

Meeting Minutes

City Council Work Session

October 14, 2021 | 4:00 p.m.
Council Chambers Conference Room
88 E. Chicago St., Chandler, AZ



Call to Order

The meeting was called to order by Mayor Kevin Hartke at 4:00 p.m.

Roll Call

Council Attendance

Mayor Kevin Hartke
Vice Mayor Mark Stewart
Councilmember OD Harris
*Councilmember Terry Roe
Councilmember René Lopez
Councilmember Christine Ellis
Councilmember Orlando

Appointee Attendance

Josh Wright, Acting City Manager
Dawn Lang, Deputy City Manager/CFO
Kelly Schwab, City Attorney
Dana DeLong, City Clerk

*Councilmember Roe attended telephonically.

Staff in Attendance

Matt Burdick, Communications and Public Affairs Director
Micah Miranda, Economic Development Director
John Knudson, Public Works and Utilities Director
Ryan Peters, Governmental Relations and Policy Manager
Cori Harris, Mayor and Council Communications Manager
Gregg Capps, Utility Resource Manager
Tabitha Sauer, Solid Waste Manager

Discussion

1. Cost of Service Study Results for Solid Waste

MAYOR HARTKE introduced the discussion item and called for a staff presentation.

JOSHUA WRIGHT, Acting City Manager, thanked Council for attending and this is the first time since 2016 that they have discussed the cost of service fees. This would be the first part of a two-part discussion and the second part would be about water and wastewater. This study has been done over the past year and staff would be looking for direction regarding the rate structure in the future.

DAWN LANG, Deputy City Manager/Chief Financial Officer, said Council had approved a study with a contractor who has worked with the City for a long time.

MATT DUNBAR, Budget Manager, presented the following presentation.

- FY 2021-22 Cost of Service Study Results for Solid Waste
- Agenda
 - Background Leading to Today
 - Cost of Service (COS) Rate Study Process
 - Solid Waste Financial Plan
 - Raftelis Solid Waste COS Analysis
 - Implementation Timeline Project Website
- Background Leading to Today
 - City Financial Policy requirements
 - Annually review the City Financial Rate Models
 - COS reviewed every 4-5 years to ensure those using services are paying their share
 - Changes that affect COS update
 - Changes in overall customer usage/demographics
 - Capital projects/system expansions
 - Data improvements
 - Rate structure change Public Support
- Background Leading to Today Recycling Solid Waste Collection Center (RSWCC) History
 - RSWCC History
 - 1979 Opened Landfill
 - 1998 Landfill Reaching Capacity
 - 2000 Contracted with Butterfield
 - 2003 Regional Transfer Station Evaluated
 - 2005 Chandler Landfill Officially Closed
 - 2005 RSWCC Opened for Residents Use
- Background Leading to Today RSWCC History
 - Services Provided
 - Freon Recovery
 - Household Hazardous Waste
 - Tire Disposal
 - Trans and Landscape Debris Drop Off
 - Recycling Metal, Electronics, Appliances, Cardboard
 - 19,800 Households
 - 68,000 Visits
 - 13,000 tons processed

- Alternative Sites
 - Republic Chandler (Germann and Hamilton 2.5 miles away): \$68/1st ton; \$68 minimum - \$46.25 for additional tons prorated (no tires, hazardous waste)
 - Weinberger Gilbert (Cooper and Guadalupe 8 miles away): \$46.75/ton; \$30 minimum (no tires, hazardous or food waste)
- Background Leading to Today Recycling/ Solid Waste History
 - Recycling markets depressed since 2018/ reduced recycling revenues
 - New contracted curbside collection agreement provides more certainty for future cost projections
 - New RSWCC scale and operating data available to analyze operations
 - Important to periodically review COS as changes occur

COUNCILMEMBER LOPEZ asked when the scales were put in.

MR. DUNBAR said 2017.

THIERRY BOVERI, Raftelis, continued the presentation.

- Cost of Service (COS) Rate Study Process
- COS Rate Study Process
 - Primary Study Scope
 - Validate financial projections/ Revenue Sufficiency
 - Analyze COS and facility/service utilization
 - Provide rate recommendations through FY 2025-26
 - Areas of Focus
 - Mitigate planned rate increases
 - Increase rate payer equity by reducing subsidy to:
 - RSWCC
 - Bulk Collection
 - Alleyway Collection
 - Methodology to Assess Revenue Needs
 - Gross Revenues
 - Monthly Fee
 - RSWCC Tip Fees
 - Other Revenues/Fund Balance
 - Revenue Requirements
 - Expenses
 - Capital
 - Landfill Post Closure Care
- COS Rate Study Process
 - City's Financial Plan Review
 - What is the funding requirement
 - Cost of Service Analysis
 - Is everyone paying their fair share

- Rate Design Change Recommendations if any
 - How can our rates help ensure fairness
- Solid Waste Financial Plan
- Solid Waste Financial Plan
 - COS Study Objectives
 - Validation of City established financial model
 - Fully fund revenue requirements
 - Maintain fiscal policy goals
 - Results
 - City's established financial model was found to be complete and accurate meeting forecasted expenditures with the projected revenue rate increases and planned fund balance drawdown
- Solid Waste Financial Plan
 - Cost Drivers
 - Contractual Increases
 - Collection, Landfill, Recycling, etc.
 - Automatic increases for inflation
 - Ongoing post closure landfill costs
 - Major projects anticipated by FY 2024-25 for soil erosion mitigation and leachate
 - Study Recommendations
 - Consider continuation of bi-annual rate increases
 - Keeps pace with inflation
 - Slows fund balance drawdown
 - Achieves study objectives and meets City's fiscal policy
 - Allows gradual drawdown of reserves towards policy minimum targets

VICE MAYOR STEWART asked if there were five times the minimum balance reserve requirement.

MS. LANG said there is a landfill post closure reserve requirement of 15% which has to be held until October 2035.

VICE MAYOR STEWART asked if that amount would go back into the fund and would be available in 2035.

MS. LANG said if there is additional capital improvement that needs to take place the reserve is there.

VICE MAYOR STEWART asked if those funds were invested.

MS. LANG said yes.

VICE MAYOR STEWART said it is a lot of money to sit in a reserve.

MS. LANG said setting rates is a balancing act and for the solid waste fund there are increases in the contracts. Overtime, they have been able to build that balance knowing those increases are coming and now they are starting to draw down the fund. Ms. Lang said they have about \$4 million in reserves to use for this and staff anticipates that will have to be used for the contract increases over the next few years. Ms. Lang said they do not want to be in a position where they have to automatically raise rates quickly instead this would be a gradual change.

VICE MAYOR STEWART said there is a lot of inflation going on and multiple bond questions and now this would be another potential increase. Vice Mayor Stewart said with that type of reserve maybe they could hold off.

COUNCILMEMBER LOPEZ clarified the reserve requirement is in this existing balance.

MS. LANG said yes.

COUNCILMEMBER LOPEZ said these funds are untouchable unless they are needed for capital improvements until 2035 and at that time it would be available.

MS. LANG said yes, these are one-time dollars. Ms. Lang said they are looking at rate changes which would be an increase to their ongoing revenue stream. The contracts are starting to increase, and their expenses are starting to outpace the revenue so there will be a drawdown in the reserves.

COUNCILMEMBER LOPEZ asked what would be one-time contributions to the fund.

MS. LANG said in any budget year, if the revenues exceed the expenditures those would be kept in the fund balance.

COUNCILMEMBER LOPEZ said a surplus is considered a onetime addition to the fund.

MS. LANG said yes.

MAYOR HARTKE said if they projected in 2024 there was work to do on the existing dump and that was drawn out of that reserve, when it is over they would still need to keep that same reserve balance.

MS. LANG said yes, there has to be that buffer and staff does an annual report that shows that those funds are available. The funds are invested and the interest goes back into the fund.

MR. BOVERI said that all states have these types of post-closure requirements and the name is starting to change to perpetual care because of the care needed over time.

COUNCILMEMBER ORLANDO asked what landfill they are talking about.

MAYOR HARTKE said Paseo Vista.

COUNCILMEMBER ORLANDO said they are still using Butterfield and asked where the 15% policy come from.

MS. LANG said it is part of their financial policy.

COUNCILMEMBER ORLANDO asked why they increased the fees previously.

MS. LANG said a few years ago it went from 10 to 15.

COUNCILMEMBER ORLANDO asked why that was done.

MS. LANG said it was due to the volatility of the solid waste and recycling market.

COUNCILMEMBER ORLANDO asked if they modeled 12%.

MS. LANG said the rates would not change much.

COUNCILMEMBER HARRIS said if they have reviewed the transfer stations and if there was a public private partnership that could help stop the rate increases.

MS. LANG said staff would show some additional analysis about some options.

MR. BOVERI continued the presentation.

- Solid Waste COS Analysis
- Solid Waste COS Analysis COS and Rate Design
 - How can our rates ensure fairness?
 - Number of residential households
 - Total Actual Users
 - Guiding Principle
 - Services used by all paid by all
 - Services used by few paid by few
- Solid Waste COS Analysis COS Actions
 - Performed detailed analysis of City facility and service utilization relative to the COS
 - Key finding: 20% of households request Bulk Service/visit RSWCC
 - Not feasible to recover full cost of RSWCC from direct user fees
 - Project team analyzed multiple alternatives and found consensus around two fee policy options for consideration
 - Fee policy option 1:
 - Charge for use of RSWCC
 - Limit Free bulk collection
 - Fee policy option 2
 - Eliminate alleyway service

- Monthly Residential Fee \$17.95
 - HHW \$0.14
 - Bulk \$1.20
 - RSWCC \$1.55
 - Recycling Collection and Processing \$3.71
 - Curbside Collection and Disposal \$11.36

COUNCILMEMBER LOPEZ asked for clarification regarding the fees.

MAYOR HARTKE asked if they would also talk about once a quarter instead of six weeks or a year.

MR. BOVERI said they did not have that for this presentation, but they could calculate that out.

COUNCILMEMBER ORLANDO asked about the cost per household for alleyway service compared to residential.

MR. BOVERI said alleyway services are provided by Waste Management and it costs more because there are operational challenges. There is a contractual cost embedded in there and it is about \$0.11 per household if applied to all customers. About 10% of the customer base is alleyway services and that is a higher cost and if the City eliminated the service it would be about \$100,000 savings.

COUNCILMEMBER ORLANDO asked if they are looking at increasing the fees for alleyway service users.

MR. BOVERI said it is an option but there are some considerations for not doing that one of which is that these customers there now probably had the service established before they moved in.

COUNCILMEMBER ORLANDO said they are raising rates because of bulk but not raising rates because of the higher costs.

MAYOR HARTKE said there were some statements years ago about alleyway service.

COUNCILMEMBER ORLANDO said they are shifting philosophy and wants to make sure that is being shifted in the right direction.

MR. BOVERI said there are some good reasons to consider the elimination of the service.

COUNCILMEMBER ORLANDO said if they want the service they should pay for the service.

MR. BOVERI said all those customers would have their monthly rate go up by \$1.00. Mr. Boveri said they are reaching the end of the service life of those garbage bins in the alleys and they would need to replace which are more costly than other bins. The alleyway customers still have to go to the front for recycling and then the back for trash, so it may be more convenient to go to the front for both services. Mr. Bover said there are also issues of illegal dumping.

COUNCILMEMBER LOPEZ asked about alternatives for additional fees. If they go down a path of individual billing then there would be an inherent cost of changing the billing process to make this happen. Councilmember Lopez asked if that cost was also considered.

MS. LANG said that was a lot of their discussion to narrow down the options. There is a large portion of customers that do not use these services and staff looked to see how they could minimize rate increases to the majority of customers. Ms. Lang said they did look at the impact on staff processes and current infrastructure as well. Ms. Lang said when they started there were many more options on the table compared to what is available.

COUNCILMEMBER LOPEZ said these options would be slight modifications then to the current process.

MS. LANG said she did not want to minimize the work that would be involved to make this happen, but the benefit of these options would be much greater.

MR. BOVERI continued the presentation.

- Solid Waste COS Analysis Incorporation Options Lowers Needed Rate Increases
 - Current Bill \$17.95 per month
 - Baseline
 - FY2022 \$19.00, 6%
 - FY 2024 \$20.00, 5%
 - FY2026 \$21.00, 5%
 - With Options
 - FY2022 \$18.50, 3%
 - FY2024 \$19.10, 3%
 - FY2026 \$19.70, 3%

COUNCILMEMBER HARRIS asked if there were about 98,000 households in Chandler.

MS. LANG said thought it was around 77,000.

COUNCILMEMBER HARRIS said they are considering a 12% annual increase which would be about a million dollars more every other year.

MR. BOVERI continued the presentation.

- Solid Waste COS Analysis Policy Option #1A: Charge for Use of RSWCC
- Solid Waste COS Analysis Policy Option #1A: Charge for Use of RSWCC
 - Equity Issues
 - Only 10% of customers us RSWCC more than 1x a year
 - Only 18% of materials assessed a fee
 - 85% of cost to operate RSWCC funded from monthly user fee (\$1.55/month)
- Solid Waste COS Analysis Policy Option #1A: Charge for Use of RSWCC

- Can eliminate 4% of identified rate increase needed over 5-year period
- Impacts 20% of households

COUNCILMEMBER ORLANDO asked about green waste and asked if a landscaper could dump in there for a couple bucks.

JOHN KNUDSON, Public Works and Utilities Director, said they are not supposed to dump commercial waste only residential from someone's home. Mr. Knudson said the facility is not designed for that.

COUNCILMEMBER ORLANDO asked how they know that.

MR. KNUDSON said it is difficult but if they have repeat people coming through often it becomes apparent fairly quickly.

COUNCILMEMBER ORLANDO asked what happens.

MR. KNUDSON says staff talks to them to tell them where they should be taking the waste.

TABITHA SAUER, Solid Waste Manager, said it is challenging but sometimes there are logos on the truck or frequency and they are marked down to create a report of high users.

COUNCILMEMBER ORLANDO asked if they are able to dump anyway.

MS. SAUER said they have turned people away.

MR. KNUDSON said it is a difficult conversation especially as it holds up the line for others. There are people who use the facility all the time and staff has to go about it in a kind way but it is difficult because they are running a residential facility.

MR. DUNBAR said they are able to dump the green waste for free, but this change would charge a flat fee and then an additional amount over the included tonnage.

MR. KNUDSON said Chandler would be cheaper than the surrounding areas but by implementing some fee it may deter some of these folks from just dumping there.

VICE MAYOR STEWART asked if it would make sense to have a bulk drop off that someone could use once a month. The unintended consequences would be that they start to see this dumped on the side of the road or the alleys.

MR. KNUDSON said they do not know what the response is going to be or the behaviors. If they charge at the RSWCC then more people will probably use bulk pickup and then those costs increase. If they limit the bulk pickup to once every six weeks and if they go over that they have to pay the \$30. Mr.

Knudson said these have to be done together and see what the behaviors are after the first year. This has to be done together in a measured way to help avoid those unintended consequences.

MR. BOVERI said the RSWCC is a nice facility so there is a value proposition and many people are only using the service once per year.

COUNCILMEMBER ORLANDO asked how much green waste the average person brings in.

MR. DUNBAR said about 300 pounds.

COUNCILMEMBER ORLANDO asked if they looked at a scale if they were 300 or less they pay \$10 if they are over then they pay more.

MR. BOVERI said they could but there were some considerations about the lines building up at the scale. They do have the data from each customer to see what their average is and staff could put together more information.

COUNCILMEMBER LOPEZ said they go to the scale and weigh and then that would be charged to their next bill.

MR. DUNBAR said it would be \$10 and then everything over that would be charged per tonnage.

MR. BONVERI continued the presentation.

- Solid Waste COS Analysis Policy Option #1B: Limit Free Bulk Collection
 - 20% of households request bulk collections annually
 - Approximately 5% of customers request service more than 1x per year

MAYOR HARTKE asked if they considered charging for more than once a year.

MR. DUNBAR said currently they charge \$30 for anything additional between that six week period. They would have one free pickup and if there was more than one they would be charged on their bill.

COUNCILMEMBER HARRIS said he was concerned about the senior population. Not everyone can load up their truck and take it and for those living on fixed income it may be challenging to have the rates changed. Councilmember Harris said he was concerned about rate increases for seniors right now because of inflation and even this rate increase could be substantial for them and have unintended consequences.

MAYOR HARTKE asked where they are at with other cities.

MS. LANG said they would discuss it later in the presentation.

MR. BONVERI continued the presentation.

- Solid Waste COS Analysis Policy Option #1B: Limit Free Bulk Collection
 - Equity Issues
 - Contractor charges City bulk collection \$30 per pickup
 - 5% of customers request service >1x a year
 - \$1.20 of the monthly user fee used to subsidize service
 - Proposal
 - Limit Free Service pickups to accommodate 95% of households
 - City currently charges \$30 for additional requests above once every 6 weeks
 - Policy change can eliminate 2% of identified rate increases over 5year period
- Solid Waste COS Analysis Policy Option #2: Alleyway Service
 - Equity Issues
 - Contractor charges city more for alleyway service
 - Residential customers pay same amount as alleyway customers
 - Alleyway receives higher level of service (larger bins/more convenience)
 - Operational Issues
 - Illegal dumping, significant strain on staff time, reduced recycling, public safety issues, higher repair/replacement costs
 - Carts aging (purchased in 2006)
 - Proposal
 - Eliminate alleyway service
 - Net reduction of \$120k annual cost
 - Eliminates 1% rate increase over 5-year period
- Solid Waste COS Analysis Option Recap
 - Fee Policy option #1
 - Charge for use of RSWCC
 - Limit free bulk collection to accommodate 95% of households
 - Fee Policy option #2
 - Eliminate alleyway service
- Monthly Residential Solid Waste Fee Comparison Survey
 - Based on FY 2021-22 rates for Chandler, with comparison cities shown at FY 2022-21 rates

VICE MAYOR STEWART said they are almost 30% higher than Gilbert.

MR. BONVERI said Gilbert is currently in a negative cash flow situation and they are looking to raise their rates in the near future.

MS. LANG said they do own their own fleet so it is a bit different.

MR. KNUDSON said they do not provide alley service.

MR. BONVERI continued the presentation.

- Solid Waste Recommendations
 - Consider implementation of rate and policy options for FY22-FY26

- Baseline Increase monthly charges only
- Option 1 Charge trash + green waste deliveries at RSWCC + Revise bulk collection policy (1 free per year)
- Option 2 Eliminate alleyway collection
- Implement FY 2021-22 rates on July 1, 2022; then next two on Jan 1st of the fiscal year
- Review plan and rate needs the lesser of every 4-5 years; or as major changes occur

MS. LANG said the fixed income folks are always on staff's mind and they want to balance that as well. Ms. Lang said some of these changes may be beneficial to seniors because the current rate includes the RSWCC and bulk collection. If they were to implement some of these policy options they are able to minimize the increase for most citizens. They still have the option for bulk pickup once a year.

COUNCILMEMBER LOPEZ asked if they still do the donation for those who need help.

MS. LANG said yes, that is available for those who need assistance on their bill.

COUNCILMEMBER ROE said this sounded like a decent path but was concerned with the transfer station charges.

MR. BONVERI said it was only if they are bringing in more than 400 pounds at a graduated rate so they would only pay the overage for what they actually have.

COUNCILMEMBER ROE said that sounded good. Councilmember Roe asked if people who are using the facility in a commercial manner to sign an affidavit stating that they understand it is a residential facility.

COUNCILMEMBER ORLANDO said there would be a base fee of \$10 and then \$50 for every tonnage over that. Councilmember Orlando asked if recycling was free.

MR. BONVERI said yes and household hazardous waste.

COUNCILMEMBER ORLANDO said for 40 years the conversation about the alleys has been going on as 50% want it and 50% do not. Councilmember Orlando said they may be willing to pay more for that service and that is what he has heard from residents who have talked to him about this issue.

MAYOR HARTKE said those who have alleys like them and there is a sense from the users that alley service would continue. Mayor Hartke said he agreed with Councilmember Orlando to charge more for the alleys.

MR. WRIGHT said he knew there would be some discussions around the alley and it was not an easy recommendation to put forward. Mr. Wright said staff would be happy to analyze if there was an additional cost of alley users what that would be. Mr. Wright said it would have to be all or nothing and see how it would be operationally.

MAYOR HARTKE said if a group decides they do not want their alley used then to shut the alley off so people cannot dump. Mayor Hartke said this was not a simple yes or no.

COUNCILMEMBER LOPEZ said he agreed for alley users to pay for the service so other users are not paying that extra cost. Councilmember Lopez said recycling will also continue going up and asked if any cities have stopped.

MAYOR HARTKE said he knows some have stopped recycling glass.

MR. BONVERI said there have been several municipalities that have stopped all together but those have been low as people generally like to recycle. Mr. Bonveri said those municipalities that stopped had a lot of outrage from citizens, so they reversed their decision and offered it again.

VICE MAYOR STEWART said he was comfortable with the bulk drop off fee but thought they should get one or two opportunities for free. Vice Mayor Stewart said they should change the bulk pickup to quarterly instead of just a year. Vice Mayor Stewart said they need to make gradual changes instead of drastic changes at one time to residents services.

COUNCILMEMBER ORLANDO clarified Vice Mayor Stewart said to have the service for free a couple times a year for the gradual change and if someone is really a user then they should pay for it.

VICE MAYOR STEWART asked what the community was promised when the RSWCC was put in.

COUNCILMEMBER ORLANDO said it was for residents only.

COUNCILMEMBER LOPEZ said it has been free for so long and liked the idea of twice a year.

MAYOR HARTKE said based on the data if they gave one free per year that would cover 90%.

COUNCILMEMBER HARRIS said the bulk pickup said there are certain restrictions on the bulk pickup and there are some whose only option is the drop-off. Councilmember Harris asked why they are in the business instead of exploring a public private partnership. Councilmember Harris suggested going back to the residents for their input as he has concerns making any changes to the residents service.

MAYOR HARTKE said as an enterprise fund it has to pay for itself, so it is not subsidized from the general fund.

COUNCILMEMBER ELLIS thought every question was taken into account and thanked staff for their work. Councilmember Ellis said prices are changing constantly in every industry and this needs to be done so the City is not running negative on the service. Councilmember Ellis said this needs to be done in a positive manner.

MAYOR HARTKE said staff would do additional research with Council s feedback.

- Implementation Timeline

- Work Session with Mayor and Council October 2021
- Public outreach Oct-Dec 2021
- Feedback to City Manager/Council on results of outreach February 2022
- Adopt Notice of Intention to change rates April 2022
- Conduct Public Hearing for Water, Reclaimed Water, Wastewater and Solid Waste rate changes May 2022
- Introduce Ordinance to change Water, Reclaimed Water, Wastewater and Solid Waste rates May 2022
- Adopt Ordinance to change Water, Reclaimed Water, Wastewater and Solid Waste rates May 2022
- COS rates effective July 1, 2022

Adjourn

The meeting was adjourned at 5:37 p.m.

ATTEST: _____
City Clerk

Mayor

Approval Date of Minutes: November 1, 2021

Certification

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Session of the City Council of Chandler, Arizona, held on the 14th day of October 2021. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this _____ day of November, 2021.

City Clerk