

**THE CITY OF NORMAN
WASTEWATER OVERSIGHT COMMITTEE
ANNUAL REPORT, AS OF JUNE 30, 2014**

On August 22, 2000 the Norman City Council passed a resolution to implement an immediate freeze on the approval of any additional final plats that would be served by the City of Norman Wastewater system due to ordinance conformance concerns. The Citizen's Oversight Committee was established a year later by the City Council on November 13, 2001 "for the purpose of insuring the voter approved sales tax, excise tax and maintenance fee are spent in accordance with the ordinances approved in the August 14, 2001, election." There are nine Committee members:

Scott Greene, Ward 4
Duane Winegardner, Ward 6
Jayna Andrews, Ward 2
Dr. James Wilbanks, Ward 8
Jim Burlison, Ward 6
L. Merrill Snider, Ward 5
Chair Judith Wilkins, Ward 4
Delmar Burk, Ward 3
Council Member Greg Jungman, Ward 4 (annual appointment)

The Oversight Committee will continue in existence until the last of the projects financed by the Sewer Sales Tax (discussed below) has been completed. In relevant part, revenues from the three ordinances are to be spent as follows:

Sewer Maintenance Rate (Ordinance 0001-56) – "used and dedicated by the City exclusively for an upgraded sanitary sewer maintenance program to be established by the City and shall not be used to pay debt service on indebtedness. Funds collected shall be paid into a sewer maintenance fund and accounted for separately therein; such funds and the interest accruing thereon shall be used exclusively for an upgraded sanitary sewer maintenance program on a pay-as-you-go basis."

Sewer Sales Tax (Ordinance 0001-57, as amended by Ordinance 0203-42) – "to provide revenues for the financing of current capital needs in the City's wastewater system with said tax being in effect for a period of five years. Funds generated by the sales tax increase and interest thereon shall be dedicated and used by the city exclusively to finance current capital needs of the City's wastewater collection system on a pay-as-you-go basis; such funds shall not be used for future expansion of the wastewater system. It is further specifically directed that the City direct an amount not to exceed \$8,169,333 for funding of 1,500,000 million gallons per day of capacity to be built at the new wastewater treatment plant. In addition, an amount not to exceed \$3,500,000 shall be used for sludge handling at the existing south wastewater treatment plant."

Sewer New Development Excise Tax (Ordinance 0001-58) – "shall be used for the future expansion and improvement of the City's wastewater system. Funds collected shall be paid into the Wastewater Capital Account and accounted separately therein; such funds

and the interest accruing thereon shall be used exclusively for wastewater expansion, improvements and to pay debt service on obligations issued to finance said future improvements and expansion of said wastewater system.”

The Oversight Committee has been reviewing documents and meeting since November 2001. In addition to the Ordinances cited above, the Committee has reviewed the report of the Citizen’s Coalition on the Future of Wastewater, Norman’s Wastewater Master Plan, and all of the contracts, resolutions and ordinances that have been considered by the City Council (Norman Utilities Authority Board of Trustees, or “NUA”) relating to capital improvements to the wastewater system. Major ordinance, resolution or project discussions that have been held by the Committee during the period of July 1, 2013 through June 30, 2014 are discussed below.

Wastewater Rate Increase

At the July 16, 2013 Committee meeting, the Committee received updated information on the proposed improvements to and expansion of the Water Reclamation Facility (WRF) and the proposed water reclamation rate increase scenarios. The Committee sent a letter to the NUA supporting a rate increase election to fund the WRF improvements and discussed the use of the remaining sewer sales tax revenues for these projects. The Committee recommended to NUA to increase the sewer base rate and leave the 80% winter usage average to calculate the sewer charge to customers.

On November 12, 2013, the citizens of Norman voted and approved a basic sewer rate increase for the first time since November 1, 1996. Base rates increased from \$3.90 to \$5.00, and the per 1,000 gallon rate increased from \$1.60 to \$2.70 per 1,000 gallons.

Ordinance O-1314-8 & O1314-9 and Resolution R-1314-35 were approved to hold the election and to increase these rates.

Interceptor, Treatment and Sewer Maintenance Project Progress

During fiscal year 2013-2014, the Committee reviewed and endorsed Council/NUA actions authorizing the progress of several of the projects included in the Interceptor Improvement Plan and Sewer Maintenance Plan. The Interceptor Improvement Plan projects are funded in whole or in part by the Sewer Sales Tax (SST) and the Sewer Excise Tax (SET). The Sewer Maintenance program is funded by the monthly \$5 Sewer Maintenance fee billed to sewer customers. This fee is used toward an upgraded sanitary sewer maintenance program to fix “worst things first”. The sewer maintenance program has been a great success. Approximately 24.4 miles of interceptors and 60.3 miles of sewer lines have been replaced through the end of fiscal year 2014. All relevant Council/NUA actions were forwarded to the Committee for review and discussion, including design and construction contract awards, change orders and amendments. Among these were the following major actions:

Contract 0304-147, Amendment #2 – to provide additional engineering services for the southeast Bishop interceptor project

Contract 0708-42, Amendment #5 – to provide permanent wastewater flow metering services and extending the contract

Contract 0910-55 – to provide surveying and drafting services for the FYE 13 Sewer Maintenance Project

Contract 0910-185, Amendment #3 – extend contract for Phase II of the Canadian River Wasteload Allocation Study

Contract 1011-148, Amendment #2 – to provide construction administration and observation, start-up training, operation and maintenance manuals, and SCADA application engineering services for the Water Reclamation Facility Phase II Improvements

Contract 1213-66, Change Order #1 – S.E. Bishop Interceptor Project, Phase II, Sections 2A & 2B contract extension

Contract 1213-88, Change Order #2 & #3 – increase contract amount for the FYE 2011 Sewer Maintenance Project and extension

Contract 1213-128, Change Order #1 - Tecumseh Interceptor Project and final acceptance of project

Contract 1314-25 – Mustang Road and Interstate River Gauging Stations along the South Canadian River

Contract 1314-97 – for removal and land application of liquid biosolids at the Water Reclamation Facility

Contract 1314-107 – for the southeast Bishop interceptor project, Phase II, Section 2C

Contract 1314-136 – for the Water Reclamation Facility Phase II Improvements

Easement 1314-11 – permanent sanitary sewer easement for the southeast Bishop interceptor project

Easement 1314-12, 1314-13 and 1314-14 – temporary construction easements for the southeast Bishop interceptor project

Easement 1314-16 – permanent sanitary sewer easement for the southeast Bishop interceptor project

Resolution 1314-104 – adoption of the Garver engineering report and environmental information document for the Phase II Water Reclamation Facility Improvements

Through the review of the documents that have been considered by the City Council/NUA, the Committee is performing its oversight role. The Committee has endorsed the actions of the Council/NUA in approving the preliminary and final design and construction of various projects funded by the Sewer Maintenance Rate, the Sewer Sales Tax and the Sewer Excise Tax.

Sewer Sales and Use Tax Collection and Review

The ½ percent (0.5%) Sewer Sales and Use Tax was effective from October 1, 2001 through September 30, 2006. During this period, the two tax sources generated a total of \$32,099,157. Since the collection of the tax began, over \$4 million has been earned in interest from the Sewer Sales Tax. Originally, it was estimated that \$26,000,000 would be generated from the Sewer Sales Tax, to be used for sewer interceptor main projects (\$19,300,000), treatment plant sludge handling process improvements (\$3,500,000), and treatment capacity expansion (\$3,200,000, to supply an additional 1.9 million gallons per day of capacity needed to serve existing and obligated sewer customers). The increase in revenues over the original projections is being used to offset the increase of the originally projected construction costs and to fund additional capital improvements to the Norman sewer system.

Progress on sewer interceptor/conveyance improvement projects is summarized below:

<u>No.</u>	<u>Location</u>	<u>Status</u>	<u>Fund Source</u>	<u>Paid to Date</u>	<u>Remaining Budget</u>
1	Normandy	Complete 12/02	100 % Sewer Excise	\$ 645,307	\$ 0
2	Lower Bishop	Complete 10/07	100 % Sewer Sales Tax	3,402,871	0
3	Upper Westside	Complete 6/06	100% Sewer Sales Tax	3,330,517	0
4	Brookhaven	Complete 10/06	100 % Sewer Sales Tax	2,324,746	0
5	Imhoff/Bishop	Complete 3/05	91% Sewer Sales Tax, 9% Sewer Excise	1,050,542	0
6	North Interceptor	Cancelled*	(see Little River 1 Project below)		
7	SE Bishop I	Complete 1/04	28% Sewer Sales Tax, 72% Sewer Excise	413,041	0
7A	SE Bishop II, Section 1	Complete 1/07	48% Sewer Sales Tax,	3,313,681	502,527
7A	SE Bishop II, Section 2A/B	Complete 6/13	52% Sewer Excise		
7A	SE Bishop II, Section C	Construction			
8	Upper Bishop	Complete 2/08	98% Sewer Sales Tax, 2% Sewer Excise	2,248,490	0
9	Lower Westside	Complete 12/07	100% Sewer Sales Tax	5,270,491	0
10	Little River Lift Station, Little River 1 and Force Main	Cancelled*	48% Sewer Sales Tax 52% Sewer Excise	573,299	0
10	Lift Station D Rehabilitation	Complete 8/11	39% Sewer Sales Tax, 61% Sewer Excise	7,791,630	450,774
10	Lift Station D Force Main	Complete 8/09	67% Sewer Sales Tax, 33% Sewer Excise	533,132	0

10	Northeast Bishop	Complete 7/08	Sewer Excise	705,366	0
11A	Little River 2	Complete 2/09	54% Sewer Sales Tax,	2,968,763	0
11A	Little River 3	Complete 1/11	46% Sewer Excise		
11A	Northwest	Complete 2/11	68% Sewer Sales Tax,	823,622	0
			32% Sewer Excise		
11B	Industrial	Complete 6/09	28% Sewer Sales Tax,	1,169,060	0
			72% Sewer Excise		
11B	Tecumseh	Complete 5/13	59% Sewer Sales Tax,	483,245	207,163
			41% Sewer Excise		
11B	Vo-Tech	Cancelled*	100% Sewer Sales Tax	27,265	0
12	Woodcrest	Design	100% Sewer Excise	<u>129,258</u>	<u>1,730,743</u>
	Total			\$37,204,326	\$2,891,207

* The cancelled projects would have required aerial crossings of Little River, for which the Oklahoma Department of Environmental Quality denied a preliminary permit. These projects were replaced by the Lift Station D Rehabilitation (#10). As noted above, the Lift Station D Rehabilitation project was substantially complete August 24th, 2011 and accepted by NUA on May 28th, 2013.

Monthly Financial Statements

The Committee continued to review monthly statements of revenues, expenditures and encumbrances for the various Wastewater Utility funds under the Committee's purview. These reports are received from the Committee's staff and are reviewed on a monthly basis and discussed at the quarterly or periodic meetings of the Committee.

Wastewater Treatment Plant Expansion and Improvements

The City's Wastewater Master Plan (WWMP) was adopted on November 13, 2001 by the NUA. The WWMP proposed construction of new interceptors to meet obligated and future capacity demands assuming implementation of a two-wastewater treatment plant (WWTP) scenario where sewage generated in northern areas of Norman would be conveyed to a WWTP within the Little River drainage basin. By its action in Resolution R-0506-151 (adopted June 13, 2006) and Contracts K-0405-164 and K-0607-147, the City Council/Norman Utilities Authority directed a "North Side Sewer Solution", whereby sewage would be transmitted to a large lift station to be built on the site of the future north side wastewater treatment plant, and conveyed to the existing South Canadian Treatment Plant for treatment. NUA's action in 2006 changed the phasing of the implementation of the sewage treatment capacity expansions included in the Wastewater Master Plan, by expanding at the existing WWTP before constructing the treatment facility in the Little River basin. Resolution R-0506-151 also noted that the North Side Sewer Solution would provide "the most economical solution" for serving the sewage treatment needs for the full build-out of the WWMP. The Committee discussed and endorsed this change to the original WWMP in 2005 and 2006.

By its further actions in Resolutions R-0708-78 (adopted January 22, 2008) and R-0708-92 (adopted February 26, 2008), the Council/NUA further delayed construction of a north side wastewater treatment plant by adopting a policy of reconstructing and expanding the existing Lift Station D and adjacent sewage holding facilities. The Committee had extensive discussion of the legal, financial and practical impacts of this decision. City of Norman Legal Department opinions dated January 8, 2005 and May 9, 2006 discuss the use of sales tax revenue generated from ordinance number O-0001-57, as amended by ordinance number O-0203-42, for current needs and the 1.5 million gallons of sewage capacity for current needs be provided by a new north side wastewater treatment plant. “To the extent improvements to Lift Station D are in furtherance of providing such capacity at a north side plant, we are advised that this is a legal expenditure of sales tax revenue generated from ordinance number O-0001-57, as amended.” The Committee understood the underlying rationale for this further delay – the denial by the Oklahoma Department of Environmental Quality of a water quality certification for the construction of an aerial interceptor crossing the Little River. The Committee discussion resulted in an endorsement of the Council/NUA’s action in 2008.

The expansion of Lift Station D enables 3.75 MGD to be moved out of the northern tier. Currently Lift Station D is handling 1 MGD of that 3.75 MGD capacity. Additionally, the new equalization basins allow for higher amounts during rain events. With an approximation of increasing by 400 households per year in the northern tier, the expansion will support capacity for an estimated 15 to 20 years.

The City of Norman Wastewater Master Plan (WWMP) completed in 2001, recommended expansion of the existing Water Reclamation Facility (WRF) from an average daily flow of 12 to 17 million gallons per day (MGD).

The FYE 2014 budget assumed final design of the Norman WRF would be accomplished in 2013, followed by construction in FYE 2014 through 2017. This expansion will satisfy the original demand for 1.9 MGD of additional treatment capacity to serve currently obligated customers (as of August 2000). The Phase 2 WRF improvements will include new influent flow metering, rehabilitation of four primary clarifiers, three new activated sludge treatment basins, two new final clarifiers, new ultra violet light disinfection and effluent aeration processes, expansion of the Recycle Activated Sludge/Waste Activated Sludge pump station, sludge blending, digester cover improvements, two sludge thickening centrifuges as well as associated yard piping, electrical and instrumentation improvements. Project design and construction costs were estimated to total \$63 million. Funding of the WRF expansion project will require a sewer rate increase, dedication of sewer system and Sewer Excise Tax revenues, and the issuance of sewer system revenue bonds. As mentioned earlier, a rate increase was approved by the citizens on November 12, 2013.

By Council action, Resolutions R-1314-121 and R-1314-122 approved and authorized a clean water SRF loan from the Oklahoma Water Resources Board in the amount of \$50,300,000 to provide financial assistance to partially offset the costs of the WRF expansion and improvements.

The current schedule for the Phase 2 WRF improvements is below.

<u>Task</u>	<u>Actual Date</u>
• Select Design Consultant for Phase 2 Improvements	March 2011
• Submit Engineering Report for Phase 2 Improvements	November 2011
• Initiate Final Design of Improvements	June 2012
• ODEQ Approval of Engineering Report	June 2013
• Phase 2 Improvements Design to ODEQ/OWRB	August 2013
• ODEQ/OWRB Approval of Phase 2 Improvements	November 2013
• Bid Opening for Phase 2 Improvements	March 2014
• Start Construction Phase 2 Improvements	June 2014
	<u>Estimated Date</u>
• Complete Construction of Disinfection Improvements	January 2016
• Complete Construction of Phase 2 Improvements	January 2017

Summary

The Oversight Committee is encouraged by the progress on the capital projects related to the wastewater system improvements planned since 2001. The Committee concurs with City staff that with the increase in capacity at Lift Station D, the sanitary sewer needs of development in the northern tier of Norman will be met for the next 15 to 20 years. The expansion of sewage treatment capacity at the Norman Water Reclamation Facility from 12 to 17 million gallons per day is the last major component of the improvements required to meet the current system demands contemplated in the voter referenda of August, 2001. City staff and private contractors have performed well in constructing the improvements on budget and on time, with as little disruption and inconvenience to the public as can be reasonably expected. The Committee will follow the progress of the treatment improvements through the expenditure of the last of the temporary sales and use tax funds which were approved in 2001. We look forward to the further progress and ultimate completion of these projects for the improvement of the Norman sewer system and for the quality of life in our city.

The Committee would also like to support a stormwater utility election, if one should come forward to the citizens. Creating a stormwater utility would aid in reducing flooding dangers, protecting water quality and enhancing the environment.