

UTILITY RATE REVENUE

Where Does it Go? What Does it Fund?

City of Mesa, AZ

06/26/2019 Presented by:

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Citywide

- Water
- Wastewater
- Solid Waste

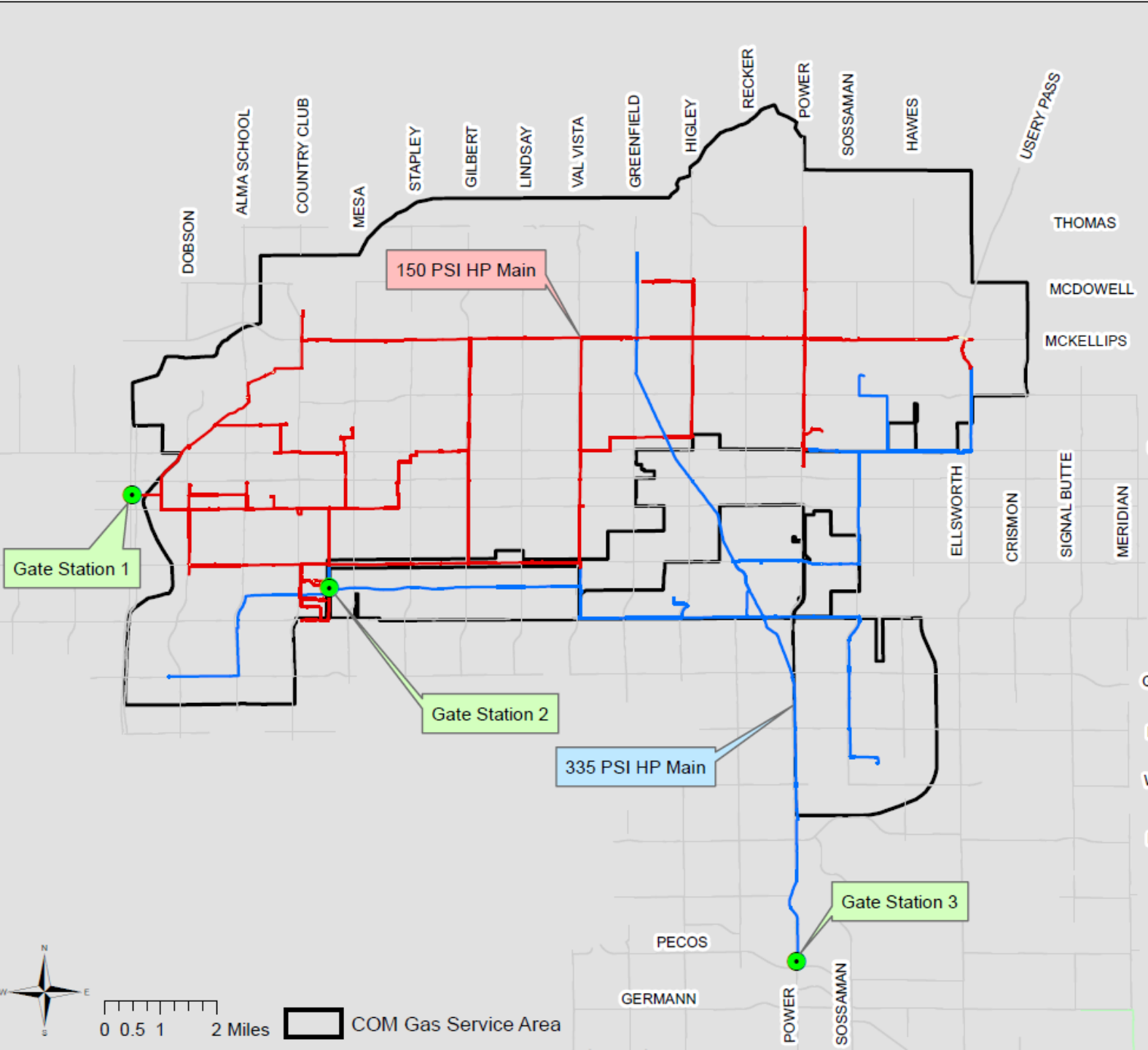
Partial City Coverage

- Natural Gas
- Electric
- District Cooling

UTILITY PROGRAMS IN THE ENTERPRISE FUND

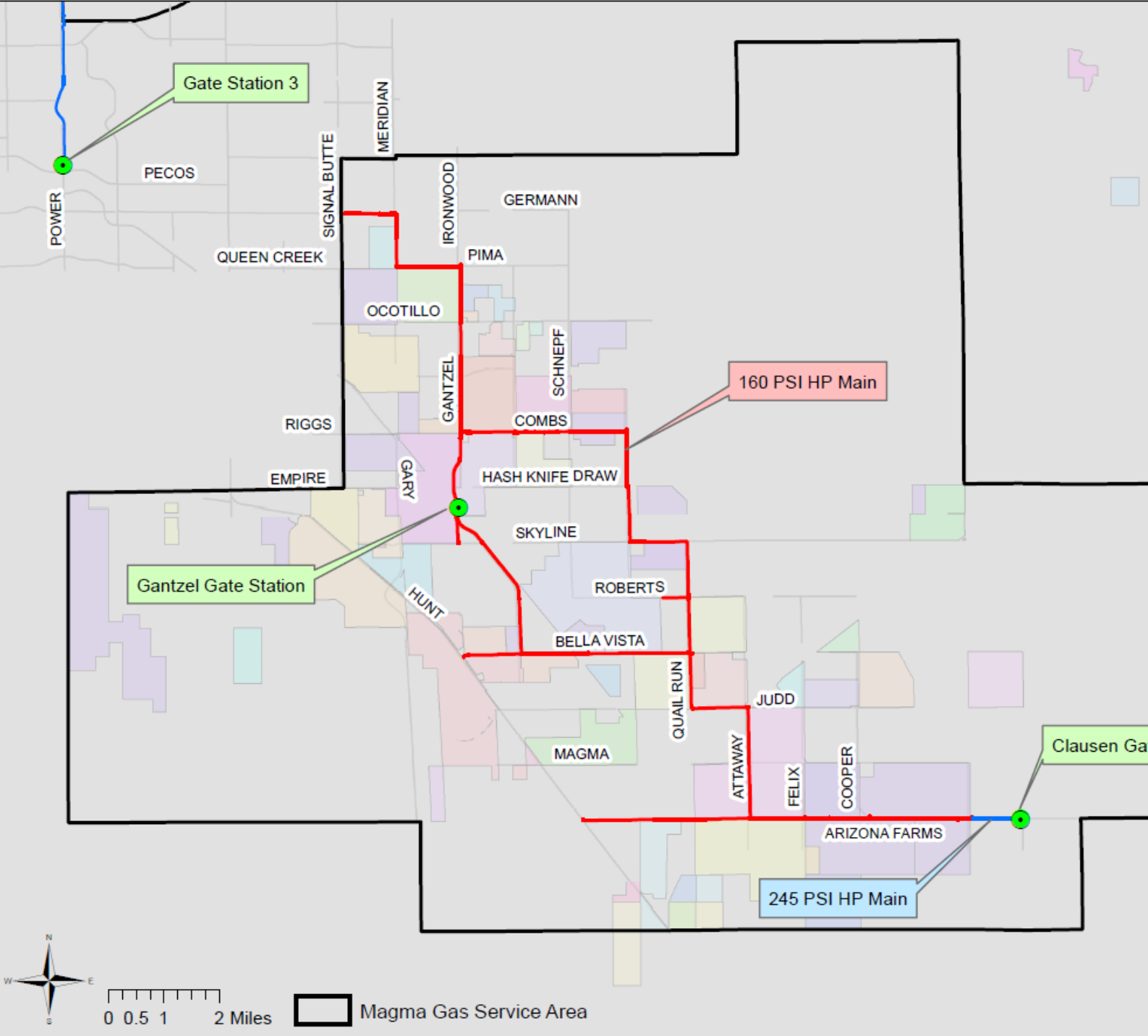
MESA

NATURAL GAS SERVICE AREA



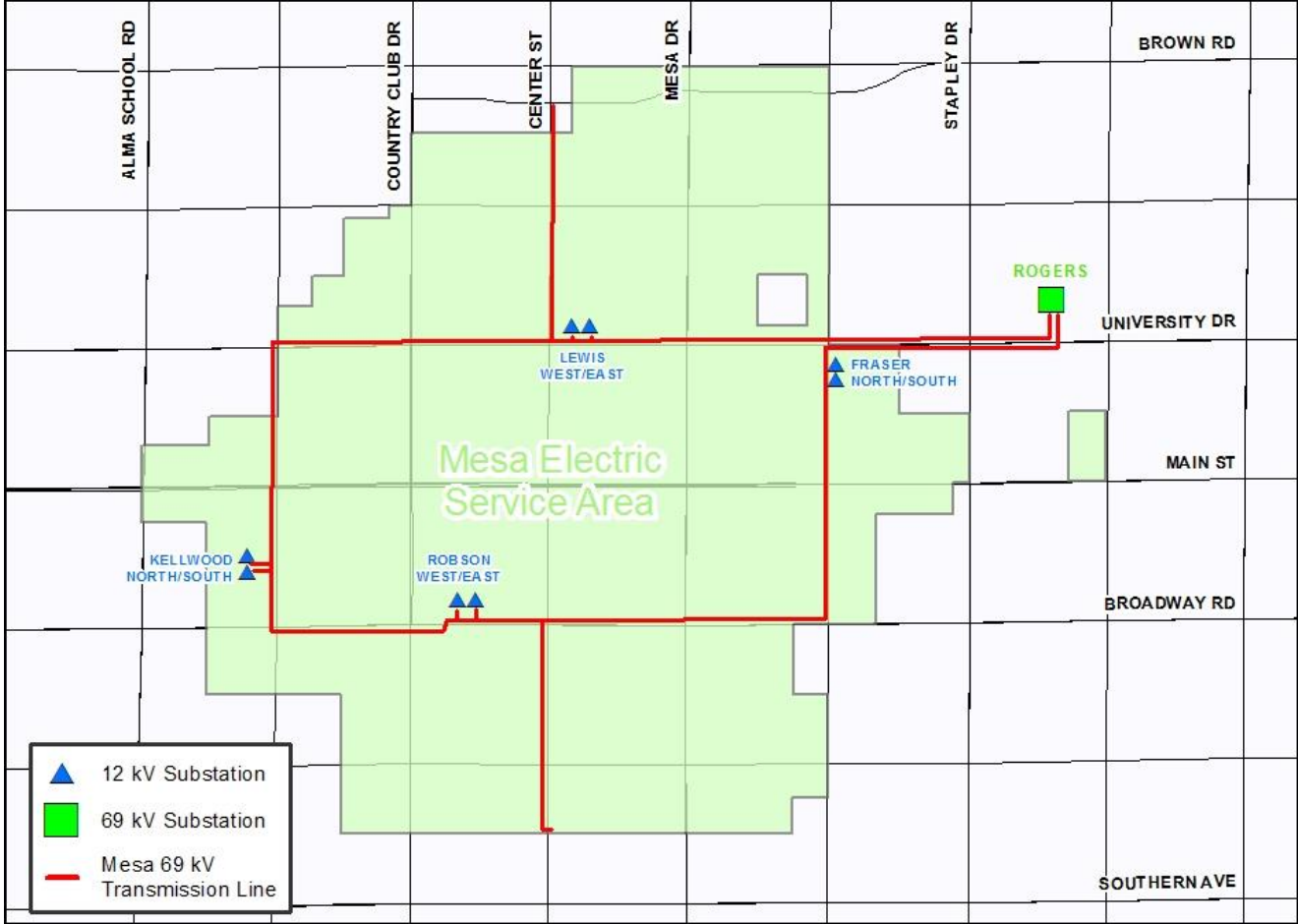
MAGMA

NATURAL GAS SERVICE AREA



MESA

ELECTRIC SERVICE AREA



UTILITY PROGRAM CHARACTERISTICS

- Utilities are operated like a business
 - Services are provided to customers as opposed to the public in general
 - Rates are established for each service being provided
- Utilities tend to be more infrastructure/ capital intensive
 - Meaning that there are usually substantial fixed costs to be covered such as the financing costs of a water plant or the capital costs of a fleet of trucks

UTILITY DIRECT EXPENSE CATEGORIES



OPERATIONS



LIFECYCLE/CAPITAL
EQUIPMENT



INFRASTRUCTURE COSTS
AND RELATED DEBT

SOLID WASTE MAJOR OPERATIONS



- Personnel and related expenses
- Solid Waste vehicle fuel/maintenance
- Landfill and recycling charges

Electric
Commodity

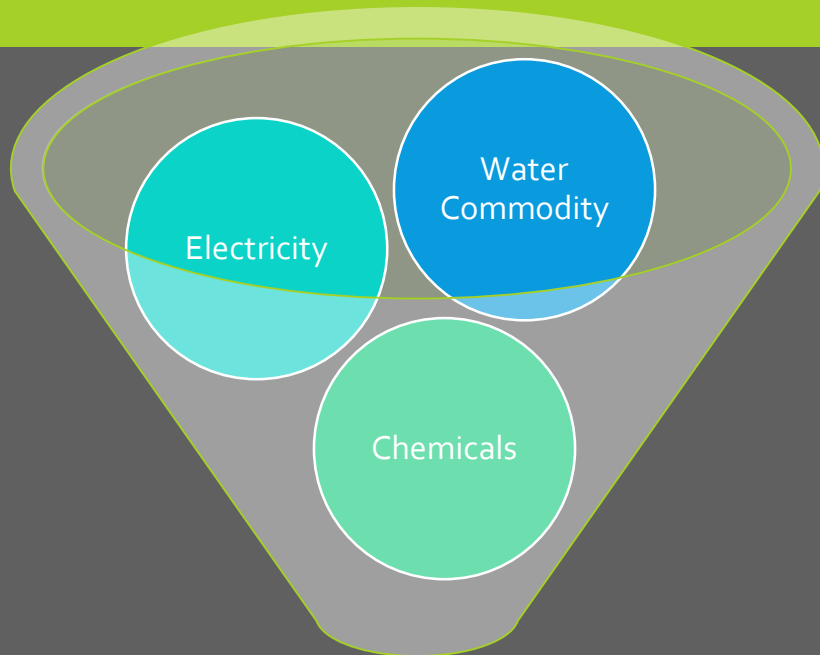
• Distribution System

Natural Gas
Commodity

• Distribution System

ELECTRIC AND NATURAL GAS
MAJOR OPERATIONS

WATER/WASTEWATER MAJOR OPERATIONS

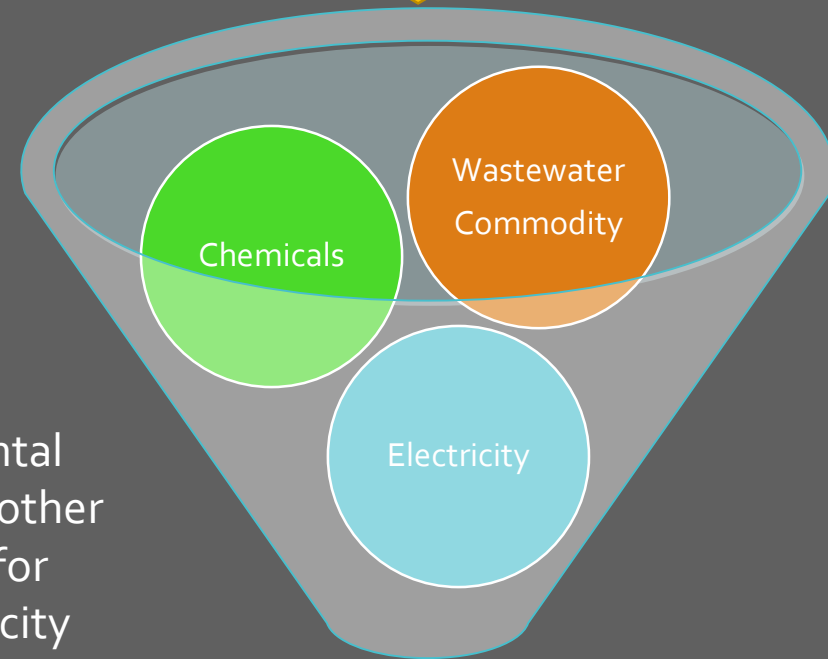


Clean Drinking Water



Distribution System

Collection System



Intergovernmental
agreements with other
municipalities for
processing capacity

Reclaimed Water

CAPITAL PURCHASES/EQUIPMENT

- Solid Waste vehicle acquisition
- General vehicle and equipment acquisition
- Water testing/laboratory equipment



UTILITY INFRASTRUCTURE COSTS AND RELATED DEBT

- Cost associated with the upgrade, replacement and enhancement of assets
 - *The processing facilities for Water and Wastewater*
 - *The distribution systems for Electric, Natural Gas, Water, and Wastewater*
- Most of the cost is financed through the issuance of debt
 - *Municipal bonds are long-term financing tools with principal and interest (debt service) payments made annually*
- Two percent of all utility revenues are set aside each year to fund system replacements and enhancements



PROCESSING FACILITIES AND DISTRIBUTION SYSTEMS



UTILITY REVENUES HISTORICALLY SUPPORT GENERAL FUND PROGRAMS

- In 1945, the City Council eliminated a general-purpose revenue, the primary property tax
- They authorized to increase the income of the utility department to support general governmental services
- Today, the City continues to provide general governmental services without a primary property tax



WHAT PROGRAMS ARE IN THE GENERAL FUND?

General governmental programs delivering services directly to residents

Police, Fire and Medical, Municipal Court, Parks and Recreation, Library, Mesa Arts Center, i.d.e.a. Museum, Natural History Museum, Transit, etc.



General governmental programs delivering general operations/business services to the City

Human Resources, Purchasing, Finance, City Attorney, Information Services, etc.





PUBLIC SAFETY COMPRISES MAJORITY OF GENERAL FUND EXPENSES



- Public Safety Departments comprise almost 60% of the budgeted general governmental expenses and normally have the greatest increase in year-over-year costs.
- The City transfers a set amount from the Enterprise Fund to the General Fund each year to partially cover these costs. In FY 19/20, the amount is \$110.6M. The budget for the public safety departments is \$273.9M.



ECONOMIC DEVELOPMENT PROGRAMS

ARE PART OF THE ENTERPRISE FUND

- Services are provided to customers as opposed to the public in general
- Return on investment is experienced both directly and indirectly
 - *Investment in the facility is expected to generate a positive impact on the City as a whole*
- Successful programs may operate at a loss based on direct revenues
- Operating losses in the Economic Development Programs are covered by the reserve balance in the Enterprise Fund
 - *Utility revenues support economic development programs*

ECONOMIC DEVELOPMENT PROGRAMS IN THE ENTERPRISE FUND

- Sloan Park/Cubs Spring Training Facility
- Hohokam Stadium/A's Spring Training Facility
- Convention Center & Amphitheater
- Dobson Ranch Golf Course



THE
ENTERPRISE
FUND IS
LEVERAGED

FOR
ECONOMIC
INVESTMENT
PROJECTS

Utility revenues are leveraged to invest in development opportunities that will have a positive return to the City as a whole, such as:

Increased utility
accounts/consumption

Increased local sales tax

Increased private development

Increase jobs/investment in the City

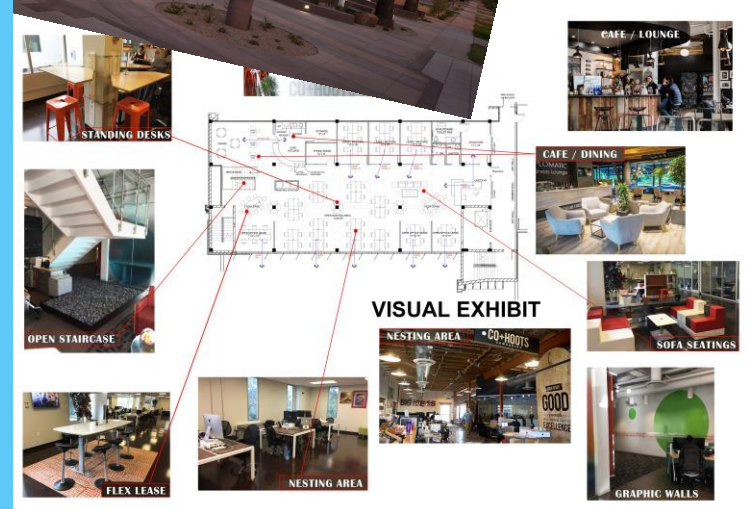
ECONOMIC INVESTMENT PROJECTS SUPPORTED BY THE ENTERPRISE FUND



SITE PLAN
Conceptual Images



Mesa Center for Higher Education
Benedictine University
Spring Training Multi-use Fields
Able Engineering
AZ Labs
Design for ASU @ Mesa City Center
The Studios @ Mesa City Center
CO+HOOTS @ Benedictine University



AZLabs

UTILITY EXPENSES

FISCAL YEAR 2017/18 ACTUALS

▪ Utility Operations	\$144.5M
▪ Utility Capital Equipment	\$ 3.6M
▪ Utility Infrastructure & Debt	\$ 84.2M
▪ Contribution to General Fund/Public Safety	\$106.5M
▪ Economic Development Programs	\$ 4.1M
▪ Economic Investment Projects	\$ 3.9M

UTILITY EXPENSES

FISCAL YEAR 2019/20 BUDGET

▪ Utility Operations	\$166.8M
▪ Utility Capital Equipment	\$ 4.1M
▪ Utility Infrastructure & Debt	\$ 95.7M
▪ Contribution to General Fund/Public Safety	\$110.6M
▪ Economic Development Programs	\$ 5.6M
▪ Economic Investment Projects	\$ 8.4M



UTILITY OPERATIONS



UTILITY
CAPITAL/EQUIPMENT



UTILITY INFRASTRUCTURE
REPLACEMENT/EXPANSION



PUBLIC SAFETY SERVICES



ECONOMIC
DEVELOPMENT
PROGRAMS



ECONOMIC
INVESTMENT
PROJECTS

IN SUMMARY UTILITY REVENUES SUPPORT

