

Cost of Service follow-up for Wastewater and Solid Waste

Council Conference Room
Thursday, December 9, 2021 | 4:30 p.m.



A scenic view of a body of water, likely a lake or reservoir, with a line of trees and reeds in the background. The water is calm with some ripples. The sky is clear and blue. The overall tone is peaceful and natural.

Agenda

Additional Cost of Service (COS) Analysis

- Wastewater
- Solid Waste
- Next Steps – Implementation Timeline



Wastewater COS Additional Analysis



RAFTELIS

FY2021-22 Revenue at Existing Rates Compared to COS Results (\$millions)

Customer Class	FY 2021-22 Revenue Recovery at Existing Rates	FY 2021-22 Revenue With 4% and 100% COS	Required \$ Revenue Change	Required % Revenue Change
Single Family	\$26.3	\$23.1	(\$3.2)	-12.2%
Multifamily	\$3.3	\$4.5	\$1.2	36.4%
Non-Residential	<u>\$16.2</u>	<u>\$20.0</u>	<u>\$3.8</u>	23.5%
Total	\$45.8	\$47.6	\$1.8	4.0%

All Customer Classes need COS realignment
Transition to COS alignment typically achieved over a 3-5 year period

FY 2021-22 Revenue at Existing Rates with 4% increase Across the Board Compared to COS (\$ millions)

Customer Class	FY 2021-22 Revenue With 4% Across the Board	FY 2021-22 Revenue With 4% and 100% COS	Required \$ Revenue Change	Required % Revenue Change
Single Family	\$27.4	\$23.1	(\$4.3)	-15.7%
Multifamily	\$3.4	\$4.5	\$1.1	32.4%
Non-Residential	<u>\$16.8</u>	<u>\$20.0</u>	<u>\$3.2</u>	<u>19.0%</u>
Total	\$47.6	\$47.6	\$0.0	0.0%

All Customer Classes need COS realignment
Transition to COS alignment typically achieved over a 3-5 year period



COS 5-Year Transition Plan

- It took us many years to get out of alignment, so we will not correct alignment in one year
- A 5-year projection of revenue requirements was completed, which included additional projected rate increases needed
- Recommendation to transition over 5 years with following options
 - Be at 50% COS alignment by year 5
 - Be at 75% COS alignment by year 5
 - Be at 100% COS alignment by year 5



FY 2025-26 COS Post Transition Results at 50% COS (\$ millions)

Customer Class	FY 2025-26 Revenue at Existing Rates	FY 2025-26 Revenue With Rate Increases and 50% COS	Difference from COS	Indicated Revenue Adjustment
Single Family	\$25.7	\$29.4	\$3.7	14.4%
Multifamily	\$3.2	\$3.8	\$0.6	18.0%
Non-Residential	<u>\$21.0</u>	<u>\$25.1</u>	<u>\$4.1</u>	19.6%
Total	\$49.9	\$58.3	\$8.4	16.9%

All Customer Classes need COS realignment

Transition to COS alignment typically achieved over a 3-5 year period

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

FY 2025-26 COS Post Transition Results at 75% COS (\$ millions)

Customer Class	FY 2025-26 Revenue at Existing Rates	FY 2025-26 Revenue With Rate Increases and 75% COS	Difference from COS	Indicated Revenue Adjustment
Single Family	\$25.7	\$27.0	\$1.3	5.2%
Multifamily	\$3.2	\$4.3	\$1.1	33.3%
Non-Residential	<u>\$21.0</u>	<u>\$27.0</u>	<u>\$6.0</u>	<u>28.5%</u>
Total	\$49.9	\$58.3	\$8.4	16.9%

All Customer Classes need COS realignment

Transition to COS alignment typically achieved over a 3-5 year period

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

FY 2025-26 COS Post Transition Results at 100% COS (\$ millions)

Customer Class	FY 2025-26 Revenue at Existing Rates	FY 2025-26 Revenue With Rate Increases and 100% COS	Difference from COS	Indicated Revenue Adjustment	Proposed Revenue Adjustment
Single Family	\$25.7	\$24.7	(\$1.0)	-4.2%	0%
Multifamily	\$3.2	\$4.8	\$1.6	50.3%	45.6%
Non-Residential	<u>\$21.0</u>	<u>\$28.8</u>	<u>\$7.8</u>	<u>37.2%</u>	<u>33.6%</u>
Total	\$49.9	\$58.3	\$8.4	16.9%	16.9%

All Customer Classes need COS realignment

Transition to COS alignment typically achieved over a 3-5 year period

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

FY 2025-26 COS Post Transition Results

compare 50%, 75% and 100% COS (\$ millions)

Customer Class	FY 2025-26 50% COS Rate Adjustment	FY 2025-26 75% COS Rate Adjustment	FY 2025-26 100% COS Rate Adjustment
Single Family	\$29.4	\$27.0	\$24.7
Multifamily	\$3.8	\$4.3	\$4.8
Non-Residential	<u>\$25.1</u>	<u>\$27.0</u>	<u>\$28.8</u>
Total	\$58.3	\$58.3	\$58.3

All Customer Classes need COS realignment

Transition to COS alignment typically achieved over a 3-5 year period

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

FY 2025-26 COS Post Transition Results

compare 50%, 75% and 100% COS (\$ millions)

Customer Class	FY 2025-26 50% COS Rate Adjustment	FY 2025-26 75% COS Rate Adjustment	FY 2025-26 100% COS Rate Adjustment
Single Family	14.4%	5.2%	0%
Multifamily	18.0%	33.3%	45.6%
Non-Residential	<u>19.6%</u>	<u>28.5%</u>	<u>33.6%</u>
Total Over-all % Change	16.9%	16.9%	16.9%

All Customer Classes need COS realignment

Transition to COS alignment typically achieved over a 3-5 year period

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

COS 5-Year Transition Plan to 50% COS Rates

Customer Class	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26 W/O COS
Residential Base*	\$27.32	\$28.24	\$28.24	\$29.67	\$29.67	\$31.18	\$31.92
Multifamily Base*	\$9.76	\$10.22	\$10.22	\$10.92	\$10.92	\$11.66	\$11.40
Non-Residential							
Volumetric**	\$3.49	\$3.66	\$3.66	\$3.92	\$3.92	\$4.19	\$4.08
Customer Charge	\$7.65	\$8.02	\$8.02	\$8.59	\$8.59	\$9.19	\$8.94

* Monthly Charge per Dwelling Unit

** Per 1,000 Gallons

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

COS 5-Year Transition Plan to 75% COS Rates

Customer Class	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26 W/O COS
Residential Base*	\$27.32	\$27.65	\$27.65	\$28.15	\$28.15	\$28.68	\$31.92
Multifamily Base*	\$9.76	\$10.57	\$10.57	\$11.84	\$11.84	\$13.17	\$11.40
Non-Residential							
Volumetric**	\$3.49	\$3.73	\$3.73	\$4.11	\$4.11	\$4.50	\$4.08
Customer Charge	\$7.65	\$8.17	\$8.17	\$8.97	\$8.97	\$9.82	\$8.94

* Monthly Charge per Dwelling Unit

** Per 1,000 Gallons

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

COS 5-Year Transition Plan to 100% COS Rates

Residential Remains at Current Rates Through FY26***

Customer Class	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2025-26 W/O COS
Residential Base*	\$27.32	\$27.32	\$27.32	\$27.32	\$27.32	\$27.32	\$31.92
Multifamily Base*	\$9.76	\$10.82	\$10.82	\$12.47	\$12.47	\$14.21	\$11.40
Non-Residential							
Volumetric**	\$3.49	\$3.77	\$3.77	\$4.21	\$4.21	\$4.66	\$4.08
Customer Charge	\$7.65	\$8.27	\$8.27	\$9.22	\$9.22	\$10.23	\$8.94

* Monthly Charge per Dwelling Unit

** Per 1,000 Gallons

***Residential revenue above COS is used to adjust the multifamily and nonresidential class rates

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

FY 2025-26 COS Post Transition Results compare 50%, 75% and 100% COS

Customer Class	FY 2025-26 50% COS	FY 2025-26 75% COS	FY 2025-26 100% COS***	FY 2025-26 W/O COS
Residential Base*	\$31.18	\$28.68	\$27.32	\$31.92
Multifamily Base*	\$11.66	\$13.17	\$14.21	\$11.40
Non-Residential				
Volumetric**	\$4.19	\$4.50	\$4.66	\$4.08
Customer Charge	\$9.19	\$9.82	\$10.23	\$8.94

* Monthly Charge per Dwelling Unit

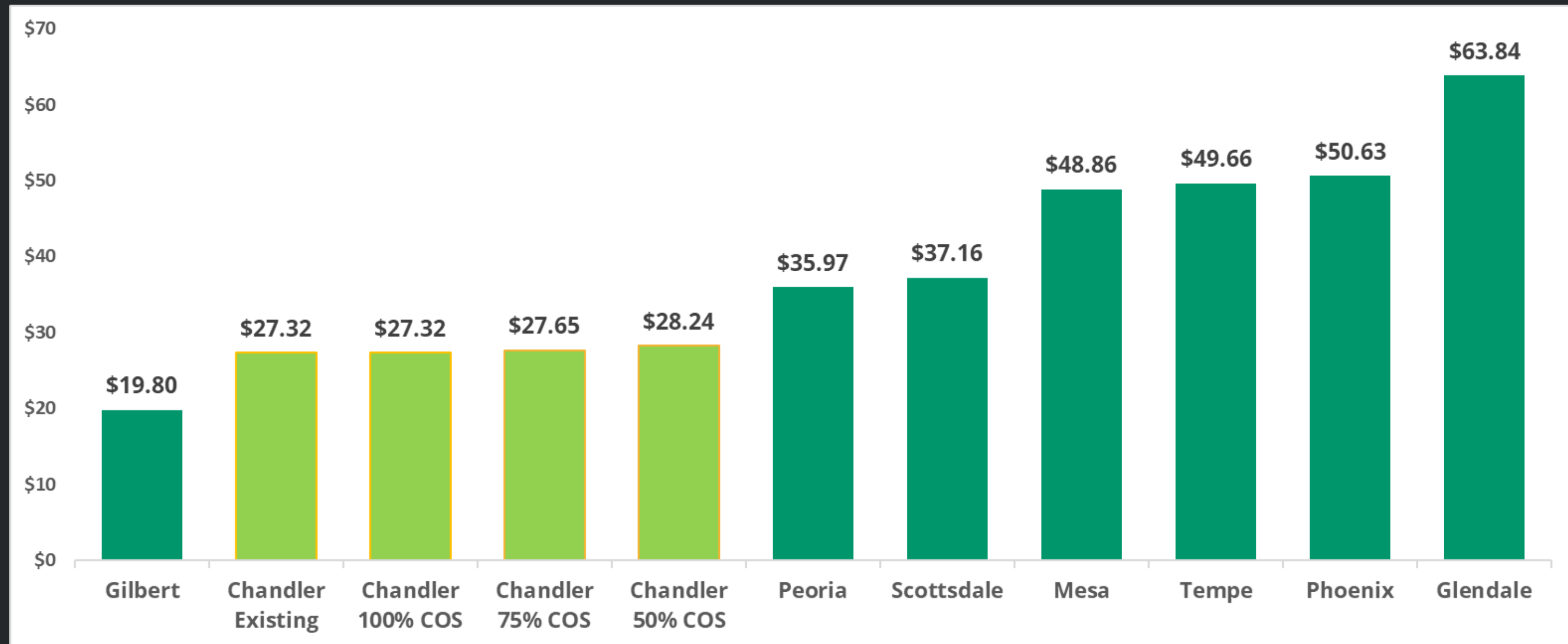
** Per 1,000 Gallons

***Residential revenue above COS is used to adjust the multifamily and nonresidential class rates

Transition to COS over 5-year period including 4%, 6%, and 6% increases needed in financial plan

Wastewater Rates

SFR Inside City Bill COS Impact

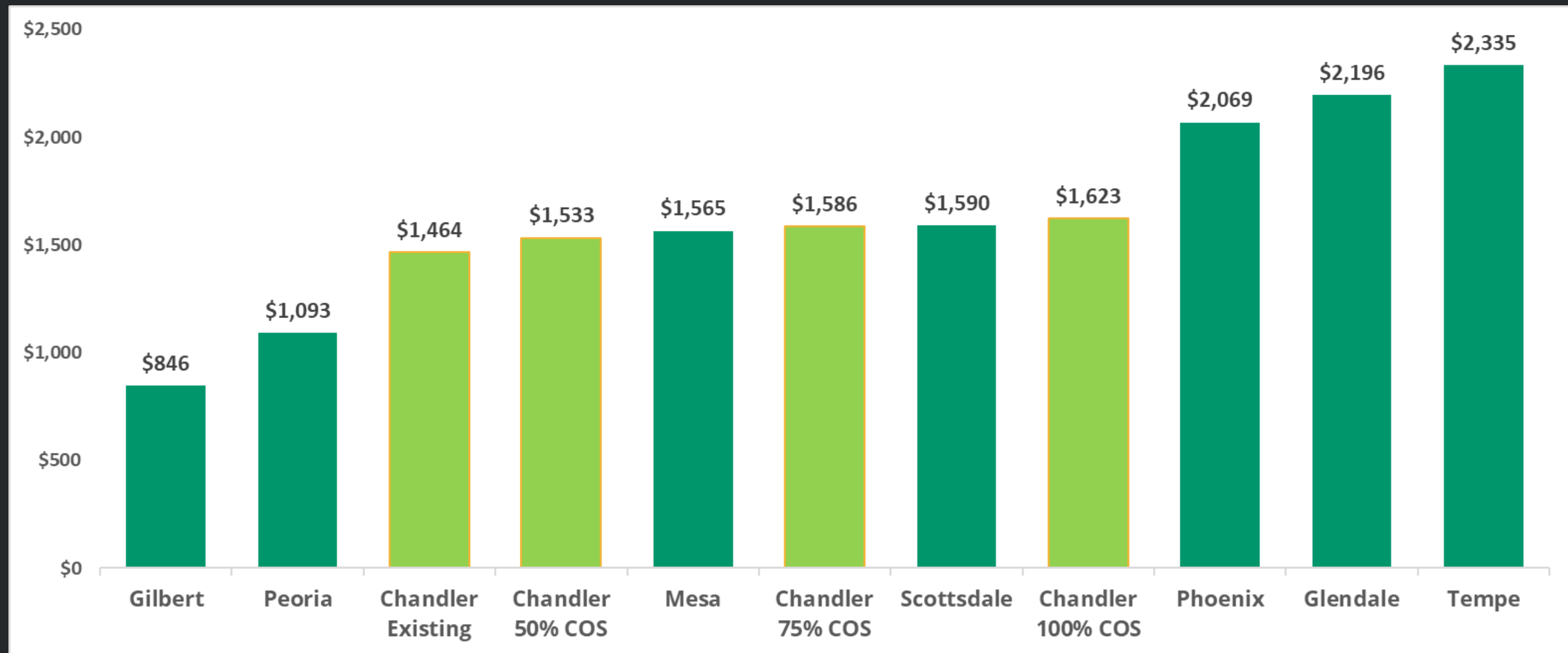


Based on FY 2021-22 rates for Chandler; the comparison cities are FY 2020-21 rates

Wastewater Rates

Multi-Family Inside City Bill COS Impact

Assumes 150 Units



Based on FY 2021-22 rates for Chandler; the comparison cities are FY 2020-21 rates

Wastewater Rates

Non-Residential Inside City Bill COS Impact

Assumes 200,000 Gallon Usage on 2" Meter

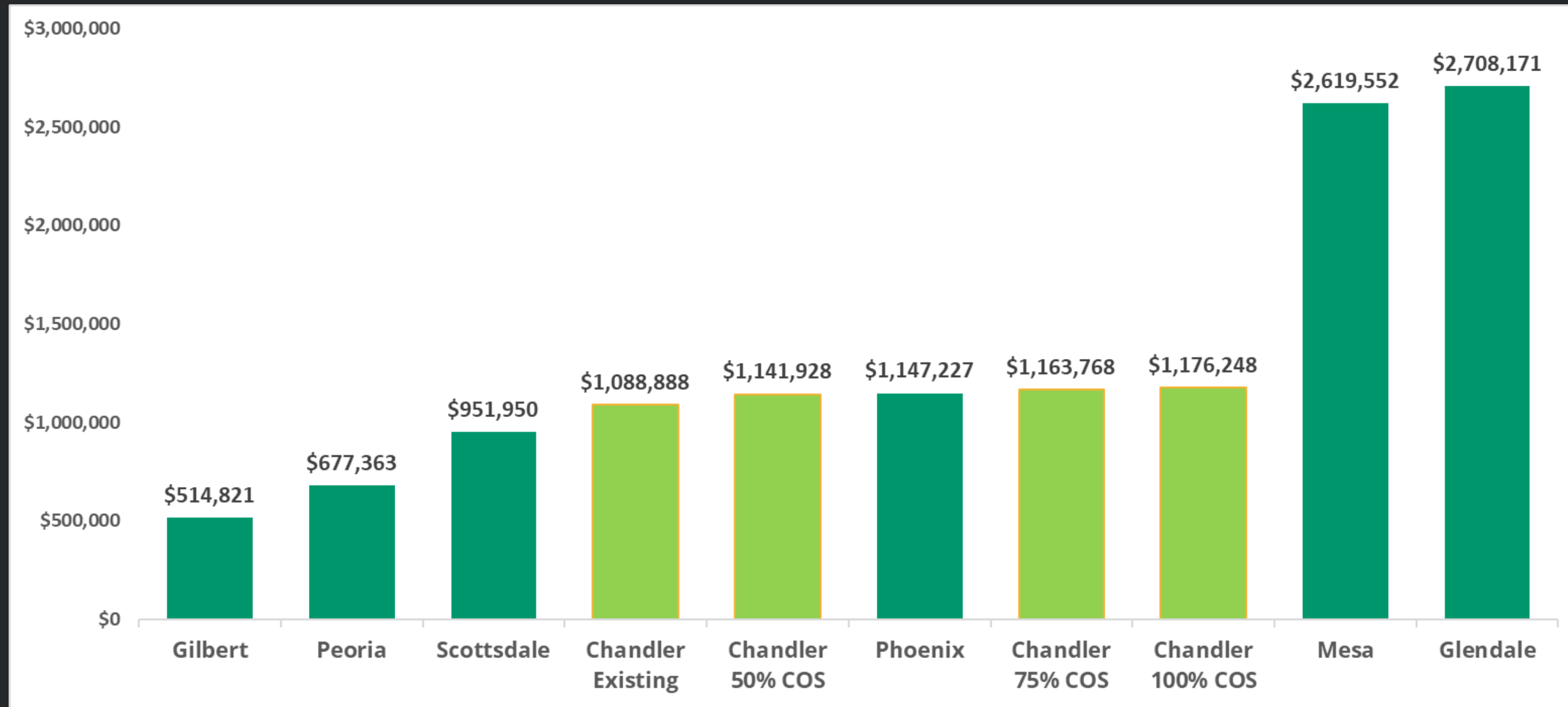


Based on FY 2021-22 rates for Chandler; the comparison cities are FY 2020-21 rates

Wastewater Rates

Industrial Inside City Bill COS Impact

Assumes 312,000,000 Gallon Usage on 8" Meter



Based on FY 2021-22 rates for Chandler; the comparison cities are FY 2020-21 rates



Policy Decision: Wastewater

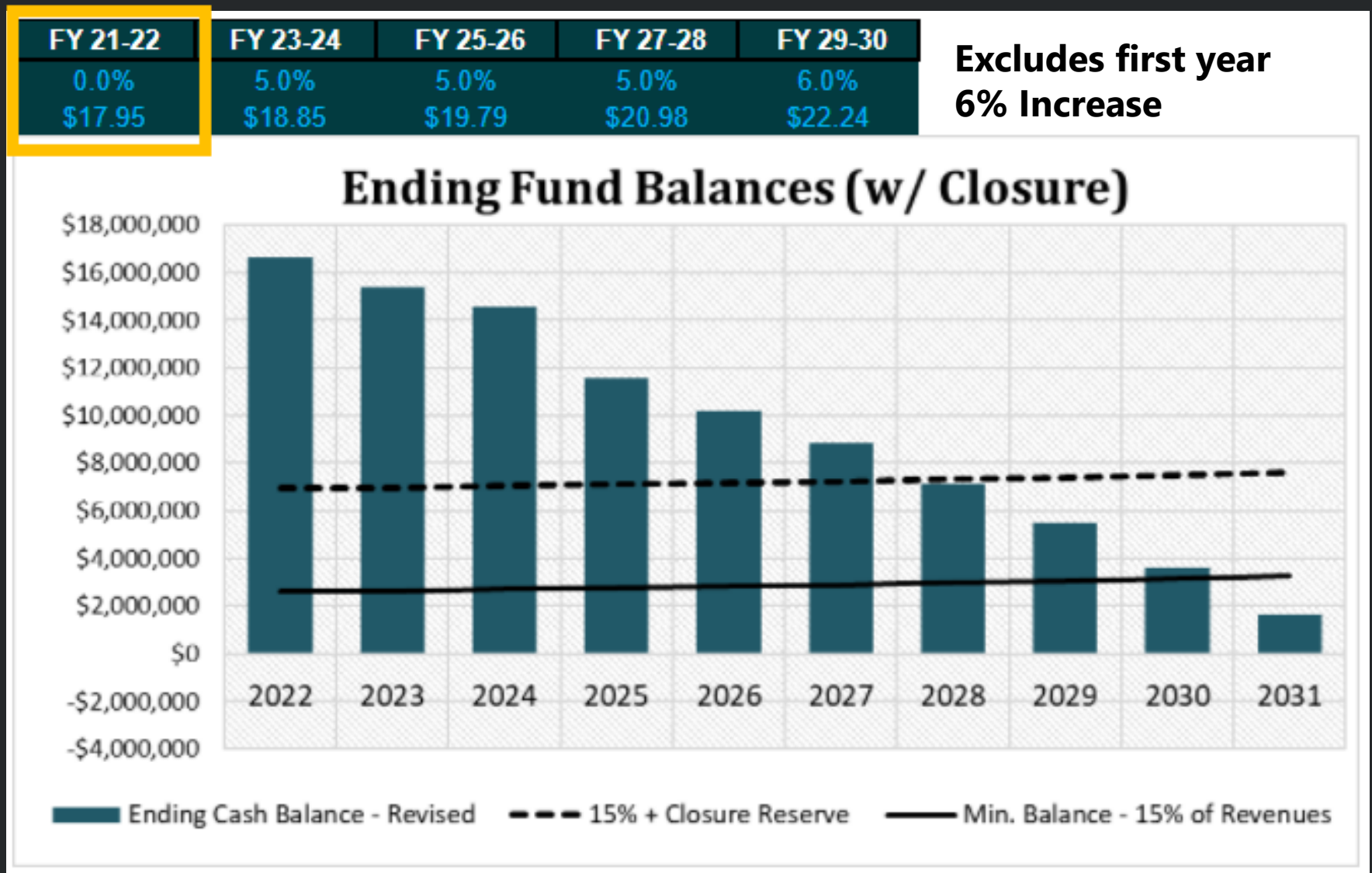
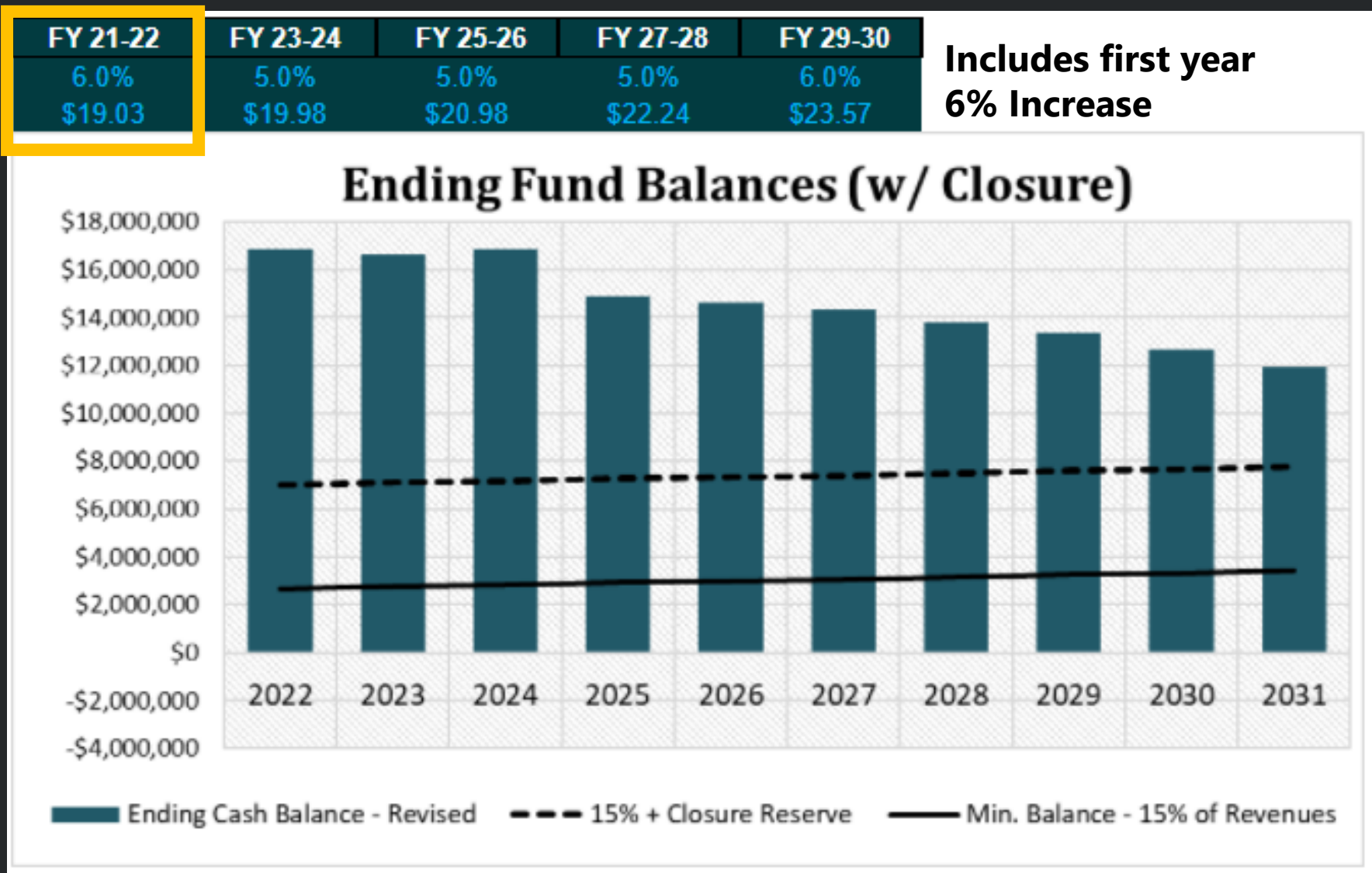
Transition over 5 years to 50%, 75%, or 100% COS for all customer classes

Solid Waste COS Additional Analysis



Solid Waste COS Analysis

Fund Balance Information



- “Minimum reserve” is the minimum amount of fund balance our financial policy requires us to maintain to ensure business continuity should there be a major revenue shortfall, or unplanned operating or capital need. Best practice is to maintain a more robust reserve
- Post Closure reserve is required by statute to allow for funding of future unplanned capital projects should the need arise due to the closure of the landfill

Solid Waste COS Analysis

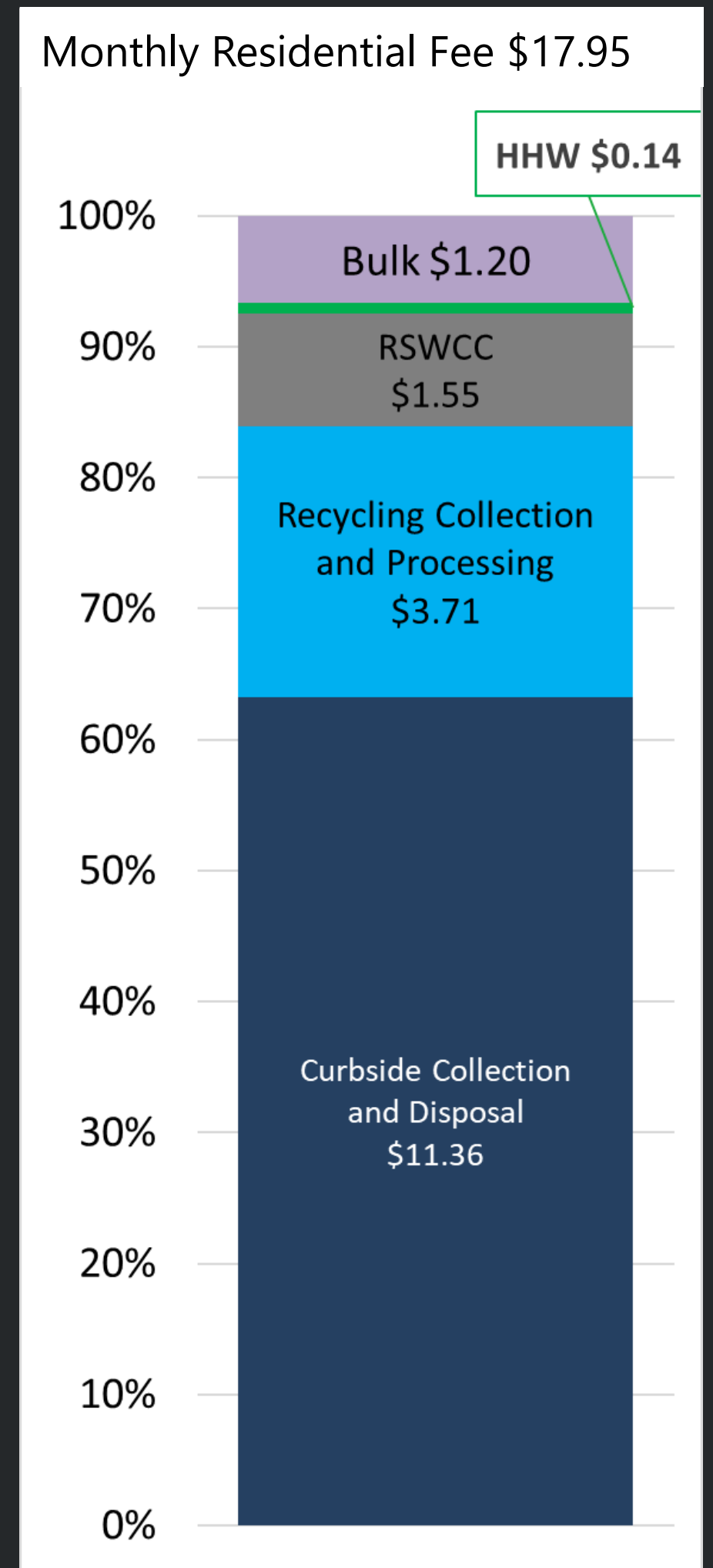
COS Actions

Project team analyzed multiple alternatives and found consensus around two (2) fee policy options for consideration

- Fee policy option #1: A) Charge for use of RSWCC
B) Limit “free” bulk collection
- Fee policy option #2: Eliminate alleyway service

Council direction was to evaluate additional options:

- Evaluate monthly cost increase for those with alleyway services
- What would rate effect be with one free visit to RSWCC annually
- What would rate effect be with two free bulk pick-ups annually



Solid Waste COS Analysis

Policy Option#2: Alleyway Service

Equity Issues

- Contractor charges City more for alleyway service
- Curbside customers pay same amount as alleyway customers
- Alleyway container costs are significantly higher than curbside containers
- Alleyway receives higher level of service (larger bins / more convenience)

Options

- Eliminate alleyway service
 - Net reduction of \$153k annual cost
 - Eliminates ~1% rate increase over 5-year period
- Charge recipients for cost of service
 - Adds \$1.61 to monthly bill for those with alley service
 - Generates \$153k
 - Eliminates a ~1% rate increase over 5-year period



Solid Waste COS Analysis

Policy Option #1A: Charge for Use of RSWCC

Equity Issues

- Only 10% of customers use 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)

Options

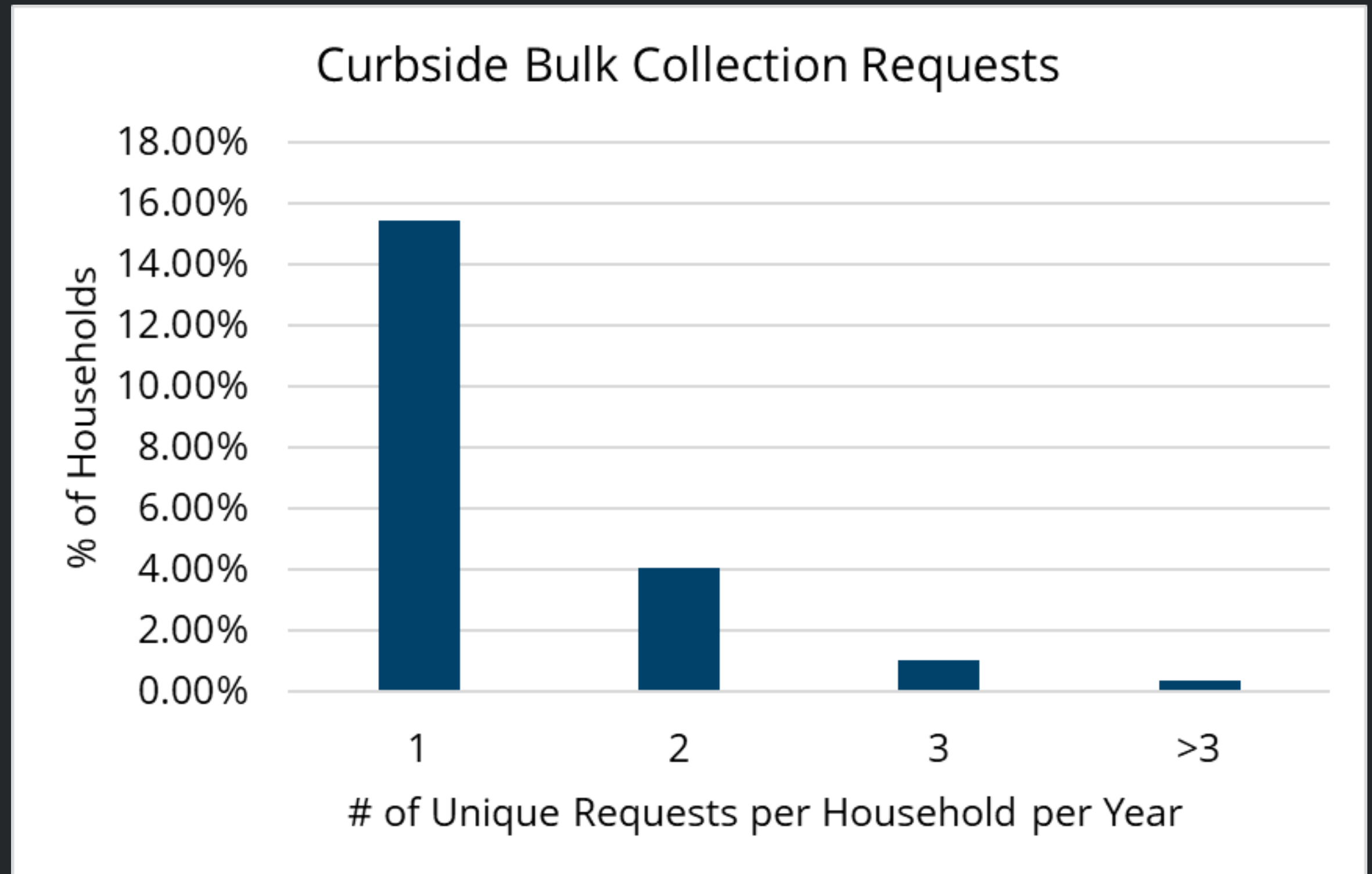
- Charge for trash and green waste
 - Adds \$595k revenue
 - Reduces monthly bill by \$0.64
- Offer one free visit per year
 - Reduces revenue to \$382k
 - Monthly bill would reduce by \$0.41

	<u>Existing</u>	<u>Proposed</u>	
Base Fee	\$0.00	\$10.00	
Tip Fee Rate	\$50/ton	\$50/ton	(\$0.025/lb.)
Fee Notes	0 - 200 lbs free	0 - 400 lbs free	
Fee Application	C&D/Manure only	All Waste Streams Except Recycling	
<u>Average Bill</u>	<u>Existing</u>	<u>Proposed</u>	<u>Avg. Load (lbs.)</u>
Trash	\$0.00	\$10.00	283.58
Green Waste	\$0.00	\$10.00	301.98
Construction	\$15.70	\$20.70	827.96

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



Solid Waste COS Analysis

Policy Option: 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

Options-

- Offer one free pickup per year accommodates 95% of households
 - Policy change would generate \$217k and reduce monthly rate by 1.3% or \$0.23
- Offer two free pickups per year accommodates 98% of households
 - Policy change would generate \$61k and reduce monthly rate by 0.4% or \$0.07

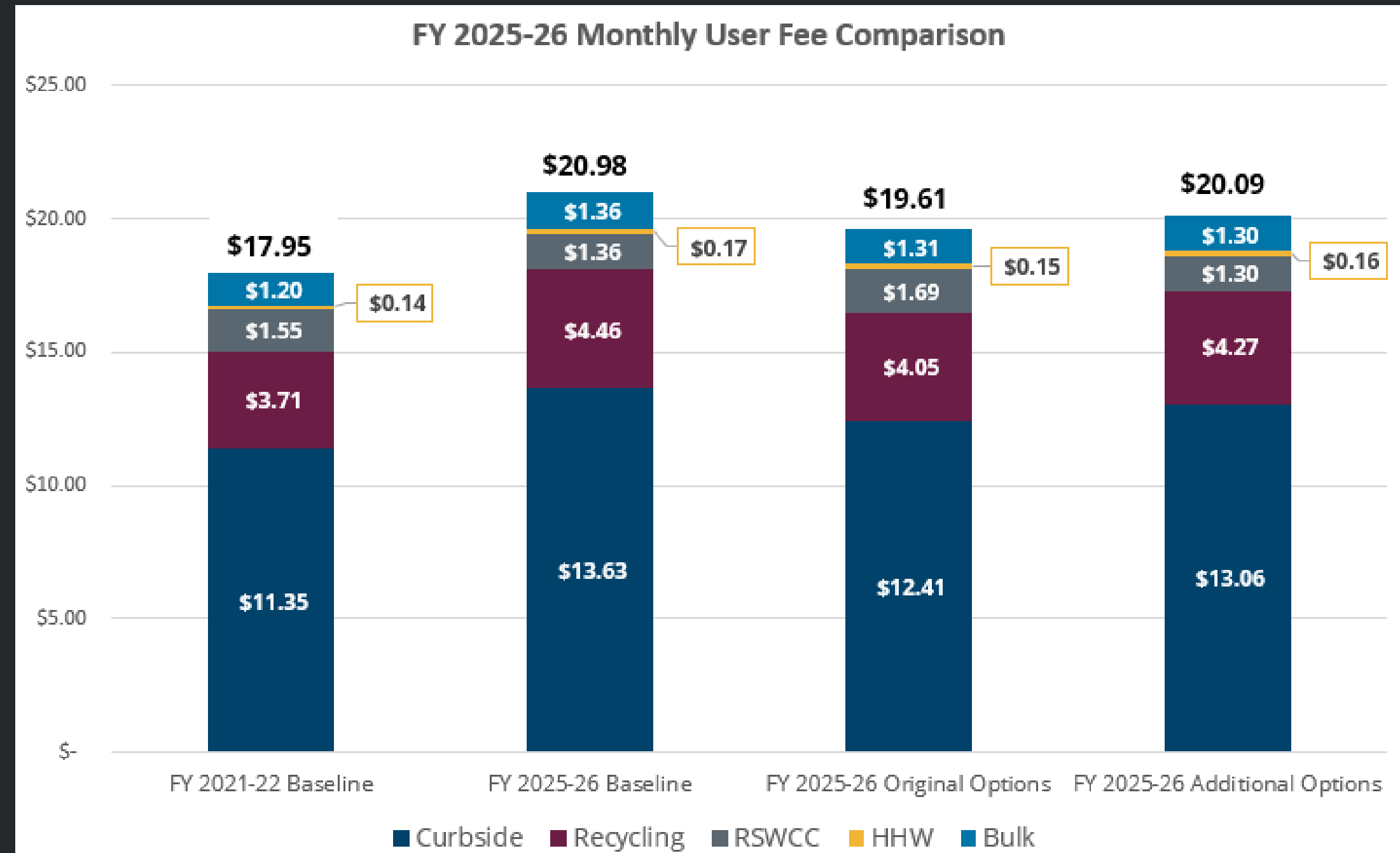


Solid Waste COS Analysis

Option Recap

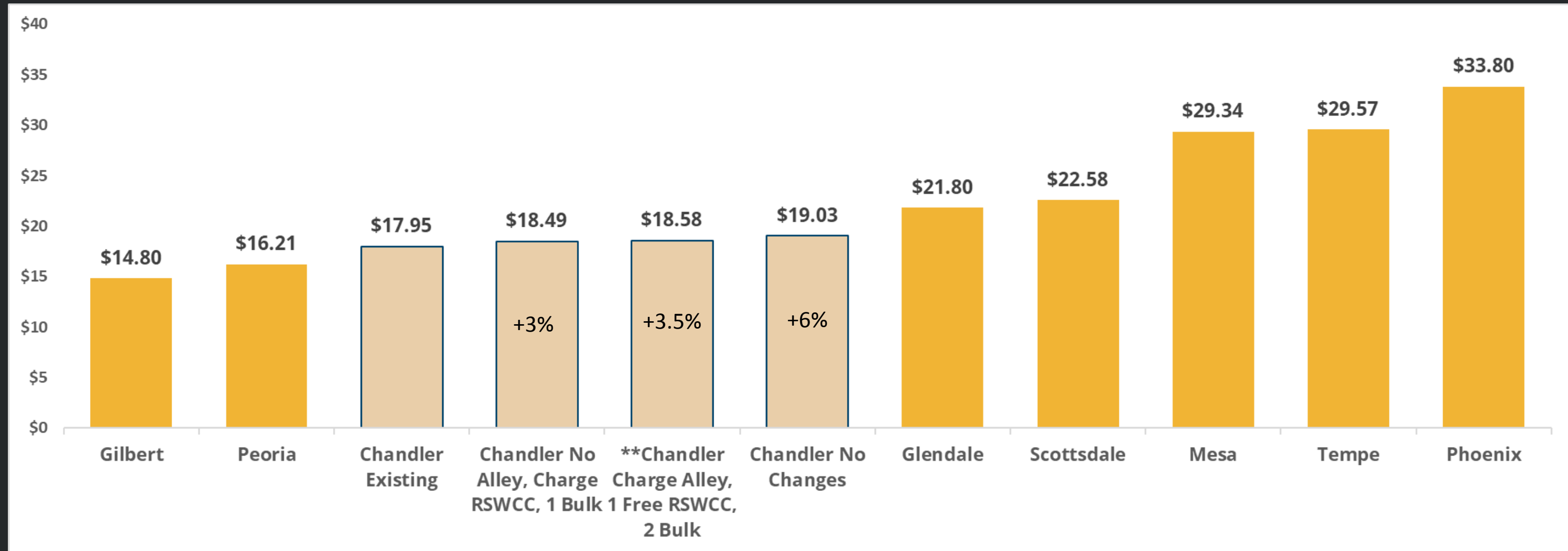
Fee policy options

- Remove alleyway service
- Charge for alleyway service
- Charge for use of RSWCC
- Charge for use of RSWCC with one free visit
- One “free” bulk collection
- Two “free” bulk collections



FY 2021/22 Baseline is at current rates, FY 2025/26 includes 6%, 5%, and 5% increases needed in financial plan, as well as the revenue sources identified in first presentation, then this presentation

Monthly Residential Solid Waste Fee Comparison Survey



*Based on FY 2021-22 rates for Chandler, with comparison cities shown at FY 2020-21 rates

**Alley users would have a rate \$1.61 higher with this option putting them at \$20.81 per month

Strategy/Timeline

Implementation Steps	Time Frame
Work Sessions with Mayor and Council	Nov 1 & Dec 9, 2021
Public Outreach – Single Family, Multi Family, Landscape (HOAs, Golf Courses, Schools), Non-Residential & Industrial	Dec 2021-Jan 2022
Feedback to City Manager/Council on Results of Outreach	February 24, 2022
Adopt Notice of Intention to Increase Rates	March 24, 2022
Conduct Public Hearing for Water, Reclaimed Water, Wastewater, and Solid Waste Rate Increases	May 12, 2022
Introduce Ordinance to Increase Water, Reclaimed Water, Wastewater, and Solid Waste Rates	May 12, 2022
Adopt Ordinance to Increase Water, Reclaimed Water, Wastewater, and Solid Waste Rates	May 26, 2022
Date COS Rates Become Effective	July 1, 2022

Questions?