

COUNCIL STUDY SESSION MINUTES

December 7, 2010

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 7th day of December, 2010, 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, Dillingham, Griffith, Kovach, Quinn, Mayor Rosenthal

ABSENT: Councilmember Ezzell

UPDATE ON THE FINANCIAL STATUS OF THE SANITATION FUND AND CONSIDERATION OF A POTENTIAL ELECTION FOR A SANITATION RATE INCREASE.

Mr. Steve Lewis, City Manager, said in August the City submitted two propositions to voters for water and sanitation rate increases which were both rejected. He said Staff has working with the Finance Committee reviewing the election results, budgets, and performance efforts to determine how to move forward over the next few years. He said, during this time, Council received an update from R. W. Beck on the sanitation system performance audit which included recommendations to streamline sanitation services. He said R.W. Beck felt the City has a well run system, but did make some recommendations to help increase operational efficiency throughout the department. He said according to the 2009 Citizen Quality of Life Survey, the second highest level of citizen satisfaction was Sanitation Division services. He said the City would like to retain that customer confidence while making any service adjustments.

Mr. Ken Komiske, Director of Utilities, highlighted the Sanitation Division's level of service for the following::

- Residential automated collection and disposal
- Low income residential accounts
- Full commercial service
- Recycling centers
- Bulk waste collection
- Spring and fall clean ups
- Household hazardous waste clean up day
- Curbside recycling

Mr. Komiske said the last rate increase was July 2004, and in 2008, citizens voted to pay an additional \$3 per month for curbside recycling service provided through a contractor. He said since 2004, gasoline prices have risen 87%; diesel prices 100%; landfill fees 25%; sanitation truck prices 25% to 49% (depending on the type of truck); the Construction Cost Index 31%; and the Consumer Price Index 18%. He said the Sanitation Division uses 250,000 plus gallons of fuel per year and when the prices increase 100%, it affects how the Division operates. He said the cost per employee increases every year and while the Sanitation Division has increased efficiency and productivity, the number of employees has not increased.

Mr. Komiske said the Sanitation Division purchased two Compressed Natural Gas (CNG) trucks, which has helped keep fuel consumption low and Norman is one of only two cities that use CNG trucks. He said the trucks were purchased with the help of a grant from the Association of Central Oklahoma Governments (ACOG).

Mr. Komiske said the 2004 increase allowed the City to double the size of the Compost Facility from five to ten acres. He said the compost is free to citizens and is a great use for yard waste collections. He said the increase is also being used to build a new Transfer Station that will handle over 320 tons of garbage every day. He said the new building will increase productivity because it is larger and provides better ease of entering and exiting to sanitation trucks and customers. He said there will also be two scales to decrease wait time. He said revenue comes from customers and there are no external sources of revenue such as taxes. Expenditures are starting to exceed revenues so a rate increase is essential.

Mr. Komiske said R.W. Beck specializes in solid waste management and they recommended increasing the collection units (polycarts/dumpsters) per hour, but that is difficult when Norman is almost 200 square miles and the Sanitation Division services the entire City. He said the customers per square mile is low, which is not good when you are trying to pick up a specific number of units per hour.

Mr. Komiske said after the rate increase election failed, Council asked Staff to review their operations to determine what could be eliminated to reduce costs and Staff recommended the following:

- Eliminate replacement of two sanitation trucks in FYE 2011
- Reduce winter time yard waste collection
- Proposed elimination of spring clean up
- Proposed efficiency in alley/street collections

Mayor Rosenthal asked what the typical cycle was for replacing sanitation trucks and Mr. Komiske said seven to ten years. Mayor Rosenthal asked how many miles are typically put on a truck each year and Mr. Komiske said he did not have a figure, but the trucks are driven five to six days per week and drive many miles daily. He said eliminating two trucks in FYE 2011 will save \$500,000. Councilmember Dillingham said, as a result of not purchasing two new trucks, what additional repair budget is estimated and Mr. Komiske said the Fleet Maintenance Division does an excellent job of maintaining the vehicles and makes recommendations on which trucks need to be replaced based on the mileage and history of repairs. He said Staff is hoping to keep trucks running as long as possible without inconveniencing customers or Fleet Maintenance repair services for at least one year. Mr. Komiske said Council had also discussed using the old Transfer Station property for a Material Recovery Facility (MRF), but that has been taken out of the budget.

Mr. Komiske said the budget should have a \$1 to \$2 million fund balance as a reserve for one month's expenses plus a small portion for unanticipated capital expenses. He said in FYE 2012 the fund balance would be a negative figure, which is illegal and it will continue to decline. He said the FYE 2011 budget was predicated on wage decreases through furloughs, which has not happened due to union negotiations. He said, based on history, the Finance Department anticipated a more positive revenue growth of 3% in customers, but with the downturn in the economy, that growth has been 1 1/2%. Mr. Komiske reviewed FYE 2012 and FYE 2013 fund balances based on the above described eliminations as well as salaries and internal and capital costs remaining the same as FYE 2010.

Mayor Rosenthal said she noticed Staff had also eliminated a container maintenance building and Mr. Komiske the building had been estimated to be built in FYE 2012, but has been eliminated and Mayor Rosenthal asked Mr. Komiske to explain why it is necessary to replace the container maintenance building. Mr. Komiske said dumpsters are a significant part of the inventory for all commercial customers and the container maintenance building is where dumpsters are repaired when they have rusted, are broken, get hit by cars, etc. He said a container maintenance facility would allow employees to weld, repair, and paint the containers to be placed in use again. He said the facility would essentially be similar to an automobile body repair shop that would require safety regulations. Councilmember Cubberley asked if it would be safer for employees if the City had a container maintenance facility and Mr. Komiske said yes. He said currently the employees weld inside a building and paint

outside a building since, for safety purposes, you cannot weld and paint in the same area. Councilmember Atkins asked if commercial containers included multi-family residences and Mr. Komsike said yes, multi-family residences use various sizes of commercial containers instead of polycarts.

Mr. Komsike talked about the budget projections for FYE 2012 with the proposed rate increase and said the City would still eliminate the two sanitation trucks, winter time yard waste collection, proposed elimination of spring clean up, and proposed efficiency in alley/street collections. He said the projections include a \$1.50 rate increase per month and a \$1.00 per month increase in FYE 2013. He said this would get the fund balance out of a negative balance, but is based on conservative growth for fuel, landfill fees, wages, etc. Councilmember Cubberley asked if spring cleanup would be restored with the rate increase and Mr. Komsike said yes, in FYE 2012.

Mr. Komsike said another scenario would be to include the same rate increase and eliminating spring and fall cleanup, but replace them with dedicated personnel and a boom truck for bulk pickup and allow customers to schedule a day when they needed a bulk pickup. This service would be available five days a week, Monday through Friday. Councilmember Atkins asked how many times a year this would be offered and Mr. Komsike said it would be similar to spring and fall cleanup in that customers would be allowed to call for pick up twice a year for free and charged a fee for additional pickups per year. Councilmember Cubberley felt this would provide more flexibility for customers, but decrease overtime costs. Mr. Komsike said overtime costs are budgeted, but during spring and fall cleanup, the Sanitation Division does not have enough personnel so they rely heavily on personnel from other departments such as the Street Division, Parks Department, Fleet Division, Line Maintenance Division, etc.

Mr. Komsike said another alternative would be to ask for a one time rate increase of \$2.50 instead of the two year tiered increase. He said the rate increase is less than what was voted on in August and felt this would give the City a healthier fund balance the first year. He said commercial rates would be adjusted to match residential rates, not by a dollar amount but by a percentage of what they pay depending on the size of container they use and the number of times their containers are emptied per week.

Councilmember Cubberley said the reason for a two year increase instead of three years is because in approximately two years the recycling contract will expire and the City does not know what the rate will be, but anticipates it will increase. He said although the City charges citizens a flat rate of \$3.00, the recycling contract was initially lower than \$3.00, but presently it is currently \$3.85. He said when the contract expires the City will need to decide if they want to continue the program internally or use an outside contractor then go back to the voters for that increase.

Mr. Komsike said in order to get the proposed rate increase on a March election, it has to be a First Reading ordinance on December 14, 2010, so Staff is requesting guidance from Council. Councilmember Kovach said the Council needs, in general, six months to prepare for an election and asked if a March election would be rushing things to a point that the election would not be successful. Mr. Lewis said six months is a good rule of thumb, but given the fact that this has been submitted to voters previously, he believes the public could be educated effectively by March.

Councilmember Kovach said he preferred the one time increase because he has heard from constituents that a multi-year authorization was circumventing the City's Charter language and that was the reason they opposed the increase in August. Councilmember Cubberley felt the two year rate increase was preferable because the last time the City had a one time increase, there was some shell shock from citizens and this is, economically, a time of tight budgets. He asked Mr. Jeff Bryant, City Attorney, if a multi-year rate increase would violate the Charter and Mr. Bryant said, no, as long as the entire rate itself does not exceed what was voted for. Mayor Rosenthal said the actual amount proposed is less under the two tier scenario than the one time increase. Councilmember

Kovach asked if the rate increase passed, would the City be able to reinstate the spring cleanup in FYE 2011 and other Councilmembers said no. Mayor Rosenthal said it would take several months before the increase took effect and Councilmember Kovach asked when it would be implemented. Mr. Anthony Francisco, Director of Finance, said it could be implemented by July 1, 2011.

Mayor Rosenthal asked if the one time increase scenario includes the bulk pickup service and Mr. Komiske said yes. Mayor Rosenthal felt there was very positive customer service benefits from bulk pickup as well as additional benefits from a service that is on call on demand and Councilmembers agreed. Councilmember Atkins felt it would help with illegal dumping in rural areas and Councilmember Butler said she liked the bulk pickup idea, but still has concerns regarding roadside dumping. She said if citizens do not have sanitation service, it is easy for them to dump the items along the rural roadways. Councilmembers discussed the problem and felt that continuing to offer drop off dumpsters twice a year could help with the problem and Mr. Komiske said Staff would need to keep track of who was dropping off the bulk items to insure that construction companies were not using the service. Councilmembers felt it would save money and lessen the chance of illegal dumping. Councilmember Butler said there had been discussion from rural residents about paying a small fee for the service and Mr. Komiske said that would help.

Councilmember Kovach asked about the Hazardous Household Waste (HHW) event and said if the City eliminates spring and fall cleanup for bulk pick, how the HHW event would be handled. Mr. Komiske said the HHW event would continue once a year. Councilmember Cubberley said that event is paid out of the Wastewater Fund not sanitation so that would continue.

Councilmember Atkins asked Mr. Shawn O'Leary, Director of Public Works, if the elimination of the two sanitation trucks would place an undue burden on the Fleet Maintenance Division as far as extra manpower or costs over time. Mr. O'Leary said the ideal mileage per truck is closer to seven years than ten years so there is more maintenance and labor costs when the trucks run longer than seven years.

Councilmembers discussed future needs and Mayor Rosenthal said this is an opportune time to consider a future increase to include money for purchasing new equipment in tandem with the recycling contract rate increase. She felt when considering a new recycling contract or in house service, it made sense to make the transition to a more volume based system and the reviewing the cost benefit of the MRF.

Councilmember Kovach felt citizens have very spoken loudly in the citizens survey about the level of satisfaction with the sanitation services and it was important to bring it back to the voters and if that happened in March that would be great. Councilmember Cubberley said his big concern in bringing a rate increase forward is the City will have to cut further services because a negative fund balance is not an option. He said the City needs to decide what to cut and that could mean employees, routes, recycling, etc., and this is what the voters need to understand. Councilmember Dillingham agreed and felt strongly that voters had indicated their desire for Council to undertake additional belt tightening measures when they rejected the original proposal; however, it has become abundantly clear that the citizens do value all sanitation services and do want those services. She said in order to keep from cutting employees the only option is bring it back to a vote and hope that the City can adequately explain the necessity for the increase to voters. She said she was torn between the two tier and one time increase and Councilmember Kovach agreed and said he wanted what will be most successful so his preference would be for the one time proposal. Councilmembers discussed the one time increase versus a two year tiered approval and it was the consensus of Council to hold a March election for a one time increase with First Reading on December 14, 2010.

Mayor Rosenthal encouraged Councilmembers to be available to speak with citizen groups about why the rate increase is needed. She said she has had some citizens volunteering to help with the effort and said if Council knew of any others, please give her the names.

Items submitted for the record

1. PowerPoint presentation entitled, "Sanitation Fund – Norman Municipal Authority, 2010"
2. Sanitation fund proposals with projected revenue growth of 1.5% - Option 1 – no rate increase and no changes to budget; Option 2 – no rate increase with reduction in salaries, internal and equipment costs; Option 3 – no rate increase, reduction in salaries and internal and equipment costs, eliminate spring cleanup, eliminate purchase of two sanitation trucks, reduce winter yard waste and alley pickups, and eliminate container maintenance building; Option 4 – add rate increase, no change in salaries and internal and equipment costs from FYE 2010, eliminate spring cleanup, eliminate purchase of two sanitation trucks, and reduce winter yard waste; Option 5 – no rate increase, reduction in salaries and internal and equipment costs, eliminate spring cleanup, eliminate purchase of two sanitation trucks, reduce winter yard waste, and add two personnel in FYE 2011, and one boom truck; and Option 6 – no rate increase, reduction in salaries and internal and equipment costs, eliminate spring cleanup, eliminate purchase of two sanitation trucks, reduce winter yard waste, and add two personnel in FYE 2012 and one person in FYE 2013, and add one boom truck.

The meeting adjourned at 6:34 p.m.

ATTEST:

City Clerk

Mayor