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Mesa looks at raising utility rates

By Sonu Munshi
Tribune

Mesa's utility rates may soon increase to make up for the city's ongoing budget shortfall. The increase could potentially infuse an extra \$6.2 million annually to its coffers.

The city's \$62 million in cuts approved in December through June 2010 already fall \$3.3 million short of projections. Thus, city officials propose to make up for that by raising water, wastewater and natural gas utility rates.

The move has been approved by the city's audit and finance committee and is now expected to be discussed by the City Council on Thursday.

If approved, the water rate increase would add an extra \$2.5 million in revenue. The wastewater rate increase would bring \$3 million and natural gas increases \$700,000.

For Mesa homes, the water rate increase means they'd pay an additional \$1.15 per month, or \$13.80 annually.

The wastewater rate increase would add \$1.25 to the monthly bill, or \$15 per year.

Chuck Odom, Mesa's budget director, has blamed the shortfall on lower-than-expected revenues from impact fees, which are charged to developers to partly pay for infrastructure such as roads and sewer lines. These fees are then used to pay off bond debt cities incur to build that infrastructure.

With a decline in new construction, revenue coming in is insufficient to pay off bond debt and for infrastructure needs.

Odom told the council recently that despite a 50 percent shortfall on impact fee collections already taken into account in December's revised estimates, that number is down another 29 percent.

Revenue from utility service the city provides comprises Mesa's third largest revenue source, after sales tax and state-shared revenue.

City Manager Chris Brady has also said that when it comes to utility rates, the capital costs for existing and new debt would shift "to the rate payer, because the expected amount of impact fee is not coming in."

The City Council is expected to introduce an ordinance for the changed rates June 1. A public hearing is scheduled for June 22. The council is expected to adopt the changes, if any, the same day.

If approved, the changes become effective on or after July 30.



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