

CITY COUNCIL CONFERENCE MINUTES

October 13, 2015

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:30 p.m. in the Municipal Building Conference Room on the 13th day of October, 2015, 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, Heiple, Holman, Jungman, Lang, Miller, Williams, and Mayor Rosenthal

ABSENT:

None

Item 1, being:

DISCUSSION REGARDING THE WATER SERVICES AGREEMENT BETWEEN THE CITY OF NORMAN, THE CITY OF OKLAHOMA CITY, AND THE OKLAHOMA CITY WATER UTILITIES TRUST.

Mr. Ken Komiske, Director of Utilities, said on October 27, 2015, Council will consider a contract to purchase water from Oklahoma City (OKC) on a regular basis. He said the City of Norman will continue to use water from Lake Thunderbird and stormwater for drinking water sources. He said the City of Norman is drilling new wells so there will be additional ground water that could save two million gallons of water per day. The City is hoping to be able to place reuse water back into Lake Thunderbird in the future, but in the meantime, the City needs a more efficient use of current resources. He said the Norman Utilities Authority (NUA) is currently unable to supply sufficient potable water to meet peak demands during summer months and is concerned about probable changes affecting both surface water and groundwater supplies.

On March 13, 2012, the NUA contracted with Carollo Engineers, Inc, to prepare a 2060 Strategic Water Supply Plan (2060 SWSP). The NUA also appointed citizens to the 2060 SWSP Ad-Hoc Committee to facilitate open and two-way dialogue between Carollo, City Staff, and the community. Based on Ad-Hoc Committee and public meeting feedback, the two most highly rated strategic water supply portfolios, Portfolios 13 and 14, were reviewed during a study session on June 10, 2014, where Council directed Carollo and Staff to begin implementation of Portfolio 14. Portfolio 14 allows local control over water sources and includes expanding the groundwater supply system by two million gallons per day (mgd) in the short term, implementing indirect potable reuse over time by adding additional treatment at the Water Reclamation Facility (WRF), and discharging highly treated effluent into Lake Thunderbird. Raw water conveyance and water treatment expansions would be required, but there are discharge permitting uncertainties as well as concerns about the impacts of reuse on Lake Thunderbird (capacity and water quality). Mr. Komiske said Norman shares Lake Thunderbird with Del City and Midwest City and both cities would need to be on board with discharging effluent into Lake Thunderbird.

Mr. Komiske said Norman currently has a contract with Del City to purchase their unused allocation of raw water from Lake Thunderbird at a cost of \$0.33 cents per thousand gallons and while the City of Norman has to treat that water, the contract allows Norman to purchase up to 300 million gallons per year with a provision to purchase up to 500 million gallons per year with Del City's consent.

Mr. Komiske said even though Norman is drilling more wells, building additional pipeline, implementing groundwater treatment, etc., Norman still needs an interim solution for additional water, which includes purchasing water from OKC. He said OKC has a new wholesale rate structure based on service availability and time of day (rates based on average day, peak day, and peak hour use) and although Norman has always purchased water on demand for emergency purposes from OKC, that is no longer an option. He said an interim solution would be to buy water from OKC over the next five to ten years on a permanent basis. He said Norman could purchase one mgd (30.4 million gallons per month) of treated water from OKC and Staff is recommending a ten year agreement. He said Norman can increase the amount of daily water purchased, but cannot decrease the amount. Councilmember Castleberry asked if Norman can store 30.4 million gallons of water per month and Mr. Komiske said the water is treated so it will have to be used, not stored.

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Mr. Komiske said OKC's treated water usage is known as Outside City Wholesale Service Availability. He said OKC allows a three year transition period to allow Norman to determine if one mgd is sufficient, and Norman would be locked in to purchase water for at least three years. He said a ten year contract would allow Norman to complete construction of wells, pipeline, etc. If one mgd is not enough water, Norman can request a higher volume of water. A provision of the contract is that Norman must equal or exceed OKC's conservation measures; however Norman's conservation levels generally exceed OKC's. He said this contract will provide greater reliability of water during summer months and will save water in Lake Thunderbird.

Councilmember Castleberry asked the cost difference between using purchased water versus using Lake Thunderbird water and Mr. Komiske said in January of each year OKC will adjust the rate to a new base rate of 90% of the highest month's usage of the previous year's maximum month. He said, in the future, OKC may switch to a new subscription rate based on the month after the previous year's maximum usage, which would increase the base rate. Mayor Rosenthal said the City needs the water during peak times, which drives up infrastructure costs so this is the way OKC is capturing their costs back. Mr. Komiske agreed and said in OKC's opinion the perfect customer is a 24 hour a day user.

Mr. Komiske said the service availability reservation rate will be \$1.36 per thousand gallons and OKC does not care if Norman uses the water or not, but Norman will still have to pay for the contracted amount of water. There will be a commodity rate for an additional \$0.41 for a total rate of \$1.77 per thousand for 30.4 million gallons per month, but if Norman exceeds 30.4 million gallons per month, the cost will be \$5.45 per thousand gallons with an additional commodity rate of \$1.99 for a total rate of \$5.57 per thousand gallons. Based on those rates at 30.4 million gallons per month the annual cost will be \$646,050 and \$726,350 next year, which will increase annually. He said funds have been placed in the operating budget to fund the purchasing of OKC water.

Councilmember Miller thought going into a longer term contract would enable Norman to lock into a rate, but now Staff is saying the rate will increase annually. Councilmember Castleberry said the City is locking in water volume, not rate and Mr. Komiske said that is correct. Ms. Kathryn Walker, Assistant City Attorney, said the City is locking in its priority for that water as well. Mr. Steve Lewis, City Manager, said Norman is locking in priority for water that has traditionally been purchased for emergency reasons, but now the water will be guaranteed over a ten year period. Ms. Walker said if other cities come in behind Norman needing water, Norman's right to the water is not threatened. Councilmember Castleberry asked about the pecking order of cities and Ms. Walker said whoever has a contract with OKC is assured water. She said if Norman allows the ten year contract to lapse, other cities with contracts would have priority and OKC might not be able to guarantee Norman the same amount of water as previously contracted.

Councilmember Castleberry asked what guarantee Norman would have on obtaining water on a continual basis because OKC has had water shortages in the past and Ms. Walker said that is the reason for the conservation provision. She said if there is another drought, everyone will have to conserve and OKC cannot guarantee what a future drought may mean for Norman, but as long as water is available, Norman will get 30.4 million gallons per month.

Councilmember Castleberry asked what other cities are contracting with OKC and Ms. Walker said Moore, Newcastle, Mustang, Yukon, Warr Acres, and El Reno, just to name a few. Councilmember Castleberry asked how OKC addresses those cities needing a lot of water due to an emergency, such as a major main break that takes several days or weeks to repair. He asked how confident Staff was that Norman will get their 3.4 million per month if there is an emergency situation with other customers and Ms. Walker said the other cities would have to mandate a higher conservation level and that is where the protection is. Councilmember Castleberry asked what would happen if OKC had a problem, such as their Water Treatment Plant doing down, and Ms. Walker said OKC has historically served more water to cities who do not have their own source of water and does not see an issue with providing Norman or other customers the contracted amount of water requested. Mr. Komiske said OKC has stated they would work with Norman if more than the contracted amount of water is needed due to an emergency.

Mr. Lewis said a year from now Norman will have a new three or four year rate tariff with OKC so Staff will have an idea of what to budget. Councilmember Castleberry asked if Norman is signing a contract without knowing the rate structure in years three, four, and five, and Mr. Komiske said yes. Ms. Walker said that is the same situation Norman has been in purchasing emergency water from OKC. She said Norman has always paid the rate OKC has adopted. Mr. Lewis said every three to four years OKC hires an outside source to prepare an independent cost of services study to make sure they recover their costs. Mr. Chris Mattingly, Utilities Superintendent, said studies are done every five years so OKC can schedule rates over a five year period for budgeting purposes.

Councilmember Lang asked if Norman can control the amount of water coming through the pipeline from OKC and does Norman have the capability to match projected peaks to make sure Norman does not pass the “red line” of 30.4 million gallons per month. Mr. Komiske said if Council approves the contract now, Norman can save water from Lake Thunderbird so that in July and August the Water Treatment Plant (WTP) can run up to 17 mgd using its own water sources. Councilmember Lang asked if that means Norman can turn the “valve” down from OKC to make sure the red line is not bumped and still be able to meet the peak demand in the summer using its own resources and Mr. Komiske said yes, Norman can essentially dial down the meter from OKC. He said Norman was originally looking at purchasing two mgd from OKC on a constant basis and Norman has the funds to do that, but with the Del City contract and conservation efforts that is no longer necessary. He said if worse comes to worse and Norman has to bump volume up from 30.4 million gallons per month to 45 million gallons per month it will not be a problem.

Councilmember Castleberry asked how much Norman pays for water from Del City and Mr. Komiske said \$.33 per thousand gallons, but that is raw water that has to be treated which costs about \$1.50 per thousand gallons. Councilmember Castleberry asked if Norman will use OKC water before using groundwater and Lake Thunderbird water and Mr. Komiske said yes. Councilmember Castleberry asked if purchasing water from OKC would help conserve the longevity of groundwater wells and Mr. Komiske said that is a possibility. Mayor Rosenthal said some wells did not test well for water quality because they were being run so hard and this allows Norman to ease up on the use of the wells so they do not have to be taken out of commission. She felt this was a better way of managing peak usage with Norman’s water sources as opposed to OKC water.

Mayor Rosenthal said if Norman bumps up and the 90% rule goes into effect, is everything charged at that excess rate volume or will it be the \$1.77 rate. Mr. Komiske said the maximum month usage rate will be \$5.57 then the next month the rate would drop to the \$1.77 rate.

Mr. Lewis asked if there are any capital improvements associated with the contract and Mr. Komiske said no, Norman already has a connection to OKC for an emergency water source.

Councilmember Lang asked if new development has been taken into consideration for water needs and Mr. Komiske said Staff has taken that into consideration and is planning for that.

Ms. Joy Hampton, The Norman Transcript, asked if Norman will be able to treat additional water from Del City, if needed, for peak periods and how that will be managed. Mr. Mattingly said the improvements at the WTP will allow Norman to treat 17 mgd instead of 14 mgd, but Norman will always need water to meet peak demand in whatever way it can get it.

Items submitted for the record

1. Memorandum dated October 8, 2015, from Kathryn L. Walker, Assistant City Attorney, to Honorable Mayor and Councilmembers
2. Draft contract with Attachment A, Connection Location description and map depicting points of delivery, and Attachment B, Transition Plan through January 31, 2017
3. PowerPoint presentation entitled, “Norman Utilities Authority OKC Water Contract and 2060 Strategic Water Supply Plan,” dated October 2015

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The meeting adjourned at 6:01 p.m.

ATTEST:

City Clerk

Mayor