

## CITY COUNCIL STUDY SESSION MINUTES

April 25, 2017

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:05 p.m. in the Municipal Building Conference Room on the 25th day of April, 2017, 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 Allison, Castleberry, Chappel, Clark, Holman, Karjala, Mayor Miller

ABSENT: Councilmembers Heiple and Hickman

Item 1, being:

### PRESENTATION REGARDING THE WATER TREATMENT PLANT REHABILITATION PROJECT.

Mr. Ken Komiske, Director of Utilities, said the Water Treatment Plant (WTP) Improvements Project process began in 2006 with an evaluation of the WTP capabilities and improvements needed. He said the WTP was built in 1966 and upgraded in 1982.

In 2007, the City hired Carollo Engineers to conduct a thorough background investigation of the WTP that included condition evaluation, regulatory evaluation, hydraulic evaluation, and process evaluation. Phase I of the WTP Improvements Project began in 2009 and had a total construction cost of \$12,250,000. The main project drivers included peak treatment capacity, rehabilitation and repair, residuals handling, regulatory changes, hazardous chemical replacement, and water quality improvement.

Mr. Komiske said in Phase I, peak treatment capacity was increased from 14 million gallons per day (mgd) to 17 mgd; the lime system and carbon dioxide system were rehabilitated; electrical and efficiency improvements were made; and some of the major process equipment such as filters and pumps were replaced. Phase I was completed in October 2010.

Mr. Komiske said Phase II addresses the handling and disposing of residuals by developing a longer term plan as current low costs will not be available in the future. He said the WTP will soon run out of space for residuals so the City needs to look at alternatives for storing residuals and making them more solid. He said the existing lagoons are surrounded by floodway and alternatives could include pumping to a new lagoon site across the floodway to an area where there is no flooding or pumping to the Water Reclamation Facility (WRF).

Total estimated costs for Phase II in 2013 included a Dissolved Air Flotation Unit - \$9.55 million; ozone contactor and feed system - \$13.9 million; biofiltration upgrade - \$2.58 million; residual handling improvements - \$1.2 million; chemical feed improvements - \$3.36 million; pump station rehabilitation - \$1.24 million; maintenance/storage building - \$0.55 million; and existing building and lighting rehabilitation - \$0.82 million.

Mr. Komiske summarized total project costs for items completed in Phase II as low lift pumping - \$2.6 million; ozone contactor with diffusers - \$2.1 million; ozone feed system and building - \$12.3 million; biofiltration upgrade - \$2.7 million; Ultra Violet (UV) System - \$3.5 million; chemical feed improvements - \$3.5 million; pump station rehabilitation - \$1.8 million; maintenance/storage building - \$0.5 million; and existing building and lighting rehabilitation - \$0.8 million. He said the only piece of the components not being done at this time is the residual handling improvements at a cost of \$1.2 million. He said in the past the City was overusing the Lake

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Item 1, continued:

Thunderbird reservoir and creating more residuals, but if the City stays within its allocation there are less residuals and no need for the residual handling improvements at this time. He said cost was also a factor in that decision and the City currently has an inexpensive way of dealing with residuals; however, that could change in the future.

Mr. Komiske said voters approved a water rate increase in January 13, 2015, for WTP improvements and in January 2017, the Oklahoma Water Resources Board approved a \$31 State Revolving Fund loan at 2.81% interest for 15 years. He said bids were open on March 23, 2017, with the lowest bid from Foley Company in the amount of \$29,990,165 and that contract will be on Council's agenda on May 9, 2017. If Council approves the contract with Foley Company, construction will begin on May 22, 2017, with an estimated completion date is May 22, 2019.

Councilmember Karjala asked what this project is going to accomplish in layman's terms and Mr. Komiske said many of the project components are mandated and citizens will probably not be aware of them; however, the disinfection process is changing, which will greatly improve the taste and odor issues experienced in the past so citizens will notice that.

Mayor Miller said it is so gratifying to see this process that will improve water taste and odor and it is all due to the voters' willingness to increase water rates giving the City the ability to fund this project.

Items submitted for the record

1. PowerPoint Presentation entitled "Water Treatment Plant Upgrade Phase II," dated May 19, 2017

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Item 2, being:

**DISCUSSION REGARDING THE PROPOSED FYE 2018 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 18, 2017, will review the Enterprise Funds Budget tonight; will review the Capital Funds Budget on May 2, 2017; hold a public hearing on May 23, 2017, regarding the Budget; and is proposed to adopt the Budget on June 13, 2017. She said Enterprise Funds are operated similarly 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 two sub-funds in water reclamation that includes sewer maintenance and new development excise.

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 said the Line Maintenance Division maintains over 570 miles of water mains and 5,900 fire hydrants; repair an average of over 200 water line breaks each year; replaces over 9,000 feet of old deteriorated/undersized water mains; and installs or replaces over 20 fire hydrants each year.

Item 2, continued:

**Water Fund, continued:**

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

The City currently charges a summer surcharge during July through August of \$.35 per 1,000 gallons for usage of 20,000 gallons per month or more. There is also a year round odd/even watering schedule for customers.

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.

Major revenue assumptions for the Water Fund in FYE 18 include user revenues that are projected to be 2.5% higher than FYE 17 and that increase is projected on future customer growth. She said after FYE 18 the fee revenues will return to a 2.5% increase for customer growth. Effective August 1, 2016, water connection charges for all meter sizes were increased 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

Water Fund expenditure assumptions include:

- ❖ \$1,228,330 budgeted for interim water purchase contract from Oklahoma City (OKC) (a take or pay contract at \$1.99 per 1,000 gallons);
- ❖ \$1,190,329 for Central Oklahoma Master Conservancy District (COMCD) raw water purchase;
- ❖ \$234,376 included in FYE 18 Budget for fleet related replacement purchases and other equipment;
- ❖ Ending fund balance estimated to be \$3,446,965; and
- ❖ Staff targets an operating reserve of 8% and a Capital reserve equal to the annual average of the next five year capital expenditure plan.

Item 2, continued:

**Water Fund, continued:**

Ms. Krohmer highlighted water projects as follows:

- ❖ Major carry-over projects from FYE 16 expected to be complete by FYE 17:
  - Berry Road Phase III/Main Street Water Line Replacement Project - \$2.1 million
  - Robinson Street Water Line Replacement Project (Crossroads Boulevard to Brookhaven Water Tower) - \$3.1 million
  - Gray Street Water Line Replacement Project (6 inch to 12inch from Flood Avenue to Porter Street) - \$1.35 million
  - Crossroads Area Waterline Replacement (6 inch to 8 inch) - \$1.2 million
  - Segment D Water Line (24 inch), Phase 4: Chautauqua Avenue: Lindsey Street to Timberdell Road in coordination with the University of Oklahoma (OU) - \$1 million
  - Central Library Water Line Project: (24 inch - 1,000 feet along James Garner Boulevard) - \$0.5 million
  
- ❖ Major Water Projects for FYE 17:
  - WTP Phase II Improvements: ultraviolet (UV) disinfection, ozone treatment, and new chemical building and equipment storage - \$35.6 million (total project with engineering)
  - Segment D Water Line, Phase 5 (24 inch - Chautauqua Avenue and Timberdell Road to Jenkins Avenue and State Highway 9) - \$3 million
  - FYE 15 Water Wells/Supply Lines (for additional groundwater supply) - \$10.7 million
  - Well Field Blending - \$3 million
  - 24th Avenue N.E. (Robinson Street to Alameda Street) - \$1.34 million
  - Robinson Street Water Line Design (24th Avenue N.W. to WTP) - \$0.8 million
  - Water Line Replacement West of Campus (6 inch to 12 inch) - \$0.7 million
  - Interstate Drive Water Line Replacement (8 inch to 12 inch) - \$1.1 million
  
- ❖ Future Projects:
  - Robinson Street 30 Inch Water Line (24th Avenue N.W. to WTP) - \$9.2 million
  - Flood Avenue Water Line (Rock Creek to Venture Drive) - \$9.2 million
  - Flood Avenue Water Line (Gray Street to Robinson Street) – \$1.7 million
  - 24th Avenue N.W. Water Line (Robinson Street to Tecumseh Road) - \$
  - 40 Year Water Line Maintenance Program - \$2.9 million annually
  - Alameda Street 24 Inch Water Line (24th Avenue N.E. to Carter Avenue) - \$5.2 million
  - Eastside Oklahoma City (OKC) Waterline 24 Inch Connection - \$14.1 million
  - Arsenic/Chromium Groundwater Treatment - \$90 million

Councilmember Castleberry asked how many wells the City is getting for \$10 million and Mr. Komiske said the plan was to install 10 wells (two wells a year for five years). Mr. Komiske said there is a long process to decide how water lines will connect to wells, deciding locations of those wells, leasing/purchasing land for wells, etc.

Mayor Miller asked about why the City needed the eastside OKC waterline and Mr. Komiske said if Norman wants to maintain its relationship with OKC and continue purchasing water from OKC, Norman needs to have more than one connection with them. He said this will give Norman a more robust way to transport water from one side of town to the other.

Item 2, continued:

**Water Fund, continued:**

Mr. Komiske said the Strategic Water Supply Plan included water reuse in which the City would treat gray water, place it back into Lake Thunderbird, and treat it again for reuse. He said there are currently no rules for reuse, but a draft of rules is being prepared by a Committee to introduce to Oklahoma Department of Environmental Quality to be part of their regulations.

**Sanitation Fund**

Ms. Krohmer said the Sanitation Fund includes a five year contract with Republic Services for curbside recycling that began in August 2013. This service offers single stream curbside recycling every other week with larger polycarts and includes additional recyclable materials. She said the City is exploring a multi-family recycling service. The participation rate has increased to 90% compared to the previous five year average of 41% and recyclable materials collected each month increased from 270 tons to 430 tons.

Councilmember Clark said she receives questions regarding increasing recycling pickup from every other week to weekly pickup, but has been informed that the fee would essentially have to double in order to provide more service. Mr. Komiske said that is correct and the value of those recyclables has decreased significantly due to a shift in worldwide commodities. Mayor Miller thought part of the reason for that decrease is there is no place to recycle glass and Mr. Komiske said that is true, the City pays a company to take glass that customers recycle. Councilmember Clark said she would like to see what it would cost for weekly recycle pickup and Mr. Komiske said he would provide that cost.

Councilmember Holman asked if the City will ever accept plastic bags for recycling and Mr. Komiske said the bags do not weigh much so it would take a lot of them to get any value from them. He said another problem is the bags float around and get caught in the gears of the machinery and for recycling to be cost effective items are separated by machines rather than people. Councilmember Clark suggested a bag fee might be appropriate and Mr. Komiske said some communities charge bag fees while other communities prohibit their use.

Ms. Krohmer highlighted a comparison of residential sanitation rates with other communities and said Norman provides a lot more services than comparison cities e.g., free Spring/Fall clean-up days; weekly solid waste collection; weekly yard waste collection; four (4) recycling drop-off centers; curbside recycling; free compost (when available); curbside recycling; and free brush drop-off.

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

Major Sanitation Fund expenditures include:

- ❖ \$1,853,000 included in FYE 18 budget for fleet related replacement purchases
- ❖ \$1,978,471 for landfill tipping fees (0.4% increase from FYE 17)
- ❖ Ending fund balance of \$10,045,074

Councilmember Castleberry said he would like to review additional yard waste pickup in the fall season when falling leaves are more prevalent and Councilmembers Karjala and Clark agreed.

Item 2, continued:

**Water Reclamation Fund, continued:**

Ms. Krohmer said Sewer Line Maintenance maintains almost 480 miles of sewer lines; maintains over 11,600 manholes; cleans over 1.5 million feet of sewer lines each year; and inspects and records over 200,000 feet of sewer lines. She said over the last 20 years, the City has reduced sanitary sewer overflows by 90%.

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.

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 18 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.

Mr. Komiske highlighted Water Reclamation Fund expenditure assumptions as follows:

- ❖ Major projects for FYE 18
  - Continuation of South WRF Phase II Improvements
  - Class A Sludge Improvements - \$2.5 million in FYE 18 and FYE 19
  
- ❖ Future Projects
  - Building for Line Maintenance - \$1.25 million in FYE 19 and FYE 20
  - Non-potable Effluent Reuse System - \$2.4 million in FYE 20
  - WRF Phase 3 Biological Nutrient Reduction (BNR) Improvements for Reuse - \$62 million beginning in FYE 21 through FYE 24

**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 18 include \$2.6 million for replacement of sewer lines and *all* sewer maintenance rate projects must be on a pay-as-you-go basis. Since 2001, over 433,000 feet of sewer line have been rehabilitated.

**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 18, stating FYE 18 is projected at \$1.7 million (\$1.3 million from residential projects and \$400,000 from commercial projects). She said the Phase II South WRF Improvement Project also continues.

Future projects include WRF Phase 3 improvements for reuse at an estimated cost of \$13.8 million and southeast Norman interceptors, lift station, and force main to service existing and new development at an estimated cost of \$4.2 million.

Item 2, continued:

**New Development Excise Tax Fund, continued:**

Councilmember Holman said he would like to see total commercial utility rates and how they compare to other communities and Ms. Krohmer said there are a lot of variables when comparing the commercial side, but Staff can prepare that information.

Councilmember Chappel asked if the \$1 charge for an additional polycart included the recycle polycarts and Mr. Komiske said yes, the City could possibly provide an additional recycle polycart for that price.

Councilmember Chappel asked if fire hydrants for east Norman are a piece of the water wells being proposed and Mr. Komiske said yes.

Councilmember Castleberry said he does not believe the \$400,000 budgeted for commercial excise tax is viable and would like to review that.

Councilmember Castleberry said the City has the same number of personnel in FYE 18 as FYE 17, but salary and benefits have decreased in FYE 2018. Are employees taking pay cuts? Ms. Krohmer said FYE 17 budgeted an extra pay period (due to Leap Year) and was not due to pay cuts.

Items submitted for the record

1. PowerPoint Presentation entitled "City Council Fiscal Year 2017-2018 Budget Study Session Enterprise Funds," dated April 25, 2017

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The meeting adjourned at 5:49 p.m.

ATTEST:

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City Clerk

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Mayor