



**CITY OF FLAGSTAFF
WATER COMMISSION
November 19, 2020
Virtual Meeting
SUMMARIZED MINUTES**

MEMBERS PRESENT

Ward Davis
Ben Ruddell
Timothy Bowers
Malcolm Alter
Elizabeth Christy
Marie Jones, P&Z Rep
Jamie Whelan, Council Rep

MEMBERS ABSENT

John Malin

STAFF PRESENT

Ryan Roberts
Marion Lee
Erin Young
Jolene Montoya
Steve Camp
Kate Miele
Tamara Lawless
Trevor Henry
Sarah Langley
Rick Tadder

OTHERS PRESENT

Bryce Doty
Jack Rathjen
Duke MacArthur
Robert Vane

I. CALL TO ORDER

Vice Chair, Ward Davis called the meeting to order at 4:00 p.m.

II. APPROVAL OF MINUTES – September 17, 2020

Moved by Timothy Bowers and seconded by Elizabeth Christy to approve the meeting minutes of September 17, 2020. Motion carried unanimously.

III. PUBLIC PARTICIPATION

Sarah Langley, Management Analyst reminded the Water Commission Members for their participation in the process of the Priority Based Budgeting. The City of Flagstaff is in its second year of implementation with Priority Based Budgeting (PBB). PBB is a leading best practice for municipal governments that helps cities to understand overarching community priorities and budget according to them. PBB showcases what the City does and where budget dollars are spent, provides additional transparency to the community, and illustrates how services and programs align with community and organizational needs.

IV. NEW BUSINESS

A. Local Limit Code Updates – Jolene Montoya

Jolene Montoya, Industrial Pretreatment Supervisor gave a presentation on a recent update to the local limits study and proposing the following:

- Update City Code 7-02-001-0008 “Standards for Discharge” to incorporate the new parameters and limits recommended in the Local Limit Study completed by Brown and Caldwell. The study is still pending approval by ADEQ.
- Changes to the permitted industries sampling quarters to 1st and 3rd instead of 2nd and 4th.

- The changes align verbiage found in the City's Water Reclamation Plant AZPDES permits to the City Pretreatment issued permits to regulated industries. These changes also remove vague and redundant language found through the code.
- Add a provision to allow a permitted industry user to petition the City for a permit modification. (7-002-001-050)

A Local Limit study is conducted every 5 years in accordance with the recommendation from EPA to coincide with new AZPDES permits issued to the water reclamation plants. Reevaluating the City's limits for industry discharges ensures the water reclamation plants' can meet their effluent limits. These limits apply to commercial and industrial businesses tied into the City's wastewater collection system. Staff wanted to present this item prior to a 90-day public outreach period and presentation to City Council.

B. Cross Connection Changes – Jolene Montoya

Jolene Montoya, Industrial Pretreatment Supervisor gave a presentation on the City's Cross-Connection program is housed within the Industrial Pretreatment section. This program is responsible for protecting the drinking water distribution system which requires approximately 2700 backflow devices throughout Flagstaff. Water Services is proposing making changes to the City Cross Connection Code 7-03-001-0015 to make code easier to understand and provide better guidance to the public as to the expectation of the cross-connection program. These changes include adding a section for removal requirements, reorganizing the information, and removes redundant and vague language (i.e. normally, generally, etc.).

Cross-Connection code changes are needed to align the City with the State rules and clarify the expectations for the program.

Flagstaff Water Services is soliciting comments prior to a 90-day public outreach period and presentation to City Council. There were no comments from the Water Commission.

C. Rate Study and Policy Discussion – Erin Young

Erin Young, Water Resources Manager and Rick Tadder, Management Services Director provided a brief update on this agenda item. In accordance with Council-adopted Water Policy A3 Rate Design Elements: rates shall be internally reviewed annually with a formal rate study performed every three (3) years. Additionally, water and sewer rates should be set on a cost-of-service basis with the goal of encouraging water conservation. Their design should also anticipate a balance between conservation (commodity charges) and revenue stabilization (fixed rates). While the City has been conducting annual reviews of revenues and rates, staff has not initiated the next rate study.

Since 2010 there have been an 11 rate increases over the past 10 years. The last financial rate study was completed in 2016. Subsequently, City Council adopted a 5-year adjustment to water, wastewater, and stormwater rates on April 5, 2016 and a 3-year adjustment to reclaimed water rates on November 21, 2017. City Council also adopted an additional 3-year adjustment to stormwater rates on December 19, 2017. Two new water consumption-based revenue programs were added in 2020, to fund the Wildland Fire and Sustainability Programs.

Management Services has provided an update on budgeted versus actual revenues. The revenues collected for water, wastewater, reclaimed water, and stormwater enterprise funds show that the funds are collecting sufficient revenues to fund operations and all needed capital improvements.

Financial Status

Water Services financial position

- Policy to keep 25% of revenues in reserves
- Carry-forward of \$12 million from FY20 to FY21
- Wait for input on future infrastructure needs
 - Red Gap Ranch Feasibility Study (2021)
 - Reclaimed Water Master Plan (2021)
 - Water Resources Master Plan (2022)
- Actions in Water Conservation Strategic Plan delay need for new supplies
- New local water wells in CIP
- Give our customers a break on rate increases

While Council has expressed a great sensitivity to the cost of living in Flagstaff, staff is following established Water Policy and is engaging the Water Commission and City Council to receive their input on the timing of the next water rate study.

Staff asked if the Commission wishes to move forward with Rate Study for 2021 or is there a need to change the policy to every five years instead of three years process. The current policy states: *Policy A3.2 - Water and sewer rates shall be internally reviewed annually. Any anticipated changes in the rate structure should be implemented in a timely manner in order to avoid large-scale shifts in rates. A formal rate study will be performed every three (3) years.*

Ward asked if the carry-forward of \$12 million has to do with COVID. Rick said no but is due to the 5 to 10-year budget plan. Jamie asked if the rate study and rate increase happen at the same time. Ryan clarified that increases are done over several years to avoid rate shock so they do happen at the same time. After discussion, the Water Commission came to consensus that if they do not move forward with the rate study, it will cost more in the long run.

Moved by Ben Ruddell and seconded by Timothy Bowers to recommend to City Council to move forward with the Rate Study for 2021. Motion passed unanimously.

D. Alignment of Water Policy with City Code – Erin Young

Erin Young presented the item on City Code. At City Council's November 3, 2019 meeting, Councilmember Aslan requested staff to investigate if there are any reasonable restrictions that can be adopted on the use of potable water. Former Water Services Director Brad Hill talked with Councilmember Aslan this past Spring 2020 and discussed one alternative that he identified as a possible new restriction that the City Council may want to consider.

A. Filling Bodies of Water: Staff recognized that Flagstaff's City Code is silent on the types of water that can be used to fill new bodies of water (e.g., amenity lakes or ponds) that could be associated with a new future golf course or development. The State Legislature adopted Senate Bill 1200, known as the "Lakes Bill", over 33 years ago in 1987 that addressed this issue. The new legislation created Arizona Revised Statue §45-132 (Attachment 1) that prohibits the filling of large bodies of water for landscape, scenic or recreational purposes unless they are filled with effluent (recycled water), stormwater, etc. However, that legislation only applies to communities within the State's five Active Management Areas and not to northern Arizona and the City of Flagstaff.

Additionally, City Council adopted by Resolution 2014-13 a comprehensive set of water policies known as the Principles of Sound Water Management – Water Policies in 2014. The purpose of this document was to provide fundamental principles and guidelines for how the Water Services Division (Utilities as it was known then) achieves the goals and objectives outlined by City Council and upper City Management. In this document, Council adopted Policy C7 – Uses, Allocation and Priority that pertains to the direct reuse of reclaimed water (p. 22). Specifically, Policy C7.2 states that “Golf courses, other large turf areas (e.g., schools, parks, etc.) and amenity lakes shall use Direct Reuse of reclaimed water.”

Ben Ruddell asked if there are any direct impact of this change on any current planned users of water in the community? Staff is not aware of any public plans for the uses of water. Ward asked if appeals can be made to City Codes. Staff is not aware if appeals can be made so they will investigate and come back with an answer at the next meeting. Additional reclaimed water requests must be approved by the Water Services Director.

Moved by Ben Ruddell and seconded by Timothy Bowers to recommend to City Council to consider the reasonable restriction on potable water used by changing Code to align with the City’s adopted water Policy C.7.2 and to come in line with water management in the State’s Active Management Areas, but suggest clarification process of getting an exception. Motion passed unanimously.

E. Consideration of Out-of-City Water Service Request/Switzer Canyon – Trevor Henry

Trevor Henry, Project Manager presented the consideration of Out-of-City Water Service request. The City of Flagstaff, Water Services is proposing the fourth and fifth phases of the Switzer Canyon Transmission Main Project. The project is the implementation of a transmission main system that would link the City reservoirs in the north section of the City with the downtown section near Switzer Canyon road and Route 66. The transmission main project crosses various pressure zones and will provide an upgrade to the existing drinking water distribution systems.

Phase IV and V will construct a 24” and 16” transmission mains from the intersection of Fir Avenue to the City Reservoirs near Shultz Road. The project alignment will cross Coconino County, skirting parcels and within existing roads that are maintained by the County or by private Homeowner’s Associations. The City will acquire property rights from residents that the project falls upon. The property rights are permanent and temporary construction easements.

Residents had requested water services and the projects are proposing water services and fire hydrants that will serve the project limits. The water services include future water meters and fire hydrants that will serve the affected residents.

The water meters will be bundled with fire hydrants in strategic locations. The City will complete both phases, put into service the new 24” and 16” transmission mains, and then make available the water services to the residents.

The City is currently working with the residents to meet the criteria to initiate the out of City water services with no Annexation and no Major Plan Amendment to the Region Plan. Each parcel will receive one meter for their use upon completion of both phases. City staff is working with each resident to negotiate the property rights and the agreement for no sharing or splitting of the one water meter and no future development or splitting of the parcels. By establishing these criteria, City staff is submitting the out of City Water Services to the Water Commission for endorsement. The endorsement by the Water Commission will allow the out of City water service policy to be forward to the City Council for final approval.

Any application for water and sewer service to serve a residence or development in an area outside of corporate city limits is required by City Code to go to the City Water Commission for review. The City Water Commission is required to review each application and forward a recommendation to the City Council. The Mayor and Council have the final decision based on the request and recommendation of the Water Commission. Per resolution No. 1521, adopted December 15, 1987 and per Resolution 2014-13 adopted April 1, 2014, the City policy on out of City water or sewer requests directs the City to consider each request on a case by case basis and allows the City to grant such requests subject to special conditions deemed necessary by the request.

In this case, staff is recommending approval based on the residents entering into an agreement for one meter per parcel, no future development of each parcel and paying all applicable fees. In addition City Code requires that all water taps or connections made outside the corporate limits of the City shall be 110% of the standard charges, fees and/ or deposits. Before connection to the water service is made, the applicant will pay water capacity fees based on the size of their new water meter.

Staff will also seek appraisals of the property rights needed and negotiate with property owners to offset the cost of the fees necessary for the out of City water service.

Moved by Timothy Bowers and seconded by Malcolm Alter to recommend to Council and approve the request for out of City water service for water services to serve the residents adjacent to the project and for the placement of fire hydrants to provide fire protection. The out of City water services are pursuant to the requirements outlined in the City's Water and Sewer Service Outside Corporate City Limits. Motion passed unanimously.

F. Water Conservation Strategic Plan Draft – Tamara Lawless

Staff will provide an overview of the Water Conservation Strategic Plan Final Draft, which will be provided to City Council on December 1st.

Previously: Staff brought the first draft of the Water Conservation Strategic Plan to the Water Commission and City Council in November/December 2019. At that time both the Water Commission and City Council approved the content for integration into a final plan document.

Current status: The Water Conservation Program worked with Maddaus Water Management (MWM) on the final draft of the Water Conservation Strategic Plan 2020. This included the narrative of the methodology for the model; all graphs, charts, and tables; summaries of the public outreach process; descriptions of all current and future conservation measures; historic trends; and future demand projections. Staff solicited review of the final plan document from the Advisory Committee. After review of feedback, staff aim to bring the final plan to City Council for approval by Resolution in December 2020. Formal adoption of the plan will provide staff with the justification to use the Plan as a decision-making framework for prioritizing projects, programs, budgets, and staffing.

Moved by Timothy Bowers and seconded by Elizabeth Christy to recommend to Council and approve the adoption of the Water Conservation Strategic Plan 2020 by Flagstaff City Council. Motion passed unanimously.

V. OLD BUSINESS - None

VI. INFORMATIONAL ITEMS TO/FROM THE CHAIR, COMMISSION OR STAFF

Ryan thanked Jamie Whelan for her dedicated service to represent Council on the Flagstaff Water Commission.

VII. ADJOURNMENT

Ward Davis moved to adjourned at 6:00 p.m.