

# Memorandum



## Municipal Budget Office

To: Ken Jones, Deputy City Manager, Chief Financial Officer  
Cecilia Robles, Budget Manager

From: Lauri Vickers, Budget and Finance Analyst

Date: August 4, 2014

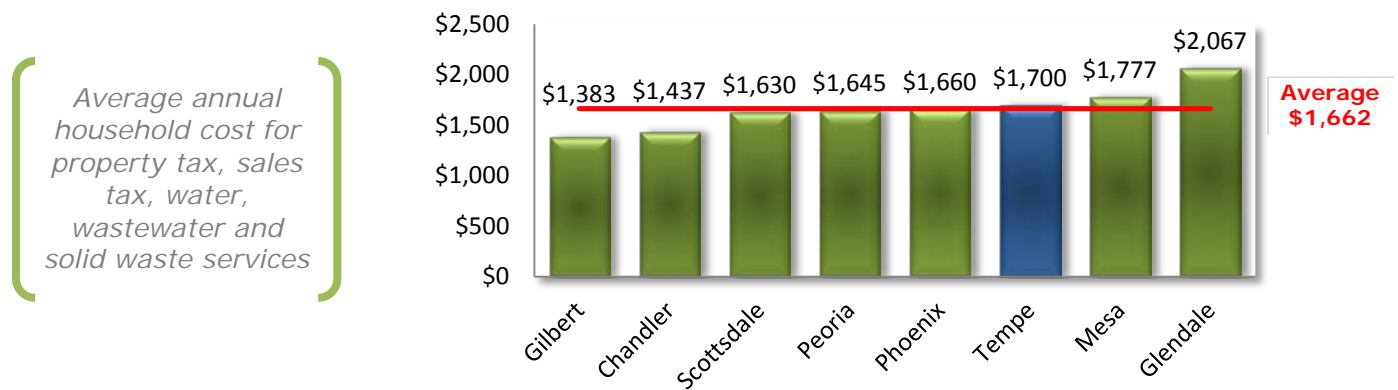
Subject: Average Residential Household Cost Comparison

Each year the Municipal Budget Office performs an analysis of the estimated annual amounts paid by the average residential Tempe household for direct services provided by the City of Tempe as well as the estimated total annual amount paid in City of Tempe property and transaction privilege (sales) taxes. These amounts are then compared to the estimated annual amounts paid by the average residential household in seven comparison cities in the Phoenix metropolitan area.

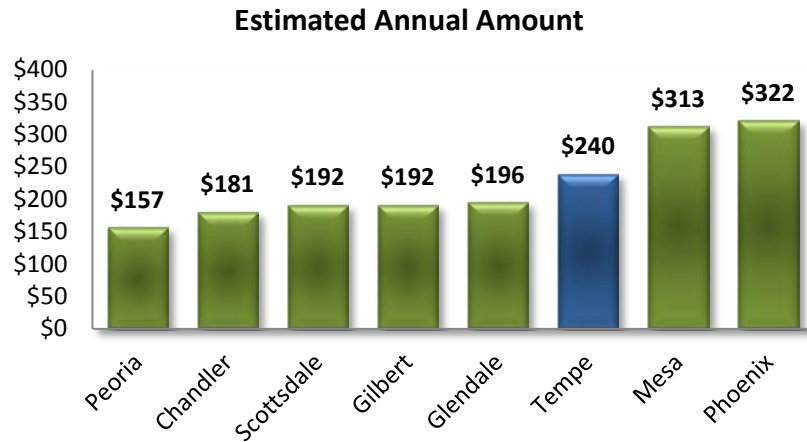
For purposes of this comparison, we utilized the property tax, sales tax and utility service rates as of July 2014. The analysis assumed the same household consumption averages for all cities for both water and wastewater services. However, for property tax purposes, we utilized the median single family home value in each respective city in the analysis. The sales tax amounts are based on the Phoenix metropolitan area median household income. As such, this analysis is intended to reflect what the average residential household would pay for each of the services or pay in taxes in their respective city.

### Overview

Estimated Annual Cost

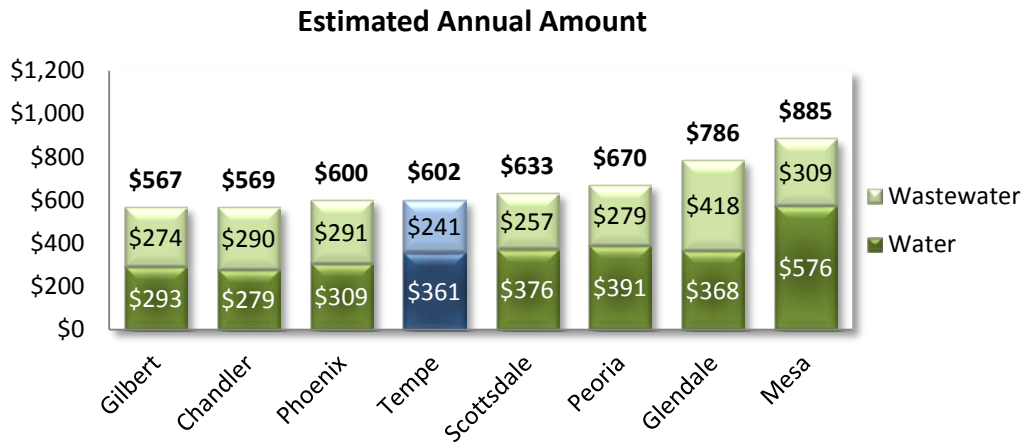


**Solid Waste**



The annual amount for single family residential solid waste services is estimated at \$240 for the City of Tempe. The amounts noted above are based on a residential customer with a once per week collection, based on the rates as of July 2014.

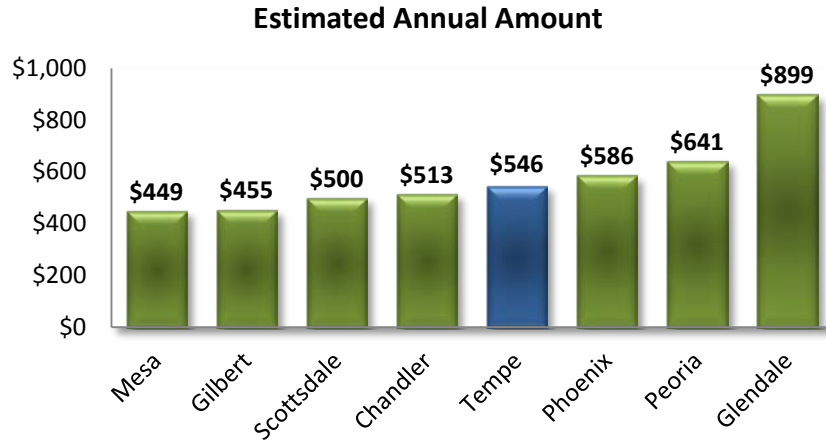
**Water and Wastewater**



The annual total amount for water and wastewater services for a single family residential customer in the City of Tempe is estimated at \$602. The annual water charge is based on a median single family residential monthly water consumption of 9,000 gallons, consistent with the most recent water rate study. It is assumed that this water consumption amount is applicable to the other cities in the comparison. As such, this consumption amount was applied to each respective city's water rates as of July 2014 to derive the annual water costs.

The wastewater charges noted above are based on the median residential winter water consumption average of 8,000 gallons. This amount is based on water consumption rates for the months of January, February and March (winter month average). It is assumed that this winter average is applicable to the other cities in the comparison and is then applied to each respective city's billable rate of return and wastewater rates as of July 2014 to derive the annual wastewater costs. For example, the City of Tempe's billable rate of return is 70% of the median residential winter water consumption average or 5,600 gallons (8,000 gallons x 70%).

**City Sales Tax**



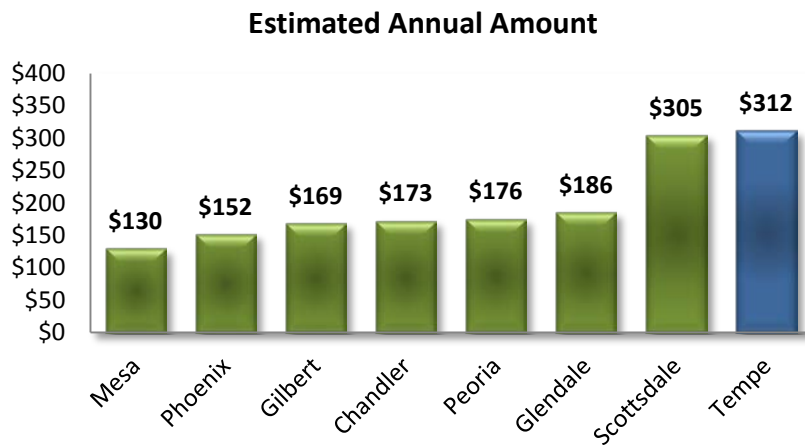
The annual amount that the average Tempe residential household will pay in City of Tempe sales tax is estimated to be \$546 for 2014.

For this analysis, we utilized the Phoenix metropolitan area median household income of \$60,857 per the U.S. Census Bureau, 2012 American Community Survey. As median incomes can vary between the cities, the Phoenix metropolitan area median household income was utilized so that a direct comparison could be made between cities.

The portion of this income that was spent on taxable purchases is estimated at 50% (\$30,307), as noted in the latest Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics (May 2014). We assumed that the portion of the median income spent on taxable purchases was spent within the household's city of residence and applied to each city's applicable sales tax rate.

Please note that many of the comparison cities in the analysis utilize different tax rates for various taxable activities. For example, the City of Glendale has an overall sales tax rate of 2.9%; however, sales at restaurants and bars are taxed at 3.9%. These variances were taken into account when calculating the annual amount of sales taxes paid.

**City Property Taxes**



The annual estimated City of Tempe property tax amount is \$312. The property tax amounts shown above are based on each city's FY 2014-15 primary and secondary rates and each city's 2014 Full Cash Value (FCV) for a median single family home. The median single family FCV for each city, per the Maricopa County Assessor, is as follows:

Phoenix	\$83,300
Glendale	\$86,500
Mesa	\$109,300
Peoria	\$122,500
Tempe	\$128,300
Chandler	\$146,800
Gilbert	\$159,000
Scottsdale	\$244,800

It should be noted that the City of Mesa and the City of Gilbert only levy a Secondary Property Tax.

**Summary of Utility Rates**

Most cities and towns in the study review rates on an annual basis to determine if there is adequate cost recovery and whether a rate increase is required. Listed below is a summary of the utility rate adjustments as of July 2014 and information related to any planned future rate increases:

**Overview of Rate Adjustments**

	<b>WATER*</b>	<b>WASTEWATER*</b>	<b>SOLID WASTE*</b>
Chandler	October 2013	October 2013	July 2007
<i>Rates were increased for water and wastewater in October 2013; however, the water rate increase did not impact a typical residential customer.</i>			
Gilbert	July 2009	July 2009	July 2012**
<i>No rate increases planned at this time.</i>			
Glendale	July 2010	July 2010	July 2008
<i>No rate increases planned at this time.</i>			
Mesa	July 2014	July 2014	July 2014
<i>Water, wastewater and solid waste rates were increased 7% as of July 2014. An annual 7% rate increase is being proposed for each year through 2017.</i>			
Peoria	July 2012	July 2012	July 2012**
<i>Rates were increased for water and wastewater in July 2012; however, the water rate increase did not impact a typical residential customer. Solid waste rates for residential customers were reduced.</i>			
Phoenix	April 2011	March 2010	March 2009
<i>No rate increases planned at this time.</i>			
Scottsdale	July 2013	July 2014	July 2009
<i>New water rate structure was implemented July 2013. A wastewater rate increase took effect July 2014.</i>			
Tempe	January 2014	January 2014	November 2009
<i>Water rates were increased 2.2% in January 2014. Wastewater rate changes created a reduction for the typical residential customer. Rates are reviewed annually, and rate studies are conducted regularly to determine future rate increases or decreases.</i>			

\* Indicates effective date of last rate adjustment. Rates were increased as of the effective date unless otherwise indicated.

\*\* Rates for residential customers were reduced.