

Meeting Minutes

City Council Work Session

October 16, 2023 | 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 Matt Orlando
Councilmember OD Harris (arrived at 4:14 p.m.)
Councilmember Mark Stewart
Councilmember Christine Ellis
Councilmember Jane Poston
Councilmember Angel Encinas

Appointee Attendance

Josh Wright, City Manager
Kelly Schwab, City Attorney
Dana DeLong, City Clerk

Staff in Attendance

Tadd Wille, Assistant City Manager
Dawn Lang, Deputy City manager / Chief Financial Officer
Andy Bass, Deputy City Manager
John Sefton, Community Services Director
Matt Dunbar, Budget and Policy Assistant Director
John Knudson, Public Works and Utilities Director
Joshua Adams, Business Systems Support Analyst
Chris Smith, Aquatics Superintendent

Discussion

1. Utility Rate Feedback Overview
2. Community Services Fee Policy and Procedures Relating to Use of Parks, Recreation, and Aquatics Facilities, Programs and Services

MAYOR HARTKE called for a staff presentation.

JOSHUA WRIGHT, City Manager, introduced the discussion item.

MATT DUNBAR, Budget and Policy Assistant Director, presented the following presentation.

- Mayor and Council Work Session
- Agenda
 - Utilities Rate Feedback Overview
 - City Rate Comparisons
 - Community Services Fees
 - Fee Policy Discussion
 - Overview / Background
 - Policy Updates
- Utility Rate Feedback
 - The outreach achieved:
 - Met with industry partners
 - Met with Chandler Chamber
 - Presented at Chamber Policy event
 - Targeted outreach to high-volume users
 - Held public feedback meeting in-person and virtual
 - Robust website information
 - Social media push to drive traffic to website
 - Bill notices on every Utility bill
 - Public Notice posted on our utility fee changes webpage and published in newspaper
 - Message in the CityScope
- Utility Rate Feedback cont.
 - Responses:
 - Over 1,033 unique page views of our website
 - Seven webpage comments: four of which did not want rate increases (residents), one which wanted a breakout of what the changes would do on their non-residential account, and two in support (residents)
 - One public meeting comment from a resident in support
- Average Residential Cost Comparison for Water, Wastewater and Solid Waste

COUNCILMEMBER STEWART asked what the reason for Chandler's low residential cost of water, wastewater, and solid waste was.

MR. DUNBAR answered that there are multiple reasons; low costs of debt due to our great bond rating, strategic and consistent financial policies, and projects builds were covered by system development fees. Other cities were not able to be covered by system development fees. How

and when Chandler grew was strategic. We also have a diversity of water sources that we utilize rather than a sole source.

COUNCILMEMBER STEWART asked how we compare when it comes to solid waste.

MR. DUNBAR said we have a contract through Waste Management, the company keeps our cost lower.

MAYOR HARTKE commented that the slide likely shows which cities have in-house services and who contracts these services out.

VICE MAYOR ORLANDO asked how one-time dollars and grants contribute to this infrastructure.

MR. DUNBAR said one-time dollars are allocated at the end of the year if revenues are stronger than anticipated. We incorporate these into our infrastructure, and utilize planned rate increases to cash fund and pay debt services.

MR. DUNBAR continued the presentation.

- Average Multi-Family Cost Comparison for Water, Wastewater
- Average Non-Residential Cost Comparison for Water, Wastewater

MAYOR HARTKE asked if the chart depicts current rate increases for other municipalities.

MR. DUNBAR said it includes some of the current rate increases for other municipalities, but it is likely that there will be more increases in the next few months. The rates will increase depending on where the final percentage lands.

VICE MAYOR ORLANDO asked when the last time Chandler raised utility rates.

MR. DUNBAR said they went into effect July 1, 2022, and the previous change went into effect January 1, 2020.

VICE MAYOR ORLANDO requested information on tools for modeling that could be shared.

MR. DUNBAR said information on modeling tools of economic impacts would be provided to those requesting it. Our next cost of service study will study this as well.

VICE MAYOR ORLANDO asked if after five years of the adjustments bringing the cost of service up to standard, will this be reevaluated in a couple years, or in a longer stretch of time.

MR. DUNBAR said every two years we look at the rate increases, the goal of the cost-of-service studies is to be in alignment or within 1-2% of alignment. Customers and usage shifts, but we hope to maintain 100% alignment.

MAYOR HARTKE asked if other cities take in ancillary items outside out straight cost.

MR. DUNBAR answered that other Arizona cities have not incorporated these ancillary items into cost-of-service studies for water utility.

MR. WRIGHT mentioned that any customer during the public outreach period of the study could use an online tool to generate a sample of their bill.

MR. DUNBAR added that any customer base – residential, non-residential, multi-family could use the tool to determine their probable cost will the changed rate of service.

MAYOR HARTKE said there were concerns about the nonresidential use and their impact upon their rates, but it ended up being not an issue.

MR. DUNBAR said large water users were fine with the rate increases.

MAYOR HARTKE said the value of our water is recognized.

JOHN SEFTON presented the following presentation.

- Community Services Fee Policy
- Purpose of Discussion
 - Proposed Park and Recreation (P&R) fee changes proposed during FY 2023-24 Budget process
 - Action delayed to engage user groups, Council subcommittee, and P&R Board
 - Tonight: review of the Community Services P&R Fee Policy and Procedure – prior to Council Fee Action on November 9th
 - Timing consideration: February 1 effective date for spring P&R registrations
- Community Services Fees Change Summary
 - Aquatics, Park and Recreation Facilities, Recreation Fitness Passes and Tennis Center, and Registration Based Class, Program and Activity Fees
- Proposed Fee Changes FY 2023-24
 - Why Fee Changes?
 - Average 34% increase in staff costs (ex. Lifeguards \$12.60 to \$16.93/hr)
 - Average 8+% increase in supply costs (ex. Supplies / equipment / materials)
- Stakeholder Notice & Feedback
 - Swim & Dive Clubs – Intro meetings held with each
 - Chandler Youth Sports Association (CYSA) – WebEx Meetings 2/24
 - Tennis Center – 2/28, 3/2 in person (no participation)

- Athletic Field Tournament Users – WebEx 3/8
 - Proposed fees posted on city website 8/18/23
 - Social Media posts directing to webpage
 - Feedback webpage hits-count
- Why Assess Fees Citywide?
 - Fees assessed for use of facilities or services benefiting specific groups
 - Ensures taxes charged to support general services benefit all
 - Fees reflect recovery of cost to provide service, unless market demands lower rate
 - Authority to charge must exist in City Code (fee amounts and specifics set by resolution)
- Why Fees for Parks & Recreation Services / Facilities?
 - Program sustainability
 - Program popularity
 - Personal benefits derived
 - Fees support ongoing facility repair and replacement and enhancement of programs
- Fee Policy & Procedure
 - Establish fees for offering a wide range of services and activities while maintaining principles of equity and efficiency
 - Quality of Life
 - Neighborhoods
 - Sustainability / Technology
- Fee Policy & Procedure
 - 2008 – Fee Policy & Procedure Adopted by 4145
 - 2013 – Philosophy expanded and incorporated into Citywide Fee Schedule with Ordinance 4470
 - FY 2022-23 P&R Divisions Revenues: \$3,186,574
 - P&R Divisions Expenses: \$30,000,000
- FY 2022-23 Park & Recreation Revenues
- FY 2022-23 Park & Recreation Expenditures
- Fee Policy & Procedure
 - Two Fee Types (from City Code):
 - All fees charged for the use of Department Facilities, or the issuance of permits or licenses shall be in accordance with the approved fee policy and adopted by Council resolution. [Ch. §31-21.A]
 - All fees for Department registration-based classes, programs and activities shall be established and approved by the Community Services Director using formulas in accordance with Community Services' approved fee policy and adopted by Council resolution. [Ch. §31-21.B]
- Fee Policy & Procedure
 - Five Fee Categories
- Fee Policy & Procedure

MAYOR HARTKE asked if resources like water are not part of the fees, where do these come from.

MR. SEFTON said the general fund is what supports the cost of the utilities. Most administrative costs and staff costs are not funded by specific programs. They can be offset through rentals or tournaments and other non-program revenue sources.

MR. SEFTON continued the presentation.

- Fee Policy & Procedure
- Category #1 Community Benefit
- Category #2 Enhanced / Specialized
- Category #3 Exclusive Use
- Category #2 Enhanced / Specialized
- Category #1 Community Benefit
- Public Rec Swim Admission Fees

COUNCILMEMBER STEWART mentioned that swim rates were mentioned previously in a council subcommittee meeting. Inflation competes with our discussion on raising rates. Councilmember Stewart asked what the expectation of the revenue is if these fee increases are implemented.

JOSHUA ADAMS listed that community recreation programs would be \$70,000, the total from rentals is unknown, and memberships would be based on new memberships.

MR. SEFTON added there are many different areas in this model, it could result in a range of revenue values, between 10% and 25%.

COUNCILMEMBER STEWART asked why this rate increase was investigated.

MR. SEFTON responded that it is part of policy to do a rate analysis as part of the budget every year. To understand the direct cost and how we want to structure our guiding philosophy, we needed to have more discussion from relevant groups. The policy has not been updated since 2008, the last public rec swim fee increase was in 1999.

COUNCILMEMBER STEWART said we may be able to absorb the costs of public rec swim admission fees for at least another year in this period of high inflation in the economy, until we can come back and revisit these fees. Councilmember Stewart asked if 10% of the total cost in the fee structure can be absorbed and asked to consider keeping swim fees at \$1 for children.

VICE MAYOR ORLANDO said he needs more time to review the policy. Previous discussions were about the fee structure rather than the costs. We are at 50%, we don't know if 65-80% is appropriate, so we should compare to other cities and see what they are doing. Fee structure increases can be investigated, as increases have not been made recently.

MR. SEFTON affirmed that this takes a lot of time to consider. It is intended to be relatively simple with individual and community benefit. The intention is to red line the previous policy to review changes made. We need a long lead time to communicate any potential changes to the public.

VICE MAYOR ORLANDO said if we must wait until the next cycle of the recreation activities guide Break Time, it would be fine.

MR. SEFTON said February is not a deadline.

MAYOR HARTKE asked when Break Time would come out if these changes were implemented.

MR. SEFTON said the Break Time for March April May would be released early February. The deadline to decide would be by March 9.

COUNCILMEMBER HARRIS shared that he felt uncomfortable about asking our community for more money. Councilmember Harris asked how this would affect the budget.

MR. WRIGHT answered that this is not a matter of imbalance in the budget but adjusting policies to bring them to current times and standards. The discussion is how to study these for the future. Our policies are not in alignment with the practice.

COUNCILMEMBER HARRIS said policy change and fee increase are a lot to digest at once. Councilmember Harris said he is against fee increases.

COUNCILMEMBER ELLIS said she is familiar with the formula used to calculate fees for services. It is not all about the money, we have time to get into place. Councilmember Ellis said let's keep looking into this now, and revisit this later next year when we have time to inform residents.

MAYOR HARTKE said this is a good conversation about our philosophy about these services. Many families enjoy Chandler's amenities. We can revisit and keep coming back to discuss with Council.

VICE MAYOR ORLANDO said he was looking at the percentage increases and how does inflation impact these numbers. Looking at this holistically, we need to examine how we determine community benefit. We need to compare with industry averages.

MR. SEFTON continued the presentation.

- Category #2 Enhanced / Specialized
- In Summary
 - November 9th Council Agenda
 - P&R Fee Policy & Procedure Update
 - Community Services Fee Changes for Spring implementation (as noted on 'Summary' posted online)

- Aquatics
- Parks Facilities
- Recreation Facilities & Fitness Passes
- Tennis Center
- Registration-Based Class, Program & Activities
- Timeline for Spring '24 Breaktime (Mar-Apr-May)
- Questions? Thank you!

MAYOR HARTKE said that we understand for rentals, their payment for use should cover the cost.

COUNCILMEMBER STEWART said no, users have already paid for their use through bonds and sales tax.

MAYOR HARTKE restated that we are not at a consensus for this then.

COUNCILMEMBER POSTON said that for example, to use a ramada, one pays to use it as they are taking it out of service for other potential users. Spaces rented for personal use are removed temporarily from the public. The six-month rec center is a benefit for the community that is an added service. Otherwise, residents are facing inflation.

COUNCILMEMBER ELLIS asked where we see in the recreation fees that we can move forward with increases, and where should we pull back costs. We need to look at the timeline where we can get this fully aligned and must adjust eventually.

COUNCILMEMBER HARRIS added that there can be more discussion about facility rental fees. Councilmember Harris is against charging residents more money. We must consider what we use funds for and the necessity. The proceeds are unneeded, but we do need to examine our policies. Let's continue the open dialogue on this subject.

COUNCILMEMBER STEWART requested to continue this increase until next year. The council contingency funds are also potentially available for use.

MS. LANG said that this can be funded through the general taxes, Mr. Sefton is bringing this forward to be in alignment with the policy from 2008. It is okay to be outside of the policy and out of alignment if that is council's direction.

MR. WRIGHT said that there a couple of fees that the change benefits the user. Revising the structure creates some user-friendly changes that residents have requested.

MR. SEFTON suggested the six-month membership at Tumbleweed recreation center is an example. It is a discount over the monthly and daily rates, for those users who would not need a yearly pass.

MAYOR HARTKE said we will need one on one conversations or another conversation before continuing.

MR. WRIGHT surmised that we would avoid adopting changes that cause additional impacts to residents, if there are structural changes that benefit the customer. There are still some aspects that can be considered, we will just split them up differently in conversation.

MAYOR HARTKE recapped that the philosophy discussed with be readdressed to council later, overall hold any increases as residents face inflationary pressures. Mayor Hartke requested more conversation later.

COUNCILMEMBER STEWART asked if we are continuing to discuss utilities. We can hold off on utility rate increases. The timing of these increases is hard. This could be a time to utilize the contingency fund.

MAYOR HARTKE said these types of fees of the enterprise fund, is that water pays for water. We still maintain the lowest cost out of other cities.

COUNCILMEMBER STEWART said we have used one-time dollars for many purposes. There is a possibility to use one-time funds to delay an increase like this.

COUNCILMEMBER ELLIS this is a matter of business sense and our financial philosophy. We must be considerate of where we source funds from. Increases may come at any time, whether they be large increases farther apart, or incrementally in short times.

VICE MAYOR ORLANDO said it depends on what the environment is. We have to consider the contracts we have approved and if they would be affected, and we can consider our 20% reserve. There are adjustments we can make to make this easier.

COUNCILMEMBER STEWART agreed and asked about our revenue collection.

MS. LANG said we are around \$12 million.

COUNCILMEMBER STEWART asked if we know how much money the utility rate increase will bring in.

MR. DUNBAR said it would be around \$350,000 for a 1% increase for water.

COUNCILMEMBER STEWART asked what this looks like for the annual utilities.

MR. WRIGHT said staff would provide values.

COUNCILMEMBER STEWART said we have many potential solutions to consider.

Adjourn

The meeting was adjourned at 5:12 p.m.

ATTEST: _____
City Clerk

Mayor

Approval Date of Minutes: November 6, 2023

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 16th day of October 2023. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this _____ day of November, 2023.

City Clerk