

CITY COUNCIL STUDY SESSION MINUTES

May 17, 2022

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 17th day of May, 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, Peacock, Lynn, Schueler,
Studley, Tortorello, Mayor Clark

ABSENT:

None

Item 1, being:

DISCUSSION REGARDING THE PROPOSED FYE 2023 CITY OF NORMAN BUDGET – ENTERPRISE FUNDS.

Ms. Kim Coffman, Budget Manager, said Council reviewed the Capital Fund on November 16, 2021; a Capital Fund mid-year review was held on February 15, 2022; General and Special Revenue Funds were reviewed on April 19, 2022; a public hearing regarding the budget was held on April 26, 2022; and the Capital Fund was reviewed again on May 3, 2022. She said tonight, Council will be reviewing Enterprise Funds and another public hearing regarding the budget will be held on May 24, 2022. An optional follow-up meeting regarding the budget may be held, if needed, on June 7, 2022, with final adoption of the budget proposed for June 14, 2022.

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 are 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 includes Sewer Maintenance and New Development Excise Tax.

Sanitation Fund

Ms. Coffman said the Sanitation Division annually collects more than 100,000 tons of solid waste and approximately 29,000 tons of yard waste that is placed in the Compost Facility; the City offers curbside recycling through Republic Services with a 90% participation rate and Republic collects more than 5,000 tons of recyclable material annually; and offers four recycling drop-off centers that collect more than 1,700 tons annually. She said the City added a new recycling hub at the Transfer Station that accepts scrap iron, wood, and glass, which the other three drop-off centers do not accept. She said 250 tons of glass is recycled annually.

Ms. Coffman highlighted a comparison of residential sanitation rates with other communities, i.e., Ardmore, Bartlesville, Broken Arrow, Edmond, Enid, Lawton, Midwest City, Moore, Oklahoma City, Ponca City, Stillwater, and Tulsa as well as out of state communities, i.e., Lawrence, Kansas; Denton, Texas; and Lubbock, Texas. She said services include spring and fall clean-up days; once a week solid waste collection; once a week yard waste collection; free brush drop-off; four

recycling drop-off centers; free compost (when available); and residential curbside recycling. Councilmember Holman said Norman provides more services than its competitors.

Sanitation rates were last increased in April 2011, to \$17.20 per unit per month which includes a \$3.00 curbside recycling charge; a \$0.20 Oklahoma Solid Waste Management charge; additional polycart for a charge \$7 per month; and estimated revenue at a growth rate of 1.8% per year.

Ms. Coffman said Major Sanitation Fund expenditures include:

- ❖ \$2,948,850 for fleet related replacement purchases;
- ❖ \$2.2 million for landfill tipping fees (expenses have increased 5% from FYE 22 to FYE 23);
- ❖ Recycling Contractor expense budgeted at \$1.56 million (no increase); and
- ❖ FYE 23 ending fund balance is \$6,383,547.

Major projects completed in FYE 22 include:

- ❖ Household Hazardous Waste Facility (Material Recovery Facility) - \$1.65 million; and
- ❖ Container Maintenance Facility - \$1.06 million.

Major projects from FYE 22 to be completed in FYE 23 include:

- ❖ New Sanitation Facility - \$2.54 million; and
- ❖ Compost Facility Scale House - \$420,000.

Major new projects for FYE 23 include:

- ❖ Transfer Station Renovations - \$1.3 million
 - Replacement of concrete floor
 - Parking improvements for hauling trucks
 - Fire suppression system
 - Building exterior improvements

Water Fund

Ms. Coffman said water production runs 24 hours per day, 365 days a year, and produces over 4.86 billion gallons annually. She said the Line Maintenance Division maintains over 635 miles of water pipe with diameters of six to 48 inches, 6,641 fire hydrants, and 13,240 valves. Line Maintenance repairs an average of 170 water line breaks each year; replaces over 3,000 feet of old deteriorated/undersized water mains; and maintains over 41,000 water meters.

Ms. Coffman highlighted the water rate history as follows:

- ❖ Inverted block rate adopted in 1999 to encourage conservation. Progressive rate structure charges higher rates to highest quantity water users and affects about 25% of residential customers;
- ❖ March 2006: Water rate increase approved;
- ❖ August 2010: Water rate increase failed;
- ❖ January 2015: Water rate increase was approved to current levels to fund Water Treatment Plant (WTP) Improvements and additional two million gallons per day (mgd) of groundwater supply; and
- ❖ April 22, 2022: Water rate increase failed.

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

Gallons	Rates (per 1,000/gallon)
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

The City currently charges a summer surcharge of \$0.35 per 1,000 gallons during July and August for usage of 20,000 gallons per month (gpm) 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 communities, i.e., Ardmore, Bartlesville, Broken Arrow, Edmond, Enid, Lawton, Midwest City, Moore, Oklahoma City, Ponca City, Stillwater, and Tulsa as well as out of state communities, i.e., Lawrence, Kansas; Denton, Texas; and Lubbock, Texas. She said Norman's rates are below benchmark cities as the average cost based on 10,000 gpm in other cities is \$60, Norman's is \$44.75, which is 20% below the average.

Major revenue assumptions for the Water Fund in FYE 22 include an estimated growth rate of 2%. Water connection charges for all meter sizes are as follows:

Meter Size	Effective April 22, 2022	Effective April 22, 2023
3/4 inch	\$1,250.00	\$ 1,500.00
1 inch	\$2,083.75	\$ 2,500.00
1.5 inch	\$4,166.25	\$ 4,999.50
2 inch	\$8,333.75	\$10,000.50

Water Fund expenditure assumptions include:

- ❖ \$1,240,330 budgeted for interim water purchase contract from Oklahoma City (OKC);
- ❖ \$1,148,314 for Central Oklahoma Master Conservancy District raw water purchase, which includes the replacement of Del City's raw water line and Norman's share is 43%;
- ❖ \$247,679 included in FYE 23 Budget for fleet related replacement purchases and other equipment (Water Treatment and Water Line Maintenance); and
- ❖ Ending fund balance estimated to be \$1,444,078 (balance in FYE 24 estimated to be negative \$19,425,693 due to construction timing).

Ms. Coffman highlighted water projects as follows:

- ❖ Major projects completed in FYE 23
 - FYE 2015 Water Wells/Supply Lines - \$10.7 million;
 - Robinson Street Water Line, Phase IV, 24th Avenue N.E. to WTP - \$2.3 million;
 - Gray Street and Tonhawa Street Water Line Replacement - \$2.3 million;
 - Interstate Drive Water Line Replacement - \$1.4 million;
 - Water Distribution Sampling Stations - \$100,000;
 - Groundwater Blending Site Acquisition - \$900,000; and
 - Water Treatment Plant (WTP) Future Expansion Land Acquisition - \$500,000.

- ❖ Major new projects for FYE 22 to be completed in FYE 23:
 - Water Line Replacement: Flood Avenue to Robinson Street to Venture Avenue - \$4.2 million;
 - James Garner Avenue Water Line Replacement
 - Library to Robinson Street (being completed as part of Flood/Robinson project)
 - Main Street to Duffy Street - \$1.1. million;
 - Porter Avenue Water Line Replacement – \$2.3 million (collaboration with Public Works);
 - Jenkins Avenue Water Line Replacement - \$700,000 (collaboration with Public Works);
 - Southlake Addition Water Line Replacement - \$1.2 million;
 - Phase I of Advanced Water Metering - \$3.2 million;
 - Connection of Wells No. 5, 6, and 52 - \$750,000;
 - Disinfection Improvements for Groundwater System - \$2 million;
 - WTP Solar Array - \$1.4 million;
 - WTP Carbon Dioxide Replacement - \$385,000; and
 - Line Maintenance Building - \$7 million (joint funding with Wastewater Reclamation Facility (WRF) Fund).
- ❖ Major New Water Projects for FYE 23:
 - Water Line Replacement: Danfield Drive between Brookhaven Boulevard - \$810,000;
 - Water Line Replacement: Tecumseh Road from 24th Avenue N.W. to Journey Parkway - \$428,000; and
 - WTP Clarifier Rehabilitation - \$400,000.
- ❖ Future Water Projects (subject to funding) include:
 - Flood Avenue Water Line: Gray Street to Robinson Street - \$1.9 million;
 - Annual Water Line Replacement Program - \$3.3 million annually;
 - Robinson Street 30-Inch Water Line: 24th Avenue N.E. to Flood Avenue - \$9.7 million;
 - Alameda Street 24-Inch Water Line: 24th Avenue N.E. to Carter Avenue - \$3.5 million.
 - Hall Park Water Line Replacement - \$440,000;
 - Southeast Norman Water Tower - \$3.5 million; and
 - Robinson Street Water Tower - \$773,000.

Ms. Coffman said another source for increasing water demand could include Lake Thunderbird augmentation where wastewater from the Water Reclamation Facility (WRF) would be treated to augment Lake Thunderbird, which would then be re-treated at the WTP for drinking water. Mr. Chris Mattingly, Director of Utilities, said Staff is doing a pilot project and working to get Midwest City and Del City onboard with the project. He said it is predicted the great western drought will creep across Oklahoma in future years so Del City and Midwest City need to know that although the water supply is good right now, a drought is coming and cities need to plan ahead for that.

Mayor Clark said Mayor Heikkila needs to be brought up to date on the reuse project because he needs to be the biggest advocate for the project. She said this project is extremely important to Norman's long-term water supply and Councilmembers needs to be onboard as well.

Water Reclamation Fund

Ms. Coffman highlighted WRF performance and said the WRF has an average flow of 10.9 Million gallons per day (mgd) and has 99.1% removal of Carbonaceous Biochemical Oxygen Demand (CBOD); 98.5% removal of Total Suspended Solids (TSS); 96% removal of Ammonia; and 69 Most Probable Number (MPN)/100 Mixed Liquid Suspended Solids (mls) Escherichia Coli (E. Coli) limits. She said the E. Coli permit limit is 630 MPN/100 mls.

Ms. Coffman said Sewer Line Maintenance maintains almost 520 miles of sewer lines and over 12,000 manholes; cleans over 1.4 million feet of sewer lines each year; and inspects and records over 250,000 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.

Major revenue assumptions for the Water Reclamation Fund include residential wastewater service rates increased in November 2013. Current rates are \$5.00 base plus \$2.70 per 1,000 gallons of treated wastewater. Ms. Coffman said user fee revenues for FYE 23 are budgeted at a projected 2% increase from FYE 22. The FYE 22 fund balance is projected to be \$1,771,231 and \$1,112,792 in FYE 23.

Ms. Coffman highlighted Water Reclamation Fund expenditure assumptions as follows:

- ❖ Major projects for FYE 22 carried into FYE 23
 - WRF Solar Array - \$3.2 million
 - Centrifuge Replacement - \$3 million
 - Reuse pilot study - \$3.1 million; and
 - Line Maintenance Building - \$3.2 million (shared with Water Fund).
- ❖ Major projects deferred to FYE 23 include:
 - Storage Building - \$1.1 million; and
 - Main Control Building Renovation with Laboratory - \$3.5 million.

Sewer Maintenance Fund

Ms. Coffman said the main source of Sewer Maintenance Fund revenue comes from a \$5.00 per month sewer maintenance rate approved in 2001. She said *all* Sewer Maintenance Rate Projects must be on a pay-as-you-go basis. Since 2001, over 461,000 feet of sewer lines has been rehabilitated.

Ms. Coffman highlighted Sewer Maintenance Fund projects as follows:

- ❖ Major projects for FYE 22 and FYE 23
 - Sewer Maintenance Project 17 - \$2.3 million (complete);
 - Sewer Maintenance Project 18 - \$2.9 million;
 - Sewer Maintenance Project 19 – \$2.6 million; and
 - Lift Station D Force Main - \$1 million.

New Development Excise Tax Fund

The main source of revenue for the New Development Excise Tax Fund comes from building permits for new construction based on wastewater generated. Ms. Coffman said FYE 23 revenues are projected to be \$1.4 million (\$1.1 million from residential projects and \$0.3 million from commercial projects). Ms. Coffman said future projects include a future Lift Station with a cost of \$900,000.

Total Utility Rates

Ms. Coffman highlighted comparisons for total utility 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, except Ardmore. She said many of these comparable rates include a Stormwater Utility Fee that Norman does not have with fees ranging from \$1 per month to \$9.98 per month.

Councilmember Holman said there has been no water rate increase since 2015, or sanitation rate increase since 2011, so this has been remarkable management of funds by Staff. He said this shows good use of resources and having the lowest rates of comparable cities is notable.

Mr. Mattingly said Raftelis will be performing a Cost of Services Study to determine what customers should be paying to keep utility services at current levels.

Councilmember Studley said Ward One is a densely populated area with many apartments and if those sewer lines are not replaced, it could be disastrous. Mr. Anthony Francisco, Director of Finance, said the Bishop Creek sewer line was upsized in 2005, which is the main service line for the neighborhood. He said engineers told the City that current sewer lines in the neighborhood would not meet demand of future development if the lines were not upsized.

Mr. Darrel Pyle, City Manager, said there had been questions about the life of modern Polyvinyl chloride PVC in the sewer application and how long those pipes will last and Mr. Mattingly said the pipe is expected to last at least 50 years and could last up to 100 years. He said the pipe also deters stormwater from seeping into the pipes, which can cause problems for the City and property owners.

Councilmember Schueler said 14 of the comparable cities have a Stormwater Utility Fee (SWU), which Norman currently does not have, but is critically needed.

Items submitted for the record

1. PowerPoint presentation entitled, "City of Norman Fiscal Year Ending 2023 Budget – Enterprise Funds," dated May 17, 2022

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

ATTEST:

City Clerk

Mayor