



COUNCIL MINUTES

April 16, 2015

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on April 16, 2015 at 7:38 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
John Giles Alex Finter Christopher Glover Dennis Kavanaugh David Luna Dave Richins Kevin Thompson	None	Christopher Brady Debbie Spinner Dee Ann Mickelsen

1. Review items on the agenda for the April 20, 2015 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflict of interest: None

Items deleted from the consent agenda: None

Chief Financial Officer Mike Kennington and Deputy Budget Director Ryan Wimmer displayed a PowerPoint presentation (**See Attachment 1**) and discussed items 4-n (Ordering the sale of \$13,690,000 principal amount of City of Mesa General Obligation Bonds, Series 2015) and 4-o (Ordering the sale of \$30,220,000 principal amount of City of Mesa Utility Systems Revenue Bonds, Series 2015) on the Regular Council Meeting agenda.

2-a. Hear a presentation, discuss and provide direction on FY 15/16 utility rate adjustments including the following department budgets:

1. Solid Waste

Office of Management and Budget Director Candace Cannistraro displayed a PowerPoint presentation (**See Attachment 2**) that highlighted FY 15/16 utility rate recommendations. She also recognized Interim Solid Waste Director Patrick Murphy, Energy Resources Director Frank McRae and Water Resources Director Dan Cleavenger, who were prepared to address the Council.

Ms. Cannistraro provided an overview of the utility enterprise operations and stated that staff ensures that the combined ending reserve balance adheres to the adopted financial policy of at least 8% to 10% over the forecast period. (See Page 2 of Attachment 2) She commented that the reserve balance can be used to “smooth” rate adjustments from year to year. She also noted that the forecasted expenses are compared with the forecasted revenues based on current rates and projected customer growth.

Ms. Cannistraro also displayed a graph illustrating the FY 15/16 proposed rate increases for each utility service. (See Page 3 of Attachment 2)

Mr. Murphy briefly highlighted a series of accomplishments in the Solid Waste Department. He reported that the fleet trucks have been converted to Compressed Natural Gas (CNG), which will save approximately \$300,000 in fuel costs per year. He also spoke regarding the success of the Garbage Truck Safety Program, Succession Planning, and Clean Sweep/Green Sweep Program, which has become popular with City residents and students.

Mr. Murphy, in addition, discussed various points of pride. He explained that the implementation of Fleet Mind will provide real-time services due to the availability of ruggedized tablets in the fleet trucks. He commented that staff will be working with four new recycling companies and said that the contracts could produce additional revenue for educational programs and various outreach efforts. He added that staff will continue to work closely with regional partners to improve green waste disposal and household hazardous waste.

Mr. Murphy further reviewed the proposed budget reductions, such as diesel fuel savings, a barrel replacement program and recycling outreach.

Mr. Murphy outlined the solid waste utility rate increase recommendations as follows: 5% increase on all residential rates; \$0.09 increase per month of the Mesa Green and Clean Fee; average residential customer increase of approximately \$1.36 (from \$26.10 to \$27.46); and 1.2% increase on Commercial Front Load rates. He pointed out that the rate changes are competitive with other comparable industries in the area and added that there will be no adjustment to the Commercial Roll Off rates.

In response to a question from Councilmember Richins, Mr. Murphy clarified that staff anticipates approximately \$140,000 in diesel fuel cost savings based on contracted prices.

Responding to a question from Mayor Giles, Mr. Murphy explained that two revenue sources are generated by the recycling program, including a recycling material fee and savings on landfill costs.

City Manager Christopher Brady further commented that the revenue generated through the recycling program is commodity-driven.

In response to a question from Mayor Giles, Mr. Murphy stated that for FY 15/16, staff anticipates generating approximately \$300,000 to \$400,000 in revenue. He noted that the educational efforts, such as the Green Waste Program, provide savings with the contamination rate fee and a reduction in the amount of waste going into the landfills.

Responding to a question from Vice Mayor Kavanaugh, Mr. Murphy indicated that the recycling centers prohibit the recycling of plastic bags due to machinery breakdowns. He stated that staff

has worked closely with local grocery stores and schools to provide recycling educational programs.

Councilmember Finter expressed appreciation to Mr. Murphy for his leadership with regard to the City's recycling program.

Mayor Giles thanked Mr. Murphy for the presentation.

2. Energy Resources

Mr. McRae addressed the Council and introduced Senior Fiscal Analyst Herta Fairbanks, who was prepared to assist with the presentation.

Mr. McRae highlighted the Electric Department's FY 14/15 accomplishments. (See Page 12 of Attachment 2) He reported that in 2014, the Department was awarded first place by the American Public Power Association (APPA) in its Safety Awards of Excellence Program for going 431 days without a Lost Time Accident. He noted that the conversion of the electric distribution system from 4 kilovolts (kV) to 12kV is now concluded. He further remarked that electric services for the Central Mesa Extension of the light rail have also been completed.

Mr. McRae briefly reviewed the Electric Department's areas of emphasis for FY 15/16 (See Page 13 of Attachment 2), which focus on safety and minimizing car-pole accidents through the Underground Conversion Project. He stated that the Department was optimizing the configuration and operations of the 12kv electric distribution system in order to reduce the duration of electric service interruptions.

Mr. McRae, in addition, provided a short synopsis of the electric utility rate recommendations. (See Page 14 of Attachment 2) He explained that the resident service charge component will increase \$1.50 per month (from \$6.50 to \$8.00). He also commented that the average residential customer's bill would increase \$1.50 per month (from \$89.78 to \$91.28), which includes the commodity pass-through cost.

Mr. McRae further spoke regarding the proposed Electric Residential Energy Bill Assistance pilot program for low income residential customers. **(See Attachment 3)** His comments included, but were not limited to, the following: the program would assist over 13,900 low income and fixed income residential customers during the summer months; that Mesa's current and proposed residential electric rates are lower than Salt River Project's (SRP) standard rate; that the program would reduce the electric residential system service charge to zero during the three highest summer month bills (July, August and September); that the proposed FY 15/16 rate of \$8.00 would allow for a reduction of approximately \$48.00 per year; that the pilot program would allow for fair service to all customers and enable staff to understand the customers' needs; that eligibility and qualifications would depend on income verification and minimal account delinquencies; and that there would be participation limits of up to 150 customers in the first 12 summer seasons.

In response to a question from Councilmember Richins, Mr. McRae clarified that the program is driven by the Integrative Resource Plan, which is filed with the Western Area Power Administration. He explained that the focus has been on education and information due to the challenge of educating the high capacity of renters to invest in energy efficiency.

Councilmember Richins recommended that staff collect data that would allow for an energy efficiency program to extend to other customers. He also commented that if there is a challenge due to the rental demographics, the City could reach out to the landlords for energy efficiency investments.

Discussion ensued relative to collecting data for an energy efficiency program; electric light rail areas; and an electric system development project.

Mr. McRae continued with the presentation and highlighted the electric utility rate recommendations. (See Page 15 of Attachment 2)

In response to a question from Councilmember Luna, Mr. McRae stated that staff would work closely with Housing and Community Development Director Tammy Albright in an effort to avoid duplication of services and research other ways in which to supplement those programs.

Councilmember Finter expressed support for the energy bill assistance program which, in his opinion, would provide the City savings as it relates to emergency services.

Mr. McRae briefly highlighted the Natural Gas FY 14/15 accomplishments as follows:

- Gold Award from the American Public Gas Association's (APGA) System Operations and Achievement Recognition (SOAR) Program; APGA 2014 System Growth Marketing and Sales Award – Key Accounts Program
- Underground Damage Prevention Program has resulted in damages that are 94% lower than the national standard
- Supervisory Control and Data Acquisition equipment was installed at nine Pressure Regulator Stations to enhance the safety and reliability of Mesa's gas utility system

Mr. McRae also discussed various areas of emphasis for the Natural Gas Department in FY 15/16. (See Page 17 of Attachment 2) Such items included, but were not limited to, the following: developing CNG Stations for Solid Waste's CNG fleet; allocating Internal Revenue Service (IRS) rebates to offset some of the additional purchase costs; continuing the development of the apprenticeship training/technician program for Gas Service Specialists; and continuing to grow gas utility customers through effective planning and system expansion.

Mr. McRae, in addition, reviewed the Natural Gas Utility Rate recommendations. (See Page 18 of Attachment 2) He explained that it was proposed to increase all customers' service charge by \$1.29 per month. He stated that such a proposal would increase the average residential customer's monthly bill from \$33.55 to \$34.84 per month. He also noted that the budget adjustments include the elimination of eight vacant field positions; reduced levels of equipment utilization; reduced overtime; and other miscellaneous reductions.

In response to a question from Councilmember Thompson, Mr. McRae clarified that Smart Meter is a continuous improvement process. He stated that the cost of the communication system and the small customer base makes it an economic challenge.

Responding to question from Councilmember Luna, Mr. McRae explained that the City has extended an offer to Mesa Public Schools (MPS) relative to the use of CNG, but was informed that the school prefers other options. He said that staff will continue to be in communication with the schools and conduct additional outreach efforts to Maricopa Community Colleges.

Mayor Giles thanked Mr. McRae for the presentation.

3. Water Resources

Mr. Cleavenger highlighted the Water Resources Department's accomplishments for FY 14/15. He reported that the large transmission main project at Lindsay and Brown Roads was completed and will deliver large quantities of water from the Val Vista Water Treatment Plant, which is operated by the City of Phoenix, but co-owned by the City of Mesa. He stated that Phase II of the project is underway and added that Phase III will be completed by April 2017.

Councilmember Richins complimented staff on the outreach efforts that they implemented during the construction project, which resulted in zero complaints from the community.

Mr. Cleavenger commented that an Intergovernmental Agreement (IGA) between Mesa and the Salt River Pima-Maricopa Indian Community was concluded, which will generate approximately \$1.6 million in revenues. He also spoke concerning the estimated \$4 million in savings from the Val Vista Water Treatment Plant and the Sub-Regional Operating Group (SROG) joint venture with the City of Phoenix.

Mr. Cleavenger stated that due to the bond election, increased investment in southeast Mesa has occurred. He highlighted various projects as follows:

- Project design for the Signal Butte Water Treatment Plant, which is scheduled to open in 2018
- The construction of additional wells, pumps, and raw water main from the Central Arizona Project (CAP) Canal and transmission main
- Expansion of the Greenfield Water Reclamation Plant in partnership with the towns of Gilbert and Queen Creek

In response to a question from Mayor Giles, Mr. Cleavenger clarified that the Val Vista Water Treatment Plant facility is co-owned by the cities of Mesa and Phoenix. He noted, however, that the facility's operation and design is managed by Mesa.

Mr. Cleavenger continued with his presentation and reported that staff continues to increase their focus on Sanitary Sewer Overflow (SSO) mitigation and maintenance. He explained that staff is also addressing odor control improvements at the Northwest Plant near Riverview Park and the Greenfield Plant. He further remarked that staff has created, and is currently testing, a water meter inventory control system, which will assist with tracking and replacing meters during their life cycle. He added that the large commercial meters, which are more than 40 years old, comprise 20% of the inventory, but account for 80% of the revenue.

Mr. Cleavenger highlighted the City's water purchase costs from the Central Arizona Project (CAP), which are projected to increase by \$2.5 million over the next four years. He commented that it was also anticipated that energy costs will increase by \$459,000. He further reviewed four new positions to support construction activities. (See Page 23 of Attachment 2)

Responding to a question from Mayor Giles, Mr. Cleavenger explained that the above-referenced positions would be funded by the City's Capital Improvement Program (CIP).

In response to a question from Councilmember Finter, City Manager Christopher Brady indicated that staff continues to monitor positions in an effort to avoid any future reductions in

workforce. He pointed out that the positions identified by Water Resources are associated strictly with certain CIP projects.

Ms. Cannistraro continued with the presentation and displayed a chart titled "Water Utility Rate Structure Recommendation," which would be implemented over five years and include a 5% increase each year. (See Page 27 of Attachment 2) She reported that the goal was to achieve revenues from the service charge that are within 35% to 40% of total costs. She noted that for FY 15/16, the revenue from the service charge is estimated at 36.3%. She added that staff recommends adjusting the tier structure in order to better align the charges with the demand for service.

In response to a question from Councilmember Luna, Ms. Cannistraro clarified that if Council approves the proposed water rate increase, staff intends to implement an educational program for Mesa's water customers in an effort to familiarize them with the tiered water rates. She noted that the utility rate information and alternative rate schedules would also be revised.

Mayor Giles thanked staff for the presentation.

3. Information pertaining to the current Job Order Contracting projects.

(This item was not discussed by the Council.)

4. Acknowledge receipt of minutes of various boards and committees.

4-a. Economic Development Advisory Board meetings held on January 6 and March 3, 2015.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Luna, that receipt of the above-listed minutes be acknowledged.

Carried unanimously.

5. Hear reports on meetings and/or conferences attended.

There were no reports on meetings and/or conferences attended.

6. Scheduling of meetings and general information.

City Manager Christopher Brady stated that the schedule of meetings and general information is as follows:

Saturday, April 18, 2015, 12:00 p.m. – Celebrate Mesa

Monday, April 20, 2015, 5:45 p.m. – Regular Council Meeting

7. Convene an Executive Session.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Thompson, that the Council adjourn the Study Session at 9:14 a.m. and enter into Executive Session.

Carried unanimously.

- 7-a. Discussion or consultation for legal advice with the City Attorney. (A.R.S. §38-431.03A (3)) Discussion or consultation with designated representatives of the City in order to consider the City's position and instruct the City's representatives regarding negotiations for the purchase, sale, or lease of real property. (A.R.S. §38-431.03A (7)) Discussion or consultation with the City Attorney in order to consider the City's position and instruct the City Attorney regarding the City's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation. (A.R.S. §38-431.03A(4))
1. Mesa Regional Fire and Medical Dispatch Center and Emergency Operations Center.

8. Adjournment.

Without objection, the Executive Session adjourned at 10:14 a.m.



JOHN GILES, MAYOR

ATTEST:



DEE ANN MICKELSEN, CITY CLERK



I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 16th day of April, 2015. I further certify that the meeting was duly called and held and that a quorum was present.



DEE ANN MICKELSEN, CITY CLERK

abg
(attachments – 3)

2015 Bond Sale Overview

April 16, 2015



Bond Issuance Overview

- Mesa voters have authorized the use of bonds to finance capital infrastructure
- The city's Capital Improvement Program (CIP) is funded primarily with bonds
- The need to sell (issue) additional bonds is assessed on an annual basis
- Amounts issued are sufficient to reimburse year-to-date spending and fund the projected need for the remainder of the calendar year

General Obligation Bonds

2015 General Obligation Bond Sale: \$13,690,000

Parks, Recreation, and Commercial Facilities: \$13.69 million

Projects include:

- Fiesta Sports Park (Powell)
- Pioneer Park Renovations
- Southeast Mesa Bike and Pedestrian Path
- West Mesa Connector

Utility Systems Revenue Bonds

2015 Utility Revenue Bond Sale: \$30,220,000

Electric System Improvements: \$2.3 million

Natural Gas System Improvements: \$3.6 million

Solid Waste: \$3.7 million

Project:

- Compressed Natural Gas (CNG) Facilities

Water System Improvements: \$20.6 million

Projects include:

- Signal Butte Water Treatment Plant Design
- Val Vista Water Treatment Plant Operations and Maintenance
- Val Vista Water Treatment Plant Transmission Mains

2015 Bond Sale Schedule

April 20 – Council Orders Sale of Bonds

May 13 – City Receives Bids for Bonds

May 14 – Council Accepts Winning Bid

June 4 – Bond Issues Close



City of Mesa

FY 15/16

Utility Department Presentations and Rate Recommendations

City Council

April 16, 2015

Presented by the Office of Management and Budget

with the Solid Waste, Energy Resources and Water Resources Departments



Enterprise Operations

- Each utility is operated as a separate business center
- Combined Ending Reserve Balance adheres to the adopted financial policy of at least 8-10% over the forecast period
- Reserve balance can be used to smooth rate adjustments year-to-year
- Reserve balance can be used to phase in new programs or changes in operations

Revenue Targets

- Forecasted expenses are compared with forecasted revenues based on current rates and projected customer growth
- In FY 15/16, the following increase in revenues is needed to accommodate the estimated costs:

Utility	Revenue	Increase
Electric	\$210,000	1.3%
Natural Gas	\$770,000	2.9%
Water	\$6,201,000	5.2%
Wastewater	\$3,673,000	5.2%
Solid Waste*	\$2,099,000	4.2%
Total	\$12,953,000	

Rate Adjustment Implementation

- Methods of implementation of rate adjustments can vary from year to year based on needs and goals of the individual utilities
- Impact on individual customers can vary based on the method of implementation and the customer consumption of services

Solid Waste Department



Solid Waste Dept. FY 14/15 Accomplishments

- CNG Fleet Conversion
- Garbage Truck Safety PSA
- Succession Planning
- Clean Sweep/Green Sweep Program

Solid Waste Dept. FY 15/16 Points of Pride/Emphasis

- Fleet Mind
- New Recycling Contracts
- Regional Partnerships

id Waste Dept. FY 15/16 Proposed Budget Reductions

- Diesel Fuel Savings
- Barrel Replacement Program
- Recycling Outreach

Solid Waste Utility Rate Recommendations

- CNG conversion continues to move forward over the next six years to reduce future fuel cost
 - Cost of capital investment creates pressure in early years with relief anticipated to begin in FY 18/19
- Two new contracts that will provide funds for recycling education and outreach program
- The tools and technology to further assist in maintaining a top-rated, competitive, customer service driven business operation are being continually reviewed and upgraded

Solid Waste Utility Rate Recommendations

- 5% increase on all residential rates
 - Residential 90 gallon barrel rate: \$1.27 per month, from \$25.45 to \$26.72
 - Residential 60 gallon barrel rate: \$1.14 per month, from \$22.72 to \$23.86
- Mesa Green and Clean Fee: \$0.09 per month, from \$0.65 to \$0.74
- Average residential customer increase: \$1.36 from \$26.10 to \$27.46
- 1.2% increase on Commercial Front Load rates
- Commercial Roll Off rates: no recommendation for adjustment at this time.

Energy Resources Department



Electric FY 14/15 Accomplishments

- **First Place - American Public Power Association's (APPA) 2014 Safety Awards of Excellence program & 431 days (on 4.16.15) without a Lost Time Accident.**
- **4 kV/12 kV Conversion completed; Four 4kV substations decommissioned; design for Pocket Park at the former Extension Substation begun.**
- **Electric Services for Central Mesa Extension of the Light Rail system including train power supply stations, train stations/platforms, park and rides, traffic controls and vendor power pedestals are complete.**

Electric FY 15/16 Areas of Emphasis

- **Safety:** Continue No Lost Time Accidents streak; jointly pursue projects to convert overhead circuits to underground where car-pole accidents have become more frequent.
- **Reliability:** Optimize configuration and operations of the 12kV electric distribution system to reduce the duration of electric service interruptions.
- Continue to enhance renewable electric portfolio via Customer Owned Solar program and development of City-Owned Solar in collaboration with Development & Sustainability.

Electric Utility Rate Recommendations

- Residential Service Charge component: \$1.50 per month, from \$6.50 to \$8.00
- Consumption component of rate: No adjustment recommended
- Average residential customer: \$1.50 per month, from \$89.78 to \$91.28, 1.7% (Including commodity pass-through cost)
- Second proposed increase since FY 03/04
- Non-residential rates: No adjustment recommended
- Developing concepts for Low Income Electric residential

Electric Utility Rate Recommendations

- Proposed service charge of \$8.00 is:
 - \$10.50 per month less than SRP's Summer Monthly Service Charge of \$18.50
 - \$12.00 per month less than SRP's Winter Monthly Service Charge of \$20.00
- Monthly bills during calendar year 2014 were approximately \$8.97 less per month than if served by SRP (\$107.64 less per year)
- Commodity costs for power are passed through to the customers and are not included in the annual rate review

Natural Gas FY 14/15 Accomplishments

- Gold Award - American Public Gas Association's (APGA) System Operations & Achievement Recognition (SOAR) program; APGA 2014 System Growth Marketing & Sales Award - Key Accounts program.
- Underground Damage Prevention program, including our locating and marking of Mesa's underground infrastructure, has resulted in damages that are 1/16th (or 94 % lower than) of the national standard.
- Supervisory Control and Data Acquisition equipment was installed at nine Pressure Regulator Stations to enhance the safety, reliability and resiliency of Mesa's gas utility system.

Natural Gas FY 15/16 Areas of Emphasis

- Develop CNG Station(s) for Solid Waste's CNG Fleet; begin promoting CNG advantages to other Departments, allocate IRS rebates to offset some of the additional purchase costs; and initiate development of CNG Station at EVIT.
- Continue enhancement to Succession Plan – develop apprenticeship training/technician program for our Gas Service Specialists.
- Continue to grow our gas utility customers through effective planning and system expansion.

Natural Gas Utility Rate Recommendations

- All customers Service Charge: increase \$1.29 per month
 - Residential customers summer: from \$10.82 to \$12.11 per month
 - Residential customers winter: from \$13.75 to \$15.04 per month
- Average residential customer monthly bill: from \$33.55 to \$34.84, 3.8% (Including commodity pass-through)
- Commodity costs for natural gas are passed through to the customers and are not included in the annual rate review

Managing Proposed FY 15/16 Budget Changes

- Develop & begin implementation of Pilot Low Income Electric Residential program.
- Eliminate four electric & four gas positions:
 - Completion of 4 kV/12kV Conversion obviates need for four electric positions (\$366,708)
 - Current Gas Annual Work Plan, Efficiency Improvements & Utilization of job order contracting (JOC) obviates need for four gas positions (\$277,022)
- Reduced levels of equipment utilization, reduced overtime, miscellaneous reductions in memberships/outside materials, and efficiency improvements (~\$130,000).

Water Resources Department



Water Resources FY 14/15 Accomplishments

- Val Vista Transmission Main
 - Completion of Phase 1
- Salt River Pima – Maricopa Indian Community
 - Intergovernmental Agreement (\$1.6M Savings)
- Projecting over \$4M in savings
 - Sub-Regional Operating Group (SROG)
 - Val Vista Water Treatment Plant
 - Energy & Chemical Costs

Water Resources FY 15/16 Areas of Emphasis

- Southeast Mesa Infrastructure Planning
- Sanitary Sewer Overflow (SSO) Mitigation
- Odor Control Improvements
 - Wastewater Collection System
- Water Meters
 - Inventory Control System
 - Large Meter Replacement

Water Resources FY 15/16 Budget Highlights

- Water Purchase costs increased \$787K
 - Projected \$2.5M increase over next 4 years
- Minimal increase in chemical budget
- Energy costs increased \$459K
- Joint Venture costs decreased \$1.6M
- 4 Positions added to support construction activities
- Rates
 - Proposed realignment of residential water tiers

Water Utility Rate Structure

- City previously focused on better aligning fixed revenues with fixed costs. Target is fixed revenues at 35-40% of total costs. FY 15/16 estimated at 36.3%
- Water consumption per account has declined in recent years: more widespread use of water saving appliances, smaller number of people per household, less landscaping and more water conservation awareness
- Residential water tiers are based on demands on the system. The current tier levels do not align with standard usage patterns
 - Analysis revealed four or five standard levels of residential water usage

Avg. Residential Monthly Usage – Current Tiers

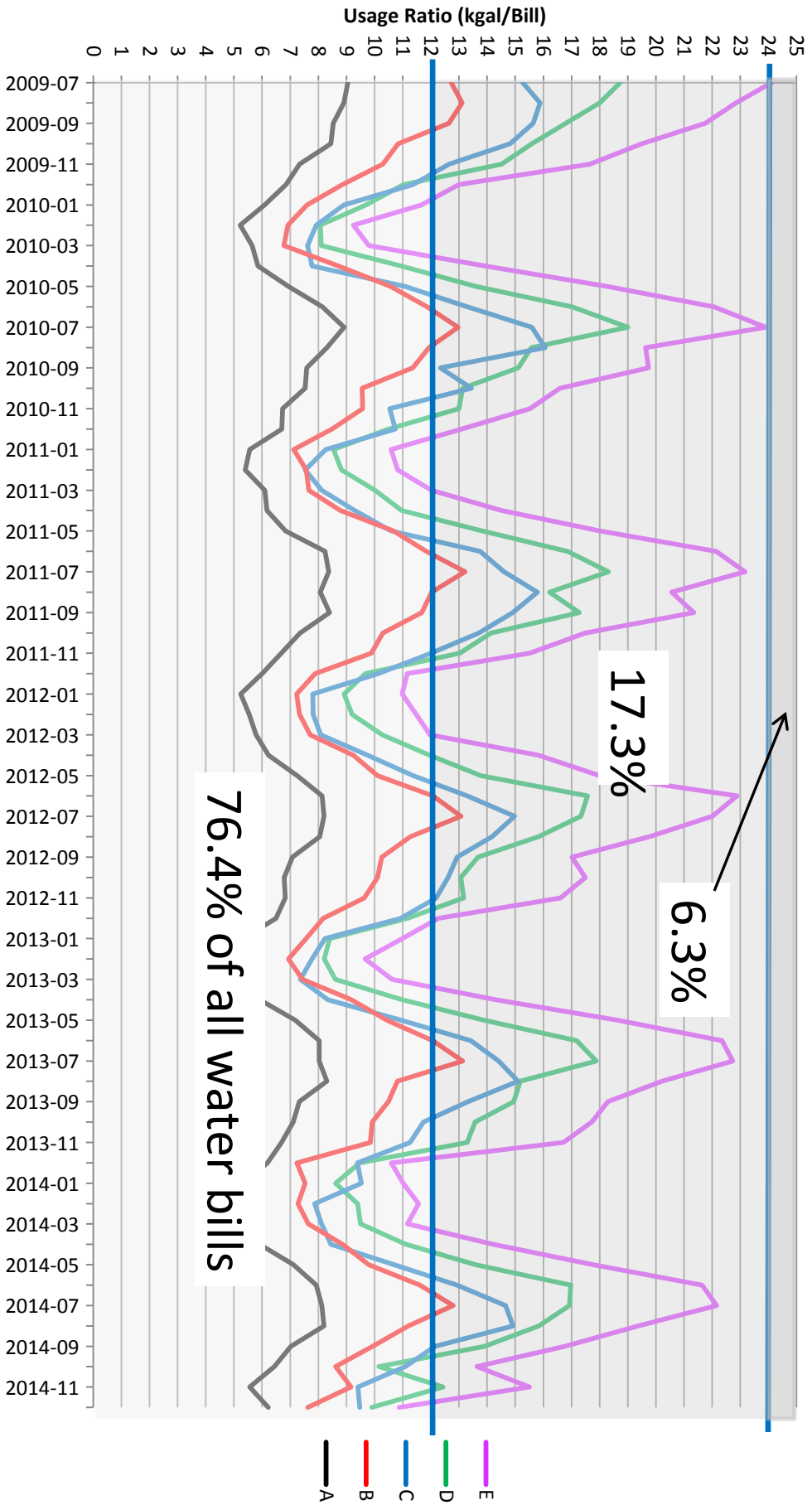
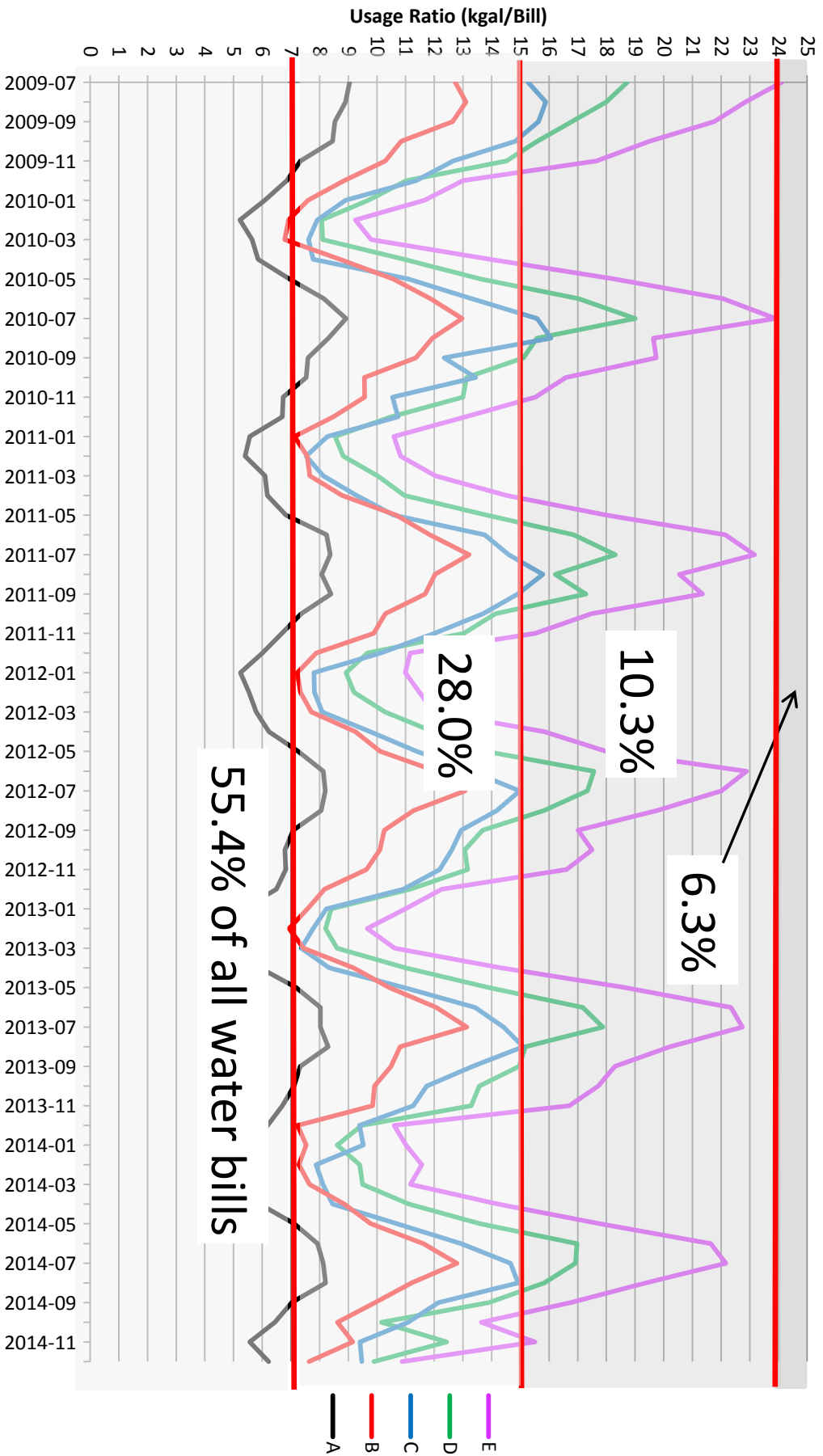


Fig. Residential Monthly Usage – Proposed Tiers



Water Utility Rate Structure Recommendation

- Current Residential Tier Structure:
 - First 3,000 gallons included in service charge
 - 4,000 – 12,000 gallons
 - 13,000 – 24,000 gallons
 - 25,000 gallons and greater
- Recommended Residential Tier Structure at full implementation:
 - First 3,000 gallons included in service charge
 - 4,000 – 7,000 gallons
 - 8,000 – 15,000 gallons
 - 16,000 – 24,000 gallons
 - 25,000 gallons and greater
- Transition to new tier structure over five years to decrease annual impact to customers and to allow time for customers to assess water usage and apply conservation techniques if possible

5 Year Implementation – Monthly Bill Amounts

	MONTHLY BILL AMOUNTS						
	YR0	YR1	YR2	YR3	YR4	YR5	YR6
30 kgal	\$125.72	\$136.01	\$147.31	\$159.74	\$173.35	\$187.24	\$196.62
29 kgal	\$121.12	\$130.96	\$141.77	\$153.67	\$166.71	\$179.98	\$189.00
28 kgal	\$116.52	\$125.91	\$136.23	\$147.60	\$160.07	\$172.72	\$181.38
27 kgal	\$111.92	\$120.86	\$130.69	\$141.53	\$153.43	\$165.46	\$173.76
26 kgal	\$107.32	\$115.81	\$125.15	\$135.46	\$146.79	\$158.20	\$166.14
25 kgal	\$102.72	\$110.76	\$119.61	\$129.39	\$140.15	\$150.94	\$158.52
24 kgal	\$98.12	\$105.71	\$114.07	\$123.32	\$133.51	\$143.68	\$150.90
23 kgal	\$94.01	\$100.81	\$108.84	\$117.75	\$127.58	\$137.37	\$144.27
22 kgal	\$89.90	\$95.91	\$103.61	\$112.18	\$121.65	\$131.06	\$137.64
21 kgal	\$85.79	\$91.59	\$98.38	\$106.61	\$115.72	\$124.75	\$131.01
20 kgal	\$81.68	\$87.27	\$93.15	\$101.04	\$109.79	\$118.44	\$124.38
19 kgal	\$77.57	\$82.95	\$88.61	\$95.47	\$103.86	\$112.13	\$117.75
18 kgal	\$73.46	\$78.63	\$84.07	\$89.90	\$97.93	\$105.82	\$111.12
17 kgal	\$69.35	\$74.31	\$79.53	\$85.13	\$92.00	\$99.51	\$104.49
16 kgal	\$65.24	\$69.99	\$74.99	\$80.36	\$86.07	\$93.20	\$97.86
15 kgal	\$61.13	\$65.67	\$70.45	\$75.59	\$81.06	\$86.89	\$91.23
14 kgal	\$57.02	\$61.35	\$65.91	\$70.82	\$76.05	\$81.63	\$85.71
13 kgal	\$52.91	\$57.03	\$61.37	\$66.05	\$71.04	\$76.37	\$80.19
12 kgal	\$48.80	\$52.71	\$56.83	\$61.28	\$66.03	\$71.11	\$74.67
11 kgal	\$46.06	\$48.39	\$52.29	\$56.51	\$61.02	\$65.85	\$69.15
10 kgal	\$43.32	\$45.51	\$47.75	\$51.74	\$56.01	\$60.59	\$63.63
9 kgal	\$40.58	\$42.63	\$44.73	\$46.97	\$51.00	\$55.33	\$58.11
8 kgal	\$37.84	\$39.75	\$41.71	\$43.80	\$45.99	\$50.07	\$52.59
7 kgal	\$35.10	\$36.87	\$38.69	\$40.63	\$42.66	\$44.81	\$47.07
6 kgal	\$32.36	\$33.99	\$35.67	\$37.46	\$39.33	\$41.31	\$43.39
5 kgal	\$29.62	\$31.11	\$32.65	\$34.29	\$36.00	\$37.81	\$39.71
4 kgal	\$26.88	\$28.23	\$29.63	\$31.12	\$32.67	\$34.31	\$36.03
3 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35
2 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35
1 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35
0 kgal	\$24.14	\$25.35	\$26.61	\$27.95	\$29.34	\$30.81	\$32.35

5 Year Implementation – Monthly Bill Variance

	VAR\$ - MONTHLY BILL						VAR% - MONTHLY BILL					
	YR1	YR2	YR3	YR4	YR5	YR6	YR1	YR2	YR3	YR4	YR5	YR6
30 kgal	\$10.29	\$11.31	\$12.42	\$13.62	\$13.89	\$9.38	8.2%	8.3%	8.4%	8.5%	8.0%	5.0%
29 kgal	\$9.84	\$10.82	\$11.89	\$13.05	\$13.27	\$9.02	8.1%	8.3%	8.4%	8.5%	8.0%	5.0%
28 kgal	\$9.39	\$10.33	\$11.36	\$12.48	\$12.65	\$8.66	8.1%	8.2%	8.3%	8.5%	7.9%	5.0%
27 kgal	\$8.94	\$9.84	\$10.83	\$11.91	\$12.03	\$8.30	8.0%	8.1%	8.3%	8.4%	7.8%	5.0%
26 kgal	\$8.49	\$9.35	\$10.30	\$11.34	\$11.41	\$7.94	7.9%	8.1%	8.2%	8.4%	7.8%	5.0%
25 kgal	\$8.04	\$8.86	\$9.77	\$10.77	\$10.79	\$7.58	7.8%	8.0%	8.2%	8.3%	7.7%	5.0%
24 kgal	\$7.59	\$8.37	\$9.24	\$10.20	\$10.17	\$7.22	7.7%	7.9%	8.1%	8.3%	7.6%	5.0%
23 kgal	\$6.80	\$8.04	\$8.90	\$9.84	\$9.79	\$6.90	7.2%	8.0%	8.2%	8.4%	7.7%	5.0%
22 kgal	\$6.01	\$7.71	\$8.56	\$9.48	\$9.41	\$6.58	6.7%	8.0%	8.3%	8.4%	7.7%	5.0%
21 kgal	\$5.80	\$6.80	\$8.22	\$9.12	\$9.03	\$6.26	6.8%	7.4%	8.4%	8.6%	7.8%	5.0%
20 kgal	\$5.59	\$5.89	\$7.88	\$8.76	\$8.65	\$5.94	6.8%	6.7%	8.5%	8.7%	7.9%	5.0%
19 kgal	\$5.38	\$5.67	\$6.85	\$8.40	\$8.27	\$5.62	6.9%	6.8%	7.7%	8.8%	8.0%	5.0%
18 kgal	\$5.17	\$5.45	\$5.82	\$8.04	\$7.89	\$5.30	7.0%	6.9%	6.9%	8.9%	8.1%	5.0%
17 kgal	\$4.96	\$5.23	\$5.59	\$6.88	\$7.51	\$4.98	7.1%	7.0%	7.0%	8.1%	8.2%	5.0%
16 kgal	\$4.75	\$5.01	\$5.36	\$5.72	\$7.13	\$4.66	7.3%	7.2%	7.1%	7.1%	8.3%	5.0%
15 kgal	\$4.54	\$4.79	\$5.13	\$5.48	\$5.83	\$4.34	7.4%	7.3%	7.3%	7.2%	7.2%	5.0%
14 kgal	\$4.33	\$4.57	\$4.90	\$5.24	\$5.58	\$4.08	7.6%	7.4%	7.4%	7.4%	7.3%	5.0%
13 kgal	\$4.12	\$4.35	\$4.67	\$5.00	\$5.33	\$3.82	7.8%	7.6%	7.6%	7.6%	7.5%	5.0%
12 kgal	\$3.91	\$4.13	\$4.44	\$4.76	\$5.08	\$3.56	8.0%	7.8%	7.8%	7.8%	7.7%	5.0%
11 kgal	\$2.33	\$3.91	\$4.21	\$4.52	\$4.83	\$3.30	5.1%	8.1%	8.1%	8.0%	7.9%	5.0%
10 kgal	\$2.19	\$2.25	\$3.98	\$4.28	\$4.58	\$3.04	5.0%	4.9%	8.3%	8.3%	8.2%	5.0%
9 kgal	\$2.05	\$2.11	\$2.23	\$4.04	\$4.33	\$2.78	5.0%	4.9%	5.0%	8.6%	8.5%	5.0%
8 kgal	\$1.91	\$1.97	\$2.08	\$2.20	\$4.08	\$2.52	5.0%	4.9%	5.0%	5.0%	8.9%	5.0%
7 kgal	\$1.77	\$1.83	\$1.93	\$2.04	\$2.15	\$2.26	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
6 kgal	\$1.63	\$1.69	\$1.78	\$1.88	\$1.98	\$2.08	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
5 kgal	\$1.49	\$1.55	\$1.63	\$1.72	\$1.81	\$1.90	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
4 kgal	\$1.35	\$1.41	\$1.48	\$1.56	\$1.64	\$1.72	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
3 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
2 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
1 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
0 kgal	\$1.21	\$1.27	\$1.33	\$1.40	\$1.47	\$1.54	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%

Water Utility Rate Recommendations

- All customers: 5% increase on all rate components
- Residential Service Charge: \$1.21 per month, from \$24.14 to \$25.35
- Residential average monthly seasonal consumption: \$1.87 per month, from \$17.81 to \$19.68
- Residential average monthly seasonal consumption total bill: \$3.08, from \$41.95 to \$45.03, 7.3%
- The City average monthly consumption is about 9,600 gallons however seasonality takes into account high demand summer months that experience some water consumption in tier 2. The resulting impact is greater than a straight 9,600 gallons per month.

Wastewater Utility Rate Recommendations

- All customers: 5% increase on all rate components
- Residential Service Charge: \$0.82 per month, from \$16.40 to \$17.22
- Residential average monthly consumption: \$0.51 per month, from \$9.86 to \$10.37
- Residential average monthly consumption total bill: \$1.33, from \$26.26 to \$27.59, 5.1%
- Wastewater rates are not subject to seasonality. The monthly rate is adjusted annually based on the winter water average usage of the individual customer

Average Residential Customer Impact

<u>Utility</u>	<u>Monthly</u>	<u>Annual</u>
Solid Waste	\$1.36	\$16.32
Water	\$3.08	\$36.96
Wastewater	\$1.33	\$15.96
Total	\$5.77	\$69.24
Electric	\$1.50	\$18.00
Natural Gas	\$1.29	\$15.48

Enterprise Fund Fiscal Impact

The FY15/16 recommended utility rate/structure adjustments are anticipated to meet the revenue increase target of \$12,953,000

Utility	Revenue
Electric	\$210,000
Natural Gas	\$770,000
Water	\$6,201,000
Wastewater	\$3,673,000
Solid Waste*	\$2,099,000
Total	\$12,953,000

* Household Hazardous Waste Revenue not included

Enterprise Fund Reserves

	Actuals		Estimate		Forecast		Forecast	
	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18			
Beginning Reserve Balance	\$ 54,457,000	\$ 48,953,726	\$ 43,953,289	\$ 39,950,482	\$ 42,134,249	\$ 39,131,823		
Total Sources	\$ 306,179,518	\$ 321,297,471	\$ 337,613,350	\$ 355,404,576	\$ 374,518,822			
Total Uses	\$ 311,682,791	\$ 326,297,909	\$ 341,616,157	\$ 353,220,808	\$ 377,521,248			
Ending Reserve Balance	\$ 48,953,726	\$ 43,953,289	\$ 39,950,482	\$ 42,134,249	\$ 39,131,823			
Ending Reserve Balance Percent*	15.0%	12.9%	11.3%	11.2%	10.0%			

*As a % of Next Fiscal Year's Total Uses

Schedule for FY 15/16 Utility Rate Consideration

May 4 – Introduce Utility Rate Ordinances

May 18 – City Council Action on Utility Rates

July 1 – Effective date for Utility Rate changes



ELECTRIC RESIDENTIAL ENERGY BILL ASSISTANCE FY 2015/16

BACKGROUND

- ~ 13,900 total Mesa residential electric customers
 - Increased consumption in summer months causes bill spikes
- Mesa's current & proposed residential electric rates are lower than SRP's standard rate
 - 16% lower for first quartile consumption; 10% less for Average consumption
- Use SRP's Residential "Economy Rate" as guide
 - ~ \$115/yr less than Mesa's proposed FY 15/16 rate
 - 11% less for average residential consumption

CONCEPTUAL PROPOSAL & PILOT PROGRAM

- Reduce Electric residential System Service Charge to zero during 3 highest summer month bills (July, Aug, Sep)
- Proposed FY 15/16 rate = \$8.00 / month
 - Revenue Neutral (Initial proposal \$7.91/month)
- Implement 3 tiers
 - 1st tier of 80 kWh / month @ \$0.0000/kWh
- Electric Bill Reduction of approximately \$ 48.00 per year
- Pilot Program
 - Gain understanding of customers' needs
 - Identify & define the specific, narrow issue wanting to address
 - Manage participation limits & related revenue loss (125-150 participants in first 12 summer season)
 - Additional staffing requirements
- Eligibility & Qualification of applicants
 - Income verification & limits
 - Additional staffing needed
 - Target customers with minimal delinquencies & infrequent reliance on payment plans