City of Mesa

FY 2020/21
Utility Enterprise Fund forecast and Rates Recommendations

City Council Study Session
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Utility Enterprise Operations

- Each utility is operated as a separate business center
- Reserve balance can be used to smooth rate adjustments year-to-year
- Reserve balance can be used to phase in new programs or changes in operations

Financial Principles

- Balanced net sources and uses
- 20% or higher reserve fund balance
- Rate adjustments that are predictable and smoothed throughout the forecast
- Equity between residential and non-residential rates
- Affordable utility services

Utility Enterprise Fund Forecast: No Rate Adjustments

For Planning Purposes Only

- ✗ Balanced Net S&U
- ✗ 20% Fund Balance
- ✓ Smoothed Adjustments
- ✗ Equity Res. & Non-Res.
- ✓ Affordable Services

As of 08/16/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	($170,094)	($4,984,116)	($7,460,577)	($6,779,287)	($13,052,033)	($15,116,050)
WASTEWATER	($13,491,202)	($12,754,447)	($13,146,817)	($15,845,832)	($16,714,813)	($17,843,866)
SOLID WASTE	$3,725,506	$963,766	$1,394,272	($393,794)	$875,847	$1,013,800
ELECTRIC	$1,386,515	$152,000	($454,956)	($1,400,619)	($1,419,666)	($2,023,613)
NATURAL GAS	$1,958,550	($1,057,181)	($2,253,111)	($3,333,798)	($3,238,758)	($3,729,172)
DISTRICT COOLING	($251,566)	($110,159)	($156,107)	($150,469)	($238,691)	($390,925)
TOTAL NET SOURCES AND USES	($6,842,292)	($17,790,137)	($22,077,297)	($27,903,799)	($33,788,113)	($38,089,827)
Beginning Reserve Balance	$135,470,845	$128,628,553	$110,838,417	$88,761,120	$60,857,321	$27,069,207
Ending Reserve Balance	**$128,628,553**	**$110,838,417**	**$88,761,120**	**$60,857,321**	**$27,069,207**	**($11,020,619)**
Ending Reserve Balance Percent*	**31.6%**	**26.7%**	**20.9%**	**14.0%**	**6.1%**	**-2.4%**
*As a % of Next Fiscal Year's Expenditures						
WATER Residential	**0.00%**	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
WATER Non-Residential	**0.00%**	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
WASTEWATER Residential	**0.00%**	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
WASTEWATER Non-Residential	**0.00%**	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
SOLID WASTE Residential	**0.00%**	*0.00%*	*0.00%*	*0.00%*	*0.00%*	*0.00%*
SOLID WASTE Commercial	**4.00%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
SOLID WASTE Rolloff	**2.00%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
ELECTRIC Residential - svc charge only	**$0.00**	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
ELECTRIC Non-Residential - svc charge only	**$0.00**	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
GAS Residential - svc charge only	**$0.00**	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
GAS Non-Residential - svc charge only	**$0.00**	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*

Utility Enterprise Fund Forecast: FY 25/26 Balanced Net Sources & Uses

For Planning Purposes Only

- ✓ Balanced Net S&U
- ✓ 20% Fund Balance
- ✓ Smoothed Adjustments
- ✓ Equity Res. & Non-Res.
- ✗ Affordable Services

As of 08/17/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	$596,627	($1,048,693)	($205,484)	$3,935,297	$1,237,726	$2,764,980
WASTEWATER	($12,984,174)	($10,092,584)	($8,207,513)	($8,515,511)	($6,908,221)	($5,422,729)
SOLID WASTE	$4,028,650	$1,904,900	$3,175,091	$2,272,961	$4,473,500	$5,591,629
ELECTRIC	$1,526,727	$574,495	$310,320	($288,041)	$44,675	($203,048)
NATURAL GAS	$2,310,474	$4,995	($311,780)	($476,115)	$536,357	$979,911
DISTRICT COOLING	($251,566)	($110,159)	($156,107)	($150,469)	($238,691)	($390,925)
TOTAL NET SOURCES AND USES	($4,773,261)	($8,767,045)	($5,395,474)	($3,221,879)	($854,653)	$3,319,819
Beginning Reserve Balance	$135,470,845	$130,697,584	$121,930,539	$116,535,065	$113,313,186	$112,458,533
Ending Reserve Balance	**$130,697,584**	**$121,930,539**	**$116,535,065**	**$113,313,186**	**$112,458,533**	**$115,778,352**
Ending Reserve Balance Percent*	**31.7%**	**28.7%**	**26.5%**	**25.1%**	**24.1%**	**24.1%**
*As a % of Next Fiscal Year's Expenditures						
WATER Residential	**2.50%**	*2.50%*	*2.50%*	*2.50%*	*2.50%*	*1.50%*
WATER Non-Residential (usage only)	**5.00%**	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*3.00%*
WASTEWATER Residential	**4.00%**	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*3.50%*
WASTEWATER Non-Residential	**4.00%**	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*3.50%*
SOLID WASTE Residential	**2.00%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
SOLID WASTE Commercial	**4.00%**	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
SOLID WASTE Rolloff	**3.00%**	*3.00%*	*3.00%*	*3.00%*	*3.00%*	*3.00%*
ELECTRIC Residential - svc charge only	**$2.50**	*$2.50*	*$2.50*	*$2.50*	*$2.50*	*$2.50*
ELECTRIC Non-Residential - svc charge only	**$3.00**	*$3.00*	*$3.00*	*$3.00*	*$3.00*	*$3.00*
GAS Residential - svc charge only	**$1.50**	*$1.50*	*$1.50*	*$1.50*	*$1.50*	*$1.50*
GAS Non-Residential - svc charge only	**$2.50**	*$2.50*	*$2.50*	*$2.50*	*$2.50*	*$2.50*

Utility Enterprise Fund Forecast: Draw Down Rate Adjustments

For Planning Purposes Only

- ✓ Balanced Net S&U
- ✓ 20% Fund Balance
- ✗ Smoothed Adjustments
- ✓ Equity Res. & Non-Res.
- ✓ Affordable Services

As of 09/02/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	$110,345	($3,500,265)	($4,730,057)	($660,073)	$3,064,956	$9,745,324
WASTEWATER	($13,302,523)	($11,743,589)	($11,289,256)	($11,837,790)	($6,301,740)	($1,836,899)
SOLID WASTE	$3,709,462	$925,069	$1,600,988	$3,385,365	$8,088,403	$11,071,572
ELECTRIC	$1,477,744	$518,976	$277,620	($249,856)	$194,584	$39,036
NATURAL GAS	$2,182,874	($306,296)	($903,006)	($1,200,341)	($185,021)	$288,757
DISTRICT COOLING	($251,566)	($110,159)	($156,107)	($150,469)	($238,691)	($390,925)
TOTAL NET SOURCES AND USES	($6,073,664)	($14,216,264)	($15,199,817)	($10,713,165)	$4,622,492	$18,916,864
Beginning Reserve Balance	$135,470,845	$129,397,181	$115,180,917	$99,981,100	$89,267,935	$93,890,427
Ending Reserve Balance	**$129,397,181**	**$115,180,917**	**$99,981,100**	**$89,267,935**	**$93,890,427**	**$112,807,291**
Ending Reserve Balance Percent*	**31.6%**	**27.5%**	**23.0%**	**19.6%**	**19.8%**	**22.9%**

*As a % of Next Fiscal Year's Expenditures

WATER Residential	**0.00%**	*0.00%*	*0.00%*	*9.00%*	*9.00%*	*0.00%*
WATER Non-Residential (usage only)	**4.00%**	*4.00%*	*4.00%*	*11.00%*	*11.00%*	*4.00%*
WASTEWATER Residential	**0.00%**	*0.00%*	*0.00%*	*11.00%*	*11.00%*	*0.00%*
WASTEWATER Non-Residential	**3.50%**	*3.50%*	*3.50%*	*11.00%*	*11.00%*	*3.00%*
SOLID WASTE Residential	**0.00%**	*0.00%*	*0.00%*	*8.00%*	*8.00%*	*0.00%*
SOLID WASTE Commercial	**3.50%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
SOLID WASTE Rolloff	**1.00%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
ELECTRIC Residential - svc charge	**$1.00**	*$1.50*	*$2.00*	*$2.50*	*$2.50*	*$2.50*
ELECTRIC Non-Residential - svc charge	**$2.50**	*$2.50*	*$2.50*	*$2.50*	*$2.50*	*$2.50*
GAS Residential - svc charge	**$0.25**	*$0.50*	*$0.75*	*$1.00*	*$1.00*	*$1.00*
GAS Non-Residential - svc charge	**$2.00**	*$2.00*	*$2.00*	*$2.00*	*$2.00*	*$2.00*

Utility Enterprise Fund Forecast:
FY 20/21 Recommended Rate Adjustments

- ☑ Balanced Net S&U
- ☑ 20% Fund Balance
- ☑ Smoothed Adjustments
- ☑ Equity Res. & Non-Res.
- ☑ Affordable Services

As of 09/08/2020	FY 20/21 Projected	FY 21/22 Forecast	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast
WATER	$430,158	($1,882,070)	($1,748,628)	$1,644,732	($1,812,306)	($738,851)
WASTEWATER	($13,020,598)	($10,282,065)	($8,486,135)	($8,642,281)	($6,864,876)	($5,106,376)
SOLID WASTE	$3,709,462	$1,106,445	$2,281,696	$1,280,248	$3,377,725	$4,387,995
ELECTRIC	$1,449,220	$428,351	$184,489	($344,983)	$97,774	($58,289)
NATURAL GAS	$2,182,874	($306,296)	($903,006)	($1,200,341)	($185,021)	$288,757
DISTRICT COOLING	($251,566)	($110,159)	($156,107)	($150,469)	($238,691)	($390,925)
TOTAL NET SOURCES AND USES	($5,500,449)	($11,045,795)	($8,827,691)	($7,413,095)	($5,625,395)	($1,617,690)
Beginning Reserve Balance	$135,470,845	$129,970,396	$118,924,601	$110,096,910	$102,683,815	$97,058,420
Ending Reserve Balance	**$129,970,396**	**$118,924,601**	**$110,096,910**	**$102,683,815**	**$97,058,420**	**$95,440,730**
Ending Reserve Balance Percent*	**31.6%**	**28.1%**	**25.2%**	**22.8%**	**20.9%**	**20.0%**
*As a % of Next Fiscal Year's Expenditures						
WATER Residential	**1.50%**	*1.50%*	*1.50%*	*1.50%*	*1.50%*	*1.50%*
WATER Non-Residential (usage only)	**5.00%**	*5.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
WASTEWATER Residential	**3.50%**	*3.50%*	*4.50%*	*4.50%*	*4.50%*	*4.50%*
WASTEWATER Non-Residential	**4.00%**	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
SOLID WASTE Residential	**0.00%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
SOLID WASTE Commercial	**3.50%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
SOLID WASTE Rolloff	**1.00%**	*2.00%*	*2.00%*	*2.00%*	*2.00%*	*2.00%*
ELECTRIC Residential - svc charge	**$1.00**	*$1.50*	*$2.00*	*$2.50*	*$2.50*	*$2.50*
ELECTRIC Non-Residential - svc charge	**$0.00**	*$2.50*	*$2.50*	*$2.50*	*$2.50*	*$2.50*
GAS Residential - svc charge	**$0.25**	*$0.50*	*$0.75*	*$1.00*	*$1.00*	*$1.00*
GAS Non-Residential - svc charge	**$2.00**	*$2.00*	*$2.00*	*$2.00*	*$2.00*	*$2.00*

Schedule for FY 2020/21 Utility Rates Adjustment Recommendation

Sept 21 – City Council Action on Notice of Intent

Nov 16 – Introduce Utility Rate Ordinances

Dec 1 – City Council Action on Utility Rates

Jan 1 – Effective date for Utility Rate changes

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