



CITY OF IOWA CITY COUNCIL ACTION REPORT

April 1, 2025

Resolution setting a public hearing for April 15, 2025 on an ordinance amending Title 3, entitled "Finance, Taxation and Fees," Chapter 4, entitled "Schedule of Fees, Rates, Charges, Bonds, Fines and Penalties" of the City Code to increase or change charges and fees.

Prepared By:	Nicole Davies, Finance Director
Reviewed By:	Geoff Fruin, City Manager
Fiscal Impact:	Water rate adjustments for FY2026 amounting to an increase of approximately \$320,000 per year in revenues for the Water fund. Solid Waste Disposal rate adjustments for FY2026 amounting to an increase of approximately \$140,000 per year in revenues for the Refuse fund. Tipping fee rate adjustments for FY2026 amount to an increase of approximately \$40,000 per year in revenues for the Landfill fund.
Staff Recommendation:	Approval
Commission Recommendations:	N/A
Attachments:	Notice of Public Hearing Utility Fee Draft Ordinance Resolution

Executive Summary:

The Finance Department requests the City Council set a public hearing for April 15, 2025 to consider amending Title 3, Chapter 4 of the City Code.

Title 3, Chapter 4 amendments include a 3% increase in water users charges, adding a yard waste fee sticker of \$2.00 per bag or bundle and adding a minimum yard waste tipping fee charged at the landfill of \$5.00.

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 2025, the Water fund has a projected ending fund balance of \$14,039,947. With the rate adjustments the projected ending fund balance for fiscal year 2026 would be \$12,080,447, a 14.0% decrease. This decrease is due to funding capital projects of \$4,150,000 in fiscal year 2026. The City's five-year capital improvement program projects water funding for capital projects over the next five years to total \$14,070,000. This

figure does not include the cost of repairing emergency water main breaks. Without a rate increase, the fund balance would realize an even larger decrease.

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 2026 the anticipated decline in the water fund's cash balance is 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 2026, 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 \$8.78 to \$9.04 in fiscal year 2026.

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.

Solid Waste Disposal Rate Adjustments

In the revised fiscal year 2025, the Refuse Collection fund had an ending unassigned fund balance of \$2,923,269. The estimated fund balance for fiscal year 2026 with the rate adjustments is \$3,205,369, which is an increase of 8.8%. The addition of a yard waste sticker is to help offset the operational costs for yard waste collection.

In the revised fiscal year 2025, the Landfill fund had an ending unassigned fund balance of \$3,976,366. The estimated ending fund balance for fiscal year 2026 with the rate adjustments is \$4,044,366, a slight 1.7% increase. The addition of this minimum yard waste tipping fee of \$5.00 is needed to help offset the operational costs of collecting yard waste.

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 2026, the fund balances remain in a stable and sustainable position. 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 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 \$140,000 and \$40,000 a year, respectively.