

ITEM #: 37
DATE: 04-22-25
DEPT: W&PC

COUNCIL ACTION FORM

SUBJECT: **FY 2025/26 DRINKING WATER AND SANITARY SEWER RATES**

BACKGROUND:

The Ames Municipal Code states at 28.201(6):

"It shall be the duty of the director of water and pollution control to review and recommend to the city council revisions of the [drinking water] rates and charges established and set out in this division at intervals appropriate to provide for the funding needs of the utility."

Similarly, it states at 28.304(7):

"The City will review the [sewer] 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."

On April 8, 2025, staff presented Council with an overview of recent trends in water and sewer rates in Ames, across Iowa, and throughout the US. The presentation also shared projected balances in the Water and Sewer Funds over the next ten years based on the anticipated operating and capital expenses, and a likely pattern of rate increases that would be needed to fully fund the anticipated expenses.

For the upcoming 2025/26 Fiscal Year, staff has recommended the adoption of a 3.5% across-the-board increase in water rates, and a 5.5% across-the-board increase in sewer rates. The new rates would be effective for bills mailed on or after July 1, 2025. The attached ordinance prepared by the Legal Department would implement those increases.

ALTERNATIVES:

1. Approve on first reading the attached ordinance increasing water rates by three-and-one-half percent (3.5%) and increasing sanitary sewer rates by five-and-one-half percent (5.5%), effective for charges billed on or after July 1, 2025.
2. Direct staff to make modifications to the rate ordinance to enact some alternate rate adjustment.
3. Do not take any action to adjust the water and sanitary sewer rates and give staff direction on expenditure reductions in order to maintain positive balances in the Water and Sewer Funds.

CITY MANAGER'S RECOMMENDED ACTION:

The proposed rate increases are necessary to fund the ongoing 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 three-and-one-half percent (3.5%) and that increases the sanitary sewer rates by five-and-one-half percent (5.5%), effective for charges billed on or after July 1, 2025.

ATTACHMENT(S):

[Ordinance Water-Sewer Rates FY2025-2026.PDF](#)