

WATER & WASTEWATER CAPACITY FEE AND FY 2025/26 UTILITY RATES RECOMMENDATION UPDATE

City Council Study Session

Presented by: Brian A. Ritschel – Management & Budget Director
Christopher Hassert – Water Resources Director

November 6, 2025



WATER AND WASTEWATER CAPACITY FEE UPDATE

Capacity Fee – Overview

Water Resources projects \$400M in vital infrastructure needed over the next ten years to accommodate future growth in Mesa

Competing funding needs between growth infrastructure and rehabilitation will accelerate rate increases without growth paying for growth

One-time charge for new or upsized meters

Water Resources will re-examine the capacity at the same time Future Master Plans are developed approximately every 5 years

Capacity Fee – Stakeholder Meetings

Two stakeholder meetings held on October 8, 2025 and October 20, 2025 attended by:

- Valley Partnership
- Homebuilders Association
- Blandford Homes
- AZ Multifamily Association
- NAIOP Commercial Real Estate Development Association

Capacity Fee – Stakeholder Meetings

Discussed the evolution of the development of the Capacity Fee:

- Authorized by ARS § 9-511.01
- Existing infrastructure is sized to meet current demand
- Capacity Fee is designed to recover the costs of developing new and expanded water/wastewater infrastructure needed to facilitate new development

Capacity Fee – Implementation

- Effective date of January 1, 2026
- 50% discount of fee for 0.75 inch and 1 inch meter sizes for the first six months (January 1, 2026 through June 30, 2026)
- 0.75 inch and 1 inch meter sizes will pay 100% of fee amount beginning July 1, 2026
- No discount for meter sizes above 1 inch



NEXT STEPS

- November 17** - Introduction of Capacity Fee Ordinance
- December 1** - City Council Action on Capacity Fee
- January 1** - Effective Date for Capacity Fee

FY 2025/26 UTILITY RATES ADJUSTMENTS UPDATE

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

Customer Impact - Water

Typical Customer	Impact to Current Bill – AF&E Committee		Impact to Current Bill – Notice of Intent		Impact to Current Bill with Capacity Fee	
Residential (6 kgals/month)	+5.5%	\$45.95/mo (+\$2.38/mo)	+4.3%	\$45.46/mo (+\$1.89/mo)	+4.2%	\$45.41/mo (+\$1.84/mo)
Multi-unit Development (6 kgals/month)	+8.6%	\$43.93/mo (+\$3.47/mo)	+10.1%	\$44.56/mo (+\$4.10/mo)	+8.7%	\$43.98/mo (+\$3.52/mo)
Commercial – General (9 kgals/month)	+7.7%	\$84.64/mo (+\$6.05/mo)	+7.7%	\$84.66/mo (+\$6.07/mo)	+7.4%	\$84.39/mo (+\$5.80/mo)
Commercial – Landscape (29 kgals/month)	+12.1%	\$198.39/mo (+\$21.38/mo)	+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 – AF&E Committee		Impact to Current Bill – Notice of Intent		Impact to Current Bill with Capacity Fee	
Residential (4 kgals/month)	+8.0%	\$30.32/mo (+\$2.25/mo)	+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)	+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	\$45.41	+\$1.84
Wastewater	\$28.07	\$30.18	+\$2.11
Solid Waste (90-gal + Green & Clean Fee)	\$34.17	\$35.99	+\$1.82
Total – Citywide Service Area	\$105.81	\$111.58	+\$5.77

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

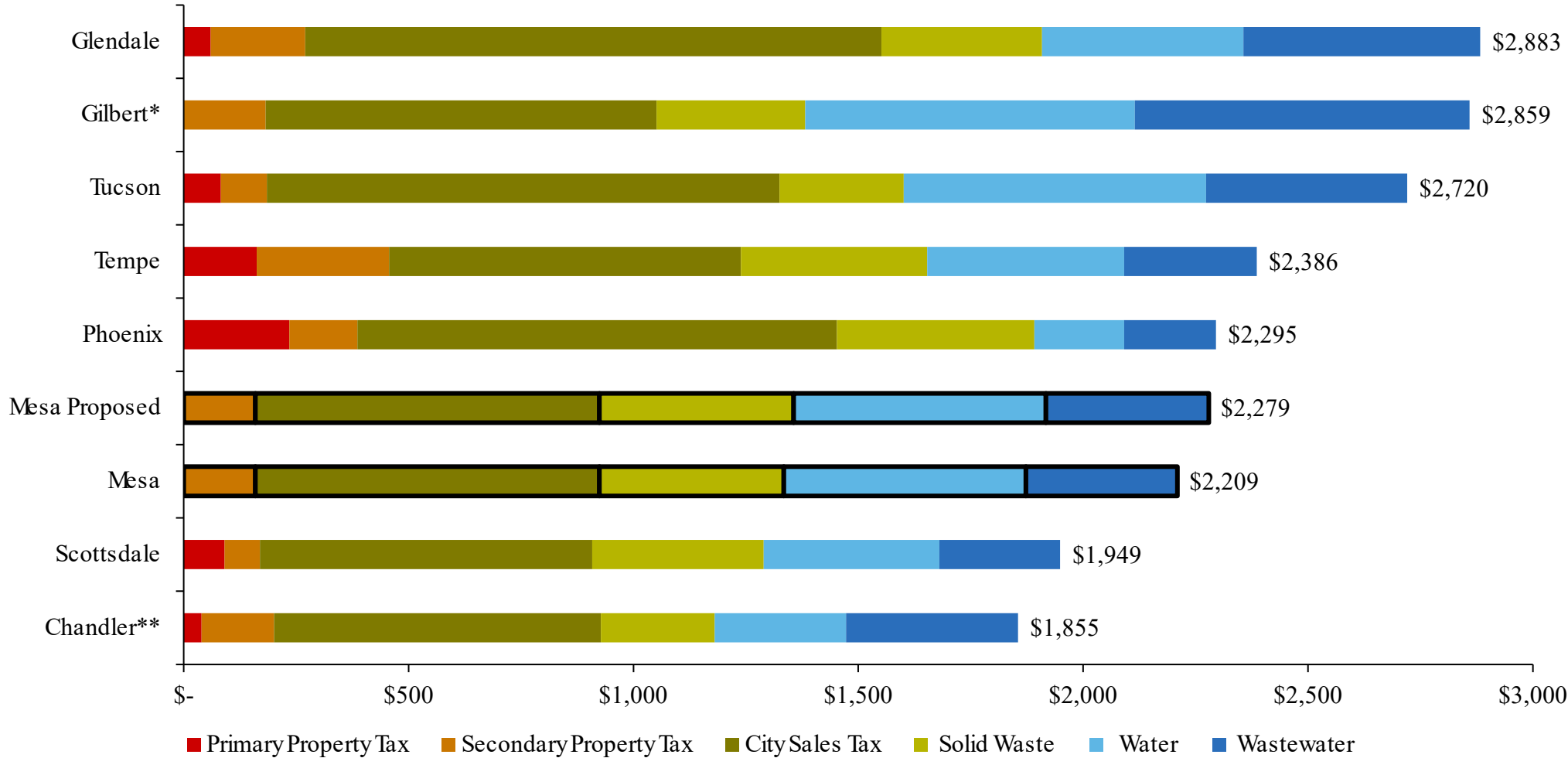
FY 25/26 RECOMMENDED RATE ADJUSTMENTS

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

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

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



mesa·az