

ITEM #: 61
DATE: 05-14-24
DEPT: W&PC

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 reflect 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 24/25 budget, staff determined that a seven percent (7%) increase to sewer rates would be needed, effective July 1, 2024. Staff provided an informational presentation at the March 26, 2024 City Council meeting. The attached ordinance would implement the recommendation for a 7% increase.

Please note that Slide #30 in the handouts provided on March 26 was incorrect and has been revised in the attachment to this document.

ALTERNATIVES:

1. Approve on second reading an ordinance that increases sanitary sewer rates by seven percent (7%) effective for bills due on or after July 1, 2024.
2. Direct staff to make modifications to the rate ordinance to enact some alternate rate adjustment.
3. Do not take any action to adjust sanitary 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, thereby approving on second reading an ordinance that increases sewer rates by seven percent (7%) effective for bills due on or after July 1, 2024.

ATTACHMENT(S):

[Ordinance Sewer Rates.pdf](#)