

ITEM # 32
DATE 04-22-2008

COUNCIL ACTION FORM

SUBJECT: SANITARY SEWER UTILITY RATE CHANGES

BACKGROUND:

As discussed during the FY 2008/09 budget process and in the Staff Report to the City Council at the April 8, 2008 meeting; funding for the Ames sanitary sewer utility five-year capital improvement plan will require rate increases. The first rate increase anticipated to fund the capital improvement plan was a 10% increase for FY 09/10 with an alternative of an 8% increase in FY 08/09. After discussion with City Council and review of impact on the combined utility bills, staff received direction to prepare an ordinance change to implement the alternative 8% increase for FY 08/09.

Future sanitary sewer rate increases will be driven primarily by the cost of the disinfection capital improvement project and the increased cost of operations related to disinfection. As of late March, the Iowa DNR has taken no action on the City's NPDES permit application, and the possible regulatory requirements for this project have not been fully determined. The rate increases for the sanitary sewer utility will be highly dependent upon requirements for disinfection and future rate changes will be based on the cost of the disinfection project.

Attached is the edited ordinance section reflecting the increased rates.

ALTERNATIVES:

1. Approve the proposed changes to the sanitary sewer utility rate ordinance to increase metered revenue by 8.0% effective for monthly billing on or after July 1, 2008.
2. Refer the sanitary sewer utility rate ordinance back to staff with direction on changes in rates or timing of the implementation.
3. Do not approve a rate increase at this time. The FY 08/09 budget does not include a sanitary sewer utility rate increase, the rate increase could be delayed without negatively impacting the FY 08/09 budget.

MANAGER'S RECOMMENDED ACTION:

The proposed rate increase will provide funding required for future capital projects for the sanitary sewer utility. With the extensive capital improvement requirements for the City of Ames utilities over the next five years, rate increases for multiple utilities in a single year will be unavoidable. Rate increases are expected in FY 09/10 for the water, electric, and storm sewer utilities. Implementing the sanitary sewer utility rate increase in FY 08/09 will reduce the combined impact for City of Ames utility customers in FY 09/10.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the proposed changes to the sanitary sewer utility rate ordinance to increase overall metered revenue to the sanitary sewer utility by 8.0% effective for monthly billing on or after July 1, 2008.