



CITY OF FLAGSTAFF  
WATER COMMISSION  
September 15, 2022  
Virtual Meeting  
SUMMARIZED MINUTES

**MEMBERS PRESENT**

<u>  X  </u> Commissioner Kurt Riegelman	<u>  X  </u> Commissioner Robert Dilday
<u>  X  </u> Commissioner Joe Loverich	<u>  X  </u> Commissioner John Nauman
<u>  X  </u> Commissioner Malcolm Alter	<u>      </u> Commissioner Ben Ruddell
<u>      </u> Commissioner Don Bills	

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

<u>  X  </u> Council Rep Miranda Sweet	<u>      </u> P & Z Rep, Marie Jones
--	--------------------------------------

**STAFF & OTHERS PRESENT**

Brad Hill	Marion Lee	Gary Miller
Erin Young	Ed Schenk	Ed Schenk
Sanjay Gaur	Tamara Lawless	Rick Tadder
Rick Tadder	Jolene Montoya	

**I. CALL TO ORDER**

Chair Kurt Riegelman called the meeting to order at 4:01 p.m.

**II. APPROVAL OF MINUTES – August 18, 2022**

Moved by John Nauman and seconded by Malcolm Alter to approve the meeting minutes of August 18, 2022. Motion carried unanimously.

**III. PUBLIC PARTICIPATION**

John Nauman, Flagstaff Citizen – Thanked staff for the retention basins at the Y and request for a status report. Also request for a status report on the drainage situation at 1-80 and Shultz Creek.

Tamara Lawless, Water Conservation Manager – Staff will be going before Council on October 4<sup>th</sup> to give a brief update on the progress of implementing the Strategic Plan and this will be brought before the Water Commission at the November meeting.

**IV. NEW BUSINESS**

**A. Pretreatment Code Changes – Jolene Montoya**

Jolene Montoya, Industrial Pretreatment Supervisor gave a brief presentation on the Pretreatment Code Changes. Water Services is proposing the following changes after an audit was conducted by

PG Environmental as an agent for ADEQ in June 2022. There are 3 proposed code changes that will align the verbiage found in EPA 40 CFR 403 with City code and Industrial discharge permits.

- One change will require a resampling event to be conducted and report submitted to the City within 30 days. Currently, code requires a resample event to be conducted within 30 days, but not submittal of the report.
- The second change adds language that the record retention requirement for both the industrial user and the City can be extended if there is unresolved litigation or when requested by the State director or EPA Regional Administrator.
- The third change deals with the signatory requirement language. It will change the definition of the manager to match the updated EPA language.

Staff is soliciting comments and suggestions from the Commission prior to a 30-day public outreach period and presentation to City Council.

John Nauman asked if the permits specify the chemical list based on what is used in their process. Jolene said they have what is called local limits, the reclamation plants have their discharge permits that are renewed every 5 years. Every 5 to 6 years, staff looks at what industries are allowed to discharge into the sewer system that will affect the water reclamation plants, a functionality and to make sure they do not break their own permits.

#### B. Stormwater Credit Manual Revisions – Ed Schenk

Ed Schenk, Stormwater Manager provided a recommended revision of the Stormwater Credit Manual. The most recent Stormwater Credit Manual was instituted in 2015 and is current today. A review of the manual finds areas that are not consistent with the intent of the manual (providing incentives for best stormwater practices and going above and beyond current code).

##### Stormwater Detention:

In particular: the current manual provides a 20% credit for detention of the 2, 10 and 100 year events. This is nonsensical since these standards are required by current code.

The manual provides a 9% credit for meeting detention code of the 1990s, this is nonsensical as we are rewarding antiquated drainage code.

Staff recommends removing both credits and replacing with a 10% credit for detention basins that provide detention beyond current code. Specifically, a detention requirement for a 500-year event.

##### Residential Water Harvesting:

The manual currently provides a 10% credit for a minimum of 2 rain barrels with a combined capacity of 100 gallons on a residential property. This is recommended to change to a minimum of 300 gallons of on-site residential rainwater harvesting. This change is intended to show a real benefit in terms of rainwater runoff reduction.

##### Conservation Easement:

The manual provides a 10% credit for a minimum 10 contiguous acres of conservation easement. This requirement will be hard to meet within City limits. It is recommended that this be changed to 5 contiguous acres of conservation easement for the 10% credit.

##### Structured Educational Program:

No change.

## Credit for Flood Proofing Structure

Recommend 10% credit for flood proofing structure, so both wet or dry flood proofing. Wet flood proofing would be flood proofing structure to allow the water to move underneath the structure without damaging the finished floor. Dry flood proofing would be to flood proof the structure to not allow any water into the structure so that would be something that should be considered for either the 100-year event if you are with the FEMA floodplain.

Malcolm indicated that the original intent of both the detention and LID was to charge older developments that do not meet current standards. Staff need to think about how to charge more to all developments that do not meet current standards. Malcolm also noted the change to 300 gallons for rainwater harvesting. When it was first initiated it was to promote rainwater harvesting.

## V. OLD BUSINESS

### A. Stormwater Rate Assessment Update – Ed Schenk

Ed Schenk, Stormwater Manager and Sanjay Gaur, Water Resources Economics Consultant gave the update on the Stormwater Rate Assessment. Staff is recommending raising the residential ERU cap from 5 units to 10 units.

The purpose of this rate assessment update is to share with the Water Commission the results for the model development and potential rate changes for the Stormwater rates. Staff will seek comments and feedback about the results.

On September 16th, staff will be posting the 60-day public notice as required by Arizona Revised Statutes for utility rate changes. Staff is preparing details for community outreach and will have a work session with City Council on October 25<sup>th</sup>.

#### Overview:

- Stormwater Program History
- Purpose of Rate Adjustment
- Rate Basis and Policy Recommendations
- Timeline
- Water Commission Feedback

#### Utility Structure – Flagstaff is complex

- Water quality (NPDES, MS4, etc)
- Outreach and education
- Drainage development review
- Construction inspections (SWPP, erosion control plans, BMPs)
- Master planning and technical assistance
- Capital Improvements
- FEMA floodplain management
- “Green” infrastructure programs (LID)
- Stormwater maintenance
- Asset management, inventory, life cycle planning, GIS
- Climate change planning and management
- Rain and stream gauging (flood alert infrastructure)
- Floodproofing, property purchases, direct assistance
- Regional studies
- Regional flood management (including post-fire)

- Regional watershed management (forest thinning, water supply management, Natural Beneficial Floodplains)

Previous Council Direction:

- Council approved Resolution 2018-44, on December 4, 2018
  - Increased Stormwater utility fees by \$1.48/ERU
  - To a new rate of \$3.74 per Equivalent Rate Unit (ERU)
  - Funding \$32M for major capital projects including Rio de Flag Flood Control Project
  - \$600,000 annually for capital projects
- Council approved Notice of Intent to increase Stormwater Rates, on August 23, 2022

Reason for the propose 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 Creeks
- Construct 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  
\$600K annually
- Large increased Operating Cost  
Temporary Flood Mitigation  
Flood Response  
Currently Unfunded
- Unsustainable Budget

**Proposed Rates**

- Increased Capital Funding  
Permanent Flood Mitigation  
GO Bond or Rates
- Increased Operating Cost  
Pre-Season Flood Mitigation  
Detention Basin Maintenance  
Staffing & Equipment  
Master Planning
- Sustainable Budget

Stormwater Capital Proposal – Seven-year horizon

STORMWATER CAPITAL NEEDS - 7 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	\$ 1,227,305
Post-fire projects	\$ 13,440,212	\$ 8,987,000	\$ 5,733,133	\$ 7,702,871	\$ 5,366,334	\$ -	\$ -	\$ 41,229,550
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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,745	\$ 2,344,914	\$ 2,843,659
<b>TOTAL</b>	<b>\$ 18,291,639</b>	<b>\$ 27,103,125</b>	<b>\$ 10,565,344</b>	<b>\$ 11,211,956</b>	<b>\$ 11,269,301</b>	<b>\$ 4,985,000</b>	<b>\$ 5,275,000</b>	<b>\$ 88,701,365</b>

Rate Basis - ERU

- Stormwater Rates are based on Equivalent Runoff Units (ERUs)
  - 1 ERU is equal to 1,500 square foot of impervious area
  - Residential properties have a maximum of 5 ERUs
    - Average Residential property for the City of Flagstaff has 3 ERUs
  - Commercial properties do not have a maximum ERU

Proposed Policy Recommendations:

Staff Recommends Updating the Following Policy:

- Change maximum of 5 ERU's for Residential properties to 10
  - Within Rate Adjustment process

Development of Financial Plan

- Increase operating cost
  - Additional \$2.2M is needed in 2024

- Detention basin maintenance is anticipated to be substantial
- Significant Capital Expenditure over the next 7 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 Expenditures

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	\$ 2,836,706	\$ 2,899,637	\$ 3,013,594	\$ 3,030,118	\$ 3,097,752	\$ 2,234,146
<b>Total O&amp;M Needs</b>	<b>\$ 2,001,108</b>	<b>\$ 4,288,668</b>	<b>\$ 4,427,050</b>	<b>\$ 4,569,949</b>	<b>\$ 4,670,401</b>	<b>\$ 4,729,537</b>	<b>\$ 3,926,687</b>

\*\* Additional O&M covers increases in personnel, capital equipment, pre-season flood mitigation, detention basin maintenance 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	\$ 4,765,342	\$ 411,957	\$ 8,269,301	\$ 4,985,000	\$ 5,275,000
Revenue Bond		\$ 16,000,000		\$ 6,500,000	\$ 3,000,000		
Grant Funded	\$ 1,500,000	\$ 1,045,000					
Go Bond	\$ 7,300,000	\$ 8,987,000	\$ 5,800,888	\$ 4,300,000	-	-	-
<b>Total Capital</b>	<b>\$ 18,291,639</b>	<b>\$ 27,103,125</b>	<b>\$ 10,565,342</b>	<b>\$ 11,211,957</b>	<b>\$ 11,269,301</b>	<b>\$ 4,985,000</b>	<b>\$ 5,275,000</b>

### Summary of Status Quo

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

### Proposed Rates:

Proposed ERU Rates	Current	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29
Scenario 1: GO Bond Approved	\$ 3.74	\$ 6.55	\$ 8.18	\$ 9.00	\$ 9.31	\$ 9.64	\$ 9.98	\$ 10.33
Scenario 2: GO Bond not Approved	\$ 3.74	\$ 8.42	\$ 9.68	\$ 10.02	\$ 10.37	\$ 10.73	\$ 11.10	\$ 11.49
<b>ERU Increase</b>								
Scenario 1: GO Bond Approved		\$ 2.81	\$ 1.64	\$ 0.82	\$ 0.31	\$ 0.33	\$ 0.34	\$ 0.35
Scenario 2: GO Bond not Approved		\$ 4.68	\$ 1.26	\$ 0.34	\$ 0.35	\$ 0.36	\$ 0.38	\$ 0.39

### Year 1 Proposal/Impacts

Residential - Average 3 ERU's				
	Current 3 ERU	Proposed 3 ERU	Monthly Change	Annual Change
Scenario 1	\$ 11.22	\$ 19.64	\$ 8.42	\$ 100.98
Scenario 2	\$ 11.22	\$ 25.25	\$ 14.03	\$ 168.30

Commercial - Average Big Box					
	Current 220 ERU	Proposed 220 ERU	Monthly Change	Annual Change	
Scenario 1	\$ 822.80	\$ 1,439.90	\$ 617.10	\$ 7,405.20	
Scenario 2	\$ 822.80	\$ 1,851.30	\$ 1,028.50	\$ 12,342.00	

Commercial - Average Restaurant					
	Current 14 ERU	Proposed 14 ERU	Monthly Change	Annual Change	
Scenario 1	\$ 52.36	\$ 91.63	\$ 39.27	\$ 471.24	
Scenario 2	\$ 52.36	\$ 117.81	\$ 65.45	\$ 785.40	

#### Rate Implementation

8/23/2022	CM-Notice of Intent
9/15/2022	Rate Analysis Report
9/15/2022	Water Commission Meeting – Presentation
9/16/2022	Documents on Water Service Website
9/16/2022	60 Day Public Notice
Sept/Oct	Community Outreach
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)
11/15/2022	Council Meeting-Public Hearing 1 <sup>st</sup> Read
11/29/2022	Council Meeting-Public Hearing, Ordinance 2 <sup>nd</sup> Read
1/1/2023	Rate Effective 1/1/2023

Malcolm said the Bond Information was in the newspaper this week and suggested staff list ways to use the bonds fund for the public. Ed indicated that it is in the proposition 441 handout which includes Stormwater.

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

### A. Flood Control District Discussion – Andy Bertelsen, Coconino County

Brad indicated that Andy Bertelsen was unable to attend due to conflict of meetings. Andy will be able to attend the October meeting. The County did get the list of questions and if it is returned with answers, it will be emailed out to the Water Commission Members.

Malcolm suggested a steering committee with the City of Page and City of Williams to look at budgets with the County. Indicated that perhaps should be put on a future agenda. Brad indicated this can be discussed next month and that the questions will be forwarded to City Council with an approval from the Commission.

## VII. ADJOURNMENT

Meeting adjourned at 5:32 p.m.