

ATTENTION

IN-PERSON AUDIENCES AT CITY COUNCIL MEETINGS HAVE BEEN SUSPENDED UNTIL FURTHER NOTICE

The meetings will continue to be live streamed on the city's website
(<https://www.flagstaff.az.gov/1461/Streaming-City-Council-Meetings>)

The public can submit comments that will be read at the dais by a staff member to
publiccomment@flagstaffaz.gov.

**CITY COUNCIL WORK SESSION
TUESDAY
MAY 12, 2020**

**STAFF CONFERENCE ROOM
SECOND FLOOR - CITY HALL
211 WEST ASPEN AVENUE
3:00 P.M.**

AGENDA

A M E N D E D

1. Call to Order

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. Pledge of Allegiance and Mission Statement

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. ROLL CALL

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

MAYOR EVANS
VICE MAYOR SHIMONI
COUNCILMEMBER ASLAN
COUNCILMEMBER MCCARTHY

COUNCILMEMBER ODEGAARD
COUNCILMEMBER SALAS
COUNCILMEMBER WHELAN

4. Public Participation

Public Participation enables the public to address the council about items that are not on the prepared agenda. Public Participation appears on the agenda twice, at the beginning and at the end of the work session. You may speak at one or the other, but not both. Anyone wishing to comment at the meeting is asked to fill out a speaker card and submit it to the recording clerk. When the item comes up on the agenda, your name will be called. You may address the Council up to three times throughout the meeting, including comments made during Public Participation. Please limit your remarks to three minutes per item to allow everyone to have an opportunity to speak. At the discretion of the Chair, ten or more persons present at the meeting and wishing to speak may appoint a representative who may have no more than fifteen minutes to speak.

5. Review of Draft Agenda for the May 19, 2020 City Council Meeting

6. Update on Downtown Connection Center (DCC) and Bus Rapid Transit (BRT) projects - Mountain Line Transit (NAIPTA)

7. City of Flagstaff Business Retention and Expansion Incentive

8. Presentation and Discussion: Community Development Block Grant 2020/2021 Annual Action Plan recommendations, CDBG-CV funds provided by the CARES (Coronavirus Aid, Relief, and Economic Security) Act, and substantial amendments to the 2019/2020 CDBG Annual Action Plan.

9. Consideration of the Environmental Management Fee restructure and Water Resource & Infrastructure Protection Fee.

10. Self Insurance of Workers' Compensation and Insurance Renewals

11. COVID-19 UPDATES

A. Discussion: Forest Service Recreation Site Re-Opening

B. Discussion: Potential State Legislation

12. Public Participation

13. Informational Items To/From Mayor, Council, and City Manager; future agenda item requests

14. Adjournment

CERTIFICATE OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Flagstaff City Hall on _____, at _____ a.m./p.m. in accordance with the statement filed by the City Council with the City Clerk.

Dated this _____ day of _____, 2020.

Stacy Saltzburg, MMC, City Clerk

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Dan Folke, Community Development Director
Date: 04/27/2020
Meeting Date: 05/12/2020



TITLE:

Update on Downtown Connection Center (DCC) and Bus Rapid Transit (BRT) projects - Mountain Line Transit (NAIPTA)

DESIRED OUTCOME:

The information on the DCC is provided in preparation for consideration of an IGA between the City of Flagstaff and Mountain Line transit which will be presented to City Council at a later date to be determined. The BRT update is provided for information and discussion purposes.

EXECUTIVE SUMMARY:

Downtown Connection Center

A new Downtown Connection Center (DCC) is identified in Mountain Line's 2020 Strategic Plan as the highest priority capital project in order to support public transit service within the community. Since 2009, Mountain Line has operated the existing DCC under an Intergovernmental Agreement (IGA) and licensing agreement with the City of Flagstaff for use of City-owned parcels on Phoenix Avenue. This transit hub serves approximately 52,000 riders monthly and has upwards of 300 buses accessing the site daily at our current level of service. Mountain Line has outgrown the existing facility and would like to provide amenities and offer services to their riders and community from a new DCC.

***Mountain Line and City staff were prepared to bring an IGA on the proposed new DCC project to your May 19 Council meeting. However, due to additional requests from the Federal Transit Authority, before Mountain Line can sign a new IGA it must perform additional due diligence on the proposed City-owned site (i.e. NEPA study and associated remediation). This has delayed the IGA coming to the Council as previously planned. That said and in order to keep the project moving forward, Mountain Line will be seeking direction from Council during this update presentation to work with City staff in preparing a resolution that would enable Mountain Line to have additional access to the City's property to conduct this additional work and to do so at Mountain Line's own risk. Mountain Line would hope that the Council would provide this direction and consider the resolution prior to taking its scheduled summer break. ***

Bus Rapid Transit

In November 2018, Mountain Line initiated the development phase of the Bus Rapid Transit (BRT) Project to study potential long-term improvements and high-frequency bus service from Woodlands Village to the Flagstaff Medical Center. BRT is a toolbox of transit enhancements that adds up to a faster trip and an improved experience. The purpose of the BRT project is to identify, evaluate, and select a strategy and set of transit and multimodal transportation improvements to achieve the following goals:

- Enhance transit & multimodal mobility in Flagstaff to make it more compelling
- Connect neighborhoods and activity centers and improve local mobility

- Support economic development
- Strengthen the downtown core and transit connections to key activity centers
- Create an environment that will sustain over the long term

INFORMATION:

Please see the attached memorandums from Mountain Line transit for more information on the DCC and BRT projects.

Attachments: [DCC Memo](#)
 [BRT Memo](#)
 [BRT Map](#)
 [DCC BRT Presentation](#)



NAIPTA MEMORANDUM

DATE: March 27, 2020

TO: The Honorable Mayor and City Council

FROM: Heather Dalmolin, Mountain Line CEO & General Manager
Kate Morley, Mountain Line Development Director

SUBJECT: Mountain Line Downtown Connection Center (DCC) Project

Background and Existing Conditions:

A new Downtown Connection Center (DCC) is identified in Mountain Line's 2020 Strategic Plan as the highest priority capital project in order to support public transit service within the community. Since 2009, Mountain Line has operated the existing DCC under an Intergovernmental Agreement (IGA) and licensing agreement with the City of Flagstaff for use of City owned parcels on Phoenix Avenue. This transit hub serves approximately 52,000 riders monthly and has upwards of 300 buses accessing the site daily at our current level of service.

The existing DCC has capacity for nine buses at two curb islands and two on-street loading zones developed for 30' buses, that were in operation in 2009. Mountain Line currently operates 40' and 60' buses and has made minor accommodations and upgrades to fit our new fleet into the existing DCC. The existing loading zones have no additional capacity for transit service expansion and presents significant operational challenges for existing service levels. Under our current conditions, Mountain Line has to get creative about connection schedules and bus dwell locations.

The existing DCC has minimal amenities for riders and drivers. A portion of the existing City warehouse is used for a driver comfort station with restrooms and a breakroom for staff. Aside from two bus shelters, there are no customer service or amenities for patrons.

Due to these limitations, in FY2018, NAIPTA applied for and received a \$6,777,938 Federal Transit Administration (FTA) Section 5307/5339 grant (80% federal/20% local) awarded through ADOT for acquisition, design and construction of a new connection center. Then, in 2019, NAIPTA applied for and received a second FTA Section 5339 grant bringing an additional \$15,675,000 in federal funds to the project. Mountain Line now believes it has adequate funding to develop a true, multimodal, community asset in the heart of downtown.





Alternatives Analysis

Last fall, Mountain Line conducted an Alternatives Analysis to evaluate a variety of sites for the new connection center. It was determined that sites needed to be a minimum of 141,000 square feet to accommodate bus maneuvering and an administration facility. Sites also needed to be within ¼ mile of the downtown core to ensure the connection center would be within walking distance of that major activity center. Four sites met the criteria and were further analyzed using 66 criteria in 10 overall categories. The site screening criteria included: site access for buses, pedestrians and bicycles; route network impacts; appropriate land use and zoning; community support; railroad/utility impacts; environmental; cost; and existing ownership. Expanding the current site on Phoenix Avenue was identified as the highest-ranking alternative.

Downtown Connection Center Needs and Programming

Mountain Line has identified the following items as key elements of the connection center.

- Provide improvements for the ingress/egress of buses to connect to major arterials.
- Develop an inviting, welcoming space for customers with focus on safety and security and a context-sensitive, sustainable design.
- Provide customer service office(s), safety/operations supervisor offices with minimum footprint of 3,500-5,000 square foot building.
- Separate transit operations from personal vehicles and provide for long-term service expansion with capacity for up to 15 bus bays.
- Develop administrative offices with the possibility of conference or community space.
- Develop opportunities for other transportation modes such as bike share, car share and/or ride hailing services, connection with regional services, bike lockers, rider drop off and customer parking.

Additional items have been identified as desired, but not required:

- Revenue generation component such as building space for partnership opportunities including office or other uses to be determined.
- Public art.
- Community space.
- Civic space.
- Other partner needs.

Next Steps

Mountain Line and City of Flagstaff will consider an Intergovernmental Agreement (IGA) to identify roles and responsibilities of both parties for the use of DCC at the Phoenix Avenue location. Upon approval of an IGA, Mountain Line will engage the public in an online survey about programming and features of the site to inform concept planning. Mountain Line will also work with partners to identify potential joint development opportunities. Because the project is federally funded, an environmental review will also be conducted. Approval of all plans will be subject to the review and approval of City Council prior to the issuance of permits.





Mountain Line recognizes time is of the essence to develop a new DCC due to the pending Rio de Flag Project. The Rio de Flag project construction will impact the current downtown connection center, meaning plans for the permanent DCC need to be well ahead of the Rio de Flag Project.

Connection to City Plan's

Climate Action and Adaption Plan (implementation is a City Council Goal)

- STRATEGY 2. Prioritize, incentivize, and promote transportation by biking, walking, and transit.

Flagstaff Regional Plan

- Policy LU.5.5. Plan for and promote compact commercial development as activity centers with mixed uses, allowing for efficient multi-modal transit options and infrastructure.
- Policy T.1.7. Coordinate transportation and other public infrastructure investments efficiently to achieve land use and economic goals
- Goal T.7. Provide a high-quality, safe, convenient, accessible public transportation system, where feasible, to serve as an attractive alternative to single-occupant vehicles.
- Policy T.7.3. Support a public transit system design that encourages frequent and convenient access points, for various transportation modes and providers, such as private bus and shuttle systems, park-and-ride lots for cars and bicycles, and well-placed access to bus, railroad, and airline terminal facilities

Southside Neighborhood Specific Plan

- The Downtown Connection Center at this location is supported.



Getting you where you want to go





NAIPTA MEMORANDUM

DATE: April 17, 2020

TO: The Honorable Mayor and City Council

FROM: Heather Dalmolin, Mountain Line CEO & General Manager
Bizzy Collins, Mountain Line Transit Planner

SUBJECT: Mountain Line Bus Rapid Transit (BRT) Project

Background and Existing Conditions:

In November 2018, Mountain Line initiated the development phase of the Bus Rapid Transit (BRT) Project to study potential long-term improvements and high-frequency bus service from Woodlands Village to the Flagstaff Medical Center (see attached map). BRT is a toolbox of transit enhancements that adds up to a **faster trip** and an **improved experience**. As a result of Mountain Link (Route 10), the first BRT that opened in 2011, system-wide ridership increased 66% in the first year alone and, in subsequent years, spurred economic development along the Mountain Link corridor. Mountain Line anticipates similar results with the second BRT.

The purpose of the BRT project is to identify, evaluate, and select a strategy and set of transit and multimodal transportation improvements to achieve the following goals:

- Enhance transit & multimodal mobility in Flagstaff to make it more compelling
- Connect neighborhoods and activity centers and improve local mobility
- Support economic development
- Strengthen the downtown core and transit connections to key activity centers
- Create an environment that will sustain over the long term

A team of agency stakeholders (City of Flagstaff, MetroPlan, ADOT, Coconino County, and NAU) was created to advise staff on technical aspects of the project. For the past year and a half, the stakeholders have been examining which BRT alternatives, or combinations of BRT tools, best achieve the project goals and make the most sense on the BRT corridor. The stakeholders began this process with six alternatives on the northern section (between Flagstaff Medical Center and the Downtown Connection Center) and four alternatives on the southern section (between the Downtown Connection Center and Woodlands Village).





Together, stakeholders defined criteria to screen alternatives so to narrow alternatives down to one locally preferred alternative for each section.

Mountain Line has identified the top-ranking alternatives that best achieve the project goals and is currently seeking feedback on the alternatives through a variety of presentations to commissions and business organizations.

Next Steps

Other ongoing tasks include environmental analysis, determining bus station locations and design, and continued coordination with the ADOT Milton Corridor Master Plan (CMP). While the CMP and BRT are unique projects with different boundaries, they overlap for about one and a half miles on Milton Road and have the same stakeholders. The two projects have engaged in shared decision-making to finalize the evaluation criteria. The outcome of these two projects will be one recommended alternative for the overlapping portion on Milton Road. Ensuring ADOT's long-range plans include Mountain Line's BRT service enhancement project is vital for success.

The BRT Project Development phase will be completed by July 2021, if not sooner. Following completion, Mountain Line will submit the BRT project application to the Federal Transit Administration (FTA) for evaluation, rating, and approval for funding under the Capital Investment Grant (CIG) program. While the BRT is a transit project, the funding can be utilized to build bike and pedestrian infrastructure and streetscape enhancements. Therefore, this unique funding source can help the Flagstaff community realize its goals for climate action, bike and pedestrian mobility, and economic development. Below are just some of the City's goals, policies, and strategies a BRT can help achieve.

Connection to City Plans

Climate Action and Adaption Plan (implementation is a City Council Goal)

- STRATEGY 2. Prioritize, incentivize, and promote transportation by biking, walking, and transit.

Flagstaff Regional Plan

- Goal T.7. Provide a high-quality, safe, convenient, accessible public transportation system, where feasible, to serve as an attractive alternative to single-occupant vehicles.
- Policy LU.12.8. Provide for strong connections from the Flagstaff Medical Campus to the Northern Arizona University campus via pedestrian paths, bicycle connections, streets, and transit service.
- Policy LU.15.4. Accommodate safe and convenient walking, biking, and transit facilities in existing and proposed employment centers.
- Policy T.1.1. Integrate a balanced, multimodal, regional transportation system.
- Policy T.1.6. Provide and promote strategies that increase alternate modes of travel and demand for vehicular travel to reduce peak period traffic.





Northern Arizona Intergovernmental Public Transportation Authority

3773 N. Kaspar Drive • Flagstaff, AZ 86004 • 928-679-8900 • FAX 928-779-6868 • www.mountainline.az.gov

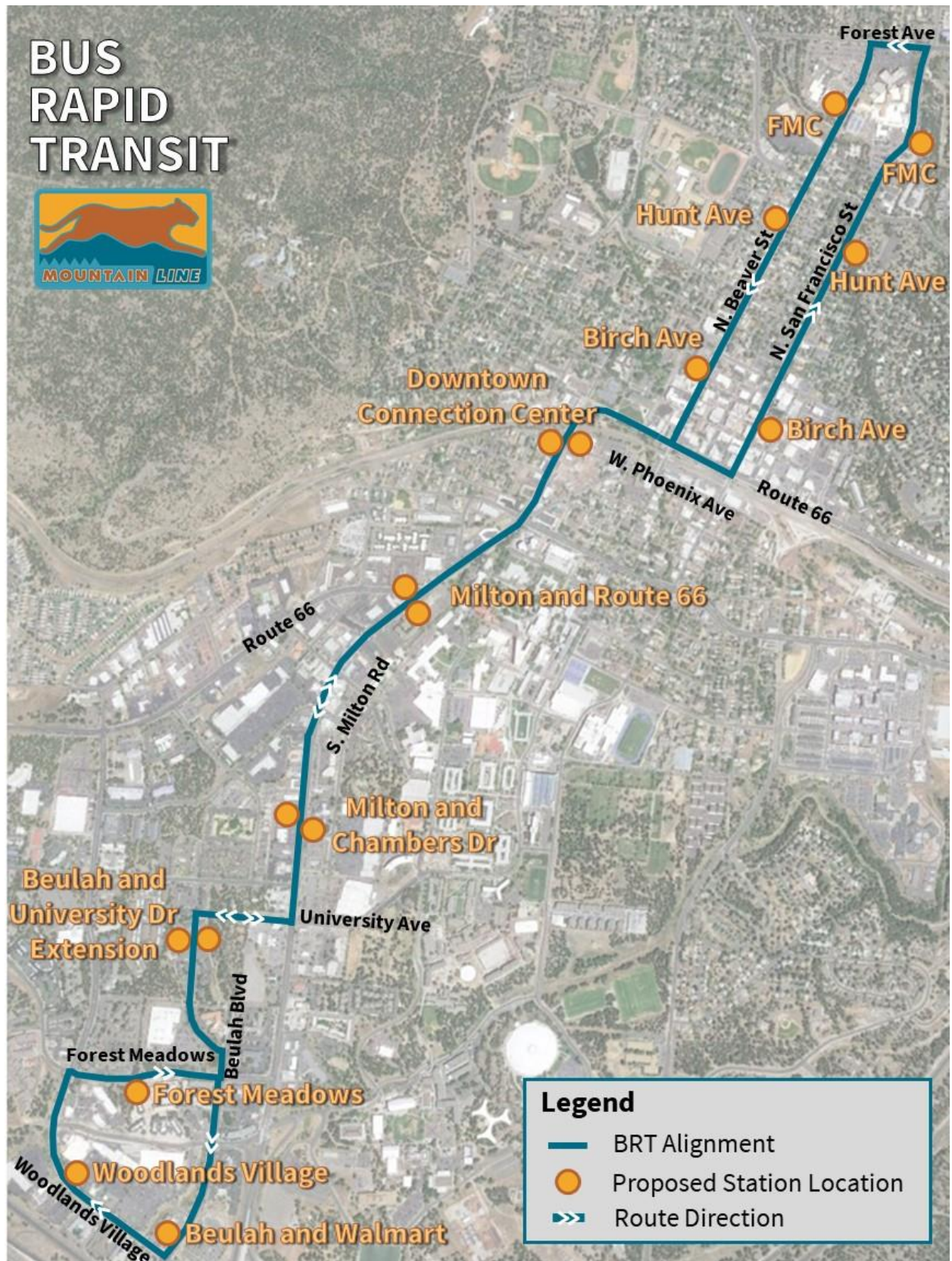
- Policy T.1.7. Coordinate transportation and other public infrastructure investments efficiently to achieve land use and economic goals
- Policy T.2.2. Consider new technologies in new and retrofitted transportation infrastructure.
- Policy T.2.4. Consider dedicated transit ways where appropriate.



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BUS RAPID TRANSIT



Mountain Line DCC and BRT Updates

May 13, 2020



Getting you where you want to go



Mountain Line Downtown Connection Center (DCC)



Getting you where you want to go



DCC History

- Located on Phoenix Ave: City owned property
- At MAXIMUM capacity
- Challenging access for buses and patrons
- Lacks customer amenities

	2008	2019
Total Annual Riders	1,000,000	2,500,000
Routes	6	10
Buses	30'	40' and 60'
Buses per day	158	355



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Programming

Identified Needs:

1. Bus Bays (15 bays)
 - 3 stalls 60-foot Articulated
 - 12 stalls 40-foot Standard
2. Operator Comforts: restrooms/breakroom
3. Patron Amenities:
 - Customer Service Counter
 - Public restrooms
 - Lost/Found storage
 - Security offices
 - Concessions/Vending
 - Waiting Area
4. Parking: Staff, Kiss-n-Ride, Ride Share
5. Bike Facilities

Desired:

1. Capacity for regional transit and multimodal opportunities
3. Revenue Generation:
 - Community Space
 - Commercial/Retail
4. Partner Services



























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Alternatives Analysis

Table 12 Site Selection Ranking Summary

	Site 1	Site 2	Site 3
	Ranking by Category		
Category A - Contiguous Parcels			
Category B - Site Access			
Category C - Land Use & Zoning			
Category D - Railroad & Utility Conflicts			
Category E - Environmental Concerns			
Category F - Bus Route Efficiency			
Category G - Sensitive Adjacent Parcels/Owners			
Category H - Partnership Opportunities			
Category I - Site Characteristics			
Category J - Cost			
Total Weighted Score*	313	296	274

*Based on the points by metric, as shown in Table 11

Concept of Feasibility



NAIPTA Downtown Connection Center
Draft Concept
June 7, 2019

Demo of Phoenix Ave Warehouse

- Required to be out of the way of for Rio de Flag construction
 - Relocate Mountain Line Operator Comfort Station
 - Terminate lease with AA groups and assist with finding new location



Design Options

Single-Use Transit Facility



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Design Options

Transit Facility with Office



Project Delivery

Schedule:

- Concept Design: 2020
 - Environmental Clearance, Public Engagement, & Concept Design (30% Plans)
- Final Design: 2021
- Construction: 2022

Budget: Two FTA Grants: \$6.7M and \$15.6M

- Joint Agency and Public Private Partnership funding strategies



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Next Steps

Final Site Selection process:

- NEPA clearance
- FTA concurrence
- IGA

Concept Development:

- Public involvement in programming and design
- Consider partnerships



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Questions



NAIPTA Downtown Connection Center
Draft Concept
June 7, 2019





Bizzy Collins, Transit Planner
Mountain Line

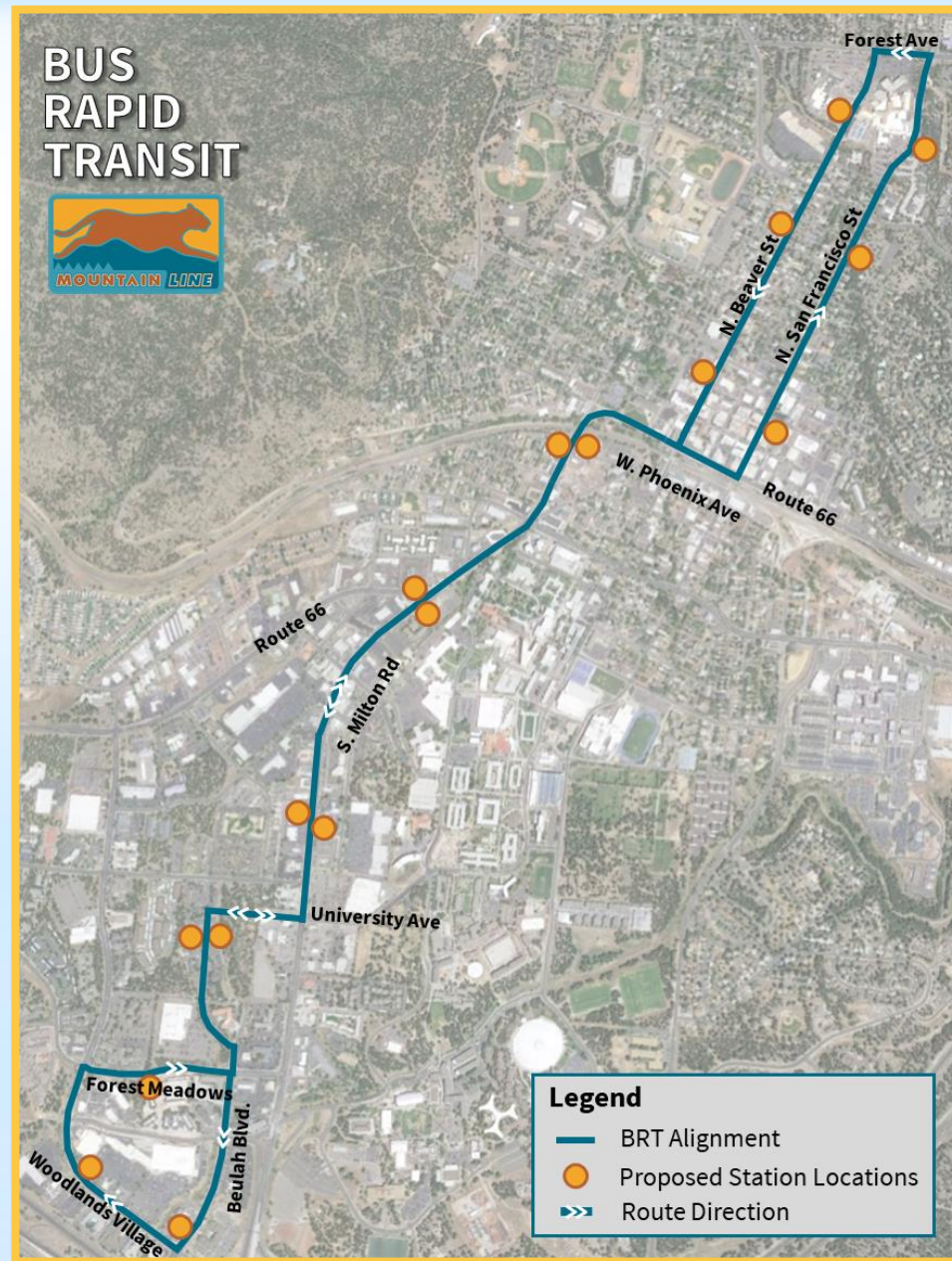


Getting you where you want to go

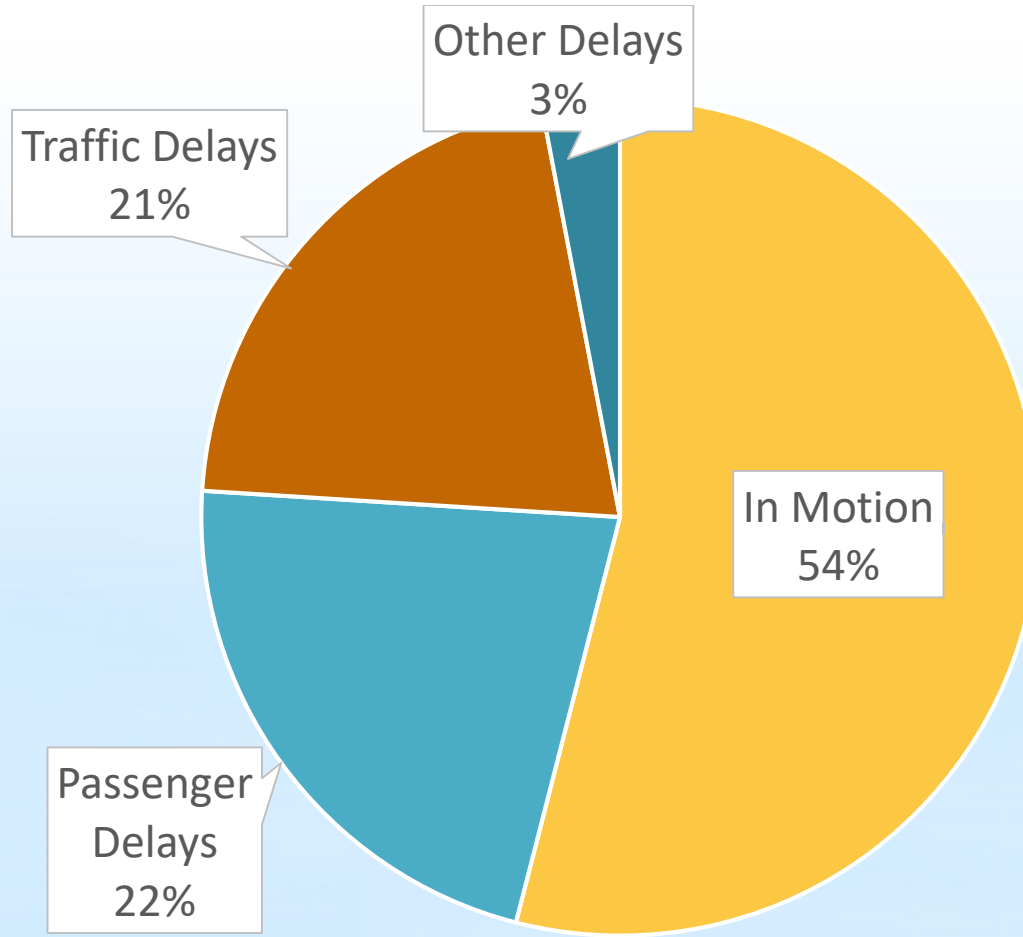


Flagstaff Medical Center to Woodlands Village

3.2 mile corridor



Bus Run Time Components



What is BRT?

BRT TOOLBOX

Operational Improvements

Dedicated Bus Lane and Bus Lane Enhancement

Technology

Transit Signal Priority and Queue Jumps

Wider Station Spacing

Off-Board Fare Collection

Multi-Door Boarding

Customer Amenities

Enhanced Stations

Real-Time Information

Multi-Door/Level Boarding

Rapid Transit Vehicles/Branding

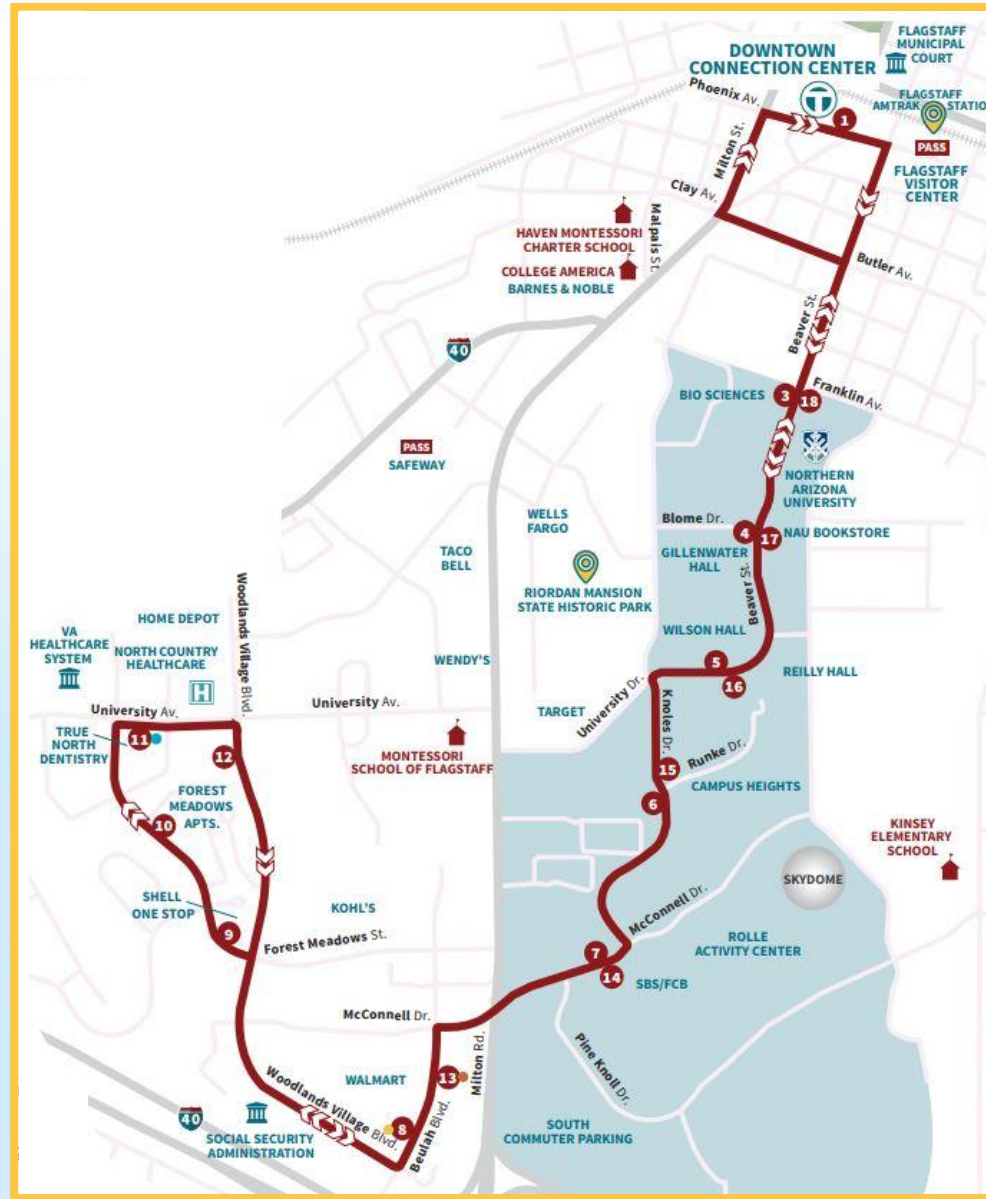
Bike and Pedestrian Connections



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What is BRT?



Getting you where you want to go



BRT Project Goals

ENHANCE

Make transit and multimodal mobility in Flagstaff more compelling

CONNECT

Connect neighborhoods and activity centers and improve local mobility

DEVELOP

Support economic development goals

SUSTAIN

Create an environment that will sustain over the long term

THRIVE

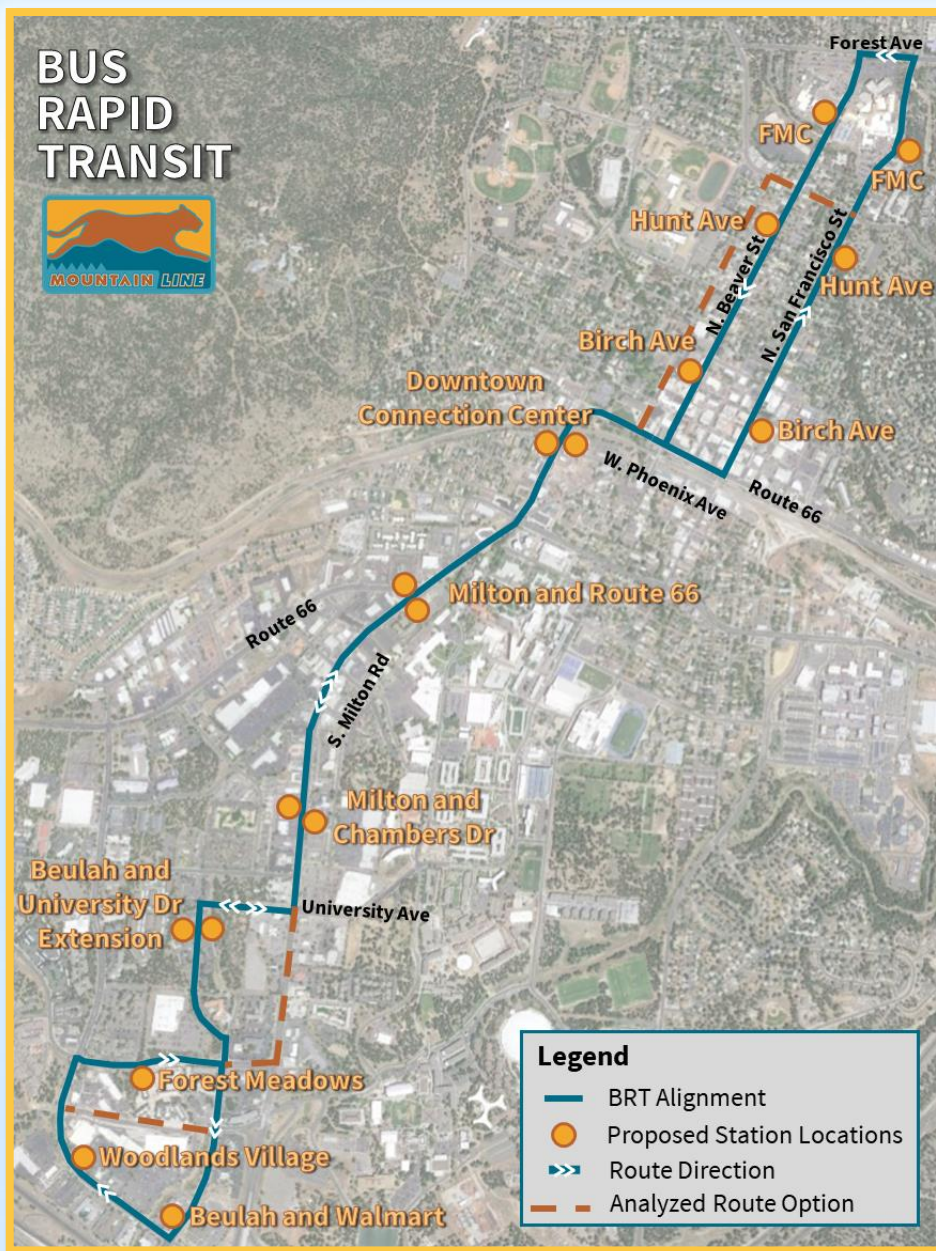
Strengthen the downtown core and connections to Woodlands Village, NAU & Flagstaff Medical Center



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BUS RAPID TRANSIT



Project Stakeholders

- Arizona Department of Transportation (ADOT)
- City of Flagstaff
- Coconino County
- MetroPlan
- Mountain Line
- National Forest Service
- Northern Arizona University (NAU)

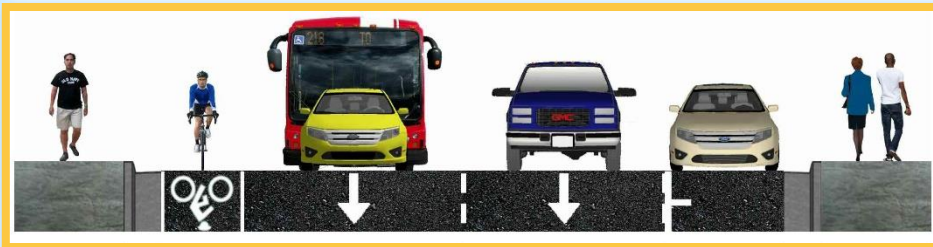


Getting you where you want to go



Top-Ranking Alternative Northern Section

N. Beaver Street

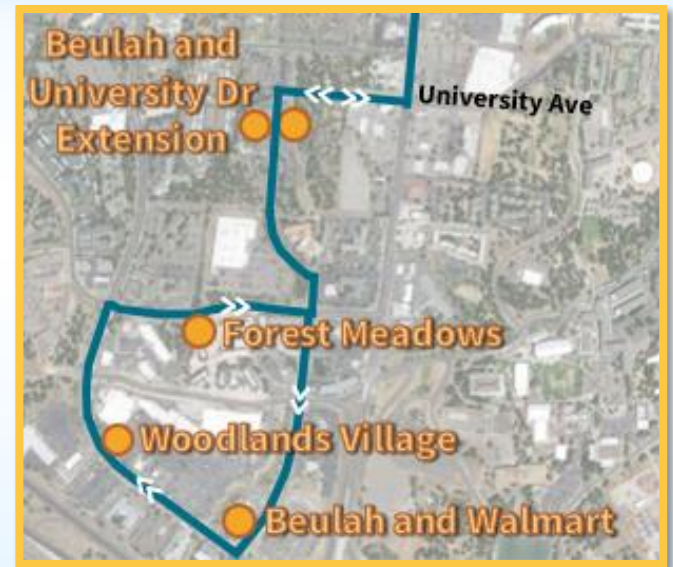


N. San Francisco Street





Southern Section – Beulah Boulevard



Next Steps:

Targeted Public Outreach

- Chamber of Commerce
- Airport Commission
- Pedestrian & Bicycle Advisory Committee
- Planning & Zoning Commission
- MetroPlan Management Committee
- Sustainability Commission
- NAU Transportation Action Team
- Commission on Inclusion and Adaptive Living
- Transportation Commission
- Coordinated Mobility Council
- Flagstaff Lodging, Restaurant & Tourism Association (FLRTA)
- Flagstaff Convention & Visitors Bureau
- Flagstaff City Council
- Coconino County Board of Supervisors
- Downtown Business Alliance
- MetroPlan Executive Board
- Northern Arizona Leadership Alliance (NALA)
- Economic Collaborative of Northern Arizona (ECoNA)
- Affordable Housing Commission
- NAU quarterly meeting
- NAU Graduate Student Government



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Next Steps:

Coordination with ADOT CMP

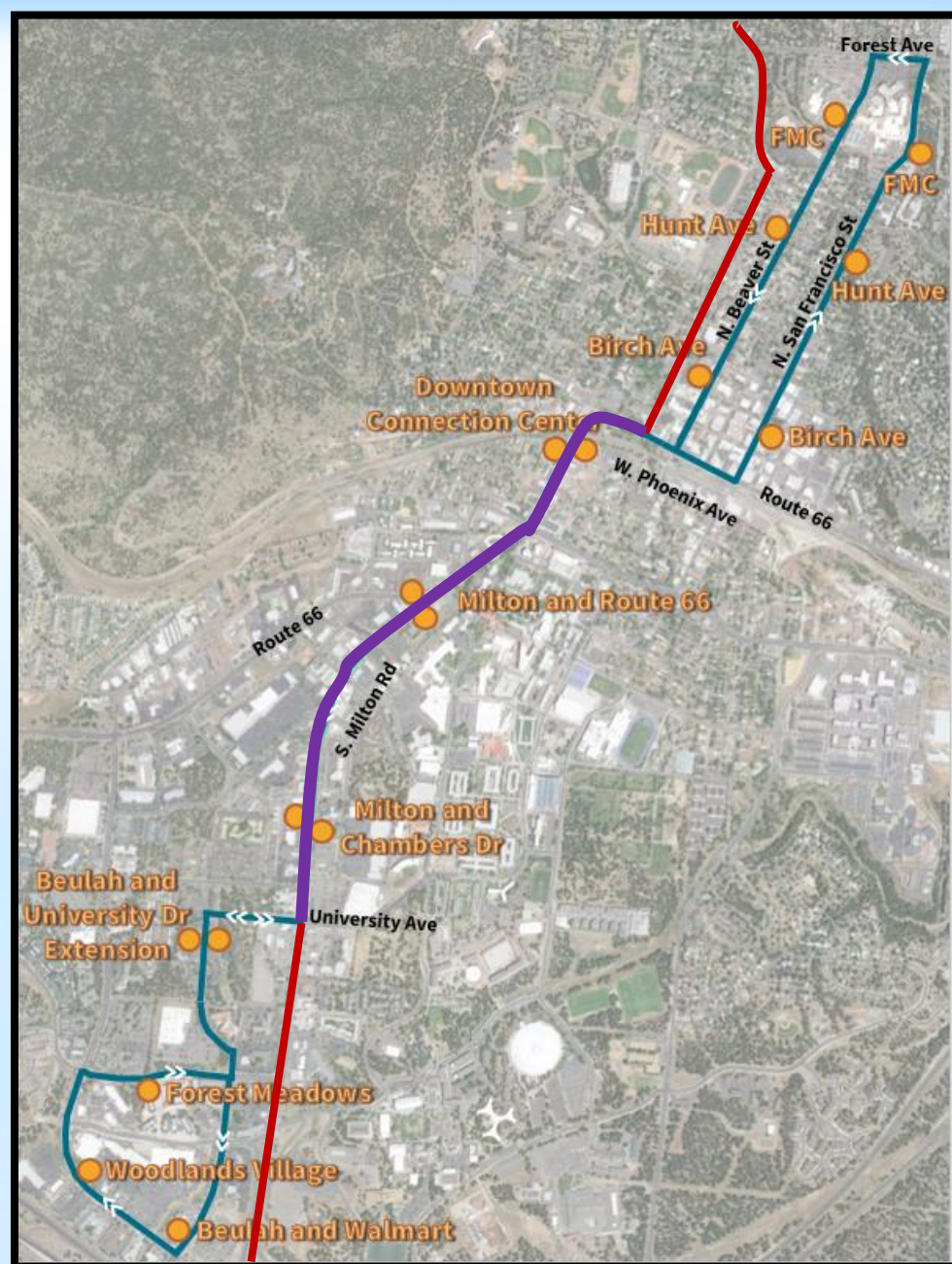


Milton and US180 Corridor Master Plans (CMP)

- Two unique projects with different boundaries
 - Overlap for 1.5 miles on Milton Rd.
- Joint stakeholder discussions and decision-making through shared evaluation criteria
- Result will be one recommended alternative



Bus Rapid Transit (BRT)



Getting you where you want to go



Next Steps:

Locally Preferred Alternative

Bus Station Locations

Environmental Analysis

Identify Local Funding

Apply for Federal Funding



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CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council

From: John Saltonstall, Business Retention & Expansion Manager

Co-Submitter: David McIntire

Date: 04/10/2020

Meeting Date: 05/12/2020



TITLE

City of Flagstaff Business Retention and Expansion Incentive

STAFF RECOMMENDED ACTION:

None at this time. Council may provide direction as to the proposed Business Retention and Expansion Incentive program, which is one means to encourage existing businesses within the targeted sectors to stay and grow in Flagstaff. Staff will be asking Council to adopt a resolution formally approving the program at the May 19, 2020 Council Meeting.

EXECUTIVE SUMMARY:

City of Flagstaff Economic Development Offices are charged to enhance the local economy through a variety of means including developing programs to assist local businesses to stay and grow in Flagstaff. Existing businesses have already committed to operating their business, employing other residents, and making a life in Flagstaff. Time of distress or expansion can be a challenge to the business to stay viable. The Business Retention and Expansion Incentive will help to retain those businesses or to help those businesses to expand. \$30,000 will be made available annually, as budgets permit, on a first come first served basis to businesses in existing targeted sectors to retain and expand such businesses within the City of Flagstaff city limits.

INFORMATION:

The City of Flagstaff has a history of providing incentives, financial and non-financial, for economic development purposes. Flagstaff City Council approved an Economic Development Policy Including Incentive in 2002 which was developed in partnership with the Northern Arizona Economic Development Advisory Committee (NAEDAC) and the Flagstaff Chamber of Commerce. In 2009, Economic Development staff presented the City of Flagstaff Economic Development Incentive in partnership with the Flagstaff Chamber of Commerce. The proposed Business Retention and Expansion Incentive Policy used the previous policies as a template to assist existing businesses.

Targeted industries are the following: Entrepreneurial companies, small business, start-ups, biosciences, medical device, air-side companies for the Flagstaff Airpark, research and development, health care, clean energy, software development, and education. The targeted industries typically provide high wage jobs that also have a low environmental impact. As wages are variable in each of those sectors, a high wage will need to be considered to that specific sector. Additionally, low-environmental impact is hard to quantify. The interview process will help the applicant and staff to navigate that conversation through

these two variables. There is an assumption that a business currently operating within the city limits understands the community value to respect the environment and to have that respect incorporated into their practices.

Business Retention and Expansion staff has worked with internal and external stakeholders, and private business to ensure that the proposed policy appears sound and will meet the objective of helping to retain and expand existing businesses. A proposed application review team of Economic Development, Procurement, and City Manager's Office staff will ensure integrity of the process. Follow-up by staff will ensure that the recipients have used the funding according to the program and their application's proposed use.

Recipients will be required to reimburse the awarded funds only if the business leaves the Flagstaff City Limits within three years of award.

Attachments: BR&E Incentive Presentation

Business Retention & Expansion Incentive

John Saltonstall, BR&E Manager
2/25/2020





Why We are here

Assist Businesses

- Ordinance guides staff to develop programs
- COVID-19



Eligibility Requirements

Targeted Sectors

- Entrepreneurial companies,
- small business,
- start-ups,
- biosciences,
- medical device,
- air-side companies for the Flagstaff Airpark,
- research and development,
- health care,
- clean energy,
- software development, and
- education



Eligibility Requirements

Criteria

- The preservation of existing or creation of full-time positions that are high-wage relative to the targeted industry sector, low environmental impact such as low water or power usage or the like.
- Business must relate to one of the targeted industries identified above.
- Ventures located within the City of Flagstaff municipal boundary.



Application

Business must submit the following:

1. Written narrative of the venture which includes:
 - The sector of the business;
 - The current business challenge(s);
 - A description of the proposed solution and direct correlation between the challenge and the proposed solution;
 - Specific outcomes relative to job retention or growth;



Application (continued)

Business must submit the following:

2. Budget and schedule of the venture;
3. Current business plan which will be reviewed and returned to the applicant.



Application Review

Process

- Review Team of Economic Development, Procurement, and City Manager will review the application
- Review Team will schedule a meeting with the applicant
- Successful applicant and Review Team will collaborate to develop timeline, milestones, performance measures and expectations



Reimbursement

Occurs under One Condition

- If the business leaves the City of Flagstaff municipal boundary within three years, the business is responsible for repayment of award



Annual Budget

\$30,000

- Funds are available on a first come- first served basis.
- The cap on total amount is \$30,000 or the remaining balance at the time of an application
- Businesses may not be awarded more than three times



BR&E Incentive



**Discussion
And
Questions Please**



BR&E Incentive



THANK YOU!!!

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Kristine Pavlik, Housing and Grants Administrator
Date: 05/04/2020
Meeting Date: 05/12/2020



TITLE:

Presentation and Discussion: Community Development Block Grant 2020/2021 Annual Action Plan recommendations, CDBG-CV funds provided by the CARES (Coronavirus Aid, Relief, and Economic Security) Act, and substantial amendments to the 2019/2020 CDBG Annual Action Plan.

DESIRED OUTCOME:

Housing Staff is seeking direction from Flagstaff City Council on the allocation of the 2020/2021 Community Development Block Grant (CDBG) funds and the CDBG-CV funding as part of the (Coronavirus Aid, Relief and Economic Security) Act. Staff will be back in front of the Council for a funding decision on the use of these funds on May 19, 2020.

The desired action on May 19 is twofold:

1. Approval of the City of Flagstaff's 2020/2021 Annual Action Plan, a required submission to the U.S. Department of Housing and Urban Development (HUD), as part of the Community Development Block Grant (CDBG) process.
2. Approval of a second substantial amendment to the 2019/2020 Annual Action Plan authorizing the City to de-obligate previously allocated Owner Occupied Housing Rehabilitation funds and incorporate CDBG-CV funding allocations.

EXECUTIVE SUMMARY:

Staff is seeking Council direction on funding recommendations for the use of 2020/2021 CDBG and CDBG-CV funding. Staff needs this direction to bring forward two resolutions on May 19 as a required submission to the U.S. Department of Housing and Urban Development (HUD) as part of the Community Development Block Grant (CDBG) program.

INFORMATION:

Financial Impact:

CDBG 2020/2021 Annual Action Plan

Approval of Resolution 2020-26 is critical to the City of Flagstaff receiving its annual CDBG entitlement allocation. The 2020/2021 CDBG allocation is \$611,295. In addition, the City of Flagstaff is able to include program income and reallocated funds from past year grants to increase funding available for projects. Those additional funds equal \$48,986.00. Therefore, a grand total of \$660,281.00 is available for the 2020/2021 program year, through the Annual Action Plan process. The proposed allocation takes into consideration the City's financial impacts by including the estimated indirect rate of 10%.

CDBG 2019/2020 Amended Annual Action Plan

Approval of Resolution 2020-25 will amend the City of Flagstaff's 2019/2020 Due to the health and safety concerns caused by the pandemic Annual Action Plan and expedite CDBG-CV funding into the Flagstaff community. The amendment will de-obligate up to \$164,000 in funds previously allocated to the City of Flagstaff's Owner Occupied Housing Rehabilitation Program, which has been temporarily paused due to the health and safety concerns caused by the pandemic, and incorporate CDBG-CV funds provided by the CARES (Coronavirus Aid, Relief, and Economic Security) Act. The City of Flagstaff CDBG-CV allocation is \$359,604. For this proposed allocation, the City has waived the indirect rate of 10% in order to maximize community benefit.

Policy Impact:

The City of Flagstaff Council's CDBG Priorities:

- Provide affordable housing (rental and ownership)
- Address homelessness
- Improve neighborhood revitalization
- Promote workforce job training
- Support education/ early childhood development

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

REGIONAL PLAN:

Goal NH.1. Foster and maintain healthy and diverse urban, suburban, and rural neighborhoods in the Flagstaff region.

- Policy NH.1.1. Preserve and enhance existing neighborhoods.

Goal NH.4. All housing is safe and sanitary.

- Policy NH.4.1. Expand the availability of affordable housing throughout the region by preserving existing housing, including housing for very low-income persons.
- Policy NH.4.3. Address accessibility issues and other housing barriers to persons with disabilities or special needs.
- Policy NH.4.4. Encourage green practices in housing construction and rehabilitation that support durable, healthy, and energy efficient homes.
- Policy NH.4.5. Renovate the existing housing stock to conserve energy and reduce utility and maintenance costs for owners and occupants.
- Policy NH.4.7. Enforce compliance with fair housing laws.

Goal NH.5. Eliminate homelessness.

- Policy NH.5.1. Provide adequate resources for families with children experiencing homelessness.
- Policy NH.5.2. Provide adequate resources for individuals experiencing homelessness.
- Policy NH.5.3. Support and expand programs that prevent homelessness.
- Policy NH.5.4. Make transitional housing resources available to populations experiencing homelessness.

Has There Been Previous Council Decision on This:

Staff received Council direction on local priorities during the January 29th, 2019 Council meeting. Those priorities are identified in Policy Impact above and Background/ History below.

Background/History:

CDBG 2020/2021 Annual Action Plan

In order to receive CDBG funding, the City must complete and submit to HUD the required 2020-2021 Annual Action Plan. This plan describes how CDBG funds will be used in the coming year.

Every two years, staff requests funding guidance from Council on CDBG Priorities and the overall CDBG process for the coming two years. In January 2019, Council received an overview of the CDBG program and established five priorities:

1. Provide affordable housing (rental and ownership)
2. Serve those experiencing homelessness
3. Improve neighborhood revitalization
4. Promote workforce job training
5. Support education/ early childhood development

In the 2020 CDBG process, five external agency proposals were received. There was one internal City of Flagstaff request. The total requested in CDBG funding from all proposals was \$791,640. \$660,281.00 is available for the 2020/2021 program year, through the Annual Action Plan process.

Housing staff are responsible for determining whether a proposed activity is eligible and conducting a risk assessment of the project and applying agency. Federal funds require administrative knowledge, capacity to ensure compliance and timely expenditure of funds. A ranking committee comprised of three community representatives and three City staff met to review the external proposals and rank them by consensus. Rankings primarily serve as a risk and benefit assessment and are the guiding input for staff recommendations forwarded to City Council.

Below is a list of the proposals in order of ranking. The proposals are categorized by Housing and Public Service categories as HUD has two separate funding limits and different criteria. *For the 2020/2021 program year, HUD has waived the required 15% public service cap for projects that respond to, prepare for, and prevent the COVID-19 infectious disease.*

Internal City of Flagstaff proposals are presented to meet City Council priorities or other unmet needs in the community and are not ranked (NR) competitively with the other proposals since the City would administer these projects directly.

Housing Activities	Proposal/Project	Request	Ranking
Housing Solutions of Northern Arizona	Sharon Manor Renovation	\$244,400	119
Housing Solutions of Northern Arizona	Permanent Supportive Housing Acquisition	\$115,000	113
City of Flagstaff	La Plaza Vieja Infrastructure	\$200,000	Internal

Public Service Activity	Proposal/Project	Request	Ranking
Flagstaff Shelter Services	Housing as Healthcare Program	\$100,000	152
Threaded Together	Sewing and Textile Employment Pathway (STEP) Program	\$32,240	109
Tynkertopia	Full STEAM Ahead Job Training Program	\$100,000	53

CDBG 2019/2020 Amended Annual Action Plan and CDBG-CV Funding

In order to receive and incorporate CDBG-CV funding, the City must submit to HUD the required substantial amendment to the 2019-2020 Annual Action Plan. This amendment describes how CDBG-CV funds will be used.

To determine the most efficient and effective use of the CDBG-CV funds, housing staff contacted six local, non-profit agencies who provide essential community services and have successfully administered City of Flagstaff CDBG funded projects within the last 6 years. Agencies were asked to submit an "Agency Needs Assessment" detailing urgent needs for responding to, preparing for and preventing the COVID-19 Infectious Disease. Three agencies returned needs assessments requesting \$535,000 for COVID-19 related projects. The CDBG-CV funds provided by the CARES Act and allocated to the City of Flagstaff equal \$359,604. The three agencies that did not submit a request for funding all sent responses supporting the requested CDBG-CV projects.

Additionally, HUD has urged entitlement communities to consider the use of allocated CDBG funds for the prevention and response to the community spread of COVID-19. Due to the health and safety concerns caused by the pandemic, the Owner Occupied Housing Rehabilitation (OOHR) Program has been put on pause. With this, staff is recommending a de-obligation and reallocation of up to \$164,000 from annual CDBG 2019/2020 entitlement from the internally administrated OOHR Program for allocation to COVID-19 response programs. This brings the total available for funding up to \$533,604.

Below is a list of the agency needs received by housing staff. All agency needs are in the public service category. *For the 2019/2020 program year and CDBG-CV allocations, HUD has waived the required 15% public service cap for projects that respond to, prepare for and prevent the COVID-19 infectious disease .*

Public Service Activity	Proposal/Project	Request	
Flagstaff Shelter Services	COVID-19 Infectious Disease Response	\$280,000	
Catholic Charities	Homeless Services	\$80,000	
Coconino County Health and Human Services	Eviction Prevention and Housing Stabilization	\$175,000	

Key Considerations:

In order to receive CDBG funding, the City must complete an Annual Action Plan that describes how CDBG funds will be used in the coming year and how the activities will accomplish the goals outlined in the 2016-2020 Consolidated Plan. The creation of the Consolidated Plan is an extensive process involving public and stakeholder input (gathered through surveys, public meetings, and a 45-day public comment period), community needs assessments and a housing market analysis. The data outlined in the Consolidated Plan helps determine the relative priority of activities and the populations that will be served in the coming years.

Expanded Financial Considerations:

CDBG 2020/2021 Annual Action Plan

For the 2020/2021 Annual Action Plan, the ranking committee, along with staff are recommending that the City of Flagstaff fully fund the external Housing Solutions of Northern Arizona Sharon Manor Rehabilitation project and two of the external public services proposals, Flagstaff Shelter Services and Threaded Together. Remaining funds would be used to partially fund the City of Flagstaff internal infrastructure project in the La Plaza Vieja target neighborhood as outlined in the chart below:

2020/2021 Allocation

Total 2020 Entitlement Award	\$611,295.00	
Program Income (PI) and de-obligated funds	\$48,986.00	
Total Available	\$660,281.00	
Administration (20%)		
Grant Compliance and Administration	\$64,974.00	
Estimated City Indirect Rate of 10%	\$60,026.00	
Total Administration	\$125,000.00	

2020/2021 CDBG Funding Recommendations

Housing/Economic Development Activities	Recommended Funding	Individuals/Households Served
Housing Solutions of Northern Arizona Sharon Manor Renovation	\$244,400.00	8 households
City of Flagstaff La Plaza Vieja Infrastructure	\$157,433.00	2,230 individuals
Total Housing/Economic Development Activities	\$401,833.00	
Public Service Activities (15% Cap)	Recommended Funding	
Flagstaff Shelter Services Housing as Healthcare and COVID-19 Response Program	\$100,000.00	500 individuals
Threaded Together Sewing and Textile Employment Pathway and COVID-19 Response Program	\$32,240.00	3 individuals
Total Public Service Activities	\$132,240.00	
Administration	\$125,000.00	
Total City of Flagstaff Fund Request	\$660,281.00	2,733 individuals 8 households

CDBG 2019/2020 Amended Annual Action Plan and CDBG-CV Funding

For the 2019/2020 Amended Annual Action Plan, staff is recommending that the City of Flagstaff reallocate funds from the OOHHR project and combine these funds with the CDBG-CV funds and allocate funds for Eviction Prevention and Housing Stabilization administered by Coconino County Health and Human Services, and Flagstaff Shelter Services and Catholic Charities homeless services as outlined in the chart below:

CDBG-CV and 2019 Allocation

Total CDBG CV Entitlement Award	\$359,604.00	
De-obligated OOHHR Funds	\$164,000.00	
Total Available	\$523,604.00	
Administration (10% of CDBG-CV Allocation only)		
Grant Compliance and Administration	\$35,960.40	

Estimated City Indirect Rate of 10%	\$0
Total Administration	\$35,960.40

CDBG-CV and 2019 Funding Recommendations

Public Service Activities (15% Cap)	Recommended Funding	
Flagstaff Shelter Services Housing as Healthcare and COVID-19 Response Program	\$250,000.00	600 individuals
Catholic Charities Homeless Services	\$73,643.60	560 individuals
Coconino County Health and Human Services Eviction Prevention and Housing Stabilization	\$164,000.00	91 households
Total Public Service Activities	\$487,643.60	
Administration	\$35,960.40	
Total City of Flagstaff Fund Request	\$533,604.00	1,160 individuals 91 households

****In addition to CDBG-CV funds, Coconino County Health and Human Services' Eviction Prevention and Housing Stabilization program will also receive \$59,000 in City of Flagstaff General Funds per Council direction at the April 24, 2020 Budget Retreat. These funds will be leveraged with the CDBG allocation and administered as one program. Those funds are not indicated in these recommendations.**

Community Benefits and Considerations:

Within the 2016-2020 Consolidated Plan and excluding administration, Flagstaff has leveraged \$1,177,287.11 in CDBG expenditures with \$4,805,665.71 in other, private or public funds.

Flagstaff is proud of prior year CDBG accomplishments and continues to utilize viable resources to improve the quality of life in this community. In all, approximately 6,050 individuals and an additional 31 households were beneficiaries of CDBG services during the 2018 Program Year. If funded, the above recommendations would serve an additional 2,733 individuals and 8 households in the 2020/2021 program year and an additional 1,160 individuals and 91 households in the 2019/2020 program year.

Community Involvement:

Public process requirements for the Annual Action Plan offer extensive community involvement and collaboration ranging from public meetings and public comment periods to a ranking focused committee.

First Public Meeting January 30th, 2020

- Display advertisement (January 5th & 12th, 2020 – AZ Daily Sun)
- Meeting to discuss the CDBG proposal process and the Annual Action Plan

Second Public Meeting February 28th, 2020

- Display advertisement (February 9th & 16th, 2020 – AZ Daily Sun)
- Meeting to review the submitted proposals and allowed public comment in preparation for making funding recommendations to City Council

Third Public Meeting - Council Meeting May 12 and May 19

- Display advertisement for Council meeting discussion CDBG 2020/2021 AAP, Amended 2019/2020 AAP and CDBG-CV funds (May 6th, 2020 – AZ Daily Sun)

CDBG 2020/2021 Annual Action Plan

With efforts to attract a diverse group of social service agencies, emails were distributed to all members of Coconino County's Continuum of Care (300 members). Additionally, agencies that had previously requested information and/or had been involved in the CDBG proposal process in prior years received personal invitations. The proposal format was provided at the first public meeting and placed on the City website with a submission deadline of February 20th, 2020. Five external agency proposals were received along with one City of Flagstaff request.

CDBG 2019/2020 Amended Annual Action Plan

Utilizing a recently published waiver of regulations, there was a five-day (instead of a 30 day) Public Comment Period from May 6th – 11th, 2020. An advertisement for Public Notice was published in the Arizona Daily Sun on May 6th, and the proposed DRAFT Resolutions, the 2019/2020 Amended Annual Action Plan and DRAFT 2020/2021 Annual Action Plan were made available on the City of Flagstaff website starting May 6th, 2020.

With efforts to eliminate risk in federal spending, all while expediting CDBG-CV dollars to the greatest need, housing staff contacted six local, non-profit agencies who provide essential community services and have successfully administered City of Flagstaff CDBG funded projects within the last 6 years. Three agencies submitted Agency Needs Assessments detailing urgent needs for responding to, preparing for, and preventing the COVID-19 Infectious Disease. The three agencies that did not submit a request for funding sent responses supporting the requested CDBG-CV projects.

Attachments: Presentation

Community Development Block Grant (CDBG)

2020 Annual Action Plan (AAP)
& 2019 AAP COVID-19
Amendment #2



Housing Section



Tonight



1. Brief CDBG Recap
2. CDBG 2020 Annual Action Plan Process
3. Proposals Received and CDBG 2020 Funding Recommendations
4. CDBG 2019 Annual Action Plan Amendment #2 and CDBG-CV (COVID-19) Funding Recommendations





CDBG Overview



National and Primary Objective

- The development of viable urban communities through the provision of the following, principally for low and moderate income persons:
 - Decent housing
 - A suitable living environment
 - Economic opportunity



How can the City spend the money?

As the City Council determines based on:

- Needs identified in the Consolidated Plan
- The National Objective
- One or more of the Primary Objectives





Council Direction & Staff Responsibilities



Council CDBG Priorities (*established Jan. 2019*)

- Provide Housing (rental & ownership)
- Serve those experiencing Homelessness
- Neighborhood Revitalization
- Workforce Job Training
- Education/ Early Childhood Development

City Staff Responsibilities

- Conduct proposal process
- Determine activity eligibility
- Assess activity viability
- Conduct agency risk assessment
- Provide recommendations to the City Council



Public Participation Process



- **Public Meetings**
 - January 30
 - February 28
- **Open Proposal Process**
 - January 30 – February 20
- **Draft Annual Action Plan for Public Comment**
 - May 6 – May 12
- **Proposal Ranking Committee with Citizens & Staff**
 - March 12





-

The City of Flagstaff is the Responsible Entity to the HUD



How much money are we talking about?



2020/2021 Entitlement

\$611,295

Current Year Program Income

\$33,985

Reallocated Funds

\$15,001

Total Available for Allocation

\$660,281





How much money are we talking about for each category?



Admin/Grant Compliance and Indirect (20% cap)	\$125,000
--	------------------

- | | |
|--|---------------------------------|
| <ul style="list-style-type: none">• <i>Estimated</i> City Indirect at 10% of allocation• Admin/Grant Compliance | <p>\$60,026</p> <p>\$64,974</p> |
|--|---------------------------------|

Housing and Public Service Activities	\$535,281
--	------------------

HUD has waived the 15% Cap on Public Services for projects that respond to, prepare for, and prevent COVID-19





2020 Public Service Proposals



Total Requests: \$232,240

<u>Agency</u>	<u>Proposal/Project</u>	<u>Request</u>	<u>Serving</u>	<u>Ranking</u>
Flagstaff Shelter Services	Housing as Healthcare Program	\$100,000	500	152
Threaded Together	Sewing and Textile Employment Pathway (STEP) Program	\$32,240	3	109
Tynkertopia	Full STEAM Ahead Job Training Program	\$100,000	3	53



2020 Housing Activity Proposals



Total Requests: \$559,400

<u>Agency</u>	<u>Proposal/Project</u>	<u>Request</u>	<u>Serving</u>	<u>Ranking</u>
Housing Solutions of Northern Arizona	Sharon Manor House Rehabilitation	\$244,400	8 households	119
Housing Solutions of Northern Arizona	Permanent Supportive Housing Acquisition	\$115,000	1 household	113
City of Flagstaff	La Plaza Vieja Infrastructure	\$200,000	2,230 individuals	Internal



2020 Funding Recommendation Public Service Proposals



\$132,240

<u>Agency</u>	<u>Proposal/Project</u>	<u>Request</u>	<u>Recommendation</u>	<u>Serving</u>	<u>Ranking</u>
Flagstaff Shelter Services	Housing as Healthcare Program	\$100,000	\$100,000	500	152
Threaded Together	Sewing and Textile Employment Pathway (STEP) Program	\$32,240	\$32,240	3	109
		Total:	\$132,240		503

Projects are responding to COVID-19



2020 Funding Recommendation Housing Activities



\$401,833

<u>Agency</u>	<u>Proposal/Project</u>	<u>Request</u>	<u>Recommendation</u>	<u>Served</u>	<u>Ranking</u>
Housing Solutions of Northern Arizona	Sharon Manor House Rehabilitation	\$244,400	\$244,400	8 Households	119
City of Flagstaff	La Plaza Vieja	\$200,000	\$157,433	2,230 individuals	Not Ranked
Total			\$401,833		



COVID-19 Response CDBG-CV funds



Six Community Service Agencies asked to submit “Agency Needs Assessments”

- Flagstaff Shelter Services
- Catholic Charities
- Coconino Health and Human Services
- Housing Solutions of Northern Arizona
- Northland Family Help Center
- The Guidance Center



Draft Amendment to 2019 Annual Action Plan Available for Public Comment

- May 6 – May 12



How much money are we talking about?



CDBG-CV Allocation	\$359,640
<i>De-obligated OOHR Funds</i>	<i>\$164,000</i>
<i>10% Administration</i>	<i>-\$35,960.40</i>
<i>10% City Indirect Rate</i>	<i>-\$0</i>
Total Available for Allocation	\$487,643.60



Agency Needs



Total Requests: \$535,000

<u>Agency</u>	<u>Proposal/Project</u>	<u>Request</u>	<u>Serving</u>
Flagstaff Shelter Services	COVID-19 Infectious Disease Response	\$280,000	600
Catholic Charities	Homeless Services	\$80,000	560
Coconino County Health & Human Services	Eviction Prevention & Housing Stabilization	\$175,000	91



CDBG-CV Recommendations

Total Available: \$523,640



<u>Agency</u>	<u>Proposal/Project</u>	<u>Request</u>	<u>Recommendations</u>	<u>Serving</u>
Flagstaff Shelter Services	COVID-19 Infectious Disease Response	\$280,000	\$250,000	600
Catholic Charities	Homeless Services	\$80,000	\$73,643.60	560
Coconino County Health & Human Services	Eviction Prevention & Housing Stabilization	\$175,000	\$164,000	91



Next Steps



Questions?? And Council Direction



CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Neil Chapman, Forest Health Supervisor
Co-Submitter: Nicole Antonopoulos
Date: 05/05/2020
Meeting Date: 05/12/2020



TITLE:

Consideration of the Environmental Management Fee restructure and Water Resource & Infrastructure Protection Fee.

DESIRED OUTCOME:

Approval to bring back two ordinances on June 2, 2020 which will move forward with the Environmental Management Fee restructure and implementation of a Water Resource & Infrastructure Protection Fee.

EXECUTIVE SUMMARY:

The Environmental Management Fee restructure and the Water Resource & Infrastructure Protection initiative are being presented to City Council as one item. This is a combined effort between Management Services, Water Services, Sustainability, Fire, and the City Attorney's Office.

The Environmental Management Fee restructure is intended to distribute the fee more equitably among City municipal service customers. Staff are recommending restructuring the current \$4.00 monthly fee per municipal services bill to a model that assesses \$0.035 fee per amount billed for water, wastewater, reclaimed water, stormwater, trash and recycling services ("core services"). The proposed model is intended to keep Environmental Management Fund revenues about the same. Some customers will see a fee decrease, and some will see a fee increase because the fee will now be tied to consumption. If approved, it will result in greater equity in terms of paying a fair share of the cost of environmental and natural resource management.

The Water Resource & Infrastructure Protection fee will establish a sustainable and stable watershed management funding source to be managed by the Wildland Fire Management program. The Water Resource & Infrastructure Protection Fee will be assessed based on water consumption billed monthly. Staff is providing two options to Council for consideration - one option is the primary option to fund the work program, the second option is to fund the program and strategic wildfire risk reduction projects in the Upper Lake Mary watershed.

INFORMATION:

At the February Budget Retreat, Council gave direction to bring forward a fee related to restructuring of the Environmental Management Fee and a new fee for Water Resource and Infrastructure Protection. On April 17, 2020 staff posted a 60-day website notice which included the two attached financial analysis reports. A public hearing will be held prior to any Council approval of the fees.

If approved the restructured Environmental Management Fee and the Water Resource & Infrastructure Protection initiative would:

- ## Key Considerations

The intent for restructuring the fee is rooted in equitable distribution. This fee restructure is intended to provide resources, educate, and mitigate impacts at each municipal service address in an equitable manner.

The City's Wildland Fire Management Division is the only area fire management resource that reports to City leadership and is responsible for implementing Council directives.

Attachments: EM and WRIP Fee Presentation
EM Fee Restructure Analysis
WRIP Fee Analysis

Environmental Management and Water Resource and Infrastructure Protection Initiative through Wildland Fire Management Fees Discussion



Discussion Framework

- How we got here
- Environmental Management Fee
 - Background
 - Proposed fee restructure
 - Customer impact scenarios
- Water Resource and Infrastructure Protection
 - Background
 - Proposed fee
 - Customer impacts
- Advancing City initiatives
- Timeline





How We Got Here

Env. Management Fee

The Environmental Management Fee should be distributed equitably amongst City customers

Water Resource and Infrastructure Protection

Need to establish a sustainable, stable and long-term initiative to maintain investments in watersheds and City water infrastructure via the Wildland Fire Management Program

Environmental Management Fee



Background

- Established in 2002 to fund city-wide environmental programs
- Per the Solid Waste Code 7-04-001-0010 FEES “a fee of \$4.00 fee per month per City utility bill ...”
- In Fiscal Year 2019-20 the fee generated \$1.02 Million
 - Fee provides revenues for Sustainability Section, Flagstaff Fire Department, and Greater Flagstaff Forest Partnership

Environmental Management Fee



Proposed Fee Restructure – Why?

The fee is intended to correlate between the environmental and natural resource impact and programming necessary to mitigate these impacts. In many cases the fee is not distributed equitably among service addresses. For example:

- A single-family residence is assessed at \$4 monthly per bill.
- A high occupancy housing unit of 150 habitants is assessed at \$4 monthly per bill because they have one monthly bill. A specific example is a high-density unit in Flagstaff with ~ 900 residents pays \$20 per month for 5 bills at the unit.
- The City provides some services per contract and/or miscellaneous billings and these customers currently do not pay the fee at all

Environmental Management Fee



Proposed Fee Restructure

- Restructure the fee to be \$0.035 rate assessed on charges from water, wastewater, reclaimed water, stormwater, trash and recycling services (“core services”)
- Restructure would keep the fund “flat”
- Arizona laws allow cities and towns to charge fees for the provision of these core services
- The fees collected are used for protecting and enhancing our core services
- Customers will have some ability to reduce their monthly fee, by consuming less

Environmental Management Fee

Residential Customer Impact Example

With Typical Municipal Bill Services



Residential Customer Impacts	Current Bill		Proposed Bill		Change
Customer 1: Average Monthly Consumption 3,500					
Total bill w/o Environmental Fee	\$	77.46	\$	77.46	\$ -
Amount of Environmental Fee	\$	4.00	\$	2.03	\$ (1.97)
Customer 3: Average Monthly Consumption 10,000					
Total bill w/o Environmental Fee	\$	161.10	\$	161.10	\$ -
Amount of Environmental Fee	\$	4.00	\$	4.77	\$ 0.77

Environmental Management Fee

Commercial Customer Impact Example*

With Municipal Trash and Recycling Service



Commercial Customer Impacts	Current Bill		Proposed Bill		Change
Customer 1: Average Monthly Consumption 3,500					
Total bill w/o Environmental Fee	\$	313.79	\$	313.79	\$ -
Amount of Environmental Fee	\$	4.00	\$	10.30	\$ 6.30
Customer 3: Average Monthly Consumption 10,000					
Total bill w/o Environmental Fee	\$	379.08	\$	379.08	\$ -
Amount of Environmental Fee	\$	4.00	\$	12.39	\$ 8.39

* Example shows a Commercial customer with City trash service (6 yard bin 2 times per week) and City recycling service (4 yard bin 2 times per week).

Water Resource & Infrastructure Protection

Background



- Watershed protection and Wildfire risk reduction program established in 1997 by Council to address wildfire threat and mitigate impacts to Flagstaff
- Now recognized as a national model with proven success
- Funded by General Fund, grants & most recently FWPP bond
- FWPP bond will be fully encumbered/spent within the next 6-10 months
- Recognized need for sustainable ongoing funding to protect our community, forests, watersheds and infrastructure

Water Resource & Infrastructure Protection

Proposed Fee



- Option 1 – Water Resource and Infrastructure Protection Initiative via Wildland Fire Management
 - Maintain the trend of reducing the number, size, intensity and cost of wildfires that impact our community
- Option 2 – Water Resource and Infrastructure Protection Initiative & Projects in the Upper Lake Mary watershed
 - Avoid projected replacement and recovery costs of \$84M - \$215M (2013 estimate) following severe wildfire in Upper Lake Mary watershed

Water Resource & Infrastructure Protection

Customer Impact – Financial Scenarios



Option 1

Customer Impacts		Effective 8/1/2020		Effective 7/1/2022	
		Monthly Impact	Annual Impact	Monthly Impact	Annual Impact
Gallons of Monthly Consumption					
	1,000	0.52	6.24	0.53	6.36
	3,500	1.82	21.84	1.86	22.26
	5,000	2.60	31.20	2.65	31.80
	10,000	5.20	62.40	5.30	63.60
	25,000	13.00	156.00	13.25	159.00

Option 2

Customer Impacts		Effective 8/1/2020		Effective 7/1/2022	
		Monthly Impact	Annual Impact	Monthly Impact	Annual Impact
Gallons of Monthly Consumption					
	1,000	0.52	6.24	0.68	8.16
	3,500	1.82	21.84	2.38	28.56
	5,000	2.60	31.20	3.40	40.80
	10,000	5.20	62.40	6.80	81.60
	25,000	13.00	156.00	17.00	204.00



EMF/WRIP Residential Impact Summary



Option 1 (3,500 gallons)

- Environmental Management Fee = \$2.03 (\$1.97 decrease from current fee)
- Water Resource and Infrastructure Protection Fee = \$1.82
- Total = **\$3.85** per month
 - \$0.15 monthly savings
 - \$1.80 annual savings

Option 2 (3,500 gallons)*

- Environmental Management Fee = \$2.03 (\$1.97 decrease from current fee)
- Water Resource and Infrastructure Protection Fee = \$2.38
- Total = **\$4.41** per month
 - \$0.41 monthly cost
 - \$4.92 annual cost

****Starting FY22***



EMF/WRIP Residential Impact Summary

Option 1 (10,000 gallons)

- Environmental Management Fee = \$4.77 (\$0.77 increase from current fee)
- Water resource and Infrastructure Protection Fee = \$5.20
- Total = **\$9.97** per month
 - \$5.97 monthly cost
 - \$71.64 annual cost

Option 2 (10,000 gallons)*

- Environmental Management Fee = \$4.77 (\$0.77 increase from current fee)
- Water Resource and Infrastructure Protection Fee = \$6.80
- Total = **\$11.57** per month
 - \$7.57 monthly cost
 - \$90.84 annual cost

****Starting FY22***



Building Community Together

Advancing City Initiatives

- Regional Plan
- City Council Goals
- Climate Action and Adaptation Plan
- Wildland Urban Interface Code
- Greater Flagstaff Community Wildfire Protection Plan
- Rethink Waste Plan



Timeline

Outreach

- Commissions: Open Space, Sustainability, Water
- Social media
- Direct/electronic mailing
- Volunteer corps
- Other – Key Program Partners, etc.

Ordinance

- June 2, 2020 1st read
- June 16, 2020 2nd read

Thank you.

Questions?



City of Flagstaff, Arizona

Environmental Management Fee Restructure Analysis Report



Management Services, Sustainability Section and Fire
Department

April 2020 (revised 5/6/2020)

Executive Summary

The City Management Services Division, in coordination with the Sustainability Section, is proposing a restructure of the Environmental Management Fee. This fee restructure analysis report was developed pursuant to City Council direction at the Fiscal Year 2020-21 Budget Retreat on February 4, 2020.

The City is proposing to replace the current flat \$4.00 fee per municipal services bill to a consumption-based fee. This restructure of the fee formula will result in greater equity in terms of paying fair share of the cost of environmental and natural resource management. In Fiscal Year 2019-20, the Environmental Management Fee generated an estimated \$1.02 Million. Under the restructure, the City protects that overall fee revenues will remain about the same but recommends that the fee be adjusted over time to account for inflation.

The Environmental Management Fee was established in 2002 and is authorized in the Solid Waste Code Section 7-04-001-0010 FEES. As defined in the Code, “a fee of \$4.00 per month per City utility bill shall be charged to fund citywide environmental programs, including, but not limited to, Environmental Management, Brownfield Land Recycling, Sustainability, Environmental Code Enforcement, and Conservation Education Programs”.

Today, the fee provides revenues for the majority of the Sustainability Section programs, which are further described on the City of Flagstaff website and in the annual adopted Budget of the City. The City is proposing to restructure the Environmental Management Fee so that the fee will be a percentage assessed on services provided from water, sewer, stormwater, trash and recycling services (“core services”). As a result, utility customers will have some ability to reduce or lower their monthly fee, by consuming less. Arizona laws allow cities and towns to charge fees for the provision of these core services. The Environmental Management Fees collected are used for protecting and enhancing our core services. The City Sustainability also provides additional services that are funded by the General Fund, grants, and other funding sources.

Environmental Management Fee Restructure Analysis and Proposed Change

Overview of Existing Fee Structure

The Environmental Management Fee is billed at a flat monthly rate of \$4.00 per City Municipal Bill. The fee was designed to fund a variety of city-wide environmental programs including but not limited to, environmental management, brownfield land recycling, sustainability, environmental code enforcement, and conservation education programs. These programs benefit all utility customers, including Northern Arizona University and the City as they are both major utility customers.

Purpose for Restructured Environmental Management Fee

The intent for restructuring the fee is rooted in equitable distribution. Currently the fee is assessed per the monthly municipal services bill and is intended to correlate between the environmental impact and programming necessary to mitigate these impacts of the service address. However, in some instances, the correlation seems less equitable. For example, a single-family residence with four habitants, is assessed at \$4 monthly per bill. While a high occupancy housing unit with 150 habitants, is assessed at \$4 monthly per bill. A specific example is a high-density unit in Flagstaff with 900+ residents, that pays five municipal services bills, therefore paying only \$20 monthly toward the Environmental Management Fund. Also, currently we provide some services per contract and/or miscellaneous billings and these customers currently do not pay the Environmental Management Fee.

This fee restructure is intended to provide resources, educate, and mitigate impacts at each service address in an equitable manner.

Environmental Management is about all City Resources

Services funded through the fee span all City core services. Examples of this include materials management policy development to reduce materials delivered to the landfill in an effort to extend the life of the landfill. Recycling education to reduce contamination in the recycling stream and increase the value of the City's recycling stream. Resiliency planning in water and storm water to prepare the community and municipality for changing environmental conditions. Efficiency upgrades for municipal facilities, water production and water processing to reduce expenditures and create redundancy in services.

Proposed Restructured Fee

Services to Apply an Environmental Management Fee

Staff is recommending that the restructured fee is applied to several city services that are billed to customers. Further we are not limiting the fee to those billed on a Municipal Services Bill as that bill does not capture all the services being provided. For example, some customers with special billing needs for trash services are being billed on a Miscellaneous Accounts Receivable statement. Therefore, those customers also have an impact to equity in billing and would be billed the Environmental Management Fee. The following table provides an estimate of the annual revenues from these services:

Revenue Analysis	2020-21	2021-22	2022-23	2023-24	2024-25
Annual Revenues					
Refuse Charges Commercial	\$ 2,600,000	\$ 2,626,000	\$ 2,652,300	\$ 2,678,800	\$ 2,705,600
Commercial Recycling	490,000	494,900	499,800	504,800	509,800
Hoist and Haul	225,000	227,300	229,600	231,900	234,200
Refuse Charges Residential	3,900,000	4,095,000	4,299,800	4,342,800	4,386,200
Residential Recycling	2,000	2,000	2,000	2,000	2,000
Curbside Glass	43,000	43,400	43,800	44,200	44,600
Water Charges	9,700,000	9,797,000	9,895,000	9,994,000	10,093,900
Wastewater Charges	9,800,000	9,898,000	9,997,000	10,097,000	10,198,000
Reclaimed Water Charges	560,000	565,600	571,300	577,000	582,800
Stormwater Charges	2,600,000	2,626,000	2,652,300	2,678,800	2,705,600
	<u>\$ 29,920,000</u>	<u>\$ 30,375,200</u>	<u>\$ 30,842,900</u>	<u>\$ 31,151,300</u>	<u>\$ 31,462,700</u>

The Environmental Fee will be based on the annual estimated revenues from the above services. These services bill approximately \$30 Million annually through the Municipal Service Statement, Miscellaneous Accounts Receivable Statement, and at the Landfill.

Proposed Fee

The goal of the Environmental Fee restructure is to maintain the same level of annual revenues. The first step in this analysis is to look at what is currently projected from the flat \$4.00 per Municipal Billing Statement. The current fee is estimated to bring in approximately \$1,042,000 annual revenues and the five-year plan shows a 2% annual increase. This sets forth our baseline for the restructure of the fee.

Then next step is to consider which charges to include in the calculation of the restructured fee. Solid waste, water, wastewater, reclaimed water and stormwater charges are the basis of the new fee structure.

From there, we look at what time of fee would be needed to bring in as much or close to the same level of revenues. We calculate that an Environmental Management Fee would need to be set at \$0.035 of the charges being billed to customers. The following table demonstrates the fee setting calculations:

Revenue Restructure	2020-21	2021-22	2022-23	2023-24	2024-25
Current Fee					
Current Fee per Municipal Bill	\$ 4	\$ 4	\$ 4	\$ 4	\$ 4
Estimated Annual Number of Bills	260,500	265,750	271,000	276,500	282,000
Estimated Annual Revenue	1,042,000	1,063,000	1,084,000	1,106,000	1,128,000
Restructured Fee					
Solid Waste Charges	\$ 7,260,000	\$ 7,488,600	\$ 7,727,300	\$ 7,804,500	\$ 7,882,400
Water Charges	\$ 9,700,000	\$ 9,797,000	\$ 9,895,000	\$ 9,994,000	\$ 10,093,900
Wastewater Charges	\$ 9,800,000	\$ 9,898,000	\$ 9,997,000	\$ 10,097,000	\$ 10,198,000
Reclaimed Water Charges	\$ 560,000	\$ 565,600	\$ 571,300	\$ 577,000	\$ 582,800
Stormwater Charges	\$ 2,600,000	\$ 2,626,000	\$ 2,652,300	\$ 2,678,800	\$ 2,705,600
Total Estimate Revenues	\$ 29,920,000	\$ 30,375,200	\$ 30,842,900	\$ 31,151,300	\$ 31,462,700
Fee Requirement	\$ 0.035	\$ 0.035	\$ 0.035	\$ 0.036	\$ 0.036
Estimated Annual Revenues	\$ 1,047,200	\$ 1,063,132	\$ 1,079,502	\$ 1,121,447	\$ 1,132,657
Change in Revenues	\$ 5,200	\$ 132	\$ (4,499)	\$ 15,447	\$ 4,657

Due to rounding of the rate, there will be a slight increase, it is projected to have a slight increase in the annual revenues. While there may be a need for a rate increase in Fiscal Year 2024-25, staff is not recommending including this rate increase in the adopted fee restructure.

Summary of Impacts to Customers

The restructure of the Environmental Management Fee is estimated to have the following impact to customers. The fee proposed will be based on the amount of services consumed by our customers.

Residential Customers: Single family residential customers are billed monthly for trash, recycling, water, wastewater, and stormwater services. The variable to these customer classes is the water consumption and stormwater. For the following examples we assume the stormwater charge is for 1 equivalent runoff unit (1,500 square feet of impervious property).

Residential Customer Impacts	Current Bill	Proposed Bill	Change
Customer 1: Average Monthly Consumption 3,500			
Total bill w/o Environmental Fee	\$ 77.46	\$ 77.46	\$ -
Amount of Environmental Fee	\$ 4.00	\$ 2.03	\$ (1.97)
Customer 3: Average Monthly Consumption 10,000			
Total bill w/o Environmental Fee	\$ 161.10	\$ 161.10	\$ -
Amount of Environmental Fee	\$ 4.00	\$ 4.77	\$ 0.77

Commercial Customers: Commercial customers are different than residential customers because they have an option of municipal trash and recycling services. All other services apply to commercial customers. For the example below we used the assumptions of a 6 yard trash service picked up twice a week and a 4 yard recycling service picked up once a week and the stormwater charge is for 5 equivalent runoff unit (7,500 square feet of impervious property).

ORIGINAL TABLE:

Commercial Customer Impacts	Current Bill	Proposed Bill	Change
Customer 1: Average Monthly Consumption 3,500			
Total bill w/o Environmental Fee	\$ 313.79	\$ 313.79	\$ —
Amount of Environmental Fee	\$ 4.00	\$ 4.77	\$ 0.77
Customer 3: Average Monthly Consumption 10,000			
Total bill w/o Environmental Fee	\$ 379.08	\$ 379.08	\$ -
Amount of Environmental Fee	\$ 4.00	\$ 12.39	\$ 8.39

CORRECTED TABLE:

Commercial Customer Impacts	Current Bill	Proposed Bill	Change
Customer 1: Average Monthly Consumption 3,500			
Total bill w/o Environmental Fee	\$ 313.79	\$ 313.79	\$ -
Amount of Environmental Fee	\$ 4.00	\$ 10.30	\$ 6.30
Customer 3: Average Monthly Consumption 10,000			
Total bill w/o Environmental Fee	\$ 379.08	\$ 379.08	\$ -
Amount of Environmental Fee	\$ 4.00	\$ 12.39	\$ 8.39

Environmental Management Fee Restructure

Future Meetings

Sustainability Commission and Water Commission Meetings

Staff will present the fee restructure to both the Water Commission (May 21,2020) and the Sustainability Commission (May 28, 2020) for review and feedback. Comments from both Commissions will be included during the fee adoption in June.

Public Outreach Meetings

The Sustainability Section will coordinate with Fire Department and Water Services to develop and manage a public outreach effort, recognizing the reality of COVID-19 social distancing guidelines. Coordinated efforts will include a combination of social media platforms, list serves, monthly newsletters, community forum, community partners, direct/electronic mailing where possible (ex: notice in water bills), and volunteer corps (Master Recyclers, Sustainability Leaders, Community Stewards, Climate Leaders, and Climate Ambassadors) . Staff will provide a virtual roundtable for an open discussion. In addition, a series of short YouTube videos is being developed for public distribution and will be made available by mid-May.

City Council Meetings

Per Arizona Revised Statute 9-511.01, the City is required to complete certain requirements. The first requirement is for the Council to adopt a Notice of Intent to raise water or wastewater rates or rate components, fees or service charges and set a date for a public hearing. On March 17, 2020 Council approved Resolution 2020-11 to adopt the Notice of Intent.

On May 12,2020, staff is planning to present the fee analysis to Council. Staff will be seeking Council direction on the proposed fees. Staff will utilize this direction for the fee adoption.

On June 2, 2020, at the Council meeting staff will present an ordinance along with the rate analysis information to the Council. Council could accept staff recommendation or adjust, such as increasing or decreasing the fee. Or the Council could choose to not read the ordinance the first time and direct staff to bring the item back with amendments. If Council completes the first read of the ordinance, on June 16, 2020 the Council will hold a public hearing and a second read to adopt the new fee structure. To meet the funding outlined in this analysis, the fee rates would need to be effective August 1, 2020.

City of Flagstaff, Arizona

Water Resources and Infrastructure Protection through Wildland Fire Management Financial Plan and Fee Analysis Report



**Flagstaff Sustainability
Program**



"We are Water"

Management Services Division, Sustainability Section,
Fire Department and Water Services Division

April 2020

Executive Summary

Over the past 2-3 years, Staff has had periodic discussions with both the Budget Team and City Council on the rapidly approaching need to establish a sustainable, stable, and long-term fund to support and continue the Wildland Fire Management PROGRAM (priority focus). At the same time, all have been kept apprised of the accomplishment/status of Flagstaff Watershed Protection PROJECT (FWPP) and the projected draw-down/shortfall of the associated bond supporting this work.

Staff provided a formal presentation to City Council on September 10, 2019, which outlined the financial needs of both the PROGRAM and the PROJECT. A funding option to support each was via establishment of a Water Resource and Infrastructure Protection Fund, part of a restructure of the existing/monthly Environmental Management Fee.

At the February 4, 2020 Budget Workshop, staff provided greater detail on this potential approach. Council's direction was to limit the new fund to the PROGRAM, and to seek needed funding to complete the PROJECT via the upcoming 2020 bond election. On March 17, 2020 Council approved Resolution 2020-11 to adopt the Notice of Intent to raise water or wastewater rates or rate components, fees or service charges and set a date for a public hearing on June 2, 2020 related to the PROGRAM. Subsequently, on March 31, 2020, as a result of COVID-19, Council stepped-back from endorsing any 2020 bond issues, leaving PROJECT funding considerations (options, timing, etc.) to future discussions.

This report presents two funding scenarios.

Option 1: The first, and still-the-primary focus, is to establish the necessary fund to support and continue the Fire Department's Wildland Fire Management (WFM) PROGRAM. This effort is responsible for healthy forests and a firewise/fire-adapted community, is a national model, and is the only forest management and wildfire response team in the Greater Flagstaff Area directed by City leadership and Council priorities. The most significant threats to the City of Flagstaff are the social, environmental and economic impacts associated with unnatural, catastrophic wildfire, especially within our watersheds and to our water/stormwater infrastructure. The City's Climate Adaptation and Action Plan recognizes that "A longer warm season and drier climate are likely to reduce overall forest health, lead to more damaging and hazardous wildfires and floods, and enable worsening pine beetle infestations. Forest management and emergency response systems will need to be ready to respond to these growing threats." Water Services Strategic Plan 2025 identifies wildland fire/watershed management as one of our Division's Top 10 issues to work on in the next five (5) years.

Option 2: This option being provided is to include additional capacity in the Fee to support important water resource protection projects in the Upper Lake Mary (ULM) watershed, an essential water source to Flagstaff residents. This includes not only the planned Phase III FWPP work on Mormon Mountain, but also the City Water Services Paired-Watershed project immediately adjacent to the FWPP footprint. A catastrophic wildfire within the watershed would render the City's only surface water supply and infrastructure unusable until remediation work occurred. The most likely needs would be to dredge the reservoir itself to remove sediment and restore storage capacity and to reengineer/upgrade the Lake Mary Treatment Plant to handle chemical changes to the water itself. Both processes would take some

time to complete, and both would be extremely expensive: the 2014 *FWPP Cost Avoidance Study* documented the expected costs to cost between \$84 - \$215 million. In the immediate aftermath of such a fire, while the remediation work is underway, it was estimated that 11 new wells would be required, a costly proposition in itself. By investing management resources in targeted areas of the ULM watershed, we can reduce the costly wildfire risk while gathering important data that helps us better understand, and value, the connections between healthy forests, aquifer recharge, and water yield to Lake Mary for decades to come

Development of both scenarios has been jointly developed by Legal, Management Services, Sustainability, Water Services and the Fire Department.

Public Support

Long-time support by Flagstaff residents for forest protection efforts is well documented:

- In 2001, 2006, and again 2013, city-sponsored surveys consistently showed that 85%+ of respondents understood forest issues and supported efforts to address wildfire risk.
- In 2005 the *Community Wildfire Preparedness Plan* was adopted without a single dissenting voice from the community: this was followed in 2008 by adoption of the *Wildland-Urban Interface Code*, again without a single dissenting voice from the community. In both cases, this is the first-and-only time in AZ (and perhaps beyond) where this has occurred when either was being considered by a community;
- In 2010, the Southern Fire Exchange, in a national survey, ranked Flagstaff as one of the few “upper-tier” communities in terms of acceptance and support for prevention and preparedness efforts;
- A 2012 NAU “willingness to pay” survey showed that residents were willing to pay an average of \$4.50 more per month to protect forests and water infrastructure.
- Later in 2012, Proposition 405 (now known as FWPP) was approved by 74% of voters.
- In 2018, two Flagstaff focus-groups hosted by the *National Forest Foundation* and the *Trust for Public Lands* revealed that households were willing to pay an average of \$50 per year for forest and water infrastructure protection.
- In 2019, following the Museum Fire, NAU undertook a community survey that disclosed:
 - 70% of respondents want to see more forest management work around Flagstaff;
 - 84% of respondents feel forest management should be a priority of local officials;
 - Less than 40% of respondents feel like enough is being done to address fire risk;
 - 39% of respondents remembered and voted in-favor of Question 405 in 2012, while only 2% remembered the item but voted in opposition to it: the remainder either didn’t remember the question, how they voted, or did not live in Flagstaff at the time);
 - 73% of respondents would support future initiatives like FWPP; and that
 - In all income strata’s (\$0-\$100K in \$20K increments; and \$100K-\$250K+ per year in \$50K increments), folks were willing to pay between \$5-\$100/month to support forest management efforts in the Flagstaff area.

Regardless of option, the rate is still well-below the documented level of residents “willingness to pay”, the community’s investment tolerance per recent studies. In addition, this investment in our future results in significant benefits to all in terms of social and economic stability/gains associated with a healthy forest and water infrastructure protection.

Established Principles & Guidelines

For this fee analysis, staff will apply guidelines from the American Water Works Association (AWWA) establishes a general set of principles to develop fees in the M1 Manual – Principles of Water Rates, Fees and Charges. These guiding principles help to ensure there is a consistent global approach that is employed by all utilities in the development of their rates, fees and charges (water and water-related utilities including sewer, reclaimed water and stormwater).

Provided below is a short summary listing key guidelines around which public utilities should consider when setting their rates, fees and charges. These closely reflect the City’s specified objectives.

- Rates, fees and charges should be cost-based and equitable and set at a level such that they provide revenue sufficiency.
- Rates, fees and charges should provide reliable, stable and adequate revenue to meet the utility’s financial, operation, and regulatory requirements.
- Rate, fee and charge levels should be stable from year to year.
- Rates, fees and charges should be easy to understand and administer.

These guidelines, along with the City’s objectives, were utilized within this report to help develop the proposed Water Resource and Infrastructure Protection Fee.

Revenue Requirements

The method used by most public utilities to establish their revenue requirements is called the “cash basis” approach of setting fees. As the name implies, a public utility combines its cash expenditures over a period of time to determine their required revenues from user fees and other forms of income. The figure below presents the “cash basis” methodology.

Overview of the “Cash Basis” Design

+ Operation and Maintenance Expenses
+ Transfers
+ Capital Additions Financed with Fee Revenue
+ Debt Service (Principal and Interest)
<hr/>
= Total Revenue Requirements

Based on the revenue requirement analysis, the utility can determine the overall level of fee adjustment needed in order for the utility to meet its overall expenditure needs.

Water Resource and Infrastructure Protection Fee Analysis Development and Results

General Methodology

In order to develop fees that generate sufficient revenue to meet the fiscal requirements of the Water Resource and Infrastructure Protection plan, a determination of the annual revenue from fees which, combined with other sources of funds, will provide sufficient funds to meet those fiscal requirements must first be completed. This process is typically referred to as a Revenue Sufficiency Analysis.

The process employed in the Revenue Sufficiency Analysis resulted in the identification of revenue requirements of the system, such as operating expenses, capital expenses (minor and major), debt service expense (including a provision for debt service coverage, as applicable), transfers out and the maintenance of both restricted and unrestricted reserves at appropriate levels. These revenue requirements were then compared to the total sources of funds during each year of the forecast period to determine the adequacy of projected revenues to meet requirements. To the extent that the existing revenue stream was not sufficient to meet the annual revenue requirements of the system, a series of fee revenue increases were calculated to provide revenue sufficient to meet those needs.

Financial Management Goals of the Water Resource and Infrastructure Protection Fee

The financial management goals of the City's new fund for Water Resource and Infrastructure Protection operations are described below.

General Assumptions

In order to develop the financial and fee projections, certain assumptions were made with regard to elements of the Revenue Sufficiency Analysis. For the financial analysis, staff is using the same annual growth projections as were provided in the previous fee study. We assume approximately 1% annual growth in utility customer base during the forecast period. Staff had also reviewed the average water consumption billed on an annual basis. The City has billed an average of 2,350,000 gallons over the past three fiscal years. For the operation expenditures, staff recommends a 3% growth in personnel costs and a 2% growth on contractual and commodities.

Minimum Unrestricted Operating Reserve Fund Balance

In order to maintain a certain level of liquidity, utilities typically establish some form of unrestricted operating reserve fund balance target. Staff recommends a 15% minimum fund balance requirement for this analysis. While Water Services funds have a policy to maintain a minimum 25% fund balance,

we believe it is best to start a new fee at the 15% level and provide time for the new fund to develop. This plan meets that recommendation.

Operating Capital Requirements

The 10-year should provide resources for replacement of critical equipment needed to deliver the objectives of the fund. Operating capital are in value of \$5,000 or greater with a useful life in excess of 2 years. Staff will utilize these funds to replace vehicles/wildland engines, chain saws, and other applicable equipment/supplies required to for water resources and infrastructure protection.

Debt Service Management

Oftentimes it is difficult to fully fund the significant capital requirements, whether driven by growth, regulatory pressures and/or system repair and maintenance, without the measured use of debt. As a means of controlling the debt load of the Water, Sewer, and Reclaimed Water utilities the City has established a debt policy to not exceed 25% of ongoing operating revenues.

Staff is presenting an alternate to General Obligation Bond financing which is the resources used for the initial \$10 Million approved by voters for forest health initiative known as the Flagstaff Watershed Protection Project (FWPP).

Water Resource and Infrastructure Protection

Fee Analysis Options

Option 1: Water Resource and Infrastructure Protection Revenue Sufficiency: Recommendation

Based on revenue requirements to deliver a Water Resource and Infrastructure Protection program through Wildland Fire Management, staff recommends a fee of \$0.52 per 1,000 gallons of water use with an effective date of 8/1/2020 and a fee increased to \$0.53 effective 7/1/2022.

Revenue Requirements for a new Water Resource and Infrastructure Protection Fee

The first step in developing the revenue requirements is to develop the costs related to delivering the program in at a sustainable level for 10 years. Staffed worked to develop the staffing levels, operational expenses and capital replacement program for a sustainable program. Then we applied the annual estimated water consumption billing to develop a fee per 1,000 gallons of use.

Summary of Operational Expenditures

The table below summarizes the operational expenditure required to deliver a sustainable Water Resource and Infrastructure Protection program:

Operating Expenses	2020-21	2021-22	2022-23	2023-24	2024-25
Personnel	\$ 901,640	\$ 910,660	\$ 919,766	\$ 928,964	\$ 938,254
Contractuals	33,610	34,300	35,000	35,710	36,440
Commodities	104,850	106,960	109,110	111,290	113,510
Indirect Costs	-	52,596	106,388	107,596	108,820
Total Operations Expense	\$ 1,040,100	1,104,516	1,170,264	1,183,560	1,197,024

Personnel expenses include full-time staff (Wildland Fire Manager, Crew Supervisor, Forest Health Supervisor, and Firewise Specialist) as well as all seasonal employees (5 eight-month and 8 six-month positions).

Contractual costs include items such as maintenance of equipment, training and medical fees.

Commodities costs include items such as gas, tools, uniforms, and safety supplies.

Indirect costs include supporting operational costs. As with most special revenue funds and enterprise funds, the organization will allocate overhead costs to the funds based on levels of service provided.

These costs are calculated based on generally accepted accounting principles (GAAP) and are allocated base on benefits received for services such as legal, human resources, and finance.

Summary of Revenue Requirement and Cash Flow

We can demonstrate the fee meets the cash flow requirements of the Water Resource and Infrastructure Protection Fund while meeting the objectives mentioned earlier.

Financial Plan	2020-21	2021-22	2022-23	2023-24	2024-25
Fund Balance	-	181,900	211,604	211,875	211,555
Resources					
Water Resource Protection Fee	1,222,000	1,234,220	1,270,535	1,283,240	1,296,072
Total Resources and Fund Balance	1,222,000	1,416,120	1,482,139	1,495,115	1,507,627
Uses of Funds					
Operations	1,040,100	1,104,516	1,170,264	1,183,560	1,197,024
Capital	-	100,000	100,000	100,000	100,000
Total Uses	1,040,100	1,204,516	1,270,264	1,283,560	1,297,024
Ending Fund Balance	181,900	211,604	211,875	211,555	210,603
% of Operating Revenues	15%	17%	17%	16%	16%

Summary of Fee Analysis Recommendations

Based on the financial plan and fee analysis, staff recommend a new fee increase that is sufficient to maintain a sustainable program to protect our water resources and infrastructure through Wildland Fire Management. The fee schedule below demonstrates the current and proposed fees to be implemented.

Water Resource and Infrastructure Protection Fee Schedule			
Effective Date	Current Fee Per 1,000 gallons	Proposed Fee Per 1,000 gallons	Change Per 1,000 gallons
August 1, 2020	\$0.00	\$0.52	\$0.52
July 1, 2022	\$0.52	\$0.53	\$0.01

Summary of Impacts to Customers

Based on the fee recommendation, the following summarizes the impact to water customers:

Customer Impacts	Effective 8/1/2020		Effective 7/1/2022	
	Monthly Impact	Annual Impact	Monthly Impact	Annual Impact
Gallons of Monthly Consumption				
1,000	0.52	6.24	0.53	6.36
3,500	1.82	21.84	1.86	22.26
5,000	2.60	31.20	2.65	31.80
10,000	5.20	62.40	5.30	63.60
25,000	13.00	156.00	13.25	159.00

Option 2: Flagstaff Watershed Protection Project through Water Resource and Infrastructure Protection Fee: Alternate Financing for Capital Improvement Plan

This alternative rate analysis is being provided for consideration of furthering the Flagstaff Watershed Protection Project for capital work to complete critical forest health measures in additional areas around our water resources. Items considered are the Upper and Lower Lake Mary watersheds and the Lake Mary water wells. Staff estimates an additional \$5 Million would be needed to complete these areas. These projects would be revenue debt financed. Staff is providing this alternate to seeking voter approval on a ballot measure to fund with general obligation bonds.

Additional Revenue Requirements Including the Flagstaff Watershed Protection Projects

This option being provided is for work above and beyond delivering the Water Resource and Infrastructure Protection program, this program is the priority for the proposed fee.

The additional revenue requirements would be related to debt service repayment on a \$5 Million revenue bond issued and backed with the fee being considered.

Summary of Revenue Requirement and Cash Flow

We can demonstrate the fee meets the cash flow requirements of the Water Resource and Infrastructure Protection Fund and the Flagstaff Watershed Protection Project while meeting the objectives mentioned earlier.

Financial Plan	2020-21	2021-22	2022-23	2023-24	2024-25
Fund Balance	-	207,900	263,864	260,003	259,494
Resources					
Water Resource Protection Fee	1,248,000	1,260,480	1,664,803	1,681,451	1,698,265
Bond Revenue	-	5,000,000	-	-	-
Total Resources and Fund Balance	1,248,000	6,468,380	1,928,667	1,941,454	1,957,759
Uses of Funds					
Operations	1,040,100	1,104,516	1,170,264	1,183,560	1,197,024
Debt Service	-	-	398,400	398,400	398,400
Capital	-	5,100,000	100,000	100,000	100,000
Total Uses	1,040,100	6,204,516	1,668,664	1,681,960	1,695,424
Ending Fund Balance	207,900	263,864	260,003	259,494	262,335
% of Operating Revenues	17%	21%	16%	15%	15%

Summary of Fee Analysis Recommendations

To include the Flagstaff Watershed Protection Projects, staff recommend a new fee increase that is sufficient to maintain a sustainable program to protect our water resources and infrastructure through Wildland Fire Management and pay for the debt service related to the capital projects. The fee schedule below demonstrates the current and proposed fees to be implemented.

Water Resource and Infrastructure Protection Fee Schedule Option 2: With \$5M for Flagstaff Watershed Protection Projects				
Effective Date	Current Fee Per 1,000 gallons	Proposed Fee Per 1,000 gallons	Change Per 1,000 gallons	Change Over Base Plan
August 1, 2020	\$0.00	\$0.52	\$0.52	\$0.00
July 1, 2022	\$0.52	\$0.68	\$0.16	\$0.15

Summary of Impacts to Customers

To include the Flagstaff Watershed Protection Projects, the fee recommendation, the following summarizes the impact to water customers:

Customer Impacts	Effective 8/1/2020		Effective 7/1/2022	
	Monthly Impact	Annual Impact	Monthly Impact	Annual Impact
Gallons of Monthly Consumption				
1,000	0.52	6.24	0.68	8.16
3,500	1.82	21.84	2.38	28.56
5,000	2.60	31.20	3.40	40.80
10,000	5.20	62.40	6.80	81.60
25,000	13.00	156.00	17.00	204.00

Water Resource and Infrastructure Protection

Fee Future Meetings

Water Commission and Sustainability Commission Meetings

Staff will present the fee restructure to both the Water Commission (May 21, 2020) and the Sustainability Commission (May 28, 2020) for review and feedback. Comments from both Commissions will be included during the fee adoption in June.

Public Outreach

The Flagstaff Fire Department will coordinate with Sustainability and Water Services to craft and manage a public outreach effort, recognizing the reality of COVID-19 social distancing guidelines. Coordinated efforts will include a combination of social media platforms, list serves, monthly newsletters, community forum, community partners, direct/electronic mailing where possible (ex: notice in water bills), and volunteer corps (Master Recyclers, Sustainability Leaders, Community Stewards, Climate Leaders, and Climate Ambassadors). Staff will provide a virtual roundtable for an open discussion. In addition, a series of short YouTube videos is being developed for public distribution and will be made available by mid-May.

City Council Meetings

Per Arizona Revised Statute 9-511.01, the City is required to complete certain requirements. The first requirement is for the Council to adopt a Notice of Intent to raise water or wastewater rates or rate components, fees or service charges and set a date for a public hearing. On March 17, 2020 Council approved Resolution 2020-11 to adopt the Notice of Intent.

On May 12, 2020, staff is planning to present the fee analysis to Council. Staff will be seeking Council direction on the proposed fees. Staff will utilize this direction for the fee adoption.

On June 2, 2020, at the Council meeting staff will present an ordinance along with the rate analysis information to the Council. Council could accept staff recommendation or adjust, such as increasing or decreasing the fee. Or the Council could choose to not read the ordinance the first time and direct staff to bring the item back with amendments. If Council completes the first read of the ordinance, on June 16, 2020 the Council will hold a public hearing and a second read to adopt the new fee. To meet the funding outlined in this analysis, the fee rates would need to be effective August 1, 2020.

CITY OF FLAGSTAFF

STAFF SUMMARY REPORT

To: The Honorable Mayor and Council
From: Dean Coughenour, Director of Risk Management
Date: 05/06/2020
Meeting Date: 05/12/2020



TITLE

Self Insurance of Workers' Compensation and Insurance Renewals

STAFF RECOMMENDED ACTION:

Council will receive a presentation to consider two alternatives for our insurance renewals that staff seeks direction from Council on.

1. City Council accept the proposal submitted by the Arizona Municipal Risk Retention Pool in the amount of \$1,018,337 and the proposal for Workers' Compensation in the amount of \$749,738 for a total of \$1,768,075.
2. City Council accept the proposal submitted by Travelers Insurance with Liberty Mutual providing property coverage, in the amount of \$872,678 and a proposal for our Workers' Compensation coverage with Travelers Insurance in the amount of \$710,032 for a total cost of \$1,582,710.

Staff recommends: City Council renew our Airport liability, flood and travel policies with existing carriers for \$25,061.

EXECUTIVE SUMMARY:

The City of Flagstaff today expends \$1,490,601 to insure all our insurance exposures with AIG for our property, Travelers Insurance for Liability and Auto and Copperpoint Mutual for our Workers' Compensation program. Council will receive a presentation on the merits of both the Arizona Municipal Risk Retention Pool and Travelers Insurance with Liberty Mutual for the property to meet the insurance needs for the City of Flagstaff for the next fiscal period.

INFORMATION:

During the first two months of this year our Property Insurance carrier indicated that they would not renew our property insurance due to losses. Specifically, the roof replacement for council chambers.

The City was in the process of marketing all lines of coverage except Workers' Compensation and had anticipated an increase in pricing for our property insurance at renewal.

A second major issue arose late last year with the introduction of SB 1160 or firefighter cancer presumption bill. This bill would, if passed as currently drafted, remove the requirement that the firefighter show exposure to a known carcinogen, as well as the provision that allows the presumption to be rebutted by showing a specific cause of the cancer other than an occupational exposure to a carcinogen. Any of the cancers identified in the statute would simply be covered.

In a marketing meeting in December, staff was assured that because of our loss control measures and favorable loss history that this was not going to be an issue for the City of Flagstaff. On February 13th, our Workers' Compensation carrier, reached out to inform staff that they would not renew any risk that contained the class code 7710 "firefighter" in the State of Arizona. That meant that, as of July 1st, 2020, the City of Flagstaff would be without coverage for our Workers' Compensation program.

This left two options. 1. Self-insure our Workers' Compensation with the unknown impact of the yet to be passed Firefighter Cancer presumption law, or 2. to secure an insurance carrier willing to write our coverage in light of the new law (if passed as written).

The City aggressively marketed to every available carrier for both deductible and first dollar coverage to quote our Workers' Compensation coverage. All declined with most citing SB1160 as the reason. Two agreed to quote. Travelers Insurance, our current carrier for Liability and auto, and the Arizona Municipal Risk Retention Pool, (A.M.R.R.P.). Both agreed to quote the Workers' Compensation coverage under the condition that they write the entire package including all or nearly all lines of coverage and neither would quote the Workers' Compensation as a stand-alone policy. Put simply, we had three options: Travelers, AMRRP or self-insurance.

Today we pay \$515,150 annually to fully insure our Workers' Compensation program.

Self Insurance: Actuarial studies were conducted that indicated we would need between \$1,163,000 and \$1,563,000 to pay claims in 20/21 with the cancer presumption law to self-insure. Because of these significant numbers staff is not recommending self-insurance as a viable option at this time until the uncertainty of the impact of the new cancer presumption law has been more fully developed.

Travelers Insurance quoted \$710,032 and AMRRP quoted \$749,738, with a \$5,000 deductible. This represents a 35 to 45 % increase over current premium.

The Risk Management department in concert with our broker conducted an extensive review of the two all inclusive quotes.

Council will receive a presentation on the merits of each including staffs recommended changes in deductibles and self-insured retentions levels.

Attachments: [Presentation](#)

Insurance Renewals





Discussion



- Background
- History of Premium
- Deductible and Retention changes
- Workers' Compensation
- Considerations of the Arizona Municipal Risk Retention Pool, (AMRRP), and Travelers Insurance
- Questions and Discussion

A TEN Million Dollar Discussion





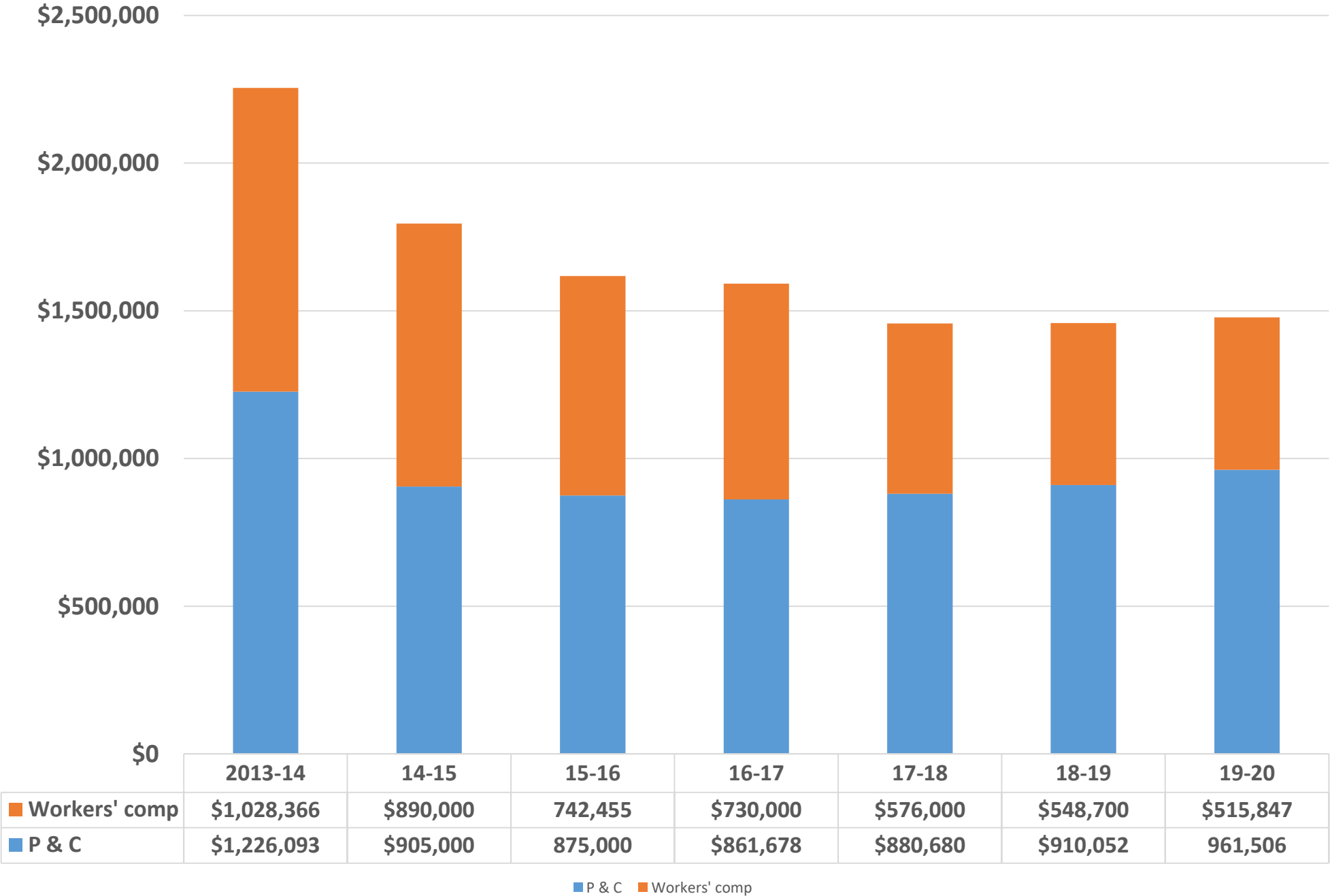
Background



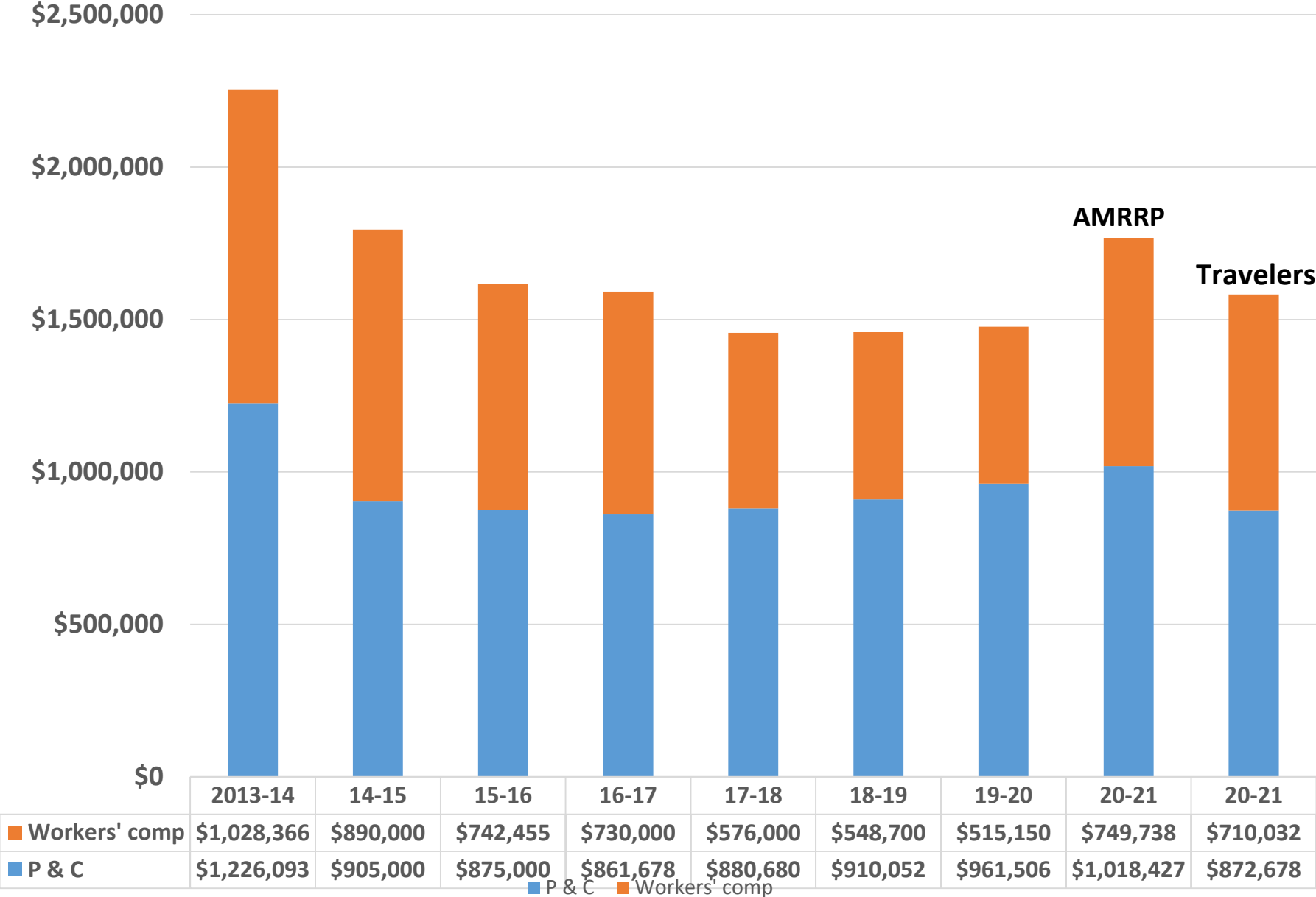
- Our property insurance carrier non renewed due to the roof claim in Council Chambers
- Our Workers' Compensation Carrier non renewed any policy holder who employed firefighters due to the Cancer Presumption law
- 15% increases in each were predicted at last year's Council presentation

Claims Management versus Risk Management

Renewals After a Change in our Program



Annual Premium





Broad Types of Insurance

- Property
- Liability
- Auto
- Crime
- Excess or Umbrella
- Cyber
- Airport Liability / Ten million under a separate policy
- Workers' Compensation

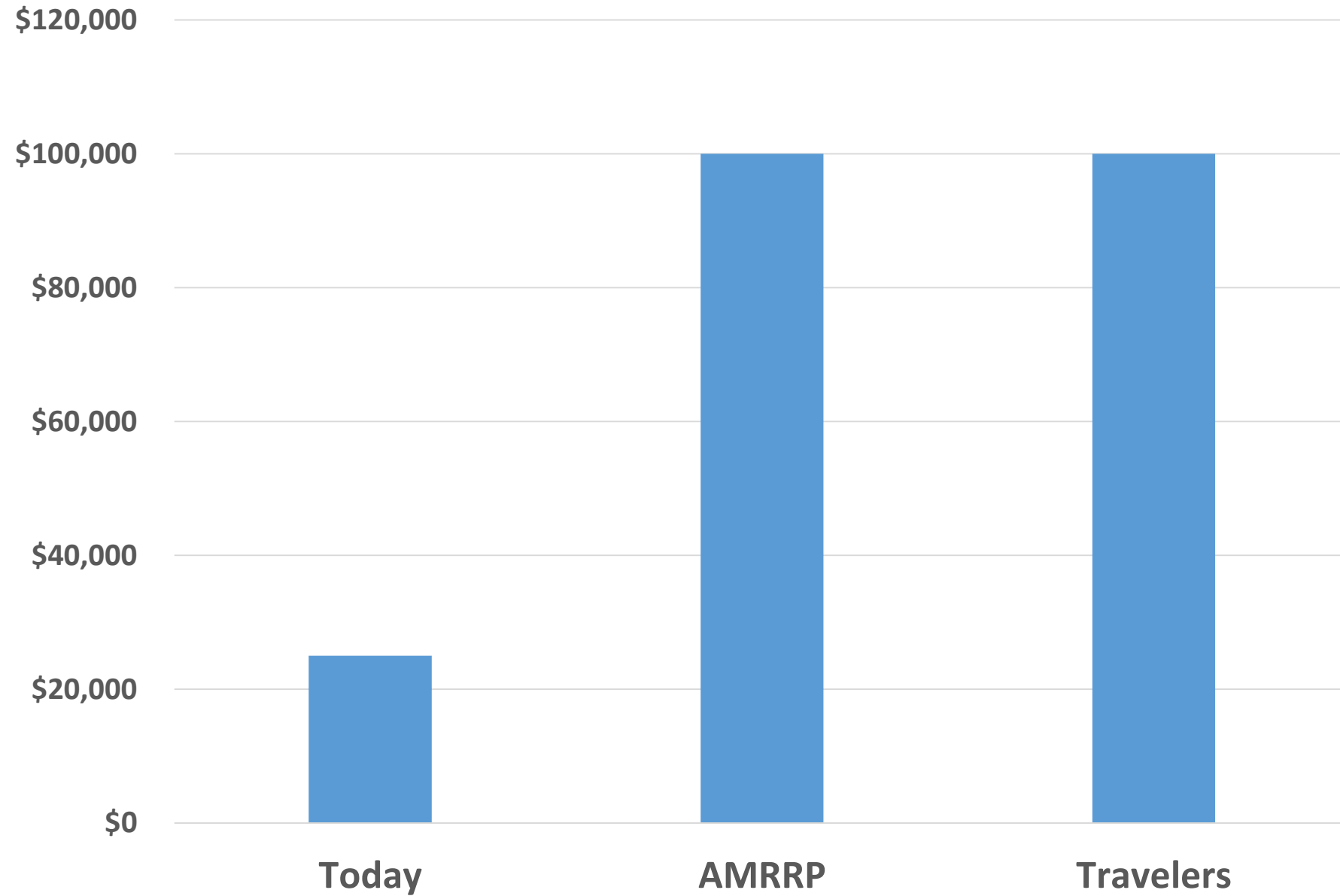


Deductible verses Self Insured Retention



- We currently use a combination of Deductibles and Self insured Retentions
- Deductibles we pay nothing in legal fees and expenses only a the loss or settlement
- Self Insured Retention we pay all legal fees

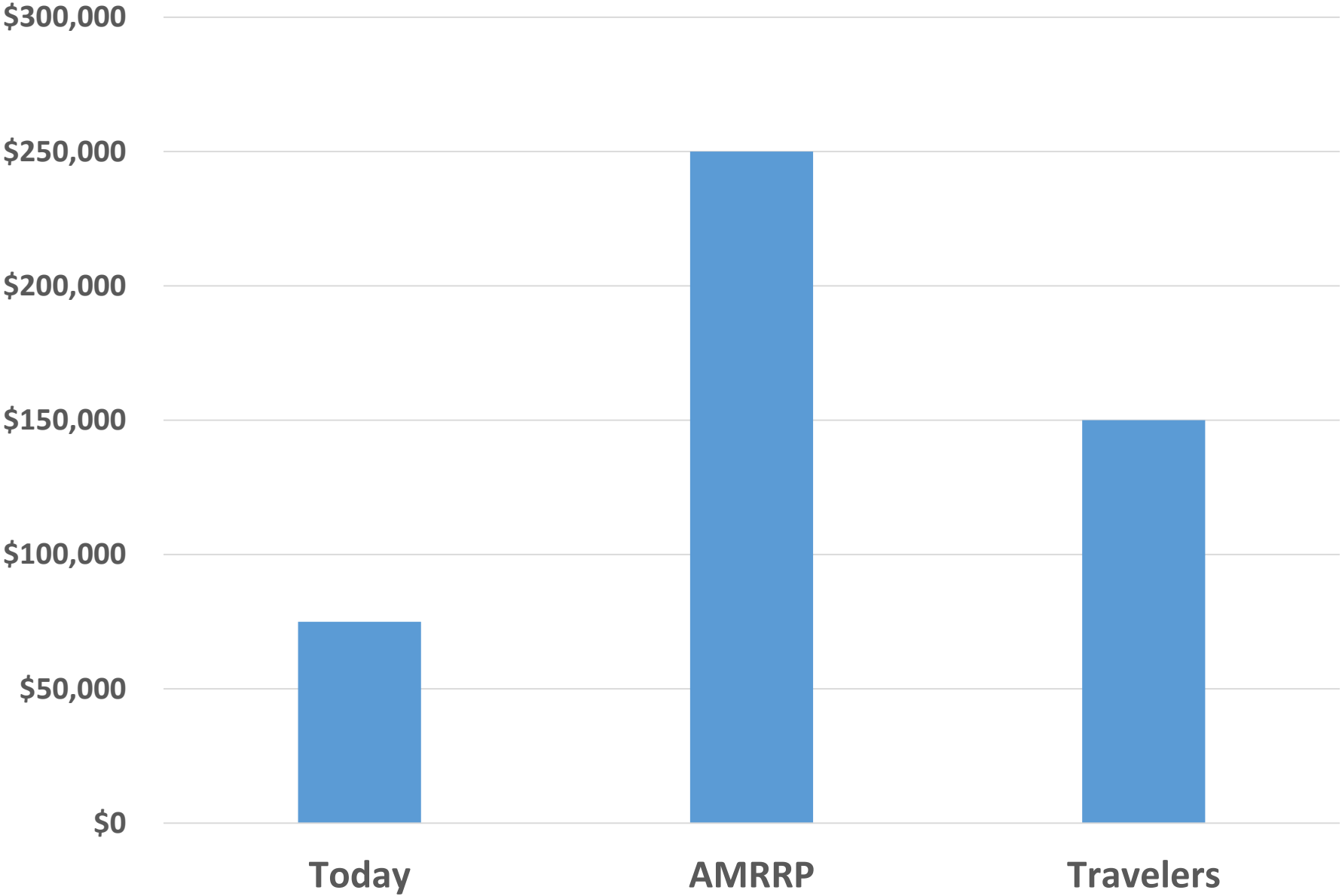
Property Insurance



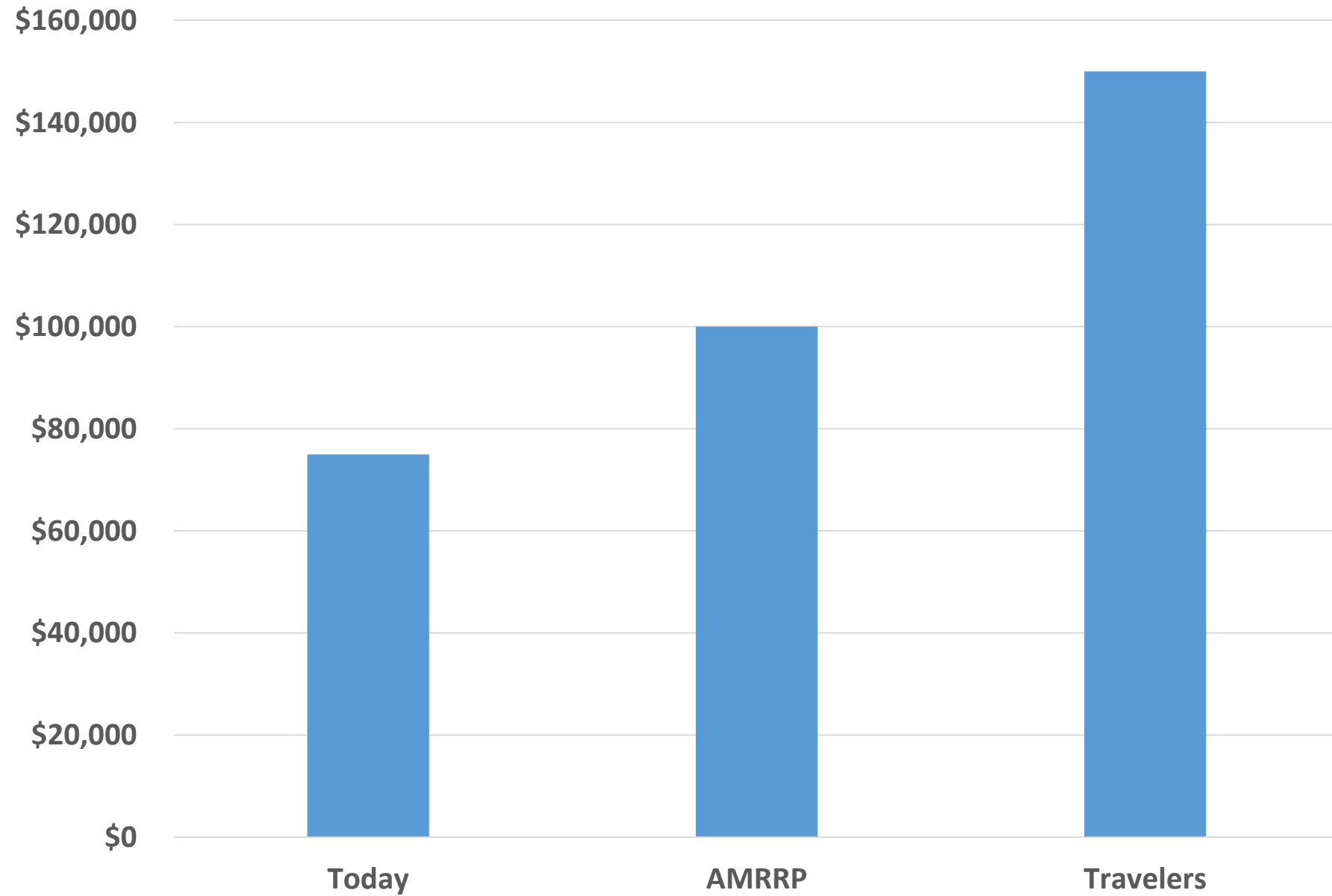
Property

- Current carrier non renewed due to claims
- We have had a total of three property losses in the last six years
- The six year premium savings with a change increase in our deductible to \$100,000 would have saved \$270,000
- This staff recommendation is included in the proposals

General Liability



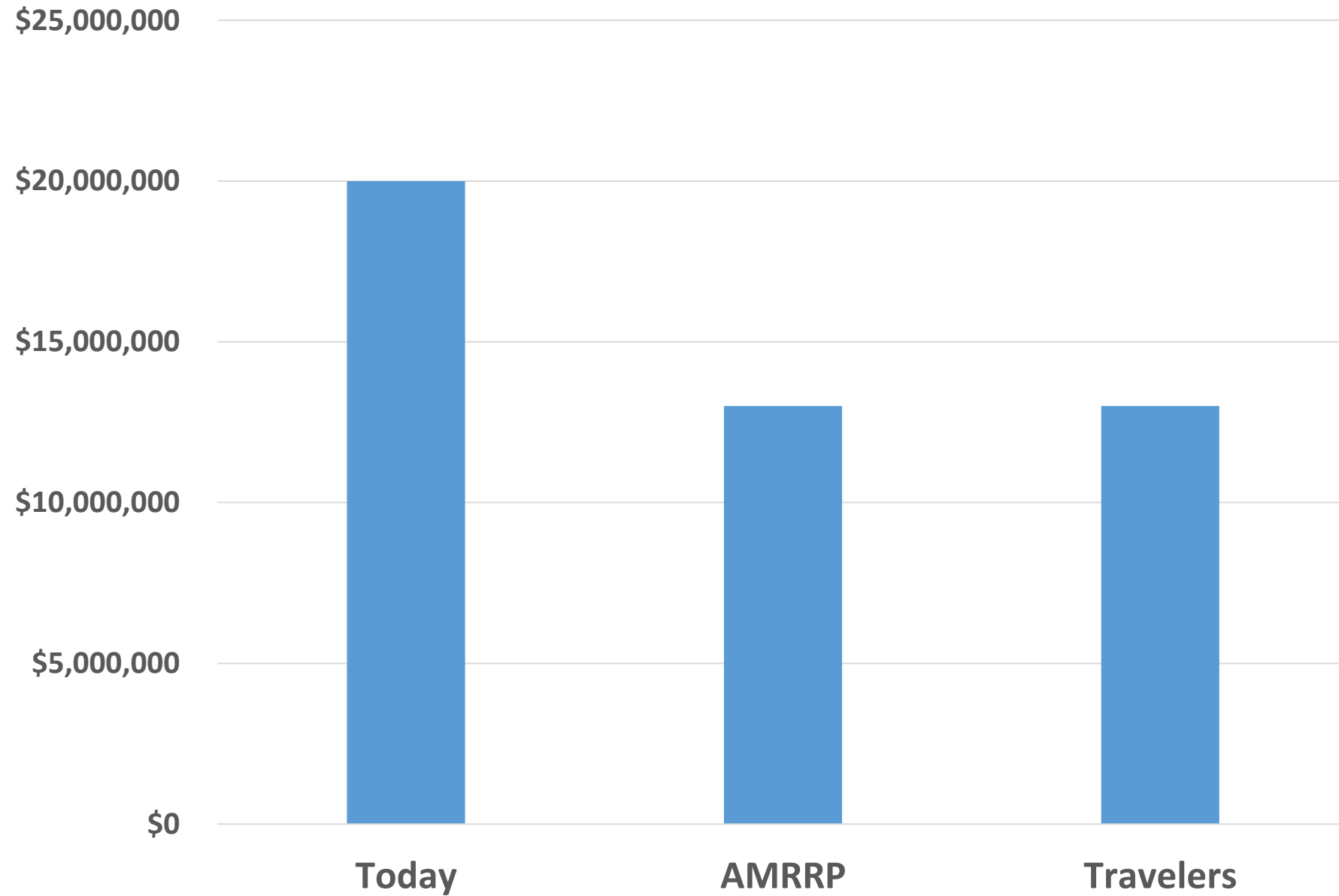
Auto Liability



General and Auto Liability

- We have had one auto claim and three general liability claims that have exceed our Self Insured Retention of \$75,000 over six years
- With Travelers and an increased Self insured retention we would have had premium savings of \$312,000
- With AMRRP and increased deductibles we would have had a net savings of \$590,000
- This staff recommendation for changes in self insured retentions and deductibles is included in the proposals

Umbrella/ Excess



Umbrella Excess Coverage

- Current 20 million coverage reduced to 13 million
- Six year premium savings of \$95,000
- We have had no General or Auto liability claims that have exceeded \$200,000 in the last six years and only one, just under 1.5 million, in the last ten years
- This staff recommendation of reduced coverage is included in the proposals

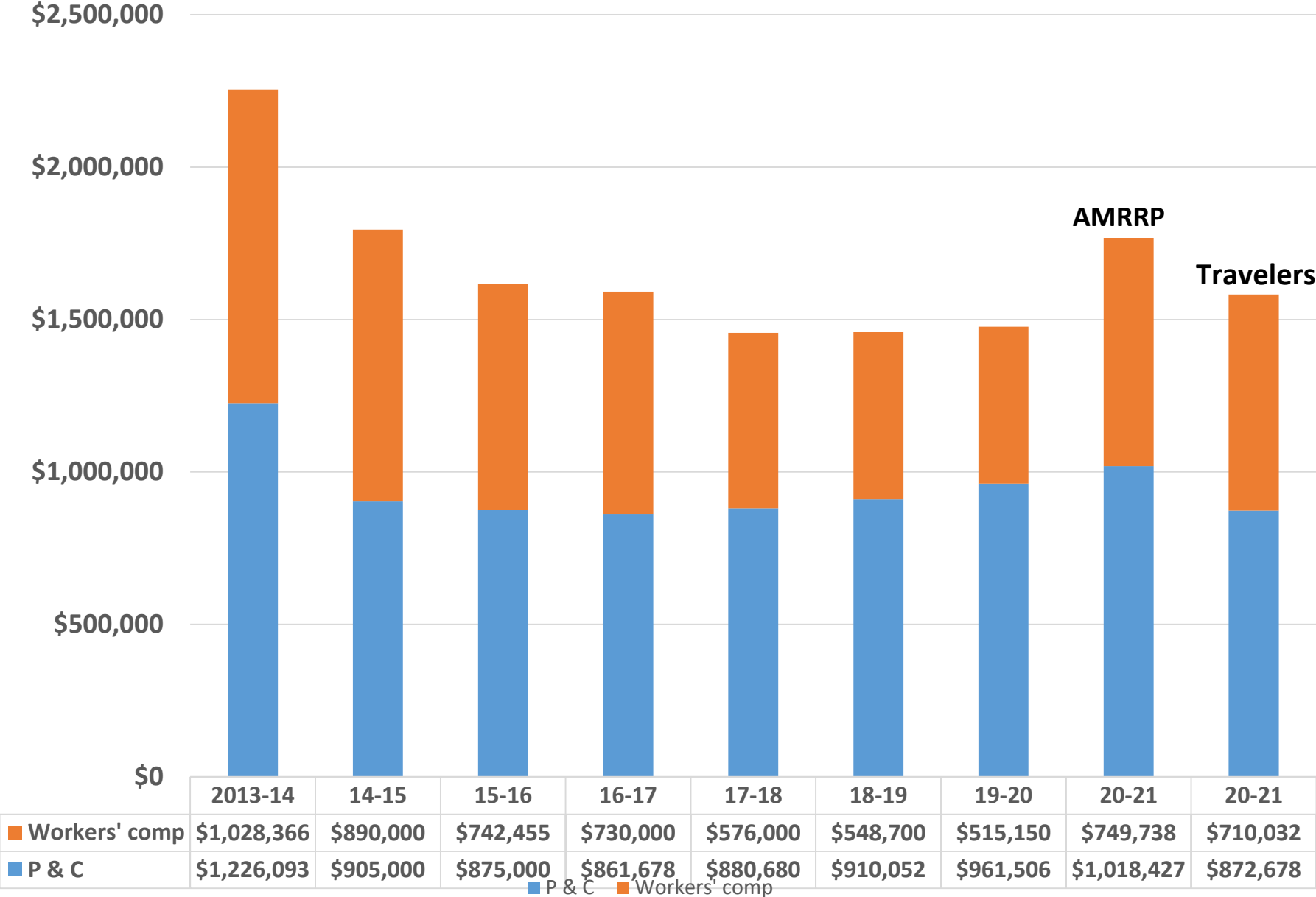
Workers' Compensation



Workers' Compensation

- Claim frequency reduced nearly 50% over the last six years
- Impact of Post Traumatic Stress Disorder, (PTSD) claims and the Cancer Presumption law, when passed, are unknown. There will be more claims than today and they will be at a greater cost than our historic claims
- PTSD and Cancer presumption claims would have a major financial impact if we were to self insure

Annual Premium



Considerations

AMRRP

- Certificate tracking program
- Free windshield replacement
- Legal fees included \$50,000 to 100,000 savings estimated annually
- Land Use liability coverage
- Land Use Assistance Line

Travelers

- Known Claims practice
- Ability to select attorneys
- \$185,000 less premium
- Relationships with underwriters
- Price more sensitive to our loss control efforts

Considerations

AMRRP

- EEOC position statements included
- Personnel liability claims legal counsel included
- Coverage Commitment
- Dividend potential

Travelers

- Early claims intervention supported
- Assigned single point senior adjuster
- \$40,000 less for guaranteed Workers' Compensation coverage

Financial Consideration

\$185,365

AMRRP

- \$1,768,075

Travelers with Liberty Mutual on Property

- \$1,582,710

Discussion



**CITY OF FLAGSTAFF
STAFF SUMMARY REPORT**

To: The Honorable Mayor and Council
From: Stacy Saltzburg, City Clerk
Date: 05/08/2020
Meeting Date: 05/12/2020



TITLE:

Discussion: Forest Service Recreation Site Re-Opening

DESIRED OUTCOME:

Information and Possible Direction

EXECUTIVE SUMMARY:

Please see attached email from the Forest Service for detailed information. Feedback from the City is welcomed and staff is seeking any direction from Council on a response.

INFORMATION:

Attachments: Email from Forest Service

Stacy Saltzburg

To: Greg Clifton
Subject: RE: plan to begin opening some Forest Service recreation sites

From: McGrath, Matthew T -FS <matthew.mcgrath@usda.gov>
Sent: Friday, May 8, 2020 9:31 AM
To: Greg Clifton <Greg.Clifton@flagstaffaz.gov>
Subject: plan to begin opening some Forest Service recreation sites

Hi Greg, we're looking at beginning a phased opening of our developed recreation sites, starting with some of our concessionaire-operated sites later this month (generally around May 18th-20th), and I wanted to share our tentative plans with you as anything we do could potentially impact the city and our residents.

We're working with our concessionaire, Recreation Resource Management (RRM), to develop a plan to allow them to open some of the rec sites that they operate, and they are in the process of developing safety plans and mitigation measures that we believe will allow them to safely operate some sites.

We're thinking this initial phase would include the following sites, all down Lake Mary Road:

Day use sites

- Upper Lake Mary and the Narrows will open with full services and fee collection. Group Ramadas and all charcoal grills will be closed off as well as the sandy Upper Lake Mary Beach (when the water drops).
- Lower Lake Mary will remain closed as it is almost entirely group ramadas.

Campgrounds

- Pinegrove Campground (showers will be closed)
- Ashurst Lake Campground
- Forked Pine Campground
- Lakeview Campground
- Canyon Vista Campground

These are all single family unit CGs. We don't anticipate opening any group campgrounds in the near future. Here is a map with all of these sites:



In addition to these developed recreation sites, we're also beginning to evaluate special use permit requests this season. These permits run the gamut from a small archery shoot to family reunions of all sizes to 500+ person medieval reenactments. We're planning on approaching these on a case-by-case basis based on current CDC/State/County guidance and may approve events where the applicant can ensure adequate social distancing and sanitation. Obviously, smaller events are more likely to be approved than larger events, but we'll look at each application as they come in.

Let me know if the City has any questions or concerns about what we're thinking. No firm plans yet as we want to make sure we're in alignment with our partners before we move forward, and I or my staff are available to share more information or discuss things with you or your staff at any time.

Hope you're doing well through all this – thanks!



Matt McGrath
District Ranger

Forest Service
Coconino National Forest
Flagstaff Ranger District

p: 928-527-8231

c: 928-606-7497

matthew.mcgrath@usda.gov

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