



## Informational Memo

### Management Services - Memo No. 24-010

**Date:** August 23, 2023

**To:** Mayor and Council

**Thru:** Joshua H. Wright, City Manager *JHW*  
Dawn Lang, Deputy City Manager / CFO *DLL*

**From:** Matt Dunbar, Assistant Director, Budget & Policy *MD*

**Subject:** 2023 Comparative Cost of Services Report Prepared by the City of Tempe

Attached is a copy of the City of Tempe's 2023 Comparative Cost of Services Report. This annual report analyzes the estimated annual taxes and fees paid by the average residential household for eight cities and towns in the Phoenix area, including the City of Chandler. The report is compiled as of July 2023 using property tax rates, sales tax rates, and utility rates for solid waste, water and wastewater, which were in effect at that point in time. This Cost of Services report is also shared on the City website at:

<https://www.chandleraz.gov/government/departments/management-services/budget-division/compare-cost-of-services>.

The study is useful in comparing the average costs a resident would pay in each community, but consideration should be made to the differences in each community that these costs represent. There are a variety of factors that affect rates and fees such as the growth a city is experiencing, age of infrastructure, capital needs, value of commercial and residential properties, geography, demographics, socio-economics and a variety of other factors and decisions that affect how cities fund the differing needs of their communities.

#### **Cost of Services Overview**

Overall, the report shows that Chandler has the lowest total annual cost for services at \$1,816. For comparison, the highest annual cost of service is \$2,868, while the average across all eight municipalities is \$2,362. The analysis uses four factors; solid waste rates, water/wastewater rates, sales tax rates, and property tax rates, and uses various assumptions to determine the estimated cost of municipal services for the median household in each municipality.

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We appreciate that the City of Tempe publicly shares this report which helps us compare the cost of our operations with those of other municipalities in the area. It is rewarding to see that Chandler continues to be reflected favorably in these annual comparisons of the cost for municipal services for a median residential household, reflecting the value our residents receive for the fees and taxes they pay.

Should you have any questions regarding this information, please contact me at x2256.

Attachment – City of Tempe 2023 Comparative Cost of Services Report

c: Tadd Wille, Assistant City Manager  
Andy Bass, Deputy City Manager

# MEMORANDUM



TO: Mayor and Council  
FROM: Scott Gruber, Municipal Budget & Financial Analyst  
THROUGH: Mark Day, Municipal Budget Director  
DATE: July 21, 2023  
SUBJECT: 2023 Comparative Cost of Services Report

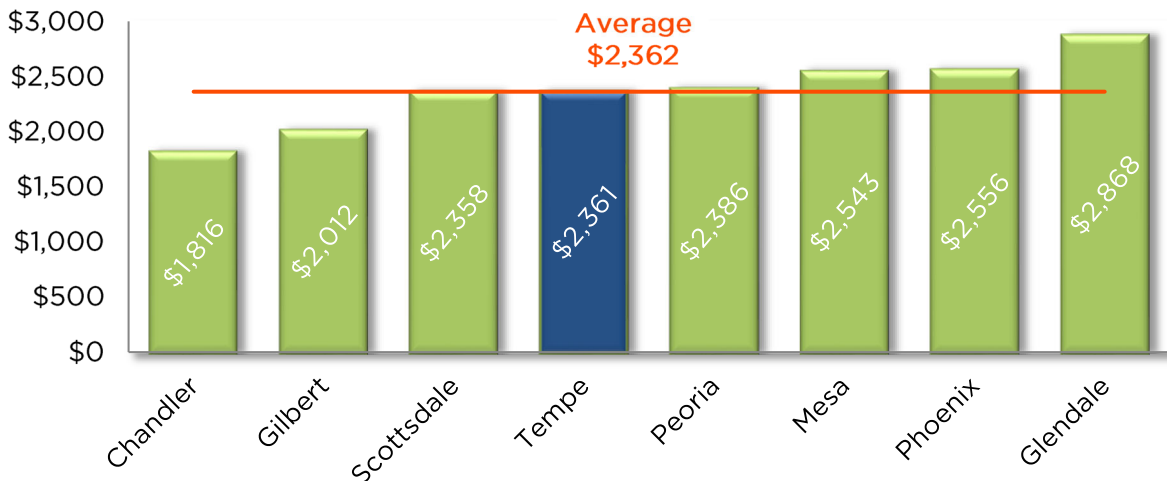
Each year the Municipal Budget Office performs an analysis of the estimated annual amounts paid by the typical residential Tempe household for direct services provided by the City of Tempe as well as the estimated total annual amount paid in City of Tempe property and transaction privilege (sales) taxes. These amounts are then compared to the estimated annual amounts paid by the same typical residential household in seven comparison cities in the Phoenix metropolitan area.

For purposes of this comparison, we utilized the property tax, sales tax, and utility service rates as of July 2023. The analysis assumed the same household consumption amounts for all cities for both water and wastewater services. However, for property tax purposes, we utilized the median single-family home value in each respective city in the analysis. The sales tax amounts are based on the Phoenix metropolitan area median household income. As such, this analysis is intended to reflect what the typical residential household would pay for each of the services or pay in taxes in their respective city.

## Overview

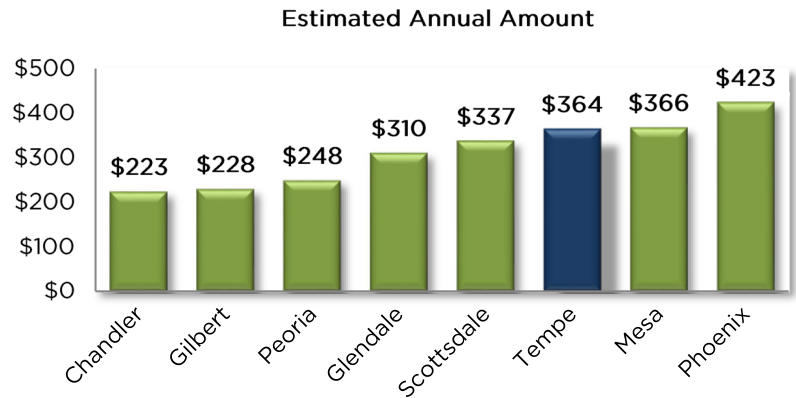
*Average annual household cost for property tax, sales tax, water, wastewater, and solid waste services*

Estimated Annual Cost



### Solid Waste

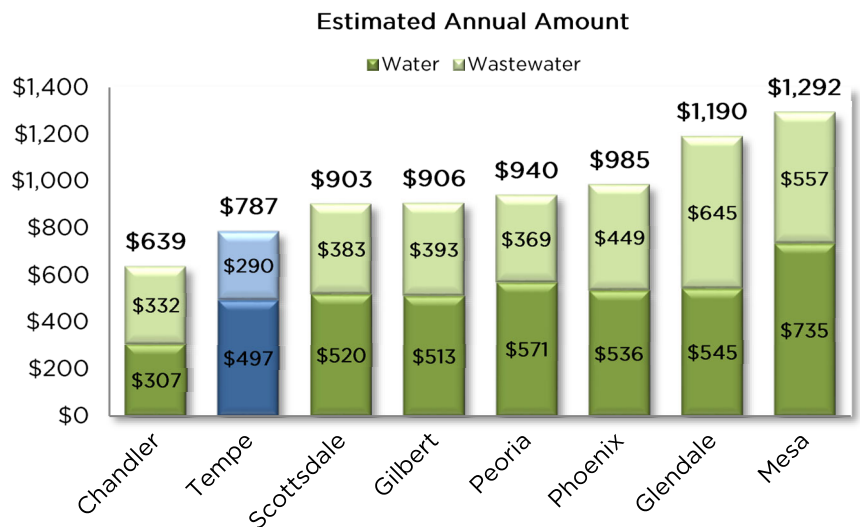
The annual amount for single family residential solid waste services is estimated at \$364 for the City of Tempe. The amounts noted are based on a residential customer with a once per week collection, based on the rates as of July 2023.



### Water and Wastewater

The annual total amount for water and wastewater services for a single-family residential customer in the City of Tempe is estimated at \$787. The annual water charge is based on a typical single family residential monthly water consumption of 10,000 gallons, consistent with the most recent water rate study. It is assumed that this water consumption amount is applicable to the other cities in the comparison. As such, this consumption amount was applied to each respective city's water rates as of July 2023 to derive the annual water costs.

The billable gallons of wastewater are derived from a typical residential three-month winter average water consumption of 10,000 gallons (January - March billing statements), and then multiplied by a rate of return. For example, Tempe's rate of return is 70%. When multiplied by 10,000 gallons, the result is 7,000 billable wastewater gallons per month. It is assumed that the typical water consumption is applicable to the other cities. As such, this consumption was applied to each respective city's rate of return as of July 2023 to derive the annual wastewater costs.

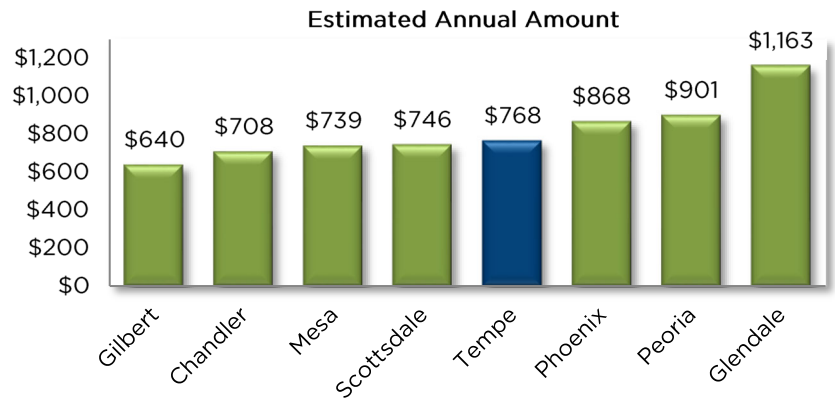


### City Sales Tax

The annual amount that the typical Tempe residential household will pay in City of Tempe sales tax is estimated to be \$768 for 2023.

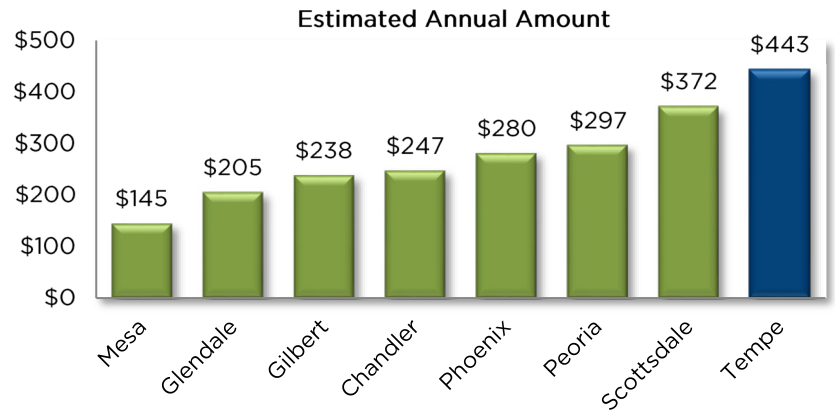
For this analysis, we utilized the Phoenix metropolitan area median household income of \$72,211 per the U.S. Census Bureau, American Community Survey. As median incomes can vary between the cities, the Phoenix metropolitan area median household income was utilized so that a direct comparison could be made between cities. The portion of this income that was spent on taxable purchases is estimated at 59% (\$42,655), as noted in the latest Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics (April 2022). We assumed that the portion of the median income spent on taxable purchases was spent within the household's city of residence and applied to each city's applicable sales tax rate.

Please note that many of the comparison cities in the analysis utilize different tax rates for various taxable activities. For example, the City of Glendale has an overall sales tax rate of 2.9%; however, sales at restaurants and bars are taxed at 3.9%. These variances were considered when calculating the annual amount of sales taxes paid.



**City Property Taxes**

The annual estimated City of Tempe property tax amount is \$443. The property tax amounts shown are based on each city's FY 2023-24 primary and secondary rates and each city's 2022 Limited Property Value (LPV) for the median single-family home.



The 2023 median single family LPV for each city, per the Maricopa County Assessor, is as follows:

Glendale	\$131,057	Peoria	\$205,970
Phoenix	\$133,446	Chandler	\$225,720
Mesa	\$168,801	Gilbert	\$242,345
Tempe	\$184,088	Scottsdale	\$378,679

It should be noted that the City of Mesa and the Town of Gilbert only levy a Secondary Property Tax.