



# City Council Report

**Date:** January 26, 2026  
**To:** City Council  
**Through:** Marc Heirshberg, Assistant City Manager  
**From:** Christopher Hassert, Water Resources Director  
**Subject:** Amendments to the Terms and Conditions for the Sale of Utilities

## Purpose and Recommendation

Staff recommends that the City Council amend the Terms & Conditions for the Sale of Utilities. The first amendment is to affirm in the Terms & Conditions that the City may recover costs related to disconnection or collection services. The second amendment is to clarify that any contracted cost recovery that the City has with another water utility provider is not considered “gross revenues”, and therefore not subject to the City’s General Fund transfer provision in Mesa City Code 3-3-4(D).

## Background and Discussion

There are approximately 2,000 customers in east Mesa that receive water service from a private water company but receive sewer service from the City of Mesa. The City of Mesa intends to enter into a disconnection agreement with the private water company that would allow the private water company to shut off the water for non-payment of the City of Mesa sewer charges. Once the sewer charges are collected, the City of Mesa will request that the private water company restore water service. The change in the Terms & Conditions will allow the City of Mesa to recover the cost of the disconnection services that are being provided by the private water company.

City of Mesa Ordinance No. 5559, passed and adopted on March 16, 2020, states that up to 30% of the gross revenues from the City’s provision of utility services shall be transferred to the General Fund (Mesa City Code 3-3-4(D)(3)). The City has contracts with neighboring water and wastewater service providers that provide pass-through services. The City of Mesa has excess water and wastewater treatment capacity that is contracted to neighboring water and wastewater providers to treat and transport their water or wastewater. These contracts are mutually beneficial, allowing the City of Mesa to fully utilize the existing treatment facilities to achieve an economy of scale and allows the neighboring service providers with bulk treatment. These contracts were set up to achieve cost recovery for water/wastewater treatment with the contracted water service providers.

### **Alternatives**

Modify or not approve the proposed amendments. Not approving the amendments would not allow the City to recover disconnection or collection related costs. Not approving the amendments would also subject contracted rate revenues with water utility providers to the General Fund transfer, which would require rate increases to achieve cost recovery.

### **Fiscal Impact**

The first proposed amendment to the Terms and Conditions (Section 15) will allow the City of Mesa to recover the costs it pays the private water company to disconnect the customer's water service. The City of Mesa will pass these costs to the sewer service customer and the net impact to the City will be \$0. If the amendments are not adopted the fiscal impact is -\$25,000.

The second proposed amendment to the Terms & Conditions (Section 27) will not consider payments received from water and wastewater utility providers to be gross revenues, resulting in an approximate \$900,000 reduction in the Utility Fund transfer to the General Fund.

### **Coordinated With**

The City Attorney's Office and the Office of Management & Budget.