mesa·az
OFFICE OF THE CITY CLERK

COUNCIL MINUTES

October 22, 2020

The City Council of the City of Mesa met in a Study Session Meeting via a virtual format streamed into the lower level meeting room of the Council Chambers, on October 22, 2020 at 7:41 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
John Giles*	None	Christopher Brady
Mark Freeman*		Dee Ann Mickelsen
Jennifer Duff*		Jim Smith
Francisco Heredia*		
David Luna*		
Kevin Thompson*		
Jeremy Whittaker*		

(*Council participated in the meeting through the use of video conference equipment.)

Mayor Giles conducted a roll call.

1-a. Hear a presentation, discuss, and provide direction on the process for the sale or transfer of 13 +/- acres of undeveloped City-owned land located along the north side of the alignment of Thomas Road just west of Loop 202.

Real Estate Services Administrator Kim Fallbeck displayed a PowerPoint presentation regarding the proposed sale of City-owned land. **(See Attachment 1)**

Ms. Fallbeck reviewed the four sales practices that Mesa has used to sell property and provided examples of previous sales. (See Page 2 of Attachment 1)

Ms. Fallbeck remarked the 13-acre City-owned property is located north of Thomas and west of the Red Mountain 202 Freeway, which currently is a citrus grove. (See Page 3 of Attachment 1)

Ms. Fallbeck stated the City purchased the 32.59-acre property in 1989 for a potential water reclamation plant. She identified when the 202 Red Mountain Freeway was planned, Arizona Department of Transportation (ADOT) purchased 19.19 acres for the freeway expansion. (See Page 4 of Attachment 1)

Ms. Fallbeck provided the development requirements for the property, which is currently zoned RS-43. She mentioned 0.74 acres will be retained at the northeast corner of the property for a future well site. (See Page 5 of Attachment 1)

Ms. Fallbeck explained other development requirements include a water line extension and that septic systems will be allowed for 10 plus homes. She advised a future developer would have to

provide street access to the site, get clearance from the Flood Control District for the portion of the property that lies within the flood plain, and comply with all City development codes, regulations, guidelines and standards. (See Pages 6 and 7 of Attachment 1)

Ms. Fallbeck stated staff is recommending the property be sold via the sealed bid practice. She reported the minimum bid amount would be the appraised amount of $950,000. She commented the sealed bid would be advertised in the newspaper, as well as outreach to the development community. She advised a virtual meeting would take place for the sealed bid opening. (See Page 8 of Attachment 1)

In response to a question posed by Vice Mayor Freeman regarding the preference of a sealed bid versus an auction, Ms. Fallbeck explained the process depends on how much interest there is on the property and the competitiveness for that interest.

City Manager Christopher Brady expanded by saying the reason the City has chosen the sealed bid option is because while there is not a lot of interest in the property, there are a few individuals who are actively acquiring property in the area who have shown interest. He mentioned the property is unique in that bringing sewer is not feasible for residential development and the property will require significant investment for the limited number of homes that can be developed. He stated there is not enough interest to justify the additional expense of an auction process.

Vice Mayor Freeman commented the orchard is approximately 80 years old and is no longer producing viable fruit, so the time has come to make a change. He supports the parcel being zoned R-43 to provide continuity for the existing neighborhoods in the area which has unprecedented views.

Mayor Giles agreed the area is a great place for residential development with its proximity to freeways. He asked how the well site will be connected to supply water to the site?

Water Resources Assistant Director Christopher Hassert explained that the proposed well will not be hydraulically connected to the new neighborhood. He remarked the idea is once the well is developed to push the water through an existing casing under the 202 to connect into another transmission main.

In response to a question from Mayor Giles regarding whether those pipes will need to be installed, Mr. Brady advised the casing already exists under the 202.

Mr. Hassert expanded by saying the casing was built when the 202 was constructed in anticipation of future utilities. He added because of the age of the casing and the tendency for gaskets to dry out over time, testing would occur before the well was installed.

Mr. Brady indicated the property was intended to be a water reclamation project, but with the construction of the 202 the site plans changed. He added this is a significant aquifer and the City wants to retain the ability to tap into the water in the future.

Mayor Giles stated the consensus of Council is to move forward with the sealed bid process to sell the property.

Mayor Giles thanked staff for the presentation.

1-b. Hear a presentation, discuss, and provide direction on the utility rate recommendations for the following departments:

1. Water Resources
2. Environmental Management and Sustainability
3. Energy Resources

Management & Budget Assistant Director Brian Ritschel displayed a PowerPoint presentation to update Council on the utility rate recommendations. **(See Attachment 2)**

Mr. Ritschel stated each utility is operated separately. He mentioned the reserve balance is used to smooth adjustments that occur each year, as well as phase in new programs or operational changes. (See Page 2 of Attachment 2)

Mr. Ritschel reviewed the five financial principles that are followed to ensure rates are affordable to the customers while maintaining the revenue to operate. (See Page 3 of Attachment 2)

In response to a series of questions from Mayor Giles, Mr. Ritschel explained balanced net sources and uses means that the revenue brought in from the utility rates, minus the expenses, will net as close to zero as possible. He clarified that the City needs the revenue to run the operations; however, it is different than a private industry whose goal is to make a profit.

Mr. Brady expanded by saying one reason to maintain equity between residential and non-residential is to ensure that one category is not carrying a larger portion of the burden of capital and operating costs. He mentioned that currently the residential side represents the greatest proportion of demand versus the commercial side and the commercial side needs to be proportionally sharing the costs. He added there is a significant difference in the rate structure to try to balance the two.

In response to a question posed by Mayor Giles regarding the competitiveness of the rates, Mr. Brady elaborated that the City is looking at the proportional cost of providing services to residential versus non-residential and making sure the rates are consistent rather than externally comparing rates of other cities.

Mr. Ritschel reviewed the Utility Enterprise Fund Forecasts for no rate adjustments, Fiscal Year (FY) 25/26 balanced net sources and uses, and draw down rate adjustment, which were created for planning purposes only, and compared the impacts that each model would have on the reserve balance. (See Pages 4 through 6 of Attachment 1)

In response to a question from Mayor Giles regarding to what extent the charts include future growth, Mr. Brady explained that Council approved an ordinance that caps the dollar amount that can be transferred to the General Fund. He pointed out that even with the growth, the number of gallons per residential use is dropping off significantly. He added that most of the growth occurring is new development and require new lines be constructed to keep up with the demand. He stated every year the numbers are brought to Council for review, and although the forecast is for the next five years, the focus is seeking direction for the next FY. He said the decisions made now will have ramifications in the future, which is why the forecast is for the next five years. He indicated the intent is to adjust slightly each year to keep up with the additional utility costs to avoid a large utility increase.

Mayor Giles commented over the last six years Council has received conservative advice from City staff which has allowed the City to create a healthy fund balance. He stated the intention has been to start spending the fund down, but due to the great economy the reserves have remained at approximately 30%. He inquired whether all factors are included in the models to come up with each scenario?

Mr. Brady answered it would not be accurate to say that every variable has been covered; however, the talented staff compile the numbers from multiple resources to forecast the future economy. He noted that staff will present an in-between scenario also. He stated the goal of the forecast is to come up with the best assumption based on what is known.

In response to a question from Mayor Giles, Mr. Ritschel confirmed the model is based on a 2% growth expectation.

In response to a question posed by Councilmember Heredia regarding the timeframe when commercial rates will be balanced with residential rates, Water Resources Management Assistant II Erik Hansen presented a chart showing the water demand capacity versus the actual usage from 2014, stating the City needs to maintain capacity within the system to ensure service to its customers. He explained the implementation of tiers and the rates for the different levels. (See Page 11 of Attachment 2)

Mr. Ritschel summarized that in order to provide water during the peak months, the City must have a system capable of delivering at the higher tiers, which is the reason for the higher cost for those tiers. He emphasized the numbers are reviewed on an annual basis in an attempt to keep equity between the residential and non-residential usage rates.

In response to a question from Councilmember Heredia, Mr. Hansen clarified the first line is the delineation between necessary and discretionary water usage.

Mr. Brady pointed out the chart refers to residential rates only. He explained the way tiers were established to come up with the rates. He stated the rates are evaluated each year between residential and commercial in an effort to provide equity based on the system demand. He mentioned staff will come back to Council with a better explanation on the inequity between residential and commercial rates.

Mr. Ritschel provided the recommended rate adjustments for FY 20/21 that include a 1.5% increase for residential, 3.5% increase for wastewater and no increase for solid waste. He added the demand on the system is roughly 50/50 between residential and non-residential. He stated this recommendation meets all five financial principles and maintains the reserve balance through FY 25/26 at 20%. (See Page 7 of Attachment 2)

In response to a series of questions from Mayor Giles regarding the reason for increased costs in operating expenditures for water and wastewater, Deputy Director of Water Enterprise Services Seth Weld commented each year the City is faced with increases to purchase the raw water as well as increasing capital costs in maintaining the infrastructure. He added there are increases in the cost to treat the water and wastewater, as well as increases on the electrical side to run the plants, and the necessary expansion to meet the growth demand, all of which contribute to increased costs. He agreed that the Gila River Indian Community (GRIC) water is still another four to five years out. (See Page 9 of Attachment 2)

Mr. Brady emphasized the total expenses for water are approximately $19 million and the revenue that will be generated by the 1.5% increase is only $6.7 million; similarly, the total expenses for wastewater is approximately $10 million and the revenue with the increase will be less than $3 million. He pointed out the rate increase will not cover all the increasing costs, but because the City has a healthy fund balance there is opportunity to draw down the reserves while continuing to develop the capacity to meet the City's obligations of expenses and revenues each year.

Mr. Hansen identified that in addition to the 1.5% rate increase, staff are proposing to complete the final water residential tier realignment and eliminate the water non-residential excess surcharge. (See Page 10 of Attachment 2)

In response to a question from Mayor Giles, Mr. Hansen explained the excess water surcharge is in addition to the usage charge that looks at the four winter months, then takes the three highest use months and averages the cost to come up with the winter water average. He stated if the customer uses water above the average amount in one year, a surcharge fee is added.

In response to a question posed by Councilmember Duff regarding whether the cost includes irrigation, Mr. Ritschel advised the excess surcharge is for non-residential accounts. He explained on the residential side water usage is measured by the tiers.

Mr. Brady elaborated that the base tier covers the amount of water consumption that a normal family would use and the higher the tier equates to more water usage.

In response to a question from Councilmember Duff regarding whether the water usage and the irrigation usage are combined to come up with the tier rate, Mr. Weld replied the irrigation usage has its own separate rate structure and has no impact on what is occurring with the residential tiers.

In response to a question from Councilmember Heredia, Mr. Hansen reported the tier process began approximately six years ago when the City looked at consumption patterns of the different communities to forecast where each tier would top out. He commented the tier consumption numbers will remain the same until such time that another readjustment becomes necessary due to a change in behavior.

Mr. Ritschel advised the tier structure was part of the five-year implementation plan and was to promote conservation. He stated Tier 1 is necessary water usage and Tier 2 moves into discretionary usage.

Mayor Giles commented the tier program was an attempt to mitigate criticism that the utility costs were inordinately burdening lower-wage individuals. He added it provides an incentive to conserve water and gives residents the opportunity to be aware of their usage. He mentioned he supports the tier schedule that has been adopted.

Mr. Hansen compared the current water and wastewater rates with the recommended rates, stating the typical residential water customer will see a $0.57 per month increase and the typical commercial user will see an approximate $1.50 per month increase. He pointed out the typical residential wastewater customer will see a $0.79 per month increase and the typical commercial customer will see an increase of $1.80 per month. (See Pages 12 and 13 of Attachment 2)

In response to a question from Councilmember Thompson regarding whether there is a way to allow the large water users such as Microsoft or Google to tap into the grey water instead of using

treated water to cool the plants, Mr. Brady advised future discussions could take place to brainstorm that process.

Environmental Management & Sustainability Department Director Scott Bouchie recommended no increase for residential solid waste, a 3.5% increase for commercial front load rates, and a 1% increase for commercial roll-off rates. He mentioned the bulk item collection fee would increase by $1.96, and the penalty fee for not placing the bulk items out will increase by $13.21 to $25. He added the household hazardous materials fee of $0.41 per month is charged to residents of Leisure World for the ability to use the City's facility. (See Page 15 of Attachment 2)

Mr. Bouchie presented the front load trash and roll-off rate increase recommendations. (See Pages 16 and 17 of Attachment 2)

Mr. Bouchie stated the proposal is to eliminate the commercial commingled recycling program due to the challenges in delivering the material to vendors. He added the City still has a contract with a cardboard vendor and supplied the proposed increases for that program. (See Page 18 of Attachment 2)

Mr. Bouchie explained the City has the green and clean fee that is charged to the residential solid waste customers which helps pay for the Neighborhood Cleanup Program and the Household Hazardous Materials Program. He mentioned the Leisure World customers are being charged the $0.41 for utilizing just the hazardous materials portion.

In response to a question from Mayor Giles, Mr. Bouchie confirmed that the City is looking for ways to bring the Blue Barrel Program back in the future, which possibly would require additional fees to sustain the program. He added the goal is to remain competitive with the private solid waste providers, especially because residents have a choice in whom they use for their solid waste provider.

Energy Resources Department Director Frank McRae introduced Senior Fiscal Analyst John Petrof and stated the primary objectives are to keep the system safe and reliable, as well as being economically efficient.

Mr. McRae presented the energy rate adjustment principles that are difficult to fulfill and achieve and often requires balancing. (See Page 20 of Attachment 2)

Mr. McRae advised the electric structure is similar to the water system and contains three components: System service charge, usage, and a fuel pass-through mechanism for both electric and gas. (See Page 21 of Attachment 2)

Mr. McRae remarked the City benchmarks their rates with Salt River Project (SRP) and presented a graph to compare current electric bills to the proposed rates and SRP rates. He mentioned the small customer averages approximately 326 kilowatt hours per month and the proposed rates would increase the bill by 3.1%; the average customer, whose consumption is 783 kilowatt hours, would increase approximately 2%; and the large residential customer, averaging 1,557 kilowatts, will see a 1.4% increase. (See Page 22 of Attachment 2)

Mr. McRae summarized the proposed electric rate adjustments and said a new standby rate is being proposed. He showed a table that indicates the current and proposed rates. He explained the tier designation for summer rates is 1,200 kilowatt hours per month and the winter rates are 800 kilowatt hours per month. (See Pages 23 and 24 of Attachment 2)

Mr. McRae compared the average residential customer bills with SRP. He pointed out the difference between the two for FY 19/20 was $15.34 per month, or 16% less than SRP. He added for the small residential customer the FY 19/20 difference was $10.26, or 26.1% less than SRP. (See Pages 25 and 26 of Attachment 2)

Mr. McRae explained the proposed standby rate for electric services that are not common or standard and the two development attributes that render the need for a different type of service. He reported on the existing standard commercial rates which most customers are eligible for compared to the proposed standby rate, adding the standby rate resolves the issue of the associated revenue being based on the electrical size of the infrastructure equipment installed to provide the service rather than just on the amount of energy they consume. (See Pages 27 and 28 of Attachment 2)

Mr. McRae provided a schematic of an electrical system to show if the on-site generation use does not meet the energy requirements that all parts of the system will be used to serve the development and its customers. He said without the standby rate the customer would not be absorbing any of the incurred costs to provide their services when their on-site generation is not working. (See Page 29 of Attachment 2)

Mr. McRae presented the natural gas rate structure consisting of three common components. (See Page 31 of Attachment 2)

Mr. McRae reviewed the current and proposed rates with the Southwest Gas (SWG) rates. He mentioned the small customer averages approximately 6 therms per month and the proposed rates would increase the bill by 1.2%; the average customer, whose consumption is 22 therms per month, would increase approximately 1.3%; and the large residential customer, averaging 48 therms per month will see a 2.6% increase. He stated that the average and large customer rates are lower than SWG rates; however, the small customer rates are higher due to a rate design and structure that is mandated by the Arizona Corporation Commission that requires SWG to have a very low system service charge. (See Page 32 of Attachment 2)

In response to a question posed by Mr. Brady regarding if Mesa compares favorably when taking into account all the components, Mr. McRae clarified the chart takes all components into account and the difference in the system service charge is what drives the difference.

Mr. McRae outlined the proposed gas rate adjustments and noted the rate differences between the current and proposed rates. He commented the increase in the system service charge is 25% per month, and 10% increase in the Tier 2 rates. He emphasized the small gas residential customer will typically only see a $0.25 per month or $3 per year increase in their gas bill. (See Pages 33 and 34 of Attachment 23)

Mr. McRae supplied the numbers for the commercial gas annual bill comparison with the current, proposed and SWG rates. He mentioned the proposed rates will increase the bill for the small customer approximately 2.3%, for the average customer 0.5%, and for the large customer 1.8% per month. (See Page 35 of Attachment 2)

Mr. McRae explained the proposed commercial gas rates include a $2 per month increase in the system service charge and increasing the tier level from 1,200 therms per month to 1,500 therms per month, which mainly impacts the larger customers. He added the average commercial customer's bill with the proposed changes will increase by approximately 0.5% which is attributable to the increase in the system service charges. (See Page 36 of Attachment 2)

Mr. McRae highlighted the new gas economic development rate that was prepared in collaboration with the economic development department to retain and expand existing large gas customers, as well as attract new large gas customers to Mesa. (See Page 37 of Attachment 2)

In response to a question from Mayor Giles, Mr. McRae replied the concept for the economic development rate is that most of the capital investment that will serve and extend the infrastructure and equipment to service this type of customer will be recovered in the first or second tier, adding the third tier provides the incentive to expand and grow their operations.

Mr. McRae indicated staff are looking forward to the benefits and technology that will come with the Smart Meter Program. He mentioned the pre-paid bills that the City will be able to provide with the program, as well as time-of-use rates to incentivize conservation. (See Page 38 of Attachment 2)

Mr. Ritschel gave the schedule of the upcoming events related to the utility rate adjustments if Council directs staff to move forward with a January 1, 2021 effective date. (See Page 39 of Attachment 2)

In response to a question from Vice Mayor Freeman regarding whether there is a realignment on the residential water tiers, Mr. Ritschel explained that depends on whether there is a dedicated landscape meter which is metered at a Tier 2 rate. He advised if there is not a landscape meter, then once the user reaches the 7,000 kgals the usage beyond that would be charged at the Tier 2 level.

In response to a question posed by Vice Mayor Freeman regarding the cost of the landscape meter, Mr. Hansen stated he believes a new landscape meter is approximately $1,500 and there is an additional cost to install the meter. He added the usage charge then starts at the second tier but does not go above that tier. He confirmed there would be two separate meters on the property.

Mayor Giles commented he would like more information on the landscape meter and inquired how residents can research this option.

Mr. Hansen remarked that within the utility rate book there is information on the landscape water service.

Mr. Weld clarified that the $1,500 is not an all-inclusive number. He stated there is a charge for the meter, a charge to connect the meter, and the homeowner would have to hire a private plumber to re-plumb the property.

Mr. Brady agreed to revisit this discussion in the future.

In response to a question posed by Councilmember Duff, Mr. Hansen reported the homeowner would receive a separate service charge for each meter.

Mayor Giles commended staff for the work that went into the presentation while keeping in mind the impact to the rate payers. He expressed the opinion that it seems inconsistent that the City is launching utility assistance programs for individuals within the community who are struggling to pay their utility bills because of the pandemic while having a conversation about raising utility rates. He mentioned the fact that due to good management the City has a healthy fund balance at 31.6%. He added his preference is to use a combination of the draw-down model as well as

the commercial increases within the recommended model due to the current situation. He continued by saying he supports the standby rate and the gas economic development rate.

Councilmember Luna advised he is interested in receiving public input on the rate increases. He remarked the need to take a measured approach when making changes to avoid a huge increase in the coming years which could be detrimental to the residents and commercial customers.

In response to a question from Mayor Giles regarding public notice, Mr. Brady confirmed that notice has already been given based on the staff recommendation. He stated Council has the discretion to make changes, keeping in mind the rates cannot go above what has been recommended, but can go below. He reminded Council that deferring an increase will equate to a higher increase in the future. He stated staff can prepare scenarios for Council to consider showing the future impact if choosing to defer an increase at this time.

Vice Mayor Freeman indicated he does not want to be caught in the scenario of having to increase rates by a larger percentage and feels a small rate increase is inevitable to cover the infrastructure costs to provide services. He agrees with drawing down the reserves but would like to spread the rate increase out.

Councilmember Heredia outlined residential water rates should be kept the same or only increased by inflationary rates and then continue to monitor and balance the rates accordingly.

Mayor Giles stated the proposed rate increase for residential is 1.5%, which is below the inflationary rate.

Mr. Brady agreed with Mayor Giles, adding a 1.5% increase for a typical residential user is approximately $0.57 per month.

Mr. Ritschel advised the inflation rate is approximately 1.75% currently.

Mayor Giles asked staff to present scenarios combining the draw-down and recommended models with no residential increases.

Councilmember Duff reminded Council that many businesses are also suffering. She mentioned that 1.5% seemed like a minimal increase while still maintaining the reserve for the next five years. She discussed an example of a single renter’s water usage being 8,000 gallons per month which would push them into the second tier. She suggested deferring the tiers.

Mr. Brady stated the 7,000 gallons is a standard across most utility systems and is a large amount for one individual to go through.

Mr. Hansen advised that forecast numbers from new builds in Eastmark show the average household consumption being around 5.5 kgals per month. He proposed having a staff member check the property for leaks and providing conservation methods to lower the consumption.

Mayor Giles reminded Council this item is to provide direction on the staff recommendation, which will come up for public hearing in December. He stated he looks forward to seeing the requested scenarios and having further discussions in December.
Mayor Giles thanked staff for the presentation.

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

2-a. Public Safety Committee meeting held on September 24, 2020.

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

Upon tabulation of votes, it showed:

AYES – Giles-Freeman-Duff-Heredia-Luna-Thompson
NAYS – None

(Councilmember Whittaker was unavailable at the time of the vote.)

Mayor Giles declared the motion carried by majority vote.

3. Current events summary including meetings and conferences attended.

Vice Mayor Freeman –	Chamber of Commerce virtual meeting Zoom #MesaTakeOut lunch mob
Councilmember Duff –	Recognition of the Economic Development Office – International Excellence in Economic Development Awards PHX East Valley Statepersons' Event – Moving Arizona Forward

Councilmember Duff announced she will be hosting a Community Conversations event today with Vice Mayor Freeman and Environmental Management & Sustainability Department Director Scott Bouchie on the recycling program. She advised advanced registration is required.

Councilmember Luna reported Saturday, October 24, from 8:00 a.m. to 1:00 p.m., the Mesa Prevention Alliance and the Mesa Police Department will host a Halloween themed drive-thru drug disposal event at Gene Autry Park. He stated the Mesa Arts Center (MAC) will be live streaming a virtual Día de Los Muertos Festival on Saturday from 12:00 p.m. to 3:00 p.m. on Mesa Channel 11 and the MAC website. He advised on October 31 the Mesa Public Library will be hosting a Halloween Boo Parade on Saturday from 2:00 p.m. to 3:00 p.m. at all three locations.

Vice Mayor Freeman highlighted the Mesa Historical Museum will be hosting an annual walking tour of the Mesa Cemetery on October 24 from 8:00 a.m. to 10:00 a.m.

Mayor Giles stated the Mesa Police Department will be conducting a community meeting on Wednesday, October 28, at 6:00 p.m. at the Fiesta Station to provide updates on the drive-by shooting investigation.

4. Scheduling of meetings.

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

Thursday, October 29, 2020, 7:30 a.m. – Study Session

5. Adjournment.

Without objection, the Study Session adjourned at 9:53 a.m.

JOHN GILES, MAYOR

ATTEST:

DEE ANN MICKELSEN, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 22nd day of October 2020. I further certify that the meeting was duly called and held and that a quorum was present.

DEE ANN MICKELSEN, CITY CLERK

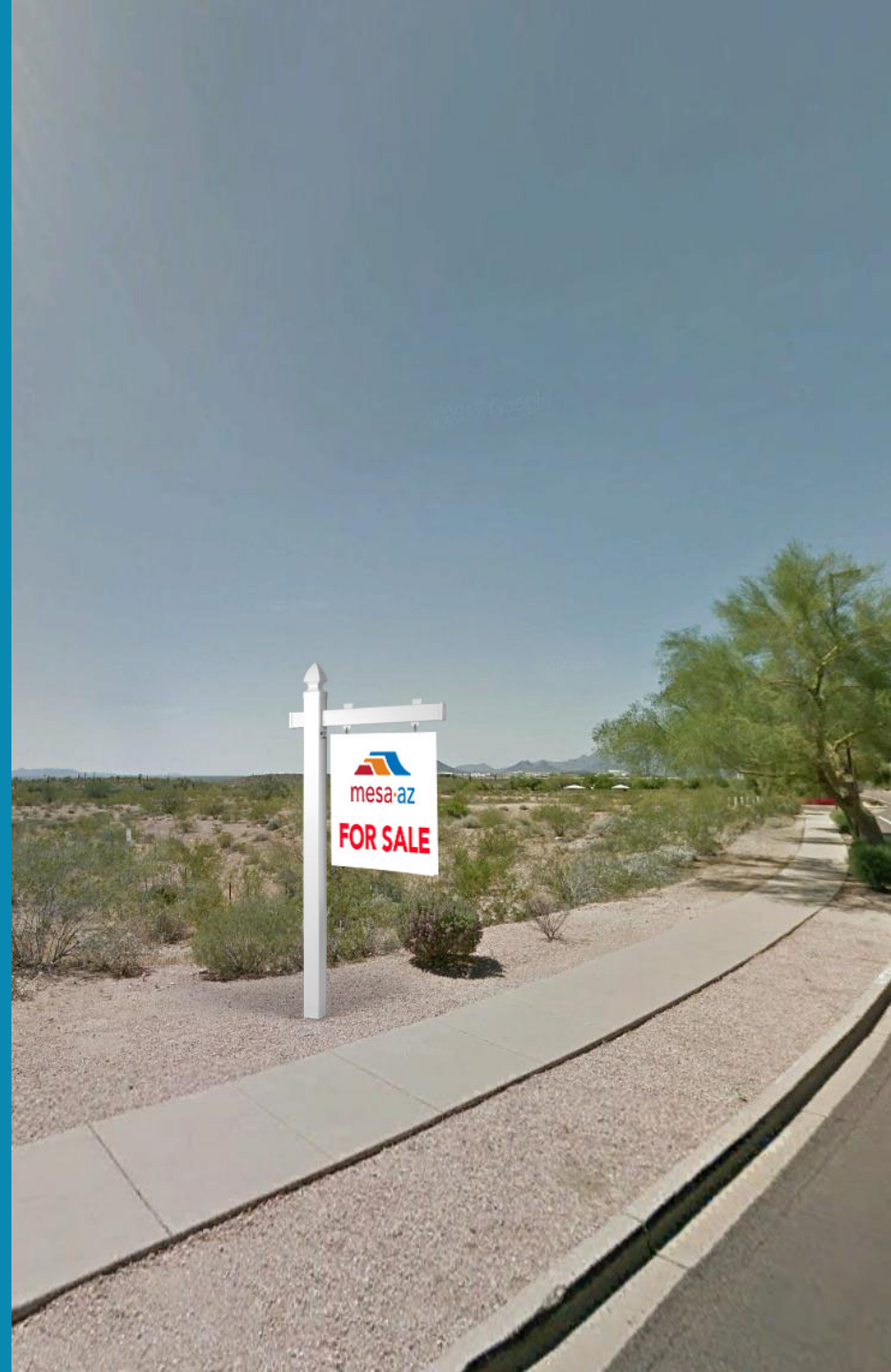
la
(Attachments – 2)

Council Study Session

October 22, 2020

PROPOSED SALE OF CITY-OWNED LAND

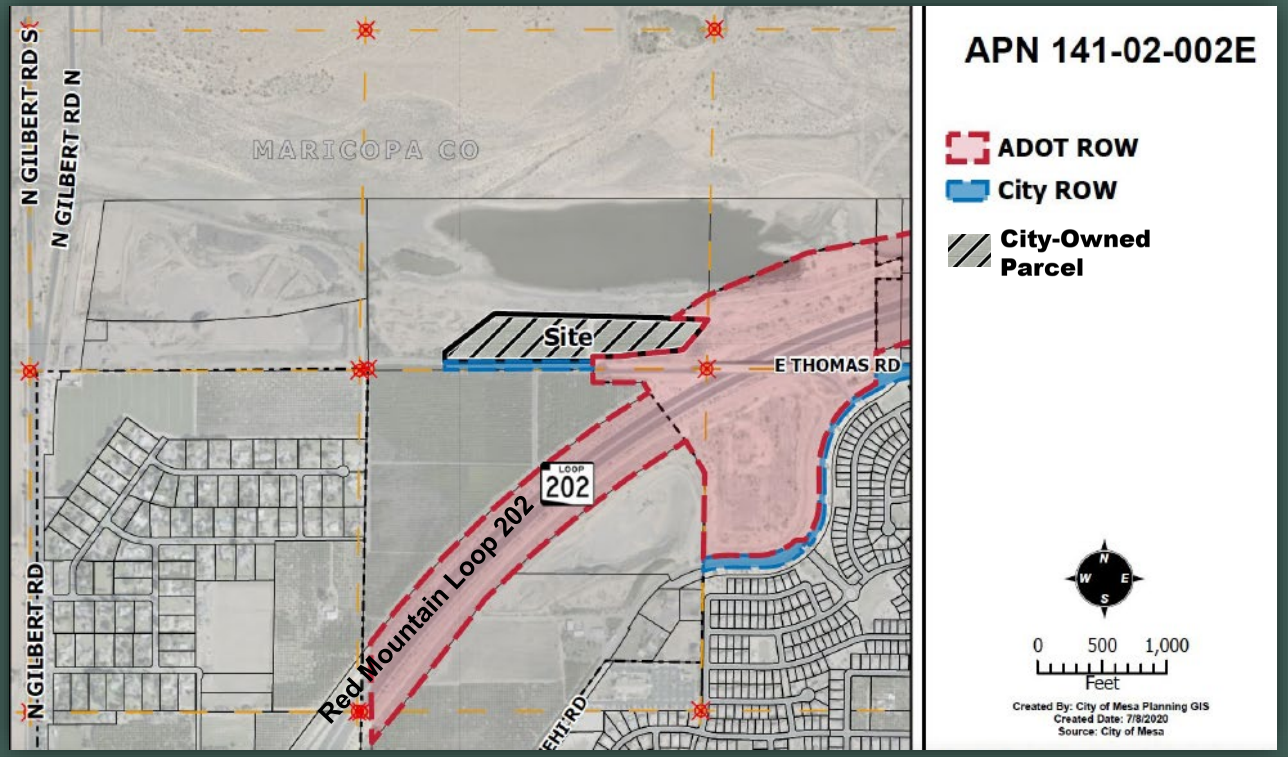
Kim Fallbeck
Real Estate Administrator



SALES PRACTICES
(Management Policy 208)

13-ACRE CITY-OWNED PARCEL

- North of Thomas & West of Red Mountain 202 Freeway

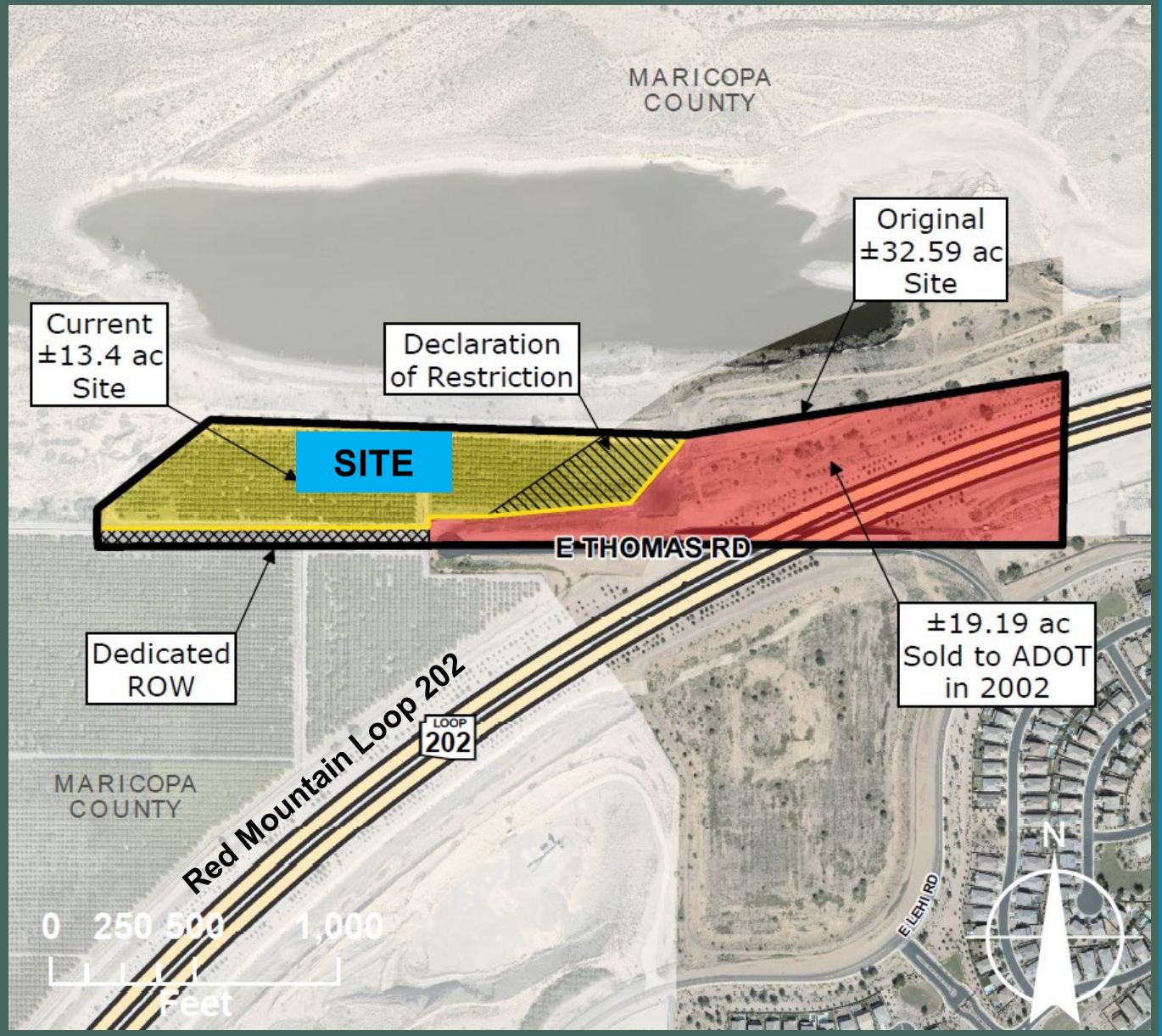


Looking northwest from Thomas Road and west of Red Mountain Loop 202

SITE HISTORY

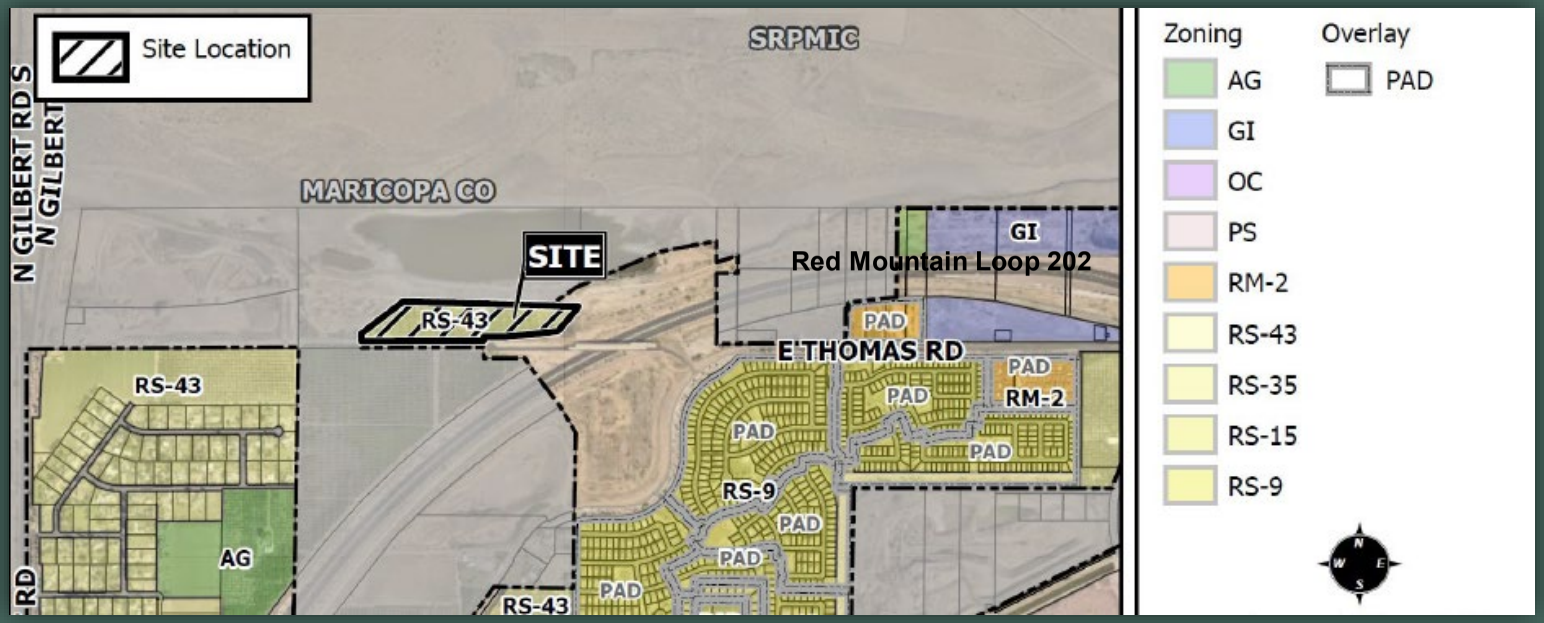
- **1989-**Purchased 32.59-acres for a potential water reclamation plant

- **2002-**Sold 19.19-acres to Arizona Department of Transportation (ADOT) for the Red Mountain 202 Freeway

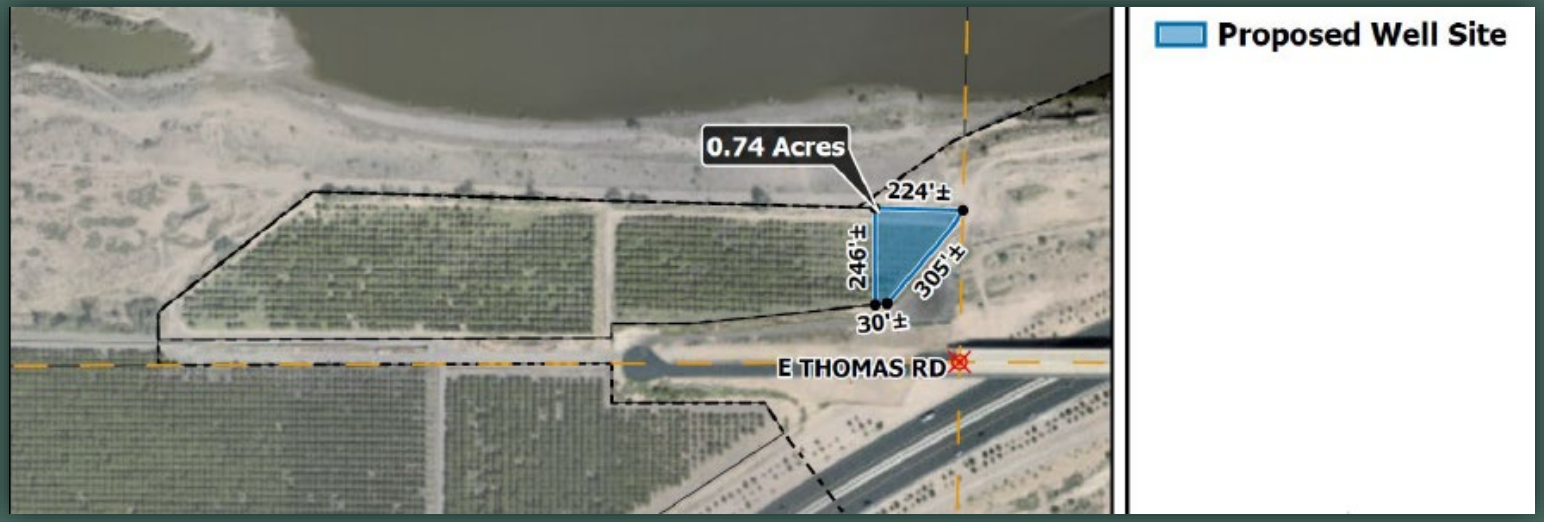


DEVELOPMENT REQUIREMENTS

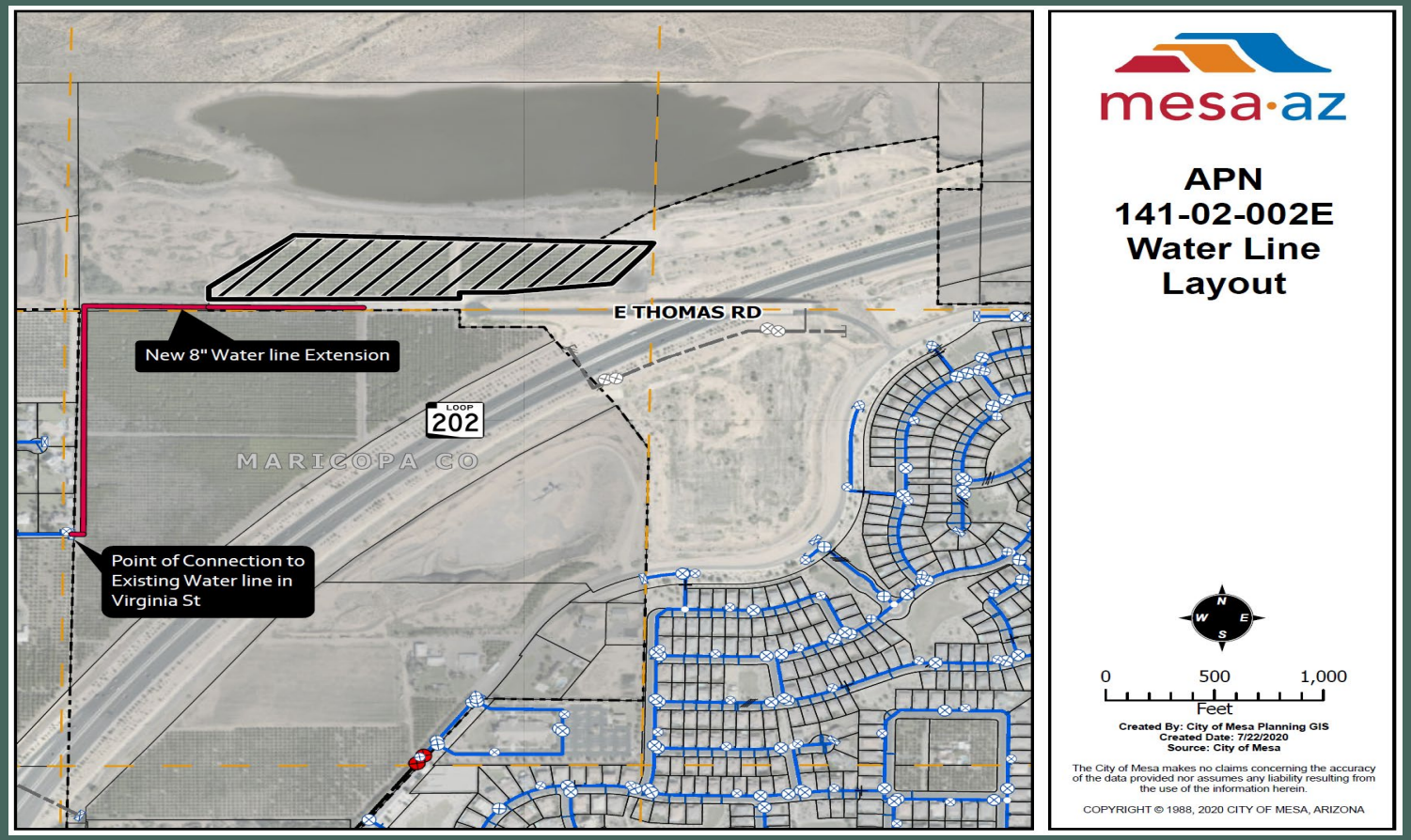
- Remain zoned Single Residence-43 (RS-43) and develop with one (1) acre lots



- The City will retain land at the northeast corner of the property for a future well site



DEVELOPMENT REQUIREMENTS:

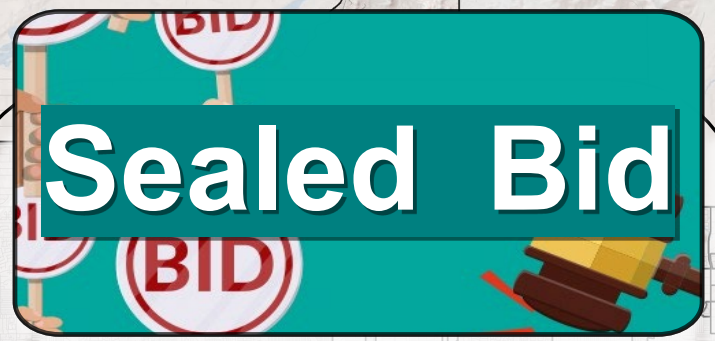


- Water line extension required
- Septic systems will be allowed for the 10 ± homes

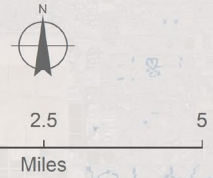
DEVELOPMENT REQUIREMENTS:

- Provide street access to site
- Flood Control District Clearance required
- Successful bidder to work with City on existing city-owned monitoring wells
- Comply with all City development codes, regulations, guidelines, standards etc.

RECOMMENDED SALE PRACTICE



- Minimum Bid Amount $950,000 Appraisal Amount
- Advertise dates for bid submittal and bid opening
- Hold virtual meeting for opening of sealed bids



DISCUSSION AND DIRECTION

City of Mesa

FY 2020/21
Utility Rates Recommendations

City Council Study Session
October 22, 2020

Presented by:
Brian A. Ritschel – Management & Budget Assistant Director
Seth Weld – Water Resources Deputy Director
Scott Bouchie – Environmental Management & Sustainability Director
Frank McRae – Energy Resources Director

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* *As a % of Next Fiscal Year's Expenditures	**31.6%**	**26.7%**	**20.9%**	**14.0%**	**6.1%**	**-2.4%**
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* *As a % of Next Fiscal Year's Expenditures	**31.7%**	**28.7%**	**26.5%**	**25.1%**	**24.1%**	**24.1%**
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* *As a % of Next Fiscal Year's Expenditures	**31.6%**	**27.5%**	**23.0%**	**19.6%**	**19.8%**	**22.9%**
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*

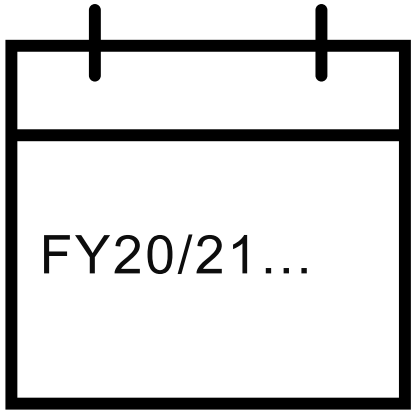
Utility Enterprise Fund Forecast:
FY 20/21 Recommended Rate Adjustments

- ☑ 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* *As a % of Next Fiscal Year's Expenditures	**31.6%**	**28.1%**	**25.2%**	**22.8%**	**20.9%**	**20.0%**
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*

Water and Wastewater

Increasing Costs



Water

- Operating Expenditures: +$15.2 million
- Debt Service Transfer: +$4.1 million

Wastewater

- Operating Expenditures: +$6.4 million
- Debt Service Transfer: +$3.9 million

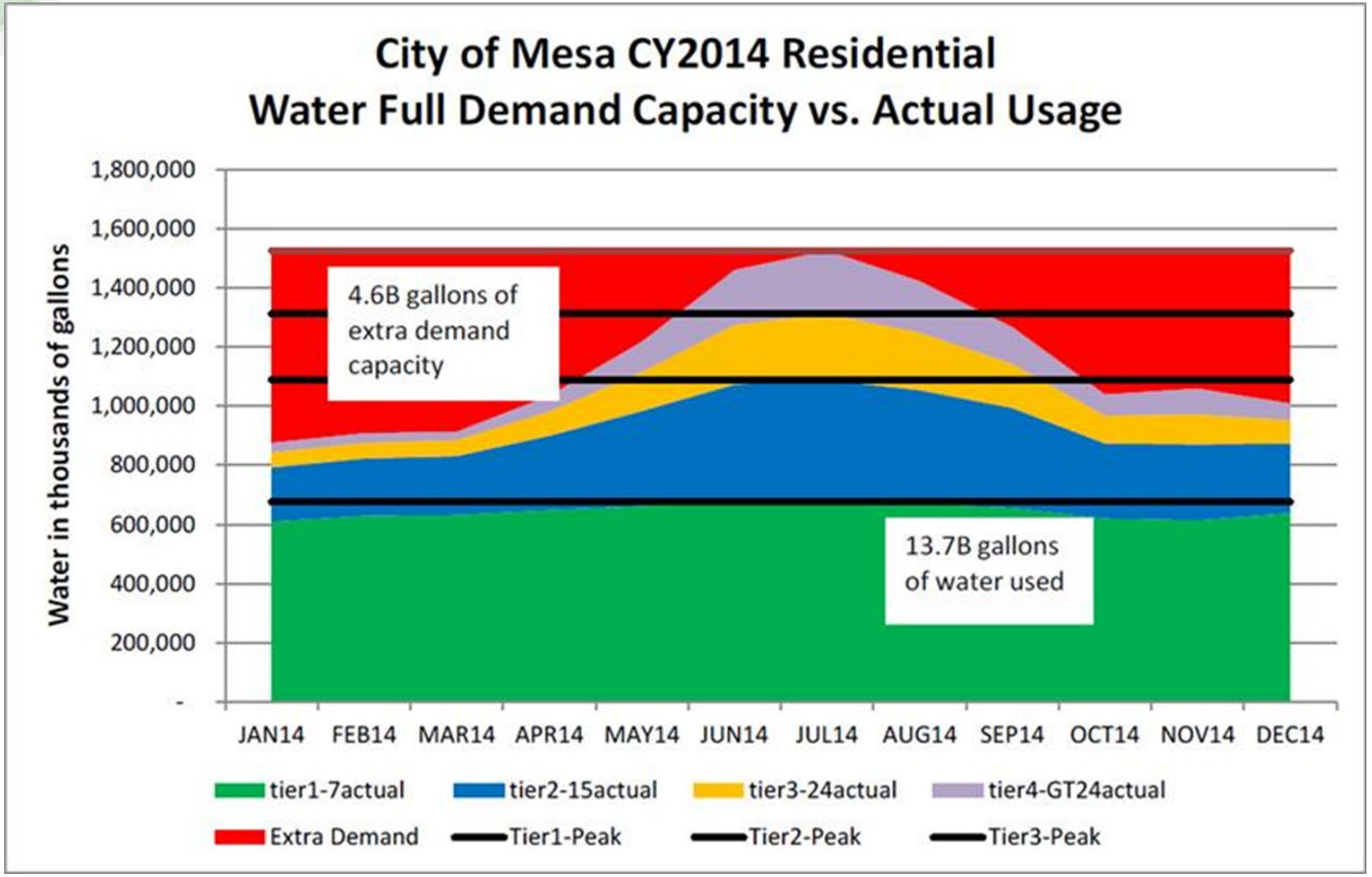
Rate Structure Adjustments

Additional items

- Complete final Water Residential tier realignment

- Eliminate Water Non-Residential Excess Surcharge holiday

Residential Water Tiers



Typical Customer - Water

	Current	Recommended
Residential (3/4" line), 6.0kgal/mo.		
Service Charge:	$28.10/mo.	$28.52/mo.
Usage Charge:	$3.19/kgal	$3.24/kgal
Monthly bill:	**$37.67/mo.**	**$38.24/mo.**
	(effective increase 1.5% or $0.57/mo.)	
Commercial-General (1" line), 9.0kgal/mo.		
Service Charge:	$31.47/mo.	$31.94/mo.
Usage Charge:	$3.38/kgal	$3.55/kgal
Monthly bill:	**$51.75/mo.**	**$53.24/mo.**
	(effective increase 2.9% or $1.49/mo.)	
Commercial-Landscape (1" line), 31.0kgal/mo.		
Service Charge:	$31.47/mo.	$31.94/mo.
Usage Charge:	$3.38/kgal	$3.55/kgal
Monthly bill:	**$126.11/mo.**	**$131.34/mo.**
	(effective increase 4.1% or $5.23/mo.)	

Typical Customer - Wastewater

	Current	Recommended
Residential: 4.0kgal/mo. (90% 3-mo. WWA)		
Service Charge:	$19.27/mo.	$19.94/mo.
Usage Charge:	$1.58/kgal	$1.64/kgal
Monthly bill:	**$22.43/mo.**	**$23.22/mo.**
	(effective increase 3.5% or $0.79/mo.)	
Commercial: 9.0kgal/mo.		
Service Charge:	$20.67/mo.	$21.50/mo.
Usage Charge:	$1.65/kgal	$1.72/kgal
Surcharge:	$2.98/kgal	$3.10/kgal
Monthly bill:	**$44.14/mo.**	**$45.94/mo.**
	(effective increase 4.0% or $1.80/mo.)	

Solid Waste

Solid Waste Utility Rate Recommendations

- Residential Barrels:
  - No increase
- Commercial Front Load Rates:
  - Overall 3.5% increase
- Commercial Roll Off Rates:
  - Overall increase 1%
- Bulk Item:
  - Collection Fee increase by $1.96, from $23.04 to $25.00
  - Not Out Fee increase by $13.21, from $11.79 to $25.00
- HHM Only - WW Charge
  - $0.41 per month

Front Load Trash Rate Recommendations

- Increase base rates for all size bins by $1.50
- Increase out-of-zone fee by $1.50, from $15.00 to $16.50
- Increase multi-day and multi-bin discounts by 2 percentage points
- Implement a Front Load Set Fee $80.00 per Bin
- Implement a Front Load Removal Fee $110.00 per Bin
- Implement a Front Load Relocation Fee
  - $85.00 First Bin
  - $10.00 Each Additional Bin
- Implement a Change in Size Fee $90.00 per Bin

Roll Off Rate Recommendations

- Increase trash and green set fee by $2.00, from $58.00 to $60.00
- Increase trash per ton charge by $0.20, from $33.30 to $33.50
- Increase green waste per ton charge by $7.45, from $32.30 to $39.75
- Increase blocked/overloaded/unserviceable charge by $25.00, from $65.00 to $90.00
- Implement a 24-hour cancellation charge of $90.00

Commercial Recycling

CARDBOARD

BIN SIZE	CURRENT	PROPOSED
2 YD	$ 36.00	$ 45.06
3 YD	$ 39.36	$ 49.18
4 YD	$ 42.72	$ 53.03
6 YD	$ 53.03	$ 65.87
8 YD	$ 63.09	$ 78.12
Multi-Bin Factor	0.65	0.67

Eliminate Frontload Commercial Commingled Recycling

Electric Service

ENERGY RATE ADJUSTMENT PRINCIPLES

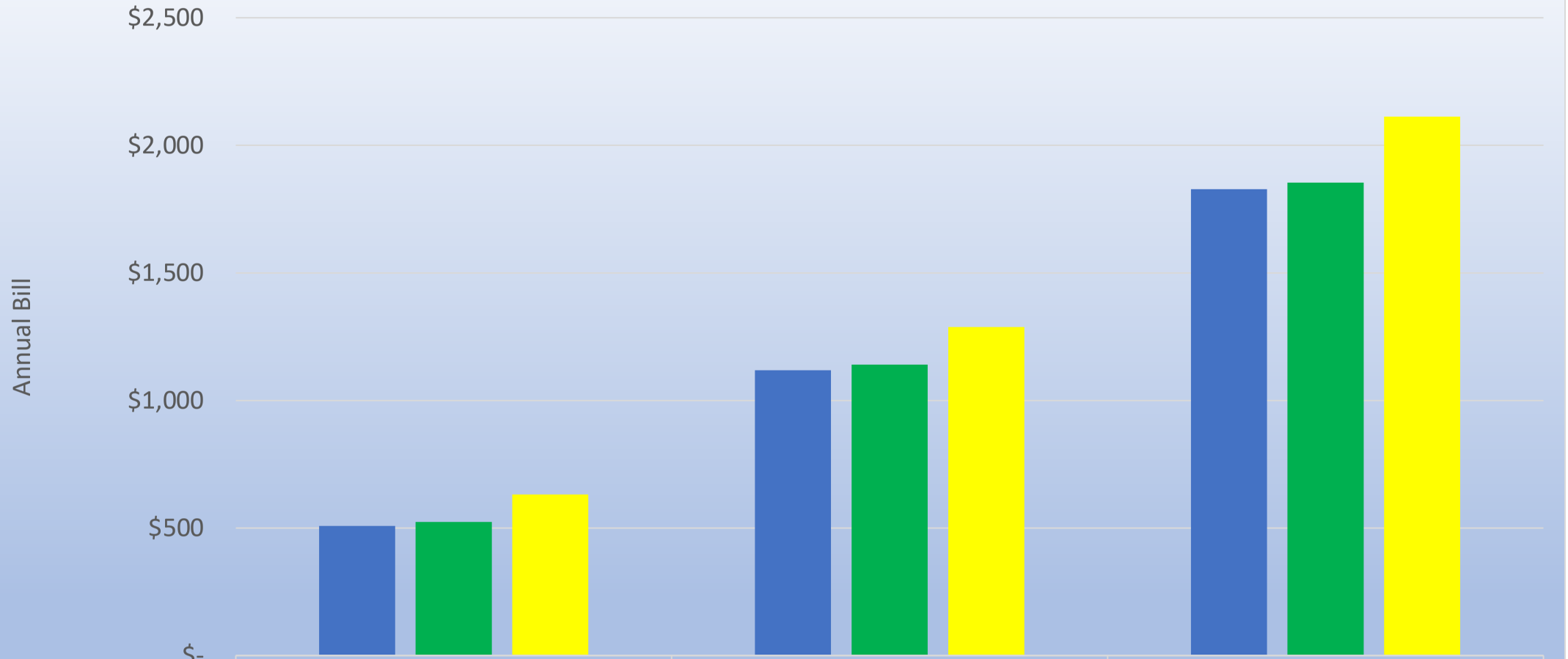
- Recover costs incurred to provide service
  - Infrastructure investments to enhance safety, reliability & efficiency
  - Align recovery of fixed costs with rate components that are not a function of consumption
- Promote energy efficiency & conservation
- Minimize rate/bill spikes
  - Long-term rate stability
  - Minimize bill impacts of extreme weather
- Benchmark with neighboring utilities (SRP & SWG)

RESIDENTIAL ELECTRIC RATE STRUCTURE

There are three components

- System Service Charge (fixed $ per month per account)
- Usage (Consumption)
- Electric Energy Cost Adjustment Factor (EECAF)
  - Consumption
  - Pass-through of cost of commodity

Residential Electric Annual Bill Comparison March 2021 to Feb 2022



	Small	Avg	Large
Mesa - Current	$508.59	$1,118.50	$1,828.15
Mesa - Proposed	$524.39	$1,140.65	$1,854.34
SRP	$632.19	$1,287.81	$2,112.99

PROPOSED ELECTRIC RATE ADJUSTMENTS

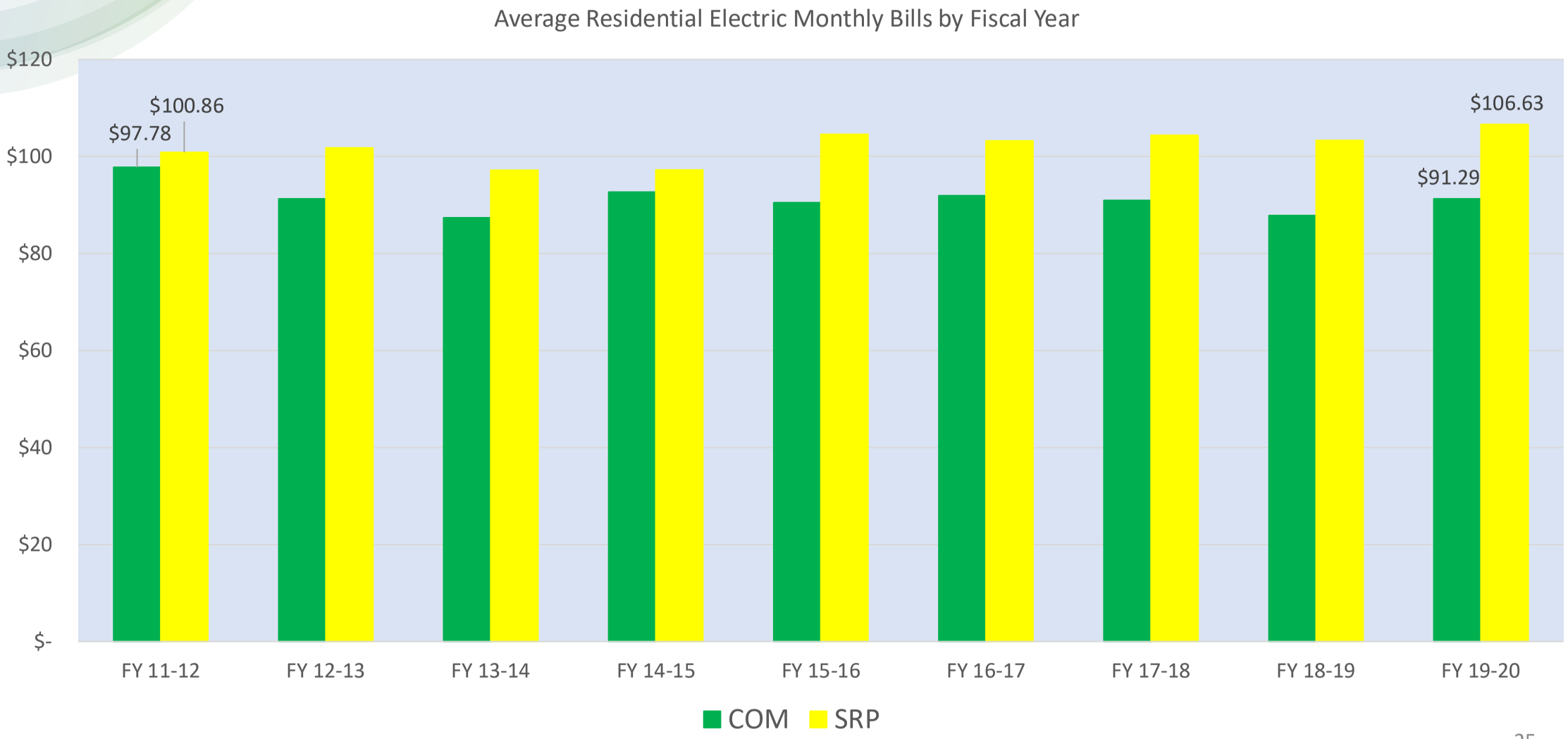
- Minimal Rate & Bill Adjustments
  - Residential: System Service Charge rate adjustment and Summer/Winter usage charge rate adjustment
  - New Electric Services & Rates
    - Standby Rate

PROPOSED RESIDENTIAL ELECTRIC RATES

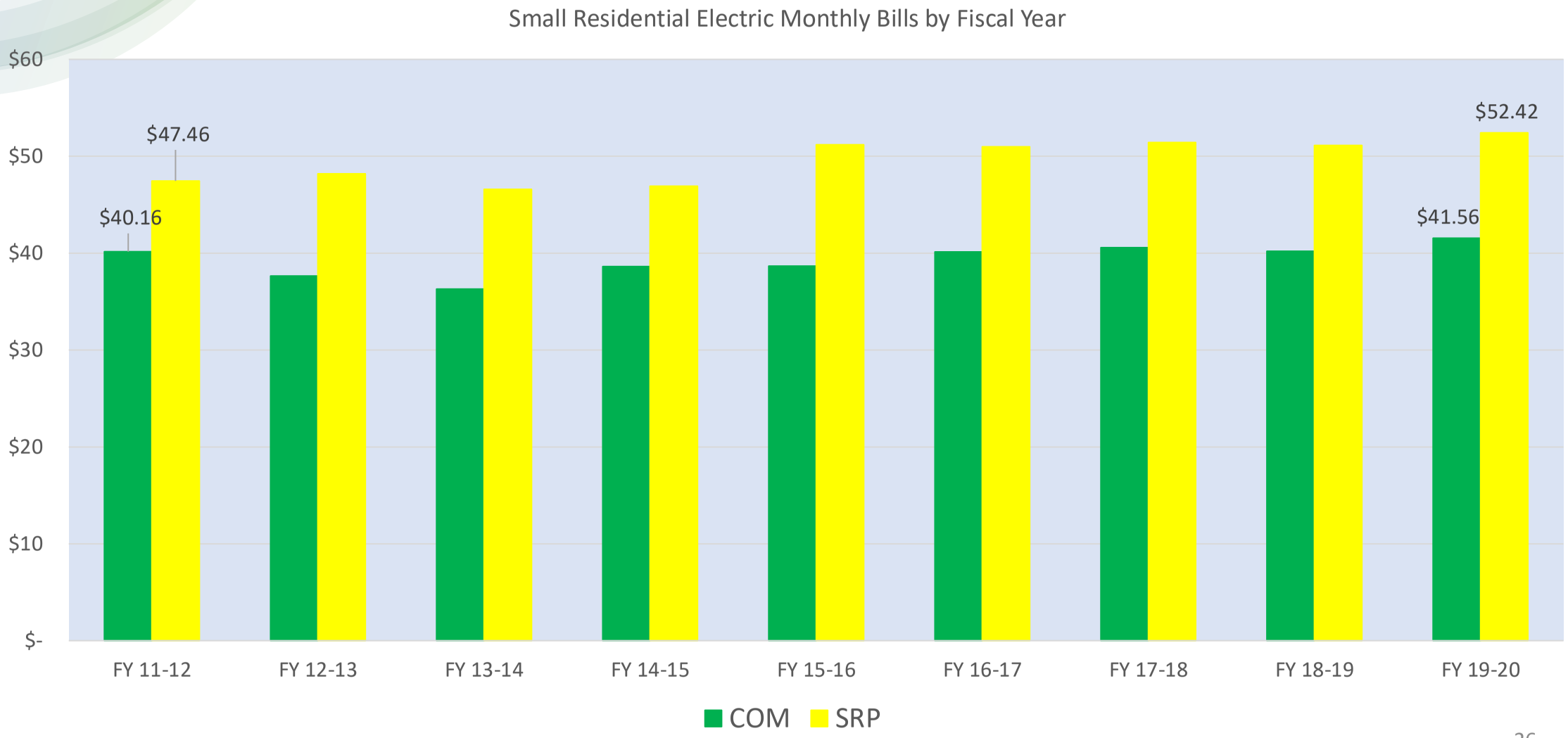
COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE	$12.00	$13.00
USAGE CHARGE SUMMER per kWh	Tier 1 - $0.05128 Tier 2 - $0.04822	Tier 1 - $0.05179 Tier 2 - $0.04822
USAGE CHARGE WINTER per kWh	Tier 1 - $0.03765 Tier 2 - $0.01633	Tier 1 - $0.03953 Tier 2 - $0.01715
ELECTRIC ENERGY SUPPLY COST	$0.04618/kWh	$ 0.04618/kWh

- EECAF is average of EECAF forecast for FY 20/21
  - Forecast range of $0.04475 to $0.04815

EECAF REDUCTION EFFECTS ON AVERAGE RESIDENTIAL MONTHLY BILLS VERSUS SRP



EECAF REDUCTION EFFECTS ON SMALL RESIDENTIAL MONTHLY BILLS VERSUS SRP



PROPOSED NEW STANDBY ELECTRIC RATE

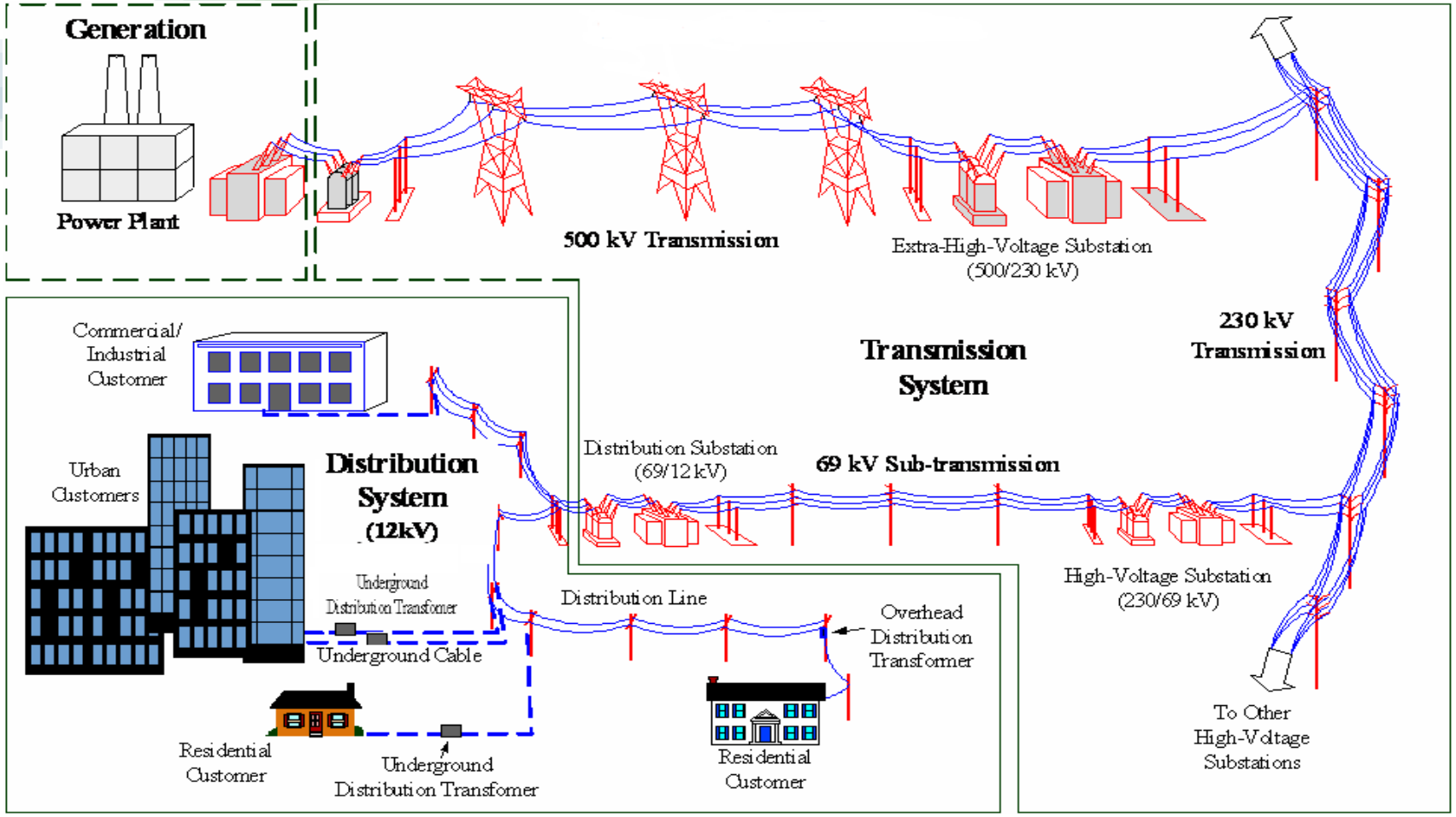
- Existing rates aren't adequate to ensure costs are recovered to provide requested service to new development projects
  - On-site Generation will provide significant portion of electric needs
  - Significant electric improvements to meet all electric needs
- Existing rates don't ensure timely & equitable cost recovery
- Standby rate "de-couples" cost recovery from whether utility or on-site generation meets energy needs
- Risks minimized that costs won't be recovered in a timely manner

ELECTRIC COMMERCIAL (E3.1) COMPARED TO PROPOSED NEW STANDBY RATE

COMPONENT	TIER	E3.1 (Summer, 3 Phase)	PROPOSED NEW STANDBY
SYSTEM SERVICE CHARGE ($/MONTH)	N/A	$13.24	$13.24
ENERGY CONSUMPTION CHARGE ($/kWh)	0 - 15,000 kWh	$0.06491	$0.06491
	15,001–75,000 kWh	$0.04125	$0.04125
	MORE THAN 75,000 kWh	$0.02901	$0.02901
DEMAND CHARGE ($/kW PER MONTH)	0-50 kW	0	N/A
	MORE THAN 50 kW	$3.9168	N/A
FACILITY CHARGE ($/kW PER MONTH)	Contract kW or Actual kW	N/A	$6.670
ELECTRIC ENERGY SUPPLY COST($/kWh)	All kW	$ 0.03483	$ 0.03483

- EECAF is average of EECAF forecast for FY 20/21
  - Forecast range of $0.03300 to $0.03625

Electric System



Standby Customers with on-site generation use entire electric system if their generation does not meet their energy requirements.

Additionally, significant investments in the 12 kV Distribution System are required to extend service to the new developments

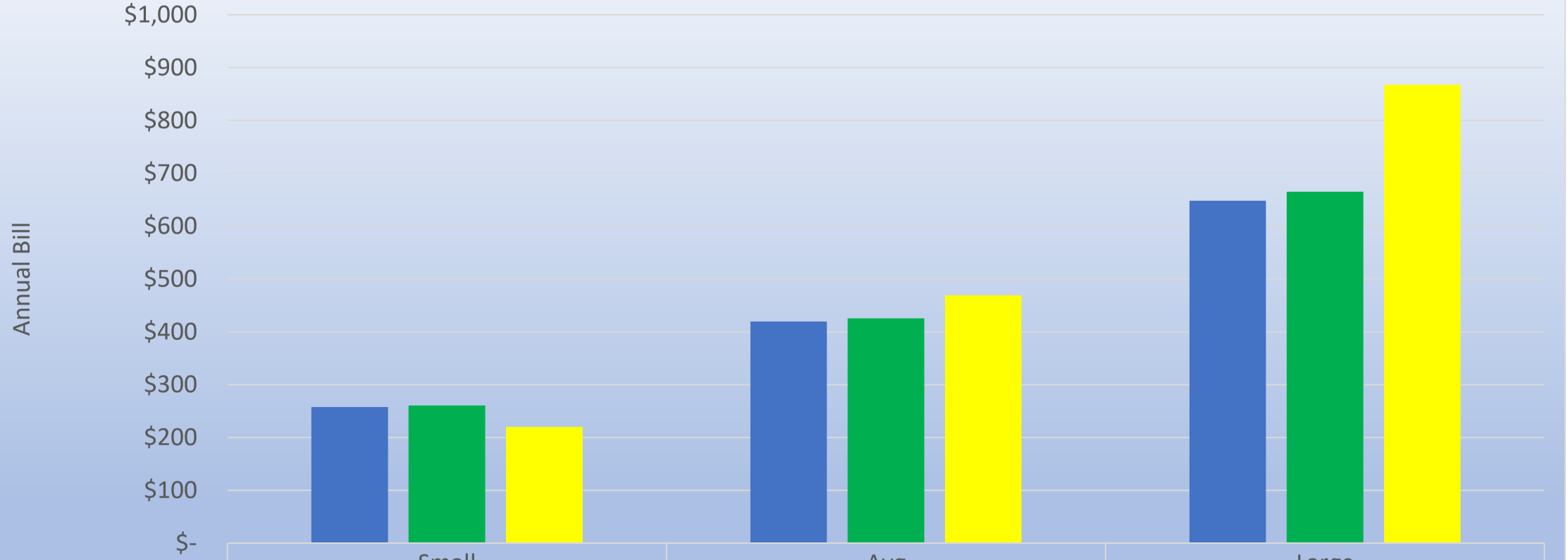
Natural Gas Service

RESIDENTIAL NATURAL GAS RATE STRUCTURE

There are three components

- System Service Charge (fixed $ per month per account)
- Usage (Consumption)
- Purchased Natural Gas Cost Adjustment Factor (PNGCAF)
  - Consumption
  - Pass-through of cost of commodity

Residential Gas Annual Bill Comparison - Mesa
March 2021 to Feb 2022



	Small	Avg	Large
Mesa - Current	$257.55	$419.61	$648.21
Mesa - Proposed	$260.55	$425.30	$665.01
SWG Annual Bill	$220.11	$468.94	$867.42

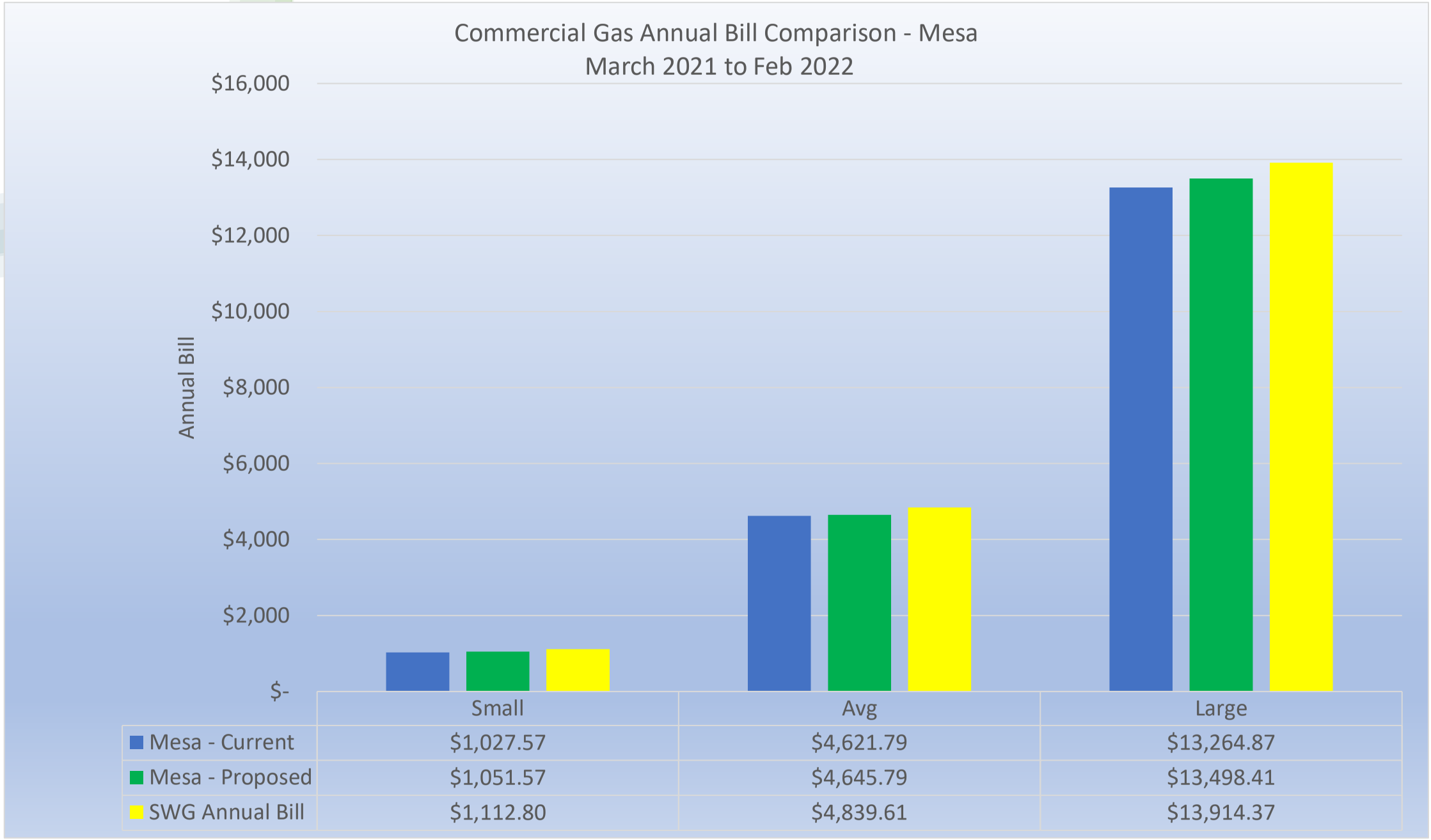
PROPOSED GAS RATE ADJUSTMENTS

- Minimal Rate & Bill Adjustments for natural gas
  - Residential: System Service Charge rate adjustment and Tier 2 usage charge rate adjustment
  - Non-Residential: System Service Charge rate adjustment, Tier 2 usage charge rate adjustment and increase Tier 1 usage limit to 1500 therms from 1200 therms
- New Gas Economic Development Rate

PROPOSED RESIDENTIAL GAS RATES

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE SUMMER WINTER	 $15.06 $17.99	 $15.31 $18.24
USAGE CHARGE SUMMER per therm	Tier 1 - $0.6685 Tier 2 - $0.2167	Tier 1 - $0.6685 Tier 2 - $0.2384
USAGE CHARGE WINTER per therm	Tier 1 - $0.6685 Tier 2 - $0.4926	Tier 1 - $0.6685 Tier 2 - $0.5419
NATURAL GAS SUPPLY COST	$0.1985/therm	$0.1985/therm

- PNGCAF is average of PNGCAF forecast for FY 20/21



	Small	Avg	Large
Mesa - Current	$1,027.57	$4,621.79	$13,264.87
Mesa - Proposed	$1,051.57	$4,645.79	$13,498.41
SWG Annual Bill	$1,112.80	$4,839.61	$13,914.37

PROPOSED COMMERCIAL GAS RATES

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE SUMMER WINTER	 $35.66 $45.34	 $37.66 $47.34
USAGE CHARGE SUMMER PER THERM	Tier 1 - $0.5280 Tier 2 - $0.3166	Tier 1 - $0.5280 Tier 2 - $0.3261
USAGE CHARGE WINTER PER THERM	Tier 1 - $0.5718 Tier 2 - $0.4574	Tier 1 - $0.5718 Tier 2 - $0.4711
TIER 1 to 2 THERM USAGE ADJUSTMENT	TIER 1: 0-1200 TIER 2: 1201+	TIER 1: 0-1500 TIER 2: 1501+
NATURAL GAS SUPPLY COST	$0.1985/therm	$0.1985/therm

- PNGCAF is average of PNGCAF forecast for FY 20/21

NEW GAS ECONOMIC DEVELOPMENT RATE

- Structured to encourage existing large gas customers to expand and new large gas customers to come to Mesa
- Tiered rate structure designed to encourage large users to come to Mesa while still adequately recovering Mesa's investment in infrastructure
  - 0-90,000 Therms: $0.2863
  - 90,000 – 500,000 Therms: $0.2100
  - 500,000+ Therms: $0.1400
- Criteria for enrollment:
  - $25 million in Capital Investment
  - 50 new employees
  - Minimum 36,000 therms of consumption per month

IN THE FUTURE

- Smart Meters
  - Time of Use Rates
    - Electric Vehicle Rates
  - Prepaid Electric Bills

Schedule for FY 2020/21 Utility Rates Adjustment Recommendation

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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Rate Adjustment History

FY 19/20 Forecasted

	FY 17/18	FY 18/19	FY 19/20
WATER Residential	3.50%	2.00%	3.85%
WATER Non-Residential	3.50%	2.00%	3.85%
WASTEWATER Residential	4.00%	2.50%	4.35%
WASTEWATER Non-Residential	4.00%	2.50%	4.35%
SOLID WASTE Residential	3.50%	2.00%	3.85%
SOLID WASTE Commercial	2.50%	2.00%	2.00%
SOLID WASTE Rolloff	0.00%	0.00%	2.00%
ELECTRIC Residential -svc charge only	$1.25	$1.00	$2.25
ELECTRIC Non-Residential	$0.00	$0.00	$0.00
GAS Residential - svc charge only	$0.75	$0.45	$0.75
GAS Non-Residential - svc charge only	$0.75	$0.45	$0.75

FY 19/20 Adopted

	FY 17/18	FY 18/19	FY 19/20*
WATER Residential	3.50%	2.00%	0.00%
WATER Non-Residential (usage only)	3.50%	2.00%	6.00%
WASTEWATER Residential	4.00%	2.50%	0.00%
WASTEWATER Non-Residential	4.00%	2.50%	4.35%
SOLID WASTE Residential	3.50%	2.00%	0.00%
SOLID WASTE Commercial	2.50%	2.00%	3.80%
SOLID WASTE Rolloff	0.00%	0.00%	2.40%
ELECTRIC Residential - svc charge only	$1.25	$1.00	$0.25
ELECTRIC Non-Residential - svc charge only	$0.00	$0.00	$2.50
GAS Residential - svc charge only	$0.75	$0.45	$0.75
GAS Non-Residential - svc charge only	$0.75	$0.45	$2.00

*FY 19/20 Effective date shifted from July to March/April

Residential Water Tiers

Current Residential Tier Structure	
First 3,000 gallons included in service charge	
Gallons	Cost per 1,000 gal
4,000-9,000	$3.19
10,000-18,000	$4.79
19,000-24,000	$5.77
25,000 and greater	$6.46

Recommended Residential Tier Structure	
First 3,000 gallons included in service charge	
Gallons	Cost per 1,000 gal
4,000-7,000	$3.24
8,000-15,000	$4.86
16,000-24,000	$5.86
25,000 and greater	$6.56