

## CITY COUNCIL STUDY SESSION MINUTES

April 28, 2016

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, 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, Holman, Jungman, Lang, Miller, Mayor Rosenthal

ABSENT: Councilmembers Heiple and Williams

Item 1, being:

### DISCUSSION REGARDING THE PROPOSED FYE 2017 CITY OF NORMAN BUDGET – ENTERPRISE FUNDS.

Ms. Suzanne Krohmer, Budget Manager, said Council was presented with an overview of the General and Special Revenue Funds Budget on April 19, 2016, and will review the Enterprise Funds Budget tonight; Capital Funds Budget on May 3, 2016; hold a public hearing on May 24, 2016, regarding the Budget; and is proposed to adopt the Budget on June 14, 2016. She said Enterprise Funds are operated similar to private business enterprises, where the intent is that costs of providing goods or services to the general public is financed or recovered primarily through user charges. She said Enterprise Funds include water, sanitation, and water reclamation, with three sub-funds in water reclamation that includes sewer maintenance, new development excise, and sewer sales tax.

#### **Water Fund**

Ms. Krohmer said water production runs 24 hours per day, 365 days a year, produces over 4.5 billion gallons annually, and Norman has over 590 miles of pipes. She highlighted major revenue assumptions for the Water Fund in FYE 17 and said user revenues are projected to be 16% higher than FYE 16. A portion of that increase is projected future customer growth and the remaining is due to the rate increase approved by citizens on January 13, 2015, whose revenues were not projected in FYE 16. She said after FYE 17, the fee revenues will return to a 2.5% increase for customer growth. Effective August 1, 2016, water connection charges for all meter sizes will increase as follows:

- ❖ 3/4" meter increase from \$1,075 to \$1,275
- ❖ 1" meter increase from \$1,883 to \$2,217
- ❖ 2" meter increase from \$7,258 to \$8,592

Ms. Krohmer said water rate history includes:

- ❖ Inverted block rate adopted in 1999 to encourage conservation. Affects about 25% of residential customers. Progressive rate structure charges higher rates to highest quantity water users;
- ❖ March, 2006: Water rate increase approved;
- ❖ August, 2010: Water rate increase failed; and
- ❖ January, 2015: Water rate increase was approved to current level.

Current residential rate structures for Norman are as follows:

Gallons	Rates (per 1,000/gallon)
Base Fee	\$6.00
0 – 5,000	\$3.35
5,001 – 15,000	\$4.10
15,001 – 20,000	\$5.20
Over 20,000	\$6.80

**Water Fund, continued:**

Ms. Krohmer highlighted comparison residential water rates for several Oklahoma communities, i.e., Ardmore, Bartlesville, Broken Arrow, Edmond, Enid, Lawton, Midwest City, Moore, Oklahoma City, Ponca City, and Tulsa as well as out of state communities, i.e., Lawrence, Kansas; Denton, Texas; and Lubbock, Texas.

Water Fund expenditure assumptions include:

- ❖ \$1,146,850 budgeted for interim water purchase contract from Oklahoma City (OKC) (a take or pay contract at \$1.77 per 1,000 gallons due to increase to \$1.99 in September, 2016);
- ❖ \$1,203,840 for Central Oklahoma Master Conservancy District (COMCD) raw water purchase;
- ❖ \$365,126 included in FYE 17 Budget for fleet related replacement purchases and other equipment;
- ❖ Ending fund balance estimated to be \$6,814,313; and
- ❖ Staff targets an operating reserve of 8% and a Capital reserve equal to the annual average of the next 5-year capital expenditure plan; thus, meeting the operating reserve but short of the desired Capital reserve by approximately \$224,507; and
- ❖ In August, 2016, the remaining debt for the construction of the Lake Thunderbird dam and pumping facilities will be retired after 42 years of payments with a final payment of \$193,000.

Mayor Rosenthal asked how Staff arrived at the COMCD budget assumption above, did Staff assume the City would use its entire allotment from Del City and Midwest City? Mr. Anthony Francisco, Director of Finance, said that figure is the normal purchase price from COMCD plus the amount the City may purchase from Del City and Midwest City.

Councilmember Castleberry asked about the beginning fund balance and Ms. Krohmer said for FYE 17, the beginning fund balance is \$1,928,000.

Ms. Krohmer highlighted water projects as follows:

- ❖ Major carry-over projects from FYE 16 expected to be complete by FYE 17:
  - Berry Road Water Line Replacement Project
  - Phase II Water Treatment Plant (WTP)
  - Crossroads Area Waterline Replacement
- ❖ Major Water Projects for FYE 17:
  - WTP Phase II Improvements: ultraviolet (UV) disinfection, ozone treatment, and new chemical building and equipment storage (\$1.7 million)
  - FYE 15 Water Wells/Supply Lines for additional groundwater supply (\$1.8 million)
  - Crossroads Area Waterline Replacement construction (\$1.2 million)
  - Well Field Blending (\$482,000 for pipeline modeling, second of three year \$2.5 million project)
- ❖ Future Projects:
  - Continuation of Phase II Water Treatment Plant Improvements
  - Continuation of FYE 15 Water Wells/Supply Lines (\$10.7 million in FYE 18)
  - Additional Well Field Blending (\$1.5 million in FYE 18)
  - Waterline Replacement west of Campus (\$710,000 in FYE 18)

Ms. Krohmer said the Department of Environmental Quality (DEQ) is currently developing State regulations to allow Lake Thunderbird augmentation to occur as a source of increasing demand for water. She said augmentation replaces water into a stream and offsets the depletion of water used through a well by transferring water from one source to another for the purpose of maintaining or raising the water level of a surface water body.

### **Sanitation Fund**

Ms. Krohmer said major revenue assumptions for the Sanitation Fund include a 2% growth rate per year; user fees are \$17.20 per unit per month which includes a \$3.00 curbside recycling charge, a \$0.20 Oklahoma Solid Waste Management charge, and a \$1.00 increase for additional polycarts.

Ms. Krohmer highlighted a comparison of residential sanitation rates for the same cities previously mentioned. She said Norman provides a lot more services than the cities listed, e.g., free Spring/Fall clean-up days; weekly solid waste collection; weekly yard waste collection; four (4) recycling drop-off centers; free compost (when available); curbside recycling; and free brush drop-off. Mr. Steve Lewis, City Manager, said it would be hard to find another City that offers the array of services provided by Norman. Mayor Rosenthal agreed and said Norman's Sanitation Division offers great customer service and the Compost Facility recently won the Leadership Award from Keep Oklahoma Beautiful, which is pretty impressive.

Sanitation Fund major expenditures include the following:

- ❖ \$2,077,000 included in FYE 17 budget for fleet related replacement purchases
- ❖ \$1,901,510 for landfill tipping fees (0.5% increase from FYE 16)
- ❖ Ending fund balance of \$7,847,472

Councilmember Castleberry said it looks like the City has a \$1.1 million surplus so why is the City increasing polycart fees from \$7 to \$8 per month. Mr. Francisco said the policy to increase rates for an "additional" polycart was established when the City first adopted the polycart system because the cost of polycarts continues to increase.

Councilmember Allison asked if the City is continuing to explore recycling for commercial accounts and Mr. Mark Daniels, Capital Projects Engineer, said there are really no vendors willing to pick up recycling for commercial properties. Councilmember Allison said vendors have told him they cannot offer commercial recycling service due to franchise agreements and asked if that is true and Mayor Rosenthal said it would be very expensive to offer commercial recycling because commercial businesses are so spread out.

Ms. Krohmer highlighted the Sanitation Fund Curbside Recycling Program as follows:

- ❖ Five year curbside recycling contract with Republic Services started in August, 2013
- ❖ Single stream curbside recycling every other week with larger polycarts and includes additional recyclable materials
- ❖ Multi-family service is being explored
- ❖ Participation rate increase to 90% compared to previous five year average of 41%
- ❖ Tons collected each month increase to 430 tons compared to previous five year average 270 tons

### **Water Reclamation Fund**

Ms. Krohmer said major revenue assumptions for the Water Reclamation Fund include residential wastewater services rates increased in November, 2013. Current rates are \$5.00 base plus \$2.70 per 1,000 gallons of treated wastewater. She said in October, 2001, an additional \$5.00 fee was added for an expanded sewer system maintenance program and user fee revenues for FYE 17 are budgeted at a projected 2% increase from last year's budget. Revenue Bond proceeds (Statewide Revolving Fund Loan), supported by newly-approved rate structure, were received in FYE 15 to finance Water Reclamation Facility (WRF) expansion.

**Water Reclamation Fund, continued:**

Ms. Krohmer highlighted the comparable residential water reclamation rates for the cities previously mentioned and said Lawton is the only City with a lower rate than Norman. She said expenditure assumptions for the Water Reclamation Fund include:

- ❖ Major projects for FYE 17
  - Continuation of South WRF Phase II Improvements
  - Drive-thru Effluent Truck Wash (\$340,000) – pending regulations (large City vehicle use only)
- ❖ Future Projects
  - Non-potable Effluent Reuse System (FYE 19)
  - Class A Sludge Improvements (FYE 19)
  - WRF Phase 3 Improvements (FYE 20)

Councilmember Allison asked if the effluent water proposed to be used for washing City trucks would be treated and Mr. Francisco said yes, treated effluent has recently been approved for use to water compost piles and to irrigate the Westwood Golf Course so the City is hoping it will be approved for washing larger City vehicles such as sanitation trucks.

**Sewer Maintenance Fund**

Ms. Krohmer said the main source of the Sewer Maintenance Fund revenues are from a \$5.00 per month sewer maintenance charge and \$0.50 per month Capital Improvement Charge (CIC). She said major projects in FYE 17 include \$2.5 million for replacement of sewer lines and *all* sewer maintenance rate projects must be on a pay-as-you-go basis.

**New Development Excise Tax Fund**

The main source of revenue for the New Development Excise Tax Fund is from new construction building permits based on square footage. Ms. Krohmer highlighted the residential and commercial new development excise tax from FYE 02 to FYE 17, stating FYE 17 is projected at \$1,700,000 (\$1,300,000 from residential projects and \$400,000 from commercial projects). She said the Phase II South WRF Improvement Project also continues and study results for water and water reclamation connection fee analysis will be implemented.

Mayor Rosenthal was surprised at the mix of residential and commercial and asked where multi-family comes into the mix and Mr. Francisco said that is counted as residential.

**Sewer Sales Tax Fund**

Ms. Krohmer said a temporary one-half percent sales tax was implemented on October 1, 2001, and ended September 30, 2006. The sewer sales tax was used to provide collection and treatment capacity improvements necessary to meet existing, approved, and obligated needs. She said all remaining funds from the sewer sales tax were spent down during FYE 2015 for the Phase II WRF Improvements Project.

Ms. Krohmer highlighted a comparison of cities reflecting the total monthly residential utility rates for each. She said usage was based on 10,000 gallons of water including sewer and trash. She said all of the cities except Norman, Moore, Ardmore, and Bartlesville charge a storm water fee. She said Bartlesville and Broken Arrow's rates include a light fee to help pay for street light electricity. Only one city has utility rates lower than Norman. Mayor Rosenthal would like to see the average total utility bills of the comparable cities because the biggest difference will probably be storm water utility fees. Mr. Lewis asked Ms. Krohmer which of the comparable cities, besides Norman, included curbside recycling fees and Ms. Krohmer said Midwest City, Edmond, OKC, Stillwater, Tulsa, Denton, Texas, and Lawrence, Kansas.

Councilmember Miller said even if Norman charged a Storm Water Utility Fee (projected to be less than \$10 per month), Norman's utility rates would still be less than comparable cities.

Items submitted for the record

1. PowerPoint presentation entitled, "City Council Fiscal Year 2016-2017 Budget Study Session Enterprise Funds," dated April 26, 2016

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The meeting adjourned at 6:03 p.m.

ATTEST:

  
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City Clerk

  
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Mayor

