

# AUDIT, FINANCE & ENTERPRISE COMMITTEE MINUTES

September 7, 2023

The Audit, Finance & Enterprise Committee of the City of Mesa met in the lower-level meeting room of the Council Chambers, 57 East 1st Street, on September 7, 2023, at 8:56 a.m.

COMMITTEE PRESENT	COMMITTEE ABSENT	STAFF PRESENT
Jennifer Duff, Chairperson Francisco Heredia Mark Freeman	None	Christopher Brady Holly Moseley Bill Taebel

(Items on the agenda were discussed out of order, but for purposes of clarity will remain as listed on the agenda.)

Chairperson Duff conducted a roll call.

1. Items from citizens present.

There were no items from citizens present.

2-a. Hear a presentation, discuss, and provide direction on the Utility Fund forecast and recommended rate adjustments.

Office of Management and Budget Director Brian Ritschel introduced Office of Management and Budget Deputy Director Chris Olvey and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Ritschel stated that each utility operates as a separate business center, but the City looks at the utility fund as a whole when making recommendations. He explained the financial principles that the City uses for the Utility Fund. (See Pages 3 and 4 of Attachment 1)

Mr. Olvey presented information about the Utility Fund forecast, historical net sources and uses. He said that the fiscal year (FY) 23/24 projected ending reserve balance percentage is below the 20% target unless they make up about \$6 million in increased revenues or reduced expenses. He explained the impacts of recent inflation, noting the rise in cost of some of the major utility projects. He reviewed the recommended rate adjustments for FY 23/24. (See Pages 6 through 8 of Attachment 1)

Water Resources Division Management Assistant II Erik Hansen outlined the City's customer profile and water consumption for FY 22/23. He elaborated on the increasing costs and pressures on the water utility by outlining the increases from FY 22/23 to FY 23/24. He advised that staff recommends no change to the drought commodity charge for FY 23/24. He described the water rate proposal and explained the additional conservation measures recommended for both residential usage and non-residential landscape. (See Pages 10 through 14 of Attachment 1)

Mr. Hansen reviewed the wastewater cost increase proposals. He described the wastewater rate proposal and illustrated the proposed costs going forward in 2024 for both residential and commercial customers. (See Pages 16 through 21 of Attachment 1)

Energy and Sustainability Director Scott Bouchie introduced Senior Fiscal Analyst John Petrof and Energy Resources Program Manager Anthony Cadorin.

Mr. Cadorin summarized the increasing costs and pressures on the Electric Utility. He described the increasing debt service costs and operating costs. He reviewed the proposed residential and commercial electric rates, explaining the increases for each usage tier. (See Pages 23 through 29 of Attachment 1)

Mr. Petrof reviewed the increasing costs and pressures on the Gas Utility. He described the increasing debt service costs and operating costs on the utility, listing factors causing the increase as inflation, payroll increases and associated costs such as fleet, warehouse, outside materials, warehouse overhead and rents. He presented the proposed residential and commercial gas bill increase by usage tier. He noted that staff is working on an adjustment of utility service fees, a revision of outdated electric utility rules and regulations, and a Customer Optional Renewable Energy Program. (See Pages 31 through 38 of Attachment 1)

Solid Waste Director Sheri Collins introduced Senior Fiscal Analyst Justin Stadt. She discussed the increasing cost pressures on the utilities such as personal services, disposal fees and fleet costs. She described the increasing operating costs of Solid Waste and presented the forecasted increases. (See Pages 39 through 41 of Attachment 1)

Ms. Collins reviewed the Solid Waste residential rate recommendations. She provided an overview of proposed rate increase recommendations including commercial front-load trash, commercial front-load cardboard, and commercial roll off. (See Pages 42 through 46 of Attachment 1)

Mr. Ritschel provided an overview of the Utility Fund forecast including the FY 23/24 recommended rate adjustments for all of the utilities and the schedule. (See Pages 48 through 50 of Attachment 1)

2-b. Hear a presentation, discuss, and provide a recommendation on the proposed fees and charges for the Mesa Fire and Medical Department focusing on High Risk Plus Inspection Fees.

Deputy Chief/Fire Marshal Shawn Alexander displayed a PowerPoint presentation. **(See Attachment 2)**

Deputy Chief Alexander stated that staff is proposing to increase the fire inspection fees which have not been adjusted for many years. He explained that Mesa has experienced an immense

commercial growth, resulting in very large buildings that are considered high-risk occupancies. He shared that 4,496 fire inspections were performed in 2022, noting that 50% were high-risk occupancy buildings. He reported that commercial buildings are subject to a fire inspection annually and larger buildings require more time for an inspector to complete. (See Pages 2 and 3 of Attachment 2)

Deputy Chief Alexander explained that increasing the fee for larger buildings will allow the department to better recover the costs of providing this service. He provided an overview of the existing fee schedule and the proposed fee schedule. (See Pages 4 and 5 of Attachment 2)

It was moved by Committeemember Freeman, seconded by Committeemember Heredia, that staff's recommendation regarding the proposed fees and charges for the Mesa Fire and Medical Department be forwarded on to the full Council for further discussion and consideration.

Upon tabulation of votes, it showed:

AYES – Duff–Freeman–Heredia  
NAYS – None  
ABSENT – None

Carried unanimously.

3. Adjournment.

Without objection, the Audit, Finance & Enterprise Committee meeting adjourned at 11:01 a.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Audit, Finance & Enterprise Committee meeting of the City of Mesa, Arizona, held on the 7<sup>th</sup> day of September 2023. I further certify that the meeting was duly called and held and that a quorum was present.

  
\_\_\_\_\_  
HOLLY MOSELEY, CITY CLERK

# City of Mesa

## FY 2023/24

### Utility Fund Forecast and Rates

### Recommendations

Audit, Finance & Enterprise Committee  
September 7, 2023



# Presented by:

Brian A. Ritschel – Management & Budget Director

Christopher Hassert – Water Resources Director

Scott Bouchie – Energy Resources Director

Sheri Collins – Solid Waste 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



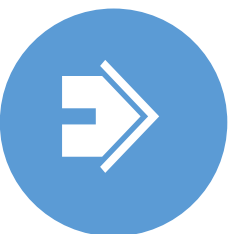
BALANCE NET SOURCES  
AND USES



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

# Utility Fund Forecast



# Utility Fund: Historical Net Sources and Uses

	FY 17/18 Actuals	FY 18/19 Actuals	FY 19/20 Actuals	FY 20/21 Actuals	FY 21/22 Actuals	FY 22/23 Estimate
<b>NET SOURCES AND USES</b>						
WATER	\$12,223	\$2,234	(\$3,107)	\$19,416	\$2,588	(\$3,391)
WASTEWATER	\$2,380	\$11,808	\$2,916	(\$8,878)	(\$5,311)	(\$8,080)
SOLID WASTE	\$2,645	\$1,755	\$1,534	\$5,612	(\$4,764)	(\$4,455)
ELECTRIC	\$2,651	\$2,030	\$1,819	\$791	\$1,806	\$664
NATURAL GAS	\$2,805	\$6,265	\$5,034	(\$2,385)	(\$514)	\$2,153
DISTRICT COOLING	\$435	\$391	\$417	(\$68)	(\$495)	(\$46)
Subtotal: Utilities	\$23,139	\$24,483	\$8,613	\$14,488	(\$6,690)	(\$13,154)
<b>NON-UTILITIES*</b>	(\$4,118)	(\$3,619)	(\$4,452)	\$0	\$0	\$0
<b>TOTAL NET SOURCES AND USES</b>	\$19,021	\$20,864	\$4,161	\$14,488	(\$6,690)	(\$13,154)
Beginning Reserve Balance	\$92,728	\$111,749	\$132,613	\$136,773	\$151,261	\$144,572
<b>Ending Reserve Balance</b>	<b>\$111,749</b>	<b>\$132,613</b>	<b>\$136,773</b>	<b>\$151,261</b>	<b>\$144,572</b>	<b>\$131,418</b>
Ending Reserve Balance Percent*	<b>31.3%</b>	<b>34.9%</b>	<b>35.1%</b>	<b>33.9%</b>	<b>31.1%</b>	<b>26.1%</b>

\*As a % of Next Fiscal Year's Expenditures

Dollars in Thousands

\*Non-Utilities includes Convention Center, Cubs/Sloan Park, Hohokam, and Golf Course

# Impacts of Inflation

<b>Major Utility Projects</b>	<b>Fall 2021 Estimate</b>
<b>AMI, Reuse Pipeline, Signal Butte Expansion, and East Mesa Interconnect</b>	<b>\$312M</b>

**↓**  
**Reduced to 3 Projects  
 due to Inflation**

<b>Major Utility Projects</b>	<b>Current Estimate</b>
<b>AMI, Reuse Pipeline, Signal Butte Expansion</b>	<b>\$384M</b>

# Utility Fund Forecast: FY 23/24 Recommended Rate Adjustments

<input checked="" type="checkbox"/>	Balanced Net S&U
<input checked="" type="checkbox"/>	20% Fund Balance
<input checked="" type="checkbox"/>	Smoothed Adjustments
<input checked="" type="checkbox"/>	Equity Res. & Non-Res.
<input checked="" type="checkbox"/>	Affordable Services

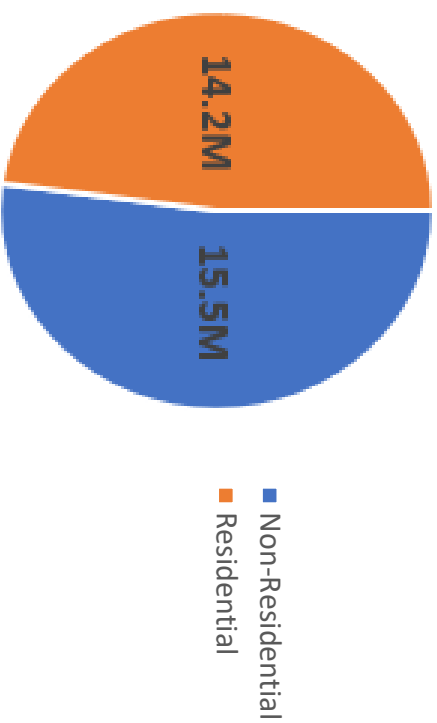
As of 08/22/2023	FY 22/23 Estimate	FY 23/24 Projected	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast
WATER	(\$3,390,539)	(\$1,213,825)	\$824,968	(\$3,833,608)	(\$4,807,613)	(\$3,780,714)	(\$3,245,833)
WASTEWATER	(\$8,080,027)	(\$13,986,661)	(\$9,991,982)	(\$7,046,469)	(\$3,175,824)	\$2,203,698	\$877,990
SOLID WASTE	(\$4,455,062)	(\$7,390,204)	\$678,671	\$1,192,198	\$1,479,784	(\$239,847)	\$3,023,019
ELECTRIC	\$664,095	(\$1,990,443)	(\$718,719)	(\$842,119)	(\$558,839)	(\$714,081)	(\$1,361,963)
NATURAL GAS	\$2,153,284	(\$9,107,075)	(\$3,995,031)	(\$3,367,616)	(\$2,638,632)	(\$2,496,126)	\$863,070
DISTRICT COOLING	(\$45,576)	(\$298,342)	(\$461,410)	(\$132,520)	(\$104,958)	(\$114,287)	(\$111,479)
<b>TOTAL NET SOURCES AND USES</b>	<b>(\$13,153,827)</b>	<b>(\$33,986,550)</b>	<b>(\$13,663,502)</b>	<b>(\$14,030,134)</b>	<b>(\$9,806,082)</b>	<b>(\$5,141,357)</b>	<b>\$44,803</b>
Beginning Reserve Balance	\$144,571,686	\$131,417,859	\$97,431,309	\$83,767,807	\$69,737,673	\$59,931,590	\$54,790,233
<b>Ending Reserve Balance</b>	<b>\$131,417,859</b>	<b>\$97,431,309</b>	<b>\$83,767,807</b>	<b>\$69,737,673</b>	<b>\$59,931,590</b>	<b>\$54,790,233</b>	<b>\$54,835,037</b>
Ending Reserve Balance Percent*	<b>26.1%</b>	<b>18.9%</b>	<b>15.6%</b>	<b>12.0%</b>	<b>10.3%</b>	<b>9.2%</b>	<b>9.0%</b>

\*As a % of Next Fiscal Year's Expenditures

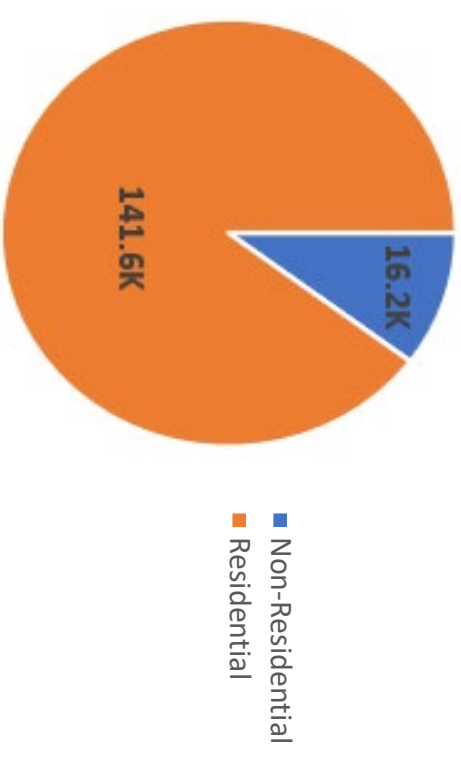
# Water

# Customer Profile

FY 22/23 Consumption by Customer Type  
*(in kgals)*



FY 22/23 Accounts by Customer Type  
*(average accounts/month)*



## Increasing Costs/Pressures on the Utility

- **Increases from FY 22/23 to FY 23/24**

- **Operating Expenditures**

- **Water Commodity Costs** **+\$3.8M**
- **Personnel** **+\$1.8M**
- **Treatment Plant Power Costs** **+\$0.8M**
- **Treatment Plant Chemical Costs** **+\$0.6M**
- **Total** **+\$7.0M**

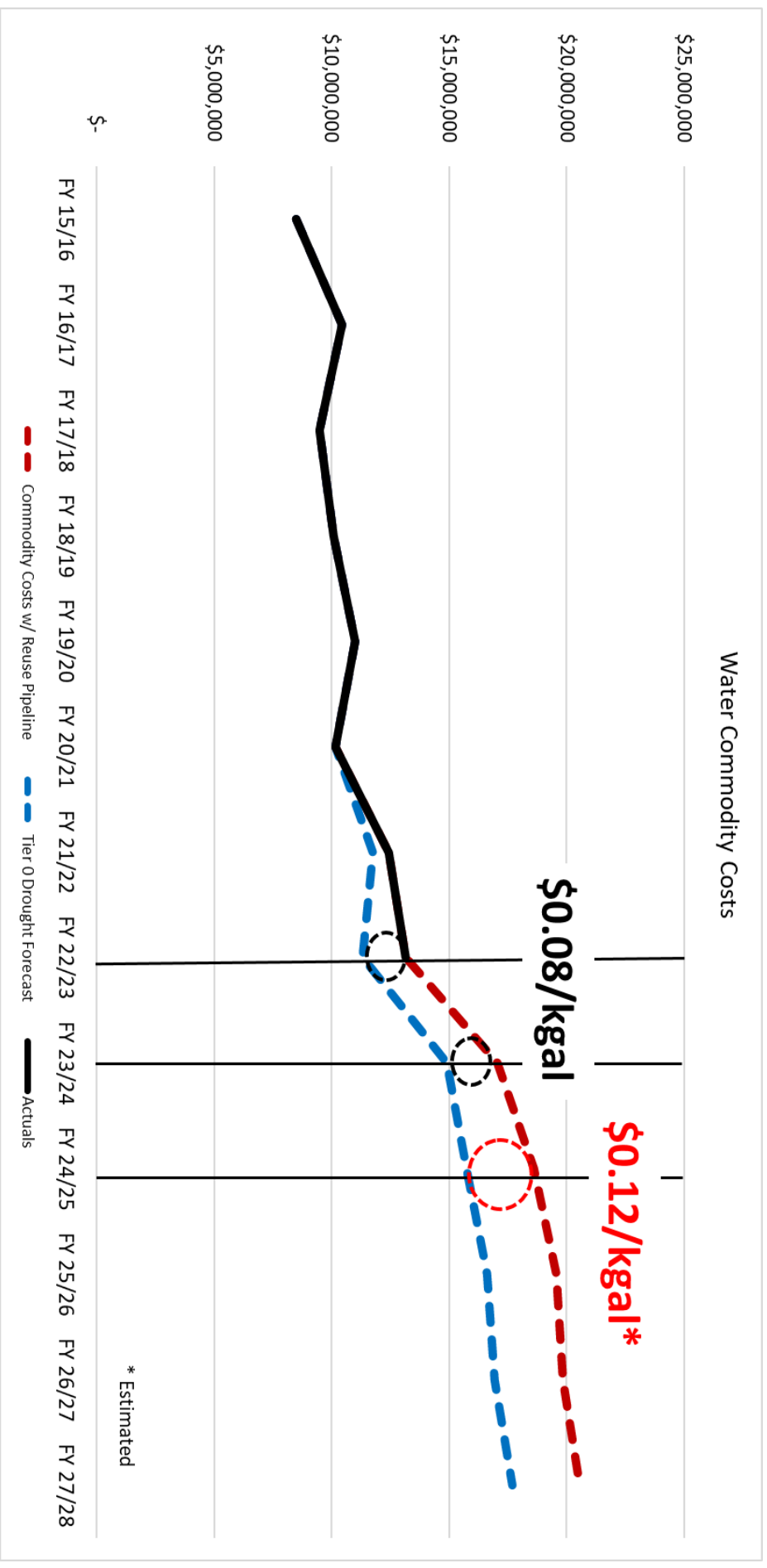


- **Debt Service**

**+\$2.9M**



# Staff recommends no change to the Drought Commodity Charge for FY 23/24



# Water Rate Proposal/Typical Customer

	2023	2024 (Proposed)	
Residential 6kgals	\$40.50/mo.	Service Charge Usage Charge Drought Commodity Charge	3.00%* 3.00%* \$0.08/kgal***
Commercial (General) 9kgals	\$57.76/mo.	\$41.70/mo. (\$1.20/mo.) Service Charge Usage Charge Drought Commodity Charge	3.00%* 5.00%* \$0.08/kgal***
Commercial (Landscape) 34kgals	\$160.43/mo.	\$59.97/mo. (\$2.21/mo.) Service Charge Usage Charge Drought Commodity Charge	3.00%* 7.50%** \$0.08/kgal***

\* Less than forecast for 2024 during the previous rate cycle.

\*\* Same as forecast for 2024 during the previous rate cycle.

\*\*\* No change from the previous rate cycle.

Typical (Median) Customer (in kgal)		FY 22/23
Residential		6
Interdepartmental - Landscape		7
Interdepartmental - General		9
Commercial – General		9
Multi-unit – General		21
Schools (PA) – General		33
Commercial - Landscape		34
Multi-unit – Landscape		53
Schools (PA) – Landscape		83



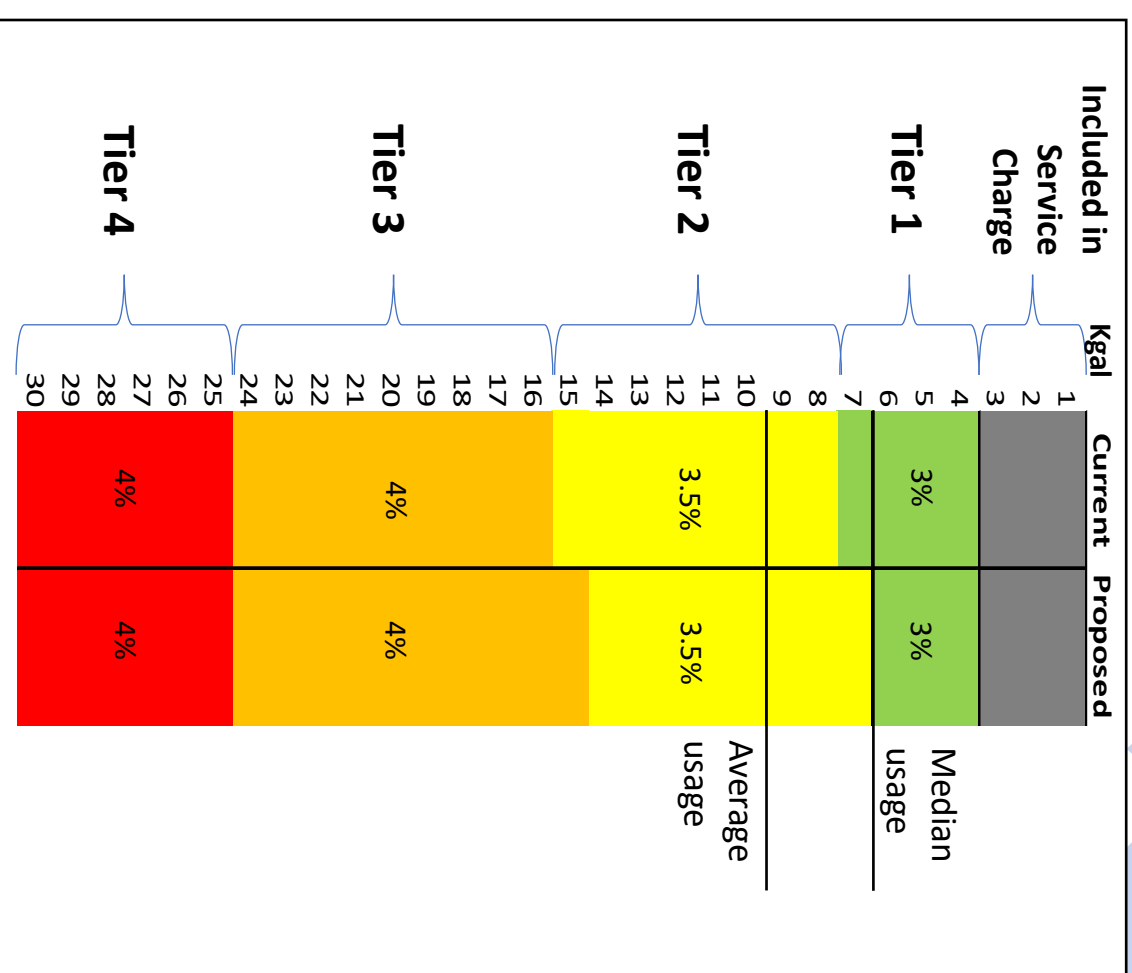
# Additional Conservation Measures

## Residential Usage Tiers

- Lower the thresholds of tiers 1 and 2 by 1kgal each
  - From 7kgal to 6kgal and 15kgal to 14kgal, respectively
- Progressive increases to the upper tiers
  - 2 (3.50%)
  - 3 (4.00%), and
  - 4 (4.00%)

## Non-Residential Landscape

- Increase excess water surcharge 7.50%



# Wastewater

## Increasing Costs/Pressures on the Utility

- Increases from FY 22/23 to FY 23/24



- **Operating Expenditures**
  - Personnel +\$0.5M
  - Treatment Plant Power Costs +\$0.4M
  - Treatment Plant Chemical Costs +\$0.2M
  - **Total** **+\$1.1M**
- **Debt Service** **+\$4.2M**

# Wastewater Rate Proposal/Typical Customer



	2023	2024 (Proposed)
Residential 4kgal	\$24.93/mo.	Service Charge 4.75%** Usage Charge 4.75%** \$26.11/mo. (\$1.18/mo.)
Commercial 9kgal	\$49.90/mo.	Service Charge 5.00%** Usage Charge 5.00%** \$52.38/mo. (\$2.48/mo.)

\*\* Same as forecast for 2024 during the previous rate cycle.

# Other Rate and Fee Recommendations



- 6% increase to all other Non-residential (General) Water customers to create equity with Residential usage (tier 2)
  - Includes multi-unit, public authority, and hydrant usage
- 10% increase to Interdepartmental Water
  - Plan to be at residential usage tier 1 by 2026



- 12% increase to Large Commercial/Industrial Water usage
- Utility service request fees updated for the first time in 7 years
  - Updated to reflect CPI or “time and material”
  - Includes utility “turn-on” call-outs, meter installation, and late fees

# Energy Resources

# Overview

- Upward Rate Pressure:
  - High power supply costs
  - ARPA funds fully expended by Fall 2023
  - Increasing debt service
- Pursue rate competitiveness with surrounding utilities
  - Transition to modern rate structures
    - Encourage electric peak power resource conservation
    - Seek to balance rate increases among customer sizes



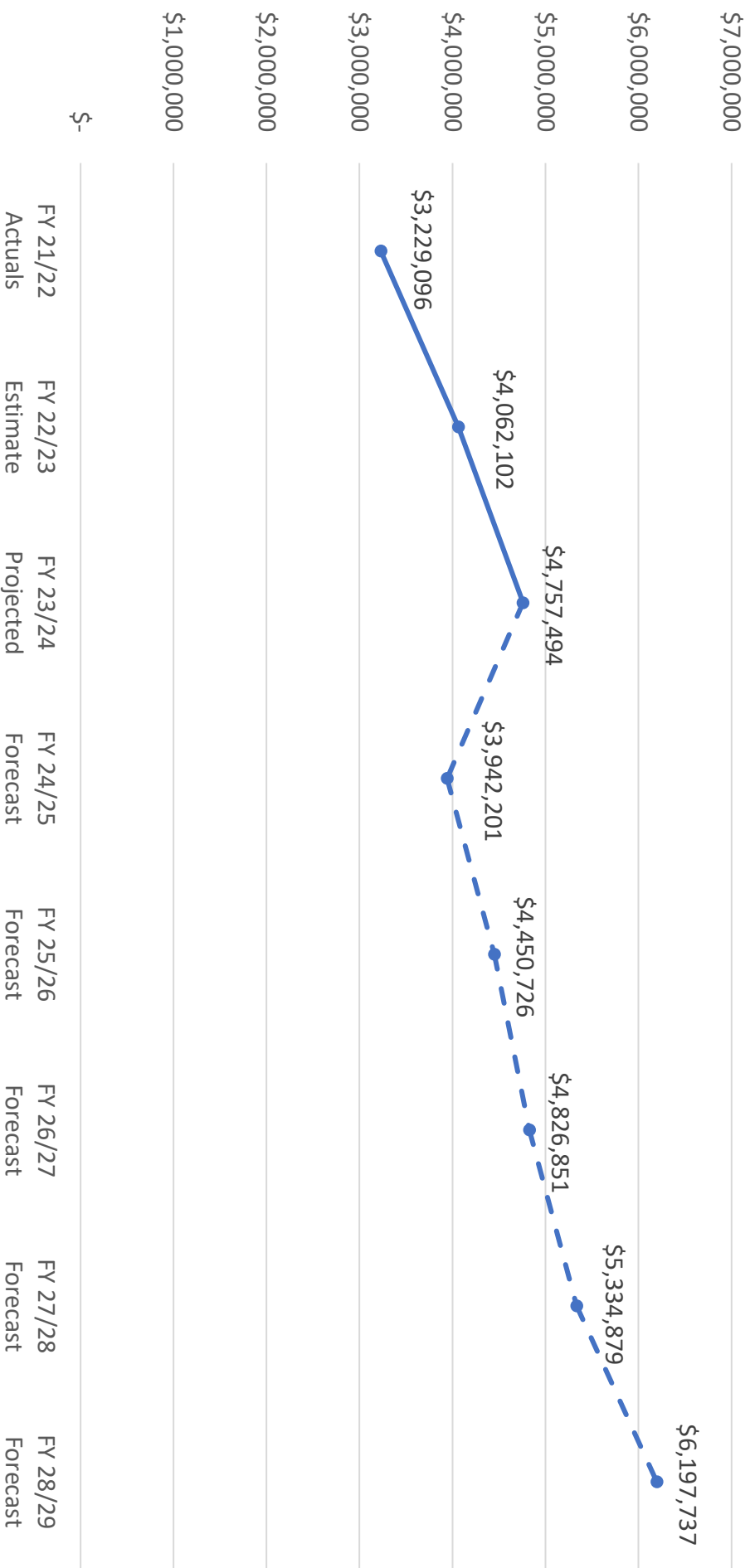


# Electric

# Increasing Costs/Pressures on the Electric Utility

- Operating Budget
  - Higher than normal inflation on commodities and other services
  - Personal services increases
- Debt Service
  - Meeting growth demands in Downtown
  - Multi-department projects (Broadway Rd)
  - Reliability/Generation projects
    - Generation – Solar, Microgrid
    - 69 kV Looping and AMI

# Increasing Debt Service Costs on the Electric Utility



# Increasing Operating Costs on the Electric Utility



# Residential Electric Bill Comparison

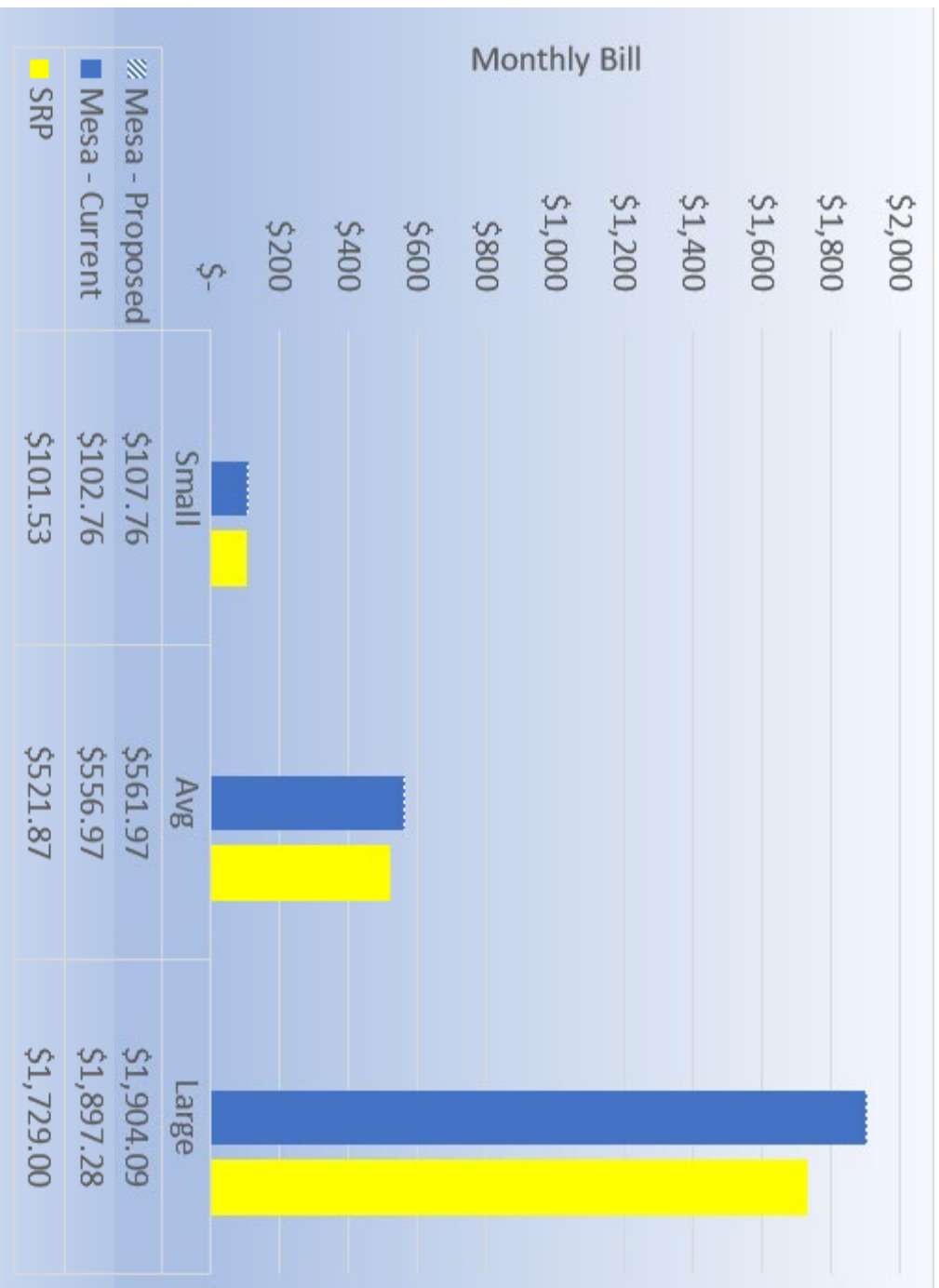


\*SRP amount includes proposed November rate increase

## Proposed Residential Electric Rates

<b>COMPONENT</b>	<b>CURRENT</b>	<b>PROPOSED</b>
SYSTEM SERVICE CHARGE	\$14.50	\$16.75
USAGE CHARGE SUMMER per kWh	Tier 1 - \$0.05231 Tier 2 - \$0.04822	Tier 1 - \$0.05231 Tier 2 - \$0.05027
USAGE CHARGE WINTER per kWh	Tier 1 - \$0.04151 Tier 2 - \$0.01800	Tier 1 - \$0.04317 Tier 2 - \$0.02502
MONTHLY BILL (Average Customers)	\$135.09	\$137.92
	(effective increase 2.1% or \$2.83/mo.)	

# Commercial Electric Bill Comparison



\*SRP amount includes proposed November rate increase

## Proposed Commercial Electric Rates

<b>COMPONENT</b>	<b>CURRENT</b>	<b>PROPOSED</b>
SYSTEM SERVICE CHARGE	Single Phase - \$9.72 Three Phase - \$15.74	Single Phase - \$14.72 Three Phase - \$20.74
USAGE CHARGE SUMMER per kWh	Tier 2 - \$0.04331	Tier 2 - \$0.04591
USAGE CHARGE WINTER per kWh	Tier 2 - \$0.03877	Tier 2 - \$0.03915
MONTHLY BILL (Average Customers)	\$5556.97	\$561.97
	(effective increase 0.9% or \$5.00/mo.)	



# Gas

# Increasing Costs/Pressures on the Gas Utility

- Operating Budget
  - Higher than normal inflation on commodities, services, and contracts
  - Personal services increases
- Debt Service
  - Meeting growth demands in Magma service territory
    - New Gate Station
    - Gantzel Rd
  - Quarter Section Renewal Projects
- AMI

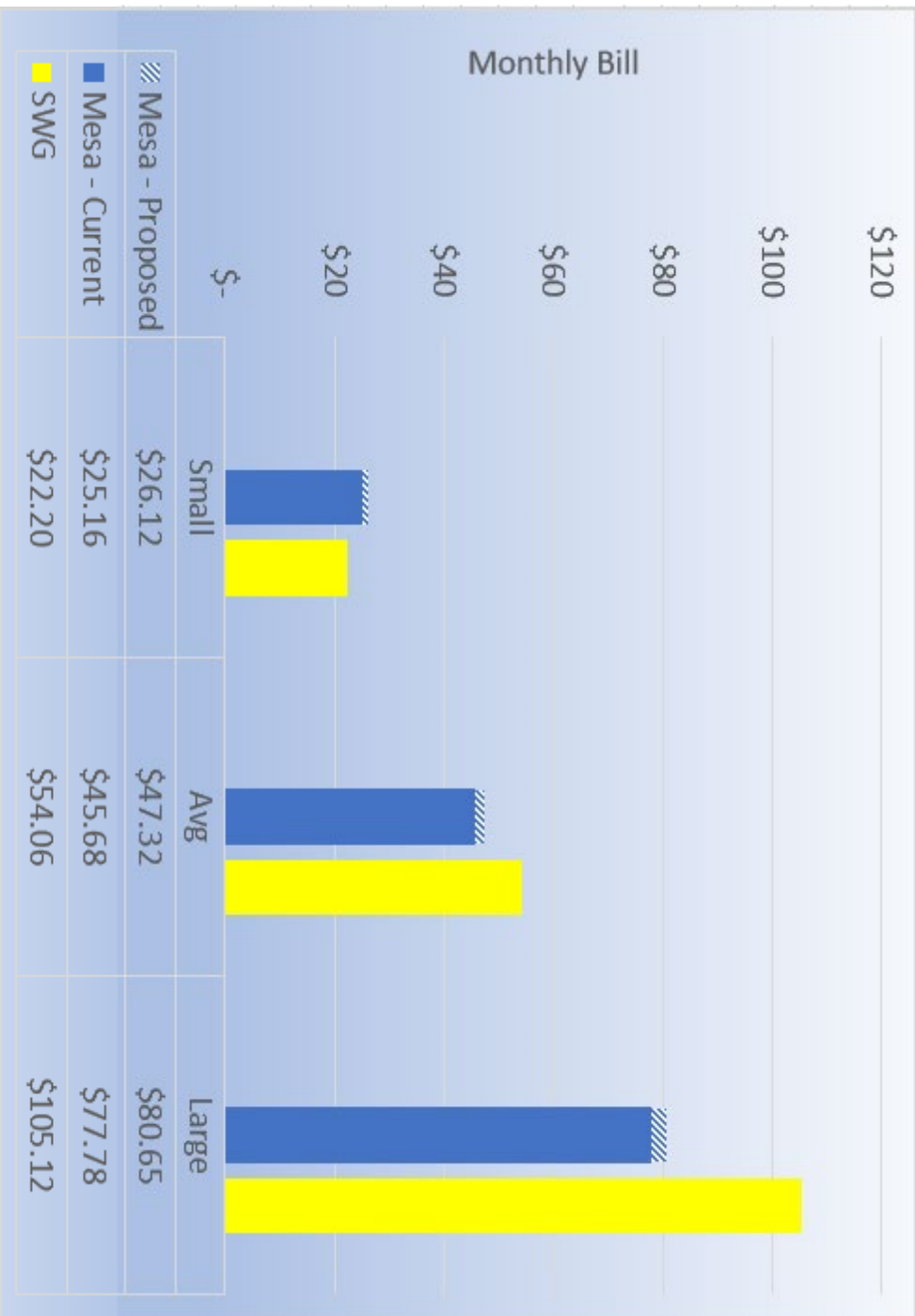
# Increasing Debt Service Costs on the Gas Utility



# Increasing Operating Costs on the Gas Utility



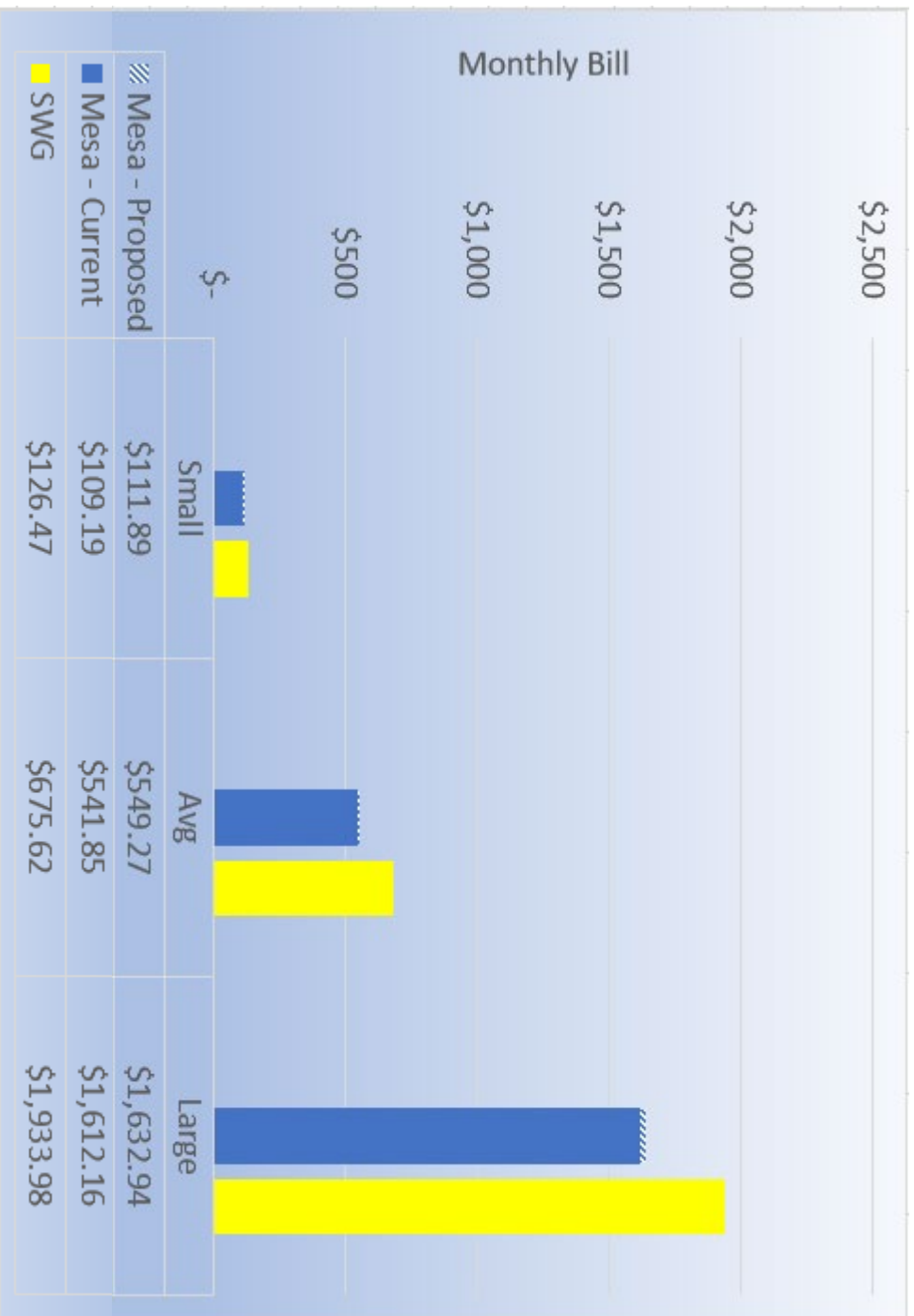
# Residential Gas Bill Comparison



## Proposed Residential Gas Rates

COMPONENT	CURRENT	PROPOSED
SYSTEM SERVICE CHARGE		
SUMMER	\$16.56	\$17.31
WINTER	\$19.49	\$20.24
USAGE CHARGE		
SUMMER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.2884	Tier 1 - \$0.7019 Tier 2 - \$0.3202
USAGE CHARGE		
WINTER per therm	Tier 1 - \$0.6685 Tier 2 - \$0.6557	Tier 1 - \$0.7019 Tier 2 - \$0.7019
MONTHLY BILL (Average Customers)	\$45.68	\$47.32
	(effective increase 3.6% or \$1.64/mo.)	

# Commercial Gas Bill Comparison



## Proposed Commercial Gas Rates

<b>COMPONENT</b>	<b>CURRENT</b>	<b>PROPOSED</b>
<b>SYSTEM SERVICE CHARGE</b>		
SUMMER	\$39.66	\$41.66
WINTER	\$49.34	\$51.34
<b>USAGE CHARGE</b>		
SUMMER per therm	Tier 1 - \$0.5333 Tier 2 - \$0.3359	Tier 1 - \$0.5439 Tier 2 - \$0.3493
<b>USAGE CHARGE</b>		
WINTER per therm	Tier 1 - \$0.5775 Tier 2 - \$0.4852	Tier 1 - \$0.5891 Tier 2 - \$0.5046
<b>MONTHLY BILL</b> (Average Customers)	\$541.85	\$549.27
(effective increase 1.4% or \$7.42/mo.)		

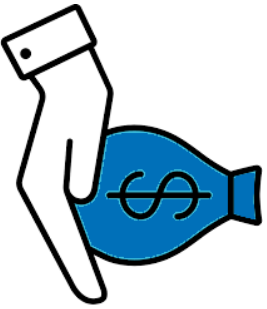


# Other Changes

- Adjustment of utility service fees
- Revision of outdated electric utility rules and regulations
- Customer Optional Renewable Energy Program – Opening enrollment period

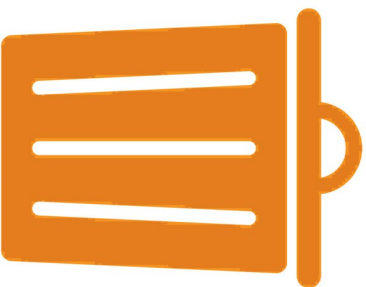
# Solid Waste

# Increasing Cost Pressures On The Utilities



## **Personal Services - \$1.0M**

- Market Adjustment/Step Pay increases
- 5 positions added



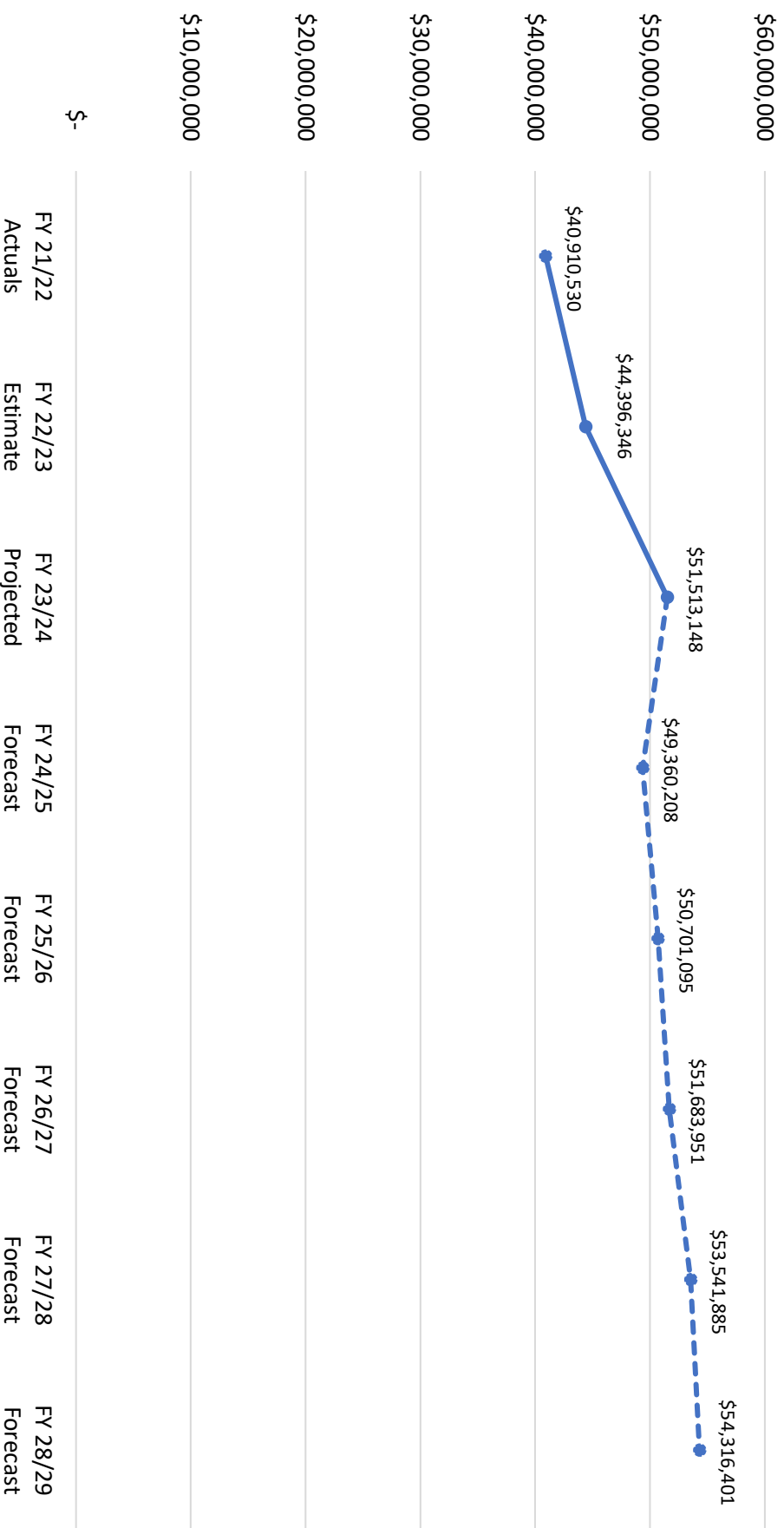
## **Disposal Fees - \$900k**

- CPI Western Region



## **Fleet Costs - \$1.8M**

# Increasing Operating Costs on Solid Waste



# Solid Waste Residential Rate Recommendation

	CURRENT	PROPOSED INCREASE	PROPOSED TOTAL
90-gallon Trash Barrel	\$30.52	\$0.92	\$31.44

COMPARISON TO OTHER CITIES	
Phoenix	\$35.17
Mesa	\$31.44
Tempe	\$30.32



# Commercial Front Load Trash Recommendations

- Increase base rate by 5.0%
  - 6-yard bin increase from \$109.24 to \$114.80
- Increase fee for out-of-zone collection from \$20.00 to \$25.00
- Decrease multi-day discount from 15% to 10%
- Increase additional weight charge by 8.9%
  - 12 customers
- Increase compactor base rate by \$16.25 for 6 yard
  - 2 customers



# Commercial Front Load Cardboard Recommendations

- 6-yard bin increase from \$73.22 to \$97.38



## Commercial Roll Off Recommendations

- Increase tonnage rate to follow landfill increase
  - Increase trash tonnage rate from \$37.44 to \$42.20
  - Increase green waste tonnage rate from \$44.35 to \$49.90
- Increase set fee by \$10.50
  - Increase from \$139.50 to \$150.00





## Commercial Roll Off Recommendations

- \$25.54 increase for a one-time trash customer
- 30-yard box increase from \$394.82 to \$420.36
- \$28.13 increase for a one-time green waste customer
- 30-yard box increase from \$415.55 to \$443.68



# Utility Fund Forecast Review

# Utility Fund Forecast: FY 23/24 Recommended Rate Adjustments

As of 08/22/2023      FY 22/23      FY 23/24      FY 23/24  
 Estimate      Budget      Projected

TOTAL NET SOURCES AND USES	(\$13,153,827)	(\$31,877,914)	(\$33,986,550)
Beginning Reserve Balance	\$144,571,686	\$124,757,696	\$131,417,859
<b>Ending Reserve Balance</b>	<b>\$131,417,859</b>	<b>\$92,879,782</b>	<b>\$97,431,309</b>
Ending Reserve Balance Percent*	<b>26.1%</b>	<b>18.7%</b>	<b>18.9%</b>
<small>*As a % of Next Fiscal Year's Expenditures</small>			
WATER Residential (Tier 1 usage)	2.75%	3.50%	3.00%
WATER Commercial (usage)	5.50%	5.50%	5.00%
WASTEWATER Residential	4.25%	4.75%	4.75%
WASTEWATER Non-Residential	4.50%	5.00%	5.00%
SOLID WASTE Residential	2.00%	3.00%	3.00%
SOLID WASTE Commercial	4.50%	3.00%	7.50%
SOLID WASTE Rolloff	7.75%	3.00%	6.50%
ELECTRIC Residential - svc charge	\$0.00	\$2.50	\$2.25
ELECTRIC Non-Residential - svc charge	\$0.00	\$2.50	\$5.00
GAS Residential - svc charge	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$2.00

# Non-Residential Water Usage Rate Proposal

General Usage		Proposed
Commercial – General		5%
Large Commercial/Industrial – General		12%
Other Non-Residential – General*		6%
Excess Surcharge – General		6.5%
Landscape Usage		Proposed
Non-Residential (All) – Landscape		7.5%
Excess Surcharge – Landscape		7.5%

\*Includes multi-unit, public authority, etc.

# Schedule for FY 2023/24 Utility Rates Adjustment Recommendation

- Sept 28** – City Council Discussion of Utility Rates
- Oct 2** – City Council Action on Notice of Intent
- Nov 20** – Introduce Utility Rate Ordinances
- Dec 4** – City Council Action on Utility Rates
- Feb 1** – Effective date for Utility Rate changes

# Utility Fund Forecast: FY 23/24 Recommended Rate Adjustments

08/22/2023	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast
<b>TOTAL NET SOURCES AND USES</b>							
	(\$13,153,827)	(\$33,986,550)	(\$13,663,502)	(\$14,030,134)	(\$9,806,082)	(\$5,141,357)	\$44,803
Beginning Reserve Balance	\$144,571,686	\$131,417,859	\$97,431,309	\$83,767,807	\$69,737,673	\$59,931,590	\$54,790,233

**Ending Reserve Balance**      **\$131,417,859**      **\$97,431,309**      **\$83,767,807**      **\$69,737,673**      **\$59,931,590**      **\$54,790,233**      **\$54,835,037**

Ending Reserve Balance Percent\*      **26.1%**      **18.9%**      **15.6%**      **12.0%**      **10.3%**      **9.2%**      **9.0%**

\*As a % of Next Fiscal Year's Expenditures

WATER Residential (Tier 1 usage)	2.75%	3.00%	3.50%	4.00%	4.00%	4.00%	4.00%
WATER Commercial (usage)	5.50%	5.00%	5.50%	5.75%	5.75%	5.75%	5.75%
WASTEWATER Residential	4.25%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
SOLID WASTE Residential	2.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Commercial	4.50%	7.50%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	7.75%	6.50%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$0.00	\$2.25	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$0.00	\$5.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00

# Customer Profile

## Residential v. Non-residential Consumption (in kgal)

	FY 21/22	FY 22/23
<b>Non-Residential</b>	<b>15.4M</b>	<b>15.5M</b>
<i>Multi-unit – General</i>	4.7M	4.8M
<i>Commercial – Landscape</i>	4.0M	4.1M
<i>Commercial – General</i>	2.9M	2.9M
<i>Interdepartmental – Landscape</i>	1.1M	1.1M
<i>Other (e.g., LCOM, PA)</i>	2.7M	2.6M
<b>Residential</b>	<b>14.1M</b>	<b>14.2M</b>
<i>Tier 1</i>	8.4M	8.5M
<i>Tier 2</i>	3.3M	3.3M
<i>Tier 3</i>	1.3M	1.3M
<i>Tier 4</i>	1.1M	1.1M



## Residential v. Non-residential Accounts

	FY 21/22	FY 22/23
<b>Non-Residential</b>	<b>16.1K</b>	<b>16.2K</b>
<b>Residential</b>	<b>139.1K</b>	<b>141.6K</b>

# Utility Fund Forecast: No Residential Rate Adjustments for 2 Years

**\*For Planning Purposes Only\***

	FY 22/23 Projected	FY 23/24 Projected	FY 24/25 Forecast	FY 25/26 Forecast	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast
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TOTAL NET SOURCES AND USES	(\$13,153,827)	(\$35,239,715)	(\$19,703,245)	(\$20,318,404)	(\$6,596,727)	\$304,194	\$5,601,447
Beginning Reserve Balance	\$144,571,686	\$131,417,859	\$96,178,144	\$76,474,899	\$56,156,495	\$49,559,769	\$49,863,962

<b>Ending Reserve Balance</b>	<b>\$131,417,859</b>	<b>\$96,178,144</b>	<b>\$76,474,899</b>	<b>\$56,156,495</b>	<b>\$49,559,769</b>	<b>\$49,863,962</b>	<b>\$55,465,410</b>
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Ending Reserve Balance Percent*	<b>26.1%</b>	<b>18.7%</b>	<b>14.3%</b>	<b>9.6%</b>	<b>8.5%</b>	<b>8.4%</b>	<b>9.0%</b>
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\*As a % of Next Fiscal Year's Expenditures

WATER Residential (Tier 1 usage)	2.75%	0.00%	0.00%	14.00%	5.50%	4.00%	4.00%
WATER Commercial (usage)	5.50%	5.00%	5.50%	5.75%	5.75%	5.75%	5.75%
WASTEWATER Residential	4.25%	4.75%	4.75%	4.75%	4.75%	4.75%	4.75%
WASTEWATER Non-Residential	4.50%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
SOLID WASTE Residential	2.00%	0.00%	0.00%	14.00%	5.50%	3.00%	3.00%
SOLID WASTE Commercial	4.50%	7.50%	3.00%	3.00%	3.00%	3.00%	3.00%
SOLID WASTE Rolloff	7.75%	6.50%	3.00%	3.00%	3.00%	3.00%	3.00%
ELECTRIC Residential - svc charge	\$0.00	\$0.00	\$0.00	\$5.00	\$2.50	\$2.50	\$2.50
ELECTRIC Non-Residential - svc charge	\$0.00	\$5.00	\$2.50	\$2.50	\$2.50	\$2.50	\$2.50
GAS Residential - svc charge	\$0.75	\$0.00	\$0.00	\$5.00	\$0.75	\$0.75	\$0.75
GAS Non-Residential - svc charge	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00	\$2.00



## Transfer to the General Fund



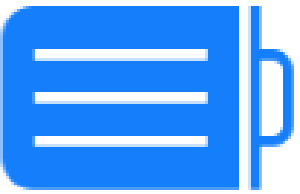
- **FY 23/24 Water Utility support of Public Safety and General Governmental activities (*Ordinance No. 5559, adopted March 16, 2020*)**
  - 25% of operating revenues are dedicated to Public Safety: \$46.9M
  - 5% of operating revenues are dedicated to General Governmental activities: \$9.4M

## Transfer to the General Fund



- **FY 23/24 Wastewater Utility support of Public Safety and General Governmental activities**  
*(Ordinance No. 5559, adopted March 16, 2020)*
  - 25% of operating revenues are dedicated to Public Safety: \$25.7M
  - 5% of operating revenues are dedicated to General Governmental activities: \$5.1M

## Transfer to the General Fund



- **FY 23/24 Solid Waste Utility support of Public Safety and General Governmental activities**  
*(Ordinance No. 5559, adopted March 16, 2020)*
  - 25% of operating revenues are dedicated to Public Safety: \$17.8M
  - 5% of operating revenues are dedicated to General Governmental activities: \$3.5M

## Transfer to the General Fund

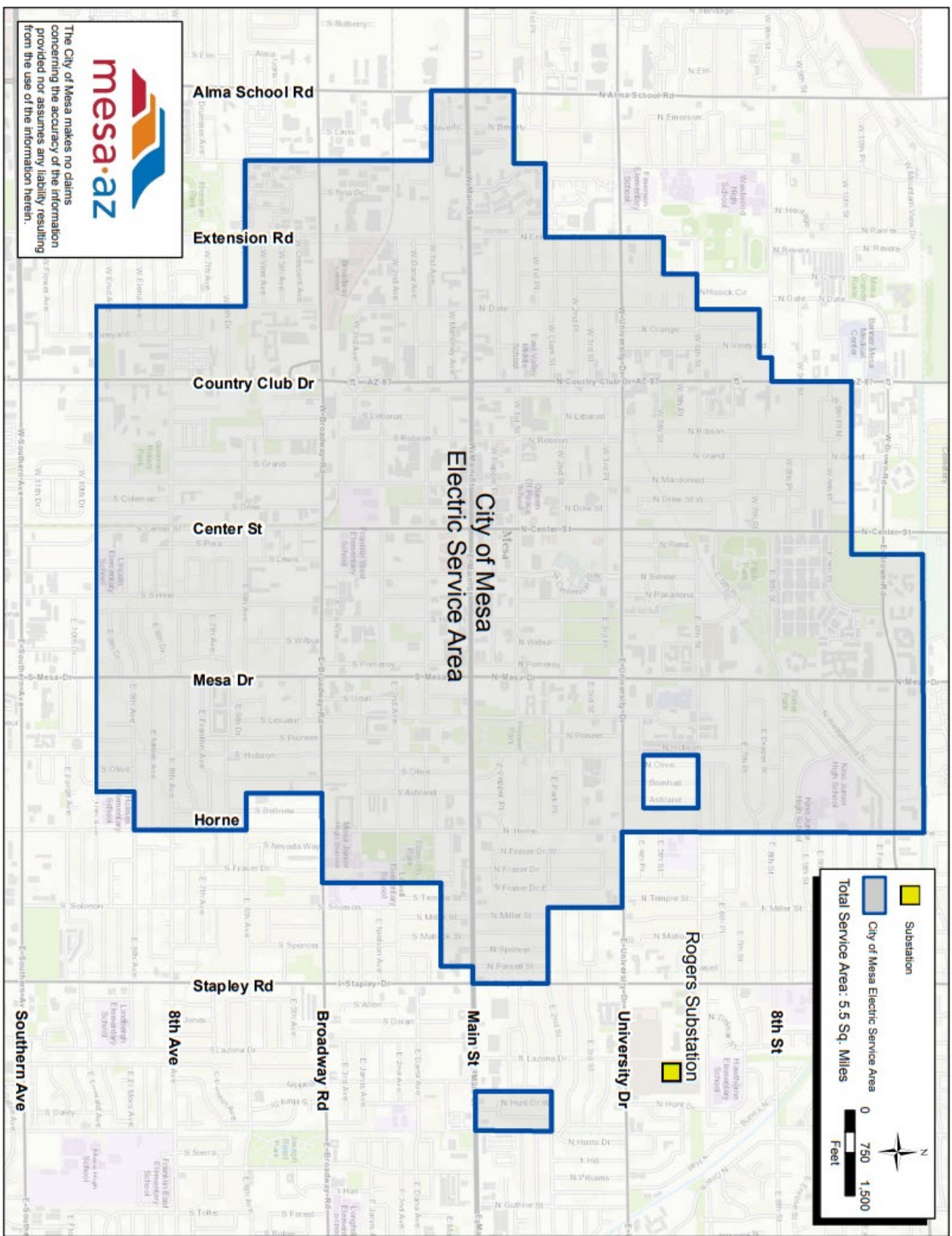


- **FY 23/24 Natural Gas Utility support of Public Safety and General Governmental activities**  
*(Ordinance No. 5559, adopted March 16, 2020)*
  - 25% of operating revenues are dedicated to Public Safety: \$10.4M
  - 5% of operating revenues are dedicated to General Governmental activities: \$2.1M

## Transfer to the General Fund

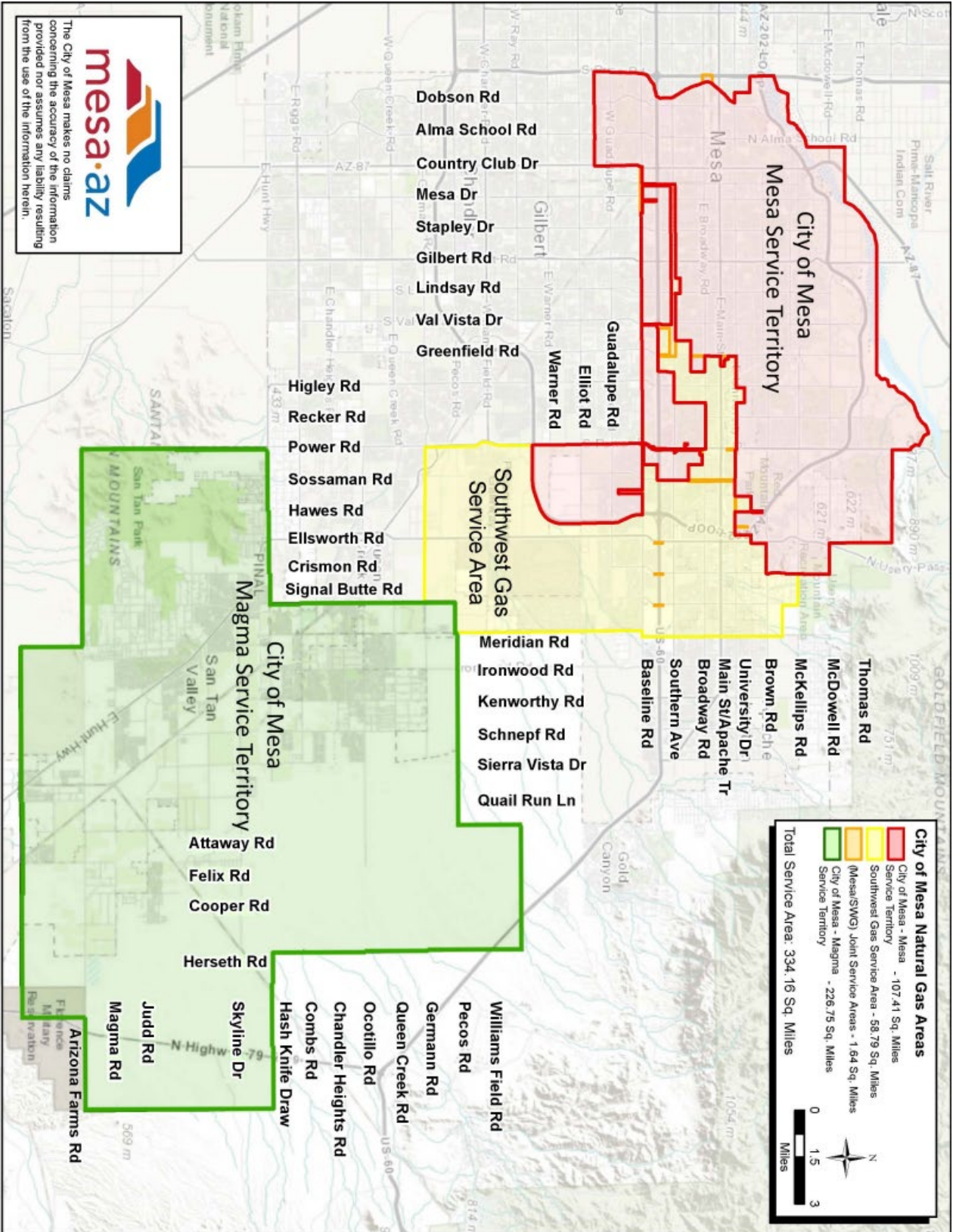


- **FY 23/24 Electric Utility support of Public Safety and General Governmental activities (*Ordinance No. 5559, adopted March 16, 2020*)**
  - 25% of operating revenues are dedicated to Public Safety: \$4.9M
  - 5% of operating revenues are dedicated to General Governmental activities: \$1.0M



The City of Mesa makes no claims concerning the accuracy of the information provided nor assumes any liability resulting from the use of the information herein.





Mesa Fire and Medical Department

# High Risk Plus Occupancy Inspection Fee Recommendations

Audit, Finance, and Enterprise Committee

Presenter: Deputy Chief/Fire Marshal Shawn Alexander

September 7, 2023



mesa•az



# Background

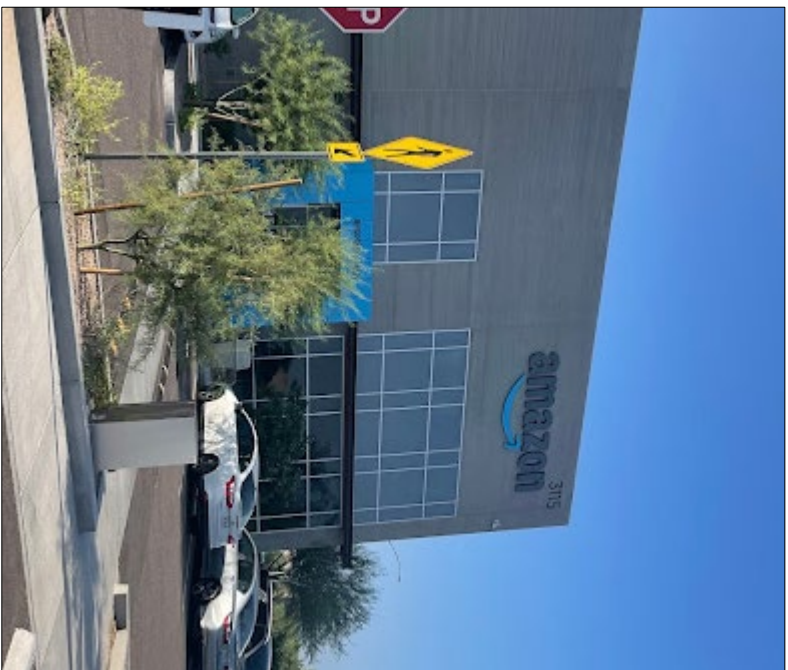
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- Current inspection fee program created in 2007 for high and medium risk occupancies
  - Low risk occupancies were added in 2018
  - In 2015, Fire Prevention began following NFPA standard 1730 which recommended inspection frequency to bring the city in line with national best practices
    - High risk occupancy (approx. 50%) – annual inspection
    - Medium risk occupancy (approx. 35%) – biannual inspection
    - Low risk occupancy (approx. 15%) – triennial inspection
  - 13 Fire Inspectors performed 4,496 fire inspections in addition to other Fire Prevention-related activities in 2022.
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# Discussion

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## High Risk Plus Occupancy Inspection Fees

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- The goal of the fee is to account for the actual time spent by a Mesa Fire Inspector to plan, conduct, and document each inspection.
  - The city has seen immense growth in larger buildings that require much more time for a fire inspector to conduct the annual inspection.
  - Fire Prevention has discussed the fee increases with the business community and has received no negative feedback.
  - If fees are not increased, cost recovery is diminished, shifting the burden to the General Fund.
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# Discussion

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## High Risk Plus Occupancy Reinspection Fees

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Current: \$50 for building reinspection

New: \$100 for  $\geq$  100K sq ft building reinspection

- The current reinspection fee is \$50 beginning with the third visit, regardless of building size.
  - Larger buildings take longer to reinspect, so increasing the fee for larger buildings will allow the department to better recover the costs of providing this service.
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# Recommendation

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- **New high risk plus occupancy inspection fees for larger occupancies**
  - 12,000 < 100,000 sq ft = \$459 (no change)
  - 100,000 < 300,000 sq ft = \$561 (~2 hrs of add'l insp. time)
  - 300,000 < 500,000 sq ft = \$663 (~2 hrs of add'l insp. time)
  - 500,000 < 1,000,000 sq ft = \$867 (~4 hrs of add'l insp. time)
  - ≥ 1,000,000 sq ft = \$1275 (~8 hrs of add'l insp. time)
  - Estimated fiscal impact: \$86,300
- **New high risk plus occupancy reinspection fee of \$100 for buildings 100,000 sq ft or greater.**
  - Currently charged the standard \$50
  - Estimated fiscal impact: \$500

**Total Estimated Fiscal Impact: \$86,800**

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# Next Steps:

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City Council to consider proposed fees and charges amendments  
on **December 4, 2023**

If approved by City Council, fee & charges adjustments are  
effective **January 1, 2024**