



City of Mesa
FY 2020/21
Utility Enterprise Fund Forecast
Audit, Finance & Enterprise Committee
August 27, 2020

Presented by:

Brian A. Ritschel – Management & Budget Assistant Director

Chris Olvey – Management & Budget Forecast Coordinator

The background features decorative curved lines in shades of green and blue, positioned in the top-left and bottom-right corners. The text is centered in a dark blue, sans-serif font.

What's included in
the forecast?



Sources (Revenue) Forecasting

- The City's forecasting approach to utility revenues includes statistical analysis and collaboration with Departments
- Statistical software is applied in house to analyze the correlation between economic trends and the City's utility sources
- Relevant economic indicators are considered, such as population growth, along with reviewing historical trends in account growth and consumption/usage
- Mesa specific factors are applied such as economic development activities, additional large customers, etc.
- Impact of pandemic on utilities

Uses (Expense) Forecasting

- Departments provide specific forecasts for large budget items where costs can fluctuate over time, including water commodity purchases, water and wastewater treatment plant chemicals, and solid waste tipping fees
- Debt service payments are included in the Utility Enterprise Fund forecast, where funds are transferred according to utility debt service schedules
- Other departmental operating expenses, such as, step pay increases, salary benchmark study, and General Fund contribution.



Financial Principles

- Balanced net sources and uses
- 20% or higher reserve fund balance
- Rate adjustments that are predictable and smoothed throughout the forecast
- Equity between residential and non-residential rates
- Affordable utility services

Rate Adjustment History

FY 19/20 Forecasted

	FY 17/18	FY 18/19	FY 19/20
WATER Residential	3.50%	2.00%	3.85%
WATER Non-Residential	3.50%	2.00%	3.85%
WASTEWATER Residential	4.00%	2.50%	4.35%
WASTEWATER Non-Residential	4.00%	2.50%	4.35%
SOLID WASTE Residential	3.50%	2.00%	3.85%
SOLID WASTE Commercial	2.50%	2.00%	2.00%
SOLID WASTE Rolloff	0.00%	0.00%	2.00%
ELECTRIC Residential -svc charge only	\$1.25	\$1.00	\$2.25
ELECTRIC Non-Residential	\$0.00	\$0.00	\$0.00
GAS Residential - svc charge only	\$0.75	\$0.45	\$0.75
GAS Non-Residential - svc charge only	\$0.75	\$0.45	\$0.75

FY 19/20 Adopted

	FY 17/18	FY 18/19	FY 19/20*
WATER Residential	3.50%	2.00%	0.00%
WATER Non-Residential (usage only)	3.50%	2.00%	6.00%
WASTEWATER Residential	4.00%	2.50%	0.00%
WASTEWATER Non-Residential	4.00%	2.50%	4.35%
SOLID WASTE Residential	3.50%	2.00%	0.00%
SOLID WASTE Commercial	2.50%	2.00%	3.80%
SOLID WASTE Rolloff	0.00%	0.00%	2.40%
ELECTRIC Residential - svc charge only	\$1.25	\$1.00	\$0.25
ELECTRIC Non-Residential - svc charge only	\$0.00	\$0.00	\$2.50
GAS Residential - svc charge only	\$0.75	\$0.45	\$0.75
GAS Non-Residential - svc charge only	\$0.75	\$0.45	\$2.00

*FY 19/20 Effective date shifted from July to March/April

The background features decorative curved lines in shades of green and blue, positioned in the top-left and bottom-right corners. The text "Revenue Scenarios" is centered in a dark blue, sans-serif font.

Revenue Scenarios

Utility Enterprise Fund Forecast: No Rate Adjustments

For Planning Purposes Only

As of 08/16/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	(\$170,094)	(\$4,984,116)	(\$7,460,577)	(\$6,779,287)	(\$13,052,033)	(\$15,116,050)
WASTEWATER	(\$13,491,202)	(\$12,754,447)	(\$13,146,817)	(\$15,845,832)	(\$16,714,813)	(\$17,843,866)
SOLID WASTE	\$3,725,506	\$963,766	\$1,394,272	(\$393,794)	\$875,847	\$1,013,800
ELECTRIC	\$1,386,515	\$152,000	(\$454,956)	(\$1,400,619)	(\$1,419,666)	(\$2,023,613)
NATURAL GAS	\$1,958,550	(\$1,057,181)	(\$2,253,111)	(\$3,333,798)	(\$3,238,758)	(\$3,729,172)
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
TOTAL NET SOURCES AND USES	(\$6,842,292)	(\$17,790,137)	(\$22,077,297)	(\$27,903,799)	(\$33,788,113)	(\$38,089,827)
Beginning Reserve Balance	\$135,470,845	\$128,628,553	\$110,838,417	\$88,761,120	\$60,857,321	\$27,069,207
Ending Reserve Balance	\$128,628,553	\$110,838,417	\$88,761,120	\$60,857,321	\$27,069,207	(\$11,020,619)
Ending Reserve Balance Percent*	31.6%	26.7%	20.9%	14.0%	6.1%	-2.4%
<small>*As a % of Next Fiscal Year's Expenditures</small>						
WATER Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WATER Non-Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WASTEWATER Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
WASTEWATER Non-Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SOLID WASTE Residential	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
SOLID WASTE Commercial	4.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
ELECTRIC Non-Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GAS Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
GAS Non-Residential - svc charge only	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Utility Enterprise Fund Forecast: FY 25/26 Balanced Net Sources & Uses

For Planning Purposes Only

As of 08/17/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	\$596,627	(\$1,048,693)	(\$205,484)	\$3,935,297	\$1,237,726	\$2,764,980
WASTEWATER	(\$12,984,174)	(\$10,092,584)	(\$8,207,513)	(\$8,515,511)	(\$6,908,221)	(\$5,422,729)
SOLID WASTE	\$4,028,650	\$1,904,900	\$3,175,091	\$2,272,961	\$4,473,500	\$5,591,629
ELECTRIC	\$1,526,727	\$574,495	\$310,320	(\$288,041)	\$44,675	(\$203,048)
NATURAL GAS	\$2,310,474	\$4,995	(\$311,780)	(\$476,115)	\$536,357	\$979,911
DISTRICT COOLING	(\$251,566)	(\$110,159)	(\$156,107)	(\$150,469)	(\$238,691)	(\$390,925)
TOTAL NET SOURCES AND USES	(\$4,773,261)	(\$8,767,045)	(\$5,395,474)	(\$3,221,879)	(\$854,653)	\$3,319,819
Beginning Reserve Balance	\$135,470,845	\$130,697,584	\$121,930,539	\$116,535,065	\$113,313,186	\$112,458,533
Ending Reserve Balance	\$130,697,584	\$121,930,539	\$116,535,065	\$113,313,186	\$112,458,533	\$115,778,352
Ending Reserve Balance Percent*	31.7%	28.7%	26.5%	25.1%	24.1%	24.1%
<small>*As a % of Next Fiscal Year's Expenditures</small>						
WATER Residential	2.50%	2.50%	2.50%	2.50%	2.50%	1.50%
WATER Non-Residential (usage only)	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%
WASTEWATER Residential	4.00%	4.00%	4.00%	4.00%	4.00%	3.50%
WASTEWATER Non-Residential	4.00%	4.00%	4.00%	4.00%	4.00%	3.50%
SOLID WASTE Residential	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	4.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge only	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge only	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
GAS Residential - svc charge only	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50	\$1.50
GAS Non-Residential - svc charge only	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50

The image features a white background with decorative curved lines in shades of green and blue. One large, multi-layered curve starts from the left edge and curves upwards towards the top right. Another similar curve is located in the bottom right corner, also curving upwards. The text "Next Steps" is centered in the middle of the page.

Next Steps



Next Steps

- Finalize FY 20/21 rate recommendations with the utility departments
- Present to the AF&E Committee the rate recommendations for FY 20/21 and a forecast that balances the financial principles.



Schedule for FY 2020/21 Utility Rates Adjustment Recommendation

- Sept 3** – AF&E Committee Discussion of Utility Rates
- Sept 21** – City Council Action on Notice of Intent
- Oct 1** – City Council Discussion of Utility Rates
- Nov 16** – Introduce Utility Rate Resolutions & Ordinances
- Dec 1** – City Council Action on Utility Rates
- Jan 1** – Effective date for Utility Rate changes

