

AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

September 8, 2022

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on September 8, 2022, at 10:24 a.m.

COMMITTEE PRESENT

Mark Freeman, Chairperson
Jennifer Duff
David Luna

COMMITTEE ABSENT

None

STAFF PRESENT

Mike Kennington
Holly Moseley
Bill Taebel

Chairperson Freeman conducted a roll call.

1. Items from citizens present.

There were no items from citizens present.

2-a. 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 Christopher Hassert, Interim Energy Resources Director Scott Bouchie, and Interim Solid Waste Director Sheri Collins and displayed a PowerPoint presentation on the FY 22/23 Utility Enterprise Fund forecast and recommended utility rate adjustments. **(See Attachment 1)**

Mr. Ritschel explained each utility is operated as a separate business center but treated as one fund. He noted that the City's reserve balance provides a safety net for unforeseen conditions and to smooth rate adjustments year-to-year. He outlined the five financial principles that are incorporated into the City's forecasting strategy. (See Pages 3 and 4 of Attachment 1)

Ms. Collins introduced Senior Fiscal Analyst Justin Stadt and gave an update on recycling and Solid Waste utility recommendations. She reported the City is currently recycling 12,000 tons with a contracted vendor and responses are being evaluated through a Request for Proposal (RFP) with the Town of Gilbert. She remarked staff will provide an update to Council in December. She indicated there are continued regional discussions on recycling solutions and a Materials Recovery Facility (MRF) plan.

Ms. Collins described the cost pressures on Solid Waste, including the addition of nine new positions, a Consumer Price Index (CPI) increase of 6% on disposal fees, increasing commodities to build barrels and bins, and an increased commodity cost of Compressed Natural Gas (CNG) conversion. She noted when analyzing CNG costs, there are still significant savings over diesel. She presented data on operating expenditures from the prior year and current forecasts. (See Pages 34 and 35 of Attachment 1)

Ms. Collins provided the residential rate recommendations for Solid Waste, including a 2% increase on 90-gallon residential trash barrels and a slight increase to the Green and Clean fee, which runs the Household Hazardous Materials (HHM) facility and the Neighborhood Clean Up Program. She noted the total proposed increase is \$0.67 and provided rate comparisons to Phoenix and Tempe. Ms. Collins discussed the Pay-As-You-Throw Program, where customers only pay when utilizing the service. She remarked the bulk item per load rate increased from \$28 to \$29, and the self-haul program increased from \$13 to \$15 due to CPI increase on landfills. (See Pages 36 and 37 of Attachment 1)

In response to a question from Committeemember Duff, Deputy City Manager Marc Heirshberg stated that staff forecasted bulk pickup options and found the utilization for this type of service was only 30%. He explained the staffing levels required for this service, the difficulty in hiring equipment operators, and the long lead time on the equipment. He remarked that drivers must drive every street to look for pickups and noted other communities had experienced code compliance issues. He stated staff would continue to analyze bulk pickup options.

Ms. Collins reported that Mesa competes with the private sector on commercial front-load trash services. She recommended increasing the commercial front-load trash base rate by 2.5% and the fee for out-of-zone collection from \$19. to \$20. She proposed decreasing the multi-day and multi-bin service discounts by 1%. She explained that the recommendation to increase the caster installation to \$76.44 covers the costs for the casters and one hour of staff time, adding this increase would mainly impact new start-up customers. She recommended a 2.7% increase to the commercial front-load cardboard base rate, decreasing the multi-bin service discount to 15%, and increasing the special pickup fee to \$60 to match the trash fee. (See Pages 38 through 40 of Attachment 1)

Ms. Collins recommended increasing the commercial roll-off set fee by \$6.50 and the haul fee by \$3. She explained the City follows the CPI rate for tonnage fees and proposed increasing the tonnage rate by 6.22% to follow the landfill increase. She noted the proposed commercial roll-off increase for a one-time trash customer would increase by \$16.07 and by \$17.30 for a one-time green waste customer. (See Pages 41 and 42 of Attachment 1)

In response to a question from Chairperson Freeman, Ms. Collins stated that overall, the City is pricing below competitors based on price comparison. She stated staff could investigate increasing fees to align with competitors.

It was moved by Committeemember Luna, seconded by Committeemember Duff, that the recommendations on the proposed utility rates for Solid Waste be forwarded to the full Council for discussion and consideration.

Upon tabulation of votes, it showed:

AYES – Freeman-Duff-Luna

NAYS – None

Carried unanimously.

Mr. Bouchie introduced Energy Resources Program Manager Anthony Cadorin and Senior Fiscal Analyst John Petrof and provided an overview of the Electric and Gas utility rates and recommendations.

Mr. Cadorin indicated that the customer's bill includes distribution charges such as poles, transformers, wires, staff and gas pipes, regulators, and meters. He stated that commodity costs and the distribution charges are considered when proposing rate recommendations. He said increases have been offset and balanced by American Rescue Plan Act (ARPA) funds, and the City has implemented assistance programs for low-income customers. He noted the importance of pursuing competitive rates with Salt River Project (SRP) and Southwest Gas. He indicated the goal is to transition toward a modern rate structure, including time of use or flat rates. He pointed out staff considers the economic makeup of the service territory and noted there is no increase to electric utilities. (See Page 16 of Attachment 1)

Mr. Petrof reported that inflation on commodities, services, contracts, and salary adjustment increases have resulted in increased costs.

Mr. Cadorin stated the increasing debt service is driven mainly by large projects Downtown to meet growth. He discussed various reliability and generation projects to help offset market increases, including interconnecting solar projects, the microgrid at the police department campus, and large-scale generation and battery projects. He noted that the referenced debt applies to Electric Energy Cost Adjustment Factor (EECAF) costs due to generation sources that reduce EECAF and do not impact the distribution rates. He remarked that the 69 kilovolts (kV) looping project and Advanced Metering Infrastructure (AMI) would affect the distribution side. (See Page 18 of Attachment 1)

Mr. Petrof outlined the increasing debt service and operating costs on the electric utility. He noted that although there would be less debt issuance in the future, it would continue to rise over time. He provided a residential electric bill comparison for three customer consumption levels, noting the City's rates are currently 5.8% over SRP rates. (See Pages 19 through 21 of Attachment 1)

In response to multiple questions from Committeemember Duff, Mr. Cadorin provided a comparison of the City's historical rates with SRP. He noted that the City had incurred higher commodity costs recently. He stated time-of-use rates would come online following the AMI study and would include a reduced rate for electric vehicle (EV) charging during off-peak times.

Mr. Petrof presented a commercial customer monthly bill comparison and reiterated there are no proposed rate adjustments. He stated that rates are 20.5% over SRP without demand charges; and with demand charges, rates are 4.5% above SRP. (See Page 22 of Attachment 1)

Mr. Cadorin discussed EV opportunities and challenges and further explained the discounted time-of-use rate. He noted the EV program is subject to meter availability, communications, and customer service timelines. (See Page 23 of Attachment 1)

In response to a question from Committeemember Duff, Mr. Cadorin stated the electric meters are delayed due to supply chain issues. He added solar and EV customers will be prioritized for meter deployment.

In response to a question from Chairperson Freeman, Mr. Cadorin recommended that customers use a timer program or a smartphone app to charge EVs during off-peak hours. He commented the rate program would require customers to provide their EV registration to receive the discount.

Mr. Petrof highlighted several cost pressures on the gas utility operating budget due to inflation on expenditures and personal service increases. He explained that large projects in Magma service territory are driving costs up. (See Page 25 of Attachment 1)

Mr. Petrof discussed the upward cost pressures on debt services and increasing operating costs over time. He presented a residential gas bill comparison, noting the proposed rates are .2% or .07 cents below Southwest Gas. He reported an increased system service charge of .75 cents and a 10% Tier 2 increase for winter and summer usage. He noted the average customer would see an increase of .95 cents per month. (See Pages 26 through 29 of Attachment 1)

In response to comments from Chairperson Freeman, Mr. Cadorin stated the growth in Magma service territory has helped pay for additional debt.

Mr. Petrof provided a commercial gas bill comparison. He stated on average the proposed rate would be .7% or \$3.80 per month more than Southwest Gas. He explained the proposed \$2 monthly increase to the system service charge, a 1% Tier 1 winter and summer increase, and a 3% Tier 2 winter and summer increase for usage charges. He noted the average customer would see a .8% or \$4.59 per month increase. (See Pages 30 and 31 of Attachment 1)

Mr. Cadorin described various gas rates that have not been utilized in over 15 years. He stated eliminating these rates will streamline the rate book and prevent confusion for staff. He recommended removing the electric direct access service language due to no deregulation. (See Page 32 of Attachment 1)

Assistant City Attorney Bill Taebel explained the Court of Appeals case regarding the deregulation of electric utilities and noted that all statutes regarding deregulation had been removed.

In response to a question from Committeemember Duff, Mr. Bouchie discussed Energy Resources climate action goals and emphasized the partnership with the Environmental and Sustainability Department. He outlined several solar and renewable natural gas projects to produce energy locally. He stated the Mesa Climate Action Plan leverages all five City-owned utilities to increase the diversion rate, taking waste and turning it into local resources. He indicated the CNG fleet would be online in early 2024.

It was moved by Committeemember Luna, seconded by Committeemember Duff, that the recommendations on the proposed utility rates for Electric and Gas be forwarded to the full Council for discussion and consideration.

Upon tabulation of votes, it showed:

AYES – Freeman-Duff-Luna
NAYS – None

Carried unanimously.

Mr. Hassert introduced Deputy Director Water Enterprise Services Seth Weld and provided an overview of the Water and Wastewater rates and recommendations.

Mr. Hassert discussed increasing cost pressures on the water utility, including commodity costs, power costs, chemicals, and labor rates from inflation. He noted the Phoenix-operated Val Vista Water Treatment Plant is projected to see a \$1.2 million increase in the coming year. (See Page 6 of Attachment 1)

Mr. Hassert explained that water scarcity and drought conditions increase cost pressures on the utility. He noted the Bureau of Reclamation has declared a Tier 1 water shortage in the Colorado River for this year and a Tier 2a water shortage next year. He remarked a Tier 2a shortage would result in a 21% reduction in the Colorado River water supply. He pointed out that Mesa will not face cuts to the water portfolio in Tier 1; however, under Tier 2a Mesa would face 2600-acre feet of cuts amounting to 4-5% of the Central Arizona Project (CAP) portfolio. (See Page 7 of Attachment 1)

Mr. Hassert stated to address the \$3.7 million increase in water commodity costs, staff is proposing an .08 cent drought commodity surcharge on every 1,000 gallons of water used. He explained that the first 3,000 gallons are excluded from the surcharge. He pointed out the average customer would see an increase of .24 cents per month, which would increase as more water is used.

In response to a request for clarification from Chairperson Freeman, Mr. Weld explained the concept of the drought commodity surcharge is to collect enough revenue to offset the increase of water commodity costs and cover the gap. He stated that other municipalities presented similar ideas by increasing user and base charges. He noted that this charge could be eliminated if the City returns to Tier 0. (See Page 8 of Attachment 1)

Deputy City Manager and Chief Financial Officer Mike Kennington explained drought commodity surcharge adds more transparency to the cost of the commodity to the raw water for the users.

Responding to a question from Chairperson Freeman, Mr. Hassert confirmed that although CAP water is driving costs up, increases are spread out to all customers. He explained SRP and CAP water is moved across boundaries throughout the service center. He pointed out that the surcharge is removable if the drought eases up.

Mr. Hassert discussed notable increases to prior estimates for large capital projects. He remarked that staff uses third-party estimators and value engineering sessions with contractors and design teams to analyze costs and identify scope creep and schedules. (See Page 9 of Attachment 1)

Mr. Weld discussed the proposed 4-year plan to bring interdepartmental rates in line with the residential Tier 1 rate. He pointed out that the department's impact is less if usage comes down. He outlined increases for residential, commercial general, and commercial landscape customers. (See Page 10 and 11 of Attachment 1)

In response to multiple questions from Committeemember Luna, Mr. Weld discussed conservation tools to decrease water usage. He described outreach opportunities through the website, bill inserts, and customer service staff.

Mr. Weld described the increasing cost pressures on the wastewater utility, adding a significant driving factor in the 91st Avenue wastewater plant. He reported a 4.25% service and usage charge increase for residential and a 4.5% service and usage increase for commercial. (See Pages 12 through 14 of Attachment 1)

Budget Coordinator Chris Olvey summarized the utility fund forecast for FY 22/23 and the rate adjustments and schedule. He noted that with committee recommendation, rates would be presented to full Council on September 15, 2022, with a Notice of Intent scheduled for September 19, 2022. He added staff would introduce the utility rate ordinances on November 21, 2022, and Council will act on utility rates on December 1, 2022, with the effective date for utility rate changes on January 1, 2023. (See Pages 43 through 45 of Attachment 1)

Additional discussion ensued on various rate scenarios and calculations for wastewater.

It was moved by Committeemember Luna, seconded by Committeemember Duff, that the recommendations on the proposed utility rates for Water and Wastewater be forwarded to the full Council along with additional rate calculations for discussion and consideration.

Upon tabulation of votes, it showed:

AYES – Freeman-Duff-Luna

NAYS – None

Carried unanimously.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 11:39 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 8th day of September 2022. I further certify that the meeting was duly called and held and that a quorum was present.



HOLLY MOSELEY, CITY CLERK

City of Mesa

FY 2022/23

Utility Fund forecast and Rates

Recommendations

Audit, Finance & Enterprise Committee
September 8, 2022

Presented by:

Brian A. Ritschel – Management & Budget Assistant Director

Christopher Hassert – Water Resources Director

Scott Bouchie – Interim Energy Resources Director

Sheri Collins – Interim Solid Waste 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



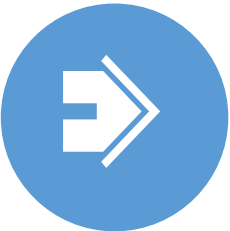
BALANCE NET SOURCES
AND USES



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

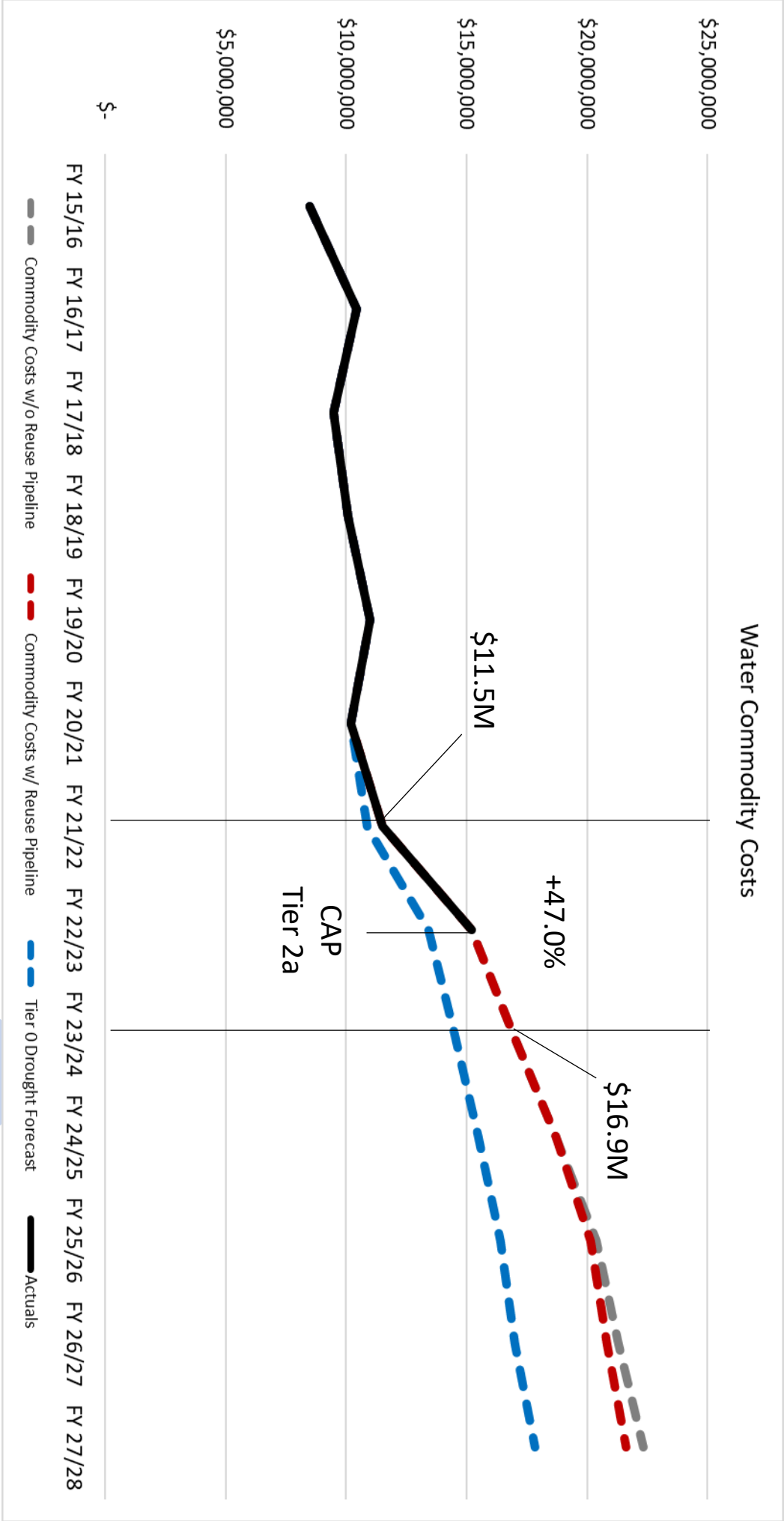
Increasing Costs/Pressures on the Utility

Water Utility



- Increases from FY 21/22 actuals to FY 22/23 budget
 - **Operating Expenditures**
 - Water Commodity Costs +\$3.7M
 - Treatment Plant Power Costs +\$0.8M
 - Treatment Plant Chemicals +\$0.6M

Increasing Costs/Pressures on the Utility



Drought Commodity Charge

Water Utility



- **Drought Commodity Charge**
- \$0.08 surcharge on each kgal sold (first 3kgals excluded)
- Typical residential customer +\$0.24/mo (+2.88/yr)
- Separately applied (not a part of proposed rate increases)
- Considers increased costs related to shortage conditions
 - For example - CAP tiers 0 (normal) and 2a
 - Tier 0: \$13,412,783
 - Tier 2a: \$15,228,570
- Discontinued at end of shortage, but can be applied again if conditions change

Increasing Costs/Pressures on the Utility

Water Utility

Increases from FY 21/22 forecast to FY 22/23 forecast

Project Costs (Debt Service)

	<u>Prior</u>	<u>Current</u>	<u>Difference</u>
	<u>Estimate</u>	<u>Estimate</u>	
Central Mesa Reuse Pipeline	\$72M	\$183M	+\$111M
East Mesa Water Interconnect	\$82M	\$290M	+\$208M
Signal Butte WTP Expansion	\$98M	\$201M	+\$103M



Interdepartmental Rate

Water Utility



Interdepartmental Rate

- 10 percent increase to usage component
 - \$2.65 kgal to \$2.92 kgal (both general & landscape)
- Part of 4-year plan to bring interdepartmental rates in line with the residential tier 1 rate

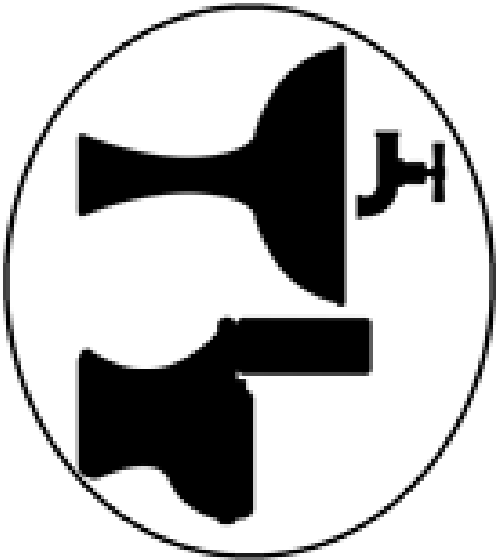


Water - Typical Customer

	2022	2023
Residential		
	Service Charge	2.75%
	Usage Charge	2.75%
	Drought Commodity Charge	\$0.08/kgal
	\$39.19/mo.	
	Service Charge	\$40.50/mo. (\$1.31/mo.)
	Effective Increase	
		3.3%
Commercial General		
	Service Charge	2.75%
	Usage Charge	5.50%
	Drought Commodity Charge	\$0.08/kgal
	\$55.12/mo.	
	Service Charge	\$57.76/mo. (\$2.64/mo.)
	Effective increase	
		4.8%
Commercial Landscape		
	Service Charge	2.75%
	Usage Charge	6.50%
	Drought Commodity Charge	\$0.08/kgal
	\$138.08/mo.	
	\$147.04/mo. (\$8.96/mo.)	
Effective increase		6.4%

Wastewater

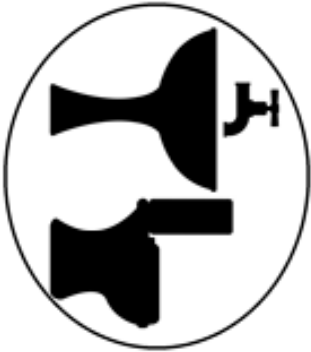
Increasing Costs/Pressures on the Utility



- Wastewater Utility
- Increases from FY 21/22 actuals to FY 22/23 budget
 - **Operating Expenditures**
 - Treatment Plant Power Costs +\$0.4M
 - Treatment Plant Chemicals +\$0.1M

Wastewater - Typical Customer

		2022	2023*
Residential			
	Service Charge		4.25%
	Usage Charge		4.25%
		\$23.92/mo.	\$24.93/mo. (\$1.01/mo.)
Commercial			
	Service Charge		4.50%
	Usage Charge		4.50%
	Surcharge		4.50%
		\$47.77/mo.	\$49.90/mo. (\$2.13/mo.)



* Same percentage adjustment as presented to the City Council on November 4, 2021

Energy Resources

Overview

- Upward Rate Pressure: Market cost increases
 - Balanced with ARPA funds
 - Customer Programs: SEA Program
- Pursue rate competitiveness with surrounding utilities
 - Transition to modern rate structures
 - Encourage electric peak power resource conservation
 - Better capacity utilization for natural gas
- Address economic makeup of ESA

Electric

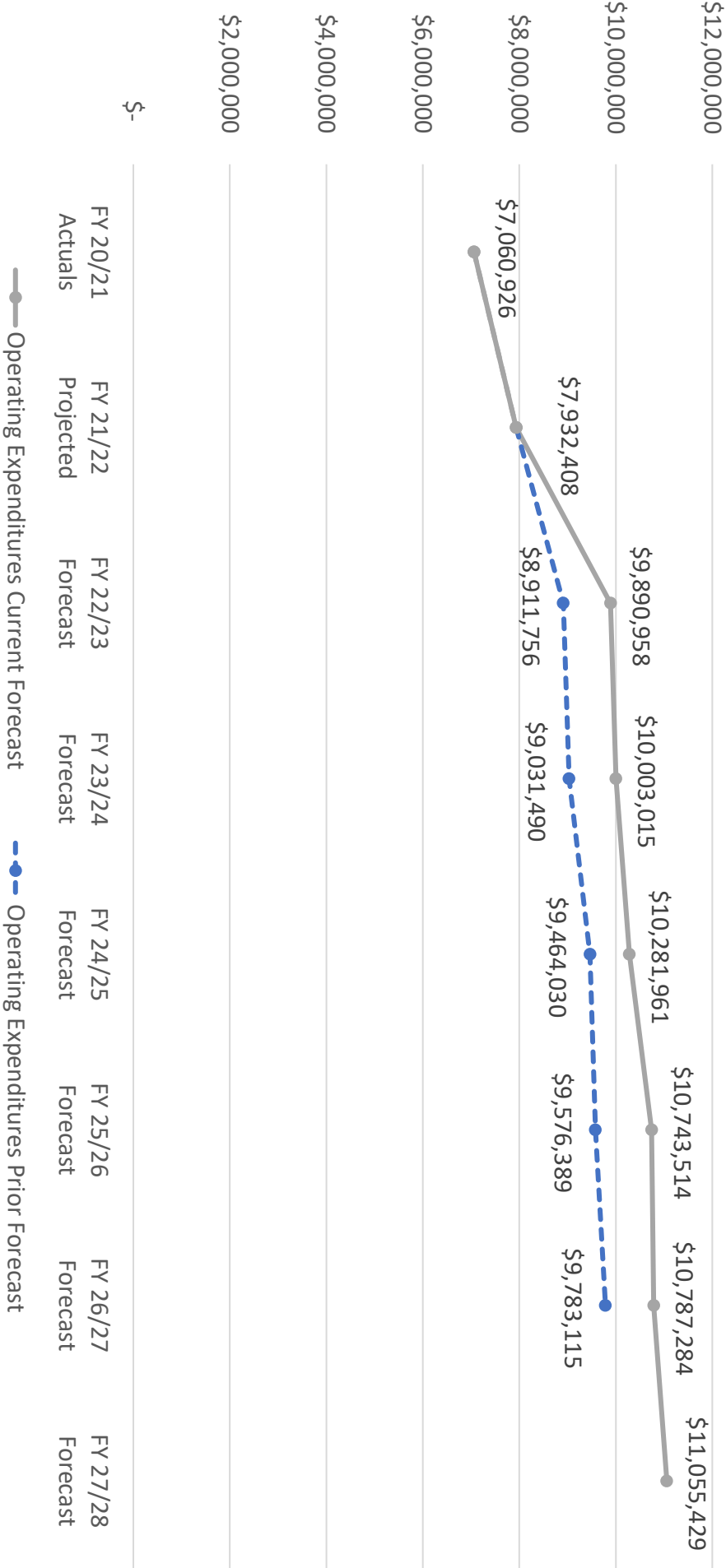
Increasing Costs/Pressures on the Electric Utility

- Operating Budget
 - Higher than normal inflation on commodities, services, and contracts
 - Personal services increases
- Debt Service
 - Meeting growth demands in Downtown
 - Multi-department projects (Broadway Rd)
 - Reliability/Generation projects
 - Generation – Solar, Microgrids, Large Scale – EECAF Recovery
 - 69 kV Looping and AMI

Increasing Debt Service Costs on the Electric Utility

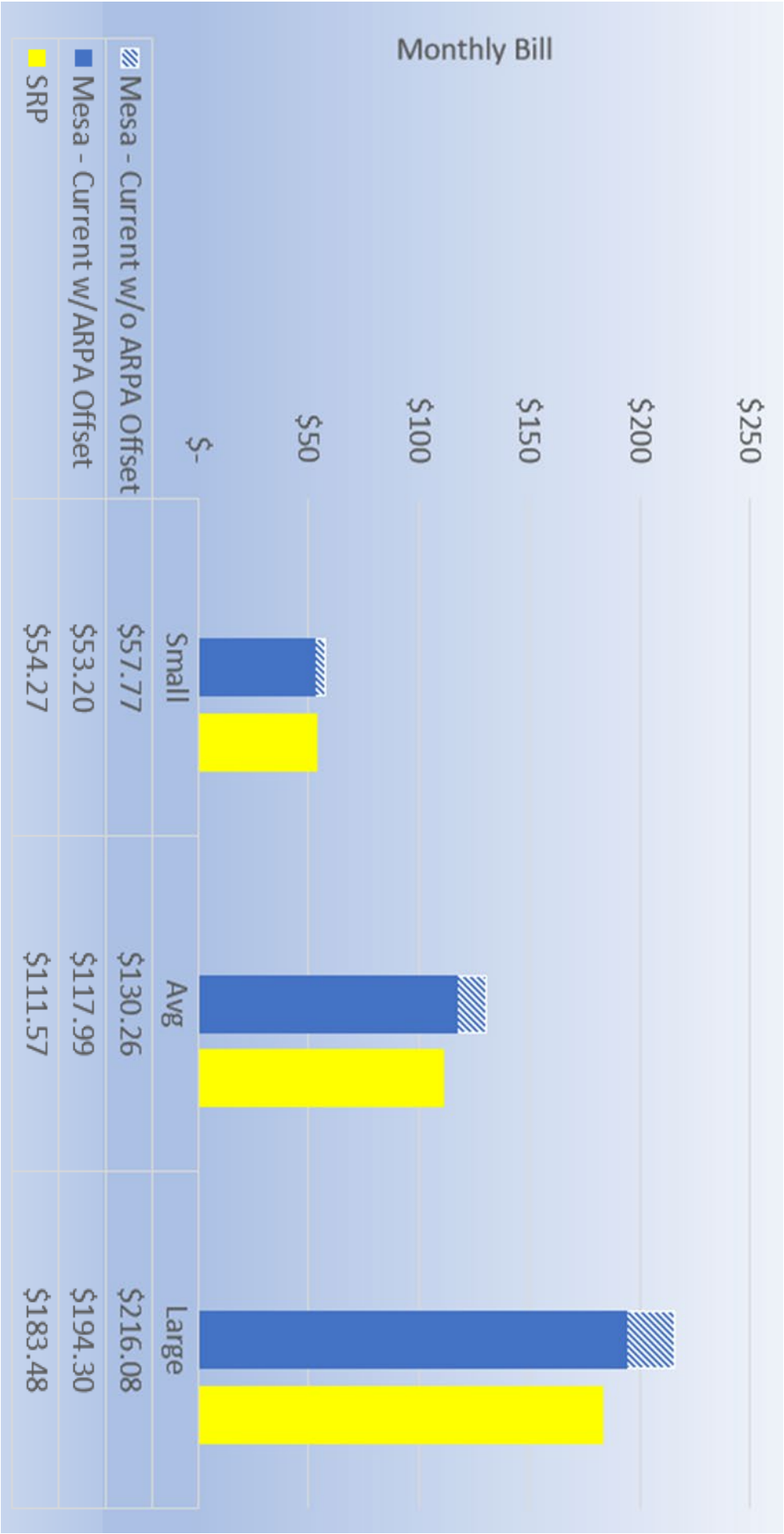


Increasing Operating Costs on the Electric Utility



Residential Electric Bill Comparison

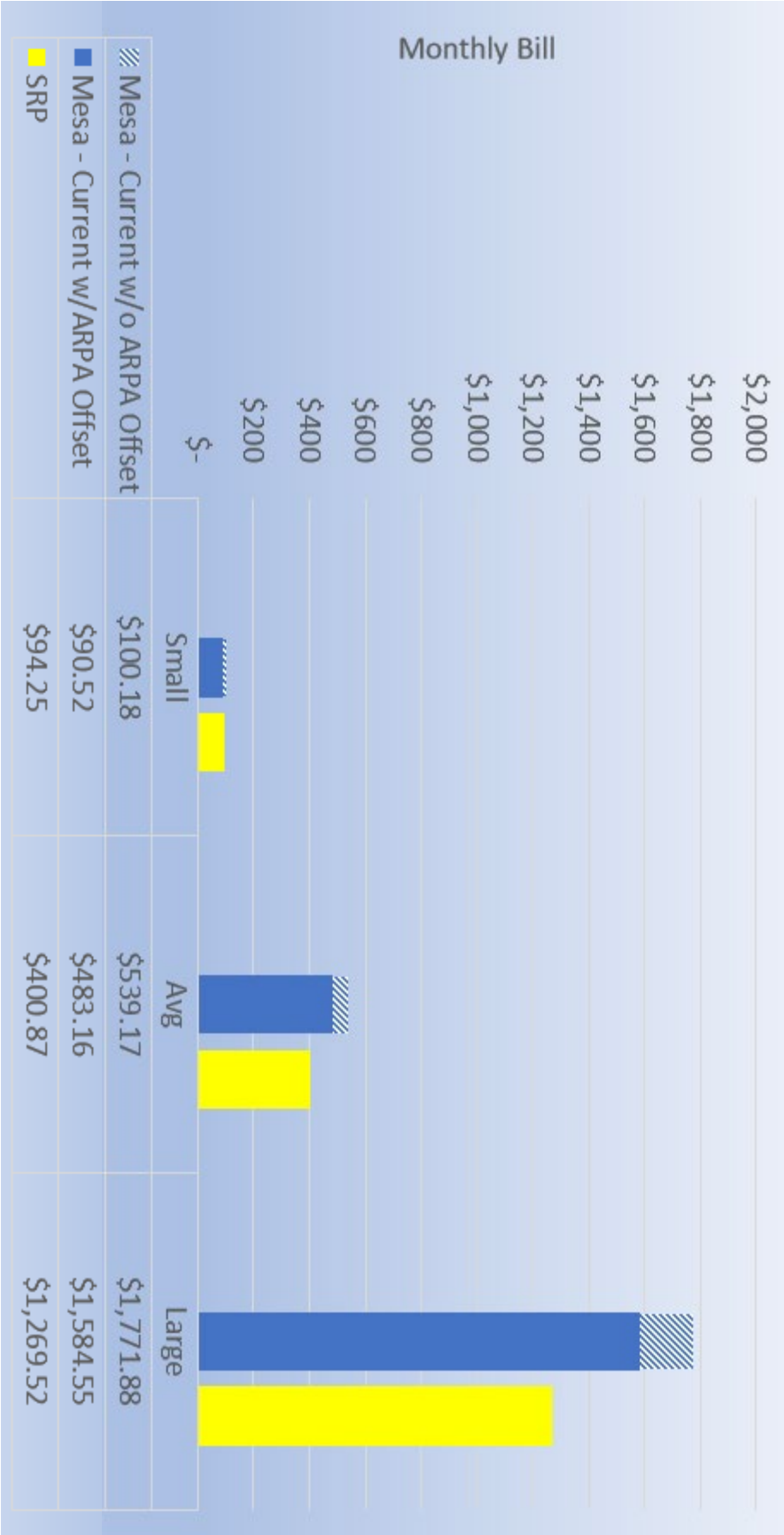
Staff recommends no rate adjustments



*SRP amount includes proposed November rate increase

Commercial Electric Bill Comparison

Staff recommends no rate adjustments



*SRP amount includes proposed November rate increase

Electric Vehicle Discount Rate

System Service Charge			\$14.50
Nov-April	Weekday	Weekend	
On Peak	5:00 AM – 8:59 AM 5:00 PM – 8:59 PM		\$0.0443
Off Peak	9:00 AM – 4:59 PM 9:00 PM – 10:59 PM 11:00 PM – 4:59 AM	5:00 AM – 10:59 PM 11:00 PM – 4:59 AM	\$0.0222
Super Off-Peak			\$0.0055
May, Jun, Sept, Oct			
On Peak	2:00 PM – 7:59 PM		\$0.1605
Off Peak	5:00 AM – 1:59 PM 8:00 PM – 10:59 PM 11:00 PM – 4:59 AM	5:00 AM – 10:59 PM 11:00 PM – 4:59 AM	\$0.0232
Super Off-Peak			\$0.0073
July, Aug			
On Peak	2:00 PM – 7:59 PM		\$0.1931
Off Peak	5:00 AM – 1:59 PM 8:00 PM – 10:59 PM 11:00 PM – 4:59 AM	5:00 AM – 10:59 PM 11:00 PM – 4:59 AM	\$0.0237
Super Off-Peak			\$0.0076

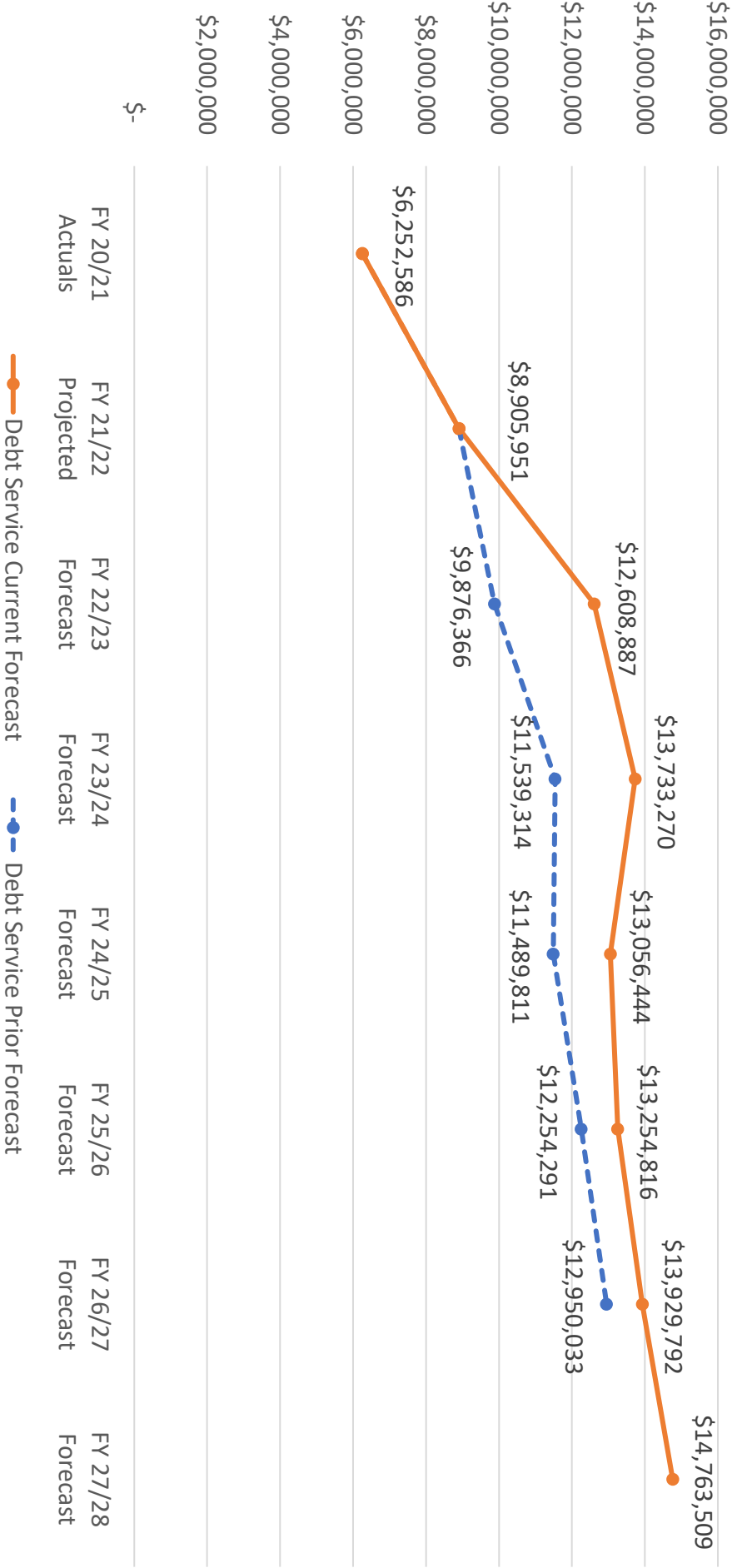
- Subject to meter availability and smart meter communications
- Customers must have a qualified Battery Electric Vehicle or Plug-in Hybrid
- Additional work required on CIS system

Gas

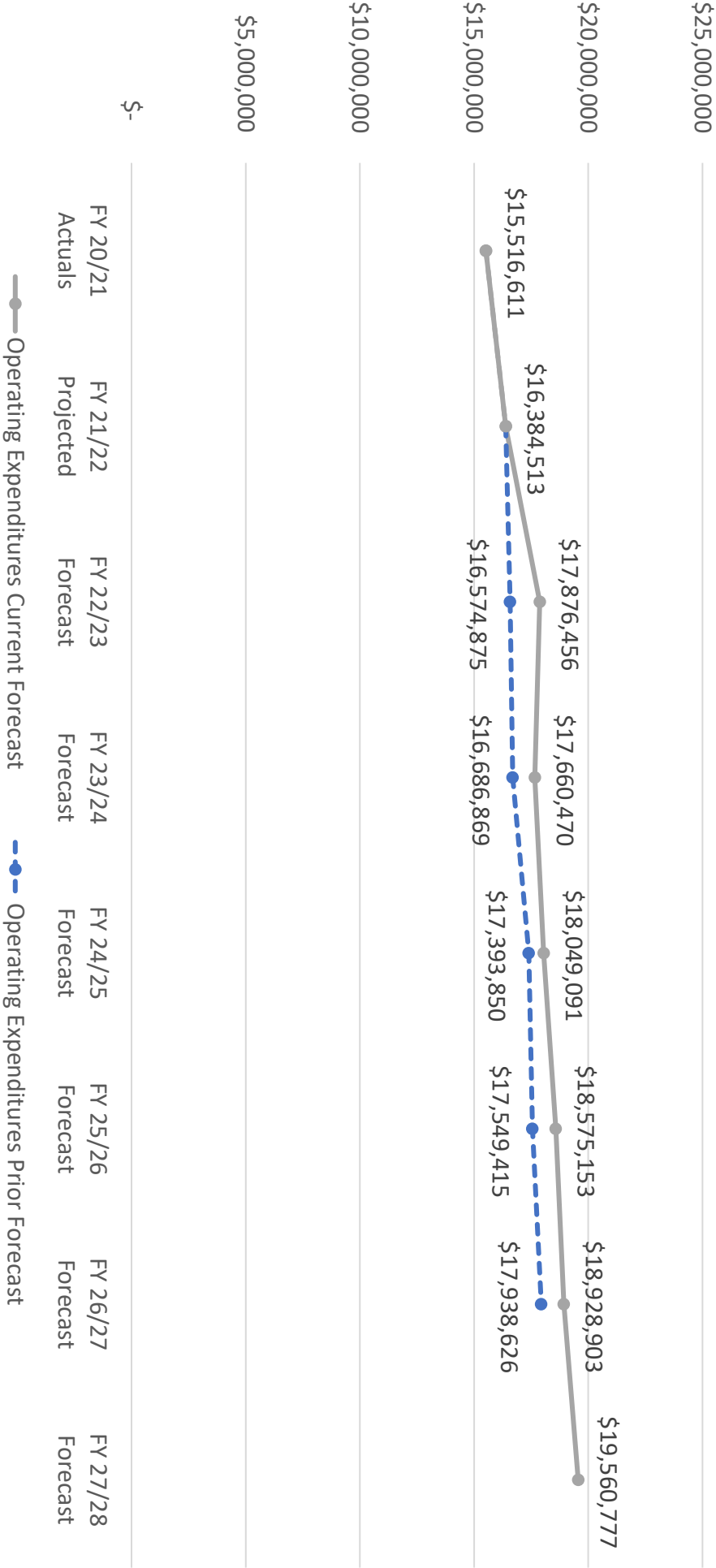
Increasing Costs/Pressures on the Gas Utility

- Operating Budget
 - Higher than normal inflation on commodities, services, and contracts
 - Personal services increases
- Debt Service
 - Meeting growth demands in Magma service territory
 - New Gate Station
 - Gantzel Rd
 - Meridian Rd
- Quarter Section Renewal Projects
- AMI

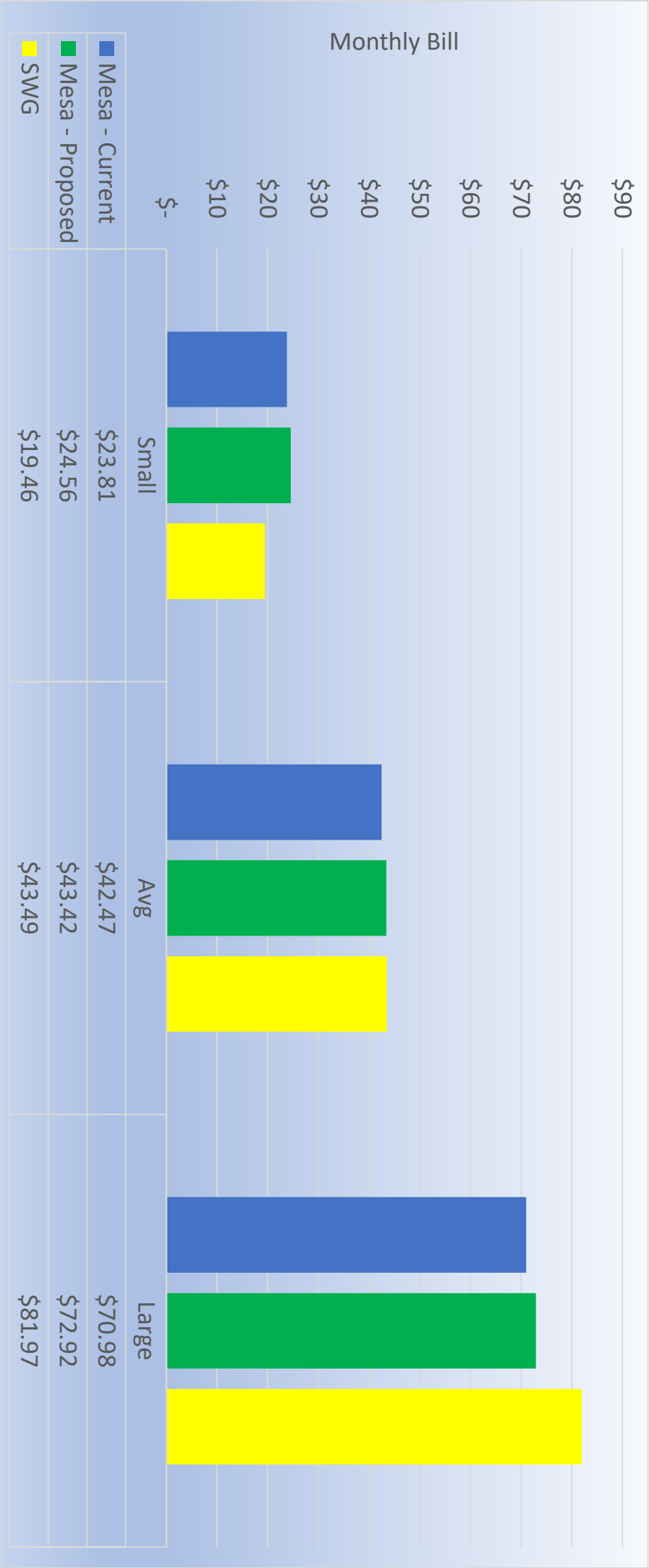
Increasing Debt Service Costs on the Gas Utility



Increasing Operating Costs on the Gas Utility



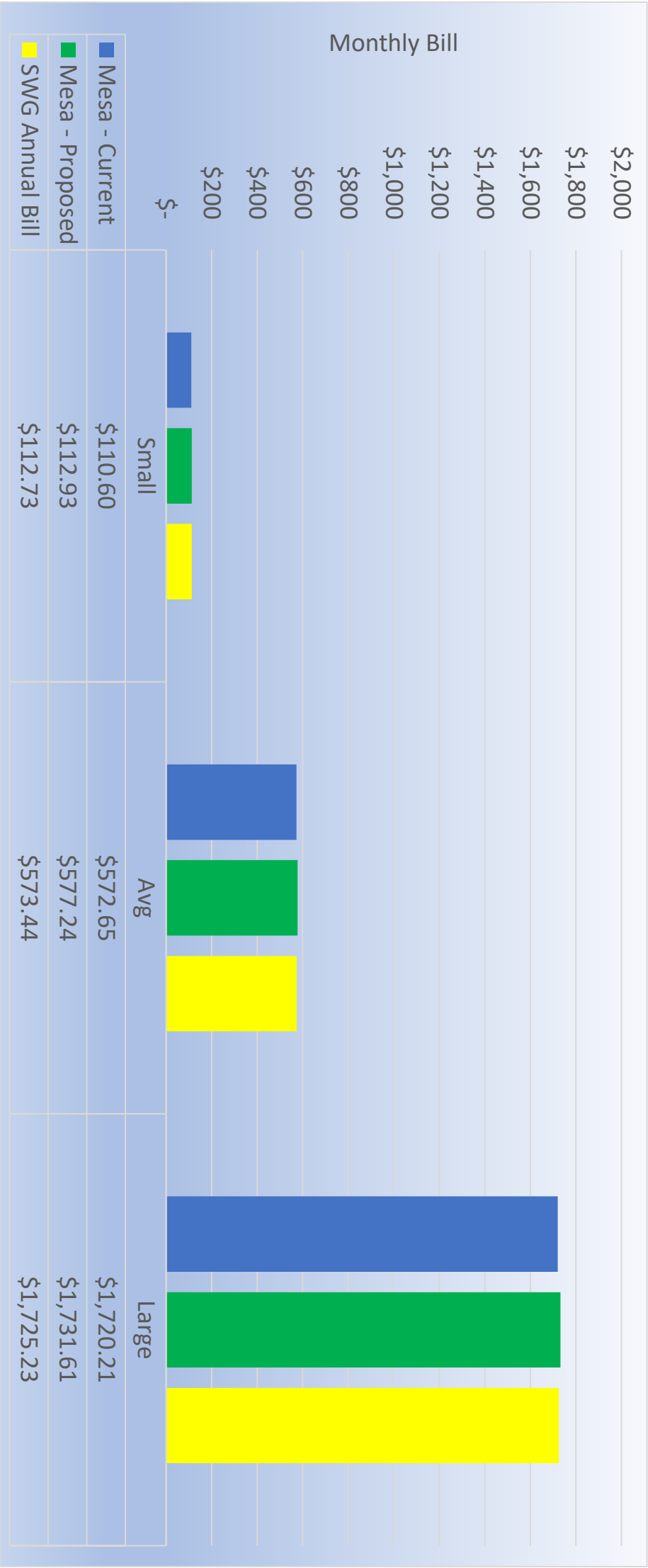
Residential Gas Bill Comparison



Proposed Residential Gas Rates

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE		
SUMMER	\$15.81	\$16.56
WINTER	\$18.74	\$19.49
USAGE CHARGE		
SUMMER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.2622	Tier 1 - \$0.6685 Tier 2 - \$0.2884
USAGE CHARGE		
WINTER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.5961	Tier 1 - \$0.6685 Tier 2 - \$0.6557
MONTHLY BILL (Average Customers)	\$42.47	\$43.42
	(effective increase 2.2% or \$0.95/mo.)	

Commercial Gas Bill Comparison



Proposed Commercial Gas Rates

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE		
SUMMER	\$37.66	\$39.66
WINTER	\$47.34	\$49.34
USAGE CHARGE		
SUMMER per therm	Tier 1 - \$0.5280 Tier 2 - \$0.3261	Tier 1 - \$0.5333 Tier 2 - \$0.3359
USAGE CHARGE		
WINTER per therm	Tier 1 - \$0.5718 Tier 2 - \$0.4711	Tier 1 - \$0.5775 Tier 2 - \$0.4852
MONTHLY BILL (Average Customers)	\$572.65	\$577.24
	(effective increase 0.8% or \$4.59/mo.)	

Other Changes

- Removal of electric direct access service (residential & commercial)
- Eliminate the following natural gas rates (10+ years no customers):
 - Lamp rate
 - AC rate
 - Seasonal service
 - Irrigation pumping service

Solid Waste

Increasing Cost Pressures On The Utilities

- Personal Services - \$1.6M
- Disposal Fees - \$600K
- Barrel/Bin Price Increase - \$400K
- CNG Cost Increase - \$280K

Increasing Operating Costs on Solid Waste



Solid Waste Residential Rate Recommendation

	CURRENT	PROPOSED INCREASE	NEW TOTAL
90-gallon Trash Barrel	\$29.92	\$0.60	\$30.52
Green & Clean Fee	\$ 0.89	\$0.07	\$ 0.96
Total Residential	\$30.81	\$0.67	\$31.48

COMPARISON TO OTHER CITIES		
Phoenix		\$34.48
Mesa		\$31.48
Tempe		\$30.32

Bulk Item and Homeowner's Landfill

- Bulk Item
 - Per load increase from \$28.00 to \$29.00
- Homeowner's Landfill
 - Per trip increase from \$13.00 to \$15.00

Commercial Front Load Trash Recommendations

- Increase base rate by 2.5%
 - 6-yard bin increase from \$106.58 to \$109.24
- Increase fee for out-of-zone collection from \$19.00 to \$20.00
- Decrease multi-day and multi-bin service discounts by 1%

Commercial Front Load Trash Recommendations

- Increase installation fee for casters from \$34.14 to \$76.44



Commercial Front Load Cardboard Recommendations

- Average base rate increase of 2.7%
 - 6-yard bin increase from \$70.87 to \$73.22
- Decrease multi-bin service discount by 1 percentage point
- Special pick-up increased to \$60 to agree to Front Load Trash

Commercial Roll Off Recommendations

- Increase set fee by \$6.50
 - Increase from \$83.00 to \$89.50
- Increase haul fee by \$3
 - 30-yard box increase from \$140.00 to \$143.00
- Increase tonnage rate by 6.22% to follow landfill increase
 - Increase trash from \$35.25 to \$37.44
 - Increase green waste from \$41.75 to \$44.35

Commercial Roll Off Recommendations

- \$16.07 increase for a one-time trash customer
 - 30-yard box increase from \$328.75 to \$344.82
- \$17.30 increase for a one-time green waste customer
 - 30-yard box increase from \$348.25 to \$365.55

Utility Fund Forecast

Utility Fund Forecast: FY 22/23 Recommended Rate Adjustments

29/2022	FY 21/22 Actuals	FY 22/23 Projected	FY 23/24 Forecast	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast
---------	---------------------	-----------------------	----------------------	----------------------	----------------------	----------------------	----------------------

TOTAL NET SOURCES AND USES	(\$8,185,182)	(\$25,899,119)	(\$20,031,529)	(\$11,755,692)	(\$10,885,526)	(\$9,437,499)	(\$5,664,952)
Beginning Reserve Balance	\$151,261,238	\$143,076,056	\$117,176,937	\$97,145,407	\$85,389,716	\$74,504,190	\$65,066,691
Ending Reserve Balance	\$143,076,056	\$117,176,937	\$97,145,407	\$85,389,716	\$74,504,190	\$65,066,691	\$59,401,739

Ending Reserve Balance Percent*	30.1%	24.4%	20.0%	16.7%	13.5%	11.8%	10.4%
* As a % of Next Fiscal Year's Expenditures							

WATER Residential	2.50%	2.75%	3.50%	3.50%	3.50%	3.50%	3.50%
WATER Non-Residential (usage)	5.00%	5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
WASTEWATER Residential	3.00%	4.25%	4.75%	4.75%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.00%	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%
SOLID WASTE Residential	2.00%	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Commercial	3.75%	4.50%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	3.50%	4.25%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$1.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$2.50	\$0.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.50	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$0.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

☐ No change to rate adjustment compared to adopted budget forecast.

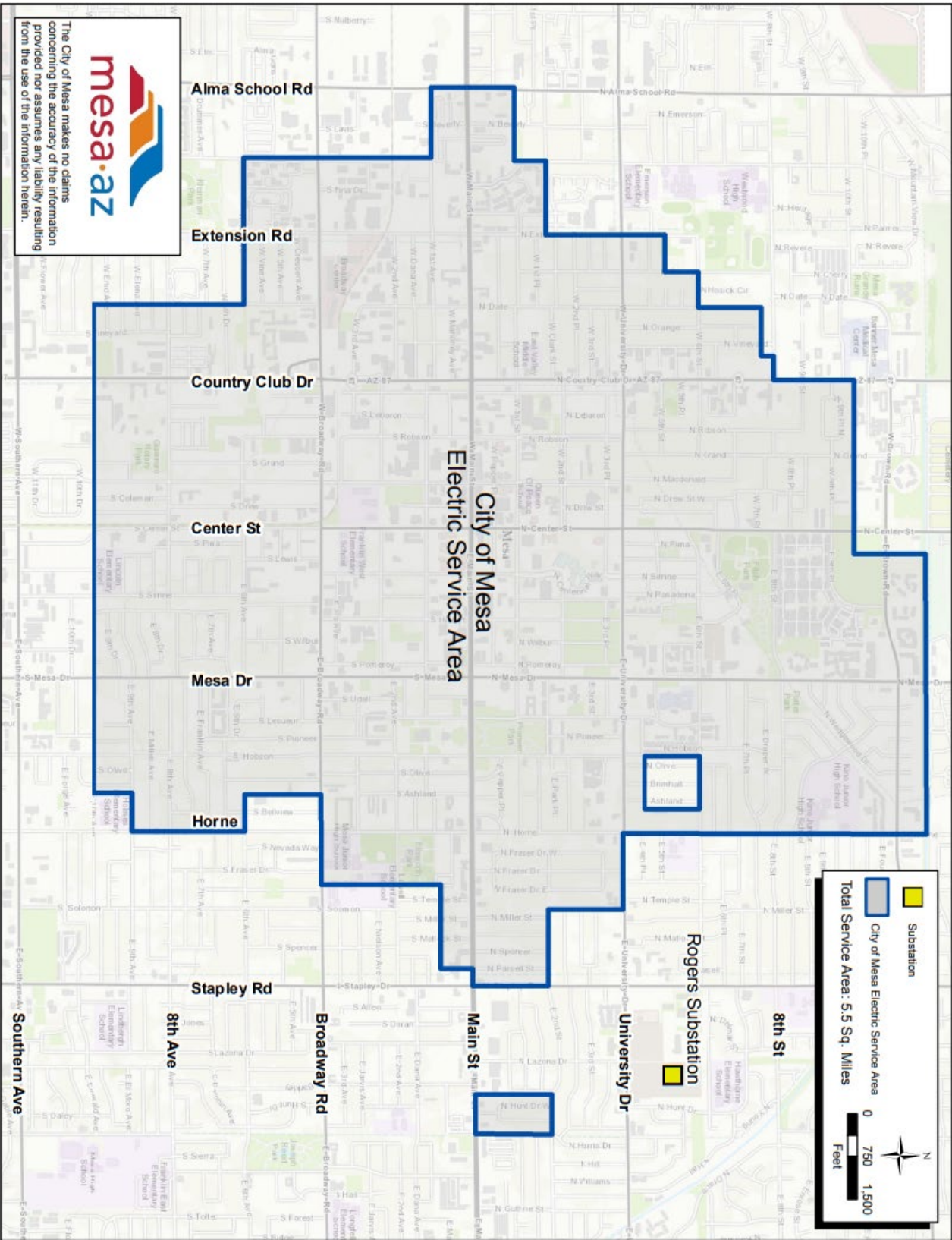
☐ Recommended rate adjustment decrease compared to adopted budget forecast.

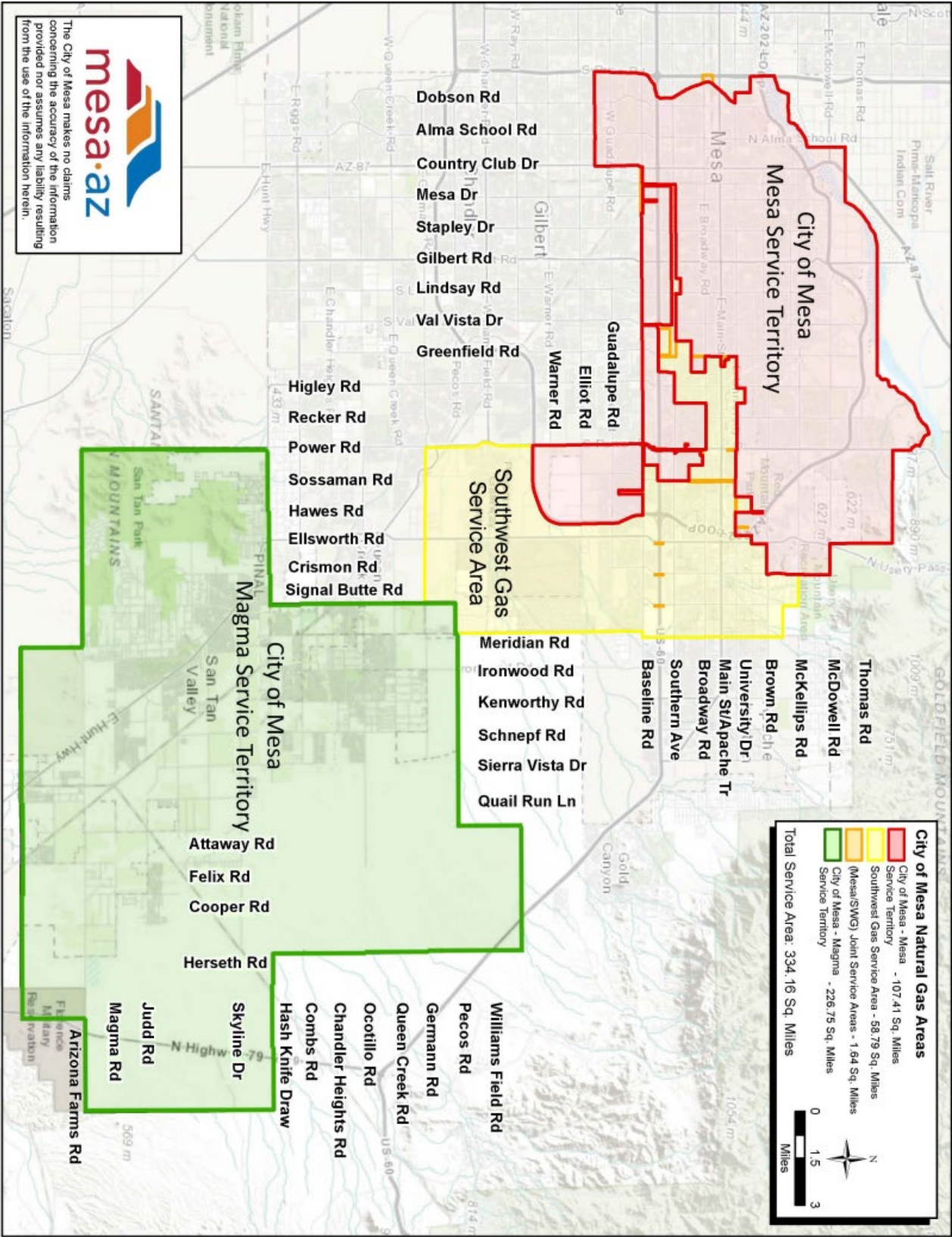
Schedule for FY 2022/23 Utility Rates Adjustment Recommendation

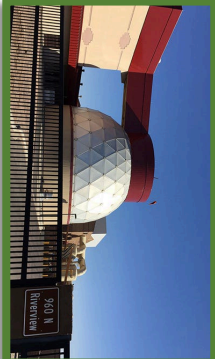
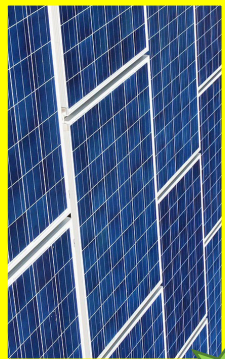
- Sept 15**
 - City Council Discussion of Utility Rates
- Sept 19**
 - City Council Action on Notice of Intent
- Nov 21**
 - Introduce Utility Rate Ordinances
- Dec 1**
 - City Council Action on Utility Rates
- Jan 1**
 - Effective date for Utility Rate changes

res.a.n









PROJECT CANARY

mesa·az
RESR - Electric

mesa·az
RESR - Gas



Audit, Finance and
Enterprise Committee
September 8, 2022
Attachment 1
Page 49 of 51

mesa·az
Mazgrid

mesa·az
Mazgrid



mesa·az
Mazgrid





Electric – Current and In Progress



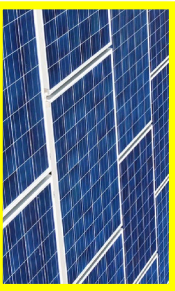
Hydro – 15 MW 19%
of annual energy



4 stations,
? customers



Electric RESR 14
Customers



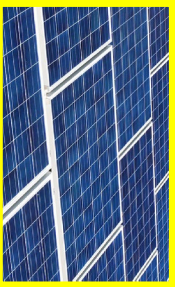
Customer Sclar – 1.2 MW
120 customers, 0.6%
annual energy



Residential EV/TOU
Rate



PDMicrogrid, 3 MW
3.5% annual energy



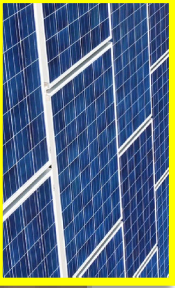
Downtown Sclar
806 kW 0.5% annual
energy



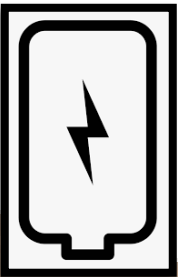
69 kW Looping
Rogers Sub Reliability



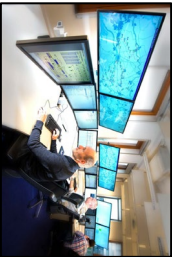
Mesa AM Project



Lone Butte Sclar – 15 MW
9% annual energy

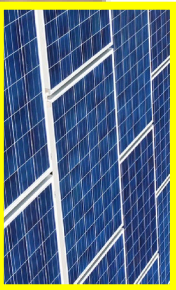


Customer Storage
Demand Response

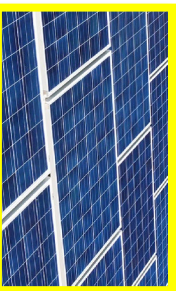


Energy Control Room

Electric – Future and Preliminary



Downtown Sclar
3.8 MW 2% annual
energy



Utility Scale – 15 MW
9% annual energy



Vehicle Fleet
Electrification



DC Microgrid, 3 MW
3.5% annual energy



6th St Microgrid, 3 MW
3.5% annual energy

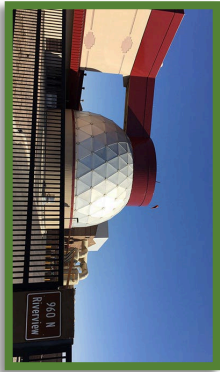


Aggregated Demand
Response – 1 MW 1%
of peak demand

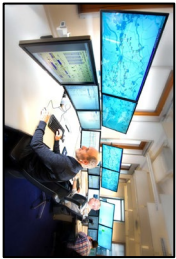
Natural Gas – Current and In Progress



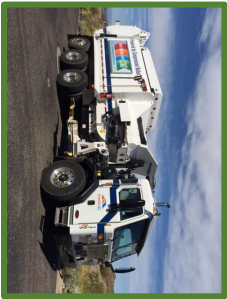
EDF - 2016



Flare to Fuel - 24% of
City Natural Gas Use



Energy Control Room



72 ONG Refuse Trucks



ONG Dump Trucks



RMD



Aging Infrastructure
Replacement

Natural Gas – Future and Preliminary



Project Canary –
Stationary Pilot



Project Canary –
Mobile Survey



EPA Methane
Challenge



RSG Procurement



RESR - Gas



SRPMIC RNG
248% of City
Natural Gas Use



Greenfield RNG
45% of City Natural
Gas Use



Food to Fuel RNG
55% of City Natural
Gas Use