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OFFICE OF THE CITY CLERK

COUNCIL MINUTES

September 11, 2025

The City Council of the City of Mesa met in the Study Session room at City Hall, 20 East Main Street, on September 11, 2025, at 7:30 a.m.

COUNCIL PRESENT	COUNCIL ABSENT	OFFICERS PRESENT
Mark Freeman	Rich Adams	Scott Butler
Scott Somers	Jennifer Duff	Holly Moseley
Alicia Goforth		Jim Smith
Francisco Heredia		
Julie Spilsbury		

Mayor Freeman conducted a roll call.

Mayor Freeman excused Councilmembers Adams and Duff from the entire meeting.

Mayor Freeman opened the meeting by reflecting on September 11, 2001, honoring those who lost their lives, and the assassination of Charlie Kirk, stressing that violence has no place in democracy.

1. Review and discuss items on the agenda for the September 22, 2025, 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 removed from the consent agenda: 7-a and 7-b

Mayor Freeman commented on Item 5-d, **(Reviewing a request from the neighborhood for City of Mesa approval for the formation of the Mesa Vista Estates Irrigation Water Delivery District (IWDD) generally bounded by East Jensen Street on the north, East Mesa Vista Lane on the south, North Mesa Drive on the west, and North Dresden on the east. (District 1))**, on the Regular Council agenda, that IWDDs are essential for facilitating improvements in aging irrigation districts.

In response to a question from Councilmember Spilsbury regarding Item 7-a, **(ZON24-00708 "Park North Multi-Family" 5± acres located approximately 275 feet east of the northeast corner of South Power Road and East Guadalupe Road. Rezone from Limited Commercial with Planned Area Development Overlay (LC-PAD) to Limited Commercial with a new**

Planned Area Development Overlay (LC-PAD), Council Use Permit, and Site Plan Review for the development of a 120-unit multiple residence development. P & G Land Development LLC, owner; Chris Webb, Rose Law Group, applicant. (District 6)), on the Regular Council agenda, Planning Director Mary Kopaskie-Brown explained that Item 7-a was introduced and continued, but at the request of the landowner has been placed back on the agenda. She noted that staff met with the landowner to discuss the issues raised by Council; however, the plan and Development Agreement (DA) remain unchanged aside from minor adjustments that do not significantly alter the DA.

Responding to a question from Mayor Freeman regarding Item 8-a, **(ZON25-00025 "4062 E Main" 7± acres located approximately 1,600± feet west of the northwest corner of East Main Street and North Greenfield Road. Rezone 3.3± acres from Multiple Residence-4 (RM-4) to Multiple Residence-4 with a Planned Area Development Overlay (RM-4-PAD) and rezone 3.7± acres from RM-4-PAD to RM-4 with a new PAD overlay (RM-4-PAD) and Site Plan Review for a 137-unit attached single-residence development. Dolly Varden LLC, owner; Tim Boyle, Atmosphere Architects, applicant. (District 2))**, on the Regular Council agenda, Planning Director Mary Kopaskie-Brown confirmed that the multi-family development site is now platted as a for-sale project.

2-a. Hear a presentation, discuss, and provide direction on a recommended new Water and Wastewater Capacity Fee for the City of Mesa water and wastewater utilities.

Water Resources Director Christopher Hassert introduced Water Resources Assistant Director Jesse Heywood and displayed a PowerPoint presentation. **(See Attachment 1)**

Mr. Hassert provided an overview of a proposed new capacity fee, a one-time connection charge applied to new developments or redevelopment projects requiring upsized meters for additional capacity on the system to accommodate new growth. He explained the reasons why a capacity fee is being proposed and noted that impact fees were gradually phased out for wastewater in 2023 and water in late 2024. He elaborated that with no current fee structure for new growth, the capacity fee ensures that developers pay their share for expanded system capacity rather than placing the burden on existing taxpayers. He discussed the challenges with new growth projects, the lack of water and wastewater capacity, deferred projects, and funding of projects for growth over the next 10 years. (See Page 2 of Attachment 1)

Responding to a question from Mayor Freeman, Mr. Hassert replied that the $400 million worth of projects planned over the next 10 years pertain to water and wastewater infrastructure to support growth. He added that half of the projects relate to the expansion of the Signal Butte Plant to accommodate growth demands in east and southeast Mesa.

Mr. Hassert defined the capacity fee, which is permitted under Arizona Revised Statute (A.R.S.) § 9-511.01 and enables the City, as a water provider, to impose water and wastewater fees. He noted that the capacity fees are designed to ensure that the costs associated with growth are appropriately covered. (See Page 3 of Attachment 1)

Mr. Hassert presented an Integrated Master Plan map illustrating Mesa's entire service area, noting that Mesa is 85% developed, and that $400 million will fund infrastructure for the remaining 15%. He pointed out that 90% of the remaining development is commercial and industrial, while 10% of that growth is residential. (See Page 4 of Attachment 1)

In response to multiple questions posed by Councilmember Goforth, Mr. Hassert said to comply with standards, the capacity fee is restricted to capital costs only and excludes operations and maintenance costs. He advised that staff collaborated with an experienced consultant to ensure full compliance with all requirements and stated that once an asset is built, its costs shift to operations and maintenance.

Mr. Heywood described how the capacity fee is calculated, noting that the City assumes the existing capacity can meet the demands of existing customers and that existing customers have paid for that existing capacity to be constructed. He emphasized the focus is on new customers and the costs to build or expand the existing capacity. He indicated that the Integrative Master Plan was completed in April 2025 and identifies $400 million worth of projects for the remaining vacant parcels. (See Page 5 of Attachment 1)

Mr. Heywood explained the process of a typical water system and its components, and the responsibilities of the developer and the City. (See Page 6 of Attachment 1)

Mr. Heywood illustrated the capacity fee calculation to determine how many gallons per day a ¾" meter customer uses and highlighted the water and wastewater capacity projects identified in the Integrated Master Plan for the next 10 years. (See Pages 7 and 8 of Attachment 1)

Mr. Heywood described the process for calculating the daily water demand per ¾" meter, resulting in a maximum daily water demand for each ¾" meter of 385 gallons per day (gpd). (See Page 9 of Attachment 1)

In response to a question from Mayor Freeman, Mr. Heywood replied that the majority of ¾" meters are for residential customers; however, there are many smaller commercial buildings that utilize the ¾" meters.

Mr. Heywood reviewed the calculations used to determine the maximum daily wastewater flow per ¾" meter for wastewater service units. He noted that since wastewater is not metered directly, only the water entering the building is measured, and an inference must be made to estimate the volume of wastewater generated by each customer, resulting in a maximum daily wastewater flow of 205 gpd. (See Page 10 of Attachment 1)

Mr. Heywood discussed the calculations to establish water and wastewater capacity fees for ¾" meters. He compared capacity fees for various meter sizes and the scaling methodology based on meter size. (See Pages 11 and 12 of Attachment 1)

Mr. Hassert provided a fee comparison for ¾" meters across various cities in Arizona, noting that the City of Mesa currently does not have a mechanism in place to recover costs from new growth. He explained that, at present, costs related to reconstruction, lifecycle, and growth are borne by existing ratepayers. He advised that if Mesa were to implement capacity fees, the water and wastewater fee for a ¾" meter would be approximately $9,500, increasing with larger meter sizes. He noted that Mesa's proposed fee would place the City in the mid-range compared to other municipalities. He added that the City still has at least $400 million in identified infrastructure needs. He indicated that, if established, the capacity fee would be reviewed and adjusted as needed during master plan updates, typically conducted every four to five years, to ensure alignment with projected growth and costs. (See Page 13 of Attachment 1)

Mr. Hassert explained the advantage of implementing a capacity fee is to establish a revenue source to ensure that new growth pays for its incremental costs. (See Page 14 of Attachment 1)

City Manager Scott Butler emphasized the extensive work and background that went into developing the proposed capacity fee within the parameters of state statute. He indicated implementing the new capacity fee is essential to ensure that growth pays for growth and to maintain the City's commitment to fairness and financial sustainability.

Discussion ensued relative to tiered rates, costs of larger size meters, calculation of meter costs, and proactively managing growth.

Mr. Hassert shared the timeline for the proposed capacity fee, which would have an effective date of January 1, 2026. (See Page 15 of Attachment 1)

In response to multiple questions from Councilmember Spilsbury, Mr. Hassert commented that the fees shown for surrounding cities in the comparison chart on Page 13 differ depending on each city's needs and stage of development. He added that since the City of Tempe is nearly fully developed, its fees are the lowest among them.

Responding to a question posed by Councilmember Goforth, Mr. Hassert answered that the master plan includes provisions for equipping wells. He noted that while six wells have already been drilled in Mesa, they remain unequipped due to escalating costs and were deferred due to limited funding.

In response to a question from Vice Mayor Somers, Office of Management and Budget Director Brian Ritschel explained the funding sources for future projects would be a combination of cash and bonds.

Additional discussion ensued regarding projects, development trends and growth, funding and repayment strategies, and the applicability of the impact fee statute to other utilities.

Responding to a question from Mayor Freeman, City Attorney Jim Smith shared that approximately two years ago, the City of Flagstaff prevailed in a lawsuit concerning the capacity fee. He advised that the legal outcome cleared the way for the City of Mesa (COM) to move forward with the proposal of implementing a similar fee structure, which accounts for the delay in the initial proposal.

Mayor Freeman thanked staff for the presentation.

2-b. Hear a presentation, discuss, and provide direction on the Utility Fund forecast and staff recommended rates and fees adjustments for consideration in the Notice of Intent.

Management and Budget Director Brian Ritschel introduced Water Resource Director Christopher Hassert, Energy Resources Director Scott Bouchie, Deputy Solid Waste Director Joe Giudice and displayed a PowerPoint presentation. **(See Attachment 2)**

Mr. Ritschel shared that he will present a comparative analysis of the Fiscal Year (FY) 25/26 utility fund forecast, evaluating scenarios both with and without the implementation of a capacity fee. He provided an overview of the utility operations and underscored the critical role of maintaining a robust reserve fund balance. He explained that credit rating agencies assess reserve levels in conjunction with net sources and uses when determining an organization's credit ratings and added that a strong reserve fund can enhance the City's credit rating, ultimately resulting in lower rates. (See Page 2 of Attachment 2)

Mr. Ritschel reviewed the five guiding financial principles used to develop the forecast, emphasizing the City's commitment to aligning net sources and uses as closely to zero as possible. He highlighted Mesa's strategic approach to utility rate adjustments, favoring modest annual increases over infrequent, substantial hikes, which offers greater predictability and stability for ratepayers. He noted that other municipalities are beginning to adopt Mesa's incremental rate strategy. (See Page 3 of Attachment 2)

In response to multiple questions from Councilmember Spilsbury, Deputy City Manager Mike Kennington explained the metrics used by credit rating agencies to determine ratings.

Mr. Ritschel indicated that a key consideration under the financial principles is achieving equity between residential and non-residential utility sectors. He commented that the City's utility revenue and consumption has historically been dominated by residential users, reflecting its residential-heavy development pattern; however, as commercial growth has accelerated, the City is working to ensure a more balanced distribution of revenue and consumption across residential and commercial customers. (See Page 3 of Attachment 2)

Mr. Ritschel analyzed the Audit, Finance & Enterprise (AF&E) Committee's adopted budget for FY 25/26, noting that actuals for FY 23/24 and projections for FY 24/25 show negative net sources and uses, a trend that persists through the forecast period until FY 29/30, when it is projected to reach a positive $19 million. He acknowledged that the figures would fall below the City's financial policy target before gradually improving to approximately 7%. (See Pages 4 and 5 of Attachment 2)

Mr. Ritschel summarized the recommended utility rates for the AF&E Committee, which reflect two key adjustments in the forecast for residential water rates for Tier 1, reducing the rate from 6% to 5.5%, while the commercial water usage rate increased to 12%. He emphasized that the adjustments are part of a broader effort to achieve greater equity between residential and non-residential customers, with the goal of reaching that balance by FY 28/29. He explained the City's approach to debt service to maintain a healthy debt profile while providing more flexibility in the later years. He expressed confidence in the revised forecast and the financial strategies presented to the committee, noting that the adjustments support both fiscal sustainability and long-term planning goals. (See Page 6 of Attachment 2)

Mr. Ritschel compared the equity between residential and non-residential water rate revenue from FY 24/25 and forecasted through FY29/30, and the potential of accelerating the timeline to achieve rate equity in FY 28/29. (See Page 7 of Attachment 2)

In response to multiple questions from Councilmember Spilsbury, City Manager Scott Butler discussed the City's intention to keep commercial rates low as an economic development tool and residential use was higher until recently; therefore, the City is now seeking to balance equity by implementing reasonable rate increases for commercial users.

Councilmember Heredia expressed concern regarding the impact of increased commercial rates on small business owners. He noted that landlords are likely to pass the costs onto tenants, which could disproportionately burden small businesses and hinder their ability to remain financially viable.

Responding to multiple questions from Councilmember Goforth, Mr. Ritschel explained the rationale behind establishing equitable water rates between residential and non-residential customers, aligning revenue generation with consumption patterns.

Mr. Ritschel outlined the proposed FY 25/26 rate adjustments, noting the exclusion of a capacity fee for the water and wastewater. He reported that while net sources and uses will remain negative in the early years, revenues from rate adjustments are expected to turn the outlook positive by FY 28/29, with reserves reaching nearly 20% by FY 30/31. He mentioned the proposal reduces the residential Tier 1 water rate increase from 5.5% to 4% and raises the commercial adjustment from 12% to 14%, reflecting an effort to promote equity by lessening the impact on residential customers and slightly increasing it for non-residential users. (See Page 9 of Attachment 2)

In response to a question from Mayor Freeman, Mr. Ritschel confirmed that the wastewater projects mentioned earlier are included in the projections.

Mr. Hassert introduced Utilities Financial Analyst Erik Hansen. He commented that the customer class with the highest use shifted to the non-residential sector about two years ago and emphasized that this trend is expected to continue as the future growth will primarily come from the commercial sector.

Mr. Hansen provided an overview of the recommended rate adjustments for the Water Program, noting a forecasted $2 million cost savings in FY 28/29 compared to the prior year. He emphasized the significant rise in debt service between FY 24/25 and FY 25/26 as payments began on three major capital projects. He also referenced the impact of debt refinancing, which is projected to reduce forecasted costs by nearly $5 million in FY 28/29 and by approximately $2 million in FY 29/30. (See Pages 10 through 13 of Attachment 2)

Mr. Hansen pointed out that inflation is a significant driver of rising costs within the water rate adjustments for typical customers. He explained that from FY 17/18 through FY 24/25, inflation has increased by 33%, with the average commercial water bill rising 24%, while the typical residential bill increased by 17%. He emphasized that this reflects the City's philosophy of implementing rate adjustments gradually and incrementally, balancing affordability with the goal of achieving long-term equity as the customer base continues to evolve. (See Page 14 of Attachment 2)

In response to multiple questions from Councilmember Goforth, Mr. Hassert explained the cumulative increase in the operations and management (O&M) budget significantly outpaced the cumulative residential and commercial rates, and he described the major factors contributing to the higher overall O&M costs.

Mr. Hansen presented a chart showing that residential and non-residential water rate revenue is projected to reach a 50/50 split in FY 27/28 and again in FY 29/30, reflecting progress toward equity between consumption and rate revenue. (See Page 15 of Attachment 2)

Mr. Hansen highlighted the rate adjustment recommendations to maintain financial stability and promote equity among customer classes. (See Pages 16 and 17 of Attachment 2)

In response to multiple questions from Councilmember Spilsbury, Mr. Hansen provided an overview of customer type classifications and the corresponding service charges. He summarized how meter sizing is determined based on the characteristics of each property type.

Mr. Hassert clarified that the proposed service charge increase is modest at 4.5% across all customer classes. He mentioned for small commercial properties with limited landscaping and water consumption, 3,000 kilogallon (kgals) or less, those usage levels are already included in the base rate. He noted, as a result, these customers would not be affected by the tiered usage increases and would only see the 4.5% service charge adjustment reflected on their bills, with any consumption beyond that threshold subject to the usage rate increases outlined.

Mr. Hansen provided a summary of residential water usage and stated that due to significant seasonal variations, staff categorized consumption into average winter and summer. He indicated the structure reflects the City's philosophy of maintaining a low service charge to protect lower-use customers, particularly those with limited means, which also benefits commercial customers. He elaborated on the service and usage charge structures which reflect modest changes under the proposed adjustment, and the strategy to maintain a low service charge to support smaller consumers. (See Page 84 of Attachment 2)

Mr. Hansen highlighted the cost impact on a typical customer's invoice due to the recommended rate adjustments. (See Pager 18 of Attachment 2)

Discussion ensued regarding the impact of meters for multi-unit developments, water consumption, meter rates, and residential customers.

Councilmember Spilsbury expressed concern for the impact on proposed rates for residents.

Responding to multiple questions from Councilmember Spilsbury, Mr. Ritschel advised Council of their options regarding the Notice of Intent, which sets a maximum adjustment limit, allowing Council the authority for decreases but not increases without restarting the process.

Mr. Hansen discussed the recommended rate adjustments for the Wastewater Program, with the two biggest revenue requirements being operating costs and debt service. He pointed out that the refinancing of the debt service is expected to decrease in the forecast by approximately $2 million in FY 27/28, 28/29, and 29/30. He stated the recommended rate adjustments for wastewater are similar to those proposed last year, and the suggested impact is an 8% increase or $2.25 per month for residential customers' bills, and a 9% increase or $5.12 per month for non-residential customers, for both the service and usage charges. (See Pages 20 through 23 of Attachment 2)

Mr. Hansen reviewed the recommended rate adjustments with capacity fees for the Water and Wastewater Programs and how the adjustments would differ from the recommended adjustments presented without capacity fees. He emphasized that for water services, the service charge will remain unchanged; however, the recommendation is to lower rates for Tiers 1 through 4. He added that multi-unit customers are expected to decrease to 12% for their usage component, and the recommended commercial rates will also be reduced. He mentioned for wastewater, both residential and non-residential service and usage components are recommended to be reduced by 0.5%. He indicated that after adjustments with the proposed capacity fees, there is no impact to the equity between residential and non-residential water rate revenue and consumption. (See Pages 24 through 28 of Attachment 2)

Mr. Hansen compared the customer impact of water rates with and without a capacity fee, explaining that with a capacity fee, recommended rates would be slightly lower for residential, multi-unit, and general commercial customers. He stated that the impact for landscape commercial customers would remain unchanged, as no adjustments are proposed to the usage

components on their bills. He added that wastewater rate recommendations with a capacity fee would also be slightly reduced for both residential and commercial customers. (See Pages 29 and 30 of Attachment 2)

In response to a question from Vice Mayor Somers, Mr. Hansen explained how the usage charge and capacity fee for residential was determined and the purpose for the charge.

Discussion ensued regarding the Notice of Intent requirements, capacity fee, closing the inequity gap, and clarity on the verbiage.

Mayor Freeman thanked staff for the presentation.

(Mayor Freeman declared a recess at 10:00 am. The meeting was reconvened at 10:08 a.m.)

(At 10:01 a.m., Mayor Freeman excused Councilmember Goforth from the remainder of the meeting.)

Energy Resources Director Scott Bouchie introduced Energy Resources Program Manager Tony Cadorin, and Senior Fiscal Analyst John Petrof, who provided an update on the Electric Utility and Gas Utility.

Mr. Petrof discussed the increasing cost pressures on the electric utility for the operating budget and debt service. He identified the costs associated with the priority projects for debt service and stated that throughout the forecast the costs continue to increase. (See Pages 33 through 36 of Attachment 2)

Mr. Cadorin compared electric supply costs for an average customer in Salt River Project (SRP) territory and the City of Mesa (COM) service area. He explained that prior to FY 20/21, COM customers had a significant cost advantage; however, market disruptions in FY 20/21 led to a sharp increase in Mesa's supply costs. He noted that the City mitigated those impacts using American Rescue Plan Act (ARPA) funding, and over the past few years, SRP has raised its rates while Mesa's have remained steady, resulting in Mesa's costs becoming lower than SRP's in FY 24/25, a trend that is continuing into FY 25/26. (See Page 37 of Attachment 2)

Mr. Petrof indicated that the COM compares itself to neighboring utilities throughout the year and he highlighted the 2026 rate increases for SRP and Arizona Public Service (APS) and the impact on their customers. (See Page 38 of Attachment 2)

Mr. Petrof reviewed the three levels of residential electric customers and stated Mesa is comparative in all three levels of usage with SRP. He explained how the reductions in commodity costs are directly benefiting the City's customers by lowering their monthly residential electric bills. (See Pages 39 and 40 of Attachment 2)

Mr. Petrof summarized the proposed residential electric rates based on the forecast. He mentioned in the previous forecast, a $3 per month service charge increase was proposed; however, the new revised service charge will only increase by $1 per month. He noted the proposed changes would result in an average residential bill increase of $2.27 per month or 1.7%. (See Page 41 of Attachment 2)

Mr. Petrof presented a graph illustrating that the COM and SRP are comparable across three usage levels for the commercial electric bill and the City remains competitive, particularly with the

lower commodity costs, and noted that Tier 2 applies to customers using between 15,000 and 75,000 kilowatts per hour (kWh), and the changes will not impact most commercial customers. He emphasized, for the average customer, the adjustment would amount to a $5 monthly increase or less than 1% overall. (See Pages 42 and 43 of Attachment 2)

Responding to a request from Mayor Freeman, Mr. Cadorin provided an overview of how the COM purchases its power and stated that within the next two years, over half of the City's energy portfolio is expected to come from renewable sources. He commented that the COM's utility reaches a peak demand of approximately 90 megawatts.

Mr. Petrof highlighted the increasing cost pressures on Mesa's Natural Gas utility, as well as the priority of gas projects. (See Pages 45 through 47 of Attachment 2)

Mr. Petrof reviewed the increasing debt service costs, noting a few temporary declines. He explained that the first decline in FY 24/25 is due to the timing of bond sales, while the dip in FY 28/29 reflects the payoff of certain taxable bonds. He stated that after the bonds are retired, debt service costs are projected to continue rising. (See Page 48 of Attachment 2)

In response to a question posed by Mayor Freeman, Mr. Cadorin described the Gantzel Road gas project.

Mr. Petrof commented that the City compares its rates to neighboring utilities that also serve Mesa residents. He reported that Southwest Gas proposed an 8.9% rate increase in March 2025, which would raise customer bills by approximately $3.75 per month. (See Page 49 of Attachment 2)

Mr. Cadorin presented a graph showing the supply cost of natural gas delivered to the City's gate stations. He explained that the City had historically maintained a significant cost advantage over Southwest Gas until FY 21, due to a storm, which led to higher costs. He described the strategy used over FY 22 and FY 23 to regain the advantage over Southwest Gas, including the City initiated asset management agreement under which its supplier compensates the City for unused pipeline capacity, providing additional savings for customers. (See Page 50 of Attachment 2)

Mr. Petrof compared the City's current and proposed natural gas rates to those of Southwest Gas, noting that small customers would pay slightly more due to differences in service charge structures, average customers would pay about $1.50 more than Southwest Gas customers, while large customers would see savings of approximately $5.27. He reviewed the proposed residential gas rates, stating that the average customer's monthly increase is reduced from $2.70 to $1.43 per month. (See Pages 51 and 52 of Attachment 2)

Mr. Petrof reported that small and average commercial customers show comparable rates between the COM and Southwest Gas; however, Southwest Gas uses a different rate structure for its large commercial customers, resulting in rates noticeably lower than Mesa's current and proposed levels. He stated that the proposed commercial rates remain consistent with last year's plan. (See Pages 53 and 54 of Attachment 2)

In response to a question from Mayor Freeman, Mr. Petrof replied that the City has approximately 2,300 general commercial gas customers and 570 large customers.

Mr. Cadorin added that the City has a separate rate category for very large industrial users whose high consumption exceeds standard commercial levels, and currently, two customers are served.

Deputy Solid Waste Director Joe Giudice provided an update on the proposed rate adjustments and recommendations for Solid Waste.

Mr. Giudice reviewed the Solid Waste utility's operating expenses and the key cost drivers. He noted that recycling markets were strong last year, and since the City receives a portion of revenue from commodity sales, this resulted in an estimated $500,000 in lower expenses. He pointed out that in June and July of this year, processing fees returned, reflecting a shift in the market. (See Pages 56 and 57 of Attachment 2)

Mr. Giudice presented the proposed rate increases for residential solid waste customers, which align with the 5.5% forecasted increase. He highlighted the City's Bulk Item Collection program, with a proposed rate increase of $2.00 to cover rising personnel and landfill costs. He listed various options for bulk item disposal in the city. (See Pages 58 and 59 of Attachment 2)

Mr. Giudice reviewed proposed rate changes for commercial solid waste services, noting that, unlike water and gas, commercial waste operates in a competitive market where customers can choose between the City or a competitor. He stated staff is proposing a 5.5% rate increase across commercial services and described the programs and mentioned that the City is phasing out the multi-day service discount, due to lack of savings. He shared the recommendations of a 5.5% increase for commercial roll off rates. He noted the strategies taken to ensure the City's commercial rates remain competitive and concluded with a summary of all proposed changes and their impact on customers. (See Pages 60 through 62 of Attachment 2)

In response to a question from Councilmember Spilsbury, Mr. Giudice explained the driving factors that are related to price increases and reflected in the current rates. He added that as landfills approach capacity and eventually close, available space will continue to decline making it essential for the utility to plan ahead and ensure long-term sustainability.

Responding to multiple questions from Vice Mayor Somers, Mr. Giudice replied that the City has been able to add approximately 30 new solid waste vehicles into service. He explained how the City intends to reduce costs and shared the strategies of the Fleet Department to protect vehicles from lithium-ion battery fires and the collaboration with City departments and other cities. He stated that a new garbage truck can cost $600,000.

Vice Mayor Somers noted that improper disposal of materials can create fire hazards and emphasized the importance of residents taking steps to help protect the City's assets and positively impact rates.

In response to a question from Mayor Freeman, Mr. Giudice answered that a new compressed gas truck can take anywhere from 12 to 16 months to build.

Mr. Ritschel reviewed the FY 25/26 recommended rate adjustments with and without a capacity fee. He noted that residential Tier 1 water rates would increase by 4% without the fee and 3% with the fee, while commercial water rates would rise by 14% without the fee and 13% with the fee. He explained that adopting a capacity fee would shift the cost of growth-related projects away from existing customers, ensuring that new development pays for its share of growth. (See Pages 63 and 64 of Attachment 2)

Mr. Ritschel compared the current FY budget to the projected FY 25/26 with and without a capacity fee. (See Page 65 of Attachment 2)

Mr. Ritschel advised that staff will consider Council's recommendations and comments and will return with updates on the discussions regarding landscaping and adjusting the tiers. (See Page 66 of Attachment 2)

Mayor Freeman thanked staff for the presentation.

2-c. Hear a presentation and discuss an update on the 2026 Employee Benefits and Wellness Programs.

Human Resources Director Teri Overbey introduced Employee Benefits Administrator Janice Ashley and displayed a PowerPoint presentation. **(See Attachment 3)**

Ms. Ashley provided an overview of the 2026 Employee Benefit Programs and stated that the majority of the vendors have renewed or continued, with the exception of The Standard, for three of the programs. She noted the Health and Wellness Center is proceeding successfully with last year's new vendor, Premise Health. (See Page 2 of Attachment 3)

Ms. Ashley highlighted the financial considerations and employee engagement factors that influence the Employee Benefit Programs for 2026. (See Pages 3 and 4 of Attachment 3)

In response to a question from Mayor Freeman, Ms. Ashley replied that starting in 2024, employees who were hired after 2009 can access the retiree programs with a 20-year minimum service requirement going forward.

City Manager Scott Butler clarified that there have been no changes to the lifetime medical opportunity.

Ms. Ashley reviewed the main points of the medical plans for 2026 that will remain unchanged and will continue to provide high-level coverage for the medical plans will remain comprehensive. She explained the medical plan changes for 2026 and emphasized that although there are increases to premium rates and other expenses, the goal is to reduce some of the plan expenses when members are utilizing the benefits. She noted since out-of-pocket expenses are increasing for utilizing members, members will have the opportunity to defer or set aside money for reimbursement in their flexible spending account (FSA) plan to help pay for out-of-pocket expenses on a before-tax basis, a valuable benefit for employees. (See Pages 5 and 6 of Attachment 3)

Ms. Ashley described the changes to the prescription drug plan design, stating staff recommended one RX plan design for all medical plans so members do not have to decide between which plan based upon what their prescription drug coverage needs might be. She added that the recommendations are for an increase; however, there will be no increases on deductibles which are currently zero on RX. (See Page 7 of Attachment 3)

Ms. Ashley advised that the recommendation is for medical plan increases as a necessity in today's current environment. She emphasized that the City is planning for approximately a 10% increase across medical plans for both active and retired employees. She discussed the strategy used to keep the increase low and said increases for active employees range from $9 to $73 per month, depending upon which plan is selected and the tier coverage. (See Pages 8 and 9 of Attachment 3)

Ms. Ashley explained the updates to other 2026 benefits and noted that to remain in compliance, the maximums for the health FSA and dependent care will be increasing. She commented that the Vision Care Plans will continue with three plan designs and small rate increases on the two richer plan designs. (See Page 10 of Attachment 3)

Ms. Ashley provided an overview of the City's Wellness program and the incentives for employees. She highlighted the services and benefits available at the Employee Health and Wellness Center, free of charge to eligible employees, family members, or retirees that are covered in one of the City's medical plans. (See Page 11 of Attachment 3)

Ms. Ashley announced the dates of open enrollment and the upcoming Wellness and Benefits Fair for employees. She mentioned that passive enrollment is in effect, meaning if no changes are needed for medical benefits, the members do not need to do anything; however, FSA participation requires re-enrollment each year due to IRS regulations. She shared the activities that will take place at the Benefits Fair. (See Page 12 of Attachment 3)

Mayor Freeman thanked staff for the presentation.

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

3-a. Historic Preservation Board Meeting held on August 5, 2025.

3-b. Economic Development Advisory Board meeting held on August 5, 2025.

It was moved by Councilmember Spilsbury, seconded by Councilmember Heredia, that receipt of the above-listed minutes be acknowledged.

Upon tabulation of votes, it showed:

AYES – Freeman–Somers–Heredia–Spilsbury
NAYS – None
ABSENT – Adams–Duff–Goforth

Mayor Freeman declared the motion passed unanimously by those present.

4. Current events summary including meetings and conferences attended.

Mayor Freeman and Councilmembers highlighted the events, meetings, and conferences recently attended.

5. Scheduling of meetings.

City Manager Scott Butler stated that the schedule of meetings is as follows:

Thursday, September 18, 2025, 7:30 a.m. – Strategic Planning meeting

Monday, September 22, 2025, 5:15 p.m. – Study Session

Monday, September 22, 2025, 5:45 p.m. – Regular meeting

6. Adjournment.

Without objection, the Study Session adjourned at 11:10 a.m.

CITY OF MESA CORPORATE SEAL MARICOPA COUNTY, AZ

MARK FREEMAN, MAYOR

ATTEST:

HOLLY MOSELEY, 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 11th day of September 2025. I further certify that the meeting was duly called and held and that a quorum was present.

HOLLY MOSELEY, CITY CLERK

lr
(Attachments – 3)

City of Mesa
Water Resources Department
City Council Study Session

Water & Wastewater
Capacity Fee

Chris Hassert, Water Resources Director
Jesse Heywood, Water Resources Assistant Director

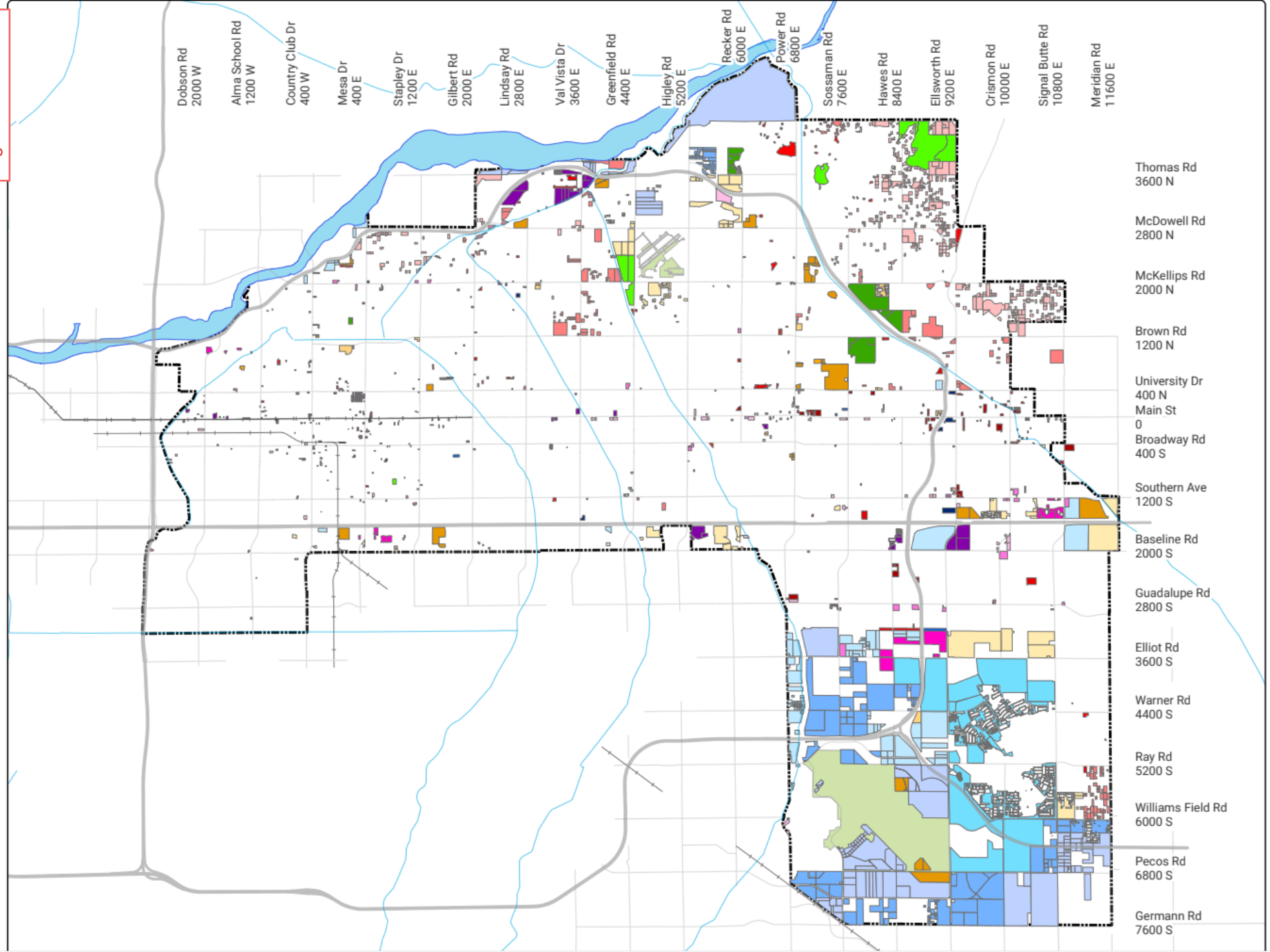
September 11, 2025

Presentation Overview

- What is a Capacity Fee
- How is the Capacity Fee calculated
- What type of projects will the fee fund

What is a Capacity Fee

- Capacity fees are a one-time charge for a new or upsized connection to the water and/or wastewater system as authorized by A.R.S. § 9-511.01
- The fee is designed to recover the growth-related portion of the cost of constructing any additional water and wastewater system capacity
- Fees will be directed to the “Utility Capacity Fee Fund”



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BLACK & VEATCH In association with: carollo

City of Mesa Integrated Master Plan

City Project No. CP0899
BV Project No. 414131

Legend

- Community Commercial
- Neighborhood Commercial
- Regional Commercial
- General Industrial
- Light Industrial
- Mixed Use/Employment
- Mixed-Use/Community
- Business Park
- Office
- Education
- Public/Semi-Public
- Low Dens Res (0-1 dupa)
- Low Dens Res (1-2 dupa)
- Med Dens Res (2-4 dupa)
- Med Dens Res (4-6 dupa)
- Med Dens Res (6-10 dupa)
- High Dens Res (10-15 dupa)
- High Dens Res (15+ dupa)
- Mixed Use/Res (30% at 15+ dupa)
- Town Center (25% at 15+ dupa)
- Open Space
- Parks

Other Features

- Boundary
- Highways
- Streets
- Canals
- Railroads
- Light Rail Track
- Salt River
- Airport

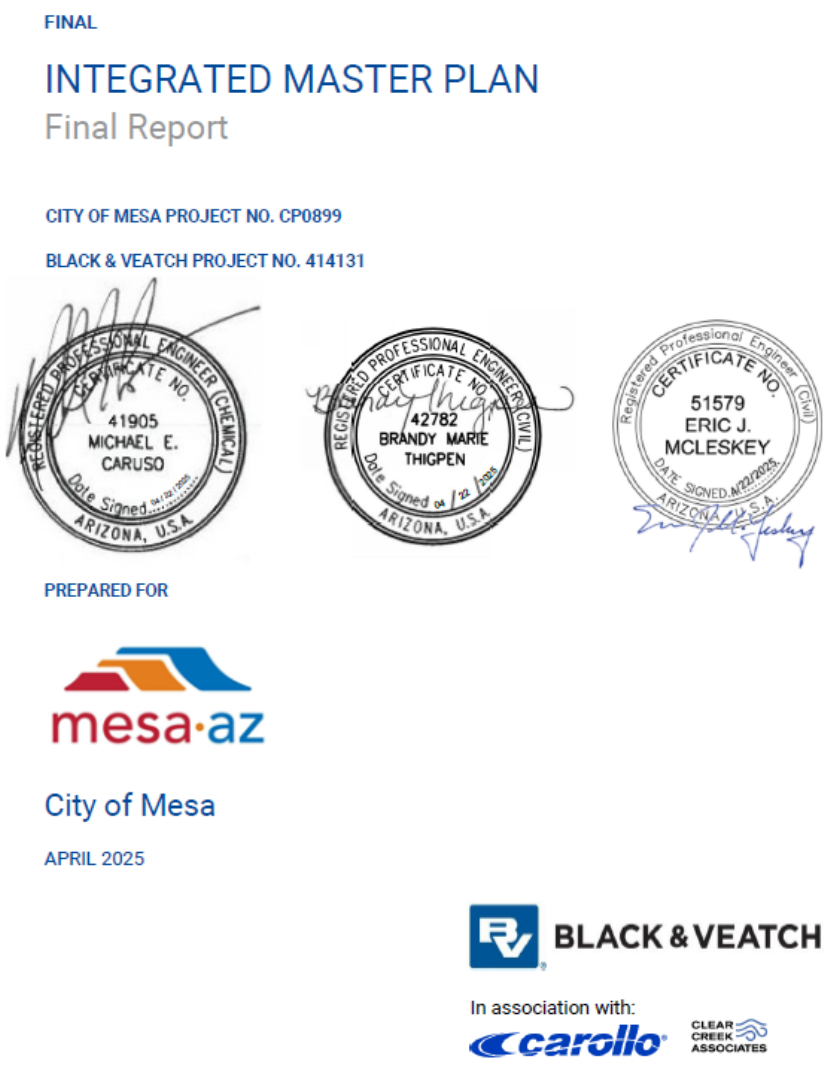
0 5000 10000 ft

N

Figure 2-8
Vacant/Underdeveloped Land Use Classification

How is the Capacity Fee calculated

- The City utilized AWWA's *Principles of Water Rates, Fees, and Charges – Manual of Water Supply Practices M1* in developing the methodology to calculate the capacity fees
- The *incremental cost or marginal cost method* was chosen
- The recently completed 2025 Integrated Master Plan identified projects that added capacity in the next 10 years


FINAL

INTEGRATED MASTER PLAN

Final Report

CITY OF MESA PROJECT NO. CP0899

BLACK & VEATCH PROJECT NO. 414131

REGISTERED PROFESSIONAL ENGINEER (CHEMICAL) CERTIFICATE NO. 41905 MICHAEL E. CARUSO Date Signed 04/22/2025 ARIZONA, U.S.A.

REGISTERED PROFESSIONAL ENGINEER (CIVIL) CERTIFICATE NO. 42782 BRANDY MARIE THIGPEN Date Signed 04/22/2025 ARIZONA, U.S.A.

Registered Professional Engineer (Civil) CERTIFICATE NO. 51579 ERIC J. MCLESKEY DATE SIGNED 4/22/2025 ARIZONA, U.S.A.

PREPARED FOR

mesa·az

City of Mesa

APRIL 2025

BLACK & VEATCH

In association with:

carollo

CLEAR CREEK ASSOCIATES

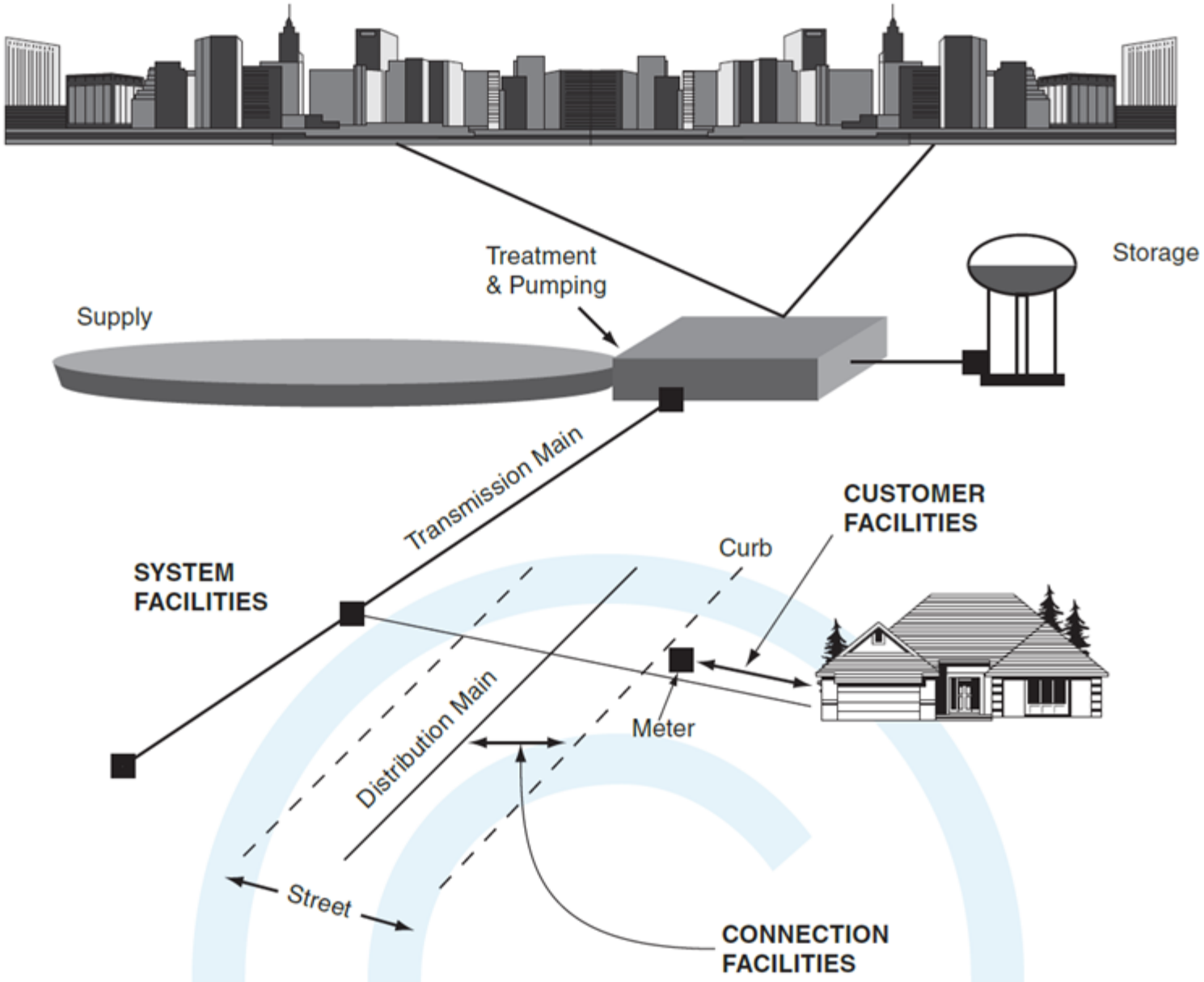


Figure VI.1-1 Typical water system components

Capacity Fee Calculation

Capacity Cost ÷ System Capacity = Unit Cost

Unit Cost × Service Unit = ¾” Equivalent Meter Fee

Capacity Costs

Table 1 – Water Capacity Projects

Water Treatment Plants	$	200,703,730
Pump Stations	$	16,890,013
Pipelines	$	13,765,000
Groundwater Wells	$	89,121,111
Misc - Master Planning	$	355,342
Water Total	**$**	**320,835,196**

Table 2 – Wastewater Capacity Projects

Lift Stations	$	7,226,205
Pipelines	$	67,793,535
Misc - Master Planning	$	179,552
Wastewater Total	**$**	**75,199,292**

Water Service Units

Table 3 – Water Service Unit

Water Service Unit	
Number of 3/4" Meters	128,873
Annual Water Demand for all 3/4" Meter Customers (gallons/year)	12,070,875,000
Annual Water Demand per Average 3/4" Meter Customer (gallons/year)	93,665
Average Daily Water Demand per 3/4" Meter Customer (gpd)	257
Average Day Demand to Max Day Demand Peaking Factor	1.50
Max Day Water Demand per 3/4" Meter (gpd)	**385**

Wastewater Service Units

Table 4 – Wastewater Service Unit

Wastewater Service Unit	
Number of 3/4" Meters	128,873
90% of monthly average of 3 Lowest Winter Months Meter Demand (gallons/month)	720,834,000
Average Monthly Wastewater flow per 3/4" Meter Customer (gallons/month)	5,593
Average Daily Wastewater flow per 3/4" Meter Customer (gpd)	186
Average Day to Max Day Wastewater Flow Factor	1.10
Max Day Wastewater Flow per 3/4" Meter (gpd)	**205**

Water & Wastewater Capacity Fee Calculation

Table 5 – Water Capacity Fee Calculation

Water Capacity Fee Calculation	
Capacity Cost	$320,835,196
System Capacity (gpd)	16,000,000
Unit Cost ($/gpd)	**$20.05**
Service Unit (gpd)	385
3/4" Equivalent Meter Fee	**$7,719**

Table 6 – Wastewater Capacity Fee Calculation

Wastewater Capacity Fee Calculation	
Capacity Cost	$75,199,292
System Capacity (gpd)	8,524,900
Unit Cost ($/gpd)	**$8.82**
Service Unit (gpd)	205
3/4" Equivalent Meter Fee	**$1,809**

Capacity Fee Table by Meter Size

Table 8 – Capacity Fee Table

Meter Size	Max Continuous Flow (gpm)	Multiplier	Water	Wastewater	Total
0.75”	30	1.00	$7,719	$1,809	$9,528
1”	50	1.67	$12,864	$3,015	$15,880
1.5”	100	3.33	$25,729	$6,030	$31,759
2”	160	5.33	$41,166	$9,649	$50,814
3”	320	10.67	$82,331	$19,297	$101,629
4”	800	26.67	$205,829	$48,243	$254,072
6”	1,500	50.00	$385,929	$90,456	$476,385
8”	3,500	116.67	$900,501	$211,065	$1,111,566
10”	5,500	183.33	$1,415,072	$331,673	$1,746,746

Fee Comparison for a ¾” Meter

Table 9 – Fee Comparison (based on ¾” meter)

	Water	Wastewater	Total
Phoenix - Northwest Area	$20,442	$8,951	$29,393
Gilbert - GWRP Area	$14,136	$4,467	$18,603
Phoenix - Estrella Area	$8,099	$6,599	$14,698
Chandler	$5,331	$8,984	$14,315
Flagstaff	$8,146	$4,086	$12,232
Proposed Mesa	$7,719	$1,809	$9,528
Scottsdale	$5,003	$2,696	$7,699
Glendale	$3,330	$3,795	$7,125
Tempe	$2,472	$1,994	$4,466
Existing Mesa	$0	$0	$0

Conclusions

- Proposed Capacity Fee eases financial burden on all rate payers
- Protects existing customers from the cost of new growth
- Frees up capital funds to spend on needed life cycle replacement projects

NEXT STEPS

September 22 - City Council Action on Notice of Intent

November 17 - Introduction of Capacity Fee Ordinance

December 1 - City Council Action on Capacity Fee

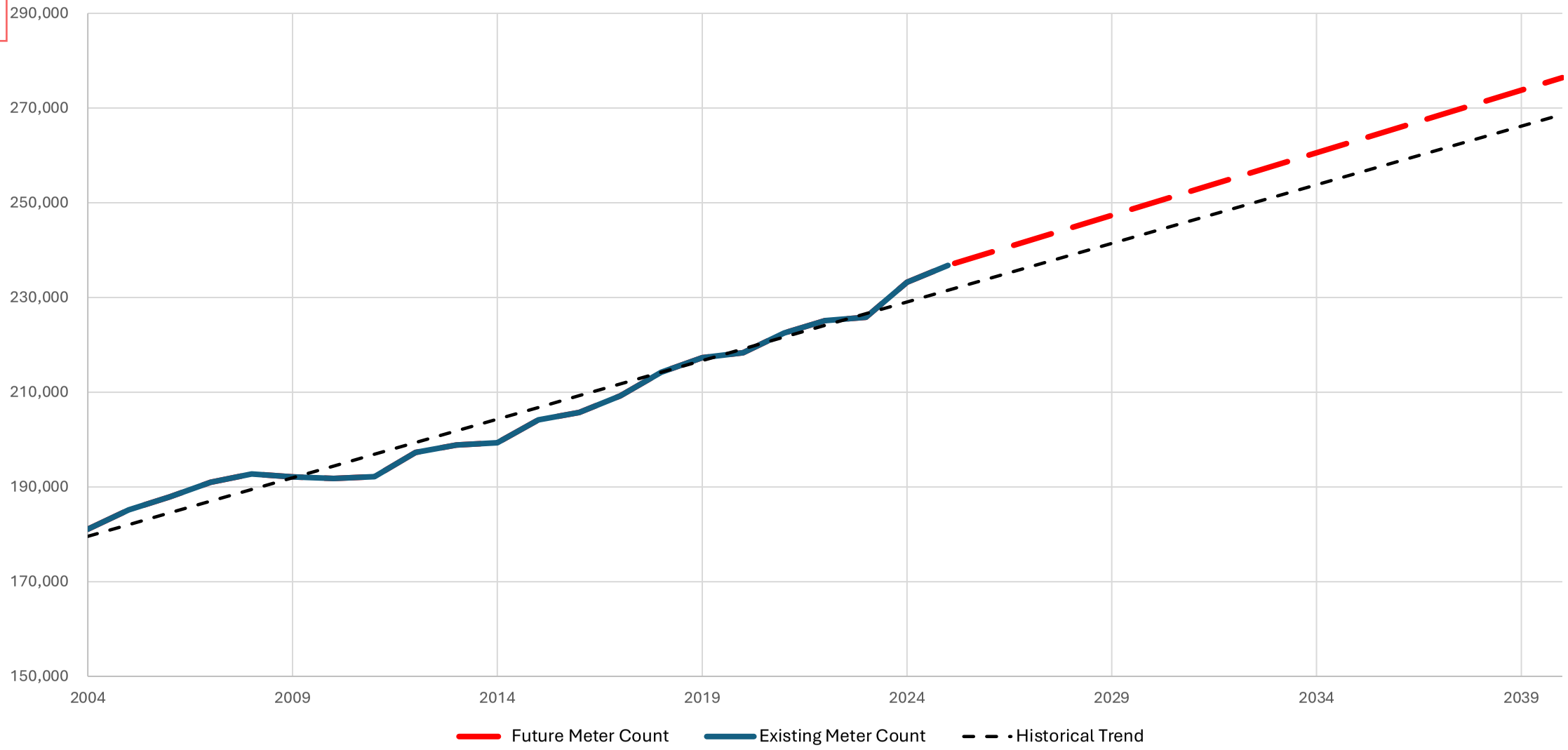
January 1 - Effective Date of Capacity Fee

Back Up Slides

Previous Mesa Impact Fee

Meter Size	Water	Wastewater	Total
0.75	$ 2,220	$ 2,659	$ 4,879
1	$ 5,550	$ 6,648	$ 12,198
1.5	$ 11,100	$ 13,295	$ 24,395
2	$ 17,760	$ 21,272	$ 39,032
3	$ 35,520	$ 42,544	$ 78,064
4	$ 55,500	$ 66,475	$ 121,975
6	$ 111,000	$ 132,950	$ 243,950
8	$ 177,600	$ 212,720	$ 390,320
10	$ 255,300	$ 305,785	$ 561,085

Figure 3 - 3/4" Equivalent Meters Count



Capacity Fee vs Adjusted Impact Fee

Size	Capacity Fee	Adjusted Impact Fee	**Increase over inflation adjusted impact fee**
0.75	$9,528	$7,734	**$1,793.87**
1	$15,880	$19,336	**($3,456.11)**
1.5	$31,759	$38,671	**($6,911.64)**
2	$50,814	$61,873	**($11,059.03)**
3	$101,629	$123,746	**($22,117.05)**
4	$254,072	$193,353	**$60,718.80**
6	$476,385	$386,706	**$89,678.59**
8	$1,111,566	$618,730	**$492,835.75**
10	$1,746,746	$889,425	**$857,321.26**

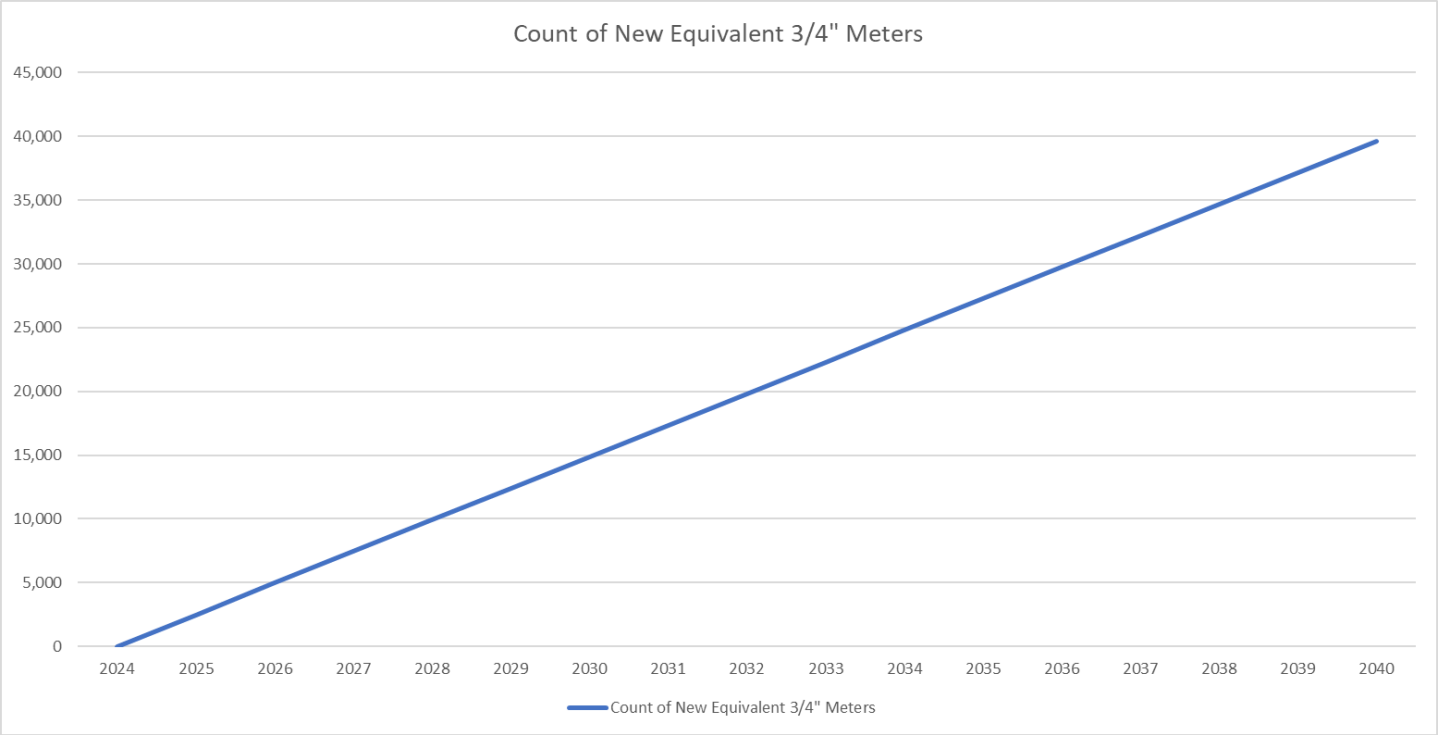
**Producer Price Index by commodity: Special indexes: Construction materials*. (2025, August 14). https://fred.stlouisfed.org/series/WPUSI012011

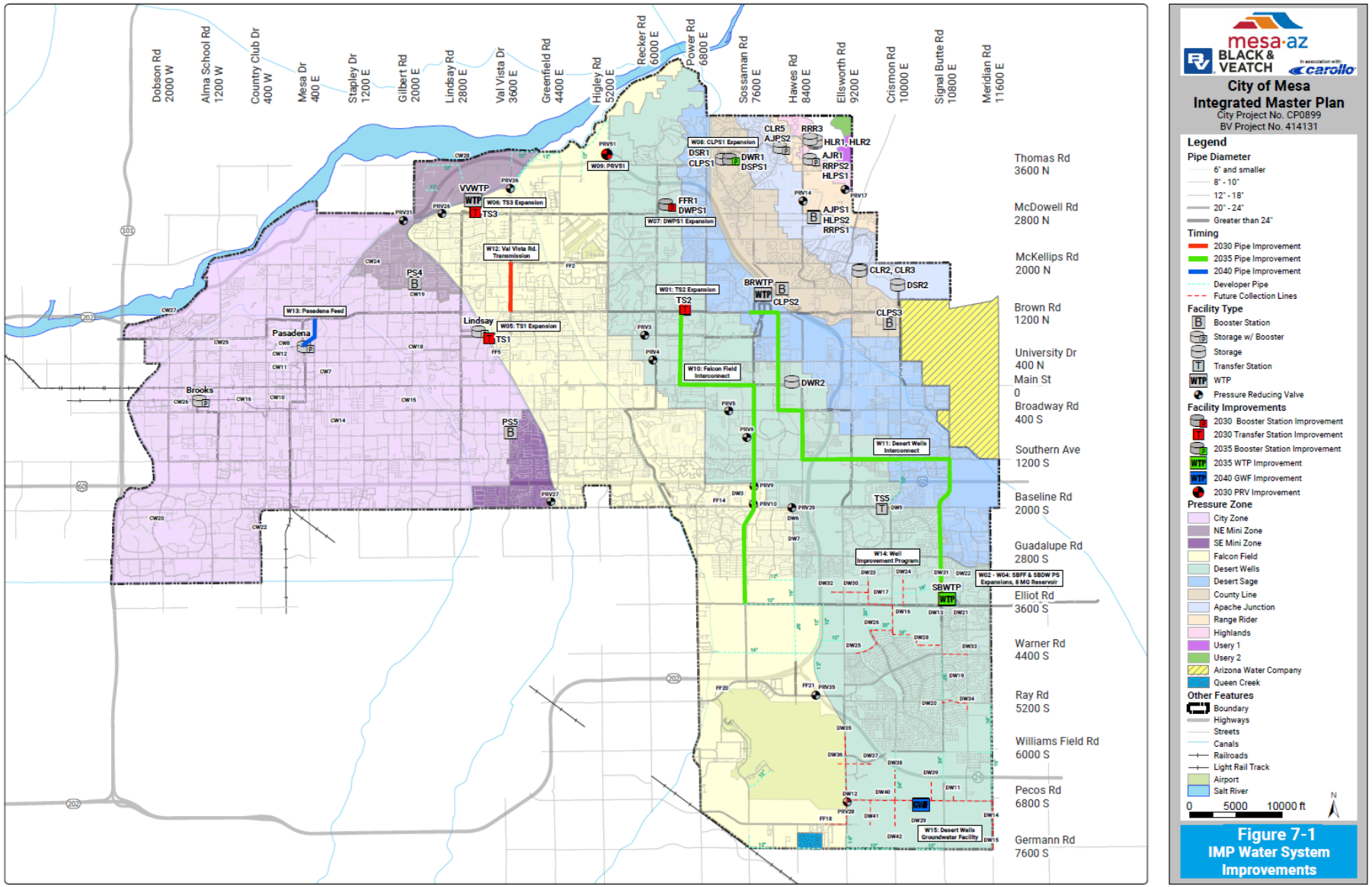
Capacity Fee vs Adjusted Impact Fee

	Capacity Fee		Adjusted Impact Fee		
Meter Size	Water	Wastewater	Water	Wastewater	**Increase over inflation adjusted impact fee**
0.75	$7,719	$1,809	$3,519	$4,215	**$1,793.87**
1	$12,864	$3,015	$8,798	$10,538	**($3,456.11)**
1.5	$25,729	$6,030	$17,596	$21,075	**($6,911.64)**
2	$41,166	$9,649	$28,153	$33,720	**($11,059.03)**
3	$82,331	$19,297	$56,306	$67,440	**($22,117.05)**
4	$205,829	$48,243	$87,978	$105,375	**$60,718.80**
6	$385,929	$90,456	$175,956	$210,751	**$89,678.59**
8	$900,501	$211,065	$281,529	$337,201	**$492,835.75**
10	$1,415,072	$331,673	$404,698	$484,726	**$857,321.26**

**Producer Price Index by commodity: Special indexes: Construction materials*. (2025, August 14). https://fred.stlouisfed.org/series/WPUSI012011

Meter Count Projection





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City of Mesa
Integrated Master Plan
City Project No. CP0899
BV Project No. 414131

Legend

Pipe Diameter
- 6" and smaller
- 8" - 10"
- 12" - 18"
- 20" - 24"
- Greater than 24"

Timing
- 2030 Pipe Improvement
- 2035 Pipe Improvement
- 2040 Pipe Improvement
- Developer Pipe
- Future Collection Lines

Facility Type
- Booster Station
- Storage w/ Booster
- Storage
- Transfer Station
- WTP
- Pressure Reducing Valve

Facility Improvements
- 2030 Booster Station Improvement
- 2030 Transfer Station Improvement
- 2035 Booster Station Improvement
- 2035 WTP Improvement
- 2040 GWF Improvement
- 2030 PRV Improvement

Pressure Zone
- City Zone
- NE Mini Zone
- SE Mini Zone
- Falcon Field
- Desert Wells
- Desert Sage
- County Line
- Apache Junction
- Range Rider
- Highlands
- Usery 1
- Usery 2
- Arizona Water Company
- Queen Creek

Other Features
- Boundary
- Highways
- Streets
- Canals
- Railroads
- Light Rail Track
- Airport
- Salt River

0 5000 10000 ft

Figure 7-1
IMP Water System Improvements

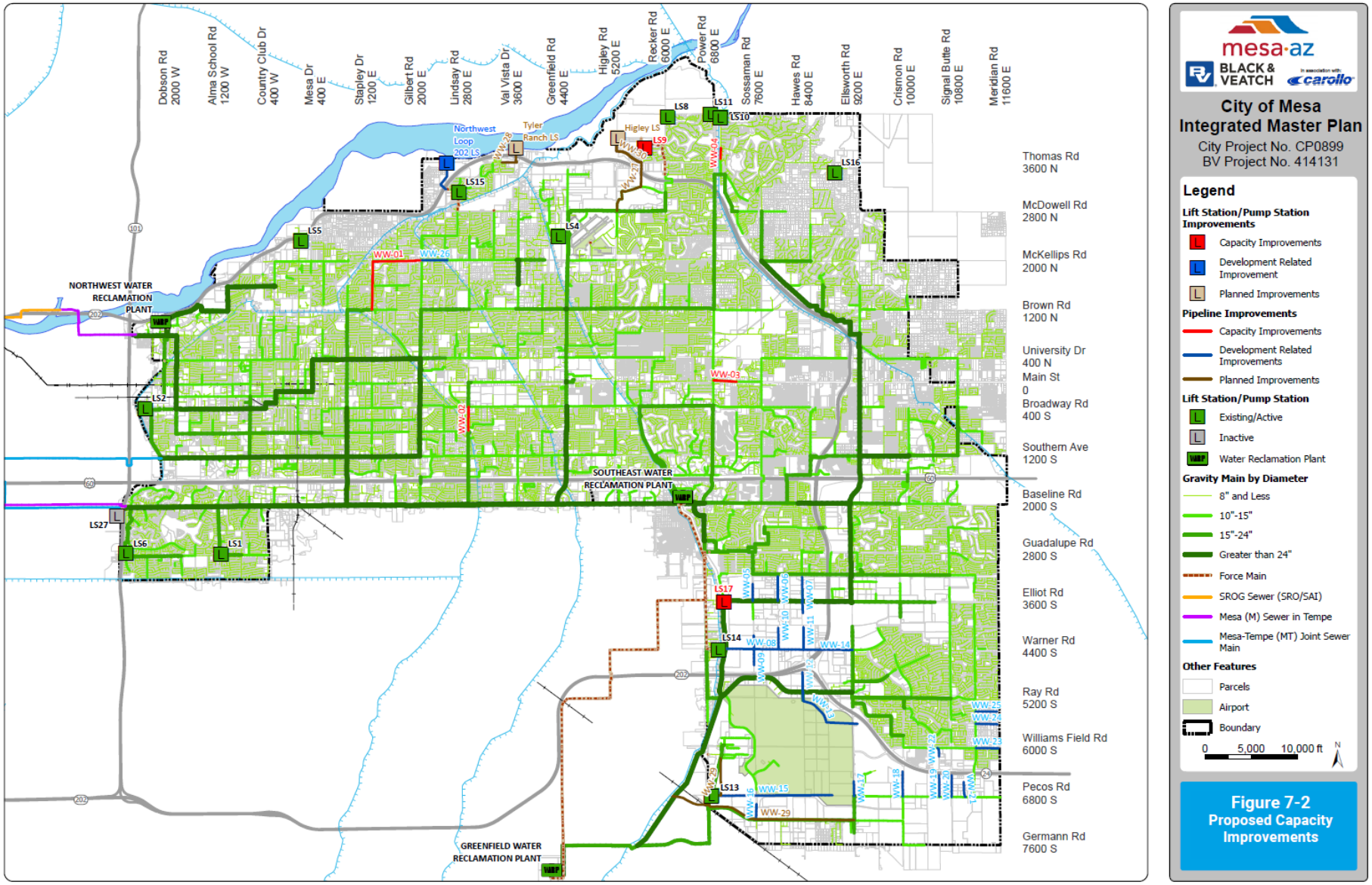


Figure 7-2
Proposed Capacity Improvements

FY 2025/26 UTILITY FUND FORECAST & RATES RECOMMENDATION

City Council Study Session

Presenters: Brian A. Ritschel – Management & Budget Director
Christopher Hassert – Water Resources Director
Scott Bouchie – Energy Resources Director
Joe Giudice – Deputy Solid Waste Director

September 11, 2025

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

AUDIT, FINANCE & ENTERPRISE COMMITTEE RECOMMENDATION

FY 25/26 ADOPTED BUDGET

As of 05/13/2025	FY 23/24 Actuals	FY 24/25 Projected	FY 25/26 Budget	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
WATER	($205,201)	$3,604,393	($6,770,889)	($13,812,950)	($11,152,245)	($4,844,905)	$5,153,942
WASTEWATER	($13,836,490)	($9,498,102)	($12,213,330)	($7,718,734)	($3,819,034)	$811,319	$5,969,894
SOLID WASTE	($8,224,846)	($4,804,691)	($4,078,076)	$1,729,927	$659,615	$4,151,286	$10,384,745
ELECTRIC	($296,202)	$1,038,184	($1,137,384)	($1,059,105)	($1,453,150)	($1,839,521)	($2,345,276)
NATURAL GAS	($4,462,547)	($2,405,972)	($4,056,668)	($3,201,983)	($2,782,143)	$576,552	$472,621
DISTRICT COOLING	($368,815)	($515,479)	($181,786)	($171,502)	($316,383)	($182,335)	($185,275)
TOTAL NET SOURCES AND USES	($27,394,100)	($12,581,668)	($28,438,133)	($24,234,347)	($18,863,341)	($1,327,604)	$19,450,652
Beginning Reserve Balance	$144,413,643	$117,019,543	$104,437,875	$75,999,742	$51,765,395	$32,902,054	$31,574,450
Ending Reserve Balance	**$117,019,543**	**$104,437,875**	**$75,999,742**	**$51,765,395**	**$32,902,054**	**$31,574,450**	**$51,025,102**
Ending Reserve Balance Percent*	**22.4%**	**18.5%**	**11.9%**	**8.1%**	**4.9%**	**4.6%**	**7.0%**

*As a % of Next Fiscal Year's Expenditures

WATER Residential (Tier 1 usage)	3.00%	**6.00%**	*6.00%*	*6.00%*	*6.00%*	*6.00%*	*6.00%*
WATER Commercial (usage)	5.00%	**8.50%**	*8.50%*	*8.50%*	*8.50%*	*8.50%*	*8.50%*
WASTEWATER Residential	4.75%	**7.50%**	*8.00%*	*8.00%*	*8.00%*	*8.00%*	*8.00%*
WASTEWATER Non-Residential	5.00%	**8.50%**	*9.00%*	*9.00%*	*9.00%*	*9.00%*	*9.00%*
SOLID WASTE Residential	3.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Commercial	7.50%	**10.00%**	*7.50%*	*7.50%*	*7.50%*	*7.50%*	*7.50%*
SOLID WASTE Rolloff	6.50%	**6.50%**	*6.50%*	*6.50%*	*6.50%*	*6.50%*	*6.50%*
ELECTRIC Residential - svc charge	$2.25	**$2.75**	*$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	$0.75	**$0.00**	*$1.00*	*$1.00*	*$1.00*	*$1.00*	*$1.00*
GAS Non-Residential - svc charge	$2.00	**$3.00**	*$3.00*	*$3.00*	*$3.00*	*$3.00*	*$3.00*

FY 25/26 RECOMMENDED RATES FOR AF&E COMMITTEE

As of 08/20/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	$3,472,435	($5,954,870)	($12,873,158)	($4,922,100)	$4,880,586	$13,810,550	$26,942,225
WASTEWATER	($7,285,154)	($11,996,287)	($6,784,238)	($2,018,970)	$2,770,034	$12,384,228	$12,390,217
SOLID WASTE	$26,254	($5,858,624)	$688,832	($629,299)	$2,586,058	$8,510,604	$9,060,768
ELECTRIC	$1,435,561	($1,066,822)	($741,823)	($834,907)	($1,173,447)	($1,603,113)	($1,239,981)
NATURAL GAS	($817,183)	($3,793,487)	($2,082,196)	($1,426,474)	$1,864,370	$1,729,243	$2,128,194
DISTRICT COOLING	($376,552)	($181,786)	($171,502)	($316,383)	($182,335)	($185,275)	($233,758)
TOTAL NET SOURCES AND USES	($3,544,639)	($28,851,875)	($21,964,085)	($10,148,134)	$10,745,265	$34,646,237	$49,047,666
Beginning Reserve Balance	$117,019,543	$113,474,904	$84,623,029	$62,658,943	$52,510,810	$63,256,075	$97,902,312
Ending Reserve Balance	**$113,474,904**	**$84,623,029**	**$62,658,943**	**$52,510,810**	**$63,256,075**	**$97,902,312**	**$146,949,978**
Ending Reserve Balance Percent*	**20.1%**	**13.4%**	**9.9%**	**8.0%**	**9.2%**	**13.4%**	**19.2%**

*As a % of Next Fiscal Year's Expenditures

WATER Residential (Tier 1 usage)	6.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
WATER Commercial (usage)	8.50%	**12.00%**	*12.00%*	*12.00%*	*12.00%*	*12.00%*	*12.00%*
WASTEWATER Residential	7.50%	**8.00%**	*8.00%*	*8.00%*	*8.00%*	*8.00%*	*8.00%*
WASTEWATER Non-Residential	8.50%	**9.00%**	*9.00%*	*9.00%*	*9.00%*	*9.00%*	*9.00%*
SOLID WASTE Residential	5.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Commercial	10.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Rolloff	6.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
ELECTRIC Residential - svc charge	$2.75	**$1.00**	*$3.00*	*$3.00*	*$3.00*	*$3.00*	*$3.00*
ELECTRIC Non-Residential - svc charg	$5.00	**$5.00**	*$5.00*	*$5.00*	*$5.00*	*$5.00*	*$5.00*
GAS Residential - svc charge	$0.00	**$0.00**	*$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*

*Does not include Water & Wastewater Capacity Fee

Residential and Non-residential Comparison

Equity Between Residential & Non-residential Water Rate Revenue

Presented at AF&E Committee	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	53%	52%	50%	49%
Non-residential Rate Revenue	45%	46%	47%	48%	50%	51%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Adjusted per AF&E Recommendation	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	52%	50%	49%	47%
Non-residential Rate Revenue	45%	46%	48%	50%	51%	53%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

UPDATED STAFF RECOMMENDED UTILITY RATES ADJUSTMENT

FY 25/26 RECOMMENDED RATE ADJUSTMENTS

As of 9/3/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	$3,472,435	($5,725,772)	($12,783,723)	($4,891,676)	$5,059,954	$14,434,248	$28,004,286
WASTEWATER	($7,285,154)	($11,996,288)	($6,784,238)	($2,018,970)	$2,770,034	$12,384,228	$12,390,217
SOLID WASTE	$26,254	($5,858,624)	$688,832	($629,299)	$2,586,058	$8,510,604	$9,060,768
ELECTRIC	$1,435,561	($1,066,822)	($741,823)	($834,907)	($1,173,447)	($1,603,113)	($1,239,981)
NATURAL GAS	($817,183)	($3,793,486)	($2,082,196)	($1,426,474)	$1,864,370	$1,729,243	$2,128,194
DISTRICT COOLING	($376,552)	($181,786)	($171,502)	($316,383)	($182,335)	($185,275)	($233,758)
TOTAL NET SOURCES AND USES	($3,544,639)	($28,622,778)	($21,874,651)	($10,117,709)	$10,924,633	$35,269,935	$50,109,726
Beginning Reserve Balance	$117,019,543	$113,474,904	$84,852,126	$62,977,475	$52,859,766	$63,784,399	$99,054,334
Ending Reserve Balance	**$113,474,904**	**$84,852,126**	**$62,977,475**	**$52,859,766**	**$63,784,399**	**$99,054,334**	**$149,164,060**
Ending Reserve Balance Percent*	**20.1%**	**13.4%**	**9.9%**	**8.0%**	**9.3%**	**13.6%**	**19.4%**

*As a % of Next Fiscal Year's Expenditures

WATER Residential (Tier 1 usage)	6.00%	**4.00%**	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
WATER Commercial (usage)	8.50%	**14.00%**	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*
WASTEWATER Residential	7.50%	**8.00%**	*8.00%*	*8.00%*	*8.00%*	*8.00%*	*8.00%*
WASTEWATER Non-Residential	8.50%	**9.00%**	*9.00%*	*9.00%*	*9.00%*	*9.00%*	*9.00%*
SOLID WASTE Residential	5.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Commercial	10.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Rolloff	6.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
ELECTRIC Residential - svc charge	$2.75	**$1.00**	*$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	**$0.00**	*$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*

*Does not include Water & Wastewater Capacity Fee

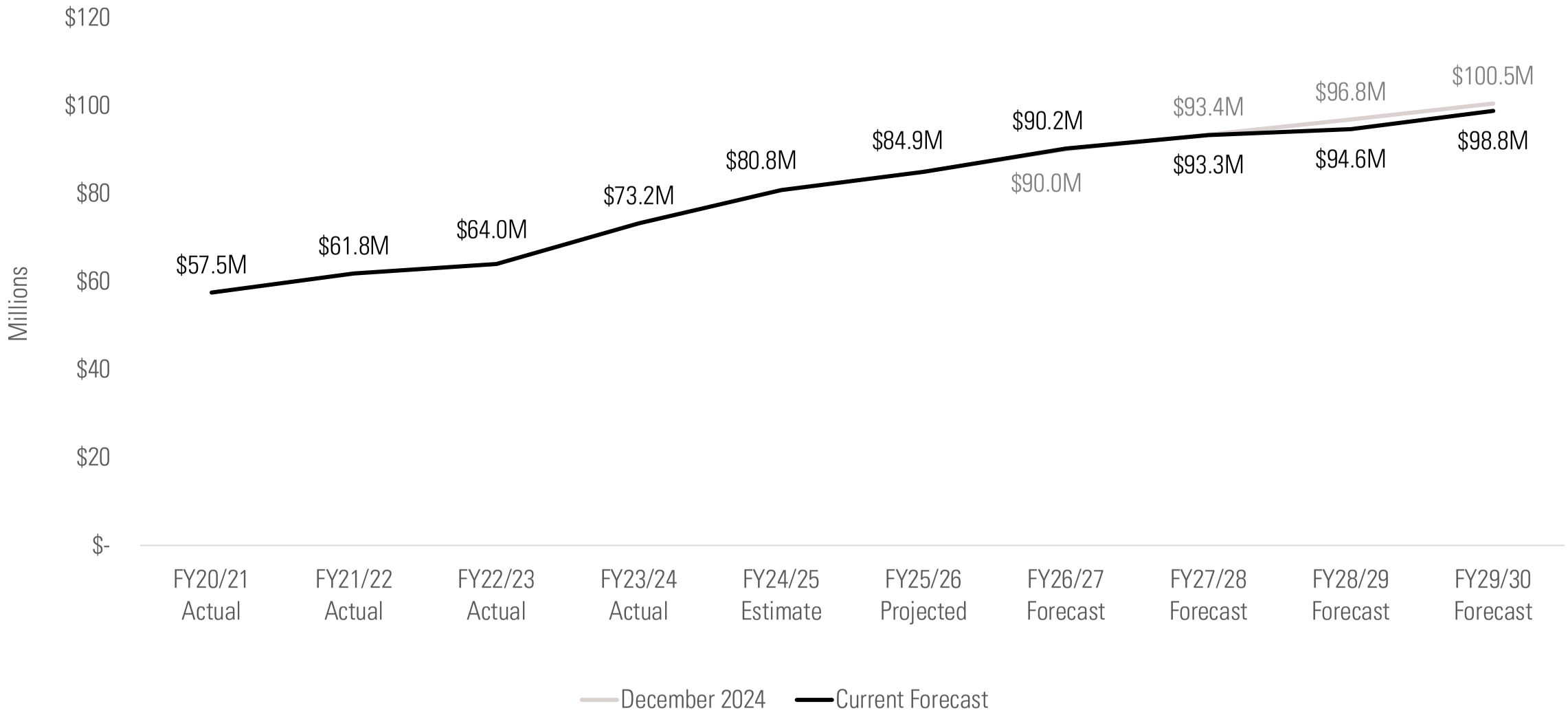
Water Resources Department

Presented by:

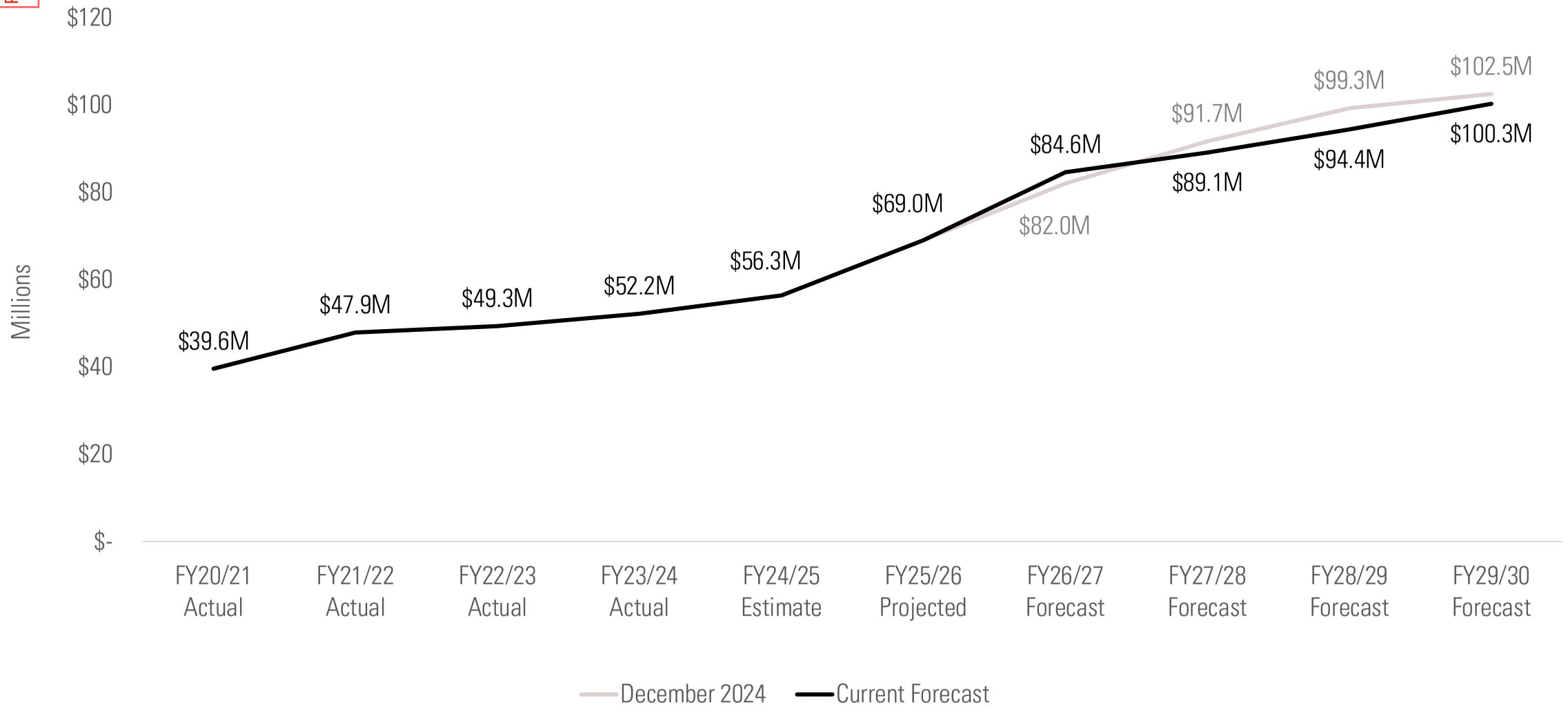
- Christopher Hassert – Water Resources Director
- Erik Hansen– Utilities Financial Analyst

WATER PROGRAM RECOMMENDED RATE ADJUSTMENTS

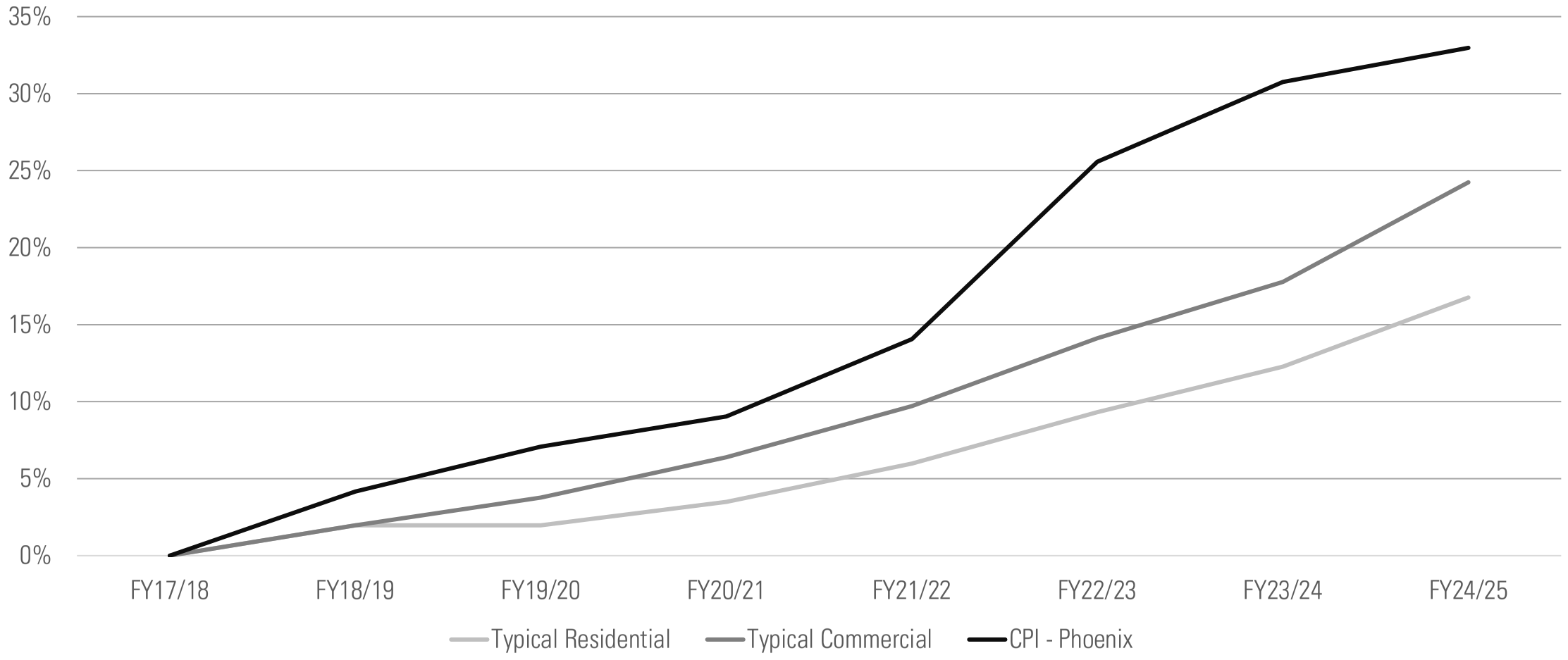
OPERATING COSTS



DEBT SERVICE



CPI Growth and Effective Water Rate Adjustment - Typical Customer (Cumulative)



Residential and Non-residential Comparison

Equity Between Residential & Non-residential Water Rate Revenue

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	52%	50%	49%	47%
Non-residential Rate Revenue	45%	46%	48%	50%	51%	53%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

RATE ADJUSTMENT RECOMMENDATIONS

Rate Component	Customer	Recommended Rate Adjustment
Service Charge		
	All Customers	+4.5%
Usage Charge		
	Residential	
	• Tier I (4,000 – 6,000 gallons)	+4.0%
	• Tier 2 (7,000 – 14,000 gallons)	+5.5%
	• Tier 3 (15,000 – 24,000 gallons)	+6.5%
	• Tier 4 (>24,000 gallons)	+7.5%
	Multi-unit Development	+14.5%

RATE ADJUSTMENT RECOMMENDATIONS

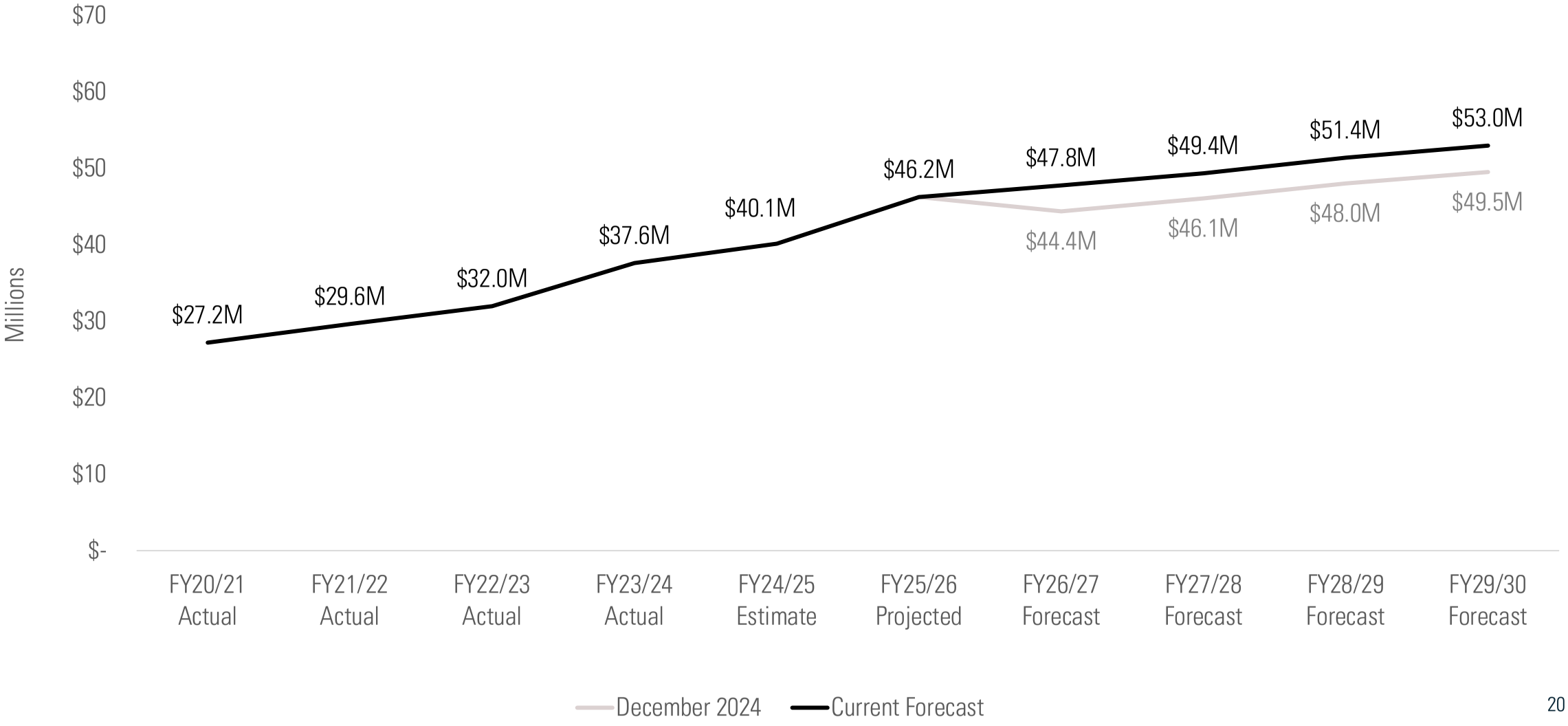
Rate Component	Customer	Recommended Rate Adjustment
Service Charge		
	All Customers	+4.5%
Usage Charge		
	Non-residential/Commercial – General	+14.0%
	• Excess Water Surcharge – General	+14.0%
	Non-residential/Commercial – Landscape	+15.0%
	• Excess Water Surcharge – Landscape	+15.0%
	Large Commercial	+20.0%
	Interdepartmental	+9.82%

Customer Impact

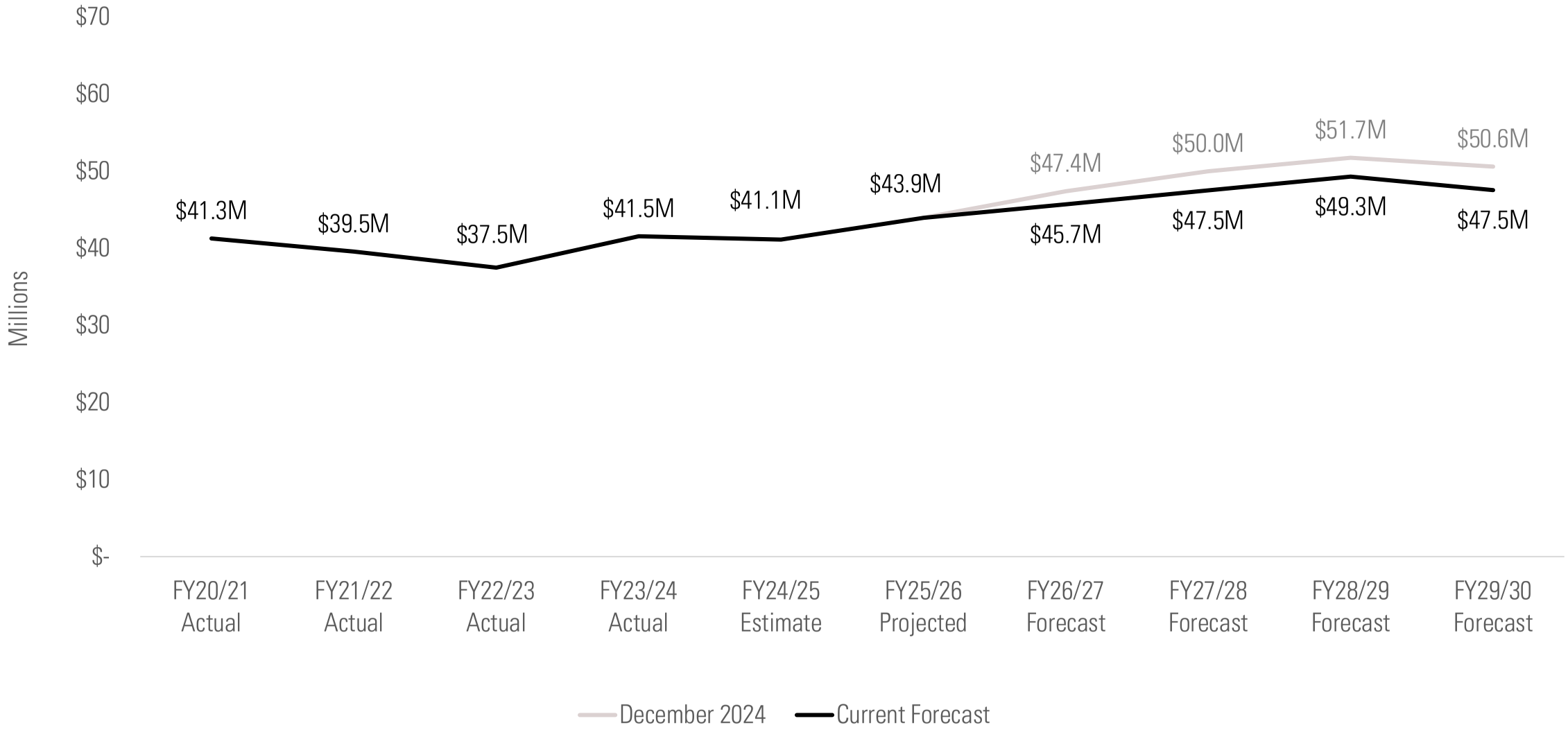
Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill	
Residential (6 kgals/month)	$43.57/mo	Service Charge: +4.5% Usage Charge: +4.0%	+4.3%	$45.46/mo (+$1.89/mo)
Multi-unit Development (6 kgals/month)	$40.46/mo	Service Charge: +4.5% Usage Charge: +14.5%	+10.1%	$44.56/mo (+$4.10/mo)
Commercial – General (9 kgals/month)	$78.59/mo	Service Charge: +4.5% Usage Charge: +14.0%	+7.7%	$84.66/mo (+$6.07/mo)
Commercial – Landscape (29 kgals/month)	$177.01/mo	Service Charge: +4.5% Usage Charge: +15.0%	+11.8%	$197.88/mo (+$20.87/mo)

WASTEWATER PROGRAM RECOMMENDED RATE ADJUSTMENTS

OPERATING COSTS



DEBT SERVICE



RATE ADJUSTMENT RECOMMENDATIONS

Rate Component	Customer	Recommended Rate Adjustment
Service Chage		
	Residential	+8.0%
	Non-residential	+9.0%
Usage Charge		
	Residential	+8.0%
	Non-residential	+9.0%

Customer Impact

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill	
Residential (4 kgals/month)	$28.07/mo	Service Charge: +8.0% Usage Charge: +8.0%	+8.0%	$30.32/mo (+$2.25/mo)
Commercial (9 kgals/month)	$56.86/mo	Service Charge: +9.0% Usage Charge: +9.0%	+9.0%	$61.98/mo (+$5.12/mo)

RECOMMENDED RATE ADJUSTMENTS WITH CAPACITY FEE

Rate Adjustment Recommendations - Water

Rate Component	Customer	Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge			
	All Customers	+4.5%	+4.5%
Usage Charge			
	Residential (Tiers I – IV)		
	• Tier 1	+4.0%	+3.5%
	• Tier 2	+5.5%	+3.5%
	• Tier 3	+6.5%	+4.5%
	• Tier 4	+7.5%	+4.5%
	Multi-unit Development	+14.5%	+12.0%

Rate Adjustment Recommendations - Water

Rate Component	Customer	Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge			
	All Customers	+4.5%	+4.5%
Usage Charge			
	Non-residential/Commercial – General	+14.0%	+13.0%
	• Excess Water Surcharge – General	+14.0%	+13.0%
	Non-residential/Commercial – Landscape	+15.0%	+15.0%
	• Excess Water Surcharge – Landscape	+15.0%	+15.0%
	Large Commercial	+20.0%	+19.0%
	Interdepartmental	+9.82%	+9.29%

Rate Adjustment Recommendations - Wastewater

Rate Component	Customer	Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge			
	Residential	+8.0%	+7.5%
	Non-residential	+9.0%	+8.5%
Usage Charge			
	Residential	+8.0%	+7.5%
	Non-residential	+9.0%	+8.5%

Residential and Non-residential Comparison

Equity Between Residential & Non-residential Water Rate Revenue

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
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Non-residential Rate Revenue	45%	46%	48%	50%	51%	53%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Customer Impact - Water

Typical Customer	Recommended Rate Adjustment	Impact to Current Bill	Recommended Rate Adjustment with Capacity Fee	Impact to Current Bill
Residential (6 kgals/month)	SC: +4.5% UC: +4.0%	+4.3% $45.46/mo (+$1.89/mo)	SC: +4.5% UC: +3.5%	+4.2% $45.41/mo (+$1.84/mo)
Multi-unit Development (6 kgals/month)	SC: +4.5% UC: +14.5%	+10.1% $44.56/mo (+$4.10/mo)	SC: +4.5% UC: +12.0%	+8.7% $43.98/mo (+$3.53/mo)
Commercial – General (9 kgals/month)	SC: +4.5% UC: +14.0%	+7.7% $84.66/mo (+$6.07/mo)	SC: +4.5% UC: +13.0%	+7.4% $84.39/mo (+$5.80/mo)
Commercial – Landscape (29 kgals/month)	SC: +4.5% UC: +15.0%	+11.8% $197.88/mo (+$20.87/mo)	SC: +4.5% UC: +15.0%	+11.8% $197.88/mo (+$20.87/mo)

Customer Impact - Wastewater

Typical Customer	Recommended Rate Adjustment	Impact to Current Bill	Recommended Rate Adjustment with Capacity Fee	Impact to Current Bill
Residential (4 kgals/month)	SC: +8.0% UC: +8.0%	+8.0% $30.32/mo (+$2.25/mo)	SC: +7.5% UC: +7.5%	+7.5% $30.18/mo (+$2.11/mo)
Commercial (9 kgals/month)	SC: +9.0% UC: +9.0%	+9.0% $61.98/mo (+$5.12/mo)	SC: +8.5% UC: +8.5%	+8.5% $61.69/mo (+$4.83/mo)

Energy Resources Department

Presented by:

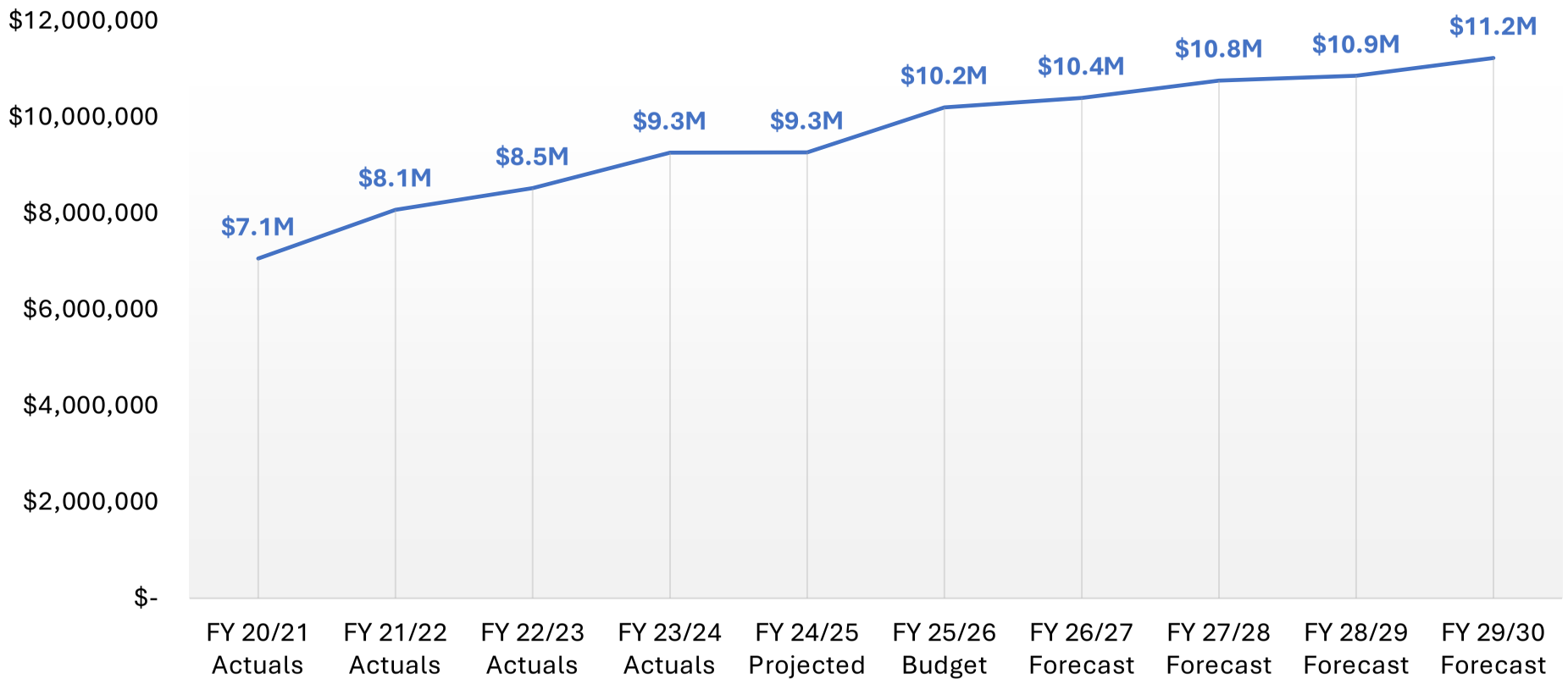
- Scott Bouchie – Energy Resources Director
- Tony Cadorin – Energy Resources Program Manager
- John Petrof – Senior Fiscal Analyst

ELECTRIC UTILITY

INCREASING COSTS/PRESSURES ON THE ELECTRIC UTILITY

- Operating Budget
  - Standard inflation on outside vendor services
  - Personal services increases
- Debt Service
  - Meeting growth demands in Downtown
  - 69 kV Looping
  - AMI
  - Kellwood Substation Improvements

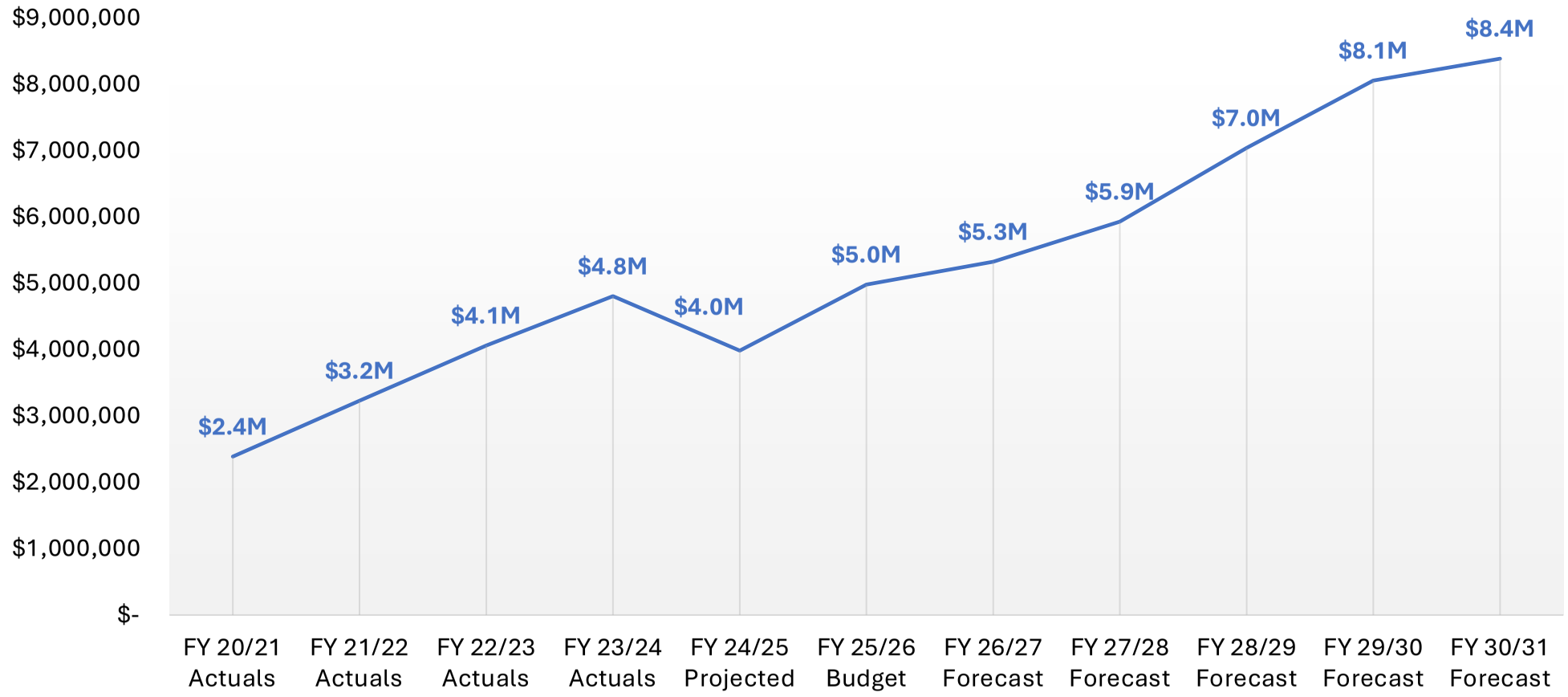
INCREASING OPERATING COSTS ON THE ELECTRIC UTILITY



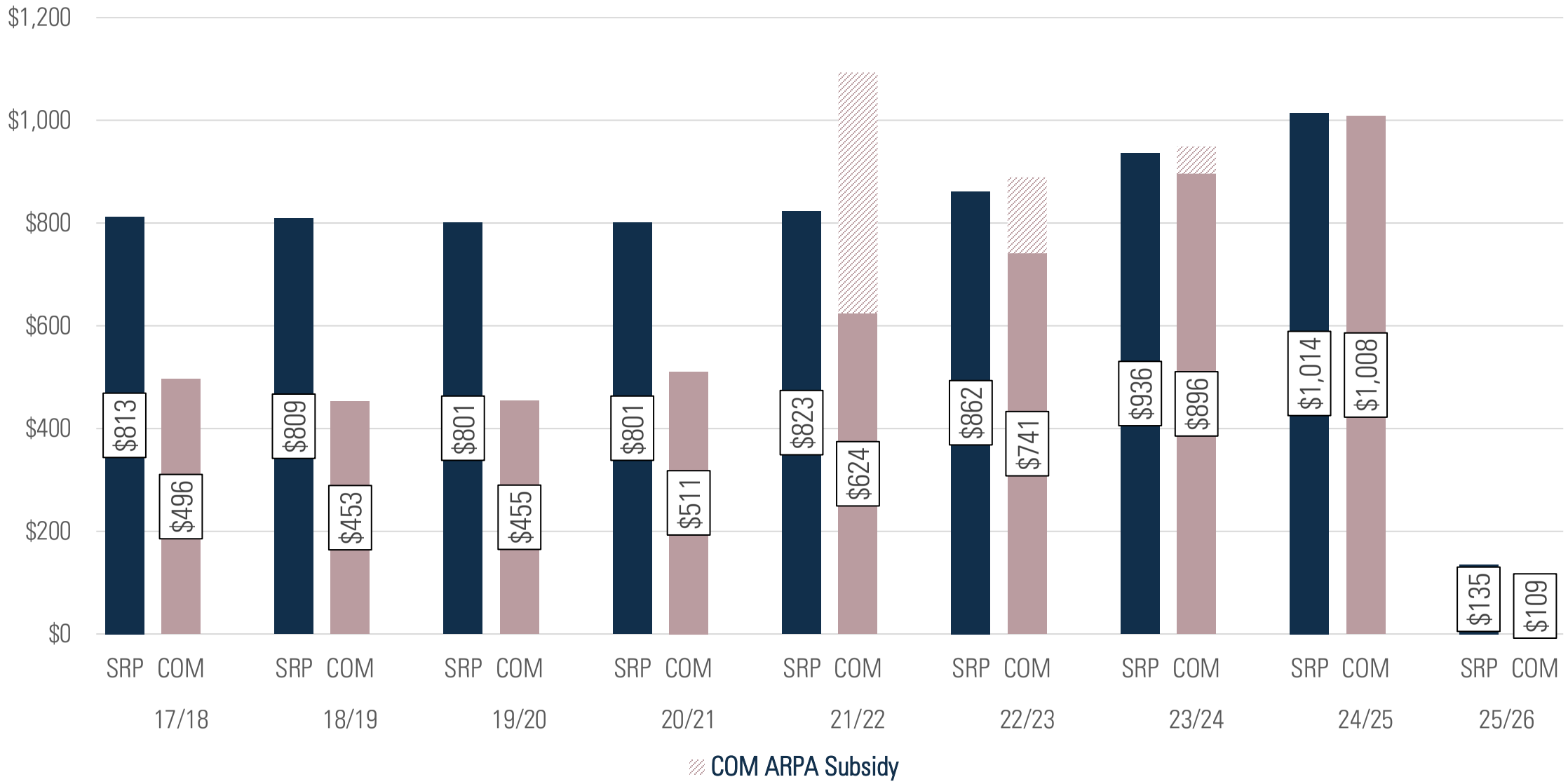
PRIORITY ELECTRIC PROJECTS

PROJECT	COST
Kellwood Substation Improvements	$6M
Stapley and University	$4.2M
69 kV Looping	$3.6M

INCREASING DEBT SERVICE COSTS ON THE ELECTRIC UTILITY



Total Residential Customer Electric Supply Cost - SRP vs COM



SRP/APS INCREASES

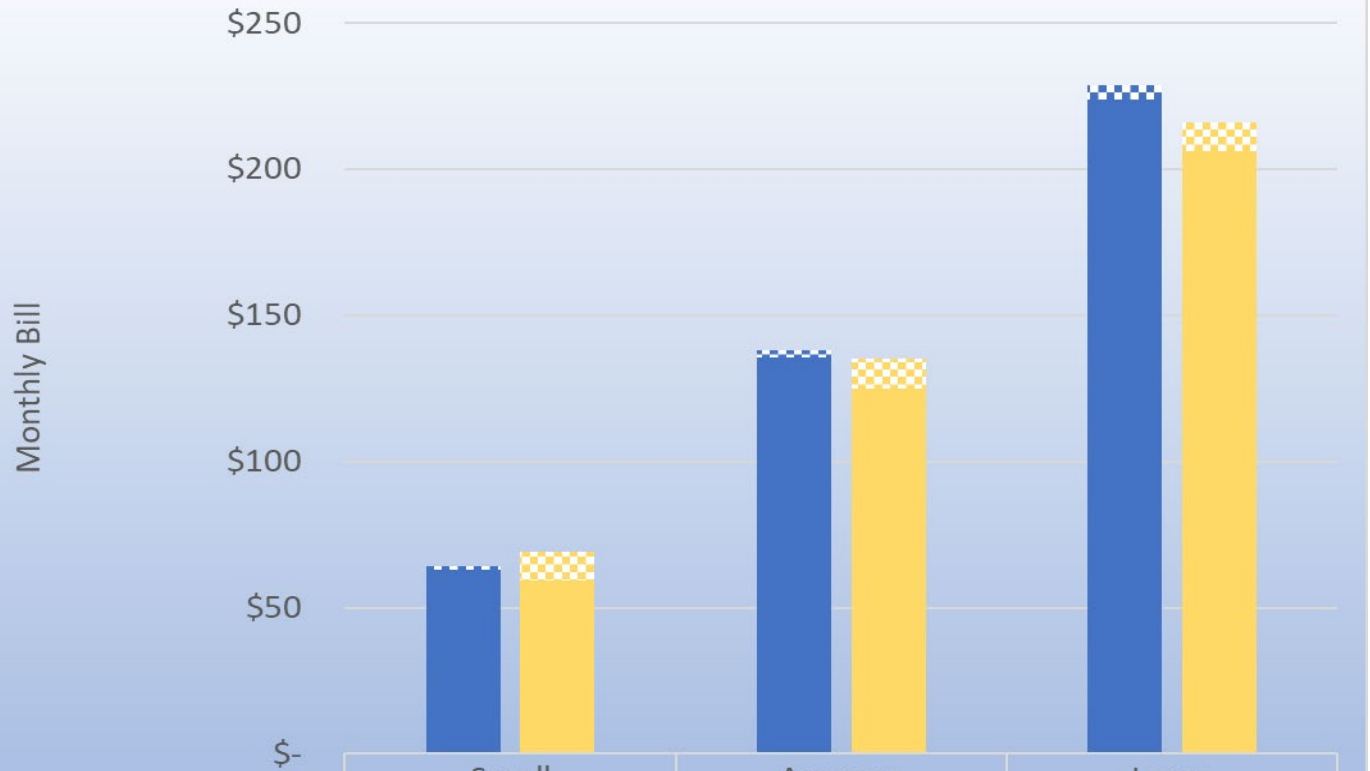
SRP – November 2025 Rate Increase

- Overall - 2.4% price increase
- Average residential user bill impact - $5.61
  - Average Usage – 1,117 kWh
- Tiered Monthly Service Charge
  - Tier 1 – Multifamily home - $20 (current)
  - Tier 2 – Single-family home with average usage - $30
  - Tier 3 – Large single-family home user - $40 (About 3% of residential customers)

APS – 2025 Rate Case

- Effective second half of June 2026
- Average residential user bill impact - $20 per month
  - Average Usage – 1,000 kWh

RESIDENTIAL ELECTRIC BILL COMPARISON



	Small	Average	Large
Mesa - Proposed	$64.34	$137.98	$228.67
SRP - Single-family	$69.16	$134.96	$215.99
Mesa - Current	$62.88	$135.71	$223.76
SRP - Multifamily	$59.16	$124.96	$205.99

*SRP amount includes proposed November rate increase

RESIDENTIAL ELECTRIC BILLS

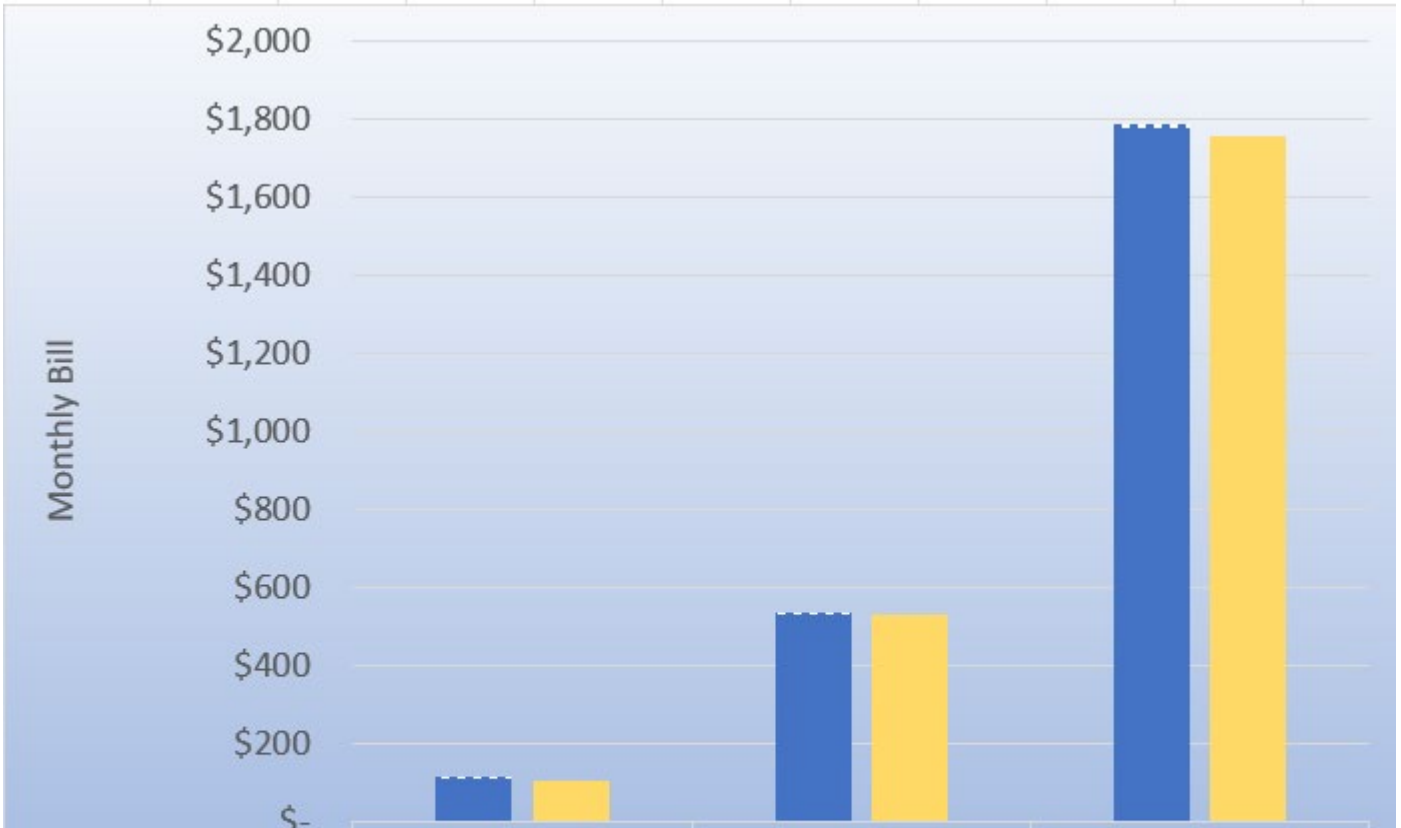
	Small	Average	Large
Prior Forecast	$69.50	$153.55	$255.44
Actual – FY 24/25	$65.72	$146.18	$230.99
Proposed	$64.34	$137.98	$228.67

*Based on fiscal year 24/25 residential usage

PROPOSED RESIDENTIAL ELECTRIC RATES

COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE	$19.50	$20.50	$1.00	$3.00
USAGE CHARGE SUMMER per kWh	Tier 1 - $0.05231 Tier 2 - $0.05027	Tier 1 - $0.05336 Tier 2 - $0.05228	2% 4%	2% 4%
USAGE CHARGE WINTER per kWh	Tier 1 - $0.04317 Tier 2 - $0.03478	Tier 1 - $0.04533 Tier 2 - $0.04742	5% 36%	5% 36%
MONTHLY BILL (Average Customers)	$135.71	$137.98	$2.27	$4.27
EFFECTIVE INCREASE			1.7%	3.1%

Commercial Electric Bill Comparison



	Small	Average	Large
Mesa - Proposed	$112.29	$534.60	$1,783.63
SRP	$103.30	$528.46	$1,752.51
Mesa - Current	$107.29	$529.60	$1,777.00

*SRP amount includes proposed November rate increase

PROPOSED COMMERCIAL ELECTRIC RATES

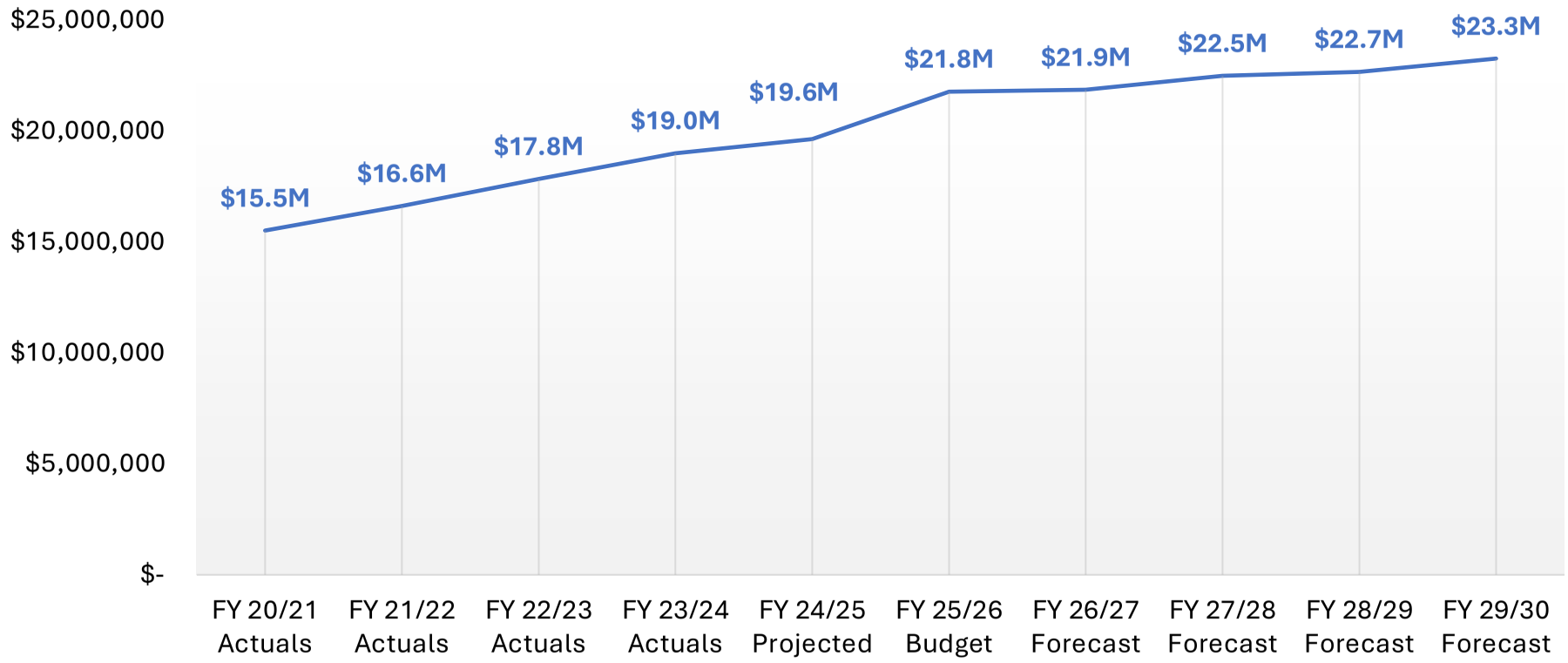
COMPONENT	CURRENT	PROPOSED	CHANGE
SYSTEM SERVICE CHARGE	Single Phase - $19.72 Three Phase - $25.74	Single Phase - $24.72 Three Phase - $30.74	$5.00
USAGE CHARGE SUMMER per kWh	Tier 2 - $0.04866	Tier 2 - $0.0511	5%
USAGE CHARGE WINTER per kWh	Tier 2 - $0.03994	Tier 2 - $0.04113	3%
MONTHLY BILL (Average Customers)	$529.60	$534.60	$5.00
EFFECTIVE INCREASE			0.9%

NATURAL GAS UTILITY

INCREASING COSTS/PRESSURES ON THE GAS UTILITY

- Operating Budget
  - Standard inflation on services and contracts
  - Personal services increases
- Debt Service
  - Meeting growth demands in Magma service territory
    - Gantzel Rd
    - Arizona Farms Road
    - New Services
  - AMI

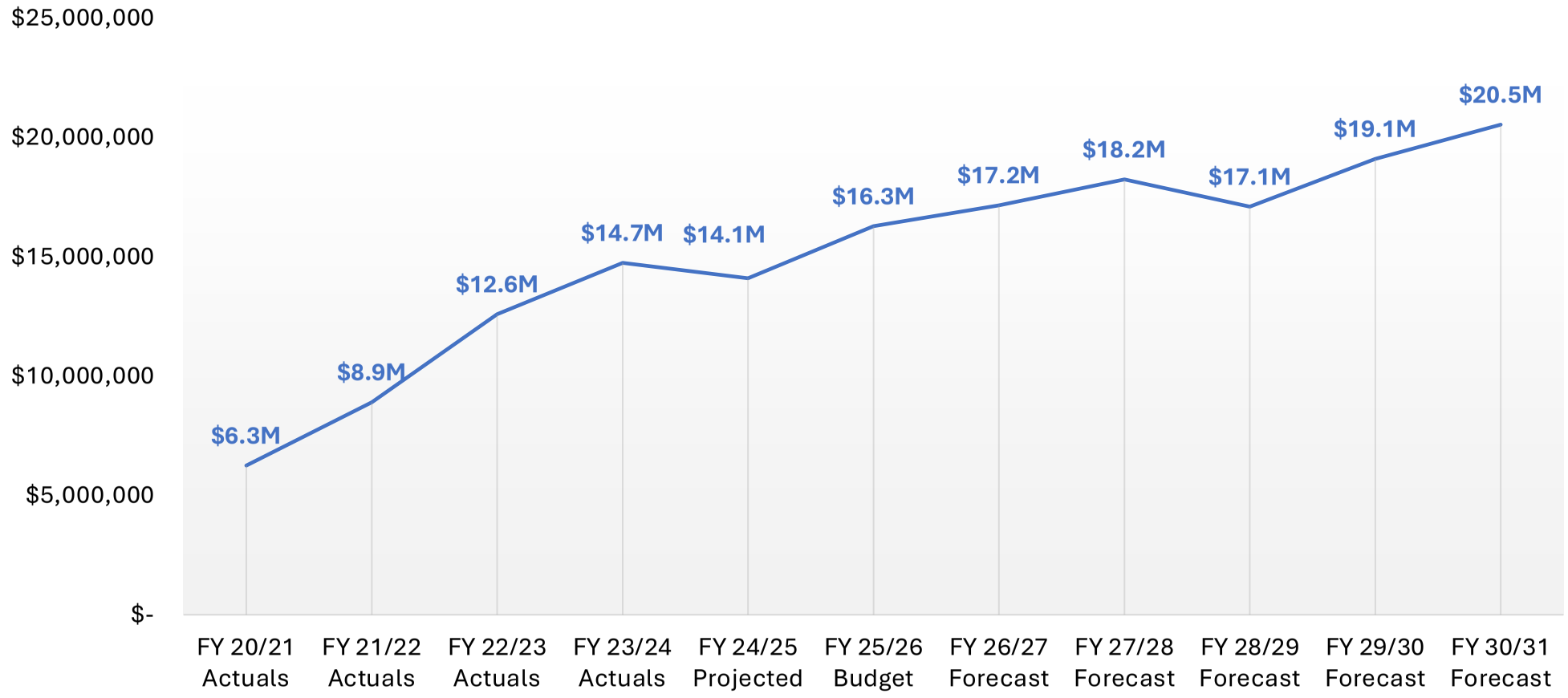
INCREASING OPERATING COSTS ON THE GAS UTILITY



PRIORITY GAS PROJECTS

PROJECT	COST
Arizona Farms	$14M
Gantzel Rd	$23M
Clausen Gate	$3M
Stapley and University	$4M
Val Vista-Pueblo to US 60	$2.6M

INCREASING DEBT SERVICE COSTS ON THE GAS UTILITY

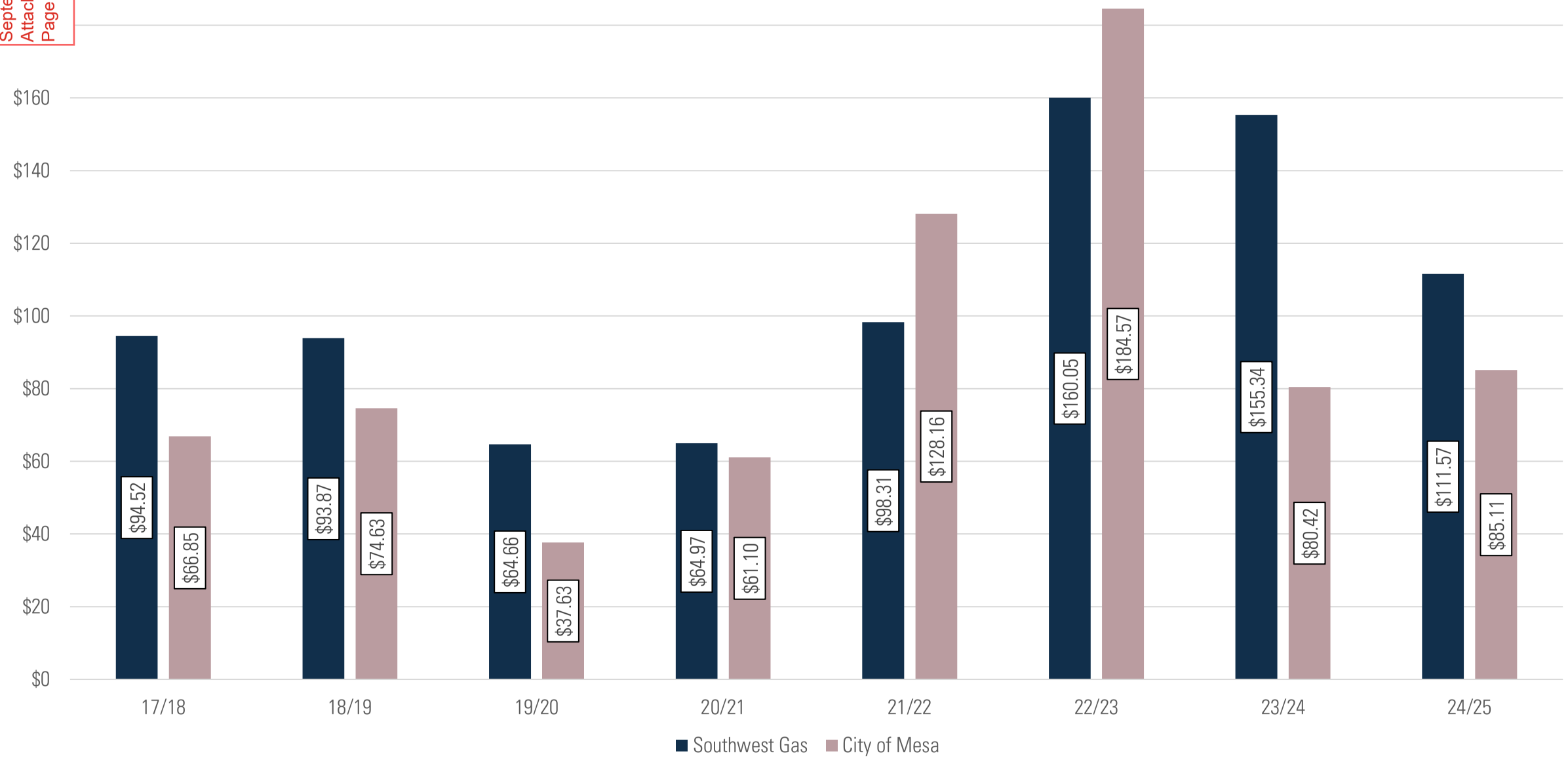


SOUTHWEST GAS INCREASE

March 2025 Rate Increase

- Approximately 8.9% monthly bill increase for average residential customers
  - From ~$42 to ~$46 monthly
- $3.75 per month

Total Residential Customer Natural Gas Supply Cost (Average Customer) - Southwest Gas vs COM



RESIDENTIAL GAS BILL COMPARISON

	Small	Average	Large
Mesa - Proposed	$24.70	$42.49	$72.80
SWG	$18.57	$41.44	$78.07
Mesa - Current	$24.43	$41.06	$67.88

PROPOSED RESIDENTIAL GAS RATES

COMPONENT	CURRENT	PROPOSED	CHANGE	PRIOR FORECAST
SYSTEM SERVICE CHARGE SUMMER WINTER	$17.31 $20.24	$17.31 $20.24	$0	$1.00
USAGE CHARGE SUMMER per therm	Tier 1 - $0.7440 Tier 2 - $0.3681	Tier 1 - $0.7961 Tier 2 - $0.4234	7% 15%	7% 15%
USAGE CHARGE WINTER per therm	Tier 1 - $0.7440 Tier 2 - $0.8072	Tier 1 - $0.7961 Tier 2 - $1.0009	7% 24%	7% 8%
MONTHLY BILL (Average Customers)	$41.06	$42.49	$1.43	$2.07
EFFECTIVE INCREASE			3.5%	5%

COMMERCIAL GAS BILL COMPARISON

	Small	Average	Large
Mesa - Proposed	$113.23	$521.91	$1,546.87
SWG	$103.81	$513.59	$1,326.80
Mesa - Current	$109.10	$510.19	$1,514.43

PROPOSED COMMERCIAL GAS RATES

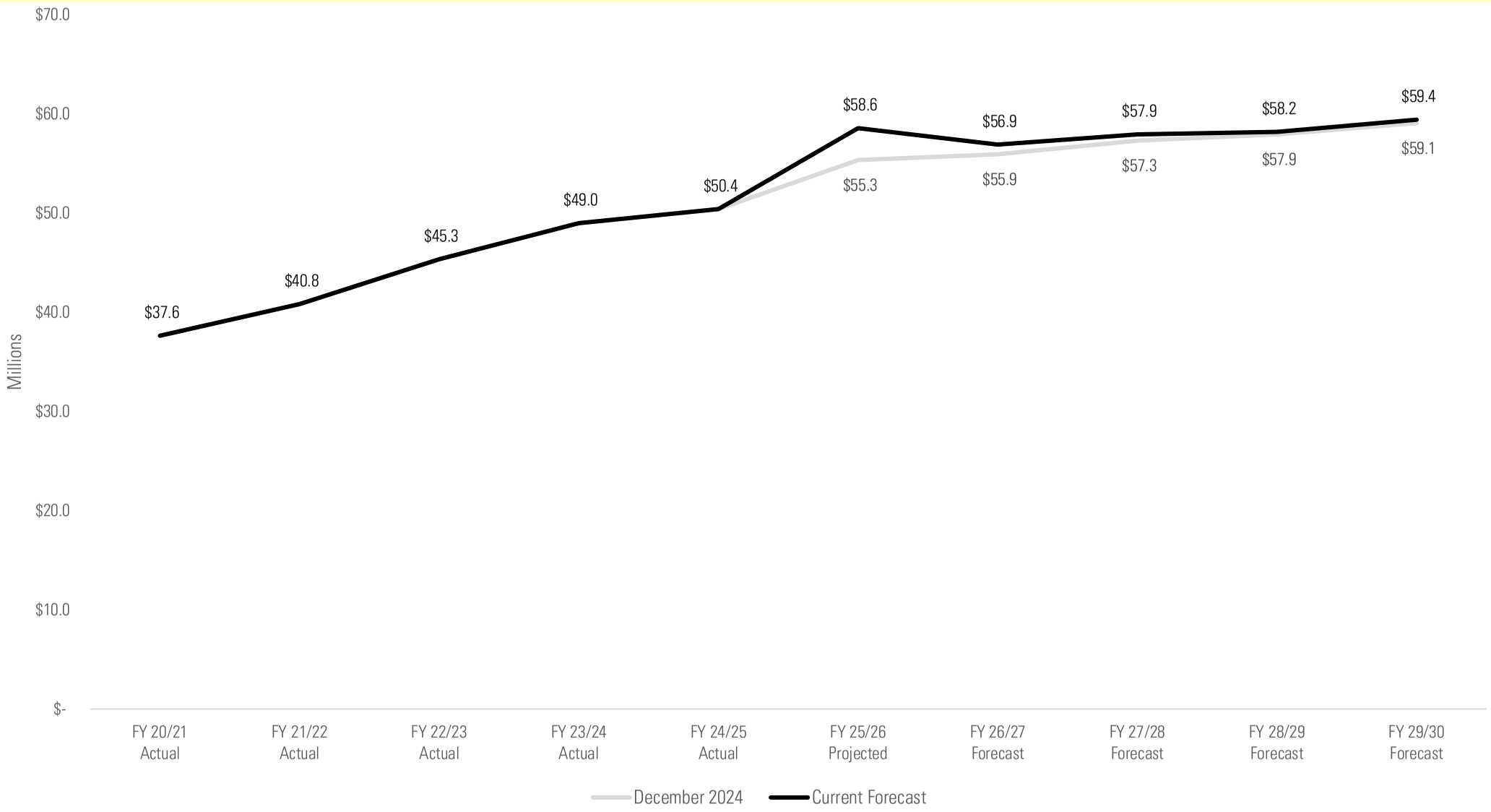
COMPONENT	CURRENT	PROPOSED	CHANGE
SYSTEM SERVICE CHARGE SUMMER WINTER	 $44.66 $54.34	 $47.66 $57.34	$3
USAGE CHARGE SUMMER per therm	Tier 1 - $0.5929 Tier 2 - $0.4366	Tier 1 - $0.6107 Tier 2 - $0.4585	3% 5%
USAGE CHARGE WINTER per therm	Tier 1 - $0.6421 Tier 2 - $0.6308	Tier 1 - $0.6613 Tier 2 - $0.6623	3% 5%
MONTHLY BILL (Average Customers)	$510.19	$521.91	$11.72
EFFECTIVE INCREASE			2.3%

Solid Waste Department

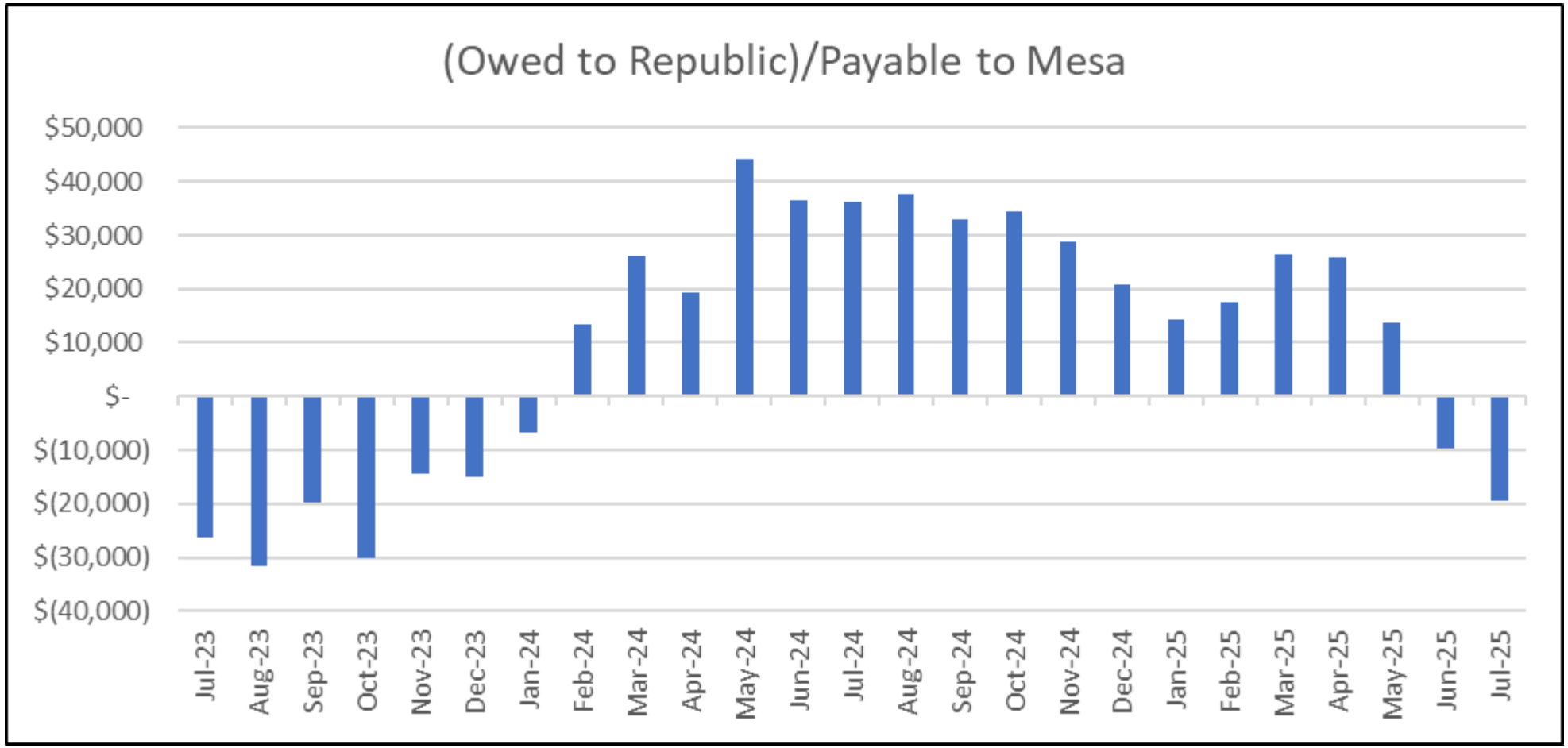
Presented by:

- Joe Giudice – Deputy Solid Waste Director

SOLID WASTE OPERATING COSTS



MRF - Recycling



SOLID WASTE RESIDENTIAL RATE RECOMMENDATIONS 5.5% PROPOSED INCREASE

	Current	Proposed Increase	Proposed Total
90-gallon Trash Barrel	$33.17	$1.82	$34.99
60-gallon Trash Barrel	$29.60	$1.63	$31.23
35-gallon Trash Barrel	$27.89	$1.53	$29.42

SOLID WASTE BULK ITEM COLLECTION RECOMMENDATIONS $2 PROPOSED INCREASE

	Current	Proposed Increase	Proposed Total
Bulk	$29.00	$2.00	$31.00

Commercial Front Load Recommendations
5.5% Overall Rate Increase

- Increase base rate
  - 6-yard trash bin increase from $122.22 to $127.48
  - 6-yard recycle bin increase from $102.25 to $107.87
- Increase fee for out-of-zone collection
  - From $28.00 to $33.00
- Discontinue multi-day discount

Commercial Roll Off Recommendations
5.5% Overall Rate Increase

- Increase tonnage rate to follow landfill increase
  - Increase trash tonnage rate from $47.75 to $51.50
  - Increase green waste tonnage rate from $55.50 to $59.82

- Increase haul fee by $5/$6
  - 15/20-yard roll off increase from $135 to $140
  - 30-yard roll off increase from $145 to $150
  - 40-yard roll off increase from $160 to $166

- $16.25 increase for a one-time trash customer
- $17.96 increase for a one-time green waste customer

Residential	Current	Proposed Increase	Proposed Total
90-gallon Trash Barrel	$33.17	$1.82	$34.99

Residential	Current	Proposed Increase	Proposed Total
Bulk	$29.00	$2.00	$31.00

FRONT LOAD	Current	Proposed Increase	Proposed Total
6 Yard Front Load Trash -1x week	$122.22	$5.26	$127.48
6 Yard Front Load Recycling – 1x week	$102.25	$5.62	$107.87

ROLL OFF	Current	Proposed Increase	Proposed Total
30 Yard Rolloff Trash – 1x week	$438.25	$16.25	$454.50

FY 25/26 RECOMMENDED RATE ADJUSTMENTS

As of 9/3/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	$3,472,435	($5,725,772)	($12,783,723)	($4,891,676)	$5,059,954	$14,434,248	$28,004,286
WASTEWATER	($7,285,154)	($11,996,288)	($6,784,238)	($2,018,970)	$2,770,034	$12,384,228	$12,390,217
SOLID WASTE	$26,254	($5,858,624)	$688,832	($629,299)	$2,586,058	$8,510,604	$9,060,768
ELECTRIC	$1,435,561	($1,066,822)	($741,823)	($834,907)	($1,173,447)	($1,603,113)	($1,239,981)
NATURAL GAS	($817,183)	($3,793,486)	($2,082,196)	($1,426,474)	$1,864,370	$1,729,243	$2,128,194
DISTRICT COOLING	($376,552)	($181,786)	($171,502)	($316,383)	($182,335)	($185,275)	($233,758)
TOTAL NET SOURCES AND USES	($3,544,639)	($28,622,778)	($21,874,651)	($10,117,709)	$10,924,633	$35,269,935	$50,109,726
Beginning Reserve Balance	$117,019,543	$113,474,904	$84,852,126	$62,977,475	$52,859,766	$63,784,399	$99,054,334
Ending Reserve Balance	**$113,474,904**	**$84,852,126**	**$62,977,475**	**$52,859,766**	**$63,784,399**	**$99,054,334**	**$149,164,060**
Ending Reserve Balance Percent*	**20.1%**	**13.4%**	**9.9%**	**8.0%**	**9.3%**	**13.6%**	**19.4%**
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	6.00%	**4.00%**	*4.00%*	*4.00%*	*4.00%*	*4.00%*	*4.00%*
WATER Commercial (usage)	8.50%	**14.00%**	*14.00%*	*14.00%*	*14.00%*	*14.00%*	*14.00%*
WASTEWATER Residential	7.50%	**8.00%**	*8.00%*	*8.00%*	*8.00%*	*8.00%*	*8.00%*
WASTEWATER Non-Residential	8.50%	**9.00%**	*9.00%*	*9.00%*	*9.00%*	*9.00%*	*9.00%*
SOLID WASTE Residential	5.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Commercial	10.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Rolloff	6.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
ELECTRIC Residential - svc charge	$2.75	**$1.00**	*$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	**$0.00**	*$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*

*Does not include Water & Wastewater Capacity Fee

FY 25/26 RECOMMENDED RATE ADJUSTMENTS

WITH CAPACITY FEE

As of 9/3/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	$3,472,435	($6,008,322)	($5,215,984)	$3,418,996	$11,702,265	$20,565,648	$35,225,390
WASTEWATER	($7,285,154)	($12,080,760)	($7,048,336)	($3,014,649)	$1,702,838	$10,205,256	$10,129,209
SOLID WASTE	$26,254	($5,858,624)	$688,832	($629,299)	$2,586,058	$8,510,604	$9,060,768
ELECTRIC	$1,435,561	($1,066,822)	($706,935)	($871,150)	($1,117,234)	($1,646,811)	($1,171,368)
NATURAL GAS	($817,183)	($3,793,486)	($1,982,515)	($1,440,090)	$2,018,693	$1,626,125	$2,301,975
DISTRICT COOLING	($376,552)	($181,786)	($171,502)	($316,383)	($182,335)	($185,275)	($233,758)
TOTAL NET SOURCES AND USES	($3,544,639)	($28,989,800)	($14,436,440)	($2,852,575)	$16,710,285	$39,075,546	$55,312,215
Beginning Reserve Balance	$117,019,543	$113,474,904	$84,485,104	$70,048,664	$67,196,088	$83,906,374	$122,981,920
Ending Reserve Balance	**$113,474,904**	**$84,485,104**	**$70,048,664**	**$67,196,088**	**$83,906,374**	**$122,981,920**	**$178,294,135**
Ending Reserve Balance Percent*	**20.1%**	**13.6%**	**11.3%**	**10.4%**	**12.5%**	**17.4%**	**24.1%**
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	6.00%	**3.50%**	*3.50%*	*3.50%*	*3.50%*	*3.50%*	*3.50%*
WATER Commercial (usage)	8.50%	**13.00%**	*13.00%*	*13.00%*	*13.00%*	*13.00%*	*13.00%*
WASTEWATER Residential	7.50%	**7.50%**	*7.50%*	*7.50%*	*7.50%*	*7.50%*	*7.50%*
WASTEWATER Non-Residential	8.50%	**8.50%**	*8.50%*	*8.50%*	*8.50%*	*8.50%*	*8.50%*
SOLID WASTE Residential	5.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Commercial	10.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Rolloff	6.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
ELECTRIC Residential - svc charge	$2.75	**$1.00**	*$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	**$0.00**	*$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*

Summary of Recommended Rate Adjustments

	FY 24/25 Estimate	FY 25/26 Budget	FY 25/26 Projected *No Capacity Fee*	FY 25/26 Projected *w/ Capacity Fee*
TOTAL NET SOURCES AND USES	($3,544,639)	($28,438,133)	($28,622,778)	($28,989,800)
Beginning Reserve Balance	$117,019,543	$104,437,875	$113,474,904	$113,474,904
Ending Reserve Balance	**$113,474,904**	**$75,999,742**	**$84,852,126**	**$84,485,104**
Ending Reserve Balance Percent* *As a % of Next Fiscal Year's Expenditures	**20.1%**	**11.9%**	**13.4%**	**13.6%**
WATER Residential (Tier 1 usage)	6.00%	6.00%	**4.00%**	**3.50%**
WATER Commercial (usage)	8.50%	8.50%	**14.00%**	**13.00%**
WASTEWATER Residential	7.50%	8.00%	**8.00%**	**7.50%**
WASTEWATER Non-Residential	8.50%	9.00%	**9.00%**	**8.50%**
SOLID WASTE Residential	5.50%	5.50%	**5.50%**	**5.50%**
SOLID WASTE Commercial	10.00%	7.50%	**5.50%**	**5.50%**
SOLID WASTE Rolloff	6.50%	6.50%	**5.50%**	**5.50%**
ELECTRIC Residential - svc charge	$2.75	$3.00	**$1.00**	**$1.00**
ELECTRIC Non-Residential - svc charge	$5.00	$5.00	**$5.00**	**$5.00**
GAS Residential - svc charge	$0.00	$1.00	**$0.00**	**$0.00**
GAS Non-Residential - svc charge	$3.00	$3.00	**$3.00**	**$3.00**

NEXT STEPS

September 22 - City Council Action on Notice of Intent

November 17 - Introduction of Utility Rate Ordinances

December 1 - City Council Action on Utility Rates

January 1 - Effective Date for Utility Rate Changes

Nepean

Water Department Backup

Other Rates

Mesa Gateway Airport Fire Protection Demand Charge

- Rate updated for the first time in ten years last year (+30%).
- Another adjustment recommended for this year (+30%).
- Part of a three-year plan to attain cost recovery.

Crismon Road Water Hauling Station – Bulk Water Sales

- Moving to credit card-based point of sale system.
- Already some of the most expensive water the City sells.
- Recommending a +12% increase as a further deterrent to wide-spread use.

Water Hydrant Meter Service

- Recommending a +12% increase.

FY 25/26 Recommended rate adjustments

As of 9/3/2025	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast	FY 30/31 Forecast
WATER	$3,472,435	($5,680,372)	($12,536,550)	($4,541,420)	$5,308,076	$14,288,476	$27,475,861
WASTEWATER	($7,285,154)	($11,996,288)	($6,784,238)	($2,018,970)	$2,770,034	$12,384,228	$12,390,217
SOLID WASTE	$26,254	($5,858,624)	$688,832	($629,299)	$2,586,058	$8,510,604	$9,060,768
ELECTRIC	$1,435,561	($1,066,822)	($741,823)	($834,907)	($1,173,447)	($1,603,113)	($1,239,981)
NATURAL GAS	($817,183)	($3,793,486)	($2,082,196)	($1,426,474)	$1,864,370	$1,729,243	$2,128,194
DISTRICT COOLING	($376,552)	($181,786)	($171,502)	($316,383)	($182,335)	($185,275)	($233,758)
TOTAL NET SOURCES AND USES	($3,544,639)	($28,577,378)	($21,627,478)	($9,767,453)	$11,172,755	$35,124,163	$49,581,301
Beginning Reserve Balance	$117,019,543	$113,474,904	$84,897,526	$63,270,049	$53,502,596	$64,675,351	$99,799,514
Ending Reserve Balance	**$113,474,904**	**$84,897,526**	**$63,270,049**	**$53,502,596**	**$64,675,351**	**$99,799,514**	**$149,380,815**
Ending Reserve Balance Percent*	**20.1%**	**13.4%**	**10.0%**	**8.1%**	**9.4%**	**13.7%**	**19.5%**
*As a % of Next Fiscal Year's Expenditures							
WATER Residential (Tier 1 usage)	6.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
WATER Commercial (usage)	8.50%	**12.00%**	*12.00%*	*12.00%*	*12.00%*	*12.00%*	*12.00%*
WASTEWATER Residential	7.50%	**8.00%**	*8.00%*	*8.00%*	*8.00%*	*8.00%*	*8.00%*
WASTEWATER Non-Residential	8.50%	**9.00%**	*9.00%*	*9.00%*	*9.00%*	*9.00%*	*9.00%*
SOLID WASTE Residential	5.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Commercial	10.00%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
SOLID WASTE Rolloff	6.50%	**5.50%**	*5.50%*	*5.50%*	*5.50%*	*5.50%*	*5.50%*
ELECTRIC Residential - svc charge	$2.75	**$1.00**	*$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	**$0.00**	*$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*

*Does not include Water & Wastewater Capacity Fee

Rate Adjustment Recommendations

Rate Component	Customer	Recommended Rate Adjustment
Service Charge		
	All Customers	+5.5%
Usage Charge		
	Residential	
	• Tier I (4,000 – 6,000 gallons)	+5.5%
	• Tier 2 (7,000 – 14,000 gallons)	+7.0%
	• Tier 3 (15,000 – 24,000 gallons)	+8.0%
	• Tier 4 (>24,000 gallons)	+9.0%
	Multi-unit Development	+11.0%

Rate Adjustment Recommendations

Rate Component	Customer	Recommended Rate Adjustment
Service Charge		
	All Customers	+5.5%
Usage Charge		
	Non-residential/Commercial – General	+12.0%
	• Excess Water Surcharge – General	+12.0%
	Non-residential/Commercial – Landscape	+15.0%
	• Excess Water Surcharge – Landscape	+15.0%
	Large Commercial	+19.0%
	Interdepartmental	+11.4%

Residential and Non-residential Comparison

Equity Between Residential & Non-residential Water Rate Revenue

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	53%	52%	50%	49%
Non-residential Rate Revenue	45%	46%	47%	48%	50%	51%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Customer Impact

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill	
Residential (6 kgals/month)	$43.57/mo	Service Charge: +5.5% Usage Charge: +5.5%	+5.5%	$45.95/mo (+$2.38/mo)
Multi-unit Development (6 kgals/month)	$40.46/mo	Service Charge: +5.5% Usage Charge: +11.0%	+8.6%	$43.92/mo (+$3.47/mo)
Commercial – General (9 kgals/month)	$78.59/mo	Service Charge: +5.5% Usage Charge: +12.0%	+7.7%	$84.64/mo (+$6.05/mo)
Commercial – Landscape (29 kgals/month)	$177.01/mo	Service Charge: +5.5% Usage Charge: +15.0%	+12.1%	$198.39/mo (+$21.38/mo)

Rate Adjustment Recommendations - Water

Rate Component	Customer	Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge			
	All Customers	+5.5%	+4.5%
Usage Charge			
	Residential (Tiers I – IV)		
	• Tier 1	+5.5%	+4.5%
	• Tier 2	+7.0%	+4.5%
	• Tier 3	+8.0%	+5.5%
	• Tier 4	+9.0%	+5.5%
	Multi-unit Development	+11.0%	+10.0%

Rate Adjustment Recommendations - Water

Rate Component	Customer	Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge			
	All Customers	+5.5%	+4.5%
Usage Charge			
	Non-residential/Commercial – General	+12.0%	+12.0%
	• Excess Water Surcharge – General	+12.0%	+12.0%
	Non-residential/Commercial – Landscape	+15.0%	+15.0%
	• Excess Water Surcharge – Landscape	+15.0%	+15.0%
	Large Commercial	+19.0%	+19.0%
	Interdepartmental	+11.4%	+10.4%

Rate Adjustment Recommendations - Wastewater

Rate Component	Customer	Recommended Rate Adjustment	Recommended Rate Adjustment with Capacity Fee
Service Charge			
	Residential	+8.0%	+7.5%
	Non-residential	+9.0%	+8.5%
Usage Charge			
	Residential	+8.0%	+7.5%
	Non-residential	+9.0%	+8.5%

Residential and Non-residential Comparison

Equity Between Residential & Non-residential Water Rate Revenue

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	53%	51%	49%	48%
Non-residential Rate Revenue	45%	46%	47%	49%	51%	52%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Customer Impact - Water

Typical Customer	Recommended Rate Adjustment	Impact to Current Bill	Recommended Rate Adjustment with Capacity Fee	Impact to Current Bill
Residential (6 kgals/month)	SC: +5.5% UC: +5.5%	+5.5% $45.95/mo (+$2.38/mo)	SC: +4.5% UC: +4.5%	+4.5% $45.52/mo (+$1.95/mo)
Multi-unit Development (6 kgals/month)	SC: +5.5% UC: +11.0%	+8.6% $43.93/mo (+$3.47/mo)	SC: +4.5% UC: +10.0%	+7.6% $43.52/mo (+$3.07/mo)
Commercial – General (9 kgals/month)	SC: +5.5% UC: +12.0%	+7.7% $84.64/mo (+$6.05/mo)	SC: +4.5% UC: +12.0%	+7.4% $84.13/mo (+$5.54/mo)
Commercial – Landscape (29 kgals/month)	SC: +5.5% UC: +15.0%	+12.1% $198.39/mo (+$21.38/mo)	SC: +4.5% UC: +15.0%	+11.9% $197.88/mo (+$20.87/mo)

No Capacity Fee – Alternative (Parity FY27/28)

Service Charge (all customers):	+4.5%	Residential -	Tier 1:	+4.0%	Non-res/Commercial/XWA: +14.0%
			Tier 2:	+5.5%	Non-res/Commercial Landscape/XWA: +15.0%
			Tier 3:	+6.5%	Large Commercial: +20.0%
			Tier 4:	+7.5%	Interdepartmental: +9.8%
		Multi-unit Development:		+14.5%	

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill	
Residential (6 kgals/month)	$43.57/mo	Service Charge: +4.5% Usage Charge: +4.0%	+4.3%	$45.46/mo (+$1.89/mo)
Multi-unit Development (6 kgals/month)	$40.46/mo	Service Charge: +4.5% Usage Charge: +14.5%	+10.1%	$44.56/mo (+$4.10/mo)
Commercial – General (9 kgals/month)	$78.59/mo	Service Charge: +4.5% Usage Charge: +14.0%	+7.7%	$84.66/mo (+$6.07/mo)
Commercial – Landscape (29 kgals/month)	$177.01/mo	Service Charge: +4.5% Usage Charge: +15.0%	+11.8%	$197.88/mo (+$20.87/mo)

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	52%	50%	49%	47%
Non-residential Rate Revenue	45%	46%	48%	50%	51%	53%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Capacity Fee – Alternative (Parity FY27/28)

Service Charge (all customers):	+4.5%	Residential -	Tier 1:	+3.5%	Non-res/Commercial/XWA: +13.0%
			Tier 2:	+3.5%	Non-res/Commercial Landscape/XWA: +15.0%
			Tier 3:	+4.5%	Large Commercial: +19.0%
			Tier 4:	+4.5%	Interdepartmental: +9.3%
		Multi-unit Development:		+12.0%	

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill	
Residential (6 kgals/month)	$43.57/mo	Service Charge: +4.5% Usage Charge: +3.5%	+4.2%	$45.41/mo (+$1.84/mo)
Multi-unit Development (6 kgals/month)	$40.46/mo	Service Charge: +4.5% Usage Charge: +12.0%	+8.7%	$43.98/mo (+$3.53/mo)
Commercial – General (9 kgals/month)	$78.59/mo	Service Charge: +4.5% Usage Charge: +13.0%	+7.4%	$84.39/mo (+$5.80/mo)
Commercial – Landscape (29 kgals/month)	$177.01/mo	Service Charge: +4.5% Usage Charge: +15.0%	+11.8%	$197.88/mo (+$20.87/mo)

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	52%	50%	49%	47%
Non-residential Rate Revenue	45%	46%	48%	50%	51%	53%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

No Capacity Fee – Alternative (Parity FY26/27)

Service Charge (all customers):	+3.5%	Residential -	Tier 1:	+1.0%	Non-res/Commercial/XWA: +21.0%
			Tier 2:	+1.0%	Non-res/Commercial Landscape/XWA: +25.0%
			Tier 3:	+1.0%	Large Commercial: +28.0%
			Tier 4:	+1.0%	Interdepartmental: +6.7%
		Multi-unit Development:		+16.3%	

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill	
Residential (6 kgals/month)	$43.57/mo	Service Charge: +3.5% Usage Charge: +1.0%	+2.8%	$44.81/mo (+$1.24/mo)
Multi-unit Development (6 kgals/month)	$40.46/mo	Service Charge: +3.5% Usage Charge: +16.3%	+10.7%	$44.80/mo (+$4.35/mo)
Commercial – General (9 kgals/month)	$78.59/mo	Service Charge: +3.5% Usage Charge: +21.0%	+9.5%	$86.04/mo (+$7.45/mo)
Commercial – Landscape (29 kgals/month)	$177.01/mo	Service Charge: +3.5% Usage Charge: +25.0%	+15.0%	$209.74/mo (+$32.73/mo)

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	50%	48%	45%	41%
Non-residential Rate Revenue	45%	46%	50%	52%	55%	59%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

Capacity Fee – Alternative (Parity FY26/27)

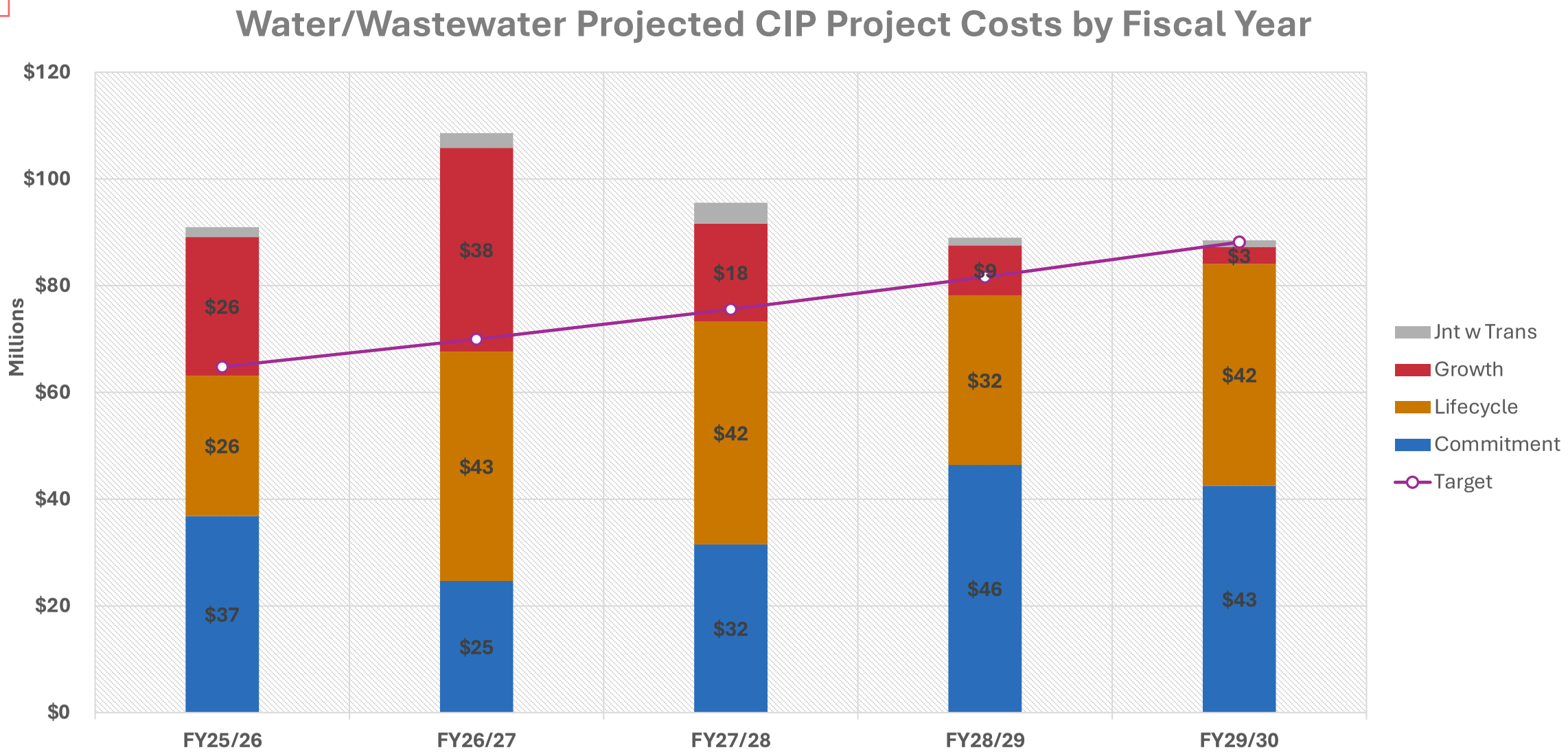
Service Charge (all customers):	+1.0%	Residential -	Tier 1:	+0.5%	Non-res/Commercial/XWA: +20.0%
			Tier 2:	+0.5%	Non-res/Commercial Landscape/XWA: +23.0%
			Tier 3:	+0.5%	Large Commercial: +25.0%
			Tier 4:	+0.5%	Interdepartmental: +6.1%
		Multi-unit Development:		+14.4%	

Typical Customer	Current Bill	Recommended Rate Adjustment	Impact to Current Bill	
Residential (6 kgals/month)	$43.57/mo	Service Charge: +1.0% Usage Charge: +0.5%	+0.9%	$43.95/mo (+$0.38/mo)
Multi-unit Development (6 kgals/month)	$40.46/mo	Service Charge: +1.0% Usage Charge: +18.0%	+8.6%	$43.94/mo (+$4.31/mo)
Commercial – General (9 kgals/month)	$78.59/mo	Service Charge: +1.0% Usage Charge: +18.0%	+7.5%	$84.49/mo (+$5.90/mo)
Commercial – Landscape (29 kgals/month)	$177.01/mo	Service Charge: +1.0% Usage Charge: +19.0%	+16.4%	$205.99/mo (+$28.98/mo)

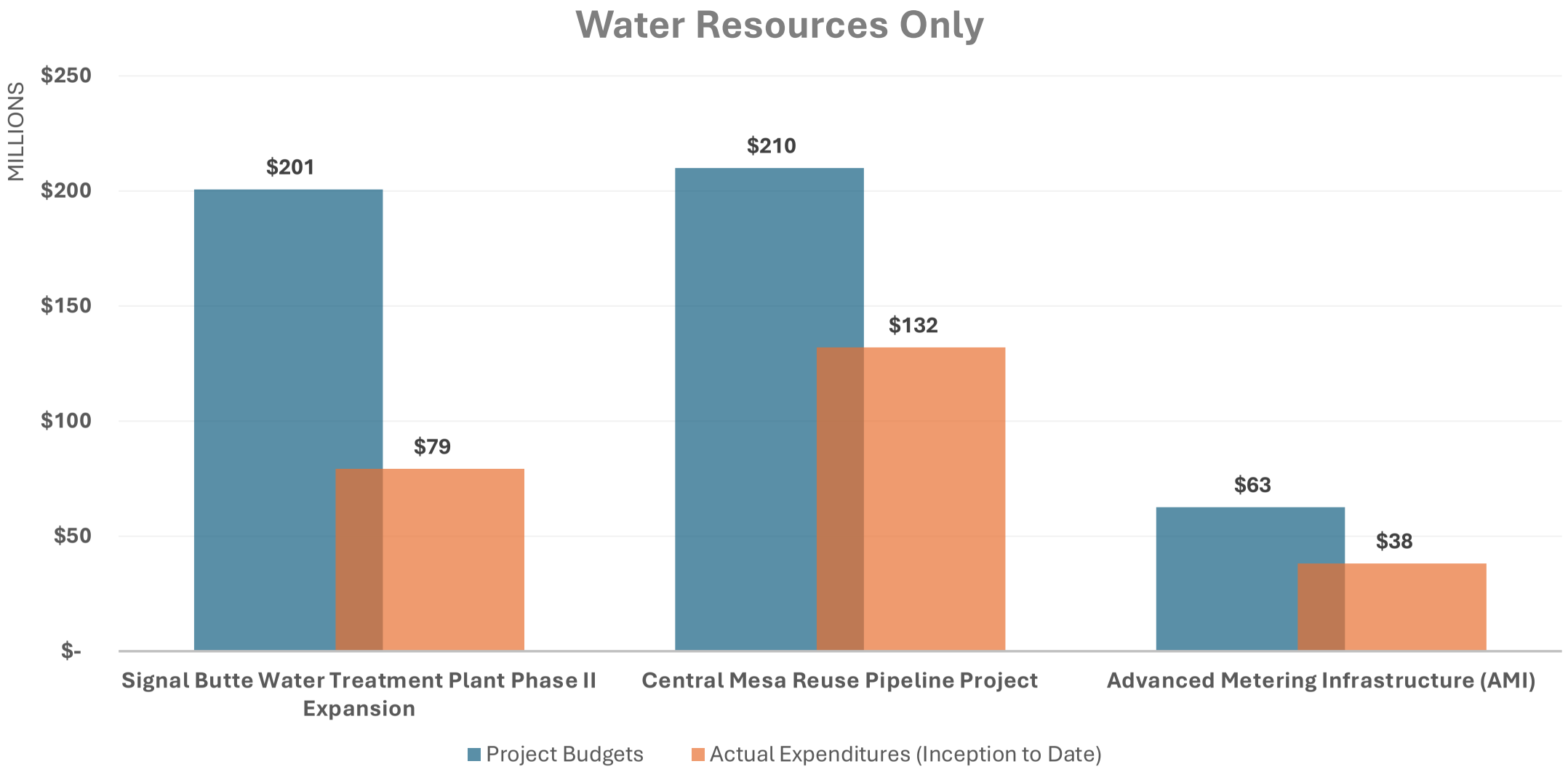
	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Residential Rate Revenue	55%	54%	50%	48%	44%	41%
Non-residential Rate Revenue	45%	46%	50%	52%	56%	59%
Residential Consumption	49%	48%	48%	48%	48%	47%
Non-residential Consumption	51%	52%	52%	52%	52%	53%

		Residential Water Usage - Highest Point of Usage (by Account)			
		Average Winter (December 2024 - February 2025)		Average Summer (June 2025 - August 2025)	
Kgals	Tier	Percent Accounts	Number Accounts	Percent Accounts	Number Accounts
0	0	30.06%	40,605	26.44%	36,353
1					
2					
3					
4	1	29.79%	40,247	22.25%	30,595
5					
6					
7	2	30.44%	41,119	30.89%	42,479
8					
9					
10					
11					
12					
13					
14					
15	3	6.98%	9,435	13.01%	17,884
16					
17					
18					
19					
20					
21					
22					
23					
24					
>24	4	2.74%	3,698	7.42%	10,203
	Total	100.00%	135,104	100.00%	137,514

Water Resources 5-Year CIP



Big 3 Budget and Actuals Comparison

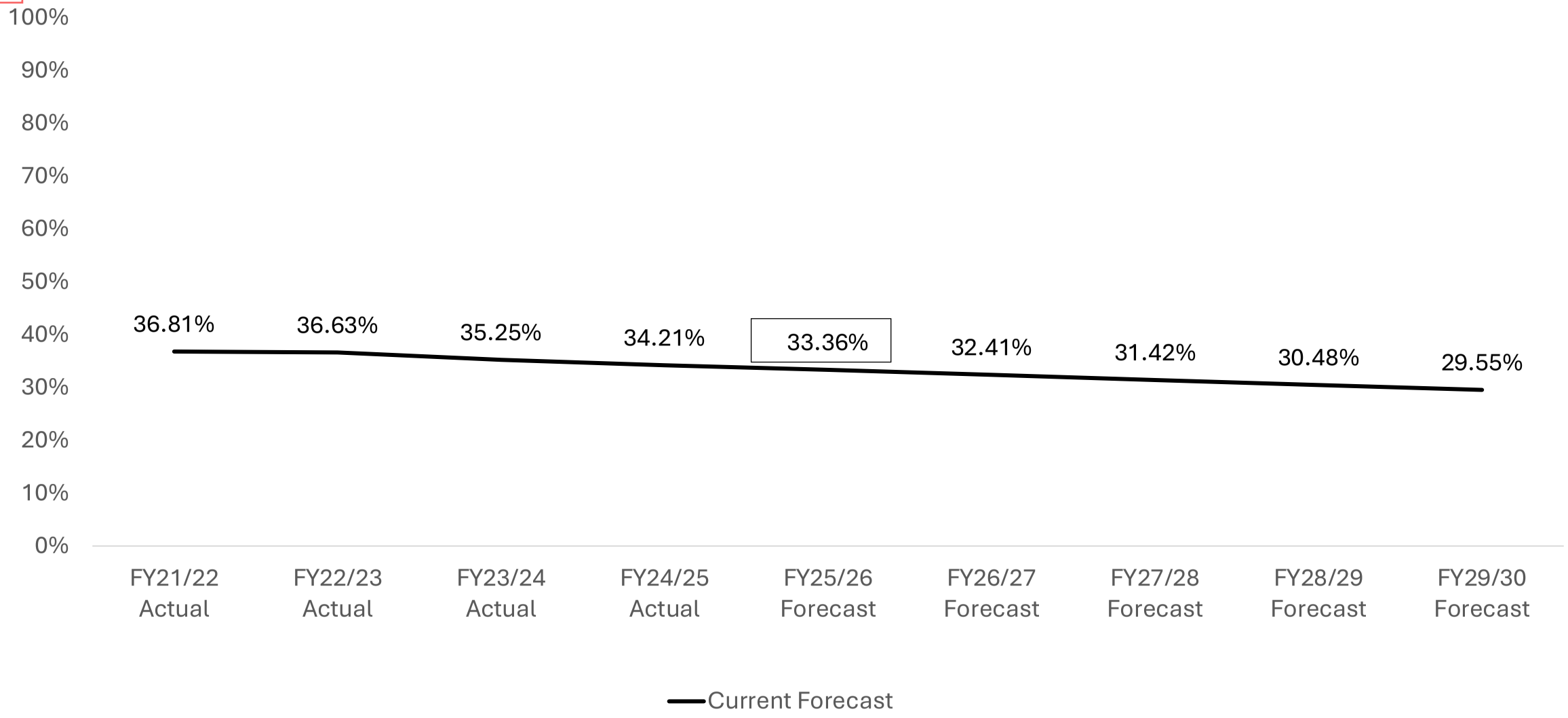


Water Resources Projects Deferred Outside 5-year Window

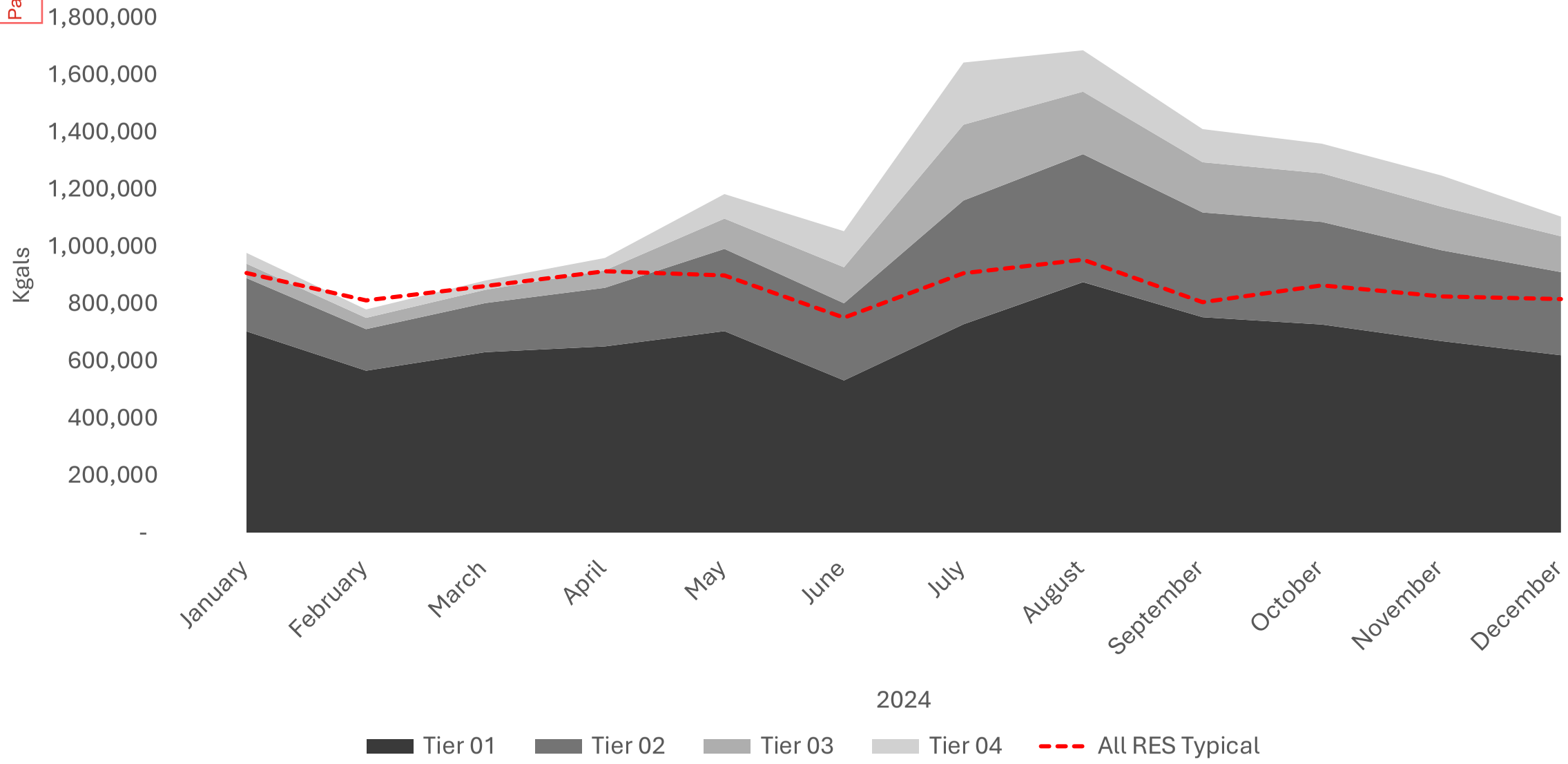
Water Projects	Budget
Large Diameter Pipeline	$23.8M
Small Diameter Pipeline	$19.9M
Groundwater Wells	$10.7M
Water Treatment Plant	$8.1M
SRP/CAP Interconnect Facility	$5.3M
Bartlett Dam and Reservoir Expansion	$5.0M
Hydrant/Meters/Valves	$4.4M
Reservoir/Pump Stations	$4.0M
Total Water	**$81.2M**

Wastewater Projects	Budget
Northwest Water Reclamation Plant	$55.0M
Lift Stations	$26.5M
Large Diameter Pipes	$19.4M
Total Wastewater	**$100.9M**

Fixed Revenues



Tiers

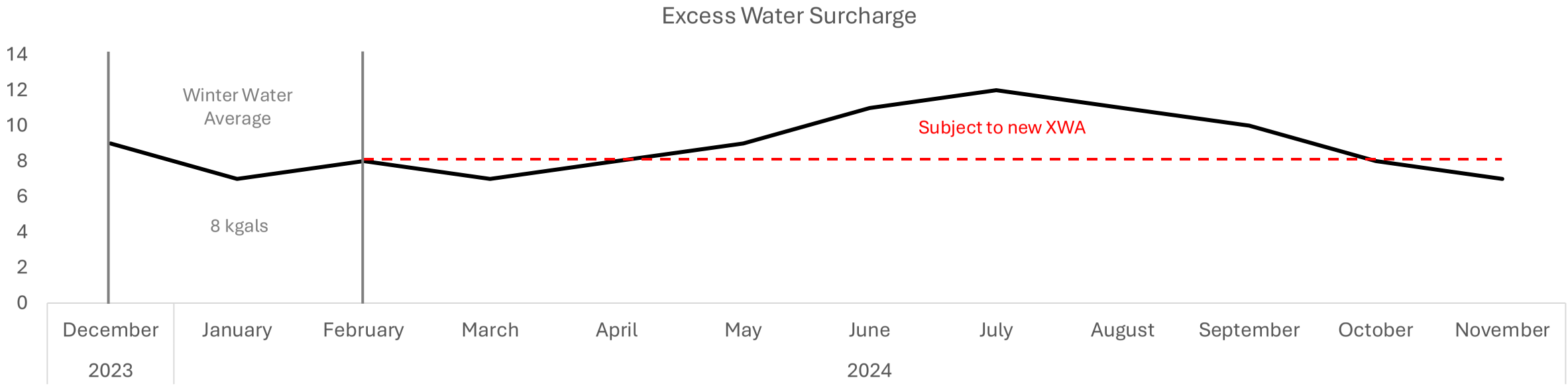

1,800,000
1,600,000
1,400,000
1,200,000
1,000,000
800,000
600,000
400,000
200,000
-
Kgals
January
February
March
April
May
June
July
August
September
October
November
December
2024
Tier 01
Tier 02
Tier 03
Tier 04
All RES Typical

Conservation

Landscape - Average Consumption per Account:

	FY22/23	FY23/24	FY24/25
Commercial Landscape (kgals)	88.01	96.52	106.00
MUD Landscape (kgals)	99.57	107.29	122.11
Rate Adjustment (usage charge)	+7.5%	+7.5%	+10.5%

Non-residential Excess Water Surcharge:



Regional Rate Adjustments

Residential Water:

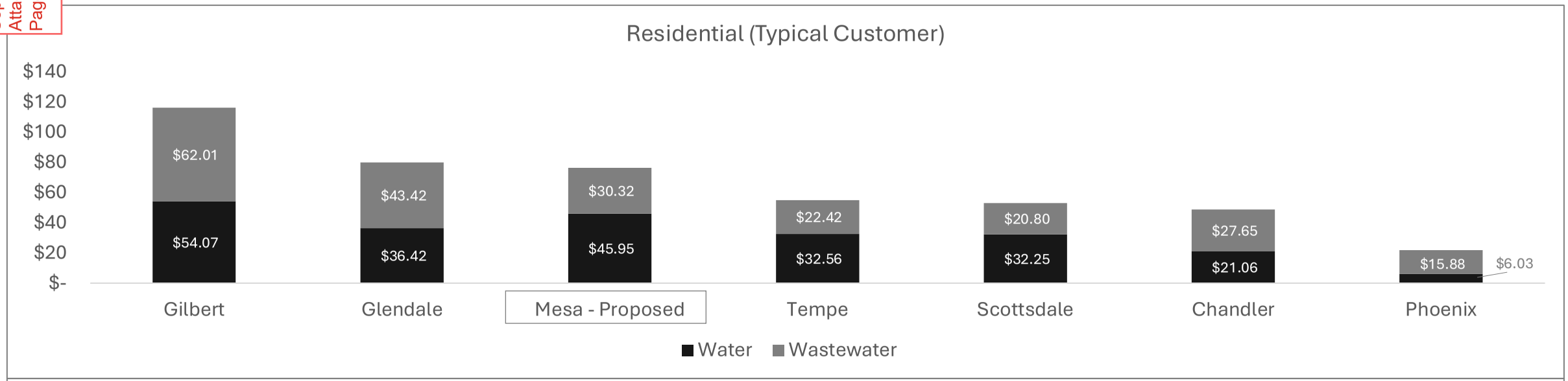
	FY 24/25	FY 25/26
Gilbert	25.0%	
Phoenix	13.0%	
Tempe	12.0%	11.1%*
Scottsdale	6.3%	4.5%*
Tucson	5.7%	3.5%
Glendale	4.5%	10.4%
Mesa	4.5%	*5.5%*
Chandler	0.0%	15.0%*

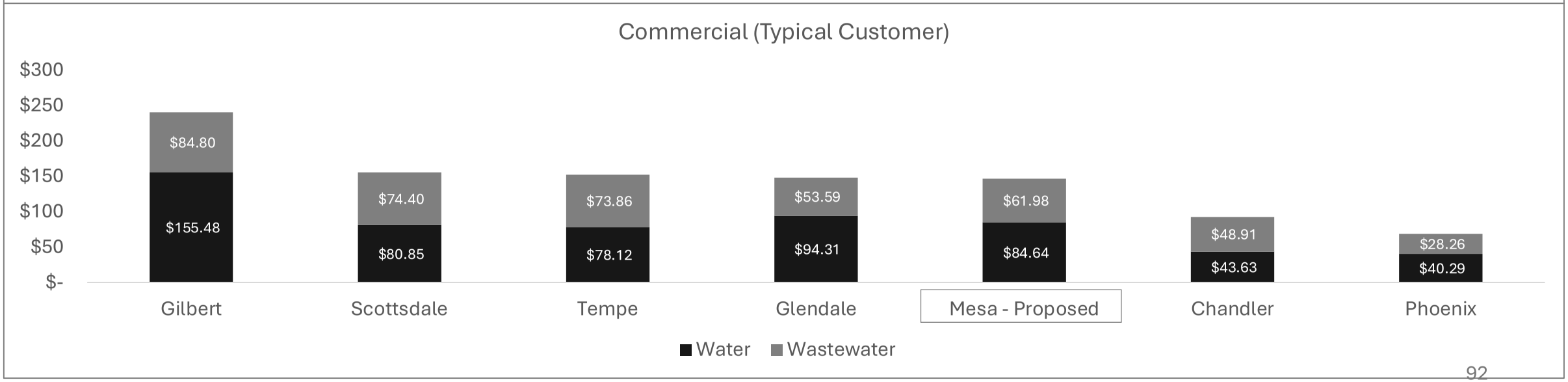
Residential Wastewater:

	FY 24/25	FY 25/26
Gilbert	95.0%	0.0%*
Tempe	16.4%	9.5%*
Glendale	9.9%	3.1%
Scottsdale	8.0%	6.0%
Mesa	7.5%	*8.0%*
Phoenix	7.0%	
Tucson	0.0%	3.0%*
Chandler	0.0%	15.0%*

* Not yet included in a Notice of Intent but is in a published forecast.

Regional Comparison





Affordability

The EPA and AWWA use 2.5% and 2% as benchmarks for affordability of water and wastewater services, respectively, with a combined threshold of 4.5% of median household income (MHI).

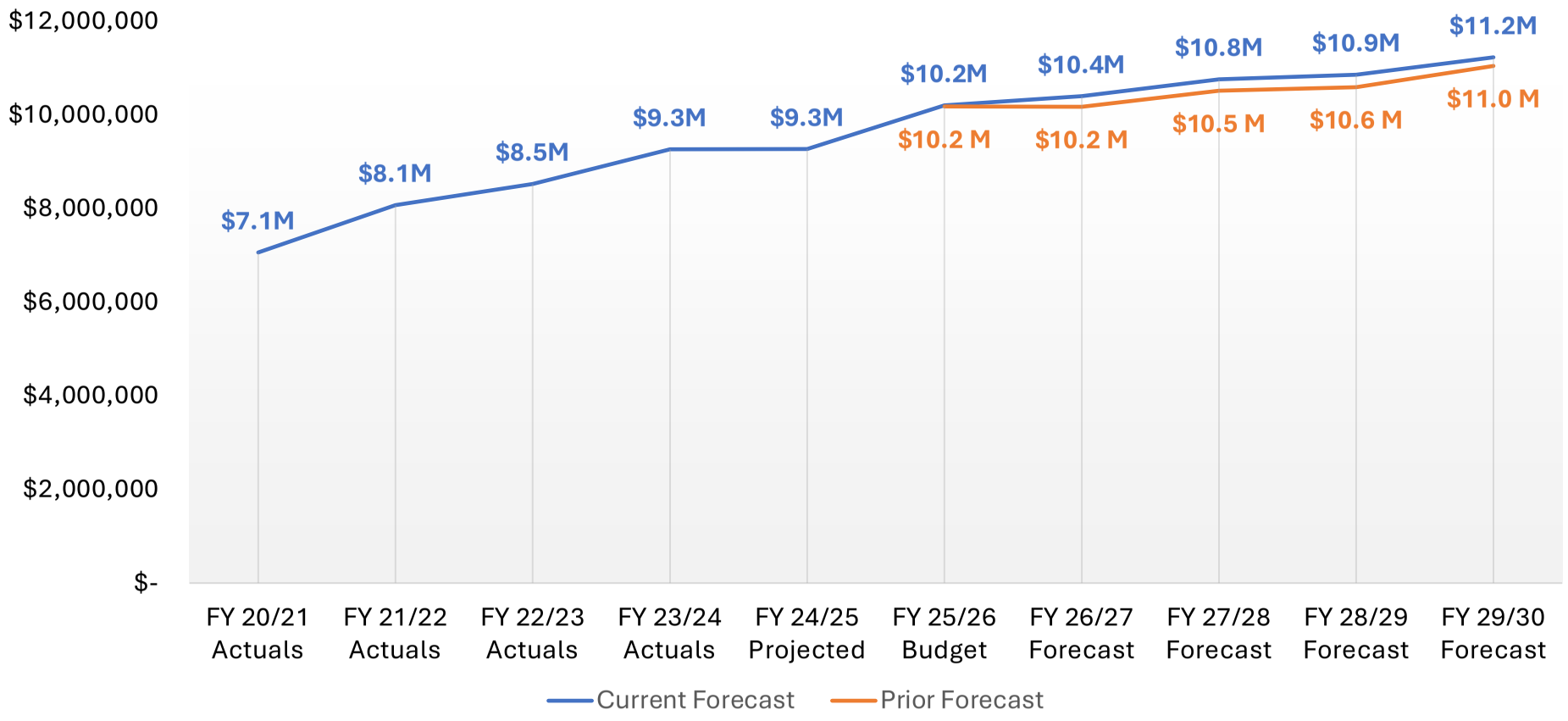
ZIP	Median Household Income ("MHI")	Typical RES Water Bill (Annual)	% MHI	Typical RES Wastewater Bill (Annual)	% MHI
85201 - 85215	$59,680 - $123,404	$551.40	0.92% - 0.45%	$363.84	0.61% - 0.29%

What about the City's low-income households?

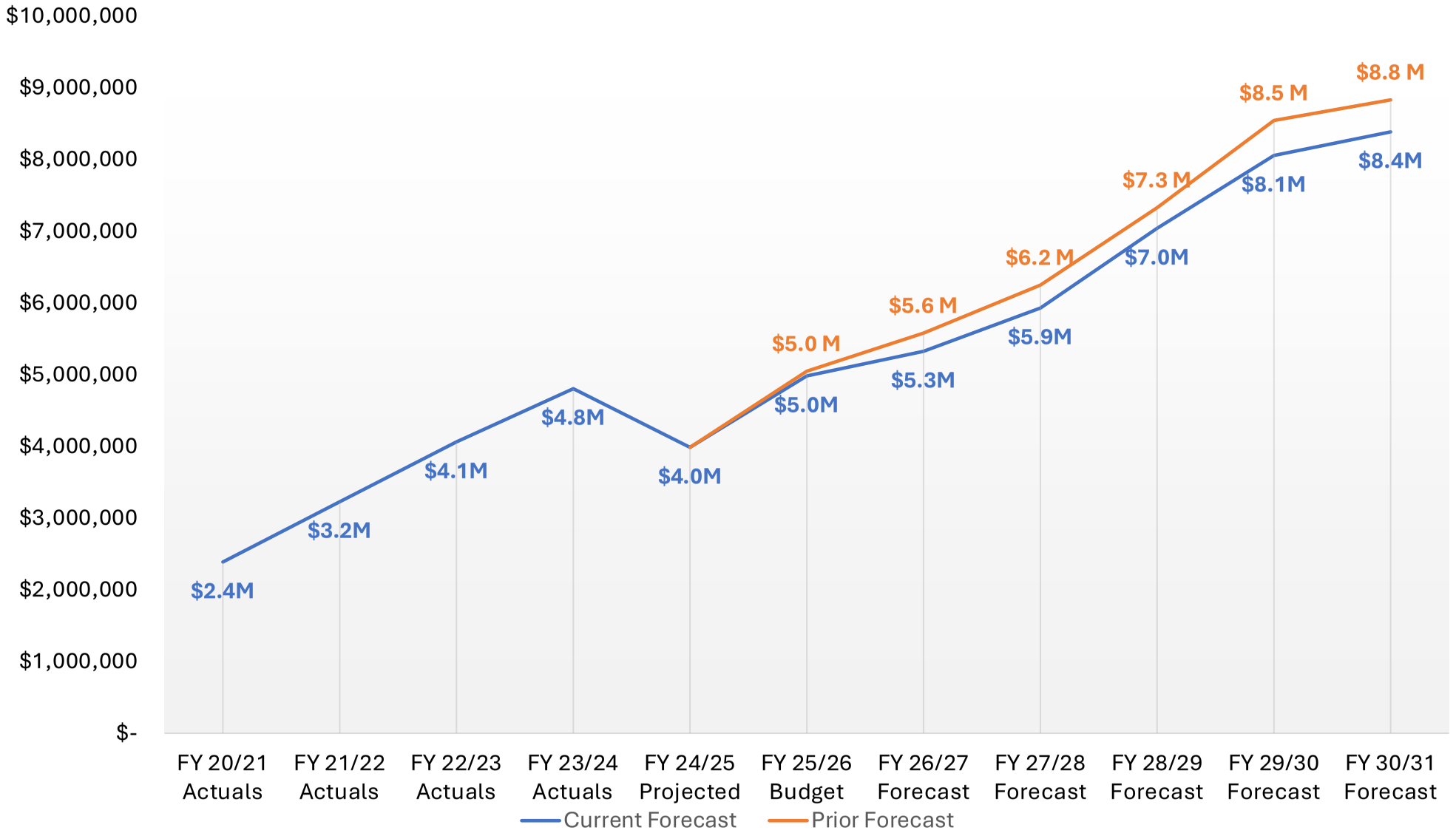
AZ Minimum Wage 2025		% of Annual Income for Typical RES Water Bill (annual)	% of Annual Income for Typical RES Wastewater Bill (annual)
Hourly	Annual		
$14.70	$30,576.00	1.80%	1.19%

Energy Department Backup

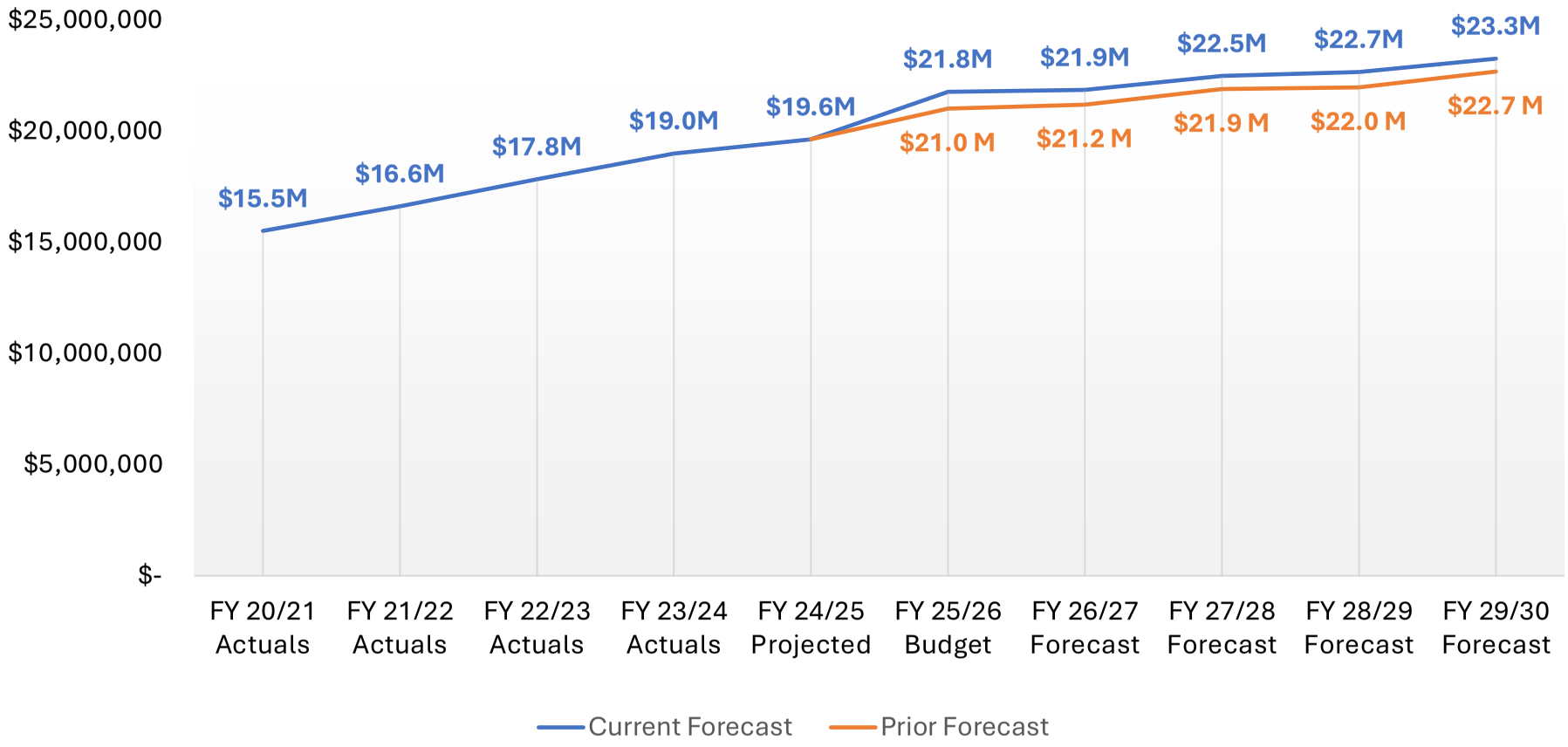
Increasing Operating Costs on the Electric Utility



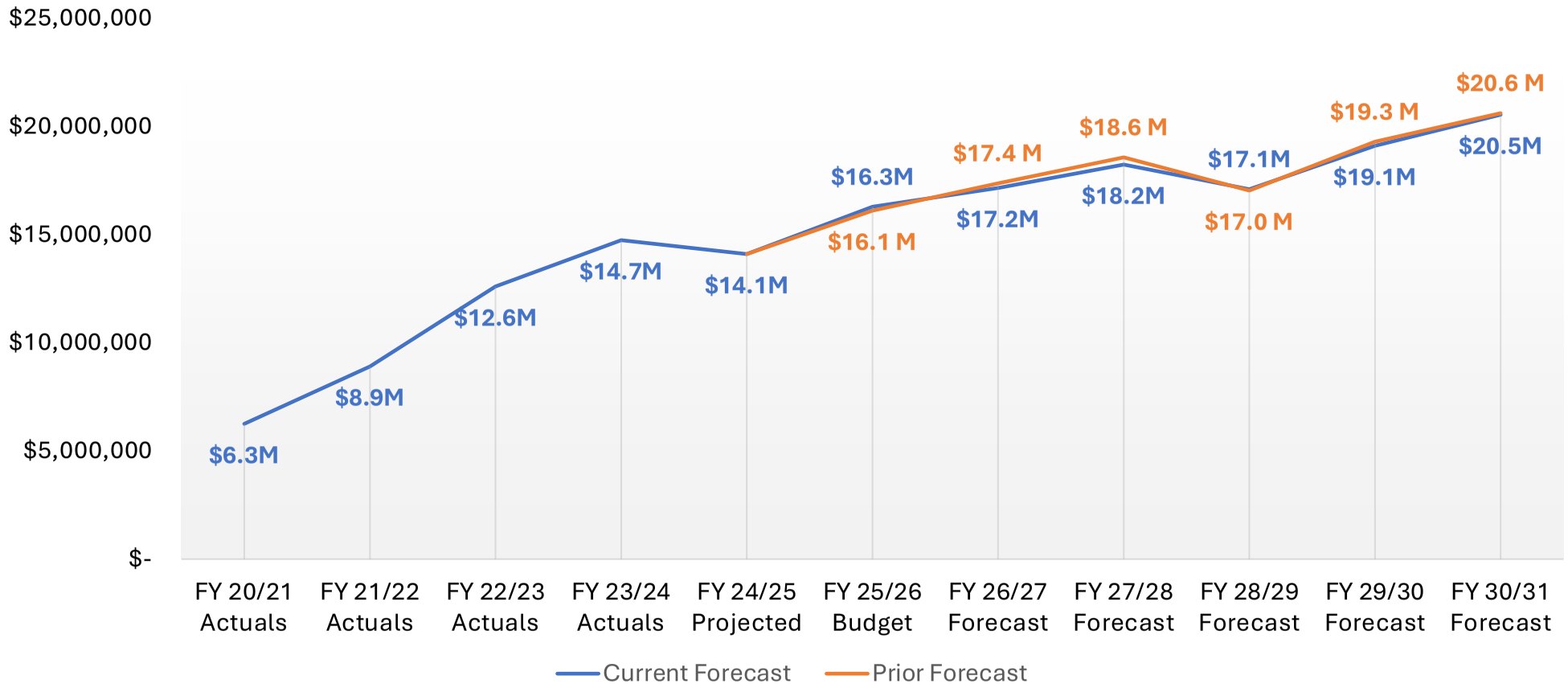
Increasing Debt Service Costs on the Electric Utility



Increasing Operating Costs on the Gas Utility



Increasing Debt Service Costs on the Gas Utility



Electric Project Cost Increases

PROJECT	PRIOR FORECAST	CURRENT FORECAST	INCREASE
Advanced Metering Infrastructure	$4.1M	$4.2M	$100k
Edge on Main (New service)	$0	$2.4M	$2.4M
Substation Improvements (w/SRP at Rogers)	$200k	$1.5M	$1.3M

Gas Project Cost Increases

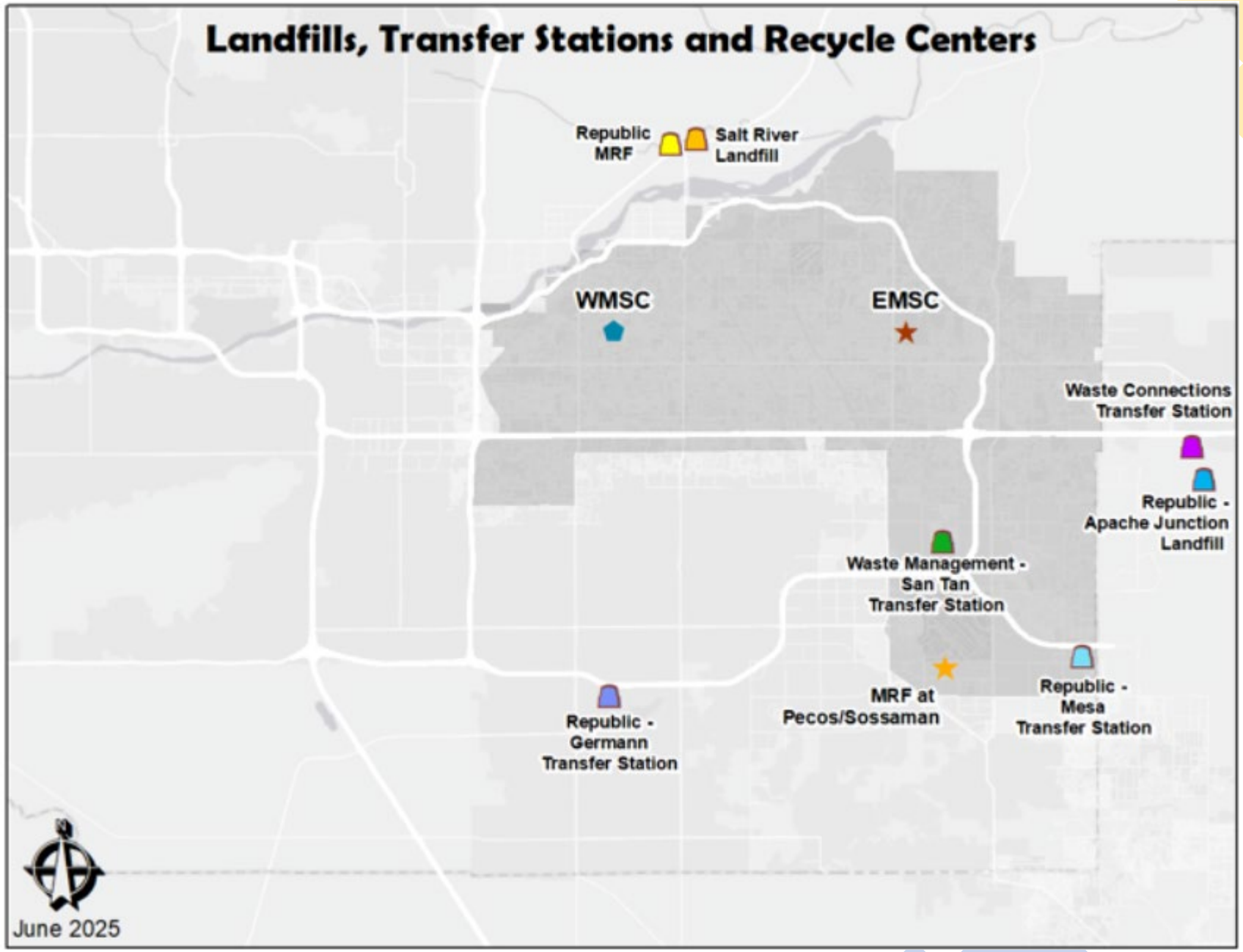
PROJECT	PRIOR FORECAST	CURRENT FORECAST	INCREASE
Advanced Metering Infrastructure	$15.3M	$19.5M	$4.2M
New Mains	$14.0M	$15.3M	$1.3M
New Services	$14.0M	$14.6M	$600k
High Pressure Mains	$1.7M	$4.3M	$2.6M

Solid Waste Department Backup

Total Uses and Sources

	FY 24/25 Estimate	FY 25/26 Projected	FY 26/27 Forecast	FY 27/28 Forecast	FY 28/29 Forecast	FY 29/30 Forecast
Total Uses - Current Forecast	$76.6M	$87.6M	$85.7M	$92.4M	$94.7M	$94.7M
Total Sources - Current Forecast	$76.6M	$81.7M	$86.4M	$91.8M	$97.4M	$103.3M
Total Sources - December 2024	$76.3M	$81.1M	$86.4M	$92.0M	$97.9M	$104.2M

102


Landfills, Transfer Stations and Recycle Centers
Republic MRF
Salt River Landfill
WMSC
EMSC
Waste Connections Transfer Station
Republic - Apache Junction Landfill
Waste Management - San Tan Transfer Station
MRF at Pecos/Sossaman
Republic - Mesa Transfer Station
Republic - Germann Transfer Station
June 2025

Landfill Costs

Landfill	2025 Rate	2026 CPI Forecast	Increase/(Decrease)
Salt River	$39.64	$41.62	5.0%
RAD	$36.94	$38.79	5.0%
Mesa Transfer	$45.00	$47.25	5.0%
Germann Transfer	$45.00	$47.25	5.0%
San Tan	$44.08	$46.28	5.0%
Apache Junction	$42.56	$44.69	5.0%

Year	Landfill Cost	Increase/(Decrease)
2023	$8,609,980	
2024	$8,843,441	2.7%
2025	$9,571,123	8.2%

Every Other Week Recycling

9,640 households audited

7.6% of population

~$1.6M Annual Savings

mesa·az

2026 EMPLOYEE BENEFITS & WELLNESS PROGRAMS

CITY COUNCIL PRESENTATION

by Janice Ashley, Employee Benefits Administrator

September 11, 2025

Employee Benefit Programs Overview

Programs/Vendor Partners

Medical/Behavioral Health/Prescription Drug = Cigna, MedImpact, VibrantRx, PaydHealth

Dental = Delta Dental of Arizona

Vision Care = Vision Service Plan (VSP)

Employee Assistance Program = ComPsych

Health and Dependent Care FSA = Navia Benefits

Business Travel Accident/Commuter Travel Accident Insurance – LINA/New York Life

Life and Accidental Death & Dismemberment Insurance = *New!* The Standard

Short Term Disability Insurance = *New!* The Standard

LTD Insurance (secondary) for Sworn Officers/Elected Officials = *New!* The Standard

Health and Wellness Center = Premise Health

Employee Benefit Program Drivers for 2026

Financial Considerations

- Employee Benefit Trust Fund projections/fiscal sustainability
- Significant national healthcare cost inflation impacts
- Continuing Specialty Drug cost impacts/pipeline
- Continuing significant utilization of high-cost non-specialty drugs including GLP-1's for diabetes and weight reduction

Employee Benefit Program Drivers for 2026

Employee Engagement

- Lowest possible rate increases
- High coverage plan designs
- Broad high-quality networks
- Manageable out-of-pocket expenses
- Life Insurance family protection
- Lifetime retiree health plan access and funding
- Wellness incentives and rewards
- Free, accessible primary and preventive care services

Highlights - Benefit Plan Changes for 2026

What's not changing in Medical Plans in 2026

- Comprehensive, high-value coverage – 3 Plan options
- Free Employee Health and Wellness Center (primary and preventive care services)
- Medical Plan Administrators and networks
- In-network coinsurance levels (50%, 80%, 100%)
- Out-of-network deductibles and coinsurance levels
- 100% in-network coverage for: Preventive Care, High-Tech Radiology, all inpatient and outpatient Behavioral Health care, MDLive virtual urgent care, many other 100% covered services in the Copay Plan

Highlights - Benefit Plan Changes for 2026 Continued

What's changing in Medical Plans in 2026?

- Premium rates
- In-network Basic/Choice Plan deductibles ($550/$1,650; $300/$900)
- Medical MOOP's – Basic Plan: $4,500/$9,000; Choice Plan: $3,000/$6,000; Copay Plan: $4,600/$9,200
- Most copays:
  - Basic Plan Specialist Office Visit (OV) copay: $30 (PCP OV $20 - no change!)
  - In-Network Global Maternity Provider Fee $400 all plans
  - Copay Plan: OV Copay - $25 PCP/$50 Specialist; $30 Rehabilitation Therapy visits (PT, OT, ST, Chiropractic); $60 Urgent Care; $200 Emergency Room; $250 Outpatient facility charge; $300 Inpatient facility charge

Highlights - Benefit Plan Changes for 2026 Continued

Prescription Drug RX Changes

One *new* RX plan design for all medical plans!

- Continued no RX deductibles
- Consolidated mins, maxs, and coinsurance by channel/tier: Retail 30, Retail 90/Mail Order and Specialty Drugs
- Increased RX out-of-pocket maximums: $4,000 per person/$8,000 per family

edical/Prescription Drug Plans - Rate Changes

Medical Plan Premium Increases for 2026

***Active employees and families*:**

Plan and single/family tier of coverage determine increases - range from $9 to $73 per month increase

***Retirees and families*:**

Plan, single/family tier of coverage and Medicare eligibility determine increases - range from $0 to $86 per month increase

Active Medical Plan Premium Rates for 2026

ACTIVE MEDICAL PLAN RATES – MONTHLY

BASIC 50% PLAN	2026		
	City Contribution	EE Contribution	EE Difference vs 2025
Single	$712	$18	+$9
Family	$1,584	$36	+$16

CHOICE 80% PLAN	2026		
	City Contribution	EE Contribution	EE Difference vs 2025
Single	$712	$178	+$16
Family	$1,584	$396	+$36

COPAY 100% PLAN	2026		
	City Contribution	EE Contribution	EE Difference vs 2025
Single	$712	$267	+$24
Family	$1,584	$806	+$73

ghlights – Other Benefit Plan Changes for 2026

- **Flexible Spending Accounts (FSA) Plan**
  - Health FSA max to $3,300 and rollover max to $660
  - Dependent Care FSA election max to $7,500/$3,750
- **Vision Care Plans with VSP**
  - Same benefit levels with small rate increases on richer 2 of 3 Plan options
- **Voluntary Life/ADD with The Standard (new!)**
  - Maintained or reduced prices for employees
  - Coverage maximums and Guarantee Issue (GI) increases:
    - ✓ Employee - up to $1 million with $300,000 GI
    - ✓ Spouse/Committed Partner – up to $500,000 with GI up to $50,000
    - ✓ Children – up to $20,000 and GI for all
- **Short Term Disability Insurance with The Standard (new!)**
    - ✓ Same 3 plan design options: 14/29/44 day waiting periods
    - ✓ Reduced unit prices

Mesa Wellness 360

Annual Wellness Program:

Up to $1,000 per household in incentives/rewards!

Health and Wellness Center:

Preventive/primary care services (Premise Health)

- ✓ Remodeled, state-of-the-art location at 59 S. Hibbert
- ✓ 15,800+ medical plan members eligible
- ✓ All services - free of charge!
- ✓ Skilled, high-quality, dedicated medical providers and staff
- ✓ Lab draw services
- ✓ Skin Cancer screenings
- ✓ Vaccinations
- ✓ Youth sports physicals

Open Enrollment and Wellness Benefits Fair

Open Enrollment 2025 for CY 2026 - October 1 – October 15

- eBenMesa enrollment system
- Benefits Website: OE Guides, 2026 Plan Document, and other communications
- Passive enrollment (except FSA, any intended changes and *new* Voluntary Life Insurance options = *positive enrollment*)

Wellness and Benefits Fair/"Market" Theme

Thursday October 2 – from 8 am to 1 pm - Mesa Convention Center

- Employees/retirees welcome: Wellness & Benefits "Market" theme
- Enrollment computer lab with volunteers to assist
- Benefit plan vendors, City department information booths and Employee Network vendors
- Free Flu Shots including high dose for eligible age groups (first come, first served)
- Free Body Composition Testing & Free Chair Massages
- Mammography/P.O.P mobile units (with appointments – claims to medical plan)
- Food and beverage trucks (from 7:30 am)

Nepean