City Council Report

Date: September 24, 2026

To: City Council

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Subject: Fiscal Year 2026/2027 Utility Rates Recommendation

This report and attached information outlines recommended electric, natural gas, solid waste, wastewater and water utility rates, components, fees and/or charges to be presented to City Council in association with the introduction of utility rate ordinances on December 1, 2026. This will be followed by the public hearing on December 8, 2026 as stated in the Notice of Intention, which is on the October 5, 2026 City Council Meeting agenda.

The Utility Fund forecast and utility rate recommendation were presented to the Audit, Finance and Enterprise Committee on September 3, 2026.

PURPOSE AND RECOMMENDATION

The purpose of this report is to provide staff recommendations for utility rate adjustments. The rate adjustments are recommended to be effective February 1, 2027.

For each utility, the forecasted expenses (uses) are compared to the forecasted revenues (sources). The table below shows the projected net sources and uses for FY 2026/27 and FY 2027/28 if the recommended utility rate adjustments are adopted. The FY 2026/27 and FY 2027/28 net sources and uses are projected to be negative, however the net sources and uses for the Utility Fund improves throughout the forecast period (see Attachment 2 for more detail).

Utility	FY 26/27	FY 27/28
Water	($2,873,000)	$4,651,000
Wastewater	($5,668,000)	($4,067,000)
Solid Waste	$210,000	$2,358,000
Electric	($614,000)	($968,000)
Natural Gas	($2,996,000)	($3,288,000)
Total	($11,941,000)	($1,314,000)

The method of implementation of rate adjustments can vary from year to year based on the needs and goals of the individual utilities. The impact on individual customers can vary based on the method of implementation and customer consumption.

For FY 2026/27, the following rate adjustments are recommended (see Attachment 1 for more detail):

Solid Waste:

- Residential barrel rates: 5.5% increase to monthly service charge
- Front-load rates: Overall 6.0% increase
- Commercial Roll-Off rates: Overall 6.0% increase

Electric:

- Residential: $2.00 per month service charge increase
- Residential: 3.0% Summer Tier 1 usage charge increase
- Residential: 4.0% Summer Tier 2 usage charge increase
- Residential: 6.0% Winter Tier 1 & 2 usage charge increase
- Non-Residential: $5.00 per month service charge increase
- Non-Residential: 3.0% Summer and Winter Tier 1 usage charge increase
- Non-Residential: 6.0% Summer Tier 2 usage charge increase
- Non-Residential: 5.0% Winter Tier 2 usage charge increase
- Interdepartmental: 6.3% Tier 2 usage charge increase

Gas:

- Residential: $1.50 per month service charge increase
- Residential: 4.5% Summer and Winter Tier 1 usage charge increase
- Residential: 6.0% Summer and Winter Tier 2 usage charge increase
- Non-residential: $3.00 per month service charge increase
- Non-residential: 3.0% Summer and Winter Tier 1 usage charge increase
- Non-residential: 5.0% Summer and Winter Tier 2 usage charge increase

Water:

- All customers: 3.5% increase to monthly service charge
- Residential Tiers 1 & 2: 3.5% usage charge increase
- Residential Tiers 3 & 4: 4.5% usage charge increase
- General Commercial and other non-residential: 13.0% usage charge increase
- Non-residential Landscape: 15.0% usage charge increase
- Large Commercial and Industrial: 23.0% usage charge increase
- Multi-Unit: 12.0% usage charge increase
- Non-residential General Excess Surcharge Tier 1: 13.0% usage charge increase
- Non-residential General Excess Surcharge Tier 2: 23.0% usage charge increase
- Non-residential Landscape Excess Surcharge Tier 1: 15.0% usage charge increase
- Non-residential Landscape Excess Surcharge Tier 2: 25.0% usage charge increase
- Pumping Surcharge: 3.5% usage charge increase
- Mesa Gateway Airport Fire Protection: 30.0% demand charge increase
- Interdepartmental: 3.5% usage charge increase

Wastewater:

- Residential rate: 7.5% service and usage components increase
- Non-residential: 8.5% service and usage components increase

BACKGROUND AND DISCUSSION

Each utility is operated as a separate business center. As such, rate schedules are adjusted annually in a manner consistent with costs of capital, as well as the fixed and variable costs of operation and maintenance. In addition, rates are reviewed and updated with the requirements of Title 3, Chapter 3 of the Mesa City Code. To develop rate recommendations, staff consider the following five Financial Principles to ensure the reliability, sustainability, and affordability of the utilities:

- 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

In alignment with the City Code and the Financial Principles, the reserve balances are combined in the Utility Fund and are managed to maintain a targeted ending reserve balance of 20% or higher of the following year's estimated expenditures. The reserve balance allows for the smoothing of rate adjustments. This smoothing avoids large rate increases and minimizes the impact to customers in any single year.

The Utility Fund Cash Flow Projections (Attachment 2) includes projections of growth. The Water, Wastewater, and Solid Waste utilities have a citywide service area and are expected to grow by an average of about 0.9% per year during the forecast. With the inclusion of the Magma service area, the Natural Gas utility accounts are expected to grow by 2.2% in FY 2026/27. The Electric utility, with a smaller and largely built out service area when compared to the other utilities, is not expected to grow significantly in FY 2026/27.

The Utility Fund Cash Flow Projections also include expenditures that are increased by inflationary factors in future years. Some inflationary factors are unique to the individual utilities, such as those used for chemicals or purchased water. Other citywide expenditure pressures that are included in the forecast are listed below.

Capital Investment

The City continues to place a high priority on infrastructure investment to attract and service future development. The FY 2026/27 Capital Improvement Program (CIP) includes the planning for increased customer demand, maintaining system reliability, and satisfying contractual commitments. The debt service on utility systems revenue bonds and obligations is funded through the utility rates paid by customers. The City issues obligations on an as-needed basis in order to minimize the interest cost. Anticipated future debt service has been included in the forecast and rate recommendations.

Review of the General Fund Contribution

The Utility Fund contribution to the General Fund is calculated based off 30% of each utility's gross operating revenues. The amount of the transfer throughout the forecast period is adjusted based on the gross operating revenue forecast. The adjustment for FY 2026/27 is projected to be an increase of $11.0 million, increasing from $147.0 million to $158.0 million. However, depending on actual gross revenues received, the amount transferred could be lower or higher than what is projected.

SOLID WASTE UTILITY

Solid Waste services are charged as fixed monthly rates for the various services provided.

The Solid Waste utility forecast includes increased costs related to fleet maintenance, material processing, and disposal charges. Material processing and disposal costs are increasing regionally and are projected to increase by $2.3M in total from FY 2025/26 to FY 2026/27. Fleet maintenance costs are also projected to increase by $1.8M from FY 2025/26 to FY 2026/27 due to increased labor and parts costs as well as increased maintenance for the aging of the fleet.

Residential Rates

Staff are recommending a 5.5% increase to all residential barrel rates. Staff are recommending a $4.00 per load increase to scheduled bulk item pick-up requests and $4.00 per load increase for appliance collection. Additionally, staff is recommending a $0.05 increase for the Mesa Green and Clean Fee. The standard black barrel refuse service includes a blue barrel recycling service.

90-gallon barrel service: Increase of $1.92 per month, from $34.99 to $36.91
60-gallon barrel service: Increase of $1.72 per month, from $31.23 to $32.95
35-gallon barrel service: Increase of $1.62 per month, from $29.42 to $31.04
Additional trash barrel: Increase of $0.91, from $16.52 to $17.43
Green barrel: Increase of $0.45, from $8.27 to $8.72
Bulk Pick Up: Increase of $4.00 per load, from $31.00 to $35.00
Appliance Recycling: Increase of $4.00 per load, from $19.00 to $23.00
Green and Clean Fee: Increase of $0.05 from $1.00 to $1.05

The projected annualized revenue increase is $3,671,000.

Commercial Front-Load Trash

The Front-Load program serves customers in competition with private waste collection companies. There are various rate factors related to Front-Load service.

Staff are recommending increasing the base rate, out-of-zone fee, and multi-bin discounts. The projected overall increase for Front-Load Trash is 6.0%.

Base rate for Trash:
Increase 2-yard from $93.00 to $99.50
Increase 3-yard from $101.00 to $108.50
Increase 4-yard from $109.00 to $117.50
Increase 6-yard from $127.48 to $138.50
Increase 8-yard from $145.70 to $158.80
Increase out-of-zone fee by $2.00, from $33.00 to $35.00
Increase multi-bin discount by 4% for 2- to 6-yard bins and by 3% for 8-yard bins

Commercial Front-Load Recycling

Staff are recommending increasing the base rate.

Base rate for recycling:
Increase 2-yard from $78.62 to $85.69
Increase 3-yard from $85.44 to $93.12
Increase 4-yard from $92.28 to $100.58
Increase 6-yard from $107.87 to $117.57
Increase 8-yard from $127.18 to $138.61

Commercial Front-Load Compactor

Staff are recommending increasing the base rate.

Base rate for compactors:
Increase 2-yard from $131.88 to $143.73
Increase 3-yard from $156.14 to $170.18
Increase 4-yard from $180.41 to $196.62
Increase 5-yard from $198.34 to $216.18
Increase 6-yard from $214.99 to $234.32

The projected increase in annualized revenue is expected to be $625,000 for Front-Load Trash, Recycle, and Compactor services.

Commercial Roll-Off

The Roll-Off program serves residents and business customers in competition with private waste collection companies.

Staff are recommending the following Roll-Off rate adjustments:

Increase trash and green haul fees as follows:

Base rates for Roll-Off Trash:
Increase 15-yard/20-yard from $140.00 to $145.00
Increase 30-yard from $150.00 to $161.00

Increase 40-yard from $166.00 to $178.00

Base rates for Green Waste:
Increase 15-yard/20-yard from $140.00 to $145.00
Increase 30-yard from $150.00 to $161.00
Increase 40-yard from $166.00 to $178.00

Increase trash per ton charge by $3.50 from $51.50 to $55.00
Increase green waste per ton charge by $3.50 from $59.82 to $63.32

Increase fee for weight above the limit trash per ton charge by $5.09 from $54.91 to $60.00.
Increase fee for weight above the limit green waste per ton charge by $5.09 from $63.85 to $68.94

The projected roll-off increase in annualized revenue is approximately $134,000 for Roll-Off containers.

The projected annualized increase in revenue for all Solid Waste utility recommendations is approximately $4,430,000.

ELECTRIC UTILITY

Rates for electric service are comprised of three major components: System Service Charge with a flat monthly rate, Energy Usage Charge based on units of consumption, and the Electric Energy Cost Adjustment Factor (EECAF) which passes the cost of the purchase of the electric commodity to the customer.

Adjustments to the system service charge component of the electric rate allow for a more stable revenue source for the program and insulates customers from higher energy costs during peak demand periods such as the summer. Currently, approximately 22% of the revenues (excluding EECAF) from electric customers are fixed revenues. The program is heavily reliant on consumption to cover fixed expenses. Rate adjustments applied to the system service charge allow for a movement toward a more balanced rate structure. Average customer bills for the City of Mesa are similar to Salt River Project but are below Arizona Public Service.

Additionally, the electric program is experiencing inflationary pressures on operating costs, as well as increased debt service expenses related to system infrastructure improvements.

The EECAF component is adjusted monthly to “pass-through” increases and decreases in the costs of electric energy supplies acquired to meet customers’ needs. The electric energy market experiences price fluctuations due to availability of energy reserves, population growth in the Western Market, and weather conditions. The impact of these

factors resulted in increased costs for electricity until more favorable contract pricing was realized for FY 2025/26. Electricity costs were $28.6M in FY 2023/24, $31.1M in FY 2024/25, $23.6M in FY 2025/26 and are projected to be $23.1M in FY 2026/27. Staff continue to actively monitor pricing for electricity and apply the increasing costs using a smoothing approach in order to manage spikes in customer bills.

Residential

Staff recommend the following rate adjustments:

System Service Charge: increase of $2.00 per month, from $20.50 to $22.50
Usage Charges: 3.0% increase in Summer Tier 1 usage charge
4.0% increase in Summer Tier 2 usage charge
6.0% increase in Winter Tier 1 usage charge
6.0% increase in Winter Tier 2 usage charge

Average residential bill with customer charge, energy usage charge, and EECAF: from $123.10 to $126.76, a 3.0% increase, or $3.66 per month

Average residential customer bills for the City of Mesa are between estimated Salt River Project bills ($120.75 multifamily & $130.75 single-family) and comparable to estimated Arizona Public Service bills ($154.92).

Non-Residential

Staff recommend the following rate adjustments:

Service Charge: increase of $5.00 per month, from $24.72 to $29.72
Usage Charge: 3.0% increase for Summer/Winter Tier 1 and a 5.0% increase for Winter Tier 2 and a 6.0% increase for Summer Tier 2

Average commercial bill with customer charge, energy usage charge, and EECAF: from $478.36 to $490.10, a 2.5% increase, or $11.74 per month

Interdepartmental Electric

Staff recommend a 6.3% increase for the Interdepartmental Tier 2 usage charge. The Interdepartmental rates increased 4.5% in 2026 and 2025, and 3.5% in 2024. Prior to that they had not been adjusted since 2016.

The projected annualized increase in revenue for the Electric utility recommendations is approximately $1,120,000.

NATURAL GAS UTILITY

Rates for natural gas service are comprised of three components: System Service Charge with a flat monthly rate, Usage Charge based on units of consumption, and the Purchased Natural Gas Cost Adjustment Factor (PNGCAF) which passes the cost of the purchase of the natural gas commodity to the customer. Those customers that reside in the Magma service area also have a Magma adjustment factor rate component. The adjustment factor benchmarks the City's rates to the rates of Southwest Gas to provide market equity.

Additionally, the natural gas program is experiencing inflationary pressures on operating costs, as well as increased debt service expenses related to system infrastructure expansion and improvements.

The recommended residential system service charge adjustment is an increase of $1.50 per month, and the non-residential system service charge recommendation is for a $3.00 per month increase. The customer bill increase will vary largely based on consumption. The higher the consumption, the lower the percentage impact would be. The residential Tier 2 Summer/Winter Usage increase would increase rates over 25 therms of usage and will continue the City's efforts to create a progressive rate structure for usage.

The PNGCAF component has been adjusted monthly to "pass-through" increases and decreases in the costs of natural gas supplies acquired to meet customers' needs.

Staff recommend the following rate adjustments:

Residential

Service Charge – summer and winter: increase of $1.50
Usage Charge – Tier 1 – under 25 therms: 4.5% increase for summer and winter
Usage Charge – Tier 2 – over 25 therms: 6.0% increase for summer and winter

Average monthly Mesa resident bill with customer charge, usage charge, and PNGCAF: from $42.28 to $44.63, a 5.6% increase, or $2.35 per month

Non-Residential

Service Charge - summer: increase of $3.00, from $47.66 to $50.66
Service Charge - winter: increase of $3.00, from $57.34 to $60.34
Non-Residential Usage Charge – Tier 1: 3.0% increase for summer and winter
Non-Residential Usage Charge – Tier 2: 5.0% increase for summer and winter

Average monthly Mesa commercial bill with customer charge, usage charge, and PNGCAF: from $475.84 to $487.68, a 2.5% increase, or $11.84 per month

The projected annualized increase in revenue for the Natural Gas utility recommendations is approximately $2,860,000.

WATER UTILITY

Rates for water service are comprised of two components: Service Charge, with a flat monthly rate based on the water meter size and Usage Charge, based on units of water consumption.

The water utility forecast includes costs for debt service; joint venture costs for the operation of the Val Vista Water Treatment Facility; and power, commodity, and chemicals at the City's water treatment plants. Staff reviews and forecasts all costs each year to ensure rates are sufficient to keep up with expenses. This includes projected increases of approximately $13.6M in operating costs and $5.1M debt service costs from FY 2025/26 to FY 2026/27. The difference in operating costs from FY 2025/26 to FY 2026/27 is largely due to (1) funding the first year of operations for the expanded Signal Butte Water Treatment Plant, and (2) the Water Department realizing savings in FY 2025/26.

Over the last few years, the City has concentrated on aligning its fixed revenues with fixed costs, while at the same time trying to keep costs low for its low usage customers (≤3,000 gallons per month). Fixed revenues are derived from the Service Charge of the customer's water bill, which includes 3,000 gallons of water per month. The City's goal is for 35%-40% of its overall water revenue to come from the Service Charge. FY 2025/26 fell below this goal at 33% of total rate revenues due to higher than anticipated water consumption because of relatively dry and warm weather throughout the fiscal year.

The variable rate component (Usage Charge) is based on water consumption rounded to 1,000-gallon increments. There are four residential tiers (or levels of usage). Each tier has a different rate. The tier structure allows for a demand-based rate as customers with higher usage patterns create a greater demand for infrastructure and service capacity.

Residential Water

Staff recommend a 3.5% increase to all service charges and a Drought Commodity Charge of $0.13 (an increase of $0.05) per 1,000 gallons of water consumption above 3,000 gallons per billing period during a declared water shortage. Staff also recommend the following Residential usage charge increases:

Tier 1 (4,000 – 6,000 gallons): 3.5% increase, from $3.81 to $3.94 per 1,000 gallons
Tier 2 (7,000 – 14,000 gallons): 3.5% increase, from $5.81 to $6.01 per 1,000 gallons
Tier 3 (15,000 – 24,000 gallons): 4.5% increase, from $7.11 to $7.43 per 1,000 gallons
Tier 4 (>24,000 gallons): 4.5% increase, from $8.03 to $8.39 per 1,000 gallons

Typical Residential Water Consumer Impact:

Service Charge: $1.15 increase per month, from $32.97 to $34.12
Usage Charges: $0.39 increase per month, from $11.43 to $11.82
Drought Commodity Charge: $0.15 increase per month, from $0.24 to $0.39

Typical monthly bill impact: $1.69 per month, from $44.64 to $46.33

Arizona Water Company comparison:
Service Charge: $47.04 per month
Usage Charges (6,000 gallons): $16.51
CAP Water Surcharge: $0.41
Regulatory Expense Surcharge: $0.28
System Improvement Benefits Surcharge: $1.78

Typical monthly bill: $66.02 per month

Non-Residential Water

Consistent with the direction promoting equity with residential rates and furthering conservation efforts, the City is focused on identifying necessary and discretionary water use. FY 2025/26 continued the recent trend of higher usage for non-residential customers compared to residential customers. The impact of increased non-residential water usage impacts the amount of water and infrastructure needed to serve these customers.

Additionally, to promote conservation and reduce discretionary use, staff is recommending the expansion of its current excess surcharge rate structure of one tier, to a two-tiered excess surcharge rate structure. The excess surcharge is applied to non-residential customers for use that is above the customer's winter water average. Tier 1 of the excess surcharge would be for use between 100%-150% of the customer's winter water average, and the Tier 2 rate would be applied to all usage above 150% of the customer's winter water average.

Staff recommend the following non-residential usage rate adjustments:

General Commercial: 13.0% increase
General Multi-unit: 12.0% increase
Large Commercial and Industrial: 23.0% increase
Non-residential Landscape: 15.0% increase
Excess Surcharge:
- General Tier 1: 13.0% increase
- General Tier 2: 23.0% increase
- Landscape Tier 1: 15.0% increase
- Landscape Tier 2: 25.0% increase

Similar to residential customers, all non-residential customers would have a 3.5% increase in their Service Charge. The recommended usage and excess surcharge adjustments continue the City's efforts to achieve equity between residential and non-residential rates. As the recommended increase is higher for the Usage Charge, the monthly bill increase will be smaller for customers that consume less water.

Typical Non-residential Water Consumer Impact:

> Commercial General typical monthly bill (consumption of 9,000 gallons): increase of $6.43, from $87.83 to $94.26, or a 7.3% increase.
>
> Commercial Landscape typical monthly bill (consumption of 33,000 gallons): increase of $30.13, from $235.91 to $266.04, or a 12.8% increase

Mesa Gateway Airport Fire Protection Utility

Staff recommend a 30.0% increase to the Mesa Gateway Airport (MGA) Fire Protection demand charge. This is the third increase, of a 3-year adjustment plan, to the MGA Fire Protection rate in twelve years and applies to all facilities located in the North General Aviation Area (currently twelve customers). This increase will align demand related revenues to the actual operation and maintenance costs of the MGA Fire Protection Utility, which are recovered through the demand charge.

Interdepartmental Water

For FY 2026/27, staff recommend a 3.5% increase to the interdepartmental water usage charges, consistent with the Residential Tier 1 usage charge adjustment.

Drought Commodity Charge

During periods of declared shortages on the Colorado or Salt River systems, the City of Mesa assesses a Drought Commodity Charge on water use in excess of 3,000 gallons per billing period. The charge is assessed per 1,000 gallons and is intended to recover increased water supply costs associated with declared river shortages.

Staff recommends increasing the Drought Commodity Charge from $0.08 to $0.13 per 1,000 gallons of water used in excess of 3,000 gallons due to declared river system shortages. Staff also recommends amending the Drought Commodity Charge provisions in the utility rate book to more closely align with the language used for the EECAF and PNGCAF, where staff would adjust the Drought Commodity Charge as conditions change and publish the charge amount on the Water Resources Department webpage. This adjustment will provide staff greater flexibility to adjust the charge in response to changing water supply conditions and associated costs.

The total projected annualized increase in water rate revenue is approximately $17,340,000.

WASTEWATER UTILITY

Rates for residential wastewater service are comprised of two components: Service Charge with a flat monthly rate, and Usage Charge based on wastewater demand volume. Wastewater volume is calculated for each customer based on 90% of the average monthly water use for the three lowest water usage months from December through March (also known as the “winter water monthly average”). This approximates indoor household usage and the resulting demand on the wastewater system. A City-wide winter water monthly average is used for new customers until an individual customer average can be determined.

The wastewater utility forecast includes costs for chemicals, electricity, maintenance at the Greenfield Water Reclamation Plant, and the cost of ownership, operation, and maintenance of the 91st Avenue Wastewater Treatment Plant (a joint venture with the cities of Glendale, Phoenix, Scottsdale, and Tempe). Operating costs are projected to increase by approximately $4.7M and debt service costs by approximately $1.3M from FY 2025/26 to FY 2026/27.

Staff recommend a 7.5% increase to the Service Charge and Usage Charge for Residential customers, and an 8.5% increase to the Service Charge and the Usage Charge for Non-residential customers.

Typical Residential Wastewater Consumer Impact (4,000 gallons/month):

Service Charge: $1.94 increase per month, from $25.92 to $27.86
Usage Charge (Winter water average): $0.32 increase per month, from $4.26 to $4.58

Total average monthly bill impact: Approximately $2.26 per month, from $30.18 to $32.44

Liberty Utilities comparison:
Total average monthly bill: $47.52

EPCOR (formerly Johnson Utilities) comparison:
Total average monthly bill: $66.40

Typical General Commercial Wastewater Consumer Impact:

Service Charge: $2.46 increase per month, from $28.89 to $31.35
Usage Charge (based on water consumption): $1.40 increase per month, from $16.17 to $17.57
Surcharge (based on water consumption): $1.40 increase per month, from $16.64 to $18.04

Typical monthly bill impact: $5.26 per month, from $61.70 to $66.96

Interdepartmental wastewater rates are recommended to be held constant.

The total projected annualized increase in wastewater rate revenue is approximately $9,630,000.

TERMS AND CONDITIONS

Staff recommend various updates and clarifications for the Terms and Conditions that align with current City operations. This includes removing the use of a letter of credit to waive the security deposit, and that customers pay all applicable fees for each service connection, including the Capacity Fees. Staff also recommend adding language that states that current customers are responsible for all charges for utility service at a property until the customer cancels service, or until a new customer establishes service at the property.

Additionally, there is a small service area where customers receive City of Mesa wastewater and solid waste services but receive water utility services from a private utility provider. To ensure efficient coordination with customers and the private utility provider, staff recommends codifying that the account holder's name needs to match between the City and private utility provider. When the City receives notification from the private utility provider that water service is activated for a new customer, the City will also activate solid waste and wastewater service.

UTILITY SERVICE FEES

The City is in the final phase of implementing the Advanced Metering Infrastructure (AMI) project for City water, natural gas, and electric customers. The City has adjusted its operations with the adoption of this new technology. Customers that retain their non-AMI meter will impose additional costs on the City, including a service call for City staff to perform a manual meter read, submit this information into the metering and billing systems, and coordinate with the property owner when necessary. To recover the costs of this additional service, staff is recommending a $60 per month fee to service each non-AMI meter for these customers. This fee will not apply to reading meters that the City has determined cannot be switched to AMI meters (i.e., vault meters and hydrant meters).

ALTERNATIVES

Modify the FY 2026/27 utility rate adjustment proposal. Examples include but are not limited to: increase, reduce, or eliminate a recommended percentage.

The budgetary impact would need to be calculated by staff based on the modification requested.

FISCAL IMPACT

The projected annualized increase in revenues in the Utility Fund from the recommended rate adjustments is as follows:

Utility	Annualized Increase
Water	$17,340,000
Wastewater	$9,630,000
Solid Waste	$4,430,000
Electric	$1,120,000
Natural Gas	$2,860,000

The projected ending reserve balance for the Utility Fund with similar adjustment to rates each year is:

Fiscal Year	Ending Reserve Balance
25/26	20.6%
26/27	17.5%
27/28	16.5%
28/29	17.9%
29/30	19.6%
30/31	21.9%
31/32	24.0%

The projected increase on the typical residential customer for by individual utility is:

Utility	Monthly	Annual
Solid Waste	$1.97	$23.64
Electric	$3.66	$43.92
Natural Gas	$2.35	$28.20
Water	$1.69	$20.28
Wastewater	$2.26	$27.12

Attachments:

1. FY 2026/27 Utility Rate Adjustment Recommendation Summary
2. City of Mesa Utility Fund Cash Flow Projections

City of Mesa, Arizona Utility Rate Adjustments Recommendations for FY 26/27

as of 09/08/2026

Electric (per month billing)

Residential: $2 service charge increase, 3% Summer Tier 1 usage increase, 4% Summer Tier 2 usage increase, and 6% Winter Tier 1 and 2 usage increase

examples:	Current	Recommended	change	pct change
low	$ 58.83	$ 61.44	$ 2.61	4.4%
average	$ 123.10	$ 126.76	$ 3.66	3.0%
high	$ 202.81	$ 207.93	$ 5.12	2.5%

(Including pass through of electric energy supply costs)

Commercial: $5 service charge increase, 3% Summer and Winter Tier 1 increase, 6% Summer Tier 2 usage increase, and 5% Winter Tier 2 usage increase

examples:	Current	Recommended	change	pct change
average	$478.36	$ 490.10	$ 11.74	2.5%

Gas (per month billing)

Residential: $1.50 service charge increase, 4.5% Tier 1 usage increase, and 6% Tier 2 usage increase

examples:	Current	Recommended	change	pct change
low	$ 24.60	$ 26.30	$ 1.70	6.9%
average	$ 42.28	$ 44.63	$ 2.35	5.6%
high	$ 72.32	$ 75.96	$ 3.64	5.0%

(including pass through of natural gas energy supply costs)

Commercial: $3.00 increase on service charge; 3% Tier 1 usage increase, and 5% Tier 2 usage increase

examples:	Current	Recommended	change	pct change
average	$475.84	$ 487.68	$ 11.84	2.5%

Solid Waste (per month billing)

Residential: 5.5% all barrels

	Current	Recommended	change	pct change
90 gal	$ 34.99	$ 36.91	$ 1.92	5.5%
60 gal	$ 31.23	$ 32.95	$ 1.72	5.5%
extra black	$ 16.52	$ 17.43	$ 0.91	5.5%
green waste	$ 8.27	$ 8.72	$ 0.45	5.5%

flat amount per month in each bill

Neighborhood Clean Up	$ 0.47	$ 0.52	$ 0.05	10.6%
Household Hazardous Materials	$ 0.53	$ 0.53	$ -	0.0%
Green & Clean Fee Total	$ 1.00	$ 1.05	$ 0.05	5.0%

residential example:

90 gal w/G&C fee	$ 35.99	$ 37.96	$ 1.97	5.5%

per service order request

Bulk Item	$ 31.00	$ 35.00	$ 4.00	12.9%
Homeowner's Landfill	$ 15.00	$ 15.00	$ -	0.0%
Appliance Collection	$ 19.00	$ 23.00	$ 4.00	21.1%

Front Load - Trash 6.0% overall increase, includes adjustments to base rates, out-of-zone fees, and multi-bin discounts

Commercial Roll Off 6.0% overall increase

Water (per month billing)

Residential: 3.5% service charge increase, 3.5% Tier 1 and 2 usage charge increase, 4.5% Tier 3 and 4 usage increase

examples: kgal/mo	Current	Recommended	change	pct change
6	$ 44.64	$ 46.33	$ 1.69	3.8%
10	$ 68.20	$ 70.89	$ 2.69	3.9%
15	$ 98.95	$ 103.01	$ 4.06	4.1%
25	$ 171.77	$ 179.57	$ 7.80	4.5%

Non-Residential Increases: 3.5% service charge, 13% General Commerical usage and Excess Surcharge Tier 1 usage, 23% Large Commercial usage and General Excess Surcharge Tier 1 usage, 15% Landscape usage and Landscape Excess Surcharge Tier 1 usage, 12% multi-unit usage, 25% Landscape Excess Usage Tier 2 usage

examples: kgal/mo	Current	Recommended	change	pct change
9	$ 87.83	$ 94.26	$ 6.43	7.3%

Wastewater (per month billing)

Residential: 7.5% rate increase for all components

example:	kgal/mo	Current	Recommended	change	pct change
$ 27.12	4	$ 30.18	$ 32.44	$ 2.26	7.5%

residential wastewater bill usage is charged at 90% of the winter water average

non-residential: 8.5% all components

example:	kgal/mo	Current	Recommended	change	pct change
	9	$ 61.70	$ 66.96	$ 5.26	8.5%

Attachment 2 - City of Mesa Utility Fund Cash Flow Projections

As of 9/8/2026	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
WATER	$5,460,861	($2,872,881)	$4,650,774	$11,317,938	$10,087,066	$8,290,426	$9,257,249
WASTEWATER	($3,781,233)	($5,668,273)	($4,067,116)	$587,564	$4,816,543	$7,593,925	$7,282,910
SOLID WASTE	$655,139	$210,001	$2,357,854	$5,372,359	$5,258,107	$9,893,037	$10,705,768
ELECTRIC	$4,060,522	($613,600)	($968,075)	($854,339)	($1,269,674)	($1,369,446)	($1,285,440)
NATURAL GAS	($5,312,726)	($2,995,696)	($3,287,572)	$448,895	$361,173	$1,141,125	$1,840,407
DISTRICT COOLING	($345,087)	($160,312)	($142,690)	($137,173)	($168,212)	($201,698)	($147,034)
TOTAL NET SOURCES AND USES	$737,476	($12,100,760)	($1,456,824)	$16,735,244	$19,085,004	$25,347,369	$27,653,860
Beginning Reserve Balance	$119,419,884	$120,157,360	$108,056,600	$106,599,776	$123,335,020	$142,420,023	$167,767,392
Ending Reserve Balance	**$120,157,360**	**$108,056,600**	**$106,599,776**	**$123,335,020**	**$142,420,023**	**$167,767,392**	**$195,421,252**
Ending Reserve Balance Percent*	**20.6%**	**17.5%**	**16.5%**	**17.9%**	**19.6%**	**21.9%**	**24.0%**
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	2.50%	**3.50%**	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
WATER Commercial (usage)	20.00%	**13.00%**	*13.00%*	*5.00%*	*5.00%*	*5.00%*	*5.00%*
WASTEWATER Residential	7.50%	**7.50%**	*7.50%*	*7.50%*	*7.00%*	*7.00%*	*7.00%*
WASTEWATER Non-Residential	8.50%	**8.50%**	*8.50%*	*8.50%*	*8.00%*	*8.00%*	*8.00%*
SOLID WASTE Residential	5.50%	**5.50%**	*5.50%*	*5.50%*	*5.00%*	*5.00%*	*5.00%*
SOLID WASTE Commercial	5.50%	**6.00%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Rolloff	5.50%	**6.00%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
ELECTRIC Residential - svc charge	$1.00	**$2.00**	*$3.00*	*$3.00*	*$3.00*	*$3.00*	*$3.00*
ELECTRIC Non-Residential - svc charge	$5.00	**$5.00**	*$5.00*	*$5.00*	*$5.00*	*$5.00*	*$5.00*
GAS Residential - svc charge	$0.00	**$1.50**	*$1.00*	*$1.00*	*$1.00*	*$1.00*	*$1.00*
GAS Non-Residential - svc charge	$3.00	**$3.00**	*$3.00*	*$3.00*	*$3.00*	*$3.00*	*$3.00*

Attachment 2 - City of Mesa Utility Fund Cash Flow Projections

TOTAL

As of 9/8/2026	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
Sources of Funding							
Revenues	$495,300,800	$530,817,031	$574,310,684	$619,829,926	$659,436,817	$700,245,007	$742,869,185
EECAF/PNGCAF Revenues	$38,852,952	$38,988,637	$43,065,925	$44,795,442	$48,910,359	$50,811,494	$51,791,198
Total Sources	$534,153,752	$569,805,668	$617,376,609	$664,625,368	$708,347,176	$751,056,501	$794,660,383
Uses of Funding							
Operating Expenditures	$204,927,035	$230,066,261	$237,711,461	$244,749,285	$249,957,024	$256,211,083	$264,980,265
EECAF/PNGCAF Expenditures	$33,957,225	$38,988,637	$43,065,925	$44,795,442	$48,910,359	$50,811,494	$51,791,198
Expenditure Subtotal	$238,884,260	$269,054,898	$280,777,386	$289,544,727	$298,867,383	$307,022,577	$316,771,463
Project Costs	$805,166	$2,294,509	$409,360	$313,744	$331,302	$448,208	$346,785
General Fund Transfer	$147,042,095	$157,995,931	$170,436,529	$183,758,900	$195,513,783	$207,724,005	$220,475,914
Debt Service Transfer	$131,756,953	$139,134,266	$151,516,765	$159,515,066	$170,717,711	$182,373,802	$198,072,958
Lifecycle/ Infrastructure Transfers	$10,655,881	$11,368,463	$12,319,242	$13,263,618	$14,137,441	$14,990,981	$15,862,390
Capital Transfer	$3,707,157	$1,352,409	$2,527,005	$505,733	$8,706,217	$12,161,223	$14,488,677
Other Transfers	$564,764	$705,954	$847,146	$988,337	$988,337	$988,337	$988,337
Total Uses	$533,416,276	$581,906,429	$618,833,433	$647,890,124	$689,262,173	$725,709,132	$767,006,523
Net Sources and Uses	$737,476	($12,100,760)	($1,456,824)	$16,735,244	$19,085,004	$25,347,369	$27,653,860
Beginning Reserve Balance	$119,419,884	$120,157,360	$108,056,600	$106,599,776	$123,335,020	$142,420,023	$167,767,392
Ending Reserve Balance	**$120,157,360**	**$108,056,600**	**$106,599,776**	**$123,335,020**	**$142,420,023**	**$167,767,392**	**$195,421,252**
Ending Reserve Balance Percent*	**20.6%**	**17.5%**	**16.5%**	**17.9%**	**19.6%**	**21.9%**	**24.0%**

*As a % of Next Fiscal Year's Expenditures

Attachment 2 - City of Mesa Utility Fund Cash Flow Projections

WATER	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
Sources of Funding							
Residential Rate Revenues	$110,413,201	$115,199,895	$120,813,416	$126,826,813	$132,072,435	$137,276,797	$142,645,941
Non-Residential Rate Revenues	$97,378,682	$113,499,823	$129,343,959	$144,805,667	$155,563,751	$166,974,180	$178,775,338
Other Revenues	$13,428,043	$8,567,008	$8,530,943	$8,700,565	$8,873,471	$9,058,013	$9,250,165
Total Sources	$221,219,926	$237,266,727	$258,688,318	$280,333,045	$296,509,656	$313,308,990	$330,671,444
Uses of Funding							
Operating Expenditures	$77,957,329	$91,542,055	$94,479,319	$98,337,028	$100,973,758	$103,962,816	$107,345,587
Project Costs	$30,331	$205,742	$0	$0	$0	$0	$0
General Fund Transfer	$65,787,026	$70,523,339	$76,647,853	$83,106,274	$87,897,284	$92,928,525	$98,128,534
Debt Service Transfer	$67,167,958	$72,245,964	$76,494,892	$81,369,352	$86,116,105	$90,748,475	$97,728,145
Lifecycle/ Infrastructure Transfers	$4,424,399	$4,745,335	$5,173,766	$5,606,661	$5,930,193	$6,266,180	$6,613,429
Capital Transfer	$178,904	$610,774	$922,037	$222,835	$5,132,293	$10,739,611	$11,225,544
Other Transfers	$213,118	$266,398	$319,677	$372,957	$372,957	$372,957	$372,957
Total Uses	$215,759,065	$240,139,607	$254,037,544	$269,015,106	$286,422,591	$305,018,564	$321,414,196
Net Sources and Uses	$5,460,861	($2,872,881)	$4,650,774	$11,317,938	$10,087,066	$8,290,426	$9,257,249

WASTEWATER	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
Sources of Funding							
Residential Rate Revenues	$64,913,314	$66,806,673	$72,565,599	$78,995,568	$85,382,454	$91,843,060	$98,735,422
Non-Residential Rate Revenues	$51,760,012	$56,307,810	$61,556,730	$67,465,994	$73,725,288	$80,184,456	$87,120,519
Other Revenues	$4,567,765	$3,608,746	$4,658,043	$5,249,977	$5,358,044	$5,473,432	$5,593,503
Total Sources	$121,241,091	$126,723,228	$138,780,373	$151,711,540	$164,465,785	$177,500,948	$191,449,444
Uses of Funding							
Operating Expenditures	$42,664,976	$47,309,255	$49,338,834	$51,066,425	$52,590,720	$53,851,493	$56,716,870
Project Costs	$20,318	$176,978	$0	$0	$0	$0	$0
General Fund Transfer	$35,879,651	$37,424,468	$40,736,078	$44,446,733	$48,249,645	$52,135,231	$56,293,799
Debt Service Transfer	$42,965,118	$44,303,670	$49,062,131	$52,340,983	$55,348,294	$60,187,778	$67,138,163
Lifecycle/ Infrastructure Transfers	$2,424,822	$2,534,465	$2,775,607	$3,034,231	$3,289,316	$3,550,019	$3,828,989
Capital Transfer	$1,015,335	$577,535	$856,681	$144,422	$80,083	$91,319	$97,530
Other Transfers	$52,104	$65,130	$78,157	$91,183	$91,183	$91,183	$91,183
Total Uses	$125,022,324	$132,391,501	$142,847,488	$151,123,976	$159,649,241	$169,907,023	$184,166,534
Net Sources and Uses	($3,781,233)	($5,668,273)	($4,067,116)	$587,564	$4,816,543	$7,593,925	$7,282,910

Attachment 2 - City of Mesa Utility Fund Cash Flow Projections

SOLID WASTE	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
Sources of Funding							
Revenues	$81,572,363	$87,289,950	$92,329,613	$98,002,184	$103,608,315	$109,443,784	$115,523,947
Uses of Funding							
Operating Expenditures	$51,802,017	$57,376,154	$59,180,760	$60,116,782	$60,680,949	$61,846,300	$63,415,193
Project Costs	$325,001	$1,082,816	$409,360	$313,744	$331,302	$448,208	$346,785
General Fund Transfer	$24,471,709	$26,186,985	$27,698,884	$29,400,655	$31,082,494	$32,833,135	$34,657,184
Debt Service Transfer	$636,276	$486,147	$545,655	$525,777	$514,181	$729,130	$747,981
Lifecycle/ Infrastructure Transfers	$1,631,447	$1,745,799	$1,846,592	$1,960,044	$2,072,166	$2,188,876	$2,310,479
Capital Transfer	$1,949,879	$75,929	$139,165	$136,256	$3,492,548	$1,328,531	$3,163,991
Other Transfers	$100,895	$126,119	$151,343	$176,567	$176,567	$176,567	$176,567
Total Uses	$80,917,224	$87,079,950	$89,971,759	$92,629,825	$98,350,208	$99,550,747	$104,818,180
Net Sources and Uses	$655,139	$210,001	$2,357,854	$5,372,359	$5,258,107	$9,893,037	$10,705,768

ELECTRIC	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
Sources of Funding							
Revenues	$23,809,004	$22,630,903	$23,871,174	$25,374,983	$26,726,919	$28,053,322	$29,398,678
EECAF Revenues	$26,875,553	$23,107,536	$24,066,144	$25,136,527	$25,651,647	$26,274,790	$27,148,903
Total Sources	$50,684,557	$45,738,439	$47,937,318	$50,511,510	$52,378,566	$54,328,112	$56,547,581
Uses of Funding							
Operating Expenditures	$9,983,288	$10,113,970	$10,474,304	$10,591,967	$10,781,763	$11,039,537	$11,335,760
EECAF Expenditures	$23,657,244	$23,107,536	$24,066,144	$25,136,527	$25,651,647	$26,274,790	$27,148,903
Expenditure Subtotal	$33,640,532	$33,221,506	$34,540,448	$35,728,494	$36,433,410	$37,314,327	$38,484,663
Project Costs	$316,848	$436,567	$0	$0	$0	$0	$0
General Fund Transfer	$6,666,185	$6,789,271	$7,161,352	$7,541,480	$7,929,993	$8,327,279	$8,729,138
Debt Service Transfer	$4,904,574	$4,845,151	$5,831,817	$6,941,785	$8,093,407	$8,825,532	$9,344,410
Lifecycle/ Infrastructure Transfers	$1,013,691	$914,769	$958,746	$1,010,230	$1,047,571	$1,086,562	$1,130,952
Capital Transfer	$0	$42,019	$289,722	$0	$0	$0	$0
Other Transfers	$82,205	$102,756	$123,308	$143,859	$143,859	$143,859	$143,859
Total Uses	$46,624,035	$46,352,039	$48,905,393	$51,365,848	$53,648,240	$55,697,558	$57,833,021
Net Sources and Uses	$4,060,522	($613,600)	($968,075)	($854,339)	($1,269,674)	($1,369,446)	($1,285,440)

Attachment 2 - City of Mesa Utility Fund Cash Flow Projections

NATURAL GAS	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
Sources of Funding							
Revenues	$46,098,697	$55,523,680	$59,226,704	$62,963,687	$66,651,027	$70,430,524	$74,284,770
PNGCAF Revenues	$11,977,399	$15,881,101	$18,999,781	$19,658,915	$23,258,712	$24,536,704	$24,642,295
Total Sources	$58,076,096	$71,404,781	$78,226,485	$82,622,602	$89,909,739	$94,967,228	$98,927,065
Uses of Funding							
Operating Expenditures	$21,333,694	$22,597,830	$23,107,856	$23,491,737	$23,731,082	$24,256,542	$24,943,552
PNGCAF Expenditures	$10,299,981	$15,881,101	$18,999,781	$19,658,915	$23,258,712	$24,536,704	$24,642,295
Expenditure Subtotal	$31,633,675	$38,478,931	$42,107,637	$43,150,652	$46,989,794	$48,793,246	$49,585,847
Project Costs	$112,595	$392,406	$0	$0	$0	$0	$0
General Fund Transfer	$13,829,609	$16,657,104	$17,768,011	$18,830,412	$19,911,831	$21,047,603	$22,204,988
Debt Service Transfer	$16,083,028	$17,253,333	$19,582,270	$18,337,169	$20,645,723	$21,882,887	$23,114,259
Lifecycle/ Infrastructure Transfers	$1,161,522	$1,428,096	$1,564,530	$1,652,452	$1,798,195	$1,899,345	$1,978,541
Capital Transfer	$452,380	$45,591	$317,588	$0	$0	$0	$0
Other Transfers	$116,013	$145,016	$174,020	$203,023	$203,023	$203,023	$203,023
Total Uses	$63,388,822	$74,400,477	$81,514,057	$82,173,708	$89,548,566	$93,826,103	$97,086,658
Net Sources and Uses	($5,312,726)	($2,995,696)	($3,287,572)	$448,895	$361,173	$1,141,125	$1,840,407

DISTRICT COOLING	FY 25/26 Estimate	FY 26/27 Projected	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast	FY 31/32 Forecast
Sources of Funding							
Revenues	$1,359,719	$1,382,543	$1,414,502	$1,444,488	$1,475,116	$1,507,440	$1,540,902
Uses of Funding							
Operating Expenditures	$1,185,731	$1,126,996	$1,130,388	$1,145,345	$1,198,751	$1,254,396	$1,223,304
General Fund Transfer	$407,916	$414,763	$424,351	$433,346	$442,535	$452,232	$462,271
Project Costs	$73	$0	$0	$0	$0	$0	$0
Capital Transfer	$110,659	$561	$1,811	$2,221	$1,293	$1,762	$1,612
Other Transfers	$428	$535	$642	$749	$749	$749	$749
Total Uses	$1,704,806	$1,542,855	$1,557,192	$1,581,661	$1,643,327	$1,709,138	$1,687,936
Net Sources and Uses	($345,087)	($160,312)	($142,690)	($137,173)	($168,212)	($201,698)	($147,034)