

## CITY COUNCIL CONFERENCE MINUTES

October 9, 2012

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:00 p.m. in the Municipal Building Conference Room on the 9th day of October, 2012, 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 24 hours prior to the beginning of the meeting.

**PRESENT:**

Councilmembers Castleberry, Gallagher, Griffith, Jungman, Kovach, Lockett, Spaulding, Williams, Mayor Rosenthal

**ABSENT:**

None

Item 1, being:

### DISCUSSION REGARDING THE UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT PROJECT PLAN.

Mr. Jeff Bryant, City Attorney, said the University North Park Tax Increment Finance (UNPTIF) Project Plan was approved by Council in May 2006 and consisted of five (5) components: traffic and roadway improvements; Conference Center; Legacy Park; Lifestyle Center; and Economic Development (ED). He highlighted the history stating the funding for the UNPTIF are both sales tax revenues and ad valorem revenues. Mr. Bryant said some TIFs across the state allocate 100% sales tax revenues, as well as 100% of the ad valorem revenues to the TIF districts but the City negotiated that 60% of the sales tax within the TIF District would go to the UNPTIF and 40% to the General Fund. He said 50% of the ad valorem revenues for properties in the TIF district be directed to taxing entities and 50% to the TIF District.

Mr. Bryant said from October 2006 to July 2012, over \$25.5 million in sales tax has been generated in the UNPTIF. He said a transfer adjustment component of the Project Plan captures sales tax revenues on businesses that were already established in Norman, but relocated to the UNPTIF District. Mr. Bryant said \$6,243,044 in transfer adjustments have been made to date, thus making the total UNPTIF generated sales tax to be \$19,321,236, stating \$11,213,756 (60%) has gone to the Project Plan and \$8,107,480 (40%) to the General Fund. He said the total ad valorem collected in the UNPTIF (cumulative through 2011 assessment year) is \$5,229,389, and said \$2,614,696 (50%) was the UNPTIF portion.

Mr. Bryant highlighted the UNPTIF timeline as follows:

- Spring 2006 – Robinson Street and 24<sup>th</sup> Avenue intersection improvements made
- May 2006 – University North Park TIF Project Plan adopted
- October 2006 – Super Target is the first “power center” store to open
- Summer/Fall 2008 – Rock Creek Overpass added to Project Plan component reallocating \$16.5 million of TIF funding originally designated for a Conference Center
- June 2009 – Norman Tax Increment Finance Authority (NTIFA) issues \$14.56 million Tax Increment Revenue Note for road improvements including Intersection construction, Rock Creek Overpass, and Legacy Park Design and Construction
- September 2009 – Legacy Park Design completed
- October 2010 – Norman Economic Development Coalition (NEDC) acquired the first 30 acres of the ED tract
- August 2011 – Rock Creek Overpass opened
- September 2011 – NTIFA pledged \$8.5 million in TIF ED revenues to NEDC Note
- May 2012 – Development Agreement No. 5 – UNPTIF note restructured recognizing roadway savings and enhancing Legacy Park funding, extending Lifestyle Center target date to 2018, and setting aside land for Cultural Facility use
- August 2012 – I-35 and Robinson Street N.E. Interchange opened
- September 2012 – Deed and Final Plat received for Legacy Park, construction should begin January 2013, projected to take approximately 12 – 14 months

Item 1, continued:

Mr. Bryant said future items of the UNPTIF Development include ongoing construction of remaining road projects, Legacy Park construction, Lifestyle Center (developer obligation of 250,000 square feet by 2018), and continued ED efforts. The ED component of the UNPTIF Project Plan includes:

- ED Funds (\$8.25 million) are intended to foster special employment opportunities in Norman,
- Funding for the cost of planning, financing, assistance in development financing, acquiring, constructing, and developing facilities to foster such opportunities, and
- Current Implementing Entities: NEDC (City of Norman, Chamber of Commerce, University of Oklahoma, and the Moore/Norman Technology Center).

The ED revenue stream consists of up to \$8.25 million from apportioned revenues as follows: 50% of ad valorem taxes from ED tract (NEDC Land); 10% UNPTIF sales tax apportioned for ED; and ED sales tax increment – sales taxed generated by new Quality Jobs Payrolls). Mr. Bryant said the ED agreement structure for use of UNPTIF ED revenues include:

- UNP, UTC, and OU Foundation – sell land per Project Plan and Master Operating Agreement;
- NEDC – develop quality employment opportunities
  - Purchase ED tracts
  - See out qualifying prospective employers for ED projects
  - Enter into development agreements outlining obligations
  - Obtain approval from NTIFA
  - Authorize to pledge UNPTIF ED revenue stream to finance projects
- City & NTIFA – make available TIF funds
  - Consider future ED agreements between NEDC and prospective employers

Mr. Bryant said initial steps have already been taken for ED including a preliminary plat for UNP Corporate Centre approved by Council in 2007; architectural design was completed in 2008 for the UNP Corporate Centre –six (6) office buildings of 60,000 square feet each for the first 30 acres; a purchase agreement was executed in August 2008 between NEDC and UTC for 60 acres; NEDC purchases first 30 acres of ED property in October 2010; NTIFA issued notes to NEDC in June 2011; and NEDC received a \$2.5 million Federal grant from Economic Development Administration in September 2012, which is partial funding for Project infrastructure.

Mr. Bryant said future ED steps include NEDC purchasing the second 30 acres of ED land; continuing to seek qualified employers; negotiating development agreements including appropriate obligations and commitments to protect public investment; and implementing financing plan using the authorized revenue stream after NTIFA approval of each development agreement. He said NTIFA will continue to consider negotiated development agreements between NEDC and recruited employers including appropriate obligations and commitments to protect public investment.

Mr. Bryant said NEDC will purchase the second 30 acres in the UNPTIF project area for \$1,633,500, which is \$1.25 per square foot compared to the market rate of \$14.00 to \$20.00 per square foot. He said the financing structure will be the same as that included in the first 30-acre purchase. UPP, LLC seller / NEDC purchaser; private bank lender / NEDC borrower; and NTIFA to pledge a portion of ED accumulated UNPTIF revenues to provide interim interest payments for NEDC during the time period that NEDC develops the property.

Mr. Bryant said Mr. Don Wood, NEDC, informed him that the structure for the second 30 acres may be better than the first 30 acre purchase. He said Staff will be bringing information for Council consideration on October 23, 2012, that will include the NEDC second 30 acre purchase authorization, pledging accumulated revenues to provide assistance to NEDC to cover interest payments on the second 30 acres. This will allow NEDC to move forward with Advanced Manufacturing Centre.

Item 1, continued:

Mr. Bryant said the final plats for Section 1 (UNP Corporate Centre) and Section 2 (UNP Advanced Manufacturing Centre) of the UNPTIF ED land will also be on the October 23, 2012, agenda for Council consideration. He said later on Council, acting as NTIFA, will consider negotiated development agreements between NEDC and recruited employers and determine if further commitments are to be made to the potential employer(s).

Councilmember Jungman asked the end date for the TIF and Mr. Anthony Francisco, Finance Director, said it is a 25-year agreement, ending in 2031. Councilmember Jungman asked if there is a cap to how much ad valorem taxes can be taken or is it always 50% and Mr. Bryant said the Project Plan has specific amounts that can be used for each of the Project Plan components, for example \$11.55 million could be used for traffic and roadway improvements, \$8.25 million for economic development, \$8.25 million for incentives for the Lifestyle Centre, and \$8.25 for Legacy Park, etc., totaling up to approximately \$54 million. He said the Project Plan can not go beyond \$54 million. Mayor Rosenthal asked the accumulated revenues collected to date for the ED land purchase and Mr. Francisco said at this time, approximately \$540,000 is deposited at Republic Bank and \$530,000 - \$550,000 is deposited at Bank of Oklahoma. Mr. Bryant said the accumulated interest rate is approximately \$40,000 each month and he said NTIFA pledged \$750,000, with the cap being \$800,000, on the first 30 acre ED land purchase.

Items submitted for the record

1. PowerPoint Presentation entitled "University North Park TIF Economic Development Component" dated October 9, 2012

Item 2, being

#### STATUS UPDATE ON THE STRATEGIC WATER SUPPLY PLAN.

Mr. John Rehring, Carollo Engineers, provided an update on the Strategic Water Supply Plan (SWSP) and said Carollo is requesting Council direction regarding water supply options which include both existing and new resources. He said the SWSP Ad Hoc Committee discussed water supply options and preliminary screening for the supply sources at a meeting scheduled earlier today. Mr. Rehring said a subset of the detailed evaluation criteria are being used to identify the most viable individual supply options for further analysis.

Mr. Rehring said 85% of Norman residents have City of Norman water services and the remaining 15% have private domestic wells. He said as an alternative, Carollo wanted to be prepared for the potential outcome of "what if" 100% of the City of Norman was converted over to city water services.

The following key assumptions were made to evaluate the raw water supply sources to include:

- Firm yield – the amount of water Norman could rely on in an extended drought.
- Lake Thunderbird can not be used for terminal storage. If a water supply needs storage to secure firm yield or minimize sizes of raw water conveyance infrastructure, a new terminal storage reservoir is included in the source cost. This assumption will be revisited upon the pending Central Oklahoma Master Conservancy District (COMCD) Lake Thunderbird augmentation study.
- Pipelines were sized to achieve a maximum velocity of six (6) feet per second.
- Treatment capacity is based on Norman's recent usage trends (with peak demands equal to 1.9 times annual average demands); except for direct non-potable reuse which is based on irrigation use.
- Available raw water quality data for each source were used to determine the treatment process requirements and resulting costs.
- To provide a consistent basis of comparison, similar unit costs for pipelines, pump stations, reservoir, storage and treatment were used to develop project costs for each supply source.

Item 2, continued:

Mr. Rehring highlighted the two (2) phases in the water supply planning process and said Phase 1 is underway comparing the individual supply options to determine which is most cost effective, feasible, and viable for Norman. He said Phase 2 will be completed based on results of the preliminary screening and the most viable new sources along with Norman's existing sources will be used to develop water supply portfolios (i.e., packages of supplies that together will meeting Norman's future water demands), which will be further evaluated in Phase II of the SWSP.

Mr. Rehring said at this time the focus is on Phase 1, or the individual water supply sources. He said the water supply sources were categorized into three (3) groups to include existing water supplies sources, new local water supply sources; and regional/outside water supply sources.

### **Existing Water Supply Sources**

Existing water supply sources option(s) include Lake Thunderbird, Garber Wellington Aquifer wells, and water conservation. Mr. Rehring said all the existing sources will be considered in Phase 2 even though they may not be the most economical and most logical option(s) relative to other SWSP criteria. He said a lot can be said for the fact these options are local and operational, therefore it makes sense to carry the existing water supply sources forward and include them in portfolios. Mr. Rehring said Lake Thunderbird and the Garber Wellington Aquifer wells may not continue being used in the future as they are being used today because of future cutbacks in allocation of Lake Thunderbird water and new regulations for the Garber Wellington Aquifer wells (such as arsenic and Chromium 6 issues) but these water supplies will be characterized as best as possible going forward. He said current water conservation programs are anticipated to continue, but specific measures recommended in the 2011 Water Conservation Plan may be implemented.

### **New Local Water Supply Sources**

New Local Water Supply Sources include Lake Thunderbird spillage, Lake Thunderbird augmentation, groundwater discharge, Canadian River diversion, direct non-potable reuse, and stormwater capture and reuse. Mr. Rehring said the direct non-potable reuse is wastewater effluent treated to be suitable for irrigation purposes, per Oklahoma Department of Environmental Quality (ODEQ) regulations, which is currently being done at the University of Oklahoma (OU) Golf Course. He said new infrastructure would need to be built to deliver treated effluent from the Water Treatment Plant to potential non-potable demands; mostly irrigation uses and/or cooling towers that do not need to have potable quality water and could be served by an initial distribution system pipeline. Mr. Rehring said this could help the City meet some of the water demands, particularly on high peak days during the summer, and is limited partly by supply and partly by how the distribution system is implemented for the treated effluent. He said the proposed recycled water project would begin with treating the effluent at the Water Treatment Plant at the south end of the City and move north by branching out to these potential non-potable demand areas, such as The Trails Golf Club, OU Golf Course, Reaves Park, etc. Mr. Rehring said there is an existing abandoned potable water tank that can be converted to non-potable service and used for storage since storage is a part of the SWSP equation as well. He said the treated effluent can continue to be piped to serve The Links Golf Course and to the Postal Service Training Facility located on Highway 9. Mr. Rehring said the distribution system could be expanded to ultimately serve twice the amount of demand proposed at this time.

Another possible use for treated effluent is augmenting Lake Thunderbird and an evaluation will be completed following publication of the COMCD Study. He said stormwater capture and reuse is also being considered to include the capturing and storing of stormwater from the South Canadian drainage basin. Mr. Rehring said a terminal storage and a new treatment plant would need to be constructed, but three (3) options are also an option regarding a Canadian River diversion to include: 1) a new west side reservoir, 2) a new west side reservoir and a new east side reservoir, and 3) a new east side reservoir. He highlighted the stormwater capture and reuse and each of the Canadian River diversion options.

Item 2, continued:

Lake Thunderbird spillage is another new local water supply source and can capture intermittently-available spilled water from downstream of the dam. Mr. Rehring said this option would use a terminal storage reservoir and would have a firm yield of 5.8+ million gallons per day (MGD). He said another source is groundwater recharge, which is highly treated wastewater effluent suitable for recharge into the Garber Wellington Aquifer and have a firm yield available to Norman of 10.2 MGD.

### **Regional/Outside Water Supply Sources**

Regional/outside water supply sources include bulk treated water from Oklahoma City (OKC), bulk raw water from Southeast Oklahoma, Scissortail Reservoir, Parker Reservoir, and Kaw Lake. Mr. Rehring said Norman can purchase bulk treated water from OKC based on regional treatment of southeast Oklahoma water at the OKC Draper Water Treatment Plant and a firm yield available to Norman would be >29.1 MGD. He said Norman could also purchase bulk raw water from OKC based on local treatment of southeast water in Norman, which would require a terminal reservoir and would also have a firm yield available to Norman of >29.1 MGD.

The Scissortail Reservoir is a new reservoir three (3) miles west of Ada, and uses a terminal reservoir. Mr. Rehring said a firm yield available to Norman would be 19.9 MGD which assumes 28.6 MGD firm yield. Parker Reservoir is a new reservoir 15 miles east of Ada and uses a terminal reservoir. A firm yield available to Norman would be 29.1+ MGD and assumes no allocation to others and therefore has 41 MGD firm yield of reservoir. Kaw Lake is a shared infrastructure with Stillwater and uses a terminal reservoir. The firm yield available to Norman could potentially be >29.1 MGD, the firm yield of the reservoir is 166.9 MGD with 126.2 MGD allocated to other cities who have existing permits and 57.1 MGD allocated to other cities who have pending permits, although not all pending permits are expected to be issued.

Mr. Rehring said the relative comparison supply water sources were evaluated quantitatively (supply availability and cost) and qualitatively (reliability and certainty) by their supply availability, reliability, certainty and timeliness, and cost-effectiveness. He said all water sources were scored from one (1) to five (5); one being the worst and five being the best.

Mr. Rehring highlighted the recommended water supply sources for portfolio development as follows:

- Existing Local: Lake Thunderbird, Garber Wellington Aquifer wells, and Conservation
- New Local: Direct non-potable reuse and Lake Thunderbird augmentation – pending results of COMCD Study
- Regional: Bulk treated water from OKC, Bulk raw water from OKC, new out of basin reservoir, and Kaw Lake

The next steps include the following:

- Public Meeting #2, scheduled for October 17, 2012, which will include a presentation of the results of the water supply option screening
- Complete screening of individual options
- Develop supply portfolios
- Public Meeting #3
- Supply portfolios to be evaluated
- Public Meeting #4
- Results of the portfolio screening.

Councilmember Gallagher asked the cost to treat effluent and Mr. Rehring said it would be very costly, but the option has not been ruled out. Councilmember Gallagher felt treating the arsenic wells needed to be considered in the SWSP.

Item 2, continued:

Councilmember Spaulding asked when the COMCD report would be completed and Mr. Rehring felt it would be available in November. Councilmember Spaulding asked what Norman's current discharge into Lake Thunderbird is and Mr. Ken Komiske, Utilities Director, said 11 MGD.

Councilmember Kovach asked if increasing the well field was considered and Mr. Rehring said yes, that is a consideration along with the costs. Mr. Rehring said that option has some appeal in terms of feasibility and local supply. Councilmember Kovach asked Mr. Rehring to add a column reflecting capital costs for each water source.

Mayor Rosenthal said if Norman is limited to how much can be pulled from Lake Thunderbird, that portion of the study should be delayed until the COMCD report is completed. Councilmember Kovach agreed, stating said the North Waste Water Treatment Plant should also be factored into the SWSP.

Councilmember Castleberry asked if the SWSP considered Norman being a water "seller" as opposed to a water "user" and Mr. Rehring said yes, but the current water supplies are limited while the option sources that are available to sell water to surrounding communities are very costly. Councilmember Spaulding asked if the eradication of the eastern red cedar tree was a consideration in the SWSP and Mr. Rehring said that particular issue has not been quantified yet, but certainly could be included as a water source answer for Norman.

Items submitted for the record

1. PowerPoint Presentation entitled "Norman Utilities Authority 2060 Strategic Water Supply Plan," Ad Hoc Committee and City Council Study Session dated October 9, 2012
2. Project Memorandum dated August 15, 2012, from John Rehring, Carollo Engineers to Norman Utilities Authority (NUA)
3. Project Memorandum dated October 5, 2012, from John Rehring, Carollo Engineers to Norman Utilities Authority (NUA)

The meeting adjourned at 6:27 p.m.

ATTEST:

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City Clerk

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Mayor