



Utility Rates Public Hearing

**Council Chambers
6:00 pm | October 19, 2023**

**Visit Chandleraz.gov/ProposedUtilityRates
for more information**



Agenda



- **Utilities Rate Change Outreach**
- **Rate Analysis & Cost of Service Process**
- **Utilities Revenue Requirements**
- **Major Utility Rate Cost Drivers**
- **Rate Change Overviews**
 - **Water**
 - **Wastewater**
 - **Reclaimed**
 - **Solid Waste**
- **Utility Rate Comparisons**
- **Proposed Ordinance and Resolution**

Water, Wastewater, Reclaimed & Solid Waste Rate Change Outreach

Public Outreach: Website



Public meeting schedule, Council action schedule, process timeline



Rate changes in % and \$ by classification, monthly bill calculator, FAQs



History of rate changes and 5-year projected rate changes



Last Cost of Service (COS) study presentations, COS report

Public Outreach: Meetings



City Council Work Session, Public Hearing, Notice of Intent, and ongoing updates



Residential and Non-Residential public meeting 9/13/23 in person and virtual



Chamber public policy meeting presentation on utility rate changes 9/8/23



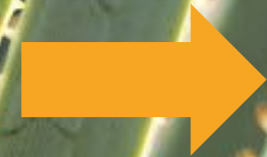
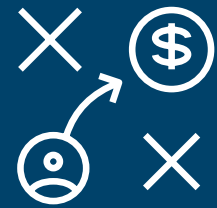
Met with individual stakeholders as needed

Information was also communicated in CityScope, Utility bill messaging, Social media posts, and media releases

Utility Rates Cost of Service (COS) Process

(2nd step of 3 towards COS realignment)

City's Financial Plan Review
(completed annually)



What is the funding requirement?

Cost of Service Analysis

- More accurately reflects actual cost of providing service to each customer class
(completed every 5-7 years)



Is everyone paying their fair share?

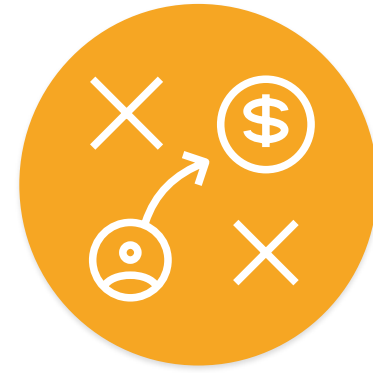
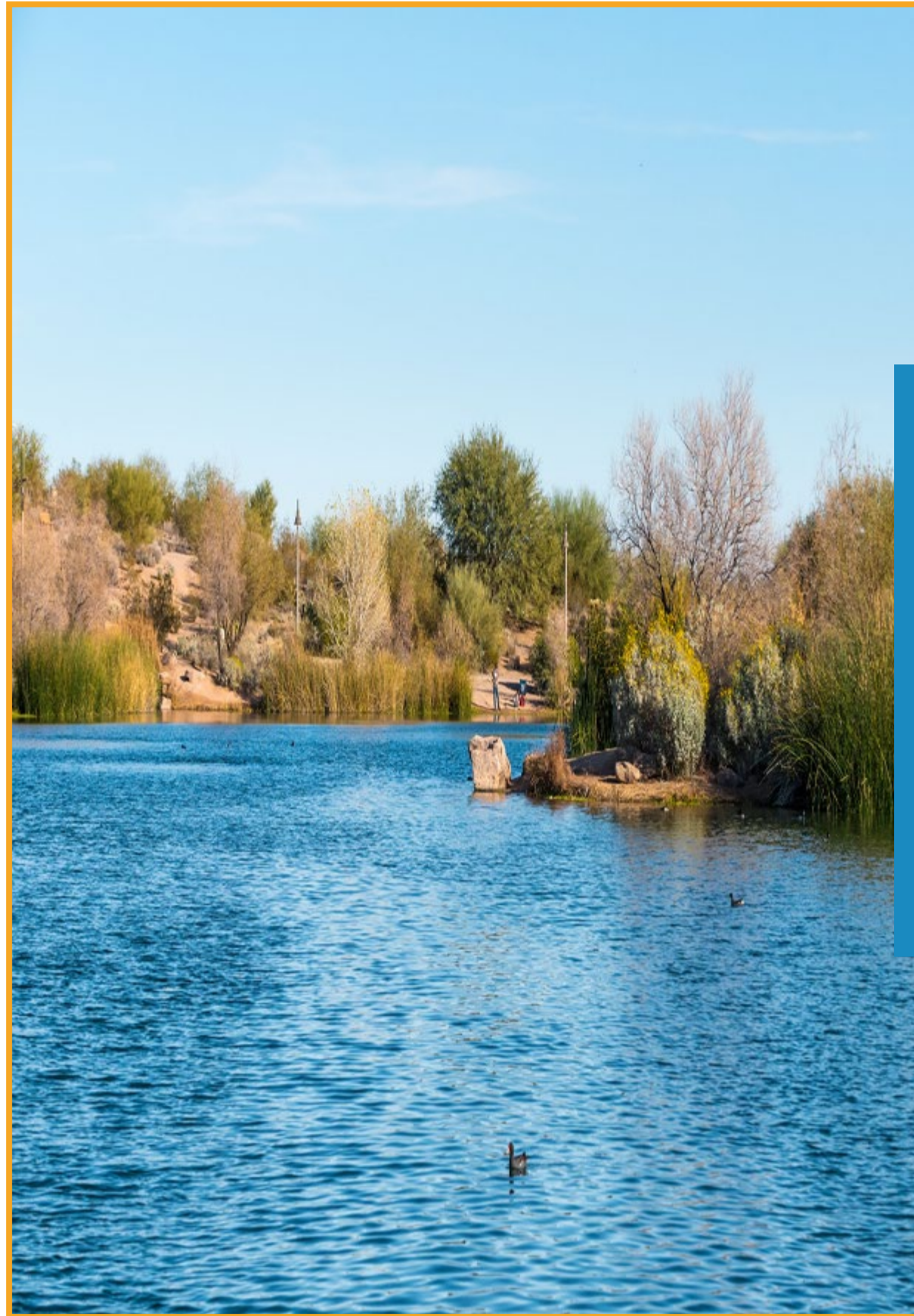


Revenue Requirements

Revenue Increases - %

	Water	Wastewater	Reclaimed	Solid Waste
FY 2023-24 Jan. 2024	7% (COS)	8.0% (COS)	7.0% (COS)	7.0% (COS)
FY 2024 - 25	0%	0%	0%	0%
FY 2025-26 Jan. 2026	7% (COS)	6.0% (COS)	7.0% (COS)	7.0% (COS)
FY 2026 - 27	0%	0%	0%	0%
FY 2027-28 Jan. 2028	7%	6.0%	7.0%	7.0%

Future year projections subject to change



Major Rate Cost Drivers – Aging Infrastructure

Water

- Total mains 1,238 miles
- 10-year main replacement CIP \$81.6M
- Reflects 1-2 miles of replacements per year
- Proactive replacements based on risk (breaks interrupt plan)
- Increasing regulation
- Inflation impact on capital and operations

Wastewater

- Total pipes & valves 947 miles
- 10-year pipes & valves replacement CIP \$131.8M
- Reflects significant individual projects (e.g. 66" Sewer Main)
- Reactive replacements based on video/inspections
- Increasing regulation for Water Effluent Quality
- Inflation impact on capital and operations

Water Rates



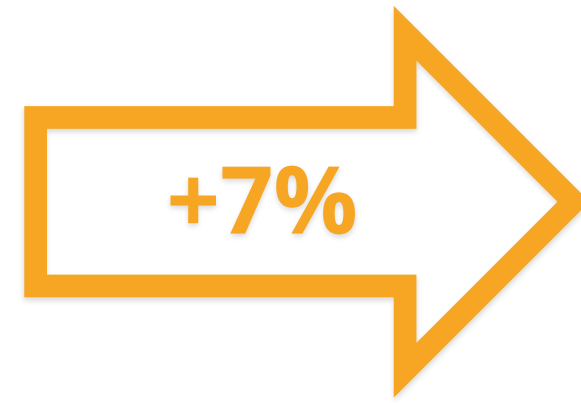


Cost of Service Rates

To ensure everyone is paying their fair share



Revenue
Requirement



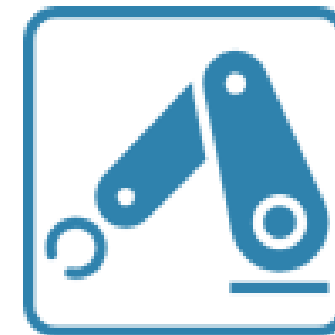
Residential



Multifamily



Non-residential



Industrial



Landscape

Shifting cost burden of revenue requirement to customer classifications differently allows for more accurate reflection of actual cost of providing service to each customer class

Volumetric and Base Water Rate Changes

(2nd Step Towards 100% COS)

Customer Class	Existing	FY 2023-24 (Jan. 2024)	Rate Change %
Single Family	Current FY		
First 10 Kgal	\$1.62	\$1.66	2.47%
Next 10 Kgal	2.11	2.15	1.90%
Next 40 Kgal	2.65	2.73	3.02%
Over 60 Kgal	3.31	3.39	2.42%
Multi-Family	Current FY		
First 10 Kgal	\$0.89	\$0.91	2.25%
Next 10 Kgal	1.09	1.13	3.67%
Next 20 Kgal	1.49	1.55	4.03%
Over 40 Kgal	2.25	2.31	2.67%

Existing Conservation Tiers

Existing Conservation Tiers

Reflects total revenue recovery projected increase of 7.0%

Customer Class	Existing	FY 2023-24 (Jan. 2024)	Rate Change %
Per 1,000 Gallons		Current FY	
Non-Residential	\$2.19	\$2.37	8.22%
Landscape	2.70	3.08	14.07%
Industrial	2.17	2.37	9.22%

Base Charge \$ per Bill		Current FY	
5/8" x 3/4"	\$9.26	\$9.72	4.97%
3/4"	10.56	11.10	5.11%
1"	13.49	14.17	5.04%
1.5" to 12"		Avg 5%	

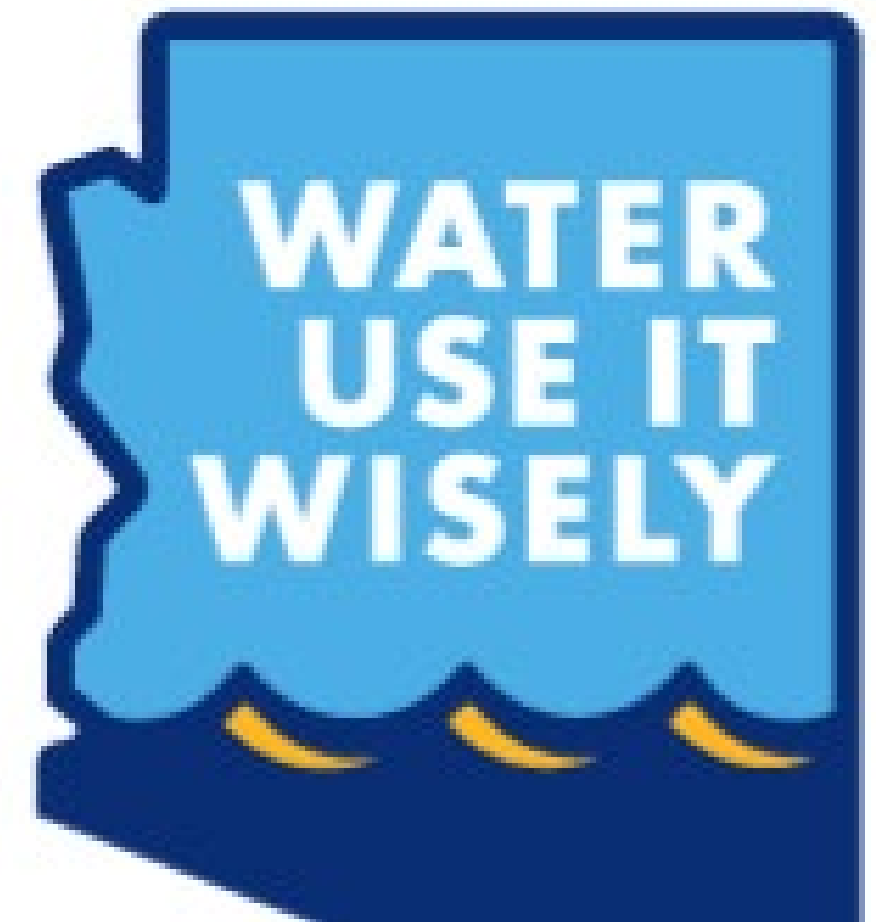
Water Average Bill Example

Water- Avg. Bill Examples	Current	Proposed for Jan. 2024
Residential Avg. Bill (12,000 gal. 5/8" meter)	\$29.68	\$30.62
Multifamily Avg. Bill (500k ga. 6" meter)	\$1,253.48	\$1,291.32
Non-Residential Avg. Bill (200k gal. 2" meter)	\$467.90	\$505.40
Landscape Avg. Bill (200k gal. 1" meter)	\$553.49	\$630.17



Water Conservation

- **Tiered rates encourage conservation**
 - low water users pay less per gallon for the water they use, high water users pay more
- **Chandler offers free water-wise workshops, site visits, and retrofit kits (homes built prior to 1992)**
- **Current and new conservation rebate programs**
 - Residential and commercial grass removal
 - Non-functional turf removal
 - Smart irrigation controller installation
 - Council approved additional grant funding available this year to increase incentives





Wastewater Rates



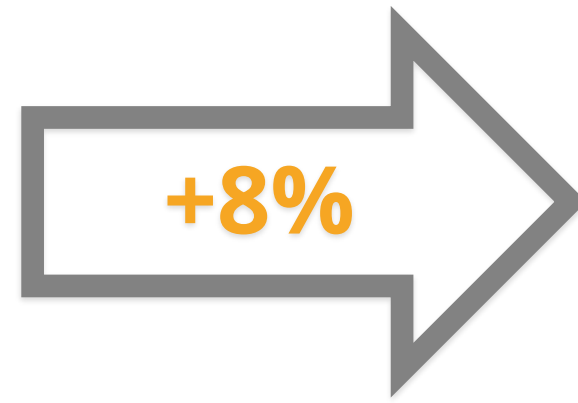


Cost of Service Rates

To ensure everyone is paying their fair share



Revenue
Requirement



Residential



Multifamily



Non-residential

Shifting cost burden of revenue requirement to customer classifications differently allows for more accurate reflection of actual cost of providing service to each customer class

Wastewater Rate Changes

(2nd Step Towards 100% COS)

Customer Class	Existing	FY 2023-24 (Jan. 2024)	Rate Change %
		Current FY	
Residential Base*	\$27.65	\$27.65	0.00%
Multifamily Base*	\$10.57	\$12.92	22.2%
Non-Residential			
Volumetric**	\$3.73	\$4.37	17.15%
Customer Charge	\$8.17	\$9.58	17.25%

* Monthly Charge per Dwelling Unit / Flat Rate

** Per 1,000 Gallons%

Reflects total revenue recovery projected increase of 8.0%

Wastewater Average Bill Example

Wastewater- Avg. Bill Example	Current	Proposed for Jan. 2024
Residential Base Avg. Bill (Flat Fee)	\$27.65	\$27.65
Multifamily Avg. Bill (150 units)	\$1,585.50	\$1,938.00
Non-Residential Avg. Bill (200k gal. 2" meter)	\$754.17	\$883.58





Reclaimed Water Rates



Reclaimed Water Volume Rate Change and Average Bill Example

All Reclaimed Customers	Existing	FY 2023-24 (Jan. 2024)
\$ per 1,000 gallons	\$0.75	\$0.80
Change - \$		\$0.05
Change - %		+7%

Reclaimed- Avg. Bill Example	Current	Proposed for Jan. 2024
Monthly Average (850k gal)	\$ 637.50	\$680.00

Solid Waste Rates



Solid Waste Rate Change and Average Bill Example

FY 2023-24	Proposed for Jan. 2024
All Covered Residences	+7%

Solid Waste- Avg. Bill Example	Current	Proposed for Jan. 2024
Monthly Fee (Flat Fee)	\$18.56	\$19.86

Major rate driver is collection contract increases

Solid Waste Policy Changes

January 2024 Free RSWCC Visits and Bulk Pick-Up Policy Changes

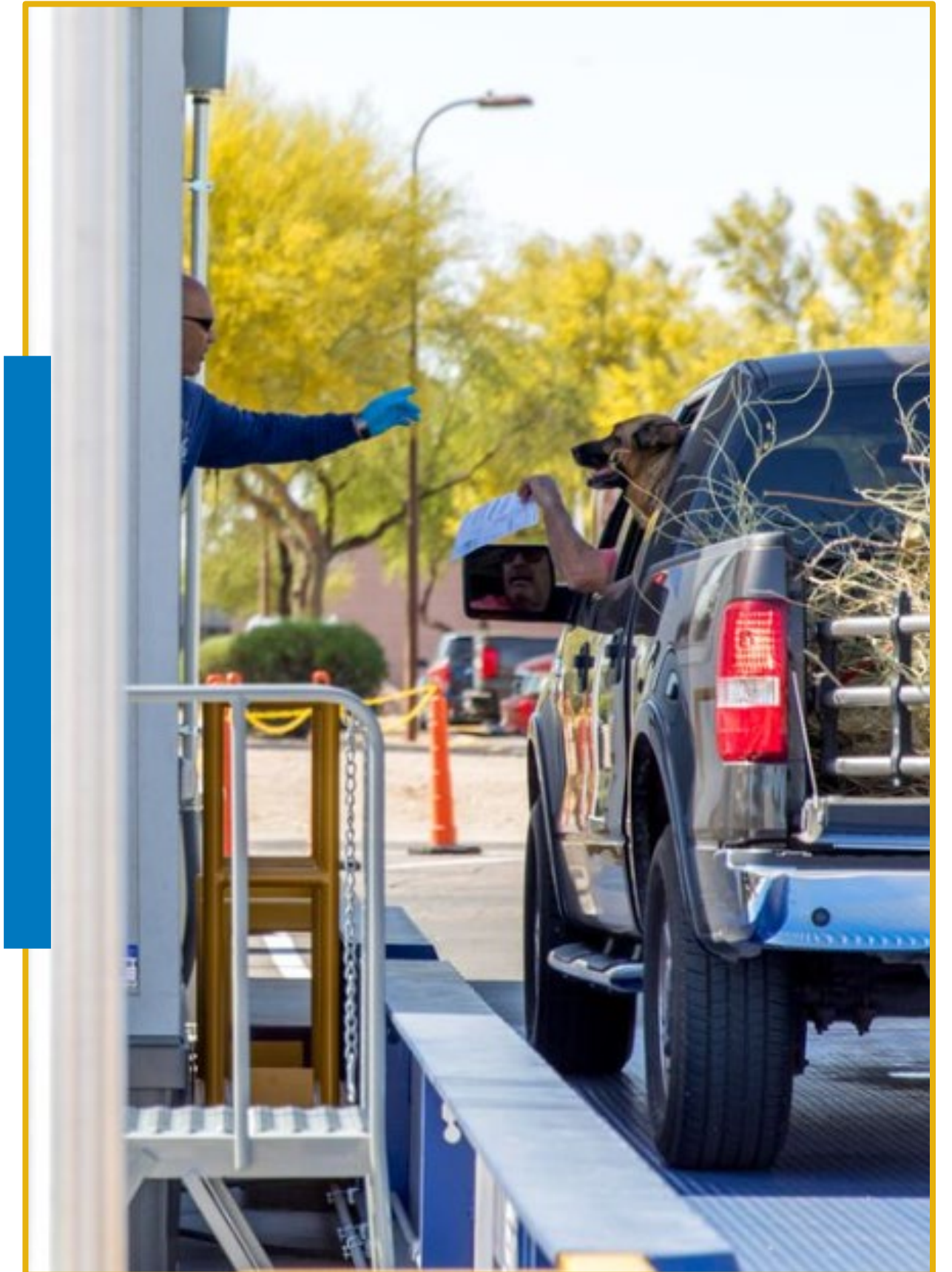
- A total of 4 no charge RSWCC visits or bulk pickups per calendar year in any combination
 - Currently 2 free RSWCC visits and 2 free bulk pickups, but customer feedback wanted change
- After 4 no charge, RSWCC is \$10 for up to 400 lbs. and bulk pickups are currently \$30 proposed to change to \$35



Solid Waste Fee Updates

- Additional/Replacement container charge from \$60 to \$75
- Additional/Replacement Containers for Large Alley size change from \$235 to \$430
- Additional container collection fee \$7.50 to \$15
- Special collection fee non-alley \$17.50 to \$18.50 and Alley \$25 to \$35
- Additional Bulk collections above free allocation from \$30 to \$35

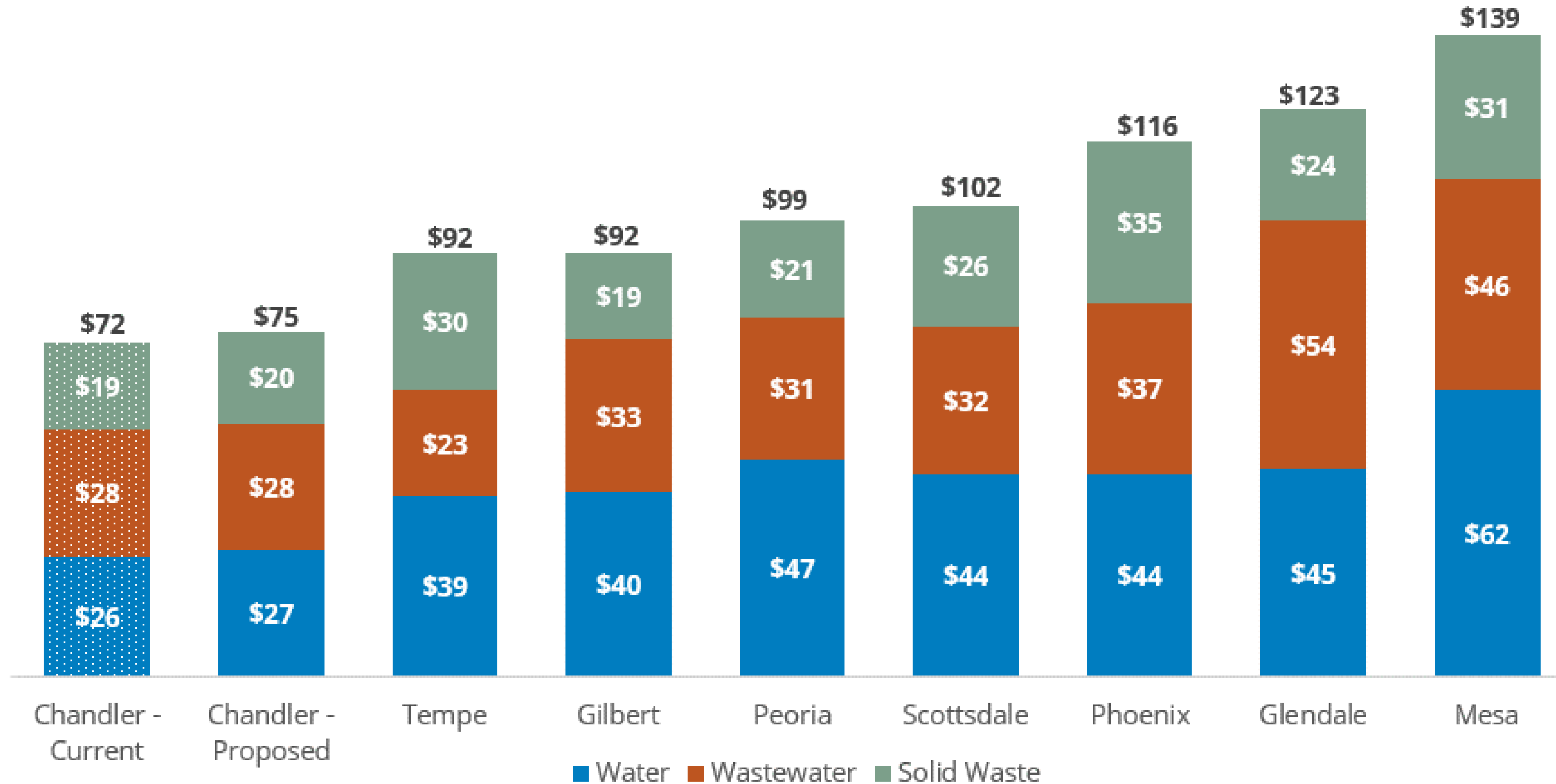
*All of these are to adjust costs to the current City cost for full cost recovery



Combined Average Customer Bill Example

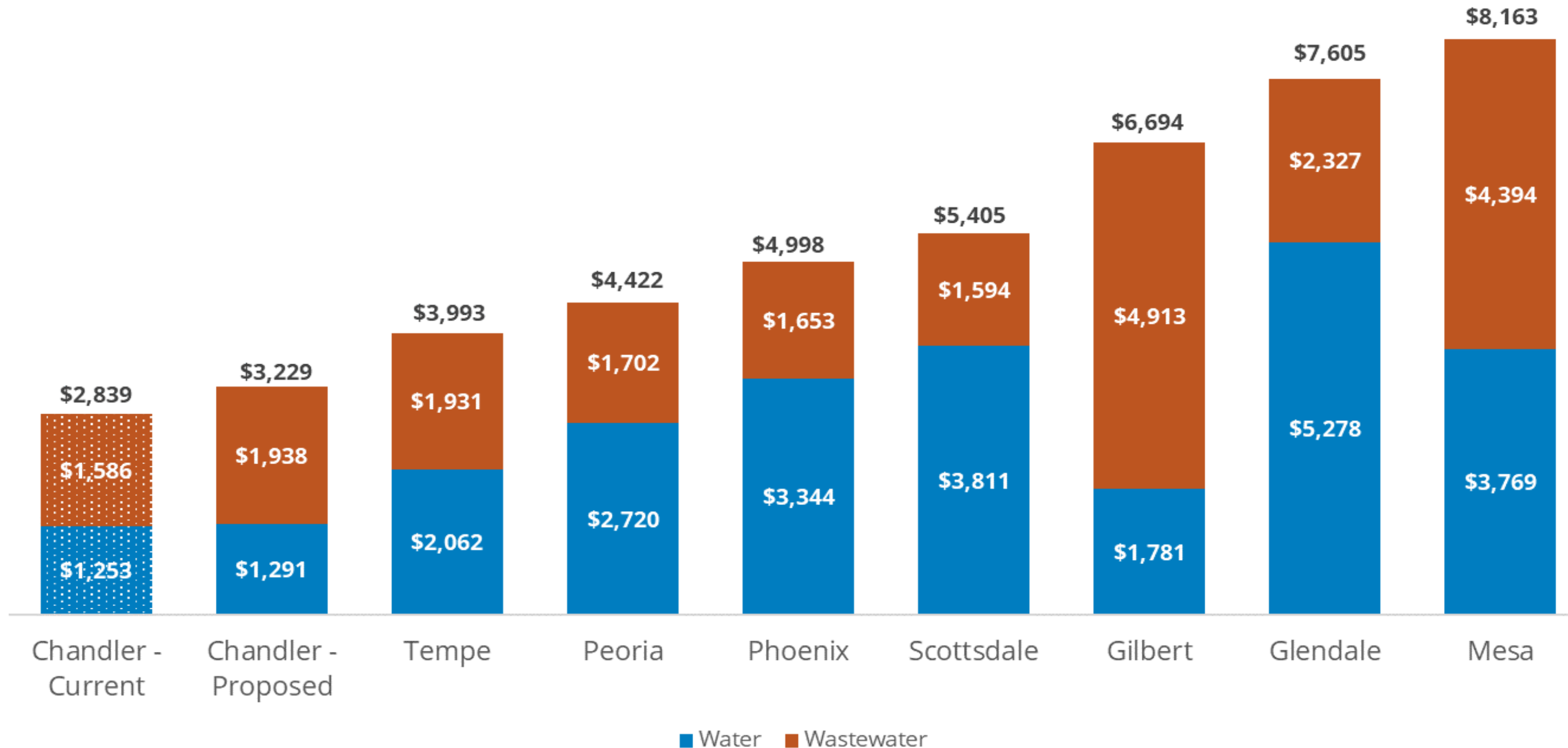
Combined Average Bill Examples	Current	Proposed for Jan. 2024
Residential Combined Avg. Bill	\$75.89	\$78.13
Multifamily Combined Avg. Bill	\$2,838.98	\$3,229.32
Non-Residential Combined Avg. Bill	\$1,222.07	\$1,388.98

Average Residential Cost Comparison for Water, Wastewater and Solid Waste



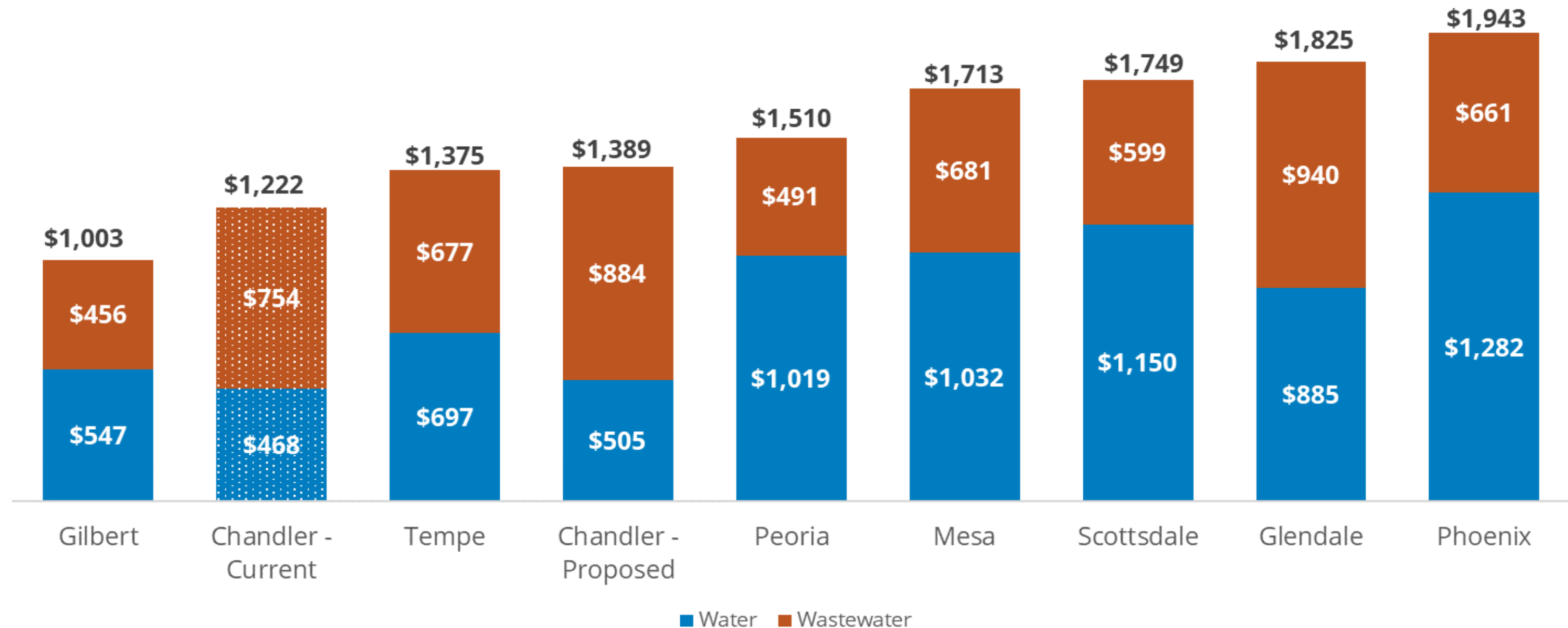
Estimated based on Tempe Cost of Service July 2023 results at 10,000 gallons single family residential rates for FY 2022-23 plus Chandler's planned rate increases and any recently passed rate increases for other municipalities

Average Multi-Family Cost Comparison for Water, Wastewater



Estimated based on current adopted rates by city (some cities may be increasing rates which are not included). Includes 500Kgal of monthly usage, a 6" meter, and 150 units.

Average Non-Residential Cost Comparison for Water, Wastewater



Estimated based on current adopted rates by city (some cities may be increasing rates which are not included). Includes 200Kgal of monthly usage, and a 2" meter.

For changes to be effective an Ordinance and Resolution are both needed

- Ordinance #5065 allows for changes to City code chapters 44 (Solid Waste) and 50 (Utilities) to make the needed rate and fee policy adjustments
- Resolution #5751 allows for changes to the fee schedule which is where solid waste fees are presented



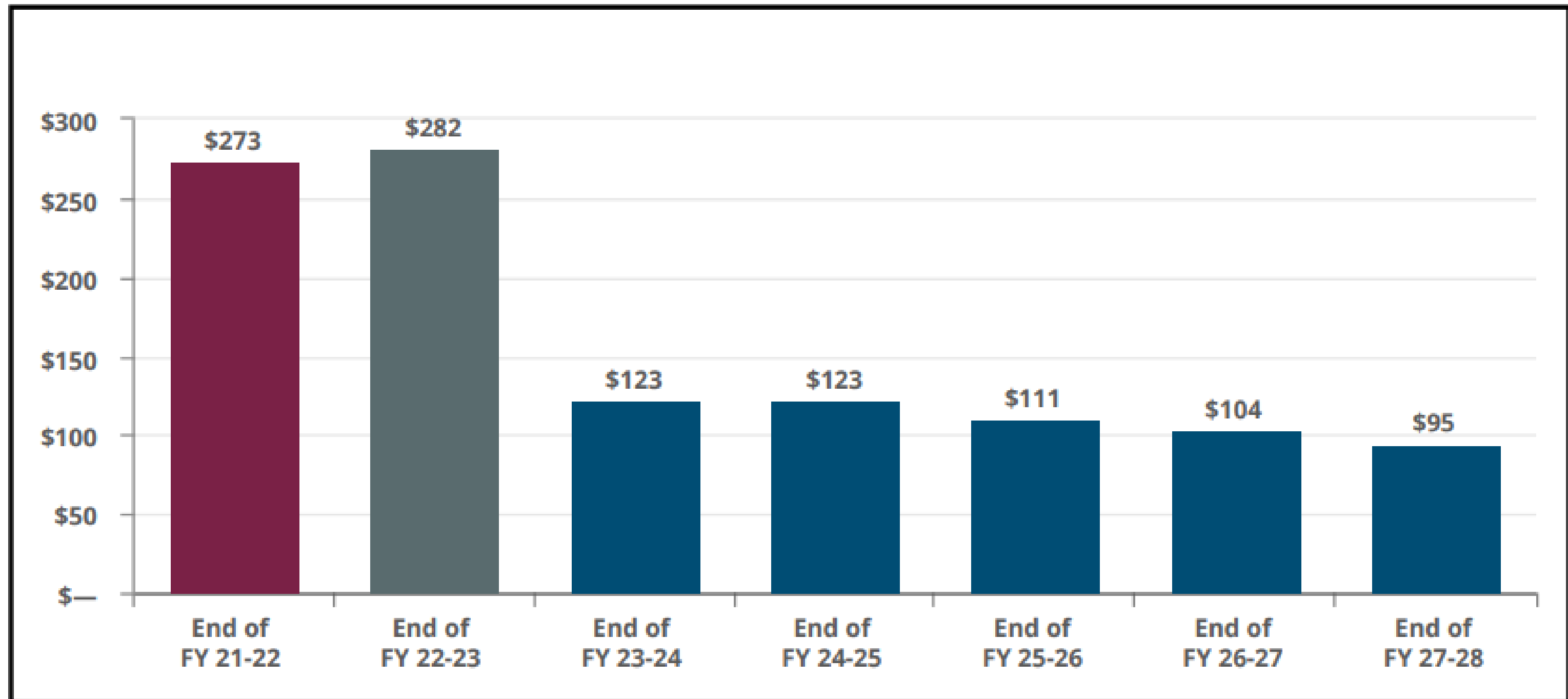
Rate Adjustment Timeline

Task or Event	Date
Notice of Intent Adopted (60 days prior to Public Hearing)	Completed August 17, 2023
Public Outreach	Completed Aug-Oct 2023
Notice of Intent Published in Newspaper (20 days prior to Public Hearing)	Completed September 27, 2023
Feedback to Council on Public Outreach	Completed October 16, 2023
Public Hearing / Ordinance First Read / Resolution to Update Citywide Fee Schedule	October 19, 2023
Ordinance Final Adoption (Can go into effect 30 days after adoption)	November 9, 2023
Rates Effective for January Billing Cycle	January 1, 2024

Questions?



General Fund FY 2023-24 Fund Balance Projection



Enterprise Fund FY 2023-24 Fund Balance Projection

