

CITY COUNCIL STUDY SESSION MINUTES

April 28, 2009

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:30 p.m. in the Municipal Building Conference Room on the 28th day of April, 2009, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray, and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Butler, Cubberley, Dillingham, Ezzell, Griffith, Kovach, Quinn, Thompson, Mayor Rosenthal

ABSENT: None

DISCUSSION REGARDING THE FYE 2010 BUDGET - ENTERPRISE FUNDS.

Mr. Steve Lewis, City Manager, said Enterprise Funds are operated in a manner similar to private business enterprises and the intent of the City is that the costs of providing goods or services to the general public is financed or recovered primarily through user charges. He said tonight Staff will review the Water; Sanitation; Wastewater; Sewer Maintenance; New Development Excise; and Sewer Sales Tax Funds. He said every five years Staff takes an in depth look at one Enterprise Fund and this year's evaluation is on the Wastewater Fund. He said the Finance Committee has previously reviewed the information and it will be presented tonight to the entire Council.

Ms. Suzanne Krohmer, Budget Manager, said Enterprise Funds are designed to run like a business where the revenue generated offset the cost to provide the services. She highlighted each of the Enterprise Funds as follows:

Water Fund. The Water Treatment Plant produces over 4.5 billion gallons of water annually and operates 24 hours a day, 365 days per year. The City has over 522 miles of water pipes. FYE 2010 estimated user fee revenues are 2.5% higher than FYE 2009 budget figures. She said Federal matching funds from the American Recovery and Reinvestment Act (ARRA) will help with capital projects. An ARRA grant of \$2 million and a \$9 million State Revolving Fund (SRF) loan (3.5% estimated at 20 years) through the Oklahoma Water Resources Board are included in the FYE 2010 Budget. She said a 3.5% water rate increase per year for five years is built into the fund summary beginning in FYE 2011; however it would require a vote of the citizens to increase those rates. Water rates have only been increased three times since 1995 with the most recent increase in 2006.

Major expenditures include an increase of \$328,973 for the Central Oklahoma Master Conservancy District; Water Treatment Plant Upgrade and Expansion; drilling new water wells; arsenic treatment (replacement of 11 wells at \$7.7 million spent to date on nine wells with two more wells to be completed in FYE 2010). Future projects include the regional raw water solution (S.E. Oklahoma water line).

Councilmember Kovach asked how soon the City would spend money on the regional water solution. Mr. Komiske said it is anticipated to have water coming out of the pipe by 2020, which means the construction would need to begin in 2015. Mayor Rosenthal said the Regional Raw Water Study is complete and will be presented to Council in a study session in May and City Manager Steve Lewis said it is a lengthy presentation and the consultant will present the information to Council.

Sanitation Fund - Revenues have been estimated at a 3% growth rate per year and beginning July 1, 2009, a \$.50 increase is proposed for additional polycarts, for a total amount of \$5.50 per month. User fees are \$11.50 per unit per month with an additional \$3.00 per month for curbside recycling. The last rate increase was on July 1, 2004. The ending Fund Balance is \$254,711

Major expenditures for FYE 2010 include \$2,345,611 for the New Transfer Station and \$258,750 for Renovation of the Expansion Transfer Station; Container Maintenance Facility - \$400,000; fleet related replacement purchases - \$1,227,936; an increase in tipping fees - \$300,000 (\$15.45 to \$17.74 per ton increase). This would result in a negative ending Fund Balance of (\$254,711) and Council can not legally adopt a deficit budget.

Ms. Krohmer said possible alternatives include a user rate increase, delay of the Container Maintenance Facility Project, or reduce the number of fleet replacements. Councilmember Ezzell said he prefers to cut everything that can be cut before Council considers a rate increase. Councilmembers supported delaying the Container Maintenance Facility to make up the deficit for FYE 2011.

Wastewater Fund. Rates have not been increased since November 1, 1996, and the current base rate is \$3.90 plus \$1.60 per 1,000 gallons of treated wastewater. User fee revenues for FYE 2010 are budgeted at a projected 2% increase over FYE 2009. Major expenditures include the Canadian River/Total Mass Daily Load (TMDL) Study - \$18,000; Wastewater Treatment Plant (WWTP) Main Control Building HVAC - \$23,000; WWTP Effluent Truck Wash - \$275,000; and WWTP SCADA Improvements - \$360,200.

Sewer Maintenance Fund - revenue from the \$5.00 per month sewer maintenance rate and \$.50 per month Capital Improvement Charge, includes \$149,500 in capital outlay for equipment and \$2,793,000 for replacement of sewer lines.

New Development Excise Tax Fund - revenue from fees assessed to new construction building permits based on square footage, includes \$2,000,000 in projected revenue. No new capital projects are budgeted in FYE 2010. Design of the South Canadian WWTP Expansion is planned for FYE 2011 with construction beginning in FYE 2012.

Sewer Sales Tax Fund - a temporary 1/2 cent sales tax implemented October 1, 2001, and ceased September 30, 2006. No new capital projects are budgeted for FYE 2010.

Councilmember Cubberley said the rates are not keeping up with inflation for any of the Enterprise Funds and Council would have to address that soon. Mayor Rosenthal suggested Staff provide three different scenarios for rate increases in all three funds that could be presented to Council in a retreat later in the summer.

Mr. Komiske provided a brief update on the wastewater projects outlined in the Wastewater Master Plan. He said the Master Plan included projects for interceptor improvements, sewer maintenance projects, sewer maintenance operations, WWTP improvements, and WWTP operations. He said 94,337 feet of interceptor improvements have been completed at a total cost of \$22,418,600 on the following interceptors: Normandy, Bishop, Imhoff, Upper Bishop, Upper Westside, Brookhaven, SE Bishop, Lower Bishop, Lower Westside, Little River, and NE Bishop. The Lift Station D Rehabilitation Project is planned for construction letting in June with an 18 month construction timeline and expected to be complete in early 2011.

The Lift Station D Force Main Replacement Project will replace 3,400 feet of dilapidated 16 inch force main with a 20 inch force main located between Rock Creek Road and Tecumseh Road on the east side of 12th Avenue N.E. Council awarded the contract on April 14, 2009, and the project is expected to be complete by August 31, 2009.

The Sewer Maintenance Program is funded through a \$5.00 per month per customer sewer maintenance rate and generates approximately \$2.7 million annually. The program rehabilitates or replaces small diameter sewer collection lines and manholes. The program typically targets a neighborhood for replace-

City Council Study Session Minutes

April 28, 2009

Page 3

ment in one project. It is estimated all sewer collection lines will be replaced on a 50 year rotational basis. There are approximately 455 miles of sewer line and due to the number of lines being televised and rehabilitated each year, the number of sewer line overflows have reduced from 91% in FYE 2007 to 43% in FYE 2009.

Mr. Komiske said WWTP improvements included improvements to the Westside Lift Station at a cost of \$2.54 million, which became operational in December 2004 and is capable of pumping a peak flow of 13 million gallons per day (mgd). A fourth pump will be added in the future to meet full buildout peak flow of 20 mgd. The WWTP Headworks Project, at a cost of \$3.88 million, included new screening and grit removal facilities and was placed in operation in May 2005. The WWTP Sludge handling processes are being upgraded to treat solids generated from an average daily wastewater flow of 17 mgd. The contractor began work in May, 2007, and the project is still underway. The contract amount is \$6.48 million and a federal grant provided \$1.49 million. Mr. Komiske said a TMDL study of the Canadian River was initiated through the Association of Central Oklahoma Governments (ACOG) and will have a bearing on the final design of the WWTP expansion. \$3.9 million is budgeted for design and inspection services for the WWTP Expansion, Phase 2, and is scheduled to begin in FYE 2011. The construction, budgeted at \$15.9 million, is scheduled to begin in FYE 2012. He said based upon projected revenues, inadequate excise tax funding will be available to fund the entire Phase 2 portion in FYE 2012 and sales tax funding will be depleted early in the project. The expansion may be broken into additional phases to address budgetary concerns. Additionally, he said in approximately 10 years, portions of the Bishop Creek Interceptor may become overloaded due to Lift Station D and a decision will have to be made to either increase interceptor capacity or construct a north side WWTP.

Items submitted for the record

1. PowerPoint presentation entitled, "Fiscal Year 2009-2010 Budget Study Session, Enterprise Funds dated April 28, 2009"

The meeting adjourned at 6:25 p.m.

ATTEST:

City Clerk

Mayor