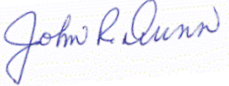




To: Mayor and City Council Members
From: John Dunn 
Date: March 22, 2013
Subject: March 26 Presentation on Water and Sewer Rates

Thank you for the opportunity to present the staff recommendation of revenues necessary to support the planned operating and capital budgets for the Water and Sewer Funds. The *Ames Municipal Code* requires that the Director of Water and Pollution Control "...review and recommend to the City Council revisions of the rates and charges established...at intervals appropriate to provide for the funding needs of the utility."

As you know, both utilities are facing significant expenses in the coming years. The proposed projects are a combination of the need to provide capacity for our growing community, the need to respond to new and anticipated regulatory requirements, and the need to re-invest in the infrastructure of these two utilities that are so essential to our way of life.

To help you prepare for the discussion, I have attached a copy of the presentation. I look forward to meeting with you to discuss the exciting future of the water and sewer utilities as we seek to meet the needs and expectations of our community.

City of Ames Water and Pollution Control Department

FY 2013-2014
Water and Sewer
Revenue Adjustments

March 26, 2013



Agenda

- National and State-wide Trends in Rates
- Projected Need for Revenue Increases in Ames
- Translating Revenue Increases to Rate Increases
- Customer Perspective
- Council Direction
- First peek inside new Water Treatment Plant

National & State Trends



Sources of Information

- **2012 Water and Wastewater Rate Survey** – American Water Works Association
- **2011 Water Rates and Sewer Service Charges Survey** – City of Ames, Iowa

National Trends

2012 Water and Wastewater Rate Survey - American Water Works Association

- 194 drinking water utilities responded to the survey
 - 166 (86%) have increased water rates in the past two years
 - 40 (21%) had increases of greater than 20%
- 133 wastewater utilities responded to the survey
 - 118 (89%) have increased sewer rates in the past two years
 - 32 (24%) had increases of greater than 20%

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National Trends in Rates

2006 to 2012

Average Annual Increase in Water Rates:	9.1%
Average Annual Increase in Sewer Rates:	9.5%
Average Annual Increase in CPI:	2.3%

6

Recent Rate Adjustments in Ames

	Water	Sewer
FY 07/08	--	--
FY 08/09	--	8%
FY 09/10	10%	--
FY 10/11	10%	9%
FY 11/12	8%	10%
FY 12/13	4.2%	10%
Average per year	6.0%	7.1%

7

National Trends in Rates

2006 to 2012

Average Annual Increase in Water Rates:	9.1%
Ames Average Annual Increase:	6.0%
Average Annual Increase in Sewer Rates:	9.5%
Ames Average Annual Increase:	7.1%

8

Iowa Trends in Rates

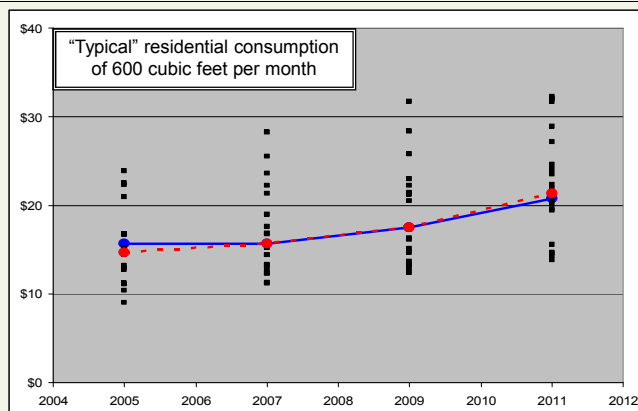
2005 to 2011

Average Annual Increase in Water Rates:	7.7%
Ames Average Annual Increase:	5.5%
Average Annual Increase in Sewer Rates:	8.8%
Ames Average Annual Increase:	5.0%

9

Iowa Water Rate Comparison

Cities >10,000 Population with Softening Plants



Ames Average Increase 2005-2011 = 5.5% per year
 State-wide Median Increase 2005-2011 = 7.7%

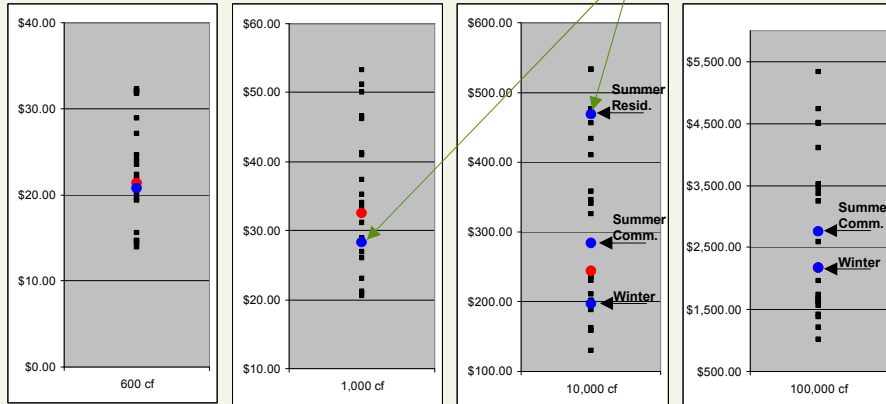
2011 – Lowest to Highest

- Dubuque
- Burlington
- Marshalltown
- Newton
- Council Bluffs
- Des Moines
- Storm Lake
- Cedar Rapids
- Keokuk
- Ames**
- Ankeny
- Iowa City
- Ottumwa
- West Des Moines
- Spencer
- Boone
- Oskaloosa
- Johnston
- Indianola
- Fort Madison
- Clive
- Altoona
- Waukee

10

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)

11

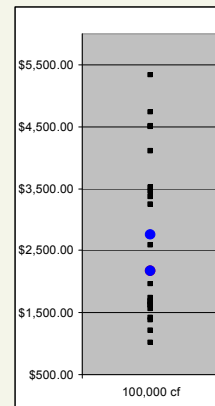
Comparing @ 100,000 cf/month – Drinking Water (2011)

2011-Lowest to Highest

Burlington
Newton
Marshalltown
Council Bluffs
Des Moines
Keokuk
Storm Lake
Cedar Rapids
Dubuque
Ottumwa
Spencer
Iowa City
Ames
Fort Madison
West Des Moines
Boone
Ankeny
Johnston
Oskaloosa
Indianola
Altoona
Waukee
Clive

2012 Average Consumption At or Above 100,000 cf/mo.

AMCOR Rigid Plastics
Arctic Glacier
Barilla America
Ames Electric Power Plant
Mary Greeley Medical Ctr
ISU Dept of Residence
ISU University Village
Old Orchard
Sauer Danfoss
USDA



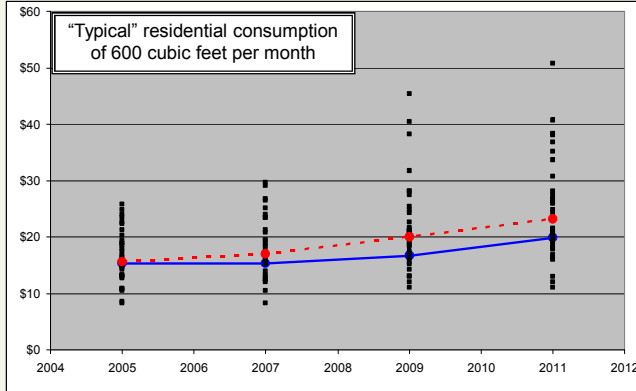
12

Iowa Sewer Rate Comparison

Cities >10,000 Population

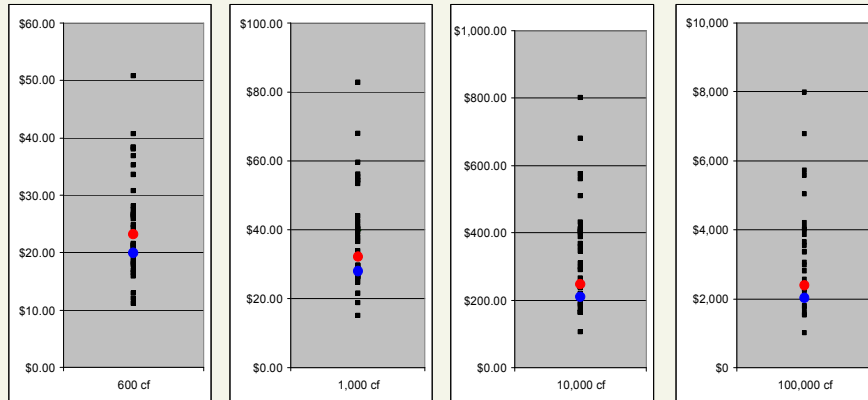
2011-Lowest to Highest

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



Ames Average Increase 2005-2011 = 5.0% per year
 State-wide Median Increase 2005-2011 = 8.8% per year

Comparing Across Demand Thresholds – Sewer (2011)

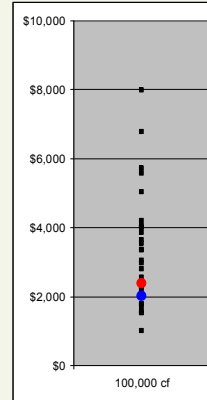


● - State-wide Median (2011) ● - Ames (2011)

Comparing @ 100,000 cf/month– Sewer (2011)

2011 – Lowest to Highest

- Iowa Great Lakes
- Marion
- Cedar Rapids
- Council Bluffs
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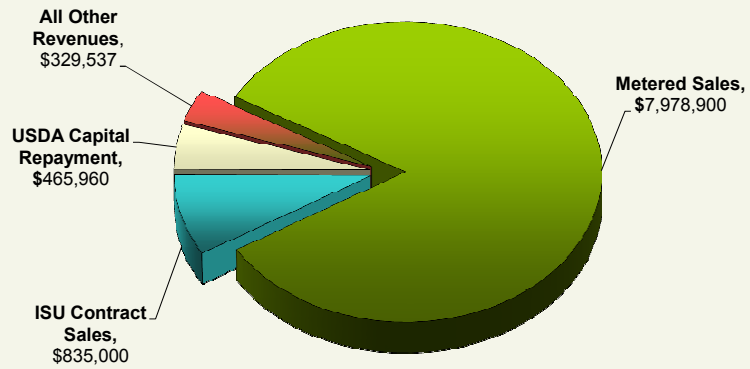


15

Water Rate Adjustments - 2013



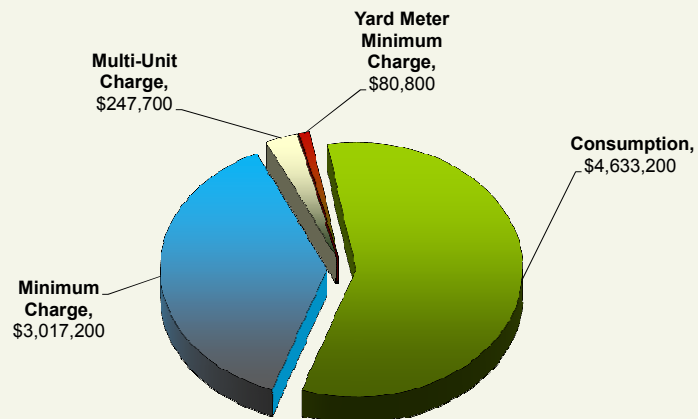
Water Revenue Categories - FY 2012/13 Estimates



Total Estimated Revenue: \$9,609,397

17

Water Revenue Categories - FY 2011/12 Estimates



18

Current Rates – Water Consumption

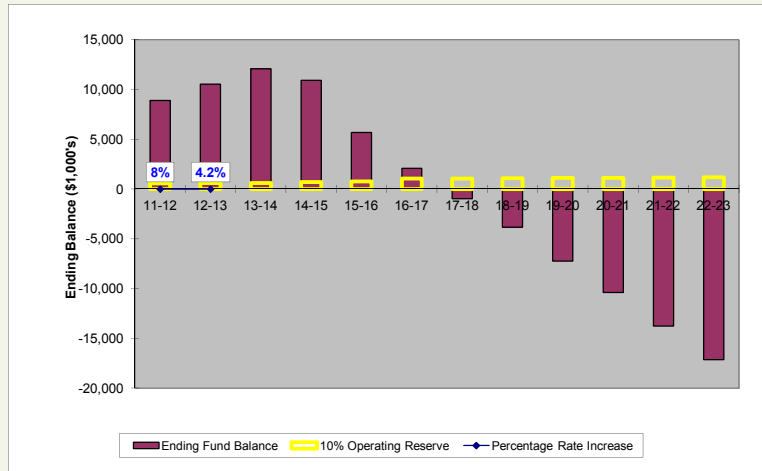
Winter (All customers, all consumption)	Charge per cubic foot \$0.0195
Summer	
Residential	
Block 1 (First 1,000 cf)	0.0195
Block 2 (Next 1,500 cf)	0.0344
Block 3 (Over 2,500 cf)	0.0517
Irrigation and Yard Water	
Block 1 (First 2,000 cf)	0.0281
Block 2 (Next 3,000 cf)	0.0517
Block 3 (Over 5,000 cf)	0.0861
Non-Residential	
All Consumption	0.0255
Non-peaking Industrial	
All Consumption	0.0195

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Annual Fund Projections

Expenses														
Operating Expenses														
Water Dept Subtotal	3,429	3,509	3,644	3,794	3,949	4,111	4,280	4,455	4,638	4,828	5,026	5,232		
PW Subtotal	1,139	1,239	1,253	1,279	1,306	1,333	1,361	1,390	1,419	1,449	1,479	1,510		
Cust Service	371	373	389	401	413	425	438	451	465	479	493	508		
Transfers			15											
Debt Service*	329	370	373	914	1,400	3,994	3,923	3,931	3,900	3,665	3,669	3,662		
Finance Subtotal	120	124	126	130	134	138	142	146	151	155	160	164		
Support Subtotal	241	252	262	291	322	357	395	438	485	538	596	660		
Audit/Adjustments	-2													
ENDING BALANCE (all funds)	8,883	10,548	12,067	10,915	5,671	2,091	-988	-3,826	-7,238	-10,410	-13,757	-17,148		
Minus 10% Operating Reserve	563	587	606	681	752	1,036	1,054	1,081	1,106	1,111	1,142	1,174		
AVAILABLE BALANCE	8,320	9,961	11,460	10,234	4,918	1,055	-2,042	-4,907	-8,344	-11,521	-14,899	-18,322		
Operating Expenses														
FY 07/08, \$500k	54	54	54	54	55	55	55	56						
FY 08/09, \$2500k	275	273	275	272	274	275	274	276	276					
Northern Growth	44	44	44	44	44	44	44	44	44	44	44	44		
Total Debt Service	329	370	373	914	1,400	3,994	3,923	3,931	3,900	3,665	3,669	3,662		
CIP Expenses														
New WTP - SRF	892	3,299	3,913	23,890	19,578	3,776								
New WTP - SRF Forgiveness						6,224								
New WTP - nonSRF	89		183	2,496	2,017	1,032								
WTP - All other	255	1,395	450	417	4,842	2,151	1,789	1,297	1,740	1,469	1,402	1,184		
PW Eng & Dist CIP	1,349	1,801	900	900	900	900	900	900	900	900	900	900		
Total CIP Expenses	2,586	6,496	5,446	27,703	27,337	14,083	2,689	2,197	2,640	2,369	2,302	2,084		

Projected Water Fund Balance



21

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.

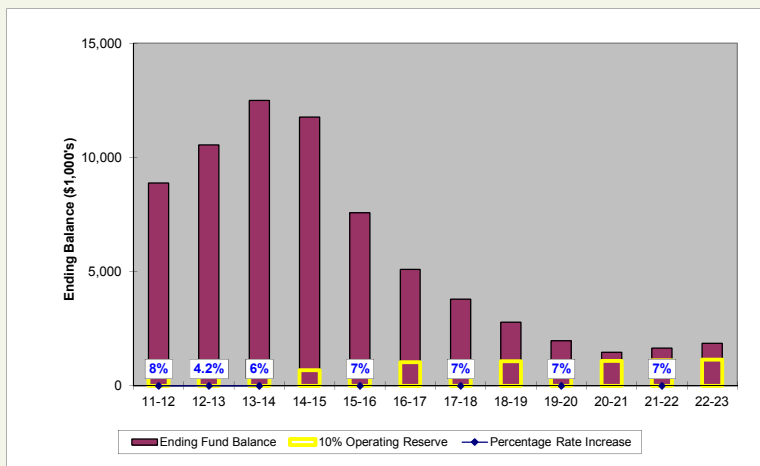
22

Projected Water Rate Adjustments

Year	13-14	14-15	15-16	16-17
Water	6%	0%	7%	0%

23

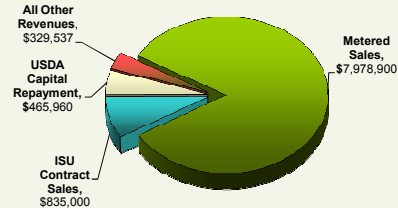
Projected Water Fund Balance



24

Revenue Increase for FY 2013/14

- From fund projections, 6% increase in rate-derived revenues
- Translates to approximately \$479,000
- Can be applied as an “across-the-board” increase or can be targeted at specific revenue components



25

6% “Across-the-board” Increase, \$/cf

	Existing	Increase	New
Winter			
All customers; all consumption	\$0.0195	\$0.0012	\$0.0207
Summer			
Residential			
Block 1 (First 1,000 cf)	\$0.0195	\$0.0012	\$0.0207
Block 2 (Next 1,500 cf)	\$0.0344	\$0.0021	\$0.0365
Block 3 (Over 2,500 cf)	\$0.0517	\$0.0031	\$0.0548
Irrigation & Yard Water			
Block 1 (First 2,000 cf)	\$0.0281	\$0.0017	\$0.0298
Block 2 (Next 3,000 cf)	\$0.0517	\$0.0031	\$0.0548
Block 3 (Over 5,000 cf)	\$0.0861	\$0.0052	\$0.0913
Non-Residential			
All consumption	\$0.0255	\$0.0015	\$0.0270
Non-Peaking Industrial			
All consumption	\$0.0195	\$0.0012	\$0.0207

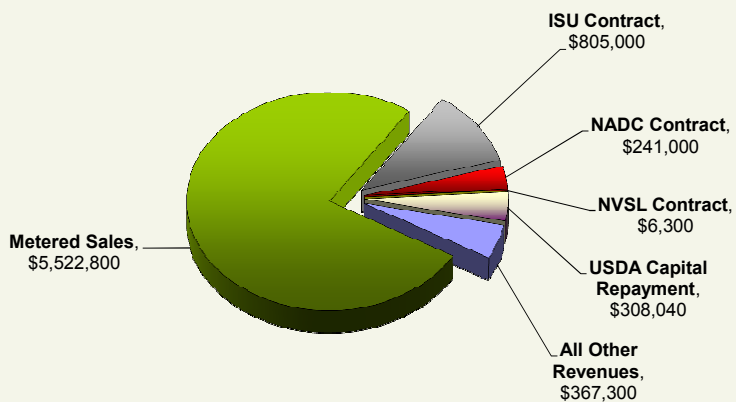
All other charges would increase by the same percentage

26

Sewer Rate Adjustments - 2013

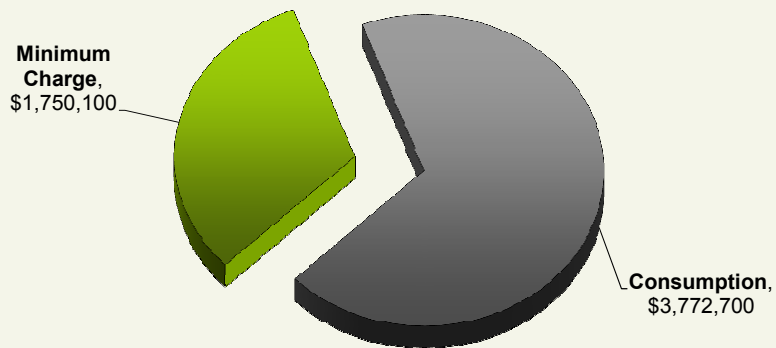


Sewer Revenue Categories - FY 2012/13 Estimates



Total Estimated Revenue: \$7,250,440

Sewer Revenue Categories - FY 2012/13 Estimates



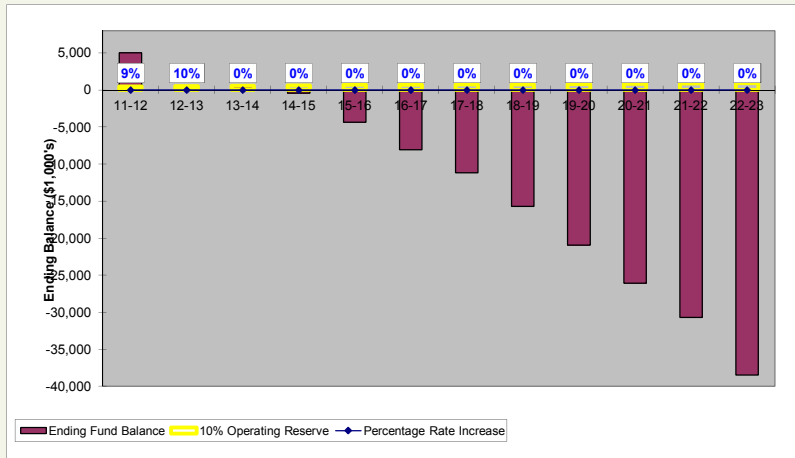
29

Current Rates - Sewer

- Minimum Bill:
\$8.66 per month per customer account
- Consumption:
\$0.0221 per cubic foot

30

Projected Sewer Fund Balance



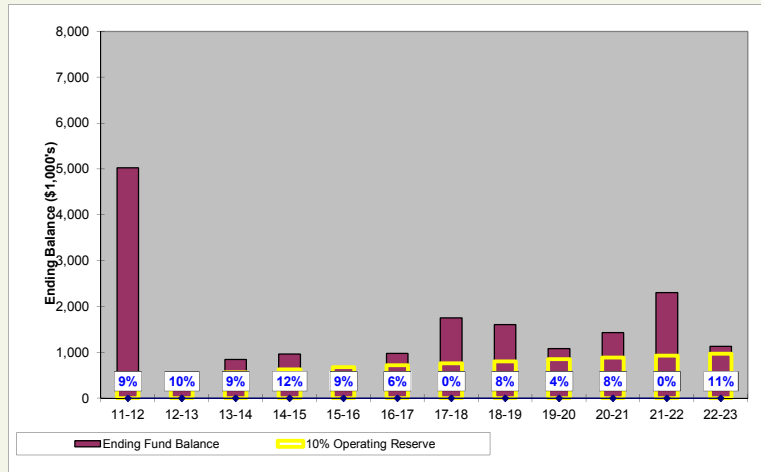
31

Sewer Rate Adjustments

Year	13-14	14-15	15-16	16-17
Sewer	9%	12%	9%	6%

32

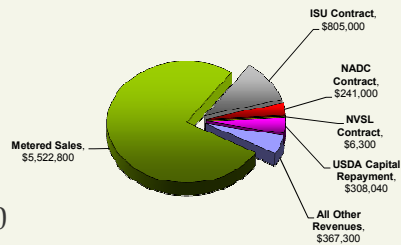
Projected Sewer Fund Balance



33

Revenue Increase for FY 2013/14

- From fund projections, 9% increase in rate-derived revenues
- Translates to approximately \$497,000
- Simple sewer rate structure – “Across-the-board”



34

9% “Across-the-board” Increase, \$/cf

	<u>Existing</u>	<u>Increase</u>	<u>New</u>
Consumption			
All customers; all consumption	0.0221	0.0020	0.0241
Minimum Charge			
All customers, per month	8.66	0.78	9.44

35

Customer Perspective



Combined Water and Sewer 10-year Projection

	13/14	14/15	15/16	16/17	17/18	18/19	19/20	20/21	21/22	22/23
Water	6%		7%		8%		7%		7%	
Sewer	9%	12%	9%	6%		8%	4%	8%		11%

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Sample Customer Bill – Median Residential

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
600 kWh and 600 cf	\$76.16	\$3.45	\$21.66	\$21.92	\$123.19
07/01/13 Rate Change	\$0.00	\$0.00	\$1.30	\$1.97	\$3.27
Totals	\$76.16	\$3.45	\$22.96	\$23.89	\$126.46
% Impact on Total Bill					2.65%

38

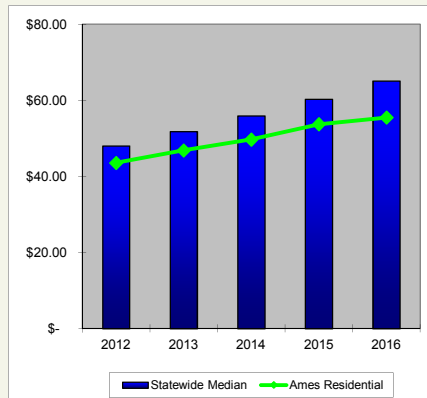
Sample Customer Bill – Non-residential

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
10,000 kWh and 3,000 cf	\$1,133.00	\$6.90	\$96.42	\$74.96	\$1,311.28
07/01/13 Rate Change	\$0.00	\$0.00	\$5.79	\$6.75	\$12.54
Totals	\$1,133.00	\$6.90	\$102.21	\$81.71	\$1,323.82
% Impact on Total Bill					0.96%

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
100,000 kWh and 20,000 cf	\$8,924.00	\$10.35	\$844.67	\$671.66	\$10,450.68
07/01/13 Rate Change	\$0.00	\$0.00	\$50.68	\$60.45	\$111.13
Totals	\$8,924.00	\$10.35	\$895.35	\$732.11	\$10,561.81
% Impact on Total Bill					1.06%

39

Combined Water and Sewer Bill – 2016 Projection



Ames:

Water	\$24.56
Sewer	<u>30.92</u>
Combined	\$55.48

State Median

Water	\$30.88
Sewer	<u>34.18</u>
Combined	\$65.06

40

Staff Recommendation and Council Direction



Recommended Rate Adjustments

6% Across-the-board in Water

9% Across-the-board in Sewer

Timeline

- First Reading – April 9
Second Reading – April 23
Third Reading & Adoption – May 7
- Effective for Meter Reads
on and after June 1, 2013
- Appears on Utility Bills Mailed
on and after July 1, 2013

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New Water Treatment Plant

- Insert Video



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City of Ames Water and Pollution Control Department

FY 2013-2014
Water and Sewer
Revenue Adjustments

March 26, 2013



Supplemental Information

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

Current Rates – Minimum Charge, \$/mo.

Size of Meter	Monthly Charge
5/8" or 5/8" x 3/4"	9.96
3/4"	19.92
1"	39.84
1-1/2"	79.67
2"	159.35
2", battery of 2	308.74
2", battery of 3	458.14
3"	318.71
4"	537.81
6"	896.35
8"	1,792.70
10"	2,689.05

47

Current Rates – Multi-unit Charges, \$

Multiple dwellings – Multiple dwellings (such as in a mobile home park) may be serviced 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	2.87/month/unit
3/4" meter serving 4 or more dwelling units	2.87/month/unit
1" meter serving 8 or more dwelling units	2.87/month/unit
1-1/2" meter serving 16 or more dwelling units	2.87/month/unit
2" meter serving 30 or more dwelling units	85.81/month
for the first 30 units plus \$4.45/month per unit	
for each additional unit in excess of 30 units	
3" or larger meter serving any number of dwelling units	3.94/month/unit

48

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

Size of Meter	Monthly Charge
5/8" or 5/8" x 3/4"	3.77
3/4"	5.86
1"	8.16
1-1/2"	11.25
2"	14.96
3"	19.46
4"	24.20
6"	28.98
8"	33.76
10"	38.49

49

Sample Customer Bills

Electric / Water Use		Electric Summer	Storm Water	Water Summer	Sewer	Total
Minimal Residential	100 kWh and 100 cf	\$19.36	\$3.45	\$11.91	\$10.87	\$45.59
	07/01/13 Rate Change	\$0.00	\$0.00	\$0.71	\$0.98	\$1.69
	Totals	\$19.36	\$3.45	\$12.62	\$11.85	\$47.28
	% Impact on Total Bill					3.71%

Electric / Water Use		Electric Summer	Storm Water	Water Summer	Sewer	Total
Median Residential	600 kWh and 600 cf	\$76.16	\$3.45	\$21.66	\$21.92	\$123.19
	07/01/13 Rate Change	\$0.00	\$0.00	\$1.30	\$1.97	\$3.27
	Totals	\$76.16	\$3.45	\$22.96	\$23.89	\$126.46
	% Impact on Total Bill					2.65%

50

Sample Customer Bills

Electric / Water Use	Electric	Storm	Water	Sewer	Total
	Summer	Water	Summer		
1,000 kWh and 1,000 cf	\$121.60	\$3.45	\$29.46	\$30.76	\$185.27
07/01/13 Rate Change	\$0.00	\$0.00	\$1.77	\$2.77	\$4.54
Totals	\$121.60	\$3.45	\$31.23	\$33.53	\$189.81
% Impact on Total Bill					2.45%

Large Residential

Electric / Water Use	Electric	Storm	Water	Sewer	Total
	Summer	Water	Summer		
2,000 kWh and 600 cf	\$238.60	\$3.45	\$25.26	\$21.92	\$289.23
07/01/13 Rate Change	\$0.00	\$0.00	\$1.52	\$1.97	\$3.49
Totals	\$238.60	\$3.45	\$26.78	\$23.89	\$292.72
% Impact on Total Bill					1.21%

Small Commercial (GP)

51

Sample Customer Bills

Electric / Water Use	Electric	Storm	Water	Sewer	Total
	Summer	Water	Summer		
5,000 kWh and 1,000 cf	\$574.00	\$3.45	\$35.46	\$30.76	\$643.67
07/01/13 Rate Change	\$0.00	\$0.00	\$2.13	\$2.77	\$4.90
Totals	\$574.00	\$3.45	\$37.59	\$33.53	\$648.57
% Impact on Total Bill					0.76%

Small Commercial (GP)

Electric / Water Use	Electric	Storm	Water	Sewer	Total
	Summer	Water	Summer		
10,000 kWh and 3,000 cf	\$1,133.00	\$6.90	\$96.42	\$74.96	\$1,311.28
07/01/13 Rate Change	\$0.00	\$0.00	\$5.79	\$6.75	\$12.54
Totals	\$1,133.00	\$6.90	\$102.21	\$81.71	\$1,323.82
% Impact on Total Bill					0.96%

Small Commercial (GP)

52

Sample Customer Bills

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
Commercial (LP) 20,000 kWh and 5,000 cf	\$1,946.00	\$6.90	\$147.42	\$119.16	\$2,219.48
07/01/13 Rate Change	\$0.00	\$0.00	\$8.85	\$10.72	\$19.57
Totals	\$1,946.00	\$6.90	\$156.27	\$129.88	\$2,239.05
% Impact on Total Bill					0.88%

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
Commercial (LP) 60,000 kWh and 15,000 cf	\$5,345.00	\$10.35	\$422.34	\$340.16	\$6,207.85
07/01/13 Rate Change	\$0.00	\$0.00	\$25.34	\$30.61	\$55.95
Totals	\$5,435.00	\$10.35	\$447.68	\$370.77	\$6,263.80
% Impact on Total Bill					0.90%

53

Sample Customer Bills

Electric / Water Use	Electric Summer	Storm Water	Water Summer	Sewer	Total
Commercial (LP) 100,000 kWh and 20,000 cf	\$8,924.00	\$10.35	\$844.67	\$671.66	\$10,450.68
07/01/13 Rate Change	\$0.00	\$0.00	\$50.68	\$60.45	\$111.13
Totals	\$8,924.00	\$10.35	\$895.35	\$732.11	\$10,561.81
% Impact on Total Bill					1.06%

54