

MINUTES

1. Call to Order

Mayor Daggett called the Special Work Session of the Flagstaff City Council held May 16, 2024, to order at 3:04 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 work session, 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 HOUS (virtually)
COUNCILMEMBER MATTHEWS
COUNCILMEMBER MCCARHTY
COUNCILMEMBER SWEET

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 Councilmember Harris 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. Water, Sewer, and Reclaimed Water Rates and Fees Study Special Work Session

Water Services Community Engagement Specialist Sarah Jablon, Water Resources Manager Erin Young, and Water Services Director Shannon Jones addressed Council with an overview of the agenda for the discussion and started with a brief overview of the rate study.

Councilmember Sweet asked if there will be a video on the rate calculator on the website. Ms. Jablon stated that there would be.

Councilmember House asked about the outreach efforts regarding the website information. Ms. Jablon reviewed the outreach efforts. Senior Deputy City Manager Shannon Anderson added that a postcard was sent to Sunnyside and Southside neighborhoods for outreach as suggested by Council.

Councilmember Matthews asked if mailers were sent to the business community. Ms. Anderson stated that emails were sent to specific business owners.

Councilmember Matthews stated that she hoped that the water rate calculator would display the five-year impact. Ms. Young stated that staff was working on including that in the rate calculator.

Councilmember McCarthy asked if the pipe breakages were caused by the freeze and thaw cycles and if there were more breakages here than in Tucson or Phoenix. Mr. Jones confirmed that breakages were impacted by the freeze and thaw cycles, and he added that Flagstaff was more transparent about pipe breakages. Councilmember McCarthy also suggested that education is needed to inform the public of what the costs would be if the infrastructure was not funded. He also noted that Prop 441 is subsidizing water rates with property taxes.

Councilmember Matthews shared her discomfort with raising rates to minimize impacts to the community. She asked about the drastic increase in the budget between FY24 and FY25 in the Fixed Operations and Maintenance Cost. Mr. Jones spoke about the right sizing that would happen in the first year and the impact of moving one-time costs to ongoing costs.

Councilmember Sweet asked about doing a yearly review on the rates. Mr. Jones shared that the annual occurrence would happen during the budget development and that there would be a cost of services analysis every three years. Mr. Jones added that it would allow staff to be nimble year to year.

Councilmember McCarthy spoke about the inflation rate. He presented an idea that the City could increase property taxes, but he felt that was not a good idea.

City Attorney Sterling Solomon stated that Council could take public comment before the consultant's presentation.

Public Comment:

- John Nauman addressed Council and spoke in support of the water rates increase. He suggested that there be a focus on retaining staff.
- Josh Maher, Associate Vice President for Community Relations at NAU addressed Council and spoke in objection to the water rate increase. He asked for a revised rate structure specific for NAU.
- Ward Davis addressed Council and spoke in support of the water rate increase.
- Steven Puhr addressed Council and spoke about the cost escalation factors and models and stated that he found them to be inaccurate.
- Regina Salas on behalf of Northern Arizona Lodging and Tourism Association addressed Council in opposition to the water rates increase.
- Joe Galli from the Northern Arizona Chamber of Commerce addressed Council in opposition to the water rates increase.
- Nicole Ellman addressed Council in opposition to the water rates increase.

Written public comment was received from Michele James requesting a more equitable balance for cost of service and to explore the possibility of higher capacity fees for larger homes.

Carol Malesky from Stantec addressed Mayor, Vice Mayor, and Council regarding water services management, operations and maintenance, capital improvements, and the rate study itself her presentation covered the following:

WATER RATE STUDY OUTREACH
JOIN US AND SPREAD THE WORD
COMMUNITY DEVELOPMENT
WEBSITE UPDATE
MARKETING AND ADVERTISING
COUNCIL DISCUSSION
WATER RATE STUDY PRESENTATION
CITY SERVICES
INTRODUCTION TO WATER SERVICES
OPERATIONS AND MAINTENANCE
GENERAL INCREASES IN COSTS
INSUFFICIENT FUNDING IMPACTS
BENEFITS OF FUNDING
OPERATIONS AND MAINTENANCE WATER DISTRIBUTION LINES
OPERATIONS AND MAINTENANCE: SEWER COLLECTION LINES
CAPITAL IMPROVEMENTS
CAPATIAL IMPROVEMENT PLAN (CIP)
CIP -- WATER
CIP- WASTEWATER
CIP-WASTEWATER UNFUNDED LIST
CIP WASTEWATER
CIP -- WASTEWATER UNFUNDED LIST
CIP RECLAIMED
CIP RECLAIMED UNFUNDED LIST
CIP: WILDCAT INTERCEPTOR LINE
CIP LAKE MARY SEDIMENTATION BASIN
CIP FUNDING
RATE STUDY BACKGROUND
RATE STUDY PRIORITIES
RATE STUDY MODEL ASSUMPTIONS
RATE DESIGN PRIORITIES
PROPOSED WATER RATES
PROPOSED SWER RATES
PROPOSED RECLAIMED RATES
CAPACITY FEES
MISCELLANEOUS FEES
RATE CALCULATOR DEMONSTRATION
RATE CALCULATOR -- RESIDENTIAL EXAMPLE
RATE CALCULATOR -- COMMERCIAL EXAMPLE
RATE STUDY COUNCIL DIRECTION
COUNCIL DISCUSSION

Councilmember Matthews asked about the debt coverage ratio. Ms. Malesky reviewed the calculations and stated that the City does not have to make the 2.4%.

Councilmember Matthews asked what the annual increase would be beyond FY29. Ms. Malesky stated it would be 5% for the first five years and decrease after that. Councilmember Matthews asked what would happen if this was spread over more years so the increase is not as significant. Ms. Malesky stated that the escalation factor took into account ten years. She explained how the Capital Improvements Program will help smooth over the years. She reiterated the discussion this evening was focused on the escalation and took into account inflation.

Ms. Malesky stated that after going through the scenarios they have so far that she would like to hear any Council questions so she can look into them and prepare for next week's meeting to go into this

topic further.

Mayor Daggett asked Council for their questions and to continue the discussion until the next meeting.

Councilmember Matthews stated that she would not be in attendance next meeting. She stated that she would like to revisit what the smooth transition was and to search for an alternative to this option. She stated this option would be devastating.

Vice Mayor Aslan asked for an analysis on the feasibility that an alternative could be found that was significantly different than what was presented.

5. Adjournment

The Special Work Session of the Flagstaff City Council held May 16, 2024, adjourned at 5:03 p.m.

ATTEST:

MAYOR

CITY CLERK