



## CITY OF NORMAN, OK STAFF REPORT

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**MEETING DATE:** 03/08/22

**REQUESTER:** Chris Mattingly, Director of Utilities

**PRESENTER:** Chris Mattingly, Director of Utilities

**ITEM TITLE:** CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT, AND/OR POSTPONEMENT OF ORDINANCE O-2122-40 UPON FIRST READING BY TITLE: AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, AMENDING SECTION 21-107(B) OF CHAPTER 21 OF THE CODE OF THE CITY OF NORMAN INCREASING WATER LINE CONNECTION CHARGES; AND PROVIDING FOR THE SEVERABILITY THEREOF.

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### **BACKGROUND:**

The City of Norman currently collects a "Connection Charge" from anyone wishing to connect to the City's water and/or sewer service. The Connection Charge is paid prior to the furnishing of such service or prior to the issuance of a building permit. The Connection Charge increases as the water service meter size increases due to the maximum flow rate for continued operation for different sized meters. The current Connection Charges were last increased on August 1, 2016. The current Connection Charges are split between the Water Fund and the Wastewater Fund (\$1,000 for the water portion and \$275 for the sewer portion based on a ¾-inch meter equivalent).

In 2021, the City engaged Raftelis Financial Consultants, Inc. (Raftelis) to update their 2016 Final Water and Wastewater Connection Charge Study to determine whether the current fee captured the cost of additional capacity required to serve new development. The results of Raftelis' analysis were presented to City Council for discussion in multiple meetings on November 2, 2021, December 7, 2021 (briefly), January 25, 2022, and February 22, 2022.

Within the Raftelis 2022 Water and Wastewater Connection Fee Study Update, three alternatives for connection fees are presented based upon alternative sources of water. The three water supply alternatives evaluated were:

1. Augmentation: Augmenting or supplementing the water supplies in Lake Thunderbird with treated water from Norman's Water Reclamation Facility (WRF). The primary goal of this alternative is to increase the reliable yield from the lake.
2. OKC: Purchasing more wholesale water from Oklahoma City in lieu of constructing new facilities to meet future supply needs.
3. Wells: Drilling additional groundwater supply wells in the Garber-Wellington.

The resulting fee alternatives for the water portion in the following table (for a 3/4-inch meter equivalent) as determined by Raftelis were:

<b>Alternative</b>	<b>Connection Fee (Charge) per 3/4-Inch Meter Equivalent</b>
Current	\$1,000
Alternative 1: Augmentation	\$3,180
Alternative 2: OKC	\$2,010
Alternative 3: Wells	\$2,150

For the sewer or wastewater component of the connection charge, Raftelis evaluated the combined connection charge (sewer portion) and wastewater excise tax to determine if the combined charges were sufficient. Their analysis determined that the combined fee would be approximately \$3,280. This fee is relatively equal with the fees collected for a 2,280 square-foot house which fits within the range of typical homes constructed in Norman. Based on these findings, Raftelis recommended no change to the sewer connection charges.

#### **DISCUSSION:**

Ordinance O-2122-40 proposes to raise the Connection Charge found in Chapter 21-107(b) of the City Code to provide additional funding to cover costs associated with new connections to water service. After presentation and discussion with the City Council, Staff was directed to bring forward an ordinance amendment that would implement a 25 percent increase in the portion of the connection charge attributable to new water connections. The proposed 25 percent increase in the portion of the connection charge attributable to new water connections does not exceed any of the three fee alternatives presented by Raftelis. The current fees and proposed changes are set out below:

<b>Water Service Size</b>	<b>Current Connection Charge</b>	<b>Proposed Connection Charge</b>
3/4"	\$1,275.00	\$1,525.00
1"	\$2,217.00	\$2,633.75
1 1/2"	\$4,433.00	\$5,266.25
2"	\$8,592.00	\$10,258.75
3"	\$19,292.00	\$22,958.75
4"	\$35,988.00	\$42,988.13

<b>Water Service Size</b>	<b>Current Connection Charge</b>	<b>Proposed Connection Charge</b>
6"	\$76,048.00	\$90,464.75

The proposed increase to the water portion was discussed by Council and is equal to the percentage increase requested through the proposed water rate increase. Additionally, staff will be able to have better information regarding reuse and its viability as a water supply option for Norman at the next biennial review of the connection charge.

Based on Raftelis' recommendation, Council agreed there was no need to increase the sewer portion of the connection fee.

**RECOMMENDATION:**

Staff recommends approval of Ordinance O-2122-40 upon Second and Final Reading.