

CITY COUNCIL CONFERENCE MINUTES

January 25, 2022

The City Council of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 5:00 p.m. in the Municipal Building Council Chambers on the 25th day of January, 2022, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray 24 hours prior to the beginning of the meeting.

PRESENT: Councilmembers Foreman, Hall, Holman, Lynn, Peacock, Schueler, Studley, Tortorello, Mayor Clark

ABSENT: None

Item 1, being:

DISCUSSION REGARDING UTILITY CONNECTION FEES.

Mr. Nathan Madenwald, Utilities Engineer, introduced Mr. Todd Cristiano with Raftelis who made a presentation on connection fees. He said the City has been working with Raftelis to review current connection fees, especially since the City is working towards asking voters for a water rate increase in 2022. He said this was an opportunity to review everything regarding water and a rate increase is needed for Advanced Metering Infrastructure (AMI), disinfection, operations and maintenance, and pipe replacement.

Mr. Cristiano said study goals and objectives include sustaining the water utility's financial health; funding operations; optimizing capital funding options; maintaining equity between existing and new customers; and meeting financial metrics and policy objectives while minimizing impact to customers.

Mr. Cristiano said water costs continue to increase locally and nationwide due to energy costs, maintenance/replacement of aging infrastructure, and increased regulatory requirements. As part of the analysis process, Raftelis used industry guidelines from American Water Works Association – Manual M-1, Principles of Rates, Fees and Charges, Water Environment Federation – Financing and Charges for Wastewater Systems, and Raftelis Financial Consultants – Water and Wastewater Finance and Pricing.

Water Connection Fees

Mr. Cristiano said connection fees are a one-time charge for new customer demand only. The fee is required of all new customers for their share of capacity and for existing customers requesting increased capacity. The fee is based on the value of the utility's capacity and the amount of capacity needed by the new customer. Connection fees can be used to pay for debt service; help keep user rates low; balance equity between existing and new customers; and represent cost to reserve capacity in system backbone facilities, i.e., Water Treatment Plant, water wells, transmission mains, pump stations, lift stations, storage, etc.

The fee industry's best practices consist of compliance with State Statutes; being reasonably tied to impact of new development; assessed in proportion to impact; not being used to fund repairs; based on actual system costs or reasonable cost estimates; assessed in a non-discriminatory manner based on published fee schedule; and reviewed relative to their sufficiency to fund new capacity at least biennially to determine appropriateness of the fees in accordance with State Statutes.

Basic connection fee calculations consists of the value of existing facilities and future capital divided by the system capacity (existing and future) multiplied by 3/4 inch meter demands to equal the dollar per 3/4 inch meter.

Mr. Cristiano highlighted current water connection fees as follows:

Meter Size	Connection Fee
3/4 inch	\$ 1,000.00
1 inch	\$ 1,667.00
1.5 inch	\$ 3,333.00
2 inch	\$ 6,667.00
3 inch	\$14,667.00
4 inch	\$28,000.50
6 inch	\$57,667.00

Wastewater Connection Fees

Mr. Cristiano said Norman's wastewater utility includes a wastewater excise tax fee as well as the connection fee based on meter size. He highlighted current wastewater connection fees as follows:

Meter Size	Connection Fee
3/4 inch	\$ 275.00
1 inch	\$ 550.00
1.5 inch	\$ 1,200.00
2 inch	\$ 1,925.00
3 inch	\$ 4,625.00
4 inch	\$ 7,987.50
6 inch	\$18,381.00

Residential structures up to 1,200 square feet have an additional excise tax of \$850 and every square foot above 1,200 square feet is \$2.00 per square foot. Non-residential structures pay \$114 in excise tax per employee and \$4.00 per gallon of estimated flow per day.

Mr. Cristiano said wastewater connection fee updates include replacement costs for current facilities that includes the Wastewater Treatment Plant (WWT), collection mains, force mains, and lift stations while growth related capital projects include a new North Water Reclamation Facility (WRF) or existing WRF expansion as well as interceptors and recoupment projects.

Mr. Cristiano said calculation of connection fees comparisons include a proposed calculated combined fee of \$3,281 and current combined fee (2,290 square feet) of \$3,285. He said the difference is so slight that Raftelis is not making a recommendation to change wastewater fees. He said Norman is moderately low on water and wastewater connection fees (\$4,285) compared to other cities.

Mr. Cristiano said locally, Norman's fees are the highest when compared to surrounding communities that include Newcastle; Edmond; Moore; Mustang; Blanchard; Oklahoma City; Yukon; Broken Arrow; Stillwater; Noble; Midwest City; Chickasha; and Lawton. Mr. Madenwald said Lawton recently decided to get rid of all of their connection fees to help growth occur.

Council Comments

Councilmember Holman said wastewater reuse is in Norman's Water Strategic Plan and asked how close Norman is to implementing wastewater reuse and Mr. Madenwald said the City is in the pilot stages to determine what treatment technologies would be appropriate, if State requirements can be met, etc. He said answers to these questions help determine the path forward.

Councilmember Peacock asked if Department of Environmental Quality (DEQ) regulations are included in the cost of the water well option and Mr. Madenwald said yes and it addresses future growth capacity as well.

Councilmember Schueler said according to the recent Census, the community continues to grow and if the City does not recoup this type of capital to reinvest in current facilities or build new facilities, where will the money come from outside of passing costs onto current customers. She said connection fees and user rates need to be fair, equitable, and shared in costs.

Councilmember Schueler asked about the reason for the excise tax and Mr. Anthony Francisco, Director of Finance, said in 2000, there was a very long and very public process regarding the sewer system. He said a moratorium was placed on construction due to insufficient capacity creating sewer backups into the street. In response to the moratorium, a citizens committee was created to discuss the future of wastewater and out of that committee came proposals ultimately voted on by voters that included a five-year sewer sales tax to repair the current system. He said a \$5 monthly sewer maintenance fee exists today to ensure the City never has that problem again and the wastewater excise fee was established for future development. He said the citizens committee felt a flat fee would be unfair for small home owners paying the same fee as large home owners so a one dollar (\$1) per square foot fee was created for residential homes over 1,200 square feet, which was later increased to two dollars (\$2) per square foot for homes over 1,200 square feet.

Councilmember Foreman said if Council does not come up with a fair and equitable plan a vote to increase utility rates will fail. She said citizens realize they are going to have to bear the burden of costs, not the developer, and Council must show good faith to residents that any proposal will be equitable. She said \$1,000 to \$1,500 connection fees is not an egregious request and does not understand why that is so hard to support.

Councilmember Holman said based on the presentation, wastewater connection fees do not need to be increased and in regards to water, he supports Alternative 3, which is drilling more wells. He wants water rates to be equitable and existing customers need to pay their fair share in maintaining the existing system that includes DEQ regulatory improvements. He said new customers need to pay for increased capacity as well as the maintenance that comes with that increased capacity, but it is important to find a balance.

Mayor Clark said she would like to hold a public meeting before the February 22 meeting to educate residents on this issue and garner feedback.

Councilmember Studley said she would like to see a more holistic view of Norman's fees compared to other cities before the February meeting.

Items submitted for the record

1. PowerPoint presentation entitled, "City of Norman Water Connection Fee and Financial Plan Update," dated January 25, 2022

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The meeting was adjourned at 6:20 p.m.

ATTEST:

City Clerk

Mayor