

COUNCIL ACTION FORM

SUBJECT: **SANITARY SEWER RATE ADJUSTMENT**

BACKGROUND:

Chapter 28, Division III of the Ames Municipal Code contains the following passages related to sewer rates.

Sec. 28.301. SEWER RATE POLICY.

It is determined and declared to be necessary and conducive to the protection of the public health, safety, welfare, and convenience of the City of Ames to collect charges from all users who contribute wastewater to the City's treatment works. The proceeds of such charges so derived will be used for the purpose of operating, maintaining, and retiring the debt for such public wastewater treatment works.

Sec. 28.303. USE OF RATE REVENUE.

The user charge system shall generate adequate annual revenues to pay costs of annual operation and maintenance, including replacement, and costs associated with debt retirement of bonded capital associated with financing the treatment works which the City may by ordinance designate to be paid by the user charge system.

Sec. 28.304. SEWER RATES ESTABLISHED

(7) The City will review the user charge system at least every three years and revise user charge rates as necessary to ensure that the system generates adequate revenues to pay the costs of operation and maintenance including replacement and that the system continues to provide for the proportional distribution of operation and maintenance including replacement costs among users.

Each year as a part of the annual budget process, staff updates a spreadsheet model for the Water and Sewer Funds that reflects current and projected operating and capital expenses for the utilities over the next ten years, and the resulting annual ending fund balance in each of the funds. This model is used to establish a long-range pattern of rate increases that will fully finance these self-funded enterprise utilities, including a 25% operating reserve.

During the development of the FY 2022/23 budget, staff determined that a five percent (5%) increase to sewer rates would be needed, effective July 1, 2022.

ALTERNATIVES:

1. Approve on first reading an ordinance that increases sanitary sewer rates by five percent (5%) effective for bills mailed on or after July 1, 2022.
2. Direct staff to modify the rate ordinance to enact some alternate rate adjustment.
3. Do not take any action to adjust sewer rates and give staff direction on expenditure reductions in order to maintain a positive Sewer Fund balance.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed rate increases are necessary to fund the on-going operations and maintenance budget plus the anticipated capital improvements projects. The recommendation is part of a consistent, predictable pattern of rate increases projected over the next ten years.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.

ORDINANCE NO.

AN ORDINANCE TO AMEND THE MUNICIPAL CODE OF THE CITY OF AMES, IOWA, BY AMENDING SECTION 28.304(3) THEREOF, FOR THE PURPOSE OF ESTABLISHING SEWER RATES REPEALING ANY AND ALL ORDINANCES OR PARTS OF ORDINANCES IN CONFLICT TO THE EXTENT OF SUCH CONFLICT; AND ESTABLISHING AN EFFECTIVE DATE.

BE IT ENACTED, by the City Council for the City of Ames, Iowa, that:

Section One. The Municipal Code of the City of Ames, Iowa shall be and the same is hereby amended by amending Section 28.304(3) as follows:

“Sec. 28.304. SEWER RATES ESTABLISHED.

...

(3) For each monthly billing on or after July 1, 2022, each customer shall be charged a minimum monthly charge. The minimum charge for each location shall be twelve dollars and sixteen cents (\$12.16). The minimum monthly charge may be prorated, based on a 30-day billing period, for the customer’s initial and/or final bills, provided that in no case shall the prorated minimum monthly charge be less than four dollars and sixty-seven cents (\$4.67). In addition, for all water metered beginning with the first cubic foot each month, each user shall pay three dollars and eleven cents (\$3.11) per 100 cubic feet. (Ord. No. 3168, Sec. 1, 4-28-92; Ord. No. 3326, Sec. 2, 5-9-95; Ord. No. 3834, 5-24-05; Ord. No. 3956, 06-10-08; Ord. No. 4037, 5-11-10; Ord. No. 4144, 5-14-13; Ord. No. 4814, 5-27-14; Ord. No. 4215, 5-12-15; Ord. No. 4351, 5-8-18; Ord. 4408, 4-14-2020).”

Section Two. All ordinances, or parts of ordinances, in conflict herewith are hereby repealed to the extent of such conflict, if any.

Section Three. This ordinance shall be in full force and effect from and after its passage and publication as required by law.

Passed this _____ day of _____, _____.

Diane R. Voss, City Clerk

John A. Haila, Mayor