

## CITY COUNCIL STUDY SESSION MINUTES

May 14, 2019

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in study session at 4:00 p.m. in the Municipal Building Conference Room on the 14th day of May, 2019, and notice and agenda of the meeting were posted in 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 Bierman, Carter, Castleberry, Clark, Hickman, Holman, Scott, Wilson, Mayor Miller
ABSENT:	None

Item 1, being:

### UPDATE ON THE PROGRESS OF THE MEMORANDUM OF UNDERSTANDING REGARDING THE UNIVERSITY NORTH PARK TAX INCREMENT FINANCE DISTRICT.

Ms. Kathryn Walker, Interim City Attorney, said the ordinance creating the University North Park Tax Increment Finance (UNPTIF) District was adopted May 23, 2006. The Project Plan authorized project costs of up to \$54.725 million funded via tax increment financing through Project Plan components consisting of traffic and roadway improvements; hotel conference center and cultural facilities; Legacy Park; Lifestyle Center; and economic development. The Project Plan has been implemented over time with the adoption of six development agreements (contracts), a Master Operating Agreement, a Master Financing Agreement, and an Economic Development Agreement.

Due to declining sales tax revenues, Council expressed a desire to end the tax increment financing early so all of the sales tax revenues generated in the UNP can go into the City's General Fund. Although Council can repeal the ordinance establishing the UNPTIF District, there are outstanding contractual obligations that cannot be rescinded or repealed by one party to the contracts without consent of the other parties. To limit the City's exposure to potential liability related to the contracts, Staff was directed to work with the primary developers, UNP, L.L.C., and UTC, L.L.C., to determine how to address the City's desire to end the TIF early through appropriate contract amendments and any needed Project Plan amendments. She said approximately \$15 to \$17 million for project costs will be available through June 30, 2019, while approximately \$25 million is remaining in authorized project costs. Ms. Walker said a Memorandum of Understanding (MOU) was adopted on March 26, 2019, that provides a framework and timeline to achieve the City's goals. She said tonight Council will be ratifying the selection of an auditor to perform a special audit required by the MOU to begin in early to mid-June.

Item 1, continued:

Ms. Walker said the developers have offered to potentially locate NORMAN FORWARD projects in the UNPTIF District. She said one site is north of Rock Creek Road owned by Norman Economic Development Coalition (NEDC) and the other site is south of Rock Creek Road previously designated for a Cultural Facility. She said ADG, Inc., (ADG) has been engaged by the City to develop an apples to apples comparison of the North Base site, the UTC site, and NEDC site at Council's request. She

said ADG applied a comparative site analysis matrix examining each site on four categories that includes site considerations (capacity, infrastructure, etc.), urban impact (neighboring land uses, compatible development nearby), access considerations (drivers, pedestrians, service vehicles, public transit), and financial considerations (land assembly costs, site preparation costs, construction costs).

#### North Base Site

The North Base site is adjacent to Flood Avenue and east of the YMCA and the City has a contract to purchase 14 acres at an estimated cost of \$2.435 million. A request was made by Council that Cultural Facility funds from the UNPTIF be directed to the NORMAN FORWARD projects at North Base. She said \$1 million or more in road improvements will be needed as well as demolition of an existing Optimist Gym (World War II Hangar) that contains asbestos. She said there are no water or sewer lines at the site so that is something that will need to be considered and costs determined. She said the ADG assessment has ranked this site third.

Councilmember Scott asked if Staff had an estimate on the cost of demolishing the hangar and Ms. Walker said no because an environmental assessment will be needed due to the asbestos.

Councilmember Scott asked about water and sewer lines and Ms. Walker said there is 2000 linear feet between the hangar to the largest sewer line to the west, approximately 680 linear feet from the hangar to the nearest sewer line to the south, and 730 feet from the hangar to the water line to the east side of Flood Avenue.

#### Norman Economic Development Coalition (NEDC) Site

The Norman Economic Development Coalition (NEDC) site is the subject of right of first refusal by IMMY and the cost of acquisition is unknown, but the site will be tied to NEDC's outstanding debt. Ms. Walker said NEDC received a \$2.5 million grant from the Economic Development Administration (EDA) for economic development activities on the site so Staff is exploring what impact, if any, NORMAN FORWARD projects on the site would have on that grant in repayment terms. The property is also impacted by certain repurchase and cure rights held by UNP because they sold the property to NEDC at a big discount so they retain some rights over the land if it is not developed within certain timelines or if NEDC defaults on the property. She said lot assembly could present a design challenge because there is a pond in the middle of the site that could cause service drive access issues. The Optimist Club could continue to use the existing hangar during

Item 1, continued:

Norman Economic Development Coalition (NEDC) Site, continued:

construction. She said water line, sewer line, and stormwater drainage are provided at the site. She said the ADG assessment has ranked this site second.

UTC, L.L.C. Site (UNP South)

Ms. Walker said UTC agreed in Amendment No. One to Development Agreement No. Five to donate two acres of land for a Cultural Facility and sell additional land for \$5.50 per square foot. The cost of acquisition is a subject in the negotiations for ending the TIF. She said water and sewer is available at the site and stormwater drainage is already provided. Rock Creek Road will most likely have to be extended to accommodate entrance into the site. She said one advantage to the site is having hotel and restaurant developments within close proximity making it advantageous for swim meets and tournaments to draw outside visitors. There is also a possible opportunity for shared parking. She said the ADG assessment has ranked this site first.

Councilmember Clark asked if Staff has a purchase estimate for the site and Ms. Walker said approximately \$2.3 million to \$2.4 million.

Councilmember Scott asked if it would be possible to have a sign on Interstate 35 directing people to exit at Tecumseh Road instead of Robinson Street. Ms. Walker said Staff could work with the Oklahoma Department of Transportation regarding wayfinding signage.

Negotiation Points

Ms. Walker said there are some big negotiation points that were evident in the MOU. She said Council expressed an interest in working with Norman Public Schools to determine the budget impact on schools by ending the TIF early. She said the City needs to address remaining authorized projects that include Legacy Park (Business Improvement District, public art, enhanced landscaping); the Lifestyle Center; economic development; and the use of funds designated for a Cultural Facility for NORMAN FORWARD projects (deciding location, price, and funding); and traffic and roadway improvements. She said approximately \$25 million remains in authorized project costs with approximately \$15 to \$17 million in TIF revenues.

Timeframes in the MOU

Ms. Walker said last year, Council directed Staff to begin the process of ending the TIF and address outstanding contractual claims by June 30, 2019. The deadline in the MOU was to amend and finalize the Project Plan by May 15, 2019, and the Legal Department drafted an amendment; however, the City does not have an agreement on all points of the proposal. She said Staff planned to have the amendments to existing contracts completed by May, but that is still pending an agreement.

Item 1, continued:

Timeframes in the MOU, continued:

Councilmember Scott asked if May 15, 2019, was the deadline for the amendments to the Project Plan to be completed that everyone agreed on and Ms. Walker said yes, May 15th was the deadline in the MOU to have the Project Plan amendments complete.

Councilmember Castleberry said just to be clear, that was the deadline the City placed in the MOU and the other parties did not necessarily agree to that date.

Councilmember Hickman said the MOU had a deadline of May 15, 2019, for the amendments to the Project Plan to be completed and that deadline is not going to be met, correct? Ms. Walker said that is correct. Councilmember Hickman said the MOU also required the deadline to identify mutually acceptable locations for the NORMAN FORWARD facilities on or before May 15, 2019, correct? Ms. Walker said that is correct. Councilmember Hickman asked if that deadline will be met and Ms. Walker said it depends on feedback from Council tonight, which is critical feedback in order for Staff to move forward.

Councilmember Hickman said the City engaged ADG for an analysis and Staff is asking Council to consider locations tonight for feedback, but Council does not have the results of the analysis and asked why. He said it would have been helpful for Council to have had the ADG analysis prior to this meeting in order to make an informed decision. He does not know how Council can make a recommendation tonight without the analysis information. Ms. Walker said there are a lot of components to review on each site so it has taken some time to complete that, but there is a draft that should be complete this week.

Councilmember Bierman asked when ADG began their analysis and Ms. Walker said three weeks ago. Councilmember Bierman said the MOU was approved on March 26, 2019, so why did ADG only start three weeks ago? Ms. Walker said Staff was initially trying to handle that internally and gather cost estimates, but felt it was important to provide Council with an independent analysis and ADG was in a unique position of having worked with the City on NORMAN FORWARD initiatives. Councilmember Bierman asked when negotiations began in earnest and Ms. Walker said before the MOU was adopted. Councilmember Bierman is concerned the deadline is tomorrow and Council has not received an update since adopting the MOU so Council does not really know how interested the other parties have been in working out an agreement. She said she does not like making decisions at the last minute so it is concerning to her that Council is expected to make a decision tonight.

Councilmember Castleberry asked how many attorneys on the other side are working on this amendment and Ms. Walker said six or so. Councilmember Castleberry said attorneys work on deadlines all the time and meet those deadlines so what happens if the City cannot meet the deadline to end the TIF by June 30th and Ms. Walker said she is getting to that question next.

Item 1, continued:

Timeframes in the MOU, continued:

Councilmember Carter asked if it would be helpful to Staff if they had a feeling from Council on which location they preferred and Ms. Walker said yes. Councilmember Carter said anytime he wanted an update he just picked up the phone and called Ms. Walker and she has been great about filling him in on the status of the negotiations and thanked Ms. Walker for that.

Councilmember Scott asked when the Statutory Review Committee met and if they discussed the analysis and Ms. Walker said the Statutory Review Committee will not consider the amendments until they are complete. Councilmember Scott asked if the NORMAN FORWARD Committee has met about the analysis and Mr. Jud Foster, Director of Parks and Recreation, said there are no committees for the Indoor Aquatic Center or Indoor Sports Facility at this time. He said the Senior Ad Hoc Committee met on locations for the Senior Citizen Center that included the UNP and made a recommendation Staff presented to Council in a previous meeting.

Mr. Anthony Francisco, Director of Finance, said the NORMAN FORWARD Citizen's Financial Oversight Board (CFOB), discussed the UNP sites. Councilmember Scott asked if they made any recommendations and Mr. Francisco said they took no formal action.

Ms. Cindy Rogers, member of CFOB, said CFOB was not asked to make a recommendation or give alternative locations for the NORMAN FORWARD projects. The CFOB was told negotiations for the UNP sites were ongoing, but did not have a robust discussion on alternatives to the UNP sites.

Councilmember Scott said if Council makes a decision tonight, does that affect the negotiations or the MOU and could the City have an agreement by tomorrow? Ms. Walker said she did not think an agreement would be reached by tomorrow; however, a decision from Council would help Staff focus their efforts on one location.

Termination of MOU

Ms. Walker said the MOU automatically terminates on June 30, 2019, unless the parties agree to an extension or participation in the MOU can be terminated early if any party reasonably determines that further discussion will be fruitless. She said negotiations are ongoing and the City is not at the point where further discussions would be fruitless, but if the entire process cannot be completed by June 30, 2019, the parties are willing to make the Project Plan amendments and project development agreements effective on June 30, 2019.

Councilmember Hickman said if Council were to recommend one of the UNP sites, the City would potentially be writing the developers a check to purchase the land at the same price the City would pay for the North Base property and Ms. Walker said yes, if that is the price the City settles on, but land costs are a subject of the negotiations and are in the existing development agreement.

Item 1, continued:

Termination of the MOU, continued:

Councilmember Carter said the UNP south site is his preference, his constituents' preferred site, and the Optimist Club's preferred site. He said the concept for organizations that have events all over the country is that if an event is close to a hotel it is better than an event that is not. He said events near hotels and restaurants are able to attract regional events so this is a phenomenal location. He understands that ADG basically looked at existing infrastructure and ranked it on that criteria and the UNP location has the infrastructure available so it would be prudent for Council to recommend the UNP location.

Councilmember Scott said the south UNP location has a lot of trees and greenspace and wondered if an environmental impact study could be conducted and some of the greenspace and trees preserved and Ms. Walker said that could be part of the design process.

Councilmember Holman agreed with Councilmember Carter and prefers the south UNP location. He said Council should make a decision. When he first heard about the Pisces Project design nine years ago, his first thought was that the UNP would be a great location for that project. He said the sports facilities would be close to a lot of existing amenities. He said Council has always thought the World War II Navy hangar would be demolished for these projects, but always personally hoped there might be a way to save the hangar. He said the hangar is a pretty iconic building and he played sports there as a child and so did his dad. It is a unique structure in Norman that other communities do not have and the City should do everything possible to preserve the hangar. He said the hangar could be used for auxiliary sports so he wants to move forward, get the MOU done, make a decision, and end the TIF.

Councilmember Clark agreed with Councilmembers Carter and Holman that the south UNP site would be great from a tourism aspect. She said based on the military hangar's history in Norman and the Optimist Club expressing the need for a facility during the construction phase, she supports the UNP site.

Councilmember Castleberry said he prefers the south UNP site and would like to save the hangar to utilize it as an auxiliary sport facility. He said the north UNP site is very valuable for commercial office space and in order to maintain the original idea of developing that land for an advanced technology center he would like to maintain that site for economic development.

Councilmember Bierman said she does not have a strong feeling about which site is selected and in a perfect world this issue would not have been wrapped into negotiations of ending the TIF because it complicates things. She is concerned about spending more money out of TIF funds on road projects and the impact of that. She wants NORMAN FORWARD projects to be completed on their original budgets. If Council wants the south UNP site she is fine with that, but is concerned about muddying the waters by adding other components.

Item 1, continued:

Termination of the MOU, continued:

Councilmember Scott asked which site is the most expedient to getting projects underway and Ms. Walker said south UNP would require platting, which could be done during the design process to save time. She said North Base would need to be platted and water and sewer lines extended. She said NEDC's property would need a lot line adjustment and water and sewer lines relocated.

Councilmember Scott said regarding the remaining funds of \$15 to \$17 million, would it be possible to allocate more money to the Robinson Street Project in order to keep that project on its timeline? Ms. Walker said she has been working with the developer on that, but did not know if the City could obtain the \$4.5 million needed for that project.

Councilmember Wilson said she is site neutral and sees the value of leveraging the City's needs and wants with this opportunity to fulfill the development agreements; however, she will not be in favor of extending the deadline in any way, shape, or form.

Mayor Miller asked if Staff can move forward without Council's formal vote because she is hearing a consensus for negotiations on the south UNP site and Ms. Walker said she does not need a formal vote to continue negotiations for the south site.

Councilmember Clark asked if the City has a "Plan C" now that the president of OU is leaving and leadership will change. Ms. Walker said discussions with OU seem to suggest status quo will be kept with no changes anticipated.

Councilmember Bierman does not want the City to move forward with the UNP sites until negotiations for ending the TIF are over and have been resolved. She said nothing should take place during this period and Ms. Walker agreed.

Councilmember Hickman said all sites are probably equal in terms of timelines because each project will take one year to design so other items can take place during that year, e.g., platting, building infrastructure, etc.

Mayor Miller said North Base is still an option, but it appears the south UNP site is the preference so Staff can move forward with negotiations with that as the understanding.

Items submitted for the record

1. PowerPoint presentation entitled, "UNP Update," City Council Study Session dated May 14, 2019

Item 2, being:

**DISCUSSION REGARDING THE FYE 2019 CITY OF NORMAN BUDGET – ENTERPRISE FUNDS AND OTHER BUDGET RELATED ITEMS.**

Ms. Kim Coffman, Budget Manager, said Council reviewed the General and Special Revenue Funds Budget on April 16, 2019, and will review the Enterprise Funds Budget tonight. The Capital Fund Budget was reviewed on April 23, 2019; a public hearing regarding the budget was held on April 23, 2019, and another is scheduled for May 28, 2019; the final draft of the budgets will be reviewed in a Study Session on May 21, 2019; and final adoption of the budget is proposed for June 11, 2019. She said Enterprise Funds are operated in a manner similar to private business enterprises where the intent is that costs of providing goods or services to the general public is financed or recovered primarily through user charges. She said Enterprise Funds include Water, Sanitation, and Water Reclamation, with two sub-funds in Water Reclamation that include Sewer Maintenance and New Development Excise.

Water Fund

Ms. Coffman said water production runs 24 hours per day, 365 days a year; produces over 4.8 billion gallons annually; and Norman has over 600 miles of pipes. She said the Line Maintenance Division maintains over 600 miles of water mains and 6,000 fire hydrants; repair an average of 180 water line breaks each year; replace over 8,000 feet of old deteriorated/undersized water mains; installs or replaces over 20 fire hydrants each year; and maintains over 40,000 water meters.

Ms. Coffman highlighted water rate history as follows:

- ❖ Inverted block rate adopted in 1999 to encourage conservation. Affects about 25% of residential customers. Progressive rate structure charges higher rates to highest quantity water users;
- ❖ March 2006: Water rate increase approved;
- ❖ August 2010: Water rate increase failed; and
- ❖ January 2015: Water rate increase was approved to current level to fund Water Treatment Plant (WTP) Improvements and additional two million gallons per day (mgd) of groundwater supply.

Ms. Coffman highlighted current residential rate structures for Norman as follows:

<b>Gallons</b>	<b>Rates (per 1,000/gallon)</b>
Base Fee	\$6.00
0 – 5,000	\$3.35
5,001 – 15,000	\$4.10
15,001 – 20,000	\$5.20
Over 20,000	\$6.80

Item 2, continued:

Water Fund, continued:

The City currently charges a summer surcharge of \$.35 per 1,000 gallons during July through August for usage of 20,000 gallons per month or more. There is also a mandatory year round odd/even watering rotation schedule for customers.

Ms. Coffman highlighted a comparison of residential water rates for several Oklahoma communities, i.e., Ardmore, Bartlesville, Broken Arrow, Edmond, Enid, Lawton, Midwest City, Moore, Oklahoma City, Ponca City, and Tulsa as well as out of state communities, i.e., Lawrence, Kansas; Denton, Texas; and Lubbock, Texas.

Mr. Ken Komiske, Director of Utilities, said major revenue assumptions for the Water Fund in FYE 20 include user revenues projected to be 1.9% higher than FYE 19 and that increase is projected on future customer growth. Effective as of August 1, 2016, water connection charges for all meter sizes are as follows:

❖ 3/4" meter	\$1,000
❖ 1" meter	\$1,667
❖ 2" meter	\$6,667

Water Fund expenditure assumptions include:

- ❖ \$1,213,330 budgeted for interim water purchase contract from Oklahoma City (OKC) (a take or pay contract at \$2.22 per 1,000 gallons in 2019 and an expected increase to 5% in 2020);
- ❖ \$1,136,441 (a decrease of \$11,873 or 1%) for Central Oklahoma Master Conservancy District (COMCD) raw water purchase;
- ❖ \$742,332 included in FYE 20 Budget for fleet related replacement purchases and other equipment;
- ❖ Ending fund balance estimated to be \$8,543,588; and
- ❖ Staff targets an operating reserve of 8% (balance in FYE 22 will be negative \$2,252,000).

Mr. Komiske highlighted water projects as follows:

- ❖ Major projects expected to be complete by FYE 19:
  - Crossroads Area Water Line Replacement (6-inch to 8-inch) - \$1.35 million
  - Segment D Water Line (24 inch), Phase 4: Chautauqua Avenue: Lindsey Street to Timberdell Road in coordination with the University of Oklahoma (OU) - \$850,000;
  - Pilot Study for Chromium Treatment - \$340,000;
  - 24th Avenue N.E. Water Line Relocations –\$1.4 million;
  - Rock Creek Road Water Line Relocations - \$450,000; and
  - Water Line Replacement adjacent to Library - \$80,000.

Item 2, continued:

Water Fund, continued:

- ❖ Major projects from FYE 19 to be complete in FYE 20:
  - WTP Phase II Improvements: ultraviolet (UV) disinfection, ozone treatment, and new chemical building and equipment storage - \$35.6 million to be completed in January 2020;
  - Wellfield Development and Permitting - \$1.4 million;
  - FYE 15 Water Wells/Supply Lines - \$10.7 million;
  - Backwash Tower Rehabilitation - \$280,000;
  - Robinson Water Line, Phase II, Brookhaven Creek to Water Tower - \$3.2 million;
  - Robinson Water Line, Phase III, 24th Avenue N.E. to Flood Avenue - \$3.9 million;
  - Robinson Water Line, Phase IV, 24th Avenue N.E. to WTP - \$2.3 million
  - Segment D 24-inch Water Line, Phase V, Timberdell Avenue: Chautauqua Avenue to Jenkins Avenue and Jenkins Avenue: Timberdell Avenue to Constitution - \$4.5 million;
  - Parsons Street Water Line (west of Campus) – \$860,000;
  - Gray Street Water Line: Flood Avenue to Porter Avenue with side streets - \$750,000;
  - Tonhawa Street: Flood Avenue to Webster Avenue with side street - \$550,000;
  - Water Line Replacement, Flood Avenue to Venture Boulevard - \$3.5 million;
  - James Garner Avenue Extension Water Line Replacement: Library to Robinson Street - \$930,000;
  - New Building for Line Maintenance - \$1.6 million;
  - Hot Soils and Urban Water Line Replacements completed by Line Maintenance Crews - \$300,000 to \$400,000 annually.
- ❖ Future Water Projects (subject to funding):
  - Hall Park Water Line Replacement - \$440,000;
  - Flood Avenue Water Line - \$1.9 million;
  - Annual Water Line Replacement Program - \$2.9 million annually;
  - Southeast Norman Water Tower - \$3.5 million;
  - Robinson Street 30 Inch Water Line: 24th Avenue N.W. to Water Treatment Plant - \$5.3 million; and
  - Alameda Street 24 Inch Water Line: 24th N.E. to Carter Avenue - \$3.5 million.

Councilmember Hickman asked if the Gray Street Water Line Project could be coordinated with the one-way to two-way improvements to Gray Street and Main Street in order to keep street or lane closures to a minimum. Mr. Komiske said the Water Line project will require tearing up the streets whereas the one-way to two-way conversion will only require restriping so he hopes to have the Water Line project completed first.

Councilmember Clark asked where the new Line Maintenance Building would be located and Mr. Komiske said across the street from the WTP on East Robinson. Councilmember Clark asked

Item 2, continued:

Water Fund, continued:

about the plan for the current building on DaVinci Street and Mr. Komiske said Fleet Maintenance shares the building so they will remodel the building for expansion of fleet services.

Mr. Komiske said to ensure the City has enough water for the long-term future the City will continue to obtain water from Lake Thunderbird and pass it through the pipeline to the WTP then onto the community. The gray water is proposed to go back to the Water Reclamation Facility (WRF) where the water will be treated to a high degree for Indirect Potable Reuse (IPR) level of quality. It will then go through a pipe to Dave Blue Creek and the water will flow through the creek to Lake Thunderbird where it will be reprocessed.

Councilmember Castleberry asked for the contingency plan if Midwest City or Del City does not go along with the IPR. What is the cost of taking the gray water directly to the WTP and not placing it back into Lake Thunderbird? Mr. Komiske said Norman has asked Midwest City and Del City to appoint three people to a Citizens Advisory Committee to look into an IPR Pilot Project that will cost an estimated \$3 million over two years. He said the IPR Pilot Project will hopefully prove the technology works and all cities that share Lake Thunderbird will come onboard. If that does not happen, he is on a Department of Environmental Quality committee to create Direct Potable Reuse (DPR) regulations.

Sanitation Fund

Ms. Coffman said the Sanitation Fund includes a five-year contract with Republic Services for curbside recycling that began in 2013, and a new contract began in August 2018. This service offers single stream curbside recycling every other week with larger polycarts and includes additional recyclable materials. The participation rate continues to be 90% and recyclable materials collected each month are around 430 tons.

Councilmember Clark there have been concerns that the City's recycling program may be in jeopardy because of China not purchasing recycled goods and the City is locked in a five year contract so how will that affect things? Mr. Komiske said the contractor has the right to appeal the contract if they cannot afford to take the materials anymore because they cannot sell or use the materials. He said the recycling thought process has changed dramatically in the last few years from recycle, recycle, recycle, to refuse, reduce, and reuse.

Ms. Coffman highlighted a comparison of residential sanitation rates with other communities and said Norman provides a lot more services than comparison cities, e.g., free Spring/Fall clean-up days; weekly solid waste collection; weekly yard waste collection; four (4) recycling drop-off centers; curbside recycling; free compost (when available); residential curbside recycling; and free brush drop-off.

Sanitation Fund, continued:

Councilmember Carter said there had been discussion about making compost a revenue stream and asked if there had been further discussion on that and Mr. Komiske said that is part of the presentation later.

Ms. Coffman said major revenue assumptions for the Sanitation Fund include user fees of \$17.20 per unit per month which includes a \$3.00 curbside recycling charge and \$0.20 for the Oklahoma Solid Waste Management charge; additional polycart for a charge \$7 per month; and estimated revenue at a growth rate of 1.7% per year.

Councilmember Castleberry asked why other Enterprise Funds have an estimated revenue growth of 1.9% while sanitation has an estimated growth of 1.7% and Mr. Komiske said sanitation is the most consistent revenue source because it does not change based on the amount of trash that is collected. He said sanitation has always typically grown at 1.7% per year.

Mr. Komiske said Major Sanitation Fund expenditures include:

- ❖ \$4,522,060 for fleet related replacement purchases;
- ❖ \$2,000,000 for landfill tipping fees (2.8% annual increases);
- ❖ Ending fund balance of \$7,659,347; and
- ❖ Proposed Budget Amendment - \$1.58 million to pay off bond six years early.

Mr. Komiske said \$4,522,060 for fleet related replacement purchases is incorrect because Staff made an error in the budget and the actual figure expected to be spent in FYE 20 is \$2.5 million.

Councilmember Castleberry said he would like a budget amendment prepared to depict actual expenditures and Mr. Komiske said Staff will prepare an amendment.

Major Sanitation Fund projects to be completed in FYE 20 include:

- ❖ Completed Eastside Recycling Center at Library - \$160,000;
- ❖ Composting Reuse Pump Station - \$480,000;
- ❖ Class A Sludge Co-Composting Project - \$1,242,000 (start as pilot project);
- ❖ Household Hazardous Waste Facility (Material Recovery Facility) - \$1 million;
- ❖ Container Maintenance Facility - \$455,000; and
- ❖ Truck Washing Facility - \$460,000.

Councilmember Carter said the Co-Composting Project is a great idea for generating a new revenue stream.

Councilmember Clark asked if sanitation would need a rate increase in the foreseeable future and Mr. Komiske said no, but water will need a rate increase soon or projects will have to be delayed.

Councilmember Clark asked if the Household Hazardous Waste Facility would replace the annual event and Mr. Komiske said yes, it will save money in the long run and citizens will be able to dispose of hazardous materials year round instead of once a year.

Item 2, continued:

Sanitation Fund, continued:

Councilmember Bierman said she would like to find a way to recycle Styrofoam using sanitation funds. Mr. Komiske said the biggest problem with any recycling product is cleaning them before they are placed in recycle containers.

Water Reclamation Fund

Mr. Komiske said Water Reclamation Facility (WRF) has an average flow of 10.3 mgd with 98% to 99% removal of contaminants.

Ms. Coffman said Sewer Line Maintenance maintains almost 500 miles of sewer lines and over 12,000 manholes; cleans over 1.5 million feet of sewer lines each year; and inspects and records over 200,000 feet of sewer lines. She said over the last 20 years, the City has reduced sanitary sewer overflows by 90%.

Ms. Coffman highlighted comparable residential water reclamation rates for the cities previously mentioned and said Lawton is the only City with a lower rate than Norman.

Mr. Komiske said major revenue assumptions for the Water Reclamation Fund include residential wastewater services rates increased in November, 2013. Current rates are \$5.00 base plus \$2.70 per 1,000 gallons of treated wastewater. She said user fee revenues for FYE 21 are budgeted at a projected 1.9% increase from FYE 20. The FYE 20 fund balance is projected to be \$6.46 million.

Mr. Komiske highlighted Water Reclamation Fund expenditure assumptions as follows:

- ❖ Major projects for FYE 20
  - Reuse pilot study - \$1.6 million;
  - Class A Sludge Improvements - \$1.24 million;
  - Line Maintenance Building - \$1.6 million;
  - Septage Receiving Station - \$525,000; and
  - Land purchase - \$450,000.
- ❖ Future Major Projects
  - Non-Potable Effluent Reuse System - \$3.1 million in FYE 21; and
  - Water Reclamation Facility (WRF) Phase 3 Biological Nutrient Reduction Improvements for Reuse - \$88 million beginning in FYE 23 through FYE 26.

Item 2, continued:

#### Sewer Maintenance Fund

Mr. Komiske said the main source of the Sewer Maintenance Fund revenues comes from a \$5.00 per month sewer maintenance charge and \$0.50 per month Capital Improvement Charge. He said major projects in FYE 19 include \$2.6 million for replacement of sewer lines and *all* sewer maintenance rate projects must be on a pay-as-you-go basis. Since 2001, over 433,000 feet of sewer lines have been rehabilitated. She said a major project in FYE 20 is the Bishop Interceptor Replacement Project at a cost of \$2.6 million.

#### New Development Excise Tax Fund

The main source of revenue for the New Development Excise Tax Fund is from new construction building permits based on wastewater generated. Mr. Komiske said FYE 20 revenues are projected to be \$1.7 million (\$1.3 million from residential projects and \$.04 million from commercial projects); however, that revenue is dependent on how much development takes place. He said the Phase II South WRF Improvement Project was closed out.

Mr. Komiske said future projects include WRF Phase 2 improvements at an estimated cost of \$25 million, Summit Valley Interceptor Project at an estimated cost of \$140,000, and the Bishop Interceptor Replacement Project at an estimated cost of \$94,000.

Councilmember Castleberry said this is the only fund projecting future development so is \$1.7 million realistic and Mr. Komiske said Staff looked at historic revenues and kept the same figure although those revenues have dropped since 2015. Councilmember Castleberry said he would prefer to see revenues based on actual development and asked Staff to prepare an amendment to reduce the FYE 20 Excise Tax Fund to reflect actual revenues and Mr. Komiske said Staff will prepare a budget amendment.

Councilmember Hickman asked if the New Development Excise Tax is based on square footage and Mr. Komiske said yes, the fee is \$850 for the first 1200 square feet and \$2 per square foot over that. Councilmember Hickman asked if the City should raise the size of the square footage because average homes seem to be larger than they used to be. He felt \$850 for 1200 square feet might be a little excessive. Mr. Komiske said the excise tax supports expansion and improvements to the WTP and WRF and the funds can only be used for growth currently not funded by current customers.

Councilmember Scott asked if the excise tax could be changed to be used for maintenance rather than just growth and Mr. Komiske said the tax was approved by voters so any change would need a vote of the people.

Councilmember Wilson said Council is constantly being told Norman has the highest impact fees in Oklahoma and if the excise tax was appropriately calculated, could the City find a way to lower other fees? Mr. Komiske said if new development does not pay for growth then new customers

Item 2, continued:

New Development Excise Tax Fund

will, so it is a balancing act. Councilmember Wilson said she would rather see the burden put on growth.

Councilmember Hickman said the City should better quantify the cost of new development on the Water Fund and increase connection fees and/or develop an excise tax similar to what the City has for wastewater. He would like to find a way to adjust fees in ways that would incentivize smart growth.

Councilmember Castleberry said the City needs to determine the best mix of fees to recover costs.

Total Utility Rates

Ms. Coffman highlighted comparison residential rates for several Oklahoma communities, i.e., Ardmore, Bartlesville, Broken Arrow, Edmond, Enid, Lawton, Midwest City, Moore, Oklahoma City, Ponca City, and Tulsa as well as out of state communities, i.e., Lawrence, Kansas; Denton, Texas; and Lubbock, Texas. She said Norman has the lowest rates of all comparable communities with Lawrence, Kansas, having the highest rates. She said Norman's rate is lower than any other City listed, which includes a Stormwater Utility that many of the cities have; however, Norman is one of the few that does not.

Items submitted for the record

1. PowerPoint presentation entitled, "City of Norman Fiscal Year 2019-2020 Budget – Enterprise Funds," dated May 14, 2019

\*

ADJOURNMENT

The meeting was adjourned at 6:02 p.m.

ATTEST:

---

City Clerk

---

Mayor