

CITY COUNCIL STUDY SESSION MINUTES

July 21, 2009

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in study session at 5:30 p.m. in the Municipal Building Conference Room on the 21st day of July, 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 Atkins, Dillingham, Ezzell,
Griffith, Kovach, Quinn, Mayor Pro Tem
Cubberley

ABSENT: Councilmember Butler and Mayor Rosenthal

DISCUSSION REGARDING A THE FINANCIAL ANALYSIS OF THE GOLDSBY WATER SALES CONTRACT.

Mr. Steve Lewis, City Manager, said the Norman Utilities Authority postponed a proposed contract to sell water to the Town of Goldsby in its meeting of June 9, 2009, in order that staff could provide a cost benefit analysis for the contract. He said the analysis was presented to the City Council Finance Committee on June 18, 2009, and comes forward now with changes recommended by the Finance Committee.

Mr. Ken Komiske, Director of Utilities, reminded everyone the Town of Goldsby contacted staff requesting the City of Norman consider providing water services to the Town of Goldsby. He said the City of Oklahoma City has approached Goldsby about selling them water and indicated they would construct a line from Oklahoma City to Goldsby through the western edge of Norman along the river and roll the cost of the line into Goldsby's rates. He said in Norman's proposal, Goldsby would connect to the Norman's water main located at the southernmost point of 24th Avenue S.W., south of Highway 9. Meter(s) would be installed at this location to accurately measure the quantity of water provided to Goldsby and Norman would incur no costs for the infrastructure.

Mr. Komiske highlighted Goldsby's annual water demand and how supplying that demand would affect Norman. He said Goldsby's demand will range between 36 million gallons per year to 96 million gallons per year (mg/yr). He said 36 mg/yr equals 0.8% of Norman's total water demand and 96 mg/yr equals 2% of Norman's total water demand. He said supplying water to Goldsby would be equivalent to the size of the Eagle Cliff Addition. He also discussed the amount of water lost to evaporation each year in Lake Thunderbird. He said Norman purchases water from Oklahoma City on an average of 24 days per year and the increased cost for the Oklahoma City water would be passed on to Goldsby in the proposed contract by adjusting their rate on an annual basis relative to the water purchased from Oklahoma City to reflect the actual cost.

Ms. Kathryn Walker, Assistant City Attorney, outlined the proposed changes included in the contract, all of which were concerns previously raised at the June 9, 2009, City Council meeting. She said concerns were raised about Norman's ability to refuse Goldsby water in excess of 8 mg/month if it was needed; therefore, language was added to contract to clarify the quantity is capped at 8 mg per month. Additional language was included which allows Goldsby to request more and Norman would not unreasonably withhold its consent to the increase if it did not materially adversely affect Norman's ability to serve its customers and meet Norman's water demands. She said concerns were also raised about Norman losing money when water was purchased from Oklahoma City and Mr. Komiske previously described how those costs will be passed on to Goldsby on an annual basis. In the event Oklahoma City increases its rates, those costs will be passed on to Goldsby as well. Finally, concerns were raised about Norman providing water to Goldsby during a drought or emergency situation. Ms. Walker said language was added to the contract stipulating Norman would not be in default for failure to provide water due to abnormal weather conditions or unforeseen emergencies causing infrastructure failure.

Councilmember Griffith asked if Goldsby agreed with the proposed changes and Ms. Walker answered in the affirmative. Mayor Pro Tem Cubberley said if the voters approve a rate increase in Norman, could Goldsby rates be adjusted and Ms. Walker said language included in the contract allow for that adjustment. Councilmember Kovach expressed concern with the abnormal weather clause included under the delay in performance segment of the contract and referenced cases in Arizona where it did not hold up in court. Mayor Pro Tem Cubberley thought those cases were related to water right, which is not the same as selling water.

Councilmember Kovach asked City Manager Lewis what was the underlying motivation of the proposal. Mr. Lewis said you really have to look at as a utility system and we expect the water rates to pay for all of the expenses that are incurred by the system, which includes costs for capital improvements and daily maintenance and operations. He said the only income in the utility is from water sales. He said staff has confirmed Norman has unused water capacity 10 to 11 months of the year and this proposal is an opportunity for Norman to broaden its customer base. He said the proposal is a fair compensation for the City and is a proposal that Council should seriously entertain. Councilmember Kovach was concerned about selling water to Goldsby prior to having a water solution in place to meet Norman's long term needs. Councilmember Ezzell said the contract contains language that would allow Norman to cancel the contract if the City could not meet the needs of its citizens. Councilmember Griffith felt this is a prime opportunity and Norman should take advantage of it.

Councilmembers Cubberley and Ezzell asked how many new wells are being added to the system and their yield. Mr. Chris Mattingly, Water Treatment Plant Superintendent, said 16 new wells are being added, which will yield an additional 5 million gallons per day (mgd) and the total capacity of the system will be 24.6 mgd. Councilmember Dillingham felt it was important that everyone understands the City does have the capacity to provide this water and recognize Norman's strength as a water provider is critical over the next ten years and the citizens are better protected by the City of Norman positioning itself in the marketplace as a seller of water, not a buyer.

Mayor Pro Tem Cubberley said the contract will be submitted for Council's consideration in its meeting of August 11, 2009.

Items submitted for the record

1. Memorandum dated May 13, 2009, from Kathryn L. Walker, Assistant City Attorney, through Jeff H. Bryant, City Attorney, to the Honorable Mayor and Councilmembers
2. Contract No. K-0809-149 as amended
3. PowerPoint presentation entitled, "*Norman Utilities Authority, Water Sales to Goldsby*" dated June 2009
4. Pertinent excerpts from City Council Finance Committee minutes of June 18, 2009
5. PowerPoint presentation entitled, "*Norman Utilities Authority, Water Sales to Goldsby*" dated July 2009

The meeting adjourned at 6:18 p.m.

ATTEST:

City Clerk

Mayor