



City of Norman, OK

Municipal Building
Council Chambers
201 West Gray
Norman, OK 73069

Master

File Number: R-1415-60

File ID: R-1415-60

Type: Resolution

Status: Non-Consent Items

Version: 1

Reference: Item No. 48

In Control: City Council

Department: Legal Department

Cost:

File Created: 11/18/2014

File Name: Connection Fees Review

Final Action:

Title: RESOLUTION NO. R-1415-60: A JOINT RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORMAN, OKLAHOMA AND THE TRUSTEES OF THE NORMAN UTILITIES AUTHORITY COMMITTING TO AN EVALUATION OF THE FEES CHARGED FOR NEW CONNECTIONS TO THE WATER SYSTEM.

Notes: ACTION NEEDED: Acting as the City Council and the Norman Utilities Authority, motion to adopt or reject Resolution No. R-1415-60.

ACTION TAKEN: _____

Agenda Date: 11/25/2014

Agenda Number: 48

Attachments: R-1415-60.pdf

Project Manager: Kathryn Walker, Assistant City Attorney

Entered by: kathryn.walker@normanok.gov

Effective Date:

History of Legislative File

Ver- sion:	Acting Body:	Date:	Action:	Sent To:	Due Date:	Return Date:	Result:
1	City Council	11/25/2014					

Text of Legislative File R-1415-60

Body

BACKGROUND: The City of Norman currently collects a "Connection Charge" from anyone wishing to connect to the City's water and/or sewer service. The Connection Charge is paid prior to the furnishing of such service or prior to the issuance of a building permit. The Connection Charge increases as the water service meter size increases, in relation to the American Water Works Association (AWWA) maximum flow rate for continued operation for different size meters. The current Connection Charges were last increased effective May 11, 2007. The current Connection Charges are split between the Water Fund and the Wastewater Fund.

The City Council, acting as Trustees of the Norman Utilities Authority, has recently examined these fees in the context of reviewing the Water Fund. In addition to planned Phase II WTP Improvements, Norman's recently adopted 2060 Strategic Water Supply Plan recommends an expansion of the ground water supply system (\$12 million), and land purchase (\$2 million) as well as expanded piping to allow blending of wells (\$2 million) that currently do not meet EPA guidelines, to meet capacity needs. As part of its ongoing water line replacement program, an additional \$3 million is needed to replace and upsize water lines to complete the southern water transmission loop.

An estimated total of \$50 million in capital facilities is planned from these combined projects:

WTP Phase II - \$31,000,000
Water Well Field Expansion - \$ 12,000,000
Blending - \$2,000,000
Land purchases - \$2,000,000
Waterline Replacement and Upsizing - \$3,000,000

TOTAL CAPITAL FACILITIES - \$50,000,000

Although the bulk of the planned well field expansion is to address current capacity needs, some of the new wells will address short-term new capacity needs driven by community growth. It has been estimated that of the \$12 million in new wells recommended by the 2060 Strategic Water Supply Plan, \$3 million (25%) of those costs would be for additional capacity to serve new customers. Funding those costs would require an increase in connection fees. Title 62, Section 895 of the Oklahoma Statutes requires that development fees, such as connection fees, be based on the capital improvement costs for increases or expansion to the capacity of public infrastructure systems attributable to that development. Development fees cannot exceed a clear, ascertainable, and reasonably determined proportionate share of the cost of such capital improvements.

A water rate increase is scheduled for consideration by the voters of Norman on January 13, 2015. Revised Connection Charges have been presented to the NUA/Council for discussion on September 23, 2014, September 30, 2014 and October 21, 2014. The items before Council include Ordinance O-1415-18 increasing connection charges and Resolution R-1415-60 committing to evaluation of the connection fees.

DISCUSSION: Ordinance O-1415-18 proposes to raise the portion of the Connection Charges found in Chapter 21-107(b) of the City Code to provide additional funding to cover costs associated with new connections to water service. At this time, the wastewater portion of these charges is not proposed to be increased. The proposed changes would come in two phases. The first increase will be effective on August 1, 2015 and the second increase will be effective on August 1, 2016. Phasing in the rates will allow builders with contracts based on the existing fee structure to continue through the next building season without a fee increase. The current charges, as well as the proposed increase in charges beginning August 1, 2015 and August 1, 2016 are attached. Title 62, Section 895 of the Oklahoma Statutes addresses municipal development fees and states that connection fees should be related to the cost of capital improvements necessary to increase or expand the functional service capacity of the applicable public infrastructure system. Based on historical data, these proposed connection fee increases are expected to be sufficient to fund the portion of the well costs attributable to new capacity.

The proposed connection charges are based on a reasonably determined proportionate share of the cost of the new wells needed to provide water capacity to new customers. Because the cost to connect to the City's water system is likely to change over time and well construction costs can be more accurately determined after construction, Council asked that Staff develop an amendment to the connection fee increase ordinance (O-1415-18) that requires this review. Accordingly, Ordinance O-1415-18 also proposes to add the following language:

"City Council shall review the connection fees relative to their sufficiency to fund new capacity no later than November 1, 2016, and at least biennially thereafter, to determine the appropriateness of the fees in accordance with Oklahoma Statutes, Title 62, Section 895".

When imposing a development fee under 62 O.S. §895, there is an additional procedural requirement in Section C.3.a of the statute that requires a public hearing before Planning Commission. The public hearing before the Planning Commission must occur before the public hearing before Council. Since Council's November 25th agenda contains the connection fee increase ordinance on Second Reading, the Planning Commission has set up a special meeting for noon on November 25th to meet the letter of the law on this point.

Resolution R-1415-60 identifies the capital improvements that the new connection fees will fund. Recognizing Council's recent discussion regarding review of the Wastewater Excise Tax on New Development, Resolution

R-1415-60 also includes an evaluation of connection fee charges in a proposed study of the City's existing wastewater tax. The Council Finance Committee reviewed a Request for Proposal draft for the proposed study at its November 20, 2014 meeting. Based on feedback from the Finance Committee, Staff plans to move forward with the RFP request to then later present a contract for the study back to Council for approval. Finally, the Resolution ensures review of the appropriate level of Connection Charges in accordance with 62 O.S. §895.

RECOMMENDATION: Second and Final Reading of Ordinance O-1415-18 and Resolution R-1415-60 will be before Council on November 25, 2014. Staff will be available to answer questions.