

City of Mesa

FY 14/15

Utility Rate Recommendations

City Council

April 17, 2014

Presented by the Office of Management and Budget



Enterprise Operations Financial Summaries

- Each utility is operated as a separate business center
- Combined Ending Reserve Balance will adhere to the adopted financial policy of at least 8-10% over the forecast period
- Reserve balance can be used to smooth the rate adjustments year-to-year

Enterprise Operations Financial Summaries

- Capital investment is needed to strategically position the City for future economic development and residential growth
 - Water and Wastewater infrastructure
- The cost of fuel and parts for the City's fleet of vehicles previously covered by other Departmental savings.
 - Solid Waste transition to Compressed Natural Gas (CNG)

Enterprise Operations Financial Summaries

- Employee Benefit Trust—no premium holiday scheduled
- Workers' Compensation—higher City contribution due to increase in claims
- Total Transfer amount from Enterprise fund is recommended to increase based on inflationary pressures

Water Utility Rate Recommendations

Water Projects (Completed 2009-14)

- Upgrade of three pump stations in City Zone
- Sixteen well upgrades (re-equipping and/or re-drill)
- Quarter section waterline replacements
- Waterline replacement projects joint with Transportation
- Brown Rd Water Treatment Plant (BRWTP) belt filter press
- Utility replacements on Main St with Light Rail project
- Reservoir aeration projects for water quality
- Generator installations for upper zone reliability
- Other pump station rehabilitation projects

Water Utility Rate Recommendations

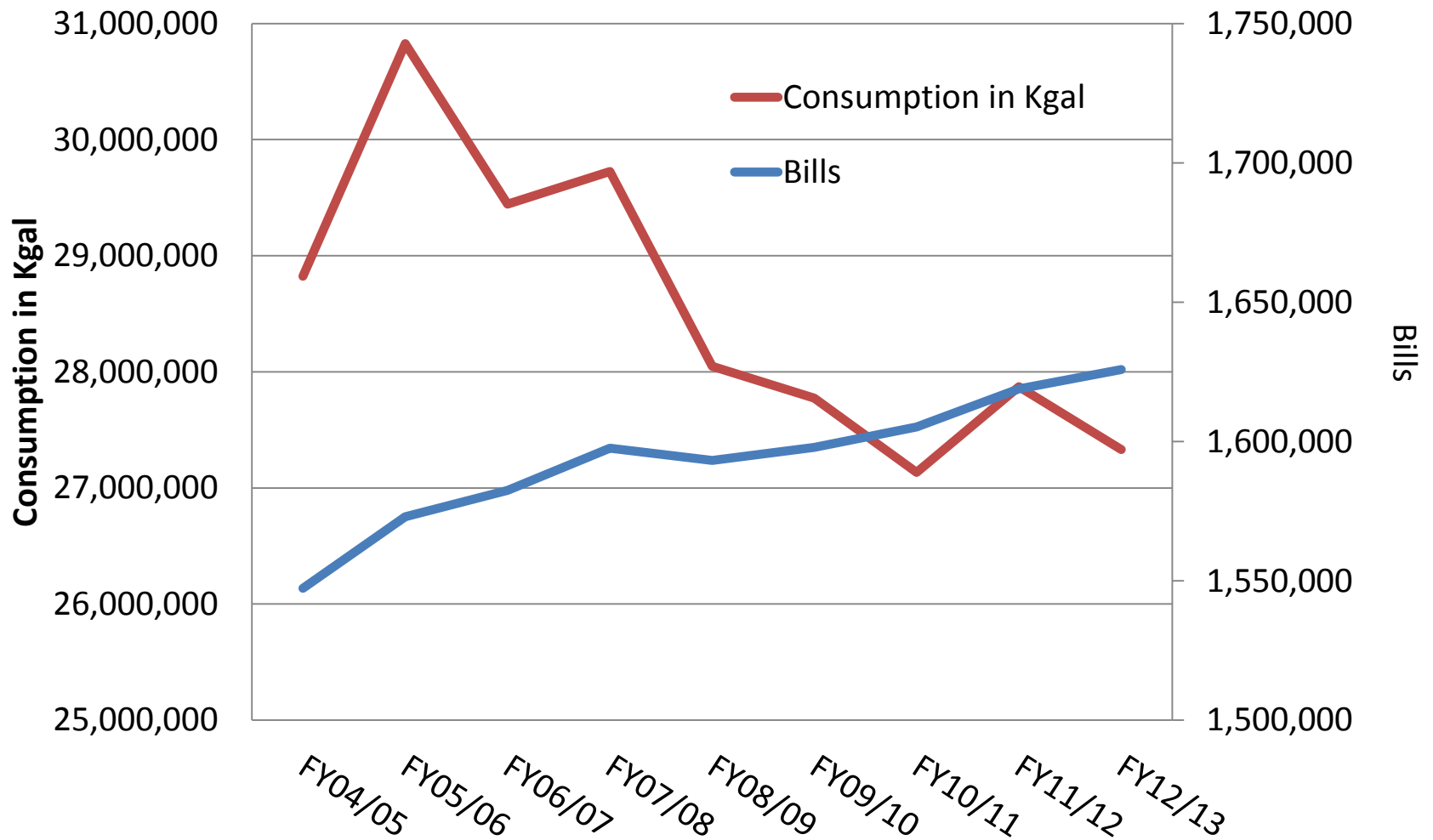
Water CIP

- Life-Cycle Replacements/Reliability
 - Brown Road Water Treatment Plant, Pump Stations, Wells
 - Pipes
- Growth/Economic Development-Residential/Manufacturing
 - Signal Butte WTP: 24 mgd
 - Wells
 - Pipes: Identified to support growth
- Contractual Obligations
 - Water Rights, Val Vista Water Treatment Plant and Transmission Main

Water Utility Rate Recommendations

- Annual Debt Service costs are expected to increase by \$12.1M by FY18/19
 - Includes presented projects
- Signal Butte operating costs scheduled to begin in FY17/18
- Service Charge revenue based on number of bills is more stable than Usage Charge revenue based on consumption

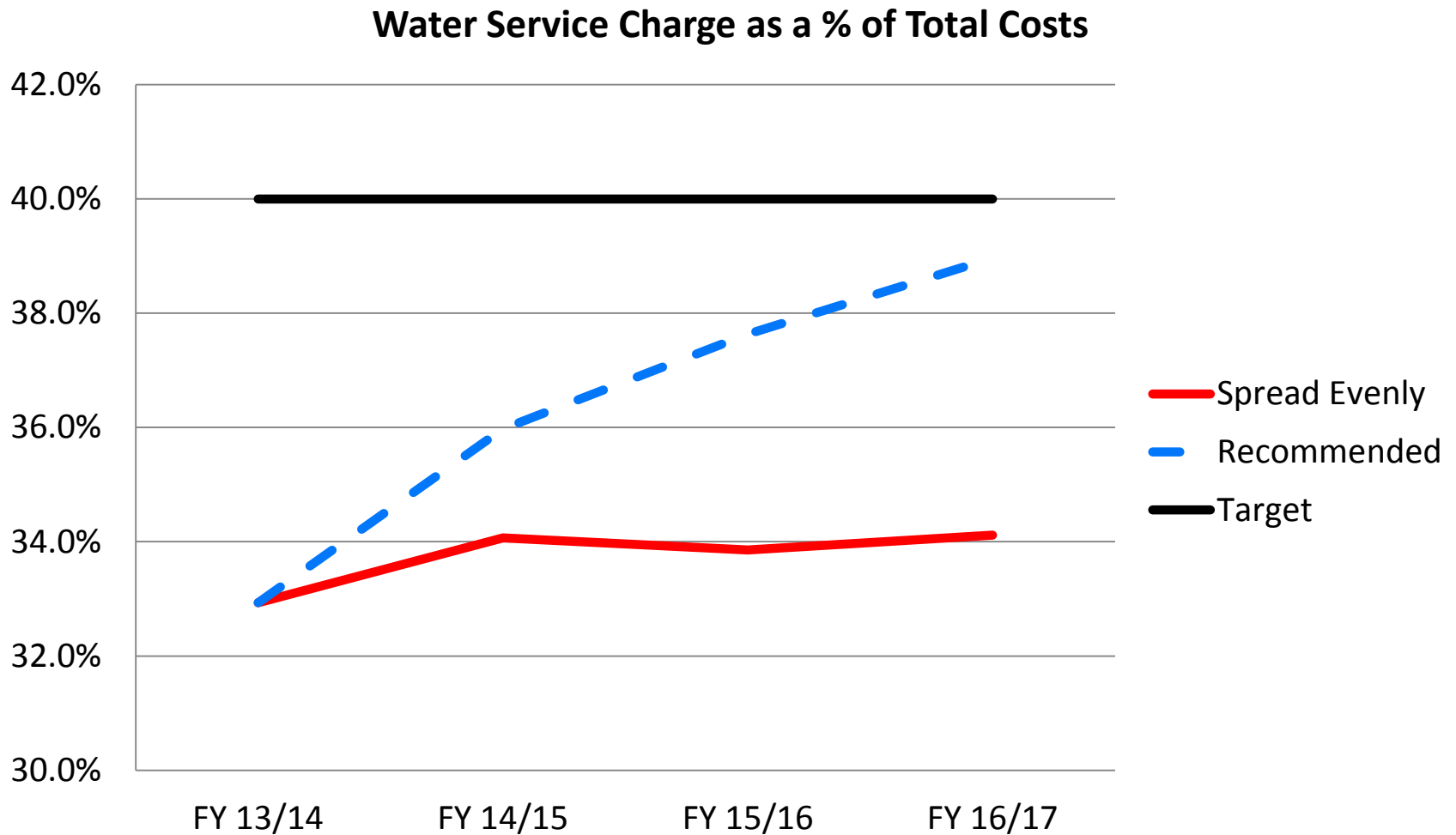
Water Utility Rate Recommendations



Water Utility Rate Recommendations

- Service Charge revenue targeted at 40% of expenditures
- Currently at 33% and spreading the recommended increase evenly would remain near that level into the future
- Increasing the Service Charge will move revenues closer to the 40% target

Water Utility Rate Recommendations



Water Utility Rate Recommendations

- Service Charge increase of \$3.00 per month, 3.5% increase on all other rate components
- Average Water Utility customer increases from \$39.69 to \$43.32
- Large Turf Facility Untreated Water Service
 - Anticipated \$125K in FY14/15, \$250K annually thereafter

Wastewater Utility Rate Recommendations

Wastewater Projects (Completed 2009-14)

- Southern Avenue Interceptor rehabilitation
- NWWRP headworks and clarifier rehabilitation
- Citywide sewer manhole rehabilitation
- Citywide sewer rehabilitation
- Southeast WRP disinfection improvements
- Rehabilitation of sewer crossing under US60
- Rehabilitation of existing lift stations and odor control stations

Wastewater Utility Rate Recommendations

Wastewater CIP

- Life-Cycle Replacements/Rehabilitation:
 - Northwest Water Reclamation Plant (NWWRP)
 - Southeast Water Reclamation Plant (SWWRP)
 - Greenfield Water Reclamation Plant (GWRP)
 - Sewer lines, Lift Stations, Odor Control Stations and Manholes
- Growth/Economic Development – Residential & Manufacturing
 - GWRP Expansion: 10 mgd
 - Conveyance lines to support growth
- Contractual Obligations
 - Sub-Regional Operating Group (SROG), 91st Ave. Wastewater Treatment Plant
 - Salt River Outfall and Southern Avenue Interceptor

Wastewater Utility Rate Recommendations

- Annual Debt Service costs expected to increase by \$14.8M by FY18/19
 - Includes presented projects
- Greenfield Expansion operating costs scheduled to begin in FY17/18
- Service Charge increase of \$2.00 per month, 4.0% increase on all other rate components
- Average Waste Water Utility customer increases from \$25.53 to \$27.96

Electric Utility Rate Recommendations

- Commodity costs are passed through directly to the customers
- Equipment and technology to support system optimization and planned maintenance
- Proposed service charge increase remains \$10.50 per month less than SRP's comparable rate component (Monthly Service Charge of \$17.00)

Electric Utility Rate Recommendations

- System Service Charge component for residential is recommended to increase by \$0.79 per month
- System Service Charge for residential customers adjusted from \$5.71 per month to \$6.50 per month
- Average residential customer increases from \$45.19 to \$45.98 not including pass through electric commodity costs
- First proposed increase since FY03/04

Natural Gas Utility Rate Recommendations

- Commodity costs are passed through directly to the customers
- Annual Debt Service costs expected to increase by more than an additional \$3.0M by FY18/19

Natural Gas Utility Rate Recommendations

- System Service Charge component for all gas customers is recommended to increase by \$1.14 per month
- The average System Service Charge for residential customers adjusted from \$11.14 per month to \$12.28 per month
- Average residential customer increases from \$25.18 to \$26.32 not including pass through natural commodity costs

Solid Waste Utility Rate Recommendations

- Vehicle usage and landfill costs are increasing in FY14/15
- CNG conversion underway to reduce future fuel costs
- New landfill and recycling contracts have been negotiated
- Software system to increase productivity and enhance quality service

Solid Waste Utility Rate Recommendations

- Residential 90 gallon barrel rate is recommended to increase from \$23.81 to \$25.45
- Mesa Green and Clean Fee to be adjusted from \$0.56 to \$0.65
- Average residential customer increases by \$1.73 from \$24.37 to \$26.10
- Commercial Front Load rates to be increased by an average of 5.9% and Roll-off by an average of 2.9%

Recommended Utility Rate Adjustments

	FY14/15	FY15/16	FY16/17
ELECTRIC	2.0%	2.0%	2.0%
GAS	3.0%	3.0%	3.0%
WATER	7.0%	7.0%	7.0%
WASTEWATER	7.0%	7.0%	7.0%
SOLID WASTE	6.9%	6.9%	6.9%

Average Residential Monthly Customer Impact

	Current FY 13/14	Proposed FY 14/15	Change
Water	\$39.69	\$43.32	\$3.63
Wastewater	\$25.53	\$27.96	\$2.43
Solid Waste	\$24.37	\$26.10	\$1.73
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Avg Homeowner	\$89.59	\$97.38	\$7.79
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Electric	\$45.19	\$45.98	\$0.79
Gas	\$25.18	\$26.32	\$1.14

Enterprise Fund Reserves

	Estimate 12/13	Estimate 13/14	Forecast 14/15	Forecast 15/16	Forecast 16/17
Beginning Reserve Balance	\$68,086,000	\$ 60,407,902	\$46,042,908	\$32,254,325	\$28,186,504
Total Sources	\$315,575,306	\$333,322,847	\$328,387,307	\$350,750,171	\$373,522,364
Total Uses	\$323,253,404	\$347,687,841	\$342,175,890	\$354,817,992	\$375,934,906
Ending Reserve Balance	\$60,407,902	\$46,042,908	\$32,254,325	\$28,186,504	\$ 25,773,963
Ending Reserve Balance Percent*	26.5%	19.2%	12.9%	10.6%	9.0%

*As a % of Next Fiscal Year's Operating, Capital and General Fund portion of Debt Service Expenditures (a subset of total uses)

Does not include the Falcon Field Enterprise

Schedule for FY 14/15 Utility Rate Consideration

May 5 – Introduce Utility Rate Ordinances

May 19 – City Council Action on Utility Rates

July 1 – Effective date for Utility Rate changes

