



CITY OF NORMAN, OK STAFF REPORT

MEETING DATE: 01/25/2022

REQUESTER: Chris Mattingly

PRESENTER: Chris Mattingly, Director of Utilities

ITEM TITLE: CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT AND/OR POSTPONEMENT OF ORDINANCE O-2122-34 UPON SECOND AND FINAL READING: AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA AMENDING SECTION 21-113 OF CHAPTER 21 OF THE CODE OF ORDINANCES OF THE CITY OF NORMAN, OKLAHOMA, CONTINGENT ON VOTER APPROVAL OF ORDINANCE NO. O-2122-35, INCREASING THE MONTHLY BASE FEE FOR RESIDENTIAL METERED USERS FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE MONTHLY WATER RATES FOR RESIDENTIAL METERED USERS FROM THREE DOLLARS AND THIRTY-FIVE CENTS (\$3.35) TO FOUR DOLLARS AND TWENTY CENTS (\$4.20) PER THOUSAND GALLONS FOR THE FIRST 5,000 GALLONS OF WATER, FROM FOUR DOLLARS AND TEN CENTS (\$4.10) TO FIVE DOLLARS AND FIFTEEN CENTS (\$5.15) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 5,001 AND 15,000 GALLONS, FROM FIVE DOLLARS AND TWENTY CENTS (\$5.20) TO SIX DOLLARS AND FIFTY CENTS (\$6.50) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 15,001 AND 20,000 GALLONS, AND FROM SIX DOLLARS AND EIGHTY CENTS (\$6.80) TO EIGHT DOLLARS AND FIFTY CENTS (\$8.50) PER THOUSAND GALLONS FOR WATER USAGE OVER 20,000 GALLONS; INCREASING THE MONTHLY BASE FEE FOR NON-RESIDENTIAL WATER SERVICE FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE WATER RATES FOR NON-RESIDENTIAL METERED USERS FROM THREE DOLLARS AND EIGHTY CENTS (\$3.80) TO FOUR DOLLARS AND THIRTY-FIVE CENTS (\$4.35) PER THOUSAND GALLONS FOR WATER USAGE UP TO SUCH CUSTOMER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN AND FROM FOUR DOLLARS AND TWENTY CENTS (\$4.20) TO FOUR DOLLARS AND EIGHTY CENTS (\$4.80) PER THOUSAND GALLONS FOR WATER USAGE EXCEEDING SUCH NON-RESIDENTIAL METERED USER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN; PROVIDING AN EFFECTIVE DATE FOR SAID INCREASE SUBJECT TO VOTER APPROVAL; AND PROVIDING FOR THE SEVERABILITY THEREOF.

BACKGROUND:

The City of Norman receives revenues from water customers through monthly billing based on approved water rates. In accordance with the City Charter, water rates are only modified through a public vote. The last rate increase was approved in January 2015 and provided funding for the following projects:

PROJECT	PROP. COST (\$, in millions)	ACTUAL COST (\$, in millions)	STATUS
Water Treatment Plant Phase II Improvements	31.0	36.2	Complete
Groundwater Blending	2.0	0	Insufficient Funds
Additional Groundwater Supply of 2 Million Gallons per Day	9.0	11.0	Complete
Land Purchase	2.0	0	Land Unavailable
Water Line Replacements	3.0	15.8	Complete
TOTAL	47.0	63.0	

The funded projects from the 2015 rate increase were completed except for two projects. The groundwater blending project was not fully funded within the last rate increase and is still a proposed capital project and is discussed further in this memo. A site has been identified for the purchase of land for the groundwater treatment plant and negotiations are underway. Since the completion of these past projects, additional needs have arisen and are discussed further below.

1. GROUNDWATER SYSTEM DISINFECTION

The Norman water system is supplied by water from three sources: the water treatment plant which receives water from Lake Thunderbird, the groundwater well system, and the Oklahoma City wholesale connection. Water from the water treatment plant and the Oklahoma City wholesale connection are from surface water sources and therefore are required to have a disinfectant residual. Water from the groundwater system has not historically and does not currently have disinfection or a disinfectant residual since groundwater systems are not required to have a disinfectant residual. However, since the system is a combined surface water and groundwater system, the Oklahoma Department of Environmental Quality is requiring that Norman begin adding a disinfectant to the groundwater system so that a chlorine residual of 1.0 parts per million (ppm) meeting Oklahoma Administrative Code 252:631-3-3 (d) (5) is maintained throughout the entire distribution system. To meet this mandate, a capital project is proposed to build a centralized facility to collect groundwater for disinfection and future treatment should regulations become more stringent. This project will include the construction of the facility containing buildings, chemical systems, tanks, pump station, and required piping to get the water to the facility.

2. ADVANCED WATER METERING

The Advanced Water Metering project will replace approximately 41,000 meters and install new meters with electronic transmitters that will regularly transmit wirelessly recorded water usage. The majority of existing water meters have reached the end of their recommended life warranting replacement and the conversion to this advanced metering has become an industry standard

with newer technology due to the numerous benefits that result from the system. Benefits anticipated from this project include:

- Improved customer satisfaction through accurate water bills;
- Better water use management for customers;
- Leak notifications;
- Water conservation advances with the additional data;
- More efficient use of City staff; and
- Reduced energy from vehicles use and water pumping.

3. WATER LINE REPLACEMENT

The water system is comprised of over 630 miles of water lines with over half of these pipes made of cast or ductile iron. Due to soil conditions in Norman, these metal lines have shown an increased rate of failure which impacts service to our customers. Repairs for failures in an emergency manner are also very cost-inefficient compared to replacement projects in advance of failures. Additional funds for this work will improve service reliability and reduce operating costs in the long-term financial outlook.

4. INCREASED OPERATIONAL COSTS

Operating costs of power, gas, chemicals, and numerous other costs necessary for treating and pumping water and operating the water system continue to increase. Additional funds are required to operate the system in light of increasing costs.

The NUA hired Raftelis to complete an analysis of the water fund and its revenue sources and anticipated expenditures including the above items. This analysis included an evaluation of water connection fees and water rates. A water connection fee increased based on future growth projects was determined to be warranted. However, the groundwater system disinfection project, the advanced water metering project, additional water line replacements, and increased operating costs are not growth related items so connection fees cannot be used for these items.

Regarding proposed water rate increases, Raftelis presented three rate increase alternatives to Council during a study session on December 7, 2021 to generate an additional \$4.7 million annually to provide the required funding. The three alternatives presented were:

1. Increase of base fee and volume rates evenly;
2. Staff-calculated base fee and volume rates; and
3. Larger increase of base fee and smaller increase of volume rates.

Council/NUA discussed the advantages/benefits of the different alternatives but ultimately determined that Alternative 1 was the best option to move forward.

DISCUSSION: Ordinance No. O-2122-34 amends the water rates contingent on voter approval. Ordinance No. O- 2122-35 calls for an election to be held on April 5, 2022, for voters to approve or reject O-2122-34. The proposed rate increases for residential customers as outlined within Ordinance No. O- 2122-34 are briefly shown in the following table.

Description	Existing Rates	Proposed Rates
Monthly Water Service Charge, \$ per bill*		
All Customers	\$7.50	\$9.30
Volume Rates, \$ per 1,000 gallons		
Block 1 (0 - 5,000 gallons)	\$3.35	\$4.20
Block 2 (5,001 – 15,000)	\$4.10	\$5.15
Block 3 (15,001 – 20,000)	\$5.20	\$6.50
Block 4 (20,001 and more)	\$6.80	\$8.50
<i>*Includes \$1.50 monthly capital improvement charge (CIC) which is NOT modified by the proposed rate increase</i>		

The proposed rate increases for non-residential customers as outlined within Ordinance O-2122-34 are briefly shown in the following table.

Description	Existing Rates	Proposed Rates
Monthly Water Service Charge, \$ per bill*		
All Customers	\$6.00	\$7.80
Volume Rates, \$ per 1,000 gallons		
Average Winter Consumption (AWC)	\$3.80	\$4.35
Above AWC	\$4.20	\$4.80
<i>*Does not include the monthly capital improvement charge (CIC) which is calculated at 60 percent of the billed sewer revenue and is NOT modified by the proposed rate increase</i>		

The next available election date is April 5, 2022. If the rates are adopted by the citizens they will go into effect June 1, 2022.

RECOMMENDATION: The proposed rates in Ordinance No. O-2122-34 are the result of NUA/Council's discussion and represent rates designed to cover necessary capital and operation expenses associated with planned improvements. Ordinance O-2122-35 calls a Special Election for a public vote on these rates on April 5, 2022. Staff recommends approval of Ordinances Nos. O-2122-34 and O-2122-35 upon Second and Final Reading.

AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA AMENDING SECTION 21-113 OF CHAPTER 21 OF THE CODE OF ORDINANCES OF THE CITY OF NORMAN, OKLAHOMA, CONTINGENT ON VOTER APPROVAL OF ORDINANCE NO. O-2122-35, INCREASING THE MONTHLY BASE FEE FOR RESIDENTIAL METERED USERS FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE MONTHLY WATER RATES FOR RESIDENTIAL METERED USERS FROM THREE DOLLARS AND THIRTY-FIVE CENTS (\$3.35) TO FOUR DOLLARS AND TWENTY CENTS (\$4.20) PER THOUSAND GALLONS FOR THE FIRST 5,000 GALLONS OF WATER, FROM FOUR DOLLARS AND TEN CENTS (\$4.10) TO FIVE DOLLARS AND FIFTEEN CENTS (\$5.15) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 5,001 AND 15,000 GALLONS, FROM FIVE DOLLARS AND TWENTY CENTS (\$5.20) TO SIX DOLLARS AND FIFTY CENTS (\$6.50) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 15,001 AND 20,000 GALLONS, AND FROM SIX DOLLARS AND EIGHTY CENTS (\$6.80) TO EIGHT DOLLARS AND FIFTY CENTS (\$8.50) PER THOUSAND GALLONS FOR WATER USAGE OVER 20,000 GALLONS; INCREASING THE MONTHLY BASE FEE FOR NON-RESIDENTIAL WATER SERVICE FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE WATER RATES FOR NON-RESIDENTIAL METERED USERS FROM THREE DOLLARS AND EIGHTY CENTS (\$3.80) TO FOUR DOLLARS AND THIRTY-FIVE CENTS (\$4.35) PER THOUSAND GALLONS FOR WATER USAGE UP TO SUCH CUSTOMER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN AND FROM FOUR DOLLARS AND TWENTY CENTS (\$4.20) TO FOUR DOLLARS AND EIGHTY CENTS (\$4.80) PER THOUSAND GALLONS FOR WATER USAGE EXCEEDING SUCH NON-RESIDENTIAL METERED USER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN; PROVIDING AN EFFECTIVE DATE FOR SAID INCREASE SUBJECT TO VOTER APPROVAL; AND PROVIDING FOR THE SEVERABILITY THEREOF.

- § 1. WHEREAS, the rates for water service provided in the City of Norman and currently in effect in the City were last increased on January 13, 2015; and
- § 2. WHEREAS, the Oklahoma Department of Environmental Quality has mandated that the City of Norman begin disinfection of groundwater in order to maintain chlorine residual throughout the distribution system thereby necessitating the construction of a centralized facility with chemical systems, piping, pumps and tanks to meet this requirement, which will also allow for the incorporation of future treatment processes should more stringent future regulations require additional treatment of groundwater; and

- § 3. WHEREAS, the City desires to purchase and install new advanced meters that will timely and accurately measure water usage for customers to allow for accurate water billing, which will improve customer satisfaction and allow our customers to better manage their water usage, while also allowing the City to improve water conservation efforts, more efficiently use staff, and measure water service in a more environmentally friendly manner; and
- §4. WHEREAS, the City proposes to increase funding for the replacement of water mains, since the City’s water system is comprised of approximately 630 miles of transmission and distribution mains, and over half of these mains are cast or ductile iron which experiences increased failures compared to other pipe materials due to soil corrosion, and their emergency repair is extremely inefficient and costly compared to scheduled replacement projects; and
- §5. WHEREAS, since the last rate increase in 2015, operational costs have continued to increase; and
- §6. WHEREAS, the rates for water service must be increased in order for the necessary improvements to be accomplished and continued operation of the City of Norman’s water system; and

NOW, THEREFORE, BE IT ORDAINED BY THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA:

§7. That should the voters approve the rate increase in water service set out in Ordinance No. O-2122-35, then Section 21-113 of Chapter 21 of the Code of Ordinances of the City of Norman, Oklahoma, shall be and is hereby amended to read as follows:

Sec. 21-113. Rates for water service.

- (a) The water rates and charges hereinafter enumerated shall be collected for the purposes of providing funds for the continued operation, improvement, servicing and maintenance of the City water system and for other municipal governmental purposes related to providing utility services.
- (b) The following monthly rates shall apply to each residential metered user (including residence, mobile home, or other single-family dwelling unit, apartment, townhouse or dwelling):
 - (1) \$7.80 base fee;

- (2) \$4.20 per one thousand (1,000) gallons for 0 to 5,000 gallons;
 - (3) \$5.15 per one thousand (1,000) gallons for 5,001 to 15,000 gallons;
 - (4) \$6.50 per one thousand (1,000) gallons for 15,001 to 20,000 gallons;
 - (5) \$8.50 per one thousand (1,000) gallons for over 20,000 gallons.
- (c) The base rate and the first five thousand (5,000) gallons of usage for residential metered users under subsection (b) above, who are low income as defined by Section 8 of the Housing Act of 1937, amended by the Housing and Community Development Act of 1974, will be calculated at a reduction of twenty-five (25) percent.
- (d) In addition to the monthly rates set forth herein, all households (defined as a residential unit consistent with the purposes statement of R-1 and R1-A zoning districts) shall be assessed a high usage surcharge of thirty-five cents (\$0.35) per thousand gallons of usage over twenty thousand (20,000) gallons used during the peak water demand months of July and August (billed in August and September, respectively).
- (e) The following monthly rates shall apply to each non-residential metered user (including business, industrial, or commercial establishments):
- (1) Average winter consumption: the average of a non-residential metered user's water consumption for the monthly billings generated by the City of Norman in December, January, and February of the most recent year.
 - (2) All non-residential metered users shall pay a base fee of six dollars (\$7.80) for each water meter.
 - (3) The water rate for consumption up to a non-residential metered user's average winter consumption shall be three dollars and eighty cents (\$4.35) per one thousand (1,000) gallons of water.
 - (4) The water rate for consumption exceeding a non-residential metered user's average winter consumption shall be four dollars and twenty cents (\$4.80) per one thousand (1,000) gallons of water.
- § 8. Effective date. The rates described above shall be effective for all billings issued on or after the 1st day of June, 2022, and thereafter conditioned upon said rate increase being approved

O-2122-34
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by a majority of the registered voters voting in an election called for the purpose of approving or rejecting said rates; Said election to be held on the 5th day of April, 2022.

§ 9. Severability. If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions of this ordinance, except, that the effective date provision shall not be severable from the operative provisions of the ordinance.

ADOPTED this _____ day
of _____, 2022.

NOT ADOPTED this _____ day
of _____, 2022.

Mayor

Mayor

ATTEST:

City Clerk

AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA AMENDING SECTION 21-113 OF CHAPTER 21 OF THE CODE OF ORDINANCES OF THE CITY OF NORMAN, OKLAHOMA, CONTINGENT ON VOTER APPROVAL OF ORDINANCE NO. O-2122-35, INCREASING THE MONTHLY BASE FEE FOR RESIDENTIAL METERED USERS FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE MONTHLY WATER RATES FOR RESIDENTIAL METERED USERS FROM THREE DOLLARS AND THIRTY-FIVE CENTS (\$3.35) TO FOUR DOLLARS AND TWENTY CENTS (\$4.20) PER THOUSAND GALLONS FOR THE FIRST 5,000 GALLONS OF WATER, FROM FOUR DOLLARS AND TEN CENTS (\$4.10) TO FIVE DOLLARS AND FIFTEEN CENTS (\$5.15) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 5,001 AND 15,000 GALLONS, FROM FIVE DOLLARS AND TWENTY CENTS (\$5.20) TO SIX DOLLARS AND FIFTY CENTS (\$6.50) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 15,001 AND 20,000 GALLONS, AND FROM SIX DOLLARS AND EIGHTY CENTS (\$6.80) TO EIGHT DOLLARS AND FIFTY CENTS (\$8.50) PER THOUSAND GALLONS FOR WATER USAGE OVER 20,000 GALLONS; INCREASING THE MONTHLY BASE FEE FOR NON-RESIDENTIAL WATER SERVICE FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE WATER RATES FOR NON-RESIDENTIAL METERED USERS FROM THREE DOLLARS AND EIGHTY CENTS (\$3.80) TO FOUR DOLLARS AND THIRTY-FIVE CENTS (\$4.35) PER THOUSAND GALLONS FOR WATER USAGE UP TO SUCH CUSTOMER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN AND FROM FOUR DOLLARS AND TWENTY CENTS (\$4.20) TO FOUR DOLLARS AND EIGHTY CENTS (\$4.80) PER THOUSAND GALLONS FOR WATER USAGE EXCEEDING SUCH NON-RESIDENTIAL METERED USER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN; PROVIDING AN EFFECTIVE DATE FOR SAID INCREASE SUBJECT TO VOTER APPROVAL; AND PROVIDING FOR THE SEVERABILITY THEREOF.

- § 1. WHEREAS, the rates for water service provided in the City of Norman and currently in effect in the City were last increased on January 13, 2015; and
- § 2. WHEREAS, the Oklahoma Department of Environmental Quality has mandated that the City of Norman begin disinfection of groundwater in order to maintain chlorine residual throughout the distribution system thereby necessitating the construction of a centralized facility with chemical systems, piping, pumps and tanks to meet this requirement, which will also allow for the incorporation of future treatment processes should more stringent future regulations require additional treatment of groundwater; and

- § 3. WHEREAS, the City desires to purchase and install new advanced meters that will timely and accurately measure water usage for customers to allow for accurate water billing, which will improve customer satisfaction and allow our customers to better manage their water usage, while also allowing the City to improve water conservation efforts, more efficiently use staff, and measure water service in a more environmentally friendly manner; and
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 - (3) The water rate for consumption up to a non-residential metered user's average winter consumption shall be three dollars and eighty cents (~~\$3.80~~\$4.35) per one thousand (1,000) gallons of water.
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by a majority of the registered voters voting in an election called for the purpose of approving or rejecting said rates; Said election to be held on the 5th day of April, 2022.

§ 9. Severability. If any section, subsection, sentence, clause, phrase or portion of this ordinance is for any reason, held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision and such holding shall not affect the validity of the remaining portions of this ordinance, except, that the effective date provision shall not be severable from the operative provisions of the ordinance.

ADOPTED this _____ day
of _____, 2022.

NOT ADOPTED this _____ day
of _____, 2022.

Mayor

Mayor

ATTEST:

City Clerk

File Attachments for Item:

24. CONSIDERATION OF ADOPTION, REJECTION, AMENDMENT AND/OR POSTPONEMENT OF ORDINANCE O-2122-35 UPON SECOND AND FINAL READING: AN ORDINANCE OF THE COUNCIL OF THE CITY OF NORMAN, OKLAHOMA, AUTHORIZING THE CALLING AND HOLDING OF A SPECIAL ELECTION IN THE CITY OF NORMAN, COUNTY OF CLEVELAND, STATE OF OKLAHOMA, ON THE 5TH DAY OF APRIL, 2022, FOR THE PURPOSE OF SUBMITTING TO THE REGISTERED VOTERS OF THE CITY OF NORMAN THE QUESTION OF APPROVING OR REJECTING ORDINANCE O-2122-34, WHICH ORDINANCE AMENDING SECTION 21-113 OF CHAPTER 21 OF THE CODE OF ORDINANCES OF THE CITY OF NORMAN, OKLAHOMA, CONTINGENT ON VOTER APPROVAL OF ORDINANCE O-2122-35, INCREASING THE MONTHLY BASE FEE FOR RESIDENTIAL METERED USERS FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE MONTHLY WATER RATES FOR RESIDENTIAL METERED USERS FROM THREE DOLLARS AND THIRTY-FIVE CENTS (\$3.35) TO FOUR DOLLARS AND TWENTY CENTS (\$4.20) PER THOUSAND GALLONS FOR THE FIRST 5,000 GALLONS OF WATER, FROM FOUR DOLLARS AND TEN CENTS (\$4.10) TO FIVE DOLLARS AND FIFTEEN CENTS (\$5.15) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 5,001 AND 15,000 GALLONS, FROM FIVE DOLLARS AND TWENTY CENTS (\$5.20) TO SIX DOLLARS AND FIFTY CENTS (\$6.50) PER THOUSAND GALLONS FOR WATER USAGE BETWEEN 15,001 AND 20,000 GALLONS, AND FROM SIX DOLLARS AND EIGHTY CENTS (\$6.80) TO EIGHT DOLLARS AND FIFTY CENTS (\$8.50) PER THOUSAND GALLONS FOR WATER USAGE OVER 20,000 GALLONS; INCREASING THE MONTHLY BASE FEE FOR NON-RESIDENTIAL WATER SERVICE FROM SIX DOLLARS (\$6.00) TO SEVEN DOLLARS AND EIGHTY CENTS (\$7.80); INCREASING THE WATER RATES FOR NON-RESIDENTIAL METERED USERS FROM THREE DOLLARS AND EIGHTY CENTS (\$3.80) TO FOUR DOLLARS AND THIRTY-FIVE CENTS (\$4.35) PER THOUSAND GALLONS FOR WATER USAGE UP TO SUCH CUSTOMER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN AND FROM FOUR DOLLARS AND TWENTY CENTS (\$4.20) TO FOUR DOLLARS AND EIGHTY CENTS (\$4.80) PER THOUSAND GALLONS FOR WATER USAGE EXCEEDING SUCH NON-RESIDENTIAL METERED USER'S AVERAGE WINTER CONSUMPTION AS DEFINED HEREIN; PROVIDING AN EFFECTIVE DATE FOR SAID INCREASE SUBJECT TO VOTER APPROVAL; AND PROVIDING FOR THE SEVERABILITY THEREOF.



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REQUESTER: Chris Mattingly

PRESENTER: Chris Mattingly, Director of Utilities

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Water Line Replacements	3.0	15.8	Complete
TOTAL	47.0	63.0	

The funded projects from the 2015 rate increase were completed except for two projects. The groundwater blending project was not fully funded within the last rate increase and is still a proposed capital project and is discussed further in this memo. A site has been identified for the purchase of land for the groundwater treatment plant and negotiations for acquisition are underway. Since the completion of these past projects, additional needs have arisen and are discussed further below.

1. GROUNDWATER SYSTEM DISINFECTION

The Norman water system is supplied by water from three sources: the water treatment plant which receives water from Lake Thunderbird, the groundwater well system, and the Oklahoma City wholesale connection. Water from the water treatment plant and the Oklahoma City wholesale connection are from surface water sources and therefore are required to have a disinfectant residual. Water from the groundwater system has not historically and does not currently have disinfection or a disinfectant residual since groundwater systems are not required to have a disinfectant residual. However, since the system is a combined surface water and groundwater system, the Oklahoma Department of Environmental Quality is requiring that Norman begin adding a disinfectant to the groundwater system so that a chlorine residual of 1.0 parts per million (ppm) meeting Oklahoma Administrative Code 252:631-3-3 (d) (5) is maintained throughout the entire distribution system. To meet this mandate, a capital project is proposed to build a centralized facility to collect groundwater for disinfection and future treatment should regulations become more stringent. This project will include the construction of the facility

containing buildings, chemical systems, tanks, pump station, and required piping to get the water to the facility.

2. ADVANCED WATER METERING

The Advanced Water Metering project will replace approximately 41,000 meters and install new meters with electronic transmitters that will regularly transmit wirelessly recorded water usage. The majority of existing water meters have reached the end of their recommended life warranting replacement and the conversion to this advanced metering has become an industry standard with newer technology due to the numerous benefits that result from the system.

Benefits anticipated from this project include:

- Improved customer satisfaction through accurate water bills;
- Better water use management for customers;
- Leak notifications;
- Water conservation advances with the additional data;
- More efficient use of City staff; and
- Reduced energy from vehicles use and water pumping.

3. WATER LINE REPLACEMENT

The water system is comprised of over 630 miles of water lines with over half of these pipes made of cast or ductile iron. Due to soil conditions in Norman, these metal lines have shown an increased rate of failure which impacts service to our customers. Repairs for failures in an emergency manner are also very cost-inefficient compared to replacement projects in advance of failures. Additional funds for this work will improve service reliability and reduce operating costs in the long-term financial outlook.

4. INCREASED OPERATIONAL COSTS

Operating costs of power, gas, chemicals, and numerous other costs necessary for treating and pumping water and operating the water system continue to increase. Additional funds are required to operate the system in light of increasing costs.

The NUA hired Raftelis to complete an analysis of the water fund and its revenue sources and anticipated expenditures including the above items. This analysis included an evaluation of water connection fees and water rates. A water connection fee increased based on future growth projects was determined to be warranted. However, the groundwater system disinfection project, the advanced water metering project, additional water line replacements, and increased operating costs are not growth related items so connection fees cannot be used for these items.

Regarding proposed water rate increases, Raftelis presented three rate increase alternatives to Council during a study session on December 7, 2021 to generate an additional \$4.7 million annually to provide the required funding. The three alternatives presented were:

1. Increase of base fee and volume rates evenly;
2. Staff-calculated base fee and volume rates; and
3. Larger increase of base fee and smaller increase of volume rates.

Council/NUA discussed the advantages/benefits of the different alternatives but ultimately

determined that Alternative 1 was the best option to move forward.

DISCUSSION: Ordinance No. O-2122-34 amends the water rate structure contingent on voter approval. Ordinance No. O- 2122-35 calls for an election to be held on April 5, 2022, for voters to approve or reject O-2122-34. The proposed rate increases for residential customers as outlined within Ordinance No. O- 2122-34 are briefly shown in the following table.

Description	Existing Rates	Proposed Rates
Monthly Water Service Charge, \$ per bill*		
All Customers	\$7.50	\$9.30
Volume Rates, \$ per 1,000 gallons		
Block 1 (0 - 5,000 gallons)	\$3.35	\$4.20
Block 2 (5,001 – 15,000)	\$4.10	\$5.15
Block 3 (15,001 – 20,000)	\$5.20	\$6.50
Block 4 (20,001 and more)	\$6.80	\$8.50
<i>*Includes \$1.50 monthly capital improvement charge (CIC) which is NOT modified by the proposed rate increase</i>		

The proposed rate increases for non-residential customers as outlined within Ordinance No. O-2122-34 are briefly shown in the following table.

Description	Existing Rates	Proposed Rates
Monthly Water Service Charge, \$ per bill*		
All Customers	\$6.00	\$7.80
Volume Rates, \$ per 1,000 gallons		
Average Winter Consumption (AWC)	\$3.80	\$4.35
Above AWC	\$4.20	\$4.80
<i>*Does not include the monthly capital improvement charge (CIC) which is calculated at 60 percent of the billed sewer revenue and is NOT modified by the proposed rate increase</i>		

The next available election date is April 5, 2022. If the rates are adopted by the citizens they will go into effect June 1, 2022.

RECOMMENDATION: The proposed rates in Ordinance O-2122-34 are the result of NUA/Council's discussion and represent rates designed to cover necessary capital and operation expenses associated with planned improvements. Ordinance O-2122-35 calls a Special Election for a public vote on these rates on April 5, 2022. Staff recommends approval of Ordinances O-2122-34 and O-2122-35 upon Second and Final Reading.