

Stormwater Rate Assessment Update

City Council, October 25 2022





Stormwater Rate Assessment Update

Overview

- Staff will present the results of the Stormwater Rate Assessment
- Tonight's Discussion Points
 - Stormwater Program History
 - Purpose of Rate Adjustment
 - Rate Basis and Policy Recommendations
 - Timeline
 - City Council Feedback



Stormwater Rate & Program History

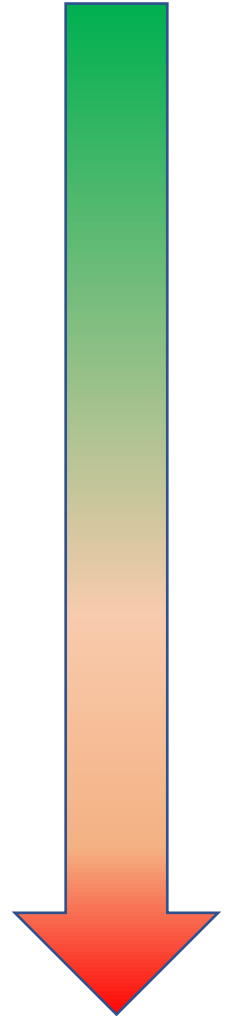
	2003	2005	2007	2009	2012	2018	2019	2021	2022
News:	Stormwater Section Created	First Rate Change and credit manual	Master Planning	ALERT network, LID Ordinance	FWPP	Rio De Flag Flood Control Project	Museum Fire, Climate Action Plan, Rio de Flag Project	Spruce Wash flooding	Pipeline Fire
Rate (\$/ERU month)	\$ 0.53	\$ 0.93	\$ 1.02	\$ 1.22	\$ 1.30	\$ 2.24	\$ 3.74	\$ 3.74	\$ 3.74
Responsibilities:	FEMA Floodplain Management Development review, Construction Inspections, Maintenance funding Water quality & MS4	Capital Improvement Drainage Investigation	NEAMDS Study	ALERT gauges LID ordinance	Regional Watershed Management	Rio De Flag Flood Control Project	Climate change planning Post-fire flood response Maintenance operations Asset Management/GIS Rio de Flag Project	Regional Flood Management	Individual Direct Assistance Detention Basin Maintenance



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 Rate Assessment Update



Current Rates

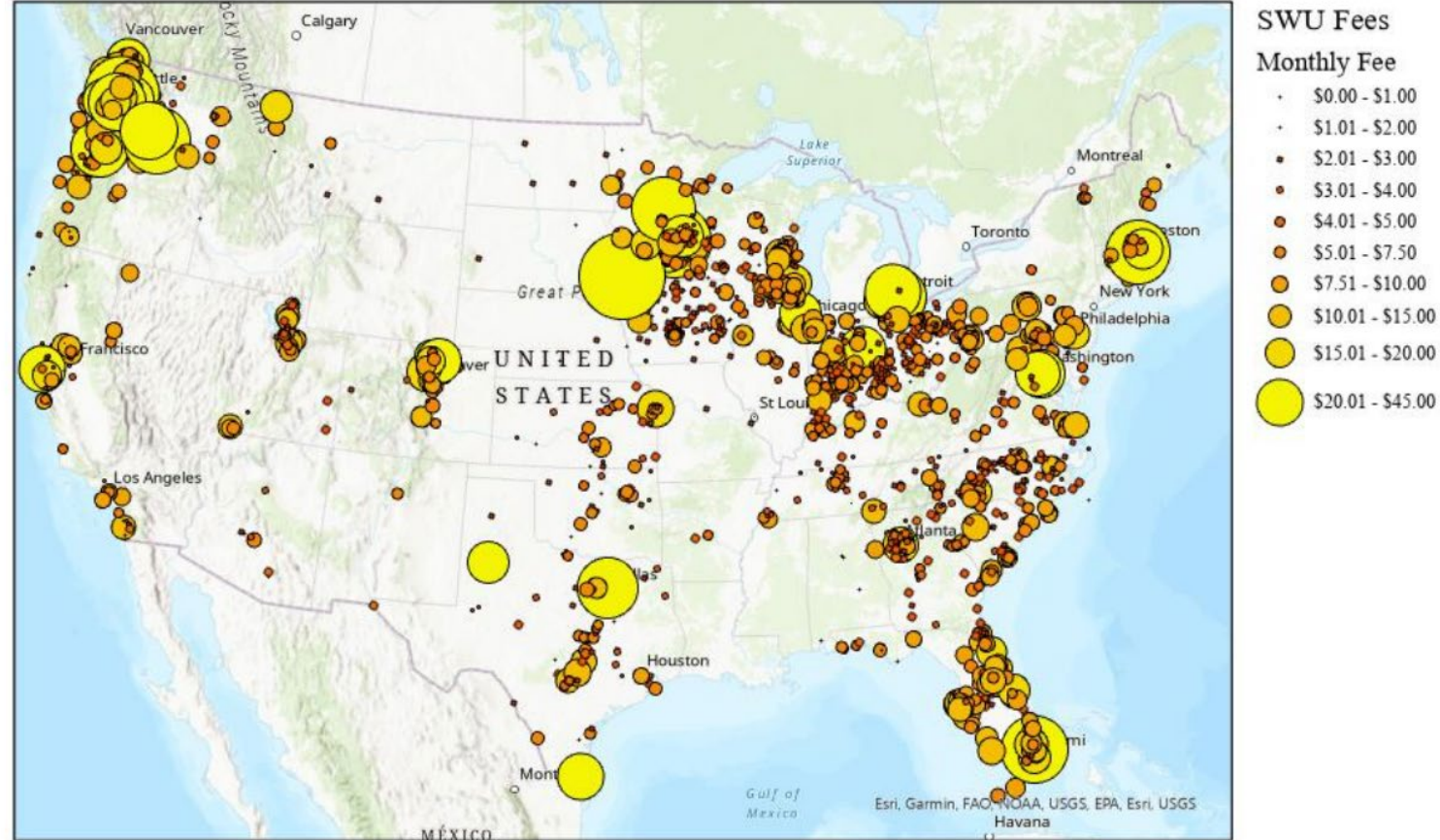
- Limited Capital Funding
 - \$600K annually
- Large increased Operating Cost
 - Temporary Flood Mitigation
 - Flood Response
 - Currently Unfunded
- Unsustainable Budget

Proposed Rates

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



National Stormwater Survey



Stormwater Utility Fees 2022



Figure 3. Spatial distribution of monthly stormwater fees.

Campbell and Bradshaw 2021

Campbell, Warren and Bradshaw, Jerry, "Western Kentucky University Stormwater Utility Survey 2021" (2021). SEAS Faculty Publications. Paper 4.

https://digitalcommons.wku.edu/seas_faculty_pubs/4



Stormwater Rate Assessment Update



Reasons for the 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
- Mitigation costs for new flood areas, such as Spruce Wash and Schultz Creeks
- Construct some Capital Improvement Projects identified by 2010 Northeast Area Master Drainage Study
- Meet inflationary cost reality for construction projects.
- Completion of critical capital projects will reduce flood response operations costs



Stormwater Rate Assessment Update



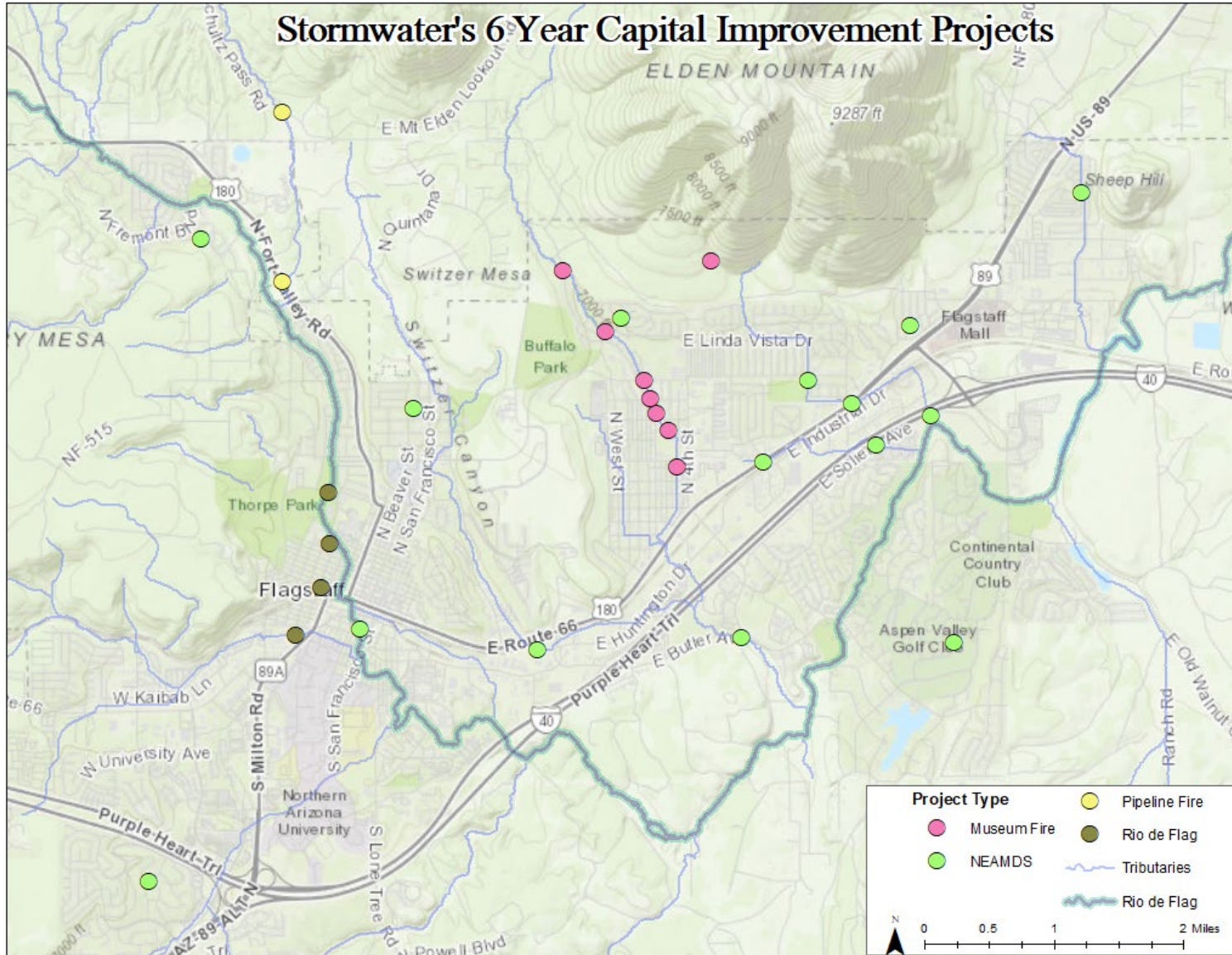
Purpose of Rate Adjustment

Stormwater Capital Proposal – Seven- year horizon

STORMWATER CAPITAL NEEDS - 7 YEAR HORIZON								
Project Area	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029	TOTAL
Rio de Flag	\$ 4,135,744	\$ 16,209,000	\$ 218,405	\$ 570,583	\$ 834,763	\$ -	\$ -	\$ 21,968,495
Spot improvements	\$ 700,868	\$ 78,375	\$ 81,902	\$ 85,587	\$ 89,439	\$ 93,464	\$ 97,670	\$ 1,227,305
Post-fire projects	\$ 13,440,212	\$ 8,987,000	\$ 5,733,133	\$ 7,702,871	\$ 5,366,334	\$ -	\$ -	\$ 41,229,550
NEAMDS study	\$ 14,815	\$ 1,828,750	\$ 4,531,904	\$ 2,852,915	\$ 4,978,765	\$ 4,392,791	\$ 2,832,416	\$ 21,432,356
Future projects	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 498,745	\$ 2,344,914	\$ 2,843,659
TOTAL	\$ 18,291,639	\$ 27,103,125	\$ 10,565,344	\$ 11,211,956	\$ 11,269,301	\$ 4,985,000	\$ 5,275,000	\$ 88,701,365



Stormwater Rate Assessment Update



Note: Points identify generalized CIP bundles and not individual projects.



Stormwater Rate Assessment Update



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

Proposed Policy Recommendations

Staff Recommends Updating the Following Policy:

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



Development of Financial Plan

- Increase operating cost
 - Additional \$2.2M is needed in 2024
 - Detention basin maintenance is anticipated to be substantial
- Significant Capital Expenditure over the next 7 years
 - Projected annual need is \$12.7 million
- Mixture of Revenue Bonds, GO Bonds, Grants and Rate Revenue (cash) will be utilized to fund capital expenditure
 - November GO Bond election will impact the Rate Adjustment
 - Voter approved – Some capital projects funded by property tax revenue
 - Voter not approved – All capital projects funded by stormwater fee
 - Both scenarios will be presented



Projected Expenditures

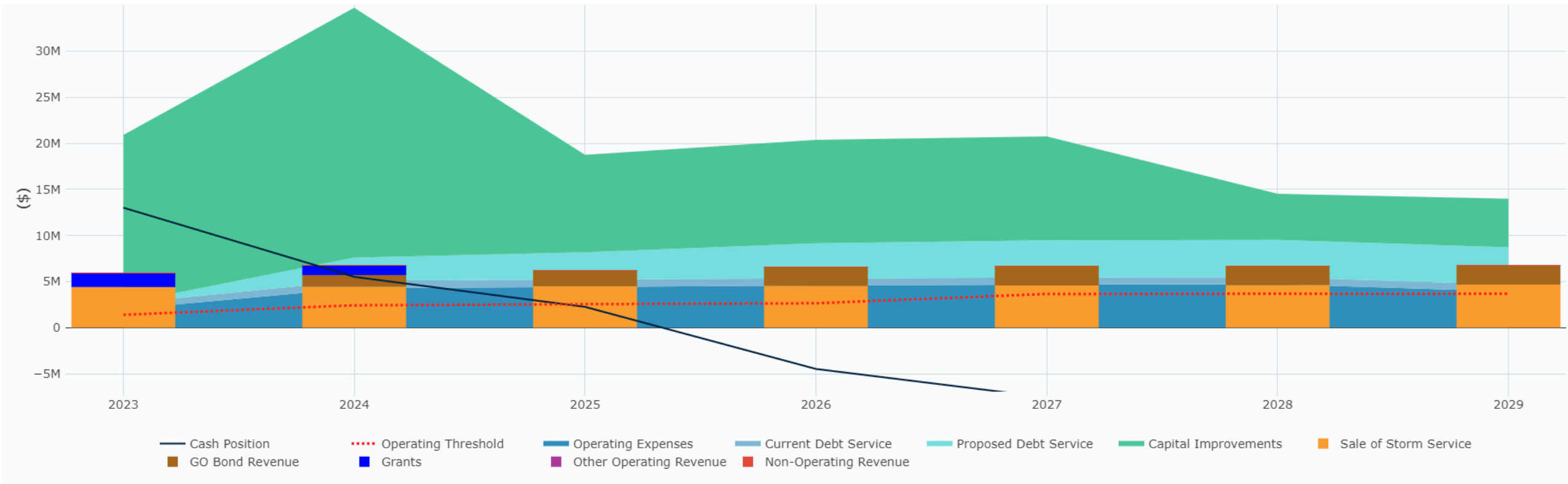
Operations Budget	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
O&M Budget	\$ 1,826,108	\$ 1,451,962	\$ 1,527,412	\$ 1,556,355	\$ 1,640,283	\$ 1,631,785	\$ 1,692,541
Additional O&M	\$ 175,000	\$ 2,836,706	\$ 2,899,637	\$ 3,013,594	\$ 3,030,118	\$ 3,097,752	\$ 2,234,146
Total O&M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

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

Capital Budget	2022-2023	2023-2024	2024-2025	2025-2026	2026-2027	2027-2028	2028-2029
Rate Funded	\$ 9,491,639	\$ 1,071,125	\$ 4,765,342	\$ 411,957	\$ 8,269,301	\$ 4,985,000	\$ 5,275,000
Revenue Bond		\$ 16,000,000		\$ 6,500,000	\$ 3,000,000		
Grant Funded	\$ 1,500,000	\$ 1,045,000					
Go Bond	\$ 7,300,000	\$ 8,987,000	\$ 5,800,888	\$ 4,300,000	-	-	-
Total Capital	\$ 18,291,639	\$ 27,103,125	\$ 10,565,342	\$ 11,211,957	\$ 11,269,301	\$ 4,985,000	\$ 5,275,000



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
- Two rate scenarios
 - GO Bonds approved - some capital funding through property tax
 - GO Bond not approved - Rates fund all capital projects, funded by customers

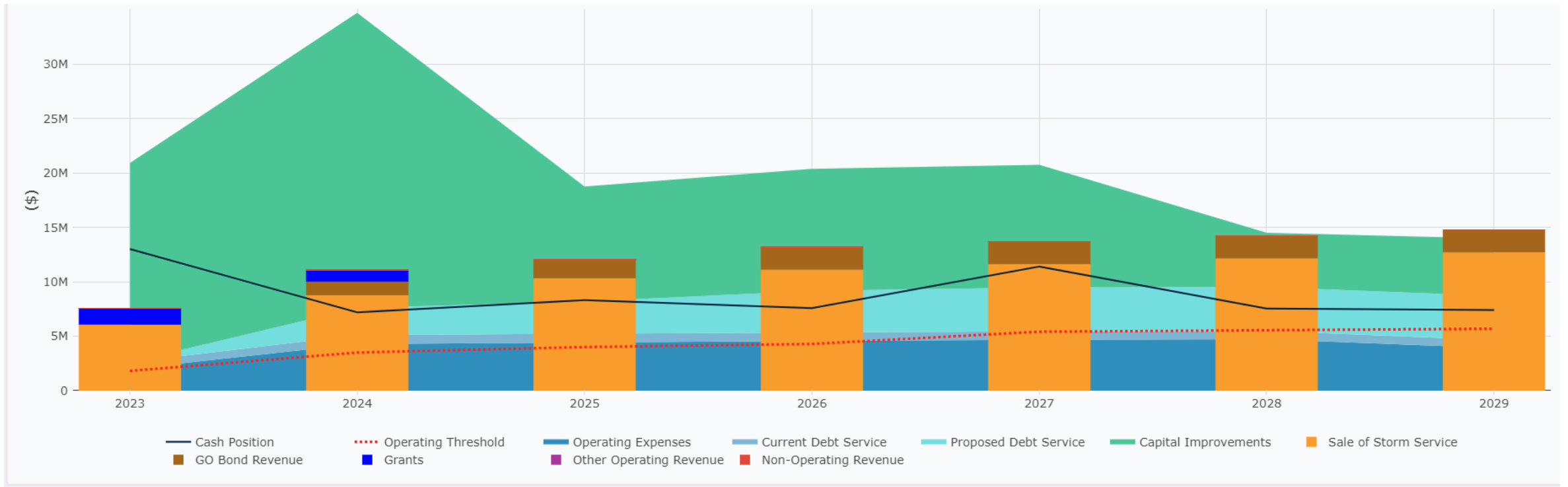


Proposed Rates

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

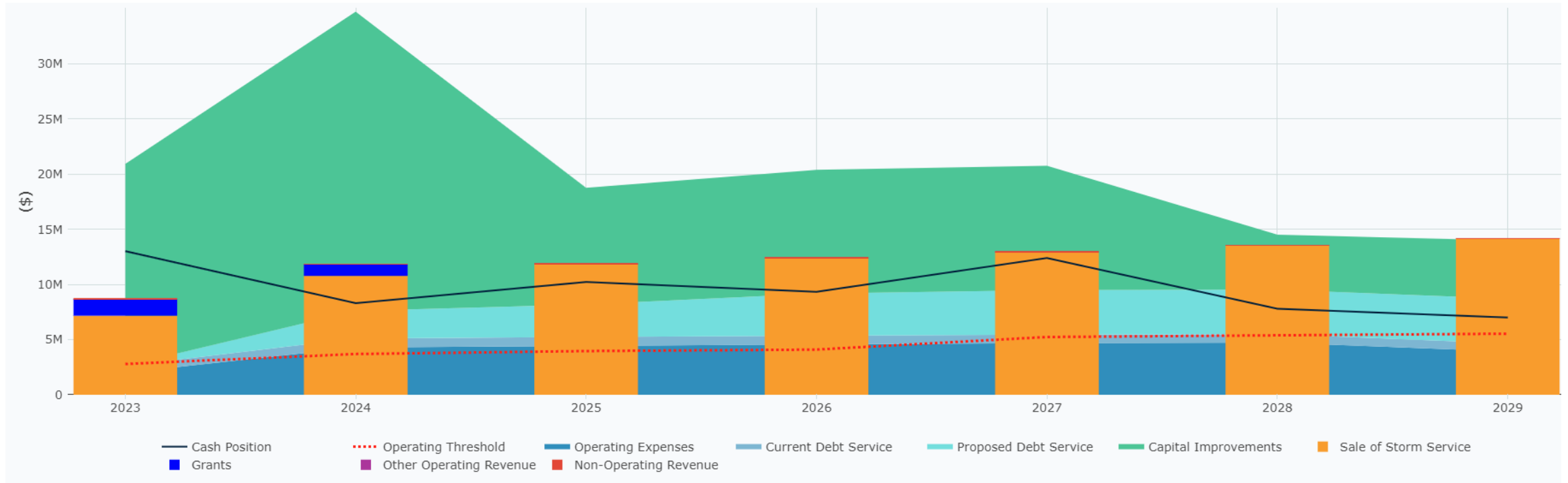


S1: Voter Approval of GO Bond





S2: GO Bond not Approved





Stormwater Service Charge



Year 1 Proposal/Impacts

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



Stormwater Service Charge



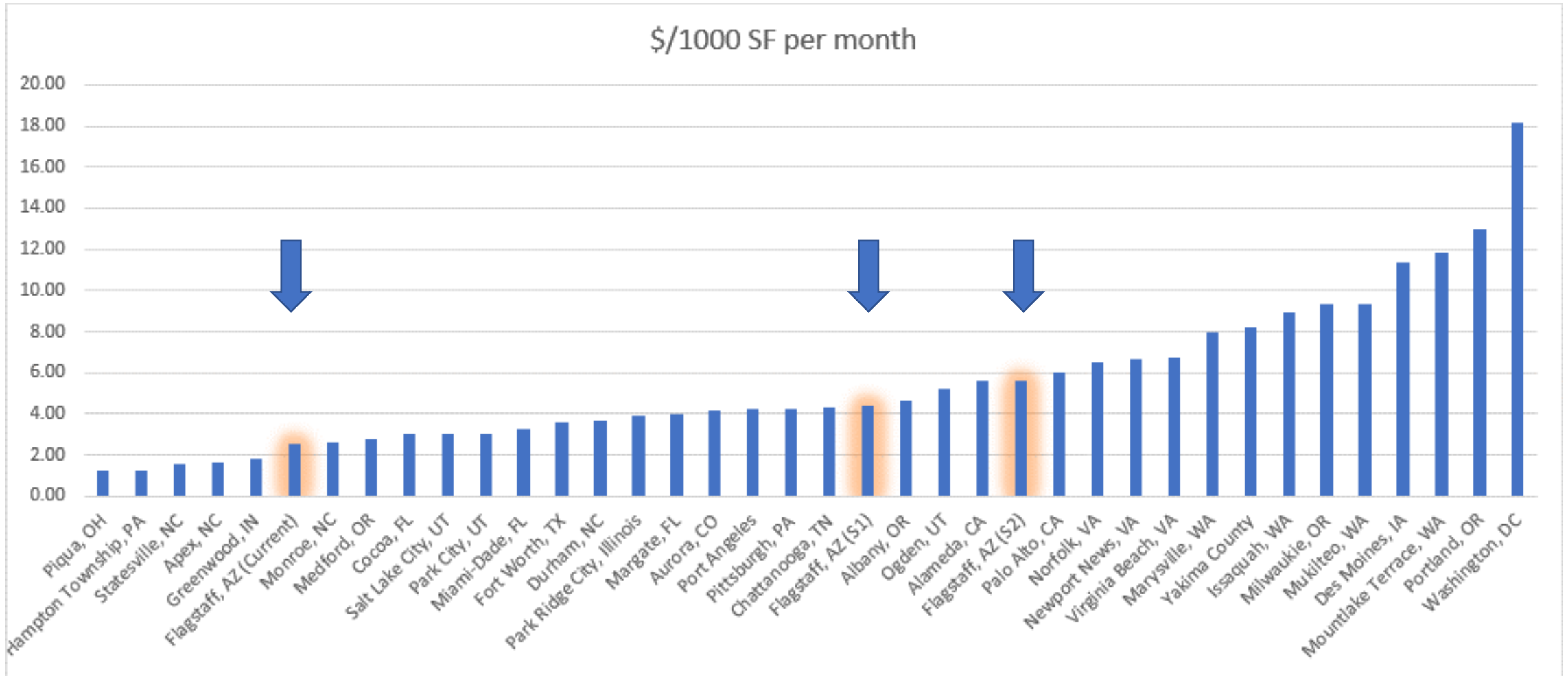
Year 1 Proposal/Impacts

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

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



National Stormwater Survey





Stormwater Rate Assessment Update



Rate Implementation Timeline

8/23/2022	CM-Notice of Intent
9/15/2022	Rate Analysis Report
9/15/2022	Water Commission Meeting - Presentation
9/16/2022	Documents on Water Service Website
9/16/2022	60 Day Public Notice
Sept/Oct	Community Outreach
10/15/2022	Copy to City Clerk (no less than 30 days before PH)
10/25/2022	Council Work Session
10/26/2022	Newspaper Notice (no less than 20 days before PH)
11/15/2022	Council Meeting-Public Hearing, 1 st Read
11/29/2022	Council Meeting-Public Hearing, Ordinance 2nd Read
1/1/2023	Rate Effective 1/1/2023



Stormwater Rate Community Outreach

- Stormwater Rates Website:

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

- Rate Analysis Report
- FAQ's
- Recorded 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, virtual on Teams

- Roadshows

- Presentations to community groups





Stormwater Rate Assessment Update



QUESTIONS?

