



City of Norman, OK

Municipal Building Council
Chambers
201 West Gray Street
Norman, OK 73069

Master

File Number: O-1314-8

File ID: O-1314-8	Type: Ordinance	Status: Non-Consent Items
Version: 1	Reference: Item No. 34	In Control: City Council
Department: Legal Department	Cost:	File Created: 08/23/2013
File Name: Sewer Rate Amendment	Final Action:	

Title: CONSIDERATION OF ORDINANCE NO. O-1314-8 UPON SECOND AND FINAL READING: AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, AMENDING SECTION 21-112 OF CHAPTER 21 OF THE CODE OF ORDINANCES OF THE CITY OF NORMAN, OKLAHOMA, CONTINGENT ON VOTER APPROVAL OF ORDINANCE NO. O-1314-9 BY INCREASING THE SEWER SERVICE RATES BY AN ADDITIONAL ONE DOLLAR AND TEN CENTS (\$1.10) PER MONTH FOR A BASE SEWER CHARGE OF FIVE DOLLARS AND ZERO CENTS (\$5.00) AND AN ADDITIONAL ONE DOLLAR AND TEN CENTS (\$1.10) PER THOUSAND GALLONS OF SEWAGE TREATMENT FOR A SEWER USE CHARGE OF TWO DOLLARS AND SEVENTY CENTS (\$2.70) PER THOUSAND GALLONS OF SEWAGE TREATMENT; PROVIDING AN EFFECTIVE DATE FOR SAID INCREASE SUBJECT TO VOTER APPROVAL; AND PROVIDING FOR THE SEVERABILITY THEREOF.

Notes: ACTION NEEDED: Motion to adopt or reject Ordinance No. O-1314-8 upon Second Reading section by section.

ACTION TAKEN: _____

ACTION NEEDED: Motion to adopt or reject Ordinance No. O-1314-8 upon Final Reading as a whole.

ACTION TAKEN: _____

Agenda Date: 09/10/2013

Agenda Number: 34

Attachments: O-1314-8, O-1314-8 annotated, Proclamation and Notice, Wastewater Oversight Committee 7-17-13

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	08/27/2013	Introduced and adopted on First Reading by title only				Pass
Action Text: That this Ordinance be Introduced and adopted on First Reading by title only. by consent roll call							

Text of Legislative File O-1314-8

Body

BACKGROUND: The Wastewater Master Plan (WWMP), adopted by the Norman Utilities Authority (NUA) in 2001, recommended that facilities treating an average daily design flow (ADF) of 21.5 million gallons per day (MGD) would ultimately be needed to serve the citizens of Norman. The WWMP recommended expansion of the South Water Reclamation Facility (WRF) from 12 to 17 MGD and construction of a new North WRF with an ultimate ADF of 4.5 MGD.

In 2001, in addition to funds generated by ratepayers, the voters approved establishment and funding of three new wastewater funding sources to address existing and future wastewater system needs. The existing Wastewater Fund (WWF) was supplemented by the Sewer Maintenance Fund (SMF), the Sewer Excise Tax Fund (SET), and the Sewer Sales Tax Fund (SST). Revenues are generated by usage fees (WWF), by the \$5 per month sewer maintenance rate (SMR) for collection system rehabilitation, by a temporary 5-year 1/2 percent sales tax (SST) to fund existing and obligated wastewater system needs, and a sewer excise tax to fund future wastewater system needs resulting from new development.

Efforts to implement the 2001 WWMP are outlined below. The 2001 WWMP recommended construction of a 2.5 MGD north basin WRF first, with an additional 2 MGD to be added later, for a total of 4.5 MGD at the north basin WRF. However, NUA approval of Resolution No. R-0506-151 directed staff to proceed with an Interim Sewer Solution for northern Norman by constructing a new lift station and equalization basin (EQ) basin on the proposed North WRF site and completing downstream Bishop Creek interceptor expansion and improvements. Later, NUA approval of Resolution No. R-0708-78 directed continuance of the Interim Solution through rehabilitation of the existing Sewage Lift Station D facility, instead of a lift station at the North WRF site. NUA approval of the resolutions facilitated new development in the northern basin through construction of the northern interceptor system and rehabilitation of Lift Station D. The decision to rehabilitate and expand Lift Station D to a maximum pumping capacity of 6 MGD, and complete downstream Bishop Creek interceptor improvements provided additional time before the North WRF would be critically needed.

The Sewer Excise Tax on new development (SET) has generated over \$19 million since its passage. Over \$9.87 million has been spent on capacity increasing projects, approximately as follows:

South WRF improvements	\$ 1,390,619
South basin interceptors	\$ 2,763,135
North basin interceptors & WRF	\$ 5,722,969

The Temporary Sewer Sales Tax (SST), which expired in 2006, generated (with interest) a total of \$35,980,812. To date, \$29,009,996 SST has been spent on:

South WRF improvements	\$ 3,727,613
South basin interceptors	\$18,745,044
North basin interceptors & WRF	\$ 6,537,373

Also consistent with the 2001 WWMP, the City has continued to maintain, upgrade, and improve the South WRF; over \$17 million has been expended at the South WRF since 2001, including the construction of a west side lift station, new intake facilities ("Headworks"), installation of a digester boiler, and improved sludge handling processes.

On March 8, 2011, the NUA approved Contract K-1011-148 authorizing Garver Engineering to proceed with an Engineering Report (ER) and Surveying Phases at a cost of \$397,800. The ER was approved by the Oklahoma Department of Environmental Quality (ODEQ) in June 2013.

The ER recommends adding disinfection and odor control technologies at the WRF and expanding the average daily design flow from 12 to 17 MGD, consistent with the 2001 WWMP. There are also a number of maintenance issues to be addressed. The construction cost of the Phase 2 WRF Improvements is estimated at \$63 million. As recommended by the ER, the improvements will include the following:

- ? influent screening improvements and flow metering;
- ? rehabilitation of four primary clarifiers;
- ? three new aeration basins with diffuser replacement in three existing basins ;
- ? two new secondary clarifiers;
- ? expansion of the Return Activated Sludge/Waste Activated Sludge (RAS/WAS) pump station;
- ? new ultra violet light (UV) disinfection processes;
- ? new effluent aeration structure with diffusers ;
- ? new parallel outfall line discharging to the Canadian River;
- ? new sludge blending tank and two new WAS thickening centrifuges ;
- ? rehabilitation of an existing secondary digester;
- ? new odor control facilities; and
- ? associated yard piping, standby power, electrical and instrumentation.

The NUA has authorized Garver to proceed with the Final Design and Bidding phases of the Phase 2 WRF Improvements. The summary of component costs to the South WRF Improvement project has been outlined below:

<u>Component</u>	<u>Estimated Costs</u>
Capacity (5mgd at South WRF)	\$30,800,000
Renew/Replace obsolete equipment	\$18,400,000
Regulatory	\$ 9,100,000
Odor Control	<u>\$ 4,700,000</u>
Total	\$63,000,000

The combinations of funding sources to accomplish the South WRF Improvements have been discussed by the NUA/Council. The SET funding source can only be used to address Future needs. The SST funding source can only be used to address current needs, although in 2003 voters recognized that some current needs could be addressed at a North basin WRF and accordingly authorized expenditure of SST funds on a North basin WRF. Sewer Fund revenues (from rate payers) may be used to address either current or future needs. The NUA has previously discussed and recognized the apportioning of the South WRF costs as being 40.7% as a future obligation share, and 59.3% current obligation share. Using these apportioning percentages, \$25,641,000 will be funded from Excise Tax revenues (SET) and \$37,359,000 will be funded from Wastewater Fund revenues (Ratepayers) or from remaining Sewer Sales Tax proceeds.

Sufficient funding is available and projected from the SET to provide for its share of the South WRF Improvement Project with an estimated \$7.641 million in pay-as-you-go funding and \$18 million to be debt financed. It is anticipated that to debt finance the Ratepayer portion of the South WRF Improvement Project that approximately \$2.8 million in annual payments over twenty years will be required. To accomplish this level of debt financing from the Wastewater Fund, a wastewater rate increase will be necessary.

The most recent wastewater rate increase was in 1996. Under the existing rate structure, all customers pay a base fee of \$3.90 per month and a commodity rate of \$1.60/1,000 gallons. Residential wastewater usage is calculated as 80% of the customer's water use during the winter months (December, January, and February). Commercial usage is calculated as 80% of the customer's water use each month. All customers pay the \$5.00 per month sewer maintenance fee. Additionally, residential customers pay a \$0.50 Capital Improvement Charge each month. The Capital Improvement Charge for commercial customers is equal to 60% of the total bill.

The Council Finance Committee discussed the potential rate scenarios at its June 2013 meeting. The NUA/Council discussed the options in July and directed Staff to prepare for a public hearing to get input from the citizens; the hearing was held August 12, 2013. The NUA/Council reviewed the options again on August 13, 2013 and August 22, 2013. Based on Council direction to move forward with calling an election for voters to decide whether to modify the existing rate structure to fund WWMP improvements, there are two items on which Council is required to take action:

Ordinance No. O-1314-8: Amends Section 21-112 of the Code
Ordinance Mo. O-1314-9: Calls a Special Election to vote on the rate increase

The Proclamation is also attached to this item. The Proclamation provides notice to the Cleveland County Election Board of the City's desire to hold an election on November 12, 2013 and sets forth the language for the proposition.

DISCUSSION:

O-1314-8: Section 21-112 sets forth the wastewater rates for Norman customers. Ordinance No. O-1314-8 proposes to change the base rate from \$3.90 per month to \$5.00 per month. It also proposes to change the commodity rate from \$1.60 per month to \$2.70 per month. More than half of the City's residential customers are billed for wastewater use of 3,000 gallons or less. If approved, this change in rate structure means the bills for over half of our customers will increase by \$3.74 a month or less. Similarly, more than half of the City's commercial customers are billed for wastewater use of 4,000 gallons or less. If approved, this change in rate structure means the bills for over half of our commercial customers will increase by \$7.39 or less.

In reviewing the rate options, Council examined the rates of comparable cities in our region, as well as the rate of increase of the Consumer Price Index (CPI) since our last rate increase (an average annual increase of 2.44%, which would result in a base rate increase to \$6.02) and the rate of increase for wastewater rates as reported by the American Water Works Association (AWWA, an average annual increase of 5.2%, which would result in an increase in Norman's consumption rates to \$9.71 per thousand gallons). The proposed rate increases for over half of Norman's customers of \$3.74 or less per month for residential and \$7.39 or less per month for commercial are well within these increase ranges suggested by CPI and AWWA.

The proposed rate increase is sufficient to cover the estimated bond payments if amortized over 20 years, resulting in an estimated annual payment of \$2.8 million. However, it has been recognized that a total of approximately \$5.7 million of the temporary sewer sales tax (SST) remains unspent. This remaining SST fund has been discussed by previous Council's as being set aside to further the North WRF phase of the 2001 Wastewater Master Plan to make sure the wishes of the voters in 2003 are respected. With the South WRF Improvements currently proposed increasing capacity to 17 MGD, it is possible that the North WRF portion of the 2001 Wastewater Master Plan increasing capacity another 4.5 MGD would not be needed for at least 15 more years.

A key component to integrating the 2001 Wastewater Master Plan with the City's current Long Term Water Plan is the subject of wastewater reclamation or "reuse" and the possibility of filtering highly treated effluent from a North WRF through additional naturally cleansing filtering systems to be developed in the Little River Basin to recharge Lake Thunderbird. Wastewater reuse options were contemplated in the 2001 WWMP and in the purchase of the North WRF site in 2002. Integration of this component into the Long Term Water Plan is being worked on cooperatively with the Oklahoma Department of Environmental Quality, Central Oklahoma Master Conservancy District, Norman's State Legislative Delegation and other community partners. With the South WRF Improvement Project including increased capacity, additional time is afforded before the North WRF will be needed, furthering the opportunity to incorporate a "reuse" plan into the North WRF Project.

To better position the City of Norman to move forward with the North WRF portion of the 2001 Wastewater Master Plan when it is needed, Council has indicated it will consider using the remaining SST funds of \$5.7 million to pay for a part of the Current Obligation portion of the South WRF Improvements Project. Such a use of SST funds will reduce the amount that would require bonding to be paid from revenues generated by sewer rates. With the reduced principal to be bonded enabled by using remaining SST funds, the term of the bond could be reduced from 20 years, to a term that is closer to the time in which this full bonding capacity would be needed to start the North WRF component of the 2001 Wastewater Master Plan.

Council members have suggested that this new approach would be a better use of the approximately \$5.7 million of remaining SST funds than simply setting them aside to earn nominal interest, and results in an enhanced position by the NUA to move forward with the North WRF portion of the 2001 Wastewater Master Plan at the time it is needed. It is felt that this approach also respects the 2003 voters' authorization to use a portion of the SST funds for "current customers" in a way that maximizes those funds to further address "current customer needs" at the North WRF component of the 2001 Wastewater Master Plan.

The proposed NUA/Council actions are very much in line with the recommendations of the Citizen's Wastewater Oversight Committee, as discussed in their attached memorandum to the NUA Trustees.

O-1314-9: Ordinance No. O-1314-9 calls the Special Election to vote on the rate increase. If approved by Council, the rate increase will move forward for a vote on November 12, 2013.

RECOMMENDATION: Based on NUA/Council direction, staff has prepared Ordinance Nos. O 1314-8 and O-1314-9 to call an election for voters to consider the wastewater rate increase outlined above. The Ordinances were on first reading on August 27, 2013 to be then presented upon second and final reading on September 10, 2013. The election for voter consideration would be set for November 12, 2013.