

City of Ames Water and Pollution Control Department

FY 2012-2013
Water and Sewer
Revenue Adjustments

April 10, 2012



Agenda

- National and State-wide Trends in Rates
- Projected Need for Revenue Increases in Ames
- Translating Revenue Increases to Rate Increases
- Projected Ames Rates Compared to Projected State-wide Averages
- Council Direction

Sources of Information

- 2010 Water and Wastewater Rate Survey – American Water Works Association
- 2011 Water Rates and Sewer Service Charges Survey – City of Ames, Iowa

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National Trends



National Trends in Water and Sewer Rates

2010 Water and Wastewater Rate Survey - American Water Works Association

- 181 drinking water utilities responded to the survey
 - 152 (84%) have increased water rates in the past two years
 - 44 (24%) had increases of greater than 20%
- 128 wastewater utilities responded to the survey
 - 102 (80%) have increased sewer rates in the past two years
 - 32 (25%) had increases of greater than 20%

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National Trends in Rates

2004 to 2010

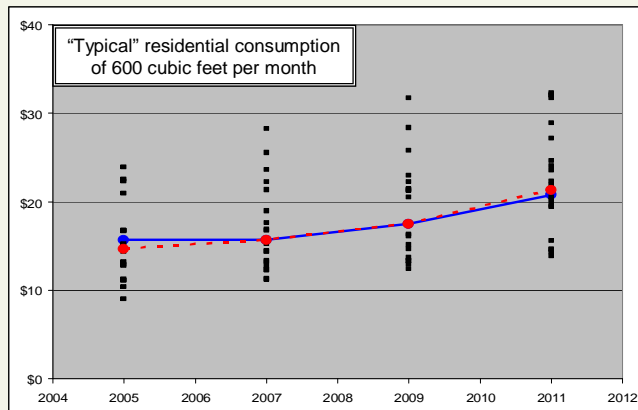
Average Annual Increase in Water Rates:	6.69%
Average Annual Increase in Sewer Rates:	7.40%
Average Annual Increase in CPI:	2.57%

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State-wide Rate Comparisons



Iowa Water Rate Comparison Cities >10,000 Population with Softening Plants

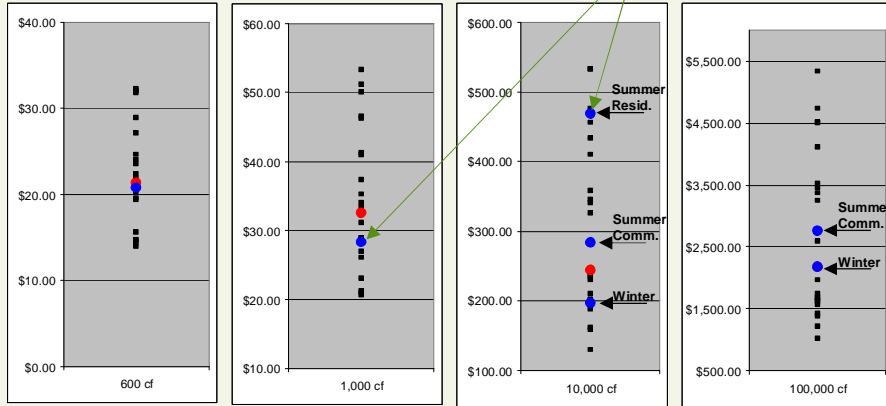


Ames Average Increase 2005-2011 = 5.48% per year
 State-wide Median Increase 2005-2011 = 7.65%

- 2011 – Lowest to Highest
- Dubuque
 - Burlington
 - Marshalltown
 - Newton
 - Council Bluffs
 - Des Moines
 - Storm Lake
 - Cedar Rapids
 - Keokuk
 - U → Ames
 - Ankeny
 - Median → Iowa City
 - Ottumwa
 - West Des Moines
 - Average → Spencer
 - Boone
 - Oskaloosa
 - Johnston
 - Indianola
 - Fort Madison
 - Clive
 - Altoona
 - Waukee

Comparing Across Demand Thresholds – Drinking Water (2011)

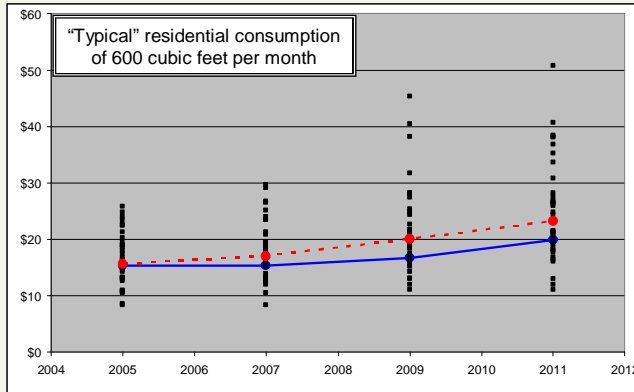
Even during the highest demand months, 92.4% of all bills were less than 1,000 cf.



● - State-wide Median (2011) ● - Ames (2011)

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Iowa Sewer Rate Comparison Cities >10,000 Population



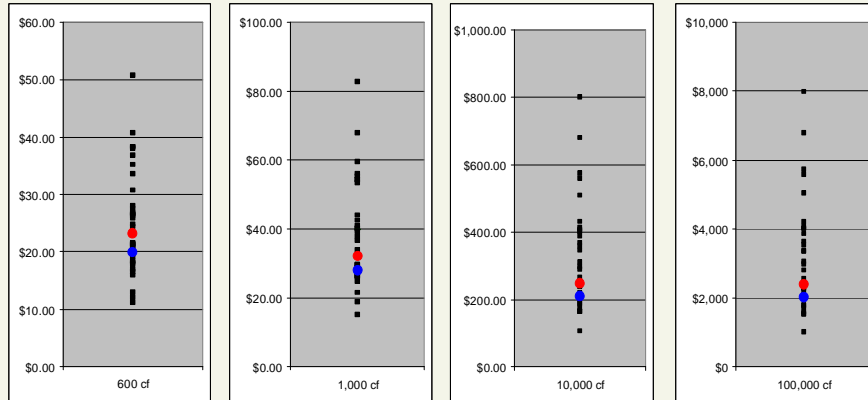
Ames Average Increase 2005-2011 = 5.0% per year
State-wide Median Increase 2005-2011 = 8.81% per year

2011-Lowest to Highest

- Iowa Great Lakes
- Bettendorf
- Council Bluffs
- Urbandale
- Coralville
- Newton
- Dubuque
- Fort Dodge
- Waterloo
- Mason City
- Davenport
- Us → Ames
- Cedar Falls
- Marshalltown
- Fort Madison
- Spencer
- Cedar Rapids
- Marion
- Median → Burlington
- Carroll
- West Des Moines
- Average → Storm Lake
- Johnston
- Sioux City
- Des Moines
- Clive
- Oskaloosa
- Iowa City
- Muscatine
- Indianola
- Altoona
- Waukee
- Keokuk
- Ottumwa
- Ankeny
- Clinton
- Boone

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Comparing Across Demand Thresholds – Sewer (2011)



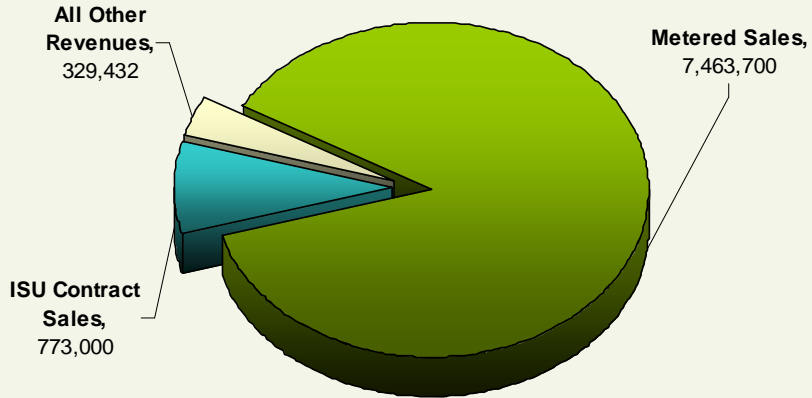
● - State-wide Median (2011) ● - Ames (2011)

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Water Rate Adjustments - 2012



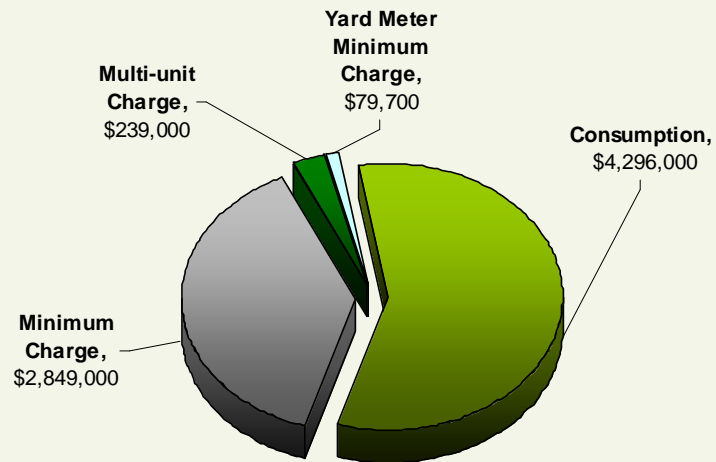
Water Revenue Categories - FY 2011/12 Estimates



Total Estimated Revenue: \$8,566,132

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Water Revenue Categories - FY 2011/12 Estimates



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Current Rates – Water Consumption

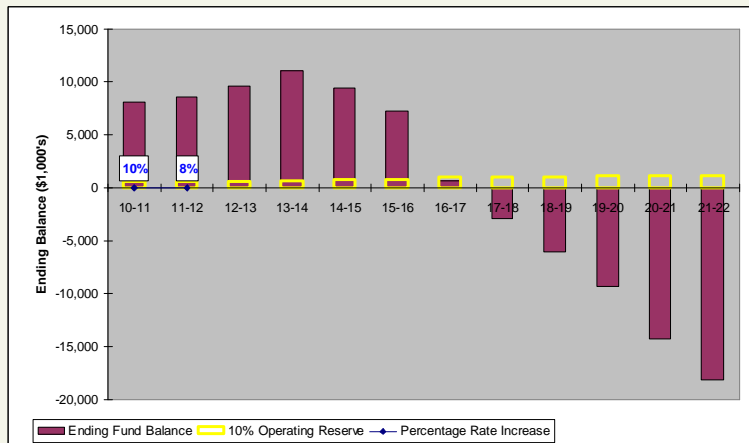
Winter (All customers, all consumption)	Charge per cubic foot \$0.0187
Summer	
Residential	
Block 1 (First 1,000 cf)	0.0187
Block 2 (Next 1,500 cf)	0.0330
Block 3 (Over 2,500 cf)	0.0496
Irrigation and Yard Water	
Block 1 (First 2,000 cf)	0.0270
Block 2 (Next 3,000 cf)	0.0496
Block 3 (Over 5,000 cf)	0.0826
Non-Residential	
All Consumption	0.0245
Non-peaking Industrial	
All Consumption	0.0187

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Annual Fund Projections

34	Expenses																					
35	Operating Expenses																					
36	Water Dept Subtotal	3,383	3,538	3,552	3,673	3,798	3,927	4,060	4,199	4,341	4,489	4,642	4,799									
37	PW Subtotal	1,170	1,241	1,241	1,265	1,289	1,314	1,339	1,364	1,390	1,416	1,443	1,471									
38	Cust Service	376	371	383	393	403	414	425	436	447	459	471	483									
39	Transfers		15																			
40	Debt Service*	331	329	421	423	1,279	1,805	4,234	4,127	4,125	4,063	3,782	3,776									
69																						
70																						
71	ENDING BALANCE (all funds)	8,115	8,607	9,905	12,145	11,335	10,562	5,461	4,046	3,220	3,092	1,473	1,918									
72																						
73	Minus 10% Operating Reserve	562	586	597	615	719	791	1,054	1,063	1,084	1,100	1,095	1,118									
74	AVAILABLE BALANCE	7,553	8,021	9,307	11,530	10,616	9,772	4,407	2,983	2,136	1,992	377	799									
76																						
49	SRF																					
50	WTP @ \$59.0749 M					658	1,382	3,810	3,704	3,698	3,693	3,688	3,682									
51	G.O. Bonds																					
52	FY 07/08, \$500k	54	54	54	54	54	55	55	55	56												
53	FY 08/09, \$2500k	277	275	273	275	272	274	275	274	276	276											
54	Council-directed		94	94	94	94	94	94	94	94	94	94	94									
55	Total Debt Service	331	329	421	423	1,279	1,805	4,234	4,127	4,125	4,063	3,782	3,776									
56																						
57																						
58	CIP Expenses																					
59	New WTP - SRF		3,040	3,873	967	19,947	19,947	4,084														
60	New WTP - SRF Forgiveness							5,889														
61	New WTP - nonSRF	258	120			2,180	2,180	1,090														
62	WTP - All other	476	752	1,109	225	417	431	4,688	1,726	925	1,068	2,871	1,402									
63	PW Eng & Dist. CIP	693	2,235	900	900	900	900	900	900	900	900	900	900									
64	Council-directed			1,503																		
65	Fleet Services CIP					21	23	32	32	32	32	32	32									
66	Total CIP Expenses	1,428	6,147	7,385	2,092	23,465	23,481	16,683	2,658	1,857	2,000	3,803	2,334									

Projected Water Fund Balance



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Previous Council Guidance on Rates

- Maintain a 10% operating reserve (Approximately five weeks of expenses)
- Rate increases should be done with smaller percentage increases on a more frequent basis, as opposed to larger increases on a less frequent basis.

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Base Water Rate Adjustments

Does Not Include Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Water	3%	6%	0%	7%

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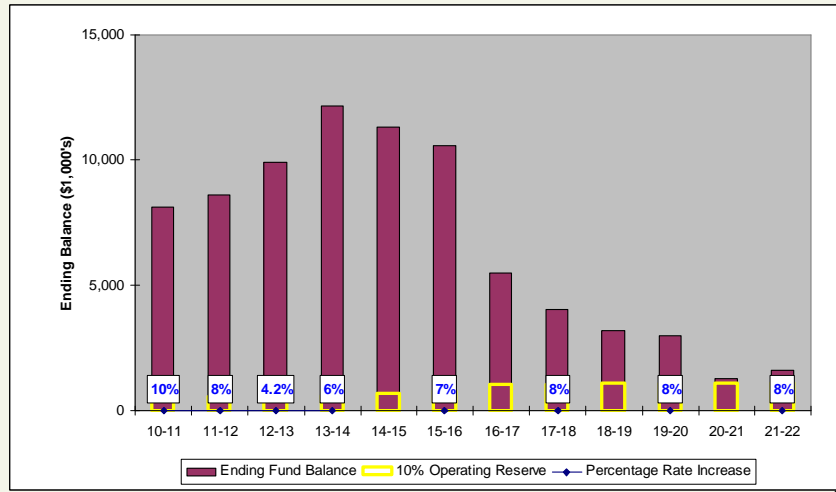
Full Water Rate Adjustments

Includes Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Base	3.0%			
North	0.5%			
East	+ 0.7%			
Total	4.2%	6%	0%	7%

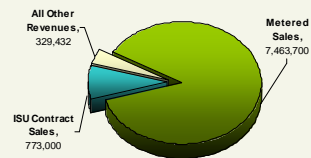
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Projected Water Fund Balance



Revenue Increase for FY 2012/13

- From fund projections, 4.2% increase in rate-derived revenues
- Translates to approximately \$313,000
- Can be applied as an “across-the-board” increase or can be targeted at specific revenue components



4.2% “Across-the-board” Increase, \$/cf

	<u>Existing</u>	<u>Base</u>	<u>North</u>	<u>East</u>	<u>New</u>
Winter	0.0187	0.0006	0.0001	0.0001	0.0195
All customers; all consumption					
Summer					
Residential					
Block 1 (First 1,000 cf)	0.0187	0.0006	0.0001	0.0001	0.0195
Block 2 (Next 1,500 cf)	0.0330	0.0010	0.0002	0.0002	0.0344
Block 3 (Over 2,500 cf)	0.0496	0.0015	0.0002	0.0003	0.0517
Irrigation & Yard Water					
Block 1 (First 2,000 cf)	0.0270	0.0008	0.0001	0.0002	0.0281
Block 2 (Next 3,000 cf)	0.0496	0.0015	0.0002	0.0003	0.0517
Block 3 (Over 5,000 cf)	0.0826	0.0025	0.0004	0.0006	0.0861
Non-Residential	0.0245	0.0007	0.0001	0.0002	0.0255
All consumption					
Non-Peaking Industrial	0.0187	0.0006	0.0001	0.0001	0.0195
All consumption					

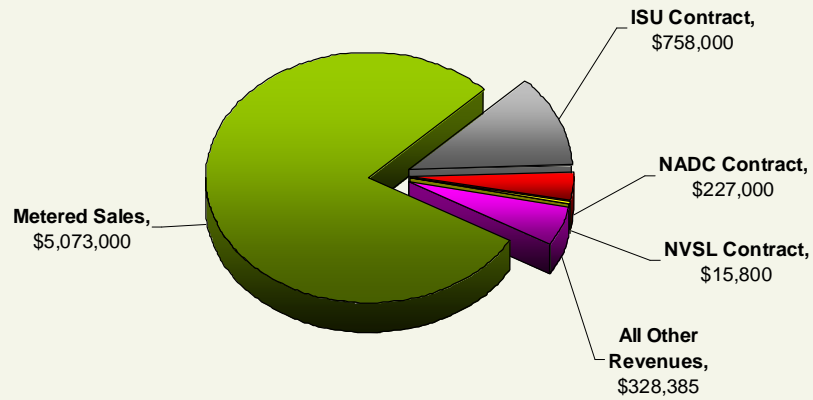
All other charges would increase by the same percentage

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Sewer Rate Adjustments - 2012



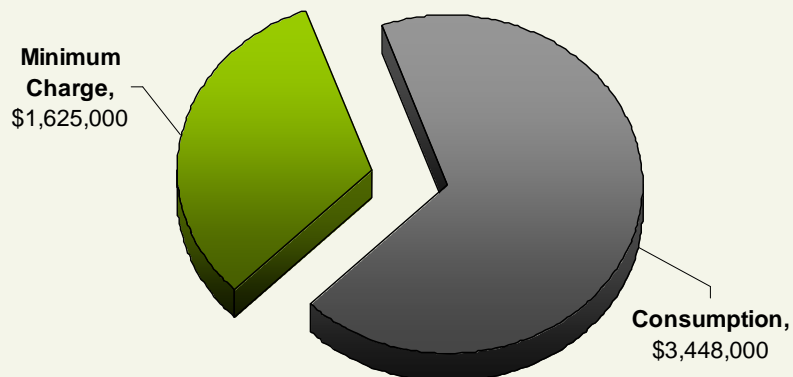
Sewer Revenue Categories - FY 2011/12 Estimates



Total Estimated Revenue: \$6,402,185

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Sewer Revenue Categories - FY 2011/12 Estimates



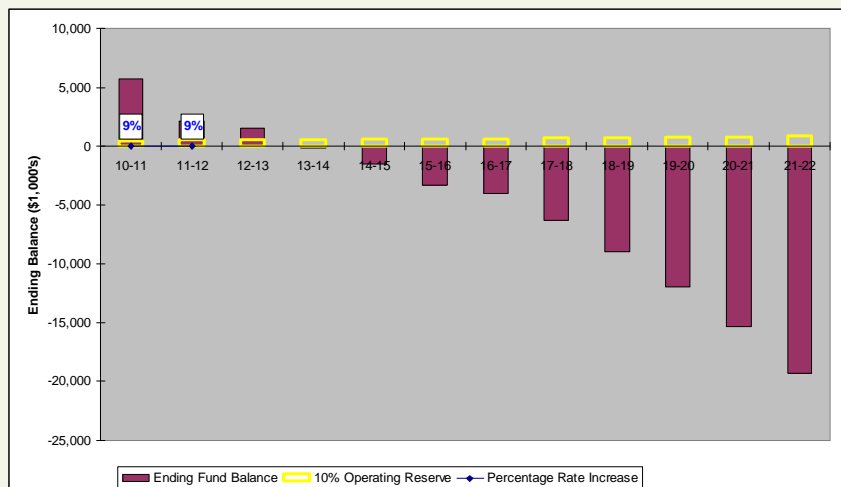
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Current Rates - Sewer

- Minimum Bill:
\$7.87 per month per customer account
- Consumption:
\$0.0201 per cubic foot

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Projected Sewer Fund Balance



Base Sewer Rate Adjustments

Does Not Include Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Sewer	5%	5%	8%	0%

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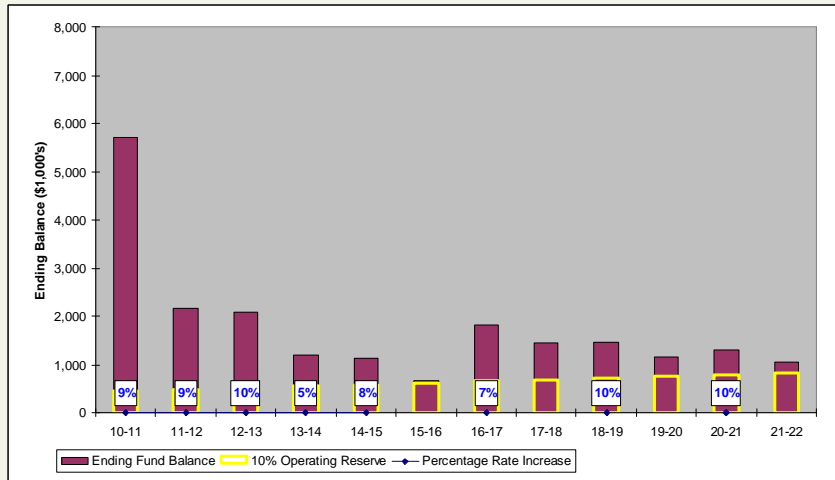
Full Sewer Rate Adjustments

Includes Northern and Eastern Growth Infrastructure

Year	12-13	13-14	14-15	15-16
Base	5.0%			
North	0.8%			
East	+ 4.2%			
Total	10.0%	5%	8%	0%

30

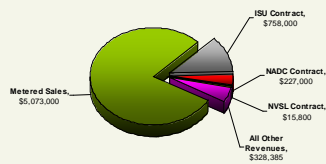
Projected Sewer Fund Balance



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Revenue Increase for FY 2012/13

- From fund projections, 10% increase in rate-derived revenues
- Translates to approximately \$507,000
- Simple sewer rate structure – “Across-the-board”



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10% “Across-the-board” Increase, \$/cf

	<u>Existing</u>	<u>Base</u>	<u>North</u>	<u>East</u>	<u>New</u>
Consumption All customers; all consumption	0.0201	0.0010	0.0002	0.0008	0.0221
Minimum Charge All customers, per month	7.87	0.39	0.06	0.33	8.66

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Customer Bill Example



Sample Customer Bill – Median Residential

**3% Water
5% Sewer**

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
600 kWh and 600 cf	\$72.81	\$3.45	\$20.78	\$19.93	\$116.97
07/01/12 Rate Change	\$0.00	\$0.00	\$0.62	\$1.00	\$1.62
Totals	\$72.81	\$3.45	\$21.40	\$20.93	\$118.59
% Impact on Total Bill					1.38%

**4.2% Water
10% Sewer**

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
600 kWh and 600 cf	\$72.81	\$3.45	\$20.78	\$19.93	\$116.97
07/01/12 Rate Change	\$0.00	\$0.00	\$0.87	\$1.99	\$2.86
Totals	\$72.81	\$3.45	\$21.65	\$21.92	\$119.83
% Impact on Total Bill					2.45%

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Future Rate Comparisons

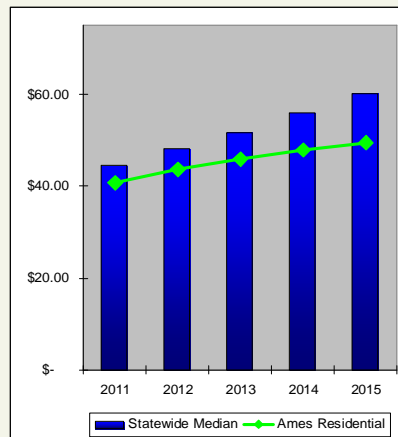


Anticipated Rate Increases

Year	12-13	13-14	13-14	14-15
Water	3.0% 0.5% + 0.7% 4.2%	6%	0%	7%
Sewer	5.0% 0.8% + 4.2% 10.0%	5%	8%	0%

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Combined Water and Sewer Bill – 2015 Projection



Ames:

Water	\$24.56
Sewer	<u>24.86</u>
Combined	\$49.42

State Median

Water	\$28.69
Sewer	<u>31.62</u>
Combined	\$60.30

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Council Direction



Council Direction

- Base Rate Increase
3% Across-the-board in Water
5% Across-the-board in Sewer
- Northern Growth
Additional 0.5% in Water
Additional 0.8% in Sewer
- Eastern Growth
Additional 0.7% in Water
Additional 4.2% in Sewer

Timeline

- First Reading – April 24
Second Reading – May 8
Third Reading & Adoption – May 22
- Effective for Meter Reads
on and after June 1, 2012
- Appears on Utility Bills Mailed
on and after July 1, 2012

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City of Ames Water and Pollution Control Department

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Supplemental Information

The slides that follow are for reference only, and will not be covered in the presentation unless there are questions.

Current Rates – Yard Meter Minimum Charge, \$/mo.

Size of Meter	Monthly Charge
5/8" or 5/8" x 3/4"	3.62
3/4"	5.62
1"	7.83
1-1/2"	10.80
2"	14.36
3"	18.68
4"	23.22
6"	27.81
8"	32.40
10"	36.94

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Current Rates – Minimum Charge, \$/mo.

Size of Meter	Monthly Charge
5/8" or 5/8" x 3/4"	9.56
3/4"	19.12
1"	38.23
1-1/2"	76.46
2"	152.93
2", battery of 2	296.30
2", battery of 3	439.67
3"	305.86
4"	516.13
6"	860.22
8"	1,720.44
10"	2,580.66

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Sample Customer Bill – Minimal Residential

Electric / Water Use	Electric		Storm Water		Water		Sewer	Total
	Summer	Water	Summer	Sewer				
100 kWh and 100 cf	\$16.51	\$3.45	\$11.43	\$9.88	\$41.27			
07/01/12 Rate Change	\$0.00	\$0.00	\$0.34	\$0.49	\$0.83			
Totals	\$16.51	\$3.45	\$11.77	\$10.37	\$42.10			
% Impact on Total Bill								2.01%

Electric / Water Use	Electric		Storm Water		Water		Sewer	Total
	Summer	Water	Summer	Sewer				
100 kWh and 100 cf	\$16.51	\$3.45	\$11.43	\$9.88	\$41.27			
07/01/12 Rate Change	\$0.00	\$0.00	\$0.48	\$0.99	\$1.47			
Totals	\$16.51	\$3.45	\$11.91	\$10.87	\$42.74			
% Impact on Total Bill								3.56%

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Current Rates – Multi-unit Charges, \$

Multiple dwellings – Multiple dwellings (such as in a mobile home park) may be services from a single water meter. However, there is a surcharge added to the minimum bill charge.

5/8" meter serving 2 or more dwelling units	2.75/month/unit
3/4" meter serving 4 or more dwelling units	2.75/month/unit
1" meter serving 8 or more dwelling units	2.75/month/unit
1-1/2" meter serving 16 or more dwelling units	2.75/month/unit
2" meter serving 30 or more dwelling units	82.35/month
for the first 30 units plus \$4.27/month per unit for each additional unit in excess of 30 units	
3" or larger meter serving any number of dwelling units	3.78/month/unit

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Sample Customer Bill – Large Residential

Electric / Water Use	Electric		Storm Water		Water		Sewer	Total
	Summer	Water	Summer	Sewer				
1,000 kWh and 1,000 cf	\$117.85	\$3.45	\$28.26	\$27.97	\$177.53			
07/01/12 Rate Change	\$0.00	\$0.00	\$0.85	\$1.40	\$2.25			
Totals	\$117.85	\$3.45	\$29.11	\$29.37	\$179.78			
% Impact on Total Bill								1.27%

Electric / Water Use	Electric		Storm Water		Water		Sewer	Total
	Summer	Water	Summer	Sewer				
1,000 kWh and 1,000 cf	\$117.85	\$3.45	\$28.26	\$27.97	\$177.53			
07/01/12 Rate Change	\$0.00	\$0.00	\$1.19	\$2.80	\$3.99			
Totals	\$117.85	\$3.45	\$29.45	\$30.77	\$181.52			
% Impact on Total Bill								2.25%

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Sample Customer Bill – Small Commercial (GP)

3% Water
5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
2,000 kWh and 600 cf	\$250.90	\$3.45	\$24.26	\$19.93	\$298.54
07/01/12 Rate Change	\$0.00	\$0.00	\$0.73	\$1.00	\$1.73
Totals	\$250.90	\$3.45	\$24.99	\$20.93	\$300.27
% Impact on Total Bill					0.58%

4.2% Water
10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
2,000 kWh and 600 cf	\$250.90	\$3.45	\$24.26	\$19.93	\$298.54
07/01/12 Rate Change	\$0.00	\$0.00	\$1.02	\$1.99	\$3.01
Totals	\$250.90	\$3.45	\$25.28	\$21.92	\$301.55
% Impact on Total Bill					1.01%

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Sample Customer Bill – Commercial (LP)

3% Water
5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
20,000 kWh and 5,000 cf	\$2,012.24	\$3.45	\$141.62	\$108.37	\$2,265.68
07/01/12 Rate Change	\$0.00	\$0.00	\$4.25	\$5.42	\$9.67
Totals	\$2,012.24	\$3.45	\$145.87	\$113.79	\$2,275.35
% Impact on Total Bill					0.43%

4.2% Water
10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
20,000 kWh and 5,000 cf	\$2,012.24	\$3.45	\$141.62	\$108.37	\$2,265.68
07/01/12 Rate Change	\$0.00	\$0.00	\$5.95	\$10.84	\$16.79
Totals	\$2,012.24	\$3.45	\$147.57	\$119.21	\$2,282.47
% Impact on Total Bill					0.74%

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Sample Customer Bill – Small Commercial (GP)

3% Water
5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
5,000 kWh and 1,000 cf	\$575.50	\$3.45	\$34.06	\$27.97	\$640.98
07/01/12 Rate Change	\$0.00	\$0.00	\$1.02	\$1.40	\$2.42
Totals	\$575.50	\$3.45	\$35.08	\$29.37	\$643.40
% Impact on Total Bill					0.38%

4.2% Water
10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
5,000 kWh and 1,000 cf	\$575.50	\$3.45	\$34.06	\$27.97	\$640.98
07/01/12 Rate Change	\$0.00	\$0.00	\$1.43	\$2.80	\$4.23
Totals	\$575.50	\$3.45	\$35.49	\$30.77	\$645.21
% Impact on Total Bill					0.66%

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Sample Customer Bill – Commercial (LP)

3% Water
5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
60,000 kWh and 15,000 cf	\$5,867.75	\$3.45	\$405.73	\$309.37	\$6,586.30
07/01/12 Rate Change	\$0.00	\$0.00	\$12.17	\$15.47	\$27.64
Totals	\$5,867.75	\$3.45	\$417.90	\$324.84	\$6,613.94
% Impact on Total Bill					0.42%

4.2% Water
10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
60,000 kWh and 15,000 cf	\$5,867.75	\$3.45	\$405.73	\$309.37	\$6,586.30
07/01/12 Rate Change	\$0.00	\$0.00	\$17.04	\$30.94	\$47.98
Totals	\$5,867.75	\$3.45	\$422.77	\$340.31	\$6,634.28
% Impact on Total Bill					0.73%

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Sample Customer Bill – Small Commercial (GP)

3% Water
5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
10,000 kWh and 3,000 cf	\$1,109.30	\$3.45	\$92.62	\$68.17	\$1,273.54
07/01/12 Rate Change	\$0.00	\$0.00	\$2.78	\$3.41	\$6.19
Totals	\$1,109.30	\$3.45	\$95.40	\$71.58	\$1,279.73
% Impact on Total Bill					0.49%

4.2% Water
10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
10,000 kWh and 3,000 cf	\$1,109.30	\$3.45	\$92.62	\$68.17	\$1,273.54
07/01/12 Rate Change	\$0.00	\$0.00	\$3.89	\$6.82	\$10.71
Totals	\$1,109.30	\$3.45	\$96.51	\$74.99	\$1,284.25
% Impact on Total Bill					0.84%

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Sample Customer Bill – Commercial (LP)

3% Water
5% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
100,000 kWh and 20,000 cf	\$9,698.00	\$3.45	\$566.46	\$409.87	\$10,677.78
07/01/12 Rate Change	\$0.00	\$0.00	\$16.99	\$20.49	\$37.48
Totals	\$9,698.00	\$3.45	\$583.45	\$430.36	\$10,715.26
% Impact on Total Bill					0.35%

4.2% Water
10% Sewer

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
100,000 kWh and 20,000 cf	\$9,698.00	\$3.45	\$566.46	\$409.87	\$10,677.78
07/01/12 Rate Change	\$0.00	\$0.00	\$23.79	\$40.99	\$64.78
Totals	\$9,698.00	\$3.45	\$590.25	\$450.86	\$10,742.56
% Impact on Total Bill					0.61%

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