

CITY OF FLAGSTAFF STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From:
Co-Submitter: Rick Tadder
Co-Submitter: Brad Hill
Date: 11/27/2018
Meeting Date: 12/04/2018



TITLE:

Consideration and Adoption of Ordinance No. 2018-40: An ordinance of the Mayor and Council of the City of Flagstaff, Arizona amending the Flagstaff City Code, Title 12, Floodplains, Chapter 12-02, Stormwater Management Utility, by amending the Schedule of Stormwater Management Utility Service Charges and Fees; providing for repeal of conflicting ordinances, severability, penalties, and establishing an effective date. ***(Changes in stormwater fees)***

STAFF RECOMMENDED ACTION:

At the December 4, 2018, Council Meeting:

- 1) Read Ordinance No. 2018-40 by title only for the final time
- 2) City Clerk reads Ordinance No. 2018-40 by title only (if approved above)
- 3) Adopt Ordinance No. 2018-40

Executive Summary:

This action adopts an ordinance increasing Stormwater service charges (rates) per equivalent runoff unit (ERU). An ERU equals 1,500 square feet of impervious area on a property. Stormwater service charge increase is necessary to adequately fund operations, maintenance, and capital improvement projects contained in five-year capital improvement program. The proposal is:

- \$3.74 with Debt Financing

Financial Impact:

The City is recognizing the need to establish stormwater rates that will allow the Water Services Division to address a portion of the capital improvements needed in our community. An increase in stormwater rates is needed in order to meet current expenditures, provide for an increased capital improvement program and provide sound fiscal management to the Stormwater Fund. The proposed new stormwater rates and services fees, if approved, will become effective July 1, 2019.

Policy Impact:

None

Connection to Council Goal, Regional Plan and/or Team Flagstaff Strategic Plan:

Council Goals:

- Provide sustainable and equitable public facilities, services and infrastructure systems in an efficient and effective manner to serve all populations areas and demographics

Regional Plan:

- Goal WR.2.2 Maintain and develop facilities to provide reliable, safe and cost-effective stormwater services.

Previous Council Decision on This:

Stormwater service charges were amended on December 19, 2017, and new service charge went into effect on February 1, 2018. Ordinance 2017-32 amended section 12-02-002-003, Schedule of Stormwater Management Utility Service Charges and Fees within the Flagstaff City Code.

On March 20, 2018, staff presented to City Council a discussion on increasing the Stormwater service charge to fund capital projects. Staff discussed the \$74.4 million of identified projects in our community and a service charge structure that would increase revenues by approximately \$36 million over the next seven to eighteen years. Council provided direction to bring back a service charge increase in both a ten-year and a twelve-year time frame.

On September 4, 2018, a 12-year Notice of Intent to change Stormwater Service Charge was approved by Council.

On November 20, 2018, first read of Ordinance No. 2018-40 with debt service option was approved by Council.

Options and Alternatives:

1. Choose to adopt Ordinance No. 2018-40: \$3.74 with Debt Financing over a 25-year period;
2. Amend and adopt Ordinance No. 2018-40 and direct staff to modify the capital improvement plan and drainage maintenance program.
3. Do not adopt Ordinance No. 2018-40 and have staff delay capital improvement projects and reduce the drainage maintenance program.

Background and History:

The Flagstaff community has a large list of needs as it relates to Stormwater. The Northern Arizona Master Drainage Study (<https://www.flagstaff.az.gov/3742/Master-Drainage-Plan>) has identified the top rated 37 projects which have a current cost estimate of \$74.4 million. The current funding for Stormwater capital improvements is \$600,000 per year. In order to make progress on the Stormwater needs, staff presented to Council on March 20, 2018, several options for a Stormwater service charge increase. In the presentation, staff provided the top 10 Stormwater projects. Council directed staff to bring back a service charge consideration that would raise approximately \$36 million over the next 10-12 years. Since that time, community outreach has also strongly recommended debt financing to reduce the impact in change per ERU.

Key Considerations:

50-year the adopted City of Flagstaff Water Policies

- Utility rates and revenues should generate sufficient revenues to meet operational costs, capital program requirements, debt service obligations, and maintain adequate reserves consistent with sound financial management practices.
- Utility rates should be set proportionate to the cost of providing the water service to each customer class to promote fairness and equity.

A financial plan that follows the water policies and goals established by City Council on April 1, 2014.

Community Benefits and Considerations:

None

Community Involvement:

Regular rate reviews and modification are necessary to maintain a stable financial position for the Stormwater Fund.

Expanded Options and Alternatives:

Conducted 6 public outreach events

- 9/26, 10/3, 10/10, 10/18, 10/25 and 11/14
- 27 Citizens attended the six meetings
- Participants concerned that rate will have a negative impact on businesses due to the accumulative effect of all City rate increases
- Concerned that their employees will not be able to afford to pay the proposed rate
- Recommended other funding options be investigated

Water Commission:

- Did not provide a recommendation on Service Charge
- Did not provide a recommendation on Service Charge

Attachments: Ord. 2018-40 - DebtService
 Stormwater Rate Financial Plan Fall 2018