

Utility Rate Public Hearing

Council Chambers
Thursday, April 28, 2022 | 6:00 p.m.

Visit chandleraz.gov/ProposedUtilityRates for more information



Agenda

Utilities Revenue Requirements

History of Rate Information Presented

Cost of Service Findings

- Water
- Wastewater
- Reclaimed
- Solid Waste

Proposed Ordinance and Resolution



Utility Revenue Requirement

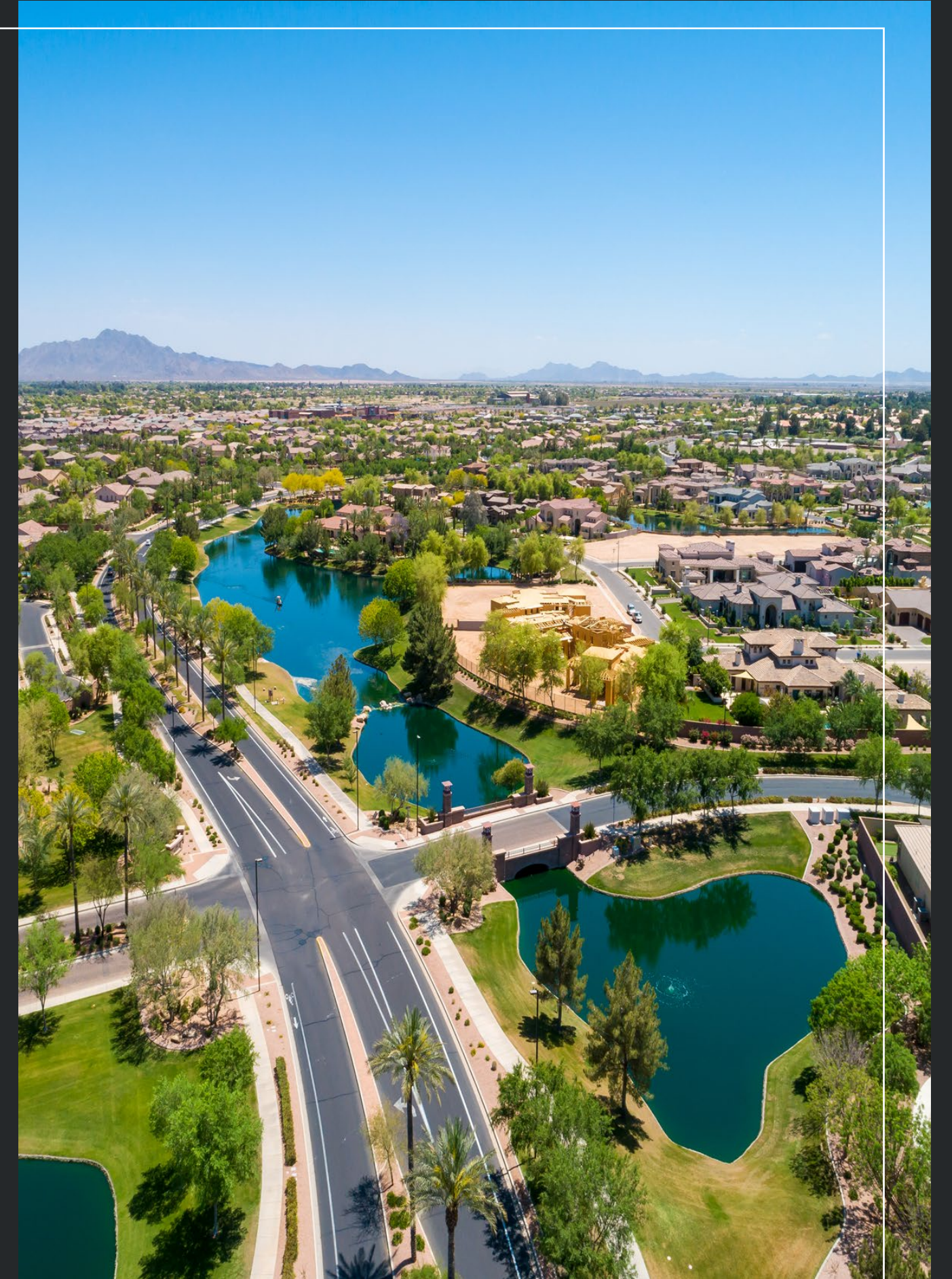
- Annual ten-year analysis shows overall rate increase needed of:
 - 2% Water
 - 4% Wastewater (initially 8%)
 - 8% Reclaimed Water
 - 6% Solid Waste
- Increased revenues needed to support:
 - Water treatment and production plant improvements
 - Water reclamation facility improvements
 - Focused replacements of:
 - Main replacements
 - Well construction and rehabilitation
 - Sewer assessments and rehabilitation
 - Advanced wastewater treatment
 - Operations and maintenance costs (O&M)
 - Water purchase cost increases
 - Utility & chemical increases
 - Solid waste contract costs and recycling considerations





Cost of Service Study Benefits

- Fair and equitable, approach most commonly utilized in Water and Wastewater industry
- More accurately reflects actual cost of providing service to each customer class
 - Distributes revenue requirements to customer classes based on their portion of system costs
 - Customers in each class are assumed to have similar usage characteristics or impact to system



Rate Change Process

- Anticipated FY 2021-22 rate increases discussed in work sessions and identified in Adopted Budget
- Many HOAs and businesses contact the City starting in September to gather rate change information for their budget process
- Increases shown for FY 2021-22 were 2% Water, 8% Wastewater, 8% Reclaimed and 6% Solid Waste

Rate change information



- If rate adjustments needed, implemented every-other year
- Anticipated FY 2021-22 rates were to take effect January 2022
- Cost of Service (COS) Studies done every 4-5 years
- Due to delays in the COS process with COVID impacts and consultant personnel turn-over, planned rate increases delayed 6 month at lower overall rates and COS adjustments.

Rate change timing



History of Rate Information presented

Cost of Service Implementation Steps	Time Frame
Worked with Raftelis Consulting on Cost of Service (COS) computations.	Jun. 2020 - Oct. 2021
Published FY 2021-22 proposed & adopted budget indicating anticipated utility rate changes for Water (2%), Wastewater (8%), Reclaimed Water (8%), and Solid Waste (6%) for implementation January 2022.	May 2021 & Jul. 2021
Revised implementation timeline from January 2022 to July 2022 , based on A.R.S. time requirements.	Aug. 2021
Initial presentation with Mayor & Council on Solid Waste. Direction received to come back with detail on options changing to two free Recycling Solid Waste Collection Center (RSWCC) visits, increasing bulk requests to two, and charging for alley rather than eliminating alley service.	Oct. 14, 2021
Initial presentation with Mayor & Council on Water, Wastewater, Reclaimed Water. Direction received to move forward with 100% alignment over 5-years for Water and bring back options for recommended 50% COS alignment in Wastewater going up to 75% or 100% over 5-years.	Nov. 1, 2021
Additional options presentation with Mayor & Council on Solid Waste fees and the effect on rates, and Wastewater at 75% vs. 100%. Direction received to move forward on alley fees, keep the two free bulk and RSWCC visits, and move forward with 75% COS alignment on Wastewater over 5-years.	Dec. 9, 2021
Began customer outreach and education campaign. Robust website information, video, social media posts, three public meetings on the fee changes, presentation with community partners including Chamber, feedback gathering via online, in person and telephone comments.	Jan-Feb 2022
Feedback presented to Mayor & Council indicating public desire to keep alley services (359 of 389 or 92% comments related to alleys), other comments (30) related to rate/fee changes and/or questions.	Feb. 16, 2022
Notice of Intention to increase Water, Wastewater, Reclaimed Water, Adopted setting public hearing for April 28, 2022	Feb. 24, 2022
Public hearing, Ordinance and Resolution presented to Mayor & Council for initial action.	Apr. 28, 2022

Rate Change Outreach

Public Outreach: Website



Public meeting schedule, Council action schedule, process timeline



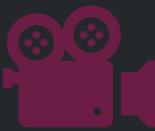
Rate changes by classification, example bills, FAQs



History of rate changes, and 5-year anticipated rate alignment



Cost of Service (COS) presentations, COS report



Video presentation

Public Outreach: Meetings



Residential focused public meeting 1/31/22



Residential with alley solid waste collection focused meeting 2/3/22



Non-residential focused meeting 2/8/22



Chamber allowed us to present at their public policy meeting 2/4/22



Met with individual stakeholders as needed

Information was also communicated in CityScope, Utility bill messaging, Message board at RSWCC, Social media posts, media release, and data and interviews provided for news articles

Water Cost of Service Findings



Water Percentage Increase to Reach 100% COS Alignment

Water	Jul-22	Jan-23	Jan-24	Jan-25	Jan-26
Residential %	1.27%	0.00%	1.23%	0.00%	1.23%
Multifamily %	1.83%	0.00%	1.58%	0.00%	1.27%
Non-Residential %	3.79%	0.00%	4.11%	0.00%	3.95%
Landscape %	5.88%	0.00%	7.04%	0.00%	6.57%
Industrial %	4.33%	0.00%	4.61%	0.00%	4.41%

All Customer Classes need COS realignment
Transition to COS alignment typically achieved over a 3-5 year period
Revenue Requirement is a 2%, 2.5%, and 2.5% overall increase

Water Average Bill Example

Water- Avg. Bill Examples		Current	Proposed Effective 7/1/2022
Residential Avg. Bill (12,000 gal. 5/8" meter)	\$	29.23	\$ 29.68
Multifamily Avg. Bill (500k ga. 6" meter)	\$	1,231.00	\$ 1,253.00
Non-Residential Avg. Bill (200k gal. 2" meter)	\$	431.00	\$ 468.00
Landscape Avg. Bill (200k gal. 1" meter)	\$	523.00	\$ 553.00

All Customer Classes need COS realignment
 Transition to COS alignment typically achieved over a 3-5 year period
 Revenue Requirement is a 2%, 2.5%, and 2.5% overall increase

Wastewater Cost of Service Findings



Wastewater Percentage Increase to Reach 75% COS Alignment

Wastewater	Jul-22	Jan-23	Jan-24	Jan-25	Jan-26
Residential %	1.21%	0.00%	1.81%	0.00%	1.88%
Multifamily %	8.30%	0.00%	12.02%	0.00%	11.23%
Non-Residential % Volumetric	6.88%	0.00%	10.19%	0.00%	9.49%
Industrial % Volumetric	6.88%	0.00%	10.19%	0.00%	9.49%

All Customer Classes need COS realignment
Transition to COS alignment typically achieved over a 3-5 year period
Revenue Requirement is a 4%, 6%, and 6% overall increase

Wastewater Average Bill Example

Wastewater- Avg. Bill Example		Current	Proposed Effective 7/1/2022
Residential Base Avg. Bill (Flat Fee)	\$	27.32	\$ 27.65
Multifamily Avg. Bill (150 units)	\$	1,464.00	\$ 1,585.50
Non-Residential Avg. Bill (200k gal. 2" meter)	\$	706.00	\$ 754.17

All Customer Classes need COS realignment
Transition to COS alignment typically achieved over a 3-5 year period
Revenue Requirement is a 4%, 6%, and 6% overall increase



Reclaimed Water Findings

Reclaimed Percentage Increase and Average Bill Example

Reclaimed	Jul-22	Jan-23	Jan-24	Jan-25	Jan-26
Reclaimed %	8.00%	0.00%	7.00%	0.00%	7.00%

Reclaimed- Avg. Bill Example	Current	Proposed Effective 7/1/2022
Monthly Average (850k gal)	\$ 589.85	\$ 637.00

Revenue Requirement is an 8%, 7%, and 7% overall increase

Solid Waste Findings



Solid Waste COS Analysis

Rate increase needed to cover increased O&M costs: 6%

- Recycling market depressed since 2018 reducing recycling revenues
- New contract for collection provides predictability on future costs
- Additional Recycling Solid Waste Collection Center (RSWCC) data available for analysis

Options to align COS and reduce required overall rate increase:

- Charge recipients for cost of services:
 - Alleys / RSWCC / Bulk

These COS alignments reduce overall revenue requirement to 3.4%

- Additional \$1.61 for alley customers
- Bulk collection: 2 free per calendar year then \$30 accommodates 98% of households
- RSWCC visits: 2 free per calendar year then \$10 per visit (up to 400lbs) pay for all weight over 400lbs. accommodates 95% of households



Solid Waste Percentage Increase and Average Bill Example

Solid Waste	Jul-22	Jan-23	Jan-24	Jan-25	Jan-26
Anticipated Revenue Increase	3.4%	0.0%	5.0%	0.0%	5.0%

Solid Waste- Avg. Bill Example		Current	Proposed Effective 7/1/2022
Monthly Fee (Flat Fee)	\$	17.95	\$18.56

Revenue Requirement is a 3.4%, 5%, and 5% overall increase

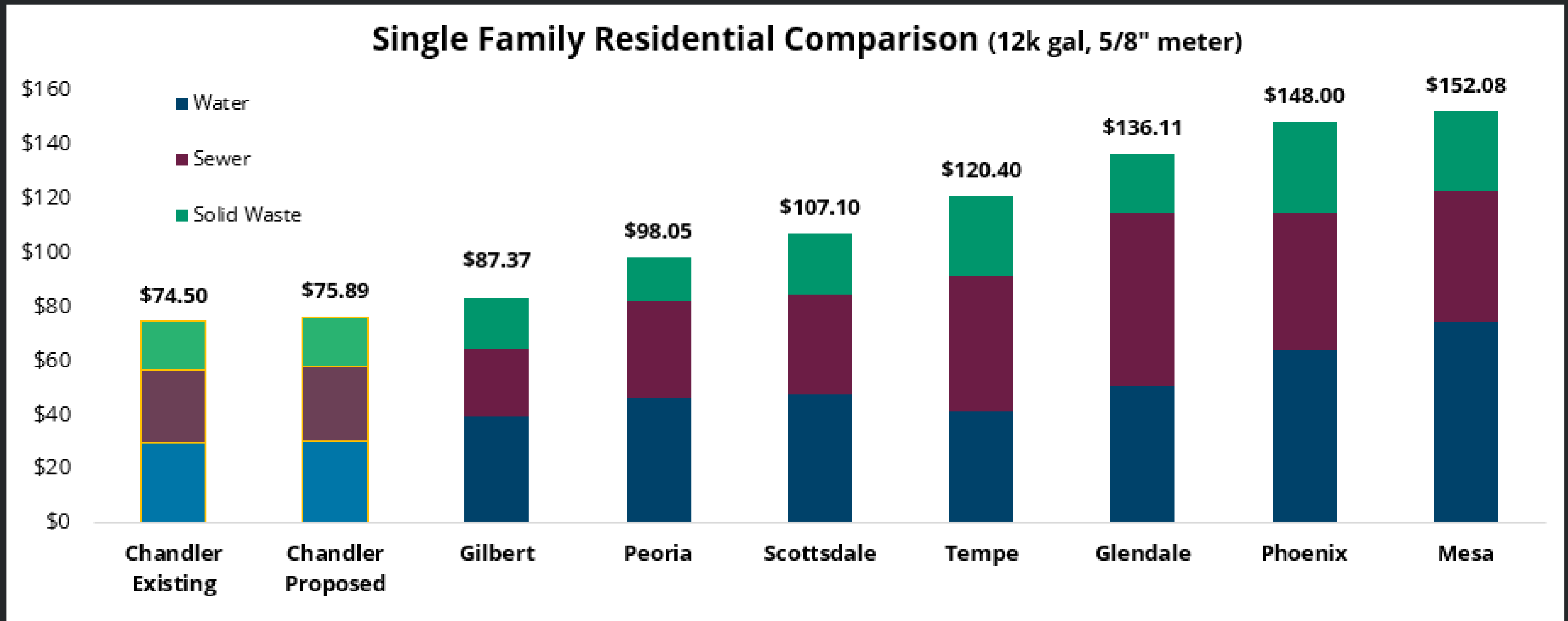
Combined Percentage Increase

Utility	Residential	Multi-Family	Non-Residential	Landscape	Industrial
Water	1.27%	1.83%	3.79%	5.88%	4.33%
Wastewater	1.21%	8.30%	6.88%	N/A	6.88%
Solid Waste	3.40%				
Reclaimed Water (only applies to certain customers)		8.00%	8.00%	8.00%	8.00%

Combined Average Monthly Bill Increase

Utility	Residential	Multi-Family	Non-Residential	Landscape
Water	\$29.23 to \$29.68	\$1,231 to \$1,253	\$431 to \$468	\$523 to \$553
Wastewater	\$27.32 to 27.65	\$1,464 to \$1,585	\$706 to \$754	N/A
Solid Waste	\$17.95 to \$18.56			
<u>Solid Waste Alley Serv.</u>	<u>\$0 to \$1.61</u>			
Combined (Non-Alley)	\$74.50 to \$75.89	\$2,695 to \$2,838	\$1,137 to \$1,222	\$523 to \$553
Combined (Alley Serv.)	\$74.50 to \$77.50			

Residential Total Average Bill Comparison



For changes to be effective an Ordinance and Resolution are both needed

- Ordinance #5007 allows for changes to City code chapters 44 and 50 to make the needed rate and fee policy adjustments
- Resolution #5558 allows for changes to the fee schedule which is where solid waste fees are presented



Strategy/Timeline

Implementation Steps	Time Frame
Work Sessions with Mayor and Council	Complete
Public Outreach – Single Family, Multi Family, Landscape, Non-Residential & Industrial	Complete
Feedback to City Manager/Council on Results of Outreach	Complete
Adopt Notice of Intention to Increase Rates	Complete
Conduct Public Hearing for Water, Reclaimed Water, Wastewater, and Solid Waste Rate Increases	Tonight
Introduce Ordinance and Adopt Resolution to Increase Water, Reclaimed Water, Wastewater and Solid Waste Rates	Tonight
Final adoption of Ordinance to Increase Water, Reclaimed Water, Wastewater, and Solid Waste Rates	May 12, 2022
Implement COS Utility Rates	July 1, 2022

Questions?

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