

AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

September 5, 2024

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on September 5, 2024, at 10:59 a.m.

COMMITTEE PRESENT	COMMITTEE ABSENT	STAFF PRESENT
Jennifer Duff, Chairperson* Mark Freeman Francisco Heredia	None	Jothi Beljan Mike Kennington Holly Moseley

(*Participated in the meeting through the use of video conference equipment.)

Committeemember Freeman conducted a roll call.

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation, discuss, and provide direction on the Utility Fund forecast and recommended rate and fee adjustments.

Office of Management & Budget (OMB) Director Brian Ritschel introduced Office of Management & Budget Deputy Director Chris Olvey, Budget Coordinator Jonathan Perkins, and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Ritschel presented the Utility Fund Forecast which represents the end-of-year estimate for Fiscal Year (FY) 23/24, adding the grayed area are the adjustments adopted by Council last November. He commented the FY 24/25 budget column shows the estimated rate adjustments; however, upon review of financials and year-end estimates, the recommended rate adjustments were increased. He said with the recommended adjustments and estimated revenues and expenditures, the ending fund balance reserve will be 17.9%. (See Page 66 of Attachment 1)

Mr. Ritschel summarized the five-year forecast with the recommended rate adjustments. He mentioned the net sources and uses are negative until FY 29/30. He reported the reserve balance will be drawn down through FY 27/28 and 28/29 when many project expenses and debt service come due, and beginning in FY 29/30 the fund balance will start to rise. (See Page 67 of Attachment 1)

In response to a question posed by Committeemember Heredia, Mr. Ritschel confirmed the recommendation is to increase from the FY 24/25 budget to the projected. He highlighted the increases, reminding the Committee that the City of Mesa is in a competitive market with the private sector, especially for Solid Waste commercial and rolloff, and the purpose is to recover the costs of doing business.

Deputy City Manager/Chief Financial Officer Mike Kennington emphasized that OMB and Utility staff are sensitive to rate increases and drawing down the fund balance is minimizing the increases.

Responding to multiple questions from Chairperson Duff, Mr. Ritschel stated grants are not included in the forecast until there is an acceptance letter. He commented that grants that will be approved at the next Council meeting will be added to the budget process beginning December for the next FY and will not affect the present rate adjustment. He verified that growth refers to the addition of new infrastructure such as meters, electric, or pipes.

In response to a question from Committeemember Heredia, Mr. Ritschel said the FY 23/24 numbers are considered projected while OMB is working on year-end close, and once the books are finalized the numbers will change to actuals. He confirmed that the ending reserve balance could fluctuate depending on the revenue and expenses.

Committeemember Freeman thanked staff for the presentation.

It was moved by Committeemember Heredia, seconded by Chairperson Duff, that staff's recommendations regarding the Utility Fund forecast and recommended rate and fee adjustments be forwarded on to the full Council for further discussion and consideration.

Upon tabulation of votes, it showed:

AYES – Duff–Freeman–Heredia

NAYS – None

Carried unanimously.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 11:15 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 5th day of September 2024. I further certify that the meeting was duly called and held and that a quorum was present.

HOLLY MOSELEY, CITY CLERK

City of Mesa

FY 2024/25

Utility Fund Forecast & Rates

Recommendation

Audit, Finance & Enterprise Committee
September 5, 2024

Presented by:

Brian A. Ritschel – Management & Budget Director

Christopher Hassert – Water Resources Director

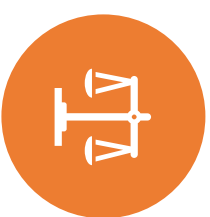
Scott Bouchie – Energy Resources Director

Sheri Collins – Solid Waste Director

Utility Operations

- Each utility is operated as a separate business center but treated as one fund
- Reserve balance provides a safety net for unforeseen conditions
- Reserve balance can be used to smooth rate adjustments year to year

Financial Principles



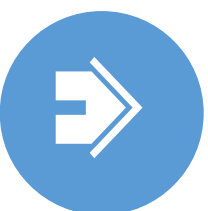
BALANCE NET
SOURCES AND
USES



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

Utility Fund Forecast

Utility Fund Forecast: FY 24/25 Adopted Budget

As of 5/13/2024	FY 22/23 Actuals	FY 23/24 Projected	FY 24/25 Budget	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast
WATER	\$664,297	(\$2,031,906)	(\$1,110,998)	(\$4,235,954)	(\$5,341,202)	(\$4,604,501)	(\$4,038,374)
WASTEWATER	(\$4,836,241)	(\$14,547,656)	(\$10,795,466)	(\$6,526,562)	(\$2,908,668)	\$2,284,669	\$1,232,638
SOLID WASTE	(\$628,592)	(\$5,607,363)	(\$8,455,942)	(\$4,383,083)	(\$3,079,692)	(\$5,057,071)	(\$2,239,761)
ELECTRIC	\$1,271,958	(\$727,886)	(\$1,146,977)	(\$367,901)	(\$121,376)	(\$279,617)	(\$981,062)
NATURAL GAS	\$3,351,380	(\$6,488,067)	(\$5,548,916)	(\$3,999,018)	(\$3,131,134)	(\$2,906,907)	\$533,632
DISTRICT COOLING	\$19,154	(\$251,692)	(\$154,613)	(\$77,190)	(\$49,999)	(\$57,903)	(\$51,153)
TOTAL NET SOURCES AND USES	(\$158,043)	(\$29,654,570)	(\$27,212,912)	(\$19,589,708)	(\$14,632,071)	(\$10,621,329)	(\$5,544,081)
Beginning Reserve Balance	\$144,571,686	\$144,413,643	\$114,759,072	\$87,546,160	\$67,956,452	\$53,324,381	\$42,703,052
Ending Reserve Balance	\$144,413,643	\$114,759,072	\$87,546,160	\$67,956,452	\$53,324,381	\$42,703,052	\$37,158,971
Ending Reserve Balance Percent*	29.2%	21.7%	16.0%	11.5%	9.1%	7.1%	6.0%

*As a % of Next Fiscal Year's Expenditures

Utility Fund Forecast: FY 24/25 Recommended Rate Adjustments

As of 8/22/2024	FY 23/24 Projected	FY 24/25 Budget	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
WATER	(\$137,327)	(\$2,297,373)	(\$9,745,447)	(\$12,649,920)	(\$12,282,263)	(\$9,938,493)	(\$2,007,840)
WASTEWATER	(\$11,719,217)	(\$11,256,668)	(\$8,456,620)	(\$5,358,502)	(\$1,423,833)	\$3,249,395	\$12,189,109
SOLID WASTE	(\$5,223,675)	(\$5,389,701)	(\$1,273,786)	\$1,673,155	\$1,505,566	\$6,300,262	\$9,474,694
ELECTRIC	\$289,913	(\$907,913)	(\$1,012,864)	(\$729,993)	(\$817,186)	(\$1,225,376)	(\$1,993,115)
NATURAL GAS	(\$4,888,484)	(\$1,935,219)	(\$2,334,058)	(\$2,323,860)	(\$1,962,375)	\$1,496,589	\$865,154
DISTRICT COOLING	(\$364,841)	(\$154,613)	(\$77,190)	(\$49,999)	(\$57,903)	(\$51,153)	(\$52,668)
TOTAL NET SOURCES AND USES	(\$22,043,631)	(\$21,941,486)	(\$22,899,965)	(\$19,439,119)	(\$15,037,993)	(\$168,777)	\$18,475,335
Beginning Reserve Balance	\$144,413,643	\$122,370,012	\$100,428,526	\$77,528,561	\$58,089,442	\$43,051,449	\$42,882,672
Ending Reserve Balance	\$122,370,012	\$100,428,526	\$77,528,561	\$58,089,442	\$43,051,449	\$42,882,672	\$61,358,007
Ending Reserve Balance Percent*	23.2%	17.9%	12.3%	9.2%	6.5%	6.2%	8.6%

*As a % of Next Fiscal Year's Expenditures

- Balanced Net S&U
- 20% Fund Balance
- Smoothed Adjustments
- Equity Res. & Non-Res.
- Affordable Services

Water Resources Department

Presented by:

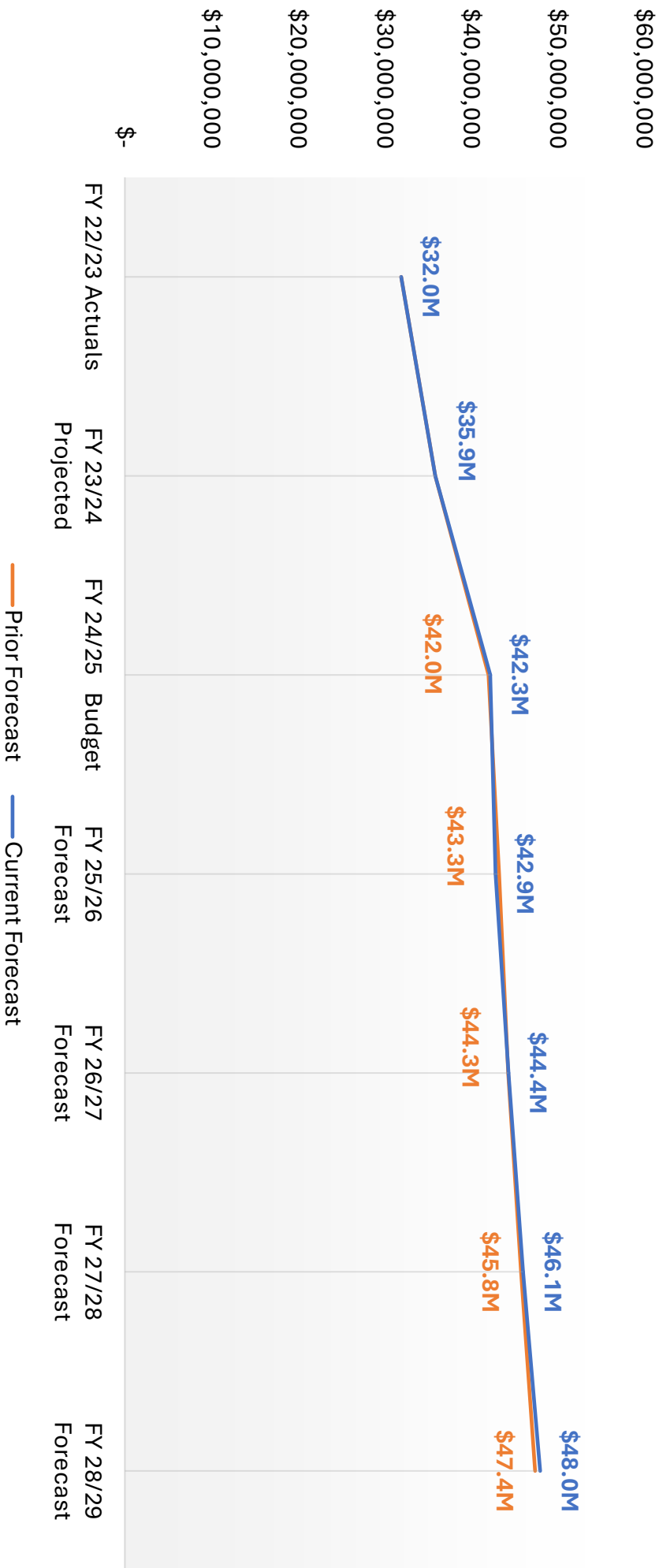
Christopher Hassert – Water Resources Director

Seth Weld – Water Resources Deputy Director

Erik Hansen – Management Assistant II

Wastewater

Increasing Operating Costs on the Wastewater Utility



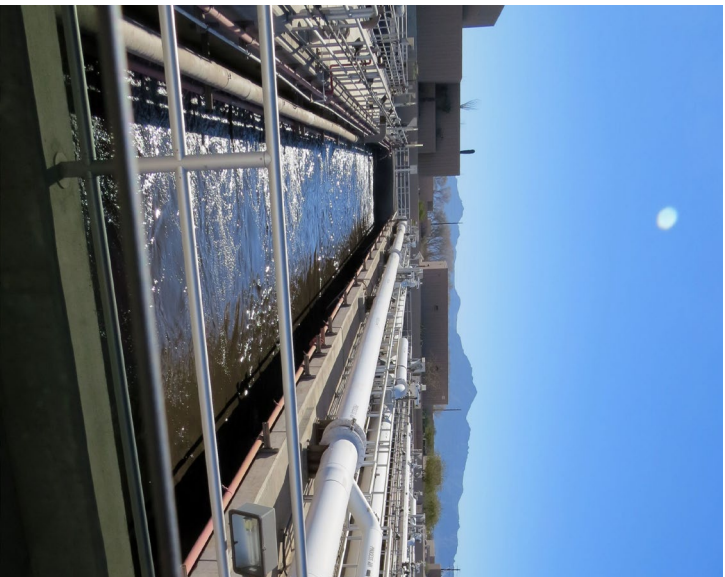
Increasing Project Costs on the Wastewater Utility

Over the next five (5) years:

<p>Regional Commitments</p> <ul style="list-style-type: none"> • \$78M 91st Ave WWTP • \$5M Joint w/ Tempe Sewer Lines 	<p>Lifecycle Replacement</p> <ul style="list-style-type: none"> • \$82M Sewer Collection System • \$28M NWWRP • \$26M GWRP (Mesa Share) • \$16M SEWRP
<p>Growth</p> <ul style="list-style-type: none"> • \$45M New Large Diameter Sewer Lines • \$8M Pumps at TS1 & TS2 • \$7M Lift Station & Force Main • \$2M GWRP Phase IV Expansion & Misc 	<p>Joint with Transportation</p> <ul style="list-style-type: none"> • Val Vista: Southern to University • Broadway Road Phase I: Lesueur to Spur

Increasing Costs on the Wastewater Utility

Regional Commitments



91st Ave WWTP

Lifecycle Replacement



Northwest WWTP

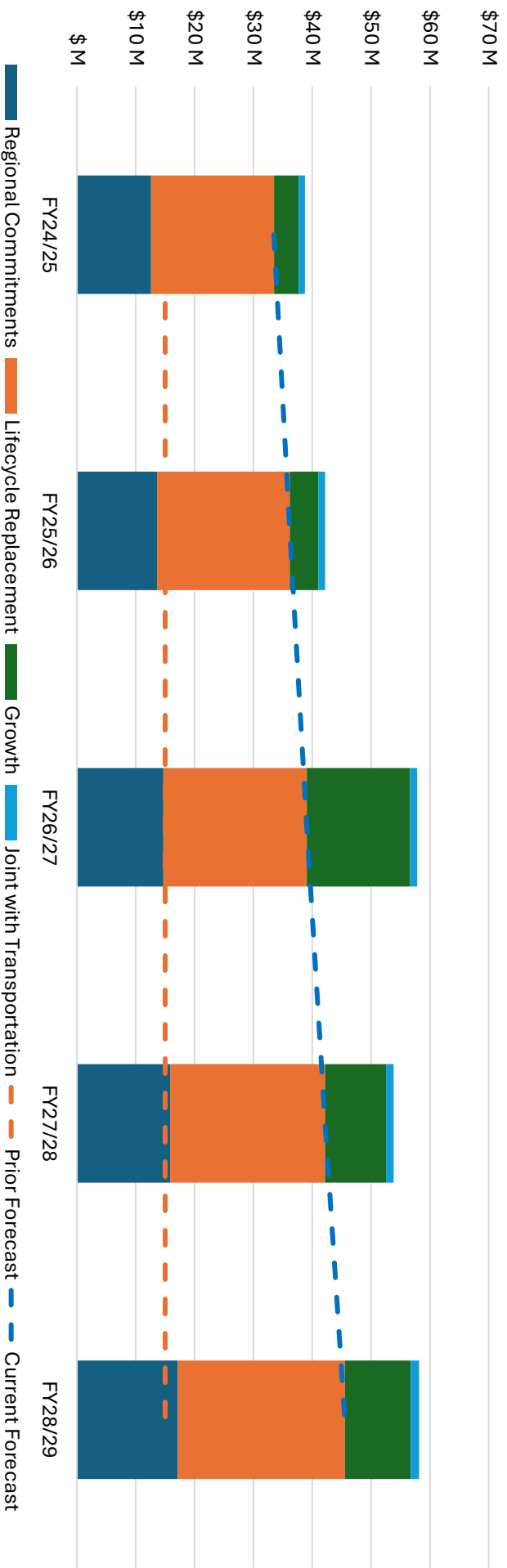
Growth



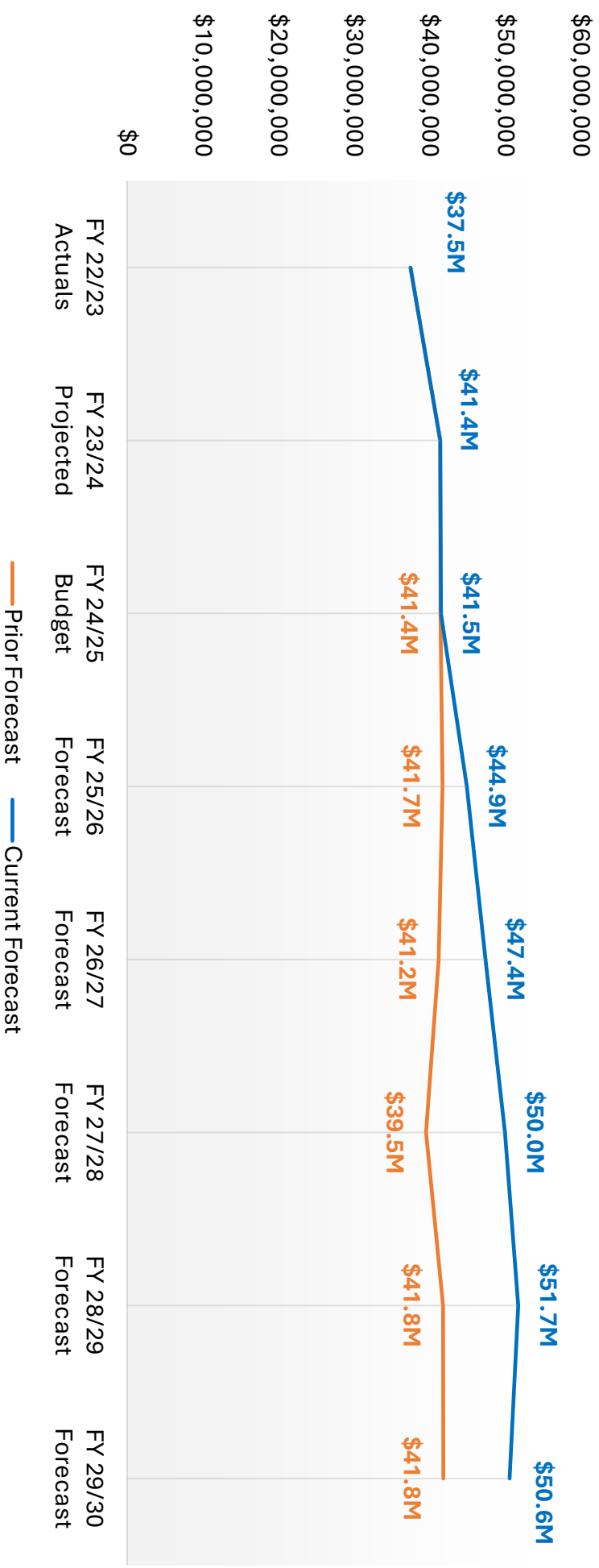
New Sewer Mains

Increasing Project Costs on the Wastewater Utility

- Prior forecast used a base amount of \$15M per year for the Department, determined pre-inflation
- Current forecast uses a base amount of \$33M for FY 24/25 for the Department and includes inflation



Increasing Costs on the Wastewater Utility – Debt Service

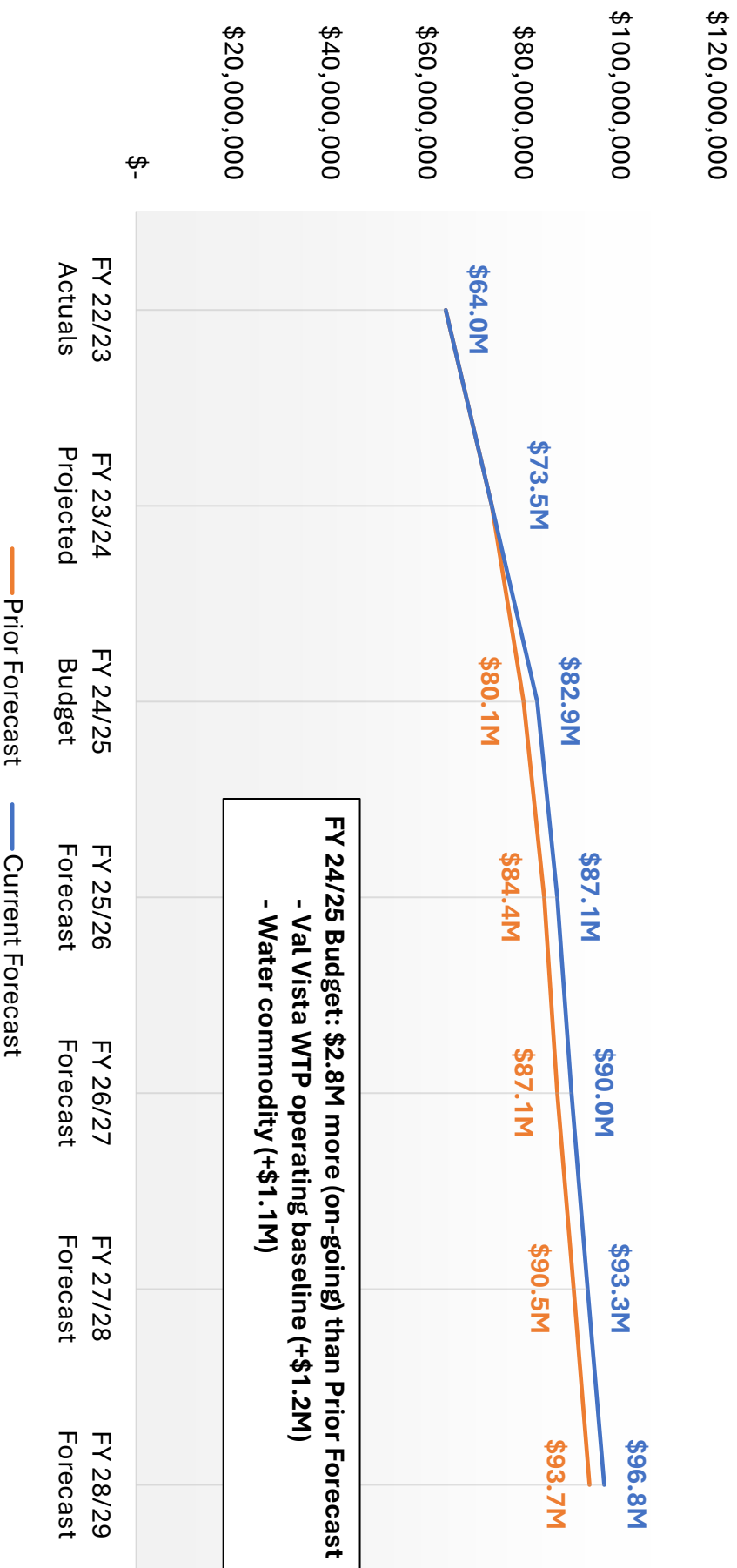


Proposed Rate Adjustments – Typical Customer

	2024		2025 - Prior Forecast		2025 - Current Forecast	
Residential	\$26.11/mo		Service Charge	4.75%	Service Charge	7.50%
			Usage Charge	4.75%	Usage Charge	7.50%
			\$27.35/mo (\$1.24/mo)		\$28.07/mo (\$1.96/mo)	
Commercial	\$52.38/mo		Service Charge	5.00%	Service Charge	8.50%
			Usage Charge	5.00%	Usage Charge	8.50%
			\$55.00/mo (\$2.62/mo)		\$56.83/mo (\$4.45/mo)	

Water

Increasing Operating Costs on the Water Utility



Increasing Costs on the Water Utility – Central Mesa Reuse Pipeline (CMRP)



- 10.5 miles of 36” Pipeline
Designed to deliver 12 MGD
average flow with a peak flow
rate of 18 MGD from NWWRP
to GRIC turnout
- New pipe initial deliveries to
the Gila River Indian
Community will be about
9,000 AF/year

Increasing Costs on the Water Utility – Signal Butte Expansion

- Current Max Day demand is 30 MGD
- The plant is currently rated for 24 MGD and there is 10 MGD of firm well water connected to SBWTPP for a total of 34 MGD



Increasing Costs on the Water Utility – AMI



- Phase II started Sept 2023
- 24,000 Water Meters Installed through Aug 2024
- Expected Completion end of 2026

Increasing Project Costs on the Water Utility – Big 3 Projects

Current forecast includes additional \$125M for Big 3 Projects based on latest cost estimates and contract costs:

- Central Mesa Reuse Pipeline: +\$55M
- Signal Butte WTP Expansion: +\$55M
- AML: +\$15M

Cost increases driven by:

- Commodity costs (steel, concrete)
- Electrical gear
- Lack of qualified bidders for many trades

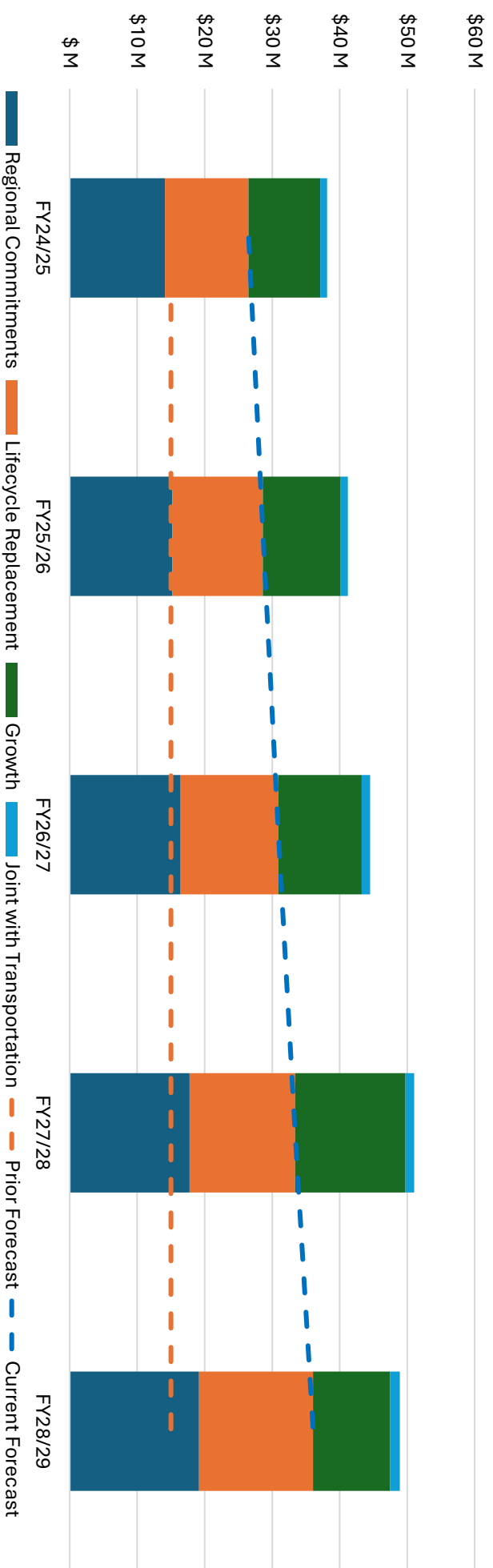
Increasing Project Costs on the Water Utility

Over the next five (5) years:

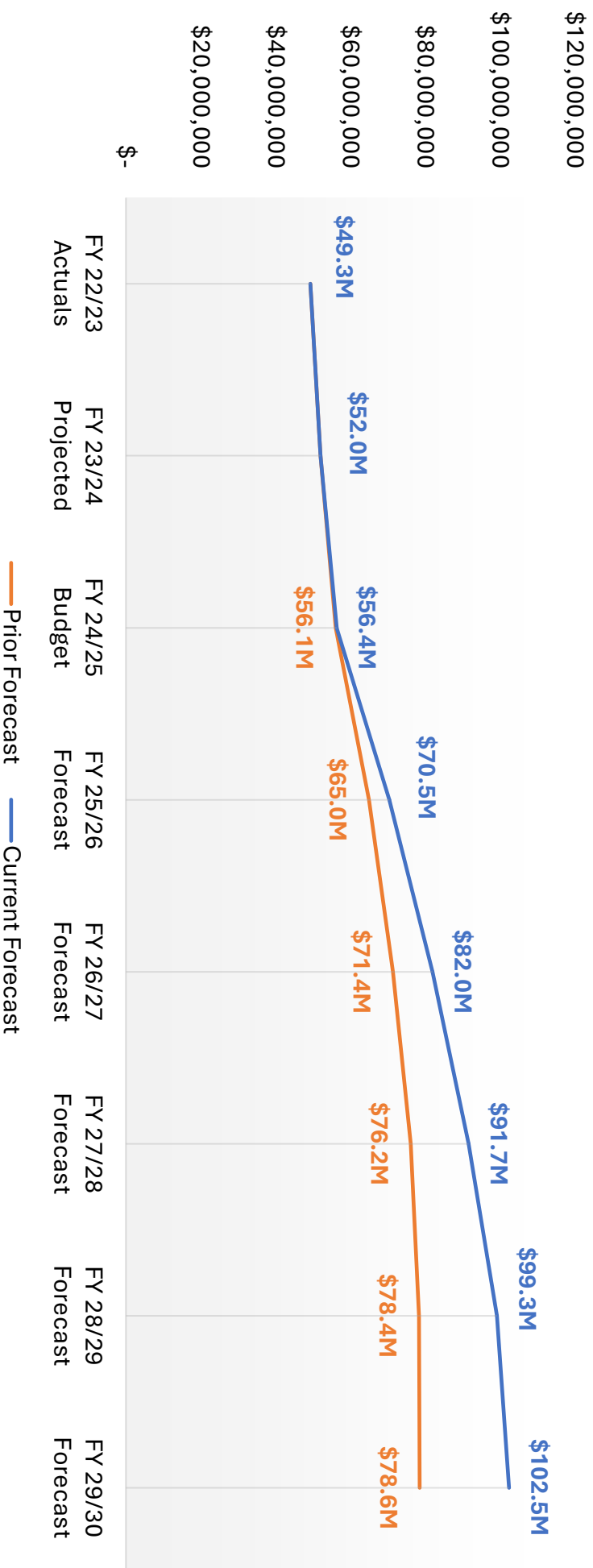
<p>Regional Commitments</p> <ul style="list-style-type: none"> • \$57M Val Vista WTP • \$7M White Mtn Apache Water Settlement • \$5M SRP/CAP Interconnect Facility • \$5M Bartlett Dam Expansion 	<p>Lifecycle Replacement</p> <ul style="list-style-type: none"> • \$107M Water Distribution System • \$32M Groundwater Well Re-drill and Equip • \$2M BRWTP • \$2M Reservoir Rehab
<p>Growth</p> <ul style="list-style-type: none"> • \$37M New Groundwater Wells & Lines • \$11M PMGA Water and Sewer Lines 	<p>Joint with Transportation</p> <ul style="list-style-type: none"> • Val Vista: Southern to University • Broadway Road Phase I: Lesueur to Spur

Increasing Project Costs on the Water Utility

- Prior forecast used a base amount of \$15M per year, determined pre-inflation
- Current forecast uses a base amount of \$27M for FY 24/25 and includes inflation



Increasing Costs on the Water Utility – Debt Service



Proposed Rate Adjustments – Typical Customer

	2024	2025 - Prior Forecast	2025 - Current Forecast
Residential (6kgal/mo)	\$41.70/mo	Service Charge Usage Charge Effective Increase \$43.00/mo (\$1.30/mo)	3.00% 3.50% 3.11%
Commercial General (9kgal/mo)	\$73.82/mo	Service Charge Usage Charge Effective Increase \$76.64/mo (\$2.82/mo)	3.00% 5.50% 3.82%
Commercial Landscape (29kgal/mo)	\$162.64/mo	Service Charge Usage Charge Effective Increase \$172.50/mo (\$9.86/mo)	3.00% 7.50% 6.06%
Large Commercial (7,500kgal/mo)	\$20,849.00/mo	Service Charge Usage Charge Effective Increase \$23,244.51/mo (\$2,395.51/mo)	3.00% 12.00% 11.49%
		Service Charge Usage Charge Effective Increase \$24,446.09/mo (\$3,597.09/mo)	5.50% 18.00% 17.25%

Water Conservation

Non-residential

Previous Current

- General: +6.00% +9.00%

Residential

Previous Current

- Tier 2: +3.50% +6.50%
- Tier 3: +4.00% +7.50%
- Tier 4: +4.50% +8.50%

Surcharge for Use Above Winter Water Average (Non-residential)

Previous Current

- General: +6.50% +9.50%
- Landscape: +7.50% +10.00%

Other Rates

Interdepartmental Usage Rate

<u>Previous</u>	<u>Current</u>
+10.00%	+10.00%

PMGA Fire Protection Demand Charge

- Fire pump station constructed in 2004
- Currently serving eleven (11) customers
- Rate has not been updated in ten (10) years
- Being updated to bring in line with cost recovery



Financing Future Growth

Capacity Fee

- New fee
- Charged to project developer
- Recover costs associated with new development in the City:
 - Treatment/Reclamation Plant Expansion
 - New Pipelines
- Prevent new growth from being financed by existing ratepayers
- Based on meter size; pricing being determined

Energy Resources Department

Presented by:

Scott Bouchie – Energy Resources Director

Anthony Cadorin – Energy Resources Program Manager

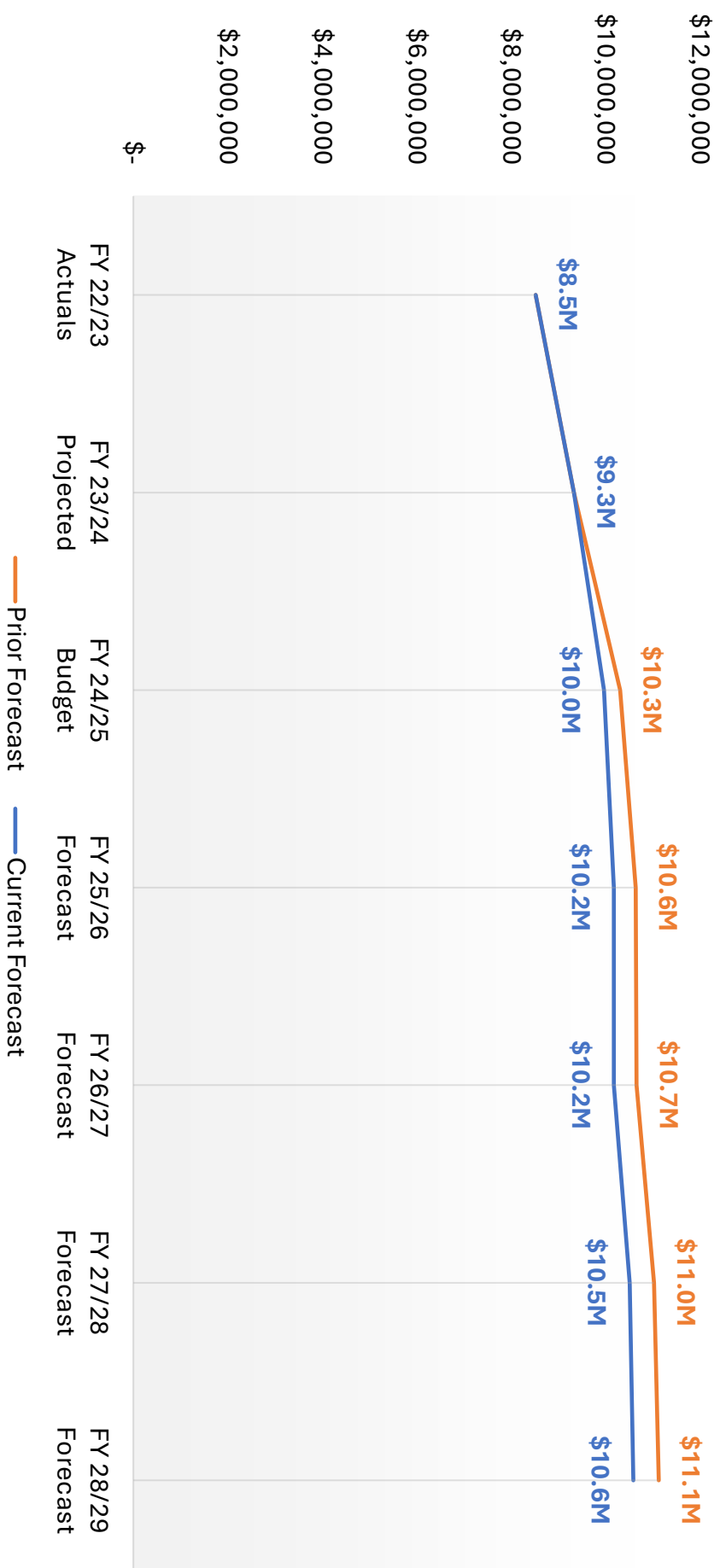
John Petrof – Senior Fiscal Analyst

Electric

Increasing Costs/Pressures on the Electric Utility

- Operating Budget
 - Inflation on commodities and other services
 - Personal services increases
- Debt Service
 - Meeting growth demands in Downtown
 - Multi-department projects (Broadway Rd)
 - Reliability/Generation projects
 - 69 kV Looping
 - AMI Budget Increase
 - Microgrid Budget Increase

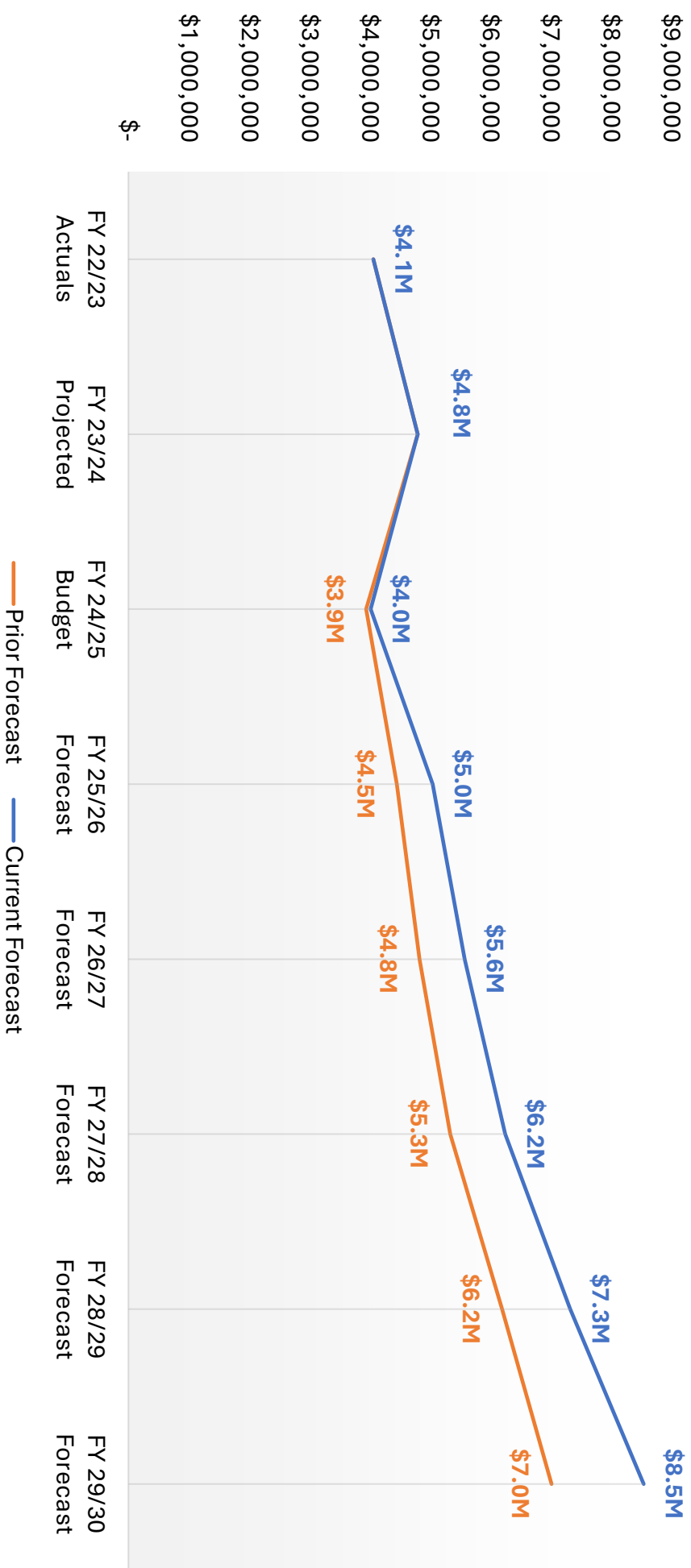
Increasing Operating Costs on the Electric Utility



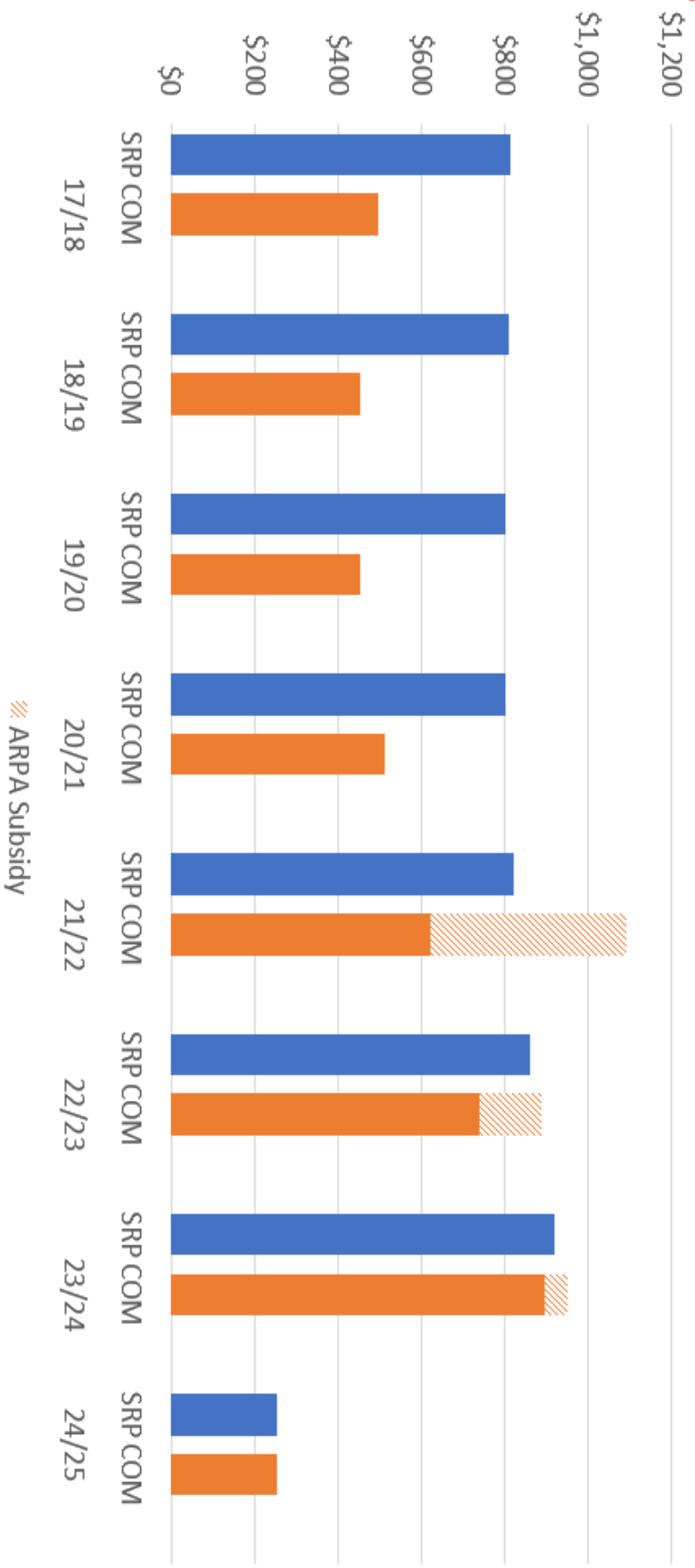
Electric Project Cost Increases

PROJECT	PRIOR FORECAST	CURRENT FORECAST	INCREASE
Advanced Metering Infrastructure	\$1.2M	\$3.4M	\$2.2M
Edge on Main (New service)	\$0	\$2.4M	\$2.4M
Substation Improvements (w/SRP at Rogers)	\$200k	\$1.5M	\$1.3M
Electric Improvements w/Water (Duct bank relocation, Broadway & Morris)	\$0	\$300k	\$300k

Increasing Debt Service Costs on the Electric Utility



Total Residential Customer Supply Cost - SRP vs COM



Residential Electric Bill Comparison



*SRP amount includes proposed November rate increase

Proposed Residential Electric Rates

COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE	\$16.75	\$19.50	\$2.75	\$2.50
USAGE CHARGE SUMMER per kWh	Tier 1 - \$0.05231 Tier 2 - \$0.05027	Tier 1 - \$0.05231 Tier 2 - \$0.05027	0% 0%	0% 4.25%
USAGE CHARGE WINTER per kWh	Tier 1 - \$0.04317 Tier 2 - \$0.02502	Tier 1 - \$0.04317 Tier 2 - \$0.03479	0% 39%	5% 39%
MONTHLY BILL (Average Customers)	\$147.49	\$150.24	\$2.75	\$3.22
EFFECTIVE INCREASE			1.9%	2.2%

Commercial Electric Bill Comparison



*SRP amount includes proposed November rate increase

Proposed Commercial Electric Rates

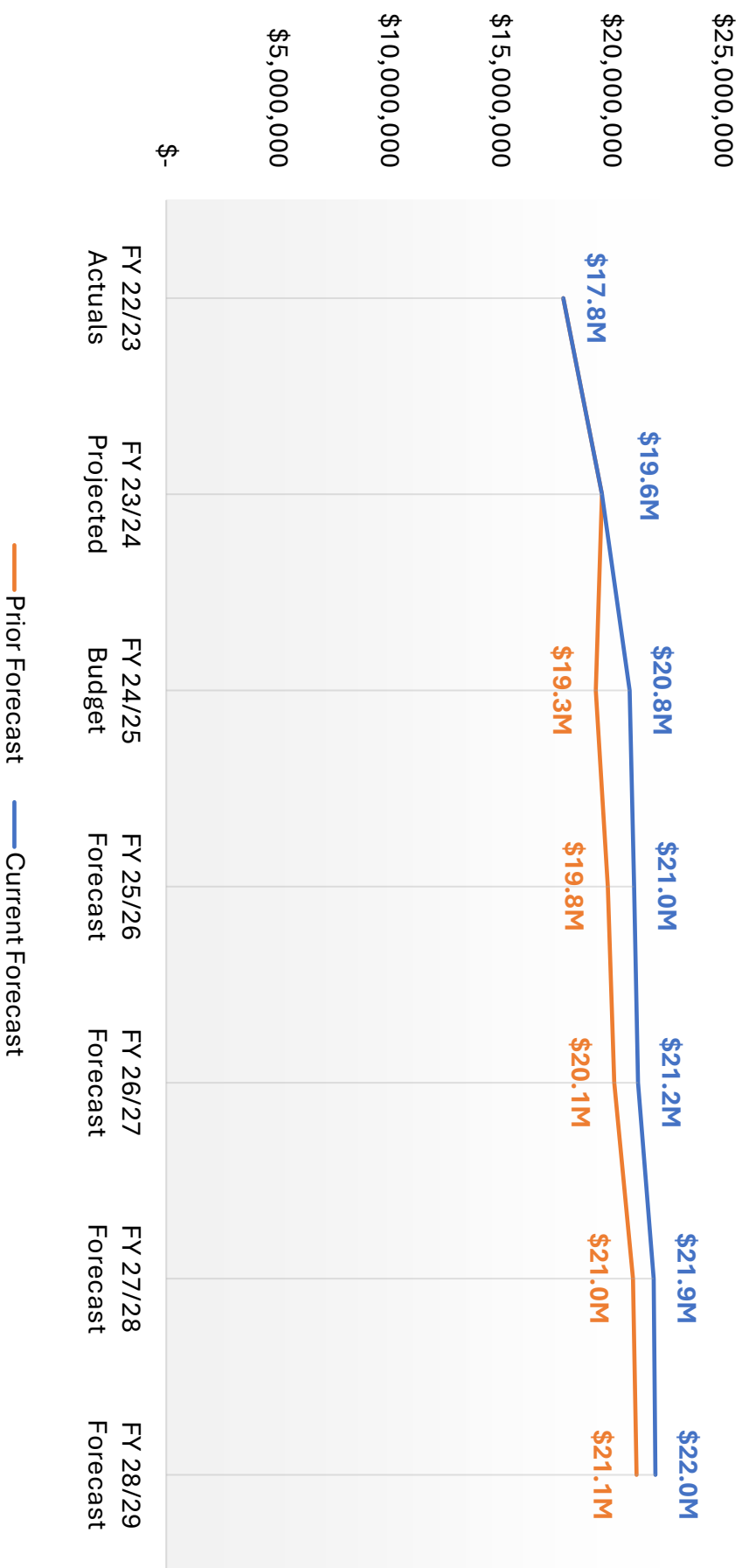
COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE	Single Phase - \$14.72 Three Phase - \$20.74	Single Phase - \$19.72 Three Phase - \$25.74	\$5.00	\$2.50
USAGE CHARGE SUMMER per kWh	Tier 2 - \$0.04591	Tier 2 - \$0.04867	6%	6%
USAGE CHARGE WINTER per kWh	Tier 2 - \$0.03916	Tier 2 - \$0.03994	2%	1%
MONTHLY BILL (Average Customers)	\$604.45	\$609.45	\$5.00	\$2.50
EFFECTIVE INCREASE			0.8%	0.4%

Natural Gas

Increasing Costs/Pressures on the Gas Utility

- Operating Budget
 - Inflation on commodities, services, and contracts
 - Personal services increases
- Debt Service
 - Meeting growth demands in Magma service territory
 - New Gate Station
 - Gantzel Rd
 - Arizona Farms Road
 - New Services
 - Quarter Section Renewal Projects
- AMI Budget Increase

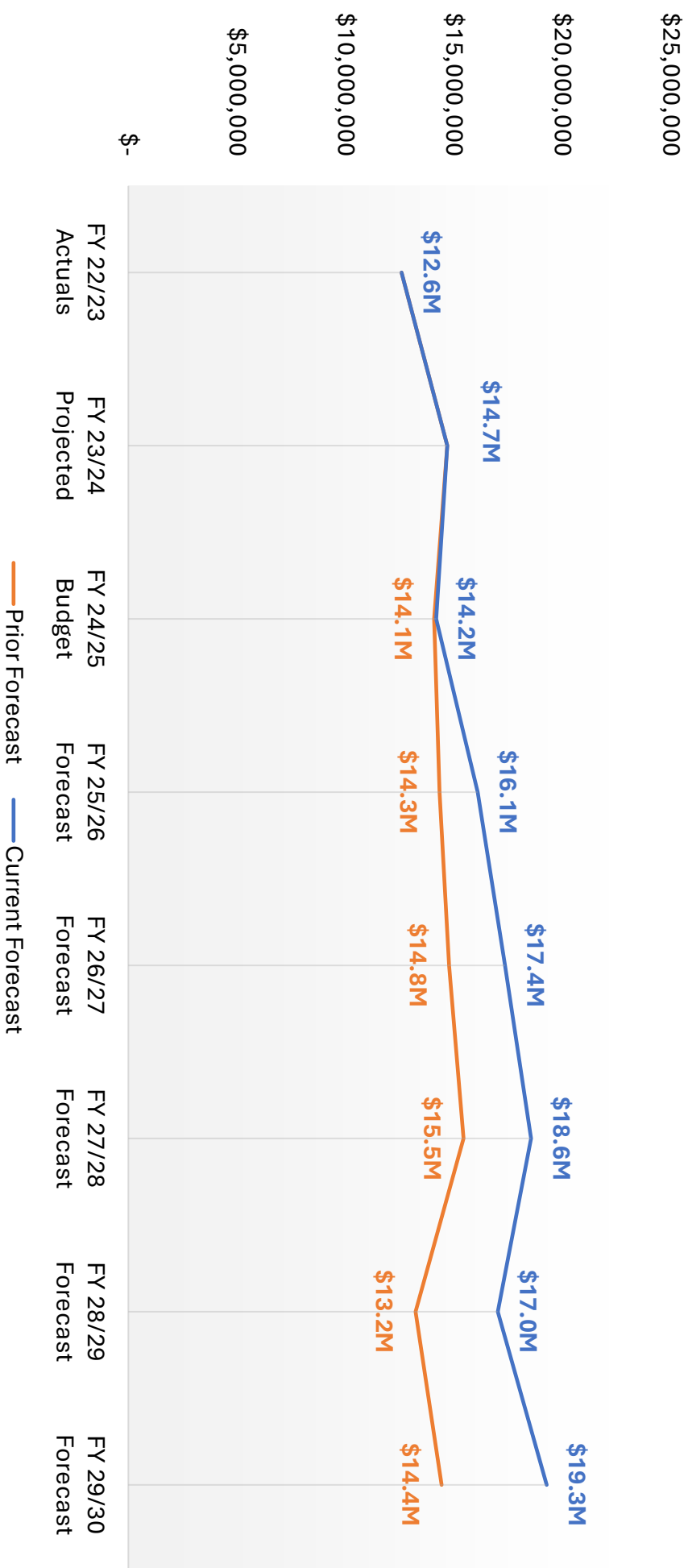
Increasing Operating Costs on the Gas Utility



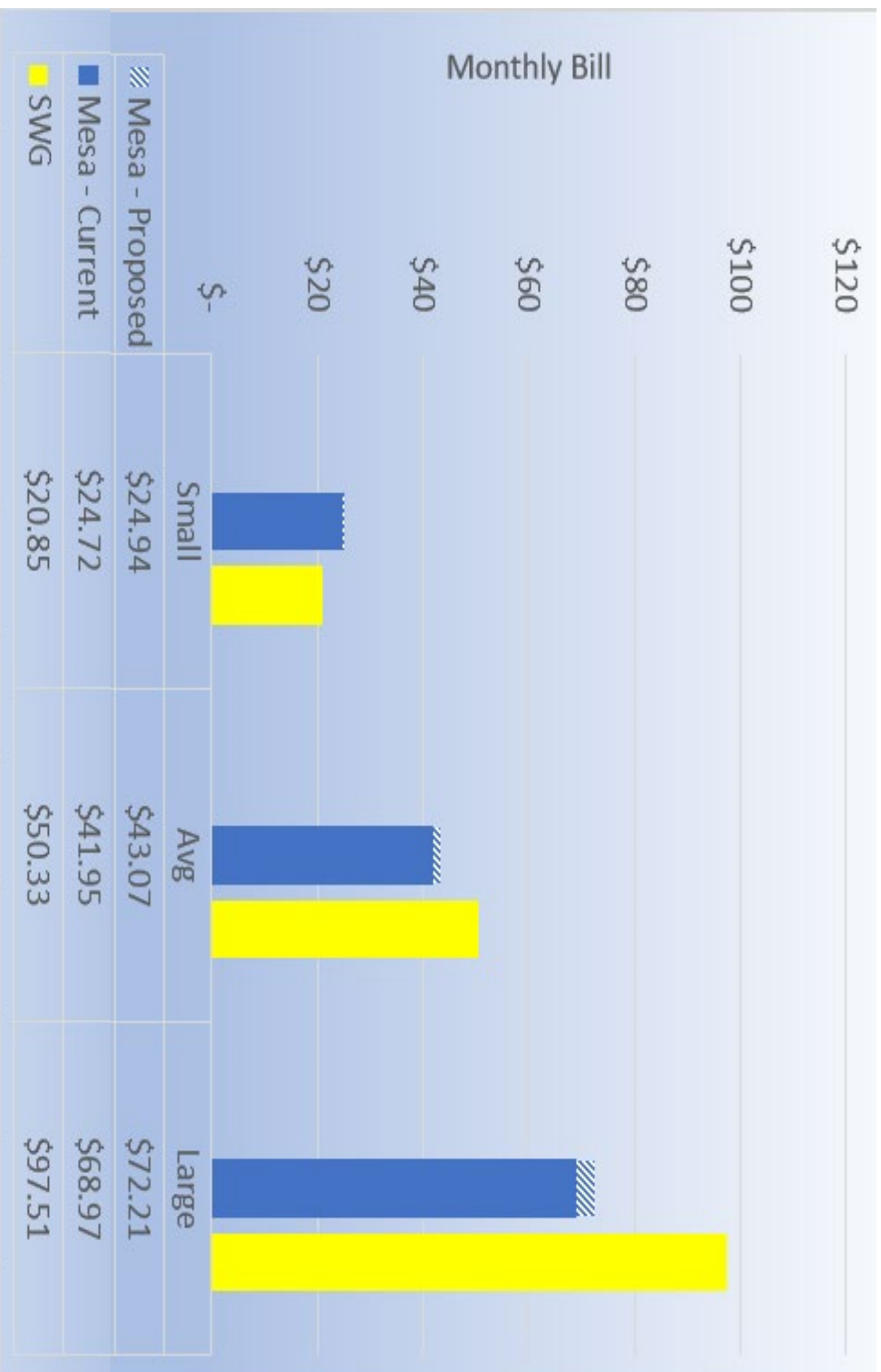
Gas Project Cost Increases

PROJECT	PRIOR FORECAST	CURRENT FORECAST	INCREASE
Advanced Metering Infrastructure	\$3.2M	\$14.0M	\$10.8M
Main Replacement (various locations w/Water)	\$0	\$1.8M	\$1.8M
New Mains	\$14.0M	\$15.3M	\$1.3M
New Services	\$14.0M	\$14.6M	\$600K
High Pressure Mains	\$1.7M	\$4.3M	\$2.6M

Increasing Debt Service Costs on the Gas Utility



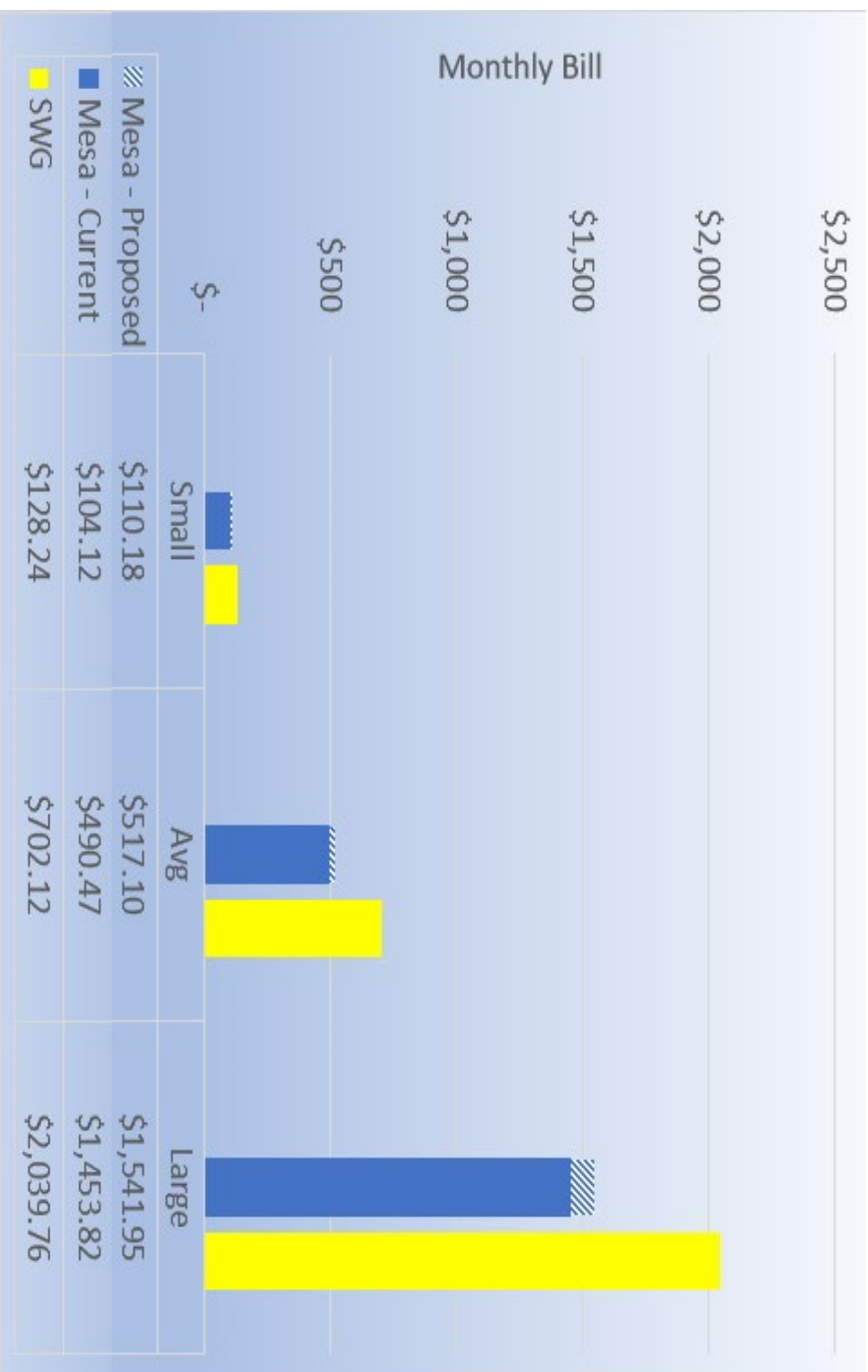
Residential Gas Bill Comparison



Proposed Residential Gas Rates

COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE				
SUMMER	\$17.31	\$17.31	\$0.00	\$0.75
WINTER	\$20.24	\$20.24		
USAGE CHARGE				
SUMMER per therm	Tier 1 - \$0.7019 Tier 2 - \$0.3201	Tier 1 - \$0.7440 Tier 2 - \$0.3682	6% 15%	5% 11%
USAGE CHARGE				
WINTER per therm	Tier 1 - \$0.7019 Tier 2 - \$0.7019	Tier 1 - \$0.7440 Tier 2 - \$0.8072	6% 15%	5% 5%
MONTHLY BILL (Average Customers)	\$41.95	\$43.07	\$1.12	\$1.49
EFFECTIVE INCREASE			2.7%	3.6%

Commercial Gas Bill Comparison



Proposed Commercial Gas Rates

COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE				
SUMMER	\$41.66	\$44.66	\$3.00	\$2.00
WINTER	\$51.34	\$54.34		
USAGE CHARGE				
SUMMER per therm	Tier 1 - \$0.5439 Tier 2 - \$0.3493	Tier 1 - \$0.5929 Tier 2 - \$0.4366	9% 25%	2% 4%
USAGE CHARGE				
WINTER per therm	Tier 1 - \$0.5891 Tier 2 - \$0.5046	Tier 1 - \$0.6421 Tier 2 - \$0.6308	9% 25%	2% 4%
MONTHLY BILL (Average Customers)	\$490.47	\$517.10	\$26.63	\$7.26
EFFECTIVE INCREASE			5.4%	1.5%

Solid Waste Department

Presented by:

Sheri Collins – Solid Waste Director

Justin Stadt – Senior Fiscal Analyst

Increasing Cost Pressures On The Utilities



Landfill Charges - \$3.0M

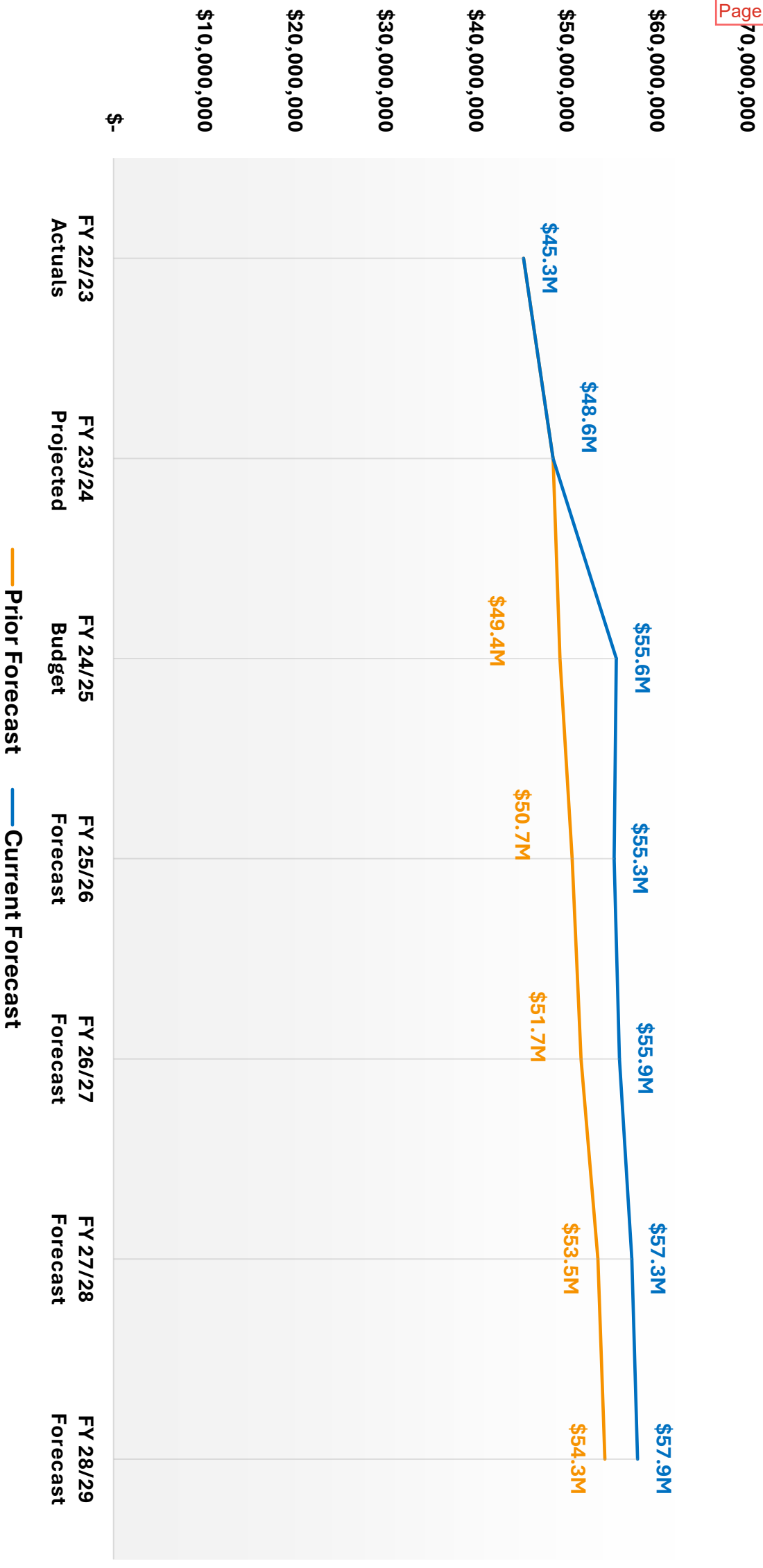
(From \$9M to \$12M)



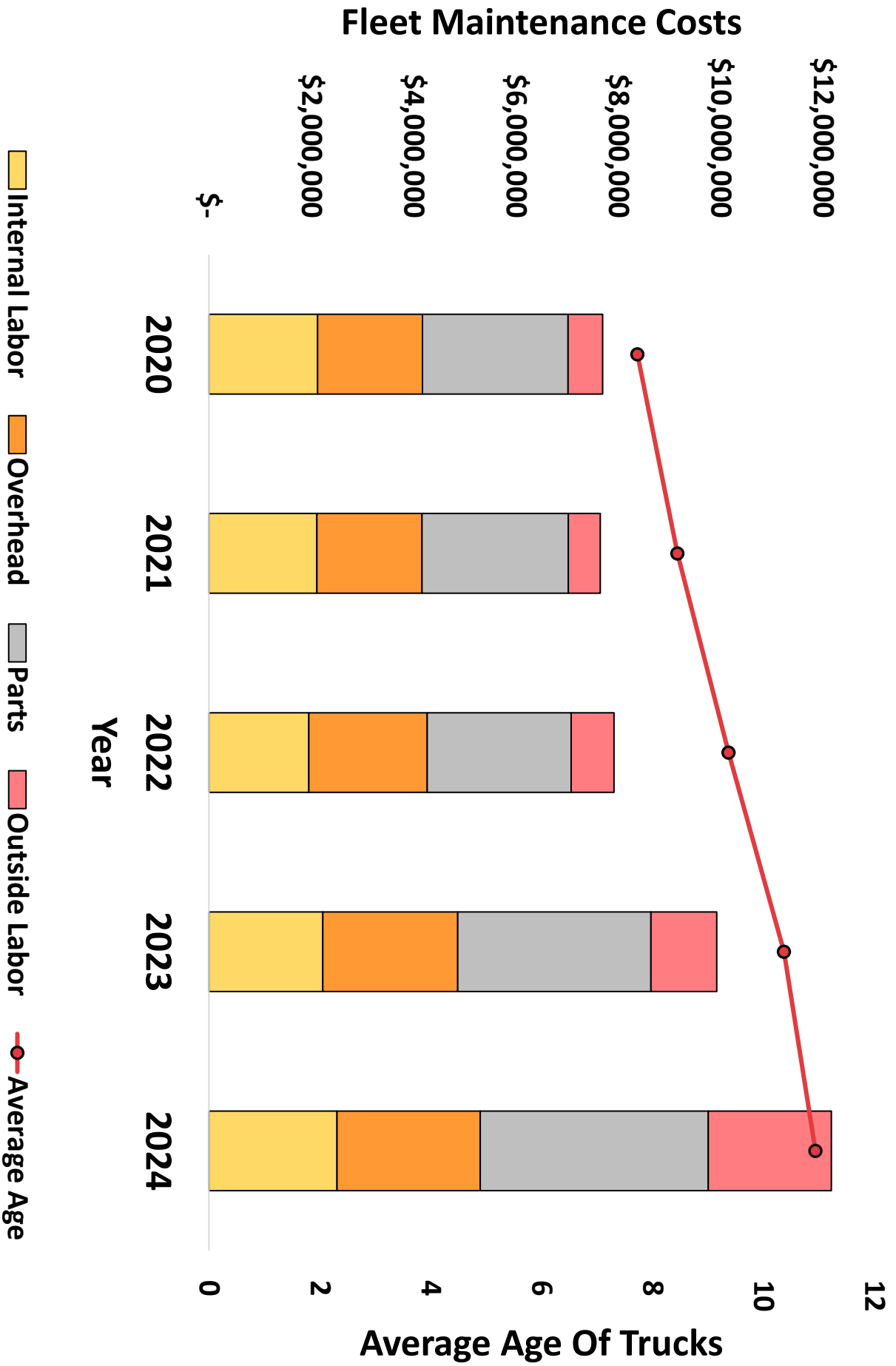
Fleet Maintenance - \$3.0M

(From \$8.6M to \$11.6M)

Increasing Operating Costs on the Solid Waste Utility



Fleet Maintenance Costs Compared to Average Truck Age



Solid Waste Residential Rate 5.5% Recommended Increase (3% Prior Forecast)

	2024 Rate	(3% increase) 2025 – Prior Forecast	(5.5% increase) 2025 – Current Forecast
Residential 90-gallon Trash & Recycling Barrel	\$31.44/mo	\$32.38	\$33.17



Solid Waste Residential

Green and Clean Fee (No increase in prior forecast)

	CURRENT	PROPOSED INCREASE	PROPOSED TOTAL
Green and Clean Fee	\$0.96	\$0.04	\$1.00



Solid Waste Total Residential Increase

	CURRENT	PROPOSED INCREASE	PROPOSED TOTAL
90-gallon Trash Barrel	\$31.44	\$1.73	\$33.17
Green and Clean Fee	\$0.96	\$0.04	\$1.00
Total	\$32.40	\$1.77	\$34.17

Commercial Front Load Trash Recommendations 10% Overall Rate Increase (3% Prior Forecast)



- Increase base rate by 6.5%
- 6-yard bin increase from \$114.81 to \$122.22

- Increase fee for out-of-zone collection
- From \$25.00 to \$28.00

- Decrease multi-day discount
- From 10% to 5%

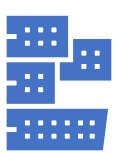
- Increase contract limits
- From 8% to 10%

Commercial Front Load Cardboard Recommendations 5% Increase (3% Prior Forecast)

- 6-yard bin increase from \$97.38 to \$102.25



New - Commingled Downtown Front Load Recycling Program



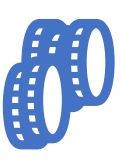
Multi-family and commercial customers in the downtown area \$102.25 monthly rate Awarded \$135,500 ADEQ Grant during FY 2024



- New Rate - Commercial Blue Barrel



\$10 per barrel
1,300 customers



5000+ commercial blue barrels
+\$300,000 in annual revenue

Commercial Roll Off Recommendations 6.5% Overall Rate Increase (3% Prior Forecast)

- Increase tonnage rate to follow landfill increase
 - Increase trash tonnage rate from \$42.20 to \$47.75
 - Increase green waste tonnage rate from \$49.90 to \$55.50
- Increase haul fee by \$2
 - 30-yard roll off increase from \$143 to \$145



Commercial Roll Off Recommendations 6.5% Overall Rate Increase (3% Prior Forecast)

- \$18.65 increase for a one-time trash customer
- 30-yard box increase from \$419.60 to \$438.25
- \$18.80 increase for a one-time green waste customer
- 30-yard box increase from \$442.70 to \$461.50



Other Adjustments : Terms & Conditions and Utility Service Fees

Other Adjustments

- Terms & Conditions for the Sale of Utilities:
 - Clarifying language that the City may trim vegetation or remove obstructions on a customer’s premises if needed to access utility meter
- Utility Service Fees:
 - Align Trip-related charges for Turn On, Termination, and Unscheduled Trip services

	Current	Recommendation
Next Day Turn On – Electric/Water (no change)	\$20	\$20
Termination of Service Disconnection	\$17	\$20
Unscheduled Trip	\$21	\$20

Other Adjustments

- Utility Service Fees (continued):
 - Security Deposit increase for Hydrant Meters (construction use) from \$1,500 to \$2,500 due to increase in meter cost
- Increase Unauthorized Use fees for repeat offenders:
 - Currently, \$100/occurrence for Residential customers, \$1,000/occurrence for Commercial customers

Unauthorized Use	Residential	Commercial
First Occurrence	\$100	\$1,000
Second Occurrence	\$500	\$2,500
Following Occurrence(s)	\$1,000	\$2,500

Utility Fund Forecast Review

Utility Fund Forecast:

FY 24/25 Recommended Rate Adjustments

As of 08/26/2024

FY 23/24	FY 24/25	FY 24/25
Estimate	Budget	Projected

TOTAL NET SOURCES AND USES	(FY 23/24 Estimate)	(FY 24/25 Budget)	(FY 24/25 Projected)
Beginning Reserve Balance	\$144,413,643	\$114,759,072	\$122,370,012
Ending Reserve Balance	\$122,370,012	\$87,546,160	\$100,428,526
Ending Reserve Balance Percent*	23.2%	16.0%	17.9%
<i>*As a % of Next Fiscal Year's Expenditures</i>			
WATER Residential (Tier 1 usage)	3.00%	3.50%	5.50%
WATER Commercial (usage)	5.00%	5.50%	8.00%
WASTEWATER Residential	4.75%	4.75%	7.50%
WASTEWATER Non-Residential	5.00%	5.00%	8.50%
SOLID WASTE Residential	3.00%	3.00%	5.50%
SOLID WASTE Commercial	7.50%	3.00%	10.00%
SOLID WASTE Rolloff	6.50%	3.00%	6.50%
ELECTRIC Residential - svc charge	\$2.25	\$2.50	\$2.75
ELECTRIC Non-Residential - svc charge	\$5.00	\$2.50	\$5.00
GAS Residential - svc charge	\$0.75	\$0.75	\$0.00
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$3.00

Utility Fund Forecast: FY 24/25 Recommended Rate Adjustments

As of 8/22/2024	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
	Projected	Budget	Forecast	Forecast	Forecast	Forecast	Forecast
WATER	(\$137,327)	(\$2,297,373)	(\$9,745,447)	(\$12,649,920)	(\$12,282,263)	(\$9,938,493)	(\$2,007,840)
WASTEWATER	(\$11,719,217)	(\$11,256,668)	(\$8,456,620)	(\$5,358,502)	(\$1,423,833)	\$3,249,395	\$12,189,109
SOLID WASTE	(\$5,223,675)	(\$5,389,701)	(\$1,273,786)	\$1,673,155	\$1,505,566	\$6,300,262	\$9,474,694
ELECTRIC	\$289,913	(\$907,913)	(\$1,012,864)	(\$729,993)	(\$817,186)	(\$1,225,376)	(\$1,993,115)
NATURAL GAS	(\$4,888,484)	(\$1,935,219)	(\$2,334,058)	(\$2,323,860)	(\$1,962,375)	\$1,496,589	\$865,154
DISTRICT COOLING	(\$364,841)	(\$154,613)	(\$77,190)	(\$49,999)	(\$57,903)	(\$51,153)	(\$52,668)
TOTAL NET SOURCES AND USES	(\$22,043,631)	(\$21,941,486)	(\$22,899,965)	(\$19,439,119)	(\$15,037,993)	(\$168,777)	\$18,475,335
Beginning Reserve Balance	\$144,413,643	\$122,370,012	\$100,428,526	\$77,528,561	\$58,089,442	\$43,051,449	\$42,882,672
Ending Reserve Balance	\$122,370,012	\$100,428,526	\$77,528,561	\$58,089,442	\$43,051,449	\$42,882,672	\$61,358,007
Ending Reserve Balance Percent*	23.2%	17.9%	12.3%	9.2%	6.5%	6.2%	8.6%

*As a % of Next Fiscal Year's Expenditures

Schedule for FY 2024/25 Utility Rate Adjustment Recommendation

- Sept 12** – City Council Discussion of Utility Rates
- Sept 19** – City Council Discussion of Utility Rates (if necessary)
- Sept 23** – City Council Action on Notice of Intent
- Nov 18** – Introduce Utility Rate Ordinances
- Dec 2** – City Council Action on Utility Rates
- Feb 1** – Effective date for Utility Rate changes

m.e.s.a.az

