



City Council Report

Date: May 5, 2014
To: City Council
Through: Michael Kennington, Chief Financial Officer
From: Candace Cannistraro, OMB Director
Kari Kent, Deputy City Manager
John Pombier, Deputy City Manager
Subject: Fiscal Year 2014/2015 Utility Rate Recommendations

Strategic Initiatives



PURPOSE AND RECOMMENDATION

The purpose of this report is to provide support for the utility rate adjustments proposed for the fiscal year ending June 30, 2015 (FY14/15), which are consistent with the revenue requirements of the Proposed Budget Plan for that year. Staff recommends the following schedule of utility rate adjustments.

	Prior Year Projection	FY14/15 Proposal
Electric*	2.0%	2.0%
Natural Gas	3.0%	3.0%
Water	4.9%	7.0%
Wastewater	4.9%	7.0%
Solid Waste*	4.9%	6.9%
District Cooling	0.0%	0.0%

*Residential only

During February 2014, the City of Mesa analyzed the average financial impact of the rate adjustments on residential customers (See Attachment 1). The analysis identified the amount of revenue generated from property taxes, city sales tax, and utility rates (except for electric and natural gas) by Mesa and was used in a comparison with six other local municipalities. Comparison results revealed Mesa's overall cost for the average resident is currently the third lowest city. Mesa will move to the fourth lowest city if the rate recommendations are approved.

BACKGROUND AND DISCUSSION

Utility rate revenue is the City's third largest source of revenue after city sales tax and state shared revenue. Each utility is operated as a separate business center. As such, rate schedules are adjusted annually in a manner consistent with costs of capital, as well as the fixed and variable costs of operation and maintenance within each utility. The fund balances are combined in the Enterprise Fund and are managed to maintain a minimum ending reserve balance of 8-10% of the following years estimated expenditures. The reserve balance allows for the smoothing of rates. Rates are smoothed to avoid large rate increases and minimize the impact to customers in any single year.

The Forecast Analysis Model (See Attachment 2) includes projections of growth in the number of accounts for each utility based on their unique service area. The Water, Wastewater, and Solid Waste Utilities have a city wide service area and are expected to grow by an average of 1,200 accounts per year during the forecast. With the inclusion of the Magma service area, the Natural Gas Utility is expected to grow by 2,100 accounts next fiscal year. The Electric Utility, with a smaller and largely built out service area when compared to the other utilities, is expected to grow by 38 accounts next fiscal year.

The Forecast Analysis Model also includes expenditures that are increased by inflationary factors in future years. Some inflationary factors are unique to the individual utilities, such as those used for chemical or purchased water. Other citywide expenditure pressures that are included in the forecast are listed below.

Capital Investment

As outlined in the Council's Economic Development strategic initiative, the City continues to place a high priority on infrastructure investment to attract and service future development. The proposed CIP includes the planning for an expansion of a water reclamation plant and the design and construction of a new water treatment plant as well as the associated distribution infrastructure. The funding of the projects is contingent on the approval of additional utility revenue bond authorization by Mesa voters in November 2014. The debt service on utility revenue bonds is funded through the utility rates paid by customers and has been included in the forecast and rate recommendations.

Vehicle Fleet Related Costs

The utility departments budget equipment expense annually based on forecasted usage (mileage or hours) to cover the forecasted expenditures for the equipment and vehicles assigned to their department.

The FY14/15 budget "true up" department budgets for vehicle maintenance and usage costs. The cost of fuel, parts, and labor has steadily increased over time. During the most recent economic downturn, those increased costs were paid for with savings in other areas of department budgets. Departmental savings is no longer sufficient to cover the higher equipment usage costs. Therefore, it is necessary to adjust department budgets to fully fund these costs.

With one of the larger fleets in the City, the Solid Waste Utility is affected the most by these costs. An increase of \$1.6 million has been included in the forecast for Solid Waste fleet costs. Currently, the Solid Waste Utility is converting its fleet to Compressed Natural Gas (CNG) to help reduce future fleet cost increases in the future.

Employee Benefit Trust

In order to minimize cost, the City funds many of its employee and retiree benefits internally through the Employee Benefit Trust (EBT) Fund. For FY14/15, health plan premiums will remain the same as FY13/14, however there is not a one month premium holiday scheduled as there was during FY13/14 resulting in increased costs for the utilities.

Workers' Compensation

Worker's compensation expenses have increased modestly in the last few years. City departments, including the utilities, are required to contribute to the Worker's Compensation Fund each pay period for each of their employees. The increased expenses in the Workers' Compensation Fund are offset by higher contribution rates for in FY14/15 for areas that have employees, such as the utilities.

Review of the General Fund Transfer

Per the direction of the Mayor and Council, the General Fund Transfer is reviewed annually. The amount of the transfer has been adjusted based on current and anticipated future inflationary and rate pressures. For FY14/15, the General Fund Transfer has been adjusted from \$90.0 million to \$95.7 million, an increase of \$5.7 million.

Water Resources

Based on the Forecast Analysis Model, the Water and Wastewater Utilities' revenue needs would require a 7% increase in rates. Previous Council direction was that Water and Wastewater rate structure should move towards supporting more of the cost to provide services from fixed sources of revenues. It is anticipated that by applying a 7% increase to all rate components, fixed revenues would equal approximately 33% of costs for the Water and Wastewater Utilities. It is recommended that a larger proportion of the 7% increase be placed on the fixed revenue rates referred to as Service Charges. The recommendation would allow fixed revenues to equal approximately 35% of costs. By continuing to adjust rates in such a manner, it is expected that fixed revenues would equal 40% of costs in four years.

Water Utility

The recommendation is to increase the Service Charge portion of each customer's bill by 14.19% and all other rate components by 3.5%. This change will result in the monthly Service Charge of an average residential customer increasing by \$3.00 from \$21.14 to \$24.14. When the water usage is factored in, the total monthly bill of an average residential water customer will go from \$39.69 to \$43.32.

The expected increase in annual revenue for this recommendation is approximately \$6,155,000.

Large Turf Facility Untreated Water Service

This is a new rate schedule that will apply to large turf customers receiving water legally considered to be effluent at City turnouts immediately adjacent to the Central Arizona Project ("CAP") Canal. Customers in this class must meet certain minimum volume requirements and be regulated directly as individual users by the Arizona Department of Water Resources. There will be a five hundred dollar (\$500) monthly Service Charge, with Usage at seventy four cents (\$0.74) per kgal, or approximately two hundred forty-two (\$242) dollars per acre foot (plus the Service Charge). Water Resources anticipates that commencing in 2015 excess CAP water supplies will not be available, and therefore customers may request service from the City under this proposed rate. The rate WR3.2 will be repealed. Currently there are no customers for this new rate, however, it is anticipated that there will be two to three customers in the FY14/15.

The expected increase in annual revenue for this recommendation is approximately \$125,000 in FY14/15 and \$250,000 annually thereafter.

Commercial and Industrial Large Water Service Rate

This modification will expand the qualifications of an existing large customer water rate to include uses other than landscape. There have not been any customers in this class, but with this modification it is expected that customers will qualify for this rate in the future.

It is expected that this modification will reduce forecasted revenues by \$437,000 in FY14/15.

Interdepartmental water rates will be held constant for FY14/15.

Wastewater Utility

The recommendation is to increase the Service Charge portion of each customer's bill by 13.89% and all other rate components by 4.0%. This change will result in the monthly Service Charge of an average residential customer increasing by \$2.00 from \$14.40 to \$16.40. When volume costs are factored in, the total monthly bill of an average residential wastewater customer will go from \$25.53 to \$27.96.

The expected increase in annual revenue for this recommendation is approximately \$3,810,000.

Metered Commercial Wastewater Service

This rate schedule will clarify the application and classification of metered wastewater service for certain customers meeting requirements that warrant metering of wastewater service rather than billing based on water use, consistent with existing practice of the Water Resources Department pursuant to Section 8 of the Terms and Conditions for the Sale of Utilities. Currently there are approximately ten customers that are billed in this manner.

There is no expected increase in annual revenue for this recommendation.

Interdepartmental wastewater rates will be held constant for FY14/15.

Energy Resources

Electric Utility

Increasing the Electric System Service Charge is the most reliable and stable method to generate revenue within the Electric Utility. Currently, nearly 94% of the revenues from residential electric customers are a function of consumption. Residential electric consumption and revenues are highly variable due primarily to changes in weather. When residential customers' electric consumption increases due to higher temperatures and increased reliance upon air conditioning, increasing the Electric System Service Charge, compared to increasing the Electric Energy Usage Charge component, insulates our customers' from higher bill increases.

The recommendation, therefore, is to increase the Electric System Service Charge component of Mesa's electric residential customers' bills from \$5.71 per month to \$6.50 per month, an increase of \$0.79 per month. When usage is factored in, this rate increase will result in the average residential customer's monthly bill going from \$45.19 to \$45.98 not including the pass through of electric energy supply costs.

The proposed Electric System Service Charge of \$6.50 per month is \$10.50 per month less than SRP's comparable rate component (Monthly Service Charge of \$17.00 per month). Mesa's average residential customer monthly bills during FY12/13 were approximately \$11.60 less per month (approximately \$139 less per year) than if served by SRP. For Mesa's average electric residential customers, the proposed \$6.50 per month Electric System Service Charge results in an annual bill almost ten percent (9.7%) less than if served by SRP. Lower use customers' bills (i.e. first quartile with an average consumption of 400 kWh per month) will still be more than fifteen percent (15.5 %) less than if they were served by SRP.

The Electric Energy Supply Adjustment component is adjusted monthly to "pass-through" increases and decreases in the costs of electric energy supplies acquired to meet our customers' needs. (This rate component has varied between \$0.04200 and \$0.06691 per kWh in the most recent twelve months and is \$0.04270 for March 2014.)

Since FY03/04, Mesa has not increased Mesa's residential customers' Electric System Service Charge or Energy Usage Charge. The rate increases applied to all customer classes in FY03/04 were 2%.

The expected increase in annual revenue for this recommendation is approximately \$100,000.

Additionally, it is recommended that the Public Authority section be revised to better clarify the proper schedule used for Hospital X Ray Service. There is no expected increase in annual revenue for this recommendation.

Natural Gas Utility

The recommendation is to increase the Gas System Service Charge component of Mesa's gas residential customers' bills, the Service Charge component of all "non-residential" customer classes, and the "per Lamp" component of bills for Gas Street Lamp service customers by \$1.14 per month. This modification applies only to the fixed component of our gas customers' rates and bills and will change the average Service Charge for residential customers from \$11.14 to \$12.28 per month. This rate increase will result in the average residential customer's monthly bill going from \$25.18 to \$26.32 not including the pass through of natural gas energy supply costs.

The Purchased Natural Gas Supply Adjustment component has been adjusted monthly to "pass-through" increases and decreases in the costs of natural gas supplies acquired to meet our customers' needs. (This rate component has varied between \$0.11170 and \$0.47200 per therm in the most recent twelve months and is \$0.40915 for March 2014.)

The expected increase in annual revenue for this recommendation is approximately \$690,000.

Solid Waste

Residential Rates

The recommendation is to increase solid waste residential rates by 6.9%. The increase for customers with once a week refuse collection and once a week recycling collection for single-family residences, duplexes, triplexes, fourplexes and businesses would include a \$1.64/month increase for 90-gallon service (\$23.81 to \$25.45 per month), and a \$1.47/month increase for 60-gallon service (\$21.25 to \$22.72 per month).

The increase in the fee in FY14/15 for green waste barrel service (rate code R1.28) would be by \$0.39 per month (\$5.62 to \$6.01). There are currently over 38,000 customers participating in the green waste recycling program. The \$0.39 per month recommended increase will fund new barrel purchases, growth expansion and associated processing costs as well as inflationary program costs for the next year.

The increase in the monthly fee in fiscal year FY14/15 for an extra black barrel would be \$0.78 per month from \$11.24 to \$12.02. Currently, there are over 6,300 customers who have two or more black barrels. The proposed \$0.78 per month increase is to help fund landfill disposal fee increases. As an incentive for customers that recycle, a green waste barrel may be obtained for half the cost of an additional black barrel and an additional blue barrel can be provided for no additional cost.

The expected increase in annual revenue for this recommendation is approximately \$2,540,000.

Mesa Green and Clean

The recommendation is to increase the fee by \$0.09 per month (from \$0.56 to \$0.65). The Mesa Green and Clean fee funds both the Household Hazardous Waste (HHW) program (\$0.21 per month) administered by the Development and Sustainability Department and Solid Waste's Clean Sweep/Green Sweep (CS/GS) program (\$0.35 per month).

The HHW portion of the fee funds four HHW collection events each year, at which residents can safely dispose hazardous materials. The Development and Sustainability Department uses contractors with expertise in hazardous material collection and handling to participate in the events and ensure that materials are properly disposed of. Contractor costs have risen, and the recommended \$0.09 is needed to cover the increased costs. The HHW share of the fee would increase from \$0.21 per month to \$0.30 per month. The Clean Sweep/Green Sweep share would remain at \$0.35.

The expected increase in annual revenue for this recommendation is approximately \$120,000.

There are no increases recommended for the Bulk Item and Appliance Collections. Rate increases in these areas may result in increased occurrences of illegal dumping of these items.

Commercial Front-load

The recommendation is to increase Front-load rates by an average of 5.9%. The Front-load program serves customers in competition with private waste collection companies. The Solid Waste Management Department has established a net income target of 10% of revenue, after fully allocated costs. The projection is for net income in FY14/15 to fall to 4.1% of revenue if rates remain unchanged. Front-load rates have not been increased since August, 2008.

The expected increase in annual revenue for this recommendation is approximately \$420,000.

Commercial Roll-off

The recommendation is to increase Roll-off rates by an average of 2.9%. The Roll-off program serves residents and business customers in competition with private waste collection companies. The Solid Waste Management Department has established a net income target of 10% of revenue, after fully allocated costs. The projection is for net income in FY14/15 to fall to 9.2% of revenue if rates remain unchanged. Roll-off rates have not been increased since August, 2008.

The expected increase in annual revenue for this recommendation is approximately \$34,000.

Utility Service Fees

As a part of the April 17, 2014 Fees and Charges presentation, a new fee was proposed for Credit Check Services provided by the Business Services Department. A \$2.00 Credit Check fee is proposed to verify a customer's credit when a utility deposit waiver is requested by a customer. This is being shifted over to the Utility Service Fees to be with the utility security deposit section.

The expected increase in annual revenue for this recommendation is approximately \$36,000.

ALTERNATIVES

1. Modify the FY14/15 utility rate adjustment proposal to reduce or eliminate a recommended change. This will result in the generation of revenue amounts that will be insufficient to cover increasing costs and during the forecast period the Enterprise Fund Reserve Balance will fall below the 8-10% amount designated in financial policy.
2. Modify the FY14/15 utility rate adjustment proposal to spread increases across all rate components evenly instead of focusing on Service Charge components. This will leave the utilities vulnerable to short and long term changes in consumption. Additionally, customers will be exposed to higher variation in bills due to seasonal consumption patterns.

FISCAL IMPACTS

It is anticipated that the FY14/15 recommended utility rate adjustments will increase combined revenues in the Enterprise Fund by \$13,503,000. The impact by individual utility is as follows:

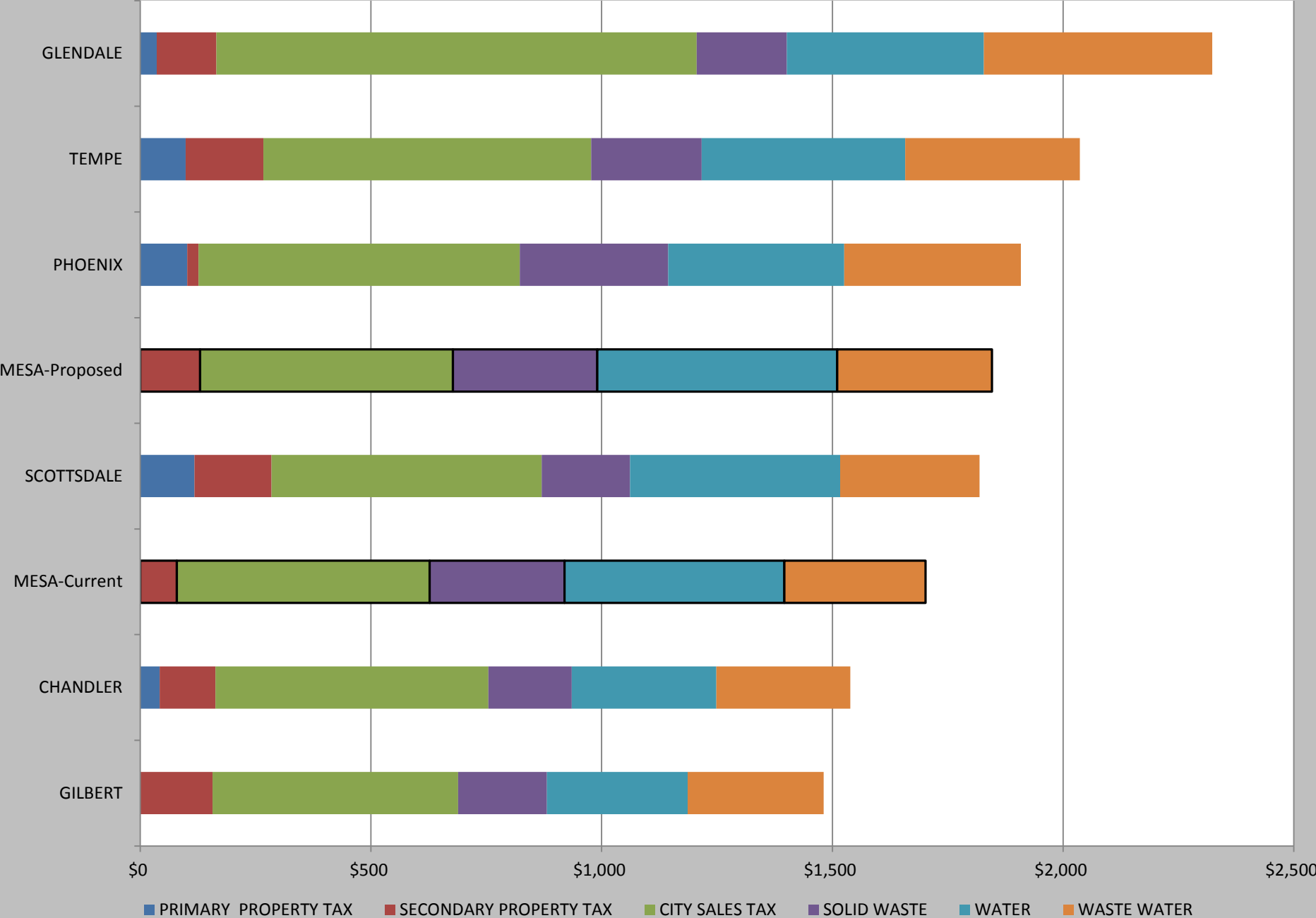
Utility	Amount
Electric	\$100,000
Natural Gas	690,000
Water	5,843,000
Wastewater	3,810,000
Solid Waste	3,024,000
Utility Service Fees	36,000
Total	\$13,503,000

Attachments:

1. Average Homeowner's Charges Comparison
2. Forecast Analysis Model
3. Twenty-five Year Residential Rate History
4. Notice of Intention

Average Homeowner Annual Cost Comparison

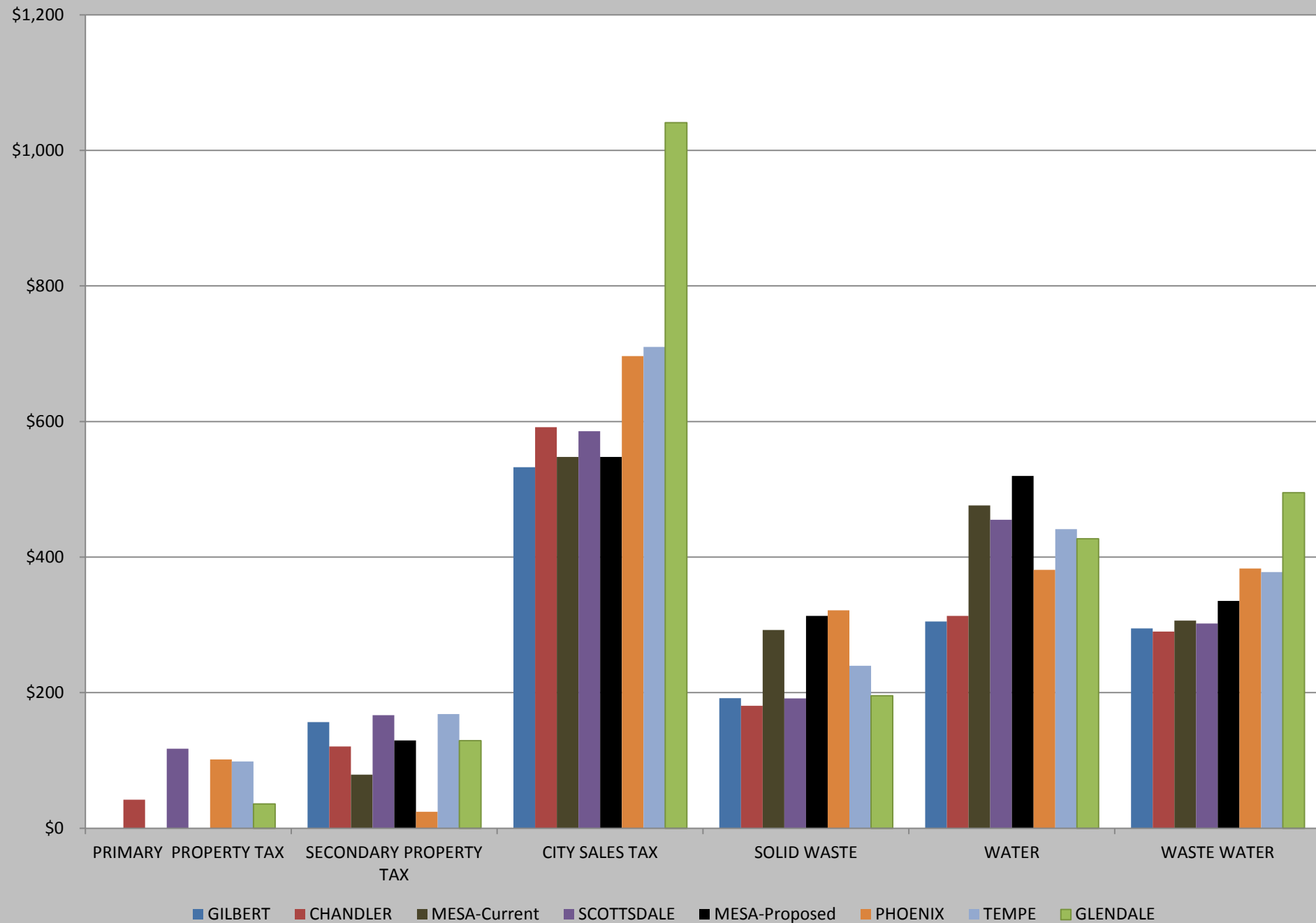
Mesa Proposed as of: 04/07/14
Other City Data as of: 02/01/14



Average Homeowner Annual Cost Comparison

Mesa Proposed as of: 04/07/14

Other City Data as of: 02/01/14



	AVERAGE HOMEOWNER'S CHARGES COMPARISON							
	CITY PROPERTY TAXES (1)		CITY SALES TAXES (5, 6)	SOLID WASTE CHARGES (7)	WATER CHARGES (8)	WASTEWATER CHARGES (9)	ANNUAL TOTAL	MESA PRIOR YEAR
	PRIMARY	SECONDARY (2, 3, 4)						
MESA-Proposed								
Median Value (2014)	\$100,210	\$109,300						
Rate	\$0.0000	\$1.1854	1.75%	\$26.10	\$43.32	\$27.96		
Annual Cost	\$0	\$130	\$548	\$313	\$520	\$336	\$1,846	108%
MESA-Current								
Median Value (2013)	\$91,600	\$91,600						
Rate	\$0.0000	\$0.8636	1.75%	\$24.37	\$39.69	\$25.53		
Annual Cost	\$0	\$79	\$548	\$292	\$476	\$306	\$1,702	100%
CHANDLER								
Median Value (2013)	\$128,100	\$128,100						
Rate	\$0.3292	\$0.9422	1.50%	\$15.07	\$26.11	\$24.17		
Annual Cost	\$42	\$121	\$592	\$181	\$313	\$290	\$1,539	90%
GILBERT								
Median Value (2013)	\$136,100	\$136,100						
Rate	\$0.0000	\$1.1500	1.50%	\$16.00	\$25.43	\$24.58		
Annual Cost	\$0	\$157	\$533	\$192	\$305	\$295	\$1,481	87%
GLENDALE								
Median Value (2013)	\$72,100	\$72,100						
Rate	\$0.4974	\$1.7915	2.90%	\$16.30	\$35.59	\$41.24		
Annual Cost	\$36	\$129	\$1,041	\$196	\$427	\$495	\$2,323	137%
PHOENIX								
Median Value (2013)	\$69,200	\$69,300						
Rate	\$1.4664	\$0.3536	2.00%	\$26.80	\$31.77	\$31.93		
Annual Cost	\$102	\$25	\$697	\$322	\$381	\$383	\$1,909	112%
SCOTTSDALE								
Median Value (2013)	\$219,100	\$219,600						
Rate	\$0.5342	\$0.7604	1.65%	\$15.96	\$37.94	\$25.17		
Annual Cost	\$117	\$167	\$586	\$192	\$455	\$302	\$1,819	107%
TEMPE								
Median Value (2013)	\$107,300	\$107,300						
Rate	\$0.9177	\$1.5705	2.00%	\$19.98	\$36.77	\$31.50		
Annual Cost	\$98	\$169	\$710	\$240	\$441	\$378	\$2,036	120%

- Notes:
1. Primary Property Tax is based on the Limited Property Value, Secondary Property Tax is based on the Full Cash Value.
 2. Single family residential property
Annual Cost = (Median Value) x 10% x (Tax Rate/100) Source: Maricopa County Assessor's Office
 3. Primary and Secondary Tax rates reflect the tax rates as listed on the County Treasurer website.
 4. Median Full Cash Value meets Arizona Department of Revenue guidelines of an 82% target and allowable range from 74% to 90% of comparable sales in prior 18 months.
 5. City Sales Tax is based on average household expenditures from the Consumer Expenditure Survey from the Bureau of Labor and Statistics applied to each city's tax rate.
 6. The city sales tax rate listed is for retail sales. Mesa does not collect sales tax on the sale of food for consumption at home.
If two cities show the same retail sales tax rate, the estimated sales tax dollar amount may be different because some cities have different tax rates for non-retail items.
 7. Charge for biweekly garbage (and recyclables where applicable) collection using 90 gallon barrels. The Solid Waste residential charges include a Green and Clean fee for Mesa. Other city's environmental fees are also included as applicable.
 8. Based on usage of 10,000 gallons per month.
 9. Winter Water Average formulas are applied in cities where known. Changes in fees are due to both rate and formula changes.

City of Mesa**Enterprise Fund Sources and Uses**

April 2014

NET SOURCES AND USES

	Estimate FY 12/13	Budget FY 13/14	Estimate FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
ELECTRIC	\$ (2,520,011)	\$ (3,101,446)	\$ (2,377,973)	\$ 47,582	\$ 1,122,421	\$ 863,541
GAS	\$ 242,018	\$ 1,244,395	\$ 1,299,675	\$ 1,645,875	\$ 2,065,469	\$ 2,384,824
WATER	\$ 10,887,150	\$ (1,394,916)	\$ (1,156,840)	\$ (663,148)	\$ (458,149)	\$ (1,002,502)
WASTEWATER	\$ 11,247,179	\$ 3,873,636	\$ 3,299,299	\$ (1,661,818)	\$ 2,810,754	\$ 3,065,508
SOLID WASTE	\$ (2,419,273)	\$ (5,730,994)	\$ (3,343,806)	\$ (5,437,882)	\$ (2,504,184)	\$ (398,969)
Subtotal: Utilities	\$ 17,437,063	\$ (5,109,325)	\$ (2,279,644)	\$ (6,069,391)	\$ 3,036,311	\$ 4,912,402
DISTRICT COOLING	\$ (627,899)	\$ (87,635)	\$ (171,267)	\$ 200,229	\$ 4,145	\$ (18,155)
ECONOMIC INVESTMENT	\$ (21,766,317)	\$ (10,486,363)	\$ (7,161,169)	\$ (3,511,332)	\$ (3,560,132)	\$ (3,680,623)
GOLF	\$ (492,229)	\$ (882,047)	\$ (859,959)	\$ (656,212)	\$ (783,266)	\$ (804,214)
HOHOKAM-FITCH	\$ (1,391,463)	\$ 5,052,953	\$ (1,126,210)	\$ (597,858)	\$ (7,052)	\$ (7,781)
CUBS SPRING TRAINING -OPERATIONS	\$ -	\$ (1,920,100)	\$ (1,746,016)	\$ (1,554,587)	\$ (1,678,275)	\$ (1,705,428)
CONVENTION CENTER	\$ (837,252)	\$ (1,020,728)	\$ (1,020,728)	\$ (1,599,432)	\$ (1,079,551)	\$ (1,108,742)
Subtotal: Other Enterprises	\$ (25,115,161)	\$ (9,343,921)	\$ (12,085,349)	\$ (7,719,191)	\$ (7,104,131)	\$ (7,324,943)
TOTAL NET SOURCES AND USES	\$ (7,678,098)	\$ (14,453,246)	\$ (14,364,993)	\$ (13,788,582)	\$ (4,067,820)	\$ (2,412,541)
Beginning Fund Balance	\$ 68,086,000	\$ 68,086,000	\$ 60,407,902	\$ 46,042,909	\$ 32,254,327	\$ 28,186,508
Net Sources and Uses	(7,678,098)	(14,453,246)	(14,364,993)	(13,788,582)	(4,067,820)	(2,412,541)
Ending Fund Balance	60,407,902	53,632,754	46,042,909	32,254,327	28,186,508	25,773,967
Ending Fund Balance Percent*	26.5%	22.3%	19.2%	12.9%	10.6%	9.0%
*As a % of Next Fiscal Year's Expenditures						
ELC Residential				2.0%	2.0%	2.0%
ELC Non-Residential				0.0%	0.0%	0.0%
GAS Residential				3.0%	3.0%	3.0%
GAS Non-Residential				3.0%	3.0%	3.0%
WTR All Rate Revenue				7.0%	7.0%	7.0%
WW All Rate Revenue				7.0%	7.0%	7.0%
SW Residential				6.9%	6.9%	6.9%
SW Commercial				5.9%	3.0%	3.0%
SW Rolloff				2.9%	3.0%	3.0%

City of Mesa**Enterprise Fund Sources and Uses**

April 2014

	Estimate FY 12/13	Budget FY 13/14	Estimate FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
Sources of Funding						
Revenues	\$ 315,575,306	314,018,775	333,322,847	328,387,307	350,750,171	373,522,364
Total Sources	315,575,306	314,018,775	333,322,847	328,387,307	350,750,171	373,522,364
Uses of Funding						
Operating Expenditures	148,367,529	157,462,979	148,347,916	164,012,040	169,362,914	176,199,237
Capital	27,804,823	13,128,293	11,726,535	6,511,946	6,030,525	10,054,385
Debt Service	57,556,052	61,735,038	67,685,780	69,608,113	73,923,067	80,552,367
Expenditure Subtotal	233,728,404	232,326,310	227,760,232	240,132,098	249,316,507	266,805,990
General Fund Transfer	83,615,000	90,000,000	90,000,000	95,700,000	98,714,000	101,888,280
Transfer to Other Funds	5,910,000	6,145,711	6,019,544	6,343,790	6,787,484	7,240,635
Reserved Funds	-	-	23,908,064	-	-	-
Total Uses	323,253,404	328,472,021	347,687,839	342,175,889	354,817,991	375,934,905
Net Sources and Uses	(7,678,098)	(14,453,246)	(14,364,993)	(13,788,582)	(4,067,820)	(2,412,541)
Beginning Fund Balance	\$ 68,086,000	\$ 68,086,000	\$ 60,407,902	\$ 46,042,909	\$ 32,254,327	\$ 28,186,508
Net Sources and Uses	(7,678,098)	(14,453,246)	(14,364,993)	(13,788,582)	(4,067,820)	(2,412,541)
Ending Fund Balance	60,407,902	53,632,754	46,042,909	32,254,327	28,186,508	25,773,967
Ending Fund Balance Percent*	26.5%	22.3%	19.2%	12.9%	10.6%	9.0%
*As a % of Next Fiscal Year's Expenditures						
ELC Residential				2.0%	2.0%	2.0%
ELC Non-Residential				0.0%	0.0%	0.0%
GAS Residential				3.0%	3.0%	3.0%
GAS Non-Residential				3.0%	3.0%	3.0%
WTR All Rate Revenue				7.0%	7.0%	7.0%
WW All Rate Revenue				7.0%	7.0%	7.0%
SW Residential				6.9%	6.9%	6.9%
SW Commercial				5.9%	3.0%	3.0%
SW Rolloff				2.9%	3.0%	3.0%

City of Mesa**Enterprise Fund Sources and Uses**

April 2014

ELECTRIC**Sources of Funding**

Revenues	\$	17,607,328	\$	17,500,282	\$	16,922,485	\$	17,131,580	\$	17,322,158	\$	17,530,603
EECAF Revenues	\$	13,932,796	\$	15,134,791	\$	14,395,823	\$	15,160,693	\$	14,918,605	\$	15,767,202
Total Sources	\$	31,540,124	\$	32,635,073	\$	31,318,308	\$	32,292,273	\$	32,240,763	\$	33,297,805

Uses of Funding

Operating Expenditures	\$	6,661,725	\$	7,443,604	\$	7,466,604	\$	7,722,048	\$	7,818,357	\$	7,931,953
EECAF Expenditures	\$	16,033,322	\$	15,134,791	\$	14,395,823	\$	15,160,693	\$	14,918,605	\$	15,767,202
Capital	\$	3,733,000	\$	5,318,887	\$	4,114,869	\$	1,500,000	\$	203,780	\$	207,265
Debt Service	\$	1,060,088	\$	1,076,656	\$	1,092,619	\$	1,096,105	\$	1,290,385	\$	1,494,640
Expenditure Subtotal	\$	27,488,134	\$	28,973,938	\$	27,069,915	\$	25,478,846	\$	24,231,127	\$	25,401,060

General Fund Transfer	\$	6,000,000	\$	6,000,000	\$	6,000,000	\$	6,120,000	\$	6,242,400	\$	6,367,248
Transfer to Other Funds	\$	572,000	\$	762,581	\$	626,366	\$	645,845	\$	644,815	\$	665,956

Total Uses	\$	34,060,134	\$	35,736,519	\$	33,696,281	\$	32,244,691	\$	31,118,342	\$	32,434,264
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Net Sources and Uses	\$	(2,520,011)	\$	(3,101,446)	\$	(2,377,973)	\$	47,582	\$	1,122,421	\$	863,541
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GAS**Sources of Funding**

Revenues	\$	26,411,681	\$	26,423,321	\$	26,419,040	\$	27,699,039	\$	29,196,912	\$	30,388,875
PNGCAF Revenues	\$	13,056,301	\$	15,488,265	\$	13,546,572	\$	14,673,172	\$	15,319,732	\$	15,919,068
Total Sources	\$	39,467,982	\$	41,911,586	\$	39,965,612	\$	42,372,211	\$	44,516,644	\$	46,307,943

Uses of Funding

Operating Expenditures	\$	12,728,365	\$	12,669,999	\$	12,669,999	\$	12,950,325	\$	13,295,213	\$	13,454,575
PNGCAF Expenditures	\$	13,259,769	\$	15,468,265	\$	13,546,572	\$	14,673,172	\$	15,319,732	\$	15,919,068
Capital	\$	509,000	\$	282,982	\$	282,982	\$	289,547	\$	295,020	\$	300,064
Debt Service	\$	4,772,482	\$	4,237,365	\$	4,196,724	\$	4,652,093	\$	5,190,847	\$	5,714,022
Expenditure Subtotal	\$	31,269,616	\$	32,658,611	\$	30,696,277	\$	32,565,137	\$	34,100,811	\$	35,387,729

General Fund Transfer	\$	7,170,348	\$	7,170,348	\$	7,170,348	\$	7,313,755	\$	7,460,030	\$	7,609,231
Transfer to Other Funds	\$	786,000	\$	838,232	\$	799,312	\$	847,444	\$	890,333	\$	926,159

Total Uses	\$	39,225,964	\$	40,667,191	\$	38,665,937	\$	40,726,336	\$	42,451,174	\$	43,923,119
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Net Sources and Uses	\$	242,018	\$	1,244,395	\$	1,299,675	\$	1,645,875	\$	2,065,469	\$	2,384,824
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City of Mesa**Enterprise Fund Sources and Uses**

April 2014

	Estimate FY 12/13	Budget FY 13/14	Estimate FY 13/14	Forecast FY 14/15	Forecast FY 15/16	Forecast FY 16/17
WATER						
Sources of Funding						
Revenues	\$ 117,689,538	\$ 115,042,847	\$ 115,243,434	\$ 121,035,194	\$ 131,541,695	\$ 141,890,710
Total Sources	\$ 117,689,538	\$ 115,042,847	\$ 115,243,434	\$ 121,035,194	\$ 131,541,695	\$ 141,890,710
Uses of Funding						
Operating Expenditures	\$ 36,081,555	\$ 41,672,164	\$ 38,812,938	\$ 43,319,363	\$ 47,929,856	\$ 51,306,352
Capital	\$ 1,212,721	\$ 127,497	\$ 127,497	\$ 181,118	\$ 74,000	\$ 3,231,095
Debt Service	\$ 21,471,130	\$ 23,891,819	\$ 26,685,088	\$ 25,635,878	\$ 30,023,048	\$ 32,933,003
Expenditure Subtotal	\$ 58,765,406	\$ 65,691,480	\$ 65,625,523	\$ 69,136,359	\$ 78,026,904	\$ 87,470,450
General Fund Transfer	\$ 45,744,982	\$ 48,469,882	\$ 48,469,882	\$ 50,141,280	\$ 51,342,105	\$ 52,584,947
Transfer to Other Funds	\$ 2,292,000	\$ 2,276,401	\$ 2,304,869	\$ 2,420,704	\$ 2,630,834	\$ 2,837,814
Total Uses	\$ 106,802,388	\$ 116,437,763	\$ 116,400,274	\$ 121,698,342	\$ 131,999,843	\$ 142,893,212
Net Sources and Uses	\$ 10,887,150	\$ (1,394,916)	\$ (1,156,840)	\$ (663,148)	\$ (458,149)	\$ (1,002,502)
WASTEWATER						
Sources of Funding						
Revenues	\$ 67,960,008	\$ 65,326,139	\$ 66,326,112	\$ 70,474,189	\$ 76,164,591	\$ 81,884,540
Total Sources	\$ 67,960,008	\$ 65,326,139	\$ 66,326,112	\$ 70,474,189	\$ 76,164,591	\$ 81,884,540
Uses of Funding						
Operating Expenditures	\$ 20,487,888	\$ 23,791,456	\$ 22,360,630	\$ 25,430,853	\$ 26,413,806	\$ 27,514,318
Capital	\$ 824,173	\$ 67,146	\$ 67,146	\$ 80,669	\$ 90,000	\$ 90,000
Debt Service	\$ 27,882,235	\$ 27,733,045	\$ 30,717,682	\$ 33,291,071	\$ 32,262,331	\$ 35,267,326
Expenditure Subtotal	\$ 49,194,296	\$ 51,591,647	\$ 53,145,458	\$ 58,802,593	\$ 58,766,138	\$ 62,871,644
General Fund Transfer	\$ 6,206,533	\$ 8,554,833	\$ 8,554,833	\$ 11,923,930	\$ 13,064,408	\$ 14,309,696
Transfer to Other Funds	\$ 1,312,000	\$ 1,306,023	\$ 1,326,522	\$ 1,409,484	\$ 1,523,292	\$ 1,637,691
Total Uses	\$ 56,712,829	\$ 61,452,503	\$ 63,026,813	\$ 72,136,006	\$ 73,353,838	\$ 78,819,031
Net Sources and Uses	\$ 11,247,179	\$ 3,873,636	\$ 3,299,299	\$ (1,661,818)	\$ 2,810,754	\$ 3,065,508
Combined Water & Wastewater	\$ 22,134,329	\$ 2,478,720	\$ 2,142,460	\$ (2,324,966)	\$ 2,352,605	\$ 2,063,007

City of Mesa**Enterprise Fund Sources and Uses**

April 2014

SOLID WASTE**Sources of Funding**

Revenues	\$	47,754,789	\$	47,245,709	\$	48,123,716	\$	51,015,638	\$	54,910,528	\$	58,650,758
Total Sources	\$	47,754,789	\$	47,245,709	\$	48,123,716	\$	51,015,638	\$	54,910,528	\$	58,650,758

Uses of Funding

Operating Expenditures	\$	28,736,464	\$	29,920,233	\$	28,409,448	\$	33,329,298	\$	32,759,204	\$	33,218,699
Capital	\$	1,838,461	\$	2,121,781	\$	2,121,781	\$	1,576,695	\$	2,350,964	\$	3,053,857
Debt Service	\$	158,000	\$	167,277	\$	168,881	\$	326,178	\$	601,277	\$	586,999
Expenditure Subtotal	\$	30,732,925	\$	32,209,291	\$	30,700,110	\$	35,232,171	\$	35,711,445	\$	36,859,555

General Fund Transfer	\$	18,493,137	\$	19,804,937	\$	19,804,937	\$	20,201,036	\$	20,605,057	\$	21,017,158
Transfer to Other Funds	\$	948,000	\$	962,474	\$	962,474	\$	1,020,313	\$	1,098,211	\$	1,173,015

Total Uses	\$	50,174,062	\$	52,976,702	\$	51,467,522	\$	56,453,520	\$	57,414,712	\$	59,049,727
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Net Sources and Uses	\$	(2,419,273)	\$	(5,730,994)	\$	(3,343,806)	\$	(5,437,882)	\$	(2,504,184)	\$	(398,969)
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TWENTY-FIVE YEAR RESIDENTIAL RATE HISTORY
 (% of residential rate adjustment each year)

FISCAL YEAR	ELECTRIC (6)	NATURAL GAS (5)	WATER	WASTEWATER	SOLID WASTE
FY'90/91	5.65%	4.00%	6.50%	12.00%	5.00%
FY'91/92	3.00%	0.00%	4.50%	5.00%	4.00%
FY'92/93	1.25%	0.00%	2.31%	7.75%	10.00%
FY'93/94 (1)	1.50%	0.00%	4.00%	3.94%	15.30%
FY'94/95 (2)	0.00%	0.00%	3.68%	0.00%	0.00%
FY'95/96 (3)	0.00%	0.00%	8.38%	0.00%	0.00%
FY'96/97	0.00%	0.00%	0.00%	0.00%	0.00%
FY'97/98 (4)	0.00%	3.20%	5.30%	5.10%	7.00%
FY'98/99	0.00%	0.00%	0.00%	0.00%	0.00%
FY'99/00	0.00%	7.13%	5.00%	5.00%	0.00%
FY'00/01	0.00%	3.00%	3.00%	3.00%	3.30%
FY'01/02	0.00%	6.00%	4.00%	4.00%	6.30%
FY'02/03	0.00%	6.00%	5.00%	5.00%	6.00%
FY'03/04	2.00%	3.00%	4.00%	5.00%	5.00%
FY'04/05	0.00%	4.00%	4.50%	6.00%	5.00%
FY'05/06	0.00%	5.00%	5.00%	5.00%	5.00%
FY'06/07	0.00%	5.00%	6.60%	5.00%	5.00%
FY'07/08	0.00%	5.00%	4.50%	7.00%	5.00%
FY'08/09	0.00%	3.00%	3.00%	4.50%	5.50%
FY'09/10	0.00%	3.00%	3.40%	6.50%	0.00%
FY'10/11	0.00%	2.50%	5.50%	4.50%	0.00%
FY'11/12	0.00%	2.50%	6.80%	5.80%	0.00%
FY'12/13	0.00%	0.00%	0.00%	0.00%	0.00%
FY'13/14	0.00%	0.00%	2.00%	2.00%	2.00%
FY'14/15	2.00%	3.00%	7.00%	7.00%	6.90%

Notes:

1. Solid Waste - Net change of 15.3%. Increased from \$12.35 to \$15.75 on 7/1/93. Reduced to \$14.25 on 12/1/93.
2. Water - Net average annual adjustment for water customers in the Western Zone customers only.
3. Water - 8.38% Net average annual increase for residential water customers in the Western Zone only.
4. Water - Balancing of water rates completed City-wide. Percentage shown is composite of changes made to the previous Western, Eastern and RWCD zones.
5. Natural Gas - The rate of increase for natural gas services could be higher (or lower) depending on the price of the natural gas resulting from variations in market prices and the City's gas supply contracts.
6. Electric - The rate of increase for electric services could be higher (or lower) depending on the price of the purchased power resulting from variations in market prices and the City's purchased power supply contracts.

Attachment 4

Notice of Intention

The Mayor and Council of the City of Mesa adopts this Notice of Intention to adjust rates or rate components, fees and/or service charges for district cooling, electric, irrigation water, natural gas, reclaimed water, solid waste, wastewater, and water.

A public hearing on the proposed adjustments will be held as part of the City Council's regular meeting on May 19, 2014 at 5:45 pm in the Mesa City Council Chambers located at 57 East 1st Street.

A copy of the written report supporting the revised rate schedules for district cooling, electric, irrigation water, natural gas, reclaimed water, solid waste, wastewater, and water along with the proposed Ordinances and Resolutions will be available in the Office of the City Clerk, 20 E. Main Street, Suite 150, Mesa, Arizona, by April 17, 2014.