

MEMORANDUM



TO: Mayor and Council
FROM: Scott Gruber, Municipal Budget & Financial Analyst
THROUGH: Ken Jones, Deputy City Manager – CFO
Mark Day, Municipal Budget Director
DATE: July 9, 2021
SUBJECT: 2021 Comparative Cost of Services Report

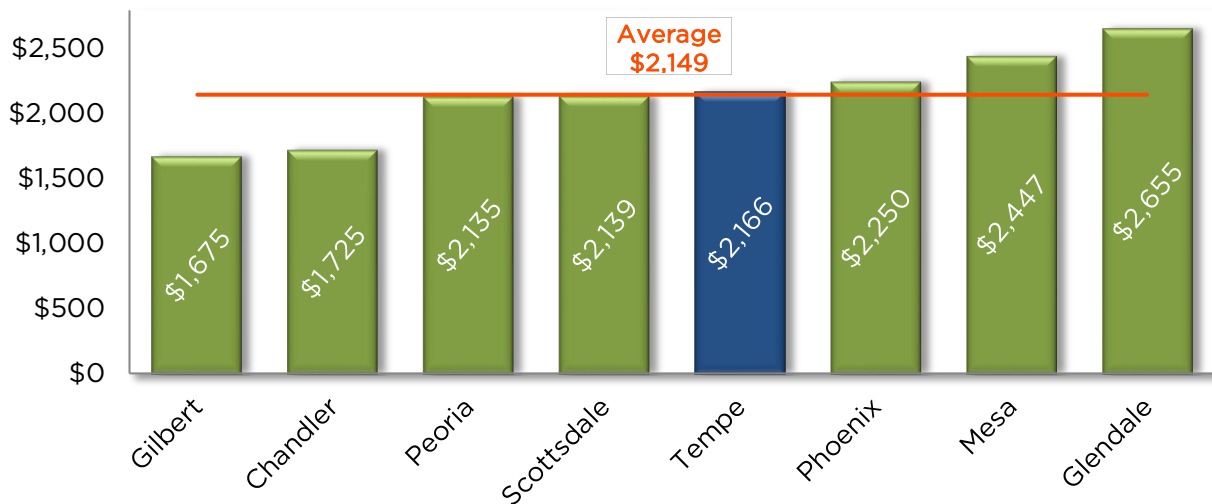
Each year the Municipal Budget Office performs an analysis of the estimated annual amounts paid by the typical residential Tempe household for direct services provided by the City of Tempe as well as the estimated total annual amount paid in City of Tempe property and transaction privilege (sales) taxes. These amounts are then compared to the estimated annual amounts paid by the same typical 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 2021. The analysis assumed the same household consumption amounts 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 typical residential household would pay for each of the services or pay in taxes in their respective city.

Overview

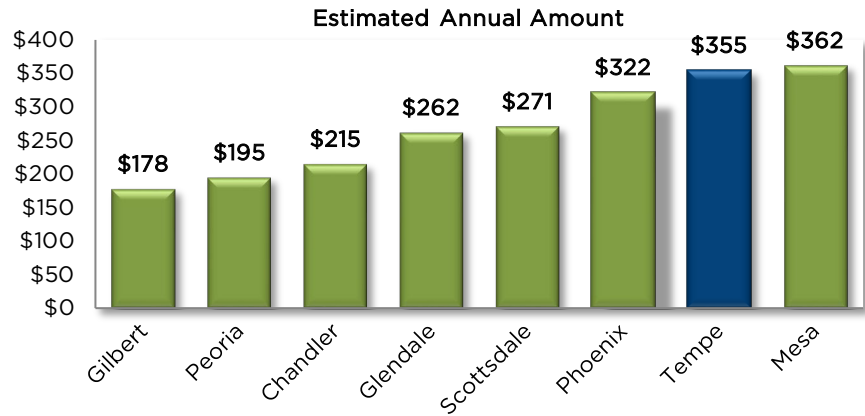
Average annual household cost for property tax, sales tax, water, wastewater and solid waste services

Estimated Annual Cost



Solid Waste

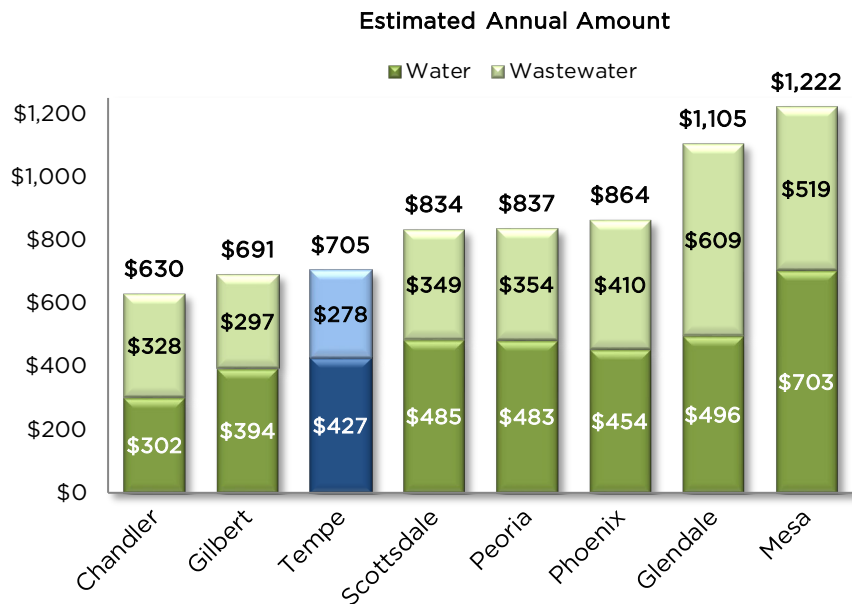
The annual amount for single family residential solid waste services is estimated at \$355 for the City of Tempe. The amounts noted above are based on a residential customer with a once per week collection, based on the rates as of July 2021.



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 \$705. The annual water charge is based on a typical single family residential monthly water consumption of 10,000 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 2021 to derive the annual water costs.

The billable gallons of wastewater are derived from a typical residential three-month winter average water consumption of 10,000 gallons (January - March billing statements), and then multiplied by a rate of return. For example, Tempe's rate of return is 70%. When multiplied by 10,000 gallons, the result is 7,000 billable wastewater gallons per month. It is assumed that the typical water consumption is applicable to the other cities. As such, this consumption was applied to each respective city's rate of return as of July 2021 to derive the annual wastewater costs.



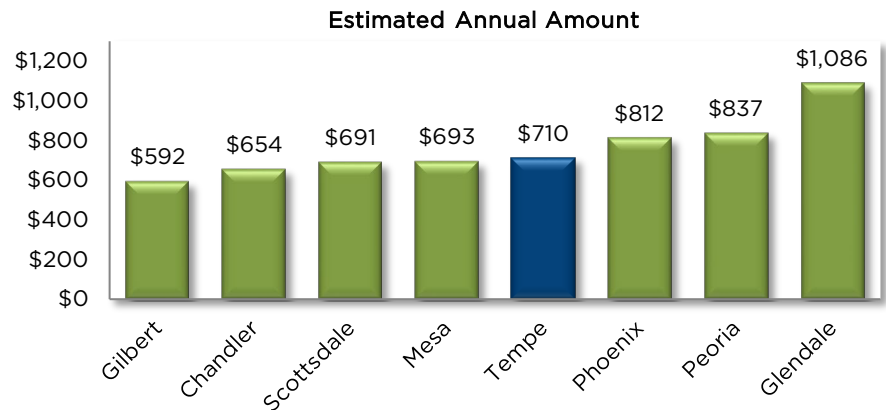
City Sales Tax

The annual amount that the typical Tempe residential household will pay in City of Tempe sales tax is estimated to be \$710 for 2021.

For this analysis, we utilized the Phoenix metropolitan area median household income of \$67,896 per the U.S. Census Bureau, 2019 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 59% (\$39,448), as noted in the latest Consumer Expenditure Survey published by the U.S. Bureau of Labor Statistics (April 2021). We assumed that the portion of the

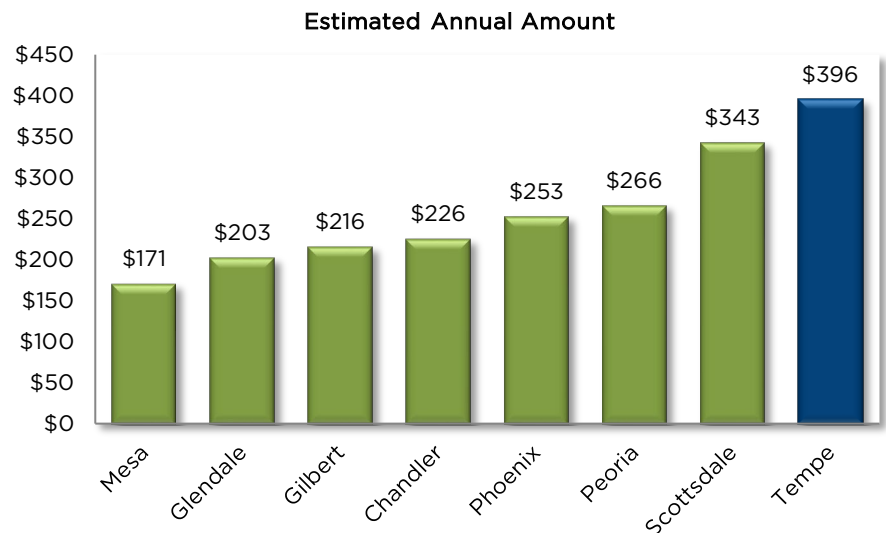
median income spent on taxable purchases was spent within the household's city of residence and applied to each city's applicable sales tax rate.

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 considered when calculating the annual amount of sales taxes paid.



City Property Taxes

The annual estimated City of Tempe property tax amount is \$396. The property tax amounts shown below are based on each city's FY 2021-22 primary and secondary rates and each city's 2021 Limited Property Value (LPV) for the median single-family home.



The 2021 median single family LPV for each city, per the Maricopa County Assessor, is as follows:

Phoenix	\$119,043	Peoria	\$184,910
Glendale	\$117,790	Chandler	\$203,230
Mesa	\$151,066	Gilbert	\$218,136
Tempe	\$167,474	Scottsdale	\$340,449

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