



CITY OF IOWA CITY COUNCIL ACTION REPORT

May 21, 2024

Ordinance Amending Title 3, Entitled "Finances, Taxation And Fees," Chapter 4, Entitled "Schedule Of Fees, Rates, Charges, Bonds, Fines, And Penalties". (Pass & Adopt)

Prepared By:	Nicole Davies, Finance Director
Reviewed By:	Geoff Fruin, City Manager
Fiscal Impact:	Water rate adjustments for FY2025 amounting to an increase of approximately \$320,000 per year in revenues for the Water fund. Wastewater rate adjustments for FY2025 amounting to an increase of approximately \$628,000 per year in revenues for the Wastewater fund. Solid Waste Disposal rate adjustments for FY2025 amounting to an increase of approximately \$190,000 per year in revenues for the Refuse fund. Tipping fee rate adjustments for FY2025 amount to an increase of approximately \$750,000 per year in revenues for the Landfill fund. Parking rate and fine adjustments for FY2025 amounting to an increase of approximately \$3,000,000 per year in revenues for the Parking fund, \$160,000 per year in revenues for the Transit fund and \$150,000 per year in revenues for the General fund.
Staff Recommendation:	Approval
Commission Recommendations:	N/A
Attachments:	Notice of Public Hearing Ordinance

Executive Summary:

Following a public hearing, staff asks that Council consider amending Title 3, Chapter 4 of the City Code.

Title 3, Chapter 4 amendments include a 3% increase in water users charges, a 5% increase in wastewater user charges, an increase in residential solid waste collection fees for curbside recycling fees by \$1.00 per dwelling unit per month, an increase in the tipping fee charged at the landfill by \$2.50 per ton, an increase in the hourly parking ramp fee by \$1.00 per hour in the Court Street Transportation Center, Tower Place, Capital Street and Dubuque Street parking ramps, an increase in the hourly parking ramp fee by \$1.25 per hour in the Chauncey Swan and Harrison Street ramps with the first hour free, an increase in the hourly parking meters from between \$0.75 to \$1.50 depending on the location and an increase in the fines for parking violations by varying amounts per violation in fiscal year 2025.

Background / Analysis:

Title 3, Chapter 4 of the City Code is the "Schedule of Fees, Rates, Charges, Bonds, Fines and Penalties"

Potable Water Use and Service Rate Adjustments

In the revised fiscal year 2024, the Water fund has a projected ending fund balance of \$14,109,124. With the rate adjustments the projected ending fund balance for fiscal year 2025 would be \$14,234,372, a slight 0.9% increase. The City's five-year capital improvement program projects water funding for capital projects over the next five years to be between \$1,770,000 and \$3,100,000 each year for a total of \$12,000,000. This figure does not include the cost of repairing emergency water main breaks. Without a rate increase, the fund balance would decline.

The Water fund is an enterprise or a business-type fund that is expected to be self-funding. The primary solution is to review water rates and charges to ensure that the fund is generating sufficient revenue to cover both its operating and capital expenses. By implementing a user rate increase of 3% in fiscal year 2025 the anticipated decline in the water fund's cash balance is greatly reduced. This solution also provides for a much healthier and sustainable fund over time versus financing the necessary capital improvements through revenue bonds or other debt.

All fees and charges, within the Water rates, are proposed to be increased 3% in fiscal year 2025, with a few small exceptions. The fee for the direct purchase of water is proposed to remain at \$0.50 per 100 gallons, the deposit for residential tenant accounts is proposed to remain at \$120.00, and the reconnection of discontinued service is proposed to remain at \$45.00. With these changes the minimum monthly charge for households with a 5/8 or 5/8 x 3/4 meter size increases from \$8.52 to \$8.78 in fiscal year 2025.

The proposed fee increases are expected to generate enough revenue to be able to help offset the increases in operational costs and in funding for the capital improvement program and ensuring that the Water fund remains a self-funding enterprise. The expected increase in revenues is approximately \$320,000 each year.

Wastewater Treatment Works User Charges Rate Adjustments

In the revised fiscal year 2024, the Wastewater fund had an ending unassigned fund balance of \$13,456,836. With a rate adjustment the projected ending fund balance for fiscal year 2025 would be \$12,867,336, a 4.4% decrease. The City's five-year capital improvement program projects wastewater funding for capital projects over the next five years to be between \$926,000 and \$4,972,000 each year for a total of \$12,822,000. Additionally, two revenue bonds totaling \$33,000,000 are planned in fiscal year 2024 for two major capital projects.

The Wastewater fund is an enterprise or a business-type fund that is expected to be self-funding. The primary solution is to review wastewater rates and charges to ensure that the fund is generating sufficient revenue to cover both its operating and capital expenses. By implementing a user rate increase of 5% in fiscal year 2025 the anticipated decline in the wastewater fund's cash balance is greatly reduced. This solution also provides for a much healthier and sustainable fund over time versus financing the necessary capital improvements through additional revenue bonds or other debt.

All fees and charges, within the Wastewater rates, are proposed to be increased 5% in fiscal year 2025, with one exception. The fee for a deposit for a residential tenant account is proposed to remain at \$120.00. With these changes the minimum monthly charge for households for up to 100 cubic feet of water used increases from \$8.31 to \$8.73 in fiscal year 2025.

The proposed fee increases are expected to generate enough revenue to be able to help offset the increases in funding for the capital improvement program and revenue bond debt and ensuring that the Wastewater fund remains a self-funding enterprise. The expected increase in revenues is approximately \$628,000 each year.

Solid Waste Disposal Rate Adjustments

In the revised fiscal year 2024, the Refuse Collection fund had an ending unassigned fund balance of \$2,018,613. The estimated fund balance for fiscal year 2025 with the rate adjustments is \$2,186,413, which is an increase of 8.3%. The City's curbside program has seen consistent increases in trash, recycling and organics usage over the past three years, while fuel, equipment, and labor costs have increased for all three services. Without the \$1.00 per dwelling unit per month increase for curbside recycling, the fund balance would continue to decline.

In the revised fiscal year 2024, the Landfill fund had an ending unassigned fund balance of \$2,547,958. The estimated ending fund balance for fiscal year 2024 with the rate adjustments is \$2,739,708, a 7.5% increase. The City's five-year capital improvement program projects landfill funding for capital projects over the next five years to be between \$0 and \$4,910,750 each year for a total of \$6,322,500. The increase to the tipping fee of \$2.50 per ton is needed to help offset the capital projects costs and is more comparable to what other area landfills are charging.

The Refuse Collection and Landfill funds are enterprise or business-type funds that are expected to be self-funding. The primary solution is to review user rates to ensure that the fund is generating sufficient revenue to cover both operating and capital expenses. By implementing the solid waste rate increases mentioned previously in fiscal year 2025, the anticipated declines in the funds' cash balances are greatly reduced. This solution also provides for much healthier and sustainable funds over time versus financing the necessary capital improvements through revenue bonds or other debt.

The proposed fee increases are expected to generate enough revenue to support the increase in operational costs and capital projects and ensures that the Refuse Collection and Landfill funds remain a self-funding enterprise. The expected increase in revenues for the Refuse Collection and Landfill funds are approximately \$190,000 and \$750,000 a year, respectively.

Parking Rate Adjustments

In the revised fiscal year 2024, the Parking fund had an ending unassigned fund balance of \$1,476,139, which is 22% of revenues and transfers in. We want this number to be at least 50% of revenues and transfers in. The projected ending fund balance for fiscal year 2025 is estimated to be \$3,482,780, a 136% increase, but still only 33% of revenues and transfers in.

With a rate increase, we can start building our unassigned fund balance, implement enhanced cleaning for our ramps and downtown and help subsidize fare free for Transit.

The Parking fund is an enterprise or a business-type fund that is expected to be self-funding. The primary solution is to review parking rates to ensure that the fund is generating sufficient revenue to cover both its operating and capital expenses. By implementing increases for hourly parking in the ramps, hourly parking meters and for parking violations, the parking fund's cash balance is anticipated to increase. This solution also provides for a much healthier and sustainable fund over time versus financing the necessary capital improvements through revenue bonds or other debt.

With this increase in the hourly parking in the ramps, the hourly fee increases from either \$0.75 or \$1.00 to \$2.00 an hour, the hourly fee for parking meters increases from \$0.75 to \$1.50, \$1.00 to \$1.50 or \$1.50 to \$3.00, depending on location, the fines for parking violations are increasing varying amounts per violation in fiscal year 2025.

The proposed fee increases are expected to generate enough revenue to support the increased costs in operations, funding for the capital improvement program and helps to ensure the Parking fund remains a self-funding enterprise. The expected increase in revenues is approximately \$3,000,000 a year. The hourly ramp increase is also expected to increase Transit fund revenues by \$160,000 for the Court Street Transportation Center ramp. The increase in parking fine violations is also expected to increase General fund revenues by \$150,000.