

## COUNCIL MINUTES

September 23, 2021

The City Council of the City of Mesa met in a Study Session in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on September 23, 2021, at 7:31 a.m.

### COUNCIL PRESENT

John Giles  
Jennifer Duff  
Mark Freeman  
Francisco Heredia  
David Luna\*  
Julie Spilsbury  
Kevin Thompson

### COUNCIL ABSENT

None

### OFFICERS PRESENT

Christopher Brady  
Dee Ann Mickelsen  
Jim Smith

(\*Councilmember Luna participated in the meeting through the use of telephonic equipment.)

Mayor Giles conducted a roll call.

1. Hear a presentation and discuss the Utility Enterprise Fund forecast and provide a recommendation on proposed utility rate adjustments.

Office of Management and Budget Assistant Director Brian Ritschel introduced Water Resources Director Jake West, Environmental Management and Sustainability Director Scott Bouchie, and Energy Resources Director Frank McRae, and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Ritschel reviewed Utility Operations and explained the purpose and use of the reserve balance. (See Page 3 of Attachment 1)

Mr. Ritschel provided an overview of the five Financial Principles and how staff utilizes the principles in considering rate adjustments. (See Page 4 of Attachment 1)

Management Assistant II Erik Hansen commented on the water utility and the rate increases over the last year. He stated the commodity cost increase is a result of the Central Arizona Project (CAP) Tier 1 shortage declaration on the Colorado River. (See Page 6 of Attachment 1)

Mr. Hansen highlighted the increases from the FY 20/21 actuals to the FY 21/22 proposed budget, which is attributed to new debt issued for large capital projects. (See Page 7 of Attachment 1)

Mr. Hansen displayed a chart reflecting water commodity costs and annual increases in water purchased from Salt River Project (SRP) and the CAP. He added the chart shows the price increases of almost 50% in FY 21/22 and FY 22/23. (See Pages 8 and 9 of Attachment 1)

Mr. Hansen reported on four capital project recommendations, the first being the Central Mesa Reuse Pipeline. He commented this project will allow the City to further the relationship with the Gila River Indian Community (GRIC). He added the City will receive CAP water through the GRIC at a reduced rate and the project will have a cost of \$72 million. (See Page 10 of Attachment 1)

Mr. Hansen displayed the future capital improvement projects which includes the completion of the Central Mesa Reuse Pipeline. He stated the blue line reflects the commodity costs which will result in a \$1 million savings by FY 27/28. (See Page 11 of Attachment 1)

In response to a question from Mayor Giles regarding cost savings, Mr. Hansen explained the annual return will increase as the cost of CAP water increases.

Mr. Hansen provided information on the East Mesa Water Interconnect project, which will cost \$82 million. (See Page 12 of Attachment 1)

Mr. Brady explained the advantage of the East Mesa Water Interconnect project is to move the SRP water to the area with the highest growth to help reduce the demand on the CAP water.

Mr. Hansen highlighted the Signal Butte Water Treatment Plant (SBWTP) expansion which will double the capacity allowing the maximum benefit of the GRIC agreement. He added the cost for this project will be \$98 million. (See Page 13 of Attachment 1)

Mr. Brady clarified even without the GRIC project, the demand to expand the capacity will still be needed.

Water Resources Advisor Brian Draper explained the interconnect pipe allows staff to utilize the Brown Road Water Treatment Plant (BRWTP). He stated BRWTP has unused capacity and with the interconnect pipeline, staff can treat additional water at BRWTP and SBWTP to meet the demands in southeast Mesa. He added the capacity of BRWTP is 72 million gallons per day (mgd) and is currently running at 50 mgd.

Mr. Brady expanded by saying the forecast model indicates this capacity will be sufficient for ultimate buildout for the City. He added that the forecast is for 40 years, and if capacity is needed in the future there would be time to find the land and build the infrastructure.

Mr. Hansen provided an overview of Smart Metering, at a cost of \$60 million. He stated this project will provide revenue security and protection against theft, loss, breaks, and will allow the City and customers to receive real time system data on demand. (See Page 14 of Attachment 1)

Mr. Hansen detailed recommended water rate increases for the typical customer. (See Page 15 of Attachment 1)

Vice Mayor Duff expressed the opinion that the City should recover capital costs from mega water users instead of providing them 40% discounts.

Councilmember Thompson responded by saying that mega water users bring in water credits, and the City is only transporting the water to the mega water users and is not providing the full allocation of water, which does not count against the City's 100-year supply. He added the used water is returned to the aquifer and the City recovers the water credits, which results in a net positive in the long-term.

In response to a question from Councilmember Heredia, Mr. Hansen commented the tier adjustments have been completed and the typical customer uses 6kgals per month. He clarified the higher tier users pay a greater portion of the costs.

Discussion ensued relative to the implementation phases of smart metering, and the first phase of implementation will include software installation and staff training, which should begin the first half of 2022.

In response to a question from Mayor Giles regarding the smart metering project, Deputy City Manager Marc Heirshberg explained the smart metering contract is for \$76 million and \$60 million of that is for Water Resources. He stated the City has over 200,000 gas, water, and electric meters that need to be replaced.

Responding to Councilmember Thompson, Mr. Hansen explained the 3% increase is to both the service and usage charge. He commented the typical consumer has a three-quarter inch meter, which costs \$28.52 and includes 3,000kgals of water. He remarked this proposal would increase that charge to \$29.38.

Mr. Hansen provided information on wastewater and the increasing cost recommendations due to the pressures on the utility. (See Page 17 of Attachment 1)

Mr. Hansen presented an update on the recommendations for wastewater rate increases. (See Page 18 of Attachment 1)

Mr. Bouchie introduced Senior Fiscal Analyst Sheri Collins who outlined cost pressures for the Solid Waste utilities. (See Page 20 of Attachment 1)

Ms. Collins highlighted the recommended increase to solid waste residential rates, appliance, bulk item, and green waste barrel rates. (See Pages 21 and 22 of Attachment 1)

Ms. Collins summarized the commercial front-load rate recommendations and clarified the commercial programs are open market, so the City competes with private waste companies on these accounts. (See Page 23 of Attachment 1)

Ms. Collins highlighted displayed the commercial roll-off rate recommendations and indicated the increases are still below competitor pricing. (See Page 24 of Attachment 1)

In response to a question from Mayor Giles, Mr. Bouchie explained staff's goal is to keep prices as low as possible while providing the best service so the City can still make a profit and not subsidize the service. He added commercial roll-off is a very small portion of the business and a larger increase would not have a significant impact.

Ms. Collins clarified there are five routes per day, with 2,000 roll-offs and 140,000 residential customers serviced each year.

Discussion ensued relative to increasing commercial roll-off rates and a request that staff review additional increases in this category.

In response to a question from Councilmember Heredia, Mr. Bouchie explained the largest demand is in the roll-off program and the problem in meeting that demand is having enough

operators for the equipment. He commented there have been positions open since January and he is struggling to find good quality candidates. He stated at one time there were six to seven routes per day, and that is currently limited to five due to staffing.

In response to a question from Councilmember Thompson regarding the commercial front load program, Mr. Bouchie replied that the City operates in an open market and businesses have a choice of providers. He added the department has been able to successfully balance rates and service.

Mr. Bouchie discussed the Flare to Fuel program and pointed out the project is good for the environment, as well as a financial benefit to the City, and fits in well with the climate action plan and renewable energy goals. (See Page 25 of Attachment 1)

In response to a question from Mayor Giles, Mr. Bouchie explained staff is in the first phase of the Food to Energy program and in order to move forward on the project, equipment will need to be in place. He remarked food will increase the amount of biogas that is produced at the digesters, and while there are some regulatory and operational hurdles, there is a lot of interest from the private sector in the program.

Mr. Bouchie reported on Solid Waste infrastructure, stating recycling remains a challenge. He commented the City does not own any post-collection infrastructure, so once materials are collected, they must be transferred to another facility. He added a large cost of solid waste is vehicle miles traveled so reducing travel will save money, as well as reduce emissions. He concluded by saying an in-depth analysis will be completed of how a transfer station and recycling facility can help the utility financially and environmentally while mitigating risk. (See Page 26 of Attachment 1)

Mr. Bouchie provided information on a possible Materials Recovery Facility at Pecos and Sossaman. He said this would be a regional solution and staff is reviewing the details of the cost and possible savings of having this type of facility. (See Page 27 of Attachment 1)

Mr. McRae introduced Energy Resources Program Manager Tony Cadorin and Senior Fiscal Analyst John Petrof.

Mr. McRae explained Energy Resources has 131 budgeted positions focused on providing safe, reliable, and efficient electric utility and gas services. He remarked the three largest cost components are debt service, operational expenditures, and energy supply costs. He said the department uses SRP as a benchmark for utility operations and rates.

Mr. McRae displayed a chart that reflects a 10-year picture of average monthly bills compared to SRP. He stated in FY 19/20, the department faced unprecedented and unanticipated cost increases which will result in significant pricing spikes for the next year or two. He remarked there have also been increases in debt service as the cost of equipment, infrastructure, and operational expenditures has increased. (See Page 29 of Attachment 1)

Mr. Petrof provided an overview of increasing debt service and operating costs on the electric utility and outlined completed and future projects. (See Pages 30 and 31 of Attachment 1)

Mr. Cadorin highlighted the electric commodity cost pressures and indicated the increase in FY21/22 is due to cost increases this summer; however, the American Rescue Plan Act (ARPA) funds will lower the impact to customers. He commented the drop in FY 23/24 to \$19 million will

be a result of working to bring online significant solar, storage, and natural gas generation. He added staff is working on new resources because participating in the market is not a sustainable strategy to remain cost competitive. (See Page 32 of Attachment 1)

In response to a question from Councilmember Heredia, Mr. McRae referred to the three different cost components as declining energy supply costs, some advanced payments for the next fiscal year and subsequent decreases as well. He added that in a 10-year period, the decreases were offset by the increases in debt service, which is why the City was able to remain competitive with Salt River Project (SRP). He clarified several years ago the integrated resource plan anticipated some changes in the wholesale market but did not anticipate that the changes would be this dramatic and this soon.

Mr. McRae further explained that the fundamentals that have changed the dynamics of the market are retirements of large coal and natural gas plants and added a megawatt of coal or natural gas cannot be replaced with a megawatt of solar. He stated staff will return to Council with a proposal for capital programs for a microgrid with generating units, and a plant proposal to help support solar and wind to support reliability and manage economics.

Councilmember Freeman emphasized that these large utilities also found a need to overhaul grids and infrastructure, which resulted in passing costs to the market.

Mr. McRae indicated that a significant amount of money will be needed to serve the growth in downtown, and that mixed-use developments will put pressures on the system.

Mr. Petrof displayed a residential electric bill comparison chart which includes three different customer usage categories. He added the chart includes the proposed offset with and without the ARPA funds. (See Page 33 of Attachment 1)

In response to a question from Mayor Giles, Mr. McRae explained the strategy of relying on the wholesale market is no longer a good strategy. He stated last year the City had a significant power outage in downtown that impacted the Public Safety (PS) campus. He added one benefit of a microgrid, would be that the first one will be located at the PS campus. He clarified if renewables are integrated into the system, that will offset some of the wholesale price spikes and will help isolate that part of the distribution system and maintain reliable service in the PD campus.

In response to further questions from Mayor Giles, Mr. McRae referred to page 30 of the presentation and said the future projects listed include upgrading and expanding the infrastructure to serve new customers. He added staff is looking at ways to build the infrastructure and issuing bonds to spread the costs out over time.

Responding to Councilmember Heredia, Mr. McRae stated he does not believe there will be downward pressure on the cost of debt service; that principal and interest will be about the same regardless of whether downtown grows fast or slow; and that demand for issuance of bonds will increase over time unless a developer is willing to offset infrastructure cost.

In response to a question from Vice Mayor Duff regarding commercial solar incentives, Mr. McRae explained the City just reached one megawatt of residential and commercial solar and the incentive applies to both residential and commercial solar. He expressed the opinion that relying on solar is a great idea; however, solar should be firmed up with renewable generation equipment to offset demand during peak use times.

Mr. Cadorin clarified that there are three buckets of solar, the first of which is a customer program which does not include an incentive to add solar, but also does not include a special rate like SRP and Arizona Public Service charges. He stated the second is utility projects like the ASU building, ice rink building, Mesa City Plaza and 55 N. Center, which totals approximately 850Kw of solar. He added that is approximately 1-1.5% of the energy supply, so helps manage costs but is not a substantial portion of the portfolio. He concluded by saying the third is utility scale, which are very large projects that put megawatts of solar on empty parcels. He said because Mesa is a small utility, it is harder to find opportunities and staff is always working with larger utilities on that effort.

Mr. Petrof provided an overview of the proposed residential and commercial electric rates, as well as a bill comparison and proposed increases for commercial electric rates. (See Pages 34 through 36 of Attachment 1)

Mr. Petrof highlighted gas utility completed and future projects. He commented the majority of costs are from the growth of the Magma service area and replacing aging infrastructure. He added operating costs continue to increase due to merit adjustments. (See Pages 38 and 39 of Attachment 1)

Mr. Petrof provided a comparison of residential gas costs and proposed increases and noted Mesa is competitive across all three usage categories. (See Pages 40 and 41 of Attachment 1)

Responding to Mayor Giles, Mr. McRae explained small gas customers have lower square footage homes and fewer gas appliances, whereas large gas customers have larger homes and several gas appliances.

In response to a question from Councilmember Heredia, Mr. Cadorin stated while east Mesa has seen substantial growth, that has slowed down with the completion of several large developments and the growth is currently focused in the MAGMA area. He said on the commercial and industrial side, staff is working with the Arizona Department of Commerce on many large natural gas projects in MAGMA.

(Mayor Giles excused Councilmember Spilsbury from the remainder of the meeting at 9:15 a.m.)

In response to a question from Councilmember Thompson regarding future planning for natural gas resources, Mr. Cadorin explained staff is looking at transportation options for natural gas supplies. He expanded by saying the Texas freeze event was unprecedented and discussions are taking place on how to avoid the same thing happening in the future. He added a Request for Proposals (RFP) has been issued for gas supplies in a first step effort.

Mr. Ritschel provided an overview of recommended utility rate adjustments for FY 21/22. (See Pages 43 and 44 of Attachment 1)

Mr. Ritschel outlined the schedule for the FY 21/22 rate adjustment recommendations, including the Notice of Intent.

In response to a question from Councilmember Heredia regarding a five-year average of the ending reserve balance percent, Mr. Ritschel responded the average has been in the high 20's and low 30's. He clarified what has helped that number is refunding of debt which results in a savings for positive net sources and uses. He added future refunding is not forecast since staff cannot anticipate what the market will look like.

Discussion ensued related to reducing the recommended percentage increase on water to smooth the rate curve out into the future.

Mr. Brady recommended Council move forward with the Notice of Intent to increase utility rates and prior to the introduction of the utility rate ordinance in November, staff will return to Council with another option to the current recommendation of the residential water rate and what that impact would have in the outer years.

Councilmember Thompson requested that the recommendation include the commercial side as well, especially small commercial, so as not to impact those businesses when they are just getting stable.

Mr. Ritschel outlined the schedule for the FY 21/22 rate adjustment recommendations, including the Notice of Intent.

Discussion ensued relative to increasing the rate increase to 5.25% for the purposes of the Notice of Intent in order to provide flexibility in the rate increases.

Mayor Giles thanked staff for the presentation.

## 2. Current events summary including meetings and conferences attended.

Mayor Giles –	Homelessness and Mesa College Promise
Vice Mayor Duff –	Hispanic Heritage Month book reading Business Celebration Events Lou Malnati's Pizzeria with Councilmember Spilsbury Eagles Community Center Climate Action Plan meeting I Love Mesa Celebration
Councilmember Luna –	Hispanic Heritage month videos Dobson High School principal video Taking Care of Your Neighborhood event
Councilmember Heredia –	Mekong Plaza Binh Duong Quan – 5-year anniversary Dobson Ranch Library Climate Action Plan meeting Sloan Park Mexican Baseball League.

## 3. Scheduling of meetings.

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

Thursday, September 30, 2021, 7:30 a.m. – Study Session

## 4. Adjournment.

Without objection, the Study Session adjourned at 9:43 a.m.

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JOHN GILES, MAYOR

ATTEST:

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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 23<sup>rd</sup> day of September 2021. I further certify that the meeting was duly called and held and that a quorum was present.

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DEE ANN MICKELSEN, CITY CLERK

la/dm  
(Attachment – 1)



# City of Mesa

## FY 2021/22

### Utility Fund forecast and Rates Recommendations

#### City Council Study Session September 23, 2021

## Presented by:

Brian A. Ritschel – Management & Budget Assistant Director

Jake West – Water Resources Director

Scott Bouchie – Environmental Management &  
Sustainability Director

Frank McRae – Energy Resources 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



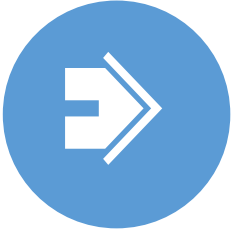
BALANCE NET SOURCES  
AND USES



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

# Water

# Increasing Costs/Pressures on the Utility

## Water Utility



- **Increases from FY 20/21 actuals to FY 21/22 budget**
  - Operating Expenditure
    - Water Commodity Costs \$2.6M
    - Treatment Plant Chemicals \$0.8M
    - Treatment Plant Power Costs \$1.0M
    - Personnel \$1.9M

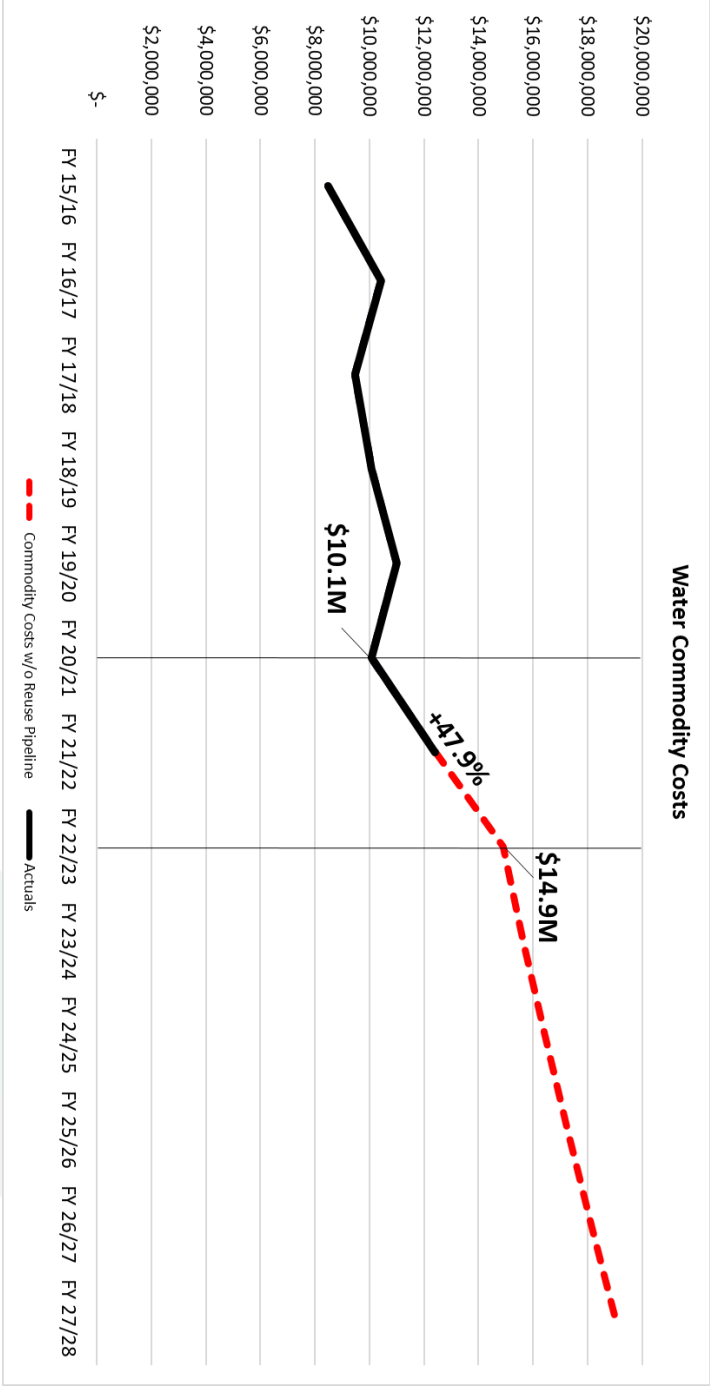
# Increasing Costs/Pressures on the Utility

## Water Utility



- **Increases from FY 20/21 actuals to FY 21/22 budget**
  - Existing Debt Service \$8.4M
    - Includes debt issued for past capital improvement projects
      - Signal Butte - Phase I
      - Waterline Replacement Projects
  - Refundings FY20/21 > FY21/22

# Increasing Costs/Pressures on the Utility





# Increasing Costs/Pressures on the Utility



## FY 20/21 Water Commodity Purchases

	Acre Feet	Cost
Central Arizona Project	49,093	\$8.7M
Salt River Project	32,812	\$1.4M

	Actual					Forecast				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	
Central Arizona Project	\$ 205.00	\$ 199.00	\$ 226.00	\$ 211.00	\$ 242.00	\$ 256.00	\$ 284.00	\$ 290.00	\$ 291.00	
Salt River Project	\$ 34.56	\$ 35.76	\$ 37.91	\$ 40.18	\$ 41.59	\$ 43.04	\$ 44.55	\$ 46.11	\$ 47.72	

# Future Capital Improvement Projects

## Water Utility



### **Central Mesa Reuse Pipeline**

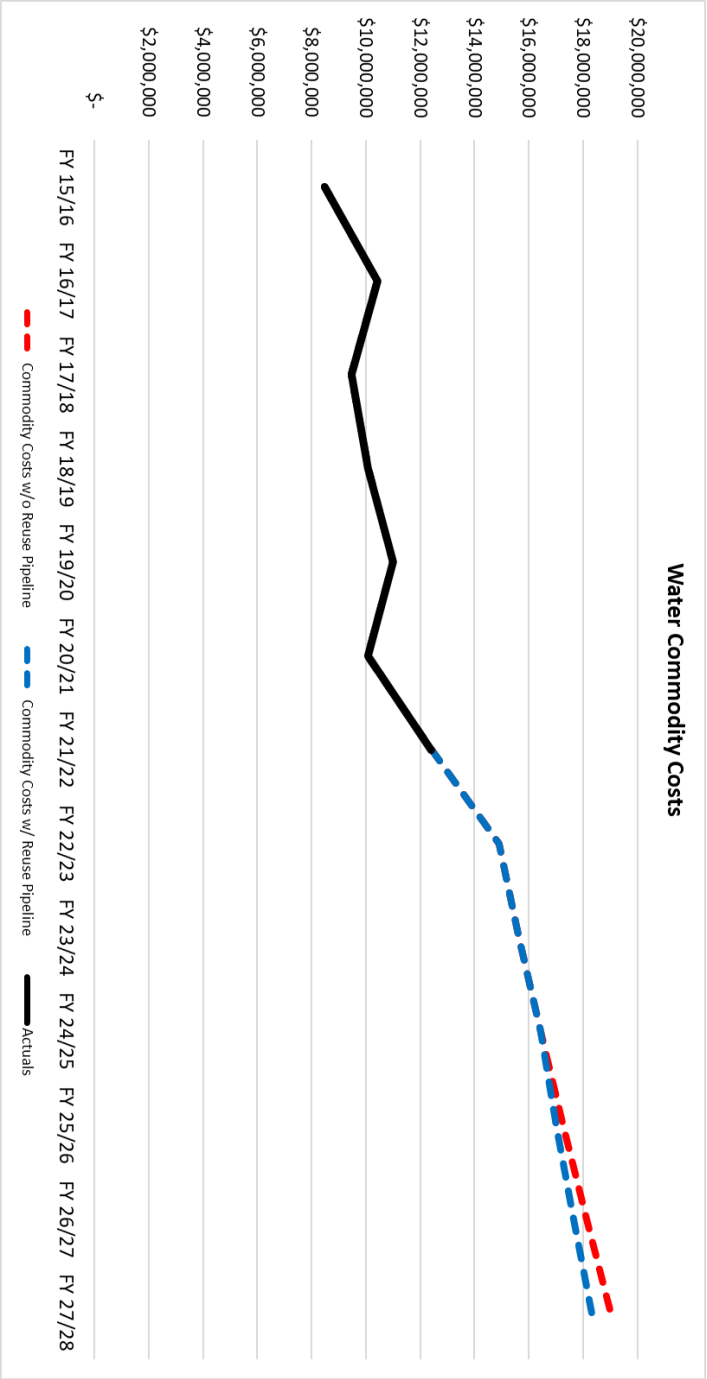
*Growth and Sustainability with ROI*

- Provide for economic growth
- Greater water system reliability
- Drought mitigation

- Project Cost

**\$72M**

# Future Capital Improvement Projects



	Actual						Forecast					
	2018	2019	2020	2021	2022	2023	2024	2025	2026			
Central Arizona Project	\$ 205.00	\$ 199.00	\$ 226.00	\$ 211.00	\$ 242.00	\$ 256.00	\$ 284.00	\$ 290.00	\$ 291.00			
Central Arizona Project w/ Reuse Pipeline	\$ 65.00	\$ 62.00	\$ 56.00	\$ 56.00	\$ 56.00	\$ 57.00	\$ 61.00	\$ 61.00	\$ 63.00			
Salt River Project	\$ 34.56	\$ 35.76	\$ 37.91	\$ 40.18	\$ 41.59	\$ 43.04	\$ 44.55	\$ 46.11	\$ 47.72			

# Future Capital Improvement Projects

## Water Utility



### **East Mesa Water Interconnect**

*Growth and Sustainability with Flexibility*

- Move 5 -10MGD between treatment plants
- Greater system reliability through diversification
- More operational resiliency through capacity sharing

- Project Cost

**\$82M**

# Future Capital Improvement Projects

## Water Utility



### Signal Butte WTP Expansion

#### *Growth*

- Increase plant capacity from 24MGD to 48MGD
- Support residential & commercial development
- Help SE Mesa to realize full potential
- Maximize renewable resource - GRIC

- Project Cost

**\$98M**

# Future Capital Improvement Projects

## Water Utility



### **Smart Metering**

#### *Growth and Demand Management*

- Revenue security – Loss/Breaks
- Real-time data/system demand
- Transparency

- Project Cost

**\$60M**



# Water - Typical Customer

	2021	2022
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## Residential

Service Charge	3.0%
Usage Charge	3.0%
\$38.24/mo.	\$39.40/mo. (\$1.16/mo.)

## Commercial General

Service Charge	3.0%
Usage Charge	5.0%
\$53.24/mo.	\$55.28/mo. (\$2.04/mo.)
	Effective increase
	3.8%

## Commercial Landscape

Service Charge	3.0%
Usage Charge	6.0%
\$163.29/mo.	\$172.02/mo. (\$8.73/mo.)
	Effective increase
	5.3%

# Wastewater



# Increasing Costs/Pressures on the Utility

## Wastewater Utility



- **Increases from FY 20/21 actuals to FY 21/22 budget**
  - Operating Expenditure
    - Reclamation Plant Chemicals \$0.3M
    - Reclamation Plant Power Costs \$0.5M
    - Greenfield WRP (one-time)/Joint Venture \$3.7M
    - Personnel \$0.7M

# Wastewater - Typical Customer



	2021	2022
Residential	\$23.22/mo.	Service Charge 3.5%
		Usage Charge 3.5%
		\$24.04/mo. (\$0.82/mo.)
Commercial	\$45.94/mo.	
		Service Charge 4.0%
		Usage Charge 4.0%
		Surcharge 4.0%
		\$47.77/mo. (\$1.83/mo.)

# Solid Waste

## Increasing Cost Pressures On The Utilities

- Disposal Fees - \$640K
- Personal Services - \$820K
- CNG Cost Increase - \$200K
- Barrel/Bin Price Increase - \$385K

# Solid Waste Residential Rate Recommendation

	CURRENT	PROPOSED INCREASE	NEW TOTAL
90-gallon Trash Barrel	\$29.34	\$0.58	\$29.92
Green & Clean Fee	\$ 0.84	\$0.05	\$ 0.89
Total Residential Increase	\$30.18	\$0.63	\$30.81

COMPARISON TO OTHER CITIES	
Phoenix	\$33.80
Mesa	\$30.81
Tempe	\$29.57

# Appliance, Bulk Item, and Green Waste Barrel Rate Recommendations

## Appliance Collection

- Increase charge for items not out on scheduled date from \$11.79 to \$19.00

## Bulk Item

- Per load increase from \$25.00 to \$28.00

## Green Waste Barrel

- Increase by \$0.14, from \$6.93 to \$7.07

## Commercial Front Load Recommendations

- Increase base rate by 3%
- Increase fee for collection out-of-zone from \$16.50 to \$19.00 per bin
- Decrease multi-day and multi-bin service discounts by 1 percentage point
- Convert special pick-up fee from tiered to flat rate of \$60
- Increase compactor base rate by \$5
- Increase excessive weight charge by 5%
- Increase cardboard by \$5 per bin

# Commercial Roll Off Recommendations

RATES	CURRENT	PROPOSED INCREASE	NEW TOTAL
Set Fee	\$60.00	\$20.00	\$80.00
Trash Per Ton Rate	\$33.50	\$ 1.75	\$35.25
Green Waste Per Ton Rate	\$39.75	\$ 2.00	\$41.75

ROLL OFF SIZE	CURRENT	PROPOSED
15 & 20 YD	\$290.50	\$315.75
30 YD	\$300.50	\$325.75
40 YD	\$315.50	\$340.75

COMPETITOR COMPARISON (40 YD)		
City of Mesa		\$340.75
Competitor Pricing		\$523.80 - \$717.97



# Flare to Fuel

- 60% design
  - Construction complete summer 2023
- Renewable Identification Numbers (RIN) revenues will begin in FY 23/24
  - 7 to 11 year pay back
- Will increase renewable energy portfolio

# Solid Waste Infrastructure

## Transfer Station at EMSC

- Operational feasibility analysis
- Mitigate against dependency on private sector
- Will come back to Council first quarter of 2022

# Solid Waste Infrastructure

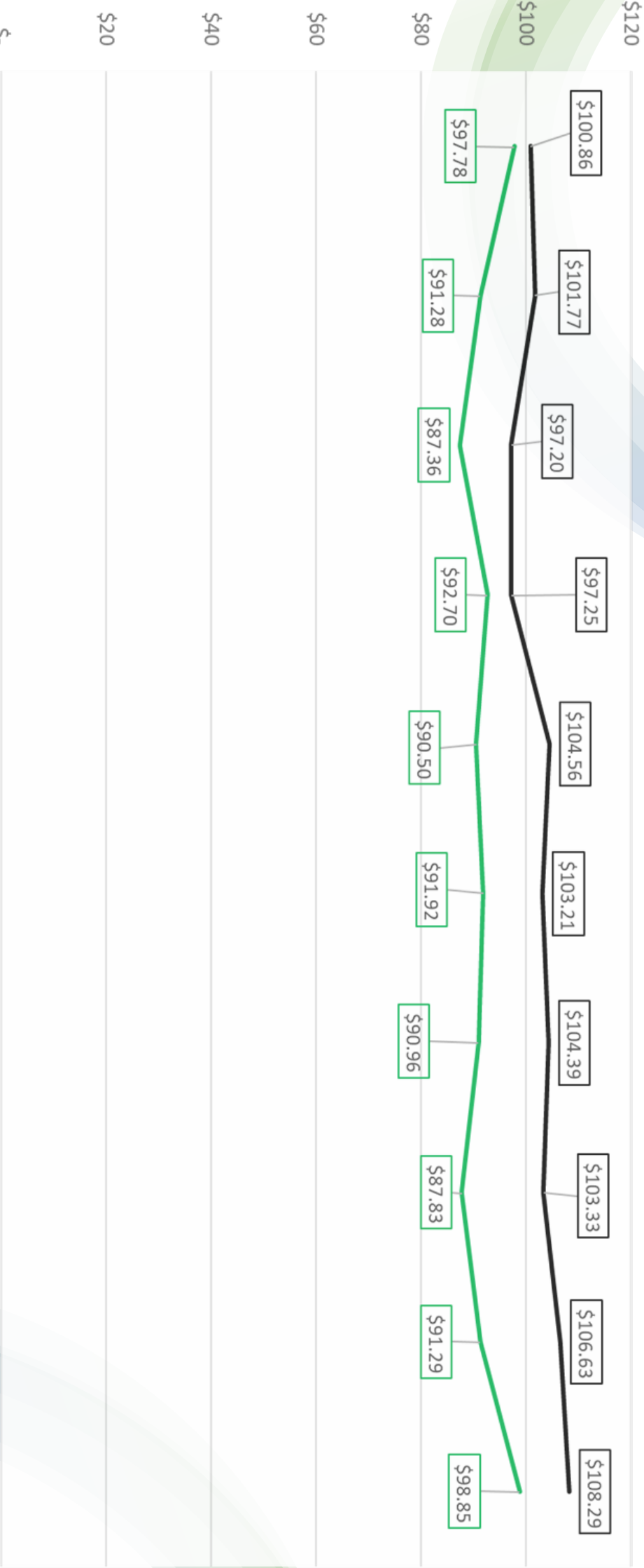
## Materials Recovery Facility (MRF) at Pecos & Sossaman

- Evaluate available options for recycling
- Regional partnerships
- Competitive edge

# Energy Resources

# Electric

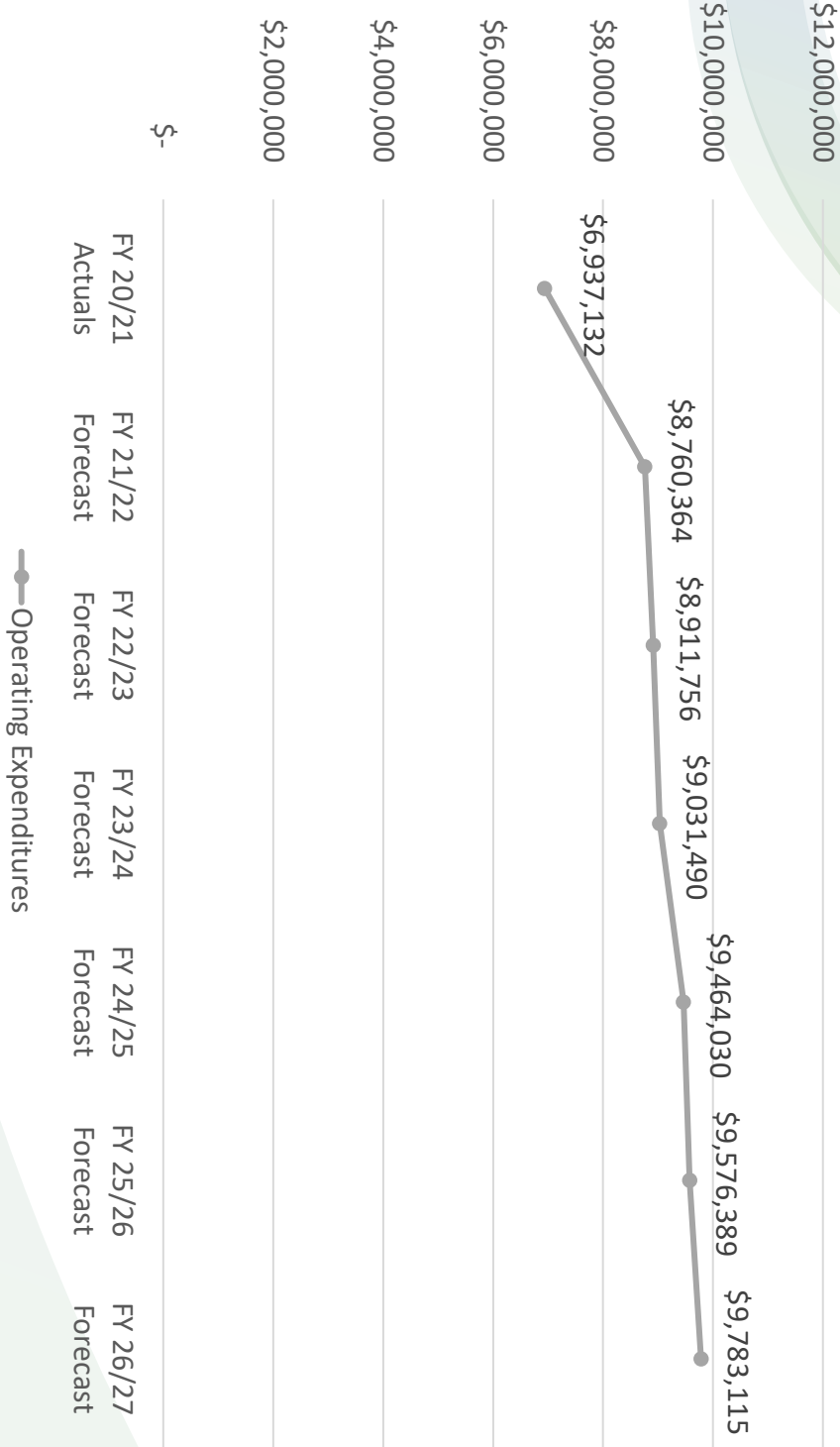
Average Monthly Residential Electric Bill Rate Comparison by Fiscal Year



COM SRP

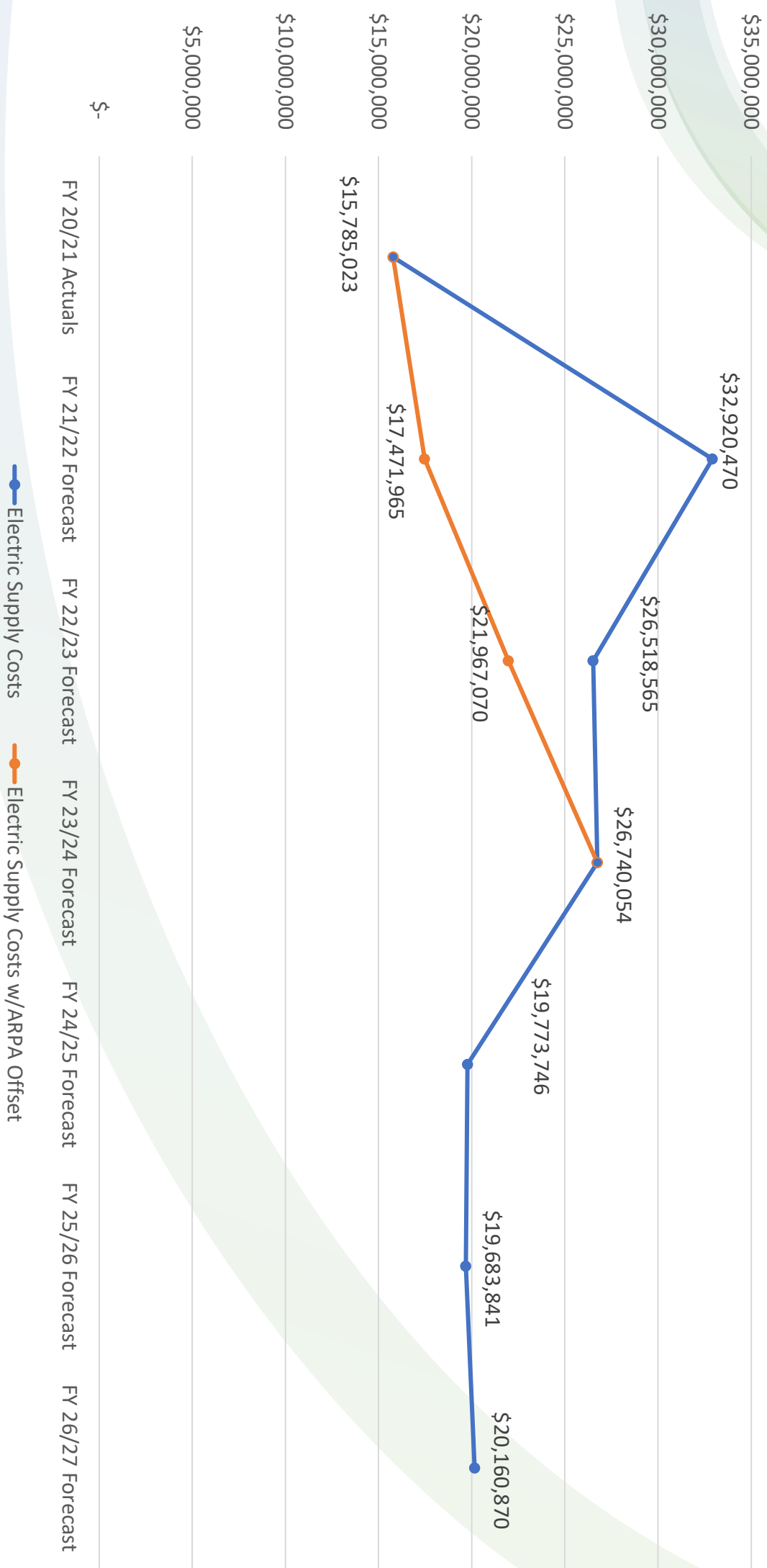


# Increasing Operating Costs on the Electric Utility



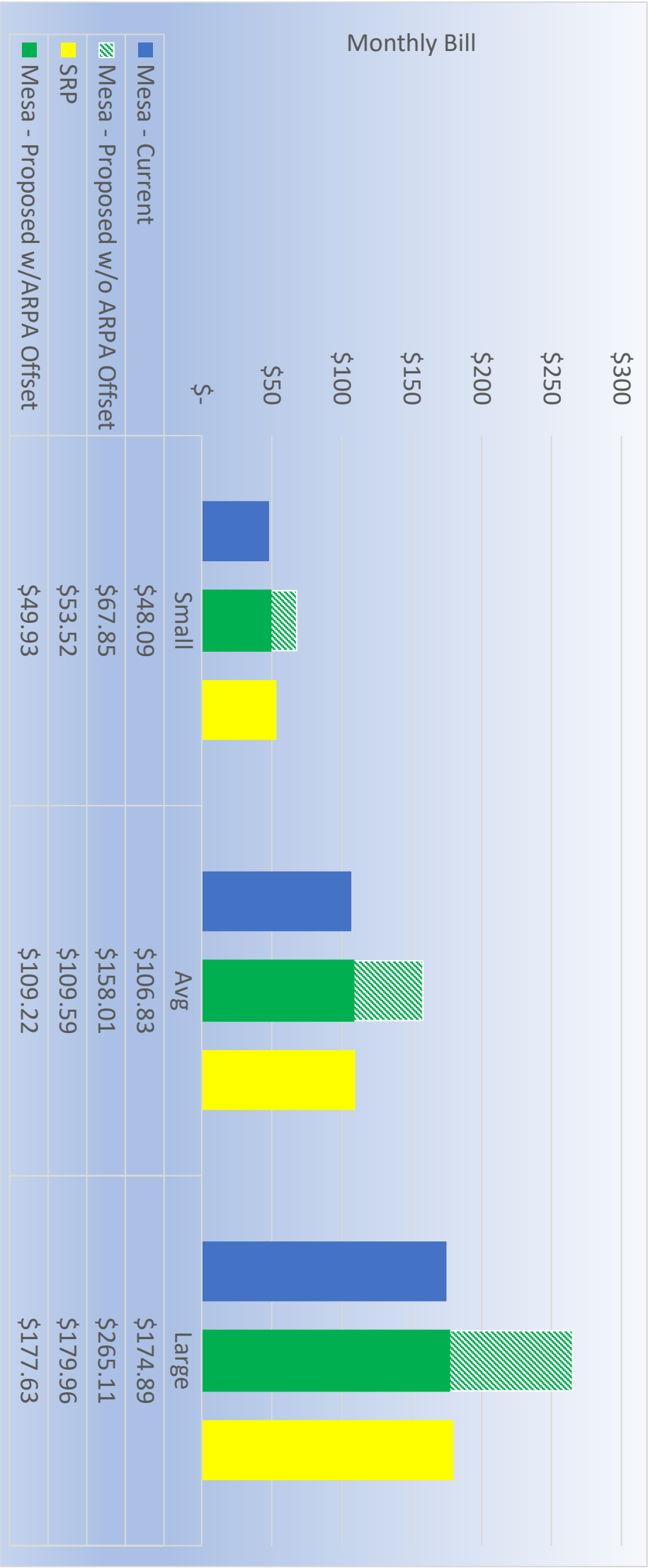
- Cost Increases
- Payroll/Benefits

# Electric Commodity Cost Pressures





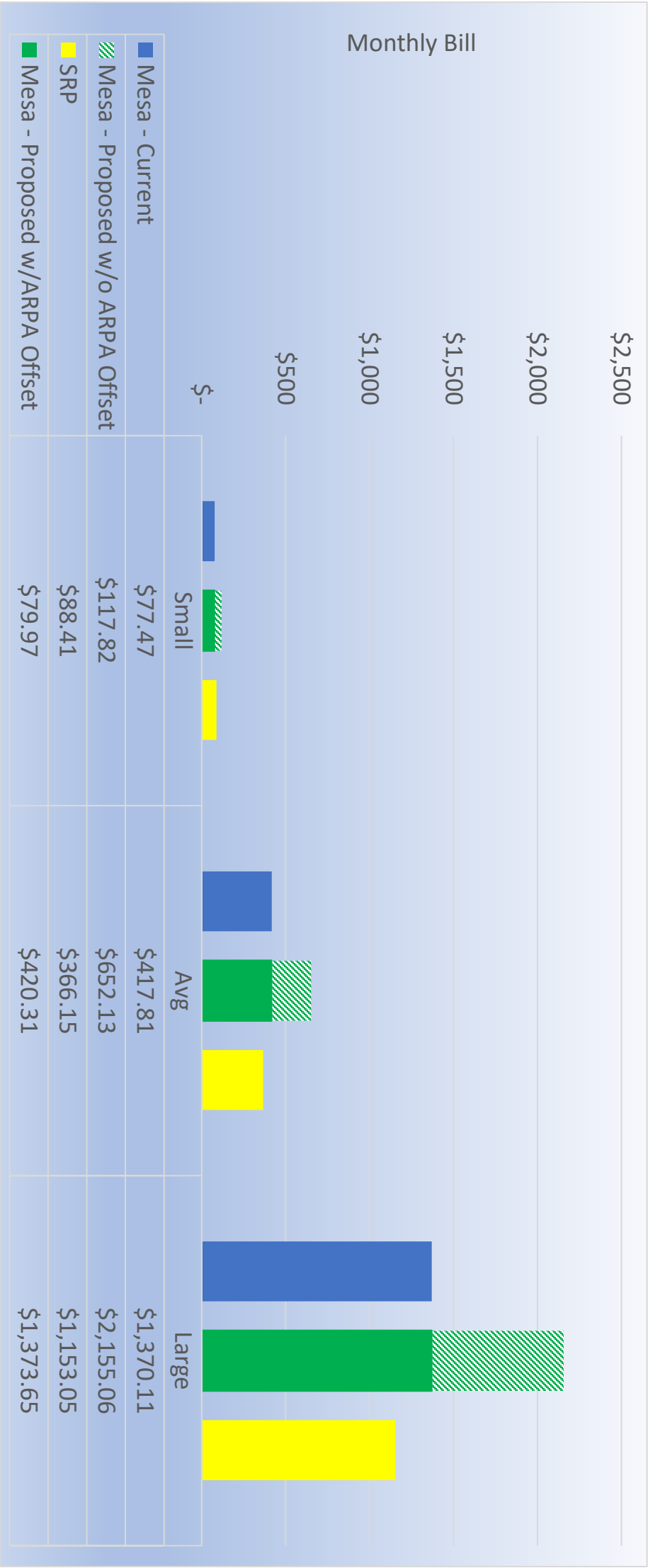
# RESIDENTIAL ELECTRIC BILL COMPARISON



# PROPOSED RESIDENTIAL ELECTRIC RATES

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE	\$13.00	\$14.50
USAGE CHARGE SUMMER per kWh	Tier 1 - \$0.05179 Tier 2 - \$0.04822	Tier 1 - \$0.05231 Tier 2 - \$0.04822
USAGE CHARGE WINTER per kWh	Tier 1 - \$0.03953 Tier 2 - \$0.01715	Tier 1 - \$0.04151 Tier 2 - \$0.01800
MONTHLY BILL (Average Customer)	\$106.83	\$109.22
	(effective increase 2.2% or \$2.39/mo.)	

# COMMERCIAL ELECTRIC BILL COMPARISON



# PROPOSED COMMERCIAL ELECTRIC RATES

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE	\$7.22	\$9.72
USAGE CHARGE SUMMER per kWh	Tier 1 - \$0.06491 Tier 2 - \$0.04125 Tier 3 - \$0.02901	Tier 1 - \$0.06491 Tier 2 - \$0.04331 Tier 3 - \$0.02901
USAGE CHARGE WINTER per kWh	Tier 1 - \$0.05375 Tier 2 - \$0.03692 Tier 3 - \$0.02060	Tier 1 - \$0.05375 Tier 2 - \$0.03877 Tier 3 - \$0.02060
MONTHLY BILL (Average Customer)	\$417.81	\$420.31
	(effective increase 0.6% or \$2.50/mo.)	

# Gas

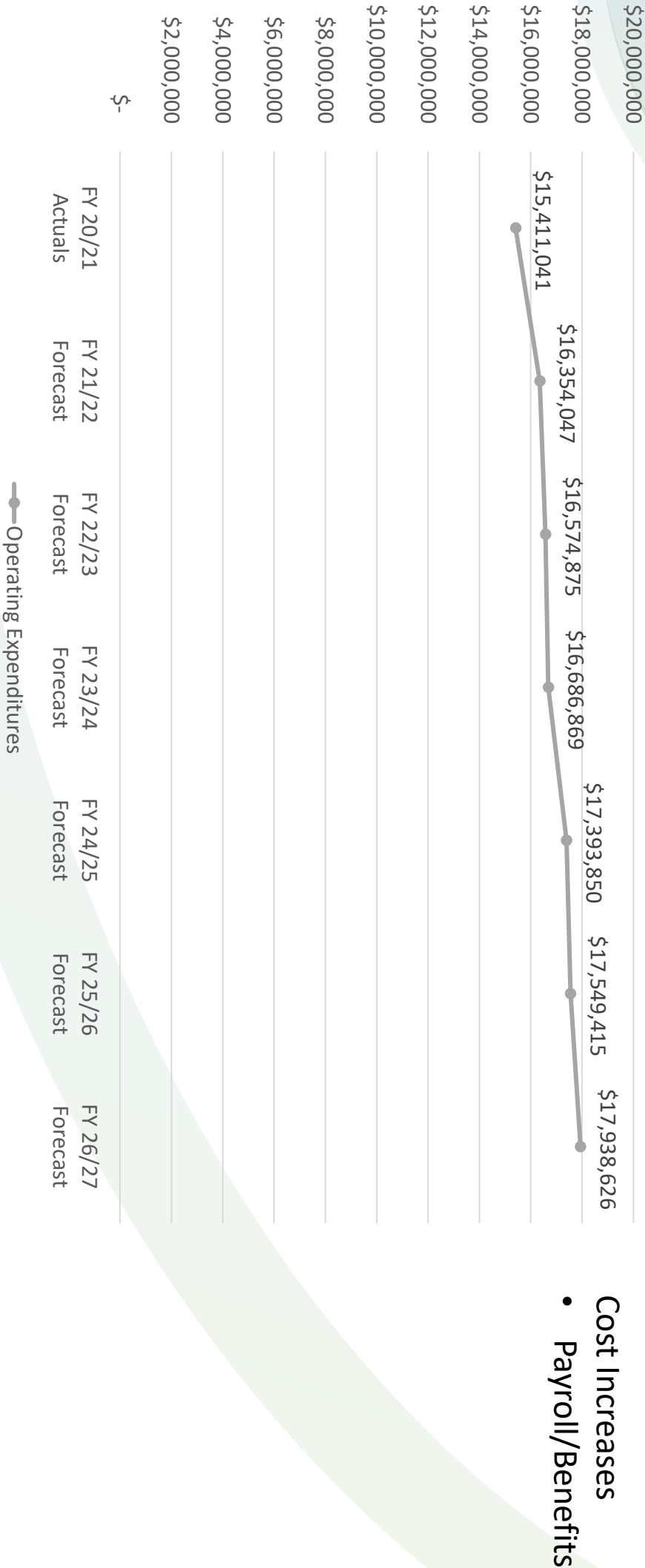
# Increasing Debt Service Costs on the Gas Utility



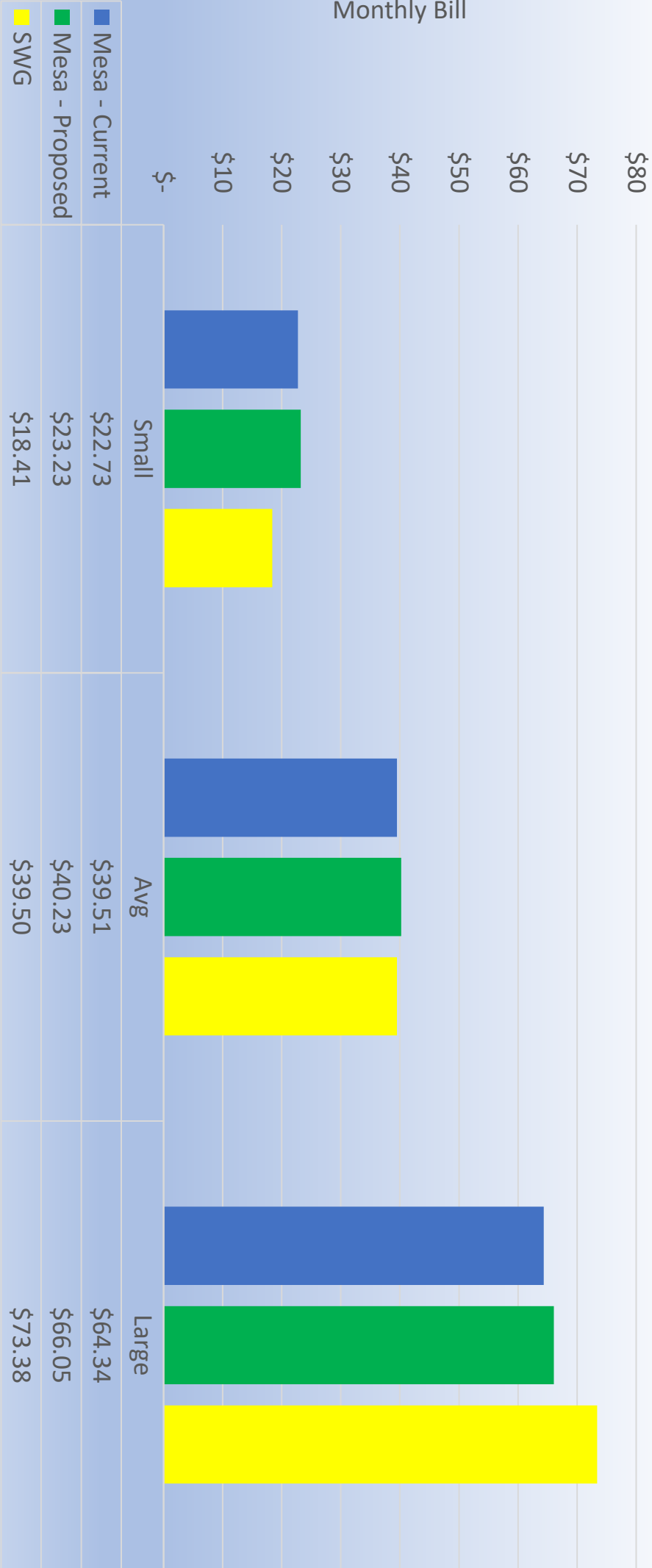
- Completed Projects
- Regulator Stations - \$5.4M
  - Aging Infrastructure - \$10M
  - Growth - \$13.6M

- Future Projects
- Gate Station - \$9.6M
  - Aging Infrastructure – 15.8M
  - Growth - \$9.9M
  - AMI - \$10M

# Increasing Operating Costs on the Gas Utility



# RESIDENTIAL GAS BILL COMPARISON





# PROPOSED RESIDENTIAL GAS RATES

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE		
SUMMER	\$15.31	\$15.81
WINTER	\$18.24	\$18.74
USAGE CHARGE		
SUMMER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.2384	Tier 1 - \$0.6685 Tier 2 - \$0.2622
USAGE CHARGE		
WINTER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.5419	Tier 1 - \$0.6685 Tier 2 - \$0.5960
MONTHLY BILL (Average Customers)	\$39.51	\$40.23
	(effective increase 1.8% or \$0.72/mo.)	

# Utility Fund Forecast

# Utility Fund Forecast: FY 21/22 Recommended Rate Adjustments

As of 08/31/2021	FY 20/21 Projected	FY 21/22 Projected	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast
TOTAL NET SOURCES AND USES							
	\$9,851,803	(\$22,016,908)	(\$9,194,370)	(\$5,014,613)	(\$11,181,618)	(\$8,307,063)	(\$7,422,938)
Beginning Reserve Balance	\$136,773,320	\$146,625,123	\$124,608,215	\$115,413,845	\$110,399,232	\$99,217,614	\$90,910,551
Ending Reserve Balance	\$146,625,123	\$124,608,215	\$115,413,845	\$110,399,232	\$99,217,614	\$90,910,551	\$83,487,613
Ending Reserve Balance Percent*	32.2%	27.7%	25.0%	23.1%	20.1%	17.2%	15.8%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential	1.50%	3.00%	2.50%	2.00%	2.00%	2.00%	2.00%
WATER Non-Residential (usage)	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	3.00%
WASTEWATER Residential	3.50%	3.50%	4.00%	4.00%	4.00%	4.00%	4.00%
WASTEWATER Non-Residential	4.00%	4.00%	4.50%	4.50%	4.50%	4.50%	4.50%
SOLID WASTE Residential	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	2.00%	3.75%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	2.00%	3.25%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge	\$1.50	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.50	\$0.50	\$0.75	\$1.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$2.00	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Utility Fund Forecast: Deferred Residential Rate Adjustments Scenario

\*For Planning Purposes Only\*

As of 08/31/2021

	FY 20/21 Projected	FY 21/22 Projected	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast
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TOTAL NET SOURCES AND USES	\$9,851,803	(\$23,366,051)	(\$14,553,789)	(\$11,990,643)	(\$10,481,538)	(\$1,516,603)	(\$418,484)
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Beginning Reserve Balance	\$136,773,320	\$146,625,123	\$123,259,072	\$108,705,284	\$96,714,641	\$86,233,103	\$84,716,500
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Ending Reserve Balance	\$146,625,123	\$123,259,072	\$108,705,284	\$96,714,641	\$86,233,103	\$84,716,500	\$84,298,015
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Ending Reserve Balance Percent*	32.3%	27.6%	23.7%	20.2%	17.3%	15.9%	15.8%
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\*As a % of Next Fiscal Year's Expenditures

WATER Residential	1.50%	0.00%	0.00%	7.00%	7.00%	2.00%	2.00%
WATER Non-Residential (usage only)	5.00%	5.00%	5.00%	7.00%	7.00%	5.00%	3.00%
WASTEWATER Residential	3.50%	0.00%	0.00%	7.00%	7.00%	4.00%	4.00%
WASTEWATER Non-Residential	4.00%	4.00%	4.50%	7.00%	7.00%	4.50%	4.50%
SOLID WASTE Residential	0.00%	0.00%	0.00%	7.00%	7.00%	2.00%	2.00%
SOLID WASTE Commercial	2.00%	3.75%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	2.00%	3.25%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge	\$1.50	\$0.00	\$0.00	\$3.00	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.50	\$0.00	\$0.00	\$2.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$2.00	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Schedule for FY 2021/22 Utility Rates Adjustment Recommendation

**Oct 4** – City Council Action on Notice of Intent

**Nov 15** – Introduce Utility Rate Ordinances

**Dec 8** – City Council Action on Utility Rates

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

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# Utility Fund Forecast: Does Not Include the 3 Water Growth Projects

\*For Planning Purposes Only\*

As of 08/31/2021	FY 20/21 Projected	FY 21/22 Projected	FY 22/23 Forecast	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast
TOTAL NET SOURCES AND USES	\$9,851,803	(\$22,016,908)	(\$7,791,870)	(\$2,242,529)	(\$6,035,114)	(\$898,433)	\$2,746,819
Beginning Reserve Balance	\$136,773,320	\$146,625,123	\$124,608,215	\$116,816,345	\$114,573,815	\$108,538,702	\$107,640,268
Ending Reserve Balance	\$146,625,123	\$124,608,215	\$116,816,345	\$114,573,815	\$108,538,702	\$107,640,268	\$110,387,088
Ending Reserve Balance Percent*	32.2%	27.8%	25.4%	24.3%	22.4%	21.0%	21.5%
*As a % of Next Fiscal Year's Expenditures							
WATER Residential	1.50%	3.00%	2.50%	2.00%	1.50%	1.50%	1.50%
WATER Non-Residential (usage only)	5.00%	5.00%	5.00%	5.00%	4.50%	4.50%	3.00%
WASTEWATER Residential	3.50%	3.50%	4.00%	4.00%	3.50%	3.50%	3.50%
WASTEWATER Non-Residential	4.00%	4.00%	4.50%	4.50%	4.00%	4.00%	4.00%
SOLID WASTE Residential	0.00%	2.00%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Commercial	2.00%	3.75%	2.00%	2.00%	2.00%	2.00%	2.00%
SOLID WASTE Rolloff	2.00%	3.25%	2.00%	2.00%	2.00%	2.00%	2.00%
ELECTRIC Residential - svc charge	\$1.50	\$1.50	\$2.00	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.50	\$0.50	\$0.75	\$1.00	\$1.00	\$1.00	\$1.00
GAS Non-Residential - svc charge	\$2.00	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00