

A large blue ribbon graphic with a 3D effect, featuring a darker blue shadow on the left side. The ribbon is positioned horizontally across the upper half of the slide.

# City of Mesa FY 2023/24 Utility Fund Forecast and Rates Recommendations – Update

City Council Study Session

November 2, 2023

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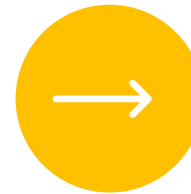
# Financial Principles



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

# Priorities of Rate Recommendations

- Conservation Promotion
  - Colorado River System still in drought shortage conditions
  - Recommend outdoor/landscaping rate adjustment above indoor rate adjustment
- Continued trend of Non-residential water usage growth
  - Non-residential customers represent 10% of total accounts while consuming 52% of total usage
  - Recommendation continues towards equity between residential and non-residential rates
- Smaller rate adjustments throughout the forecast period to minimize rate adjustment spikes

# Utility Revenue and Expenses Increases

	<b>Annualized Rate Adjustment Revenue Increase</b>	<b>FY22/23 to FY23/24 Operating Expenses &amp; Debt Service Increase</b>
Solid Waste	\$2,588,000	\$5,912,000
Electric	\$833,000	\$2,458,000
Natural Gas	\$1,561,000	\$3,757,000
Water	\$9,775,000	\$12,683,000
Wastewater	\$4,834,000	\$11,911,000

# Inflation & Cost Increases

<b>Significant Utility Fund Expenses (YoY)</b>	<b>FY 21/22 Actuals</b>	<b>FY 22/23 Actuals</b>	<b>FY 23/24 Budgeted</b>
Water Commodity	+21.9%	+5.9%	+29.5%
WTR/WW Plant Chemicals	+14.9%	+22.2%	+18.3%
Solid Waste Disposal	+6.9%	+5.9%	+18.0%
Fleet Maintenance & Repair	+10.7%	+24.5%	-0.8%
Personnel (Salary and Benefits)	+7.1%	+5.2%	+9.4%

<b>Residential Rate Adjustments (YoY)</b>	<b>FY 21/22 Actuals</b>	<b>FY 22/23 Actuals</b>	<b>FY 23/24 Proposed</b>
Water	2.5%	2.75%	3.0%
Wastewater	3.0%	4.25%	4.75%
Solid Waste	2.0%	2.0%	3.0%

# Utility Fund Forecast: Notice of Intent

As of 08/22/2023	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast
<b>TOTAL NET SOURCES AND USES</b>	(\$13,153,827)	(\$33,986,550)	(\$13,663,502)	(\$14,030,134)	(\$9,806,082)	(\$5,141,357)	\$44,803
Beginning Reserve Balance	\$144,571,686	\$131,417,859	\$97,431,309	\$83,767,807	\$69,737,673	\$59,931,590	\$54,790,233
<b>Ending Reserve Balance</b>	<b>\$131,417,859</b>	<b>\$97,431,309</b>	<b>\$83,767,807</b>	<b>\$69,737,673</b>	<b>\$59,931,590</b>	<b>\$54,790,233</b>	<b>\$54,835,037</b>
Ending Reserve Balance Percent*	<b>26.1%</b>	<b>18.9%</b>	<b>15.6%</b>	<b>12.0%</b>	<b>10.3%</b>	<b>9.2%</b>	<b>9.0%</b>
<small>*As a % of Next Fiscal Year's Expenditures</small>							
WATER Residential (Tier 1 usage)	2.75%	3.00%	3.50%	4.00%	4.00%	4.00%	4.00%
WATER Commercial (usage)	5.50%	5.00%	5.50%	5.75%	5.75%	5.75%	5.75%
WASTEWATER Residential	4.25%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
SOLID WASTE Residential	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Commercial	4.50%	7.50%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	7.75%	6.50%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$0.00	\$2.25	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$0.00	\$5.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Utility Service Fee Adjustment Examples

	<b>Current</b>	<b>Proposed</b>
Next Day Turn On/Off – Electric/Water	\$16	\$20
Same Day or After Hours Turn On/Off	\$45	\$55
Connect to City Water System – Meter Installation (3/4”)	\$374	Quote
Expedited Electric Disconnect/Reconnect Fee	N/A	\$362

# Schedule for FY 2023/24 Utility Rates Adjustment Recommendation

- Nov 20** – Introduce Utility Rate Ordinances
- Dec 4** – City Council Action on Utility Rates
- Feb 1** – Effective date for Utility Rate changes





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