

Meeting Minutes

City Council Work Session

December 9, 2021 | 4:30 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 4:32 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
Debra Stapleton, Assistant City Manager
Dawn Lang, Deputy City Manager/CFO
Kelly Schwab, City Attorney
Dana DeLong, City Clerk

*Attended telephonically.

Staff in Attendance

Matt Burdick, Communications and Public Affairs Director
John Knudson, Public Works and Utilities Director
Gregg Capps, Utility Resources Manager
Tabitha Sauer, Solid Waste Manager
Matt Dunbar, Budget Manager
Helen Parker, Sr. Budget and Research Analyst

Consultants in Attendance

Rick Giardina, Raftelis
Todd Christiano, Raftelis

Discussion

1. Solid Waste and Wastewater cost of service results follow-up

MAYOR HARTKE called for a staff presentation.

JOSHUA WRIGHT, Acting City Manager, introduced the discussion item and said they met previously to discuss the utility costs and asked staff to create models of different scenarios.

DAWN LANG, Deputy City Manager/ Chief Financial Officer, presented the following presentation.

- Agenda
 - Additional Cost of Service (COS) Analysis
 - Wastewater
 - Solid Waste
 - Next Steps – Implementation Timeline

1. Wastewater Additional Analysis

MS. LANG continued the presentation.

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

Customer Class	FY2021-22 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	\$16.2	\$20.0	\$3.8	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	FY2021-22 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	\$16.8	\$20.0	\$3.2	19.0%
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	FY2025-26 Revenue at Existing Rates	FY 2025-26 Revenue With Rate Increases and 50% COS	Difference from COS	Required % Revenue Change
Single Family	\$25.7	\$29.4	\$3.7	14.4%
Multifamily	\$3.2	\$3.8	\$0.6	18.0%
Non-Residential	\$21.0	\$25.1	\$4.1	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	FY2025-26 Revenue at Existing Rates	FY 2025-26 Revenue With Rate Increases and 75% COS	Difference from COS	Required % Revenue Change
Single Family	\$25.7	\$27.0	\$1.3	5.2%
Multifamily	\$3.2	\$4.3	\$1.3	33.3%
Non-Residential	\$21.0	\$27.0	\$6.0	28.5%
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	FY2025-26 Revenue at Existing Rates	FY 2025-26 Revenue With Rate Increases	Difference from COS	Indicated Revenue Adjustment	Proposed Revenue Adjustment
Single Family	\$25.7	\$27.0	\$1.3	\$1.3	\$1.3
Multifamily	\$3.2	\$4.3	\$1.3	\$1.3	\$1.3
Non-Residential	\$21.0	\$27.0	\$6.0	\$6.0	\$6.0
Total	\$49.9	\$58.3	\$8.4	\$8.4	\$8.4

		and 100% COS			
Single Family	\$25.7	\$27.0	(\$1.0)	-4.2%	0%
Multifamily	\$3.2	\$4.8	\$1.6	50.3%	45.6%
Non-Residential	\$21.0	\$28.8	\$7.8	37.2%	33.6%
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	FY2025-26 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	\$25.1	\$27.0	\$28.8
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	FY2025-26 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	19.5%	28.5%	33.6%
Total Over-all % Changer	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 2023-24	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
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

COUNCILMEMBER ORLANDO asked when the rates would take effect.

MS. LANG said July 1, 2022, would be the effective date.

MS. LANG continued the presentation.

- COS 5-Year Transition Plan to 75% COS Rates

Customer Class	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2023-24	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
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 2023-24	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

Volumetric**	\$3.49	\$3.77	\$3.77	\$4.11	\$4.21	\$4.66	\$4.08
Customer Charge	\$7.65	\$8.27	\$8.27	\$9.22	\$9.22	\$10.23	\$8.94

- 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 2023-24	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
Volumetric**	\$3.49	\$3.77	\$3.77	\$4.11	\$4.21	\$4.66	\$4.08
Customer Charge	\$7.65	\$8.27	\$8.27	\$9.22	\$9.22	\$10.23	\$8.94

- FY 202-26 COS Post Transition Results compare 50%, 75% and 100% COS

Customer Class	FY2025-26 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	\$13.14	\$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 in financial plan
- Wastewater Rates
 - SFR inside City Bill COS Impact

MAYOR HARTKE said he heard Gilbert would be doing some significant increases and asked what that would be.

MS. LANG said the Directors of utilities in different cities do talk and staff has shared some ideas, but Ms. Lang was not sure if it has been discussed with Council.

MR. WRIGHT said Gilbert Town Council did talk about rate increases and they have not done utility rate increases in some time. Mr. Wright said staff asked Gilbert Council for direction if they wanted to do a significant increase a few years from now or to start with incremental increases like we do

in Chandler. Gilbert is looking at some significant infrastructure to one of their water plants that would cost a substantial amount.

VICE MAYOR STEWART said in relation to inflation this is nothing and this is great to see.

MS. LANG said yes, there was some good planning by Council throughout the years.

MS. LANG continued the presentation.

- Wastewater Rates
 - Multi-Family inside City Bill COS Impact
 - Assumes 150 units

MAYOR HARTKE asked if this was 50 units per year.

MS. LANG said this was 150 units.

MAYOR HARTKE asked if they knew what the cost would be per customer.

MS. LANG said \$9.76 per unit. Their rate is very low in comparison.

MAYOR HARTKE said it would be about \$1 more per month to get to 100%.

COUNCILMEMBER ORLANDO said if they did 100%, they would see a rate drop of \$0.20 and do a year adjustment.

MATT DUNBAR, Budget Manager, said this was by year five.

MS. LANG reviewed the charts by year.

COUNCILMEMBER ORLANDO said the vast majority of water users would not see a change.

COUNCILMEMBER LOPEZ said there would be no change. Councilmember Lopez asked if single family or non-residential was still the largest user.

JOHN KNUDSON said this is just the wastewater numbers.

MS. LANG continued the presentation.

- Wastewater Rates
 - Non-Residential inside City Bill COS Impact
 - Assumes 200,000 gallon usage on 2" Meter

VICE MAYOR STEWART asked for examples of this.

MS. LANG said commercial users, industrial was calculated separately because it is used so greatly.

VICE MAYOR STEWART said this would be a 10% increase over the next five years, so they are not subsidized by residential.

MR. DUNBAR said this is the impact for year one.

VICE MAYOR STEWART asked for what year five would be and wanted to make sure residential would not be subsidizing. Vice Mayor Stewart said a gradual increase to make sure everyone is paying their fair share is good and they are still competitive compared to others in the state and the country.

MS. LANG continued the presentation.

- Wastewater Rates
 - Industrial inside City Bill COS Impact
 - Assumes 312,000,000 Gallon Usage on 8" Meter

VICE MAYOR STEWART asked if other cities are subsidizing.

MR. GIARDINA said they do not know if these are being subsidized by the residential class. Mr. Giardina said when someone thinks of moving to an area, they look at school districts and the location. People do not relocate based on water or sewer bills. Years ago, there was substantial work to look at why businesses relocate, and the utility bill was way down on the list. Over the years, when it comes to water and wastewater service, when businesses are relocating, they look at water supply not the cost of the service. These are general statements and that could be different per user. This information is interesting, but users do not make decisions based on the bill.

COUNCILMEMBER ORLANDO said predictability comes into play and if you see a city that is raising their rates every year then people might question why that is happening. Councilmember Orlando said Chandler has been pretty consistent throughout the years.

MAYOR HARTKE said a sudden rate spike is harsh to swallow.

MS. LANG continued the presentation.

- Policy Decision: Wastewater
 - Transition over 5 years to 50%, 75%, or 100% COS for all customer classes

MAYOR HARTKE said they have three options 50%, 75%, or 100%.

COUNCILMEMBER ROE said there is the potential for a moving target with inflation and changing costs. They have a five-year plan and thought they should review at five years.

VICE MAYOR STEWART said he was in agreement with 100%.

COUNCILMEMBER LOPEZ said 100%.

COUNCILMEMBER ORLANDO said 100%.

COUNCILMEMBER ROE said he thought more planning should have been done in the previous years and was in agreement with 50% or 75%.

MAYOR HARTKE said he was leaning 75%.

COUNCILMEMBER ELLIS was in agreement with 75%.

COUNCILMEMBER HARRIS was in agreement with 75%.

COUNCILMEMBER ORLANDO said he was leaning towards 100% because they were fixing inequity and the residents would understand why they are fixing it now instead of fixing it later. Some residents may be upset once they realize the inequity.

MAYOR HARTKE said there were four saying 75% and three saying 100%.

MR. GIARDINA said single family residential and multi family pay a fixed amount.

COUNCILMEMBER ELLIS asked why 100% is the best action to take than 75% right now.

MAYOR HARTKE said staff had originally suggested 50% but Council had asked for additional scenarios.

MAYOR HARTKE said majority of Council agreed with 75%.

2. Solid Waste Additional Analysis

MR. DUNBAR continued the presentation.

- 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
 - Charge for use of RSWCC
 - 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 pickups annually
- Solid Waste COS Analysis
 - Policy Options #2 – Alleyway Service
 - Equity Issues
 - Contractor charges City 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
 - Eliminate – 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

COUNCILMEMBER ROE asked if someone could get a second bin.

MR. DUNBAR said anyone could get an extra bin for an additional cost.

TABITHA SAUER, Solid Waste Manager, said there is an additional \$10 monthly fee.

COUNCILMEMBER ROE said there would be a transition cost.

MR. DUNBAR said yes there would be a cost but the alleyway bins are at the end of their useful life, so they are needing to replace them. This would be the opportunity to convert or not convert.

VICE MAYOR STEWART asked if there was a plan to get feedback from the residents.

MR. WRIGHT said yes, staff is asking for direction to then present to the public during the public outreach period.

MS. LANG said there was recently a survey done as well.

MS. SAUER said the survey they currently have is not Citywide it is just when people call in who are interested in converting to curbside then they would survey the alley specifically.

GREGG CAPPS, Utility Resource Manager, said alley service can be changed over to curbside but only if it is the entire alley. There is not a home-by-home conversion. They survey the homes on the alley and if majority decide to convert then they move forward. It does not happen very often and the last time they converted an alley was a few years ago.

VICE MAYOR STEWART said they could keep the alleyway service, but they need to pay their fair share.

COUNCILMEMBER LOPEZ asked if the convert by majority or if it has to be everyone.

MS. SAUER said 50% plus one.

MR. DUNBAR said they are going to reach out to the users and ask if they want to eliminate the service or if they are in agreement with the rate increase.

COUNCILMEMBER LOPEZ said there is a capital expense to replace the bins and asked if the increase supports that.

MR. KNUDSON said it is built in.

MAYOR HARTKE asked if Council was comfortable with the rate increase and see what the residents say.

MAYOR HARTKE said all Council agreed.

MR. DUNBAR continued the presentation.

- Solid Waste COS Analysis
 - Policy Options #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

MAYOR HARTKE said he was in agreement with one free visit.

COUNCILMEMBER ROE said he wanted to see two visits free per year but was in agreement with one visit.

COUNCILMEMBER LOPEZ said he was in agreement with one.

VICE MAYOR STEWART said two visits, as it is less of an impact.

COUNCILMEMBER ORLANDO said he was in agreement with two visits so there are two pickups and two drop offs.

MAYOR HARTKE said if 90% of users do one there is an incremental smaller group that would do two. Mayor Hartke asked what the cost reduction would be.

MR. DUNBAR said the cost reduction would be around \$0.30 and the free visits would be 400 pounds and the rest of the cost would be paid by the customer.

MAYOR HARTKE said Vice Mayor Stewart would like that along with Councilmember Orlando and Councilmember Roe.

COUNCILMEMBER LOPEZ said he was still in favor of one.

COUNCILMEMBER HARRIS said he was in favor of one.

COUNCILMEMBER ELLIS said she was in favor of one.

MAYOR HARTKE said he was in agreement with two visits.

MAYOR HARTKE said Council majority was to go with two visits.

MR. DUNBAR 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
- 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

COUNCILMEMBER ELLIS said she was in agreement with two.

COUNCILMEMBER HARRIS said he was in agreement with two.

COUNCILMEMBER ORLANDO was in agreement with two.

COUNCILMEMBER LOPEZ said he was in agreement with one.

COUNCILMEMBER ROE said he was in favor of two.

VICE MAYOR STEWART said he was in agreement with two.

MAYOR HARTKE said he was in agreement with two.

MAYOR HARTKE said Council majority consensus was for two bulk pickups per year.

MR. DUNBAR continued the presentation.

- 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
- Monthly Residential Solid Waste Fee Comparison Survey
 - Based on FY 2021-22 rates for Chandler with comparison cities shown at FY 2020-21 rates

3. Implementation Timeline.

MR. DUNBAR continued the presentation.

- Strategy/Timeline
 - 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

COUNCILMEMBER ORLANDO said he wanted to see a full charge of what the rates would be.

MS. LANG asked if he would like the chart of all categories.


COUNCILMEMBER ORLANDO said all categories, so they have the information for all stakeholders and show the changes to make it equitable.

MS. LANG said they would show each category for water, wastewater, and solid waste and their changes.

MR. WRIGHT said staff would provide this information and would begin the public outreach process.

Adjourn

The meeting was adjourned at 5:34 p.m.

ATTEST: 
City Clerk


Mayor

Approval Date of Minutes: January 13, 2022

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 9th day of December 2021. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this 13th day of January 2022.

Dana R. D'Long

City Clerk

