

CITY COUNCIL STUDY SESSION MINUTES

April 26, 2011

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:00 p.m. in the Municipal Building Conference Room on the 26th day of April, 2011, 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 Atkins, Butler, Cubberley, Kovach, Mayor Rosenthal

TARDY: Councilmembers Dillingham, and Griffith

ABSENT: Councilmembers Ezzell, and Quinn

STATUS REPORT FROM CAPITOL DECISIONS ON THEIR EFFORTS TO ADDRESS FUNDING ISSUES FOR THE CITY OF NORMAN.

Mr. J.R. Rescovac, Capitol Decisions, Inc., said Capitol Decisions (CDL) is a boutique sub-company that has a wide range of interests, mainly community development with a unique Oklahoma practice. He said CDL is planning ahead in addressing needs with the scarcity of earmarks. He said Mayor Rosenthal met with legislators in Washington, D.C., this spring regarding a wide range of City projects. He identified the most important projects as water infrastructure needs that fall under the Water Resources Development Act (WRDA) as follows:

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| ▪ Phase II of the Wastewater Treatment Plant Expansion | \$21 million |
| ▪ Water Storage Facility | \$2.5 million |
| ▪ Water Treatment Plant Improvements | \$21 million |
| ▪ Water Storage Facilities for Chromium/Arsenic Removal | \$40 to \$90 million |
| ▪ Strategic Water Supply Plan | \$300,000 |

Mr. Rescovac said Community Development Block Grant (CDBG) funding, which serves as a catalyst for financing housing infrastructure and economic development, is not an earmark and the adopted budget for FYE 11 cut funding by 16%. He said cities need to start now in requesting legislature maintain the level of funding with no cuts for FYE 12.

Mr. Rescovac said the City of Norman was successful in acquiring \$1 million from the Recovery and Reinvestment Act to build a Compressed Natural Gas (CNG) Fueling Station, which was trend setting and many Oklahoma communities are interested in how Norman was successful in obtaining that funding. He said CDL also helped the City of Norman acquire funds for alternative fuel projects.

Mr. Rescovac said cities need to protect their funding. He said the Highway Bill funds are protected by statutory authority so there will never be a cut in highway funds designated for cities.

CDL is working with the City of Norman's Public Safety Communication Center to acquire \$1 million to replace its current networking system for Computer Aided Dispatch (CAD).

CDL was able to procure a \$10 million authorization in 2007 for a wide variety of water related infrastructure projects in Norman, who was the largest municipality in the 2007 authorization bill. He said CDL is working with the Senate and Environment and Public Works Committee Staff to include statutory language that will drop low priority projects from the list of projects the Corps of Engineers has been using since 1992 to expedite funding for Norman's water infrastructure requirements. Mayor Rosenthal asked if there is an estimate of how many projects are no longer needed on that list and Mr. Rescovac said approximately 100 projects nationwide are no longer needed due to supplementary funding sources.

Mr. Rescovac said another major reauthorization bill, the Highway Reauthorization Bill, has been temporarily extended to September 30, 2011. He said CDL is working to include the State Highway 9 Widening and 12th Avenue East/Classen Boulevard Widening Projects into that bill. He said the last census placed Norman in the large urban area from small urban area and the University of Oklahoma's (OU) Cleveland Area Rapid Transit (CART) System will lose funding through Central Oklahoma Parking and Transit Authority (COPTA) in Oklahoma City and lose operational money as well. CDL is working to include statutory language to the bill designating Norman as a small urban area to allow continued federal transit funds of approximately \$1.3 million in operational funds to flow directly to CART. He said there are 26 to 28 other communities affected around the country and there is a coalition of Senators working to insure that the Federal Transit Authority (FTA) will grandfather these communities in at some point in the future. He said CART will not be affected until 2013 so there is time to get language added.

Mr. Rescovac said Norman's Chromium 6 issue made national news and Senator Inhofe reached out to CDL to ask if the City of Norman would be interested in sending a representative to Washington for testimony. CDL prepared the draft testimony, which was perfected by Norman Staff, and presented it to the Environmental Protection Working Group (EWG). He said Chromium 6 will become a huge issue and Erin Brockovich has already testified before the Committee. He said Senate Committee Staff has been keeping CDL and Norman updated on EWG activities and providing guidance. Mr. Rescovac said he will meet with Senate Staff after their recess and update the City Manager.

Mr. Rescovac talked about the budget environment and the need to protect funding cities have. He said there are no earmarks for FYE 12 so the City needs to submit Project Interest Forms, engage executive branch agencies, and use large authorization measures to obtain FTA funds.

Mr. Rescovac highlighted CDL's successes over the years and said continuing success rests on finding new creative ways to address the City's needs and objectives.

Mayor Rosenthal said the U.S. Conference of Mayors stated that the Federal Communication Commission (FCC) has decided to get into the business of telling cities how to regulate right-of-way and she feels this will be a huge issue that will require important tracking. Mr. Rescovac said CDL will try to get Norman a federal reference on the subject soon.

Items submitted for the record

1. PowerPoint presentation entitled, "The City of Norman, Oklahoma Federal Issues Briefing," April 26, 2011

DISCUSSION REGARDING THE FYE 2012 BUDGET, ENTERPRISE FUNDS.

Ms. Suzanne Krohmer, Budget Manager, said the Finance Department met with Council last week regarding the budget calendar and process. She said the Council Finance Committee began budget discussions in July 2010, and there has been a series of meetings since. She said tonight's discussion will be Enterprise Funds, next week discussion will be Capital Funds, a public hearing will be held on May 24, 2011, and consideration of budget adoption will be on Council's agenda for June 14, 2011.

Ms. Krohmer said Enterprise Funds are supposed to operate similarly to a business where the cost of providing the goods or services are recovered through user charges. She said the three main funds are water, wastewater, and sanitation. She said there are three sub funds of wastewater that consist of sewer maintenance, new development excise, and sewer sales tax.

Ms. Krohmer highlighted water production statistics. She said the City produces over 4.5 billion gallons of water annually, has over 530 miles of waterlines, and the Water Treatment Plant (WTP) operates 24 hours per day, 365 days a year. She said projected revenue growth assumptions for FYE 12 user fees are 6.5% over last years budget with 3% assumed customer growth based on historical average and a 3.5% across the board rate increase.

Ms. Krohmer discussed water rates and said in 1999 citizens approved the inverted rate block structure for conservation efforts and in 2006; voters approved a water rate increase. The current budget assumes a 3.5% annual rate increase. She said Norman has the lowest water rate compared to other communities.

Ms. Krohmer highlighted the Water Fund expenditure assumptions and said the \$1.2 million is budgeted for Central Oklahoma Master Conservancy District (COMCD) and \$262,845 for fleet related replacement purchases. She said the FYE 12 ending fund balance with proposed amendments is \$5,798,110 leaving a reserve deficit of over \$1 million. Ms. Krohmer said the Water Fund has an operating reserve of 8% with a capital reserve that equates to an annual of the next five years project plan. She said major water projects scheduled in FYE 12 are as follows:

▪ Water line replacements	\$1,068,800
▪ 24" new water line - 24th Avenue S.W. and Jenkins	\$2,346,839
▪ Continued painting of Boyd elevated Storage Tank	\$ 100,000
▪ New water storage tank – S.W. or S.E. Norman	\$ 2,700,00
▪ Water Master Plan update	\$ 300,000

FYE 12 amendments include \$267,000 for a high-pressure plane upgrade and an additional \$1,002,161 for the 24" water line at 24th Avenue S.W. and Jenkins. Future projects include the Phase II, Water Treatment Plant design in FYE 12 and construction in FYE 13 and a Strategic Water Supply Plan S.E. Oklahoma Solution.

Councilmember Kovach said 24th Avenue and Jenkins runs along Highway 9 and asked about the reason for the increase. Mr. Ken Komiske, Director of Utilities, said the project's projected cost was \$3.4 million and as total funds were not available, the City backed out of portions of the project to cut costs. Councilmember Kovach asked if the Oklahoma Department of Transportation (ODOT) widened Highway 9, would that interfere with the location of the new line. Mr. Komiske said ODOT does not want the City using their right-of-way (ROW) so the City would have to acquire ROW from approximately 80 homeowners forcing the City to relocate the line or try to convince ODOT to allow the use of their ROW. Mayor Rosenthal asked if the ROW in question is the part the City was delegated to take over mowing and Mr. Komiske said yes. Councilmember Atkins said if ODOT does not agree to the ROW use, does the City have to re-engineer the water line and Mr. Komiske said yes, the City would have to choose another location as it would be almost impossible to acquire all the easements necessary. Councilmember Atkins asked the estimated cost of re-engineering the project and Mr. Steve Lewis, City Manager, said the City is still consulting with ODOT and felt it premature to think it will not happen.

Mayor Rosenthal asked if the Phase II, Water Treatment Plant design was constructed for personal care products and pharmaceuticals and Mr. Komiske said yes, as well as ozone and manufacturing chlorine.

Councilmember Kovach asked what would be included in the fleet related purchases and Mr. Komiske said \$130,000 for a dump truck for the Line Maintenance Division as well as a couple of smaller pickup trucks.

Ms. Krohmer said major revenue assumptions for the Sanitation Fund include a 3% growth rate per year. She said a sanitation rate increase was approved by voters on March 1, 2011, and became effective April 1, 2011. She said user fees are now \$14.00 per month with an additional \$3.00 per month curbside recycling fee and on June 1, 2011, a \$1.00 increase is proposed for additional polycarts bringing the fee to \$16.00. She said, as with water, Norman's sanitation rates are one of the lowest compared to other communities.

Ms. Krohmer said sanitation expenditure assumptions are \$461,500 for capital improvements, which include a Container Maintenance Facility and a proposed, temporary east side drop off recycling center, \$905,560 for fleet related replacement purchases (CNG trucks), and \$1,820,034 for landfill tipping fees. She said it also assumes an ending fund balance of \$1,822,654 with a targeted fund balance of \$2,430,394 and a projected reserve deficit of \$607,000, which would not meet policy.

Mayor Rosenthal asked if the Container Maintenance Facility was planned in order for the City to provide curbside recycling service instead of contracting the service and Mr. Komiske said yes, but it would come at a cost even though it would bring in another revenue stream. He said, due to costs, the City would not be able to provide a complete Materials Recovery Facility (MRF) to recycle glass, aluminum, metals, etc. Councilmember Cubberley said the City is going through the recycling service rebidding process and should think about whether or not the City wants to bid on that contract and should look at the cost benefits in terms of doing a stand alone MRF as well as total costs and Mr. Komiske agreed. Councilmember Atkins asked if the contract required reauthorization of the voters and Mayor Rosenthal said no, not unless the rates change.

Councilmember Griffith asked if the bulky pickup option would use a dump truck with the articulate arm and if that is still the number one option being considered. Mr. Komiske said yes, Staff is still reviewing that as a viable option. Councilmember Griffith asked the estimated cost of the truck and Mr. Komiske said the bulk clean up cost is approximately \$140,000 and the value of the truck is at least that plus cost of time and labor. He said the City would amortize the cost of the truck over a five year period then review whether or not service levels can be maintained or improved. Councilmember Griffith said he thought purchasing the truck would save money due to the need for less personnel and overtime. Mr. Komiske said it is not so much about saving money, but providing better customer service. He said instead of having a single Saturday in one month to place bulk items on the curb, bulk pickup would give the customer the option to choose a day in a three month period. Councilmember Kovach felt constituents preferred Spring and Fall cleanup. He asked if the \$905,000 for fleet purchases included the purchase two CNG trucks and Ms. Krohmer said yes. Mayor Rosenthal reminded everyone CNG is \$1.39 per gallon right now.

Future sanitation actions include review of bulky pickup options, beginning initial planning or rebidding of a curbside recycling services contract, and alley pickup route optimization.

Ms. Krohmer highlighted major revenue assumptions for the Wastewater Fund and said rates have not been raised in 15 years. She said the current base rate is \$3.90 and \$1.60 per 1,000 gallons of treated wastewater. She said in October of 2001, an additional \$5.00 fee was added for sewer maintenance and user fee revenues for FYE 12 are budgeted at a projected 4.7% decrease from FYE 11. She said the City's wastewater rates are low compared to other communities.

Ms. Krohmer said expenditure assumptions for the Wastewater Fund are recommended by the Finance Committee and approved by Council. She said last year Council increased the transfer from the General Fund for right-of-way usage from 2% to 5% and that assumption continues.

Ms. Krohmer said the main source of revenues for the Sewer Maintenance Fund is the \$5.00 per month fee on the monthly utility bills and the fifty cent per month capital improvement charge. She said major projects in FYE 12 consist of \$2,511,500 in sewer line replacements and all sewer maintenance rate projects must be on a pay-as-you-go basis.

Ms. Krohmer said the main source of revenue for the New Development Excise Tax Fund is derived from new construction project building permits based on square footage. She said revenues have been decreasing since FYE 06 due to an economic slow down of new construction. Councilmember Kovach asked how the Development Excise Tax Fund was enacted and Mr. Anthony Francisco, Director of Finance, said it was enacted as part of the combination of a Citizen's Wastewater Oversight Committee's recommendations on how to finance inflow and infiltration problems in wastewater lines causing wastewater surcharges. Councilmember Kovach asked if there had been any discussion on an impact fee for future water needs and Mr. Francisco said there was discussion in 2006, regarding the connection fee that "sort of" addresses that. Councilmember Cubberley asked how many miles of sewer lines have been replaced in the last six to seven years and Mr. Mark Daniels, Utilities Engineer, said an average of 20,000 to 25,000 per year.

Ms. Krohmer said projected revenues for the New Development Excise Tax Fund for FYE 12 are \$2,000,000 consisting of \$1,600,000 from residential projects and \$400,000 from commercial projects. The FYE 12 Budget also includes \$11,674,521 for the WWTP Phase II Expansion Project.

Ms. Krohmer said the Sewer Sales Tax Fund was funded with a temporary 1/2% sales tax implemented on October 1, 2001, and ended September 30, 2006. She said the WWTP Improvement Project in the amount of \$1,342,479 is budgeted for FYE 12.

Mayor Rosenthal said Staff has been working on costs associated with the Stormwater Utility and there had been a question as to whether the Norman Utilities Authority (NUA) provided a legal framework for stormwater and asked Mr. Lewis to speak about that. Mr. Lewis said the Finance Committee discussed the stormwater utility and whether the NUA Trust Indenture was broad enough to encompass all the stormwater related projects including creek maintenance, drainage easement acquisition, etc. He said, based upon input from legal and bond counsel, the current trust indenture is broad enough to incorporate a stormwater utility.

Councilmember Butler noted that the 2011 Energy Project indicates electrical consumption at aeration basins will be reduced by 35% in the first year of operation. Mr. Komiske said the project was funded in part by a Department of Energy grant and the motors have been delivered but not installed, but pre-electrical work is done.

Mr. Daniels said another wastewater project in the amount of \$7.6 million is Lift Station D and pumps are scheduled for delivery in June 2011.

Mayor Rosenthal said one project that is complete is the Griffin Park Pond Irrigation System Project. Mr. Komiske said, previously, Griffin Park, one of the largest parks with ball fields, used potable water to water ball fields and was using the most water. He said the pond was constructed to serve as the irrigation system for the ball fields and the City also used a well that was not storing potable water to fill the pond. He said this will be the first summer the irrigation system will be used with 2,000 to 3,000 gallons of water per day coming from the pond. Councilmember Cubberley asked how many gallons of non-potable water are being saved at the WWTP and Mr. Komiske said approximately 400,000 gallons per day. Mr. Lewis said the Griffin Park savings is almost identical to savings at the Westwood Golf Course. Mayor Rosenthal said Staff has done a great job on setting a standard for water conservation.

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Councilmember Kovach asked about the Sanitation Fund and said Staff discussed using a pilot study area for placing polycart service from alleys to the street and asked if the pilot program had started. Mr. Komiske said there are a few alleys in the central parts of Norman where moving the polycarts from the alley is not feasible so Staff is taking a closer look at individual neighborhoods. Councilmember Kovach said, in areas where it is not feasible, has Staff notified those citizens to place polycarts back in the alleys and Mr. Komiske said no notices were ever sent requesting customers relocate their polycarts. He said when a pilot area is selected, the neighborhood will be notified, and neighborhood meetings held for input from the customers. He said for areas not feasible, customers will be asked to place polycarts on the non-utility side of the alley, which will be a benefit to all.

Items submitted for the record

1. PowerPoint presentation entitled, "City Council Fiscal Year 2011-2012 Budget Study Session Enterprise Funds," dated April 26, 2011

The meeting adjourned at 6:10 p.m.

ATTEST:

City Clerk

Mayor