**Annual Rate Adjustment Ordinance**

*Unless the (board/council) of the (city/district) of specifically determines otherwise, on the first day of each fiscal year starting on (the first day of the next fiscal year), and until (a date, 3 to 5 years away), all minimum charges, unit charges and fees will be increased (X) percent over the then current rates and fees in order to account for anticipated inflation and to maintain adequate operating, equipment replacement, capital improvement, emergency and debt coverage reserves.*

This automatic rate adjustment statement will do several things:

1. It will put ratepayers on notice that the current rate increase is not a once and never again fix. Costs will go up and; therefore, rates must continue to go up, too.
2. It will relieve future boards or councils and staff from having to do detailed rate analyses for every rate increase for a few years if no big changes are affecting the system and rates just need to track with inflation.
3. It will make it much harder for future boards or councils to “back slide” on raising rates to keep up with inflation and the like because in order to keep the rates where they are now they will have to pass an ordinance of resolution to stop the scheduled future rate increases.
4. It will give ratepayers a lever to make sure the city or district is actually maintaining various reserves for the utility because that is the stated reason for the automatic increases. Again, this can help to prevent future boards or councils from “back sliding” if they are tempted to raid the reserves for other purposes.
5. The sunset language, *“and until (a date, 3 to 5 years away)”* assures ratepayers that they will not be forever subject to arbitrary inflationary increases. By the sunset date the council or board must actually reanalyze the system’s rate needs and readjust rate to make them adequate and fair again.