

**THE CITY OF NORMAN  
WASTEWATER OVERSIGHT COMMITTEE  
ANNUAL REPORT, AS OF JUNE 30, 2012**

On August 22, 2000 the Norman City Council passed a resolution to implement an immediate freeze on the approval of any additional final plats that would be served by the City of Norman Wastewater system due to ordinance conformance concerns. The Citizen's Oversight Committee was established a year later by the City Council on November 13, 2001 "for the purpose of insuring the voter approved sales tax, excise tax and maintenance fee are spent in accordance with the ordinances approved in the August 14, 2001, election." There are nine Committee members (two vacant currently):

Jayna Andrews, Ward 2  
Dr. James Wilbanks, Ward 8  
Jim Burleson, Ward 6  
L. Merrill Snider, Ward 5  
Chair Judith Wilkins, Ward 4  
Delmar Burk, Ward 3  
Council Member Tom Kovach, Ward 2 (annual appointment)

The Oversight Committee will continue in existence until the last of the projects financed by the Sewer Sales Tax (discussed below) has been completed. In relevant part, revenues from the three ordinances are to be spent as follows:

*Sewer Maintenance Rate (Ordinance 0001-56)* – "used and dedicated by the City exclusively for an upgraded sanitary sewer maintenance program to be established by the City and shall not be used to pay debt service on indebtedness. Funds collected shall be paid into a sewer maintenance fund and accounted for separately therein; such funds and the interest accruing thereon shall be used exclusively for an upgraded sanitary sewer maintenance program on a pay-as-you-go basis."

*Sewer Sales Tax (Ordinance 0001-57, as amended by Ordinance 0203-42)* – "to provide revenues for the financing of current capital needs in the City's wastewater system with said tax being in effect for a period of five years. Funds generated by the sales tax increase and interest thereon shall be dedicated and used by the city exclusively to finance current capital needs of the City's wastewater collection system on a pay-as-you-go basis; such funds shall not be used for future expansion of the wastewater system. It is further specifically directed that the City direct an amount not to exceed \$8,169,333 for funding of 1,500,000 million gallons per day of capacity to be built at the new wastewater treatment plant. In addition, an amount not to exceed \$3,500,000 shall be used for sludge handling at the existing south wastewater treatment plant."

*Sewer New Development Excise Tax (Ordinance 0001-58)* – "shall be used for the future expansion and improvement of the City's wastewater system. Funds collected shall be paid into the Wastewater Capital Account and accounted separately therein; such funds and the interest accruing thereon shall be used exclusively for wastewater expansion,

improvements and to pay debt service on obligations issued to finance said future improvements and expansion of said wastewater system.”

The Oversight Committee has been reviewing documents and meeting since November 2001. In addition to the Ordinances cited above, the Committee has reviewed the report of the Citizen’s Coalition on the Future of Wastewater, Norman’s Wastewater Master Plan, and all of the contracts, resolutions and ordinances that have been considered by the City Council (Norman Utilities Authority Board of Trustees, or “NUA”) relating to capital improvements to the wastewater system. Major ordinance, resolution or project discussions that have been held by the Committee during the period of July 1, 2011 through June 30, 2012 are discussed below.

### **Interceptor, Treatment and Sewer Maintenance Project Progress**

During fiscal year 2011-2012, the Committee reviewed and endorsed Council/NUA actions authorizing the progress of several of the projects included in the Interceptor Improvement Plan and Sewer Maintenance Plan. The Interceptor Improvement Plan projects are funded in whole or in part by the Sewer Sales Tax (SST) and the Sewer Excise Tax (SET). The Sewer Maintenance program is funded by the monthly \$5 Sewer Maintenance fee billed to sewer customers. This fee is used toward an upgraded sanitary sewer maintenance program to fix “worst things first”. The sewer maintenance program has been a great success. Approximately 23.7 miles of interceptors and 55.3 miles of sewer lines have been replaced through the fiscal year 2010 program. All relevant Council/NUA actions were forwarded to the Committee for review and discussion, including design and construction contract awards, change orders and amendments. Among these were the following major actions:

**Contract 0910-27, Change Order #2 – increase contract amount, acceptance and final payment for the Little River Interceptor, Phase III and Northwest Interceptor Projects**

**Contract 0910-34, Change Order #2 – increase contract amount and extend contract time for Lift Station D rehabilitation project**

**Contract 0910-185, Amendment #1 – extend contract for Phase II of the 2008 Canadian River Wasteload Allocation Study**

**Contract 1011-2, Change Order #2 - Phase 2 of the Sewer Maintenance Project FYE 2010**

**Contract 1011-131 – Roof replacements at the North and South Digester Control Buildings at the Wastewater Treatment Plant, final acceptance and payment**

**Contract 1011-148, Amendment #1 – increase contract amount and provide Preliminary and Final Engineering Design Services for the Phase 2 Water Reclamation Facility Improvements Project**

**Contract 1112-03 – Mustang Road and Interstate 35 River Gauging Stations along the South Canadian River**

**Contract 1112-52 – Roof replacements at the Wastewater Treatment Plant North Primary Clarifier Pump Stations and Storm Water Holding Ponds Blower Building and final acceptance and payment**

**Resolution 1112-82 – Appropriation from Wastewater Fund Balance to allow for the return of collected payback fees to the investors for the 36<sup>th</sup> Avenue Interceptor and Force Main Projects**

**Resolution 1112-97 – Adopting location map and ownership list associated with the 36<sup>th</sup> Avenue Interceptor payback project and authorizing release of certain properties no longer subject to payback**

**Resolution 1112-98 – Adopting location map and ownership list associated with the 36<sup>th</sup> Avenue Force Main payback project and authorizing release of certain properties no longer subject to payback**

**Contract 1112-108 – Removal and land application of liquid biosolids at the WRF**

**Easements 1112-14 & 1112-15 – Acceptance of permanent sewer and drainage easement for Tecumseh Interceptor project**

Through the review of the documents that have been considered by the City Council/NUA, the Committee is performing its oversight role. The Committee has endorsed the actions of the Council/NUA in approving the preliminary and final design and construction of various projects funded by the Sewer Maintenance Rate, the Sewer Sales Tax and the Sewer Excise Tax.

**Sewer Sales and Use Tax Collection and Review**

The ½ percent (0.5%) Sewer Sales and Use Tax was effective from October 1, 2001 through September 30, 2006. During this period, the two tax sources generated a total of \$32,099,157. Since the collection of the tax began, over \$3.8 million has been earned in interest from the Sewer Sales Tax. Originally, it was estimated that \$26,000,000 would be generated from the Sewer Sales Tax, to be used for sewer interceptor main projects (\$19,300,000), treatment plant sludge handling process improvements (\$3,500,000), and treatment capacity expansion (\$3,200,000, to supply an additional 1.9 million gallons per day of capacity needed to serve existing and obligated sewer customers). The increase in revenues over the original projections is being used to offset the increase of the originally projected construction costs and to fund additional capital improvements to the Norman sewer system.

The Sludge Handling improvements at the existing water reclamation facility are complete. Improvements included installation of centrifuges for thickening and dewatering, primary digester mixing and cover improvements, construction of dewatered

sludge storage area, purchase of dewatered sludge transport and land application equipment and installation of automatic controls for the improvements. The project reduces our dependence on outside contract work for sludge disposal, frees up equalization basin holding capacity previously used for liquid sludge storage, and allows for the hauling and disposal of dewatered, rather than liquid, sludge. The project expenditures included \$3,499,997 from the Sewer Sales Tax, \$118,725 from the Water Reclamation Fund and \$1,493,900 from an EPA grant. Total cost of the project was \$5,112,622.

Progress on sewer interceptor/conveyance improvement projects is summarized below:

<u>No.</u>	<u>Location</u>	<u>Status</u>	<u>Fund Source</u>	<u>Paid to Date</u>	<u>Remaining Budget</u>
1	Normandy	Complete 12/02	100 % Sewer Excise	\$ 645,307	\$ 0
2	Lower Bishop	Complete 10/07	100 % Sewer Sales Tax	3,402,871	0
3	Upper Westside	Complete 6/06	100% Sewer Sales Tax	3,330,517	0
4	Brookhaven	Complete 10/06	100 % Sewer Sales Tax	2,324,746	0
5	Imhoff/Bishop	Complete 3/05	91% Sewer Sales Tax, 9% Sewer Excise	1,050,542	0
6	North Interceptor	Cancelled*	(see Little River 1 Project below)		
7	SE Bishop 1	Complete 1/04	28% Sewer Sales Tax, 72% Sewer Excise	413,041	0
7A	SE Bishop 2A	Complete 1/07	46% Sewer Sales Tax,	1,182,666	2,517,971
7B	SE Bishop 2B	Design	54% Sewer Excise		
8	Upper Bishop	Complete 2/08	98% Sewer Sales Tax, 2% Sewer Excise	2,248,490	0
9	Lower Westside	Complete 12/07	100% Sewer Sales Tax	5,270,491	92,264
10	Little River Lift Station, Little River 1 and Force Main	Cancelled*	48% Sewer Sales Tax 52% Sewer Excise	573,299	0
10	Lift Station D Rehabilitation	Construction	39% Sewer Sales Tax, 61% Sewer Excise	7,674,080	683,896
10	Lift Station D Force Main	Complete 8/09	67% Sewer Sales Tax, 33% Sewer Excise	533,132	0
10	Northeast Bishop	Complete 7/08	Sewer Excise	705,366	0
11A	Little River 2	Complete 02/09	54% Sewer Sales Tax,	2,968,182	0
11A	Little River 3	Complete 01/11	46% Sewer Excise		
11A	Northwest	Complete 02/11	68% Sewer Sales Tax, 32% Sewer Excise	823,622	0
11B	Industrial	Complete 06/09	28% Sewer Sales Tax, 72% Sewer Excise	1,147,461	71,285
11B	Tecumseh	Design	79% Sewer Sales Tax, 21% Sewer Excise	131,943	726,954
11B	Vo-Tech	Cancelled*	100% Sewer Sales Tax	23,235	5,748
12	Woodcrest	Design	100% Sewer Excise	129,258	1,730,743
	Total			\$34,578,249	\$5,828,861

\* The cancelled Projects would have required aerial crossings of Little River, for which the Oklahoma Department of Environmental Quality denied a preliminary permit. These projects were replaced by the Lift Station D expansion projects (#10).

### **Monthly Financial Statements**

The Committee continued to review monthly statements of revenues, expenditures and encumbrances for the various Wastewater Utility funds under the Committee's purview. These reports are received from the Committee's staff and are reviewed on a monthly basis and discussed at the quarterly or periodic meetings of the Committee.

### **Wastewater Treatment Plant Expansion and Improvements**

The City's Wastewater Master Plan (WWMP) was adopted on November 13, 2001 by the NUA. The WWMP proposed construction of new interceptors to meet obligated and future capacity demands assuming implementation of a two-wastewater treatment plant (WWTP) scenario where sewage generated in northern areas of Norman would be conveyed to a WWTP within the Little River drainage basin. By its action in Resolution R-0506-151 (adopted June 13, 2006) and Contracts K-0405-164 and K-0607-147, the City Council/Norman Utilities Authority directed a "North Side Sewer Solution", whereby sewage would be transmitted to a large lift station to be built on the site of the future north side wastewater treatment plant, and conveyed to the existing South Canadian Treatment Plant for treatment. NUA's action in 2006 changed the phasing of the implementation of the sewage treatment capacity expansions included in the Wastewater Master Plan, by expanding at the existing WWTP before constructing the treatment facility in the Little River basin. Resolution R-0506-151 also noted that the North Side Sewer Solution would provide "the most economical solution" for serving the sewage treatment needs for the full build-out of the WWMP. The Committee discussed and endorsed this change to the original WWMP in 2005 and 2006.

By its further actions in Resolutions R-0708-78 (adopted January 22, 2008) and R-0708-92 (adopted February 26, 2008), the Council/NUA further delayed construction of a north side wastewater treatment plant by adopting a policy of reconstructing and expanding the existing Lift Station D and adjacent sewage holding facilities. The Committee had extensive discussion of the legal, financial and practical impacts of this decision. City of Norman Legal Department opinions dated January 8, 2005 and May 9, 2006 discuss the use of sales tax revenue generated from ordinance number O-0001-57, as amended by ordinance number O-0203-42, for current needs and the 1.5 million gallons of sewage capacity for current needs be provided by a new north side wastewater treatment plant. "To the extent improvements to Lift Station D are in furtherance of providing such capacity at a north side plant, we are advised that this is a legal expenditure of sales tax revenue generated from ordinance number O-0001-57, as amended." The Committee understood the underlying rationale for this further delay – the denial by the Oklahoma Department of Environmental Quality of a water quality certification for the construction of an aerial interceptor crossing the Little River. The Committee discussion resulted in an endorsement of the Council/NUA's action in 2008.

During periodic meetings, City staff informed the Committee that the expansion of Lift Station D enables 3.75 mgd to be moved out of the northern tier. Currently Lift Station D is handling 1 mgd of that 3.75 mgd capacity. Additionally, the new equalization basins allow for higher amounts during rain events. With an approximation of increasing by 400 households per year in the northern tier, the expansion will support capacity for an estimated 15 to 20 years.

The City of Norman Wastewater Master Plan (WWMP) completed in 2001, recommended expansion of the existing Water Reclamation Facility (WRF) from an average daily flow of 12 to 17 million gallons per day (MG/D). As a result of continued delays in expanding sewage treatment capacity, wherever the expansion is accomplished, as recommended by the 2001 WWMP, the Norman sewer system is nearing its treatment capacity. The system is currently at an annual average daily sewage in-flow to the Wastewater Treatment Plant (WWTP, Water Reclamation Facility, or WRF) of approximately 11 MG/D (91.7% of capacity). Wastewater treatment industry standards recommend that wastewater utilities begin planning and design of expanded treatment facilities when average daily inflow reaches 90 percent of current capacity, to meet the multi-year construction schedules for WRF expansions. If average daily sewage in-flow exceeds the system's treatment capacity, substantial enforcement actions can result.

The Norman Wastewater Utility has been planning and preparing for the implementation of the treatment capacity expansion directed by the 2001 Wastewater Master Plan for many years. The FYE 2012 budget assumed final design of the Norman WRF would be accomplished in 2012, followed by construction in FYE 2013 and 2014. This expansion will satisfy the original demand for 1.9 MG/D of additional treatment capacity to serve currently obligated customers (as of August 2000). The Phase 2 WRF improvements will likely include new influent flow metering, rehabilitation of four primary clarifiers, three new activated sludge treatment basins, two new final clarifiers, new ultra violet light disinfection and effluent aeration processes, expansion of the Recycle Activated Sludge/Waste Activated Sludge pump station, sludge blending, digester cover improvements, two sludge thickening centrifuges as well as associated yard piping, electrical and instrumentation improvements. Project design and construction costs are currently estimated to total \$53 million. Funding of the WRF expansion project will require a sewer rate increase, dedication of sewer system and Sewer Excise Tax revenues, and the issuance of sewer system revenue bonds.

On June 12, 2012, the NUA/Council approved Amendment Number One to Contract K-1011-148 with Garver Engineering Company, increasing the contract amount by \$3,687,000 to provide for final design and construction bid preparation for the expansion of and improvements to the Norman Water Reclamation Facility. Prior to the Oversight Committee's July 17, 2012 meeting, the Committee reviewed voluminous documentation (minutes of public hearings, Council Committee meetings and presentations) of the discussions that led to the NUA's decisions regarding Contract K-1011-148. In summary, the NUA/Council's action to proceed with the WRF expansion was made with the replacement of over \$2 million of Sewer Sales Tax funding with Sewer ratepayer funding for the design contract. While the Committee is encouraged that the WRF expansion is going forward, the Committee is concerned with the decision to "set aside"

Sewer Sales Tax funds previously budgeted for the WRF expansion. Since the current rate of inflation in construction costs far outweighs the rate of return on the investment of the Sewer Sales Tax funds, the set-aside of Sewer Sales Tax funds is not a good use of the funds that are dedicated for improvements to the sewer system to meet demands on the system as of August, 2000. The Committee recommends that these funds be used for their intended purpose sooner rather than later.

The current schedule for the Phase 2 WRF improvements is below.

<u>Task</u>	<u>Actual Date</u>
• Select Design Consultant for Phase 2 Improvements	March 2011
• Submit Engineering Report for Phase 2 Improvements	November 2011
• Initiate Final Design of Improvements	June 2012
	<u>Estimated Date</u>
• ODEQ Approval of Engineering Report	September 2012
• Phase 2A Improvements Design to ODEQ/OWRB	May 2013
• ODEQ/OWRB Approval of Phase 2A Improvements	July 2013
• Bid Opening for Phase 2A Improvements	August 2013
• Start Construction Phase 2A Improvements	October 2013
• Complete Construction of Disinfection Improvements	October 2014
• Complete Construction of Phase 2A Improvements	October 2015

## **Summary**

The Oversight Committee is encouraged by the progress on the capital projects related to the wastewater system improvements planned since 2001. The Committee concurs with City staff that with the increase in capacity at Lift Station D, the sanitary sewer needs of development in the northern tier of Norman will be met for the next 15 to 20 years. The expansion of sewage treatment capacity at the Norman Water Reclamation Facility from 12 to 17 million gallons per day is the last major component of the improvements required to meet the current system demands contemplated in the voter referenda of August, 2001. City staff and private contractors have performed well in constructing the improvements on budget and on time, with as little disruption and inconvenience to the public as can be reasonably expected. The Committee will follow the progress of the treatment improvements through the expenditure of the last of the temporary sales and use tax funds which were approved in 2001. We look forward to the further progress and ultimate completion of these projects for the improvement of the Norman sewer system and for the quality of life in our city.