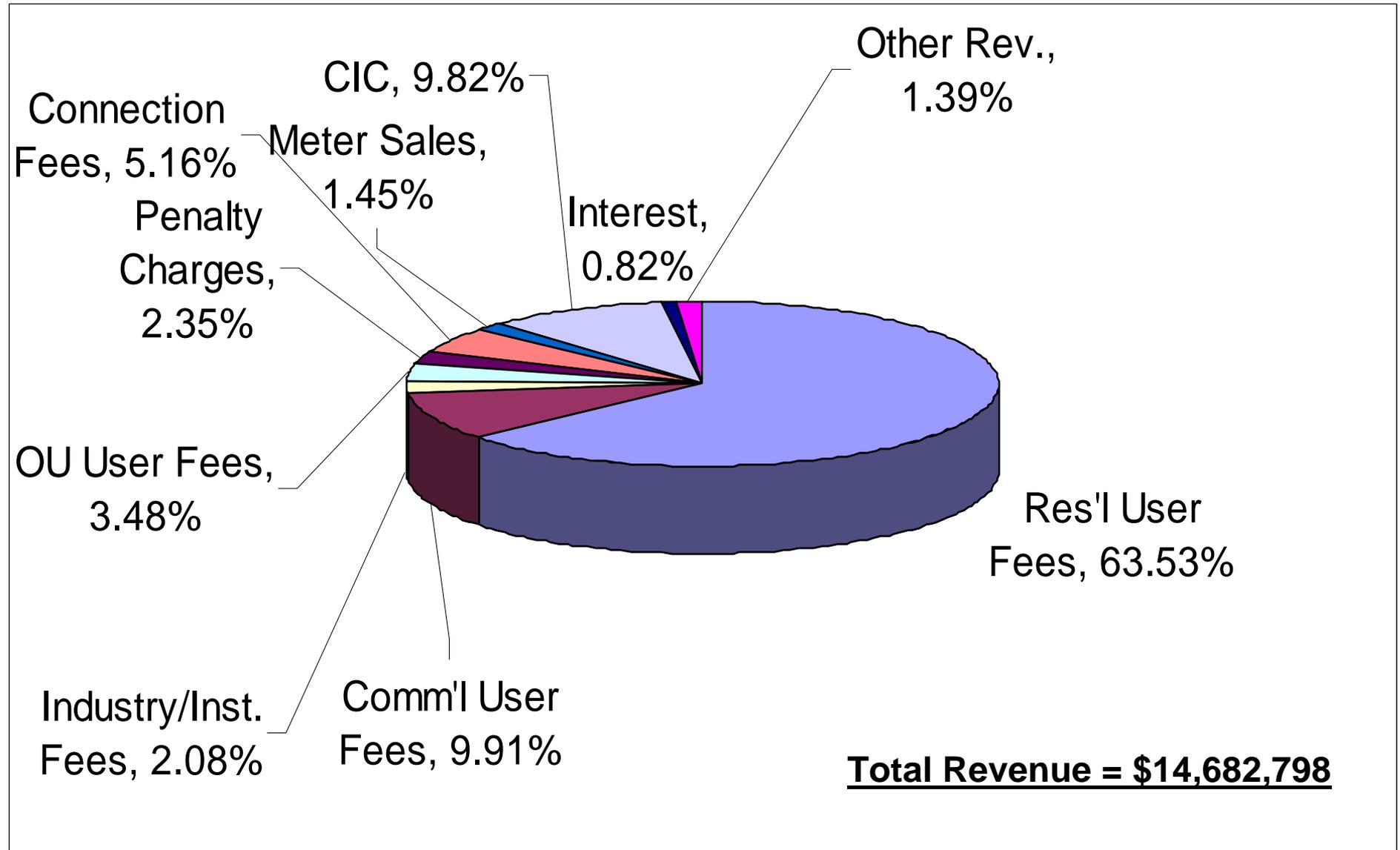


# Budgeted Water Revenue, By Major Source



# Public Trusts In Norman

- **Norman Utilities Authority**

Water, Wastewater Debt Issuances

Outstanding Water Debt = \$19,790,988

Outstanding Sewer Debt = \$11,173,607

Repayment Pledge – Utility Revenues

- **Norman Municipal Authority**

Sanitation Debt Issuances = \$3,590,000

Repayment Pledge – Sanitation Revenues

Westwood Golf Issue = \$1,715,000

Repayment Pledge – Golf & Pool Revenue

- **Norman Tax Increment Finance Authority**

UNP TIF Issue - \$4,480,813

Repayment Pledge – Incremental Sales & Property  
Tax Apportionments

# Short & Long-Term Water Supply Options

- Ground Water Well Field Expansion
- Do Nothing
- Use of Reclaimed Water
- Import Out-Of-Basin Water (S.E. Okla.)

# Ground Water Well Field Expansion

- “Interim Solution” identified in adopted *Strategic Water Supply Plan* of 2001
- Includes reclaimed “arsenic” wells, to the extent financially feasible, either as irrigation or potable water resources
- Clean, relatively low-cost water supply option
- Limited supply source – inadequate for identified long-term demands

# “Do Nothing” Option

- Assumes no additional water supply is added to the Norman Utility System beyond the Well Field Expansion and planned WTP Expansion to 17 MGD
- Does not meet projected future water demand
- Assumes that Norman Water Utility will become a long-term customer of the Oklahoma City Water Utility Trust
  - Service Availability and/or Take Or Pay Rate
- Current costs for OCWUT Emergency-Only Water average \$428,695 per year
- Current budgeted costs for COMCD water purchases = \$1,135,783

# Use of Reclaimed Water Option

- Rough Estimated Cost \$330,000,000
- Phasing – Wastewater Treatment Plant Expansion; Waterline/Pump Station; Water Treatment Plant Improvements
- Generates 10-24 MGD
- Option discussed in Wastewater Master Plan of 2001
- Regulatory concerns to be addressed
- Financing Options Same as S.E. Oklahoma

# Import Out-Of-Basin Water

- Recommended in 2040 Strategic Water Supply Plan of 2001
- Estimated Cost \$360,000,000  
(approximately 15% of total cost)
- Phasing – Acquisition of Surface Water Rights; Pipeline to OKC Metro Area; Distribution to Norman and Treatment
- Customer of OCWUT or Partner in Regional Trust?

# Financing Concepts to be Considered

- Progressive/Regressive Financing Structures
- Equity
  - Internal (between customers)
  - External (between municipal utilities)
  - Long-Lived Improvements Paid Over Useful Life
- Larger Customer Base Lowers Fixed Costs Per Customer
- Tax-Exempt Debt Issues
- Enterprise Accounting (Separate Funds?)

# Major Financing Alternatives for Long-Term Water Supply Options

- User Fees
- Revenue Bonds
- General Obligation Bonds
- Intergovernmental Grants/SRF Loans
- Sales Tax
- Impact Fees/Excise Taxes (Connection Fees)
- Maintenance Fees (CIC)

# User Fee Alternatives

- User fees are charges to the Water Utility customers for the services provided to them.
- Should be set to offset the full cost of providing the services, including operational costs, capital needs and replacements.
- User fees are equitable, as only those who receive the services pay for them.
- User fees can be based on fixed or variable (consumption) bases; hence can be more progressive or regressive.
- 1% Across-the-board Water Utility user fee increase would generate approximately \$115,000 per year in new utility revenue

# Revenue Bond Alternatives

- Revenue bonds are a widely accepted means of financing utility capital improvements (not operations), both in Norman and nationally.
- Are equitable, in that only the revenues of the utility are pledged to the repayment of the debt.
- Assuming revenue streams are adequate, revenue bonds can be issued on authorization of the Trust authority (Council).
- Can be structured such that the debt is set to mature in conjunction with the useful life of the capital improvements.
- Interest and issuance costs are incurred with the debt, in addition to the costs of the improvements.

# General Obligation Bond Alternatives

- General obligation bonds are a widely accepted method of financing utility capital improvements in smaller communities that don't use enterprise concepts (Norman has not used GO bonds for utility improvements in over 30 years).
- GO bonds for public utility improvements require approval by the majority of voters.
- GO bonds spread the cost of improvements over the larger base of property tax payers.
- GO bonds can be structured with maturities set in conjunction with the useful life of the utility improvements.
- GO bonds generally have lower interest rates and issuance costs than revenue bonds.
- Oklahoma Constitution limits the amount of bonded debt as a percentage of city's assessed property value
- GO bonds for utility improvements are inequitable, in that some property owners pay taxes for them who do not receive the services.

# General Obligation Bond Revenue Estimates

- Voter-approved GO Bonds are structured to levy a sufficient amount of property tax to pay debt service (principal and interest) on the bonds.
- Amount of tax levied depends on the assessed value of property and other factors
- Generally speaking, a \$1 per month property tax increase on a homestead with a market value of \$100,000 would generate about \$1 million in capital improvements in Norman

# Grant Opportunities

- Grants are usually in the form of low or no-interest loans
- Grants usually have additional requirements for financial stability, reporting, environmental review, etc.
- Grants have been obtained from the Drinking Water Statewide Revolving Loan Fund, American Recovery and Reinvestment Act, Community Development Block Grants and other sources
- While grant opportunities will be pursued, their uncertainty makes them an unreliable source of future revenue

# Earmarked Sales Tax Options

- Sales tax is a relatively stable revenue source (1% sales tax generates approximately \$15 million per year)
- Sales tax proposals require majority approval of the voters of Norman
- Sales tax for utility enterprise functions is an inequitable revenue source, in that taxes are paid by residents of the City who do not receive utility services
- Sales tax for long-lived utility capital improvements may be inequitable if the useful life of the improvements is not closely matched to the sales tax period
- Sales tax has been used for the Norman Sewer Enterprise (1/2%, 5-Year Sewer Sales Tax levied from 10/1/01 – 9/30/06)

# Impact Fee Options

- “Impact fees” are imposed on new users of utility systems to pay for the cost of their additional impact on the system
- True impact fees must be financially tied to a specific improvement to the system
- Impact fees may be in the form of voter-approved “excise” taxes (such as Norman’s Sewer Excise Tax on New Development), or increased Connection Charges, as imposed in 2007 (from \$550 to \$850 per connection)
- External equity can be a concern if local impact fees are higher than neighboring communities

# Maintenance Charge Options

- Maintenance is considered as a part of the rate structure for most utilities
- Norman has a dedicated Capital Improvement Charge (\$1.50 per month for residential customers, increased from \$0.50 in 2007) for water line maintenance
- Norman has a \$5 per month residential sewer maintenance fee
- Flat maintenance fees may be regressive

# Recommendation–Interim Supply Needs

Expansion of water well field is an anticipated cost in the Water Utility budget and five-year capital plan. The costs are scheduled to be paid from within the Water rate structure.

# **Financing Recommendations Long-Term Water Supply**

# Recommendation-Reuse Alternative

## IMMEDIATE Needs (3-5 Years):

BNR Existing 12 MGD WWTP - \$36-\$48 Million

Waterline/Pump Station - \$25-\$30 Million

Existing 17 MGD WTP - \$13-\$17 Million

TOTAL (midrange): \$84.5 Million

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25-Year GO Bond for \$69.5 Million (\$3.55/month) for  
WWTP and Effluent Line

10% ATB Rate Increase for \$15 Million Revenue Bond  
for Water Treatment Plant

(\$2.50/month one-time increase for average water ratepayer)

# Recommendation-Reuse Alternative

## Long-Term Needs (7-20 Years)

BNR Expanded WWTP - \$126-\$150 Million

WTP Improvements - \$70-\$117 Million

TOTAL (midrange): \$231.5 Million

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25-Year GO Bond for \$138 Million WWTP

Tax Impact On \$100,000 Home, \$7.86/Month

3.25% ATB Rate Increase Each Year for 20  
Years for Revenue Bond to Pay For WTP

# Recommendation-SE Oklahoma Water

IMMEDIATE Need; Sardis Water Rights  
(as per CDM Regional Raw Water Supply  
Study)

\$10,780,000 Estimate

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10% ATB Rate Increase for 10-Year  
Revenue Bond

Approximate one-time \$2.50/month increase  
for average water ratepayer

# Recommendation-SE Oklahoma Water

## Near-Mid Term Needs (2-12 Years)

Moyer's to McGee Pipeline \$48 Million

Atoka Pipeline \$138 Million

Shawnee to Draper \$29 Million

TOTAL \$215 Million

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25-Year GO Bond for \$138MM Atoka Pipeline

Tax Impact On \$100,000 Home, \$7.86/Month

2.75% ATB Rate Increase Each Year for 20 Years for  
20-Year Revenue Bond for Moyer's/McGee and  
Shawnee/Draper Pipelines

# Recommendation-SE Oklahoma Water

## Long-Term Needs (10-30 Years)

Draper to Norman Pipeline \$20 Million

Draper WTP Expansion \$114 Million

TOTAL \$134 Million

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½%, 15-Year Dedicated Sales Tax for 15-Year Revenue Bond