

Staff Report

TO: Board of Directors

FROM: Doug Roderick, P.E., Director of Engineering

DATE: October 9, 2024

SUBJECT: Treated Water Pipeline Reimbursement (Policy No. 3175)

ENGINEERING DEPT

RECOMMENDATION:

Adopt a resolution approving:

- 1) Suspending Section 10.06.01 of the District's Rules and Regulations
- 2) Suspending Policy 3175 of the District's Policy Manual

BACKGROUND:

Section 10.06.01 Reimbursement for District Installed Pipelines requires that the District will collect a reimbursement charge, where applicable, before connecting a water service to a parcel which lies along and may be served directly from any pipeline installed by the District. The reimbursement charge for each parcel will be determined by specific methods established by District Policy 3175.

Policy 3175 defines procedures to recover certain costs of treated water pipelines installed by the District from parcels requesting service that can be served directly from the pipeline. These recoverable costs include costs of installation, design, inspection, District staff time, legal costs, purchase of easements, CEQA costs and restoration allocable to the installation of the pipeline.

The lump sum cost for a waterline is based on the Districts construction costs for the project divided by the number of parcels currently and/or anticipated to be connected to the pipeline. If historical costs are not available, the District will map the potential parcels including variances on either side of the pipeline for 1000 feet in each direction of the requesting property. The 2000 feet of frontage will be multiplied by an estimated dollar per foot costs. Estimates will be based on the average of the actual cost of four (4) similar District constructed pipelines, inflated to present values using ENR CCI.

The intent of the pipeline reimbursement policy is to recover District costs associated with installation of treated water pipelines, with the idea that parcels that connected to the pipeline prior to 2013 did not pay a “fair share” of the pipeline, but have been paying for maintenance and replacement for many years, while new connections have not and therefore should be paying their fair share.

Since June 26, 2013 when this policy was adopted by the Board, the District has received a total of \$453,319 from 38 connections which averages \$11,929 per parcel, with the lowest fee paid being \$1,675 and the highest fee being \$25,251. As a reference, since 2014 there have been 875 residential meter installations.

Staff have several concerns about the overall validity of the policy. The substantial variations in the calculated pipeline reimbursement based on the 2000 feet, with parcels served off of the same pipeline having large variations in the reimbursement calculation. There is no consideration for overall number of parcels that could be served by a given pipeline. Also, approximately 46.5% of existing treated pipelines were installed by the District. There is no pipeline reimbursement fee for parcels wanting to connect to pipelines installed by others.

Staff is developing an option to replace the pipeline reimbursement fee by including treated distribution pipelines (8 inch and less diameter) to develop an aggregate cost across the District and include that as a component of the capacity fees. Capacity charges under Government Code 66013 should not be used to recover operating expenses or to fund costs of repairing or replacing infrastructure deficiencies that will not provide benefit to the new connection. However, capacity charges can potentially be used to reimburse the District for prior expenditures incurred on projects benefiting the new connection subject to the charge. The District is currently in the process of updating its capacity fees and this would be the time to introduce that component into the capacity fees.

Staff is recommending that the Board suspend Section 10.06.01 of the Rules and Regulations and suspend Policy 3175 of the Policy Manual and direct staff to develop pipeline reimbursement fees in the current Capacity Charge Update. Staff will be bringing the capacity fee update in the next few months to the Board. Once approved, the staff would then bring forward revisions to Section 10.06.01 and Policy 3175.

BUDGETARY IMPACT:

The District is collecting an average of approximately \$41,210 per year for pipeline reimbursement. Increase in fees collected as part of the capacity fees is anticipated to be higher due to the average number of annual treated water connections.

DR

Attachment: (3)

- Resolution No. 2024-38 - Suspending Section 10.06.01 of the District’s Rules and Regulations and Suspending Policy 3175 of The District’s Policy Manual
- Policy 3175
- Regulation 10.06.01



RESOLUTION NO. 2024-38

OF THE BOARD OF DIRECTORS OF THE NEVADA IRRIGATION DISTRICT

SUSPENDING SECTION 10.06.01 OF THE DISTRICT’S RULES AND REGULATIONS AND SUSPENDING POLICY 3175 OF THE DISTRICT’S POLICY MANUAL

WHEREAS, the Nevada Irrigation District (District) Board of Directors adopted Resolution 2013-23 June 26, 2013 approving the District Installed Pipeline Reimbursement Policy; and

WHEREAS, the District has reviewed the District Installed Pipeline Reimbursement Policy; and

WHEREAS, due to the large discrepancies in the calculated reimbursement fee per parcel and low amount of reimbursement collected since June 26, 2013; and

WHEREAS, a District wide aggregated cost for District installed pipelines is more appropriate; and

WHEREAS, the pipeline reimbursement should be part of the District’s Capacity Charge Study currently being developed.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of Nevada Irrigation District:

1. The Board of Directors hereby suspends Section 10.06.01 of the District’s Rules and Regulations until further notice.
2. The Board of Directors hereby suspends Policy 3175 of the District’s Policy Manual until further notice.
3. The Board of Directors directs staff to include District installed pipeline reimbursement fees as part of the District’s Capacity Charge Study.
4. The Board of Directors directs staff to bring back revisions to Section 10.06.01 of the District’s Rules and Regulations and Policy 3175 of the District’s Policy Manual once the Capacity Charge Study is approved.

PASSED AND ADOPTED by the Board of Directors of the Nevada Irrigation District at a regular meeting held on the 9th day of October 2024, by the following vote:

AYES: Directors:
NOES: Directors:
ABSENT: Directors:
ABSTAINS: Directors:

President of the Board of Directors

Attest:

Secretary to the Board of Directors

Nevada Irrigation District

POLICY MANUAL

POLICY TITLE: District Installed Pipeline Reimbursement
POLICY NUMBER: 3175

The purpose of this policy is to define procedures to recover certain costs of treated water pipelines installed by the District from parcels requesting service that can be served directly from the pipeline. Recoverable “costs” include costs of installation, design, inspection of the pipeline, as well as District staff time, legal costs, purchase of easements, CEQA costs, and restoration allocable to the installation of the pipeline. Parcel owner’s connecting to these District installed pipelines with a permanent water service will pay a lump sum fee to the District as reimbursement for the parcel owner’s share of the costs of the distribution pipeline.

- 3175.1** The policy applies to any pipeline installed with District funds and applies to customers, including customers served under a variance that have a permanent water service connected to the pipeline.
- 3175.2** Reimbursement will apply to all District installed distribution and transmission pipelines to which the connection is made.
- 3175.3** The District has standardized its distribution mains as 8-inch diameter pipe size, the costs of which shall be recovered under this policy.
- 3175.4** If the District constructs facilities of greater than 8 inch diameter for transmission purposes, costs allocated to an 8 inch waterline will be separated by using a ratio of interior cross sectional area of the pipelines. If upsizing is required for fire flow needs of the immediate area served, the upsizing costs shall be reimbursed by the parcel owners of that area.
- 3175.5** The reimbursement will be based on a lump sum cost of the project to the parcel owner. The lump sum cost for a waterline will be based on the Districts construction costs for the project divided by the number of parcels currently and/or anticipated to be connected to the pipeline. The District will map potential parcels that could be served by the existing line including any variances. If historical costs are not available, the District will map the potential parcels including variances on either side of the pipeline for 1000 feet in each direction of the requesting property. The 2000 LF of frontage will be multiplied by an estimated dollar per foot cost to provide a lump sum for the construction of this reach of pipeline. Estimates will be based on the average of the actual cost of four (4) similar District constructed pipelines, inflated to present values, using ENR CCI. The number of existing and anticipated parcels will be divided into the calculated cost for construction to obtain a per parcel cost. The Districts engineering department will generate a memorandum of costs which will be reviewed by the Districts Director of Finance and the General Manager. Please note: A parcel is defined as any lot in which the water main extends half way across the property.

- 3175.6** If there is a variance parcel, the parcel owner will pay the per lot cost as outlined in 3175.5. A Temporary Service Line (TSL) applicant will not be required to pay this fee, however the applicant will be required to pay all other TSL fees. If the TSL service is ultimately determined to be permanent, the reimbursement for the pipeline extension shall be deducted from the TSL paid, before refunding the TSL parcel owner.
- 3175.7** Every year after construction of a pipeline installed by the District, the reimbursement (per parcel costs) for the 8 inch pipe will be adjusted in accordance with the Engineering News Report Construction Cost Index (ENR CCI) for the previous year.
- 3175.8** The pipeline reimbursement fee shall remain in effect until the pipeline is replaced; thereafter, the reimbursement fee will be based on the costs of replacement.

Adopted: June 26, 2013 via Resolution No. 2013-23
Revised:

10.06.01 Reimbursement for District Installed Pipelines

The District will collect a reimbursement charge, where applicable, before connecting a water service, including a private fire service, to a parcel which lies along and may be served directly from any pipeline installed by the District. The reimbursement charge for each parcel will be determined by specific methods established by District policy. The cost subject to the charge will be based on all costs to install the pipeline, including labor, equipment, materials, and incidentals for the design, installation, and inspection, legal costs, easements, environmental documentation, permits, and restoration. The reimbursement charge will be calculated to represent the proportionate costs of installing a distribution pipeline (8-inch diameter distribution pipeline, or larger if required for fire flow and other needs of the immediate area) for those parcels served and/or anticipated to be served directly by the pipeline, regardless of the actual pipe size installed by the District.

eff. 9/1/13