

City of Mesa

FY 2024/25

Utility Fund Recommended Rates, Assistance Programs, and Homeowner Comparison

City Council Study Session

November 7, 2024

Presented By:

Brian A. Ritschel – Management & Budget Director

Chris Olvey – Management & Budget Deputy 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

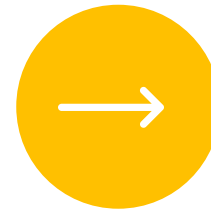
Financial Principles



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

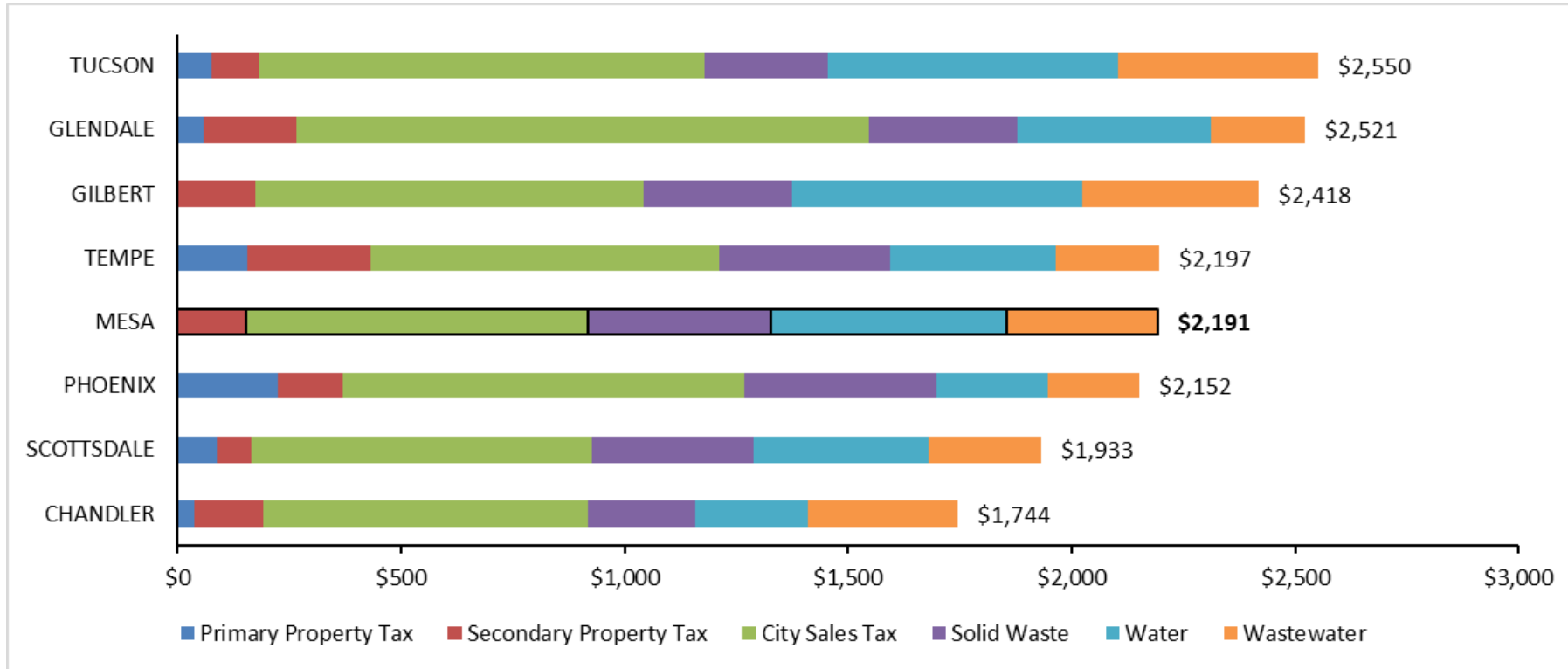


AFFORDABLE
UTILITY SERVICES

Homeowner Comparison Overview

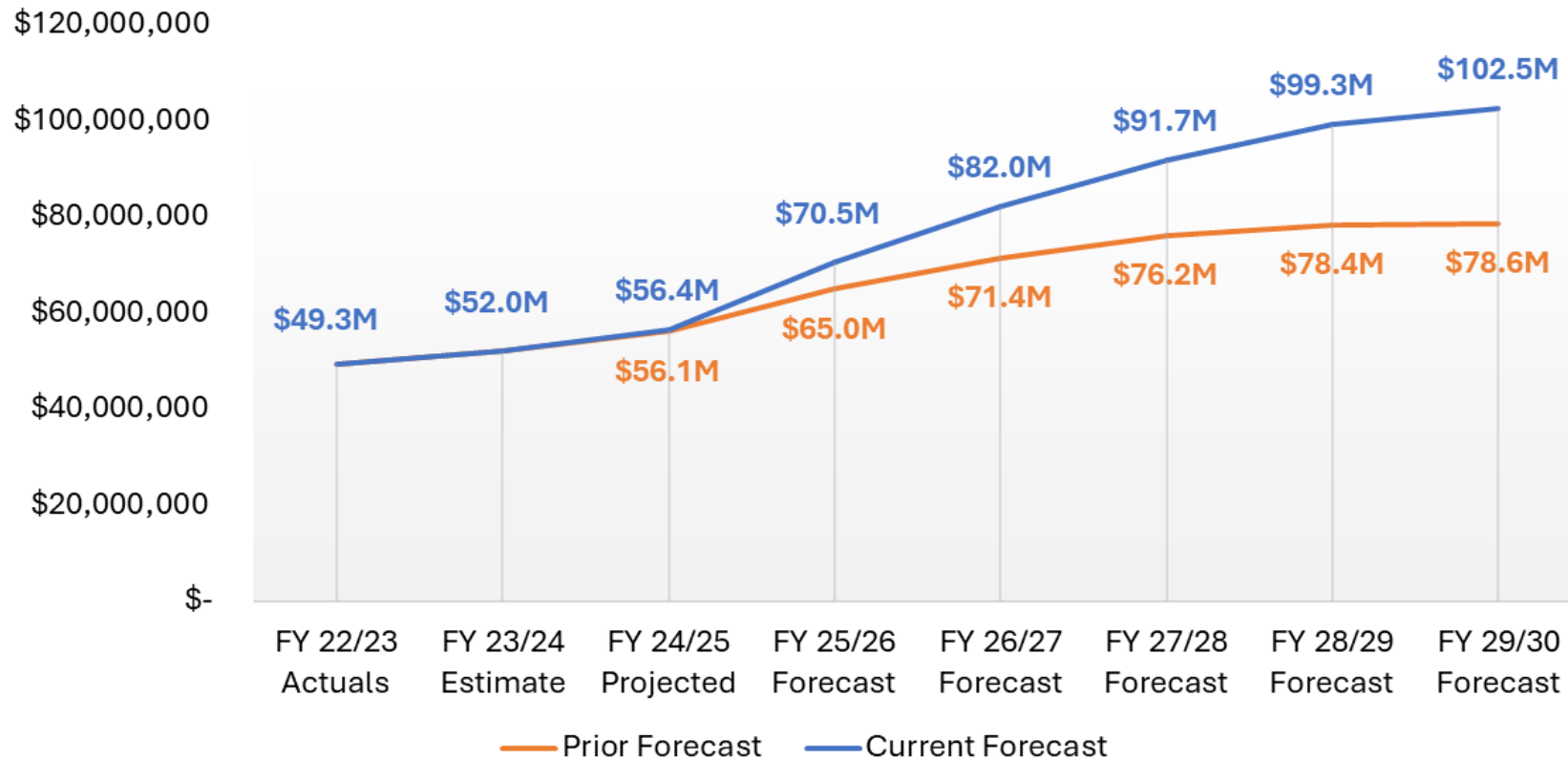
- Tool used to compare typical costs as a whole for homeowners between comparable cities
- The comparison includes the following categories
 - **Primary & Secondary Property Tax:** based on Mesa's FY 24/25 Limited Property Value (LPV) and each city's FY 24/25 property tax rates
 - **City Sales Tax:** calculated by applying each city's sales tax rates to the Bureau of Labor Statistics' annual Consumer Expenditure Survey
 - **Solid Waste:** uses 90-gallon barrel rate for each city
 - **Water:** uses median monthly residential consumption with ¾" meter
 - **Wastewater:** rate structure varies by city—using a flat monthly amount and/or based on winter water average

Homeowner Comparison

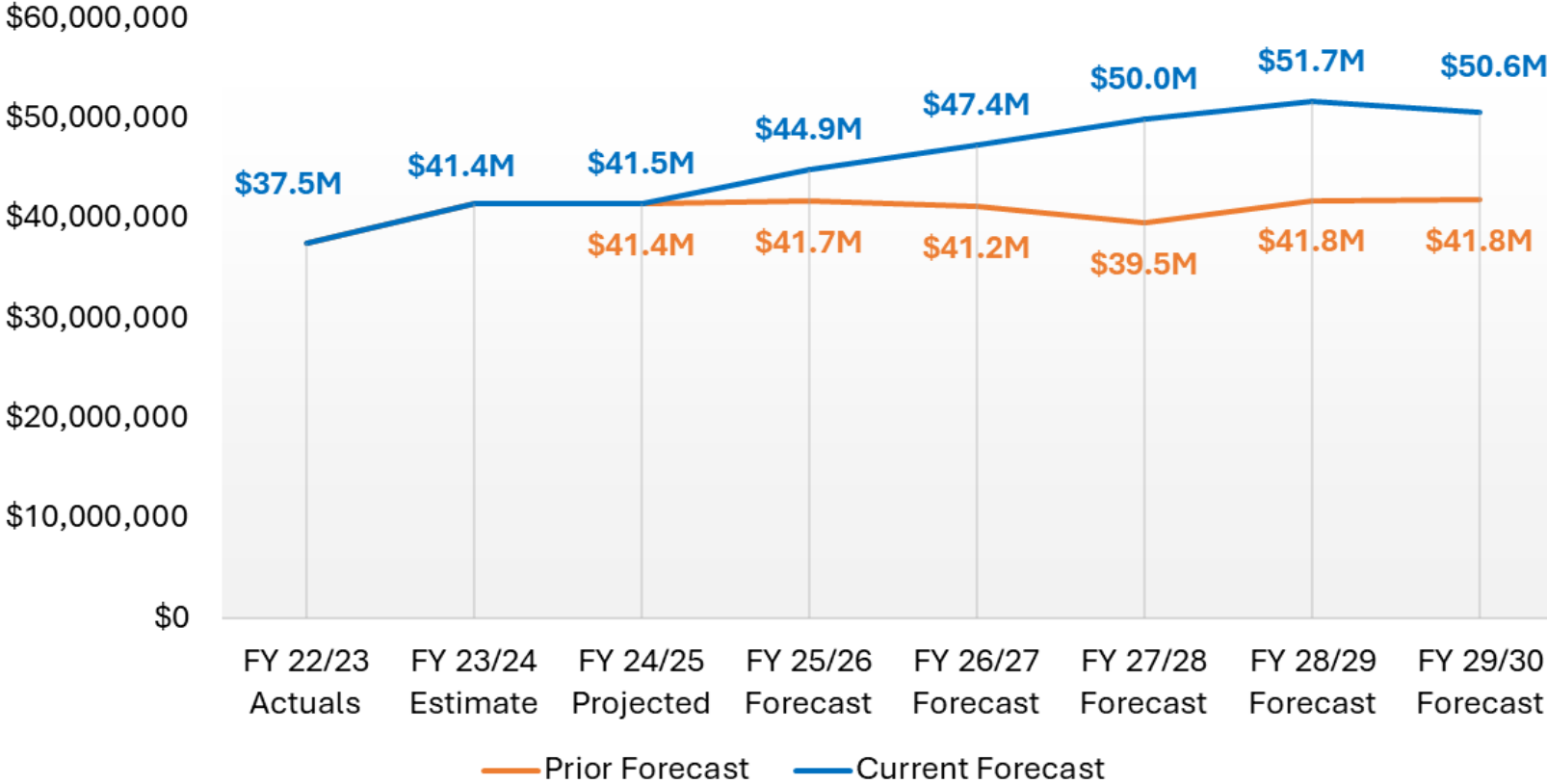


estimated as of April 2025

Expense Pressures – Water Utility Debt Service



Expense Pressures – Wastewater Utility Debt Service



Expense Pressures – Operating Costs

Operating Cost Increases above Last Year's Forecast

- Water Utility
 - +\$1.2M ongoing: Val Vista WTP operating costs
 - +\$1.1M ongoing: Water commodity cost
- Solid Waste
 - +\$3.0M ongoing: Landfill charges
 - +\$3.0M ongoing: Fleet maintenance

Water Customers by Tier

Usage by Residential Tier	January 2024 (Winter)	July 2024 (Summer)
Tier 0 (0-3 kgal)	33.4%	26.7%
Tier 1 (4-6 kgal)	31.3%	21.4%
Tier 2 (7-14 kgal)	28.1%	29.8%
Tier 3 (15-24 kgal)	5.3%	13.8%
Tier 4 (25+ kgal)	1.9%	8.4%

- Nearly 2/3 of customers are in Tier 0 & Tier 1 during Winter
- Outdoor water use in Summer pushes customers into higher tiers

Residential Rate Adjustments –

Water, Wastewater, Solid Waste (Citywide Service Area)

Residential Monthly Bill – Small	Current	Recommended	Change
Water (3 kgal, included in service charge)	\$30.93	\$32.17	+\$1.24
Wastewater	\$22.43	\$24.11	+\$1.68
Solid Waste (90-gal + Green & Clean Fee)	\$32.40	\$34.17	+\$1.77
Total	\$85.76	\$90.45	+\$4.69

Residential Monthly Bill – Typical	Current	Recommended	Change
Water (6 kgal)	\$41.70	\$43.57	+\$1.87
Wastewater	\$26.11	\$28.07	+\$1.96
Solid Waste (90-gal + Green & Clean Fee)	\$32.40	\$34.17	+\$1.77
Total	\$100.21	\$105.81	+\$5.60

Utility Fund Contribution – Overview

- 30% of the Utility Fund operating revenues are transferred to the General Fund based on the following:
 - 25% is designated for Public Safety
 - Police, Fire & Medical, and Municipal Court
 - 5% is designated for all General Fund supported services
 - Police, Fire & Medical, Municipal Court, Parks, Library, etc.

Utility Fund Contribution – Detail

25% Contribution for Public Safety

FY 24/25 Projected

Police

\$76,995,710

Fire & Medical

\$33,240,449

Municipal Court

\$3,427,572

Total of 25% Contribution for Public Safety

\$113,663,731

5% Contribution for General Fund Services

FY 24/25 Projected

Police

\$8,195,499

Fire & Medical

\$3,538,146

Other Services (Court, Parks, Library, etc.)

\$10,999,146

Total 5% Contribution for General Fund Services

\$22,732,746

Utility Fund Contribution – Police Impact

FY 24/25 Projected

25% Contribution for Public Safety

Police

\$76,995,710

5% Contribution for General Fund Services

\$8,195,499

Total Contribution Support

\$85,191,209

Utility Contribution Impact

FY 24/25 Budget

Police Dispatch & 911 Call Center

\$11,448,755

Fleet Maintenance & Fuel

\$9,731,537

Position Costs (Avg. Total Compensation) for 336 Police Officers

\$64,029,840

Total

\$85,210,132

Utility Fund Contribution – Fire & Medical Impact

FY 24/25 Projected

25% Contribution for Public Safety

Fire & Medical

\$33,240,449

5% Contribution for General Fund Services

\$3,538,146

Total Contribution Support

\$36,778,595

Utility Contribution Impact

FY 24/25 Budget

Fire Dispatch

\$4,142,657

Fleet Maintenance & Fuel

\$3,933,325

In-House Medic School

\$2,185,364

Position Costs (Avg. Total Compensation) for 12 Fire Stations

\$27,334,332

Total

\$37,595,678

Utility Assistance Programs

- Limited Income Senior Rate Program – just over 900 customers
 - 30% discount on the Water Service Charge
- Summer Electric Assistance Program – approx. 260 customers in 2024
 - Income-qualified program for City Electric customers that eliminates the Electric Service Charge during Summer
- Mesa Community Action Network – \$200,000 in annual City support
 - Includes assistance program for utility payments
- Completed \$20M in Electric utility assistance from ARPA funding
 - Provided to residential and commercial Electric customers
 - Began in November 2021 and funds were fully spent in October 2023

Limited Income Assistance Programs: <https://www.mesaaz.gov/residents/limited-income-assistance-programs>

Utility Fund Forecast

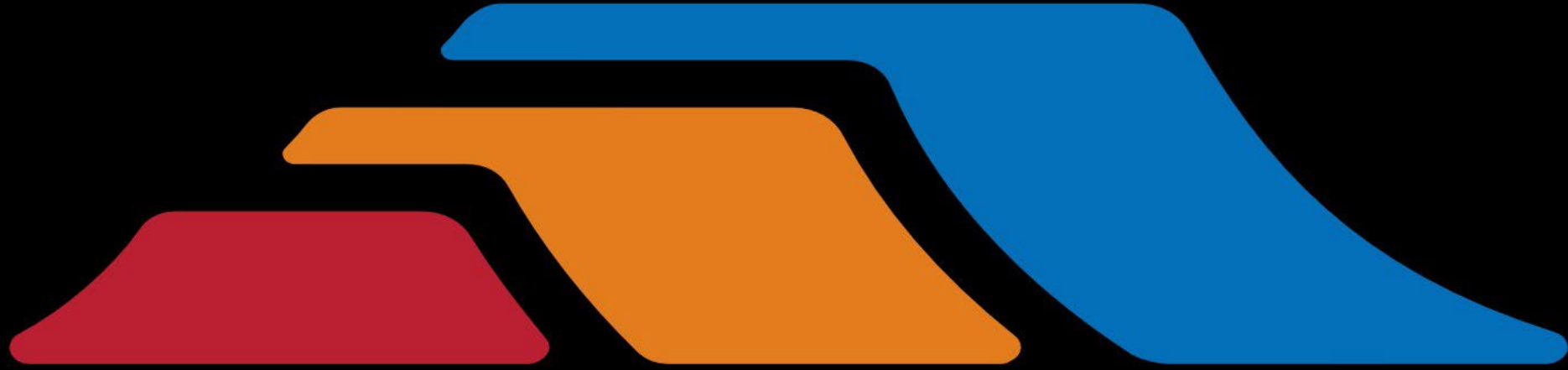
As of 9/16/2024

	FY 23/24 Estimate	FY 24/25 Projected	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Sources of Funding							
Revenues	\$424,835,698	\$457,155,546	\$490,221,264	\$527,504,674	\$569,319,198	\$612,374,625	\$659,172,957
EECAF/PNGCAF Revenues	\$42,383,458	\$49,028,654	\$49,394,806	\$48,523,460	\$48,019,951	\$48,592,019	\$48,304,421
Total Sources	\$467,219,156	\$506,184,200	\$539,616,069	\$576,028,133	\$617,339,149	\$660,966,644	\$707,477,378
Uses of Funding							
Operating Expenditures	\$188,057,503	\$212,742,710	\$217,534,467	\$222,745,229	\$230,196,352	\$236,438,004	\$243,859,549
EECAF/PNGCAF Expenditures	\$42,540,631	\$49,028,654	\$49,394,806	\$48,523,460	\$48,019,951	\$48,592,019	\$48,304,421
Debt Service Transfer	\$113,582,553	\$116,742,722	\$137,211,912	\$153,013,299	\$167,109,229	\$175,965,022	\$181,464,085
Other Transfers & Expenditures	\$145,082,099	\$149,636,924	\$158,421,164	\$171,011,479	\$186,632,287	\$199,444,583	\$214,364,162
Total Uses	\$489,262,787	\$528,151,010	\$562,562,349	\$595,293,466	\$631,957,819	\$660,439,628	\$687,992,217
Net Sources and Uses	(\$22,043,631)	(\$21,966,810)	(\$22,946,279)	(\$19,265,333)	(\$14,618,671)	\$527,016	\$19,485,161
Beginning Reserve Balance	\$144,413,643	\$122,370,012	\$100,403,202	\$77,456,923	\$58,191,590	\$43,572,919	\$44,099,936
Ending Reserve Balance	\$122,370,012	\$100,403,202	\$77,456,923	\$58,191,590	\$43,572,919	\$44,099,936	\$63,585,097
Ending Reserve Balance Percent*	23.2%	17.8%	12.3%	9.2%	6.6%	6.4%	8.9%

*As a % of Next Fiscal Year's Expenditures

Schedule for FY 2024/25 Utility Rate Adjustment Recommendation

- Nov 18** – Introduce Utility Rate Ordinances
- Dec 2** – City Council Action on Utility Rates
- Feb 1** – Effective date for Utility Rate changes



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