

## PUBLIC MEETING ON WATER RATE INCREASE

October 8, 2014

The City Council of the City of Norman, Cleveland County, State of Oklahoma, attended a public meeting at 5:30 p.m. in the Municipal Building Council Chambers on the 8th day of October, 2014, and notice of the public 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. Although this meeting was not a regularly scheduled meeting of the Council a quorum was present; therefore, a summary of the meeting was recorded as required by the Open Meeting Act.

PRESENT: Councilmembers Castleberry, Holman, Lang, Miller, Quinn, and Mayor Rosenthal

ABSENT: Councilmembers Heiple, Jungman, and Williams

### PRESENTATION AND DISCUSSION REGARDING A POTENTIAL WATER RATE INCREASE.

Mayor Rosenthal said because there have been changes to regulations and increased demands on Norman's water system, the City is coming to the voters with a package to address critical needs about water quality and water supply security for the future. She said these changes are driven by unfunded mandates and new regulatory requirements, which are things the City will have to do. She said Norman has enjoyed cheap water for many years and citizens cannot continue to be good stewards of the community and at the same time pay lower rates than other communities.

Mr. Ken Komiske, Director of Utilities, said the last water rate increase was in 2006 and an election was held in 2010 for an increase, but did not get voter approval. He said items promised in 2006 were as follows:

- Arsenic Project – replace 15 wells for source of supply (mandated by the Environmental Protection Agency (EPA) and Oklahoma Department of Environmental Quality (ODEQ));
- Three projects from the Water Distribution Model (small part of 2003 Engineering Study recommendations);
- Resurfacing elevated water storage tanks;
- Urban service area water lines;
- \$100,000 per year for a period of five years – replacement of water lines with adverse soil conditions;
- Water Treatment Plant Project, Phase I (filter underdrains and filter media, emergency generator, new clarifier, and lime slakers);
- Taste and odor;
- Meter Replacement Program (large commercial meters); and
- 2.5 miles of raw water line from Lake Thunderbird – increase volume for peak treatment capacity.

Mr. Komiske said all the above projects have been accomplished except taste and odor. He said in 2013, Carollo Engineers set up a pilot project to test water quality, taste, and ozone. He said the water was tested for seven months and Mr. Tom Crowley, P.E., Carollo Engineers (Carollo), presented the results of the pilot project in the January 28, 2014, City Council Conference. He said taste and odor will be addressed in Phase II of the Water Treatment Plant Project.

Mr. Komiske said the 2060 Strategic Water Supply Plan (SWSP) was recently completed and addresses how Norman will meet its long term water needs, which is critical and urgent. He said today, local groundwater and surface water from Lake Thunderbird is marginally capable of meeting annual demands and seasonal peak

demands. He said currently, Norman has exceeded its allocation from Lake Thunderbird and this past year had to purchase a portion of Del City's allocation.

Mr. Komiske highlighted the SWSP's two portfolios that best meet Norman's criteria for water supply as follows:

**Portfolio 13 - Regional Raw Water (co-owner with OKC):** Local control over treatment but contingent on Oklahoma City (OKC) projects moving forward. It involves building a parallel pipeline from southeast Oklahoma to be treated at Norman's Water Treatment Facility (WTF). The capital cost will be approximately \$340 million and operations and maintenance (O&M) will be approximately \$23 million per year

**Portfolio 14 - New Wells and Thunderbird Augmentation:** Local control over sources; discharge permitting uncertainties; efficient use of water resources; and greater phasing potential - the City can phase in the construction of the wells. The capital cost will be approximately \$270 million and O&M will be approximately \$22 million per year.

Mr. Komiske said both portfolios are capable of meeting Norman's long term supply needs, but there was concern regarding potential risk of having a long pipeline providing a majority of the water supply so that was a slight factor in favor of Portfolio 14. He said Portfolio 14 makes use of effluent from the Water Reclamation Facility (WRF) versus wasting a valuable resource by discharging it to the North Canadian River; it can be phased in with new wells and phased capacity for Lake Thunderbird augmentation; it has lower capital cost and slightly lower O&M cost; it meets environmental stewardship goals better by having local management; and it is more consistent with community values.

Mr. Komiske said Phase II of the WTP Project will address the handling and disposing of residuals by developing a longer term plan as current low costs will not be available in the future. He said the WTP will soon run out of space for residuals so the City needs to look at alternatives for storing residuals and making them more solid. He said the existing lagoons are surrounded by floodway and alternatives could include pumping to a new lagoon site across the floodway to an area where there is no flooding or pumping to the WRF.

Mr. Komiske said total costs for Phase II are \$30.10 million and will consist of low lift pumping - \$2.6 million; ozone contactor with diffusers - \$2.1 million; ozone feed system and building - \$12.3 million; biofiltration upgrade - \$2.7 million; UV System - \$3.5 million; residual handling improvements - \$1.2 million; chemical feed improvements - \$3.5 million; pump station rehabilitation - \$1.8 million; maintenance/storage building - \$0.5 million; and existing building and lighting rehabilitation - \$0.8 million.

Mr. Komiske said the next steps include design and construction; a longer term, lower cost contract with Oklahoma City Water Utility Trust; conservation efforts; well blending; additional wells; well treatment; reuse regulations; and a WRC reuse treatment. He said conservation efforts include a project to use effluent at the Compost Facility at a cost of \$100,000, which will save the City water during peak usage. He said due to State regulations, the number of active wells are diminishing. He said well treatment and reuse regulation go hand in hand and the City is waiting on the Oklahoma Department of Environmental Quality's (ODEQ) regulations. He said until the City knows what the regulations are, reuse cannot take place.

Mr. Komiske said the City will need an additional annual funding of \$4 million for capital improvements and \$1,800,000 for operational expenses for a total of \$5.8 million per year.

Mr. Komiske said the following proposed rates based on usage would need to be charged:

	PRESENT	PROPOSED
<b>BASE FEE</b>	\$5.50	\$7.50
0 to 1,000	\$2.00	\$3.50
1,001 to 2,000	\$2.00	\$3.50
2,001 to 5,000	\$2.00	\$3.50
5,001 to 15,000	\$2.10	\$4.20
15,001 to 20,000	\$2.75	\$5.20
More than 20,000	\$4.95	\$6.80

Mr. Komiske said the Water Division offers utility rates at 75% of the normal rate for customers who qualify as low income households based on federal guidelines.

Mr. Komiske said conservation styled rates are being proposed for commercial customers based on their average winter consumption (AWC) during December, January, and February. He said proposed rates are as follows:

<b>WINTER</b>	PRESENT	PROPOSED
<b>BASE FEE</b>	\$5.50	\$7.50
Consumption Per 1,000 Gallons	\$2.10	\$3.80

<b>SUMMER</b>	PRESENT	PROPOSED
<b>BASE FEE</b>	\$5.50	\$7.50
Consumption Above AWC	\$2.10	\$4.20

Mr. Komiske said the more water a customer uses, the more they pay.

Mr. Komiske highlighted adjustments to the water connection charges based on historical costs of adding additional supply. He said connection fees are administratively charged and do not have to have a vote of the people to be changed. He said the current City Code Connection Fee is \$575 for water and \$275 for sewer for a total of \$850. He said Oklahoma City is planning to increase their water connection fee to \$1,000 over the next three years. He said the average well cost is \$768,000 and each well's individual characteristics vary from depth of well, gallon output, water quality, and distance to distribution system. An average household connection fee would cost in the range of \$1,300 to pay for infrastructure. He said the City of Norman averages around 600 connections per year. Staff is proposing a \$250 per year increase over the next three years as follows:

2015	\$ 825
2016	\$1,075
2017	\$1,300

Mr. Komiske highlighted future budgeted costs including non-residential connections for adding additional supply. He said the City is looking at adding two million gallons per day (mgd) capacity for a budgeted cost of \$12 million. He said the cost of residential and commercial connections going forward will be \$1,530 per connection. He said higher connections fees would reduce water rate proposals by ten cents.

Mr. Komiske discussed the election timeline and said Council's consideration for an election and connection fee adjustment will be considered for First Reading on October 14th and Second Reading on October 28th. A Special Election would be held on January 13, 2015, with rates becoming effective on March 2, 2015. He said the

Cleveland County Election Board requires a 90 day notice and that is why Council would need to take action in October to meet the election date in January.

### PUBLIC COMMENTS/QUESTIONS

Mr. Stephen Ellis, 633 Reed Avenue, said the cost per connection for the residential connection fee is basically half of the proposed connection fee. He asked how Staff calculated the connection fee rates phased in over three years. Mr. Komiske said Staff looked at the cost of new wells and the number of people that each well would service, which added up to approximately \$1,500 per connection. He said some of the wells are not for growth, but are needed to get where the City needs to be. He said Staff has also looked at what surrounding communities charge. He said OKC currently charges \$100 per connection and in three years they will charge \$1,000 and Edmond charges just over \$1,000.

Mayor Rosenthal said in projections going forward, the City looked at how much of the additional two million mgd is already committed to customers. She said Staff also looked at what it cost the City over a period of time to drill existing wells. She said when you look at that as well as all the connection, residential and commercial, that number came out to about \$1,018. She said there are many aspects to the calculations looking back, looking forward, and looking at surrounding communities.

Mr. Ellis asked if a similar analysis is used to determine the proposed rates – were historic costs and comparison rates considered based on projected costs? Mr. Komiske said, ultimately, need is the driver; however, Staff did compare rates with other cities. Mayor Rosenthal said it is pretty hard to pinpoint the amount required for safety and say the City is only going to do 60% of that or the City is only going to do half of the water quality initiatives. She said ODEQ would not like the City to say it was only going to do half of the environmental requirements the City has been putting off. She said it is hard to take the drivers on the capital side and pare back because capital needs are what they are.

Ms. Mary Francis, 850C Cardinal Creek Condos, commented on residential vs. commercial rates. She said the City said about 4,000 gallons is the average residential use and 8,000 gallon is the average commercial use. Is the commercial base fee twice as much as residential base fee? Mr. Komiske said no, the base fee recovers the costs associated with no water use, i.e., reading the meter, preparing the bill, etc., so the base fees are the same regardless of the customer.

Ms. Francis said it appears the City is trying to cover its costs with the rate, but the other fees (connection fees) are not being brought up to recover the costs. She felt \$1,000 was not sufficient. Mr. Komiske said \$1,000 is a good number for a connection fee right now and Staff will look at it periodically to see if the number needs to be increased.

Ms. Francis felt citizens should not be subsidizing residential and commercial, connection fees. Mayor Rosenthal felt there had been a misunderstanding about \$1,500 connection fee previously suggested. That figure was based on an assumption that all of the needs for new wells are dictated by the new connections, but that is not correct. The best and most confident number is the historic number.

Mr. Casey Holcomb, 1301 Creekside Drive, # 1707, asked the rationale for capping residential rates at 20,000 gallons. He said lots of customers are using 30,000-40,000 gallons so why not have another tiered price? Mr. Komiske said the idea is to get big users to conserve water, but there are not a huge number of customers using more than 30,000 gallons so it would not have a big impact.

Mr. Brian Hapke, 5201 Lyon Drive, said he worked for the City when the original 20,000 gallon top tier of rates was implemented and, at that time, the City could supply up to 20,000 gallons per month per customer but anything above that had to be purchased from Oklahoma City at a higher rate. He said that was Staff's reasoning for the original methodology.

Ms. Lyntha Wesner, 616 Tulsa Street, said if Oklahoma City charges \$100 and Edmond charges \$1,000 for connection fees, why is the City of Norman not charging \$1,000 now instead of phasing it in over three years? Mr. Komiske said \$1,000 is a good number and the thought was to allow builders/new customers a chance to grow into the new fees. Ms. Wesner felt that was not fair when water customers are not getting the same benefit. She asked how many customers are using over 20,000 gallons per month. Mr. Anthony Francisco, Director of Finance, said this usage only happens during the summer and it is about 1% of all residential and non-residential customers.

Mr. Ellis asked if information regarding the total percentage of water being used by customers that exceed 20,000 gallons is available.

Mr. Jay Cervi, Builder and Developer, 770 West Rock Creek Road, said Property Owner Associations (POA's) in older neighborhoods have one large irrigation meter so they are penalized for high water usage when modern neighborhoods are installing multiple meters to take advantage of lower rates. He asked when the City is going to responsibly track and collect on unpaid accounts. He said in September, 1,543 customers should have been cut off for non-payment and the City only shut off 353 customers.

Mr. Cervi said the City was a good neighbor years ago when OU's wells were taken out of service, but felt OU is now clearly in the real estate business. He asked if OU is being charged connection fees and if their rates will be raised as they continue to use more water. Will the City charge more fees?

Ms. Joy Hampton, The Norman Transcript, asked about the City's process for shutting off water. Does the City consider whether there are children living there? Mr. Francisco said the City considers past payment practices, medical issues, etc. The City has two (2) personnel to turn water on and off and priority goes to turning water on for customers before turning water off for non-payment.

Mr. Roger Gallagher, 1533 East Boyd, said in the past, Mr. Komiske estimated the City loses one million gallons of water a day due to leakage. Has the City improved on that? Mr. Komiske said lost water due to leakage has been a significant source of lost revenue. The City has focused on that in recent years and unaccounted water has dropped from 16% to about 5% through replacement of lines.

Roger Gallagher asked what the taste and odor expense related to. Mr. Komiske said part of what the City wanted to do in 2006 was treatment plant upgrades. The City has done a lot of upgrades, but delayed the purchase of a poly-activated carbon unit because there is better technology to address taste and odor as well as contaminants of emerging concern. He said Council determined it would be better to wait and include it in Phase II.

Mr. Gallagher said remote meters would save manpower costs for meter readers. Is the City making significant progress in that area? Mr. Komiske said it would cost \$12 to \$13 million to place automated meter readers (AMR) throughout the entire City. He said Staff is using them in instances where it is difficult to get to the meter or in rural subdivisions that take more time for the meter reader to read. The City is trying to install them where it gets the most benefit.

Mr. Gallagher asked why the \$500,000 upgrade project at the Water Treatment Plant was not included in Water Reclamation Facility bond issue. Mr. Komiske said they are separate Enterprise Funds so the City cannot mix sewer and water rates and expenses.

Mr. Gallagher asked what percentage of customers are "low income" and pay a portion of their bill. Mr. Francisco said about 8%.

Mr. Gallagher said OU is becoming more and more of a commercial enterprise. Why do they continue to get a break on the rate? Mr. Komiske said because of economy of scale. He said OU is equivalent to 800 homes and the Staff time it takes to handle 800 homes (meter reads, customer service phone calls, sending out bills, etc.) is much less with one large customer that always pays its bill.

Mr. Gallagher said these numbers are going to be on the ballot so this public hearing is just to tell the public what it has to pay. Mayor Rosenthal said the numbers have not changed throughout the meetings because costs have not changed.

Mr. Gallagher said when the debt on Lake Thunderbird is paid off, how much money will be saved? Mr. Komiske said the \$193,000 annual loan payment will be finished in 2017, but then the City will have to pay expenses on maintenance of the dam as well as dam insurance.

Ms. Wesner asked if the connection fee ordinance contains the two step phase increase. Mayor Rosenthal said yes, Council will vote on that before the election in January.

Ms. Francis asked if there has been any thought of indexing the rate? Mayor Rosenthal said not at this point since it would need to be voted on by citizens. Any increase would require a vote.

Mayor Rosenthal said everyone is focusing on connection fees but those fees are one in a myriad of development fees. She said if you look at the aggregate of the fees, Norman is higher than our counterparts in the metro mostly due to the wastewater excise fee.

Ms. Francis said that can be amended, right? Mayor Rosenthal said once the ballot language is approved on October 28th, the rates cannot be changed.

Mr. Holcomb said it seems like the City needs another rate tier for users of over 40,000 gallons.

Mr. Rhett Jones, 211 1/2 East Main Street, asked if agricultural users are included in the greater than 20,000 gallons category. Mr. Komiske said that depends on whether the users are residential or commercial. Mayor Rosenthal said many of the agricultural areas are more than likely using private wells.

Ms. Francis said she understands ODOT uses a lot of water on street projects and asked how that is charged. Mr. Komiske said ODOT rents a hydrant meter and pays a rental fee and usage rate. Mayor Rosenthal said bulk water rates are administratively set and Council changed that rate last year.

Ms. Hampton asked how Oklahoma City's rate changes will affect the City of Norman purchasing water. Mr. Komiske said Norman will have a new water purchase structure with Oklahoma City. He said typically, the City buys water from Oklahoma City during emergency situations (peak demand), but in two years that will no longer be an option. He said as Norman builds wells and makes improvements to the Water Treatment Plant, Norman will become more of a base level customer from Oklahoma City. He said Oklahoma City has provided customers with a three year plan so customers know their rates are going to increase very year over the next three years and the emergency rate will no longer be available in two years.

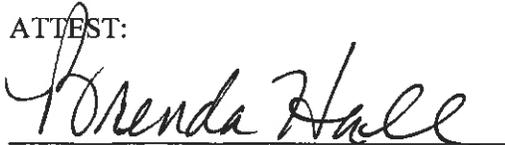
Mayor Rosenthal thanked everyone for attending and said Council would welcome additional questions or comments. Questions or comments can be made through the City Clerk's Office or online at [www.cityclerk@normanok.gov](mailto:www.cityclerk@normanok.gov).

Items submitted for the record

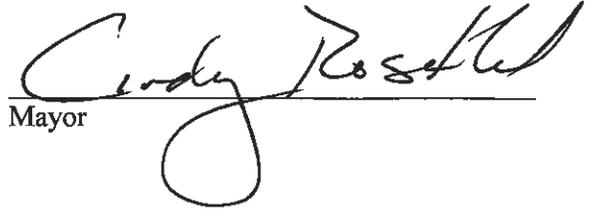
1. PowerPoint presentation entitled, "031 Water Fund," dated October, 2014

The meeting adjourned at 6:45 p.m.

ATTEST:



City Clerk



Mayor

