City of Mesa

FY 14/15

Utility Rate Recommendations

City Council

April 17, 2014

Presented by the Office of Management and Budget
• Each utility is operated as a separate business center

• Combined Ending Reserve Balance will adhere to the adopted financial policy of at least 8-10% over the forecast period

• Reserve balance can be used to smooth the rate adjustments year-to-year
• Capital investment is needed to strategically position the City for future economic development and residential growth
  • Water and Wastewater infrastructure

• The cost of fuel and parts for the City’s fleet of vehicles previously covered by other Departmental savings.
  • Solid Waste transition to Compressed Natural Gas (CNG)
• Employee Benefit Trust—no premium holiday scheduled

• Workers’ Compensation—higher City contribution due to increase in claims

• Total Transfer amount from Enterprise fund is recommended to increase based on inflationary pressures
Water Utility Rate Recommendations

Water Projects (Completed 2009-14)

- Upgrade of three pump stations in City Zone
- Sixteen well upgrades (re-equipping and/or re-drill)
- Quarter section waterline replacements
- Waterline replacement projects joint with Transportation
- Brown Rd Water Treatment Plant (BRWTP) belt filter press
- Utility replacements on Main St with Light Rail project
- Reservoir aeration projects for water quality
- Generator installations for upper zone reliability
- Other pump station rehabilitation projects
Water Utility Rate Recommendations

Water CIP

• Life-Cycle Replacements/Reliability
  – Brown Road Water Treatment Plant, Pump Stations, Wells
  – Pipes

• Growth/Economic Development-
  Residential/Manufacturing
  – Signal Butte WTP: 24 mgd
  – Wells
  – Pipes: Identified to support growth

• Contractual Obligations
  – Water Rights, Val Vista Water Treatment Plant and
    Transmission Main
Water Utility Rate Recommendations

- Annual Debt Service costs are expected to increase by $12.1M by FY18/19
  - Includes presented projects

- Signal Butte operating costs scheduled to begin in FY17/18

- Service Charge revenue based on number of bills is more stable than Usage Charge revenue based on consumption
Water Utility Rate Recommendations

• Service Charge revenue targeted at 40% of expenditures

• Currently at 33% and spreading the recommended increase evenly would remain near that level into the future

• Increasing the Service Charge will move revenues closer to the 40% target
Water Utility Rate Recommendations

Water Service Charge as a % of Total Costs

- Spread Evenly
- Recommended
- Target

<table>
<thead>
<tr>
<th>FY 13/14</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
<th>FY 16/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>30.0%</td>
<td>32.0%</td>
<td>34.0%</td>
<td>36.0%</td>
</tr>
</tbody>
</table>
Water Utility Rate Recommendations

• Service Charge increase of $3.00 per month, 3.5% increase on all other rate components

• Average Water Utility customer increases from $39.69 to $43.32

• Large Turf Facility Untreated Water Service
  • Anticipated $125K in FY14/15, $250K annually thereafter
Wastewater Utility Rate Recommendations

Wastewater Projects (Completed 2009-14)

- Southern Avenue Interceptor rehabilitation
- NWWRP headworks and clarifier rehabilitation
- Citywide sewer manhole rehabilitation
- Citywide sewer rehabilitation
- Southeast WRP disinfection improvements
- Rehabilitation of sewer crossing under US60
- Rehabilitation of existing lift stations and odor control stations
Wastewater Utility Rate Recommendations

Wastewater CIP

- **Life-Cycle Replacements/Rehabilitation:**
  - Northwest Water Reclamation Plant (NWWRP)
  - Southeast Water Reclamation Plant (SWWRP)
  - Greenfield Water Reclamation Plant (GWRP)
  - Sewer lines, Lift Stations, Odor Control Stations and Manholes

- **Growth/Economic Development – Residential & Manufacturing**
  - GWRP Expansion: 10 mgd
  - Conveyance lines to support growth

- **Contractual Obligations**
  - Sub-Regional Operating Group (SROG), 91st Ave. Wastewater Treatment Plant
  - Salt River Outfall and Southern Avenue Interceptor
Wastewater Utility Rate Recommendations

• Annual Debt Service costs expected to increase by $14.8M by FY18/19
  • Includes presented projects
• Greenfield Expansion operating costs scheduled to begin in FY17/18

• Service Charge increase of $2.00 per month, 4.0% increase on all other rate components

• Average Waste Water Utility customer increases from $25.53 to $27.96
Electric Utility Rate Recommendations

• Commodity costs are passed through directly to the customers

• Equipment and technology to support system optimization and planned maintenance

• Proposed service charge increase remains $10.50 per month less than SRP’s comparable rate component (Monthly Service Charge of $17.00)
Electric Utility Rate Recommendations

• System Service Charge component for residential is recommended to increase by $0.79 per month

• System Service Charge for residential customers adjusted from $5.71 per month to $6.50 per month

• Average residential customer increases from $45.19 to $45.98 not including pass through electric commodity costs

• First proposed increase since FY03/04
Natural Gas Utility Rate Recommendations

• Commodity costs are passed through directly to the customers

• Annual Debt Service costs expected to increase by more than an additional $3.0M by FY18/19
Natural Gas Utility Rate Recommendations

• System Service Charge component for all gas customers is recommended to increase by $1.14 per month

• The average System Service Charge for residential customers adjusted from $11.14 per month to $12.28 per month

• Average residential customer increases from $25.18 to $26.32 not including pass through natural commodity costs
Solid Waste Utility Rate Recommendations

- Vehicle usage and landfill costs are increasing in FY14/15

- CNG conversion underway to reduce future fuel costs

- New landfill and recycling contracts have been negotiated

- Software system to increase productivity and enhance quality service
Solid Waste Utility Rate Recommendations

- Residential 90 gallon barrel rate is recommended to increase from $23.81 to $25.45

- Mesa Green and Clean Fee to be adjusted from $0.56 to $0.65

- Average residential customer increases by $1.73 from $24.37 to $26.10

- Commercial Front Load rates to be increased by an average of 5.9% and Roll-off by an average of 2.9%
<table>
<thead>
<tr>
<th></th>
<th>FY14/15</th>
<th>FY15/16</th>
<th>FY16/17</th>
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<tbody>
<tr>
<td>ELECTRIC</td>
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<td>SOLID WASTE</td>
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<td>Service</td>
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<td>Change</td>
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<td>Solid Waste</td>
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<td>Electric</td>
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<tr>
<td>Gas</td>
<td>$25.18</td>
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### Enterprise Fund Reserves

<table>
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<th></th>
<th>Estimate 12/13</th>
<th>Estimate 13/14</th>
<th>Forecast 14/15</th>
<th>Forecast 15/16</th>
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<tbody>
<tr>
<td><strong>Beginning Reserve Balance</strong></td>
<td>$68,086,000</td>
<td>$60,407,902</td>
<td>$46,042,908</td>
<td>$32,254,325</td>
<td>$28,186,504</td>
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<td><strong>Total Sources</strong></td>
<td>$315,575,306</td>
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<td><strong>Total Uses</strong></td>
<td>$323,253,404</td>
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<td>$375,934,906</td>
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<td><strong>Ending Reserve Balance</strong></td>
<td>$60,407,902</td>
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<td>$32,254,325</td>
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<td>$25,773,963</td>
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**Ending Reserve Balance Percent**

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<tr>
<td></td>
<td>26.5%</td>
<td>19.2%</td>
<td>12.9%</td>
<td>10.6%</td>
<td>9.0%</td>
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*As a % of Next Fiscal Year's Operating, Capital and General Fund portion of Debt Service Expenditures (a subset of total uses)*

Does not include the Falcon Field Enterprise
Schedule for FY 14/15 Utility Rate Consideration

May 5 – Introduce Utility Rate Ordinances

May 19 – City Council Action on Utility Rates

July 1 – Effective date for Utility Rate changes