

SPECIAL MEETING  
THURSDAY, JUNE 20, 2013  
COUNCIL CHAMBERS  
211 WEST ASPEN AVENUE  
4:00 P.M.

1. **Call to Order**

Mayor Nabours called the Special Meeting to order at 4:02 p.m.

**NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION**

*Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).*

2. **Roll Call**

*NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.*

Present:

MAYOR NABOURS  
VICE MAYOR EVANS  
COUNCILMEMBER BAROTZ  
COUNCILMEMBER BREWSTER  
COUNCILMEMBER ORAVITS  
COUNCILMEMBER OVERTON excused  
COUNCILMEMBER WOODSON

Others present: City Manager Kevin Burke; City Attorney Michelle D'Andrea.

3. **Presentation on Principles of Sound Water Management - Water Policies.**

Mayor Nabours said that based on comments from some of the Councilmembers, the meeting would adjourn around 6:00 p.m. and continue next week. He said that he would open it up periodically for input from the public.

Utilities Director Brad Hill said that the goal of these meetings was to get direction and feedback from the Council and the intent was to get guidance on how the utility should run its business. He then began a PowerPoint presentation, which addressed the following:

- SECTION A – Finance (12/4/12)
- SECTION B – Water Resource Management (1/8/13 & 1/29/13)  
Reclaimed Water (2/12/13)
- SECTION C – Water Conservation
- SECTION D – Stormwater Management

Utilities Engineering Manager Ryan Roberts continued the PowerPoint with:

•**SECTION E – Infrastructure (6/20/13)**

•**INFRASTRUCTURE**

**Policy E1 Water System Capacity Redundancy**

Councilmember Woodson referenced E1.2A, noting that it should include the intent of using reclaimed water to assist with recharge of potable water. Mr. Hill suggested wording “to offset the use of potable water, in areas where appropriate.” After further discussion, the wording was changed to, “where allowed by law.”

Mr. Roberts noted that they had a two-year vetting process through the Water Commission and also received a great deal of public input.

•**INFRASTRUCTURE**

**Policy E2 Water System Capacity Allocation**

Mr. Roberts said that on the sewer side they are held to tracking actual flows while on the water side, they track paper water peak day. He said that the City has a capped well and they are starting design on the pump house. It has already been drilled and tested; this will put it into production. He said that the test pumped at 250 gpm and it is located on McCallister Ranch.

Staff was asked if the City was drawing down the aquifer and when it would be empty. Mr. Hill explained that issue was covered under Water Adequacy; this discussion was focusing on peak demands. Mr. Burke added that back in April the City received the designation from ADEQ of what they believed the aquifers could sustain for 100 years. Mr. Hill said that at the end of the year they look at what they have used and report that to ADWR. He said that they only have to report it annually, but the City monitors it and tracks it daily.

Lengthy discussion was held on whether water rights were transferable. Staff clarified that the City was not selling water rights, but rather guaranteeing that a piece of property had water adequacy for 100 years. Mayor Nabours said that he believed this issue was a policy decision that the Council should be making.

Discussion was held on what was required of homes being built. Mr. Roberts explained that all developments over 700 single family homes have been required to bring in wells and storage tanks, and they are required to provide their average daily demand. The current policy has not been to accept cash advance for wells, but they have for storage tanks. Mr. Burke said that this is where Red Gap may change that policy in the future.

Rudy Preston, Flagstaff, said that he had no comments specific to infrastructure but there have been a lot of comments made about the whole policy and wondered where those changes take place within the process.

Councilmember Barotz said that the last time they met was some time ago, and asked if they were talking about reclaimed water. She requested that they have a chance to

recap as she had a lot of comments regarding reclaimed water and she would like to have an opportunity to voice them.

Mr. Hill said that staff has been taking notes throughout the various meetings and those will all be brought back for direction at a later time. They did not want to give the Council a new version every week. Mayor Nabours said that he could see them going through all of it and identifying what major policy questions they need from the Council.

Kathleen Nelson, Flagstaff, said that she was disappointed that more people did not know about the meeting.

**•INFRASTRUCTURE**

**Policy E3 Sewer System Capacity Allocation**

Councilmember Barotz questioned why some of the language included “will” and other included “shall.” Mr. Roberts said that there were several discussions held during review of the Water Commission and this was the approved version from back in November of last year. They were very particular on their choice, believing that “will” gave them a little more wiggle room for interpretation.

Discussion was held on the sewer system capacity. Mr. Roberts said that they were currently flowing at around 54%; however, with the committed capacity, they were getting close to 77-78%. When they get to around 80% that is when they start doing design analysis to build additional capacity. He said that it was different on the water side.

**•DEVELOPER’S OBJECTIVE**

Mr. Roberts said that a developer cannot sell their sewer capacity or transfer it.

**•CITY’S OBJECTIVE**

**•COMMITTED CAPACITY**

Mr. Roberts said that the capacity fees would probably come up during the next rate study.

Councilmember Woodson said that his firm did the Ponderosa Trails project and they had 1500 units, but it took 15 years. It did not come on line the day the plat got approved. Looking at these big projects that are hitting, it does give them time to prepare for that impact.

Brief discussion was held on capacity fees and Mr. Roberts noted that they have a good 13 years before needing to add capacity to the system.

Discussion was held on the ability to indicate within the document which regulations were already codified and which were being proposed.

Mr. Burke said that the numbers do not show up until the ten-year plan. If they started earlier, he asked if they could have a smaller number and a shorter time period.

Mr. Roberts said that they could start earlier and minimize the impact; it is money set aside just for that use. Mr. Burke said that would be a policy consideration when they look at the capacity fees in the future.

Vice Mayor Evans asked if there was something in State Statutes limiting the use of impact fees and a specific time frame. Mr. Roberts explained that there were two capacity fees—water and sewer, and those are another source of funding. He said that when they prepare their CIP they have to differentiate between what is an O&M cost and what is growth-related. The growth-related expenses are the only thing that can be addressed with a capacity fee. Councilmember Woodson said that there were some stipulations with impact fees; he was not sure with capacity fees. Mr. Roberts said that he would need to research that further.

Councilmember Oravits asked if the water capacity fee was being saved to pay for the pipeline, replacing water lines, etc. or to bring in a new well. Mr. Roberts said that the current water capacity fee includes two wells--McCallister and one yet to be defined. It includes water resource fees associated with procuring additional water resources, but does not include the Red Gap development. Back with the rate study they decided not include the costs of the Red Gap development.

Mayor Nabours asked if they start planning when they reach 80% capacity, and start building at 85% capacity if they had the money set aside to build the well. Mr. Roberts said that was the purpose of what they were presenting. They were asking for Council's direction on what policy to be following and to direct staff on how to proceed with planning.

Mayor Nabours suggested that they may need more information. He said that when someone goes in to get a building permit they pay \$10,000 for a \$200 meter and that \$10,000 is the buy-in fee. He asked if that gets put aside to build new water supply sources. Mr. Roberts said that it was; they were held out in a totally separate account and used for growth-related projects and identified in the ten-year CIP.

Mayor Nabours said that they have designed and not yet built the McCallister well. He asked if they had the money to build it. Mr. Roberts replied that they did.

Mr. Hill explained that what the policies, or triggers, will do is tell staff to put this in the next ten-year CIP. When they go through the next rate case that infrastructure gets rolled into it.

Rudy Preston, Flagstaff, said that staff was representing that they were at 55% capacity, but in prior meetings they have some basins that are overfull and he would like to understand how that part of it works. Either he is misinformed or they were overlooking reality.

Mr. Roberts explained that there were different components to the wastewater treatment plant. The plant was designed for incoming solids and effluent for 1.5-1.8% solids. They are seeing a much higher level, around 2.5-2.8%. They take solids from all of the outlying districts and septic haulers. He said that the capacity itself is sufficient, but they are maxed out in their solids handling capacity; they need to expand that part of the process.

Mayor Nabours asked if that was what they were trying to remedy with the big plastic bags. Mr. Roberts replied that was correct. They will be coming back with a more permanent solution in the future.

Discussion was held on the issue of haulers and others using the facility. It was noted that the City was the only facility in northern Arizona that accepts solids outside of the area and they are charging, but not an adequate rate for the impact it is having.

Further discussion was held on the issue and the following questions were generated:

- ◆What would users say if the City stopped providing the service?
- ◆Could the City legally stop providing the service to those outside of the City limits?
- ◆What are other municipalities doing?
- ◆What do others do when it is brought in, and what is the cost?

After further discussion it was agreed that this issue needed more answers and further discussion as it was a policy decision.

#### •**INFRASTRUCTURE**

##### **Policy E4 Service Outside City Limits**

Mr. Roberts said that they circulate all requests for City service outside City limits into the IDS so that all departments have a chance to provide input. They require unincorporated county areas to be annexed into the City, subject to Council approve. Ultimately it goes through the Water Commission and then on to Council.

##### **Policy E4 Service Outside City Limits Existing Steps**

Mr. Roberts reviewed the existing steps for service outside City limits. It was noted that there were unincorporated areas outside of the City receiving City services and staff noted that took place some time ago.

Discussion was held on various options and it was noted that this was a policy decision of providing service outside the City and if so, under what conditions. It was noted that there have been differing interpretations of how rates could be determined for service outside the City limits. It was noted that this same question will need to be answered for water, sewer, reclaimed water, residential, recreational, etc., and any legal ramifications.

Mr. Burke stated that, for the purposes of the document, what they have in front of them is the extension of services outside the City limits for water, sewer, and reclaimed water is permitted, as long as certain conditions are met. If they want to go in a different direction from what the Water Commission has recommended, that is where it will change.

Councilmember Brewster said that some of the places they serve outside the limits, such as the Fire Station and businesses on SR89, all tie into economic development overall, while it is at a higher rate. She said that those businesses provide hundreds of jobs so

she thought it was a broader issue to consider. Mayor Nabours added that this would go on the list of policy questions.

Vice Mayor Evans said that she was not saying not to sell, but she asked when they look at the impact it was having and making sure they were recouping some of those costs. Mr. Burke said that was the policy they were hoping the Council will answer. They were at that juncture and that is the intention of these sessions.

Mayor Nabours said that he was foreseeing that at some point they will get to the end of the policy and will have identified 12 decision points that they need to get back to. Mr. Burke said that this was their first pass-through. They were highlighting the ones that they were not ready to accept as proposed by staff and the Water Commission. On the second pass, they will deal with those individually.

Discussion was held on where the process would continue next week. It was noted that next week's meeting would be starting at 4:30 p.m. due to Fire Chief interviews taking place all day.

Councilmember Barotz said that back in February a CCR had been distributed regarding the various ordinances that deal with reclaimed water and service outside the City limits, and she asked that it be resent. Additionally, Council requested a legal opinion on solids acceptance.

Kathleen Nelson, Flagstaff, said that once they get to the point of talking more about solids, she would like them to discuss helping find ways of implementing something that uses less water.

Rudy Preston, Flagstaff, said they should be focused on the policy of water rates and cost of service, and they should be paying what it is worth. He said that he appreciated all they were doing.

Councilmember Barotz requested that a future agenda item be considered to discuss the policy about street closures.

4. **Adjournment**

The Special Meeting of the Flagstaff City Council held June 20, 2013, adjourned at 6:17 p.m.

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MAYOR

ATTEST:

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CITY CLERK