

CITY COUNCIL OVERSIGHT COMMITTEE MINUTES

October 20, 2016

The City Council Oversight Committee of the City of Norman, Cleveland County, State of Oklahoma, met at 5:00 p.m. in the City Council Conference Room on the 20th day of October, 2016, and notice and agenda of the meeting were posted in the Municipal Building at 201 West Gray 48 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Allison, Holman, Karjala
and Chairman Castleberry

ABSENT: None

OTHERS STAFF PRESENT: Mayor Lynne Miller
Councilmember Chappel
Councilmember Hickman
Councilmember Holman
Mr. Jeff Bryant, City Attorney
Mr. Terry Floyd, Development Coordinator
Mr. Ken Komiske, Utilities Director
Mr. Steve Lewis, City Manager
Mr. Shawn O’Leary, Public Works Director
Ms. Kathryn Walker, Assistant City Attorney
Ms. Karla Chapman, Administrative
Technician III

Item 1, being:

DISCUSSION REGARDING THE FINAL REPORT BY RAFTELIS FINANCIAL CONSULTANTS REGARDING WATER AND WASTEWATER CONNECTION FEES AND REIVEW OF SAID CONNECTION FEES RELATIVE TO THEIR SUFFICIENCY TO FUND NEW CAPACITY AS DESCRIBED IN ORDINANCE O-1415-18.

Mr. Ken Komiske, Utilities Director, said the last wastewater rate increase was approved by voters on November 12, 2013, and went into effect on December 1, 2013. He said Council also adopted Resolution R-1314-39 that outlined Council’s commitment to having an evaluation and recommendation between the Wastewater Excise Tax and other revenue sources, including rate payers, to fund infrastructure, maintenance, and capacity improvements as outlined in the 2001 Wastewater Master Plan.

Mr. Komiske said as part of the Council discussion of water rate increases in 2014 and early 2015, i.e., water rates approved on January 13, 2015, and went into effect on March 2, 2015, Council discussed establishing new connections fees for water and wastewater connections. Council adopted Ordinance O-1415-18 regarding updated water and wastewater fees in November 2014.

Connection fees are one-time charges paid by new customers when they connect to the water and wastewater utility systems. The connections fees are used to pay for the cost of capacity-related infrastructure required to accommodate the demands imposed by growth and are intended to represent the unit cost of the capacity incurred to serve new customers.

Below are the scheduled water and wastewater connection fee increases that were increased on August 1, 2015, and again on August 1, 2016.

Combined Water and Wastewater Connection Fees			
Water Service Size	Connection Charge Effective May 11, 2007	Connection Charge Effective August 1, 2015	Connection Fee Effective August 1, 2016
3/4 inch	\$850	\$1,075	\$1,275
1 inch	\$1,420	\$1,883	\$2,217
1 1/2 inch	\$2,840	\$3,767	\$4,433
2 inch	\$5,670	\$7,258	\$8,592
3 inch	\$13,600	\$16,358	\$19,292
4 inch	\$23,800	\$30,388	\$35,988
6 inch	\$52,140	\$64,514	\$76,048

Raftelis Financial Consultants (Raftelis) Water/Wastewater Connection Charge Study

In May 2015, the City engaged the services of Raftelis to conduct the Water and Wastewater Connection Charge Study. The three (3) main objectives outlined in the report include:

- Updating the City’s water and wastewater connection charge schedules using industry standard connection charge calculation methodologies. This update included completing an analysis of customer water consumption characteristics, and a review of the City’s forecast capital improvements program (CIP) expenditures for the 10-year planning horizon FY 2016-FY 2025;
- Developing hypothetical long-term water and wastewater utility capital financing plans that feature a mix of connection charge receipts, user charge revenues, and external debt financing. The purpose of the hypothetical capital financing plan is to inform stakeholders of the potential level of rate revenue increase and external debt financing required to fund the City’s forecast water and wastewater CIP expenditures. The ultimate decision regarding a specific capital financing plan utilized by the City will be made by the Norman Utilities Authority/Norman City Council; and
- Surveying the water and wastewater connection charges of comparable communities specified by City Staff.

Mr. Komiske said the Raftelis report determined that connection fee charges for both water and wastewater connections should be raised across all meter sizes to fund water and sewer capacity for new development added to the water and wastewater system as part of the 10-year water and wastewater Capital Improvement Plan (CIP) outlined in the report.

Mr. Komiske said the Raftelis report provide a recommended schedule for water and sewer customer rate increases that fund capital improvements, as outlined in the 10-year CIP, as a result of additional infrastructure needs due to current system users. Raftelis recommended that the connection fee increases and rate increases increase in tandem in order to provide funding for the capital improvements outlined in the report to take effect in Fiscal Year 2018.

Council Consideration of Future Connection Fee Amounts

Mr. Komiske said Council approved Resolution R-1415-60 in November 2014, committing to a future evaluation of fees for water connection charges. As part of the resolution, Council committed to beginning an evaluation of water connection fees and that evaluation would include the following elements:

- Begin before Oklahoma City's (OKC) elimination of the City's access to water from the 'emergency demand' category. *Norman has already been removed from the "emergency demand" customer category on the OKC water system;*
- Include the results of the Water and Wastewater Fee Study, *i.e., Raftelis Report has been completed and report results were presented to Council in May 2016;* and
- Include the new well construction cost data. *This is currently underway, but has not yet been completed. This is the only element not completed at this time.*

Current Status of New Well Construction Cost Data

The Utilities Department currently has multiple projects and studies underway with engineering and consulting firms to expand the City's wellfield and treat active/inactive ground water wells as outlined in the 2060 Strategic Water Supply Plan.

Mr. Komiske said the projects and studies currently underway will not only outline details for new water wells for the City's water supply, but are designed to better maximize and expand the City's existing wellfield as follows:

- Updating hydraulic and wellfield models;
- Acquiring water rights for new wells;
- Assessing the potential feasibility of using horizontal well construction;
- General well siting; and
- Test well programs.

Mr. Komiske said wellfield expansion includes two (2) new Garber Wellington wells per year (10 total) and construction anticipated to begin in 2018, continuing five (5) years until 2023. He said the treatment of active/inactive groundwater wells (8.1 million gallons per day) will begin in 2018, pending Chromium-6 regulations.

Mr. Komiske said the studies and projects are needed to determine new well construction cost data and are projected to be completed in early 2018. He said at that time, construction bids for the wells could be completed and a cost for construction of new wells will be known.

Comments

Councilmember Hickman asked whether the Chromium 6 levels are different with the three sources of water options Norman has and Staff said Lake Thunderbird and OKC water does not contain chromium; however, the City's 31 operating water wells contain levels of chromium and those levels may differ from well to well. Mr. Komiske said currently, scientific documentation deems water safe up to 100 parts per billion on the chromium and Norman meets those requirements. He said the City should not need to request additional funding for the wells, unless the Environmental Protection Agency (EPA) develops new chromium regulations in the future.

Councilmember Hickman felt the City needed to stop using the current wells and rely on other options and asked whether the City's water plan included other options if the new wells are not successful. Mr. Komiske felt Norman has significant options due to the current and future water wells and said if and/or when EPA changes any regulations, Norman will have three (3) or (4) years to comply.

Mr. Komiske said past discussions regarding whether or not the City of Norman should only use OKC water determined the City of Norman needs and wants to be self-sufficient. He said as of October 1, 2016, OKC eliminated Norman's access to water from the "emergency demand" category and the construction of eight or ten new additional water wells will address both current and short-term future capacity needs allowing the City of Norman to be in a better position to stop relying on OKC water. Mr. Komiske said Norman would lose all control of costs and/or rates if the City only bought our water from OKC. He said Norman always uses and will continue to use the max allocation available from Lake Thunderbird; additionally, water re-use is a long-term plan for Norman.

Chairman Castleberry asked how often does the City of Norman test for Chromium 6 and Mr. Komiske said every three (3) years; however, water is tested on a weekly basis to make sure other things are not present and/or at safe levels.

Ms. Joy Hampton, *The Norman Transcript*, said Staff stated, "...we feel the water plan and future drilling is on track..." and wondered if the "we" meant "Staff". Mr. Komiske said the "we" includes the Ad Hoc Strategic Water Supply Citizens Committee who discussed many options and brought forward recommendations to Council regarding the 2060 Strategic Water Supply Plan; citizen comments and input gathered at six (6) public meetings on the Strategic Water Supply Plan; and Council who adopted the 2060 Strategic Water Supply Plan.

Councilmember Hickman asked Staff which of the three (3) water options, i.e., OKC water, Water Treatment Plant (WTP), or Lake Thunderbird, was most cost efficient and Mr. Komiske said Lake Thunderbird is most efficient, next the WTP and then OKC water. Chairman Castleberry asked if Norman used OKC water first and Mr. Komiske said yes.

Councilmember Karjala asked whether the current connection fee will be enough for new capacity and whether the City is adequately preparing for the future. Mr. Komiske said exact cost(s) and production of new water wells is not known at this time; however, there is money in the budget to test holes (wells) for quality within a year and a half.

Councilmember Hickman asked whether the City has calculated growth versus water production and Mr. Komiske said yes. Mr. Steve Lewis, City Manager said the interim solution would be to utilize surplus water from Lake Thunderbird, i.e., Reservoir share from Midwest City and Del City.

Councilmember Heiple asked who drills wells for the City of Norman and Mr. Komiske said the contractor will be determined once bids will go out nationwide for horizontal drilling.

Chairman Hickman asked how much of the production of future wells chip away from the OKC water purchase and/or connection fees/charges. Mr. Komiske said that will not be known until the wells are dug and online stating there are many moving parts and the weather also plays a huge factor in successful drilling.

Mr. Jeff Bryant, City Attorney, said the Raftelis report breaks down how to implement increases and Council has the option to set higher and/or lower rates. Councilmember Hickman felt the City is not addressing the well(s) capacity adequately and Mayor Miller said that is why one of the recommendations from the Raftelis report is the need to discuss water/wastewater connection fee increases and water/wastewater user rate increases every two (2) years beginning FY 2018. Mayor Miller felt it is imperative the City have a schedule to look at the rates on a regular basis and not wait too many years in between. She felt the City, including Staff, has not failed to look ahead and Councilmembers Heiple and Castleberry agreed.

Mayor Miller said the Raftelis study used objectives to update water and wastewater connection fees by following industry standards and the product of that is the maximum allowable fee consistent with Oklahoma Legislations, industry practices, and legal procedures around the country when it comes to connections fees. She said the Raftelis report recommends the incremental cost method for Norman because the City must add groundwater treatment capacity and groundwater wells to serve the demands of anticipated new development or future growth. The report also determined that it is appropriate to use the incremental approach to calculate water connection charges in situations of this type and the costs should be proportionally shared between new and existing customers.

Councilmember Chappel felt the City has options and is in a good position regarding water. He said Staff is doing a good job and thanked them for their efforts.

Chairman Castleberry thanked Staff and felt future discussions regarding water reuse will be a game changer for Norman.

Items submitted for the record

1. Memorandum dated October 18, 2016, from Ken Komiske, Director of Utilities, through Steve Lewis, City Manager, to Council Oversight Committee ,
2. PowerPoint Presentation entitled "Water and Wastewater Connection Fee Review and Raftelis Financial Consultants, Inc. (Raftelis) Report Discussion," City Council Oversight Committee, dated October 20, 2016
3. Current Ordinance O-1415-18
4. Current Resolution R-1415-60
5. City Council Conference Minutes dated May 10, 2016
6. Email dated October 20, 2016, from Sean Rieger, Attorney, to Brenda Hall, Steve Lewis, and Jeff Bryant

ADJOURNMENT.

The meeting adjourned at 5:56 p.m.

ATTEST:

City Clerk

Mayor