



# COUNCIL MINUTES

November 18, 2024

The City Council of the City of Mesa met in a Regular Council Meeting in the Council Chambers, 57 East 1st Street, on November 18, 2024, at 5:55 p.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

Mayor's Welcome.

Mayor Giles conducted a roll call.

Invocation by Reverend Mindy Tucker with Unity of Mesa.

Pledge of Allegiance was led by Mayor Giles.

Awards, recognitions or announcements.

Mayor Giles recognized the Mayor's Youth Committee and thanked the members for participating in the program.

### 1. Take action on all consent agenda items.

All items listed with an asterisk (\*) will be considered as a group by the City Council and will be enacted with one motion. There will be no separate discussion of these items unless a Councilmember or citizen requests, in which event the item will be removed from the consent agenda and considered as a separate item. If a citizen wants an item removed from the consent agenda, a blue card must be completed and given to the City Clerk prior to the Council's vote on the consent agenda.

It was moved by Councilmember Freeman, seconded by Councilmember Spilsbury, that the consent agenda items be approved.

Upon tabulation of votes, it showed:

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

NAYS – None

ABSENT – None

Carried unanimously.

\*2. Approval of minutes of previous meetings as written.

Minutes from October 17, October 21, October 24, and November 4, 2024, Study Sessions; and November 4, 2024, Regular Council meeting.

3. Take action on the following liquor license applications:

\*3-a. Maskadores Taco Shop

A restaurant that serves breakfast, lunch, and dinner is requesting a new Series 12 Restaurant License for Maskadores Mesa PLLC, 2706 East University Drive, Suite 6 - Theresa June Morse, agent. There is no existing license at this location. **(District 1)**

\*3-b. Pei Wei Asian Kitchen

A restaurant that serves lunch and dinner is requesting a new Series 12 Restaurant License for Pei Wei Asian Diner LLC, 1902 South Val Vista Drive, Suite 101 - Patrick Edward Castle, agent. There is no existing license at this location. **(District 2)**

\*3-c. Harkins Theatres

A theater is requesting a new Series 12 Restaurant License for Harkins Cinemas LLC, 6950 East Superstition Springs Boulevard - Andrea Dahlman Lewkowitz, agent. The existing license held by Harkins Cinemas LLC will remain at the location in non-use (inactive) status until it's either sold or transferred to a different location. **(District 6)**

4. Take action on the following contracts:

\*4-a. One-Year Term Contract of Excess Workers' Compensation Insurance and Workers' Compensation Self-Insurance Surety Bond. **(Citywide)**

As a self-insured entity for the administration of workers' compensation benefits, Arizona statute requires the City to obtain excess workers' compensation insurance and to provide a security deposit based on the total unpaid losses of open compensable workers' compensation claims, which is accomplished through securing a surety bond.

Staff recommends the purchase of an excess workers' compensation insurance policy, through the City's insurance broker, Arthur J Gallagher & Co., with a self-insured retention up to \$2 million per accident/injury/illness (with exceptions) for a premium up to \$650,000 and a workers' compensation self-insurance surety bond for the bond rate up to \$12.00 per every \$1,000 of unpaid losses.

\*4-b. One-Year Term Contract for DNA Crime Lab Supplies for the Mesa Police Department (Sole Source). **(Citywide)**

The Biology Unit of the Forensic Services Division completes DNA analysis of samples from criminal investigations conducted by the Mesa Police Department as well as Gilbert, Queen Creek, and Tempe. The Police Department is requesting the purchase of reagents and consumables to determine the quantity of DNA present, to make copies of DNA, and to detect DNA on genetic instruments.

The Mesa Police Department and Procurement Services recommend awarding the contract to the sole source vendor, Thermo Fisher Scientific at \$250,000, based on estimated requirements.

- \*4-c. Three-Year Term Contract with Renewal Options for Drone as First Responder Technology for the Mesa Police Department (Funded by Public Safety Sales Tax Funds). **(Citywide)**

The Police Department uses Unmanned Aerial Systems (UAS) for traffic collision investigation, patrol operations, and tactical operations. The Police Department has evaluated various options and has found that Aerodome has the technology that is needed to improve response times to emergency calls for service as well as provide information to responding officers.

The Mesa Police Department and Procurement Services recommend awarding the contract to the sole source vendor, Aerodome, Inc., at \$340,000, annually with an annual increase allowance of up to 5% or the adjusted Consumer Price Index.

- \*4-d. Use of a Cooperative Contract for Command Response Vehicle (CRV) Systems Upgrade for the Mesa Fire and Medical Department (Capital General Fund). **(Citywide)**

The Mesa Fire and Medical Department CRV has several systems that have reached the end of life and need to be updated with current technologies to ensure the CRV will meet current and future performance requirements. CTS is the only vendor that can upgrade all the systems as part of the lifecycle project.

The Mesa Fire and Medical Department and Procurement Services recommend authorizing the purchase using the Mohave cooperative contract with Corporate Technology Solutions, LLC (CTS) at \$110,000, based on estimated requirements.

- \*4-e. Use of a Cooperative Contract for On-Call Manhole Rehabilitation Services for the Water Resources Department. **(Citywide)**

The Water Resources Department performs manhole rehabilitations primarily to ensure safety by maintaining the structural integrity of the manhole, which prevents water infiltration and sewage exfiltration. Rehabilitation is more cost-effective than replacement, reducing long-term maintenance expenses, minimizing service disruptions, and extending the lifespan of these assets.

The Water Resources Department and Procurement Services recommend authorizing the purchase using the City of Peoria cooperative contract with Pipeline Video Inspection, LLC dba Southwest Environmental at \$1,000,000 annually, with an annual increase allowance of up to 5% or the adjusted Consumer Price Index.

- \*4-f. Three-Year Term Contract with Two-Year Renewal Options for Heavy-Duty (OEM) Cab and Chassis Parts for the Fleet Services Department. **(Citywide)**

This contract will be used to purchase heavy duty Original OEM cab and chassis parts required for various pieces of rolling stock equipment owned by the City of Mesa. The City's Fleet Services Department performs repairs on-site and requires a variety of parts to keep the City's vehicles and equipment in good working condition.

The Fleet Services Department and Procurement Services recommend awarding the contract to the lowest, responsive, and responsible bidders: Cummins, Inc. (a Mesa business); Freightliner of Arizona, LLC; RWC International dba RWC Group; and Rush Truck Centers of Arizona, Inc. (a Mesa business) at \$1,500,000 annually, with an annual increase allowance of up to 5% or the adjusted Producer Price Index.

- \*4-g. Award of a Group on the Term Contract for Heavy-Duty Truck Brake and Wheel Parts for the Fleet Services Department. **(Citywide)**

This contract provides brake and wheel parts for the repair of heavy-duty City vehicles. On August 19th, 2024, Council approved the award of Group 4 to Kal Partz. On September 26, 2024, Kal Partz notified the City that they were closing their business. RWC International LTD is the next lowest bidder for Group 4 (Haladex).

The Fleet Services Department and Procurement Services recommend awarding the contract to RWC International LTD, at \$325,000, annually, with an annual increase allowance of up to 5% or the adjusted Producer Price Index. The total annual contract amount of \$325,000 is for all awarded vendors under this contract.

5. Take action on the following resolutions:

- \*5-a. Approving and authorizing the City Manager to enter into an Intergovernmental Agreement with Mesa Unified School District No. 4 for the cooperative use and purchase of IT and related services to reduce operation and capital costs. **(Citywide)** – Resolution No. 12295
- \*5-b. ZON23-00935 "Mesa Shopping Center - Final Phase." **(District 4)** Within the 300 block of East Southern Avenue (south side) and within the 1200 block of South Mesa Drive (west side). Located west of Mesa Drive and south of Southern Avenue (7.5± acres). Major Site Plan Modification. This request will allow for a limited-service restaurant with a drive-thru facility. Red Mountain Asset Fund II LLC, Red Mountain Asset Fund I LLC and MacFrugals's Plaza LLC, owners; John Clay, Red Mountain Group, applicant. – Resolution No. 12296

Staff Recommendation: Approval with conditions

P&Z Board Recommendation: Approval with conditions (Vote: 6-0)

6. Introduction of the following ordinances and setting December 2, 2024, as the date of the public hearing on these ordinances:

- \*6-a. Amending Title 6, Chapter 10 of the Mesa City Code entitled "Public Park Regulations", including proposed changes to camping restrictions and a reclassification of the applicable penalty for certain violations to decrease the penalty. **(Citywide)** – Ordinance No. 5891
- \*6-b. Amending Title 6, Chapter 1 of the Mesa City Code to add a new Section 23 entitled "Urban Camping" related to camping on certain City property. **(Citywide)** – Ordinance No. 5892
- \*6-c. ZON23-00771 "The Five Six." **(District 2)** Within 100 block of North 56th Street (east side) and the 100 block of North 57th Street (west side). Located west of Recker Road and north of Main Street (1± acre). Rezone from Limited Commercial (LC) to Multiple

Residence-4 with a Planned Area Development Overlay (RM-4-PAD) and Site Plan Review. This request will allow for a multiple residence development. Johnstar LLC, Property owner; Tim Boyle, Atmosphere Architects, applicant. – Ordinance No. 5893

Staff Recommendation: Approval with conditions

P&Z Board Recommendation: Approval with conditions (Vote: 6-0)

- \*6-d. ZON23-00994 "ESS - Bldg E." (**District 2**) Within the 4400 to 4600 blocks of East Southern Avenue (north side) and within the 4500 block of East Flower Circle (west side). Located north of Southern Avenue and east of Greenfield Road (7.2± acres). Rezone from Single Residence-6 with a Planned Area Development Overlay (RS-6-PAD) and Limited Commercial (LC) to Limited Commercial with a Planned Area Development Overlay (LC-PAD), Council Use Permit, and Major Site Plan Modification. This request will allow for the expansion of a mini-storage facility. Bebes Nirvana LP, owner; Tim Nielsen, Farnsworth Construction Co., applicant. – Ordinance No. 5894

Staff Recommendation: Approval with conditions

P&Z Board Recommendation: Approval with conditions (Vote: 6-0)

- \*6-e. ZON24-00602 "Mesa Royale." (**District 4**) Within the 600 block of West Main Street (north side). Located west of Country Club on the north side of Main Street (3.3± acres). Rezone from General Commercial (GC) to GC with a Planned Area Development Overlay (GC-PAD), Council Use Permit (CUP), and Site Plan Review. This request will allow for a multiple residential development. Mesa Royale East Motel LLC, Nuevas Vistas on Main, LLC, and Mesa Royale West LLC, owners; Benjamin W. Graff, Esq., Quarles & Brady LLP, applicant. – Ordinance No. 5895

Staff Recommendation: Approval with conditions

P&Z Board Recommendation: Approval with conditions (Vote: 6-0)

- \*6-f. ZON24-00649 "Avalon Ranch Lots 4, 5 & 6." (**District 6**) Within the 3600 block of South Power Road (east side). Located south of Elliot Road on the east side of Power Road (2.2± acres). Rezone from Limited Commercial to Limited Commercial with a Bonus Intensity Zone Overlay (LC-BIZ) and Major Site Plan Modification. This request will allow for a modification to a group commercial center. Avalon Ranch, LLC, owner; David Lack, Avalon Development, applicant. – Ordinance No. 5896

Staff Recommendation: Approval with conditions

P&Z Board Recommendation: Approval with conditions

7. Take action on the following resolutions declaring titles and schedules of terms/rates/fees/charges to be public records and available to the public, and introducing the following ordinances regarding titles and schedules for City-owned utility terms/rates/fees/charges and setting December 2, 2024, as the date of the public hearing on these ordinances:

- \*7-a. See: **Items not on the Consent Agenda**

- \*7-b. See: **Items not on the Consent Agenda**

- \*7-c. See: **Items not on the Consent Agenda**
- \*7-d. See: **Items not on the Consent Agenda**
- \*7-e. See: **Items not on the Consent Agenda**
- \*7-f. See: **Items not on the Consent Agenda**
- \*7-g. See: **Items not on the Consent Agenda**
- \*7-h. See: **Items not on the Consent Agenda**
- \*7-i. See: **Items not on the Consent Agenda**
- \*7-j. See: **Items not on the Consent Agenda**
- \*7-k. See: **Items not on the Consent Agenda**
- \*7-l. See: **Items not on the Consent Agenda**
- \*7-m. See: **Items not on the Consent Agenda**
- \*7-n. See: **Items not on the Consent Agenda**

8. Discuss, receive public comment, and take action on the following ordinances:

- \*8-a. Proposed amendments to Title 4, Chapters 3 and 9 of the Mesa City Code pertaining to electric vehicle charging standards for new construction. The amendments pertain to requirements for installation of certain infrastructure to aid in providing electric vehicle charging in single family and multiple residential developments. – Ordinance No. 5890
- \*8-b. Proposed amendments to Section 11-43-7 of Title 11 of the Mesa City Code pertaining to Freeway Landmark Monuments. The proposed text amendments codify development standards currently contained within the Freeway Landmark Monument Design Guidelines. The amendments also include but are not limited to modifying the eligible location standards; modifying the number, sign area, and height requirements; adding spacing requirement; modifying height measurements; modifying design standards; adding electronic message display standards; adding provisions setting forth the required approvals and review process and a process to allow for the modification of development standards; adding sign permit and maintenance standards; and the repeal of the design guidelines. **(Citywide)** – Ordinance No. 5886

Staff Recommendation: Adoption

P&Z Board Recommendation: Adoption (4-0)

**Items not on the Consent Agenda**

7. Take action on the following resolutions declaring titles and schedules of terms/rates/fees/charges to be public records and available to the public, and introducing the following ordinances regarding titles and schedules for City-owned utility

terms/rates/fees/charges and setting December 2, 2024, as the date of the public hearing on these ordinances:

- 7-a. A resolution declaring proposed titles and schedules of terms/rates/fees/charges for electric utility services to be a public record. **(Districts 1, 3 and 4)** – Resolution No. 12297
- 7-b. An ordinance adopting titles and schedules of terms/rates/fees/charges for electric utility services. **(Districts 1, 3 and 4)** – Ordinance No. 5897
- 7-c. A resolution declaring proposed titles and schedules of terms/rates/fees/charges for natural gas utility services to be a public record. **(Citywide)** – Resolution No. 12298
- 7-d. An ordinance adopting titles and schedules of terms/rates/fees/charges for natural gas utility services. **(Citywide)** – Ordinance No. 5898
- 7-e. A resolution declaring proposed titles and schedules of terms/rates/fees/charges for water utility services to be a public record. **(Citywide)** – Resolution No. 12299
- 7-f. An ordinance adopting titles and schedules of terms/rates/fees/charges for water utility services. **(Citywide)** – Ordinance No. 5899
- 7-g. A resolution declaring proposed titles and schedules of terms/rates/fees/charges for wastewater utility services to be a public record. **(Citywide)** – Resolution No. 12300
- 7-h. An ordinance adopting titles and schedules of terms/rates/fees/charges for wastewater utility services. **(Citywide)** – Ordinance No. 5900
- 7-i. A resolution declaring proposed titles and schedules of terms/rates/fees/charges for solid waste utility services to be a public record. **(Citywide)** – Resolution No. 12301
- 7-j. An ordinance adopting titles and schedules of terms/rates/fees/charges for solid waste utility services. **(Citywide)** – Ordinance No. 5901
- 7-k. A resolution declaring proposed terms/rates/fees/charges for utility service fees to be a public record. **(Citywide)** – Resolution No. 12302
- 7-l. An ordinance modifying terms/rates/fees/charges for utility service fees. **(Citywide)** – Ordinance No. 5902
- 7-m. A resolution declaring proposed titles and schedules of terms/rates/fees/charges for terms and conditions for the sale of utilities to be a public record. **(Citywide)** – Resolution No. 12303
- 7-n. An ordinance adopting titles and schedules of terms/rates/fees/charges for terms and conditions for the sale of utilities. **(Citywide)** – Ordinance No. 5903

Management and Budget Director Brian Ritschel provided an overview of the recommended utility fund rates, assistance programs and homeowner comparison, and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Ritschel outlined the utility operations and highlighted the five financial principles which the utility abides by, noting the significance of each. He provided an annual homeowner utility cost

comparison with other local cities and emphasized the differences in annual homeowner costs. He pointed out that the City of Mesa (COM) does not impose a primary property tax or a city sales tax on food as some other cities do. (See Pages 2 through 5 of Attachment 1)

Mr. Ritschel recalled the investments that are being made in COM wastewater facilities, the Central Mesa Reuse Pipeline and the advanced metering infrastructure. He identified the expense pressures the utilities are facing, noting higher debt service, increased operating costs due to inflation, and supply chain issues. (See Pages 6 through 9 of Attachment 1)

Mr. Ritschel illustrated the water customer profile from June 2023 to May 2024 and pointed out the water consumption and number of accounts for residential and non-residential customers. He provided examples of approximate monthly utility bills with the proposed rate adjustment for small and typical residential customers. (See Pages 10 through 13 of Attachment 1)

City Manager Christopher Brady added that the Town of Gilbert is imposing a 25% rate increase this year compared to the COM 4% proposed increase.

Additional discussion ensued regarding gas distribution and rates.

Mr. Ritschel summarized the history of the utility fund contribution and explained the elimination of the primary property tax and how 30% of the utility fund operating revenues are transferred to the General Fund to be used for public safety and city services such as municipal court, parks, and the library. He provided details about the contribution amounts projected for FY 24/25. (See Pages 14 through 17 of Attachment 1)

Mr. Ritschel outlined the utility assistance programs provided by the COM and pointed out that \$20 million of American Rescue Plan Act (ARPA) funds were utilized to prevent a rate increase during the pandemic. He confirmed those funds were fully disbursed in October 2023. He provided information about water conservation incentive programs and highlighted the resources and tools available online. (See Pages 18 and 19 of Attachment 1)

In response to a question from Councilmember Somers, Mr. Ritschel explained that because Salt River Project (SRP) is a much larger corporation that services approximately 1,050,000 customers, compared to the COM's 17,000 utility customers, they are able to absorb the additional energy costs for a period; however, the additional fees are now being passed along to the SRP customers in significant rate increases.

Mr. Ritschel provided an overview of the utility fund forecast considering the proposed rates. He reiterated that by increasing the rates slowly, there will be less impact on the citizens but will still allow the City to remain in compliance and bring the net sources and uses to a positive balance. (See Page 20 of Attachment 1)

Mr. Brady stated that even with the proposed rate increase, the net sources and uses through FY 27/28 are not enough to cover all expenses, pointing out that the reserves had been built up to absorb the pressure on the citizens and allow for a smooth increase. He reiterated that this utility fund does not receive any money from the General Fund and the current spending is more than the revenue.

Mr. Ritschel confirmed that the proposed rate adjustment will produce an annual revenue of \$29.6 million; however, the operating costs of the utility fund through the next FY are increasing 34.1 which equates to approximately a \$4 million loss. (See Page 21 of Attachment 1)

Mr. Ritschel provided the schedule for future action, indicating that on December 2, 2024, the Council will be acting on the utility rate recommendations; and if approved, the rate adjustment will be effective February 1, 2025. (See Page 22 of Attachment 1)

The following citizens addressed the Council in opposition to Items 7-a through 7-n:

- Mary Maybeno, a Mesa resident
- John Wigton, a Mesa resident
- Alex Vran-Knee-Cheech, a Mesa resident
- Lynda Patrick-Hayes, a Mesa resident
- Kevin Medema, a Mesa resident
- Mark Kimball, a Mesa resident
- Logan Kaverman, a Mesa resident
- David Winstanley, a Mesa resident
- Melani Formisano, a Mesa resident
- Carey Davis, a Mesa resident
- Martin DeVold, a Mesa resident
- Kurtis Strunk, a Mesa resident
- Savannah Williams, a Mesa resident
- Leslee Wilson, a Mesa resident
- Dorean Taylor, a Mesa resident
- Don Adams, a Mesa resident

Mayor Giles thanked the citizens for their comments.

The following citizens submitted a comment card in opposition of Items 7-a through 7-n, and did not wish to speak:

- Rebecca Barranca, a Mesa resident
- Spencer Rowland, a Mesa resident
- Tara Rowland, a Mesa resident
- Jeremiah Seman, a Mesa resident
- Bob Pamplin, a Mesa resident
- Cherie Anello, a Mesa resident
- Wendy Wayne, a Mesa resident
- Stacy Shepard, a Mesa resident
- Denise Cannon-Bush, a Mesa resident
- Teresa Day, a Mesa resident
- Sharla Stoker, a Mesa resident
- Brenda Jensen, a Mesa resident
- Lori Osiecki, a Mesa resident
- Larry Perkins, a Mesa resident
- Suzie Earles, a Mesa resident
- Linda Carlson, a Mesa resident
- Catherine Day, a Mesa resident
- Sheryl Dell, a Mesa resident
- Elaine Klusmann, a Mesa resident
- Jeff Klusmann, a Mesa resident
- Laurie Johnson, a Mesa resident
- Tom Standish, a Mesa resident
- Anna Johnson, a Mesa resident
- Michael Zimmerman, a Mesa resident
- Nancy Zimmerman, a Mesa resident
- Sheila Johnson, a Mesa resident
- Janet Patrick, a Mesa resident
- Susan Hutzell, a Mesa resident
- Joanne Robbins, a Mesa resident
- Naomi Goldberg, a Mesa resident
- Diane Kaiser, a Mesa resident
- Michelle Meng, a Mesa resident
- Julie Ryan, a Mesa resident
- Deborah DeVold, a Mesa resident
- Earl Taylor, a Mesa resident
- Greg Morris, a Mesa resident
- Michael Wilson, a Mesa resident
- Christie Hatch, a Mesa resident
- Malia Neves, a Mesa resident
- Dave Neves, a Mesa resident
- Janice Williams, a Mesa resident
- Jenny Hallstrom, a Mesa resident
- David Demask, a Mesa resident
- Lindsey Palmer, a Mesa resident
- Sandy Mathews, a Mesa resident
- Brandon Mathews, a Mesa resident
- Elizabeth Gonzales, a Mesa resident
- Stephen Ochoa, a Mesa resident
- Sonhee Williamson, a Mesa resident
- Deena Heap, a Mesa resident
- Kris Porter, a Mesa resident
- Monica DeGroff, a Mesa resident
- Brenden Burnham, a Mesa resident
- Brianna Burnham, a Mesa resident
- Hailee Axelsen, a Mesa resident
- Donna B. Paulk, a Mesa resident

A petition with approximately 2,000 signatures in opposition of Items 7-a through 7-n was submitted to the Council. A copy of the petition is available upon request at the City Clerk's office.

Mr. Brady pointed out that the COM has a unique approach to finance and reiterated the reasoning behind the utility fund, emphasizing that the proposed rates are reasonable and less than neighboring cities. He stressed the importance of maintaining the high-quality Public Safety services that are currently provided by the City and partly funded by the utility revenues.

Mayor Giles expressed his appreciation for the citizen input and participation.

Councilmember Duff thanked the citizens for attending and commented that the Council is listening. She recommended that citizens review the past presentations and meetings located on the COM website for information about the process and the work that goes into making budget decisions.

Councilmember Freeman recognized that this has been a difficult conversation and thanked the citizens for participating. He reiterated that Council has worked hard to make the rate increase smooth for all customers.

Councilmember Somers discussed inflation costs and the increased expenses for all citizens and the COM. He confirmed that the Council has been working hard to ensure the utility rates are reasonable.

Responding to a question from Councilmember Somers, City Attorney Jim Smith gave a brief explanation of the next steps in the timeline should additional changes be made to the proposed utility rates.

Additional discussion ensued regarding the neighboring cities utility rates and budget.

Councilmember Goforth commented that the feedback from the citizens is crucial and thanked the community for attending. She recalled that the item is an introduction which will be voted on at the December 2, 2024, Council meeting.

Mayor Giles stated that pending no objection of the Council, Items 7-a through 7-n will be voted on in one motion.

It was moved by Councilmember Duff, seconded by Vice Mayor Heredia, that Resolution Nos. 12297 through 12303 be adopted, and Ordinance Nos. 5897 through 5903 be introduced and that December 2, 2024, be set as the date of the public hearing.

Upon tabulation of votes, it showed:

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

NAYS – None

ABSENT – None

Carried unanimously.

9. Items from citizens present.

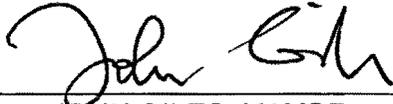
Alex Vran-Knee-Cheech, a Mesa resident, addressed the Council and expressed concern related to the proposed utility rate adjustment.

Michael Peyron, a representative for GreenPharms Dispensary Mesa, addressed the Council regarding City Ordinance No. 5601, which was passed in 2020. He would like to request a text amendment to allow for medical marijuana delivery in the COM.

10. Adjournment.

Without objection, the Regular Council Meeting adjourned at 8:04 p.m.



  
\_\_\_\_\_  
JOHN GILES, MAYOR

ATTEST:

  
\_\_\_\_\_  
HOLLY MOSELEY, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Council Meeting of the City Council of Mesa, Arizona, held on the 18<sup>th</sup> day of November 2024. I further certify that the meeting was duly called and held and that a quorum was present.

  
\_\_\_\_\_  
HOLLY MOSELEY, CITY CLERK

sr  
(Attachment 1)

# City of Mesa

## FY 2024/25

# Utility Fund Recommended Rates, Assistance Programs, and Homeowner Comparison

City Council Study Session

November 18, 2024

Presented By:

Brian A. Ritschel – Management & Budget Director

Chris Olvey – Management & Budget Deputy Director

# 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



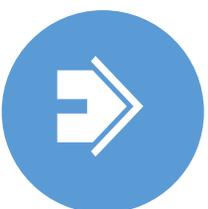
BALANCE NET  
SOURCES AND  
USES



20% OR HIGHER  
RESERVE FUND  
BALANCE



RATE ADJUSTMENTS  
THAT ARE  
PREDICTABLE AND  
SMOOTHED  
THROUGHOUT THE  
FORECAST



EQUITY BETWEEN  
RESIDENTIAL AND  
NON-RESIDENTIAL  
RATES

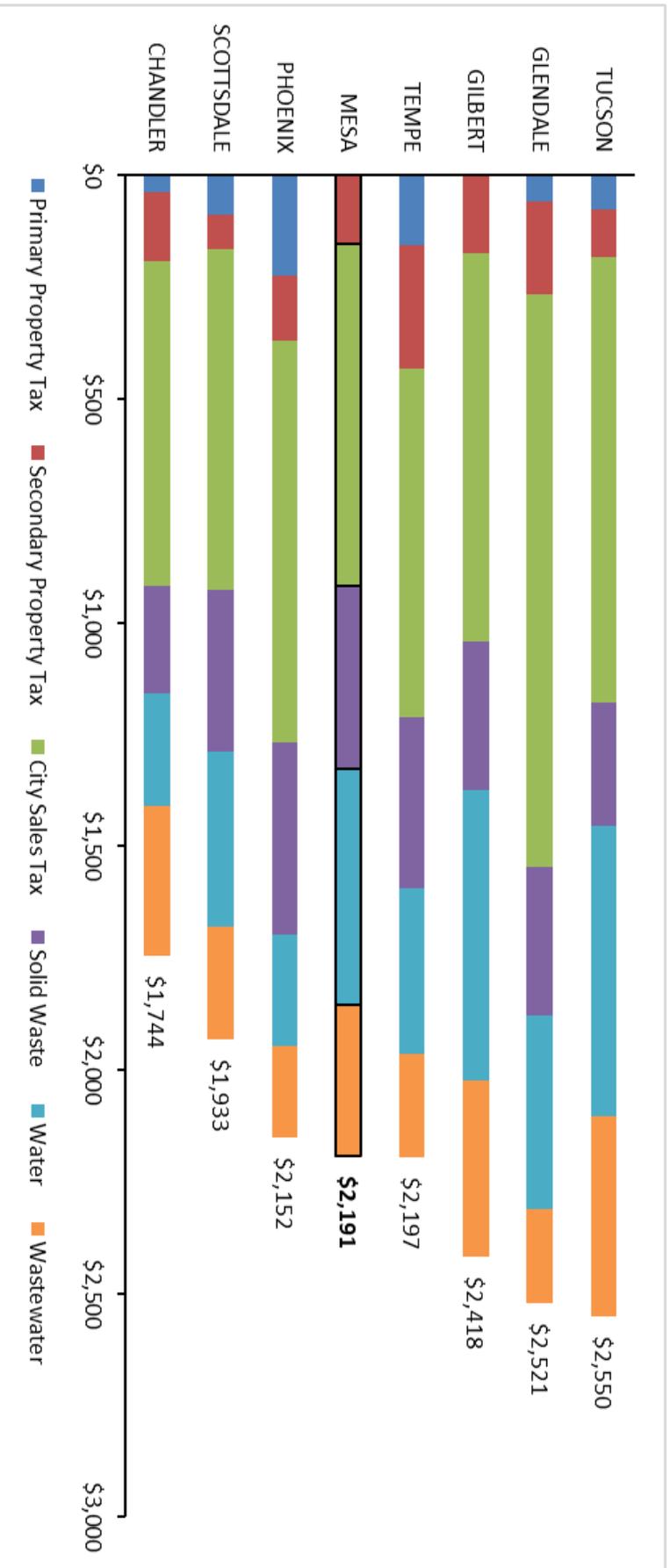


AFFORDABLE  
UTILITY SERVICES

# Homeowner Comparison Overview

- Tool used to compare typical costs as a whole for homeowners between comparable cities
- The comparison includes the following categories
  - **Primary & Secondary Property Tax:** based on Mesa's FY 24/25 Limited Property Value (LPV) and each city's FY 24/25 property tax rates
  - **City Sales Tax:** calculated by applying each city's sales tax rates to the Bureau of Labor Statistics' annual Consumer Expenditure Survey
  - **Solid Waste:** uses 90-gallon barrel rate for each city
  - **Water:** uses median monthly residential consumption with ¾" meter
  - **Wastewater:** rate structure varies by city—using a flat monthly amount and/or based on winter water average

# Homeowner Comparison



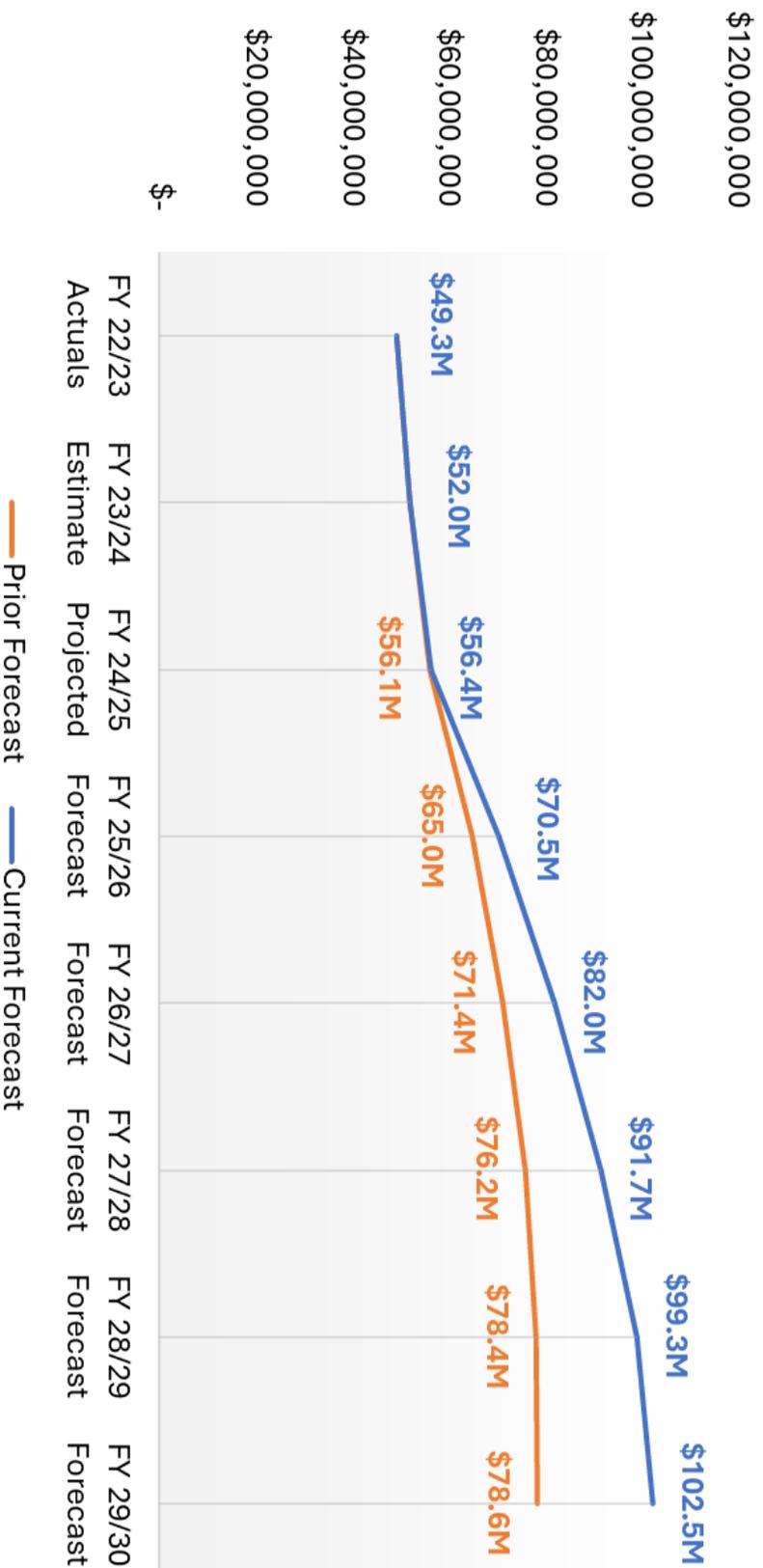
estimated as of April 2025

# Project Costs in the Water Utility – Big 3 Projects

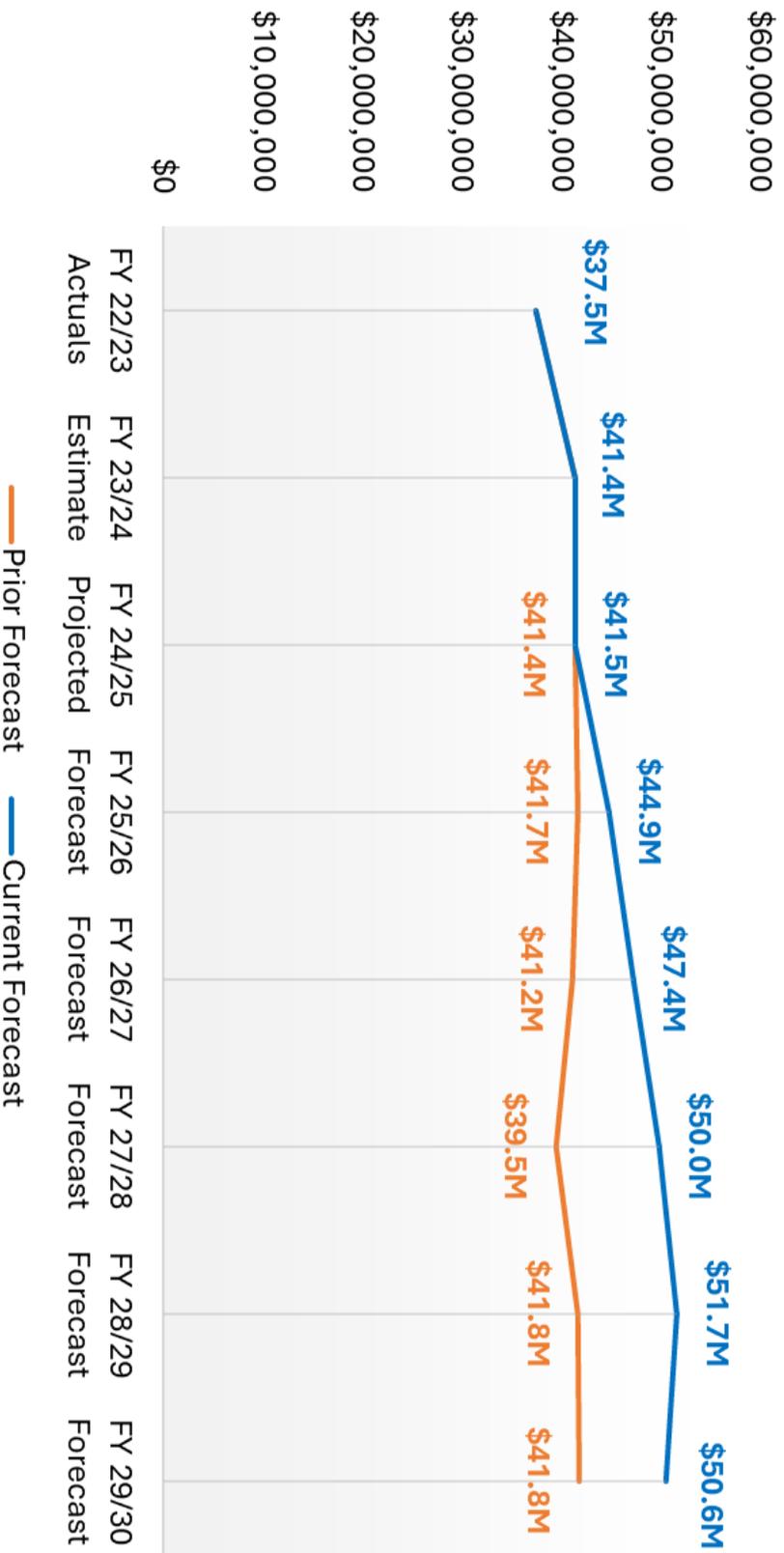
Current forecast includes Big 3 Projects based on latest estimates and contract costs:

- Central Mesa Reuse Pipeline: \$210M
  - Water received through GRIC exchange is \$200/AF cheaper than City rate (based on 2025 rates)
  - Water received from GRIC is higher priority water than City allocation
- Signal Butte WTP Expansion: \$200M
  - Increased MGD to serve the city through build-out
  - Decreased reliance on groundwater pumping during high-demand periods
- AMI: \$101M
  - Customers can monitor usage to identify leaks earlier
  - Reduction in the number of staff needed to manually read meters

# Expense Pressures – Water Utility Debt Service



# Expense Pressures – Wastewater Utility Debt Service



# Expense Pressures – Operating Costs

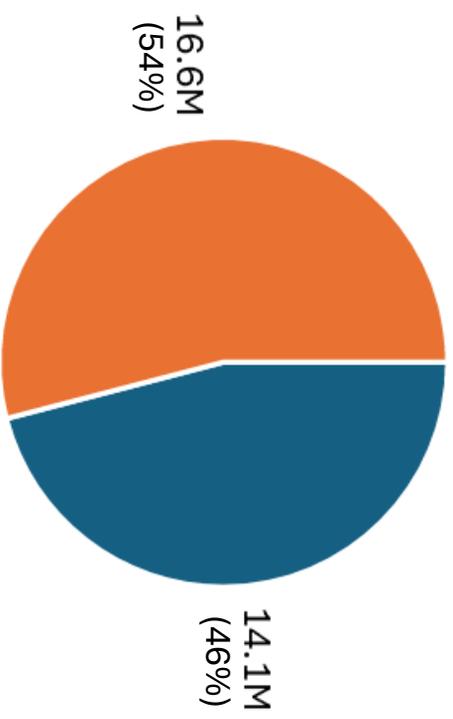
## **Operating Cost Increases above Last Year's Forecast**

- **Water Utility**
  - +\$1.2M ongoing: Val Vista WTP operating costs
  - +\$1.1M ongoing: Water commodity cost
- **Solid Waste**
  - +\$3.0M ongoing: Landfill charges
  - +\$3.0M ongoing: Fleet maintenance

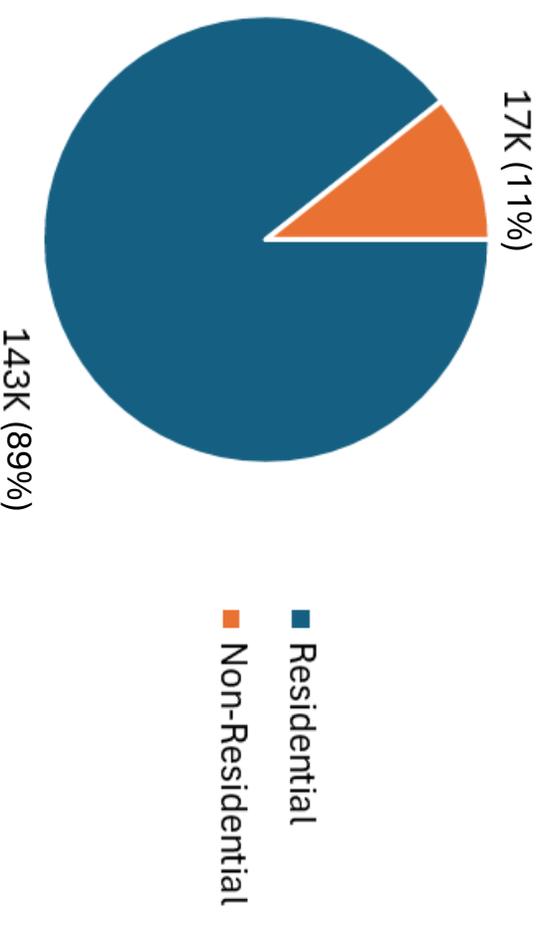
# Water Customer Profile

June 2023 – May 2024

Water Consumption  
*(in kgals)*



Water Accounts  
*(average per month)*



# Water Customers by Tier

Usage by Residential Tier	January 2024 (Winter)	July 2024 (Summer)
<b>Tier 0</b> (0-3 kgal)	33.4%	26.7%
<b>Tier 1</b> (4-6 kgal)	31.3%	21.4%
<b>Tier 2</b> (7-14 kgal)	28.1%	29.8%
<b>Tier 3</b> (15-24 kgal)	5.3%	13.8%
<b>Tier 4</b> (25+ kgal)	1.9%	8.4%

- Nearly 2/3 of customers are in Tier 0 & Tier 1 during Winter
- Outdoor water use in Summer pushes customers into higher tiers

# Revised – Typical Customer – Residential

	2024	2025 – Recommendation (9/12)	2025 - Revised
<b>Residential - Small (3kgal/mo)</b>	\$30.93/mo	Service Charge Usage Charge Effective Increase \$32.63/mo (\$1.70/mo)	Service Charge Usage Charge <b>Effective Increase</b> \$32.17/mo (\$1.24/mo)
		5.50% 5.50% 5.50%	4.00% 6.00% <b>4.00%</b>
<b>Residential - Typical (6kgal/mo)</b>	\$41.70/mo	Service Charge Usage Charge Effective Increase \$43.98/mo (\$2.28/mo)	Service Charge Usage Charge <b>Effective Increase</b> \$43.57/mo (\$1.87/mo)
		5.50% 5.50% 5.50%	4.00% 6.00% <b>4.48%</b>

# Residential Rate Adjustments – Water, Wastewater, Solid Waste (Citywide Service Area)

<b>Residential Monthly Bill – Small</b>			
	<b>Current</b>	<b>Recommended</b>	<b>Change</b>
Water (3 kgal, included in service charge)	\$30.93	\$32.17	+\$1.24
Wastewater	\$22.43	\$24.11	+\$1.68
Solid Waste (90-gal + Green & Clean Fee)	\$32.40	\$34.17	+\$1.77
<b>Total</b>	<b>\$85.76</b>	<b>\$90.45</b>	<b>+\$4.69</b>
<b>Residential Monthly Bill – Typical</b>			
	<b>Current</b>	<b>Recommended</b>	<b>Change</b>
Water (6 kgal)	\$41.70	\$43.57	+\$1.87
Wastewater	\$26.11	\$28.07	+\$1.96
Solid Waste (90-gal + Green & Clean Fee)	\$32.40	\$34.17	+\$1.77
<b>Total</b>	<b>\$100.21</b>	<b>\$105.81</b>	<b>+\$5.60</b>

# Utility Fund Contribution – Overview

- 30% of the Utility Fund operating revenues are transferred to the General Fund based on the following:
  - 25% is designated for Public Safety
    - Police, Fire & Medical, and Municipal Court
  - 5% is designated for all General Fund supported services
    - Police, Fire & Medical, Municipal Court, Parks, Library, etc.

# Utility Fund Contribution – Detail

	<b>FY 24/25 Projected</b>
<b>25% Contribution for Public Safety</b>	
Police	\$76,995,710
Fire & Medical	\$33,240,449
Municipal Court	\$3,427,572
<b>Total of 25% Contribution for Public Safety</b>	<b>\$113,663,731</b>
<b>5% Contribution for General Fund Services</b>	<b>FY 24/25 Projected</b>
Police	\$8,195,499
Fire & Medical	\$3,538,146
Other Services (Court, Parks, Library, etc.)	\$10,999,146
<b>Total 5% Contribution for General Fund Services</b>	<b>\$22,732,746</b>

# Utility Fund Contribution – Police Impact

<b>FY 24/25 Projected</b>		<b>Police</b>
25% Contribution for Public Safety		\$76,995,710
5% Contribution for General Fund Services		\$8,195,499
<b>Total Contribution Support</b>		<b>\$85,191,209</b>
<hr/>		
<b>Utility Contribution Impact*</b>		<b>FY 24/25 Budget</b>
Police Dispatch & 911 Call Center		\$11,448,755
Fleet Maintenance & Fuel		\$9,731,537
Position Costs (Avg. Total Compensation) for 336 Police Officers		\$64,029,840
<b>Total</b>		<b>\$85,210,132</b>

\*for illustration purposes only

# Utility Fund Contribution – Fire & Medical Impact

<b>FY 24/25 Projected</b>	<b>Fire &amp; Medical</b>
25% Contribution for Public Safety	\$33,240,449
5% Contribution for General Fund Services	\$3,538,146
<b>Total Contribution Support</b>	<b>\$36,778,595</b>
<b>Utility Contribution Impact*</b>	<b>FY 24/25 Budget</b>
Fire Dispatch	\$4,142,657
Fleet Maintenance & Fuel	\$3,933,325
In-House Medic School	\$2,185,364
Position Costs (Avg. Total Compensation) for 12 Fire Stations	\$27,334,332
<b>Total</b>	<b>\$37,595,678</b>

\*for illustration purposes only

# Utility Assistance Programs

- Limited Income Senior Rate Program – just over 900 customers
  - 30% discount on the Water Service Charge
- Summer Electric Assistance Program – approx. 260 customers in 2024
  - Income-qualified program for City Electric customers that eliminates the Electric Service Charge during Summer
- Mesa Community Action Network – \$200,000 in annual City support
  - Includes assistance program for utility payments
- Completed \$20M in Electric utility assistance from ARPA funding
  - Provided to residential and commercial Electric customers
  - Began in November 2021 and funds were fully spent in October 2023

Limited Income Assistance Programs: <https://www.mesaaz.gov/residents/limited-income-assistance-programs>

# Water Conservation

- Residential Grass-to-Xeriscape Landscape Incentive Program
  - Program aims to help single-family residential customers reduce their landscape water use by replacing lawns with plants appropriate to the Sonoran Desert Climate
  - Homes that meet qualifications can receive up to \$1,100
- Incentive programs are for future conversion projects.
- Applications and more information, resources and tools are available on the Water Conservation website
  - <https://www.mesaaz.gov/residents/water/water-conservation>

# Utility Fund Forecast

As of 9/16/2024

	FY 23/24 Estimate	FY 24/25 Projected	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
<b>Sources of Funding</b>							
Revenues	\$424,835,698	\$457,155,546	\$490,221,264	\$527,504,674	\$569,319,198	\$612,374,625	\$659,172,957
EECAF/PNGCAF Revenues	\$42,383,458	\$49,028,654	\$49,394,806	\$48,523,460	\$48,019,951	\$48,592,019	\$48,304,421
<b>Total Sources</b>	<b>\$467,219,156</b>	<b>\$506,184,200</b>	<b>\$539,616,069</b>	<b>\$576,028,133</b>	<b>\$617,339,149</b>	<b>\$660,966,644</b>	<b>\$707,477,378</b>

## Uses of Funding

Operating Expenditures	\$188,057,503	\$212,742,710	\$217,534,467	\$222,745,229	\$230,196,352	\$236,438,004	\$243,859,549
EECAF/PNGCAF Expenditures	\$42,540,631	\$49,028,654	\$49,394,806	\$48,523,460	\$48,019,951	\$48,592,019	\$48,304,421
Debt Service Transfer	\$113,582,553	\$116,742,722	\$137,211,912	\$153,013,299	\$167,109,229	\$175,965,022	\$181,464,085
Other Transfers & Expenditures	\$145,082,099	\$149,636,924	\$158,421,164	\$171,011,479	\$186,632,287	\$199,444,583	\$214,364,162
<b>Total Uses</b>	<b>\$489,262,787</b>	<b>\$528,151,010</b>	<b>\$562,562,349</b>	<b>\$595,293,466</b>	<b>\$631,957,819</b>	<b>\$660,439,628</b>	<b>\$687,992,217</b>

## Net Sources and Uses

	(\$22,043,631)	(\$21,966,810)	(\$22,946,279)	(\$19,265,333)	(\$14,618,671)	\$527,016	\$19,485,161
Beginning Reserve Balance	\$144,413,643	\$122,370,012	\$100,403,202	\$77,456,923	\$58,191,590	\$43,572,919	\$44,099,936

<b>Ending Reserve Balance</b>	<b>\$122,370,012</b>	<b>\$100,403,202</b>	<b>\$77,456,923</b>	<b>\$58,191,590</b>	<b>\$43,572,919</b>	<b>\$44,099,936</b>	<b>\$63,585,097</b>
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Ending Reserve Balance Percent*	<b>23.2%</b>	<b>17.8%</b>	<b>12.3%</b>	<b>9.2%</b>	<b>6.6%</b>	<b>6.4%</b>	<b>8.9%</b>
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\*As a % of Next Fiscal Year's Expenditures

# Rate Adjustments & Expense Increases

- Annualized revenue increase from recommended rate adjustments: \$29.6M

	<b>FY 24/25 Projected</b>	<b>FY 25/26 Forecast</b>	<b>Increase</b>
Operating Expenses	\$212.7M	\$217.5M	+\$4.8M
Debt Service Transfer	\$116.7M	\$137.2M	+\$20.5M
Other Transfers & Expenses	\$149.6M	\$158.4M	+\$8.8M
<b>Total</b>	<b>\$479.0M</b>	<b>\$513.1M</b>	<b>+\$34.1M</b>

# Schedule for FY 2024/25 Utility Rate Adjustment Recommendation

**Nov 18** – Introduce Utility Rate Ordinances

**Dec 2** – City Council Action on Utility Rates

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

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# Utility Fund Forecast: Notice of Intent

As of 9/16/2024	FY 23/24 Estimate	FY 24/25 Projected	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
<b>TOTAL NET SOURCES AND USES</b>	(\$22,043,631)	(\$21,966,810)	(\$22,946,279)	(\$19,265,333)	(\$14,618,671)	\$527,016	\$19,485,161
Beginning Reserve Balance	\$144,413,643	\$122,370,012	\$100,403,202	\$77,456,923	\$58,191,590	\$43,572,919	\$44,099,936
<b>Ending Reserve Balance</b>	<b>\$122,370,012</b>	<b>\$100,403,202</b>	<b>\$77,456,923</b>	<b>\$58,191,590</b>	<b>\$43,572,919</b>	<b>\$44,099,936</b>	<b>\$63,585,097</b>
Ending Reserve Balance Percent*	<b>23.2%</b>	<b>17.8%</b>	<b>12.3%</b>	<b>9.2%</b>	<b>6.6%</b>	<b>6.4%</b>	<b>8.9%</b>
*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

# Utility Fund Scenario: No Res Adjustments in FY 24/25 Res Adjustments in FY 25/26

As of 9/16/2024	FY 23/24 Estimate	FY 24/25 Projected	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
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TOTAL NET SOURCES AND USES	(\$22,043,631)	(\$25,788,395)	(\$30,303,493)	(\$15,084,254)	(\$10,160,650)	\$5,208,658	\$24,404,425
Beginning Reserve Balance	\$144,413,643	\$122,370,012	\$96,581,617	\$66,278,124	\$51,193,871	\$41,033,221	\$46,241,878

<b>Ending Reserve Balance</b>	<b>\$122,370,012</b>	<b>\$96,581,617</b>	<b>\$66,278,124</b>	<b>\$51,193,871</b>	<b>\$41,033,221</b>	<b>\$46,241,878</b>	<b>\$70,646,303</b>
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Ending Reserve Balance Percent*	<b>23.3%</b>	<b>17.3%</b>	<b>10.4%</b>	<b>8.1%</b>	<b>6.2%</b>	<b>6.7%</b>	<b>9.8%</b>
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\*As a % of Next Fiscal Year's Expenditures

WATER Residential (Tier 1 usage)	3.00%	0.00%	15.00%	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%	0.00%	15.00%	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%	0.00%	15.00%	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	\$0.00	\$5.00	\$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	\$3.00	\$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

# Inflation & Rate Adjustments

## Annual year-over-year growth

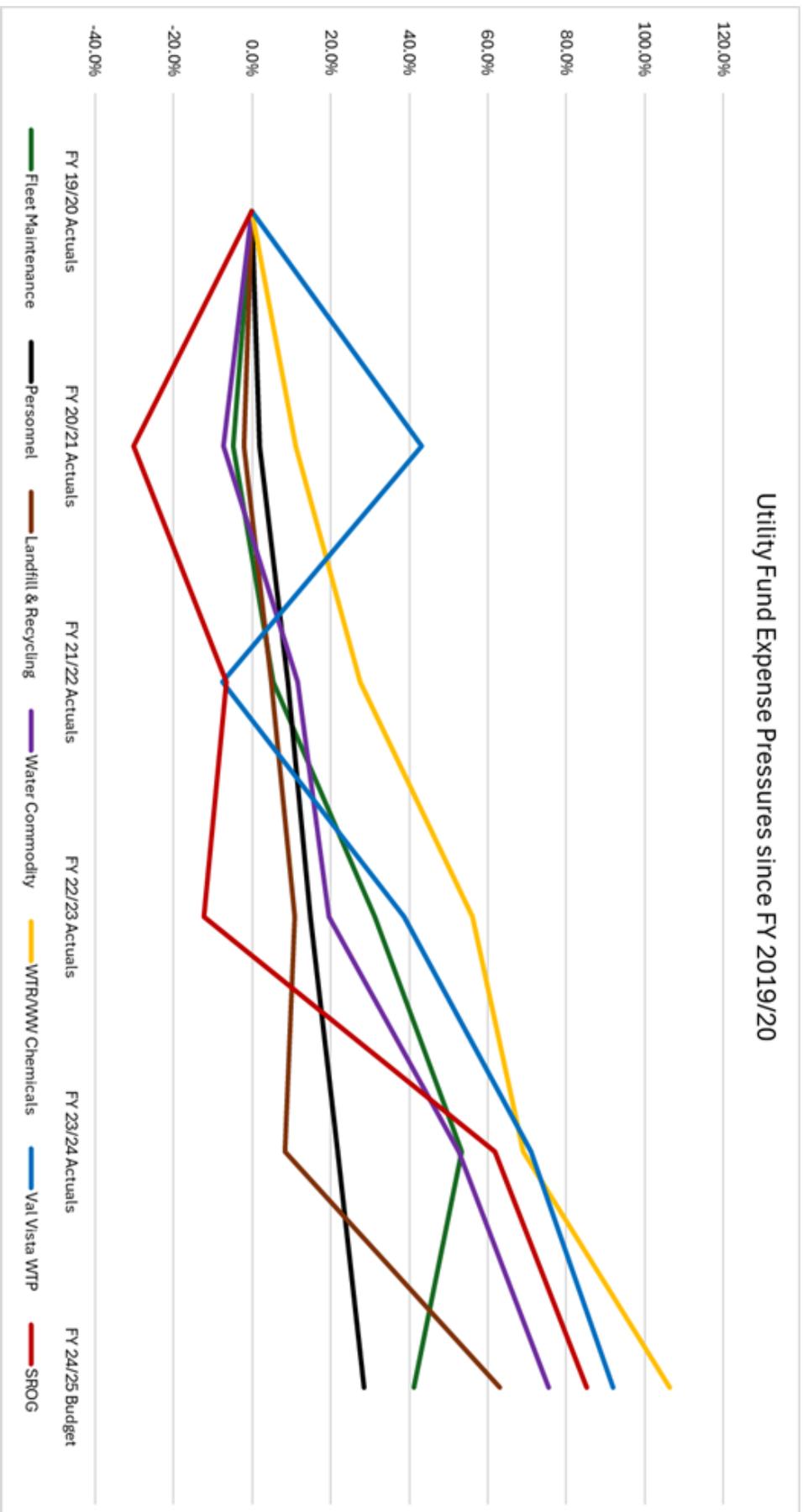
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
<b>Significant Utility Expenses</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Budget</b>
Fleet Maintenance & Repair	-4.7%	+10.7%	+24.5%	+16.9%	-8.0%
Personnel	+1.8%	+7.1%	+5.2%	+6.1%	+5.6%
Solid Waste Disposal	-2.0%	+6.9%	+5.8%	-2.3%	+50.5%
Water Commodity	-7.3%	+20.5%	+7.2%	+27.5%	+15.1%
WTR/WW Plant Chemicals	+11.1%	+14.9%	+22.2%	+8.3%	+22.1%
Val Vista Water Treatment Plant	+43.2%	-35.5%	+50.2%	+23.3%	+12.2%
91 <sup>st</sup> Ave Water Reclamation Plant	-30.1%	+33.7%	-5.9%	+84.2%	+14.5%

# Inflation & Rate Adjustments

Growth since FY 19/20

	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
<b>Significant Utility Expenses</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Actuals</b>	<b>Budget</b>
Fleet Maintenance & Repair	-4.7%	+5.5%	+31.3%	53.5%	+41.2%
Personnel	+1.8%	+9.0%	+14.7%	+21.8%	+28.6%
Solid Waste Disposal	-2.0%	+4.8%	+10.9%	+8.4%	+63.2%
Water Commodity	-7.3%	+11.7%	+19.7%	+52.6%	+75.6%
WTR/WW Plant Chemicals	+11.1%	+27.6%	+56.0%	+69.0%	+106.4%
Val Vista Water Treatment Plant	+43.2%	-7.7%	+38.8%	+71.1%	+91.9%
91 <sup>st</sup> Ave Water Reclamation Plant	-30.1%	-6.6%	-12.1%	+61.9%	+85.4%

# Utility Fund Expense Pressures



# Revised – Typical Customer – Commercial

	2024	2025 – Recommendation (9/12)	2025 - Revised
<b>Commercial General (9kgal/mo)</b>	\$73.82/mo	Service Charge Usage Charge Effective Increase \$78.47/mo (\$4.65/mo)	5.50% 8.00% 6.31% \$78.59/mo (\$4.77/mo)
<b>Commercial Landscape (29kgal/mo)</b>	\$162.64/mo	Service Charge Usage Charge Effective Increase \$176.51/mo (\$13.87/mo)	5.50% 10.00% 8.53% \$177.01/mo (\$14.37/mo)
<b>Large Commercial (7,500kgal/mo)</b>	\$20,849.00/mo	Service Charge Usage Charge Effective Increase \$24,446.09/mo (\$3,597.09/mo)	5.50% 18.00% 17.25% \$24,768.46/mo (\$3,919.46/mo)

# Revised – Water Conservation

## Non-residential

- |            |                  |                |
|------------|------------------|----------------|
|            | <u>9/12 Rec.</u> | <u>Revised</u> |
| • General: | +9.00%           | +10.00%        |

### Surcharge for Use Above Winter Water Average (Non-residential)

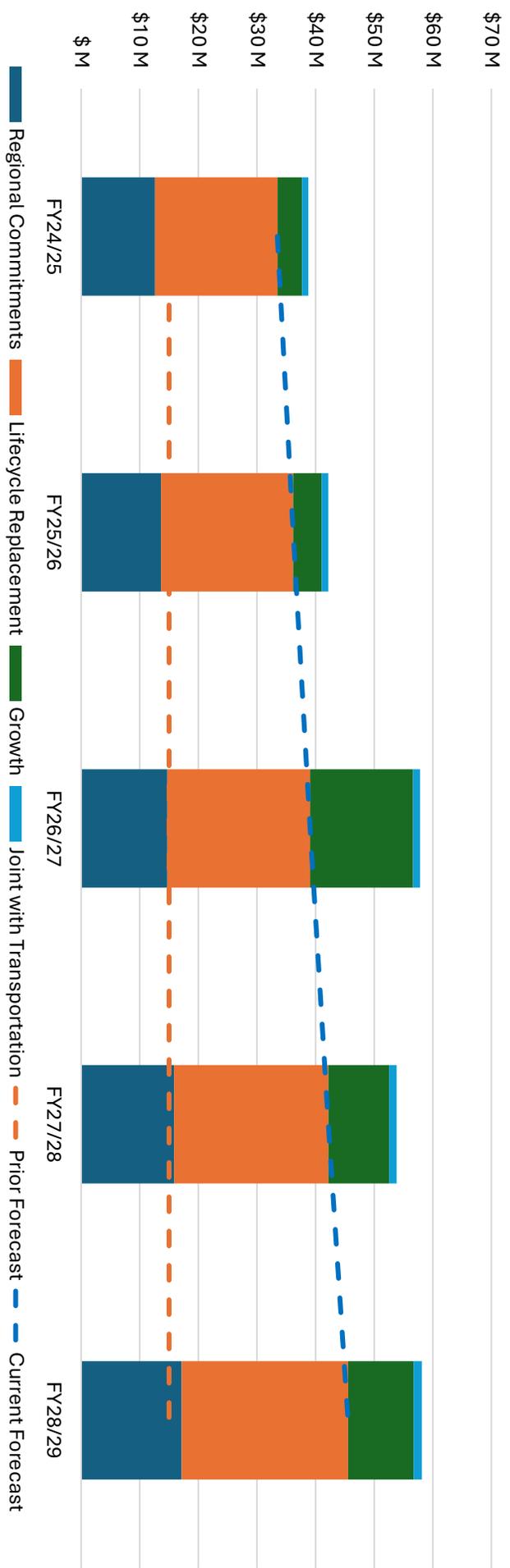
- |              |                  |                |
|--------------|------------------|----------------|
|              | <u>9/12 Rec.</u> | <u>Revised</u> |
| • General:   | +9.50%           | +10.00%        |
| • Landscape: | +10.00%          | +10.00%        |

## Residential

- |                        |                  |                |
|------------------------|------------------|----------------|
|                        | <u>9/12 Rec.</u> | <u>Revised</u> |
| • Tier 2 (7-14kgals):  | +6.50%           | +7.00%         |
| • Tier 3 (14-24kgals): | +7.50%           | +8.00%         |
| • Tier 4 (>24kgals):   | +8.50%           | +9.00%         |

# Increasing Project Costs on the Wastewater Utility

- Prior forecast used a base amount of \$15M per year for the Department, determined pre-inflation
- Current forecast uses a base amount of \$33M for FY 24/25 for the Department and includes inflation



# Increasing Project Costs on the Water Utility

- Prior forecast used a base amount of \$15M per year, determined pre-inflation
- Current forecast uses a base amount of \$27M for FY 24/25 and includes inflation

