



FY 2025/26 UTILITY FUND FORECAST & RATES RECOMMENDATION FOR NOTICE OF INTENT

City Council Meeting

Presented by: Brian A. Ritschel – Management & Budget Director

September 22, 2025



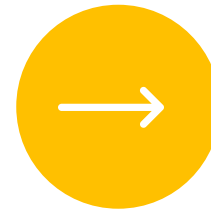
FINANCIAL PRINCIPLES



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 Rates Adjustments Main Focuses

- Equity between residential and non-residential rates
- Growth pays for growth
- Conservation of discretionary water use
- Smooth rate adjustments throughout the forecast

OTHER VALLEY MUNICIPALITIES

- East Valley Municipalities
 - "...raising the rates annually would allow the city to compound the money, meaning it won't need as big an increase the following year." (East Valley Tribune – Chandler)
 - "Council told staff that it wants to look at annual increases starting with the next budget cycle, which begins in October." (East Valley Tribune – Chandler)
 - "So what we can learn from these two examples is that smaller, consistent increases generated more revenue for the fund and ended with a lower final bill at the end of 20 years... This also means that ratepayers have more money in their pocket today than they would have had over time, but we need to catch up on missed funding." (Gilbert Sun News)

FY 25/26 ADOPTED BUDGET

As of 05/13/2025	FY 23/24 Actuals	FY 24/25 Projected	FY 25/26 Budget	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
WATER	(\$205,201)	\$3,604,393	(\$6,770,889)	(\$13,812,950)	(\$11,152,245)	(\$4,844,905)	\$5,153,942
WASTEWATER	(\$13,836,490)	(\$9,498,102)	(\$12,213,330)	(\$7,718,734)	(\$3,819,034)	\$811,319	\$5,969,894
SOLID WASTE	(\$8,224,846)	(\$4,804,691)	(\$4,078,076)	\$1,729,927	\$659,615	\$4,151,286	\$10,384,745
ELECTRIC	(\$296,202)	\$1,038,184	(\$1,137,384)	(\$1,059,105)	(\$1,453,150)	(\$1,839,521)	(\$2,345,276)
NATURAL GAS	(\$4,462,547)	(\$2,405,972)	(\$4,056,668)	(\$3,201,983)	(\$2,782,143)	\$576,552	\$472,621
DISTRICT COOLING	(\$368,815)	(\$515,479)	(\$181,786)	(\$171,502)	(\$316,383)	(\$182,335)	(\$185,275)
TOTAL NET SOURCES AND USES	(\$27,394,100)	(\$12,581,668)	(\$28,438,133)	(\$24,234,347)	(\$18,863,341)	(\$1,327,604)	\$19,450,652
Beginning Reserve Balance	\$144,413,643	\$117,019,543	\$104,437,875	\$75,999,742	\$51,765,395	\$32,902,054	\$31,574,450
Ending Reserve Balance	\$117,019,543	\$104,437,875	\$75,999,742	\$51,765,395	\$32,902,054	\$31,574,450	\$51,025,102
Ending Reserve Balance Percent*	22.4%	18.5%	11.9%	8.1%	4.9%	4.6%	7.0%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	3.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
WATER Commercial (usage)	5.00%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
WASTEWATER Residential	4.75%	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%
WASTEWATER Non-Residential	5.00%	8.50%	9.00%	9.00%	9.00%	9.00%	9.00%
SOLID WASTE Residential	3.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Commercial	7.50%	10.00%	7.50%	7.50%	7.50%	7.50%	7.50%
SOLID WASTE Rolloff	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%	6.50%
ELECTRIC Residential - svc charge	\$2.25	\$2.75	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
ELECTRIC Non-Residential - svc charge	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
GAS Residential - svc charge	\$0.75	\$0.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$2.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00

FY 25/26 RECOMMENDED RATES FOR AF&E COMMITTEE

As of 08/20/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	\$3,472,435	(\$5,954,870)	(\$12,873,158)	(\$4,922,100)	\$4,880,586	\$13,810,550	\$26,942,225
WASTEWATER	(\$7,285,154)	(\$11,996,287)	(\$6,784,238)	(\$2,018,970)	\$2,770,034	\$12,384,228	\$12,390,217
SOLID WASTE	\$26,254	(\$5,858,624)	\$688,832	(\$629,299)	\$2,586,058	\$8,510,604	\$9,060,768
ELECTRIC	\$1,435,561	(\$1,066,822)	(\$741,823)	(\$834,907)	(\$1,173,447)	(\$1,603,113)	(\$1,239,981)
NATURAL GAS	(\$817,183)	(\$3,793,487)	(\$2,082,196)	(\$1,426,474)	\$1,864,370	\$1,729,243	\$2,128,194
DISTRICT COOLING	(\$376,552)	(\$181,786)	(\$171,502)	(\$316,383)	(\$182,335)	(\$185,275)	(\$233,758)
TOTAL NET SOURCES AND USES	(\$3,544,639)	(\$28,851,875)	(\$21,964,085)	(\$10,148,134)	\$10,745,265	\$34,646,237	\$49,047,666
Beginning Reserve Balance	\$117,019,543	\$113,474,904	\$84,623,029	\$62,658,943	\$52,510,810	\$63,256,075	\$97,902,312
Ending Reserve Balance	\$113,474,904	\$84,623,029	\$62,658,943	\$52,510,810	\$63,256,075	\$97,902,312	\$146,949,978
Ending Reserve Balance Percent*	20.1%	13.4%	9.9%	8.0%	9.2%	13.4%	19.2%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	6.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
WATER Commercial (usage)	8.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
WASTEWATER Residential	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
WASTEWATER Non-Residential	8.50%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
SOLID WASTE Residential	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Commercial	10.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Rolloff	6.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
ELECTRIC Residential - svc charge	\$2.75	\$1.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
ELECTRIC Non-Residential - svc charge	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
GAS Residential - svc charge	\$0.00	\$0.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00

*Does not include Water & Wastewater Capacity Fee

Audit, Finance & Enterprise Committee and City Council Recommendations

- Accelerate equity between residential and non-residential
 - Reduce residential and increase non-residential rate adjustments from the current recommended rate adjustments
- Increase non-residential landscape usage rate adjustment from current recommended rate adjustment
- Review the residential usage tiers rates adjustments

Residential and Non-residential Comparison

Equity Between Residential & Non-residential Water Rate Revenue

Presented at AF&E Committee

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	53%	52%	50%	49%
Non-residential Rate Revenue	45%	46%	47%	48%	50%	51%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Adjusted per AF&E Recommendation

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	52%	50%	49%	47%
Non-residential Rate Revenue	45%	46%	48%	50%	51%	53%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Customer Impact - Water

Typical Customer	Impact to Current Bill		Impact to Current Bill with Capacity Fee	
Residential (6 kgals/month)	+4.3%	\$45.46/mo (+\$1.89/mo)	+4.2%	\$45.41/mo (+\$1.84/mo)
Multi-unit Development (6 kgals/month)	+10.1%	\$44.56/mo (+\$4.10/mo)	+8.7%	\$43.98/mo (+\$3.53/mo)
Commercial – General (9 kgals/month)	+7.7%	\$84.66/mo (+\$6.07/mo)	+7.4%	\$84.39/mo (+\$5.80/mo)
Commercial – Landscape (29 kgals/month)	+13.6%	\$204.06/mo (+\$27.05/mo)	+13.6%	\$204.06/mo (+\$27.05/mo)

Customer Impact - Wastewater

Typical Customer	Impact to Current Bill		Impact to Current Bill with Capacity Fee	
Residential (4 kgals/month)	+8.0%	\$30.32/mo (+\$2.25/mo)	+7.5%	\$30.18/mo (+\$2.11/mo)
Commercial (9 kgals/month)	+9.0%	\$61.98/mo (+\$5.12/mo)	+8.5%	\$61.69/mo (+\$4.83/mo)

Residential Rate Adjustments – Typical Customer

Residential Monthly Bill	Current	Recommended	Change
Water (6 kgal)	\$43.57	\$45.46	+\$1.89
Wastewater	\$28.07	\$30.32	+\$2.25
Solid Waste (90-gal + Green & Clean Fee)	\$34.17	\$35.99	+\$1.82
Total – Citywide Service Area	\$105.81	\$111.77	+\$5.96

Residential Monthly Bill	Current	Recommended	Change
Electric	\$135.71	\$137.98	+\$2.27
Natural Gas	\$41.06	\$42.49	+\$1.43

FY 25/26 RECOMMENDED RATES FOR NOTICE OF INTENT

As of 9/15/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	\$3,472,435	(\$5,576,800)	(\$11,922,572)	(\$3,041,675)	\$8,245,747	\$19,405,397	\$35,335,473
WASTEWATER	(\$7,285,154)	(\$11,996,288)	(\$6,784,238)	(\$2,018,970)	\$2,770,034	\$12,384,228	\$12,390,217
SOLID WASTE	\$26,254	(\$5,858,624)	\$688,832	(\$629,299)	\$2,586,058	\$8,510,604	\$9,060,768
ELECTRIC	\$1,435,561	(\$1,066,822)	(\$741,823)	(\$834,907)	(\$1,173,447)	(\$1,603,113)	(\$1,239,981)
NATURAL GAS	(\$817,183)	(\$3,793,486)	(\$2,082,196)	(\$1,426,474)	\$1,864,370	\$1,729,243	\$2,128,194
DISTRICT COOLING	(\$376,552)	(\$181,786)	(\$171,502)	(\$316,383)	(\$182,335)	(\$185,275)	(\$233,758)
TOTAL NET SOURCES AND USES	(\$3,544,639)	(\$28,473,806)	(\$21,013,499)	(\$8,267,709)	\$14,110,426	\$40,241,083	\$57,440,914
Beginning Reserve Balance	\$117,019,543	\$113,474,904	\$85,001,098	\$63,987,599	\$55,719,890	\$69,830,317	\$110,071,400
Ending Reserve Balance	\$113,474,904	\$85,001,098	\$63,987,599	\$55,719,890	\$69,830,317	\$110,071,400	\$167,512,314

Ending Reserve Balance Percent*	20.1%	13.4%	10.1%	8.4%	10.1%	15.0%	21.7%
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*As a % of Next Fiscal Year's Expenditures

*Does not
include
Water &
Wastewater
Capacity
Fee

WATER Residential (Tier 1 usage)	6.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
WATER Commercial (usage)	8.50%	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
WASTEWATER Residential	7.50%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
WASTEWATER Non-Residential	8.50%	9.00%	9.00%	9.00%	9.00%	9.00%	9.00%
SOLID WASTE Residential	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Commercial	10.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Rolloff	6.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
ELECTRIC Residential - svc charge	\$2.75	\$1.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
ELECTRIC Non-Residential - svc charge	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
GAS Residential - svc charge	\$0.00	\$0.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00

FY 25/26 RECOMMENDED RATE ADJUSTMENTS

WITH CAPACITY FEE

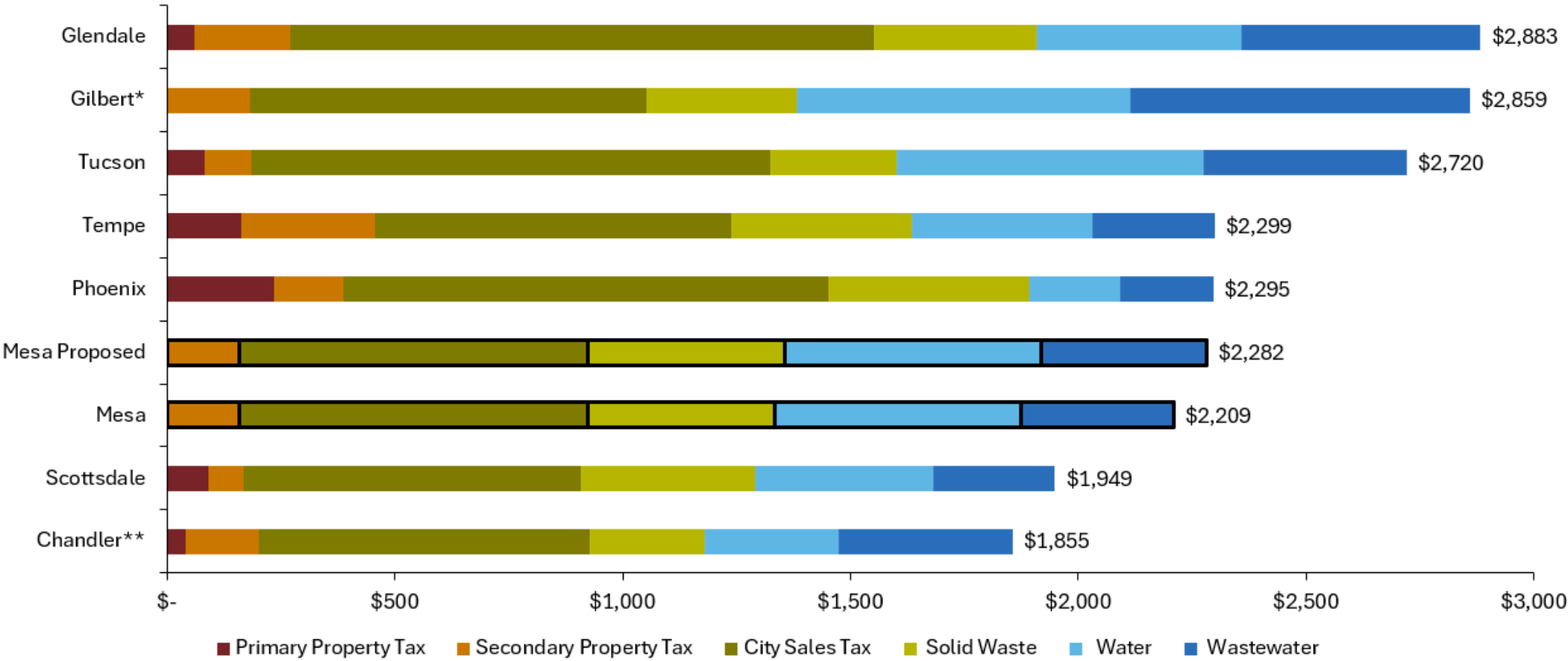
As of 9/15/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	\$3,472,435	(\$5,859,349)	(\$4,354,832)	\$5,268,997	\$14,888,058	\$25,536,796	\$42,556,577
WASTEWATER	(\$7,285,154)	(\$12,080,760)	(\$7,048,336)	(\$3,014,649)	\$1,702,838	\$10,205,256	\$10,129,209
SOLID WASTE	\$26,254	(\$5,858,624)	\$688,832	(\$629,299)	\$2,586,058	\$8,510,604	\$9,060,768
ELECTRIC	\$1,435,561	(\$1,066,822)	(\$706,935)	(\$871,150)	(\$1,117,234)	(\$1,646,811)	(\$1,171,368)
NATURAL GAS	(\$817,183)	(\$3,793,486)	(\$1,982,515)	(\$1,440,090)	\$2,018,693	\$1,626,125	\$2,301,975
DISTRICT COOLING	(\$376,552)	(\$181,786)	(\$171,502)	(\$316,383)	(\$182,335)	(\$185,275)	(\$233,758)
TOTAL NET SOURCES AND USES	(\$3,544,639)	(\$28,840,828)	(\$13,575,288)	(\$1,002,574)	\$19,896,079	\$44,046,695	\$62,643,402
Beginning Reserve Balance	\$117,019,543	\$113,474,904	\$84,634,076	\$71,058,788	\$70,056,214	\$89,952,293	\$133,998,988
Ending Reserve Balance	\$113,474,904	\$84,634,076	\$71,058,788	\$70,056,214	\$89,952,293	\$133,998,988	\$196,642,390
Ending Reserve Balance Percent*	20.1%	13.6%	11.4%	10.8%	13.4%	18.9%	26.4%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	6.00%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%
WATER Commercial (usage)	8.50%	13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
WASTEWATER Residential	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
WASTEWATER Non-Residential	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%	8.50%
SOLID WASTE Residential	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Commercial	10.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Rolloff	6.50%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
ELECTRIC Residential - svc charge	\$2.75	\$1.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
ELECTRIC Non-Residential - svc charge	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
GAS Residential - svc charge	\$0.00	\$0.00	\$1.00	\$1.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00

Summary of Recommended Rate Adjustments

	FY 25/26 Projected <i>No Capacity Fee</i>	FY 25/26 Projected <i>w/ Capacity Fee</i>
TOTAL NET SOURCES AND USES	(\$28,473,806)	(\$28,840,828)
Beginning Reserve Balance	\$113,474,904	\$113,474,904
Ending Reserve Balance	\$85,001,098	\$84,634,076
Ending Reserve Balance Percent*	13.4%	13.6%
*As a % of Next Fiscal Year's Expenditures		
WATER Residential (Tier 1 usage)	4.00%	3.50%
WATER Commercial (usage)	14.00%	13.00%
WASTEWATER Residential	8.00%	7.50%
WASTEWATER Non-Residential	9.00%	8.50%
SOLID WASTE Residential	5.50%	5.50%
SOLID WASTE Commercial	5.50%	5.50%
SOLID WASTE Rolloff	5.50%	5.50%
ELECTRIC Residential - svc charge	\$1.00	\$1.00
ELECTRIC Non-Residential - svc charge	\$5.00	\$5.00
GAS Residential - svc charge	\$0.00	\$0.00
GAS Non-Residential - svc charge	\$3.00	\$3.00

HOMEOWNER'S COMPARISON

estimated as of April 2026



*includes proposed 25% Water increase

**includes proposed 15% Water, 15% Wastewater, and 6% Solid Waste increases



NEXT STEPS

- September 22** - City Council Action on Notice of Intent
- November 17** - Introduction of Utility Rate Ordinances
- December 1** - City Council Action on Utility Rates
- January 1** - Effective Date for Utility Rate Changes



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