



# City Council Work Session

Monday, August 4, 2025  
4:00 p.m.

Council Chambers Conference Room  
88 E. Chicago St., Chandler, AZ



## Work Session



Pursuant to Resolution No. 4464 of the City of Chandler and to A.R.S. 38-431.02, notice is hereby given to the members of the Chandler City Council and to the general public that the Chandler City Council will hold a WORK SESSION open to the public on Monday, August 4, 2025, at 4 p.m., in the City Council Chambers Conference Room, 88 E. Chicago Street, Chandler, Arizona. One or more members of the Chandler City Council may attend this meeting by telephone.

Persons with disabilities may request a reasonable modification or communication aids and services by contacting the City Clerk's office at 480-782-2181 (711 via AZRS). Please make requests in advance as it affords the City time to accommodate the request.

Agendas are available in the Office of the City Clerk, 175 S. Arizona Avenue.

## Agenda

### Call to Order

### Discussion

1. **Utility Rate Update Discussion Continued**
  - **Recap of Adjustments Presented**
  - **Follow-up Items from Prior Work Session**
  - **Rate Implementation Methodology Options and Directions**
  - **Next Steps and Key Process Dates**

### Public Comment

Public comments will be heard only for the item(s) on that published meeting agenda. Up to 15 minutes will be allotted for public comments on the agenda item(s) at the end of the agenda and each speaker will be allocated up to three minutes at the discretion of the Presiding Officer or designated parliamentarian.

### Adjourn



**City Council Memorandum      City Manager's Office Memo No.**

**Date:** August 04, 2025  
**To:** Mayor and Council  
**From:** Dawn Lang, Deputy City Manager - Chief Financial Officer  
**Subject:** Utility Rate Update Discussion Continued

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**Attachments**

Utility Rate Presentation



# FY 2025-26

## Utility Rate Update Discussion Continued

City Council Conference Room  
Monday, August 4, 2025| 4:00 pm





# Agenda

01. Recap of Adjustments Presented

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02. Follow-up Items from Prior Work Session

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03. Rate Implementation Methodology Options and Direction

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04. Next Steps and Key Process Dates

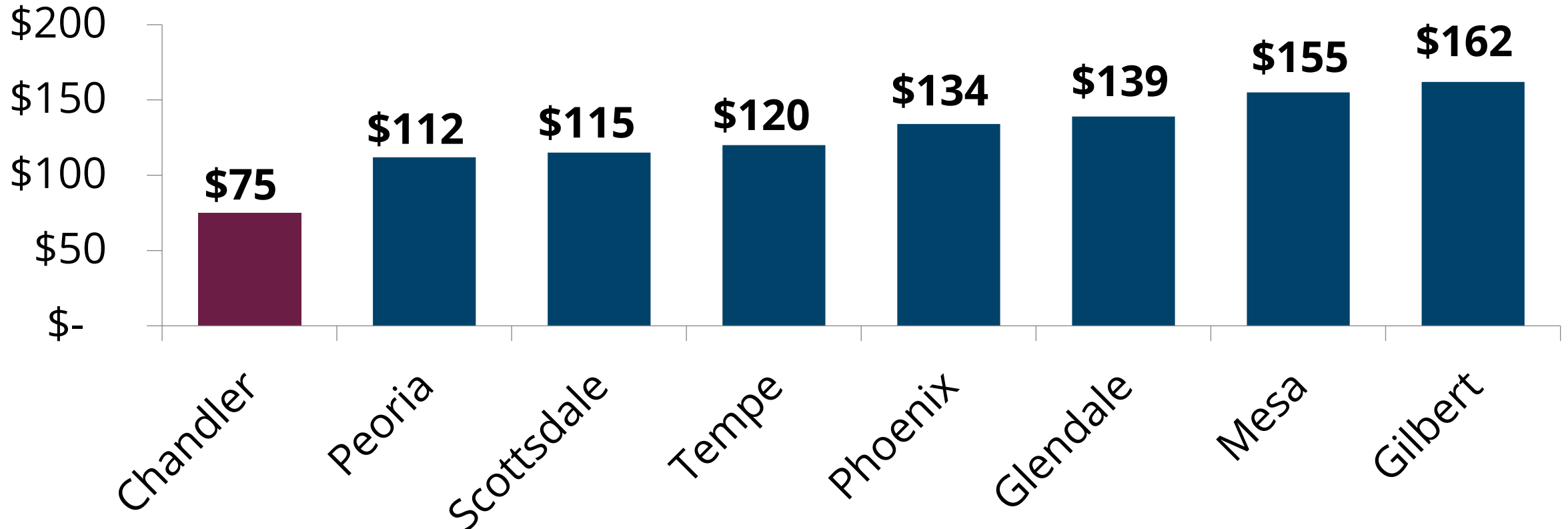
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# Recap of Adjustments Presented

# Average Residential Cost Comparison for Water, Wastewater and Solid Waste

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Based on Tempe Cost of Service July 2025 results at 10,000 gallons single family residential current rates

# Utility Rate Adjustment History

## Last COS Study Transition

Enterprise Funds are self supporting. Rate revenue must support all operating, capital, debt service and reserve requirements

The city has rate models for each Enterprise fund, updated annually to analyze rate needs

Cost of Service (COS) studies happen every 5-7 years



### Full COS Transition over 5 Years

| Classifications | 1st COS Rates               |                      | 2nd COS Rates               |                      |
|-----------------|-----------------------------|----------------------|-----------------------------|----------------------|
|                 | FY 2021-22 effective 7/1/22 |                      | FY 2023-24 effective 1/1/24 |                      |
|                 | <u>Water 2%</u>             | <u>Wastewater 4%</u> | <u>Water 7%</u>             | <u>Wastewater 8%</u> |
| Residential     | 1.27%                       | 1.21%                | 2.45%                       | 0.00%                |
| Multi-Family    | 1.83%                       | 8.30%                | 3.15%                       | 22.23%               |
| Non-Residential | 3.79%                       | 6.88%                | 8.22%                       | 17.16%               |
| Industrial      | 4.33%                       | 6.88%                | 9.22%                       | 17.26%               |
| Landscape       | 5.88%                       |                      | 14.07%                      |                      |
| Reclaimed       | 8.00%                       |                      | 7.00%                       |                      |
| Solid Waste     | 3.40%                       |                      | 7.00%                       |                      |

# Utility Rate Revenue Requirements Needed to Fund Operating, Capital, Debt and Reserves



A rate increase is needed to maintain the integrity of our enterprise funds and keep our systems safe. The impacts of increased capital replacements, operating costs and capital project costs is driving the rate requirement.



The direction needed in this workshop will be what implementation methodology to use to share clear customer classification impacts for public outreach

|                            | Water        | Wastewater   | Reclaimed  | Solid Waste  |
|----------------------------|--------------|--------------|------------|--------------|
| Revenue Requirement Needed | 15.0%        | 15.0%        | 18.0%      | 6.0%         |
| In Dollars                 | \$ 8,849,391 | \$ 7,904,512 | \$ 324,722 | \$ 1,111,110 |



# Review of Follow-up Items from Prior Work Session

# Looking Back: Utility Rate COS Study Alignment Result

Original findings for  
Water indicated  
Residential and  
Multi-Family were  
slightly subsidizing  
other classifications

**Table 2: Water Utility**  
**Comparison of Water FY2021-22 Cost of Service to Revenue at Existing Rates [1]**

| Customer Class              | FY 2021-22<br>Cost of Service | FY 2021-22<br>Revenue at<br>Existing Rates | Change - \$        | Change - %  |
|-----------------------------|-------------------------------|--------------------------------------------|--------------------|-------------|
| <b><u>Inside City</u></b>   |                               |                                            |                    |             |
| Single Family               | \$28,452,234                  | \$29,063,262                               | (\$611,029)        | -2.1%       |
| Multi Family                | 3,598,305                     | 3,679,664                                  | (81,359)           | -2.2%       |
| Non-Residential             | 5,366,759                     | 5,124,267                                  | 242,492            | 4.7%        |
| Industrial                  | 8,558,416                     | 8,020,416                                  | 538,000            | 6.7%        |
| Landscape                   | 8,841,493                     | 7,840,135                                  | 1,001,359          | 12.8%       |
|                             |                               |                                            |                    |             |
| <b>Inside City Subtotal</b> | <b>\$54,817,207</b>           | <b>\$53,727,745</b>                        | <b>\$1,089,462</b> | <b>2.0%</b> |

# Looking Back: Utility Rate COS Study Alignment Result

Original findings  
for Wastewater  
indicated  
Residential  
subsidizing other  
classifications

**Table 5: Wastewater Utility**  
**Comparison of FY2021-22 Cost of Service to Revenue at Existing Rates [1]**

| Customer Class           | FY 2021-22<br>Cost of Service | FY 2021-22<br>Revenue at<br>Existing Rates | Change - \$        | Change - %  |
|--------------------------|-------------------------------|--------------------------------------------|--------------------|-------------|
| <b>Inside City</b>       |                               |                                            |                    |             |
| Single Family            | \$22,942,174                  | \$26,193,281                               | (\$3,251,107)      | -12.4%      |
| Multi-Family             | 4,463,520                     | 3,235,761                                  | 1,227,759          | 37.9%       |
| Non-Residential          | 20,003,155                    | 16,165,031                                 | 3,838,125          | 23.7%       |
|                          |                               |                                            |                    |             |
| <b>Total Inside City</b> | <b>\$47,408,849</b>           | <b>\$45,594,072</b>                        | <b>\$1,814,777</b> | <b>4.0%</b> |

# Industrial Classification



22 Industrial  
Businesses with at  
least one meter  
designated as  
Industrial

Aligned Data Centers (Chandler) Propco LLC  
Air Products & Chemical  
Allied Waste Transportation Inc.  
Applied Materials Inc  
Avnet Inc  
Bowman Consulting  
Chandler Air Services  
Chandler HFP II LLC  
CRP III Chandler Airport LLC  
Dr Horton Inc  
Emerald On 87 LLC

FCL Builders Arizona LLC  
Ferguson Enterprise LLC  
First Electronics  
Gila River Indian Community (Lone Butte)  
Intel Corp  
Microchip Technology Inc  
NXP USA Inc.  
Rogers Corp  
South Bay Circuits Inc  
True Up Companies, LLC  
Unbound 165 LLC

# Utility SDF Fund Balances

SDFs are allocated based on projects that are related to growth and repayments are made to normalize the impact of these revenues.

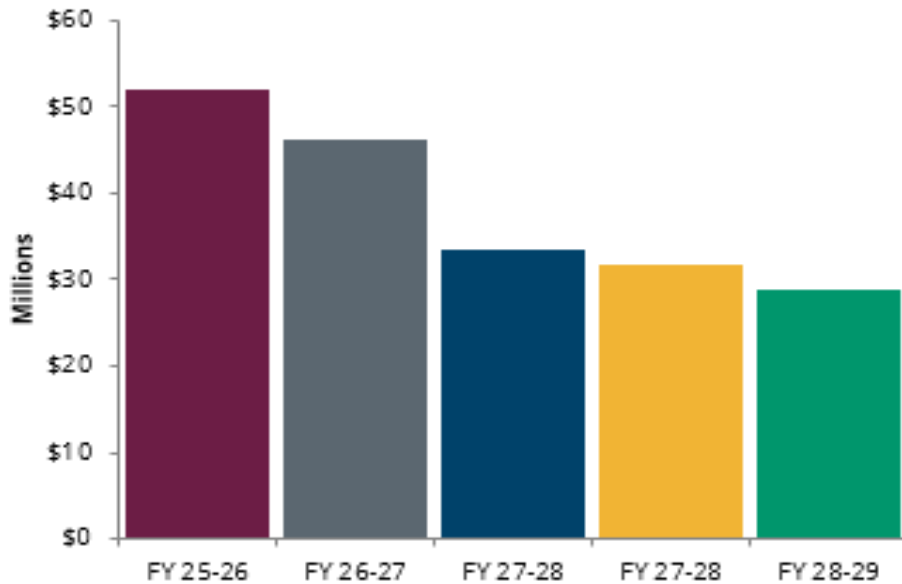
| Utility Area | SDF Fund Balance<br>(All as of July 1, 2024) | SDF Fund Balance at<br>Year End FY 2025-26 | Balance at<br>Year End FY 2026-27 | Balance at<br>Year End FY 2027-28 |
|--------------|----------------------------------------------|--------------------------------------------|-----------------------------------|-----------------------------------|
| Water        | \$11,981,465                                 | \$9,077,000                                | \$3,000,000                       | \$0                               |
| Wastewater   | \$3,010,516                                  | \$0                                        | \$0                               | \$0                               |

**\*Annual SDF Loan payback revenues help minimize needed rate increase**

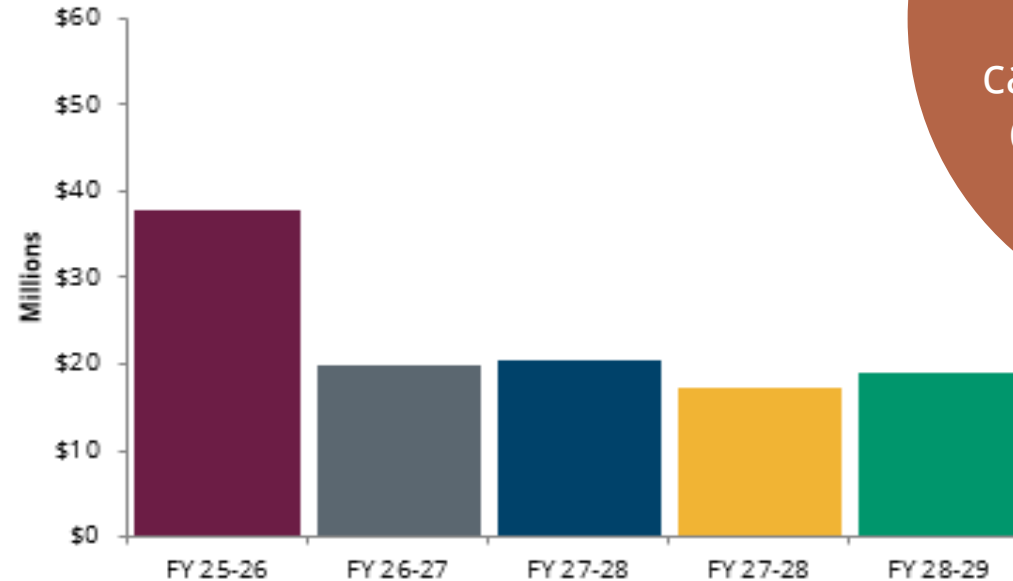
Once fund balances reach zero, any annual revenues will be used to continue to pay outstanding loans keeping the fund balances at or near \$0

# 5-Year Enterprise Funds Fund Balance Projection

## Water Fund Balance



## Wastewater Fund Balance



Fund balances is being drawn down to support Pay-go capital, One-time and Ongoing O&M, and Debt Service

Fiscally prudent planned drawdown of fund balance is considered in annual rate analysis

The background image shows industrial equipment, including large red and blue valves with black handwheels, set against a backdrop of trees and a blue sky with clouds. A large, semi-transparent blue circle is centered over the image, containing the title text in white.

# **Rate Adjustment Options and Determination on Direction**

# FY 2025-26 Utility Rate Adjustment Timing Methodology

A change from rate adjustments every other year to every year would affect estimated planned rates as follows for Water & Wastewater

| Water                                 |          |          |          |          |          |
|---------------------------------------|----------|----------|----------|----------|----------|
|                                       | Jan 2026 | Jan 2027 | Jan 2028 | Jan 2029 | Jan 2030 |
| Revenue Requirement Needed            | 15.0%    |          | 18.0%    |          | 17.0%    |
| OR if Every Year vs. Every Other Year |          |          |          |          |          |
| Revenue Requirement Needed            | 15.0%    | 7.5%     | 7.0%     | 7.0%     | 7.0%     |

| Wastewater                            |          |          |          |          |          |
|---------------------------------------|----------|----------|----------|----------|----------|
|                                       | Jan 2026 | Jan 2027 | Jan 2028 | Jan 2029 | Jan 2030 |
| Revenue Requirement Needed            | 15.0%    |          | 14.0%    |          | 15.0%    |
| OR if Every Year vs. Every Other Year |          |          |          |          |          |
| Revenue Requirement Needed            | 15.0%    | 6.5%     | 6.5%     | 6.0%     | 6.0%     |

# FY 2025-26 Utility Rate Adjustment Implementation Methodologies

## ➤ Implement Across the Board (ATB)

- Increase needed (revenue requirement) for FY 2025-26 applied evenly ATB to all classifications, therefore all classifications increase at the same percent
- Allows full inflation and new projects to be allocated over the next COS update

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## ➤ Implement Blended (COS/ATB blended rates)

- Continues using FY 2019-20 data to align COS rate increases for anticipated increase needed based on the prior projection, then
- Additional increase needed for FY 2025-26 applied evenly ATB to all classifications

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## ➤ Implement ATB and Blended for one or the other

- Use ATB with one utility, and Blended for another

# Utility Rate Adjustments by Implementation Method

| Water                    |             |                             |                     |                             |
|--------------------------|-------------|-----------------------------|---------------------|-----------------------------|
| Classification           | Blended COS | Monthly Avg,<br>Bill Impact | Across the<br>Board | Monthly Avg,<br>Bill Impact |
| Residential              | 9.8%        | \$ 3                        | 15.0%               | \$ 4                        |
| Multi-Family (150 units) | 8.6%        | \$ 111                      | 15.0%               | \$ 194                      |
| Non-Residential          | 17.9%       | \$ 90                       | 15.0%               | \$ 76                       |
| Industrial               | 28.4%       | \$ 215,300                  | 15.0%               | \$ 113,715                  |
| Landscape                | 20.4%       | \$ 165                      | 15.0%               | \$ 122                      |
| Reclaimed                | 18.0%       | \$ 48                       | 18.0%               | \$ 48                       |
| Solid Waste              |             |                             |                     |                             |
| Solid Waste Residential  | 6%          | \$ 1                        | 6%                  | \$ 1                        |

| Wastewater               |             |                             |                     |                             |
|--------------------------|-------------|-----------------------------|---------------------|-----------------------------|
| Classification           | Blended COS | Monthly Avg,<br>Bill Impact | Across the<br>Board | Monthly Avg,<br>Bill Impact |
| Residential              | 5,8%        | \$ 1                        | 15.0%               | \$ 4                        |
| Multi-Family (150 units) | 25.7%       | \$ 473                      | 15.0%               | \$ 276                      |
| Non-Residential          | 21.5%       | \$ 184                      | 15.0%               | \$ 128                      |
| Industrial               | 21.5%       | \$ 276,460                  | 15.0%               | \$ 192,879                  |

# Utility Rate Adjustments by Implementation Method

| Combined Monthly Average Bill Increase |                     |                          |
|----------------------------------------|---------------------|--------------------------|
|                                        | Both ATB            |                          |
| Classification                         | Total Bill % Change | Monthly Avg. Bill Impact |
| Residential                            | 12.6%               | \$ 9                     |
| Multi-Family (150 units)               | 15.0%               | \$ 470                   |
| Non-Residential                        | 15.0%               | \$ 204                   |
| Industrial                             | 15.0%               | \$ 306,594               |
| Landscape                              | 15.0%               | \$ 122                   |
| Reclaimed                              | 18.0%               | \$ 48                    |

| Combined Monthly Average Bill Increase |                     |                          |
|----------------------------------------|---------------------|--------------------------|
|                                        | Both Blend COS      |                          |
| Classification                         | Total Bill % Change | Monthly Avg. Bill Impact |
| Residential                            | 7.3%                | \$ 5                     |
| Multi-Family (150 units)               | 18.6%               | \$ 584                   |
| Non-Residential                        | 20.2%               | \$ 274                   |
| Industrial                             | 24.1%               | \$ 491,760               |
| Landscape                              | 20.4%               | \$ 165                   |
| Reclaimed                              | 18.0%               | \$ 48                    |

Prior year A-OK donations were \$25,509. An additional \$25,000 could assist customers most at risk

Current average residential bill of \$75 is \$37 lower than closest valley city

| Combined Monthly Average Bill Increase |                      |                          |
|----------------------------------------|----------------------|--------------------------|
|                                        | Water Blend / WW ATB |                          |
| Classification                         | Total Bill % Change  | Monthly Avg. Bill Impact |
| Residential                            | 10.7%                | \$ 7                     |
| Multi-Family (150 units)               | 12.4%                | \$ 387                   |
| Non-Residential                        | 16.1%                | \$ 219                   |
| Industrial                             | 20.0%                | \$ 408,179               |
| Landscape                              | 20.4%                | \$ 165                   |
| Reclaimed                              | 18.0%                | \$ 48                    |

| Combined Monthly Average Bill Increase |                      |                          |
|----------------------------------------|----------------------|--------------------------|
|                                        | Water ATB / WW Blend |                          |
| Classification                         | Total Bill % Change  | Monthly Avg. Bill Impact |
| Residential                            | 9.2%                 | \$ 8                     |
| Multi-Family (150 units)               | 21.3%                | \$ 666                   |
| Non-Residential                        | 19.1%                | \$ 260                   |
| Industrial                             | 19.1%                | \$ 390,175               |
| Landscape                              | 15.0%                | \$ 122                   |
| Reclaimed                              | 18.0%                | \$ 48                    |

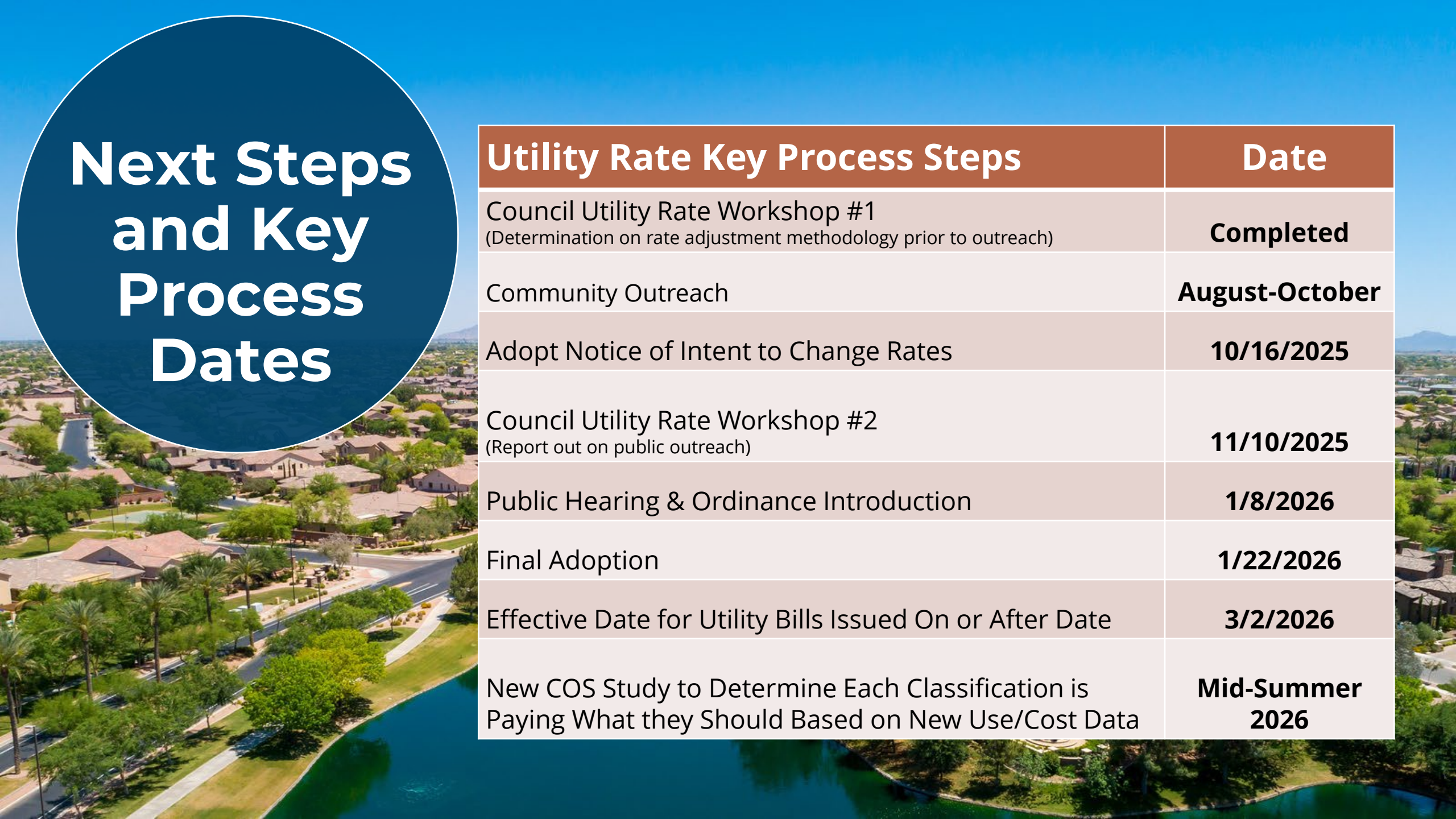
# Chandler Utility Rate Adjustment Direction

Determine method of implementing rates prior to public outreach and allocate revenue requirement

1. **Across the Board (ATB)** – uses the same revenue increase rate for all customer classifications, OR
2. **Blended Cost of Service** - allocating the original revenue requirement following COS and additional revenue requirement ATB to all classifications
3. **Blended Cost of Service mixed with ATB** - allocating the original revenue requirement following COS and additional revenue requirement across the board to one utility, and full

Advise on timing of future utility rate changes  
(every other year or annually)





# Next Steps and Key Process Dates

| Utility Rate Key Process Steps                                                                          | Date                       |
|---------------------------------------------------------------------------------------------------------|----------------------------|
| Council Utility Rate Workshop #1<br>(Determination on rate adjustment methodology prior to outreach)    | <b>Completed</b>           |
| Community Outreach                                                                                      | <b>August-October</b>      |
| Adopt Notice of Intent to Change Rates                                                                  | <b>10/16/2025</b>          |
| Council Utility Rate Workshop #2<br>(Report out on public outreach)                                     | <b>11/10/2025</b>          |
| Public Hearing & Ordinance Introduction                                                                 | <b>1/8/2026</b>            |
| Final Adoption                                                                                          | <b>1/22/2026</b>           |
| Effective Date for Utility Bills Issued On or After Date                                                | <b>3/2/2026</b>            |
| New COS Study to Determine Each Classification is<br>Paying What they Should Based on New Use/Cost Data | <b>Mid-Summer<br/>2026</b> |



# Questions?



**CHANDLER**  
arizona