



Chandler • Arizona
Where Values Make The Difference



MEMORANDUM

Management Services Memo No. 15-008

DATE: SEPTEMBER 10, 2014

TO: MAYOR & COUNCIL

THRU: RICH DLUGAS, CITY MANAGER
NACHIE MARQUEZ, ASSISTANT CITY MANAGER
DAWN LANG, MANAGEMENT SERVICES DIRECTOR *DL*

FROM: GREG WESTRUM, BUDGET MANAGER *GW*

SUBJECT: 2014 TEMPE COST OF SERVICE COMPARISON OF VALLEY CITIES

The City of Tempe Budget Office has recently published its annual Cost of Service Analysis that compares certain aspects of citizen costs for services provided by their city as well as calculations on the average amount of sales tax and property taxes paid by the typical household. The eight municipalities in the analysis are: the Cities of Tempe, Chandler, Phoenix, Mesa, Scottsdale, Glendale, Peoria, and the Town of Gilbert. By necessity, the analysis makes assumptions on certain items such as water usage and citizen expenditures for taxable goods and services in order to make comparisons across the cities. Overall, the report provides a valuable comparison of the eight largest municipalities in the Valley and we appreciate the fact that the City of Tempe shares the results with us.

The report was prepared in June 2014 using utility rates and tax rates that would be in effect as of July 1, 2014. The analysis is provided in bar chart format on the attached slides. As shown on the first chart, the City of Chandler ended up with the second lowest average residential total cost for municipal services and local taxes with an estimated annual cost of \$1,437 per household. This is \$54 higher than the Town of Gilbert which had the lowest total cost of service of \$1,383.

The next series of charts with comparisons of the various utility and tax categories are used to determine the Annual Cost of Service in the study. A brief description of each measure is provided below, along with any unique aspects regarding Chandler's calculations:

Solid Waste: The annual cost for a Chandler household is \$181 per year (flat fee of \$15.07 per month). Only Peoria shows a lower cost for solid waste services.

Water and Wastewater: The combined water and wastewater annual cost for a Chandler household is calculated at \$569 per year. Only Gilbert shows a lower cost of water and wastewater services by only \$2.00 per year.

For water, this shows Chandler with the lowest annual cost, at \$279. The Tempe analysis uses a single family usage factor of 9,000 gallons per month.

For wastewater, the annual cost for a Chandler household is \$290 based on a monthly flat fee of \$24.17. Tempe, Scottsdale, Peoria, and Gilbert have a lower average cost for residential wastewater services than Chandler.

Local Sales Tax: The Local Sales Tax comparison makes several assumptions. First, the analysis uses the Phoenix metropolitan area average household income (\$60,857) for all of the cities, then assumes a factor of 50% of household income (\$30,307) as typical spending on taxable items. The analysis also assumes that all spending occurs in the citizen's home city. The \$30,307 figure is then used for each city and applied against a "blended" local sales tax rate to determine how much a typical household would pay in local sales tax. For example, Chandler has a Retail sales tax rate of 1.5% and the Restaurant/Bar rate is 1.8%, so the report uses a blended tax rate of 1.694% to calculate local sales tax paid per year. Blended rates for the other cities vary depending upon their Retail sales tax rate and their Restaurant/Bar rate. This approach shows that Chandler is fourth lowest among the eight cities, slightly higher than Mesa, Gilbert, and Scottsdale.

Property Tax: This comparison uses the County Assessor's annual report for the median value for a single family home in each city, and then multiplies the value by the local primary and secondary property tax payments. Even though Chandler has one of the lowest property tax rates among cities with both primary and secondary property tax, the City also has one of the higher median single family home values resulting in a higher property tax paid by the average homeowner compared to other cities.

City	Median Value	Assessed Value (10%)	Combined Property Tax Rate (per \$100 Assessed Valuation)	Estimated Property Tax
Mesa	\$109,300	\$10,930	\$1.19	\$130*
Phoenix	\$83,300	\$8,330	\$1.82	\$152
Gilbert	\$159,000	\$15,900	\$1.065	\$165*
Chandler	\$146,800	\$14,680	\$1.18	\$173
Peoria	\$122,500	\$12,250	\$1.44	\$176
Glendale	\$86,500	\$8,650	\$2.15	\$186
Scottsdale	\$244,800	\$24,480	\$1.24	\$305
Tempe	\$128,300	\$12,830	\$2.44	\$312

*Secondary tax only

In summary, this review by the City of Tempe indicates that the citizens of Chandler continue to enjoy one of the lowest costs of service in the area. This memo and the accompanying charts have been updated on the Budget Division page on the City's web site (www.chandleraz.gov).

MS Memo No. 15-008

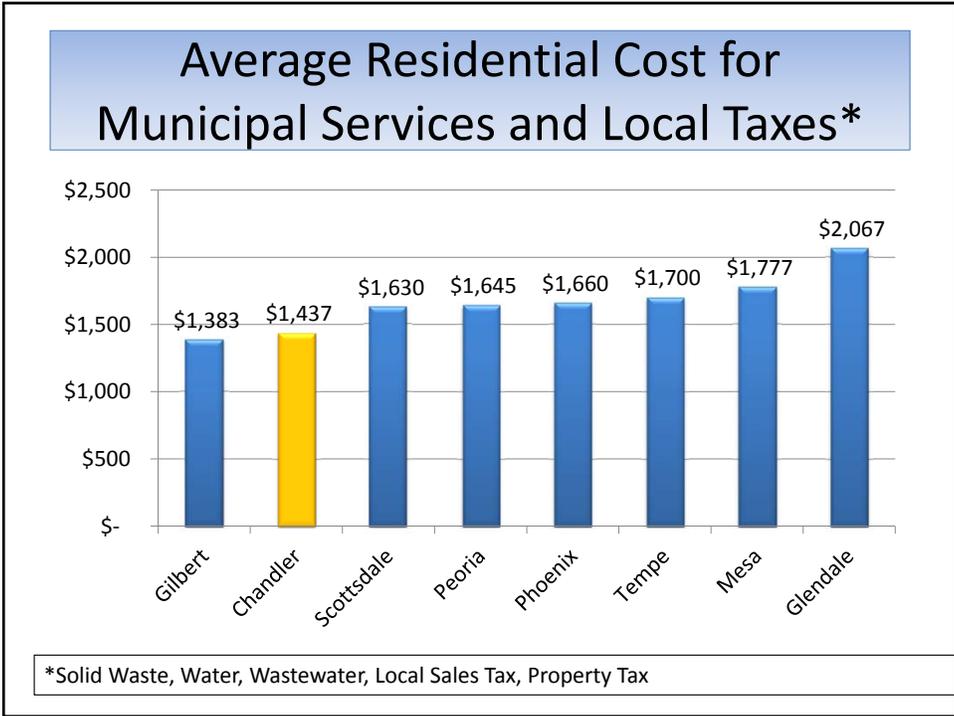
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Page 3

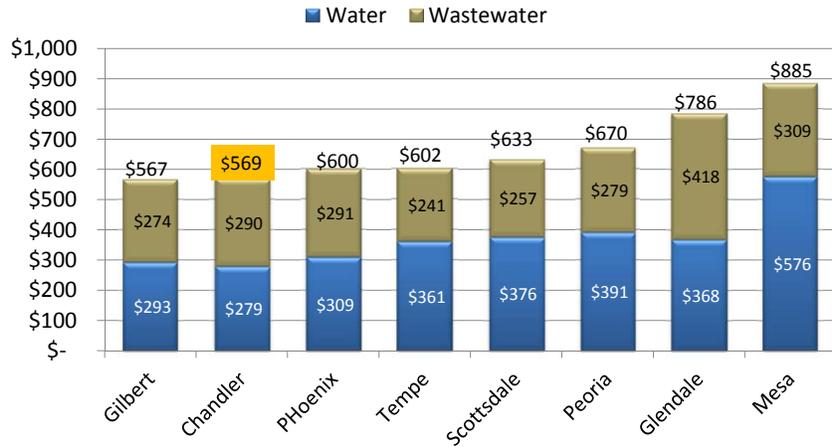
If you have any questions about the survey data please feel free to contact me at x2256 or Dawn Lang at x2255.

Attachments: 5 bar graphs

cc: Marsha Reed, Assistant City Manager
Department Directors

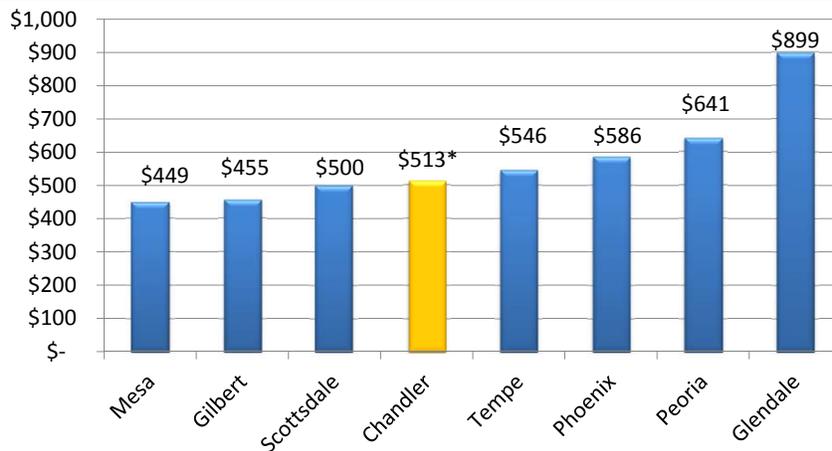


Average Estimated Annual Cost of Water and Wastewater Services



Water calculations assume 9,000 gallons per month for a single family home; Chandler's wastewater rate is a flat rate of \$24.17 per month x 12 months = \$290.

Average Estimated Annual Impact of City Sales Tax



*Chandler: \$60,857 median household income (Phoenix metro average) x 50% for taxable items = \$30,307 x "blended" tax rate (retail, restaurant, hotel) of 1.694% = \$513

