinking water and sanitary sewer services. We understand this is difficult, but understand it is necessary for the City to maintain a functional system. So many of our plaguing infrastructure issues have been prolonged that in some cases repairs are no longer feasible. Complete reconstruction of pipelines, tanks, filters and treatment facilities will be required.

If you have any questions about the rate changes, please contact our Utility Billing Department at 775-784-9930, Monday through Friday between 8:00 a.m. and 5:00 p.m. In addition, you may view the complete utility rate study online at www.cityoffernley.org.

Thank you,

Daphne Hooper

Daphne Hooper, M.S., M.A.
City Manager