

MINUTES

1. CALL TO ORDER

Mayor Daggett called the meeting of the Flagstaff City Council held July 3, 2024, to order at 3:30 p.m.

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 regular meeting, the City Council may vote to go into executive session, which will not be open to the public, for discussion and consultation 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. ROLL CALL

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

PRESENT:

ABSENT:

MAYOR DAGGETT
VICE MAYOR ASLAN
COUNCILMEMBER HARRIS
COUNCILMEMBER HOUSE (arrived at 3:40 p.m.)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARTHY
COUNCILMEMBER SWEET

Others present: City Manager Greg Clifton; Deputy City Attorney Kevin Finsel.

3. PLEDGE OF ALLEGIANCE, MISSION STATEMENT, AND LAND ACKNOWLEDGEMENT

The Council and audience recited the pledge of allegiance, Councilmember Sweet read the Mission Statement of the City of Flagstaff, and Vice Mayor Aslan read the Land Acknowledgement.

MISSION STATEMENT

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

LAND ACKNOWLEDGEMENT

The Flagstaff City Council humbly acknowledges the ancestral homelands of this area's Indigenous nations and original stewards. These lands, still inhabited by Native descendants, border mountains sacred to Indigenous peoples. We honor them, their legacies, their traditions, and their continued contributions. We celebrate their past, present, and future generations who will forever know this place as home.

4. **Consideration and Adoption of Resolution No. 2024-30 and Ordinance No. 2024-19:** A Resolution of the Flagstaff City Council declaring as a public record that certain document filed with the City Clerk and entitled "*Water Services Rates Code Changes*" and An Ordinance of the City Council of the City of Flagstaff, amending the Flagstaff City Code Title 3, Business Regulations, Section 3-10-001-0008 License Fees and Title 7, Health and Sanitation, Chapter 7-02 Wastewater Regulations, and Chapter 7-03 Water Regulations, by adopting by reference that certain document entitled "*Water Services Rates Code Changes*"; providing for penalties, repeal of conflicting ordinances, severability, and establishing an effective date

Water Services Manager Erin Young, Water Services Director Shannon Jones, along with Carol Malesky with Stantec provided a PowerPoint presentation that covered the following:

COUNCIL DIRECTED SCENARIOS -- IMPACT ON RATE PROJECTIONS
WATER PROJECTED AVERAGE BILL

Due to technical issues, the Council took a break from 3:15 p.m. through 4:00 p.m.

Councilmember Matthews asked if the revenues level out or stay the same. Ms. Malesky explained that the 10-year CIP was an ongoing process that evolved alongside new master plans, projects, and regulations. Each year, as one part of the CIP is completed, another year is added with updated projections and needs. It was a continuous cycle, not a finite plan. CIP spending did not stop at the end of a cycle; instead, it continued as part of a broader strategy. The city actively monitors cost of service and financial plans to identify future deviations early, helping to avoid large rate increases like a 10% spike. Acting proactively, rather than reacting after years of delay, helps minimize financial impacts.

Councilmember McCarthy stated that when projects stay on the list but are not funded, that means they get pushed off into the future and included with future rate discussions.

Councilmember Harris clarified that an 86% CIP would increase the single-family three-quarter inch users by approximately \$0.60 and if the CIP was reduced to 80%, the increase would be \$0.27. Ms. Malesky confirmed.

Vice Mayor Aslan asked what the \$16.5 million would equate to in 2029 and what the cost savings would be if the work was done now rather than later. Ms. Malesky explained that the total CIP number for both scenarios included inflation. There was the regular increase to cover operations and maintenance but also the escalation in cost for the CIP.

Mr. Clifton clarified that completion of the CIP in ten years was not a commitment that could be made. Whether at 100%, 86%, or 80% it did not guarantee all projects would be completed on time. Delays and cost overruns are common and often outside the city's control, such as inflation and federal project holdups like Rio de Flag. While a lower execution rate likely means more project deferrals and a greater need for outside funding, even 100% funding doesn't ensure 100% on-time completion. The CIP list included a wide range of projects with varying priorities and complexities, and practical realities often prevent ideal outcomes.

WASTEWATER PROJECTED AVERAGE BILL IMPACTS
80% CIP EXECUTION BILL PROJECTIONS FOR PROPOSED RATE STRUCTURES -- RESIDENTIAL
80% CIP EXECUTION BILL PROJECTIONS FOR PROPOSED RATE STRUCTURES --
COMMERCIAL

Councilmember Matthews asked how an account holder could determine what size meter they have. Ms. Young stated that they could contact customer service or compare the numbers on their bill to the chart in city code.

Councilmember Harris asked if someone bought a building do they acquire the existing meter. Ms. Young stated yes but if there was a change in business, they could request a different consideration for usage.

The following individuals addressed Council regarding the rate code changes:

- Craig Bouchard
- John Connelly
- Anthony Garcia
- Stephen Puhr

The following comments were made:

- The city is in a difficult financial position, partly due to missed opportunities or mismanagement over the past four years.
- Local businesses are struggling, as reflected in declining transaction privilege tax revenues.
- Compare it to the BBB tax which was intended to be paid by tourists, but with fewer tourists and locals deterred by higher costs, it was now hurting local businesses.
- Be careful imposing new taxes or fees, they could create a cycle where fewer businesses remain to share the burden.
- Do not vote yet, it was irresponsible given the unanswered questions and recent funding changes from 86% to 80%.
- The Council needed to consider who will be most impacted by rate increases, specifically restaurants, which employ more people and generate more tax revenue than any other local sector.
- Restaurants already have many challenges including projected increases in minimum wage and now rising water bills and the cumulative burden could be significant.
- Everything just stacks and stacks, and at some point, you just cannot stack any more.
- There needs to be more discussion with the business community on impacts.
- Support the rate increases to ensure sustainable infrastructure.
- It is so important to plan not only for today but for future generations.
- Easy access to water often leads people to take it for granted, Williams had to halt new development due to water shortages, underinvestment, and lack of preparation.
- Supporting infrastructure now helps avoid negative outcomes.
- An 86% execution rate could still achieve meaningful progress.
- The upcoming year's CIP had already been approved and would not be affected by current discussions.
- The CIP is revisited annually, adjustments can be made over time.
- Cost estimates may be high and, if inflation trends lower as predicted, the city may end up with 4% or more in extra revenue, allowing for more CIP work in future years.
- Do not focus too heavily on whether the execution rate is 68%, 80%, or otherwise, as it will evolve annually.
- Forecasting is not perfect and long-term economic indicators differ from pandemic-era data.

Vice Mayor Aslan indicated that the discussion was arbitrary and there had been numerous discussions over the last 18 months, in preparation for the decision. For him the greater community need outweighed the minute impacts for individuals.

Mr. Clifton added that the proposal to reduce the CIP had been discussed at the staff level and had now been discussed by Council. Policy was not formulated outside the dais, and staff's role is to bring proposals and ideas to give Council options for consideration.

Councilmember Matthews expressed frustration over the process of trying to reduce the impact of water rate increases on the business community. She felt that the effort had been confusing and inefficient, with missed opportunities to meaningfully analyze cost-reduction scenarios in real time. Despite requesting months ago to explore ways to reduce the burden, the requests were met with delays, vague answers, and ineffective presentations. The promised modeling exercises to assess potential impacts did not happen, which led to wasted time, money, and uncertainty. She also questioned the assumption that reducing funding would significantly delay projects, because major infrastructure often takes decades to complete. She felt like she had let the business community down and she was unsure about the outcomes. She indicated that she would likely not support the current proposal because the process lacked transparency, clarity, and responsiveness.

Councilmember House stated that she had done some research on the Williams moratorium, and it

cited an analysis of Williams wastewater treatment facility, and that new development would stretch that capacity. She asked if Flagstaff's treatment plants were at risk of maxing their capacity if development continued or if the rate increase supported the development, maintenance, and sustainability of the plans to ensure that did not happen.

Mr. Jones stated that Flagstaff had conducted multiple studies on biosolids and had prioritized related infrastructure upgrades. Proposition 441, approved by voters, allocated \$29 million specifically for wastewater projects addressing biosolids. The city was actively working on urgent projects, like the Wildcat interceptor, which was moved up in the CIP priority list, requiring other projects to be deferred. The design phase was underway, and the city was committed to delivering it on time. However, there are budget challenges, particularly when project costs exceed bond funding, that require value engineering or alternative funding solutions to cover the gaps. The city remains focused on ensuring critical infrastructure is maintained and available for the community, using all available tools, including rate studies and external funding, to meet those goals.

Councilmember House acknowledged the difficulty of the conversation and acknowledged the concerns raised by the business community. She noted that there appeared to be general agreement that a rate increase was necessary to support essential operations, maintenance, and capital improvements, and that delaying action was no longer an option. She felt that the suggested changes to funding percentages offer only marginal impacts that would not significantly alter outcomes unless entire projects were removed. She expressed support for the original proposal approved in June and felt that it was aligned with the broader community needs such as infrastructure, housing, and conservation.

Councilmember Sweet stated that she preferred the 80% execution rate, knowing that it would be revisited again in three to five years. She felt that it was unfair to impact the community so heavily when there was flexibility available.

Vice Mayor Aslan stated that he felt that they were talking about the margins and trading pennies for pounds. He was underwhelmed with how the numbers came out in the proposal. He expressed support for the 86% and was comfortable with what was voted on two weeks ago.

Councilmember Harris stated that she was shocked to understand how bad things had gotten. She emphasized the necessity of maintaining infrastructure and acknowledged that CIPs would always be part of city management. She expressed trust in staff to make the most of whatever funding level was approved and to prioritize work that prevented service disruptions and supported development. She stated that she supported moving forward with the lowest proposed funding option of 80%.

Councilmember McCarthy stated that there had not been an increase in water rates between 2020 and 2024 and the reality was that a lack of funding could delay critical projects. He noted that the rates could be adjusted up or down when they come back in three to five years. He supported Option A.

Mayor Daggett offered a counterpoint to frustrations with the process, and suggested that the main improvement could have been receiving clearer financial impact estimates earlier in the process. Initially, Council supported 100% funding without knowing the cost implications. She expressed strong confidence in staff, and noted that delays were rarely due to staff error and more often caused by external factors. She expressed appreciation for the Chamber's involvement and acknowledged the hard work by all stakeholders to reduce the financial burden as much as possible. She emphasized the seriousness with which Council takes its duty, knowing rate increases were difficult for both businesses and residents. Ultimately, while the choice between 80% and 86% execution rates may not significantly impact individuals, she leaned toward supporting the 80% option, with the understanding that projects and funding would be reevaluated annually.

Mr. Clifton acknowledged the long, arduous process of setting water rates, and noted that the decisions were always complex, nuanced, and often controversial. He commended the Council for its sustained effort, thoughtful dialogue, and many lengthy meetings over the past year and a half. While the current debate between an 86% and 80% execution rate may seem like a small difference, the broader context mattered; the process began with a 100% execution rate and had been reduced by 20 percentage points overall which was a substantial shift, especially considering the \$300 million-plus in total capital projects.

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Deborah Harris to read Resolution No. 2024-30 with the amendment to 80% execution on Capital Improvement Projects.

Vote: 5 - 2

NAY: Councilmember Jim McCarthy
Vice Mayor Austin Aslan

A RESOLUTION OF THE FLAGSTAFF CITY COUNCIL DECLARING AS A PUBLIC RECORD THAT CERTAIN DOCUMENT FILED WITH THE CITY CLERK AND ENTITLED "WATER SERVICES RATES CODE CHANGES" WITH THE AMENDMENT TO 80% EXECUTION ON CAPITAL IMPROVEMENT PROJECTS

Moved by Councilmember Miranda Sweet, **seconded by** Councilmember Lori Matthews to adopt Resolution No. 2024-30 with the amendment to 80% execution on Capital Improvement Projects.

Vote: 7 - 0 - Unanimously

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to read Ordinance No. 2024-19 by title only for the final time with the 80% execution on Capital Improvement Projects.

Vote: 7 - 0 - Unanimously

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FLAGSTAFF, AMENDING THE FLAGSTAFF CITY CODE, TITLE 3, BUSINESS REGULATIONS, SECTION 3-10-001-0008 LICENSE FEES AND TITLE 7, HEALTH AND SANITATION, CHAPTER 7-02 WASTEWATER REGULATIONS AND CHAPTER 7-03 WATER REGULATIONS, BY ADOPTING BY REFERENCE THAT CERTAIN DOCUMENT ENTITLED "WATER SERVICES RATES CODE CHANGES"; PROVIDING FOR PENALTIES, REPEAL OF CONFLICTING ORDINANCES, SEVERABILITY, AND ESTABLISHING AN EFFECTIVE DATE WITH THE AMENDMENT TO 80% EXECUTION ON CAPITAL IMPROVEMENT PROJECTS

Moved by Councilmember Lori Matthews, **seconded by** Councilmember Miranda Sweet to adopt Ordinance No. 2024-19.

Vote: 7 - 0 - Unanimously

5. ADJOURNMENT

The Special Meeting of the Flagstaff City Council held July 3, 2024, adjourned at 5:49 p.m.

MAYOR

ATTEST:

CITY CLERK

CERTIFICATION

I, STACY SALTZBURG, do hereby certify that I am the City Clerk of the City of Flagstaff, County of Coconino, State of Arizona, and that the above Minutes are a true and correct summary of the Meeting of the Council of the City of Flagstaff held on July 3, 2024. I further certify that the Meeting was duly called and held and that a quorum was present.

DATED this 26th day of August, 2025

CITY CLERK