

COUNCIL ACTION FORM

SUBJECT: WATER RATE ADJUSTMENT

BACKGROUND:

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 revenues, operating expenses, 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, along with a goal of a 25% operating reserve.

During the development of the FY 21/22 budget, staff determined that a six percent (6%) increase to water rates would be needed, effective July 1, 2021. While the need for an increase was shared with Council during the budget presentations, no formal action has yet been taken by Council to adjust the rates. Attached to this Council Action Form is a draft ordinance that will increase the water rates by 6%, effective for all bills mailed on or after July 1, 2021.

The slides attached with this Council Action Form provide a summary of the fund balance analysis in a format that is very similar to what has been used in prior years. Highlights from these slides will be shared at the Council meeting in a brief presentation.

ALTERNATIVES:

1. Approve on first reading, an ordinance that increases water rates by six percent (6%), effective for bills mailed on or after July 1, 2021.
2. Direct staff to make modifications to the rate ordinance to enact some alternate rate adjustments.
3. Do not take any action to adjust water rates and give staff direction on expenditure reductions in order to maintain a positive Water Fund balance.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed rate increase is 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, thereby approving on first reading, an ordinance that increases water rates by six percent (6%), effective for bills mailed on or after July 1, 2021.

ORDINANCE NO.

AN ORDINANCE TO AMEND THE MUNICIPAL CODE OF THE CITY OF AMES, IOWA, BY REPEALING CHAPTER 28, SECTION 201(1)(b)(ii)(a)(b), 2(b)(ii)(a)(b), 3(b)(ii)(a)(b), 4(b)(ii)(a)(b), 5(b)(ii)(a)(b), 7, 8, AND ENACTING A NEW CHAPTER 28, SECTION 201(1)(b)(ii)(a)(b), 2(b)(ii)(a)(b), 3(b)(ii)(a)(b), 4(b)(ii)(a)(b), 5(b)(ii)(a)(b), 7, 8 THEREOF, FOR THE PURPOSE OF INCREASE OF WATER RATES AND CHARGES; 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 repealing Chapter 28, Section 201(1)(b)(ii)(a)(b), 2(b)(ii)(a)(b), 3(b)(ii)(a)(b), 4(b)(ii)(a)(b), 5(b)(ii)(a)(b), 7, 8, Section and enacting a new Chapter 28, Section 201(1)(b)(ii)(a)(b), 2(b)(ii)(a)(b), 3(b)(ii)(a)(b), 4(b)(ii)(a)(b), 5(b)(ii)(a)(b), 7, 8 as follows:

Sec. 28.201. WATER RATES AND CHARGES

The rates and charges for water supplied to consumers by the water utility of the city, to be billed on or after July 1, 2021 are as follows:

(1) Residential Rates.

(a) **Availability.** The residential rate shall apply to all customer accounts within the Ames corporate limits serving properties that are intended for occupancy by a single family as defined by the Ames Zoning Ordinance, provided that such accounts consist of no more than two dwelling units served by a single water meter or to multiple unit residential structures (such as apartment buildings) where every dwelling unit is separately metered. The rate does not apply to domestic uses that consist of more than two dwelling units served by a single meter or to water accounts that provide service for common areas such as shared laundry facilities or for general property maintenance.

- (b) **Rate per billing period.** For each monthly billing period a residential rate customer:
- (i) shall be charged a minimum charge based on meter size, and in addition
 - (ii) shall be charged for water usage during the billing periods as follows:
 - (a) for bills mailed on or between July 1 and October 31 (summer period):
 - \$0.0257 per cubic foot for the first 1000 cubic feet of usage
 - \$0.0454 per cubic foot for the next 1500 cubic feet of usage
 - \$0.0682 per cubic foot for all usage over 2500 cubic feet
 - (b) for bills mailed on or between November 1 and June 30 (winter period):
 - \$0.0257 per cubic foot

(2) Non-residential (Commercial) Rates

(a) **Availability.** The non-residential rate shall apply to all accounts that do not meet the criteria for residential, irrigation and yard water, rural water, or non-peaking industrial rates.

- (b) **Rate per billing period:** For each monthly billing period a non-residential customer:
- (i) shall be charged a minimum charge based on meter size, and in addition
 - (ii) shall be charged for water usage during the billing periods as follows:
 - (a) for bills mailed on or between July 1 and October 31 (summer period):
 - \$0.0337 per cubic foot
 - (b) for bills mailed on or between November 1 and June 30 (winter period):
 - \$0.0257 per cubic foot

(3) **Non-Peaking Industrial Rate.**

(a) **Availability.** The non-peaking industrial rate shall be available to all non-residential rate customers who meet the following criteria:

(i) Average winter usage greater than 100,000 cubic feet per billing period. Average winter usage per billing period will be calculated by taking the sum of the usage during the most previous December, January, and February billing periods and dividing by three.

(ii) **A summer peaking factor equal to or less than 120%.** The summer peaking factor shall be computed by taking the largest consumption billed during the most recent summer billing periods (bills mailed July, August, September, and October) and dividing it by the average winter usage, with the result expressed as a percentage.

(b) **Rate per Billing Period.** For each monthly billing period a non-peaking industrial rate customer:

- (i) shall be charged a minimum charge based on meter size, and in addition
- (ii) shall be charged for water usage during the billing periods as follows:
 - (a) for bills mailed on or between July 1 and October 31 (summer period): \$0.0257 per cubic foot
 - (b) for bills mailed on or between November 1 and June 30 (winter period): \$0.0257 per cubic foot

(4) **Irrigation and Yard Water Service Rate.**

(a) **Availability.** The irrigation and yard water rate shall apply to all separately metered water uses that meet one of the following criteria:

- (i) Serves primarily outdoor water uses, such as irrigation systems and outside hose bibs.
- (ii) Serves cooling towers, spray ponds, evaporative condensers, chillers, or such similar uses where water is used as a medium for cooling.
- (iii) Serves as a temporary water service, whether for irrigation purposes or for other outdoor uses.

(b) **Rate per Billing Period.** For each monthly billing period an irrigation and yard water rate customer:

- (i) shall be charged a minimum charge as described below, and in addition
- (ii) shall be charged for water usage during billing periods as follows:
 - (a) for bills mailed on or between July 1 and October 31 (summer period):
 - \$0.0371 per cubic foot for the first 2000 cubic feet of usage
 - \$0.0682 per cubic foot for the next 3000 cubic feet of usage
 - \$0.1137 per cubic foot for all usage greater than 5000 cubic feet.
 - (b) for bills mailed on or between November 1 and June 30 (winter period): \$0.0257 per cubic foot

(5) **Rural Water Rate.**

(a) **Availability.** The rural water rate shall apply to all customer accounts outside the Ames corporate limits, except those covered by a separate wholesale contract or agreement for service.

(b) **Rate per billing period.** For each monthly billing period, a rural water rate customer:

(i) shall be charged a Rural water minimum charge based on meter size.

(ii) shall be charged for water usage during billing periods as follows:

(a) for bills mailed on or between July 1 and October 31 (summer period):

\$0.0427 per cubic foot for the first 2000 cubic feet of usage

\$0.0785 per cubic foot for the next 3000 cubic feet of usage

\$0.1307 per cubic foot for all usage greater than 5000 cubic feet.

(b) for bills mailed on or between November 1 and June 30 (winter period):

\$0.0296 per cubic foot for all consumption

(6) **Water Rate and Charge Adjustments.** It shall be the duty of the director of water and pollution control to review and recommend to the city council revisions of the rates and charges established and set out in this division at intervals appropriate to provide for the funding needs of the utility.

(7) **Minimum charges.** For each monthly billing, each customer shall be charged a minimum monthly charge based on the size of the water meter (s) and/or irrigation meter (s) at each location. 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 minimum monthly charge be less than six dollars and thirty-one cents (\$6.31).

The minimum monthly charge for each water meter location shall be as follows:

Size of Meter	Residential,	Yard Water Accounts	Rural Water Accounts
	Non-residential, Non-peaking Industrial, and Irrigation Accounts		
5/8" or 5/8"x3/4"	13.15	4.98	15.13
3/4 inch	26.29	7.73	30.24
1 inch	52.60	10.77	60.49
1-1/2 inch	105.20	14.86	120.99
2 inch	210.40	19.75	241.96
2 inch, battery of 2	407.53	--	468.66
2 inch, battery of 3	604.74	--	695.45
3 inch	420.71	25.69	483.82
4 inch	709.91	31.94	816.39
6 inch	1,183.17	38.25	1,360.65
8 inch	2,366.34	44.57	2,721.28
10 inch	3,549.50	50.41	4,081.93

(8) **Multiple dwellings – Mobile home parks.** Multiple dwellings, including mobile home parks, may be serviced from a single water meter. However, there shall be a surcharge added to the water rates set forth above, to be calculated as follows:

For a 5/8 inch meter serving 2 or more dwelling units..... 3.78/month/unit
For a 3/4 inch meter serving 4 or more dwelling units..... 3.78/month/unit
For a 1 inch meter serving 8 or more dwelling units..... 3.78/month/unit
For a 1-1/2 inch meter serving 16 or more dwelling units..... 3.78/month/unit
For a 2 inch meter serving 30 or more dwelling units..... 113.27/month
for the first 30 units plus \$5.88/month per unit
for each additional unit in excess of 30 units
For a 3 inch or larger meter serving any number of dwelling units 5.20/month/unit

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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