

## CITY COUNCIL CONFERENCE MINUTES

August 22, 2013

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a study session at 5:30 p.m. in the Municipal Building Conference Room on the 22nd day of August, 2013, 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 Castleberry, Heiple,  
Holman, Jungman, Kovach, Miller,  
Williams, and Mayor Rosenthal

ABSENT:

Councilmember Griffith

Item 1, being:

### CONTINUED DISCUSSION REGARDING A WASTEWATER RATE INCREASE TO BE SUBMITTED FOR VOTER APPROVAL ON NOVEMBER 12, 2013.

Council discussed wastewater rates in its Conference on July 10, 2013, in a Public Meeting on August 12, 2013, and again tonight during this Council Conference. Mayor Rosenthal said Council wants a rate increase that is going to be successful in November because the bottom line is the wastewater infrastructure is at a critical point. She said there has been a lot of debate and discussion with Councilmembers on the details of the rate structure and it is appropriate to get all ideas on the table when dealing with an important issue.

Mayor Rosenthal asked Staff to put together an alternative proposal based on the prior discussions and highlighted those proposals. She said the proposal includes an increase in the base rate from \$3.90 to \$5.00. She said looking back at the last increase in 1996, this is a very modest rate increase and recognizes the concerns of several Councilmembers that the base rate has somewhat of a regressive impact on those who use the least amount of water. She said Council needs to think of the base rate as paying for the most fundamental costs such as reading meters, printing bills, and mailing bills. She said that is far less than Consumer Price Index (CPI) increases in the last two years and far less than the base rate the American Waterworks Associations (AWA) has been tracking in utility costs across the country. She said it is also far less than comparable cities whose base rate averages \$8 per month. The second part of the proposal makes no changes to how the City calculates the basic consumption, which is 80% of three winter month's usage. The third part of the proposal is to increase the commodity rate to \$2.70 per 1,000 gallons, which is less than comparable cities that charge \$3.06 and is considerably less than the CPI or rate increases the City has incurred. The fourth part of the proposal is to use the \$5.7 million balance of the Sanitary Sewer Sales Tax Funds (SSTF) to reduce the bond principal and term of the bond from 20 years to 15 years. She said that is important to position the City with bonding capacity when a north plant is needed that would possibly include reuse. The fifth part of the proposal is reviewing the wastewater excise tax going forward. Under the current proposal the excise tax is paying 41% of costs of the south plant project so it is paying its fair share of the immediate project. She said there are questions regarding the next increment of infrastructure and the impact of the excise tax on growth and development. Staff has been directed to draft a resolution that would allow the City to engage a third party professional to help in an evaluation of the excise tax. She said the City will be looking at reuse and is at a point to be considering wastewater and water fees together and evaluating the excise tax will allow the City to think about coordinating those fees since wastewater and water funds are going to be working towards the same goal.

Mr. Ken Komiske, Director of Utilities, said if the \$5.7 million SSTF reserve is used to reduce the loan amount the Norman Utilities Authority would have an additional \$10 million at the end of the 20 year term.

Mr. Komiske said improvements to the south plant consists of three components 1) regulatory driven improvements - \$9,100,000, 2) increasing capacity - \$30,900,000, and 3) replacing old and obsolete equipment - \$18,400,000. He said the plant is getting larger and when a plant processes 15 to 17 million gallons of waste per day, odor control is necessary. He said odor control will cost \$4,700,000 for a total project cost of \$63,100,000.

Mr. Komiske highlighted proposed residential rates as follows:

<u>Existing Rate:</u>	<u>Proposed Rate:</u>
80% winter use	80% winter use
\$3.90 base	\$5.00 base
\$1.60/1,000 gallons	\$2.70/1,000 gallons
Total bill: \$13.24	Total bill: \$16.48

Mr. Komiske said the Consumer Price Index (CPI) increases the base rate from \$3.90 to \$6.02, but the commodity rate will not increase much so the increase would not be as regressive. He said according to AWA information, wastewater treatment plant infrastructure costs have increased at an accelerated rate that is higher than the CPI because the infrastructure is regulatory driven. He said everyone wants cleaner water, cleaner rivers, cleaner streams, etc., and there are costs associated with that. According to AWA figures for the United States (U.S.), base rates will increase to \$9.70 and the commodity rate would increase from \$1.60 to \$3.98 over an 18 year period.

Councilmember Kovach said the City is sensitive to low income citizens and asked for a comparison between raising the base rate and raising the winter use from 80% to 100% to see which would affect them the least. Mr. Komiske said it depends on how much water is used and Mr. Jeff Bryant, City Attorney, said increasing the base rate would be the least impactful method. Councilmember Kovach felt it made sense to increase the base rate. Mayor Rosenthal was initially opposed to increasing the base rate, but after reviewing data presented by Staff felt increasing the base rate would be good. She asked if Council was ready to go forward with the proposal.

Councilmember Holman said yes and use the \$5.7 million SSTF. Councilmember Miller felt raising the base rate would be clear and easy and to explain to voters and would be a fair to all users. Councilmember Castleberry felt more comfortable with increasing the base rate and using the \$5.7 million would be the least impactful option. Councilmember Williams said it was a difficult decision, but it makes financial sense to pay the bond amount down and give a projection of how that could be gained back, plus some, for a future north side plant. Mayor Rosenthal asked Staff to draft the resolution to be circulated to Council.

Ms. Joy Hampton, the Norman Transcript, said there are Oklahoma Water Resources Board (OWRB) loans, which are lower interest, but Staff is saying OWRB will not loan the full amount needed. She asked if using the \$5.7 million helps in that application and Mr. Anthony Francisco, Director of Finance, said yes it would help. Ms. Hampton asked if the City is earning anything on the \$5.7 million and Mr. Francisco said yes, about 0.8%.

Items submitted for the record

1. PowerPoint entitled, "South Water Reclamation Facility Improvements Finding Proposal," City Council Study Session, August 22, 2013

The meeting adjourned at 6:03 p.m.

ATTEST: