

Laughlin Incorporation

11/14/11

Purpose:

Estimate the impact of operating waste water facility in the event of the incorporation of Laughlin. The following identifies annual operations and maintenance (O&M) costs to the core areas of plant operations and collections. Information presented is based on the current means and structure of how the District provides service delivery to the area. All data presented are for planning purposes only and is subject to change.

Introduction:

The Clark County Water Reclamation District (District) operates and maintains a waste water facility in Laughlin to serve the customers of the area. The District is a self-supporting enterprise, funding its costs through sewer service billings paid by customers. On July 1, 2009, the District converted its annual sewer billing to a universal rate in which all customers in the District's jurisdiction would equally share in the cost of waste water treatment and operations. The billing methodology is based on an Equivalent Residential Unit (ERU) system that is placed upon residential and commercial accounts. As of 09/9/11 Laughlin has 15,899.29 ERUs which calculates into a gross annual sewer billing of approximately \$3,469,861. Incorporation would reallocate approximately 3,781 ERUs to the new City of Laughlin while approximately 12,119 ERUs would remain in unincorporated Clark County. Current District assets in Laughlin have a net book value of over \$41,377,000.

Since incorporation will omit a section of the service area from the new city, many questions arise:

- Who will serve what customers? Will there be one entity serving everyone or will there be two separate wastewater entities?
- If there are two entities, which will control and operate the treatment plant and the interceptors?
- If there is one entity, will it be the District or the new city department?
 - If it's a new city department
 - How will other customers in the system be reimbursed for their share of costs paid into the Laughlin system?
 - What will the rate structure be going forward? Will it be the same for residents and non-residents?
 - If it's the District
 - Will the rate structure going forward be the same for the residents of the new city and non-residents
 - If the rates are different, will the County customers continue to pay the same rate as all other customers that fall under the District's system?
 - If the rate is the same for all Laughlin area residents, will it be the same as all other District customers or will it be based on local cost of service?

Operations & Maintenance (O&M):

Staffing requirements to operate and maintain the wastewater facilities and collection lines for the Laughlin service area are as follows:

Nbr of positions	Title	Salaries / Benefits
1	WRD Assistant Manager	\$ 118,911
1	Sr Office Assistant	55,085
1	WRD Maintenance Mechanic II	74,933
1	WRD Control Systems Analyst II	94,397
1	WRD Control Systems Technician II	80,958
1	Electrician	80,958
1	WRD Technician	69,380
1	WW Treatment Plant Operator II	74,933
2	WRD Wastewater Plant Opns Technician I	149,867
2	WRD Wastewater Plant Opns Specialist	188,795
1	WRD Wastewater Plant Opns Supervisor	101,959
1	Collection Systems Tech I	74,933
1	Collection Systems Tech II	80,958
2	WRD Mech Tech I	149,867
1	WRD Mech Tech III	87,397
1	WRD Maintenance Supervisor	101,959
Total	19	\$ 1,585,291

Overall, annual O&M costs are estimated as:

Salaries & Benefits	\$ 1,585,291
Equipment Maintenance	286,500
Vehicle Maintenance	16,000
Fuel & Oil	22,400
Safety supplies	6,000
Telecommunications	8,400
Electricity	688,700
Water	24,500
Landfill	44,800
Calcium Nitrate	170,000
Aluminum Sulfate	88,000
Calcium Nitrate	164,000
Sodium Hypochlorite	25,000
Bisulfate	8,000
Polymers	28,000
Misc Chemicals	5,900
Training	6,200
Contracted Services	51,000
Warehouse supplies	21,000
Supplies	11,000
Tools	8,000
Lab Supplies	9,000
Lab Services	326,000
Permits	18,000
Postage	4,000
Total	\$ 3,625,691

Capital Improvements:

The District is currently financing several capital projects in Laughlin through the use of debt. Expenditures for these projects are estimated to be \$73,508,000 of which approximately \$58,186,000 have or will be allocated to bond proceeds. Incorporation would require an allocation of the current debt service to the new City of Laughlin. The estimated annual debt service for this is \$3,784,400. There are various ways to allocate the capital debt to Laughlin, for example:

Scenario 1: Allocate current amount of bond proceeds to City of Laughlin projects.

Bond proceeds have been allocated for Laughlin projects. This amount would be distributed as a cost to Laughlin customers.

Scenario 2: Allocate ratio of overall debt vs. cash for all capital projects to City of Laughlin since universal rates went into effect (7/01/2009).

Using the District wide debt to cash ratio, 51% of total Laughlin project costs would be allocated as a cost to Laughlin customers.

Scenario 3: Apply the total proportion of cash to City of Laughlin as measured by ERUs and allocate the balance as debt.

Applying the proportionate amount of cash on hand designated to Laughlin (\$13,565,228) at the time of universalization of rates to Laughlin project costs and allocating the balance as debt.

Sewer Rates:

Presently the Laughlin service area pays a universal sewer rate of \$218.24 per ERU. Assuming wastewater would continue to be a self-supporting activity under incorporation, transferring responsibilities to the new City of Laughlin would generate annual sewer rates (incorporated and unincorporated) of:

		Scenario #1	Scenario #2	Scenario #3
Capital Costs	Total Debt	\$ 58,186,387	\$ 37,577,176	\$ 59,942,837
	Annual Debt Svc	\$ 3,784,435	\$ 2,414,627	\$3,851,795
	Per ERU Debt Service	\$ 238.03	\$ 151.87	\$ 242.26
O&M	Total Annual O&M	\$ 3,625,691	\$ 3,625,691	\$ 3,625,691
	Per ERU Annual O&M	\$ 228.04	\$ 228.04	\$ 228.04
TOTAL ANNUAL BILL, PER ERU		\$ 466.07	\$ 379.91	\$ 470.30
	<i>Total Annual Bill</i>	<i>\$ 7,410,126</i>	<i>\$ 6,040,318</i>	<i>\$ 7,477,486</i>
Total Laughlin ERUs:		15,899.29		
	Approximate ERUs in incorporated area:	3,780.66	23.8%	
	Approximate ERUs in unincorporated area:	12,118.63	76.2%	

Currently, as District customers, all Laughlin residents pay the same universal sewer rate. Universalization of the sewer rate, allows the Laughlin service area to benefit from the District's equal allocation of costs to all its customers. Remaining under this structure ensures consistency for the area and continuity of service levels.

Summary:

The above addresses the primary operational costs of the facilities. It is intended to present a general idea of fiscal impacts and to point out major considerations. Not factored are other support functions such as administrative, accounting, information technology, and customer service activities that maybe needed to fully operate as a stand alone entity.