CITY COUNCIL CONFERENCE MINUTES

April 21, 2016

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:38 p.m. in the Municipal Building Conference Room on the 21st day of April, 2016, 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 24 hours prior to the beginning of the meeting.

PRESENT:	Councilmembers Allison, Castleberry, Heiple, Holman, Jungman, Lang, Miller, Mayor Rosenthal
ABSENT:	Councilmember Williams

Item 1, being:

CONTINUED DISCUSSION REGARDING THE CREATION OF A STORM WATER UTILITY.

Mr. Shawn O'Leary, Public Works Director, highlighted previous Storm Water Utility (SWU) meetings and previous discussions regarding the FYE 2017 Budget, specifically what should and/or should not be included in the SWU budget. He said at the April 5, 2016, study session meeting, Council discussed and requested road side mowing be removed from the FYE 2017, SWU Budget bringing the total from $3.2 million to $2.375 million. Mr. O'Leary highlighted the current FYE 2016 storm water budget (General Fund) as follows:

- Storm Water Pipeline/Channel Maintenance: $1,702,000;
- Street Sweeping: $408,000; and
- Storm Water Quality (unfunded mandate) $265,000

Mr. O'Leary said the FYE 2017 revised additional storm water budget with SWU is $4.950 million and includes the following:

- Storm Water Pipeline/Channel Maintenance: (unfunded mandates): $935,000;
- Street Sweeping (unfunded mandates): $340,000;
- Storm Water Quality (unfunded mandates): $495,000;
- Neighborhood/Home Owners Association (HOA) Maintenance/ Improvements: Enhanced Maintenance: $250,000;
- Neighborhood/HOA Maintenance/Improvements: Capital Improvements: $1,630,000;
- Enterprise fund practices (unfunded mandates): $800,000; and
- Equipment Replacement/New (unfunded mandates): $500,000.

Mr. O'Leary said the revised total budget for the FYE 2017 City Storm Water Budget is $7.325 million. He said recent discussions also included other sources of funding and highlighted the $1.235 million adjustments as follows:

- Revenue from 2015 Map Updates: $308,000;
- Revenue from Norman Utilities Authorities (NUA): $300,000;
- Revenue from Capital Fund: $500,000; and
- University of Oklahoma: $127,000.

He said with the proposed revised total budget of $7.325 million, less the $1.235 million for other sources funding adjustments; the City will need $6,090,000 from the SWU rate.

Mr. O'Leary said the City has been completing storm water projects via the Capital Fund for many years and will continue to do so. Mayor Rosenthal said the FYE 2016 Capital Budget included $2.6 million in storm water projects versus the $1.8 million listed in today's presentation; however, that may be due to the fact that the Sutton Wilderness Lake Dam and Spillway Repair Project was not completed this year so the project moved forward to the FYE 2017 Capital Budget.

Mr. O'Leary said the proposed SWU capital projects are approximately $1.63 million and reminded Council some of the projects are smaller in scale, costing between $100,000 up to $500,000. He said 59 projects were identified in Storm Water Master Plan (SWMP); however, 17 of those projects fit into the "smaller scale" projects category and could be completed utilizing a SWU fee. He said other options include a cost sharing program and/or project financing opportunities with neighborhoods that could complete two to four projects per year.

Mr. O'Leary said the City spends an annual average of $925,060 on Capital Fund storm water projects and highlighted previous and future storm water projects from the Capital Fund as follows:

- FYE 2015: $1,802,000
- FYE 2016: $ 517,000
- FYE 2017: $ 810,000
- FYE 2018: $ 575,000

Mr. O'Leary said upcoming storm water projects include the Sutton Wilderness Lake Dam and Spillway Repair Project ($750,000), the West Main Street Drainage Improvements Project ($420,000), and the Ranch Estates Mobile Home Buyout ($305,233). He said the Ranch Estates Mobile Home Park Buyout is a SWMP Project ID LLR-2, is ranked number two (2) in the SWMP, and just last week he received an unsolicited letter from the owner stating he is ready to sell the property. Mr. O'Leary said the number one (1) ranked project on the SWMP is "lake" McGee (approximately $15 million) and Staff took bids on the project this morning. He stated this is a great example of the kinds of projects within the SWMP; not all the projects are brick and mortar and some projects are small while others are huge, both in scopes of work and/or costs. Councilmember Castleberry requested Staff research and bring back actual numbers on what the City has spent over the past five (5) years in the Capital Fund for storm water projects.

Mr. Scott Sturtz, City Engineer, highlighted the projected revenue from a SWU for the following options:

- Option 1: Single family residential, multi-tier and non-single family based on Equivalent Residential Unit (ERU): $6.70 to $44.49 per month = $5.2 million
- Option 6: Multi-tier based on total parcels and even rate distribution: $3.50 to $25.00 per month for residential and $4.00 to $450.00 per month for non-residential = $5.1 million
- Option 6X: Multi-tier based on total parcels and even rate distribution raise to full SWU revenue: $5.00 to $35.00 per month for residential and $5.50 to $640.00 per month for non-residential = $7.3 million

Mr. Sturtz highlighted a possible SWU timeline as follows:

- May 10, 2016: First reading at Council meeting;
- May 24, 2016: Second reading at Council meeting;
- June 16, 2016: Notice to Cleveland County Election Board;
- August 23, 2016: Election; and
- FYE 2017: Begin collection of Storm Water Utility fees.

Councilmember Miller felt full Council agrees that Norman needs a SWU program; however, there is not a Council consensus on how to get to a particular SWU program. She said Council and Staff have worked diligently on this issue and are very near to determining what is best for Norman but felt a SWU needed to be implemented sooner than later. Councilmember Miller stated there are 30,000 residential customers compared to 3,000 commercial customers and felt recent SWU discussions were more about commercial properties than residential and asked whether Council was comfortable with residential SWU calculations. She said approximately 80% of the residential customers will pay $10.00 or less for a SWU fee and approximately 76% of commercial customers will pay $30.00 or less.

Mayor Rosenthal said concerns have been expressed about having a broad range under options 6 and 6x and Councilmember Miller agreed; stating Staff has brought back a another option to help break up and address the lower and

upper impervious surface areas. Councilmember Miller felt it was very important for Council to come to some kind of consensus so it can be brought forward for public input.

Mr. Sturtz highlighted Option 7, stating one (1) more tier was added for residential property having more than 25,000 square feet of impervious areas. He said at this time only 88 properties for this particular category existed and the SWU rate would top out at $40 per customer per month.

Mr. Sturtz said two (2) tiers were added for non-residential customers as follows:

- 100,000 to 300,000 square feet of impervious area; 185 parcels or 6% would pay $195 per month;
- 300,000 to 700,000 square feet of impervious area; 51 parcels or 2% would pay $450 per month; and
- There was only one (1) parcel/property between 700,000 to 800,000 square feet of impervious area which was set at $640 per month.

Mr. Sturtz said a SWU fee for an average Norman residence would be approximately $7.00 per month in comparison to the following communities:

- Lubbock, TX $16.16
- Lawrence, KS $ 6.08
- Tulsa, OK $ 7.38
- Broken Arrow, OK $ 6.80
- Oklahoma City, OK $ 5.53
- Edmond, OK $ 2.22

Councilmember Castleberry said he would like to look at adding a flat fee of $2.00 per month earmarked for capital projects and for the lowest tier residential leave it at the same $4.50 with base fee of $2.00 + $2.50 for calculation. Councilmember Miller asked whether he thought it would be easier to sell to the public because they would know the capital project(s) would be done.

Mayor Rosenthal said she would support bringing the latest proposal and entertain a proposal with a base rate. She said she is concerned that approximately 50% of residential customers will be hit with flat fee that results in some inequities at the top. Mayor Rosenthal suggested options 6 and 6x be eliminated because of the broad range of impervious areas for both residential and non-residential parcels.

Councilmember Heiple also felt Council has only a little work left to do in order to bring SWU option(s) forward for citizen input and said time is of the essence.

Mayor Rosenthal felt a base rate, particularly in the water fund, has often been a fixed cost of billing, i.e., establishing and mailing of the bill, etc., and not to be revenue to level out the ups and downs in revenues but rather fixed to the basic administrative costs. Mr. Anthony Francisco, Finance Director, said that is correct and felt Councilmember Castleberry's proposal is comparable to the Capital Improvements Charge (CIC). He said a CIC improvement charge could be achieved and would cover additional costs and the City would be compliant with the ordinance as long as the City spent more on capital improvements that are earmarked within the SWU improvements portion of the rate structure. Councilmember Castleberry felt a flat fee could be earmarked and assist with chipping away the 59 projects in SWMP.

Mayor Rosenthal asked Councilmember Castleberry for input regarding the flat fee; specifically, used as an additive to create more revenue or as a budgeting strategy to separate out a capital portion. Councilmember Castleberry said he felt the flat rate fee could be used as an additive to create more revenue.

Mayor Rosenthal requested Council input regarding which options should go forward for citizen input, specifically, is there interest in continuing Options 6 and/or 6x. She felt it is Council's obligation to narrow down the options for

citizens, as well as provide an option(s) that will be supported by the public. Mayor Rosenthal also asked for input regarding a CIC charge opposed to including a capital improvements flat fee in the SWU rate structure.
Councilmember Jungman felt Option 1 is best and he preferred Option 7 as his second choice. He said he was not interested in splitting out a CIC charge.

Councilmember Allison asked what the average cost increase was on the last water rate increase and Mr. Francisco said it was approximately 38% increase. Councilmember Allison agrees it is time to gather public input regarding a SWU fee.

Mayor Rosenthal stated 65% of residential customers would pay a monthly SWU fee of $7.00 or less and understands that citizens would not like an increase; however, the unfunded mandates being imposed on the City are the main driver(s) of a SWU fee. She asked Staff to speak to the consequences of not carrying out a SWU at this time and Mr. Francisco said there is a quantifiable cost of delaying a SWU. He said the proposed FYE 2017 Budget reflected some of the unfunded mandates will be supported by the General Fund rather than with an additional revenue source. Mr. Francisco said the longer the General Fund has to support the unfunded mandates and/or storm water projects, the worse off the General Fund will be. Councilmember Castleberry asked whether a SWU will help the General Fund or not and Mr. Francisco said yes, it will save the General Fund some money. Mayor Rosenthal said although a SWU fee does not remove all of the unfunded mandates and/or storm water projects, it is a major improvement.

Councilmember Heiple felt this issue needed to stop being kicked back and forth and instead moved forward with public meetings to gain public input on a SWU. He said the City needs to explain the absolute necessity for a SWU and if voter approval is not gained more than likely some of the current basic services and/or programs will need to be cut. Councilmember Allison felt full Council understands the need for a SWU, but was concerned the citizens would not vote in favor of it.

Councilmember Lang asked whether the public meetings would present and explain more than one (1) option and Mayor Rosenthal said public meetings would present Options 1 and 7, as well as an option with a CIC charge. She felt it would be appropriate to let the public know why some of the options were eliminated. Councilmember Jungman encouraged Council to display the best effort when presenting the top option(s) for a SWU and Councilmember Heiple agreed.

Councilmember Karjala said there is not an option for a self-sustaining SWU rate and is concerned that citizens will think that is unreasonable. She wondered if Council should present Option 6x which would completely fund a SWU in the amount of $8 million.

Ms. Joy Hampton, *The Norman Transcript*, said she questioned why the commercial rates were lower than residential rates and asked what is Option 7 based on.

Mayor Rosenthal said public meetings for SWU will be scheduled for both April 27, 2016 and May 2, 2016 at 6:00 p.m.

Items submitted for the record

1. PowerPoint presentation entitled, "Norman Storm Water Utility," City Council Study Session dated April 21, 2016, presented by Shawn O'Leary, Director of Public Works, and Scott Sturtz, City Engineer

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The meeting adjourned at 6:45 p.m.

ATTEST:

CITY OF NORMAN CORPORATE SEAL OKLAHOMA

Brenda Hall
City Clerk

Cindy Rosenthal
Mayor