

# Memorandum



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## FINANCIAL SERVICES

To: Mayor and City Council

From: Jerry L. Hart, CPA, Financial Services Manager (8505)

Date: February 27, 2009

Subject: **Comparative Cost of Services Reports**

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Attached for your information and review are updates of two reports prepared by the Budget Office: (1) "Comparative Cost of Services Report (excludes sales tax)" and, (2) "Comparative Cost of Services Report" which includes sales tax. These reports reflect how much the average Tempe resident pays for the services provided by the City, and then compares this to the cost of a similar "basket" of services provided to the citizens of our neighboring communities. This information is based on rates in effect as of January 1, 2009 and does not include any planned or proposed future rate increases.

### Cost of Services Report – Excludes Sales Tax

This report identifies the typical costs that a residential homeowner is required to pay to live in the respective city. Sales tax is excluded as it is discretionary in nature (residents are not obligated to do their shopping within their city). As you can see, Tempe has the second lowest cost when compared to our surrounding communities.

### Cost of Services Report

This report has the same information as the report discussed above, but includes sales tax. With the addition of sales tax, Tempe now finds itself in fourth place, but not significantly far behind Chandler, Gilbert, and Mesa.

In summary, Tempe continues to do very well in the delivery of services to our citizens at a comparably low cost. Please let me know if you have any questions.

Attachments

# Memorandum



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## Financial Services

To: Jerry Hart, Financial Services Manager  
Cecilia Robles, Deputy Financial Services Manager

From: Mark Day, Senior Budget and Finance Analyst

Date: February 27, 2009

### Subject: Comparative Cost of Services Report

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Please find attached the Comparative Cost of Services Report that analyzes the estimated annual amount paid by the average single family Tempe household for direct services provided by the City as well as the estimated annual amount paid in City property and transaction privilege (sales) taxes. This total amount is then compared to the estimated cost of similar services and taxes in seven (7) comparison cities in the Phoenix metropolitan area. These estimates were based on property tax, sales tax and utility service rates as of January 1, 2009.

The highlights of this updated report are as follows:

#### *Overview*

- The City of Tempe is ranked as the service provider with the 4th lowest cost of services in comparison to the seven (7) other cities in the survey. The previous Cost of Services Report, completed in January 2008, ranked the City as the 3<sup>rd</sup> lowest service provider. However, it should be noted that the cost difference between the 3<sup>rd</sup> lowest service provider, the City of Mesa, and the City of Tempe, is only \$7.24. **When excluding the sales tax component, the City of Tempe continues to maintain its ranking as the second lowest in cost.**
- Since the last Comparative Cost of Services Report completed in January 2008, six of the seven comparative cities in the survey have increased their water and wastewater rates. Five of the seven comparative cities increased their solid waste rates. The City of Chandler increased all of their rates in October 2007, which was reflected in the January 2008 report.

#### *Sales Tax*

There have been no increases or decreases in the privilege (sales) tax rates for the comparative cities since the January 2008 report.

As some cities in the study utilize different tax rates for various taxable activities, the estimated amount of sales taxes paid by the average single family household was based on the average percentage of household income spent on major categories of goods and services, per the U. S. Department of Labor.

*Property Taxes*

The property tax rates reflect the adopted FY08-09 property tax rates.

*Solid Waste, Water and Wastewater Rates*

- Solid Waste rates were increased by the City of Glendale, City of Mesa, City of Peoria, City of Scottsdale and the Town of Gilbert since the January 2008 report. The City of Phoenix's last rate increase in January 2008 was reflected in the last Cost of Services report.
- Water rates were increased by the City of Glendale, City of Mesa, City of Peoria, City of Phoenix, City of Scottsdale, and the Town of Gilbert since the January 2008 report.
- Wastewater rates were increased by the City of Glendale, City of Mesa, City of Phoenix, City of Peoria, City of Scottsdale, and the Town of Gilbert since the January 2008 report.
- Rates for the City of Chandler remain unchanged since the January 2008 report, however, their solid waste, water and wastewater rates increased on October 1, 2007.
- Tempe's solid waste, water and wastewater rates increased November 1, 2008.

Please let me know if you have any questions.

cc: Tom Duensing, Deputy Financial Services Manager

Attachment

## COMPARATIVE COST OF SERVICES REPORT

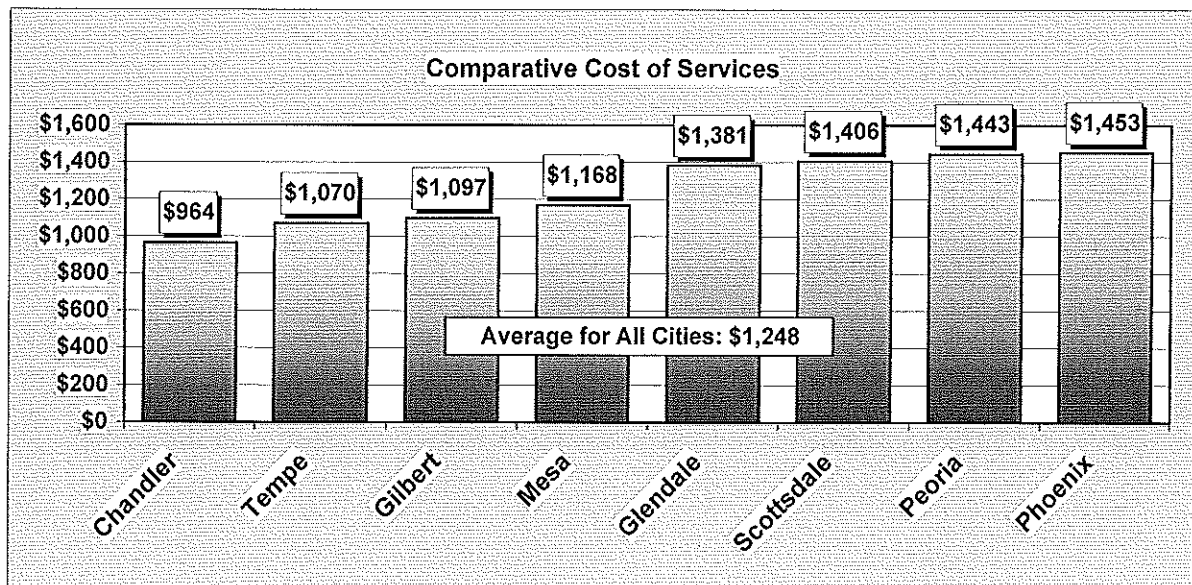
(excludes sales tax)

As of January 2009

|                   | Property Tax* | Solid Waste** | Water**  | Wastewater** | Total      |
|-------------------|---------------|---------------|----------|--------------|------------|
| <b>CHANDLER</b>   |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$1.18        | \$15.07       | \$27.04  | \$17.67      |            |
| Annual Cost       | \$246.35      | \$180.84      | \$324.42 | \$212.04     | \$963.65   |
| <b>TEMPE</b>      |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$1.40        | \$19.02       | \$26.47  | \$19.73      |            |
| Annual Cost       | \$287.16      | \$228.24      | \$317.61 | \$236.80     | \$1,069.81 |
| <b>GILBERT</b>    |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$1.15        | \$17.30       | \$29.40  | \$23.44      |            |
| Annual Cost       | \$255.30      | \$207.60      | \$352.80 | \$281.34     | \$1,097.04 |
| <b>MESA</b>       |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$0.00        | \$23.88       | \$49.76  | \$23.66      |            |
| Annual Cost       | \$0.00        | \$286.56      | \$597.12 | \$283.90     | \$1,167.58 |
| <b>GLENDALE</b>   |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$1.60        | \$16.30       | \$36.41  | \$33.84      |            |
| Annual Cost       | \$342.77      | \$195.60      | \$436.89 | \$406.05     | \$1,381.31 |
| <b>SCOTTSDALE</b> |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$0.79        | \$15.69       | \$50.39  | \$37.92      |            |
| Annual Cost       | \$158.09      | \$188.28      | \$604.64 | \$455.03     | \$1,406.04 |
| <b>PEORIA</b>     |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$1.44        | \$15.06       | \$49.87  | \$29.45      |            |
| Annual Cost       | \$310.82      | \$180.72      | \$598.41 | \$353.40     | \$1,443.35 |
| <b>PHOENIX</b>    |               |               |          |              |            |
| Rate/Avg Mo Cost  | \$1.82        | \$25.45       | \$36.71  | \$28.18      |            |
| Annual Cost       | \$368.57      | \$305.40      | \$440.54 | \$338.20     | \$1,452.71 |

\* Combined primary and secondary property tax rate. Rate per \$100 assessed valuation

\*\* Based on average residential customer



## COMPARATIVE COST OF SERVICES REPORT

As of January 2009

|                   | Property Tax* | Sales Tax** | Solid Waste*** | Water*** | Wastewater*** | Total      |
|-------------------|---------------|-------------|----------------|----------|---------------|------------|
| <b>CHANDLER</b>   |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$1.18        | 1.50%       | \$15.07        | \$27.04  | \$17.67       |            |
| Annual Cost       | \$246.35      | \$627.67    | \$180.84       | \$324.42 | \$212.04      | \$1,591.33 |
| <b>GILBERT</b>    |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$1.15        | 1.50%       | \$17.30        | \$29.40  | \$23.44       |            |
| Annual Cost       | \$255.30      | \$553.32    | \$207.60       | \$352.80 | \$281.34      | \$1,650.36 |
| <b>MESA</b>       |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$0.00        | 1.75%       | \$23.88        | \$49.76  | \$23.66       |            |
| Annual Cost       | \$0.00        | \$558.98    | \$286.56       | \$597.12 | \$283.90      | \$1,726.56 |
| <b>TEMPE</b>      |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$1.40        | 1.80%       | \$19.02        | \$26.47  | \$19.73       |            |
| Annual Cost       | \$287.16      | \$663.99    | \$228.24       | \$317.61 | \$236.80      | \$1,733.80 |
| <b>SCOTTSDALE</b> |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$0.79        | 1.65%       | \$15.69        | \$50.39  | \$37.92       |            |
| Annual Cost       | \$158.09      | \$608.66    | \$188.28       | \$604.64 | \$455.03      | \$2,014.70 |
| <b>PHOENIX</b>    |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$1.82        | 2.00%       | \$25.45        | \$36.71  | \$28.18       |            |
| Annual Cost       | \$368.57      | \$702.85    | \$305.40       | \$440.54 | \$338.20      | \$2,155.56 |
| <b>PEORIA</b>     |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$1.44        | 1.80%       | \$15.06        | \$49.87  | \$29.45       |            |
| Annual Cost       | \$310.82      | \$760.50    | \$180.72       | \$598.41 | \$353.40      | \$2,203.85 |
| <b>GLENDALE</b>   |               |             |                |          |               |            |
| Rate/Avg Mo Cost  | \$1.60        | 2.20%       | \$16.30        | \$36.41  | \$33.84       |            |
| Annual Cost       | \$342.77      | \$886.99    | \$195.60       | \$436.89 | \$406.05      | \$2,268.30 |

\* Combined primary and secondary property tax rate. Rate per \$100 assessed valuation

\*\* The sales tax rate for specific taxable activities may be higher

\*\*\* Based on average residential customer

