

ITEM #:	<u>15</u>
DATE:	<u>04-14-26</u>
DEPT:	<u>WPC</u>

COUNCIL ACTION FORM

SUBJECT: PROPOSED AMENDMENT TO WHOLESALE WATER AGREEMENT WITH XENIA RURAL WATER DISTRICT

BACKGROUND:

Staff from Ames and Xenia Rural Water District have been in conversations over the past two years about a potential increase in the quantity of water sold by Ames to Xenia. **The parties are nearing a final agreement, and the proposed contract amendment is planned to be on the City Council agenda on April 28.**

Among other elements, the proposed amendment would permit Xenia to construct a booster pump station on City-owned land at 900 S 500th Avenue, including associated water lines and other supporting infrastructure. That parcel is the site of the Mortensen and County Line (MAC) water tower. The initial term of the agreement would be for 40 years.

Iowa Code requires a two-step process before the City can "dispose of an interest in real property." The City must first adopt a resolution describing the proposed disposition of the property and specifying the date, time, and place for a public hearing on the disposition. Then after the public hearing has been held, the City Council may proceed with action to approve or reject the disposal by a second resolution. **Because the amended agreement grants to Xenia is a long-term right to use the City-owned land, the City Attorney advises that the City Council follow that two-step process.**

Key concepts in the contract amendment that staff is finalizing include:

- An upfront payment by Xenia of \$1,464,500 as reimbursement to Ames customers for the infrastructure capacity Xenia will use
- An increase in the daily maximum water quantity sold to Xenia from 250,000 gallons per day to 500,000 gallons per day
- Unit pricing that matches the Ames "non-peaking industrial" rates
- A substantial reduction in the cost for developers to "buy-out" Xenia territory for the Auburn Trails and Hayden's Preserve developments
- A 40-year term for the agreement

The attachment is a draft copy of the agreement. It is not the final version and is still subject to change, and is provided for context only. Council is not being asked to take action on the amended agreement with Xenia at this time. The Xenia Board of Directors is expected to approve the agreement on April 23. Action by the Ames City Council on the agreement could occur after the hearing on April 28.

ALTERNATIVES:

1. Adopt a resolution setting April 28th as the date of public hearing for the disposal of interest in real property (in the form of a long-term lease) in order to permit Xenia Rural Water District to construct a booster pump station on City-owned land located at 900 S 500th Avenue.
2. Do not take action to permit the construction of a booster pump station at this time.

CITY MANAGER'S RECOMMENDED ACTION:

The City of Ames and Xenia Rural Water District have a thirty-year-old wholesale water agreement. Strengthening Xenia's ability to provide urban-level water service in its territory outside Ames would benefit both parties by enabling growth to the west and southwest of Ames' current city limits. The first step in amending the existing agreement is to establish a date for a public hearing on action that would permit Xenia to construct a booster pump station on City-owned property in southwest Ames. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative 1 as described above.

ATTACHMENT(S):

[DRAFT Xenia agreement amendment.docx](#)