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JUL 23 2007



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MEMORANDUM

Management Services Memo No. 08-002

DATE: JULY 11, 2007

TO: MAYOR & COUNCIL

THRU: W. MARK PENTZ, CITY MANAGER
RICH DLUGAS, ASSISTANT CITY MANAGER *RD*

FROM: O.D. BURR, ACTING MANAGEMENT SERVICES DIRECTOR *ODB*
DAVE SIEGEL, MUNICIPAL UTILITIES DIRECTOR *DS*

SUBJECT: PUBLIC HEARING AND INTRODUCTION OF ORDINANCE NO. 3943 AMENDING SECTIONS 50-1 THROUGH 50-3, 50-5, 50-8 THROUGH 50-12, 50-18 THROUGH 50-19 AND 52-7 OF THE CHANDLER CITY CODE TO CHANGE CERTAIN WATER, RECLAIMED WATER AND SEWER FEES

RECOMMENDATION: Staff recommends introduction of Ordinance No. 3943 amending Sections 50-1 through 50-3, 50-5, 50-8 through 50-12, 50-18 through 50-19 and 52-7 of the Chandler City Code to change certain water, reclaimed water and sewer fees.

BACKGROUND/DISCUSSION: The existing water and sewer rates were adopted in 1994 and have remained unchanged since that time with the exception of (1) a decrease in the sewer multi-family rate in 1997 and (2) decreases in the outside City rate differential in 1997 for the sewer enterprise, and in 2003 for the water enterprise. Rates for reclaimed water were established in 2000 and have remained unchanged since that time. This ordinance will include a reduction in the outside City rate differential from 1.6 to 1.4 for water enterprise, along with a reduction in the sewer enterprise from 1.8 to 1.6.

In order to adequately notify interested parties of this update, letters were sent on June 15, 2007 to the ten largest water users for FY05/06 informing them of the proposed revisions to the water, reclaimed water and sewer fees and the planned date of the Public Hearing. Additionally, a notice has appeared on all utility bills issued after June 15, 2007. To date, no inquiries have been received on the proposed revisions. The Communications and Public Affairs Department recently sent a memorandum detailing all the public notification efforts taken so far (see attached copy).

Per Arizona Revised Statute §9-511.01, a Public Hearing may be held at least thirty days after the Notice of Intention is adopted by motion at a Regular Council Meeting (which occurred at the June 14, 2007 Council Meeting). A copy of the Notice of Intention showing the date, time and place of the Public Hearing shall be published one time in a newspaper of general circulation within the boundaries of the municipality not less than twenty days before the Public Hearing. This was met by publishing the required notice in the Arizona Republic on June 21, 2007. After holding the Public Hearing, the proposed rate or rate component, fee or service charge increase or any lesser increase may be adopted by ordinance or resolution without any additional statutory time requirements.

FINANCIAL IMPLICATIONS: The financial plan developed by Red Oak Consulting shows that rate increases of 9% for water revenues and 12% for sewer revenues are needed to maintain the financial integrity of the water and sewer enterprises, including debt service coverage and cash reserve policy requirements, over the next two fiscal years. Reclaimed water rates will increase to be a percentage of the block 2 single-family water rates.

PROPOSED MOTION: Move to introduce Ordinance No. 3943 amending Sections 50-1 through 50-3, 50-5, 50-8 through 50-12, 50-18 through 50-19 and 52-7 of the Chandler City Code to change certain water, reclaimed water and sewer fees.

c: Pat McDermott, Assistant City Manager
Cynthia Haglin, Assistant City Attorney
Bob Mulvey, Assistant Municipal Utilities Director
Rick Giardina, Red Oak Consulting

Attachment: CAPA Council Memo No. 07-14
Ordinance No. 3943



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MEMORANDUM

CAPA Council Memo No. 07-14

DATE: June 20, 2007
TO: Mayor and Council
THRU: W. Mark Pentz, City Manager
Pat McDermott, Assistant City Manager
Nachie Marquez, Director, Communication & Public Affairs
FROM: Jim Phipps, Public Information Officer
SUBJECT: Water-W/W Rates Public Notification

The question of public notification efforts associated with proposed changes to the City's water and wastewater rates arose at a recent Council meeting. Below is a listing of public notification efforts undertaken or planned:

- June 15, 2007: Notification letters sent to 10 largest water users, including information on July 23 public hearing.
- June/July, 2007: Notification of proposed increase and July 23 public hearing included on all City utility bills.
- Notice of Intent and July public hearing information posted on the home page of the City Web site.
- Channel 11: Aired 5/21/07 study session briefing on new rate structure; 5/24/07 Rate Structure Design Committee presentation; 6/14/07 rate discussion and adoption of Notice of Intent to Increase Rates.
- News release sent to media publicizing rate hearings.
- Legal notice of July 23 public hearing and intent to raise rates has been placed on Channel 11 Bulletin Board and is being published in the Arizona Republic.
- Newspaper articles:
 - "Chandler's new rates may reward water savers", Republic, May 16, 2007
 - "Saving water may save you money", Republic, May 24, 2007
 - "Water, sewer rate hikes likely", Republic, June 15, 2007
 - "Public gets say on utility rates", Republic, June 16, 2007
 - "Water, sewer bills rising in October, Republic, June 18, 2007
- On-hold message regarding rates and public hearing being placed on City phone system.
- Notification has been sent via e-mail to 250-plus HOAs registered with the City's Neighborhood Programs Division.
- Articles to appear in "CityScope" newsletter distributed with utility bills.

Please contact me if you have any questions.

cc: O.D. Burr, Management Services
Dave Siegel, Municipal Utilities
Rich Dlugas, City Manager's Office

ORDINANCE NO. 3943

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CHANDLER, ARIZONA, AMENDING SECTIONS 50-1 THROUGH 50-3, 50-5, 50-8 THROUGH 50-12, 50-18 THROUGH 50-19 AND 52-7 OF THE CODE OF THE CITY OF CHANDLER TO CHANGE CERTAIN WATER, RECLAIMED WATER AND SEWER FEES.

WHEREAS, increased regulatory and operating costs have occurred since the existing water, reclaimed water and sewer rates were established over a decade ago; and

WHEREAS, Council approved a consultant contract for a water and wastewater fee study to perform a comprehensive review of the City's rate structures and philosophies and appointed citizens to serve on the Water/Wastewater Rate Design Committee; and

WHEREAS, the Water/Wastewater Rate Design Committee recommended changes to the existing rate structures to allow users more ability to influence the amount of their monthly utility bill through conservation measures; and

WHEREAS, the differential in cost of providing service to outside City customers, as compared with providing service to inside City customers, has declined for both the water and sewer enterprises; and

WHEREAS, it is in the best interests of the City to adopt new rates in order to maintain the financial integrity of the water and sewer enterprises.

BE IT ORDAINED by the City Council of the City of Chandler, Arizona that the Code of the City of Chandler, Arizona be amended as follows:

SECTION 1: Chapter 50 is hereby amended as follows:

A. Amend Section 50-1 to read as follows:

50-1. Definitions.

The following definitions shall apply:

A. *Utilities* shall mean domestic water, reclaimed water, sewage disposal service and garbage and refuse collection.

B. *Single-family dwelling* shall mean a building located upon a separate lot, designed for occupancy by one (1) family for living purposes. *Single-family dwelling* shall include a mobile home located upon a lot in a mobile home subdivision. *Single-family dwelling* shall also include a condominium or townhouse which has a separate water meter.

C. *Multi-family dwelling* shall mean a building or group of buildings located upon a lot or group of adjoining lots having common ownership served by common water meters,

designed for occupancy by two (2) or more families such as duplexes, triplexes, multiplex apartments, condominiums, townhouses and trailer or mobile home parks.

D. *Commercial building* shall mean a building or group of buildings upon a lot or group of adjoining lots, having common ownership designed for any commercial purpose other than multifamily dwellings. Any building or group of buildings where combined residence and business is practiced, where such business is advertised by a sign of any type on the premises and/or listed in the telephone directory as a business, shall be classified as commercial. Commercial building shall include hotel, motel, tourist courts, rooming houses or any establishment catering to transient residents.

E. *Reclaimed water* shall mean effluent, other than effluent produced by the Ceity's reverse osmosis plant, which has been treated to achieve a quality suitable for its intended use as prescribed by federal and state regulations.

F. *Special request recovered water* shall mean recovered reclaimed water delivered directly from a recovery well for the exclusive use of a single user.

B. Amend the first paragraph of Section 50-2 to read as follows:

50-2. Application for utility service; requested discontinuance of service.

All applications for utility service shall be made at the Office of the Management Services Director. The applicant shall furnish the following: name; ~~social security number~~; spouse's name (if applicable); the official street number assigned to the premises or the legal description of the property; previous address; employer's name and telephone number (if employed); the property owner's name, if different from the applicant; a copy of lease or rental agreement if applicant is not the property owner and the address of which the monthly statement is to be mailed. The applicant may be required to show picture identification.

C. Amend Section 50-3(A) and (B) to read as follows:

50-3. Security deposits.

A. When satisfactory credit has not been established all utility customers shall place a deposit with the Management Services Director before being furnished utilities in accordance with the following minimums:

Single-Family, Duplex and Triplex

Residential Customers

Meter Size (Inches)	Inside City Minimum Deposit	Outside City Minimum Deposit
5/8	\$70.00	\$140.00 98.00
3/4	75.00	150.00 105.00
1	120.00	240.00 168.00
1 1/2	275.00	550.00 385.00
2	275.00	550.00 385.00

All Other Type-User Customers

The total amount of the deposit shall be determined by the Management Services Director and shall be equal to one and one-half (1 1/2) times the average monthly charges for the past twelve (12) months. The following minimums shall be charged when no historical billing data exists.

Type User	Inside City Minimum Deposit (Per Meter)	Outside City Minimum Deposit (Per Meter)
Multi-family	\$1,500.00	\$3,000.00 2,100.00
Commercial	200.00	400.00 280.00
Commercial Processing and Manufacturing	550.00	1,100.00 770.00
Medical Institutions	600.00	1,200.00 840.00
Educational Institutions	350.00	700.00 490.00
Large Volume Industrial	9,000.00	18,000.00 12,600.00
Landscape	850.00	1,700.00 1,190.00

The Management Services Director may require a security deposit equal to two (2) times the maximum monthly bill during the previous twelve (12) months in lieu of the minimum deposit listed above.

B. In the single-family residential category, ownership of the property is prima facie evidence to establish credit. However, the Management Services Director may require proof of ownership of the property being served from the person applying for service. Minimum proof will be the escrow number and the name of title insurance company. Upon default of payment for utility services by the property owner, the Management Services Director may require the placement of a security deposit, equal to two (2) times the maximum monthly bill during the previous twelve (12) months, before continuation or resumption of City Services.

D. Amend subsections 50-5.1 and 50-5.3 to read as follows:

50-5. Payment of bills.

50-5.1. All bills rendered are due and payable upon presentation and are past due (delinquent) ~~fifteen~~ **twenty-one** (~~15~~ **21**) calendar days after date rendered. If the total of such bill is not paid within five (5) days after delinquency, water service is subject to discontinuance.

50-5.3. A customer's water service may be disconnected for nonpayment of a bill for utility service rendered to the customer at a previous location, provided such bill is not paid within ~~twenty~~ **one** (~~20~~ **21**) days after the unpaid bill has been rendered to the customer at the new location.

E. Amend Section 50-8.1 to read as follows:

50-8.1. *Accessibility of water meter.* Water meter boxes shall be installed and maintained such that the access cover is exposed and not lower than the finished grade. It shall be the

responsibility of the consumer to ensure that access by employees of the City to the water meter is not obstructed by landscape materials, vehicles or any other obstruction. In the event the consumer does not allow adequate access to the water meter box, ten business days after proper written notification the City will remove the obstruction and charge a fee on the basis of time and materials.

F. Amend Section 50-9 to read as follows:

50-9. Water meter installation fee.

50-9.1. Properties inside eCity limits to be connected to the municipal water or reclaimed water distribution system shall pay a fee for which the City will install a service line and meter in accordance with the following schedule:

Meter Size (In Inches)	Inside City
5/8	\$900.00
3/4	925.00
1	990.00
1 1/2	1,100.00
2	1,200.00

Installation of the above size meters outside the eCity limits shall be one and eightfour-tenths (1.84) times the fee for installation inside the eCity limits.

50-9.2. Properties to be connected to the municipal water or reclaimed water distribution system where the service line (from the water main to the property line) is installed by the subdivider or developer shall be charged a fee for the meter installation in accordance with the following schedule:

Meter Size (In Inches)	Inside City	Outside City
5/8	\$180.00	\$324.00 252.00
3/4	190.00	342.00 266.00
1	240.00	432.00 336.00
1 1/2	360.00	648.00 504.00
2	440.00	792.00 616.00

An additional charge of fifty dollars (\$50.00) per meter inside the eCity limits and ninety-seventy dollars (~~\$9070.00~~) per meter outside the eCity limits shall be made for installations requiring more than two (2) service calls. The charge shall be levied for each return trip necessary to complete the meter installation.

50-9.3. All water meters larger than two (2) inches shall be purchased and installed by the subdivider or developer using specifications approved by the eCity.

50-9.4. All water meters shall remain the property of the eCity, and the eCity shall be responsible for maintenance of meters.

G. Amend Section 50-10 to read as follows:**50-10. Backflow prevention device installation fee.**

A. Residential properties to be connected to the municipal water system which incorporate the use of reclaimed wastewater as a water conservation measure shall be charged a fee for installation of backflow prevention devices in accordance with the following schedule ~~effective November 1, 1990:~~

	Inside City	Outside City
Water service lines up to 1 inch	\$225.00	\$450.00 <u>315.00</u>

Devices to be installed inside the City on service lines larger than one (1) inch will be installed on the basis of time and materials plus twenty-five (25) percent. The deposit fee will be estimated by the water operations superintendent and shall be required by the Management Services Director prior to installation, with the balance due upon completion of the installation. Installation of devices outside the City on service lines larger than one (1) inch shall be twice the fee for installation inside the City limits.

B. An additional charge of fifty dollars (\$50.00) per device inside the City limits and ~~one hundredseventy~~ one hundredseventy dollars (~~\$10070.00~~) per device outside the City limits shall be made for installations requiring more than two (2) service calls. The charge shall be levied for each return trip necessary to complete the installation of the device.

C. All backflow prevention devices installed under this program shall remain the property of the City, and the City shall be responsible for testing and maintenance of the devices.

H. Amend Section 50-11 and subsection 50.11.1 to read as follows:**50-11. Water rates.**

A. The following rates shall apply to all individually metered water services, ~~except residential:~~

Meter Size (In Inches)	Monthly Base Charge	
	Inside City	Outside City
5/8	\$10.86 <u>6.31</u>	\$17.38 <u>8.84</u>
3/4	16.28 <u>7.20</u>	26.05 <u>10.08</u>
1	23.85 <u>9.19</u>	38.16 <u>12.87</u>
1 1/2	34.69 <u>14.47</u>	55.51 <u>20.26</u>
2	54.21 <u>20.37</u>	86.74 <u>28.52</u>
3	108.47 <u>42.94</u>	173.56 <u>60.12</u>
4	173.52 <u>60.60</u>	277.64 <u>84.84</u>
6	347.02 <u>115.07</u>	555.24 <u>161.10</u>
8	582.74 <u>174.34</u>	932.39 <u>244.08</u>
10	785.99 <u>297.06</u>	1,257.59 <u>415.89</u>
12	419.79	587.71

~~B. The following rates shall apply to all individually metered water services for residential units:~~

Meter Size (In Inches)	Monthly Base Charge	
	Inside City	Outside City
5/8	\$10.86	\$17.38
3/4	16.28	26.05
1	16.28	26.05
1-1/2	34.69	55.51
2	54.21	86.74

CB. In addition to the monthly base charge, all water metered shall be charged at the following rates by class per one thousand (1,000) gallons, plus the applicable proportionate part of any taxes or any governmental impositions, which are assessed on water sales:

	Winter Rate – <u>Single Family</u>		Summer Rate – <u>Single Family</u>	
	Inside City	Outside City	Inside City	Outside City
First 10,000 gallons	\$0.96 <u>1.23</u>	\$1.54 <u>1.73</u>	\$0.96 <u>1.23</u>	\$1.54 <u>1.73</u>
Next 10,000 gallons	1.19 <u>1.53</u>	1.91 <u>2.15</u>	1.27 <u>1.84</u>	2.04 <u>2.58</u>
Next 80,000 gallons	1.37	2.20	1.86	2.98
Over 100,000 gallons	1.19	1.54	1.86	2.98
Next 20,000 gallons	2.29	3.21	3.21	4.50
Over 40,000 gallons	4.01	5.62	6.41	8.98

	Winter Rate – <u>Multi-Family</u>		Summer Rate – <u>Multi-Family</u>	
	Inside City	Outside City	Inside City	Outside City
First 10,000 gallons	\$0.96 <u>0.76</u>	\$1.54 <u>1.07</u>	\$0.96 <u>0.76</u>	\$1.54 <u>1.07</u>
Next 10,000 gallons	1.19 <u>0.94</u>	1.91 <u>1.32</u>	1.27 <u>0.94</u>	2.04 <u>1.32</u>
Next 80,000 gallons	1.37	2.20	1.86	2.98
Over 100,000 gallons	1.19	1.54	1.86	2.98
Next 20,000 gallons	1.18	1.66	1.41	1.98
Over 40,000 gallons	1.48	2.08	2.47	3.46

	Winter Rate – <u>Industrial</u>		Summer Rate – <u>Industrial</u>	
	Inside City	Outside City	Inside City	Outside City
First 10,000 gallons	\$0.96	\$1.54	\$0.96	\$1.54
Next 10,000 gallons	1.19	1.91	1.27	2.04
Next 80,000 gallons	1.37	2.20	1.86	2.98
Over 100,000 gallons	1.19	1.54	1.86	2.98
All Usage	1.62	2.27	2.07	2.90

	Winter Rate – <u>Landscape</u>		Summer Rate – <u>Landscape</u>	
	Inside City	Outside City	Inside City	Outside City
First 10,000 gallons	\$0.96	\$1.54	\$0.96	\$1.54
Next 10,000 gallons	1.19	1.91	1.27	2.04
Next 80,000 gallons	1.37	2.20	1.86	2.98
Over 100,000 gallons	1.19	1.54	1.86	2.98
All Usage	1.59	2.23	2.53	3.55

	Winter Rate – All Other Non-Residential		Summer Rate – All Other Non-Residential	
	Inside City	Outside City	Inside City	Outside City
First 10,000 gallons	\$0.96	\$1.54	\$0.96	\$1.54
Next 10,000 gallons	1.19	1.91	1.27	2.04
Next 80,000 gallons	1.37	2.20	1.86	2.98
Over 100,000 gallons	1.19	1.54	1.86	2.98
All Usage	1.51	2.12	2.08	2.92

1. Winter rates will be effective with all billings on and after October 1.
2. Summer rates will be effective with all billings on and after May 1.

~~3. Plus the applicable proportionate part of any taxes or any governmental impositions which are assessed on water sales.~~

50-11.1. Reclaimed water service rates.

The following rates per one thousand (1,000) gallons shall apply to all individually metered reclaimed water services:

	Winter rate (1)		Summer rate (2)	
	Inside eCity	Outside eCity	Inside eCity	Outside eCity
Reclaimed water	\$0.040 0.153	\$0.072 0.215	\$0.071 0.184	\$0.128 0.258
Special request recovered water	0.590 1.071	1.062 1.500	0.590 1.288	1.062 1.804

- (1) Winter rates will be effective with all billings on and after October 1.
- (2) Summer rates will be effective with all billings on or after May 1.

I. Amend Section 50-12 to read as follows:

50-12. Sewer service rates.

A. The following sewer service rates shall apply to all dwelling and commercial units where sewer main adjoins the property and the water account is active. In the event the active water account is for the sole purpose of providing fire flow, lawn, landscaping or other irrigation and sprinkling or other use approved by the City Engineer not requiring a sewer connection, the following service rates shall not apply. ~~The effective date shall commence with all billings after October 1, 1997.~~

Type of Service	Water Metered	Inside City	Outside City
Single-family dwelling unit	Not applicable	\$ 14.26 <u>17.67</u>	\$ 25.67 <u>28.28</u>
Multi-family dwelling unit	Not applicable	8.47 <u>5.39</u>	15.25 <u>8.63</u>
Commercial	First 20,000 Gallons Monthly Base Charge	29.69 <u>4.65</u>	53.44 <u>7.44</u>
	Over 20,000 Gallons Per 1,000 gallons	4.48 <u>2.11</u>	2.66 <u>3.38</u>
Commercial Processing & Manufacturing	First 20,000 Gallons per 1,000 gallons Monthly Base Charge	34.92 <u>4.65</u>	62.86 <u>7.44</u>
	Over 20,000 Gallons Per 1,000 gallons	4.74 <u>2.11</u>	3.13 <u>3.38</u>
Medical Institutions	First 20,000 Gallons per 1,000 gallons Monthly Base Charge	24.44 <u>4.65</u>	43.99 <u>7.44</u>
	Over 20,000 Gallons Per 1,000 gallons	4.22 <u>2.11</u>	2.20 <u>3.38</u>
Educational Institutions	First 20,000 Gallons per 1,000 gallons Monthly Base Charge	24.50 <u>4.65</u>	44.10 <u>7.44</u>
	Over 20,000 Gallons Per 1,000 gallons	4.22 <u>2.11</u>	2.20 <u>3.38</u>
Large Volume Industrial	First 20,000 Gallons per 1,000 gallons Monthly Base Charge	34.92 <u>4.65</u>	62.86 <u>7.44</u>
	Over 20,000 Gallons Per 1,000 gallons	4.74 <u>2.11</u>	3.13 <u>3.38</u>

B. In the event of the installation of a separate sewer meter for approved commercial and industrial users, the following sewer service rates shall apply. ~~The effective date shall commence with all billings after October 1, 1997.~~

Type of Service	Inside City	Outside City
Approved commercial-industrial:		
Monthly base charge	\$ 34.92 <u>4.65</u>	\$ 62.86 <u>7.44</u>
Per 1,000 gallons	4.74 <u>2.11</u>	3.13 <u>3.38</u>

C. In the event a sewer main adjoins property which is not served by municipal water and the owner/occupant desires to be served by sewer service, the sewer rates set forth in paragraph A. shall apply to all single-family and multifamily users. Sewer rates set forth in paragraph A. shall apply to all other customers with water provider supplying water billing information to the City. In the event the water provider is the owner/occupant or the water provider information is not available to the City for billing purposes under paragraph A., then sewer rates set forth in subsection-paragraph B. shall apply and installation costs of the sewer meter shall be borne by the customer.

J. Amend subsection 50-18.2 to read as follows:

50-18.2. All tests shall conform with requirements set forth by the American Water Works Association.

K. Amend subsections 50-19.1 and 50-19.2 to read as follows:

50-19.1. When requesting a hydrant meter for construction water, contractors shall deposit the sum of seven hundred fifty-five dollars (\$755.00) with the eCity for the hydrant meter, fittings and required backflow device. The deposit, less charges for any repair or replacement, shall be refunded upon termination of the contractor's use of the hydrant meter.

50-19.2. The contractor shall pay a monthly water base charge in the amount of eighty-one dollars and thirty-four cents (\$81.34) for all hydrant meters.

SECTION 2: Chapter 52, Section 52-7 is hereby amended to read as follows:

52-7. Charge for standby fire protection service.

For the providing of standby fire protection service, a monthly charge shall be made as follows:

Inside City, per inch diameter of service pipe . . . \$1.00

Outside City, per inch diameter of service pipe . . . ~~2.00~~ 1.40

SECTION 3: The new rates and fees established by this Ordinance shall become effective with all bills issued on or after October 1, 2007.

INTRODUCED AND TENTATIVELY approved by City Council of the City of Chandler, Arizona, this ___ day of _____, 2007.

ATTEST:

CITY CLERK

MAYOR

PASSED AND ADOPTED by the City Council of the City of Chandler, Arizona, this ___ day of _____, 2007.

ATTEST:

CITY CLERK

MAYOR

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Ordinance No. 3943 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on ____ day of _____, 2007 and that a quorum was present thereat.

CITY CLERK

APPROVED AS TO FORM:

MDH
CITY ATTORNEY