



CITY OF FLAGSTAFF
WATER COMMISSION
November 17, 2022
Hybrid 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> X </u> Commissioner Ben Ruddell
<u> X </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
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STAFF & OTHERS PRESENT

Brad Hill	Marion Lee	Gary Miller
Erin Young	Ed Schenk	Bill Case
Emily Melhorn	Kevin Daniels	Heidi Hansen
Michele James		

I. CALL TO ORDER

Chair, Kurt Riegelman called the meeting to order at 4:08 p.m.

II. APPROVAL OF MINUTES – October 20, 2022

Moved by Robert Dilday and seconded by Don Bills to approve the meeting minutes of October 20, 2022. Discussion on the minutes. Malcolm Alter requested for some changes to the minutes: 1) Add the list of questions that was forwarded from staff; 2) Include the County Budget; and 3) Under New Business, A. Flood District Discussion to add: *Malcolm Alter suggested formalized communication with the City to discuss budgeting and planning, given the City’s 5-million-dollar contribution. Lucinda said we can have conversations but must include all communities. Currently the budget is consumed by project matches for the next 10-20 years, we cannot ignore forest restoration. There will never be any money for traditional flood control. County Manager, Steve Peru indicated that the tone is set at the top.*

Moved by Robert Dilday and seconded by Don Bills to approve the meeting minutes as amended of October 20, 2022. Motion carried unanimously.

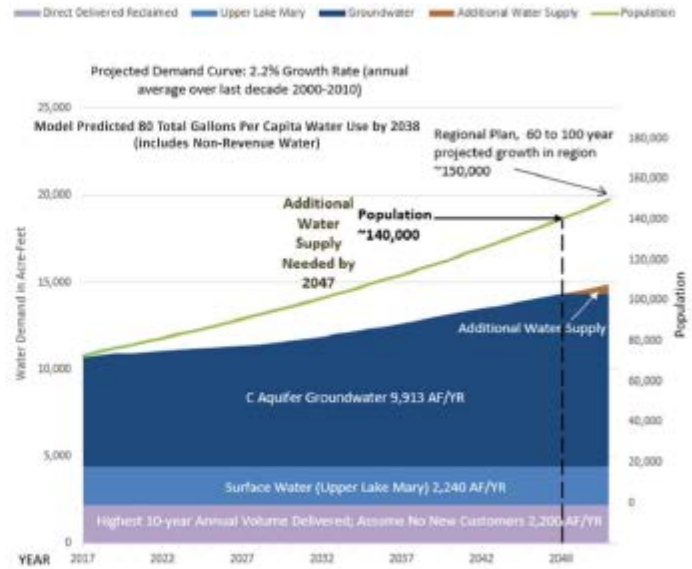
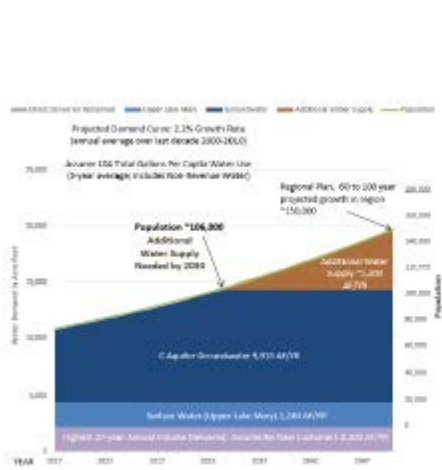
III. PUBLIC PARTICIPATION - None

IV. NEW BUSINESS

A. Water Conservation Strategic Plan 2022 Update

Emily Melhorn, Water Conservation Specialist gave an update on the 2022 Water Conservation Strategic Plan, which was passed by City Council in December of 2020. Updates included new programs that have been implemented as part of the Council adopted plan, as well as others that are up and coming.

Projected demand



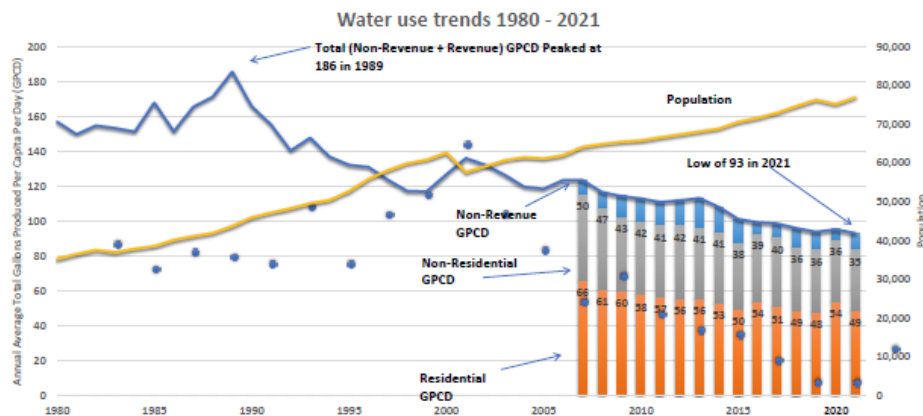
Code proposals:

WaterSense Certified Faucets, Showerheads, Toilets

- Would improve and adjust as the certification changes over time
- Ensure both efficiency and efficacy
- Outreach to contractors and plumbers winter 22/23
- Existing similar codes: Sierra Vista, NYC, Colorado, Georgia (California & Texas)

Landscape Code – Passive Rainwater Capture and Review Plant List

- Passive rainwater capture requires contouring of landscape to slow flows
- Existing plant list may include inappropriate plants
- Public participation – workgroup or advisory committee (FY23)



Water Conservation staff have been implementing the Water Conservation Strategic Plan since it was officially approved by Council in December of 2020. As a recap, the plan was created in order to meet the following goals:

- Become a national leader in water conservation in all sectors (previous Council goal)
- Generate quantitative water conservation savings projects for use in Water Resources Master Plan
- Ensure Water Conservation Program expenditures result in broad community participation and return on investment
- Provide recommendations on how conservation can be incorporated into next rate study

Some new programming was delayed during the pandemic and subsequent recession/hiring freezes. However, staffing has remained stable for the last year and many new initiatives are underway. Staff will provide Council with an update on progress made and will preview upcoming new programs. Based on an analysis of consumption trends from the past two years since plan implementation, we are on track to meet (or exceed) projected water savings.

John Nauman asked if gray water is considered part of the conservation for landscape usage and if there is a code related. Emily said there are some codes and the City is essentially following what the Coconino County has. Bigger formal systems are expensive, so staff is not sure if it is worth implementing.

Related to rain barrels, John also asked if there was a rebate for residential customers to install a filter pump on a drip irrigation system. Emily indicated staff is looking into this and testing it, so there could be a possibility. The community does love rain barrels.

Ben Ruddell asked if there was any evidence of reduction in overwatering with educating. Emily said staff has not investigated this but will certainly be considered.

Malcolm said some neighborhoods still have grass and constantly water regardless of rates or rebates. The rates need to be reviewed for things like this in the future.

Malcolm also mentioned that new developments are required to actively harvest rainwater, if they choose to plant plants that are not on the planting list. Suggest staff to investigate this to make sure it is implemented. Emily indicated that there is a rainwater harvesting rebate of \$100 for 1000 gallons or more.

B. Project/Issues Tracking Dashboard for the Water Conservation – Brad Hill

Water Commission Chair, Kurt Riegelman requested for staff to set up a dashboard to communicate the status more effectively on issues/projects. Staff can convey a lot of information on one-sheet, and then manage/discuss the issues that are the “exception”. Over time, this will help knock down a lot of questions in meetings, as people can just refer to the dashboard, instead of bothering the Director about the issues. Sample below:

Topic/project	Target completion date	Current actions	Planning	Build	Cost status
Water sources					
Revised water master plan					
Red gap right of way					
Water quality testing					
Well #__ Install					
Distribution system					
Upgrade 1					
Upgrade 2					
Waste treatment					
Digester capacity increase					
Next-gen capacity increase					
Reclaimed water					
Aquifer recharge optimization					
Potential AT demo					
Stormwater					
Emergency diversion pools					
Upgrade #1					
Upgrade #2					
Staffing					
Department head recruitment					
Staffing status					
Finances					
Water rate study					
Stormwater fee revision					
Grant applications					
Current year budget status					

Chairman Riegelman also thought it would be very beneficial if the department had a summary presentation that outlined our key strategies and milestones for each of the “products” in the department. Chairman Riegelman provided as an example from the private industry, to show their high-level “roadmap” to customers, investors, and employees. It is meant to quickly convey what we see as key strategies in each product, the material infrastructure milestones, and the financing and regulatory actions required to get it done.

The format could be anyway the department wants. The key is the type of items are to explain or illustrate and have it all in one coherent (and succinct) document.

Kurt said what he wants is for section heads to give briefing on things going on and spend time on the exceptions as opposed to the norm. Provide a 10-year strategic outlook. Does not want it too complex and the types of categories are the planning piece, the actual build piece, and the financial piece. The planning needs to be slimmed down with key dates, key discussions, and key upgrades with costs. Provide a high level of awareness and no surprises for the public. The two specific communication trusts are live actions and the decisions (things that are coming or have come through; what is the progress; is it falling apart or on tract; within budget or under/over budget).

Ben Ruddell added the last couple of years, Flagstaff has experienced large unpleasant reality, with unexpected costs that are mandatory essential expenditures. Costs are going up and the future is

going to cost a lot more money. Cities like Flagstaff have harder trade-offs in the budget and things that are used are taken for granted. Water services are a basic and 99% of every we do are fundamentals. A city cannot run without four things and without doing them well. We must avoid the future at all costs which means to get strategically savvy about money. The Commission needs to make sure the city's residents, and leaders are properly educated and that they understand the financial landscape that we are working in because water services are essential. Make sure the essentials are not underfunded for one reason or another.

V. OLD BUSINESS

A. Stormwater funding updates – Ed Schenk

Ed Schenk, Stormwater Manager provided an update on the Stormwater Fund rate adjustment, including feedback from Council and the Chamber of Commerce and an update on Prop. 441

Overview:

- GO Bond Approved!
- Stormwater Program Overview
 - Complexity of program, current rates, Capital Improvement Plan history
- Stormwater Rate Assessment
 - Purpose, maintenance needs, development of plan, status quo
- Stormwater Rate Options
- Community Outreach
- Comments/Questions

GO Bond Approval

Voters Approved Proposition 441

- \$26 million in General Obligation Bonds for Stormwater
- Addressing high-risk of Post-Wildfire flooding within the Spruce Wash including channel improvements from Paradise to the Killip Retention Basin
- GO Bond Projects not included in this capital-revenue plan

Program Overview:

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)

Stormwater Rates are based on Equivalent Rate 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

Stormwater Program Summary of Accounts

Customer Class Billed ERU Summary

Customer Type	Billed ERU's	# of Billed Locations	By Location Average	Median ERU's Billed
Commercial (C)	48,748	1,440	33.85	17.00
Residential (R1-R4)	50,517	18,651	2.71	2.00
Total	99,265	20,091	4.94	

Customer Stormwater Credit Summary

Commercial	# of Accounts	Residential	# of Accounts
Stormwater - 10%	2	Stormwater - 10%	62
Stormwater - 19.5%	5	Stormwater - 19.5%	348
Stormwater - 20%	1	Stormwater - 29.25%	12
Stormwater - 22%	1	Stormwater - 9%	4
Stormwater - 68%	1		
Stormwater - 9%	3		

Stormwater Current Rates

- Limited Capital Funding
 - \$600K annually
- Limited Operations Budget
 - Large increase to Operations Needs
 - Temporary Flood Mitigation
 - Flood Response
 - Currently Unfunded
- **Unsustainable Budget**

Stormwater CIP History

- RDF Project*
 - Design fees*
 - Butler Tunnel*
 - Clay Ave. Detention Basin*
 - Thorpe Bridge*
- City Owned LID Basins (15 total)
 - Soliere Low Water (design)
 - Columbia Circle (design)
 - Linda Vista Culvert upsizing
 - Phoenix Ave. Bridge
 - Paradise Channel widening

Dortha culvert and channel
 Schultz Creek Basins
 FUTS low water crossing at Rt. 66
 Killip School Basins
 Zuni Drive drainage*
 Fanning Wash near Thomas School*
 Penstock Wash repairs at Smokerise
 E Route 66 culvert replacement*
 Robust spot improvement program (~ 20 small repairs)

*Some projects only partly funded by Stormwater

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
- Increased Mitigation costs in new flood areas, such as Spruce Wash and Schultz Creeks
- Construct some deferred Capital Improvement Projects
- Meet inflationary cost reality for construction projects.
- Completing critical capital projects reduces flood response - operations costs

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 \$8 million
- Mixture of Revenue Bonds, Grants and Rate Revenue (cash) will be utilized to fund capital expenditure
 - Grants - \$2.5 million awarded, Apply for another \$4.6 million
 - Debt financing when needed

Scenario comparison

Rate Financed CIP	Scenario 1	Scenario 2	Scenario 3
Maintenance	x	x	x
Post-Fire Project	x	x (debt)	x (debt)
High Priority CIP	x	x (partial grant)	
Community CIP	x	(grant)	
Rate Schedule	Early Rate Adjustments 50%, 25%, 10%, then inflation at 3.5% annual	Even Rate Adjustments of 17% for seven years	Lower Adjustment, 17% for four years, then inflation at 3.5% annual Minimal Capital Improvements
Detail	Original CIP, Includes grants awarded, Rates deliver operations and full capital plan, best sustainable plan	More debt, Tentative grant funding, Highest rate in year 6	More debt, Tentative grant funding, Lowest rates, No CIP beyond post-fire

	Scenario 1	2023	2024	2025	2026	2027	2028	2029	Total
	Scenario 1. Follows Capital Plan directive. Most cost efficient. Only incorporates awarded grants.	Capital Expenditure	\$ 10,991,639	\$ 17,412,375	\$ 2,673,560	\$ 7,391,903	\$ 5,902,967	\$ 4,985,000	\$ 5,275,000
	Grant Funded	\$ 1,500,000	\$ 1,045,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,545,000
	Debt Funded	\$ -	\$ 16,000,000	\$ -	\$ 6,500,000	\$ 3,000,000	\$ -	\$ -	\$ 25,500,000
	Cash Funded	\$ 9,491,639	\$ 367,375	\$ 2,673,560	\$ 891,903	\$ 2,902,967	\$ 4,985,000	\$ 5,275,000	\$ 26,587,444
	Effective	Jan	Jan	Jan	Jan	Jan	Jan	Jan	
	% Increase	50%	25%	10%	3.5%	3.5%	3.5%	3.5%	
	Proposed Rate	\$ 5.61	\$ 7.01	\$ 7.71	\$ 7.98	\$ 8.26	\$ 8.55	\$ 8.85	
	Scenario 2	2023	2024	2025	2026	2027	2028	2029	Total
	Scenario 2. Follows Capital Plan directive. Most costly, due to early debt issuance. Assumes future grant awards or projects won't happen.	Capital Expenditure	\$ 10,991,639	\$ 22,778,709	\$ 2,673,560	\$ 1,454,986	\$ 5,306,708	\$ 4,985,000	\$ 5,275,000
	Grant Funded	\$ 1,500,000	\$ 1,045,000	\$ 1,719,939	\$ 1,027,050	\$ 1,922,936	\$ -	\$ -	\$ 7,214,925
	Debt Funded	\$ -	\$ 21,300,000	\$ -	\$ -	\$ 3,000,000	\$ 3,500,000	\$ -	\$ 27,800,000
	Cash Funded	\$ 9,491,639	\$ 433,709	\$ 953,621	\$ 427,936	\$ 383,772	\$ 1,485,000	\$ 5,275,000	\$ 18,450,677
	Effective	April	Jan	Jan	Jan	Jan	Jan	Jan	
	% Increase	17%	17%	17%	17.0%	17.0%	17.0%	17.0%	
	Proposed Rate	\$ 4.38	\$ 5.12	\$ 5.99	\$ 7.01	\$ 8.20	\$ 9.59	\$ 11.22	
	Scenario 3	2023	2024	2025	2026	2027	2028	2029	Total
	Scenario 3. Minimal Capital projects beyond priority flood projects. Early debt issuance. Assumes future grant awards or projects won't happen.	Capital Expenditure	\$ 10,991,639	\$ 22,778,709	\$ 2,673,560	\$ 1,454,986	\$ 3,312,980	\$ 1,628,100	\$ 1,674,365
	Grant Funded	\$ 1,500,000	\$ 1,045,000	\$ 1,719,939	\$ 1,027,050	\$ 1,922,936	\$ -	\$ -	\$ 7,214,925
	Debt Funded	\$ -	\$ 21,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,300,000
	Cash Funded	\$ 9,491,639	\$ 433,709	\$ 953,621	\$ 427,936	\$ 1,390,044	\$ 1,628,100	\$ 1,674,365	\$ 15,999,414
	Effective	April	Jan	Jan	Jan	Jan	Jan	Jan	
	% Increase	17%	17%	17%	17.0%	3.5%	3.5%	3.5%	
	Proposed Rate	\$ 4.38	\$ 5.12	\$ 5.99	\$ 7.01	\$ 7.25	\$ 7.51	\$ 7.77	

Stormwater Rate Options Monthly Increases		Monthly Increase Residential 3 ERU		Monthly Increase Restaurant 14 ERU		Monthly Increase Big Box 220 ERU	
All Scenarios include O&M increase for new retention basins and drainage maintenance	Year 1 Effective Date	Year 1	Year 7	Year 1	Year 7	Year 1	Year 7
	Scenario 1 - early increase, most cost efficient, best level of service	Jan 1	\$ 5.61	\$ 15.34	\$ 26.18	\$ 71.56	\$ 411.40
Scenario 2 - smaller steady increase, better service level, includes (tentative) grant funding, increased debt for Hwy 180 Culvert project	April 1	\$ 1.91	\$ 22.45	\$ 8.90	\$ 104.79	\$ 139.88	\$ 1,646.62
Scenario 3 - Minimal Capital Projects, with only priority flood mitigation, increased debt for Hwy 190 Culvert project	April 1	\$ 1.91	\$ 12.09	\$ 8.90	\$ 56.42	\$ 139.88	\$ 886.66

Rate Policy

Proposed Policy Recommendations

Staff recommends updating the following policy:

Change maximum of 5 ERU's for Residential properties to 10

Within Rate Adjustment process

Staff recommends adopting 7 years of rates

Seeking direction from City Council

City Council Direction

The November 15 hearing was kept open and was moved to January 31, 2023. Staff was asked to present an option between Scenario 1 and Scenario 2

Ben Ruddell said since the Stormwater's budget was impacted by the major fires over the years, where is the expected post fire flooding costs from Schultz in the budget in the next 20-30 years. Has staff considered expanding and emerging costs for stormwater because the ERU is not causing new costs. A second type of prorated fee structure that has more to do with where these costs are

from coming, to incentivize reduction in those cost. The ERU approach may not be where we want to put our incentives and fees going forward. Ed said staff will investigate this more and would like to hear of innovative ways from the Commission. He said there are issues on social justice equity side but that is not to say that there aren't other ways to fund stormwater besides ERUs. Although ERUs are the most common funding for a Stormwater utility.

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

There will be a meeting of the Water Commission on December 15th.
Discussion on the dashboard and the 10-year summary plan

VII. ADJOURNMENT

Meeting adjourned at 6:10 p.m.