

Stormwater Rate Adoption

**City Council Meeting
and Public Hearing
November 15, 2022**





Stormwater Rate Adoption

Overview

- GO Bond Approved!
- Stormwater Program Overview
 - Complexity of Program, Current Rates, Capital Improvement Plan History
- Stormwater Rate Assessment
 - Purpose, Maintenance Needs, Development of Plan, Status Quo
- Stormwater Rate Options
- Community Outreach
- Comments/Questions



GO Bond passed!



Voters Approved !!

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

Stormwater Program Overview

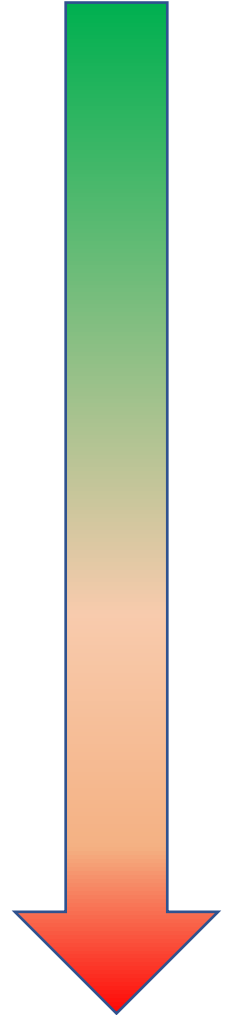




Utility Structure – Flagstaff is complex

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

Core services



Uncommon



Stormwater Rates



Rate Basis – ERU

Stormwater Rates are based on Equivalent Rate Units (ERUs)

- 1 ERU is equal to 1,500 square foot of impervious area
- Residential properties have a maximum of 5 ERUs
 - Average Residential property for the City of Flagstaff has 3 ERUs
- Commercial properties do not have a maximum ERU



Stormwater Rates

Current Rates

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



Stormwater CIP History

RDF Project*

- Design fees*
- Butler Tunnel*
- Clay Ave. Detention Basin*
- Thorpe Bridge*

City Owned LID Basins (15 total)

- Soliere Low Water (design)
- Columbia Circle (design)
- Linda Vista Culvert upsizing
- Phoenix Ave. Bridge
- Paradise Channel widening
- Dortha culvert and channel
- Schultz Creek Basins
- FUTS low water crossing at Rt. 66
- Killip School Basins
- Zuni Drive drainage*
- Fanning Wash near Thomas School*
- Penstock Wash repairs at Smokerise
- E Route 66 culvert replacement*
- Robust spot improvement program (~ 20 small repairs)



2013: E. Route 66 culvert replacement

*Some projects only partly funded by Stormwater

Annual Capital Funding History	
2005:	Initiated at <\$200,000
2006-2015:	\$150,000 - \$500,000
2016:	\$600,000



2022: Spruce Wash at Dortha Ave.

Stormwater Rate Assessment





Stormwater Rate Assessment



Purpose of Rate Adjustment

- Increased fire and flood events over the past few years have made current infrastructure insufficient
- Increased fire and flood events have increased demand on operations – staffing and equipment
- Increased Mitigation costs in new flood areas, such as Spruce Wash and Schultz Creeks
- Construct some deferred Capital Improvement Projects
- Meet inflationary cost reality for construction projects.
- Completing critical capital projects reduces flood response - operations costs



Stormwater Maintenance



- Currently 2 FTE operators and one part-time supervisor
 - 24 miles of FEMA recognized channel,
 - >100 miles of ditches,
 - >60 miles of storm pipe
 - 15 City owned LID facilities
- Additional needs:
 - Pre-season flood mitigation
 - Flood response (>\$1M in both 2021 and 2022)
 - Detention Basin maintenance (Schultz, Killip School, Frances Short Pond, and Park Way regional flood mitigation basins)
 - Expectation of a full-time supervisor and 2 to 6 additional FTE operators plus equipment





Maintenance example - Copeland

Copeland Detention Basins when completed in 2015



Copeland Basins with four feet of sediment under removal in August 2022





Projected Expenditures

Operations Budget	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
O&M Budget	\$ 1,826,108	\$ 1,451,962	\$ 1,527,412	\$ 1,556,355	\$ 1,640,283	\$ 1,631,785	\$ 1,692,541
Additional O&M	\$ 175,000	\$ 2,836,706	\$ 2,899,637	\$ 3,013,594	\$ 3,030,118	\$ 3,097,752	\$ 2,234,146
Total O&M Needs	\$ 2,001,108	\$ 4,288,668	\$ 4,427,050	\$ 4,569,949	\$ 4,670,401	\$ 4,729,537	\$ 3,926,687

- GO Bond approval is for certain capital projects and cannot be utilized for operating cost
- Grants do not cover operating costs
- It is recommended that operating cost be covered by rates

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

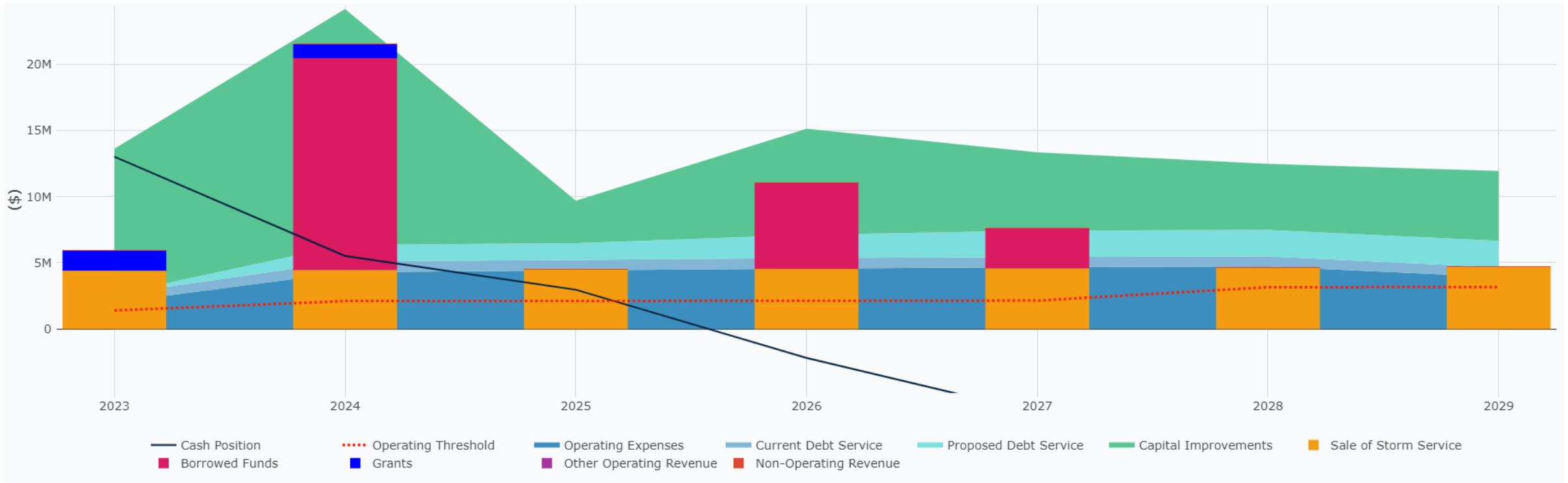


Development of Financial Plan

- Increase operating cost
 - Additional \$2.2M is needed in 2024
 - Detention basin maintenance is anticipated to be substantial
- Significant Capital Expenditure over the next 7 years
 - Projected annual need is close to \$8 million
- Mixture of Revenue Bonds, Grants and Rate Revenue (cash) will be utilized to fund capital expenditure
 - Grants - \$2.5 million awarded, Apply for another \$4.6 million
 - Debt financing when needed



Status Quo: Projected Cash Position





Summary of Status Quo

- Current revenues are not sufficient to pay for increased operating cost (flood mitigation/response) and future capital expenditures
- Significant rate increase will be needed to meet future stormwater obligations

Stormwater Rate Options






Alternative Evaluation

- After the October 25th City Council Work Session, staff and the consultant developed three alternative financial plans associated with the Stormwater Program
 - Each scenario has the same level of O&M cost
 - The difference is the capital expenditure level
 - Assumes future grant awards
 - Risk: If grants not successful, project is not constructed
 - Debt servicing
 - GO Bond projects not included, as they will have their own funding

Which Capital Projects Will Receive Funding?

Scenario 1	Scenario 2	Scenario 3
Rio de Flag Flood Control Project	Rio de Flag Flood Control Project	Rio de Flag Flood Control Project
Downtown Mile	Downtown Mile	Downtown Mile
Schultz Creek-Hwy 180 Culvert Improvements	Schultz Creek-Hwy 180 Culvert Improvements	Schultz Creek-Hwy 180 Culvert Improvements
Side Drain Lateral North Downtown	Side Drain Lateral North Downtown	Side Drain Lateral North Downtown
Spruce Wash Resiliency	Spruce Wash Resiliency	Spruce Wash Resiliency
Killip Basins Inlet	Killip Basins Inlet	Killip Basins Inlet
Spot Improvements	Spot Improvements	 <p>These projects in red are already funded by current rates/capital plan.</p> <p>These projects in yellow are grant-funded.</p> <p>If grant funds are not awarded, these projects in green will not move forward.</p>
Side Drain Lateral Santa Fe Avenue	Side Drain Lateral Santa Fe Avenue	
Side Drain Lateral Malpais Lane	Side Drain Lateral Malpais Lane	
Fanning at Steves Culvert	Fanning at Steves Culvert	
Columbia Circle	Columbia Circle	
Fanning Drive Wash at Route 66	Fanning Drive Wash at Route 66	
Soliere Avenue/Fanning Wash Crossing	Soliere Avenue/Fanning Wash Crossing	
Switzer Canyon Flood Detention Basin	Switzer Canyon Flood Detention Basin	
Fanning Wash Channel Capacity Improvements	Fanning Wash Channel Capacity Improvements	
Hospital Hill Street Improvements	Hospital Hill Street Improvements	
Mobile Haven Ditch Improvements	Mobile Haven Ditch Improvements	
Shadow Mt.-Monte Vista Street Improvements	Shadow Mt.-Monte Vista Street Improvements	
University Heights Drainage Improvements	University Heights Drainage Improvements	





Scenario comparison

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

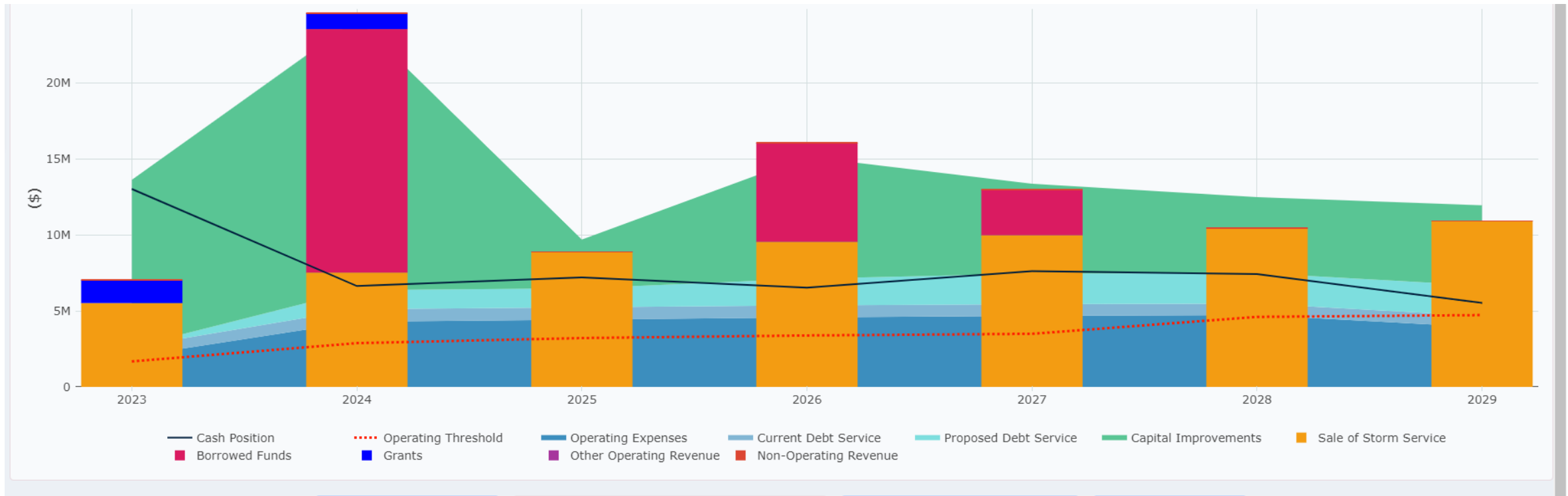
Scenario 1. Follows Capital Plan directive. Most cost efficient. Only incorporates awarded grants. Includes GO bond	Scenario 1	2023	2024	2025	2026	2027	2028	2029	Total
	Capital Expenditure	\$ 18,291,639	\$ 26,399,375	\$ 9,007,306	\$ 12,298,917	\$ 5,902,967	\$ 4,985,000	\$ 5,275,000	\$ 82,160,204
	Grant Funded	\$ 1,500,000	\$ 1,045,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,545,000
	GO Bond Funded	\$ 7,300,000	\$ 8,600,000	\$ 5,800,000	\$ 4,300,000	\$ -	\$ -	\$ -	\$ 26,000,000
	Debt Funded	\$ -	\$ 16,000,000	\$ -	\$ 6,500,000	\$ 3,000,000	\$ -	\$ -	\$ 25,500,000
	Cash Funded	\$ 9,491,639	\$ 754,375	\$ 3,207,306	\$ 1,498,917	\$ 2,902,967	\$ 4,985,000	\$ 5,275,000	\$ 28,115,204
	Effective	Jan	Jan	Jan	Jan	Jan	Jan	Jan	
	% Increase	50%	25%	10%	3.5%	3.5%	3.5%	3.5%	
	Proposed Rate	\$ 5.61	\$ 7.01	\$ 7.71	\$ 7.98	\$ 8.26	\$ 8.55	\$ 8.85	

Scenario 2. Follows Capital Plan directive. Most costly, due to early debt issuance. Assumes future grant awards or projects won't happen.	Scenario 2	2023	2024	2025	2026	2027	2028	2029	Total
	Capital Expenditure	\$ 18,291,639	\$ 31,765,709	\$ 8,050,129	\$ 5,791,417	\$ 5,306,708	\$ 4,985,000	\$ 5,275,000	\$ 79,465,602
	Grant Funded	\$ 1,500,000	\$ 1,045,000	\$ 1,719,939	\$ 1,027,050	\$ 1,922,936	\$ -	\$ -	\$ 7,214,925
	GO Bond Funded	\$ 7,300,000	\$ 8,600,000	\$ 5,800,000	\$ 4,300,000	\$ -	\$ -	\$ -	\$ 26,000,000
	Debt Funded	\$ -	\$ 21,300,000	\$ -	\$ -	\$ 3,000,000	\$ 3,500,000	\$ -	\$ 27,800,000
	Cash Funded	\$ 9,491,639	\$ 820,709	\$ 530,190	\$ 464,367	\$ 383,772	\$ 1,485,000	\$ 5,275,000	\$ 18,450,677
	Effective	April	Jan	Jan	Jan	Jan	Jan	Jan	
	% Increase	17%	17%	17%	17.0%	17.0%	17.0%	17.0%	
	Proposed Rate	\$ 4.38	\$ 5.12	\$ 5.99	\$ 7.01	\$ 8.20	\$ 9.59	\$ 11.22	

Scenario 3. Minimal Capital projects beyond priority flood projects. Early debt issuance. Assumes future grant awards or projects won't happen.	Scenario 3	2023	2024	2025	2026	2027	2028	2029	Total
	Capital Expenditure	\$ 18,291,639	\$ 31,765,709	\$ 8,050,129	\$ 5,791,417	\$ 3,312,980	\$ 1,628,100	\$ 1,674,365	\$ 70,514,339
	Grant Funded	\$ 1,500,000	\$ 1,045,000	\$ 1,719,939	\$ 1,027,050	\$ 1,922,936	\$ -	\$ -	\$ 7,214,925
	GO Bond Funded	\$ 7,300,000	\$ 8,600,000	\$ 5,800,000	\$ 4,300,000	\$ -	\$ -	\$ -	\$ 26,000,000
	Debt Funded	\$ -	\$ 21,300,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,300,000
	Cash Funded	\$ 9,491,639	\$ 820,709	\$ 530,190	\$ 464,367	\$ 1,390,044	\$ 1,628,100	\$ 1,674,365	\$ 15,999,414
	Effective	April	Jan	Jan	Jan	Jan	Jan	Jan	
	% Increase	17%	17%	17%	17.0%	3.5%	3.5%	3.5%	
	Proposed Rate	\$ 4.38	\$ 5.12	\$ 5.99	\$ 7.01	\$ 7.25	\$ 7.51	\$ 7.77	

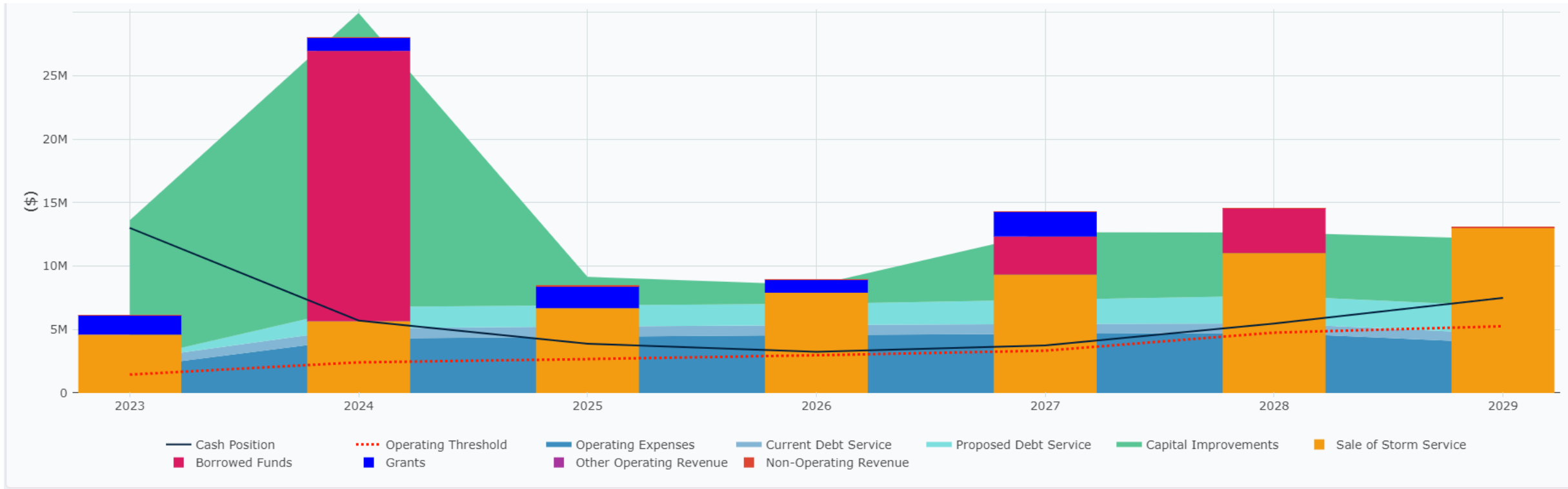


Scenario 1: Projected Cash Position



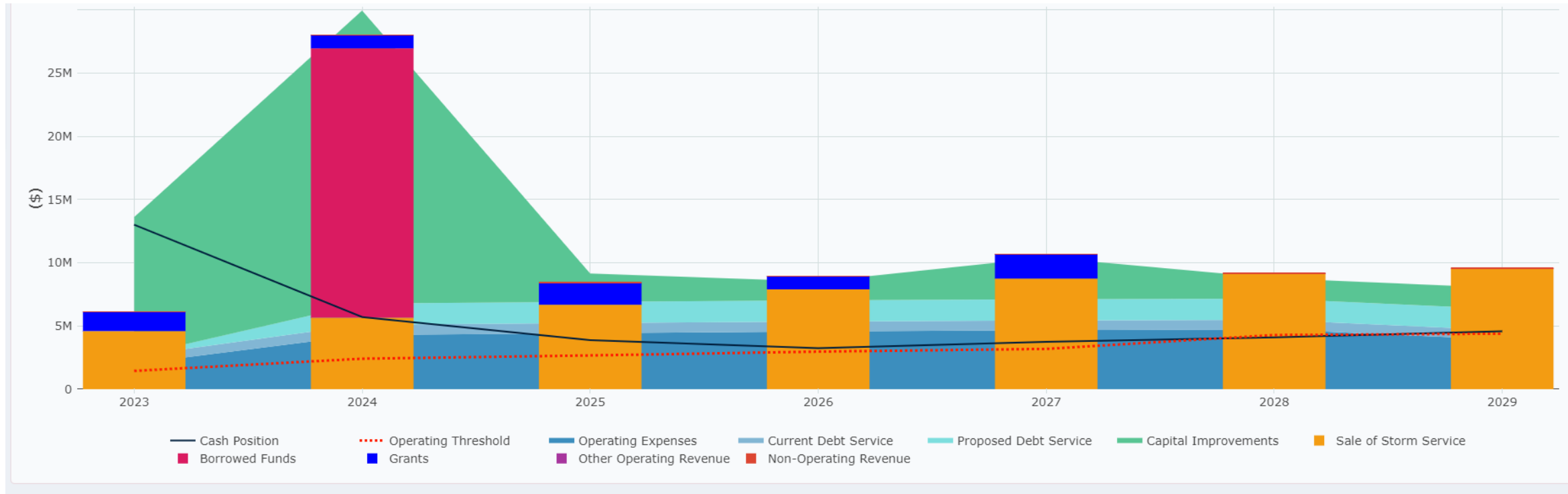


Scenario 2: Projected Cash Position





Scenario 3: Projected Cash Position





Stormwater Service Charge



Year 1 Proposal/Impacts

Stormwater Rate Options	ERU Rate	Proposed Rate Per ERU	
		Year 1	Year 7
All Scenarios include O&M increase for new retention basins and drainage maintenance	Current Rate Per ERU		
Scenario 1 - early increase, most cost efficient, best level of service	\$3.74	\$5.61	\$8.85
Scenario 2 - smaller steady increase, better service level, includes (tentative) grant funding, increased debt for Hwy 180 Culvert project	\$3.74	\$4.38	\$11.22
Scenario 3 - Minimal Capital Projects, with only priority flood mitigation, increased debt, includes (tentative) grant funding	\$3.74	\$4.38	\$7.77



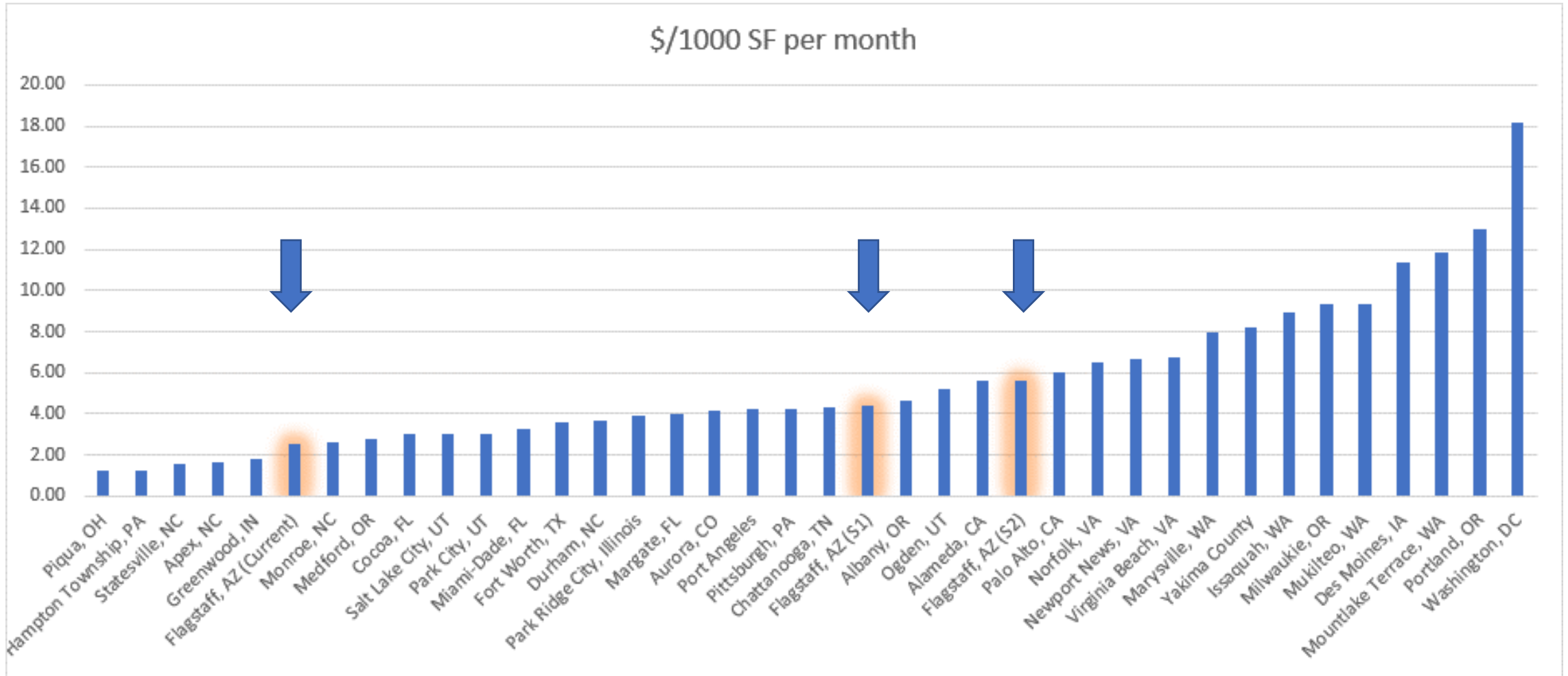
Rate Impacts



Stormwater Rate Options Annual Increases		Average Annual Increase Residential 3 ERU		Average Annual Increase Restaurant 14 ERU		Average Annual Increase Big Box 220 ERU	
All Scenarios include O&M increase for new retention basins and drainage maintenance	Year 1 Effective Date	Year 1	Year 7	Year 1	Year 7	Year 1	Year 7
Scenario 1 - early increase, most cost efficient, best level of service	Jan 1	\$67	\$184	\$314	\$858	\$4,937	\$13,490
Scenario 2 - smaller steady increase, better service level, includes (tentative) grant funding, increased debt for Hwy 180 Culvert project	April 1	\$23	\$269	\$108	\$1,257	\$1,690	\$19,747
Scenario 3 - Minimal Capital Projects, with only priority flood mitigation, increased debt for Hwy 190 Culvert project	April 1	\$23	\$113	\$108	\$526	\$1,690	\$8,263



National Stormwater Survey





Stormwater Rate Assessment Update



Rate Implementation Timeline

11/15/2022	Council Meeting-Public Hearing, 1 st Read
11/29/2022	Council Meeting-Public Hearing, Ordinance 2nd Read
1/1/2023	Rate Effective 1/1/2023 (or 4/1/2023, depending on alternative)

Community Outreach





Stormwater Rate Community Outreach

- Stormwater Rates Website:

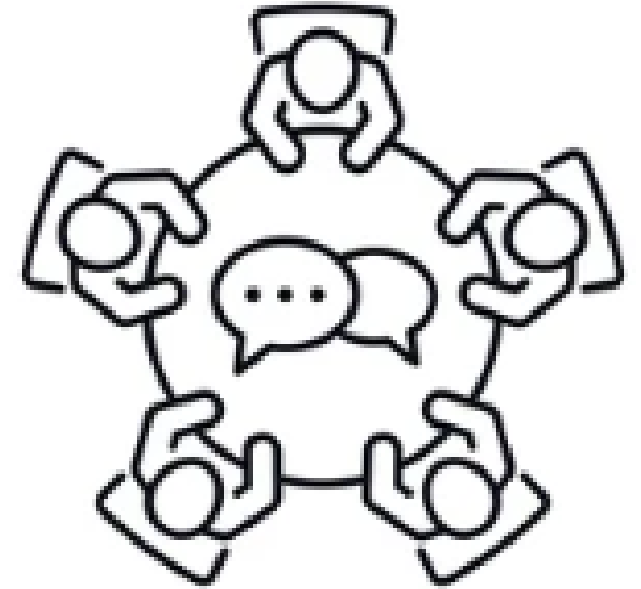
<https://www.flagstaff.az.gov/4781/Stormwater-Rate-Adjustment>

- Rate Analysis Report
- FAQ's
- Recorded Presentation, Powerpoint Presentation

- Community Forums

- **October 26** at noon, virtual on Teams
- **November 10** at 4 pm, in-person at
City Council Chambers and on Teams
- **November 14**, at 6 pm, Sechrist School
- **November 18** at 6 pm, virtual on Teams

- Roadshows, Radio Spots, Educational Resources at City locations





Stormwater Rate Adpotion



QUESTIONS?

