



FY 2026-27 Utility Rate Workshop

**Council Conference Room
Monday, August 10, 2026 | 4:00 p.m.**



The background image shows a large, red, curved valve or pipe fitting in the foreground, secured with numerous bolts. Above it, a blue pipe with a handwheel valve extends upwards. The scene is set outdoors on a dirt ground with trees and a blue sky in the background. A large, semi-transparent white circle is overlaid on the right side of the image, containing the title text.

Chandler Water & Wastewater Utilities: Major Projects & Rates

Utility Rates Financial Plan Review and Cost of Service (COS) Process

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 at a minimum of every 5 years)



Is everyone paying their fair share?

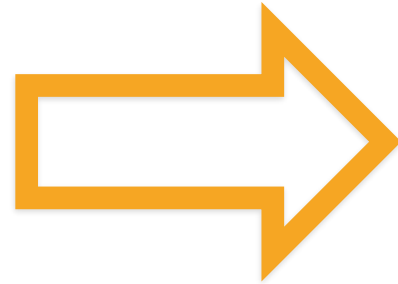


Cost of Service Rates

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 but must be based on accurate data.

Deliberate bridge to update cost-based rates

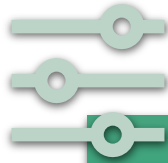


Prior Study



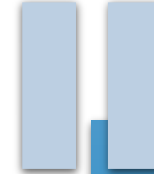
- Completed FY 2020-21
- Targeted 100% alignment for Water over 5 years
- Targeted 75% alignment for Wastewater over 5 years
- 5-year alignment planned 3 adjustments scheduled every other year

Changing Conditions



- FY 2023-24 shifted alignment target to 100% for Wastewater
- Significant changes to operating costs
- Unprecedented Inflation
- Infrastructure replacement plans amended
- Growth in classification areas changed
- Private Industrial user wastewater plant completed & put in use

Interim Approach



- Significant data changes required need to restudy misalignment
- Decision to generate needed revenue with adjustments across the board
- Begin new Cost of Service Analysis with updated data
- New COS begins Sep/Oct 2026, completed April/May 2027 for FY 2027-28 rate adjustments

Utility Rate Adjustment History

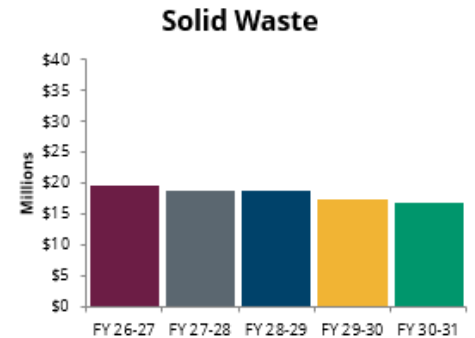
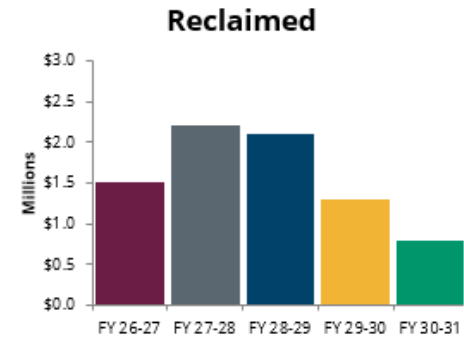
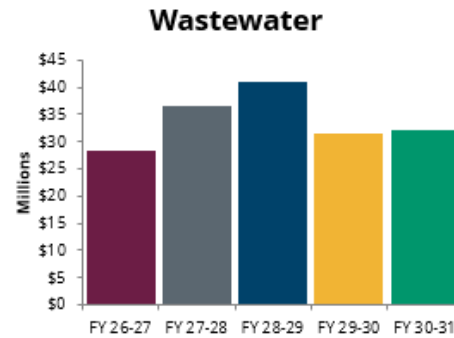
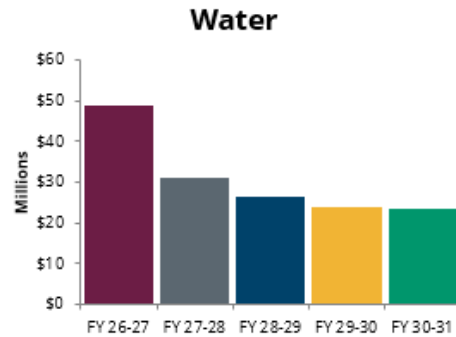
Historically, rates have adjusted every other year.
Direction in FY 2026-27 was to adjust to annual rate changes.

	Rate change cadence every other year								FY 2020-21 COS Alignment Allocated over 5 Years or 3 Rate Changes. Rate change cadence every other year								Proposed Rate change cadence now annual			
	FY 2017-18 (ATB)				FY 2019-20				FY 2021-22* (COS)				FY 2023-24 (COS)				FY 2025-26 (ATB)			
	W	WW	Rec.	SW	W	WW	Rec.	SW	W (100%)	WW (75%)	Rec.	SW	W (100%)	WW (100%)	Rec.	SW	W	WW	Rec.	SW
Residential	2.5%	8%		6%	0%	0%		6%	1.27%	1.21%		3.4%	2.4%	0%		7%	15%	15%		6%
Non-Residential	2.5%	8%	15%		0%	0%	0%		3.79%	6.88%	8%		8.22%	17.16%	7%	7%	15%	15%	18%	
Multi-Family	2.5%	8%	15%		0%	0%	0%		1.83%	8.3%	8%		3.15%	22.23%	7%	7%	15%	15%	18%	
Industrial	2.5%	8%	15%		0%	0%	0%		4.33%	6.88%	8%		9.22%	17.26%	7%	7%	15%	15%	18%	
									* Rate Implementation delayed to July 2022											
													What Full COS looked like instead of ATB				FY 2025-26 (Full COS)			
																	W	WW	Rec.	SW
																	6.4%	0.0%		6.0%
																	19.1%	42.3%	18.0%	
																	4.4%	38.1%	18.0%	
																	37.1%	42.3%	18.0%	

COS = Cost of Service W = Water WW = Wastewater Rec. = Reclaimed
SW = Solid Waste ATB = Across the Board

5-Year Enterprise Fund Balance Projections & Rates

Rate Models incorporate operating adjustments in FY 2026-27 and CIP infrastructure project changes

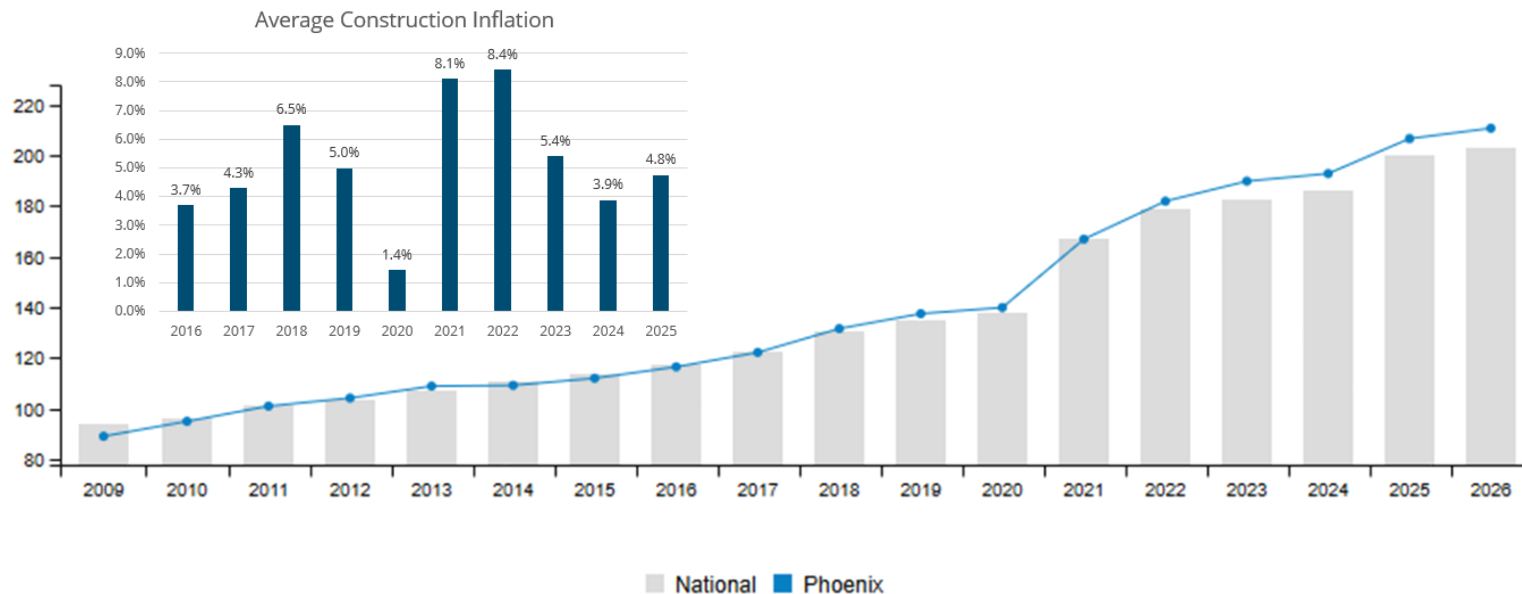


Water Rate Plan FY 2026-27 +9.0% FY 2027-28 +9.0% FY 2028-29 +9.0%	Wastewater Rate Plan FY 2026-27 +6.5% FY 2027-28 +6.5% FY 2028-29 +6.5%	Reclaimed Water Rate Plan FY 2026-27 +9.0% FY 2027-28 +9.0% FY 2028-29 +9.0%	Solid Waste Rate Plan FY 2026-27 +4.5% FY 2027-28 +4.5% FY 2028-29 +4.5%
◆ Maintains 20% Operating Reserve ◆ Focus on maintaining aging infrastructure: facilities, wells, water mains, and filters ◆ Focus on aging infrastructure has significant rate impact	◆ Maintains 20% Operating Reserve ◆ Focus on maintaining aging infrastructure: facilities, wastewater mains ◆ Focus on aging infrastructure has significant rate impact	◆ Maintains 20% Operating Reserve ◆ Rates support operating, water planning, conservation and adding capital costs	◆ Maintains 15% Operating Reserve ◆ Addresses increased hauling and collection contract and nationwide recycling impact

Capital Plan Inflation Impacts

Construction
Price Index's
new normal

Construction Cost Index Trends



Construction Costs
continue to go up

6.77% over last
12 months

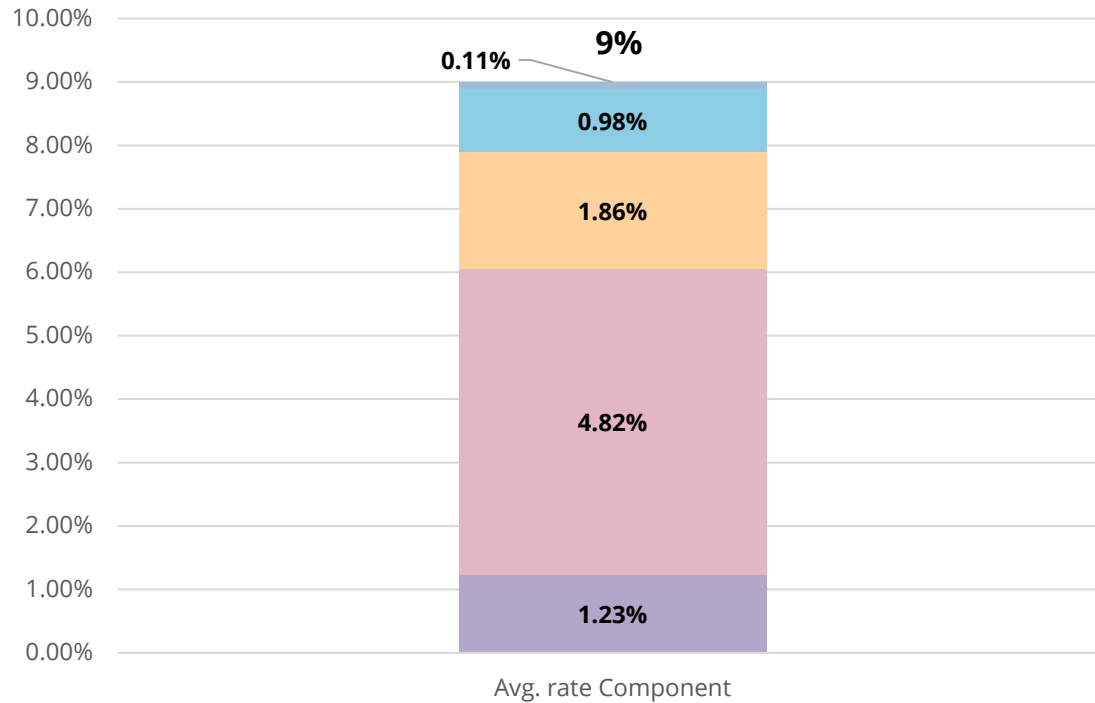
Data source: The Mortenson Construction Cost Index is calculated quarterly by pricing a representative non-residential construction project in geographies throughout the country.

Major Drivers - Water

- Operating increases for personnel, chemicals, utilities, and equipment
- Debt service and cash funded Water Treatment Production Facilities, Mains, and Water Purchases
- Upcoming CIP projects in FY 2026-27 include:
 - Water Production Facility Improvements (\$10.7M)
 - Water Treatment Plant Improvements (\$131M)
 - Main and Valve Replacements (\$8.5M)



Water Utility Rate Allocation



- Well Construction & Rehabilitation Debt Service & Cash Funded
- Water Distribution Systems Debt Service & Cash Funded
- Water Purchases Debt Service & Cash Funded
- Water Treatment Production Facilities Debt Service & Cash Funded
- Operating Increases



Each 1% rate change equates to about \$609,000 in revenue.

Improved Infrastructure – Pecos Water Plant Improvements

Water Treatment Plant Improvements at Pecos

A total of \$372.5M is being proposed in the new 10-year CIP for improvements to Water Treatment and Production Facilities



Water Treatment and Production Facilities

- 1 Filter Improvements
- 2 EQ Pump Replacement
- 3 Solids Dewatering Imp.
- 4 Chemical Systems
- 5 Advanced Treatment

New Infrastructure – Water Purchases



Bartlett Dam Expansion Partnership

- Increases reservoir storage on the Verde River by raising the dam height (alternatives up to ~100 feet)
- Captures and stores additional runoff during wet winters
- Improves regional drought resilience and long-term water supply reliability
- Creates hundreds of thousands of acre-feet of additional capacity depending on the final design shared with all partners
- Federal feasibility study and environmental review are underway.

\$49.5M in proposed CIP (+\$24M) is our anticipated share of design and assessment costs

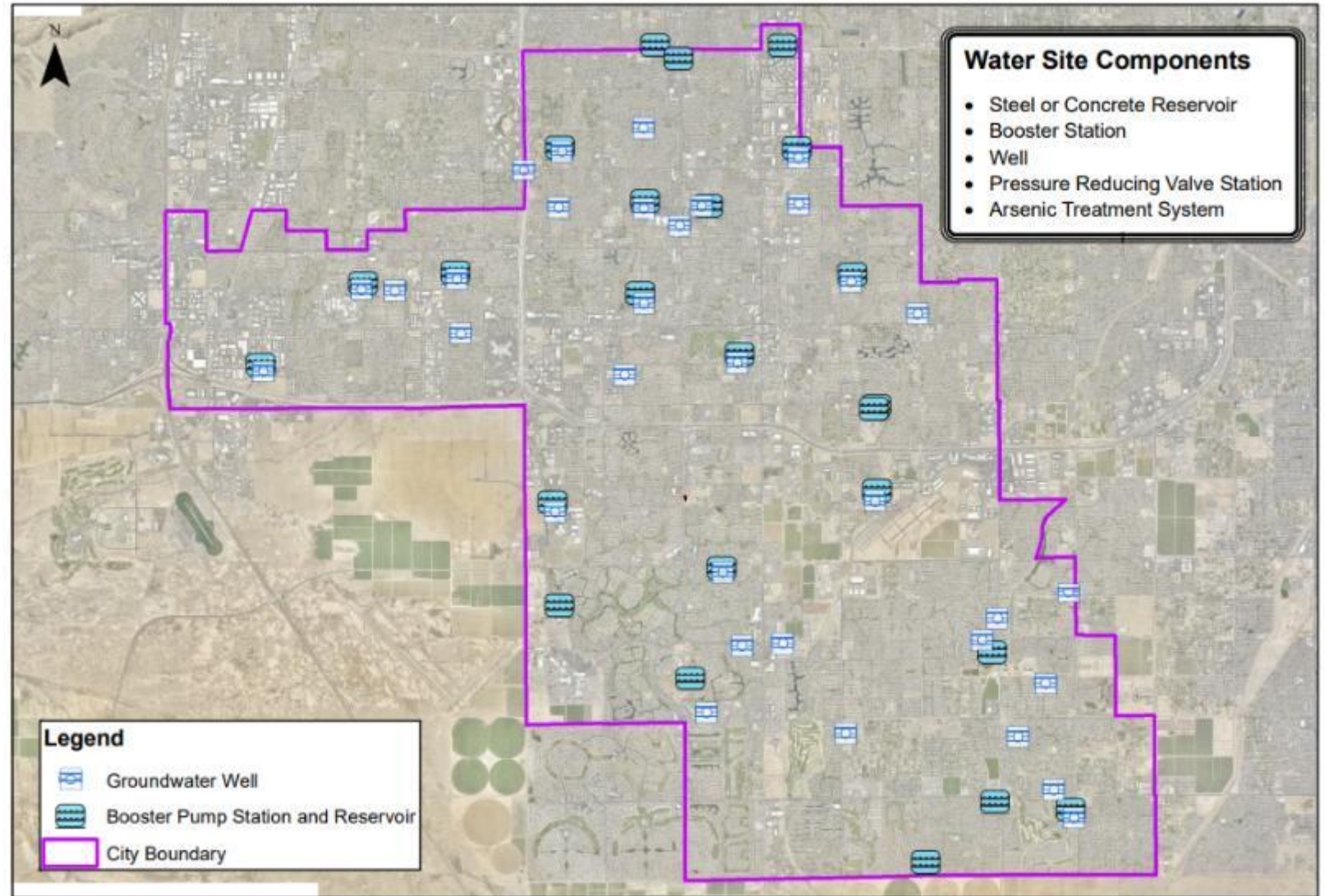
Aging Infrastructure – Water Production Facilities

The use and maintenance of ground wells is critical to Chandler's water portfolio

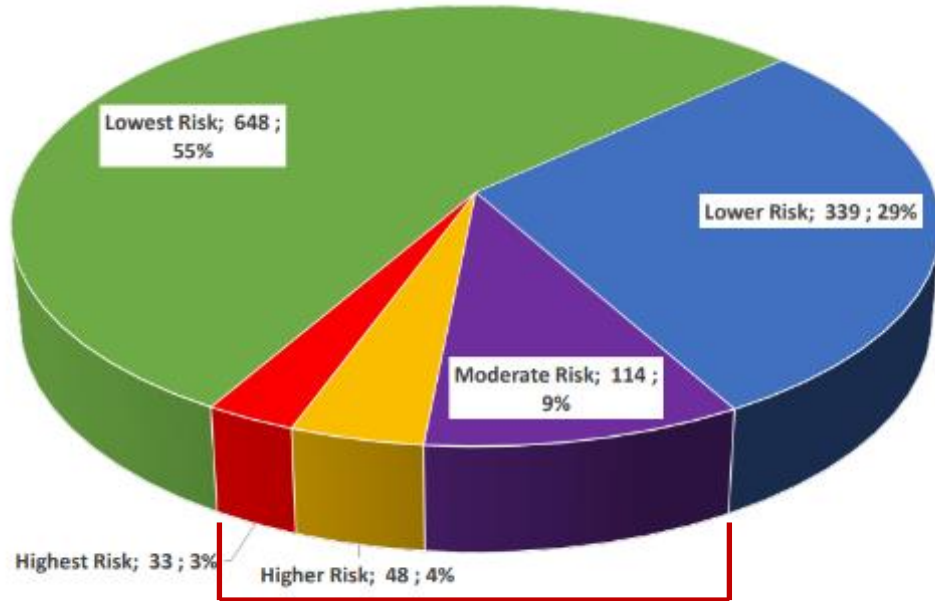
Booster station failures have become more of an issue, and the cost for rehabilitation is higher if earlier remediation is not done



Average age of these remote facilities is 25-years with the newest being 5-years and the oldest 41-years

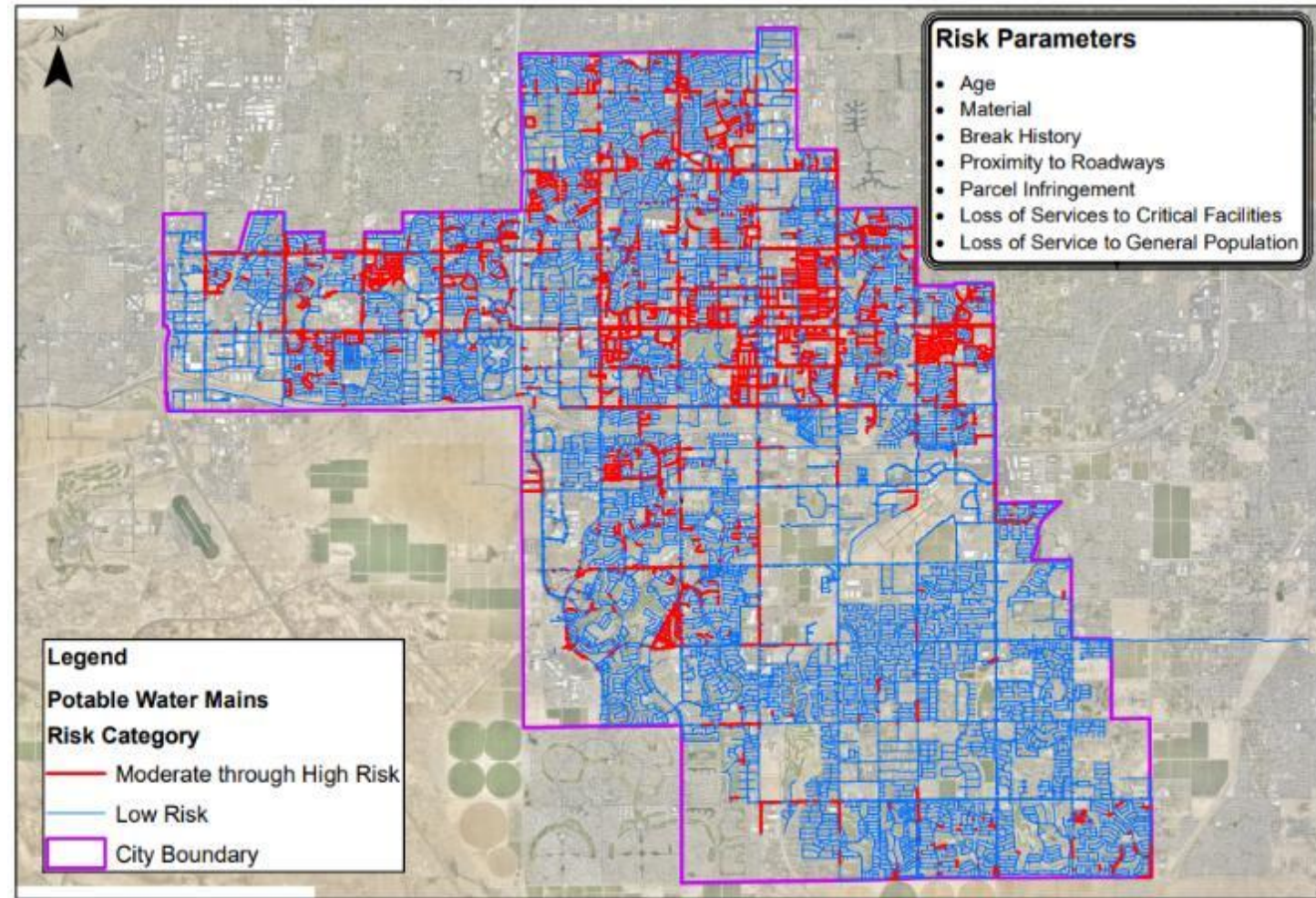


Aging Infrastructure – Watermains



Plan addresses these areas

Recommended replacement plan would start out averaging 2 miles per year, escalating to 8 in FY 2033-34. Addresses all at risk lines over the next 30 years. Coordination with other projects is vital.

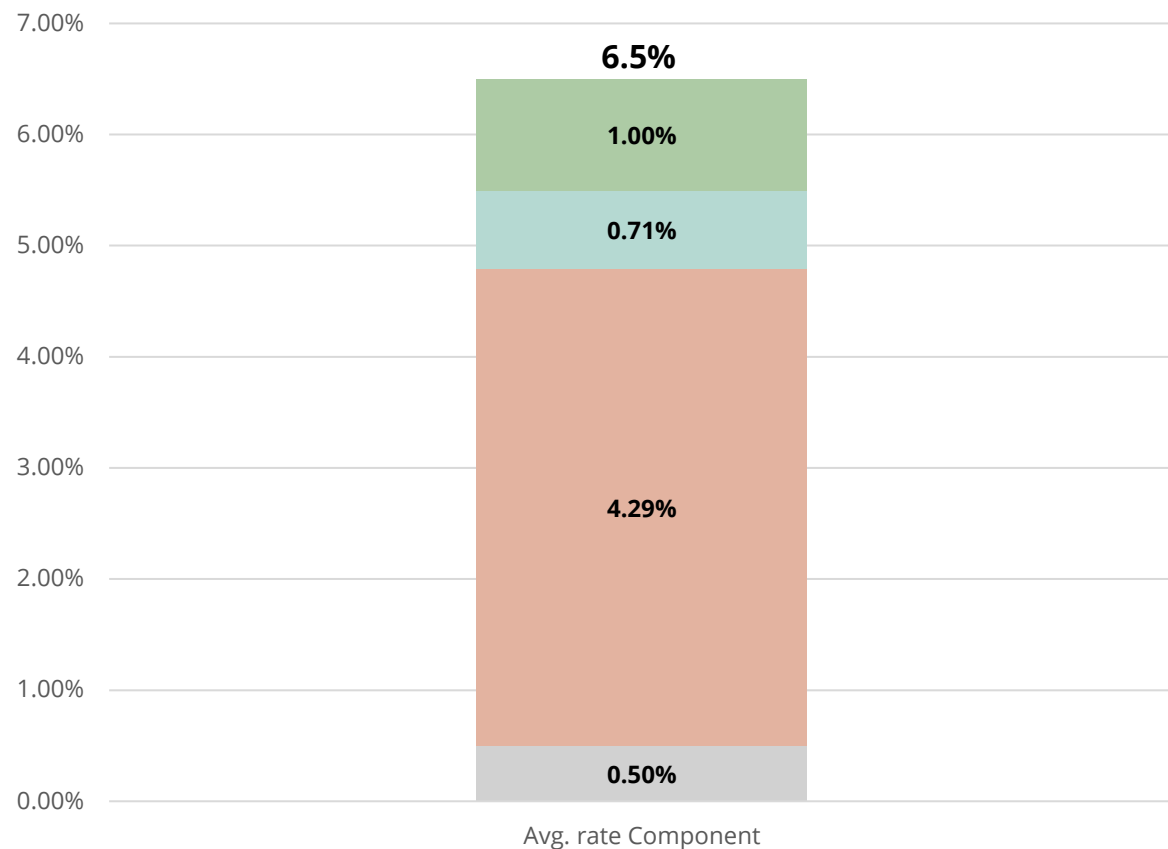


Major Drivers - Wastewater

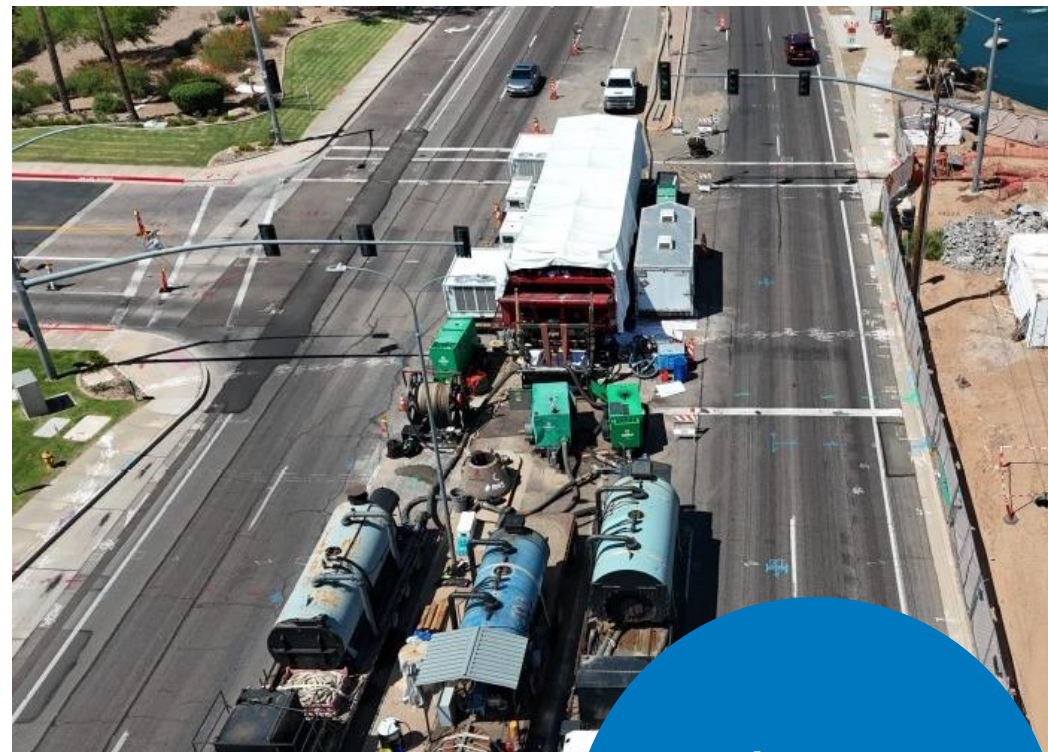
- Operating increases for personnel, chemicals, utilities, and equipment
- Debt service and cash funded Wastewater and Reclaimed Facilities, Distribution, and Sewer Rehab
- Upcoming CIP projects in FY 2026-27 include:
 - Continuation of the redundant 66" line under San Tan Loop 202 (\$40.6M)
 - Water Reclamation Facility Improvements (\$45M)
 - Sewer Assessment and Rehabilitation (\$10.7M)



Wastewater Utility Rate Allocation



- Wastewater Systems Improvements Debt Service & Cash Funded
- Wastewater Sewer Rehabilitation Debt Service & Cash Funded
- Wastewater & Reclaimed Facilities Debt Service & Cash Funded
- Operating Increases



Each 1% rate change equates to about \$552,000 in revenue.

Improved Infrastructure – Wastewater Treatment

Wastewater facility improvements at AWRF

A total of \$249.3M is being proposed in the new 10-year CIP for improvements to Wastewater and Reclaimed Facilities

Wastewater and Reclaimed Facilities

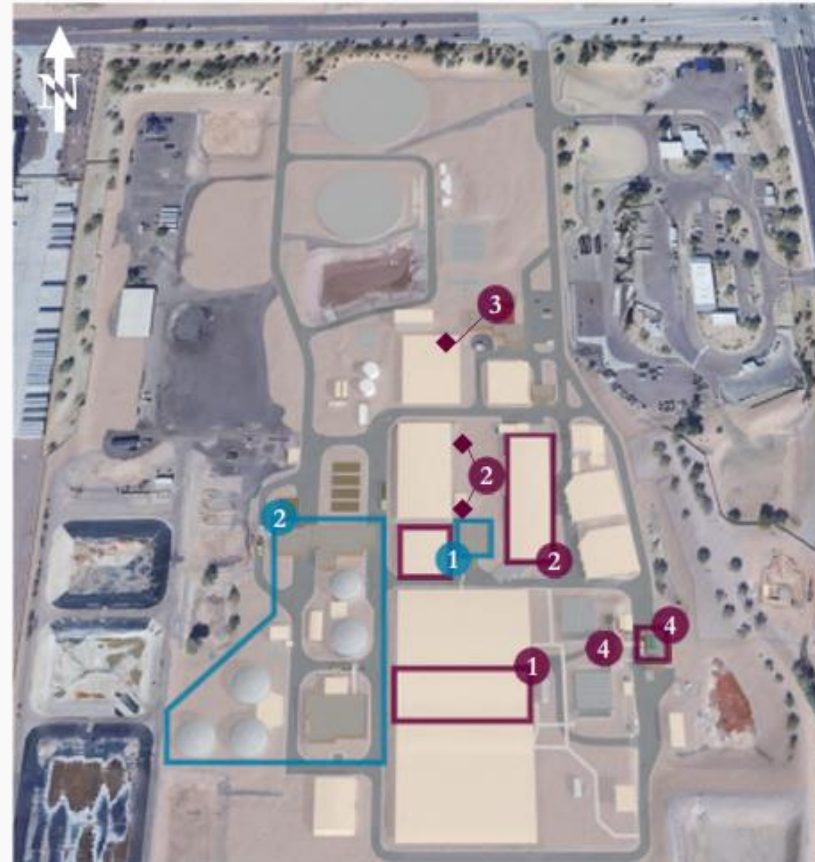
STUDIES

1 PROCESS AIR SYSTEM STUDY

- IDENTIFY OPTIONS FOR BLOWER OPTIMIZATION

2 SOLIDS FACILITIES OPTIMIZATION STUDY

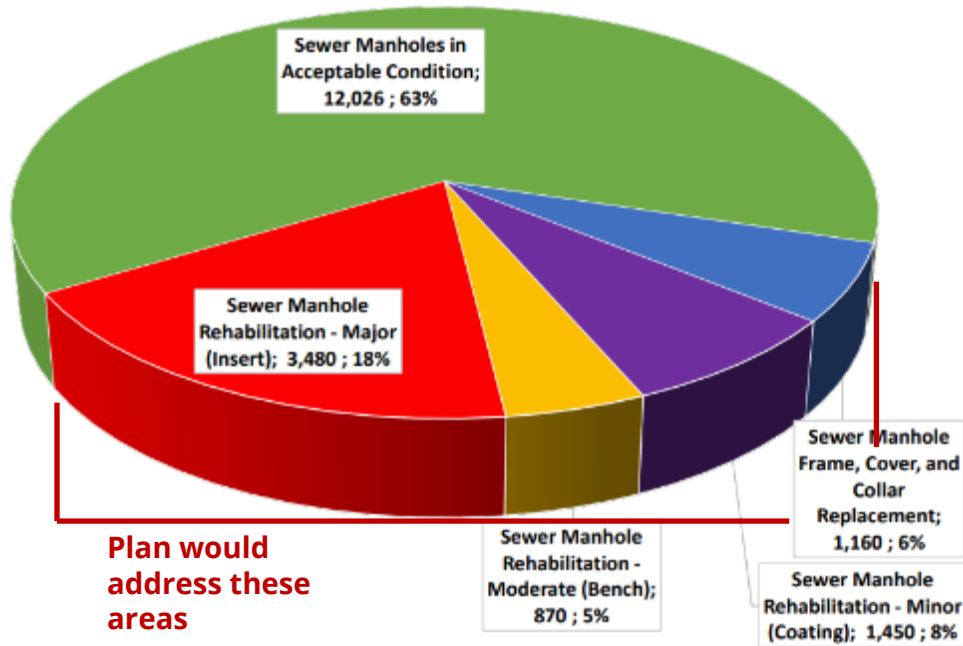
- EVALUATION OF ALTERNATIVES TO OPTIMIZE THE SOLIDS HANDLING FACILITIES



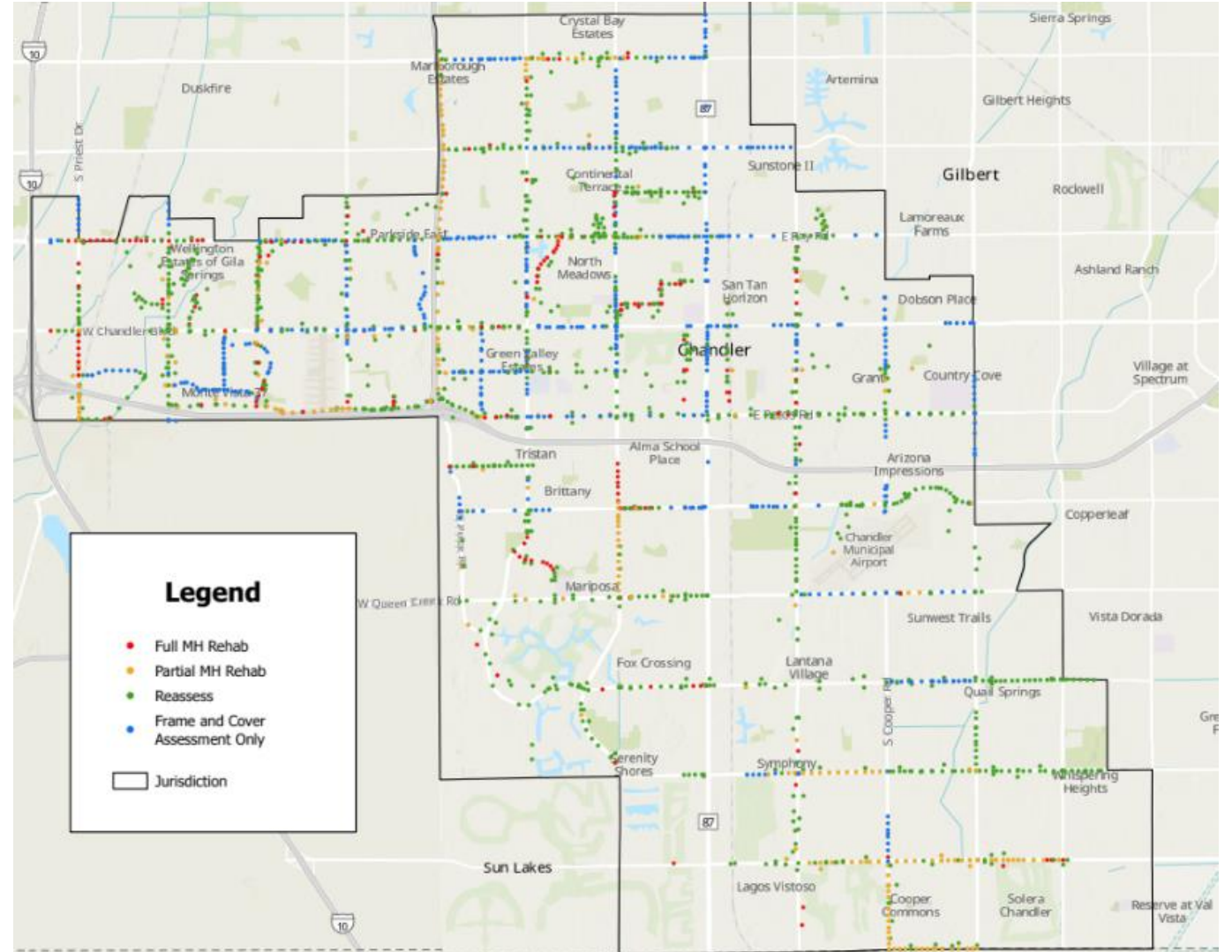
OTHER SCOPE ITEMS

- 1 **AERATION BASINS NO. 5 & 6**
 - REPLACE DIFFUSERS, PIPE SUPPORTS, SMALL DIAMETER PIPING, AND GROUT
- 2 **SECONDARY CLARIFIERS**
 - CONVERT MECHANISMS TO STAINLESS
 - REPLACE UNDERGROUND RAS CONTROL VALVE FOR NO. 1 & 3
- 3 **DISC FILTERS**
 - INSTALL DISC FILTER NO. 6
- 4 **MISC. IMPROVEMENTS**
 - HEADWORKS
 - REPLACE GRATING
 - REROUTE OF FOUL AIR SUCTION
 - INFLUENT PUMP STATION
 - REPLACE HATCHES AND REHAB STRUCTURE
 - SITE ACCESS
 - PRESTAGE BASIN 2 ACCESS

Aging Infrastructure – Wastewater Mains/Manholes

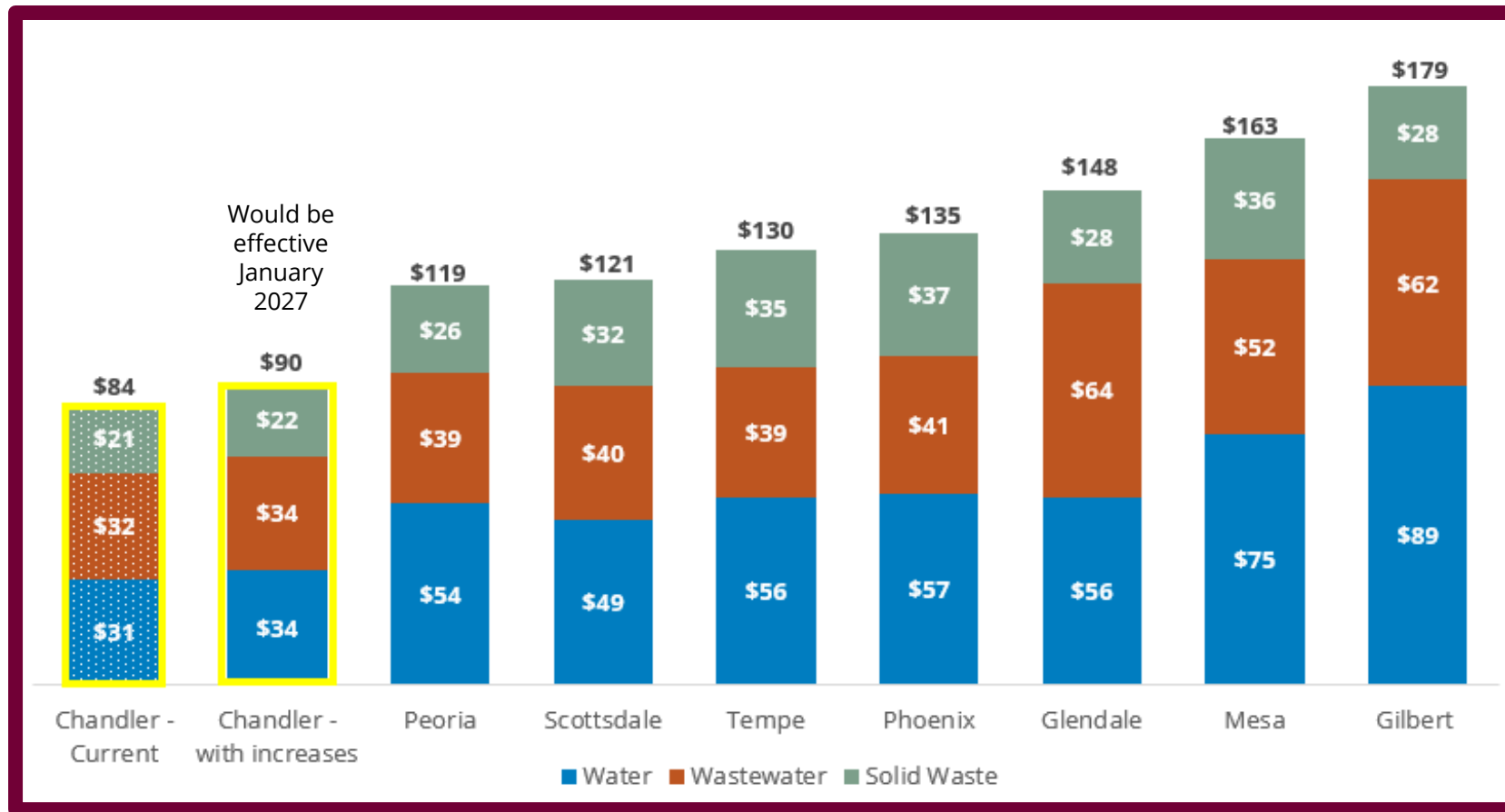


Recommended replacement/rehab plan would start out averaging 90 manholes per year, escalating to 350 per year over the next 30 years to address all 7,000 manholes that have known issues



Residential Cost Impact

Single Family Average Monthly Bill Impact

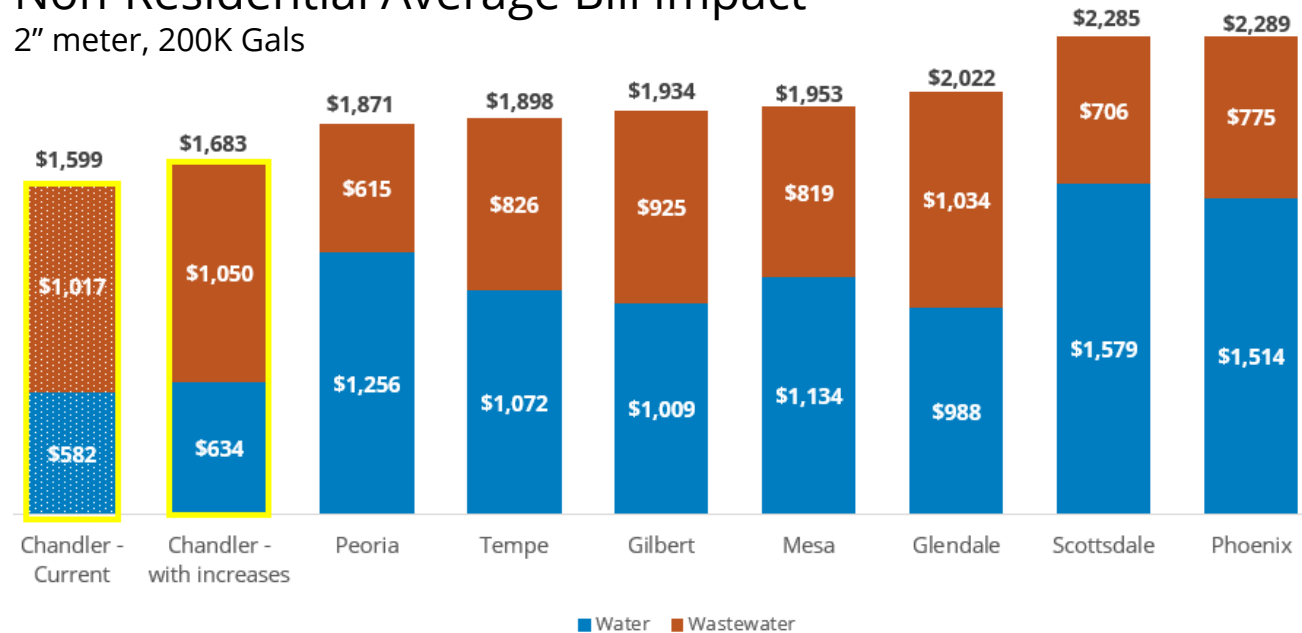


Estimated based on Tempe Cost of Service July 2026 results at 10,000 gallons 5/8 meter single family residential rates for FY 2026-27

Multi-Family / Non-Residential Cost Impact

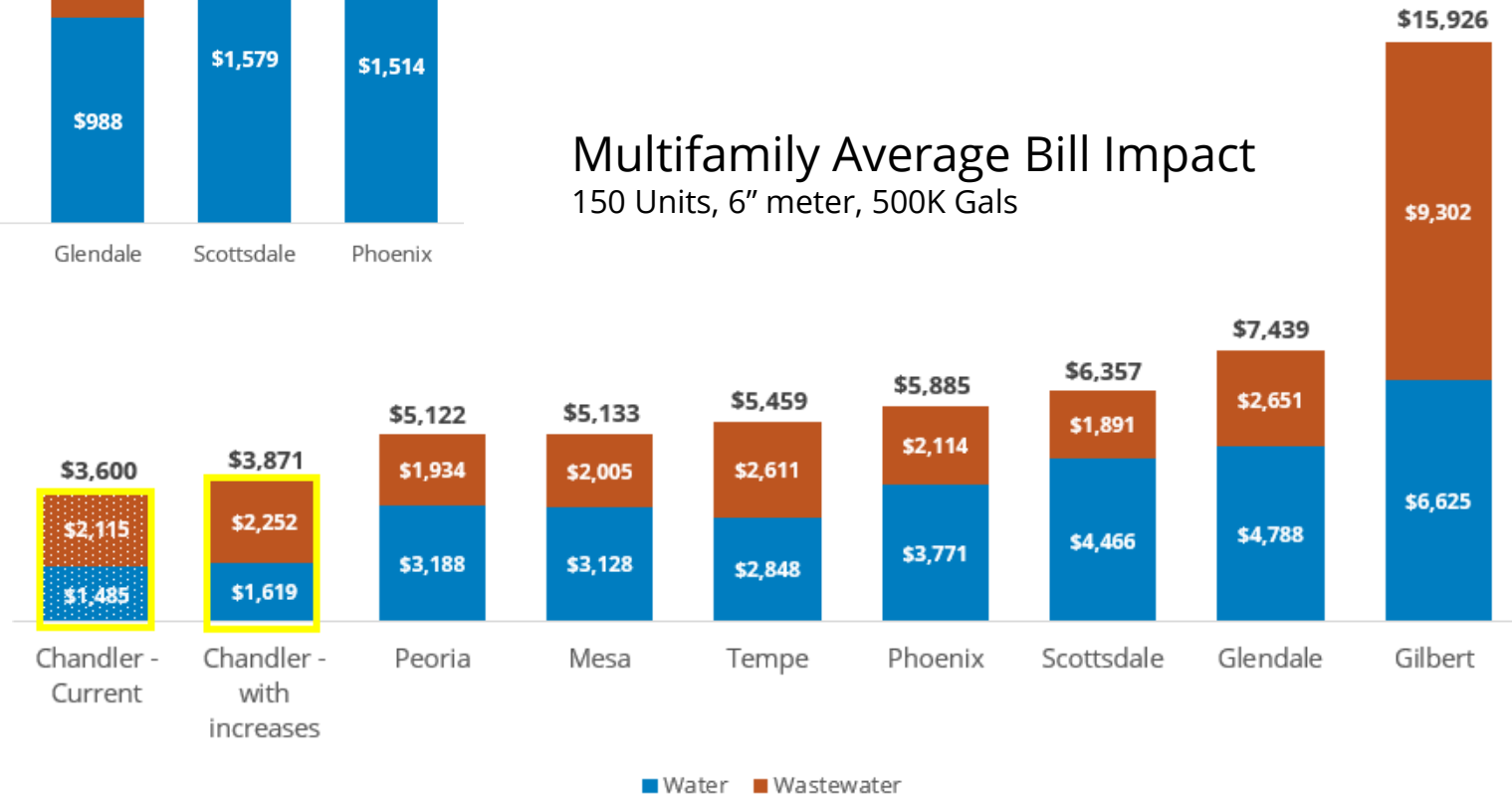
Non-Residential Average Bill Impact

2" meter, 200K Gals



Multifamily Average Bill Impact

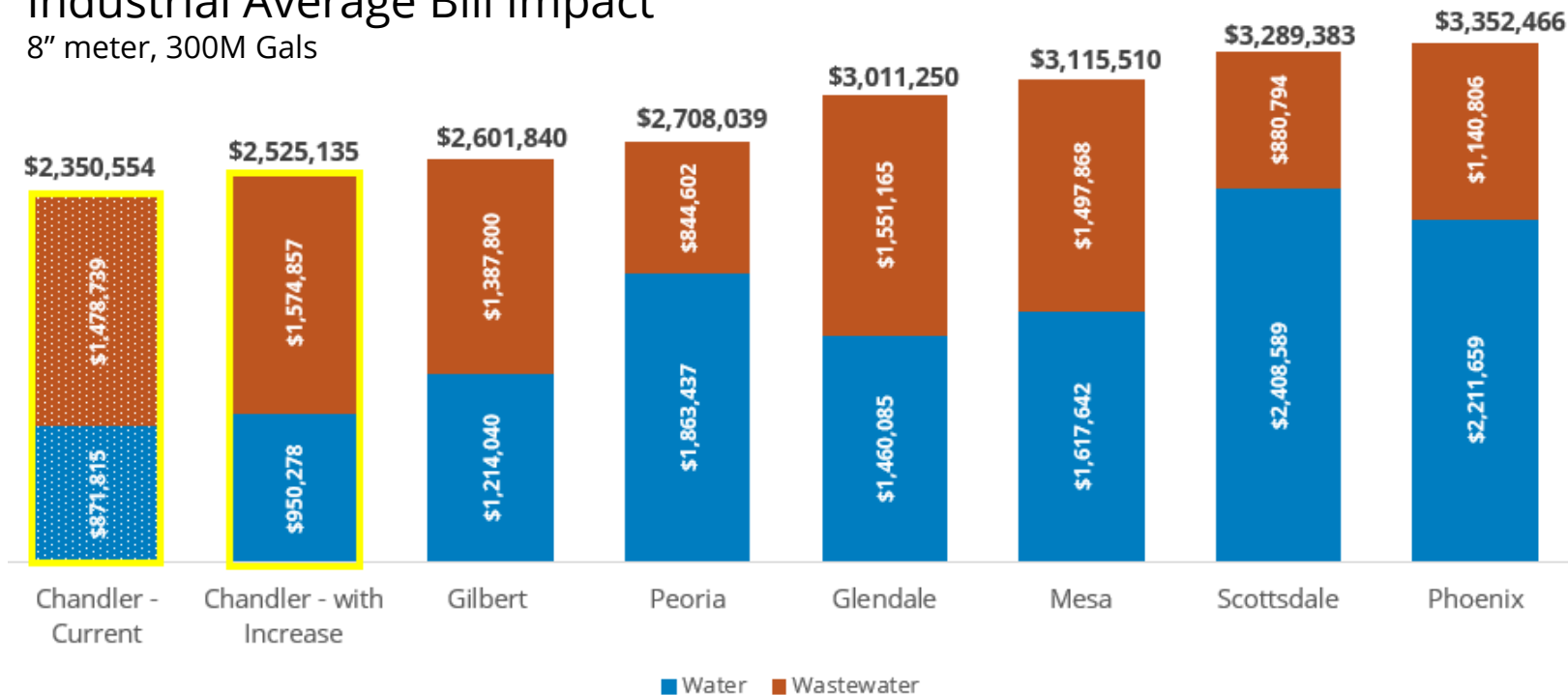
150 Units, 6" meter, 500K Gals



Industrial Cost Impact

Industrial Average Bill Impact

8" meter, 300M Gals



Key Dates

Budget Event	Date
Workshop on Rates	Completed
Notice of Intent Posted (60 days prior to PH)	8/14/2026
Begin COS Update	Sep./Oct 2026
Public Hearing and Ordinance First Read	10/15/2026
Ordinance Final Adoption	11/12/2026
Effective Date of Rate Changes if Adopted	1/4/2027
New COS to Council for Review and Adoption	May/June 2027

Questions?

