

# City of Mesa FY 2022/23 Utility Fund forecast and Rates Recommendations – Update

City Council Study Session

November 3, 2022

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Chris Olvey – Forecast Budget Coordinator

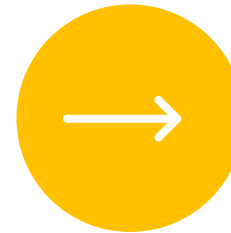
# Financial Principles



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:

## Previous Staff Rate Adjustment Recommendations

As of 08/29/2022	FY 21/22 Actuals	FY 22/23 Projected	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast
TOTAL NET SOURCES AND USES	(\$8,185,182)	(\$25,899,119)	(\$20,031,529)	(\$11,755,692)	(\$10,885,526)	(\$9,437,499)	(\$5,664,952)
Beginning Reserve Balance	\$151,261,238	\$143,076,056	\$117,176,937	\$97,145,407	\$85,389,716	\$74,504,190	\$65,066,691
<b>Ending Reserve Balance</b>	<b>\$143,076,056</b>	<b>\$117,176,937</b>	<b>\$97,145,407</b>	<b>\$85,389,716</b>	<b>\$74,504,190</b>	<b>\$65,066,691</b>	<b>\$59,401,739</b>
Ending Reserve Balance Percent*	<b>30.1%</b>	<b>24.4%</b>	<b>20.0%</b>	<b>16.7%</b>	<b>13.5%</b>	<b>11.8%</b>	<b>10.4%</b>
*As a % of Next Fiscal Year's Expenditures							
WATER Residential	2.50%	2.75%	3.50%	3.50%	3.50%	3.50%	3.50%
WATER Non-Residential (usage)	5.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
WASTEWATER Residential	3.00%	4.25%	4.75%	4.75%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.00%	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%
SOLID WASTE Residential	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Commercial	3.75%	4.50%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	3.50%	4.25%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$1.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.50	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Utility Fund Forecast:

## Notice of Intent

As of 09/15/2022	FY 21/22 Actuals	FY 22/23 Projected	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast
TOTAL NET SOURCES AND USES	(\$8,185,182)	(\$25,856,195)	(\$19,873,401)	(\$11,588,751)	(\$10,705,734)	(\$9,247,613)	(\$5,464,368)
Beginning Reserve Balance	\$151,261,238	\$143,076,056	\$117,219,861	\$97,346,460	\$85,757,709	\$75,051,974	\$65,804,362
Ending Reserve Balance	\$143,076,056	\$117,219,861	\$97,346,460	\$85,757,709	\$75,051,974	\$65,804,362	\$60,339,994
Ending Reserve Balance Percent*	30.1%	24.4%	20.0%	16.8%	13.6%	11.9%	10.6%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential	2.50%	2.75%	3.50%	3.50%	3.50%	3.50%	3.50%
WATER Non-Residential (usage)	5.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
WASTEWATER Residential	3.00%	4.25%	4.75%	4.75%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.00%	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%
SOLID WASTE Residential	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Commercial	3.75%	4.50%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	3.50%	7.75%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$1.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.50	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

\*Water non-residential landscape usage charges were increased from 6.50% to 7.50%

# Water – Typical Commercial Landscape Customer



	2022	2023	
		<u>Previous</u>	<u>Revised</u>
Commercial Landscape		Service Charge	2.75%
		Usage Charge	6.50%
		Drought Commodity Charge	\$0.08/kgal
	\$138.08/mo.	\$147.04/mo. (\$8.96/mo.)	<b>\$148.16/mo.</b> <b>(\$10.08/mo.)</b>

# Commercial Roll Off Recommendations

- Increase set fee by \$56.50
  - Increase from \$83.00 to \$139.50
- \$66.07 increase for a one-time trash customer
  - 30-yard box increase from \$328.75 to \$394.82
- \$67.30 increase for a one-time green waste customer
  - 30-yard box increase from \$348.25 to \$415.55

# Utility Fund Forecast:

## Updated w/ Council Recommended Rate Adjustment

As of 10/12/2022	FY 21/22 Actuals	FY 22/23 Projected	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast
TOTAL NET SOURCES AND USES	(\$8,185,182)	(\$25,936,579)	(\$20,183,706)	(\$11,828,111)	(\$10,891,981)	(\$9,443,192)	(\$5,671,255)
Beginning Reserve Balance	\$151,261,238	\$143,076,056	\$117,139,478	\$96,955,771	\$85,127,660	\$74,235,679	\$64,792,487
<b>Ending Reserve Balance</b>	<b>\$143,076,056</b>	<b>\$117,139,478</b>	<b>\$96,955,771</b>	<b>\$85,127,660</b>	<b>\$74,235,679</b>	<b>\$64,792,487</b>	<b>\$59,121,232</b>
Ending Reserve Balance Percent*	<b>30.2%</b>	<b>24.4%</b>	<b>19.9%</b>	<b>16.7%</b>	<b>13.4%</b>	<b>11.7%</b>	<b>10.4%</b>
*As a % of Next Fiscal Year's Expenditures							
WATER Residential	2.50%	2.75%	3.50%	3.50%	3.50%	3.50%	3.50%
WATER Non-Residential (usage)	5.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
WASTEWATER Residential	3.00%	3.25%	5.00%	5.00%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.00%	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%
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SOLID WASTE Rolloff	3.50%	7.75%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$1.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.50	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Wastewater – Typical Residential Customer



	2022	2023	
		<u>Previous</u>	<u>Proposed</u>
Residential		Service Charge	4.25%
		Usage Charge	4.25%
	\$23.92/mo.	\$24.93/mo. (\$1.01/mo.)	<b>3.25%</b>
			<b>\$24.69/mo. (\$0.77/mo.)</b>

## Changes to Wastewater Residential Forecast

	FY 22/23	FY 23/24	FY 24/25
Notice of Intent Forecast	4.25%	4.75%	4.75%
Proposed Change	3.25%	5.00%	5.00%

# Schedule for FY 2022/23 Utility Rates Adjustment Recommendation

- Nov 21** – Introduce Utility Rate Ordinances
- Dec 1** – City Council Action on Utility Rates
- Jan 1** – Effective date for Utility Rate changes



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