



City Council Weekly Information Packet

Friday, October 22, 2021

Includes the following documents/information:

- 1) City Council Events Schedule
- 2) Final Reports
- 3) Tax Revenue Statistical Report – September 2021
- 4) Community Services Department Update
- 5) Engineering & Transportation Department Update
- 6) Water Efficiency Certification Pilot Program



City Council Events Schedule

October 22, 2021 thru December 1, 2021

The Mayor and City Council have been invited to attend various community meetings and public and private events at which a quorum of the City Council may be present. The Council will not be conducting city business, nor will any legal action be taken. This is an event only and not a public meeting. A list of the community meetings and public and private events along with the schedules, dates, times, and locations is attached. Organizers may require a rsvp or fee.

| | | | |
|-----|--------|-----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Sat | Oct 23 | 3:00 p.m. – 7:00 p.m. | Getting Arizona Involved in Neighborhoods Locations: Various |
| Wed | Oct 27 | 2:00 p.m. – 2:30 p.m. | Autism Certification Media Event and Ribbon Cutting Location: Kiwanis Recreation Center and Fiesta Playground 6111 S. All-America Way Tempe, AZ |
| Wed | Oct 27 | 6:00 p.m. – 8:00 p.m. | Arizona Historical Preservation Commission Annual Pre-Conference Social Networking Reception Location: Hayden House 1 W. Rio Salado Parkway Tempe, AZ |
| Sun | Oct 31 | 2:00 p.m. – 4:00 p.m. | Tales from Double Butte Cemetery Location: Double Butte Cemetery 2505 W. Broadway Rd. Tempe, AZ |
| Wed | Nov 3 | Noon | Scottsdale Road Bike Lane Project Virtual Public Meeting tempe.gov/ScottsdaleRdBikeLanes for WebEx link |
| Wed | Nov 3 | 6:30 p.m. – 8:00 p.m. | Featured Exhibit - Tempe 150: Milestones Location: Tempe History Museum 809 E. Southern Ave. Tempe, AZ |
| Fri | Nov 5 | 8:15 a.m. - Noon | Tempe Leadership Governance Day (Class 37) Location: TBD |
| Fri | Nov 5 | 5:30 p.m. – 8:00 p.m. | "Legends" Gala Reception presented by Tempe History Society Location: Tempe History Museum 809 E. Southern Ave. |

| | | | |
|--------------|--------------------|-------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------|
| | | | Tempe, AZ |
| Sat | Nov 6 | 9:00 a.m. | Scottsdale Road Bike Lane Project Virtual Public Meeting tempe.gov/ScottsdaleRdBikeLanes for WebEx link |
| Sun | Nov 7 | Noon - 6:00 p.m. | Tempe 150: A Sesquicentennial Celebration! (free community festival) Location: Tempe Beach Park 80 W. Rio Salado Parkway Tempe, AZ |
| Fri | Nov 12 | 7:00 p.m. - 9:00 p.m. | Arizona State Women's Basketball vs. Minnesota Location: Desert Financial Arena 600 E. Veterans Way Tempe, AZ |
| Thu - Sat | Nov 18 - Nov 20 | All Day | National League of Cities City Summit Location: Virtual |
| Sat | Nov 20 | 10:00 a.m. - 11:00 a.m. | Indigenous Arts Arizona Festival Location: Tempe Center for the Arts: Main Lobby 700 W. Rio Salado Parkway Tempe, AZ |
| Fri | Nov 26 | 4:00 p.m. - 9:00 p.m. | Fantasy of Lights Holiday Parade and Tree Lighting Location: 3rd St and Mill Ave Tempe, AZ |
| Wed | Dec 1 | 5:30 p.m. - 7:00 p.m. | Tempe Sister Cities - Articles of Incorporation Celebration - 50+1 Anniversary Location: Hackett House 95 W. 4th Street Tempe, AZ |

10/22/2021 EF



Memorandum

TO: Mayor and City Council

FROM: Bill Greene, City Auditor

DATE: October 22, 2021

SUBJECT: FINAL REPORTS

Attached are our final reports issued for the following projects:

- Limited Review – Solid Waste Containers
- Accounts Receivable Audit Part 2

Copies of these reports will also be posted to the Internal Audit Office website.

We appreciate the cooperation of all the City staff during this project. Please contact me if you have any questions about our results.



Memorandum

TO: Terry Piekarz, Municipal Utilities Director
FROM: Bill Greene, City Auditor (X8982)
CC: Andrew Ching, City Manager
Steven Methvin, Deputy City Manager, Chief Operating Officer
Ken Jones, Deputy City Manager, Chief Financial Officer
Rosa Inchausti, Deputy City Manager
DATE: September 28, 2021
SUBJECT: LIMITED REVIEW: Solid Waste Refuse Containers

Purpose

At the request of the Municipal Utilities Director, we conducted a limited review in the following area for the purpose of suggesting potential improvements to internal controls:

Refuse Containers: We focused on controls related to the replacement and monitoring of refuse containers, revenue sources, and reporting.

Background

As part of our annual audit planning process, the City Auditor meets with senior management to discuss emerging risks and areas of concern. Limited Reviews were included as a new component of our FY 20/21 Annual Audit Plan to address some of the concerns raised by management and expand Citywide audit coverage. To conserve audit resources, these reviews are planned and executed using a targeted approach to address specific risks rather than a full-scope audit.

The Container Shop operates out of Priest Yard located at Priest and Rio Salado. Tempe is one of the only cities to utilize an onsite weld shop with dedicated welders to repair its own containers. Tempe additionally sells metals and plastics to recycling plants and maintains three contracts for refuse and recycling containers.

Scope and Methods

The objective of this consulting engagement was to identify additional controls to be considered by management. The work performed does not constitute an audit in accordance with *Government Auditing Standards*. An audit would have required additional steps such as the substantive testing of relevant internal controls, validation of data and information provided to IAO, and additional engagement file

documentation.

We employed the following methods to complete this engagement:

- Identified existing relevant internal controls;
- Interviewed staff;
- Surveyed local jurisdictions for comparable practices;
- Reviewed general ledger reports and supporting documentation.

Results

1. Container Repair and Replacement

Overview of Operations:

To compare business practices in other jurisdictions, we distributed a survey to six localities. Of the four cities that responded, several similarities in COT business practices existed and a few differences were identified. Highlights of the responses are displayed in the following chart.

| <u>Practices Consistent with Tempe</u> | <u>Differences</u> |
|-------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|
| Use Excel to report and track container status | Utility billing system integrated work order program to track repair/replacement of containers |
| Multiple other cities maintain contracts with the same vendors: Otto and Tank | No dedicated welders with primary responsibility to repair containers |
| Sell plastics and metals from containers beyond useful life | Contract with a vendor to purchase out of warranty containers from other vendors. |
| Maintain standby container supply of two or more months | |

*Respondents included: City of Scottsdale, City of Mesa, City of Glendale, Town of Gilbert

IAO additionally requested information on any changes to business practices that improved efficiency for these jurisdictions. The responses are shown below:

- Use work requests for residential container repairs to tie route, truck, and driver. This information is used to identify patterns with drivers and equipment for damaged containers. A report runs weekly for work orders.
- Annual reviews of the gripper pressure on residential ASL's to ensure the trucks are not over squeezing the containers causing preventable damage.
- Discontinue the purchase of containers with lid stops and solely purchasing containers from one manufacturer. Lid stops added to lid failures. The switch to one manufacturer helped with container and parts order times, warranty claim issues, and container repair training.

During our review, IAO staff also requested documentation of historical records for

all City container inventory and status. At this time, weekly reports are generated that provide up-to-date information on residential container transactions. The spreadsheet is created using queries from Accela to track work orders. The records provided on front loaders did not demonstrate cumulative information. This spreadsheet is overwritten but can provide information for a specific point in time. Maintaining consistent records of container inventory and container status is an important business practice to evaluate performance metrics and ensure efficient ordering.

Additionally, in the past, welding material purchases were tracked to include specific material breakdown, but the practice has been discontinued. We could also not evaluate the number of Welding labor hours because there is no process for recording welding hours per project. Comprehensive records of project completion hours, materials, and staff assist in providing a wide-ranging outlook of total expense per project. This information can be used to determine effective business practices.

Review of Existing Conditions:

To assess existing conditions, we reviewed data from staff on container statuses. We also interviewed staff to document business processes. We noted the following:

- Welding hours are not accurately and consistently tracked. Total repair and welding expense is also unknown.
- Historical container status and inventory data is not consistently maintained across container type.

Additional Controls to Consider:

1. Develop a system to consistently capture historical data across all container types.
2. Develop a system to track staff welding hours and repair costs.

2. Financial Reporting

Overview of Operations:

The City has a contract with SA Recycling to sell metal products. Solid Waste uses this contract to sell materials that no longer have a useful life. City staff contact the vendor indicating the need for product removal. A date is scheduled for retrieval and the vendor or subcontractor comes to the requested location and removes scrap metal. A ticket is provided including date, driver, materials, and customer signature. The materials are then hauled off for sale and a check is mailed to Solid Waste. The check is reviewed by a supervisor and deposited by a department administrative assistant. In FY 2020/2021, payments from SA Recycling totaled approximately \$4,000.

During our review, IAO staff asked for records of product removal by the vendor. Municipal Utility staff indicated uncertainty of employees responsible, whether records were maintained, and how payments were received. Currently, records of SA Recycling transactions are not being tracked from product removal to payment deposit. Cash receipts are used to deposit the funds and copies of the remittance are maintained; however, there is no follow-up action after a product removal to ensure that payment is received for each transaction. Additionally, reporting from the vendor remittance information includes material and freight in the sale price. Payment received is only for the material tonnage. When IAO asked staff to explain the freight portion and how it relates to the payment, they were unable to provide additional information. Currently, we are unable to confirm payment is in accordance with the contract.

Review of Existing Conditions:

To assess existing conditions, we reviewed data from the City's PeopleSoft Financial system and scrap metal sale tickets for fiscal year 20/21. We also interviewed staff to document business processes. The business processes demonstrated the following characteristics related to financial reporting:

- No monitoring for the SA Recycling contract
- Staff unaware of current internal processes and documentation for contractor product removal.

Additional Controls to Consider:

1. Assign responsibility to a MU employee to oversee and monitor contract.
2. Develop a system to account for SA Recycling transactions including but not limited to:
 - a. Staff responsibilities
 - b. Transaction dates
 - c. Materials received by vendor
 - d. Receipt from product removal
 - e. Payment for materials
 - f. Reconciliation of revenue



Memorandum

TO: Tom Duensing, Director, Financial Services
THRU: Bill Greene, City Auditor (X8982)
FROM: Keith Smith, Sr. Internal Auditor (X8416)
CC: Andrew Ching, City Manager
Steven Methvin, Deputy City Manager, Chief Operating Officer
Ken Jones, Deputy City Manager, Chief Financial Officer
Rosa Inchausti, Deputy City Manager
Sherry McGlade, Controller
Tarja Nummela, Customer Service Manager
DATE: October 5, 2021
SUBJECT: FINAL REPORT: Accounts Receivable Part 2 (Policy and Customer Service)

Attached is our final report on the subject audit. Copies of this report will be distributed to the mayor and council and posted to the Internal Audit Office website.

Thank you and your staff for your cooperation during this project.

Accounts Receivable – Part 2 (Policy and Customer Services)

October 5, 2021

Project Team:

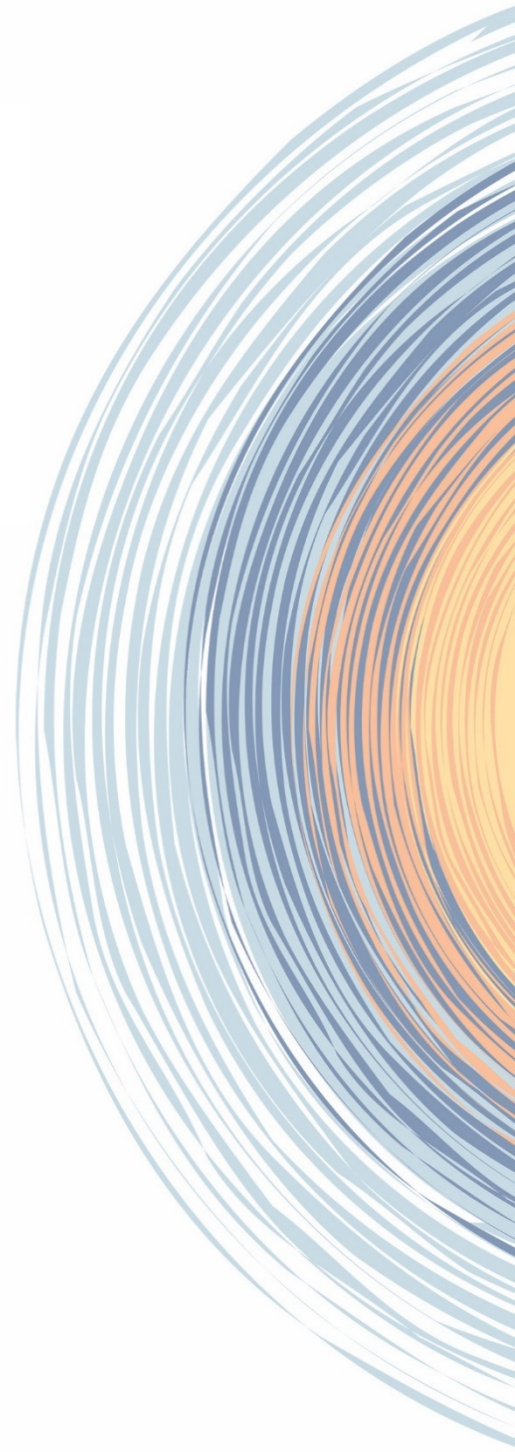
Bill Greene, City Auditor
Keith Smith, Sr. Auditor

Mission Statement

To enhance and protect organizational value by providing high-quality, objective, risk-based audit and consulting services to assist the City in accomplishing strategic priorities, goals, and objectives.



20 E. 6th Street, 2nd Floor | Tempe, AZ 85281 | 480-350-8982



Executive Summary

Purpose

We audited Customer Services' (Water/Wastewater/Solid Waste) accounts receivable processes to evaluate internal controls over monitoring, collecting, and writing off amounts owed to the City. In addition, we evaluated the need for a citywide policy providing guidance on accounts receivable to departments.

Background

Accounts Receivable, in simple terms, is money owed to the City by its debtors. In Part 1 of this audit (report issued June 28, 2021), we audited Transit Special Revenue and Community Services receivables.

Part 2 of our audit focused on Water/Wastewater and Solid Waste accounts receivable managed by Customer Service. The associated utility receivables covered in this audit represent about \$10.5M of the total \$14.3M in accounts receivable for proprietary funds as reported in the City's FY2020 financial statements.

We coordinated our work on this audit with the City's external audit firm to ensure that our audit focused on areas not covered during their audits, thus avoiding duplication of effort.

Results in Brief

1. Development of a citywide policy or written guidance to assist departments with the decentralized accounts receivable function will help ensure consistent practices and expectations across the City.

Departments we reviewed in Parts 1 and 2 of this audit had accounts receivable procedures in various stages of completeness. Many were outdated, some were in draft form, and none were comprehensive. In addition, there is no city-wide policy related to accounts receivable. Although each department has varying operational needs and there may not be a "one-size-fits-all" policy, basic guidance issued by Financial Services would help provide direction to department staff who process receivables as many do not have a financial background.

2. Due to the financial burden on residents related to COVID-19, City management placed normal collections procedures on hold in March 2020. Therefore, our review of collection procedures focused on activities prior to this date.

Late fees, delinquency fees, and service suspensions have been placed on hold. As of the time of our audit, 2,006 customer accounts were eligible for disconnects (60+ days past due) and the total billed amount over 60 days past due was \$1,019,042. In

addition, Financial Services estimates that delinquency fees and reconnect fees not charged were \$82,000 in FY19/20 and \$470,000 in FY20/21.

3. Processing of delinquent accounts by the Collection Agency and the account balance write-off procedures were accurate and effective.

Delinquent accounts sent to collections prior to March 2020 are still being processed by the contracted collection agency. We reviewed the collection process to ensure that the agency was taking the contracted fee and the remaining balance was forwarded to the City and correctly applied to customer accounts.

After 360 days, accounts sent to the collection agency that remain unpaid are placed in write off status in the billing system. The collection agency can still perform work to collect these funds; however, the balances are written off in the system. We verified that these outstanding accounts are removed from the receivable balance reported in the City's financial statements.

Recommendations

Our detailed report includes recommendations to further strengthen controls related to Accounts Receivable in the areas audited.

Department Responses to Recommendations

| | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------|
| Rec. 1.1: Financial Services create an over-arching City policy for departments responsible for Accounts Receivable functions. | |
| Response: We concur with the recommendation. The City of Tempe Accounting team is working on putting together a Citywide Accounts Receivable policy in conjunction with a review/rewrite of other related Accounting policies. | Target Date: 6/30/2022 |
| Explanation, Target Date > 90 Days: This project is part of a larger Accounting policies review/rewrite project. Tempe Accounting is currently assessing, updating, and in certain situations, creating accounting procedures, including creation of Citywide Cash Handling and Credit Card Handling procedures, which has not been developed previously. This is a comprehensive process that requires policy and procedures to be consistent and understandable and is expected to be complete over the next nine months. | |
| Rec. 2.1: Consider developing economic or financial criteria to help determine the optimal time for resuming standard delinquent account collection procedures. | |
| Response: We concur with the recommendation. Staff has determined that standard delinquent account collection procedures will begin January 2022. This is based on a) the fact that the economy impacted by the pandemic has been relatively stabilized, b) other comparative municipalities have resumed delinquent procedures, and c) grant funding information made available to utility customers was provided multiple times. System testing has begun, and the notification process will begin in November 2021. | Target Date: January 2022 |
| Explanation, Target Date > 90 Days: N/A | |
| Rec. 2.2: Customer Service establish a comprehensive set of policies and procedures related to accounts receivable. | |
| Response: We concur with the recommendation and the policies and procedures have been completed. We have revised the existing policies and those are now available for all employees in Customer Services. We will review the policies with each new employee as a part of their initial training program. | Target Date: 9/17/2021 |
| Explanation, Target Date > 90 Days: N/A | |

1 – Citywide Accounts Receivable Policy

Background

Accounts Receivable is a decentralized function in the City. Each department, division, and functional area is responsible for identifying, tracking, collecting, and reporting any accounts receivable.

Financial Services (Accounting) serves as a resource for departments and ensures that the accounts receivable balances are properly reported on the City's financial statements.

Approach

While performing audit testing and evaluation during parts 1 and 2 of this audit, we gathered information regarding the knowledge of the staff in relation to their responsibilities for accounts receivable functions and the existence and completeness of department-specific written policies.

Results

A centralized, written Accounts Receivable policy would help provide consistent guidance and minimum internal control procedures to department staff that perform these functions throughout the City.

While our sample size was limited, we found that staff in many of the areas we reviewed were not well versed on their responsibilities for accounts receivable. Further, staff often did not have the training or knowledge necessary to perform some functions and department-specific policies were not comprehensive. Some also did not know which receivable operations should be addressed in the policies or that City collection agency resources are currently available.

Financial Services (Accounting) does not have sufficient resource to manage the day-to-day functions of all the City's decentralized accounts receivable processes. However, a formal, centralized accounts receivable policy establishing guidance and expectations promotes consistent procedures and more effective internal controls. In a previous audit, the IAO recommended a similar central policy related to cash handling which is currently being developed by Financial Services.

Recommendation

1.1 Financial Services create an over-arching City policy for departments responsible for Accounts Receivable functions.

Note: If desired, the IAO can provided a basic outline of suggested topics to be covered.

2 – Customer Services Accounts Receivable

Background

The accounts receivable balance on the City's FY2020 financial statement relating to Water/Wastewater and Solid Waste utilities (Account 0037) totaled \$10,504,191. This includes outstanding balances for water, wastewater, residential solid waste, and commercial solid waste for customers with water accounts.

Approach

We reviewed the collections and write-off processes related to these receivables as well as receivable policies and procedures.

Collections:

Due to the financial burden placed on residents from the effects of COVID-19, City management suspended all delinquent account collection efforts in March 2020. Therefore, we could not perform audit testing related to the current processing of accounts receivable.

Delinquent accounts sent to the contracted collection agency prior to March 2020 are still being collected. We reviewed a sample of the most recent 6 months of collections reported by the agency to ensure that the contracted fee was deducted, the City was provided with its full share of the collected amount, and that the funds collected were credited to the proper customer accounts.

Write Off Process

We reviewed the write off process with staff to ensure there was a reasonable approach to writing off bad debt and confirm that write off amounts are not included in the receivable balances that appear on the financial statements.

Existing Policies and Procedures

We requested all existing policies and procedures related to Accounts Receivable for Customer Service. We were provided with three documents including procedures to set up a payment plan and information related to write offs.

Results

Due to the financial burden on residents related to COVID-19, City management placed normal collections procedures on hold in March 2020. Therefore, we could not audit collection procedures beyond this date. Processing of delinquent accounts sent to the Collection Agency prior to March 2020 and the account

balance write-off procedures are accurate and effective. It is unclear when standard collection processes will commence.

Late fees, delinquency fees, and service suspensions have been placed on hold since March 2020. As of the time of our audit, 2,006 customer accounts were eligible for disconnects (60+ days past due) and the total billed amount over 60 days past due was \$1,019,042. In addition, Financial Services estimates that delinquency fees and reconnect fees not charged were \$82,000 in FY19/20 and \$470,000 in FY20/21.

The usual collection process is as follows:

- The CC&B system automatically monitors delinquent accounts and performs the following:
 - Bill is due 27 days from the billing date
 - On the 28th day, a 1% late fee is added
 - On the 36th day, a \$15 plus tax delinquent fee is added and a Service Suspension Notice is mailed
 - 14 days later a shut off order is automatically generated (total 50 days past due)
- Staff members have leverage to establish payment plans with customers. If the plan is not met, it is cancelled and a shut off notice is generated.
- If no payment is received within 7 days of shut off, a technician is sent out to deactivate the meter.
- After the meter is deactivated, customers must pay full balance due plus a deposit to have it reactivated.

Our review of a sample of the most recent 6 months of collections reported by the agency (for accounts provided to them prior to March 2020) showed that the appropriate contracted fee was deducted, the City was provided with its full share of the collected amount, and funds collected were credited to the proper customer accounts.

We also confirmed there was a reasonable approach to writing off bad debt and write off amounts were appropriately excluded from receivable balances reported in the City's financial statements.

Existing policies and procedures for accounts receivable could benefit from additional update and revision to help ensure they address primary activities.

Based on our review, existing policies and procedures do not include some significant accounts receivable functions. For example, addressing topics such as monitoring AR (aging reports), collection agency processing, and the timeline of collection steps that CC&B automatically takes would ensure that a more comprehensive set of guidelines exists in case of extended staff leave or turnover.

Recommendations

2.1 Consider developing economic or financial criteria to help determine the optimal time for resuming standard delinquent account collection procedures.

2.2 Customer Service establish a comprehensive set of policies and procedures related to accounts receivable.

Scope and Methods

Scope

This audit covered Water/Wastewater/Solid Waste accounts receivable collections and write-off process. In addition, existing policies and procedures related to receivables were evaluated both Citywide and specific to Customer Service.

Methods

We used the following methods to complete this audit:

- Interviewed staff and walked through the collections and write off process
- Reviewed the current collection agency contract
- Reviewed a sample of collection agency remittances to the City
- Evaluated existing policies and procedures

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

MEMORANDUM



TO: Mayor and Council
FROM: Lauri Vickers, Municipal Budget & Finance Analyst
THROUGH: Mark Day, Municipal Budget Director
DATE: October 22, 2021
SUBJECT: Tax Revenue Statistical Report – September 2021

Introduction

The Municipal Budget Office (MBO) reviews the City's privilege (sales) tax collections for the General Fund (1.2%), Transit Fund (0.5%) and Arts & Cultural Fund (0.1%) and the General Fund bed tax (5.0%) in order to monitor the financial performance of the City's largest revenue source. This monthly analysis also provides the opportunity to determine if adjustments need to be made for any significant variances to ensure continuity of programs and service delivery. The September 2021 report summarizes our analysis of the August sales activity reported to the Arizona Department of Revenue (ADOR).

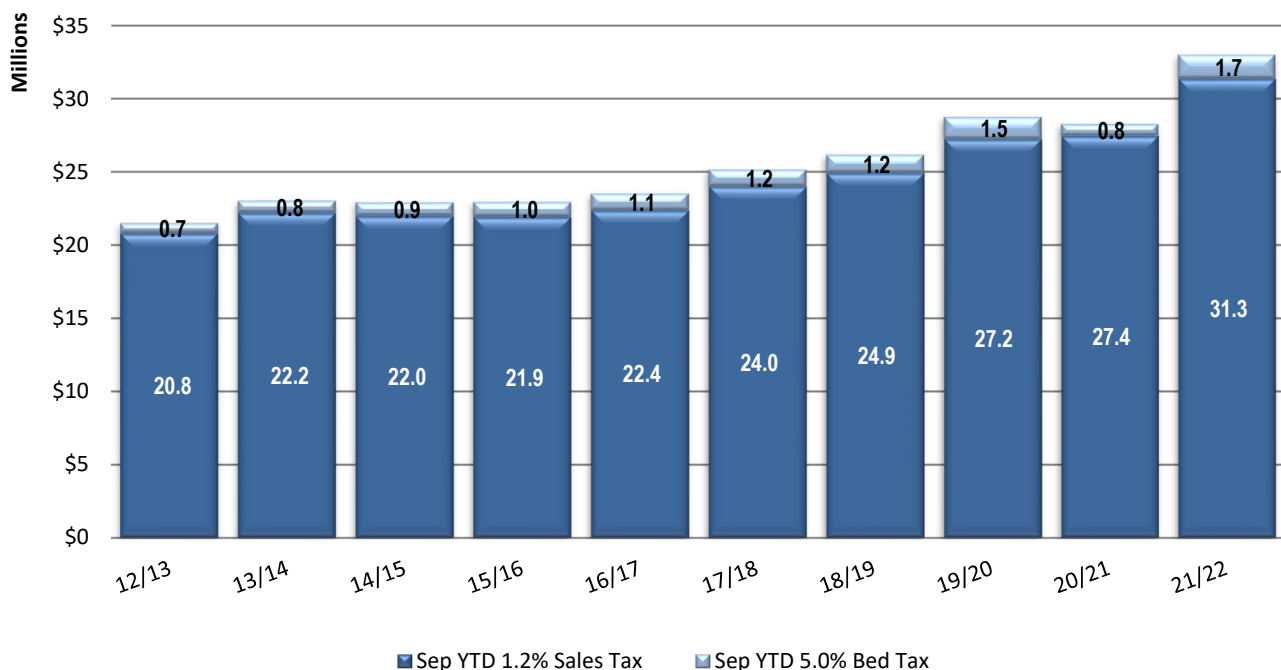
Overall Highlights

Total fiscal year to date taxable *sales* increased by 15.2% over the same year to date period in the prior fiscal year. Total sales tax *revenue* is up 16.3% or \$7.0 million, due to growth in retail (\$4.8 million), restaurant (\$1.2 million) and combined hotel/transient lodging (\$1.2 million) activity. The attached Executive Summary provides a summary of historical and current fiscal year taxable sales, sales tax collections by fund, tax revenues by business activity, and an analysis of retail tax revenues by activity.

General Fund Highlights

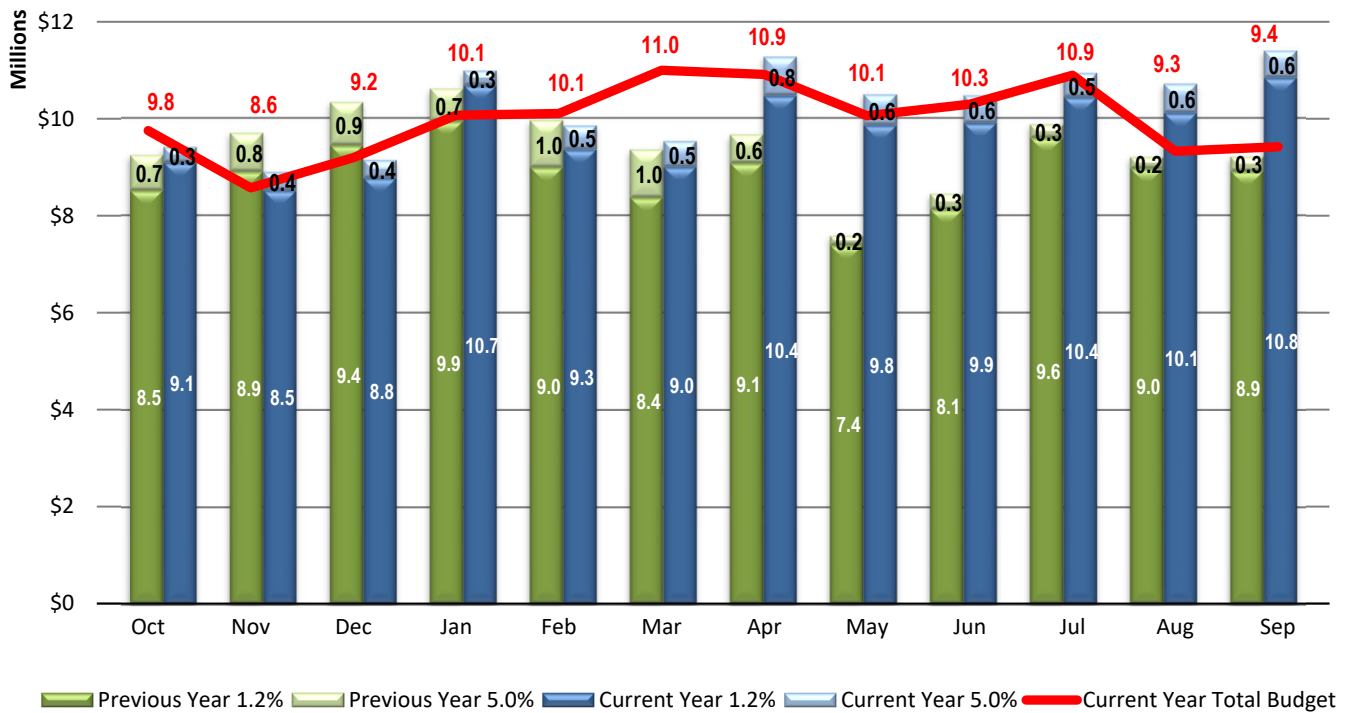
As the General Fund portion of the City's sales and bed tax revenue collections represents the General Fund's largest revenue source, further analysis is performed on these specific tax collections. The graph below depicts year to date General Fund historical sales and bed tax revenue from FY 2012/13 through FY 2021/22. General Fund sales and bed tax revenue for FY 2021/22 is up 16.8% or \$4.7 million over the prior year to date period.

General Fund Year to Date Sales and Bed Tax Collections through September



In addition to the 10-year historical comparison, we also review 12 months of General Fund monthly sales and bed tax collections compared to the previous year and to the FY 2021/22 adopted budget for the combined sales and bed tax, as noted in the graph below.

General Fund Monthly Sales and Bed Tax Collection vs. Previous Year



Finally, the MBO prepares the attached Actual to Budget Comparison report that provides a summary of FY 2021/22 General Fund sales tax, bed tax, and a combined total sales and bed tax collections compared to a projected budget amount for the month. Although sales and bed tax are not actually budgeted on a monthly basis, this type of analysis of actual collections compared to projections provides insight into sales and bed tax performance. Using this approach, fiscal year to date General Fund sales tax is \$2.8 million above revenue projections, General Fund bed tax is \$512 thousand above projections, and the combined General Fund sales and bed tax collections for the General Fund are \$3.3 million above the revenue projection.

- Attachments: Executive Summary
Actual Compared to Budget Projection

Executive Summary

Current Month - September

Fiscal Year to Date - September

| | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 | | 2018-19 | | 2019-20 | | 2020-21 | | 2021-22 | | |
|--------------------------------------------|-------------------|-------------|-------------------|--------------|-------------------|---------------|-------------------|--------------|-------------------|---------------|-------------------|-------------|-------------------|--------------|-------------------|--------------|--|
| | | Change | | Change | | Change | | Change | | Change | | Change | | Change | | Change | |
| Taxable Sales | | | | | | | | | | | | | | | | | |
| Total Taxable Sales | 753,787,000 | 4.2% | 847,433,000 | 12.4% | 763,290,000 | -9.9% | 932,157,000 | 22.1% | 2,162,660,000 | 4.0% | 2,363,456,000 | 9.3% | 2,347,205,000 | -0.7% | 2,703,261,000 | 15.2% | |
| Retail Taxable Sales | 415,664,000 | 2.5% | 432,649,000 | 4.1% | 444,970,000 | 2.8% | 563,901,000 | 26.7% | 1,210,808,000 | 4.2% | 1,269,041,000 | 4.8% | 1,349,761,000 | 6.4% | 1,615,290,000 | 19.7% | |
| Tax Revenues by Fund | | | | | | | | | | | | | | | | | |
| General Fund | | | | | | | | | | | | | | | | | |
| Privilege Tax (1.2%) | 8,679,000 | 4.2% | 9,790,000 | 12.8% | 8,900,000 | -9.1% | 10,819,000 | 21.6% | 24,912,000 | 3.8% | 27,225,000 | 9.3% | 27,442,000 | 0.8% | 31,340,000 | 14.2% | |
| Bed Tax (5.0%) | 444,000 | 8.6% | 506,000 | 14.0% | 300,000 | -40.7% | 559,000 | 86.3% | 1,247,000 | 8.2% | 1,505,000 | 20.7% | 806,000 | -46.4% | 1,651,000 | 104.8% | |
| Privilege Tax Rebates | 260,000 | 2.8% | 258,000 | -0.8% | 187,000 | -27.5% | 233,000 | 24.6% | 741,000 | 9.9% | 776,000 | 4.7% | 531,000 | -31.6% | 703,000 | 32.4% | |
| Total General Fund | 9,383,000 | 4.3% | 10,554,000 | 12.5% | 9,387,000 | -11.1% | 11,611,000 | 23.7% | 26,900,000 | 4.2% | 29,506,000 | 9.7% | 28,779,000 | -2.5% | 33,694,000 | 17.1% | |
| Transit Fund | | | | | | | | | | | | | | | | | |
| Privilege Tax (0.5%) | 3,616,000 | 4.0% | 4,084,000 | 12.9% | 3,709,000 | -9.2% | 4,508,000 | 21.5% | 10,380,000 | 3.7% | 11,354,000 | 9.4% | 11,435,000 | 0.7% | 13,059,000 | 14.2% | |
| Privilege Tax Rebates | 108,000 | 6.9% | 102,000 | -5.6% | 78,000 | -23.5% | 97,000 | 24.4% | 308,000 | 12.8% | 313,000 | 1.6% | 221,000 | -29.4% | 293,000 | 32.6% | |
| Total Transit Fund | 3,724,000 | 4.1% | 4,186,000 | 12.4% | 3,787,000 | -9.5% | 4,605,000 | 21.6% | 10,688,000 | 4.0% | 11,667,000 | 9.2% | 11,656,000 | -0.1% | 13,352,000 | 14.6% | |
| Arts & Culture Fund | | | | | | | | | | | | | | | | | |
| Privilege Tax (0.1%) | 745,000 | 4.2% | 837,000 | 12.3% | 757,000 | -9.6% | 921,000 | 21.7% | 2,138,000 | 4.0% | 2,333,000 | 9.1% | 2,331,000 | -0.1% | 2,670,000 | 14.5% | |
| Total Arts & Culture Fund | 745,000 | 4.2% | 837,000 | 12.3% | 757,000 | -9.6% | 921,000 | 21.7% | 2,138,000 | 4.0% | 2,333,000 | 9.1% | 2,331,000 | -0.1% | 2,670,000 | 14.5% | |
| Totals | 13,852,000 | 4.3% | 15,577,000 | 12.5% | 13,931,000 | -10.6% | 17,137,000 | 23.0% | 39,726,000 | -47.9% | 43,506,000 | 9.5% | 42,766,000 | -1.7% | 49,716,000 | 16.3% | |
| Tax Revenues by Business Activities | | | | | | | | | | | | | | | | | |
| Retail | 7,482,000 | 2.5% | 7,788,000 | 4.1% | 8,009,000 | 2.8% | 10,150,000 | 26.7% | 21,795,000 | 4.8% | 22,843,000 | 4.8% | 24,296,000 | 6.4% | 29,075,000 | 19.7% | |
| Rentals | 2,243,000 | 14.3% | 2,466,000 | 9.9% | 2,524,000 | 2.4% | 2,992,000 | 18.5% | 6,862,000 | 9.7% | 7,614,000 | 11.0% | 7,939,000 | 4.3% | 8,966,000 | 12.9% | |
| Utilities/Communication | 937,000 | -0.5% | 904,000 | -3.5% | 902,000 | -0.2% | 921,000 | 2.1% | 2,575,000 | -1.6% | 2,420,000 | -6.0% | 2,449,000 | 1.2% | 2,546,000 | 4.0% | |
| Restaurants | 1,006,000 | 1.6% | 1,043,000 | 3.7% | 846,000 | -18.9% | 1,191,000 | 40.8% | 2,975,000 | 3.7% | 3,149,000 | 5.8% | 2,428,000 | -22.9% | 3,626,000 | 49.3% | |
| Contracting | 1,269,000 | 34.1% | 1,014,000 | -20.1% | 1,029,000 | 1.5% | 824,000 | -19.9% | 3,170,000 | 8.0% | 3,238,000 | 2.1% | 3,403,000 | 5.1% | 2,392,000 | -29.7% | |
| Hotel/Motel | 169,000 | 7.0% | 190,000 | 12.4% | 114,000 | -40.0% | 217,000 | 90.4% | 492,000 | 11.6% | 567,000 | 15.2% | 306,000 | -46.0% | 639,000 | 108.8% | |
| Transient (Bed Tax) | 444,000 | 8.6% | 506,000 | 14.0% | 300,000 | -40.7% | 559,000 | 86.3% | 1,247,000 | 8.2% | 1,505,000 | 20.7% | 806,000 | -46.4% | 1,651,000 | 104.8% | |
| Non-Recurring Business Activities | 3,000 | -99.0% | 1,474,000 | 49033.3% | 137,000 | -90.7% | 39,000 | -71.5% | (68,000) | -115.7% | 1,594,000 | -2444.1% | 863,000 | -45.9% | 186,000 | -78.4% | |
| Amusements | 90,000 | -8.2% | 103,000 | 14.4% | 26,000 | -74.8% | 106,000 | 307.7% | 337,000 | -2.6% | 378,000 | 12.2% | 115,000 | -69.6% | 378,000 | 228.7% | |
| All Other | 209,000 | 22.9% | 90,000 | -56.9% | 43,000 | -52.2% | 136,000 | 216.3% | 341,000 | -99.1% | 199,000 | -41.6% | 160,000 | -19.6% | 256,000 | 60.0% | |
| Totals | 13,852,000 | 4.3% | 15,578,000 | 12.5% | 13,930,000 | -10.6% | 17,135,000 | 23.0% | 39,726,000 | -47.9% | 43,507,000 | 9.5% | 42,765,000 | -1.7% | 49,715,000 | 16.3% | |
| Retail Tax Revenues by Activities | | | | | | | | | | | | | | | | | |
| Automotive | 1,156,000 | 6.2% | 1,301,000 | 12.5% | 1,152,000 | -11.5% | 1,378,000 | 19.6% | 3,388,000 | 3.7% | 3,632,000 | 7.2% | 3,434,000 | -5.5% | 4,101,000 | 19.4% | |
| Building Supply Stores | 266,000 | 0.4% | 298,000 | 12.0% | 328,000 | 10.1% | 362,000 | 10.4% | 851,000 | 0.4% | 943,000 | 10.8% | 1,042,000 | 10.5% | 1,194,000 | 14.6% | |
| Department Stores | 1,115,000 | -5.4% | 1,154,000 | 3.5% | 1,120,000 | -2.9% | 1,305,000 | 16.5% | 3,005,000 | 0.0% | 3,095,000 | 3.0% | 3,052,000 | -1.4% | 3,496,000 | 14.5% | |
| Drug/Small Stores | 1,117,000 | 9.8% | 1,215,000 | 8.8% | 1,221,000 | 0.5% | 1,463,000 | 19.8% | 3,122,000 | 16.1% | 3,465,000 | 11.0% | 3,779,000 | 9.1% | 4,058,000 | 7.4% | |
| Furniture/Equipment/Electronics | 559,000 | -19.8% | 491,000 | -12.2% | 610,000 | 24.2% | 650,000 | 6.6% | 1,790,000 | -16.4% | 1,812,000 | 1.2% | 2,041,000 | 12.6% | 2,337,000 | 14.5% | |
| Grocery Stores | 794,000 | 4.3% | 780,000 | -1.8% | 841,000 | 7.8% | 826,000 | -1.8% | 2,243,000 | 2.6% | 2,266,000 | 1.0% | 2,498,000 | 10.2% | 2,387,000 | -4.4% | |
| Manufacturing Firms | 766,000 | 16.9% | 783,000 | 2.2% | 631,000 | -19.4% | 1,502,000 | 138.0% | 2,254,000 | 26.9% | 2,057,000 | -8.7% | 1,841,000 | -10.5% | 3,178,000 | 72.6% | |
| All Other Retail | 1,709,000 | 4.6% | 1,766,000 | 3.3% | 2,106,000 | 19.3% | 2,664,000 | 26.5% | 5,142,000 | 5.2% | 5,573,000 | 8.4% | 6,609,000 | 18.6% | 8,324,000 | 25.9% | |
| Totals | 7,482,000 | 2.5% | 7,788,000 | 4.1% | 8,009,000 | 2.8% | 10,150,000 | 26.7% | 21,795,000 | 4.8% | 22,843,000 | 4.8% | 24,296,000 | 6.4% | 29,075,000 | 19.7% | |

Actual Compared to Budget Projection

Privilege Tax Revenue - General Fund (1.2%) 2021-22 Actual Compared to Budget

Monthly Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------------|----------------|-----------------------|----------------------|---------------------|-------------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.5% | \$ 10,650,000 | \$ 10,422,000 | \$ (228,000) | -2.1% |
| Aug | 7.9% | 8,923,000 | 10,099,000 | 1,176,000 | 13.2% |
| Sep | 7.9% | 8,934,000 | 10,819,000 | 1,885,000 | 21.1% |
| Oct | 9.2% | 10,373,000 | | | |
| Nov | 8.0% | 9,039,000 | | | |
| Dec | 8.3% | 9,329,000 | | | |
| Jan | 8.4% | 9,478,000 | | | |
| Feb | 7.9% | 8,915,000 | | | |
| Mar | 8.3% | 9,327,000 | | | |
| Apr | 8.5% | 9,525,000 | | | |
| May | 7.8% | 8,825,000 | | | |
| Jun | 8.1% | 9,132,000 | | | |
| Totals | 100.0% | \$ 112,450,000 | \$ 31,340,000 | \$ 2,833,000 | 2.5% |

Cumulative Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------|----------------|---------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.5% | \$ 10,650,000 | \$ 10,422,000 | \$ (228,000) | -2.1% |
| Jul-Aug | 17.4% | 19,573,000 | 20,521,000 | 948,000 | 4.8% |
| Jul-Sep | 25.4% | 28,507,000 | 31,340,000 | 2,833,000 | 9.9% |
| Jul-Oct | 34.6% | 38,880,000 | | | |
| Jul-Nov | 42.6% | 47,919,000 | | | |
| Jul-Dec | 50.9% | 57,248,000 | | | |
| Jul-Jan | 59.3% | 66,726,000 | | | |
| Jul-Feb | 67.3% | 75,641,000 | | | |
| Jul-Mar | 75.6% | 84,968,000 | | | |
| Jul-Apr | 84.0% | 94,493,000 | | | |
| Jul-May | 91.9% | 103,318,000 | | | |
| Jul-Jun | 100.0% | 112,450,000 | | | |

Tax and License Annual Privilege Tax Revenue Projections

| Method | Privilege Tax | | Over / (Under) | |
|---------------|----------------|----------------|----------------|---------|
| | Projected | Budget | Amount | Percent |
| % of Increase | \$ 129,020,000 | \$ 112,450,000 | \$ 16,570,000 | 14.7% |
| % Received | \$ 123,625,000 | \$ 112,450,000 | \$ 11,175,000 | 9.9% |

Bed Tax Revenue - General Fund (5.0%) 2021-22 Actual Compared to Budget

Monthly Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------------|----------------|---------------------|---------------------|-------------------|--------------|
| | Percent | Amount | | Amount | Percent |
| Jul | 6.3% | \$ 246,000 | \$ 495,000 | \$ 249,000 | 101.2% |
| Aug | 10.4% | 405,000 | 597,000 | 192,000 | 47.4% |
| Sep | 12.6% | 488,000 | 559,000 | 71,000 | 14.5% |
| Oct | 15.1% | 585,000 | | | |
| Nov | 9.5% | 368,000 | | | |
| Dec | 7.4% | 287,000 | | | |
| Jan | 5.5% | 215,000 | | | |
| Feb | 4.7% | 184,000 | | | |
| Mar | 5.5% | 212,000 | | | |
| Apr | 6.4% | 250,000 | | | |
| May | 8.2% | 319,000 | | | |
| Jun | 8.4% | 325,000 | | | |
| Totals | 100.0% | \$ 3,884,000 | \$ 1,651,000 | \$ 512,000 | 13.2% |

Cumulative Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------|----------------|------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 6.3% | \$ 246,000 | \$ 495,000 | \$ 249,000 | 101.2% |
| Jul-Aug | 16.8% | 651,000 | 1,092,000 | 441,000 | 67.7% |
| Jul-Sep | 29.3% | 1,139,000 | 1,651,000 | 512,000 | 45.0% |
| Jul-Oct | 44.4% | 1,724,000 | | | |
| Jul-Nov | 53.9% | 2,092,000 | | | |
| Jul-Dec | 61.3% | 2,379,000 | | | |
| Jul-Jan | 66.8% | 2,594,000 | | | |
| Jul-Feb | 71.5% | 2,778,000 | | | |
| Jul-Mar | 77.0% | 2,990,000 | | | |
| Jul-Apr | 83.4% | 3,240,000 | | | |
| Jul-May | 91.6% | 3,559,000 | | | |
| Jul-Jun | 100.0% | 3,884,000 | | | |

Tax and License Annual Privilege Tax Revenue Projections

| Method | Bed Tax | | Over / (Under) | |
|---------------|--------------|--------------|----------------|---------|
| | Projected | Budget | Amount | Percent |
| % of Increase | \$ 6,513,000 | \$ 3,884,000 | \$ 2,629,000 | 67.7% |
| % Received | \$ 5,630,000 | \$ 3,884,000 | \$ 1,746,000 | 45.0% |

Total General Fund Tax Revenue 2021-22 Actual Compared to Budget

Monthly Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------------|----------------|-----------------------|----------------------|---------------------|-------------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.4% | \$ 10,896,000 | \$ 10,917,000 | \$ 21,000 | 0.2% |
| Aug | 8.0% | 9,328,000 | 10,696,000 | 1,368,000 | 14.7% |
| Sep | 8.1% | 9,422,000 | 11,378,000 | 1,956,000 | 20.8% |
| Oct | 9.4% | 10,958,000 | | | |
| Nov | 8.1% | 9,407,000 | | | |
| Dec | 8.3% | 9,616,000 | | | |
| Jan | 8.3% | 9,693,000 | | | |
| Feb | 7.8% | 9,099,000 | | | |
| Mar | 8.2% | 9,539,000 | | | |
| Apr | 8.4% | 9,775,000 | | | |
| May | 7.9% | 9,144,000 | | | |
| Jun | 8.1% | 9,457,000 | | | |
| Totals | 100.0% | \$ 116,334,000 | \$ 32,991,000 | \$ 3,345,000 | 2.9% |

Cumulative Amounts

| | 2021-22 Budget | | 2021-22 Actual | Over / (Under) | |
|---------|----------------|---------------|----------------|----------------|---------|
| | Percent | Amount | | Amount | Percent |
| Jul | 9.4% | \$ 10,896,000 | \$ 10,917,000 | \$ 21,000 | 0.2% |
| Jul-Aug | 17.4% | 20,224,000 | 21,613,000 | 1,389,000 | 6.9% |
| Jul-Sep | 25.5% | 29,646,000 | 32,991,000 | 3,345,000 | 11.3% |
| Jul-Oct | 34.9% | 40,604,000 | | | |
| Jul-Nov | 43.0% | 50,011,000 | | | |
| Jul-Dec | 51.3% | 59,627,000 | | | |
| Jul-Jan | 59.6% | 69,320,000 | | | |
| Jul-Feb | 67.4% | 78,419,000 | | | |
| Jul-Mar | 75.6% | 87,958,000 | | | |
| Jul-Apr | 84.0% | 97,733,000 | | | |
| Jul-May | 91.9% | 106,877,000 | | | |
| Jul-Jun | 100.0% | 116,334,000 | | | |

Tax and License Annual Privilege Tax Revenue Projections

| Method | Total Tax | | Over / (Under) | |
|---------------|----------------|----------------|----------------|---------|
| | Projected | Budget | Amount | Percent |
| % of Increase | \$ 135,558,000 | \$ 116,334,000 | \$ 19,224,000 | 16.5% |
| % Received | \$ 129,460,000 | \$ 116,334,000 | \$ 13,126,000 | 11.3% |

COMMUNITY SERVICES UPDATE

October 22, 2021

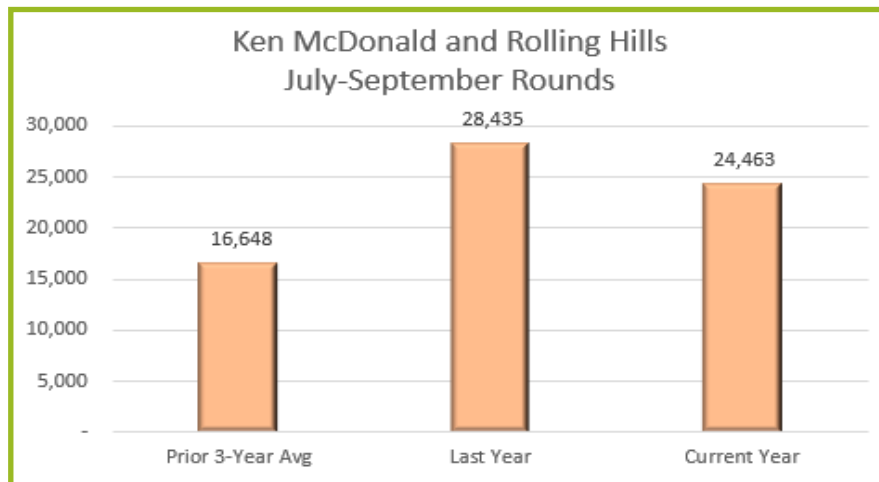
Golf! Tempe: First Quarter Update



Rounds and Revenues:

July 1 through September 30, 2021

Although rounds and revenues have declined slightly in comparison to the surge seen in 2020, enthusiasm for golf remains high. Rounds and revenues are down 14% and 5%, respectively, compared to the same time period in 2020. However, as compared to the prior three-year average (2017 to 2019), rounds are 47% higher, and revenue is 75% higher.

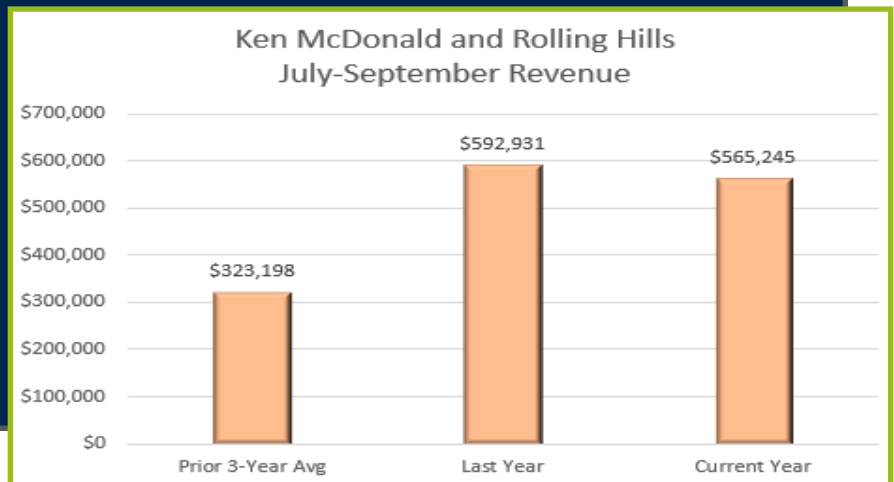


Pictured to the Left:

Rounds of Golf played at Ken McDonald and Rolling Hills courses

Pictured to the Right:

Revenue Totals from Ken McDonald and Rolling Hills courses



COMMUNITY SERVICES UPDATE

October 22, 2021

Golf Public-Private Partnership RFP

As part of the City of Tempe's (City) commitment to long-term and sustainable community-based golf, a Request for Proposal (RFP) for public-private partnership opportunities for Ken McDonald and/or Rolling Hills golf courses is underway.



The goals of the public-private partnership RFP are to:

- Ensure the long-term viability of public golf;
- Address capital improvement needs;
- Provide revenue to the city of Tempe;
- Expand golf and recreational amenities to a wide and diverse audience.

The RFP closed on September 9, 2021. Six (6) proposals were received with a diverse offering of services and business structures that can be generally categorized as:

- 1.) Full operational responsibility including all revenues and expenses plus upfront capital investment and ongoing capital responsibilities;
- 2.) Full operational responsibility including all revenues and expenses, with an annual capital contribution; and
- 3.) Management contract with the city retaining revenues and expenses, with no or low capital contribution.

A team consisting of City staff and members from the Parks, Recreation, Golf and Double Butte Cemetery Advisory Board will participate in the evaluation process. The National Golf Foundation will evaluate the proposals as part of their overall financial study of the City's Golf Enterprise Fund, a process that is taking place concurrently. Finalist interviews are scheduled for November 8.

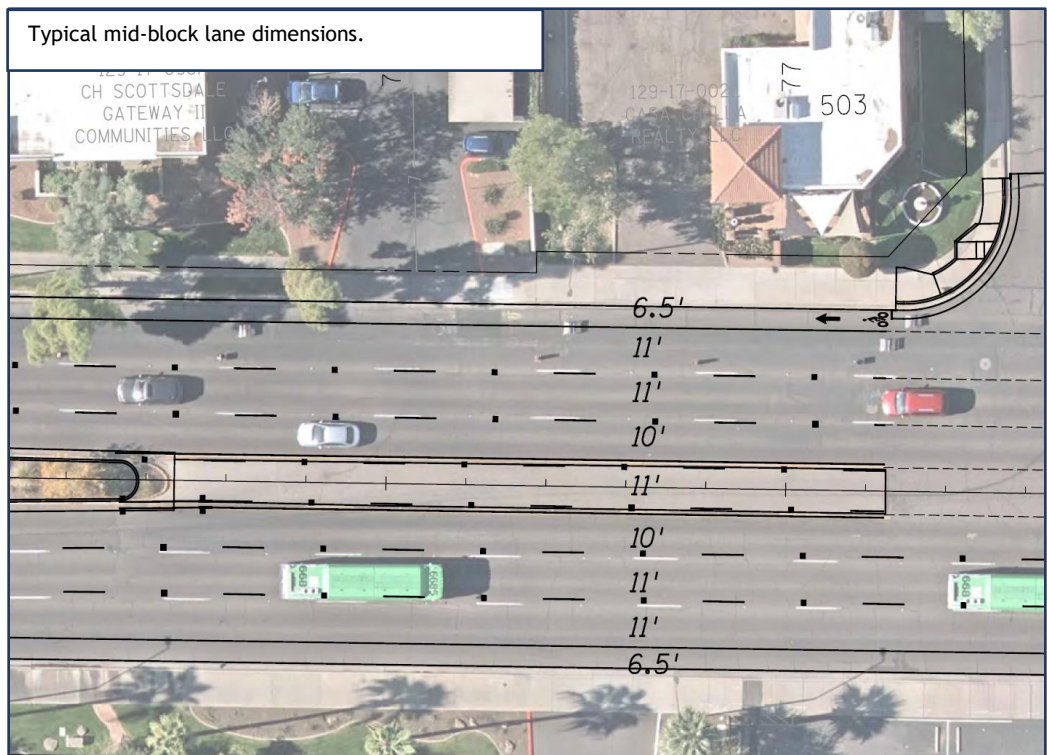
As part of the decision-making process, the City will seek input on potential options from customers, stakeholders, and the community. Updates will be available at [Tempe.gov/GolfRFP2021](https://www.tempe.gov/GolfRFP2021). Staff recommendations from both processes will be finalized by the end of 2021.

Kicking-Off the Final Design for the Scottsdale Road Bike Lane Project

The Scottsdale Road Bike Lane Project proposes to extend the bike lanes on Scottsdale Road 1.25 miles from the Tempe border with City of Scottsdale at Continental Drive to the bikes at Curry Road. In addition to the bike lanes, the project is also proposing ADA improvements at all street crossings that include directional ramps and pedestrian push buttons. The addition of the 6.5' bike lanes will be accomplished by narrowing the travel lanes and reconstructing the existing curbs and medians. The total number of travel lanes as well as the medians will not be reduced and will be maintained.

The project is identified in Tempe's Transportation Master Plan and General Plan 2040. In 2017, staff submitted the project to compete for federal funding. Funds for the project were received from two grants from Federal Highway Administration's Transportation Alternatives/Congestion Mitigation and Air Quality (CMAQ) Program in the amount of \$1.25 million for construction; and an additional \$285,000 grant for design. The total required local match from Tempe is \$85,908.

In 2020, design consultant NFra was selected to develop final plans, specifications, and estimates for the project. Staff will be soliciting public feedback on the 15% preliminary designs at two upcoming virtual public meetings:



- Wednesday, November 3 at noon via Cisco Webex
- Saturday, November 6 at 9 a.m. via Cisco Webex

All public meeting materials, including the survey, will be available on November 3 at www.tempe.gov/ScottsdaleRdBikeLanes. After the public comment period closes on November 14, staff will review the feedback and reiterate the design. A second round of public meetings will be held in the Spring.



Area Map above: [Project Area](#) | [Bike Lanes](#) | [Multi-use Paths](#)

Chase Walman, (480) 858-2072, chase_walman@tempe.gov

MEMORANDUM



TO: Mayor and Council
THROUGH: Ken Jones, Deputy City Manager – Chief Financial Officer
FROM: Terry Piekarz, Municipal Utilities Director *TP*
DATE: October 22, 2021
SUBJECT: Water Efficiency Certification Pilot Program

Beginning on January 1, 2018, Tempe's water and wastewater rate structure was expanded to include a fifth tier (Tier 5) for monthly water usage greater than 40,000 gallons per month, and a wastewater "return flow" cap of 12,000 gallons for the Single Family Residential Customer (SFRC) classification. Tier 5 of the water rate structure was designed and implemented in accordance with industry standard best practice for proportional cost allocation. Peak water consumption creates additional demands on the City's water system infrastructure. The cost associated with meeting this peak water demand when it occurs is proportionally allocated within each SFRC tier. This is a cost-based approach to tier sizing and tier pricing for the SFRC classification and results in proportional allocation of costs based on observed customer demand characteristics (peaking).

In August 2019, the City launched the Water Efficiency Certification (WEC) Pilot Program (Pilot), which was proposed to Council at the June 20, 2019, Tempe City Council Work Study Session. The primary goal of the Pilot was to address affordability concerns posed to Council related to the impact of Tier 5 water rates on Large Volume Residential Customers (LVRC). A LVRC is defined as a SFRC who utilized more than 40,000 gallons of water in one month, at least one time since 2018. The Pilot provided the opportunity for SFRCs in Tier 5, who demonstrated water-efficiency efforts, to be billed at the Tier 4 rate. Tempe has approximately 3,300 LVRCs.

Certification Criteria

To be certified in the Pilot, and have billing capped at Tier 4, participating SFRCs were required to meet the following criteria:

- Receive a water consultation.
- Register on the WaterSmart Online Portal.
- Sign up for WHENTOWATER text alerts.
- Have no open leak or agree to repair any open leaks within 30 days.
- Agree to yearly follow-up consultations and periodic check-ins.
- Implement at least one of the key recommendations identified by water conservation staff during a water consultation.
- Submit a completed WEC Participation Form, signed and dated by staff and customer.

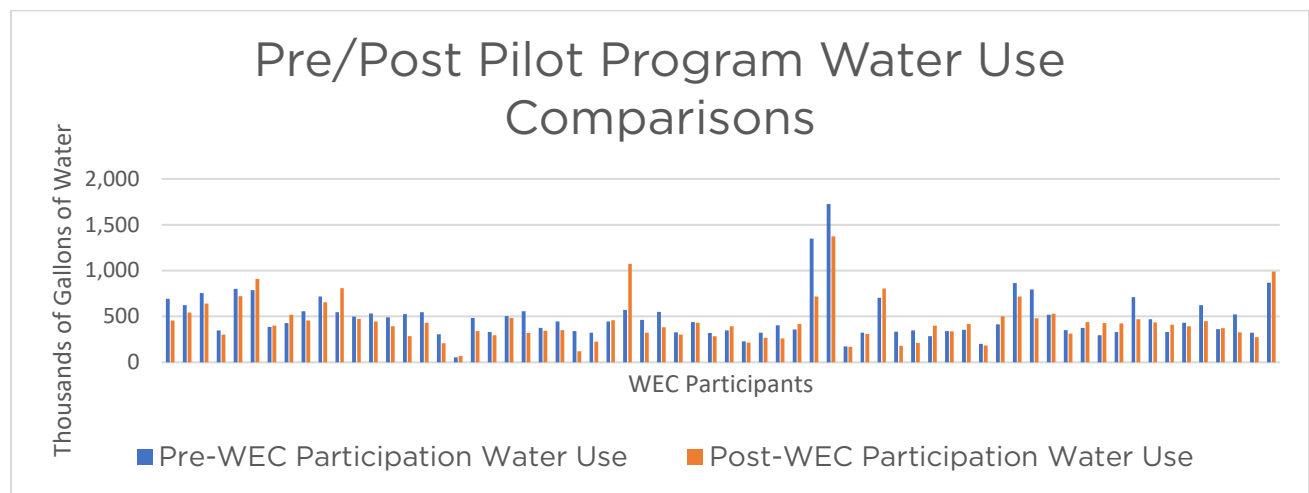
The Pilot certified 69 participants, of which 65 were LVRC prior to being certified. All certified WEC participants had their water rate capped at Tier 4, which resulted in an average annual savings, over the course of the program, of \$56.85 per resident. Customers certified in the Pilot reduced water usage by an average of nine (9) percent.

Significant resources and approximately 126.5 hours of staff time was expended in implementing the Pilot. Throughout the process, staff provided water consultations, offered guidance to residents on how to meet certification criteria and initiated associated rate

structure adjustments to the billing system. Extensive water conservation outreach efforts were focused on promoting the Pilot to all Tier 5 SFRCs through continuous and multiple avenues of outreach. Staff tracked the water usage of the 69 WEC participants, compared the usage to estimated efficient water usage and historical water usage at each property, and analyzed billing data to determine cost savings to SFRCs in the program and revenue lost to the Water Utility from the water consumption rate cap.

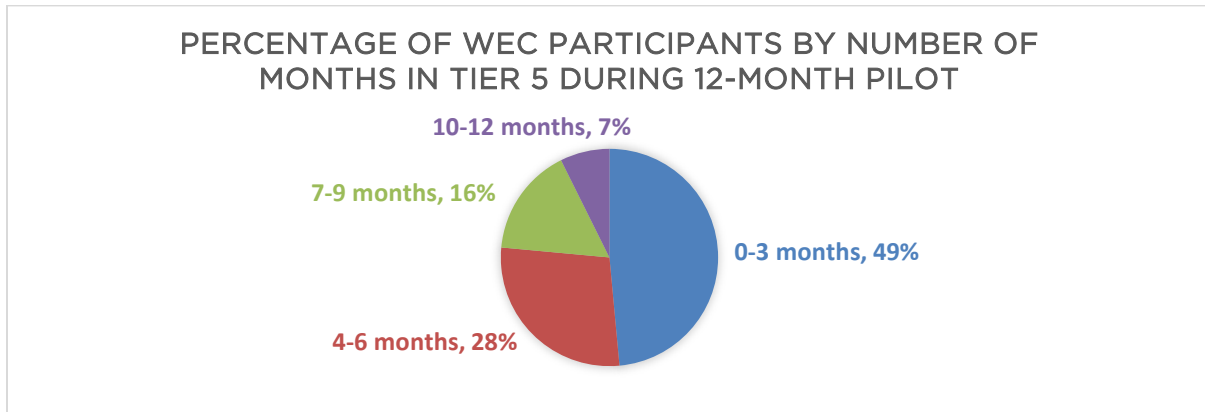
Water Conservation and Efficiency Results

Although the primary purpose of the Pilot was to reduce LVRC water bills, all WEC participants received a water consultation and most experienced some water savings. During the one year period from August 2019 to August 2020, 399 SFRCs, including WEC participants, received a water consultation. Typically, customers that received a water consultation reduced their water usage by 11 percent, on average, one year after receiving the consultation. WEC participants reduced their water usage, on average, by nine (9) percent. The annual average water savings for 46 WEC participants during this period was approximately 117,000 gallons. 20 WEC participants experienced an increase of 101,000 gallons in their average annual water usage, while three WEC participants could not be evaluated because two did not have sufficient historical data and one did not have a full year of participation in the program.



Utility Billing Results

Of the 69 WEC participants, 68 had a full year of data in the program and were estimated to save, on average, \$56.85 annually. On average, WEC participants utilized over 40,000 gallons of water (Tier 5 usage) per month, for at least four months, during the 12-month Pilot. One participant experienced Tier 5 usage for all 12 months, while nine (9) participants experienced no Tier 5 usage.



The Pilot was developed to temporarily eliminate Tier 5 rates for WEC participants and create water savings for a relatively small segment of Tempe's water customer base. The Pilot resulted in water savings of slightly below average, when compared to other SFRCs who received water consultations, and relatively marginal monetary savings for participating customers. Therefore, upon evaluation of the Pilot and in consideration of Tempe's adopted water rate model, it has been determined that the Pilot could be interpreted as contradictory to the City's established cost-based approach to proportional cost allocation and SFRC tier pricing based on peaking factors observed within the customer classification. Tempe's rate model is consistent with water industry standard practice and is just and reasonable per Arizona Revised Statutes. Based on these results, it is recommended that the WEC Pilot Program be officially concluded. Staff will commence with realigning the billing structure of participating SFRCs with the current Council-approved rate structure for all future water usage, unless the City Council directs otherwise.