



# COUNCIL MINUTES

November 2, 2023

The City Council of the City of Mesa met in a Study Session in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on November 2, 2023, at 7:30 a.m.

## COUNCIL PRESENT

John Giles  
Francisco Heredia  
Jennifer Duff  
Mark Freeman  
Alicia Goforth  
Scott Somers\*  
Julie Spilsbury

## COUNCIL ABSENT

None

## OFFICERS PRESENT

Christopher Brady  
Holly Moseley  
Jim Smith

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

Mayor Giles conducted a roll call.

### 1. Review and discuss items on the agenda for the November 6, 2023, Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None

Items removed from the consent agenda: 6-b.

Responding to a request from City Manager Christopher Brady regarding Item 5-a, (**Approving the submission of, and authorizing the City Manager to sign, an application to the Arizona Department of Water Resources to modify the City's Designation of Assured Water Supply. (Citywide)**), on the Regular Council meeting agenda, Water Resources Department Director Chris Hassert introduced Water Resources Advisor Brian Draper and displayed a PowerPoint presentation. (**See Attachment 1**)

Mr. Hassert explained the 100-year Assured Water Supply (AWS) designation. He said that the City's water designation is determined by the Arizona Department of Water Resources (ADWR) per State statute and highlighted the things considered. (See Page 2 of Attachment 1)

Mr. Hassert noted the importance of the AWS designation, which must be renewed every 15 years, and that the application is due by the end of 2023 for a 2025 renewal. He reported that since the last designation filed in 2010, Mesa has accumulated an additional 94,423-acre feet of

long-term storage credits. He clarified that updating those amounts in the AWS will ensure that the City has access to that additional amount of water in the future. He remarked that the resolution will give the City Manager authority to sign the AWS application package before submission. (See Page 3 of Attachment 1)

In response to a question from Councilmember Freeman, Mr. Draper explained that there will not be a separate report outlining the data from the application. He stated that the Water Master Plan being presented to City Council in November represents the data and analysis on the application.

Mr. Brady announced that the City earned a stable outlook rating on the Utility Fund from the bond rating agencies.

In response to a question from Councilmember Duff, Mr. Hassert confirmed that all the water providers within ADWR will be submitting their AWS applications at the same time. He said that the AWS will create a widescale hydrologic model and prevent overallocation of the aquifer.

Mr. Draper explained how the long-term water storage credits work.

Mayor Giles thanked staff for the presentation.

Responding to a question from Councilmember Duff regarding Item 5-e, **(Approving and authorizing the City Manager or designee to enter into contracts for the purchase of firm natural gas supplies for the City's natural gas distribution system, for a period of up to five years and in amounts up to the full requirements of the system, as well as an agreement for natural gas asset management services and the purchase of natural gas balancing volumes for up to two years. (Citywide))**, on the Regular Council meeting agenda, Energy and Sustainability Director Scott Bouchie commented that the City is still in negotiations with LG on their proposed project. He said that LG will be considered a transportation customer which means that because of the amount of gas that will be used, LG will be required to bring the gas to the City's system. He added that part of the agenda item includes an Asset Management Agreement with a third party that manages the City's gas rights on the pipeline. He remarked once LG supplies the gas to the system, the City is capable of metering the gas and delivering it to their site. He advised that the LG project will be brought to the City Council when the negotiations are finalized.

2-a. Hear a presentation, discuss, and provide direction on an update to the proposed utility rate adjustments.

Management and Budget Director Brian Ritschel introduced Management and Budget Deputy Director Chris Olvey and displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. Ritschel discussed the next steps toward the utility rate adjustment and provided follow-up regarding questions that came up at the last Study Session. He reviewed the five financial principles the City follows and how the principles affect how rate adjustments are determined. He explained that the priorities of this rate change are a conservation promotion and advised that smaller rate adjustments throughout the forecast period will minimize rate adjustment spikes and create rate smoothing. He outlined the increases in utility revenue and expenses. (See Pages 2 through 5 of Attachment 2)

Mr. Ritschel described the projected Utility Fund Forecast Notice of Intent, explaining that the goal of the ending reserve balance range is between 8% and 10% during the final fifth year. He detailed how the percentages are calculated and what factors affect the numbers. (See Page 6 of Attachment 2)

Mr. Olvey provided examples of the utility service fee adjustments which included the current and proposed fees. He stated that the rates have not been adjusted since 2009 or 2010 and that operating and staffing costs have greatly increased. (See Page 7 of Attachment 2)

In response to a question from Mr. Brady, Mr. Hassert explained that the proposed rate to connect to the City water system with a meter installation is reasonable because of all the variables that come up in construction projects. He remarked that some projects are more complex than others and require more sophisticated design which would cost more to cover the expenses incurred using the existing fee structure.

In response to a question from Councilmember Spilsbury, Energy Resources Program Manager Anthony Cadorin indicated that the proposed Expedited Electric Disconnect / Reconnect Fee is higher due to the actual labor costs involved.

Mr. Ritschel outlined the schedule for the rate adjustment recommendations, stating that the final approval would be effective February 1, 2024. (See Page 8 of Attachment 2)

Mayor Giles thanked staff for the presentation.

2-b. Hear a presentation, discuss, and provide direction on the proposed amendments to Title 11 (Zoning Ordinance) of the Mesa City Code related to Historic Preservation.

Mayor Giles stated that this item would be presented at a future date.

2-c. Hear a presentation, discuss, and provide direction on the updated Mesa Historic Preservation Design Guidelines.

Mayor Giles stated that this item would be presented at a future date.

2-d. Appointments to the Education and Workforce Development Roundtable and the Design Review Board.

It was moved by Councilmember Spilsbury, seconded by Councilmember Duff, that receipt of the above-listed minutes be acknowledged. (See Attachment 3)

Upon tabulation of votes, it showed:

AYES – Giles–Freeman–Heredia–Duff–Goforth–Somers–Spilsbury

NAYS – None

Carried unanimously.

3. Acknowledge receipt of minutes of various boards and committees.

3-a. General Plan Advisory Committee meeting held on July 24, 2023.



mesa·az

WATER RESOURCES

# Designation of 100-YR Assured Water Supply

Chris Hassert

Water Resources Director

## What is our Assured Water Supply?

- Determined by the Arizona Department of Water Resources per State statute
- Evaluates the water provider's 100-year water supply considering current and committed demands, as well as growth projections.
- Water sources included in the 100-year AWS must be deemed:
  - Physically and Legally Available
  - Continuous
  - Water provider to have financial ability to access, treat, and distribute
- The 100-year designation is on a rolling basis and must be renewed every 15 years
- Mesa's most recent designation was issued in 2010

## Why it's important to modify the AWS

- Mesa's application is due to ADWR by the end of 2023 for a 2025 renewal
- The application is considered a "modification" to reflect changes like additional supplies added to the portfolio since the prior designation
- Since 2010, Mesa has accumulated an additional 94,423 LTSC's
- If we fail to update our AWS, we put our groundwater allocation at risk and ability to develop
  - Bond Rating Impacts
- This Resolution gives the City Manager authority to sign our AWS application before submitting

3-b. Sustainability and Transportation Committee meeting held on September 28, 2023.

It was moved by Councilmember Freeman, seconded by Councilmember Heredia, that receipt of the above-listed minutes be acknowledged.

Upon tabulation of votes, it showed:

AYES – Giles–Freeman–Heredia–Duff–Goforth–Somers–Spilsbury  
NAYS – None

Carried unanimously.

4. Current events summary including meetings and conferences attended.

Mayor Giles and Councilmembers highlighted the events, meetings and conferences recently attended.

5. Scheduling of meetings.

City Manager Christopher Brady stated that the schedule of meetings is as follows:

Monday, November 6, 2023, 5:15 p.m. – Study Session

Monday, November 6, 2023, 5:45 p.m. – Regular meeting

6. Adjournment.

Without objection, the Study Session adjourned at 8:34 a.m.

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JOHN GILES, MAYOR

ATTEST:

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HOLLY MOSELEY, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 2<sup>nd</sup> day of November 2023. I further certify that the meeting was duly called and held and that a quorum was present.

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HOLLY MOSELEY, CITY CLERK

sr  
(Attachments – 3)

# City of Mesa

## FY 2023/24

### Utility Fund Forecast and Rates

### Recommendations – Update

City Council Study Session

November 2, 2023

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

Chris Olvey – Deputy Director

# Financial Principles



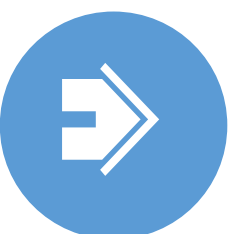
BALANCE NET SOURCES  
AND USES



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

## Priorities of Rate Recommendations

- Conservation Promotion
  - Colorado River System still in drought shortage conditions
  - Recommend outdoor/landscaping rate adjustment above indoor rate adjustment
- Continued trend of Non-residential water usage growth
  - Non-residential customers represent 10% of total accounts while consuming 52% of total usage
  - Recommendation continues towards equity between residential and non-residential rates
- Smaller rate adjustments throughout the forecast period to minimize rate adjustment spikes

# Utility Revenue and Expenses Increases

	<b>Annualized Rate Adjustment Revenue Increase</b>	<b>FY22/23 to FY23/24 Operating Expenses &amp; Debt Service Increase</b>
Solid Waste	\$2,588,000	\$5,912,000
Electric	\$833,000	\$2,458,000
Natural Gas	\$1,561,000	\$3,757,000
Water	\$9,775,000	\$12,683,000
Wastewater	\$4,834,000	\$11,911,000

# Inflation & Cost Increases

	<b>FY 21/22</b>	<b>FY 22/23</b>	<b>FY 23/24</b>
<b>Significant Utility Fund Expenses (YoY)</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Budgeted</b>
Water Commodity	+21.9%	+5.9%	+29.5%
WTR/WW Plant Chemicals	+14.9%	+22.2%	+18.3%
Solid Waste Disposal	+6.9%	+5.9%	+18.0%
Fleet Maintenance & Repair	+10.7%	+24.5%	-0.8%
Personnel (Salary and Benefits)	+7.1%	+5.2%	+9.4%
<b>Residential Rate Adjustments (YoY)</b>	<b>FY 21/22</b>	<b>FY 22/23</b>	<b>FY 23/24</b>
	<b>Actuals</b>	<b>Actuals</b>	<b>Proposed</b>
Water	2.5%	2.75%	3.0%
Wastewater	3.0%	4.25%	4.75%
Solid Waste	2.0%	2.0%	3.0%

# Utility Fund Forecast: Notice of Intent

As of 08/22/2023	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast
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<b>TOTAL NET SOURCES AND USES</b>	(\$13,153,827)	(\$33,986,550)	(\$13,663,502)	(\$14,030,134)	(\$9,806,082)	(\$5,141,357)	\$44,803
Beginning Reserve Balance	\$144,571,686	\$131,417,859	\$97,431,309	\$83,767,807	\$69,737,673	\$59,931,590	\$54,790,233

<b>Ending Reserve Balance</b>	<b>\$131,417,859</b>	<b>\$97,431,309</b>	<b>\$83,767,807</b>	<b>\$69,737,673</b>	<b>\$59,931,590</b>	<b>\$54,790,233</b>	<b>\$54,835,037</b>
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Ending Reserve Balance Percent*	<b>26.1%</b>	<b>18.9%</b>	<b>15.6%</b>	<b>12.0%</b>	<b>10.3%</b>	<b>9.2%</b>	<b>9.0%</b>
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\*As a % of Next Fiscal Year's Expenditures

WATER Residential (Tier 1 usage)	2.75%	3.00%	3.50%	4.00%	4.00%	4.00%	4.00%
WATER Commercial (usage)	5.50%	5.00%	5.50%	5.75%	5.75%	5.75%	5.75%
WASTEWATER Residential	4.25%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
SOLID WASTE Residential	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Commercial	4.50%	7.50%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	7.75%	6.50%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$0.00	\$2.25	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$0.00	\$5.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Utility Service Fee Adjustment Examples

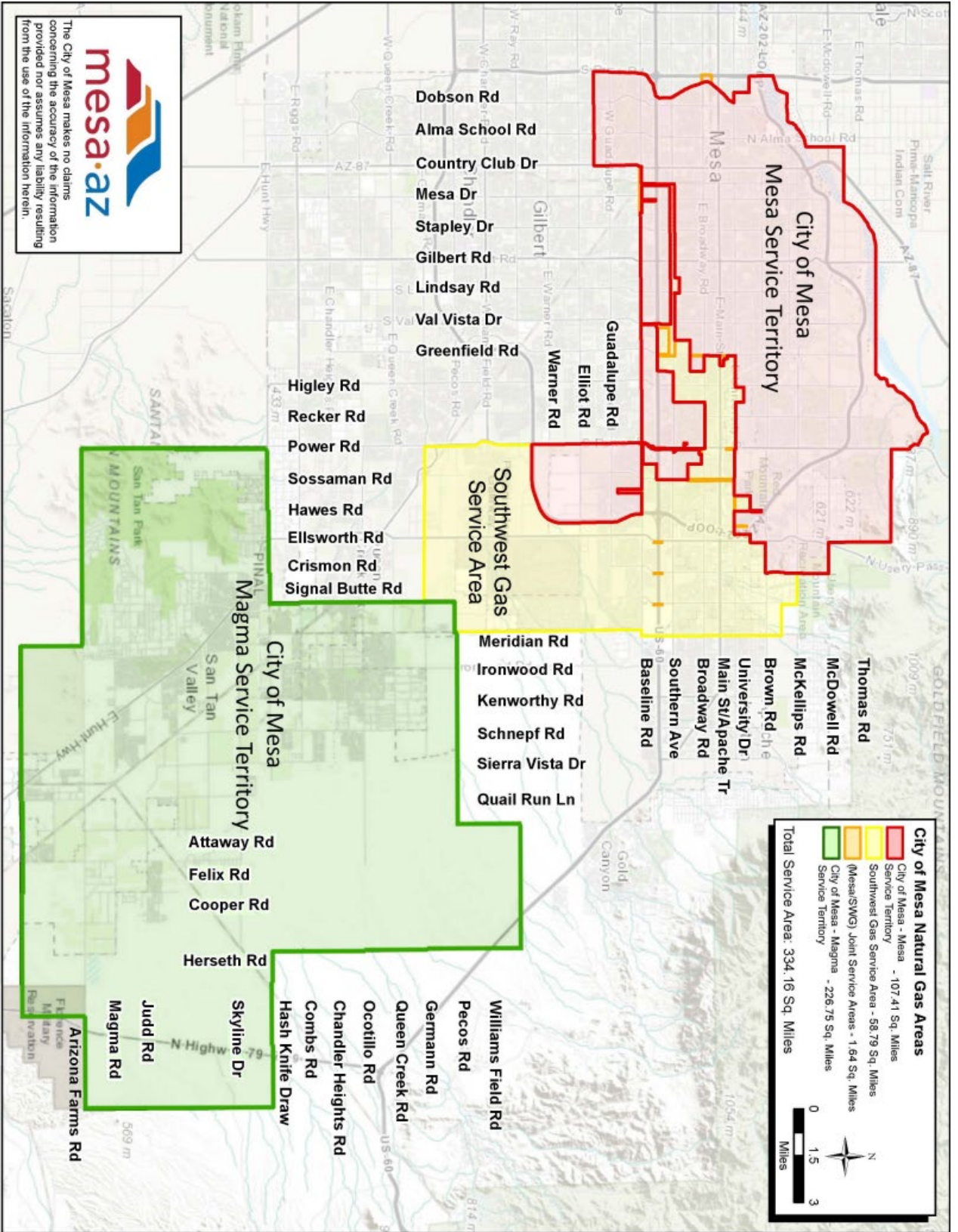
	<b>Current</b>	<b>Proposed</b>
Next Day Turn On/Off – Electric/Water	\$16	\$20
Same Day or After Hours Turn On/Off	\$45	\$55
Connect to City Water System – Meter Installation (3/4")	\$374	Quote
Expedited Electric Disconnect/Reconnect Fee	N/A	\$362

# Schedule for FY 2023/24 Utility Rates Adjustment Recommendation

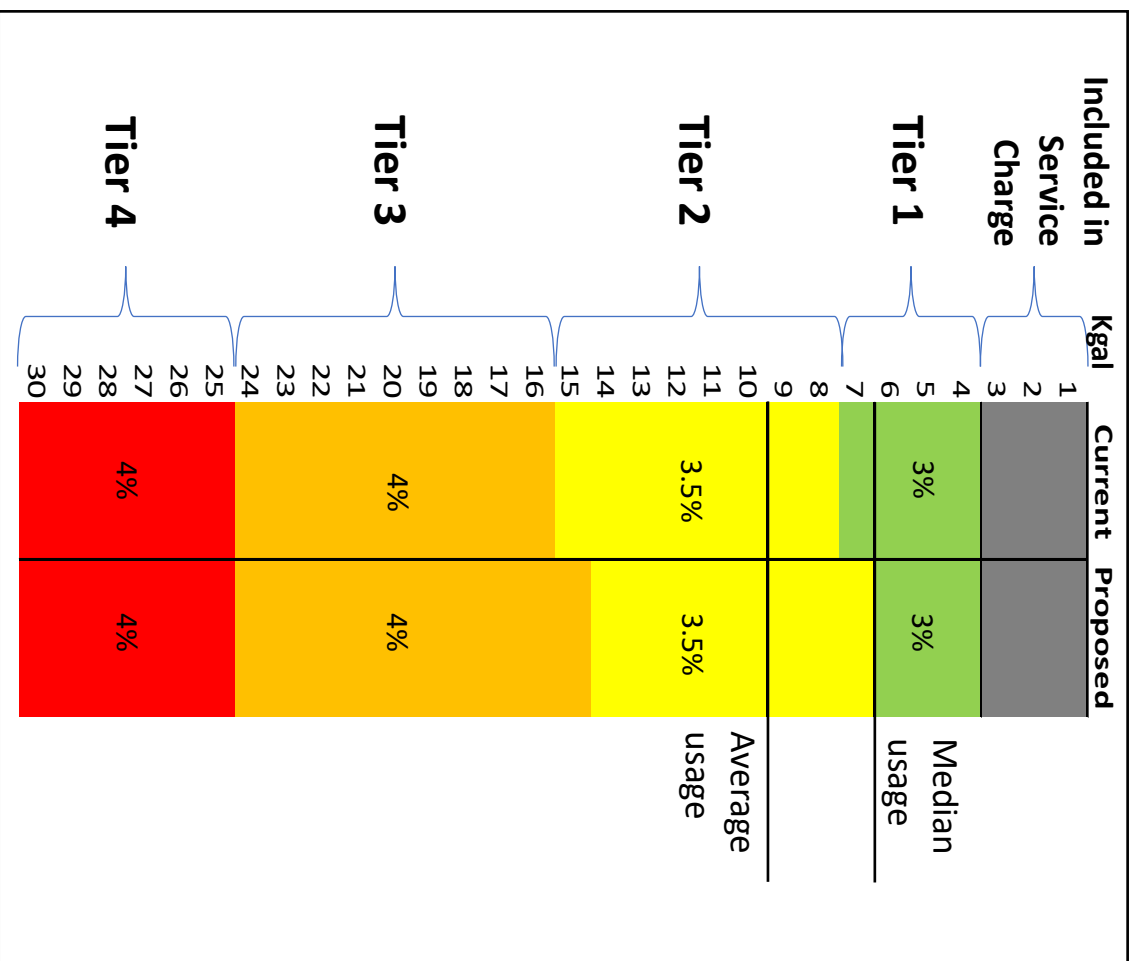
**Nov 20** – Introduce Utility Rate Ordinances

**Dec 4** – City Council Action on Utility Rates

**Feb 1** – Effective date for Utility Rate changes



# Residential Water – Tier Adjustment



# Non-Residential Water Usage Rate Proposal

General Usage	Proposed
Commercial – General	5%
Large Commercial/Industrial – General	12%
Other Non-Residential – General*	6%
Excess Surcharge – General	6.5%
<b>Landscape Usage</b>	
Non-Residential (All) – Landscape	7.5%
Excess Surcharge – Landscape	7.5%

\*Includes multi-unit, public authority, etc.

November 2, 2023

TO: CITY COUNCILMEMBERS

FROM: MAYOR JOHN GILES

SUBJECT: Appointments to Boards and Committees

The following are my recommendations for appointments to City of Mesa Advisory Boards and Committees.

**Design Review Board** – Seven-member board including new appointments.

Kyle Bell, District 6. Mr. Bell is a client implementation manager for Blue Cross Blue Shield of Arizona. He also has experience as a business analyst and overseeing customer service, and he volunteers in the community. He earned a Bachelor of Science in Business Studies, Human Resource Management from Southern New Hampshire University. His partial term ends June 30, 2026.

**Education and Workforce Development Roundtable** – Seventeen-member roundtable including new appointments.

Kristin Sorensen, District 2. Ms. Sorensen is a senior community and government relations specialist for The Boeing Company. She was also formerly the director of communications and community engagement for the Governor's Office of Youth, Faith and Family for the State of Arizona. She earned a Bachelor of Arts in Journalism and Mass Communications from Arizona State University. Her partial term ends June 30, 2025.