





# Water Rate Study Public Hearing


January 12, 2022

## Water Rate Study Team

Mesa Water District Staff

 <p><b>Steve Gagnon, PE (AZ)</b> Project Manager</p> <p>25 years experience</p> <p>Extensive Orange County water and wastewater rate setting experience</p> <p>E: sgagnon@raftelis.com / P: 714.351.2013</p>	 <p><b>Theresa Jurotich, PE (KS, WA), PMP</b> Assistant Project Manager</p> <p>24 years experience</p> <p>Extensive national water and wastewater rate setting experience</p> <p>E: tjurotich@raftelis.com / P: 206.707.9155</p>
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# Agenda

- 1. Mesa Water overview
- 2. Rate study and schedule background, financial need and assumptions
- 3. Financial plan
- 4. Proposed rates
- 5. Typical single family bill impacts



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# Financially Strong

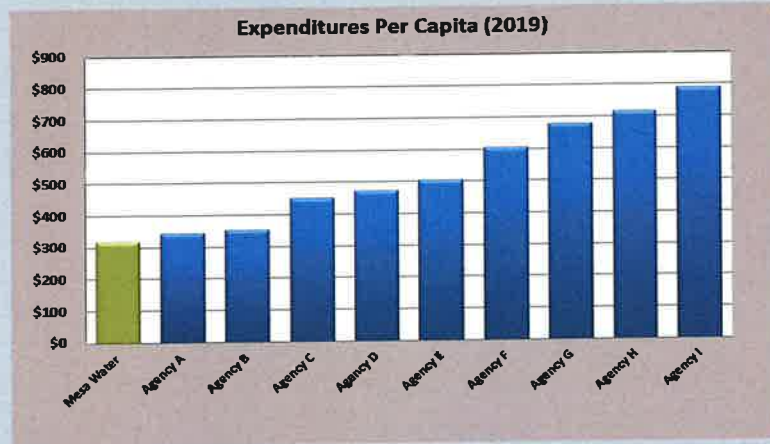
**AAA Rating**

**STANDARD  
& POOR'S**

**Fitch Ratings**



## Most Efficient Water District in Orange County

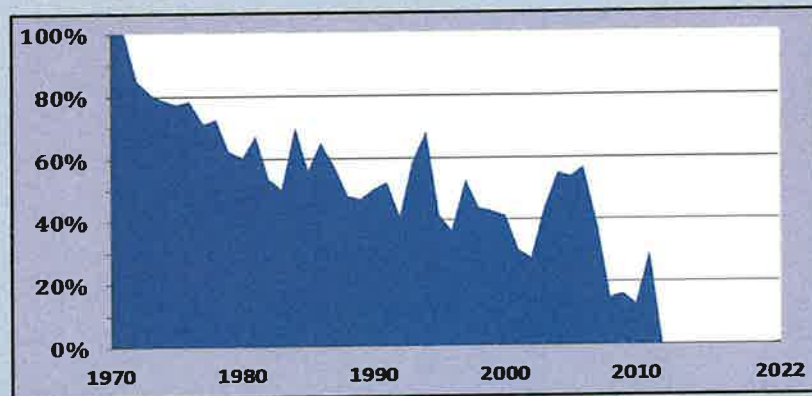


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## 100% Local Water

Historical % of Annual Imported Water



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## Abundance of Local, Reliable Water

### Mesa Water Reliability Facility Benefits:

- High-quality water
- Groundwater basin clean-up
- Drought-resilient local water supply
- Lower carbon foot-print



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## Clean, Safe Water

- Conduct more than 30,000 water quality tests annually
- No instances of waterborne illnesses
- No PFOS & PFOA



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# Committed to Transparency & District of Distinction

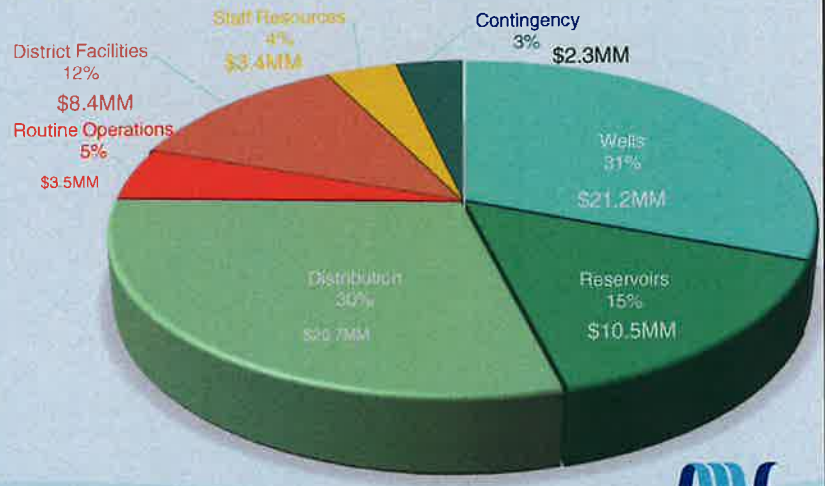


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# Capital Improvement Program Renewal

- \$70 Million
- 5 CIPR Programs
- 17+ Projects
- FY20 through FY23



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## Wells Nos. 12 and 14 and Pipeline Project

- Two new wells and pipeline
- Increase groundwater production capacity by 11 million gallons/day



Croddy Well, No. 14

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## Reservoirs 1 and 2 Upgrade Project

- Will increase the storage capacity of reservoirs by more than 15 million gallons, increasing the reliability of our operations
- Upgrades include pump stations and chemical addition systems



Reservoir 1 Pump Station

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## Wilson Street Pipeline Replacement Project

- Replacing 70-year-old pipeline (nearly one mile)
- Wilson Street from the Newport Boulevard intersection to the Harbor Boulevard intersection



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## Rate Study & Schedule





# Rate Study Public Process

- Commissioned Raftelis to conduct rate study
- Held five (5) Public Meetings (June 10, 2021-January 12, 2022)
  - Thursday, June 10, 2021: Approved Rates Study by Raftelis
  - Tuesday, October 5, 2021: Reviewed Rate Options/Authorized Public Hearing
  - Tuesday, October 26, 2021; Reviewed Rate Options
  - Tuesday, November 16, 2021: Reviewed Draft Rate Study
  - Wednesday, January 12, 2022: Public Hearings
- Posted all Board reports and meeting minutes on mesawater.org website



# Property Owner & Customer Notification of Proposed Rate Adjustments

- Mailed Prop. 218 Notice to 29,500 property owners and customers on Monday, November 22, 2021
- Placed newspaper advertisement in Daily Pilot on December 29, 2021 and January 5, 2022

**Notice of Public Hearings and Availability of Secretary's Report**

Enclosed is a notice regarding the proposed rate study and the availability of the Secretary's Report. The Secretary's Report is available for public review and comment. The report will be available for public review and comment from January 12, 2022 to January 19, 2022. The report will be available for public review and comment at the following locations:

**Public Hearing Locations:**

- City of Mesa, City Hall, 100 North Country Avenue, Mesa, Arizona 85201
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**Public Hearing Times:**

- Monday, January 12, 2022, 6:00 PM to 8:00 PM
- Tuesday, January 13, 2022, 6:00 PM to 8:00 PM

**Public Hearing Agenda:**

- 6:00 PM - 6:15 PM: Registration
- 6:15 PM - 6:30 PM: Welcome and Introduction
- 6:30 PM - 7:00 PM: Presentation of the Secretary's Report
- 7:00 PM - 7:30 PM: Public Comment
- 7:30 PM - 8:00 PM: Meeting Adjourns

**Secretary's Report:**

The Secretary's Report is available for public review and comment. The report will be available for public review and comment from January 12, 2022 to January 19, 2022. The report will be available for public review and comment at the following locations:

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**Public Comment:**

Public comment is invited on the Secretary's Report. Comments should be submitted to the City of Mesa, City Hall, 100 North Country Avenue, Mesa, Arizona 85201, by January 19, 2022. Comments should be submitted in writing and should be accompanied by a copy of the Secretary's Report.

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## Common Terms

- **Financial Plan** – Projecting revenue and expenses to see if revenue is enough to cover costs.
- **ccf** – The unit used to charge for water. One ccf = 100 cubic feet = 748 gallons. This is a commonly used billing unit in California.
- **Capital** – refers to large infrastructure assets/costs such as pipelines, storage tanks, pumps, wells, etc.
- **Rate Study** – The process of determining proposed utility rates.
- **Meter size** – Meters track water usage at the property; the size is determined by its supply line. Most residential meters are either 5/8", 3/4" or 1".
- **Volumetric rate** – The amount charged per unit of water (\$ per ccf).
- **Fixed charge** – The amount charged by meter size, it does not vary with water use.

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## What Water Rates Fund

- District's water utility is funded by the money it receives from charges paid by customers and pays for:
  - Operating costs (wholesale water costs, salaries, benefits, supplies)
  - Capital costs (pipes, pumps, tanks, wells)
  - Debt service (paying back debt)
- The water utility is an enterprise fund: a self-supporting government fund
- Water service is not like police, fire, libraries, and parks

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## Need for Rate Adjustments

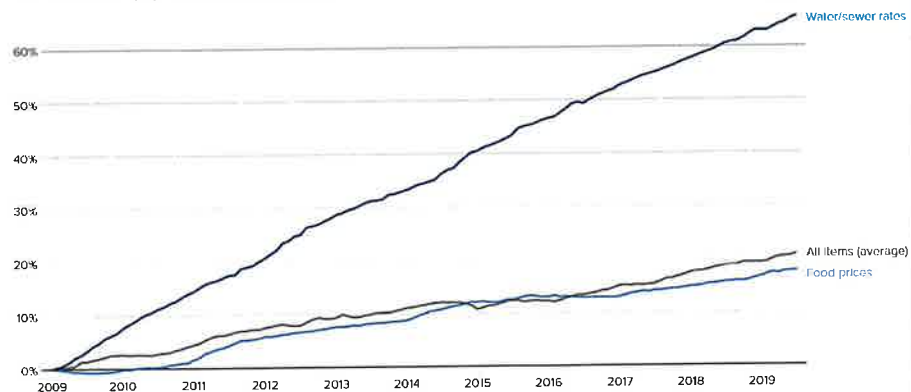
- Inflation! Mesa Water's costs to provide water are going up including:
  - Groundwater purchase costs from Orange County Water District (Replenishment Assessment)
  - Operation and maintenance costs, which include water treatment costs
  - Capital costs, which include repair and replacement of pipes, reservoirs, and pumps
  - Investments in and maintenance of infrastructure to ensure reliable water supply (capital costs)

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## Utility Rates vs. Other Goods

What Americans pay for water and sewer service has increased much faster than inflation or the price of food.



Source: Bureau of Labor Statistics—Consumer Price Index

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## Presentation Summary

	Fiscal Year				
	2023	2024	2025	2026	2027
Revenue Increase	8.0%	8.0%	5.0%	5.0%	5.0%
Typical Single Family Water Bill Increase before Capital Charge	1.84%	1.97%	1.98%	1.83%	1.83%

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## Financial Plan Assumptions

Water rates pay for:

- Capital expenses
- Self insurance funding/reserve
- Replenishment assessment increase
- Operating expenses

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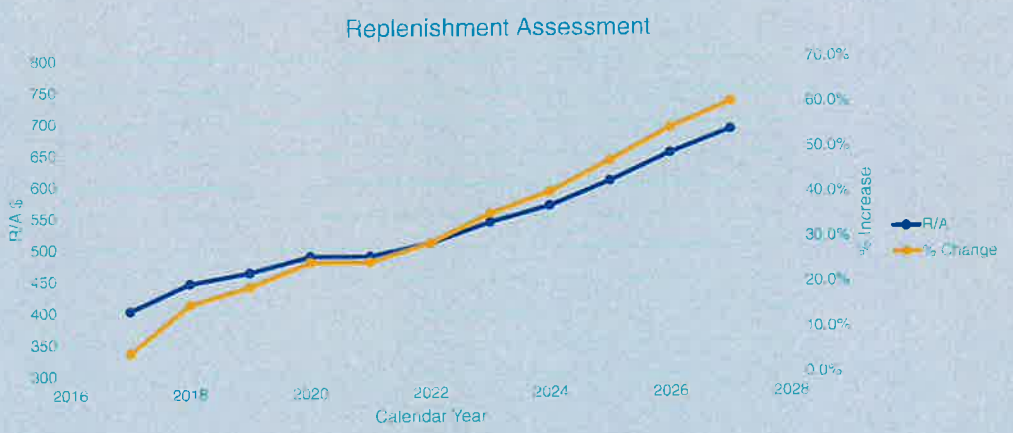


# Inflationary Assumptions

Line Item	Fiscal Year				
	2023	2024	2025	2026	2027
General	2.5%	2.5%	2.5%	2.5%	2.5%
Payroll	3.5%	3.5%	3.5%	3.5%	3.5%
Utilities	3.5%	3.5%	3.5%	3.5%	3.5%
Groundwater Basin Replenishment Assessment	6.5%	4.8%	6.9%	7.3%	5.7%
Imported Water Volumetric Costs	5.0%	5.0%	5.0%	5.0%	5.0%
Imported Water Fixed Supply Costs	3.5%	3.5%	3.5%	3.5%	3.5%

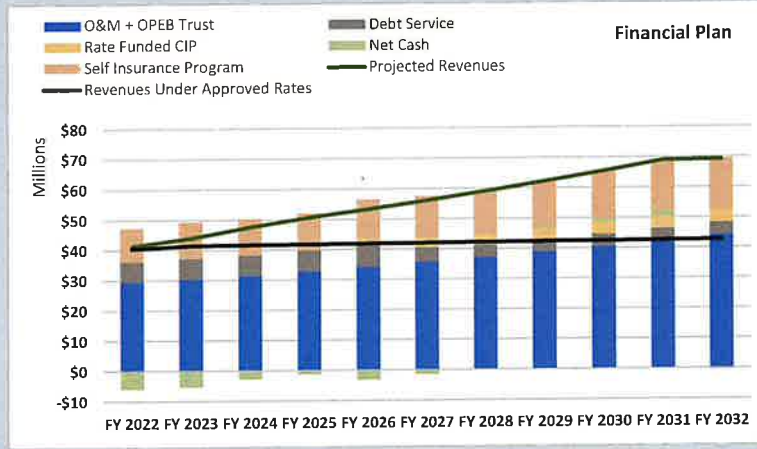


# OCWD Replenishment Assessment



# Proposed Financial Plan

Fiscal Year	Revenue Increase
2023	8.0%
2024	8.0%
2025	5.0%
2026	5.0%
2027	5.0%



# Rate Design



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## Changes Since Last Water Rate Study

- Recover a portion of revenue requirements via a Capital Charge to be collected via the Orange County treasurer-tax collector
  - Provide a set revenue stream for necessary maintenance, repair and rehabilitation of the water system
  - Stabilize revenue due to seasonal events such as rain or mandatory cutbacks
- Self-insure for an earthquake (captive)
- Private fire charges start at 1" meters instead of 2"
- Increase the amount of revenue recovered through fixed charges
- Billing cost component is recovered **per bill** (each time a bill is sent there is a cost to do so); thus, monthly charges are not exactly half of bi-monthly charges

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## Committee Recommend Rate Setting Goals

- Target about 24 percent of revenue collected through the capital charge by FY 2027
- Average annual increase in single family *water bill* of 1.9%

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# Rates

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## Basic Charge Derivation for FY 2023

Meter Size	Billing \$/bill	Meter Capacity \$/mtr/bi-mo	Public Fire \$/mtr/bi-mo	Total \$/bi-mo	Total \$/mo
5/8-inch	\$16.05	\$0.35	\$13.15	\$29.55	\$22.81
3/4-inch	\$16.05	\$0.53	\$19.72	\$36.30	\$26.18
1-inch	\$16.05	\$0.88	\$32.86	\$49.79	\$32.92
1 1/2-inch	\$16.05	\$1.76	\$65.71	\$83.52	\$49.79
2-inch	\$16.05	\$2.82	\$105.13	\$124.00	\$70.03
3-inch	\$16.05	\$6.17	\$229.95	\$252.17	\$134.11
4-inch	\$16.05	\$11.10	\$413.91	\$441.06	\$228.56
6-inch	\$16.05	\$24.67	\$919.78	\$960.50	\$488.28
8-inch	\$16.05	\$42.30	\$1,576.76	\$1,635.11	\$825.58
10-inch	\$16.05	\$66.97	\$2,496.53	\$2,579.55	\$1,297.81

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## Bi-Monthly Basic Charge, \$/Bill

- Initial decrease in the basic charge
- Slight increase in the basic charge in FY 2024 onward

Proposed Rates	Fiscal Year					
	2022	2023	2024	2025	2026	2027
Effective Date	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026	Jan 2027
Bi-Monthly Potable Water & RW Basic Charge						
Meter Size						
5/8-inch	\$30.03	\$29.55	\$30.99	\$31.54	\$32.16	\$32.83
3/4-inch	\$45.36	\$36.30	\$37.77	\$38.57	\$39.50	\$40.42
1-inch	\$75.37	\$49.79	\$51.33	\$52.62	\$54.16	\$55.61
1 1/2-inch	\$151.36	\$83.52	\$85.23	\$87.76	\$90.83	\$93.57
2-inch	\$242.04	\$124.00	\$125.91	\$129.92	\$134.83	\$139.13
3-inch	\$529.38	\$252.17	\$254.72	\$263.42	\$274.15	\$283.40
4-inch	\$953.36	\$441.06	\$444.55	\$460.16	\$479.48	\$496.00
6-inch	\$2,119.97	\$960.50	\$966.58	\$1,001.20	\$1,044.12	\$1,080.67
8-inch	\$3,626.88	\$1,635.11	\$1,644.55	\$1,703.85	\$1,777.42	\$1,839.97
10-inch	\$5,746.80	\$2,579.55	\$2,593.70	\$2,687.56	\$2,804.04	\$2,902.99



## Monthly Basic Charge, \$/Bill

Proposed Rates	Fiscal Year					
	2022	2023	2024	2025	2026	2027
Effective Date	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026	Jan 2027
Monthly Potable Water & RW Basic Charge						
Meter Size						
5/8-inch	\$15.02	\$22.81	\$24.21	\$24.52	\$24.83	\$25.24
3/4-inch	\$22.68	\$26.18	\$27.60	\$28.03	\$28.50	\$29.03
1-inch	\$37.69	\$32.92	\$34.38	\$35.06	\$35.83	\$36.63
1 1/2-inch	\$75.68	\$49.79	\$51.33	\$52.62	\$54.16	\$55.61
2-inch	\$121.02	\$70.03	\$71.67	\$73.70	\$76.16	\$78.39
3-inch	\$264.69	\$134.11	\$136.08	\$140.46	\$145.82	\$150.52
4-inch	\$476.68	\$228.56	\$230.99	\$238.83	\$248.49	\$256.82
6-inch	\$1,059.99	\$488.28	\$492.01	\$509.35	\$530.81	\$549.15
8-inch	\$1,813.44	\$825.58	\$830.99	\$860.67	\$897.46	\$928.81
10-inch	\$2,873.40	\$1,297.81	\$1,305.57	\$1,352.53	\$1,410.77	\$1,460.32



## Annual Capital Charge By Meter Size

- This assumes that the number of accounts is roughly equivalent to the number of parcels. A direct correlation is unlikely.
- Likely have some parcels with multiple accounts.

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## Annual Capital Charge By Meter Size (Continued)

Proposed Rates	Fiscal Year					
	2022	2023	2024	2025	2026	2027
Effective Date	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026	Jan 2027
Potable Water Meter Size						
5/8-inch	\$0.00	\$99.92	\$163.45	\$198.13	\$235.17	\$274.93
3/4-inch	\$0.00	\$149.88	\$245.17	\$297.20	\$352.76	\$412.39
1-inch	\$0.00	\$249.79	\$408.61	\$495.33	\$587.92	\$687.31
1 1/2-inch	\$0.00	\$499.57	\$817.21	\$990.65	\$1,175.84	\$1,374.61
2-inch	\$0.00	\$799.31	\$1,307.54	\$1,585.04	\$1,881.35	\$2,199.37
3-inch	\$0.00	\$1,748.49	\$2,860.23	\$3,467.27	\$4,115.44	\$4,811.11
4-inch	\$0.00	\$3,147.29	\$5,148.40	\$6,241.08	\$7,407.79	\$8,659.99
6-inch	\$0.00	\$6,993.96	\$11,440.89	\$13,869.06	\$16,461.75	\$19,244.41
8-inch	\$0.00	\$11,989.65	\$19,612.96	\$23,775.53	\$28,220.13	\$32,990.42
10-inch	\$0.00	\$18,983.61	\$31,053.84	\$37,644.58	\$44,681.87	\$52,234.83

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## Consumption Rate, \$/ccf

Proposed Rates	Fiscal Year					
	2022	2023	2024	2025	2026	2027
Effective Date	January	January	January	January	January	January
Potable Water	\$4.72	\$4.85	\$4.91	\$5.01	\$5.10	\$5.19
Construction	\$5.21	\$4.85	\$4.91	\$5.01	\$5.10	\$5.19
Fire Line Water	\$5.21	\$4.85	\$4.91	\$5.01	\$5.10	\$5.19
Recycled Water	\$3.08	\$3.40	\$3.56	\$3.72	\$3.89	\$4.07



## Bi-Monthly Private Fireline Service, \$/Bill

- Fire service lines are now 1” or larger. Previously they started at 2”
- Therefore, the proposed charge starts at the 1” service line size instead of the 2” line

Proposed Rates	Fiscal Year					
	2022	2023	2024	2025	2026	2027
Effective Date	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026	Jan 2027
Fireline Service Size						
1-inch	\$8.30	\$17.38	\$18.81	\$18.94	\$19.02	\$19.24
1 1/2-inch	\$8.30	\$19.90	\$21.44	\$21.69	\$21.93	\$22.28
2-inch	\$8.30	\$24.24	\$25.96	\$26.43	\$26.95	\$27.51
3-inch	\$24.08	\$39.81	\$42.21	\$43.47	\$44.94	\$46.32
4-inch	\$51.29	\$66.67	\$70.23	\$72.85	\$75.98	\$78.75
6-inch	\$148.96	\$163.09	\$170.79	\$178.29	\$187.39	\$195.15
8-inch	\$317.40	\$329.38	\$344.25	\$360.16	\$379.55	\$395.92
10-inch	\$570.77	\$579.52	\$605.16	\$633.73	\$668.59	\$697.92



# Monthly Private Fireline Service, \$/Bill

- As mentioned above, fire service lines are 1” or larger
- Therefore, the proposed charge starts at the 1” service line size instead of the 2” line

Proposed Rates	Fiscal Year					
	2022	2023	2024	2025	2026	2027
Effective Date	Jan 2022	Jan 2023	Jan 2024	Jan 2025	Jan 2026	Jan 2027
Fireline Service Size						
1-inch	\$3.95	\$16.72	\$18.12	\$18.21	\$18.26	\$18.44
1 1/2-inch	\$3.95	\$17.98	\$19.44	\$19.59	\$19.71	\$19.96
2-inch	\$3.95	\$20.15	\$21.70	\$21.96	\$22.22	\$22.58
3-inch	\$11.47	\$27.93	\$29.82	\$30.48	\$31.22	\$31.98
4-inch	\$24.42	\$41.37	\$43.83	\$45.17	\$46.74	\$48.20
6-inch	\$70.93	\$89.57	\$94.11	\$97.89	\$102.44	\$106.40
8-inch	\$151.14	\$172.72	\$180.84	\$188.83	\$198.52	\$206.78
10-inch	\$271.80	\$297.79	\$311.30	\$325.61	\$343.05	\$357.78



# Typical Bill & Next Steps

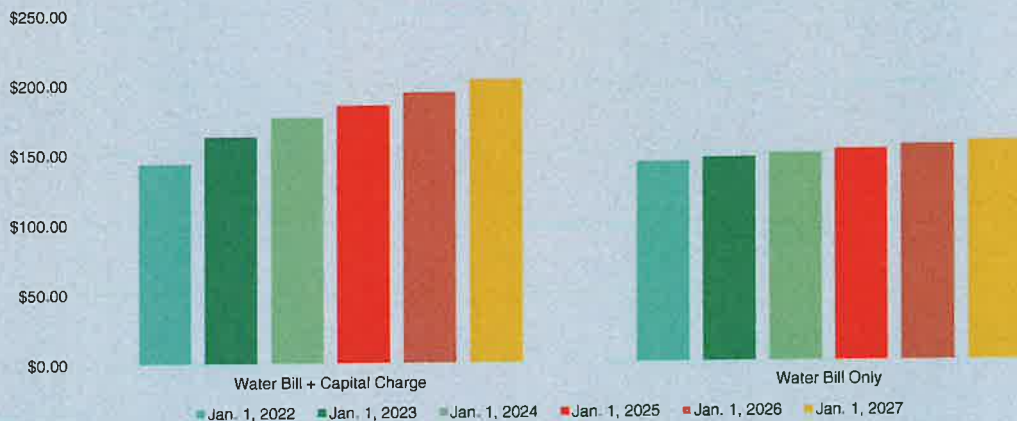


## Average Single Family Customer Bill Impact (5/8" meter) and 24 ccf Bi-Monthly

	Jan. 1, 2022	Jan. 1, 2023	Jan. 1, 2024	Jan. 1, 2025	Jan. 1, 2026	Jan. 1, 2027
Bi-monthly Basic Charge: 5/8"	\$30.03	\$29.55	\$30.99	\$31.54	\$32.16	\$32.83
Capital Charge, 5/8" (\$/bi-mo)	\$0.00	\$16.65	\$27.24	\$33.02	\$39.20	\$45.82
<b>Usage Charge (ccf):</b> 24	<b>\$113.28</b>	<b>\$116.40</b>	<b>\$117.84</b>	<b>\$120.00</b>	<b>\$122.40</b>	<b>\$124.56</b>
<b>Total Water Bill + Capital Charge</b>	<b>\$143.31</b>	<b>\$162.60</b>	<b>\$176.07</b>	<b>\$184.56</b>	<b>\$193.76</b>	<b>\$203.21</b>
Total Water Bill	\$143.31	\$145.95	\$148.83	\$151.54	\$154.56	\$157.39
% Change in Water Bill		1.84%	1.97%	1.82%	1.99%	1.83%
Total Change		13.46%	8.28%	4.82%	4.98%	4.88%



## Average Single Family Customer Bill Impact



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## Recommendations

1. Receive presentation on proposed changes to water rates and charges
2. Open public hearing
3. Receive oral and written comments from the public
4. Close public hearing
5. Adopt Resolution No. 1559 To Approve the Proposed Water Rates for 2023 through 2027

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## End of Presentation