



**CITY OF FLAGSTAFF
WATER COMMISSION
August 18, 2022
Virtual Meeting
SUMMARIZED MINUTES**

MEMBERS PRESENT

<input type="checkbox"/> Commissioner Kurt Riegelman	<input type="checkbox"/> Commissioner Robert Dilday
<input checked="" type="checkbox"/> Commissioner Joe Loverich	<input checked="" type="checkbox"/> Commissioner John Nauman
<input checked="" type="checkbox"/> Commissioner Malcolm Alter	<input checked="" type="checkbox"/> Commissioner Ben Ruddell
<input checked="" type="checkbox"/> Commissioner Don Bills	

COUNCILMEMBER & P&Z REP/ LIAISON TO THE CITY COUNCIL

<input checked="" type="checkbox"/> Council Rep Miranda Sweet	<input type="checkbox"/> P & Z Rep, Marie Jones
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STAFF & OTHERS PRESENT

Brad Hill	Marion Lee	Gary Miller
Erin Young	Ed Schenk	Lisa Deem
Lisa Deem	Scott Overton	Ed Schenk
Michele James	Rick Tadder	Brian Huntzinger
Sanjay Gaur	Shannon Anderson	Matthew Sprague

I. CALL TO ORDER

Vice Chair Ben Ruddell called the meeting to order at 4:02 p.m.

II. APPROVAL OF MINUTES – July 21, 2022

Moved by Ben Ruddell and seconded by John Nauman to approve the meeting minutes of July 21, 2022. Motion carried unanimously.

III. PUBLIC PARTICIPATION

Erin Young introduced Matthew Sprague who is an intern working under a scholarship program through the Arizona Hydrological Society.

IV. NEW BUSINESS

A. Stormwater Rate Assessment Update – Ed Schenk

Ed Schenk, Stormwater Manager provided an update on the Stormwater Rate Assessment – Notice of Intent. This is a discussion of Stormwater rate model and any guidance/advice towards refining the model for inclusion in the rate assessment. Also, a discussion and guidance on suspension of the Stormwater Credit Manual to simplify Stormwater long-term financial planning.

Previous Council Direction

Council approved Resolution 2018-44, on December 4, 2018

- Increase Stormwater utility fees by \$1.48/ERU
- To a new rate of \$3.74 per Equivalent Rate (ERU)
- Funding \$32M for major capital projects including Rio de Flag Flood Control Project
- \$600,000 annually for capital projects

Purpose of Rate Adjustment

- Increased fire and flood events over the past few years have made current infrastructure insufficient
- Increased fire and flood events have increased demand on operations – staffing and equipment
- Mitigation costs for new flood areas, such as Spruce Wash and Schultz Creek
- Address some Capital Improvement Projects identified by 2010 Northeast Area Master Drainage Study
- Completion of critical capital projects will reduce flood response operations costs

Current Rates
Limited Capital Funding

Proposed Rates
Increased Capital Funding
- Permanent Flood Mitigation
- GO Bond or Rates

Large increased Operating Cost
- Temporary Flood Mitigation
- Flood Response
- Currently Unfunded

Increased Operating Cost
- Pre-Season Flood Mitigation
- Staffing & Equipment
- Master Planning

Unsustainable Budget

Sustainable Budget

Sanjay Gaur, the consultant (Water Resources Economics) provided an update on the stormwater rate model for the first review and commentary.

Purpose of Rate Adjustment – Stormwater Capital Needs – Six-year horizon

STORMWATER CAPITAL NEEDS- 6 YEAR HORIZON								
Project Area	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	TOTAL
Rio de Flag	\$ 4,135,744	\$ 16,209,000	\$ 218,405	\$ 570,583	\$ 834,763	\$ -	\$ -	\$ 21,968,495
Spot improvements	\$ 700,868	\$ 78,375	\$ 81,902	\$ 85,587	\$ 89,439	\$ 93,464	\$ 97,670	\$ 1,227,304
Museum Fire	\$ 13,440,212	\$ 8,987,000	\$ 5,733,131	\$ 4,279,373	\$ -	\$ -	\$ -	\$ 32,439,716
Pipeline Fire	\$ -	\$ -	\$ -	\$ 3,423,498	\$ 5,366,334	\$ -	\$ -	\$ 8,789,832
NEAMDS study	\$ 14,815	\$ 1,828,750	\$ 4,531,904	\$ 2,852,915	\$ 4,978,765	\$ 4,392,791	\$ 2,832,416	\$ 21,432,356
Future Projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,473	\$ 2,344,068	\$ 2,842,541
TOTAL	\$ 18,291,639	\$ 27,103,125	\$ 10,565,342	\$ 11,211,957	\$ 11,269,301	\$ 4,984,728	\$ 5,274,154	\$ 88,700,245

Jurisdictional Roles

The City Stormwater Program provides:

- The City Stormwater Maintenance Programs
- Capital Improvements within City neighborhoods
- Assumes FEMA Floodplain Management Responsibilities
- Stormwater Development Review and Enforcement Responsibilities
- Assumes MS4 Permit Responsibilities

The County Flood Control District take responsibility for un-incorporated areas

Proposed Policy Recommendations

Staff recommends updating the following policies:

- Eliminate/Suspend Stormwater Credit Manual, as it is obsolete grandfather in existing participants
 - Future policy amendment
- Remove maximum of 5 ERU's for Residential properties
 - Within Rate Adjustment process

Development of Financial Plan

- Increase operating cost
 - Additional \$600K is needed in 2024
- Significant Capital Expenditure over the next 6 years
 - Projected annual need is \$12.7 million
- Mixture of Revenue Bonds, GO Bonds, Grants and Rate Revenue (cash) will be utilized to fund capital expenditure
 - November GO Bond election will impact the Rate Adjustment
 - Voter approved –Some capital projects funded by property tax revenue
 - Voter not approved –All capital projects funded by stormwater fee
 - Both scenarios will be presented

Projected Capital Expenditure

Operations Budget	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
O&M Budget	\$ 1,826,108	\$ 1,451,962	\$ 1,527,412	\$ 1,556,355	\$ 1,640,283	\$ 1,631,785	\$ 1,692,541
Additional O&M	\$ 175,000	\$ 1,036,706	\$ 1,063,637	\$ 1,140,874	\$ 1,119,944	\$ 1,149,374	\$ 1,234,146
Total O&M Needs	2,001,108	2,488,668	2,591,050	2,697,229	2,760,226	2,781,159	2,926,687

** Additional O&M covers increases in personnel, capital equipment, pre-season flood mitigation and master planning

Capital Budget	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Rate Funded	9,491,639	1,071,125	1,119,326	656,171	745,324	1,028,100	1,074,365
Revenue Bond		16,000,000					
Grant Funded	1,500,000	1,045,000	3,112,271	5,648,772	7,930,249		
Go Bond	7,300,000	8,987,000	6,333,745	4,907,014	-	-	-
Future Needs	-	-	-	-	2,593,728	3,956,628	4,199,789
Total Capital	18,291,639	27,103,125	10,565,342	11,211,957	11,269,301	4,984,728	5,274,154

Summary:

- Current revenues are not sufficient to pay for increased operating cost (flood mitigation) and future capital expenditures
- Significant rate increase will be needed to meet future stormwater obligations
- Next Water Commission meeting, we will present two rate scenarios
 - GO Bonds approved–some capital funding through property tax
 - GO Bond not approved - Rates fund all capital projects, funded by customers

Rate Implementation Timeline, of NOI is approved

8/23/2022	CM-Notice of Intent
9/2/2022	Rate Analysis Report
9/9/2022	Documents on Water Service Website
9/15/2022	60 Day Public Notice
9/15/2022	Water Commission Meeting - Presentation
10/15/2022	Copy to City Clerk (no less than 30 days before PH)
10/25/2022	Council Work Session
10/26/2022	Newspaper Notice (no less than 20 days before PH)
Sept/Oct	Community Outreach
11/15/2022	CM-Public Hearing, 1 st Read
11/29/2022	CM-Public Hearing, Ordinance 2nd Read **Alt 12/6/22
1/1/2023	Rate Effective 1/1/2023 or 2/1/2023

Council Options

- Read/Adopt Resolution 2022-XX
- Direct staff to provide additional information and delay the Read/Adoption of Resolution 2022-XX to the September 20th Council Meeting.
- Do Not Adopt Resolution 2022-XX and Provide Direction on Future Consideration of Service Charge Increases
- Do Not Adopt Resolution 2022-XX and Provide Direction on Future Consideration of Service Level Reductions

Ben Ruddell added that getting mitigation in place to eliminate the crisis management cost is an efficient use of money.

Malcolm said he takes the exception with the County responsible for unincorporated areas which implies only. The Commission discussed if the Flood Control District can help with the City's needs since they take funds, could impact this rate adjustment.

Malcolm added that the credit manual may be obsolete so staff should be careful. There is a political element where it provides 10% credit for rain barrels. If staff gets rid of the rain barrel credit, it could create controversy. He indicated that the credit manual allows opportunities to go beyond standard LID and detention.

Malcolm asked Sanjay and staff if they could come back with rate comparisons to other cities. He asked staff what the increase would be?

The County has been invited to the Water Commission Meetings for several months but no response. Gary indicated that staff could get questions from the Commission to forward to the Flood Control District. Also, staff does have a rate comparison from University of Western Kentucky which can be included in the presentation to Council and emailed to the Commission. Gary said staff is still working on some rate analysis to come up with a rate increase number at this time.

After further discussion, the questions put together were as follows:

County Flood Control District (FCD) Questions:

1. *Since the County has started collecting revenues from the City, and now that the City is considering raising rates, how does the County intend to work with the City on future fire flooding projects?*
2. *What are the estimated annual property tax revenues the FCD expects to receive for FY 2022 and the next 5-years?*
3. *What percentage of property tax revenues come from property owners in the City limits?*
4. *How much does the FCD expect to spend in the next 5 years?*
5. *How much is expected to be spent within the City?*
6. *Can the FCD provide a 5-year plan for capital and operational spending by areas?*
7. *Who is better with interfacing with the National Forest, County or City?*
8. *How much does the Forest Service plan to spend in the next 5 years?*
9. *Can City staff get copies of the FCD budgets and distill for the Water Commission?*
10. *Would like to gain a better understanding of the interaction between the City and FCD when it comes to funding.*
11. *Would it be possible to have the FCD and the Forest Service to speak to these topics at the Water Commission?*
12. *Specifically concerned with the funding and spending of fire flooding projects.*
13. *What the County FCD spend outside the City should be comparable to what is spend outside the City.*
14. *Requesting formal communication between agencies on how the City's money is spent.*

Additionally, staff recommends the Stormwater Credit Manual be suspended pending further review due to the complexity of long-term financial planning for the Section with a credit manual that provides immense uncertainty to the process.

Staff will continue to invite the County and Forest Service to the next few meetings.

B. Commission on Council Salaries – Shannon Anderson

Shannon Anderson, Deputy City Manager presented on this agenda item. Shannon indicated there is a section in the City Code on the Mayor and Council salaries, and a process where if there is a request to review those salaries. This process includes four community members, which staff have been able to secure Commission members to fill those four vacancies. Shannon asked if one of the Water Commission members was willing and able to serve on the Citizen Commission for Council salaries.

- Meetings are about an hour
- Anticipate starting the process in September
- Finish the end of October to take recommendation to Council for consideration

Ben Ruddell said he would be interested.

C. Fire and floods, Schultz Creek to Pipeline, and the Inner Basin Waterline – Brian Huntzinger

Brian Huntzinger, Water Production Manager presented a presentation on the fire and floods. Flagstaff's first water supplies were from springs found near the base of the San Francisco Peaks. Spring water from the Inner Basin (IB) was Flagstaff's first major reliable water supply project with the initial 12-mile pipeline, made of 6" clay pipe, laid in late 1800's. Later 8" clay pipe was added in

the early 1900's followed by handmade concrete pipe in the 1930's (which replaced the clay). In the 1990's the upper portion of the pipeline was replaced with 16" ductile iron pipe, though lower portions of the pipeline are still the concrete pipe from the 1930's. For about the first half century Flagstaff depended on spring water off the mountain which travelled through the IB pipeline/waterline into town. Today this spring and well water (IB Wells added in the late 60's and 70's) can make up as much as twenty percent of Flagstaff's peak summertime potable water consumption or about 2 million gallons per day (MGD).

In June of 2010, the Schultz Fire burned over 15,000 acres north of Flagstaff including forested lands in and around the IB Waterline. During the following monsoon season drainages and slopes affected by the burn scar were eroded causing the Waterline Road (FS146) to become impassable in 28 locations and the pipeline was exposed at many locations and broken at one. After city, county and governor declarations of emergency followed by a presidential decree in October of that year repairs were funded by FEMA, ADEM and the City of Flagstaff at approximately 4.5 million dollars. The City hired Jacobs Engineering and Hunter Contracting to design gabion and concrete structures to protect the pipeline and Waterline Road. The pipeline was repaired, relocated, and numerous structures added in drainages and off the sides of the road to protect it and the pipeline within.

In June of 2022, the Pipeline Fire burned over 26,000 acres north of Flagstaff including some of the lands previously burned by the Schultz fire, but extending further to the north, east and west into lands previously unburned. The fire caused immediate damages to the Waterline Road by burning most of the log barriers put in place after the Shultz Fire. By early July, due to an early arrival and strong monsoon season, multiple debris flow deposits and erosion were seen along Waterline Road, and one of the upper drainages, near the IB, was severely eroded exposing the pipeline and causing the road to become impassable. By late July, the upper drainage had widened, further exposing the pipeline, and breaking it. After the first week of August a lower portion of Shultz Pass Road (FS420) was also eroded becoming impassable with pipeline exposed. Damages are ongoing however much of the upper pipeline appears protected as intended with mitigations and structures put in place after the Shultz Fire. The pipeline will require repairs in addition to road repairs at multiple locations along the Waterline and possibly Schultz Pass Roads before IB water will be available to Flagstaff. A city/county and governor declaration of emergency effective June 23 has occurred and ADEM has been notified and been onsite for a preliminary visit. A complete inventory of damages with ADEM staff will have to wait until the monsoon season winds down. However, with assistance from the Forest Service city staff are monitoring ongoing damages with 4wd vehicles, UTV's, hikes and drone flights when possible.

Brian indicated water from the Inner Basin has not been used for the past two years because of infrastructure repairs, lack of spring flow (last year) and fires. Erin Young noted that the nonuse of the wells or spring water in the inner basin should not be perceived as the supply that is unimportant to our overall water supply portfolio. There are large capital dollars needed to invest in the aging system in addition to what Brain has stated.

Ben Ruddell added water from the Inner Basin is clean gravity fed supply and because of that it is a very important resilience feature in our city. With the damage that occurred, there is an opportunity to use federal recovery funds.

V. OLD BUSINESS - None

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

A. September Water Commission – Virtual or Hybrid

Next month the Water Commission meeting will be a hybrid meeting. The Commissioners are urged to park in the City Council spaces in the parking lot just south of Wheeler Park, on the west side of the lot (directly across from City Hall). Once staff are ready to issue permits, the Commissioners will receive an email from ParkFlag that will allow them to register their license plate. So, a physical permit from the Clerk's office is currently not necessary. Marion asked the Commissioners to reply to her email next month to let her know if they plan to attend in person or virtual.

Joe Loverich added there were three new rain gauges installed this year in the upper part of the watershed, near the Shultz Creek. The gauges are stage sensors and there is a camera on the gauges. This is shared on the Coconino County alert website.

VII. ADJOURNMENT

Meeting adjourned at 5:32 p.m.