

# AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

August 28, 2025

The Audit, Finance & Enterprise Committee of the City of Mesa met in the Study Session room at City Hall, 20 East Main Street, on August 28, 2025, at 9:06 a.m.

## COMMITTEE PRESENT

Alicia Goforth, Chairperson  
Francisco Heredia  
Scott Somers

## COMMITTEE ABSENT

None

## STAFF PRESENT

Jothi Beljan  
Mike Kennington  
Holly Moseley

Chairperson Goforth conducted a roll call.

### 1. Items from citizens present.

There were no items from citizens present.

### 2-a. Hear a presentation, discuss, and provide direction on a recommended new Water and Wastewater Capacity Fee for the City of Mesa water and wastewater utilities.

Water Resources Director Chris Hassert introduced Water Resources Assistant Director Jesse Heywood and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Hassert provided an overview of the proposal to establish a Water and Wastewater Capacity Fee for the water and wastewater utilities plan. He explained that the City of Mesa (COM) currently does not have a system in place to recoup funding to allow for construction of infrastructure to support growth. He pointed out that the current needs including lifecycle, growth and rehabilitation projects, are all funded by the existing rate payers. He mentioned that the Capital Improvement Project (CIP) schedule was revised to accommodate unforeseen projects that were accelerated by growth. He pointed out that the shift has created funding constraints which have delayed other scheduled projects needed to maintain the existing infrastructure. He reported that the added capacity fees would help address this challenge by funding lifecycle, rehabilitation, and the growth-related costs. (See Page 2 of Attachment 1)

Mr. Hassert explained that the capacity fee would be a one-time charge for new or upsized connections to ensure that new development pays its share of the infrastructure required to serve it. He presented a map of the COM water masterplan and highlighted the largest

concentrations of vacant land which are primarily zoned commercial and industrial. (See Pages 3 and 4 of Attachment 1)

Mr. Heywood discussed how the proposed capacity fees would be calculated. He explained that the fees are based on the American Water Works Association (AWWA) manual of Water Supply Practices M1, which sets the principles for water rates, fees, and charges. He stated that the COM selected the incremental cost method, which focuses on meeting today's demand by considering the cost of adding future capacity and the number of customers expected to use that capacity, and then determines a fee per customer connection. He outlined the typical water system components and emphasized the portion of the system that the COM is responsible for maintaining. (See Pages 5 and 6 of Attachment 1)

Mr. Heywood reviewed the proposed capacity fee calculations and supplied the projected capacity costs for water and wastewater capacity projects using the Signal Butte expansion project budget as an example. He advised that the fees are based on the AWWA recommendation to use meter size to determine the estimated maximum water flow and explained how the costs and service units were derived. (See Pages 7 through 12 of Attachment 1)

Mr. Hassert added that the COM retained a consultant to develop the master plan and produce a report certifying that the proposed methodology complies with industry standards, which emphasize that growth should pay for growth. He compared the proposed fee to neighboring cities based on a  $\frac{3}{4}$  inch meter. (See Page 13 of Attachment 1)

Discussion ensued regarding various systems used by the neighboring cities.

In response to a question from Committeemember Heredia, Office of Management & Budget (OMB) Director Brian Ritschel verified that the legislation permitting the collection of impact fees on new development is in effect due to statutory changes and stated that the cost of expansion was placed on the ratepayers.

Additional discussion ensued on the prior collection of impact fees, which had been used for similar purposes but sunset in 2024.

Mr. Hassert stated that adding the capacity fee will ease the burden on the ratepayers and will free up capital funds to complete needed lifecycle and replacement projects. (See Page 14 of Attachment 1)

Further discussion ensued relative to the calculation of the proposed capacity fee compared to the past impact fee assessments.

Assistant City Attorney Jothi Beljan provided background on a 2022 Arizona Court of Appeals decision in which a developer challenged a capacity fee, arguing that the fee had not been properly approved under state law, but the held that each municipality has the authority to independently adopt water and wastewater fees.

Chairperson Goforth thanked staff for the presentation.

2-b. Hear a presentation, discuss, and provide direction on the Utility Fund forecast and recommended rate and fee adjustments.

Office of Management & Budget (OMB) Director Brian Ritschel introduced Water Resources Director Chris Hassert, Water Resources Assistant Director Jesse Heywood, Energy and Sustainability Director Scott Bouchie, Deputy Solid Waste Director Joe Giudice, and displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. Ritschel discussed the Utility Operations and pointed out that each utility is operated separately but treated as one fund and reserve funds may be used to smooth rate adjustments year to year. He reviewed the financial principles that the COM follows, noting the positive impact a higher reserve fund balance has on credit ratings. (See Pages 2 and 3 of Attachment 2)

Mr. Ritschel highlighted the 2025/2026 adopted budget and pointed out the net sources and uses and the estimated ending reserve balance amounts noting the improvement in the outer years. He provided a projected budget that includes the recommended rate adjustments if the capacity fee is not approved by the Council and described the impact on the reserve balances. He mentioned the goal has been to pay off 35% of principal balance within 10 years of debt service and discussed the debt repayment options, such as reducing the repayment to 30%, which could provide relief to the ratepayers. (See Pages 4 and 5 of Attachment 2)

Discussion ensued regarding the adopted budget and forecast balances.

Responding to a request from Committeemember Somers, Deputy City Manager and Chief Financial Officer Michael Kennington agreed that messaging to the citizens is important but explained that the forecasted budget document is considered an estimate due to the variables in project costs and changes.

Mr. Hassert presented the recommended rate adjustments for the water program. He reviewed the operating costs beginning in December 2024 and forecasted through fiscal year (FY) 2029/2030. He outlined the increased cost of materials necessary to maintain operations such as chemicals. He explained that the debt service has leveled out with the initiation of three major projects: Signal Butte Expansion, Reuse Pipeline and the Smart Metering program. He stated that the Signal Butte expansion was delayed due to extremely high project costs that were not reasonable to pass on to ratepayers. He reported that through negotiation and adjustments, the City was able to move forward at a lower cost than in 2022; however, this delay has led to multiple projects overlapping. He confirmed that the projections show that by FY 26/27, debt service will flatten out again, allowing greater focus on rehabilitation and lifecycle needs. (See Pages 8 and 9 of Attachment 2)

Mr. Hassert discussed the residential and non-residential water rates and presented a comparison of revenues versus consumption. He confirmed the data shows that non-residential users consume significantly more water, a trend that is not expected to change given projected industrial and commercial growth. He stated that non-residential accounts represent about 12% of total accounts but consume the majority of the system's water. He identified that the FY 28/29 revenues are projected to be more evenly distributed between residential and non-residential customers, even though consumption will remain heavily weighted toward non-residential use. (See Page 10 of Attachment 2)

Responding to a question from Chairperson Goforth, Mr. Ritchel agreed to provide an example with a forecast accelerating the timeline for equity between residential and non-residential water rates and the monthly impact on both groups.

Discussion ensued regarding the impact of accelerating the rate increase period.

Mr. Hassert provided an overview of the proposed rate adjustment recommendations, which include a 5.5% increase in the fixed charge. He confirmed that this adjustment would maintain the fixed charge at approximately 35% of total service revenue, which falls within the industry standard range. He explained that for usage charges, increases would vary by tier, with higher-use customers paying a higher percentage, multi-unit accounts would see an overall increase of about 11%, while apartment complexes with master meters would face both the 5.5% fixed charge increase and the usage-based increase. He identified that these accounts currently pay a discount rate that is lower than Tier 1, and the proposed adjustments are intended to create a clearer path to rate equity. (See Pages 11 and 12 of Attachment 2)

Additional discussion ensued regarding the water usage tiers.

Mr. Hassert reviewed the cumulative impact of inflation on the department, noting that since 2018 the Consumer Price Index (CPI) has increased by 28.97%. He reported that fixed charges have not kept pace with this cumulative increase, creating a gap between current charges and inflationary pressure and has contributed to drawing down reserve funds and delaying necessary projects. (See Page 13 of Attachment 2)

Mr. Ritchel emphasized that the service charge reflects fixed costs required to maintain the system such as keeping pipes, facilities, and infrastructure operational, and that many projects are focused on repair and maintenance. He suggested plotting service charges against CPI to illustrate the impact and also proposed adding Tier 1 usage rates for comparison.

Mr. Hassert presented a chart illustrating the projected impact of the proposed adjustments across customer classes. He stated that for a typical residential customer at median water use, the increase would be approximately \$2.38 per month, and multi-unit customers would see an increase of about \$3.47 per month, which remains lower than the impact on a single-family residential account. He reported that commercial accounts would experience an average increase of \$6.05 per month, while landscape customers would see the highest impact, at approximately \$21.38 per month. (See Page 14 of Attachment 2)

Mr. Heywood detailed the recommended rate adjustments to the wastewater program and reviewed the operating costs from December 2024 and forecasted through FY 29/30. He confirmed that the increase is due to high treatment plant costs. He outlined the debt service budget and pointed out the decrease due to the three large projects moving forward this year and restructuring payback of debt. (See Pages 16 and 17 of Attachment 2)

Mr. Heywood reviewed the proposed rate adjustment recommendations with the residential service and usage charge increase of 8% and the non-residential service and usage charge increase of 9%. He indicated that the projected impact on a typical residential customer would be approximately \$2.25 per month and the impact on a typical commercial customer would be approximately \$5.12 per month. (See Pages 18 and 19 of Attachment 2)



Mr. Hassert outlined the rate adjustment recommendations for the water and wastewater customers including the proposed capacity fee. He discussed the decreased impact on the service and usage charges for both residential and non-residential customers. (See Pages 21 through 25 of Attachment 2)

Energy and Sustainability Director Scott Bouchie introduced Energy Resources Program Manager Anthony Cadorin, and Senior Fiscal Analyst John Petrof. He pointed out that the increased operating costs have created pressure on the electric utilities.

Mr. Petrof summarized the increasing costs and financial pressures on the Electric Utility, citing rising debt service obligations along with higher operating costs driven by inflation, vendor contracts, and workforce salary adjustments. He highlighted three high priority electric projects: Kellwood Substation Improvements, Stapley and University, and 69 kV Looping, noting the cost of each project. He discussed the increasing debt service costs and reviewed the budget actual, projected, and forecast amounts. (See Pages 28 through 31 of Attachment 2)

Mr. Cadorin reviewed the rate costs in comparison to Salt River Project (SRP), noting that the COM had historically maintained an advantage. He explained that when the market shifted and costs spiked, the COM utilized subsidies from the American Rescue Plan Act (ARPA) program to soften the impact and pointed out that SRP did not qualify for assistance. He compared a COM monthly residential electric bill to SRP and explained that the hatched line on the chart represented what would have been passed on to customers without ARPA support and stated that even without subsidies, Mesa's costs remained lower than SRP. He reviewed the prior forecast, actual, and proposed electric bills for small, average, and large residential customers. (See Pages 32 through 35 of Attachment 2)

In response to a question from Chairperson Goforth, Mr. Cadorin commented that the COM has worked to keep rates stable. He noted that Mesa has been able to reduce costs through new contracts, securing lower-priced deals compared to SRP and highlighted the role of inexpensive renewable energy and the large solar project expected to come online in 2027, which positions the City well to maintain stability. He added that while SRP is raising rates, Mesa is doing well for its customers.

Mr. Bouchie explained that the rate structure for commodity costs is strictly a pass-through and that while staff works with the budget team to project amounts, these costs fluctuate up and down with the market. He clarified that fixed operating costs are captured separately as fixed costs. He noted that this approach works well when contract prices are lower, but that is not always the case.

Mr. Petrof presented the proposed residential electric rate structure which is designed to provide more support for lower-use customers by shifting costs to higher-use tiers. He confirmed that the proposed rate adjustment changes the current declining block rate to an inclining block rate, with approximately 36% of customers impacted. He explained that most low-use and average customers will not reach Tier 2 during the winter months and that for the typical residential customer, the increase is estimated at 1.87%, with smaller customers experiencing a similar impact. He noted that the structure is expected to phase out next year. (See Pages 36 through 38 of Attachment 2)

Mr. Petrof outlined the rising financial pressures the Gas Utility is facing, pointing to higher debt service and operating expenses. He attributed these increases to inflation, payroll growth, and

related expenses such as fleet, warehouse operations, outside materials, overhead, and facility rents. He highlighted the high priority gas projects and the costs for each, including Arizona Farms, Gantzel Road, Clausen Gate, Stapley and University, and Val Vista – Pueblo to US 60. (See Pages 40 through 42 of Attachment 2)

Discussion ensued regarding the priority Gas Utility projects and the possibility of creating a capacity fee for the construction areas.

Mr. Petrof discussed the upward cost pressures from debt service and rising operating expenses over time. He pointed out that Southwest Gas rate implemented an 8.9% monthly bill increase for customers in March 2025. (See Pages 43 and 44 of Attachment 2)

Mr. Cadarin illustrated a comparison of the monthly billing structure between Southwest Gas to the COM. He commented that the COM has historically had an advantage over Southwest Gas. He reviewed the efforts that have been made to drive down the costs for COM customers. (See Page 45 of Attachment 2)

Mr. Petrof provided a residential gas bill comparison. He presented the proposed residential and commercial rate adjustments, broken down by usage tier. He explained the proposed elimination of the system service charge, and the breakdown of each of the proposed rates for each tier and period. He noted the average customer would see a 3.5% or \$1.43 per month increase. (See Pages 46 and 47 of Attachment 2)

Mr. Petrof reviewed a commercial gas bill comparison between Southwest Gas and the COM for small, average, and large users. He summarized the proposed rate adjustments as a \$3 service charge, usage charges for both summer and winter charges will be increased by 3% for Tier 1 and 5% for Tier 2 users with an overall increase of \$11.72 or 2.3% per month. (See Pages 48 and 49 of Attachment 2)

Additional discussion ensued regarding further adjusting the rates to ease the cost to the ratepayers.

Deputy Solid Waste Director Joe Giudice introduced Senior Fiscal Analyst Jeremy Collins. He discussed the increasing cost pressures on the utilities such as personal services, disposal fees, and fleet costs. He described the increasing operating costs of Solid Waste and presented the forecasted increases. He discussed the costs of fleet maintenance and noted that staff continue to educate the public on proper lithium battery disposal. (See Pages 51 through 54 of Attachment 2)

Mr. Giudice reviewed the Solid Waste residential rate recommendations. He provided an overview of proposed rate increase recommendations including commercial front-load trash, commercial front-load cardboard, and commercial roll off. (See Pages 55 through 57 of Attachment 2)

Mr. Ritschel provided an overview of the Utility Fund forecast including the FY 25/26 recommended rate adjustments with and without the capacity fee for all the utilities. He provided a schedule of the next steps and confirmed that if Council approves the rate adjustments, the new fee structure would be effective January 1, 2026. (See Pages 58 through 60 of Attachment 2)

Additional discussion ensued regarding the approval schedule and notice of intent.

In response to a request from Committeemember Heredia, Mr. Ritchel agreed to provide the number of customers affected by the rate change in the supplemental package provided to Council.

Chairperson Goforth thanked staff for the presentation

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 11:18 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 28<sup>th</sup> day of August 2025. 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 – 2)

# 2025/26 UTILITY FUND FORECAST & RATES RECOMMENDATION

Audit, Finance, and Enterprise Committee

Presenters: Brian A. Ritschel – Management & Budget Director

Christopher Hassert – Water Resources Director

Scott Bouchie – Energy Resources Director

Joe Giudice – Deputy Solid Waste Director

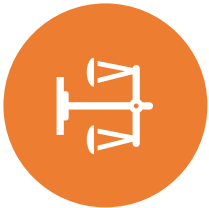
August 28, 2025



# *Utility Operations*

- Each utility is operated as a separate business center but treated as one fund
- Reserve balance provides a safety net for unforeseen conditions
- Reserve balance can be used to smooth rate adjustments year to year

# FINANCIAL PRINCIPLES



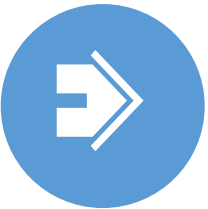
BALANCE NET  
SOURCES AND  
USES



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

# FY 25/26 ADOPTED BUDGET

As of 05/13/2025	FY 23/24	FY 24/25	FY 25/26	FY 26/27	FY 27/28	FY 28/29	FY 29/30
	Actuals	Projected	Budget	Forecast	Forecast	Forecast	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 RATE ADJUSTMENTS

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)
<b>TOTAL NET SOURCES AND USES</b>	<b>(\$3,544,639)</b>	<b>(\$28,851,875)</b>	<b>(\$21,964,085)</b>	<b>(\$10,148,134)</b>	<b>\$10,745,265</b>	<b>\$34,646,237</b>	<b>\$49,047,666</b>
Beginning Reserve Balance	\$117,019,543	\$113,474,904	\$84,623,029	\$62,658,943	\$52,510,810	\$63,256,075	\$97,902,312
<b>Ending Reserve Balance</b>	<b>\$113,474,904</b>	<b>\$84,623,029</b>	<b>\$62,658,943</b>	<b>\$52,510,810</b>	<b>\$63,256,075</b>	<b>\$97,902,312</b>	<b>\$146,949,978</b>
Ending Reserve Balance Percent*	<b>20.1%</b>	<b>13.4%</b>	<b>9.9%</b>	<b>8.0%</b>	<b>9.2%</b>	<b>13.4%</b>	<b>19.2%</b>
*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



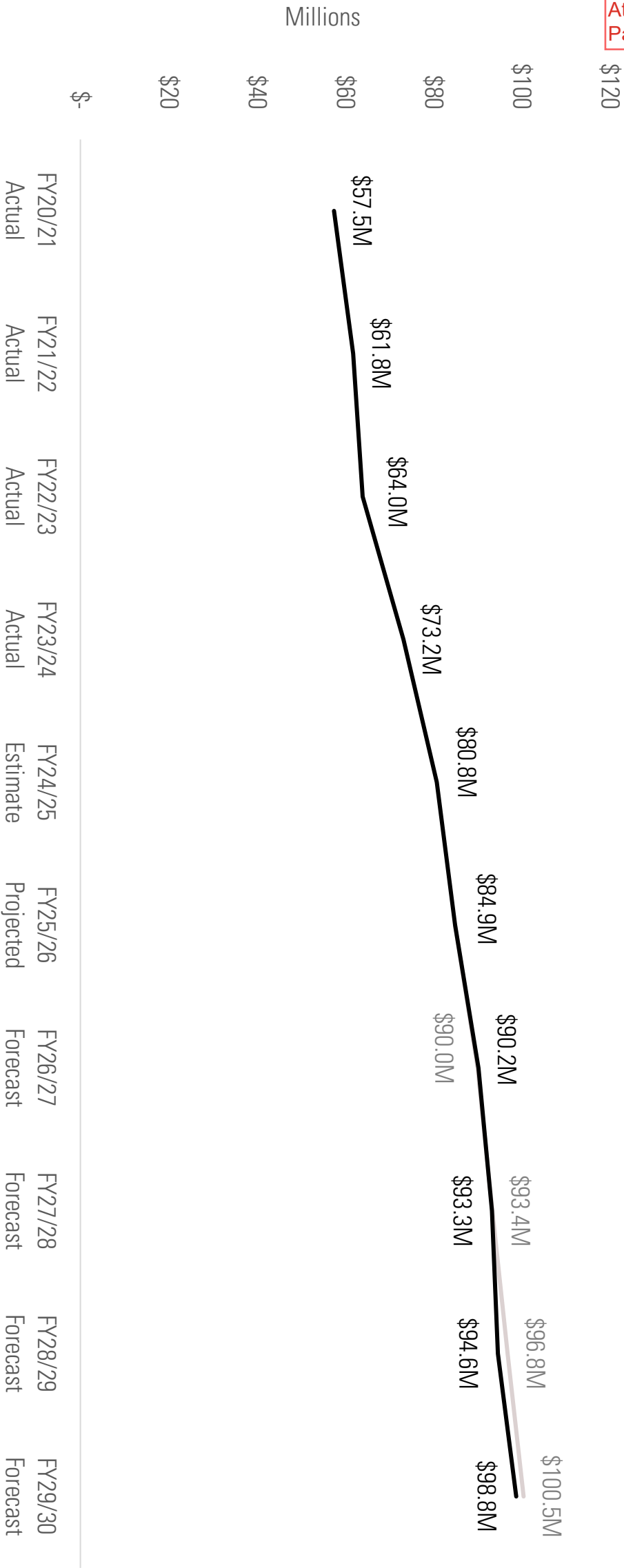
# *Water Resources Department*

Presented by:

- Christopher Hassert – Water Resources Director
- Jesse Heywood – Water Resources Assistant Director

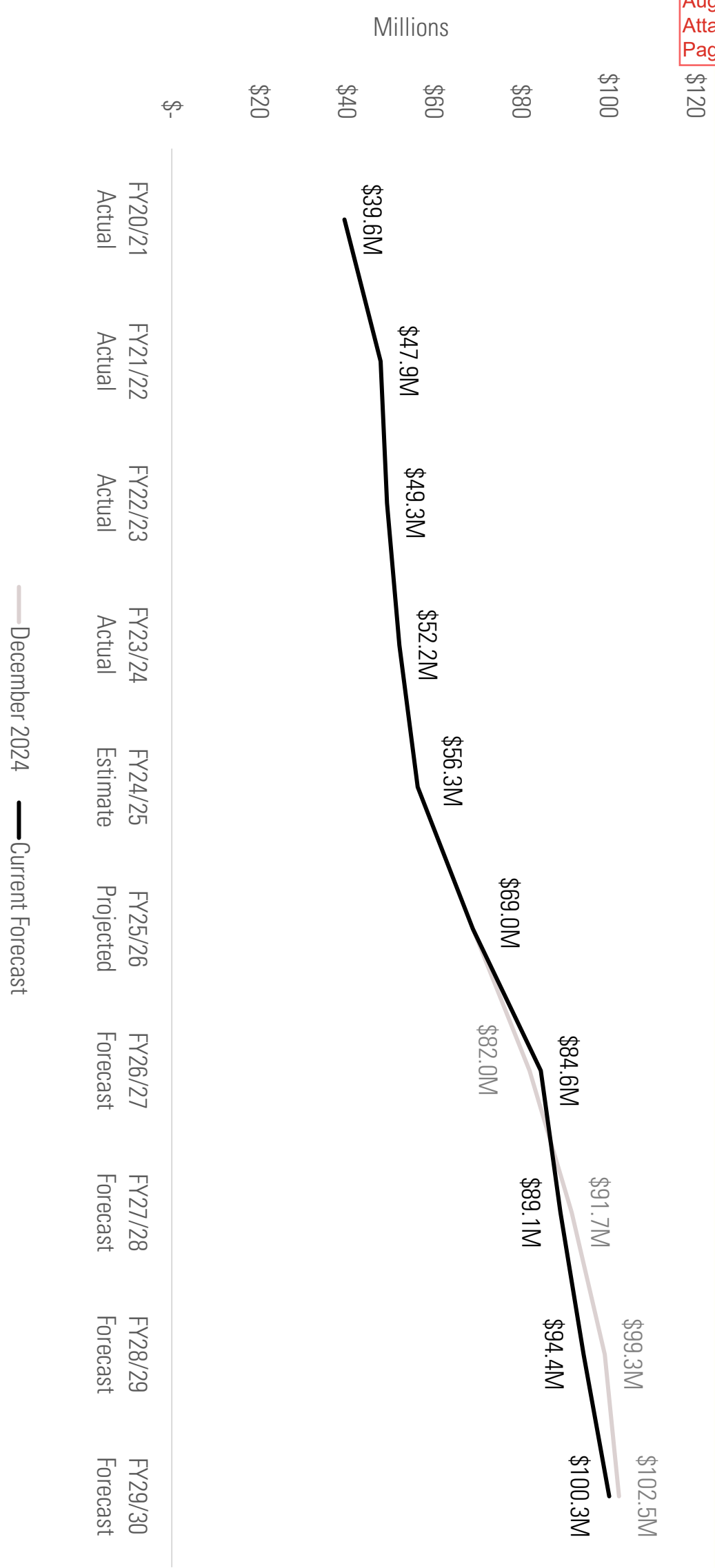
# WATER PROGRAM RECOMMENDED RATE ADJUSTMENTS

# OPERATING COSTS



December 2024      Current Forecast

# DEBT SERVICE



# Residential and Non-residential Comparison

## Equity Between Residential & Non-residential Water Rates

	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%

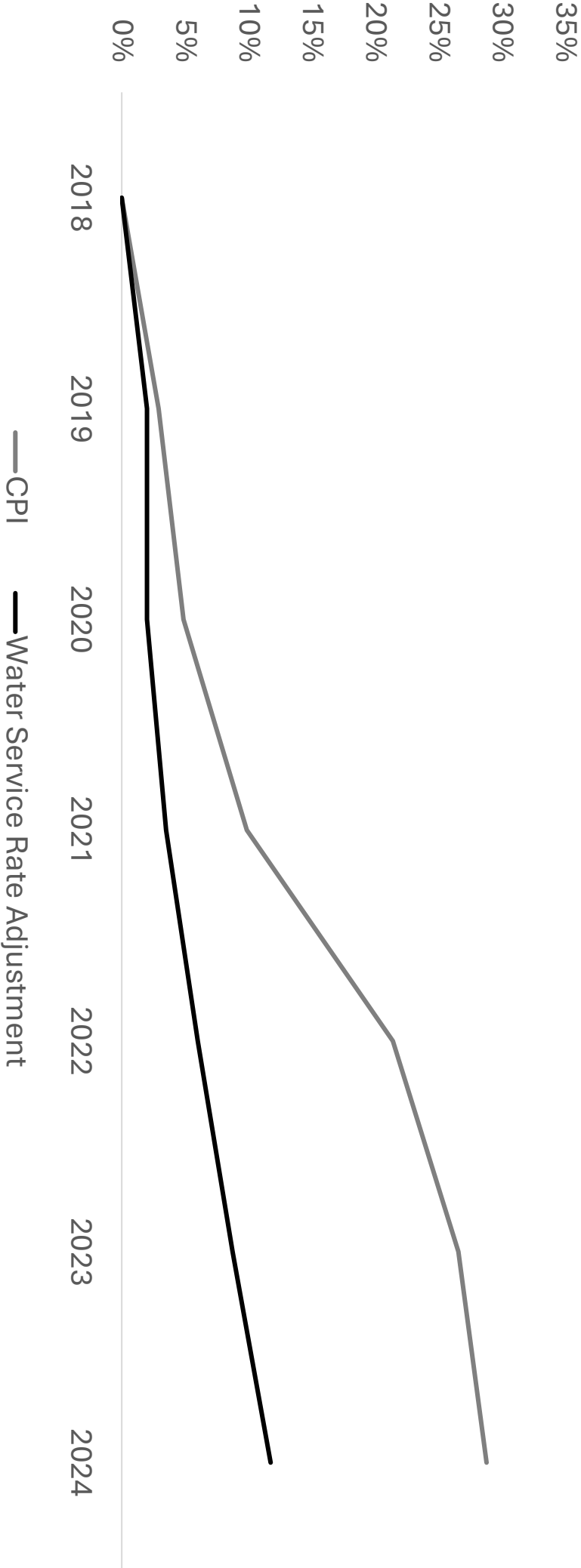
# RATE ADJUSTMENT RECOMMENDATIONS

Rate Component	Customer	Recommended Rate Adjustment
Service Charge	All Customers	+5.5%
Usage Charge	Residential <ul style="list-style-type: none"><li>Tier 1 (4,000 – 6,000 gallons)</li><li>Tier 2 (7,000 – 14,000 gallons)</li><li>Tier 3 (15,000 – 24,000 gallons)</li><li>Tier 4 (&gt;24,000 gallons)</li></ul> Multi-unit Development	+5.5%  +7.0%  +8.0%  +9.0%  +11.0%

# RATE ADJUSTMENT RECOMMENDATIONS

Rate Component		Customer	Recommended Rate Adjustment
Service Charge			
		All Customers	+5.5%
Usage Charge			
		Non-residential/Commercial – General	+12.0%
		• Excess Water Surcharge – General	+12.0%
		Non-residential/Commercial – Landscape	+15.0%
		• Excess Water Surcharge – Landscape	+15.0%
		Large Commercial	+19.0%
		Interdepartmental	+11.4%

# Water Service Rate Adjustment and CPI Comparison



CPI Base 2018. Cumulative. Data from the BLS - Phoenix Metro dataset

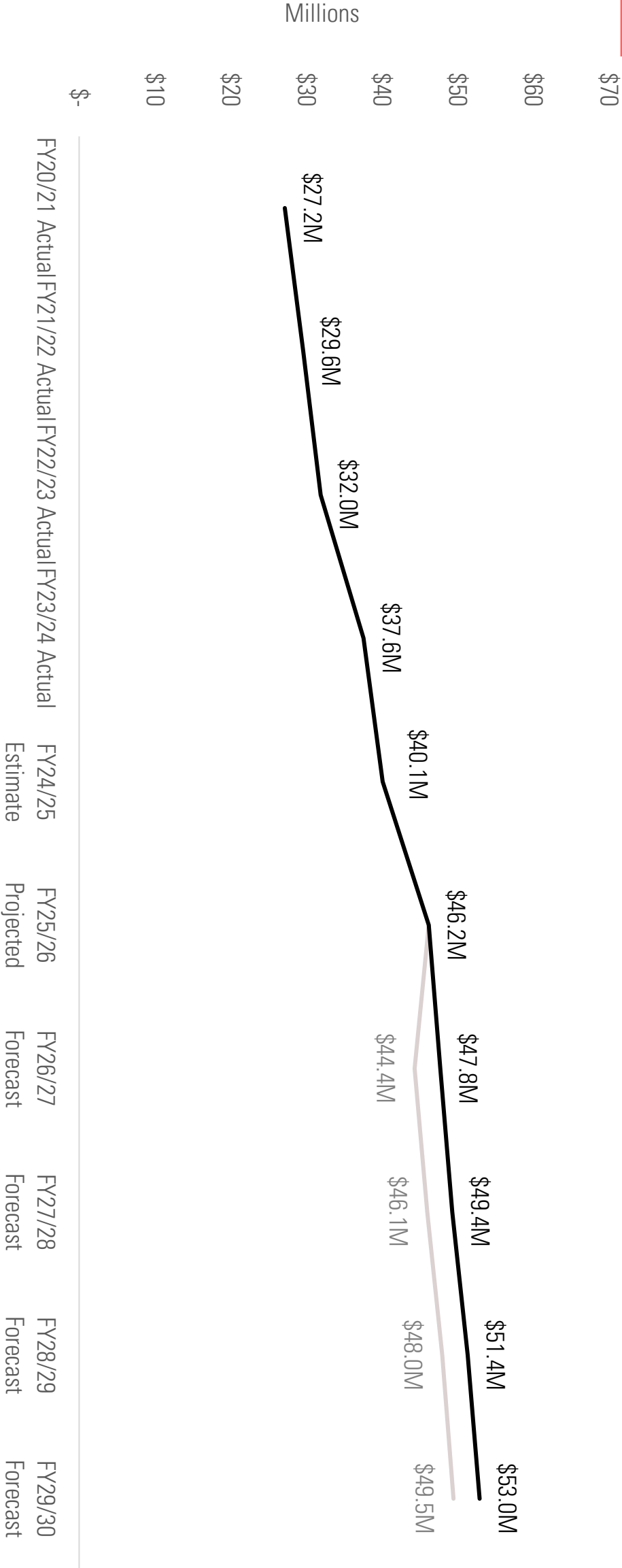


# Customer Impact

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill
Residential (6 kgals/month)	\$43.57/mo	Service Charge: +5.5% Usage Charge: +5.5%	+5.5% \$45.95/mo (+\$2.38/mo)
Multi-unit Development (6 kgals/month)	\$40.46/mo	Service Charge: +5.5% Usage Charge: +11.0%	+8.6% \$43.92/mo (+\$3.47/mo)
Commercial – General (9 kgals/month)	\$78.59/mo	Service Charge: +5.5% Usage Charge: +12.0%	+7.7% \$84.64/mo (+\$6.05/mo)
Commercial – Landscape (29 kgals/month)	\$177.01/mo	Service Charge: +5.5% Usage Charge: +15.0%	+12.1% \$198.39/mo (+\$21.38/mo)

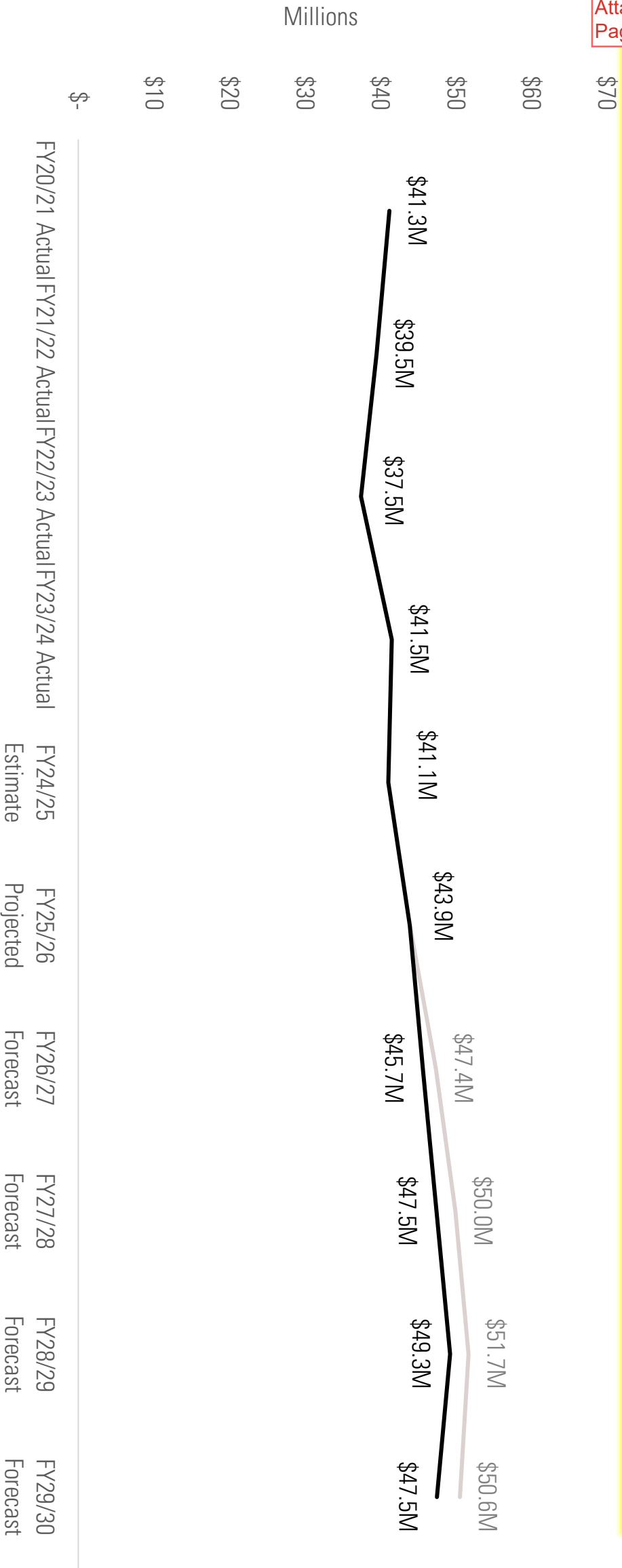
# WASTEWATER PROGRAM RECOMMENDED RATE ADJUSTMENTS

# OPERATING COSTS



December 2024      Current Forecast

# DEBT SERVICE



December 2024      Current Forecast

# RATE ADJUSTMENT RECOMMENDATIONS

Rate Component		Customer	Recommended Rate Adjustment
Service Chage			
		Residential	+8.0%
		Non-residential	+9.0%
Usage Charge			
		Residential	+8.0%
		Non-residential	+9.0%

# Customer Impact

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill
Residential (4 kgals/month)	\$28.07/mo	Service Charge: +8.0% Usage Charge: +8.0%	+8.0% \$30.32/mo (+\$2.25/mo)
Commercial (9 kgals/month)	\$56.86/mo	Service Charge: +9.0% Usage Charge: +9.0%	+9.0% \$61.98/mo (+\$5.12/mo)

# RECOMMENDED RATE ADJUSTMENTS WITH CAPACITY FEE

# Rate Adjustment Recommendations - Water

Rate Component		Customer		Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge		All Customers		+5.5%	+4.5%
Usage Charge		Residential (Tiers I – IV)			
		• Tier 1		+5.5%	+4.5%
		• Tier 2		+7.0%	+4.5%
		• Tier 3		+8.0%	+5.5%
		• Tier 4		+9.0%	+5.5%
		Multi-unit Development		+11.0%	+10.0%



# Rate Adjustment Recommendations - Water

Rate Component		Customer		Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge		All Customers		+5.5%	+4.5%
Usage Charge		Non-residential/Commercial – General		+12.0%	+12.0%
		Excess Water Surcharge – General		+12.0%	+12.0%
		Non-residential/Commercial – Landscape		+15.0%	+15.0%
		Excess Water Surcharge – Landscape		+15.0%	+15.0%
		Large Commercial		+19.0%	+19.0%
		Interdepartmental		+11.4%	+10.4%

# Rate Adjustment Recommendations - Wastewater

Rate Component		Customer	Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge				
		Residential	+8.0%	+7.5%
		Non-residential	+9.0%	+8.5%
Usage Charge				
		Residential	+8.0%	+7.5%
		Non-residential	+9.0%	+8.5%

# Customer Impact - Water

August  
Attach  
Page 2

Typical Customer	Recommended Rate Adjustment	Impact to Current Bill	Recommended Rate Adjustment with Capacity Fee	Impact to Current Bill
Residential (6 kgals/month)	SC: +5.5% UC: +5.5%	+5.5% \$45.95/mo (+\$2.38/mo)	SC: +4.5% UC: +4.5%	+4.5% \$45.52/mo (+\$1.95/mo)
	Multi-unit Development (6 kgals/month)	SC: +5.5% UC: +11.0%	+8.6% \$43.93/mo (+\$3.47/mo)	SC: +4.5% UC: +10.0%
Commercial – General (9 kgals/month)		SC: +5.5% UC: +12.0%	+7.7% \$84.64/mo (+\$6.05/mo)	SC: +4.5% UC: +12.0%
	Commercial – Landscape (29 kgals/month)	SC: +5.5% UC: +15.0%	+12.1% \$198.39/mo (+\$21.38/mo)	SC: +4.5% UC: +15.0%

# Customer Impact - Wastewater

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

# *Energy Resources Department*

Presented by:

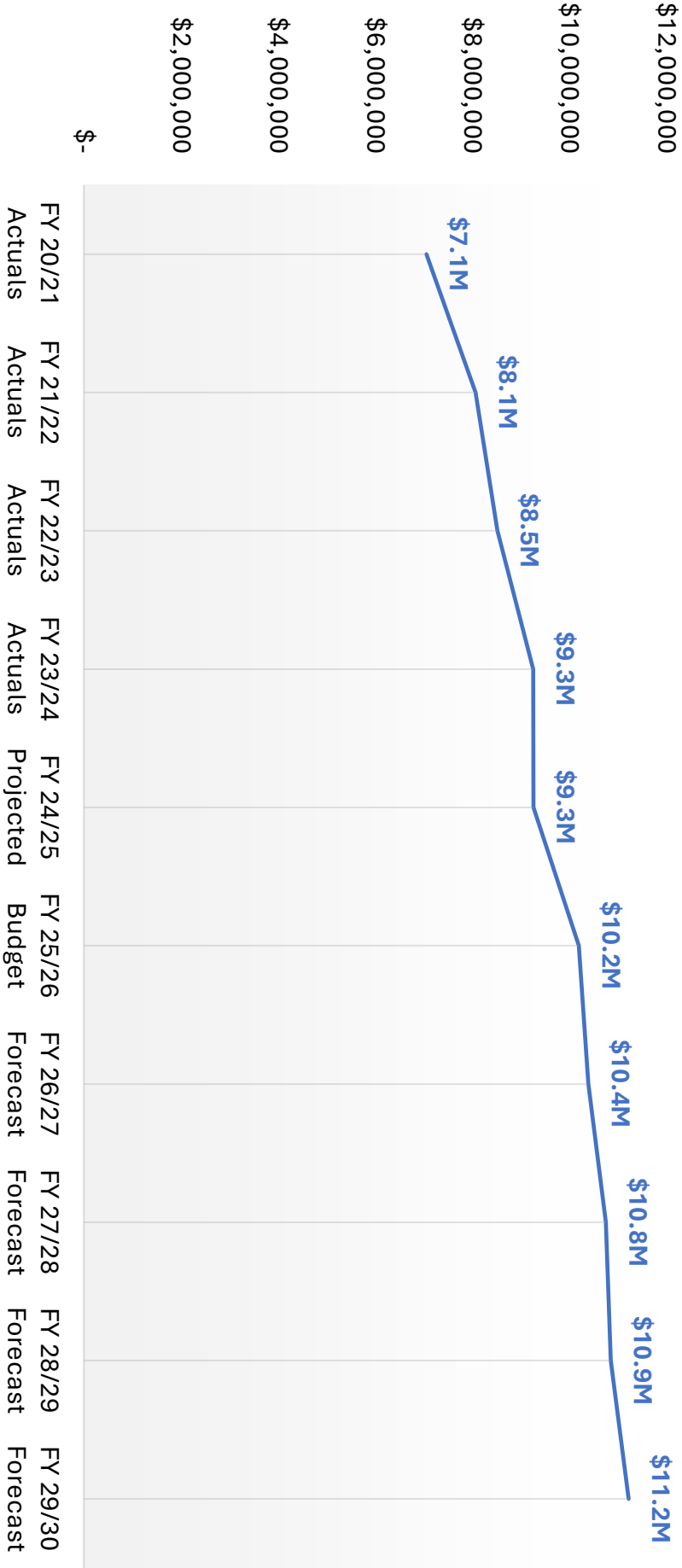
- Scott Bouchie – Energy Resources Director
- Tony Cadorin – Energy Resources Program Manager
- John Petrof – Senior Fiscal Analyst

# ELECTRIC UTILITY

# INCREASING COSTS/PRESSURES ON THE ELECTRIC UTILITY

- Operating Budget
  - Standard inflation on outside vendor services
  - Personal services increases
- Debt Service
  - Meeting growth demands in Downtown
  - 69 kV Looping
  - AMI
- Kellwood Substation Improvements

# INCREASING OPERATING COSTS ON THE ELECTRIC UTILITY

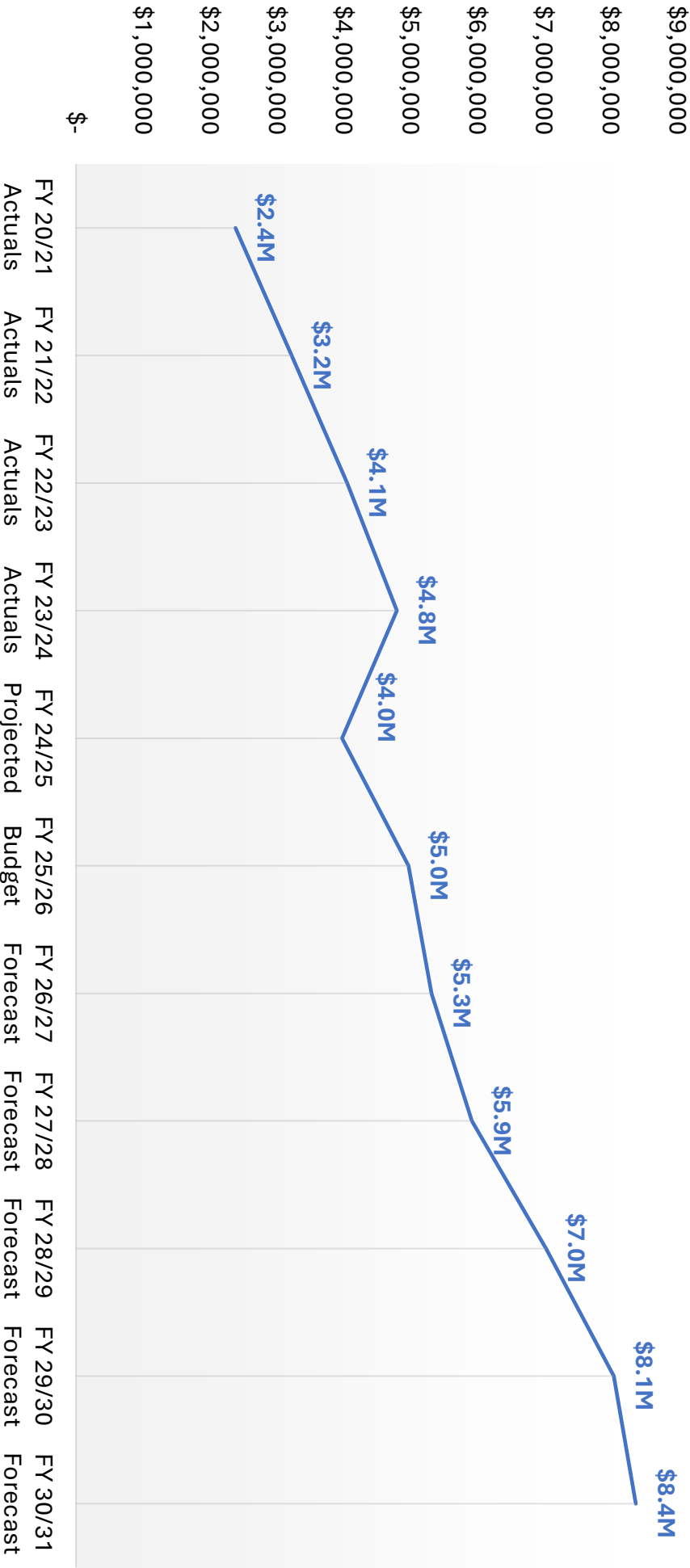




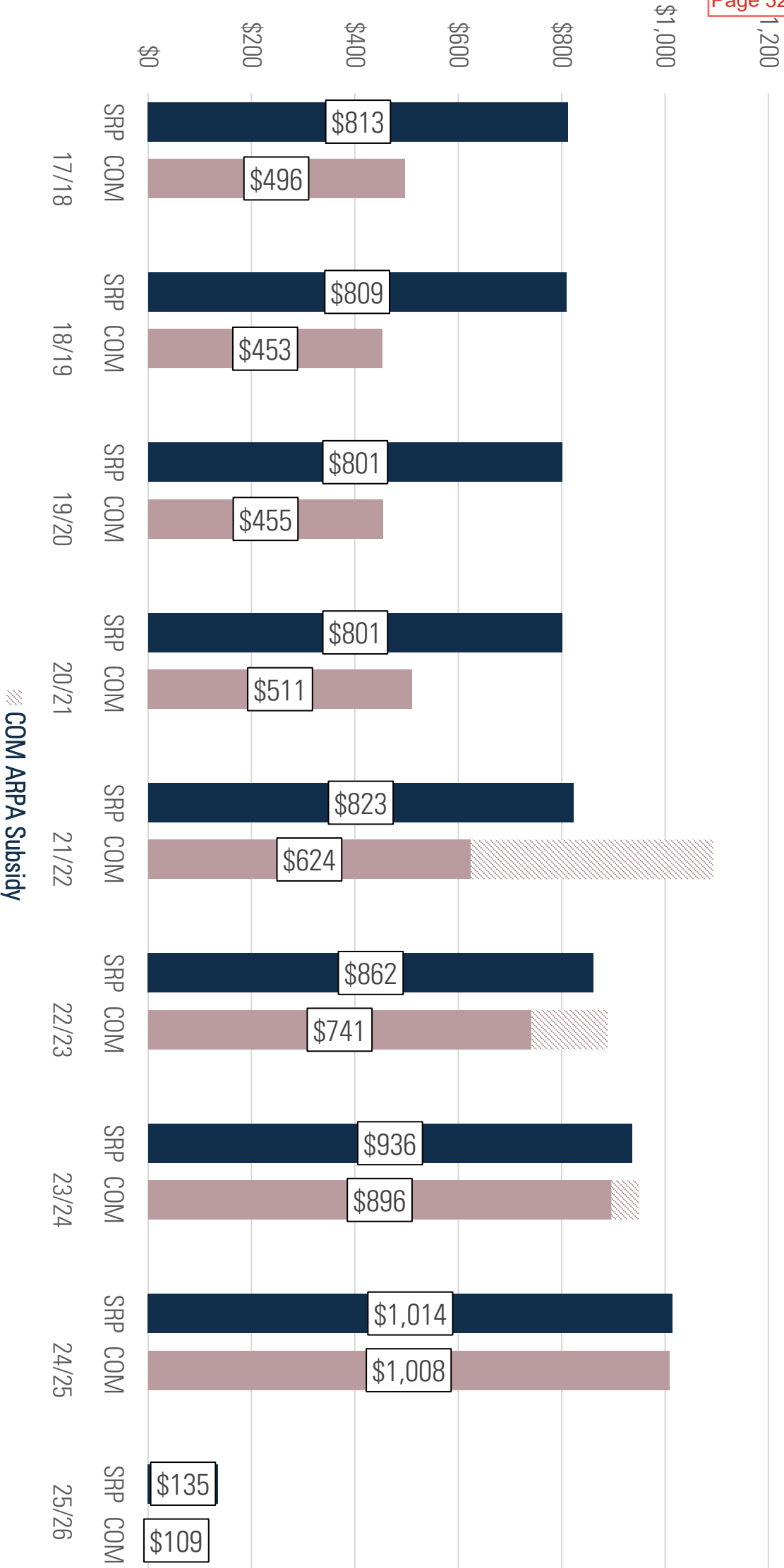
# PRIORITY ELECTRIC PROJECTS

PROJECT		COST
Kellwood Substation Improvements		\$6M
Stapley and University		\$4.2M
69 kV Looping		\$3.6M

# INCREASING DEBT SERVICE COSTS ON THE ELECTRIC UTILITY



Total Residential Customer Electric Supply Cost - SRP vs COM



# SRP/APS INCREASES

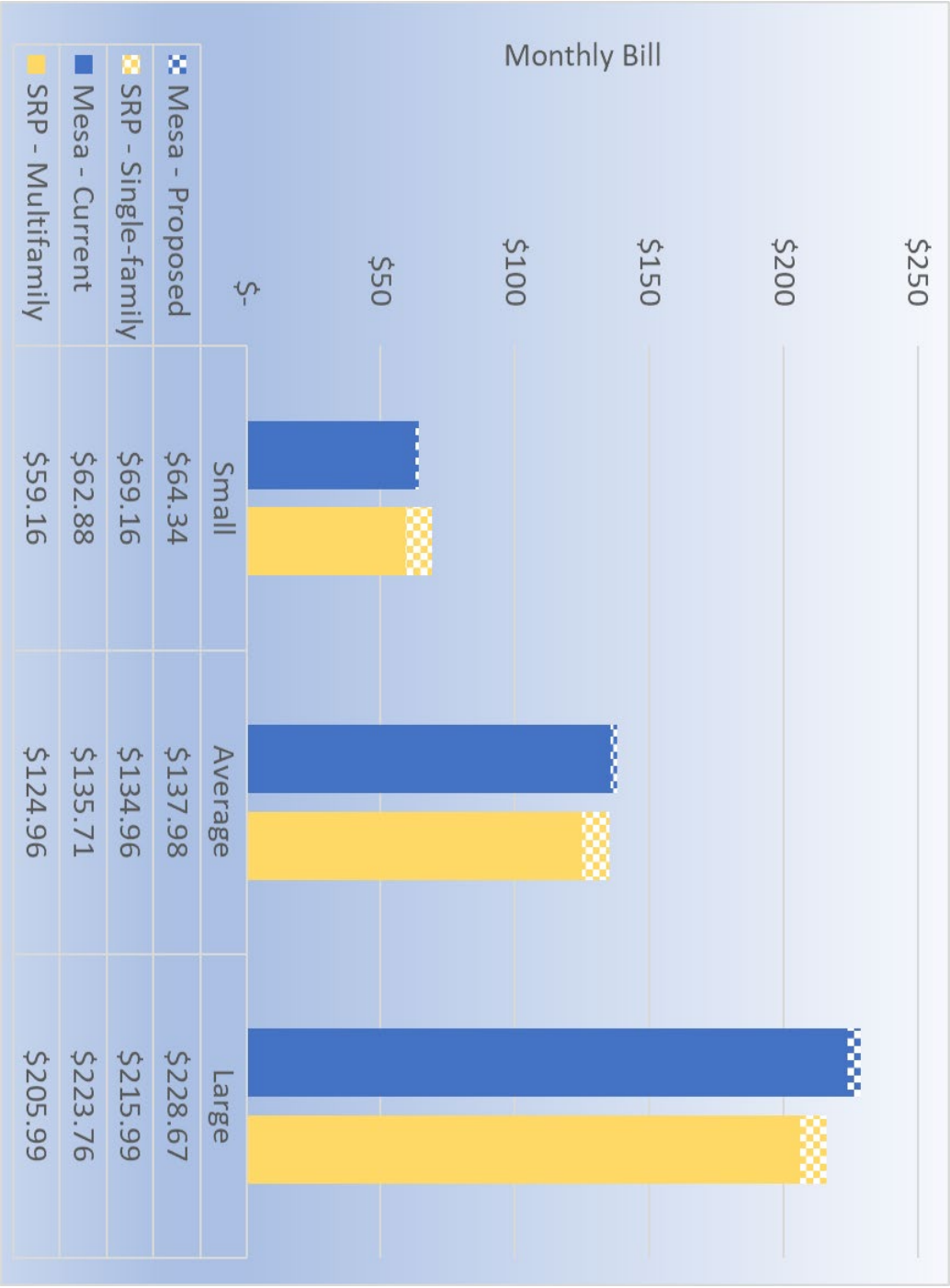
## SRP – November 2025 Rate Increase

- Overall - 2.4% price increase
- Average residential user bill impact - \$5.61
  - Average Usage – 1,117 kWh
- Tiered Monthly Service Charge
  - Tier 1 – Multifamily home - \$20 (current)
  - Tier 2 – Single-family home with average usage - \$30
  - Tier 3 – Large single-family home user - \$40 (About 3% of residential customers)

## APS – 2025 Rate Case

- Effective second half of June 2026
- Average residential user bill impact - \$20 per month
  - Average Usage – 1,000 kWh

# RESIDENTIAL ELECTRIC BILL COMPARISON



\*SRP amount includes proposed November rate increase

# RESIDENTIAL ELECTRIC BILLS

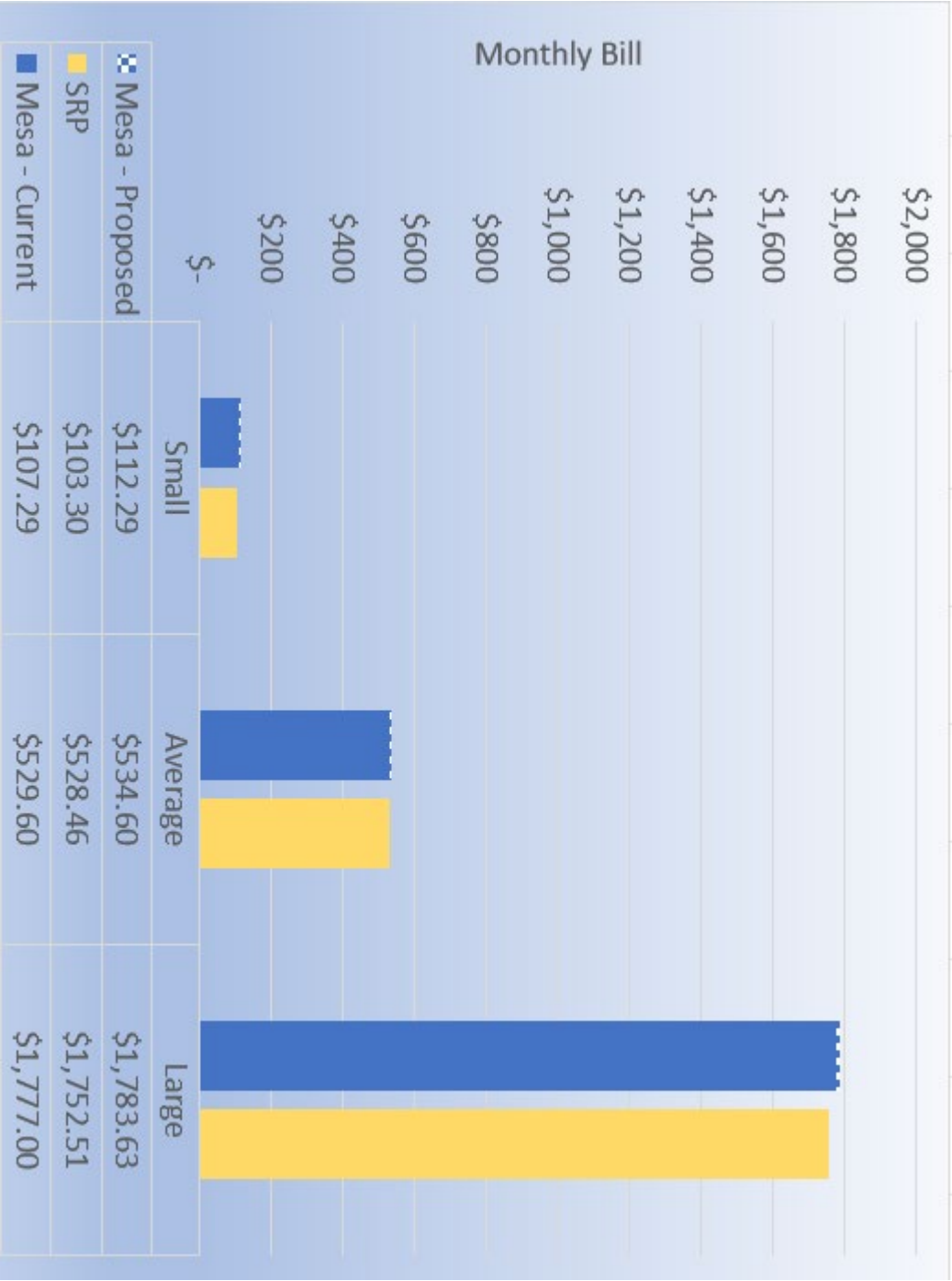
	Small	Average	Large
Prior Forecast	\$69.50	\$153.55	\$255.44
Actual – FY 24/25	\$65.72	\$146.18	\$230.99
Proposed	\$64.34	\$137.98	\$228.67

\*Based on fiscal year 24/25 residential usage

# PROPOSED RESIDENTIAL ELECTRIC RATES

COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE	\$19.50	\$20.50	\$1.00	\$3.00
USAGE CHARGE SUMMER per kWh	Tier 1 - \$0.05231 Tier 2 - \$0.05027	Tier 1 - \$0.05336 Tier 2 - \$0.05228	2% 4%	2% 4%
USAGE CHARGE WINTER per kWh	Tier 1 - \$0.04317 Tier 2 - \$0.03478	Tier 1 - \$0.04533 Tier 2 - \$0.04742	5% 36%	5% 36%
MONTHLY BILL (Average Customers)	\$135.71	\$137.98	\$2.27	\$4.27
EFFECTIVE INCREASE			1.7%	3.1%

# Commercial Electric Bill Comparison



\*SRP amount includes proposed November rate increase



# PROPOSED COMMERCIAL ELECTRIC RATES

COMPONENT	CURRENT	PROPOSED	CHANGE
SYSTEM SERVICE CHARGE	Single Phase - \$19.72 Three Phase - \$25.74	Single Phase - \$24.72 Three Phase - \$30.74	\$5.00
USAGE CHARGE SUMMER per kWh	Tier 2 - \$0.04866	Tier 2 - \$0.0511	5%
USAGE CHARGE WINTER per kWh	Tier 2 - \$0.03994	Tier 2 - \$0.04113	3%
MONTHLY BILL (Average Customers)	\$529.60	\$534.60	\$5.00
EFFECTIVE INCREASE			0.9%

# NATURAL GAS UTILITY

# INCREASING COSTS/PRESSURES ON THE GAS UTILITY

- Operating Budget
  - Standard inflation on services and contracts
  - Personal services increases
- Debt Service
  - Meeting growth demands in Magma service territory
    - Gantzel Rd
    - Arizona Farms Road
    - New Services
- AMI

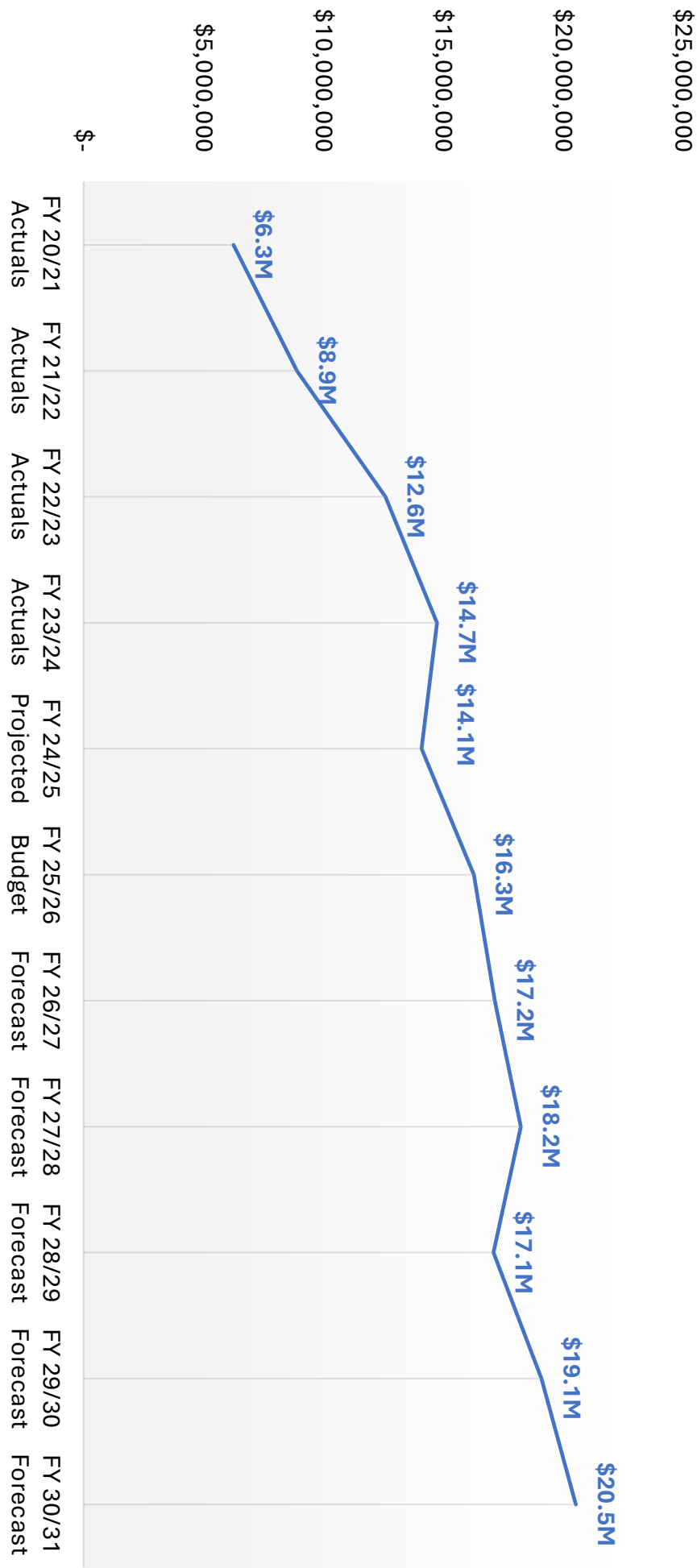
# INCREASING OPERATING COSTS ON THE GAS UTILITY



# PRIORITY GAS PROJECTS

PROJECT	COST
Arizona Farms	\$14M
Gantzel Rd	\$23M
Clausen Gate	\$3M
Stapley and University	\$4M
Val Vista-Pueblo to US 60	\$2.6M

# INCREASING DEBT SERVICE COSTS ON THE GAS UTILITY

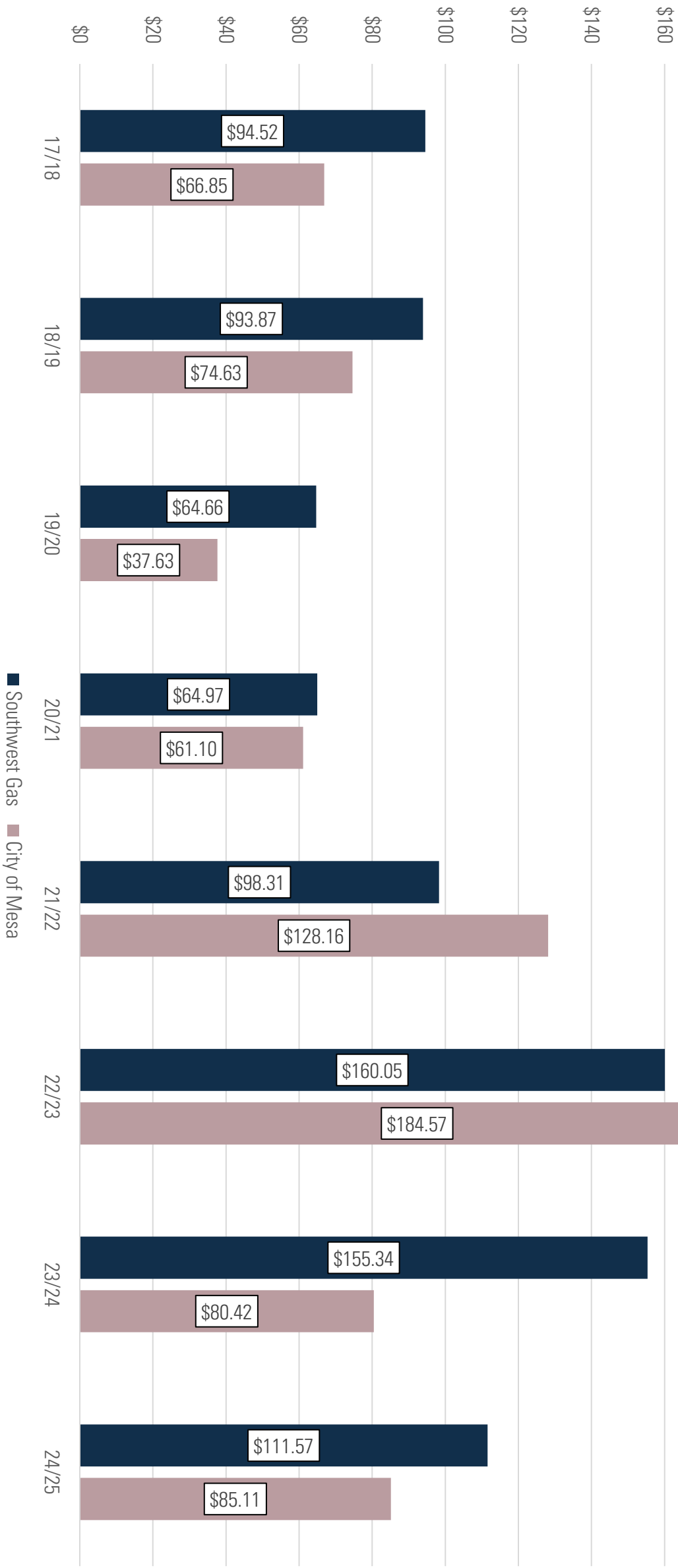


# SOUTHWEST GAS INCREASE

## March 2025 Rate Increase

- Approximately 8.9% monthly bill increase for average residential customers
  - From ~\$42 to ~\$46 monthly
- \$3.75 per month

Total Residential Customer Natural Gas Supply Cost (Average Customer) - Southwest Gas vs COM





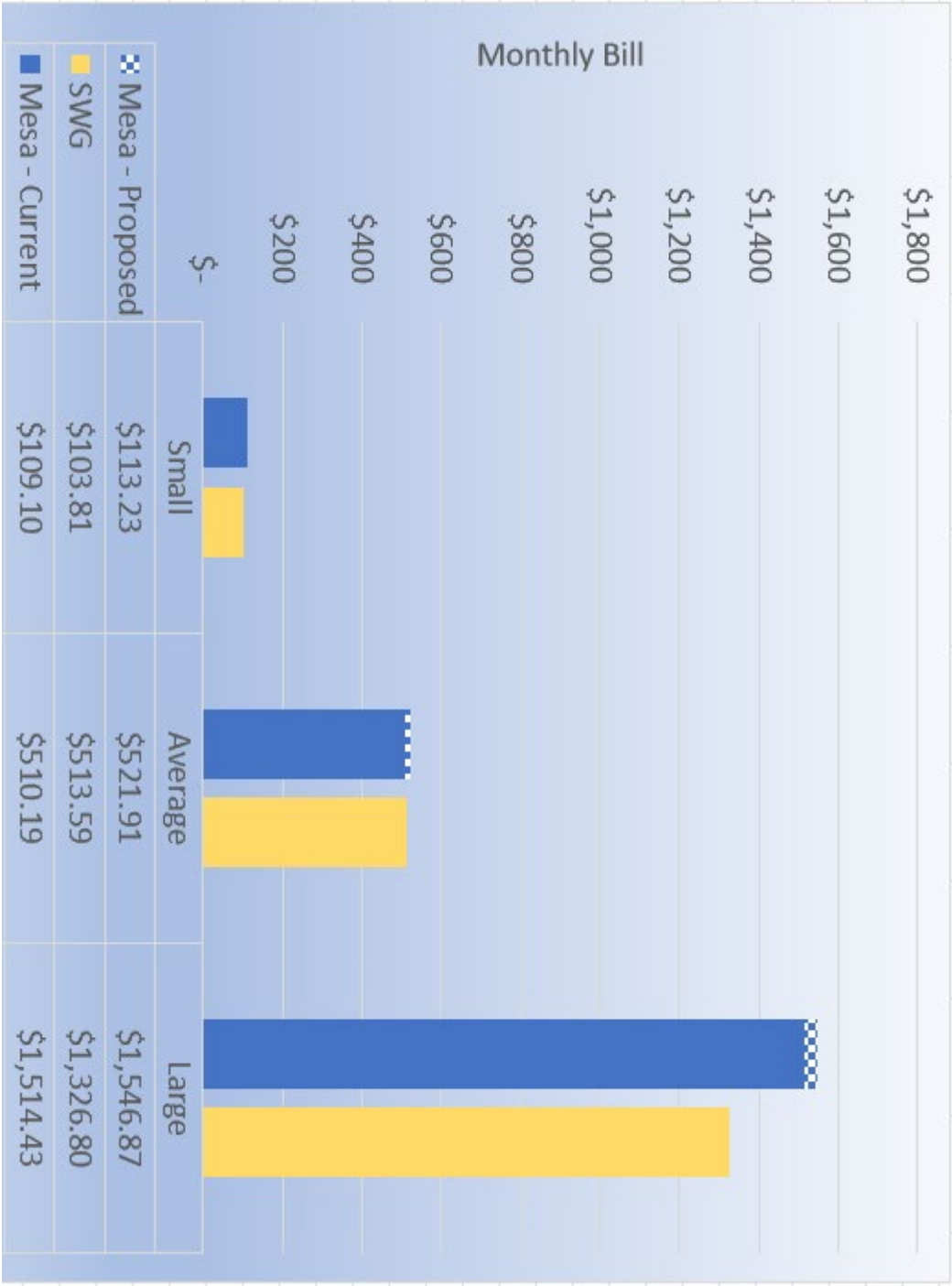
# RESIDENTIAL GAS BILL COMPARISON



# PROPOSED RESIDENTIAL GAS RATES

COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE				
SUMMER	\$17.31	\$17.31	\$0	\$1.00
WINTER	\$20.24	\$20.24		
USAGE CHARGE				
SUMMER per therm	Tier 1 - \$0.7440 Tier 2 - \$0.3681	Tier 1 - \$0.7961 Tier 2 - \$0.4234	7% 15%	7% 15%
USAGE CHARGE				
WINTER per therm	Tier 1 - \$0.7440 Tier 2 - \$0.8072	Tier 1 - \$0.7961 Tier 2 - \$1.0009	7% 24%	7% 8%
MONTHLY BILL (Average Customers)	\$41.06	\$42.49	\$1.43	\$2.07
EFFECTIVE INCREASE			3.5%	5%

# COMMERCIAL GAS BILL COMPARISON



# PROPOSED COMMERCIAL GAS RATES

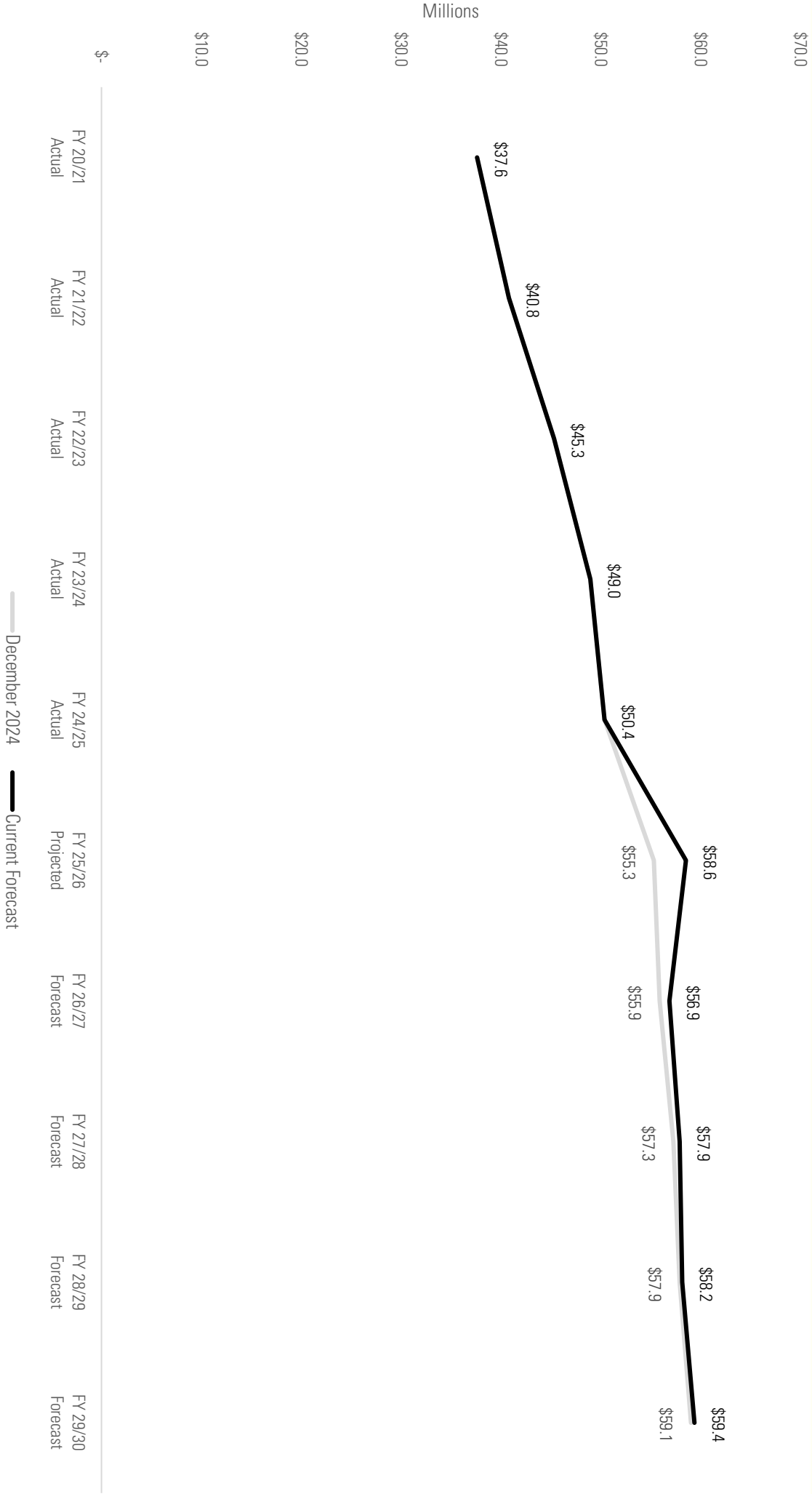
COMPONENT	CURRENT	PROPOSED	CHANGE
SYSTEM SERVICE CHARGE			
SUMMER	\$44.66	\$47.66	\$3
WINTER	\$54.34	\$57.34	
USAGE CHARGE			
SUMMER per therm	Tier 1 - \$0.5929 Tier 2 - \$0.4366	Tier 1 - \$0.6107 Tier 2 - \$0.4585	3% 5%
USAGE CHARGE			
WINTER per therm	Tier 1 - \$0.6421 Tier 2 - \$0.6308	Tier 1 - \$0.6613 Tier 2 - \$0.6623	3% 5%
MONTHLY BILL (Average Customers)	\$510.19	\$521.91	\$11.72
EFFECTIVE INCREASE			2.3%

# *Solid Waste Department*

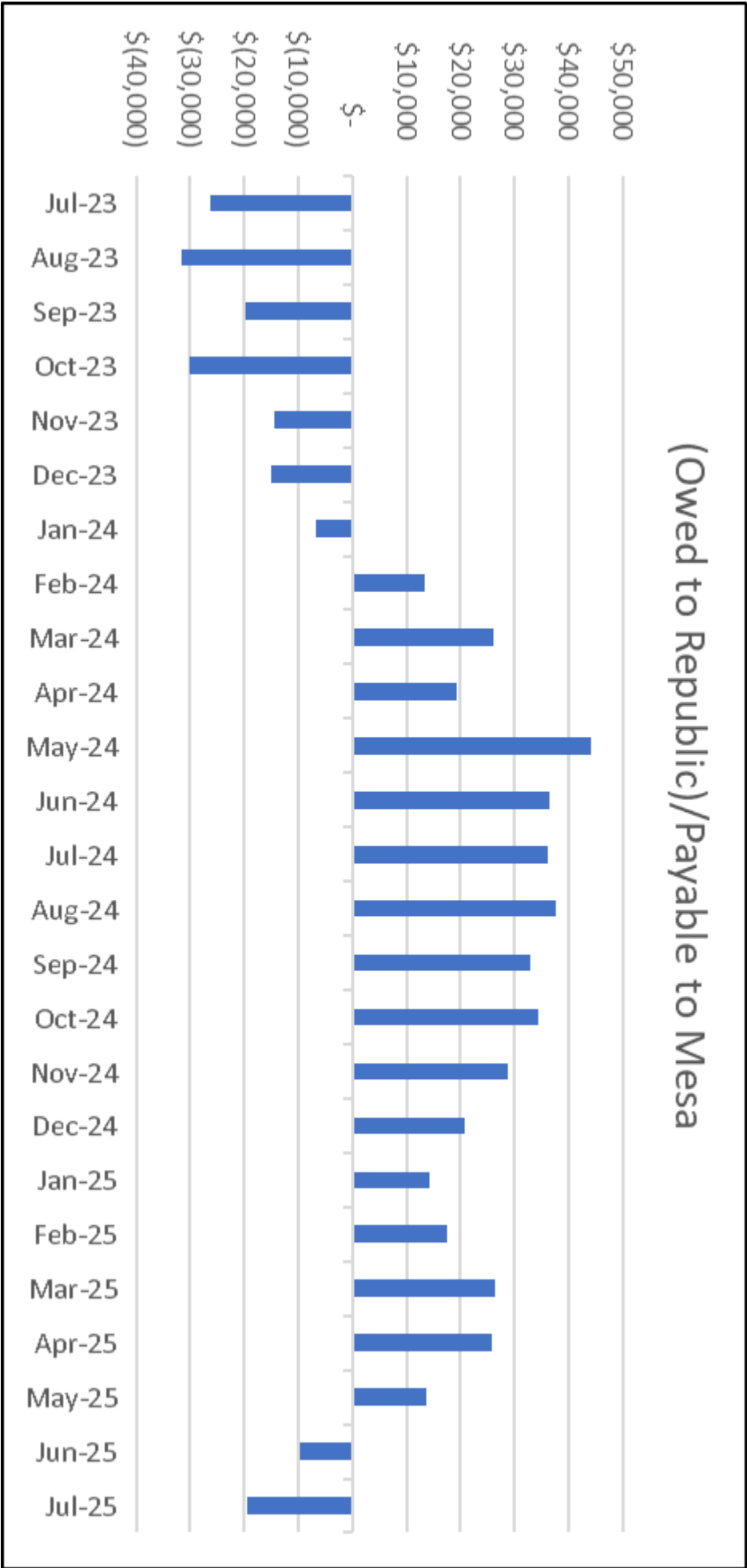
Presented by:

- Joe Giudice – Deputy Solid Waste Director

# SOLID WASTE OPERATING COSTS



# MRF - Recycling



# SOLID WASTE RESIDENTIAL RATE RECOMMENDATIONS

## 5.5% PROPOSED INCREASE

	Current	Proposed Increase	Proposed Total
90-gallon Trash Barrel	\$33.17	\$1.82	\$34.99
60-gallon Trash Barrel	\$29.60	\$1.63	\$31.23
35-gallon Trash Barrel	\$27.89	\$1.53	\$29.42





SOLID WASTE BULK ITEM COLLECTION RECOMMENDATIONS  
\$2 PROPOSED INCREASE

	Current	Proposed Increase	Proposed Total
Bulk	\$29.00	\$2.00	\$31.00



# Commercial Front Load Recommendations 5.5% Overall Rate Increase



- Increase base rate
  - 6-yard trash bin increase from \$122.22 to \$127.48
  - 6-yard recycle bin increase from \$102.25 to \$107.87
- Increase fee for out-of-zone collection
  - From \$28.00 to \$33.00
- Discontinue multi-day discount

# Commercial Roll Off Recommendations 5.5% Overall Rate Increase

- Increase tonnage rate to follow landfill increase
  - Increase trash tonnage rate from \$47.75 to \$51.50
  - Increase green waste tonnage rate from \$55.50 to \$59.82
- Increase haul fee by \$5/\$6
  - 15/20-yard roll off increase from \$135 to \$140
  - 30-yard roll off increase from \$145 to \$150
  - 40-yard roll off increase from \$160 to \$166
- \$16.25 increase for a one-time trash customer
- \$17.96 increase for a one-time green waste customer





Residential	Current	Proposed Increase	Proposed Total
90-gallon Trash Barrel	\$33.17	\$1.82	\$34.99
Residential	Current	Proposed Increase	Proposed Total
Bulk	\$29.00	\$2.00	\$31.00

FRONT LOAD	Current	Proposed Increase	Proposed Total
6 Yard Front Load Trash - 1x week	\$122.22	\$5.26	\$127.48
6 Yard Front Load Recycling – 1x week	\$102.25	\$5.62	\$107.87

ROLL OFF	Current	Proposed Increase	Proposed Total
30 Yard Rolloff Trash – 1x week	\$438.25	\$16.25	\$454.50

# FY 25/26 RECOMMENDED RATE ADJUSTMENTS

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

# FY 25/26 RECOMMENDED RATE ADJUSTMENTS

## WITH CAPACITY FEE

As of 8/20/2025	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	(\$6,300,162)	(\$5,590,819)	\$3,033,502	\$11,238,786	\$19,942,984	\$34,344,458
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)	(\$29,281,640)	(\$14,811,276)	(\$3,238,069)	\$16,246,806	\$38,452,882	\$54,431,283
Beginning Reserve Balance	\$117,019,543	\$113,474,904	\$84,193,264	\$69,381,988	\$66,143,918	\$82,390,725	\$120,843,607
Ending Reserve Balance	\$113,474,904	\$84,193,264	\$69,381,988	\$66,143,918	\$82,390,725	\$120,843,607	\$175,274,890
Ending Reserve Balance Percent*	20.2%	13.6%	11.2%	10.3%	12.3%	17.1%	23.8%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	6.00%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
WATER Commercial (usage)	8.50%	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%
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 24/25 Estimate	FY 25/26 Budget	FY 25/26 Projected No Capacity Fee	FY 25/26 Projected w Capacity Fee
TOTAL NET SOURCES AND USES	(\$3,544,639)	(\$28,438,133)	(\$28,851,875)	(\$29,281,640)
Beginning Reserve Balance	\$117,019,543	\$104,437,875	\$113,474,904	\$113,474,904
Ending Reserve Balance	\$113,474,904	\$75,999,742	\$84,623,029	\$84,193,264
Ending Reserve Balance Percent*	20.1%	11.9%	13.4%	13.6%
*As a % of Next Fiscal Year's Expenditures				
WATER Residential (Tier 1 usage)	6.00%	6.00%	5.50%	4.50%
WATER Commercial (usage)	8.50%	8.50%	12.00%	12.00%
WASTEWATER Residential	7.50%	8.00%	8.00%	7.50%
WASTEWATER Non-Residential	8.50%	9.00%	9.00%	8.50%
SOLID WASTE Residential	5.50%	5.50%	5.50%	5.50%
SOLID WASTE Commercial	10.00%	7.50%	5.50%	5.50%
SOLID WASTE Rolloff	6.50%	6.50%	5.50%	5.50%
ELECTRIC Residential - svc charge	\$2.75	\$3.00	\$1.00	\$1.00
ELECTRIC Non-Residential - svc charge	\$5.00	\$5.00	\$5.00	\$5.00
GAS Residential - svc charge	\$0.00	\$1.00	\$0.00	\$0.00
GAS Non-Residential - svc charge	\$3.00	\$3.00	\$3.00	\$3.00

# NEXT STEPS

- September 11 - City Council Discussion of Utility Rates
- 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





# Water Department Backup

# Other Rates

## Mesa Gateway Airport Fire Protection Demand Charge

- Rate updated for the first time in ten years last year (+30%).
- Another adjustment recommended for this year (+30%).
- Part of a three-year plan to attain cost recovery.

## Crismon Road Water Hauling Station – Bulk Water Sales

- Moving to credit card-based point of sale system.
- Already some of the most expensive water the City sells.
- Recommending a +12% increase as a further deterrent to wide-spread use.

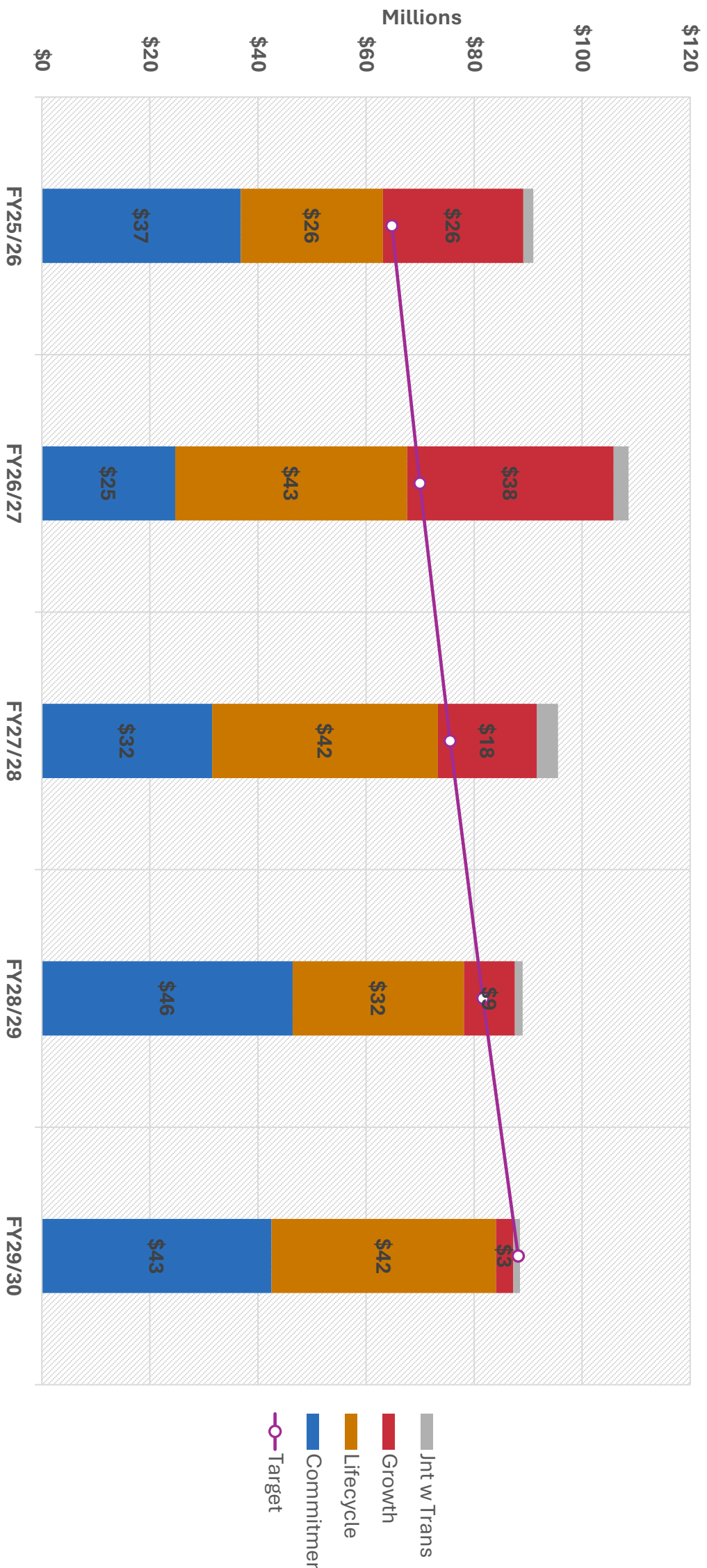
## Water Hydrant Meter Service

- Recommending a +12% increase.



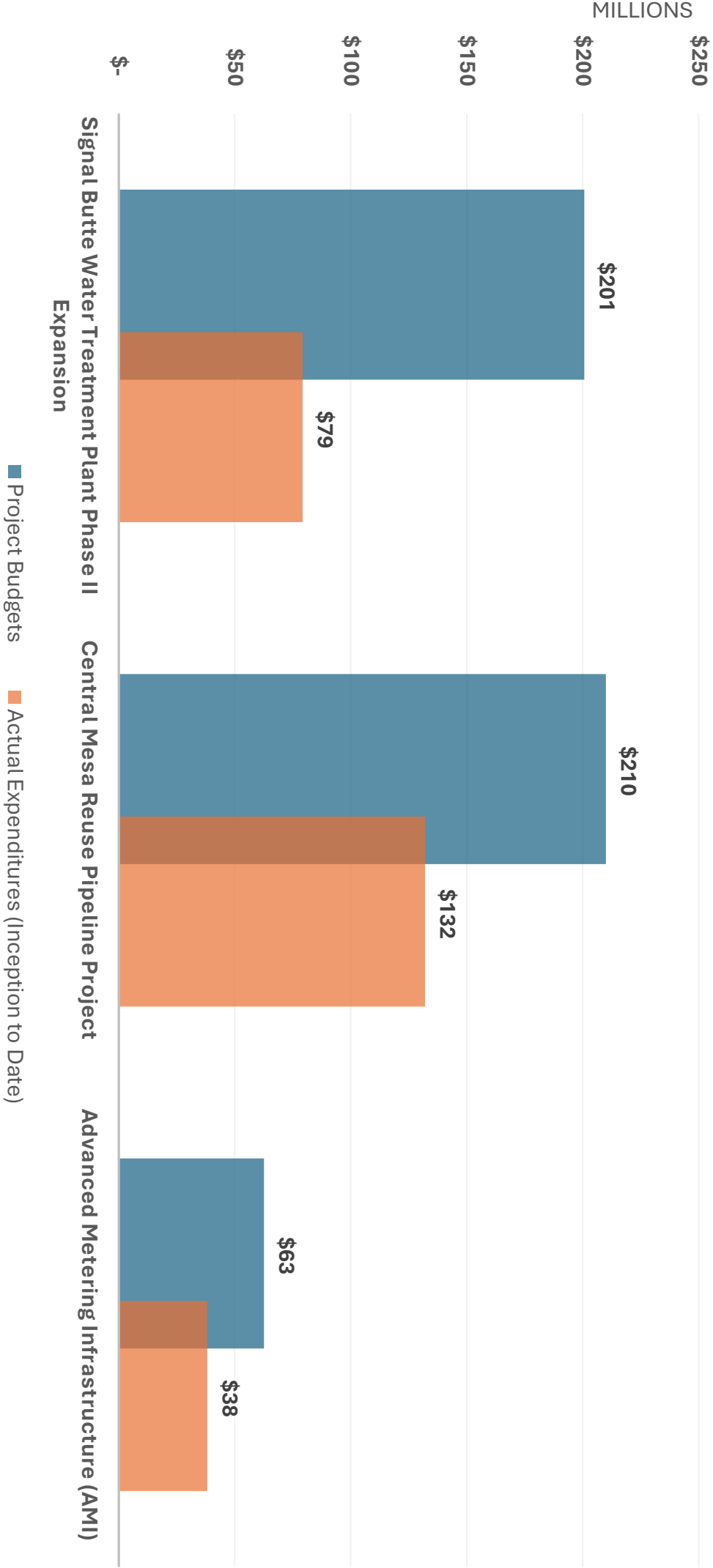
# Water Resources 5-Year CIP

Water/Wastewater Projected CIP Project Costs by Fiscal Year



# Big 3 Budget and Actuals Comparison

## Water Resources Only

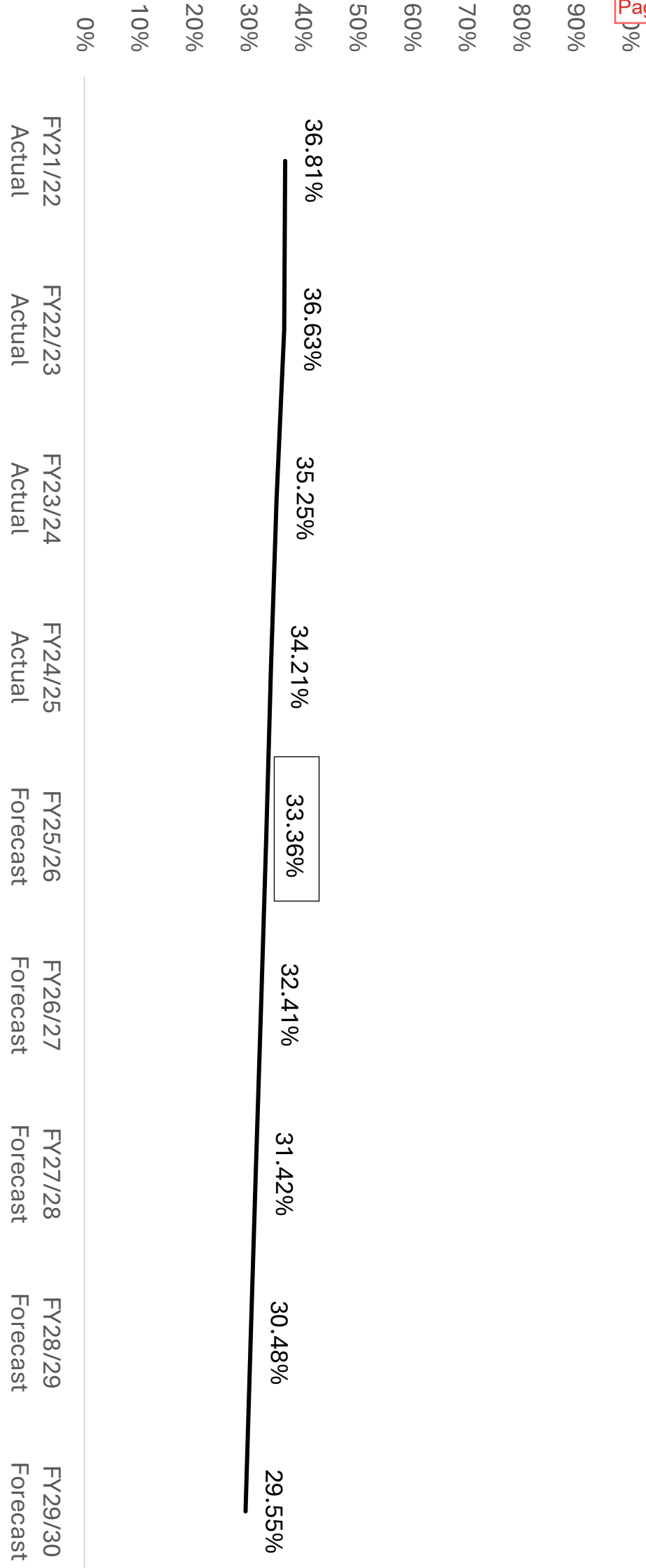


# Water Resources Projects Deferred Outside 5-year Window

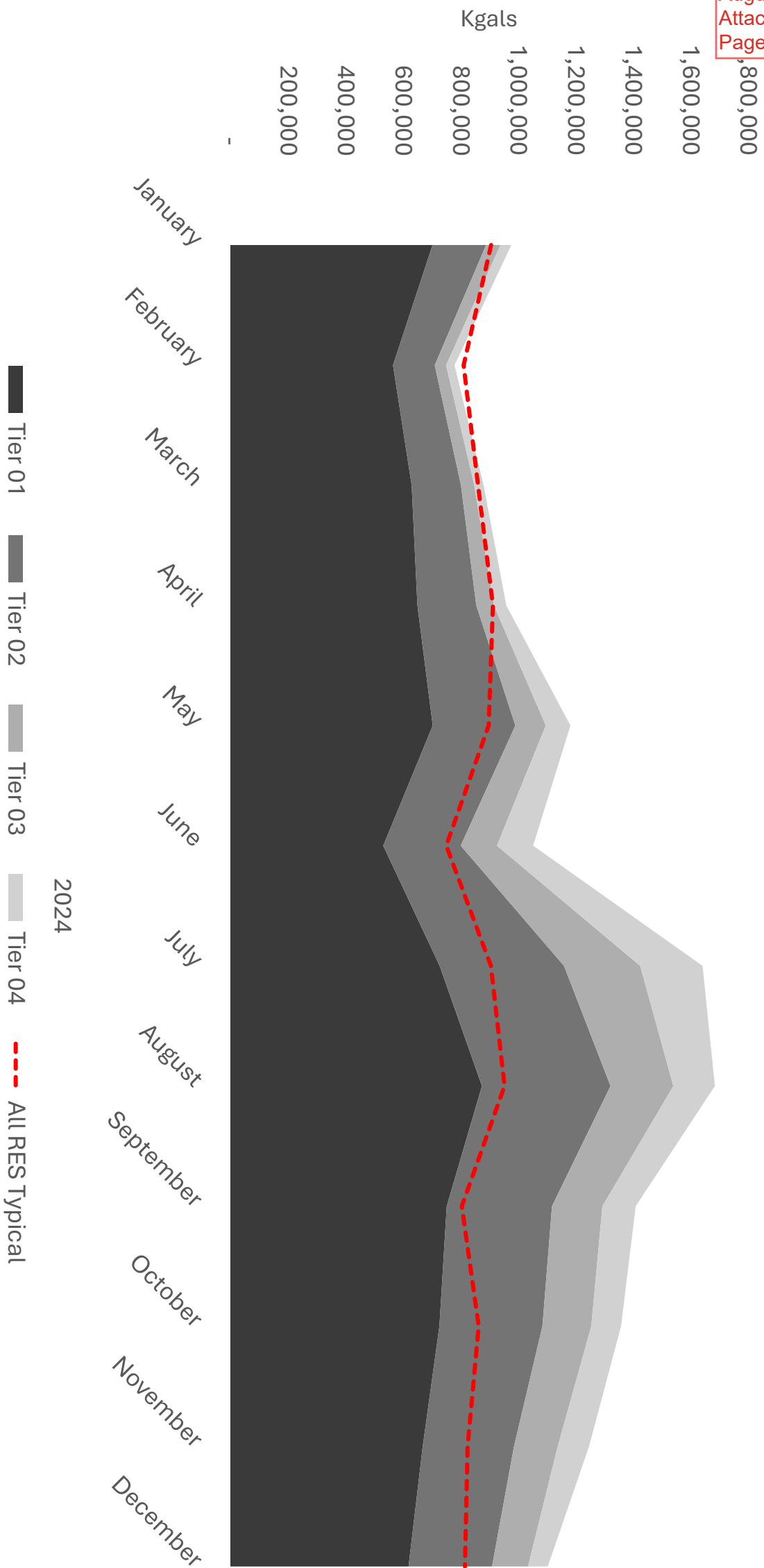
Water Projects		Budget
Large Diameter Pipeline		\$23.8M
Small Diameter Pipeline		\$19.9M
Groundwater Wells		\$10.7M
Water Treatment Plant		\$8.1M
SRP/CAP Interconnect Facility		\$5.3M
Bartlett Dam and Reservoir Expansion		\$5.0M
Hydrant/Meters/Valves		\$4.4M
Reservoir/Pump Stations		\$4.0M
Total Water		\$81.2M

Wastewater Projects		Budget
Northwest Water Reclamation Plant		\$55.0M
Lift Stations		\$26.5M
Large Diameter Pipes		\$19.4M
Total Wastewater		\$100.9M

# Fixed Revenues



# Tiers





# Residential and Non-residential Comparison

## Equity Between Residential & Non-residential Water Rates

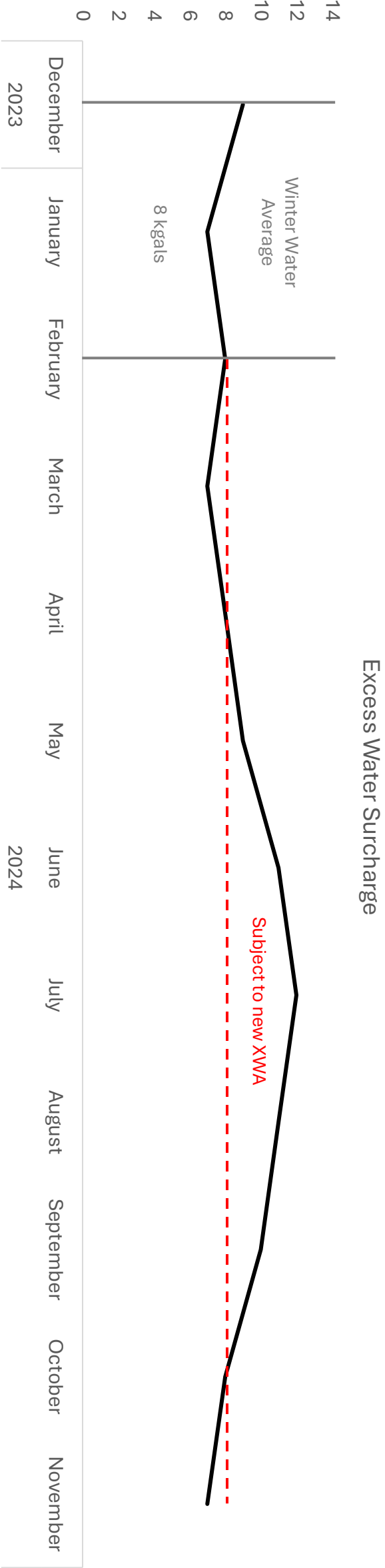
	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	53%	52%	50%	49%
Non-residential Rate Revenue	45%	46%	47%	48%	50%	51%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%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

# Conservation

Landscape - Average Consumption per Account:

	FY22/23	FY23/24	FY24/25
Commercial Landscape (kgals)	88.01	96.52	106.00
MUD Landscape (kgals)	99.57	107.29	122.11
Rate Adjustment (usage charge)	+7.5%	+7.5%	+10.5%

## Non-residential Excess Water Surcharge:



# Regional Rate Adjustments

## Residential Water:

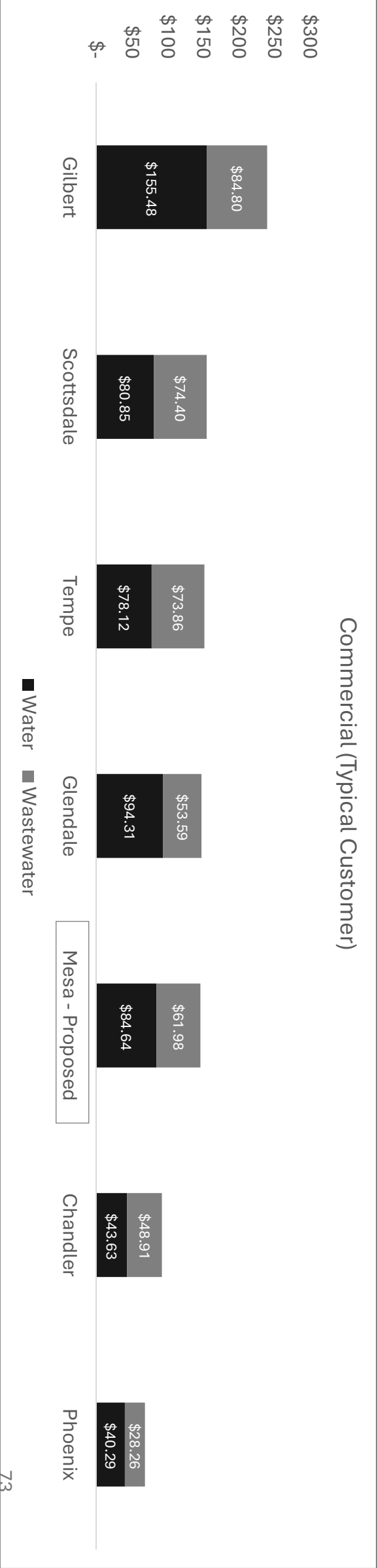
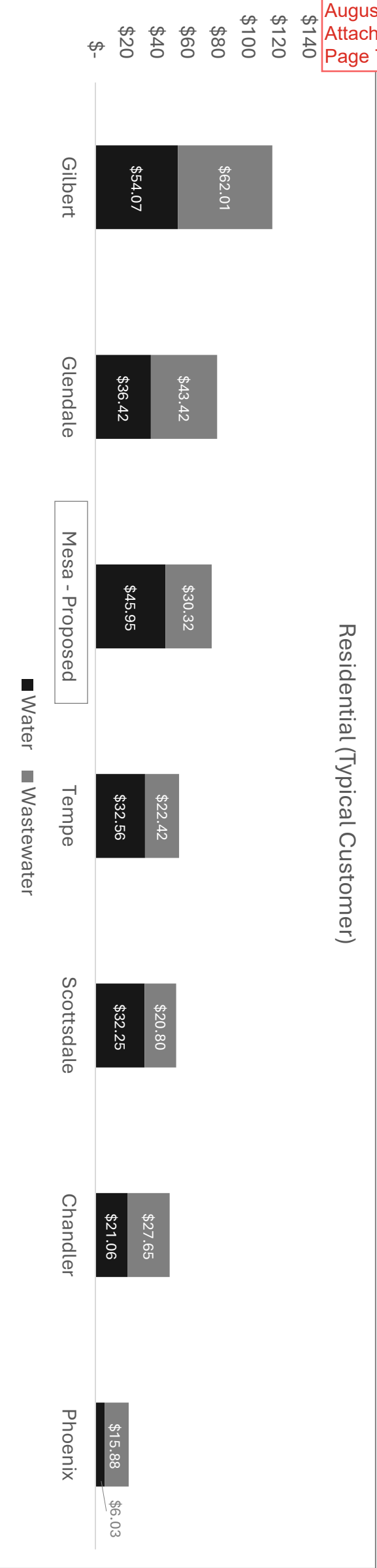
	FY 24/25	FY 25/26
Gilbert	25.0%	
Phoenix	13.0%	
Tempe	12.0%	11.1%*
Scottsdale	6.3%	4.5%*
Tucson	5.7%	3.5%
Glendale	4.5%	10.4%
Mesa	4.5%	5.5%
Chandler	0.0%	15.0%*

## Residential Wastewater:

	FY 24/25	FY 25/26
Gilbert	95.0%	0.0%*
Tempe	16.4%	9.5%*
Glendale	9.9%	3.1%
Scottsdale	8.0%	6.0%
Mesa	7.5%	8.0%
Phoenix	7.0%	
Tucson	0.0%	3.0%*
Chandler	0.0%	15.0%*

\* Not yet included in a Notice of Intent but is in a published forecast.

# Regional Comparison



# Affordability

EPA and AWWA use 2.5% and 2% as benchmarks for affordability of water and wastewater services, respectively, with a combined threshold of 4.5% of median household income (MHI).

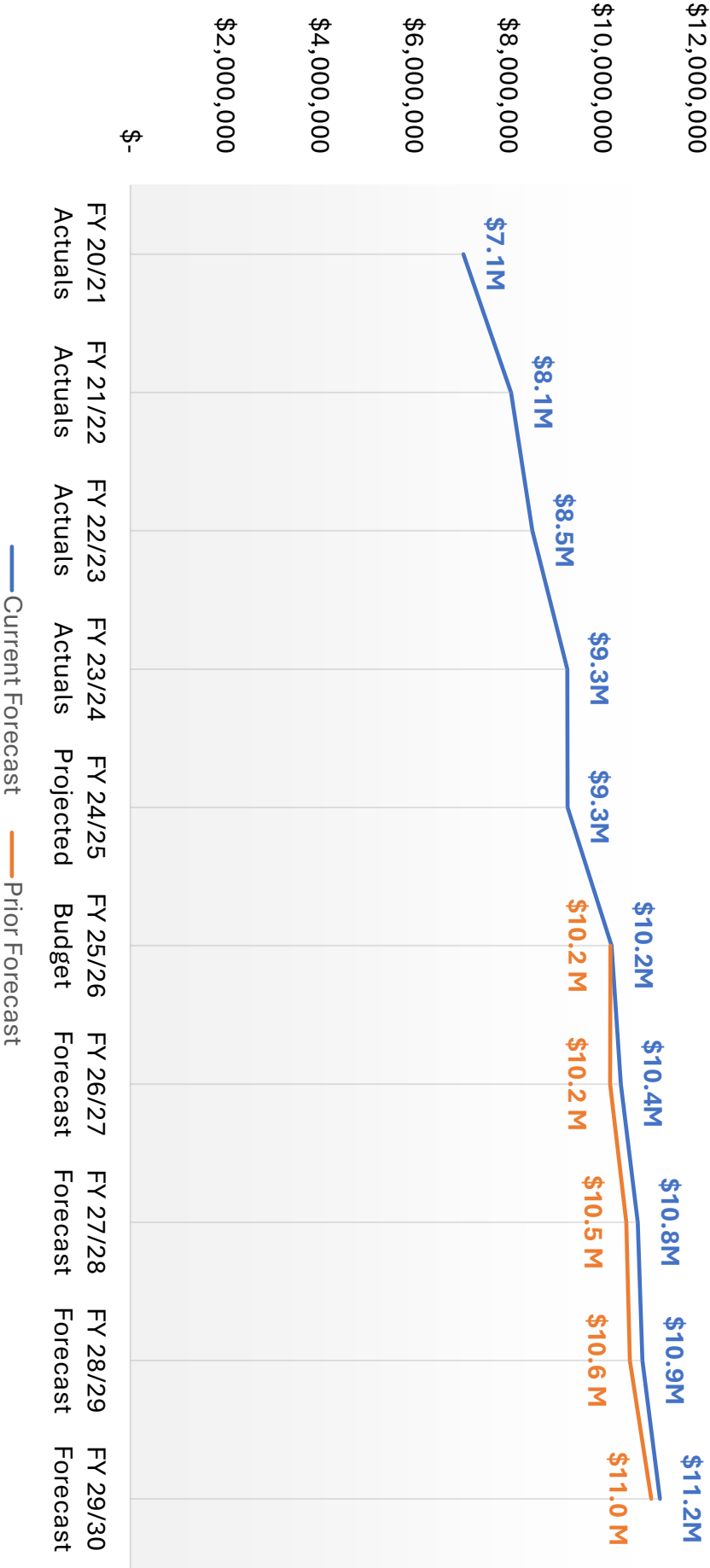
ZIP	Median Household Income ("MHI")	Typical RES Water Bill (Annual)	% MHI	Typical RES Wastewater Bill (Annual)	% MHI
85201 - 85215	\$59,680 - \$123,404	\$551.40	0.92% - 0.45%	\$363.84	0.61% - 0.29%

What about the City's low-income households?

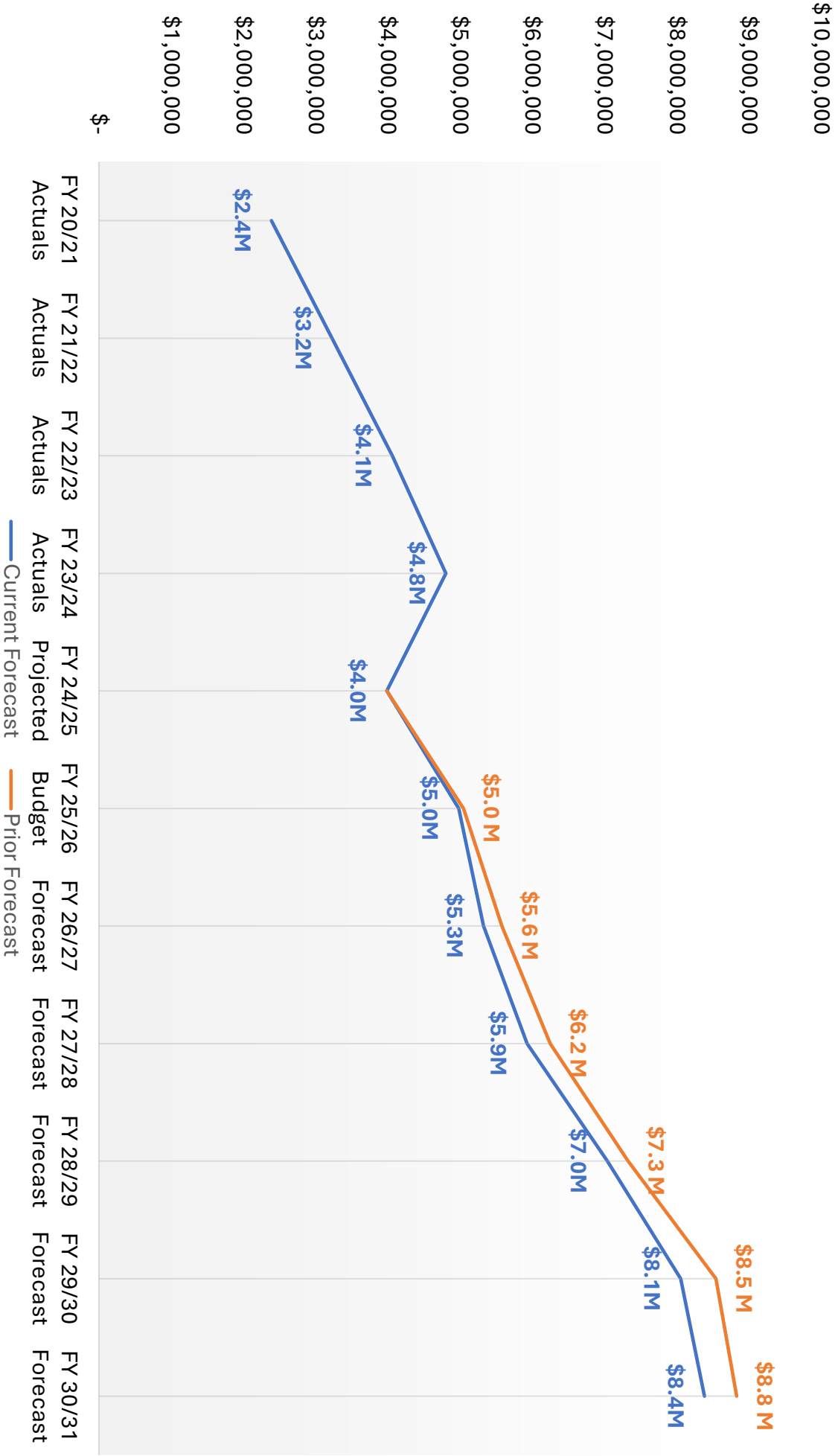
AZ Minimum Wage 2025		% of Annual Income for Typical RES Water Bill (annual)	% of Annual Income for Typical RES Wastewater Bill (annual)
Hourly	Annual		
\$14.70	\$30,576.00	1.80%	1.19%

# Energy Department Backup

# Increasing Operating Costs on the Electric Utility

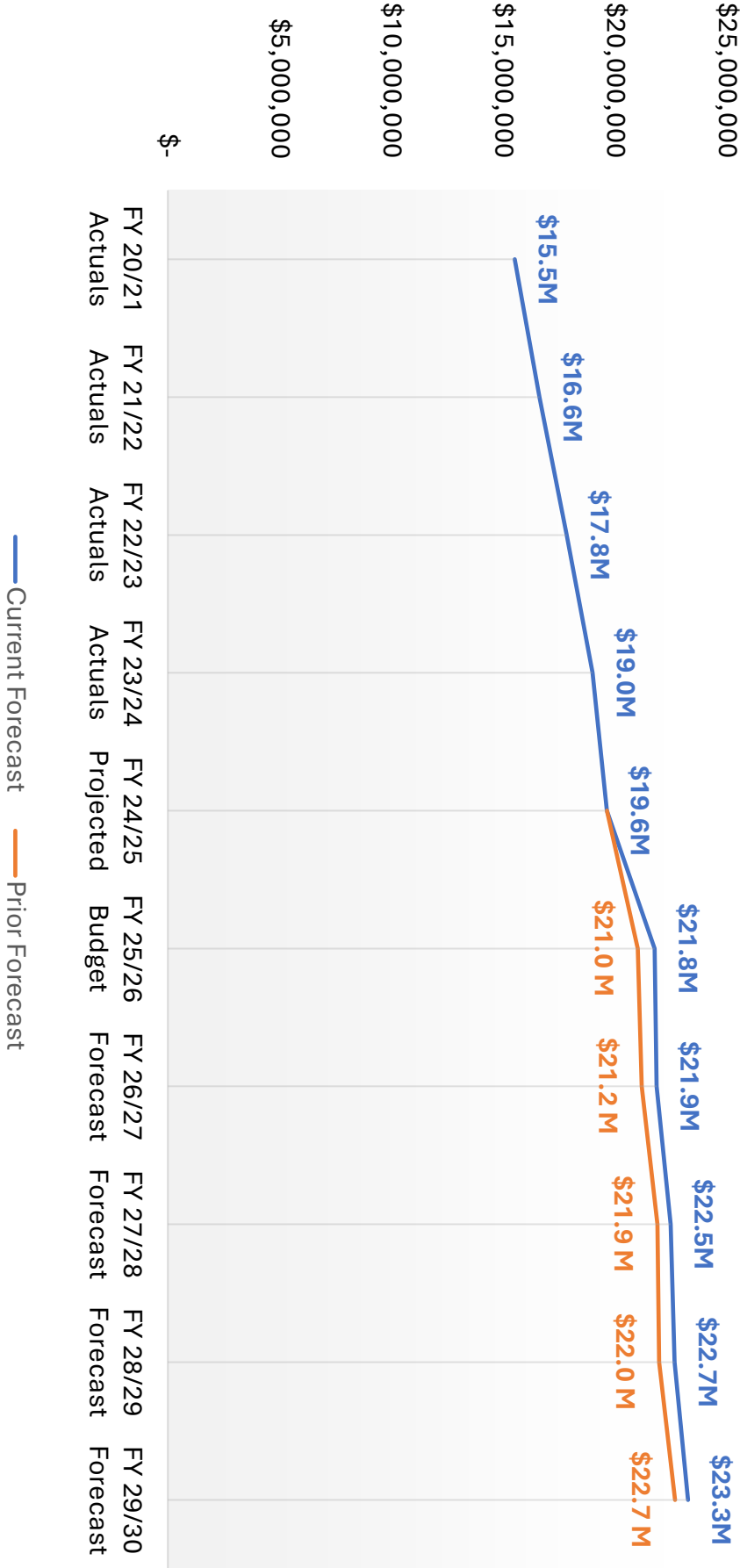


# Increasing Debt Service Costs on the Electric Utility

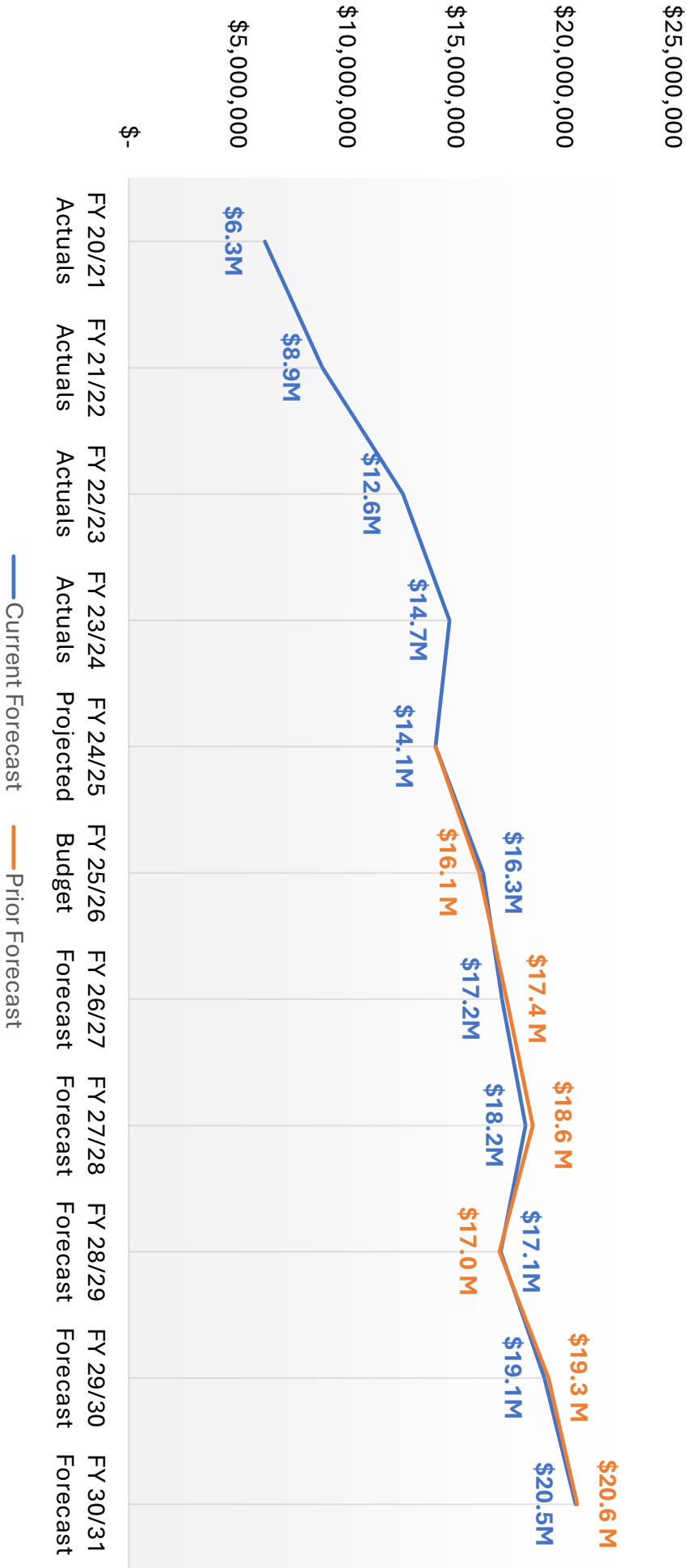




# Increasing Operating Costs on the Gas Utility



# Increasing Debt Service Costs on the Gas Utility



# Electric Project Cost Increases

PROJECT	PRIOR FORECAST	CURRENT FORECAST	INCREASE
Advanced Metering Infrastructure	\$3.4M	\$4.1M	\$700k
Edge on Main (New service)	\$0	\$2.4M	\$2.4M
Substation Improvements (w/SRP at Rogers)	\$200k	\$1.5M	\$1.3M

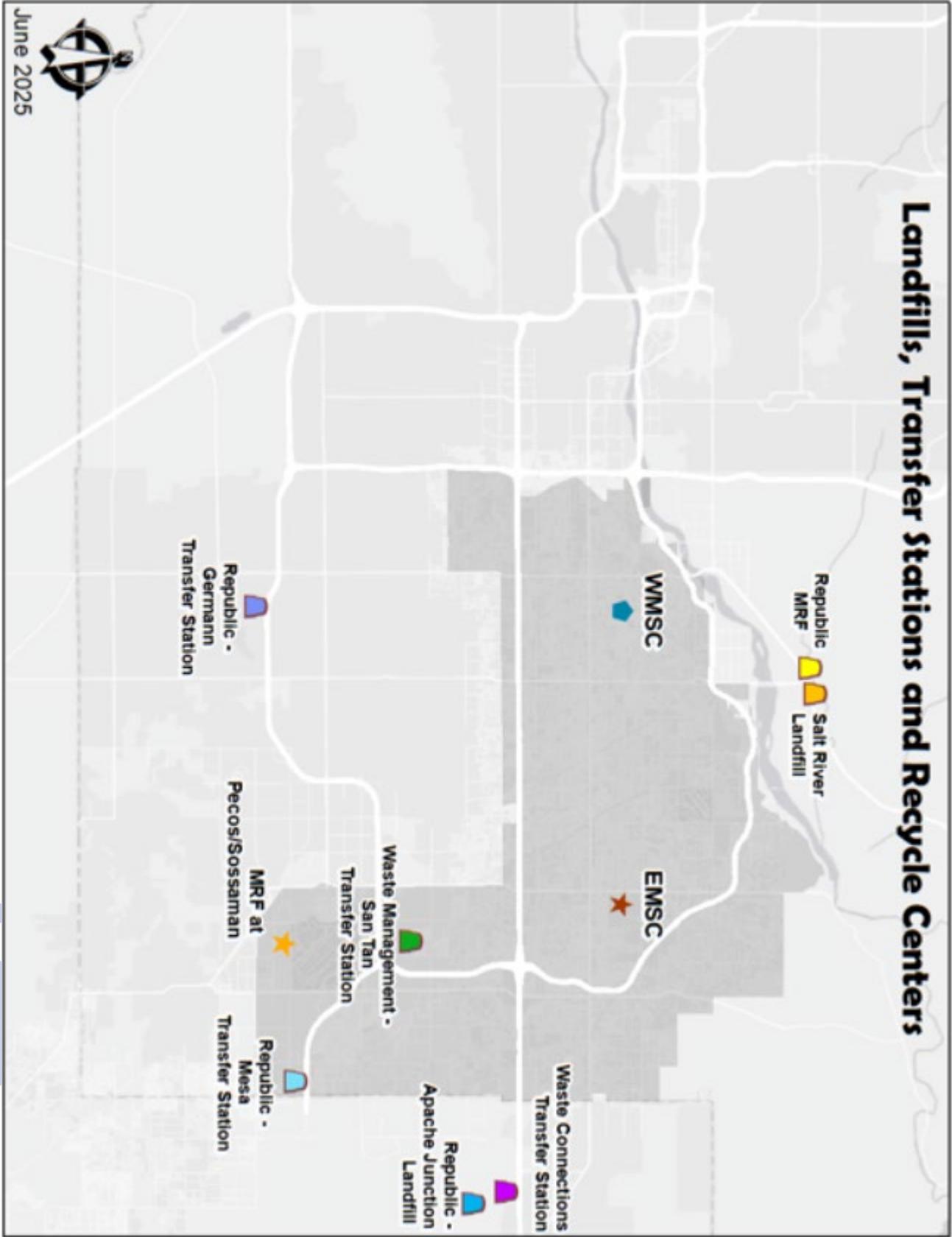
# Gas Project Cost Increases

PROJECT	PRIOR FORECAST	CURRENT FORECAST	INCREASE
Advanced Metering Infrastructure	\$14.0M	\$15.3M	\$1.3M
New Mains	\$14.0M	\$15.3M	\$1.3M
New Services	\$14.0M	\$14.6M	\$600k
High Pressure Mains	\$1.7M	\$4.3M	\$2.6M

# Solid Waste Department Backup

# Total Uses and Sources

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Total Uses - Current Forecast	\$76.6M	\$87.6M	\$85.7M	\$92.4M	\$94.7M	\$94.7M
Total Sources - Current Forecast	\$76.6M	\$81.7M	\$86.4M	\$91.8M	\$97.4M	\$103.3M
Total Sources - December 2024	\$76.3M	\$81.1M	\$86.4M	\$92.0M	\$97.9M	\$104.2M



# Landfill Costs

Landfill	2025 Rate	2026 CPI Forecast	Increase/(Decrease)
Salt River	\$39.64	\$41.62	5.0%
RAD	\$36.94	\$38.79	5.0%
Mesa Transfer	\$45.00	\$47.25	5.0%
Germann Transfer	\$45.00	\$47.25	5.0%
San Tan	\$44.08	\$46.28	5.0%
Apache Junction	\$42.56	\$44.69	5.0%

Year	Landfill Cost	Increase/(Decrease)
2023	\$8,609,980	
2024	\$8,843,441	2.7%
2025	\$9,571,123	8.2%



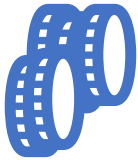


# Every Other Week Recycling



9,640 households  
audited

7.6% of  
population



~\$1.6M Annual  
Savings

# City of Mesa

## Water Resources Department

### Audit, Finance, & Enterprise Committee

#### Water & Wastewater

#### Capacity Fee

**Chris Hassert, Water Resources Director**

**Jesse Heywood, Water Resources Assistant Director**

**August 28, 2025**



# presentation Overview

- What is a Capacity Fee
- How is the Capacity Fee calculated
- What type of projects will the fee fund

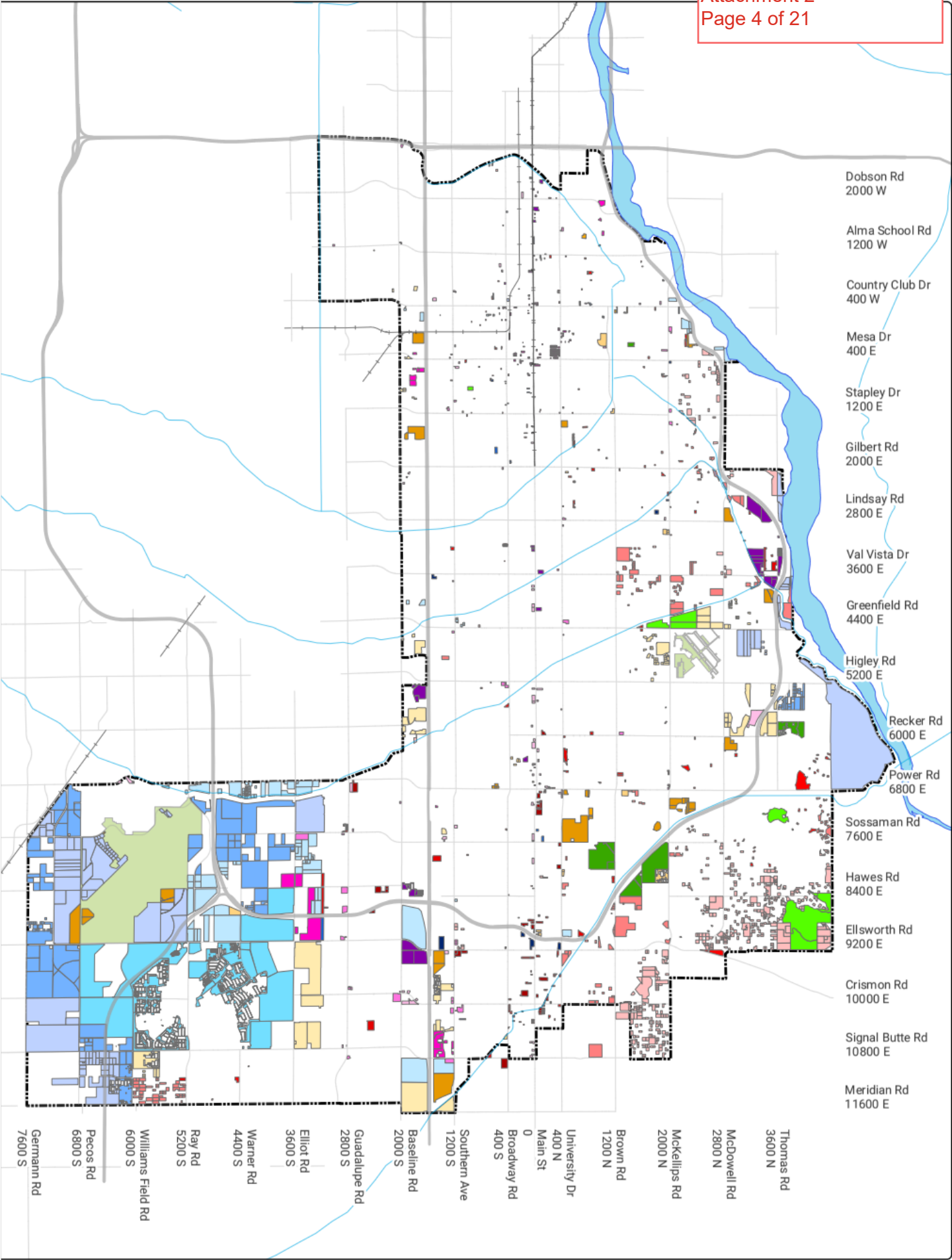




# What is a Capacity Fee

- Capacity fees are a one-time charge for a new or upsized connection to the water and/or wastewater system as authorized by A.R.S. § 9-511.01
- The fee is designed to recover the growth-related portion of the cost of constructing any additional water and wastewater system capacity
- Fees will be directed to the “Utility Capacity Fee Fund”





**City of Mesa**  
**Integrated Master Plan**

City Project No. CP0899  
BV Project No. 414131

**Legend**

- Community Commercial
- Neighborhood Commercial
- Regional Commercial
- General Industrial
- Light Industrial
- Mixed Use/Employment
- Mixed Use/Community
- Business Park
- Office
- Education
- Public/Semi-Public
- Low Dens Res (0-1 dupa)
- Low Dens Res (1-2 dupa)
- Low Dens Res (2-4 dupa)
- Med Dens Res (4-6 dupa)
- Med Dens Res (6-10 dupa)
- High Dens Res (10-15 dupa)
- High Dens Res (15+ dupa)
- Mixed Use/Res (30% at 15+ dupa)
- Town Center (25% at 15+ dupa)
- Open Space
- Parks
- Other Features**
- Boundary
- Highways
- Streets
- Canals
- Railroads
- Light Rail Track
- Salt River
- Airport



**Figure 2-8**  
**Vacant/Underdeveloped**  
**Land Use Classification**

# How is the Capacity Fee calculated

- The City utilized AWWA's *Principles of Water Rates, Fees, and Charges – Manual of Water Supply Practices M1* in developing the methodology to calculate the capacity fees
- The *incremental cost or marginal cost method* was chosen
- The recently completed 2025 Integrated Master Plan identified projects that added capacity in the next 10 years

FINAL

## INTEGRATED MASTER PLAN Final Report

CITY OF MESA PROJECT NO. CP0899

BLACK & VEATCH PROJECT NO. 414131



PREPARED FOR



City of Mesa

APRIL 2025



CLEAR  
CREEK  
ASSOCIATES

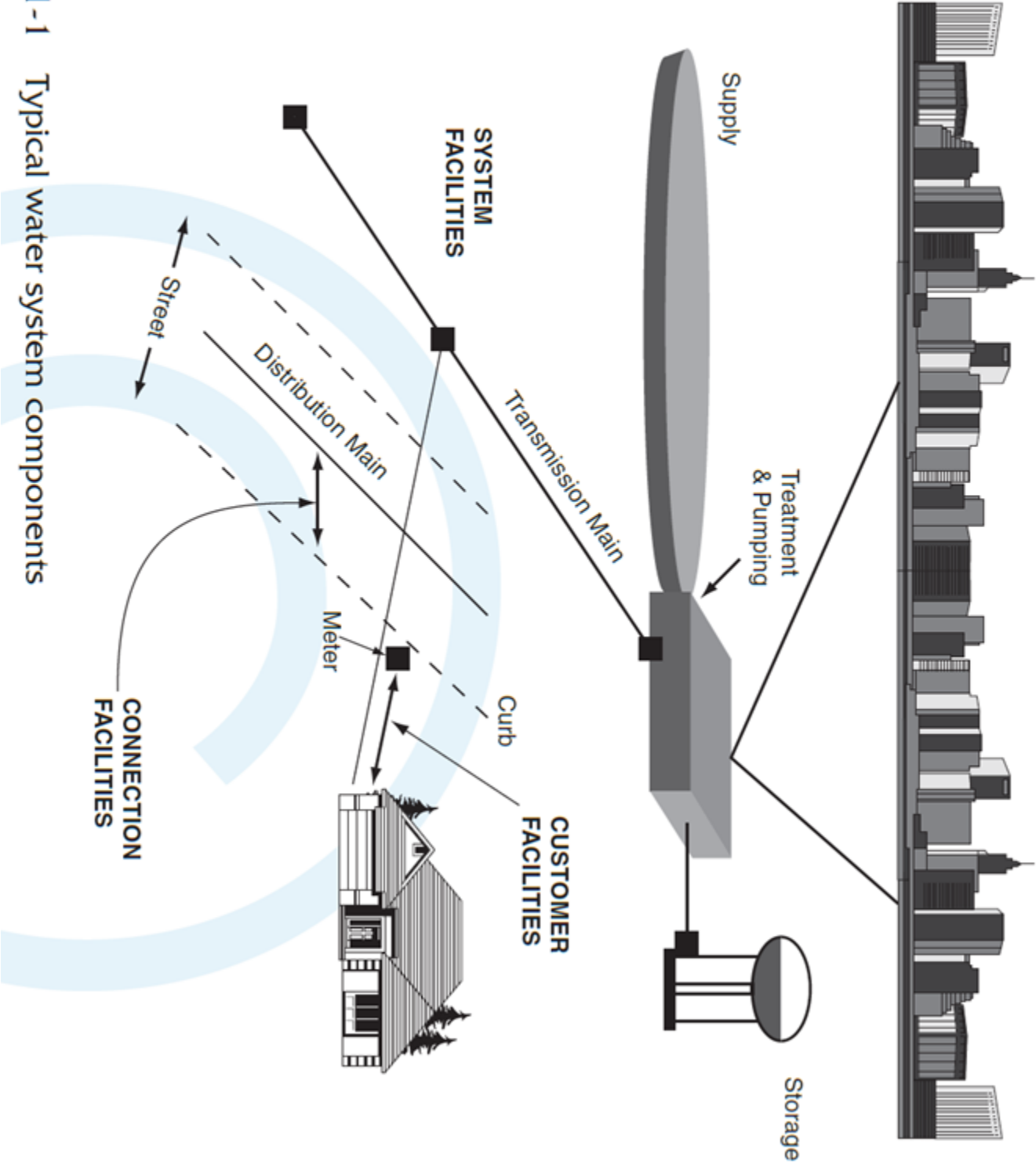


Figure VI.1-1 Typical water system components



# Capacity Fee Calculation



Capacity Cost  System Capacity  Unit Cost

Unit Cost  Service Unit  3/4” Equivalent Meter Fee



# Capacity Costs

Table 1 – Water Capacity Projects

Water Treatment Plants	\$	200,703,730
Pump Stations	\$	16,890,013
Pipelines	\$	13,765,000
Groundwater Wells	\$	89,121,111
Misc - Master Planning	\$	355,342
Water Total	\$	320,835,196

Table 2 – Wastewater Capacity Projects

Lift Stations	\$	7,226,205
Pipelines	\$	67,793,535
Misc - Master Planning	\$	179,552
Wastewater Total	\$	75,199,292

# Water Service Units

Table 3 – Water Service Unit

Water Service Unit	
Number of 3/4" Meters	128,873
Annual Water Demand for all 3/4" Meter Customers (gallons/year)	12,070,875,000
Annual Water Demand per Average 3/4" Meter Customer (gallons/year)	93,665
Average Daily Water Demand per 3/4" Meter Customer (gpd)	257
Average Day Demand to Max Day Demand Peaking Factor	1.50
Max Day Water Demand per 3/4" Meter (gpd)	385

# Wastewater Service Units

Table 4 – Wastewater Service Unit

Wastewater Service Unit	
Number of 3/4" Meters	128,873
90% of monthly average of 3 Lowest Winter Months Meter Demand (gallons/month)	720,834,000
Average Monthly Wastewater flow per 3/4" Meter Customer (gallons/month)	5,593
Average Daily Wastewater flow per 3/4" Meter Customer (gpd)	186
Average Day to Max Day Wastewater Flow Factor	1.10
Max Day Wastewater Flow per 3/4" Meter (gpd)	205

# Water & Wastewater Capacity Fee Calculation

Table 5 – Water Capacity Fee Calculation

Water Capacity Fee Calculation	
Capacity Cost	\$320,835,196
System Capacity (gpd)	16,000,000
Unit Cost (\$/gpd)	\$20.05
Service Unit (gpd)	385
3/4" Equivalent Meter Fee	\$7,719

Table 6 – Wastewater Capacity Fee Calculation

Wastewater Capacity Fee Calculation	
Capacity Cost	\$75,199,292
System Capacity (gpd)	8,524,900
Unit Cost (\$/gpd)	\$8.82
Service Unit (gpd)	205
3/4" Equivalent Meter Fee	\$1,809

# Capacity Fee Table by Meter Size

Table 8 – Capacity Fee Table

Max					
Meter	Continuous				
Size	Flow (gpm)	Multiplier	Water	Wastewater	
Total					
0.75"	30	1.00	\$7,719	\$1,809	\$9,528
1"	50	1.67	\$12,864	\$3,015	\$15,880
1.5"	100	3.33	\$25,729	\$6,030	\$31,759
2"	160	5.33	\$41,166	\$9,649	\$50,814
3"	320	10.67	\$82,331	\$19,297	\$101,629
4"	800	26.67	\$205,829	\$48,243	\$254,072
6"	1,500	50.00	\$385,929	\$90,456	\$476,385
8"	3,500	116.67	\$900,501	\$211,065	\$1,111,566
10"	5,500	183.33	\$1,415,072	\$331,673	\$1,746,746

# Fee Comparison for a 3/4” Meter

Table 9 – Fee Comparison (based on 3/4” meter)

	Water	Wastewater	Total
Phoenix - Northwest Area	\$20,442	\$8,951	\$29,393
Gilbert - GWRP Area	\$14,136	\$4,467	\$18,603
Phoenix - Estrella Area	\$8,099	\$6,599	\$14,698
Chandler	\$5,331	\$8,984	\$14,315
Flagstaff	\$8,146	\$4,086	\$12,232
Proposed Mesa	\$7,719	\$1,809	\$9,528
Scottsdale	\$5,003	\$2,696	\$7,699
Glendale	\$3,330	\$3,795	\$7,125
Tempe	\$2,472	\$1,994	\$4,466
Existing Mesa	\$0	\$0	\$0



# Conclusions

- Proposed Capacity Fee eases financial burden on all rate payers
- Protects existing customers from the cost of new growth
- Frees up capital funds to spend on needed life cycle replacement projects



# NEXT STEPS

- September 11 - City Council Discussion of Capacity Fee
- September 22 - City Council Action on Notice of Intent
- November 17 - Introduction of Capacity Fee Ordinance
- December 1 - City Council Action on Capacity Fee
- January 1 - Effective Date of Capacity Fee





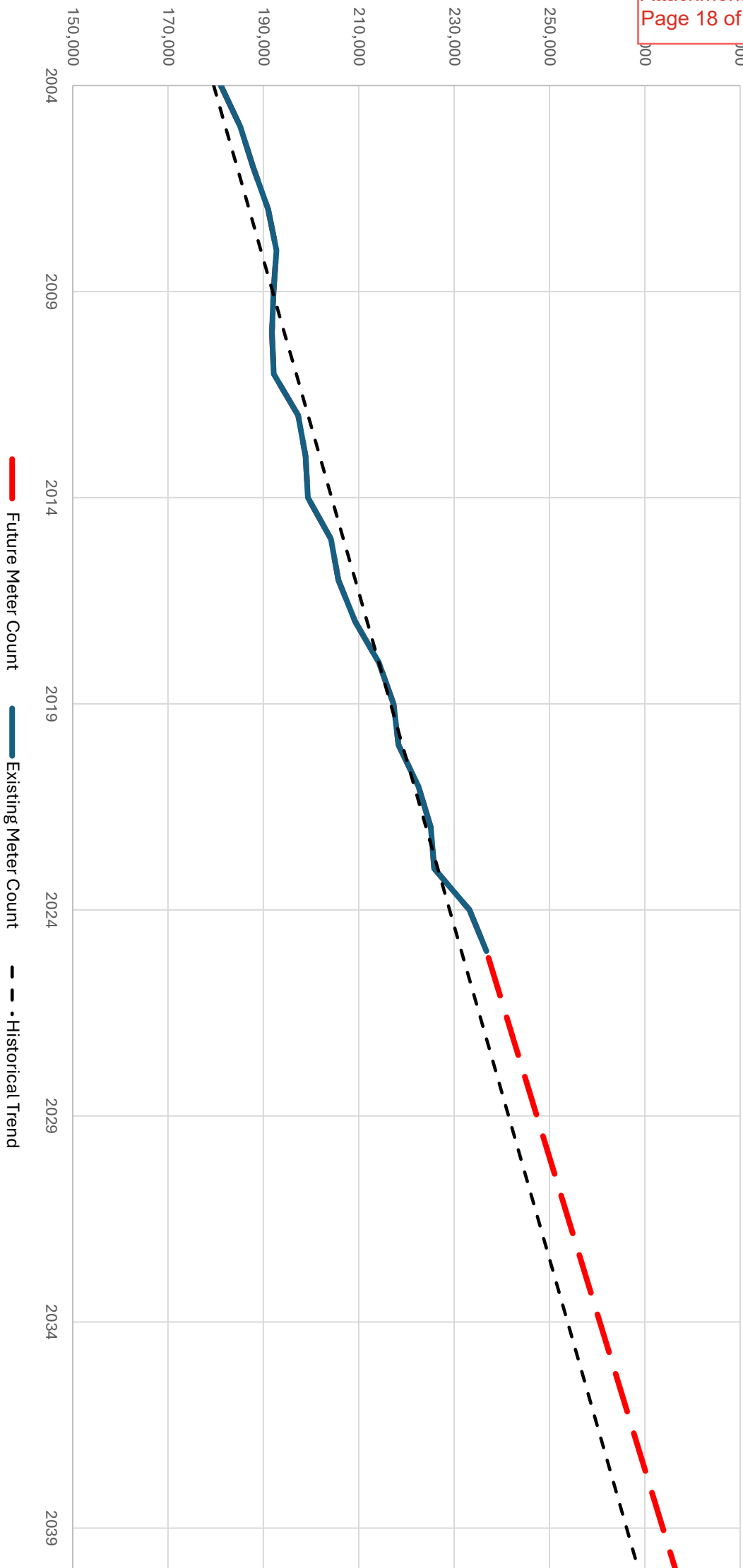
# Back Up Slides

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# Previous Mesa Impact Fee

Meter Size	Water	Wastewater	Total
0.75 \$	2,220	\$ 2,659	\$ 4,879
1 \$	5,550	\$ 6,648	\$ 12,198
1.5 \$	11,100	\$ 13,295	\$ 24,395
2 \$	17,760	\$ 21,272	\$ 39,032
3 \$	35,520	\$ 42,544	\$ 78,064
4 \$	55,500	\$ 66,475	\$ 121,975
6 \$	111,000	\$ 132,950	\$ 243,950
8 \$	177,600	\$ 212,720	\$ 390,320
10 \$	255,300	\$ 305,785	\$ 561,085

Figure 3 - 3/4" Equivalent Meters Count



# Meter Count Projection

