



CITY OF NORMAN, OK CITY COUNCIL STUDY SESSION

Municipal Building, Executive Conference Room, 201 West Gray, Norman,
OK 73069

Tuesday, November 02, 2021 at 5:30 PM

AGENDA

It is the policy of the City of Norman that no person or groups of persons shall on the grounds of race, color, religion, ancestry, national origin, age, place of birth, sex, sexual orientation, gender identity or expression, familial status, marital status, including marriage to a person of the same sex, disability, retaliation, or genetic information, be excluded from participation in, be denied the benefits of, or otherwise subjected to discrimination in employment activities or in all programs, services, or activities administered by the City, its recipients, sub-recipients, and contractors. In the event of any comments, complaints, modifications, accommodations, alternative formats, and auxiliary aids and services regarding accessibility or inclusion, please contact the ADA Technician at 405-366-5424, Relay Service: 711. To better serve you, five (5) business days' advance notice is preferred.

CALL TO ORDER

AGENDA ITEMS

1. UPDATE TO THE RAFTELIS STUDY REGARDING CONNECTION FEES AND A FUTURE WATER RATE INCREASE.
2. DISCUSSION REGARDING THE LEASE AND/OR SALE OF PROPERTY LOCATED AT 101, 112, 113, 115, 116 and 118 WEST GRAY STREET.

ADJOURNMENT



City of Norman

Water Connection Fee and Financial Plan Update

November 2, 2021





Connection
Fees



Financial
Plan

Study goals and objectives



Sustain the water utility's financial health



Fund operations



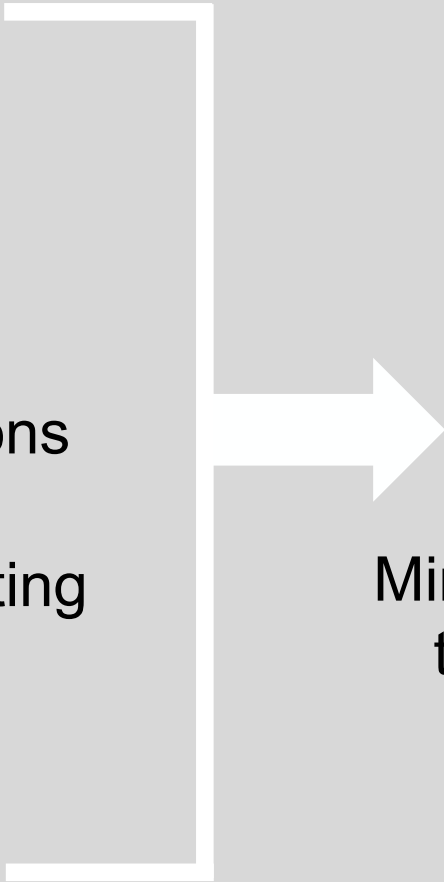
Optimize capital funding options



Maintain equity between existing and new customers

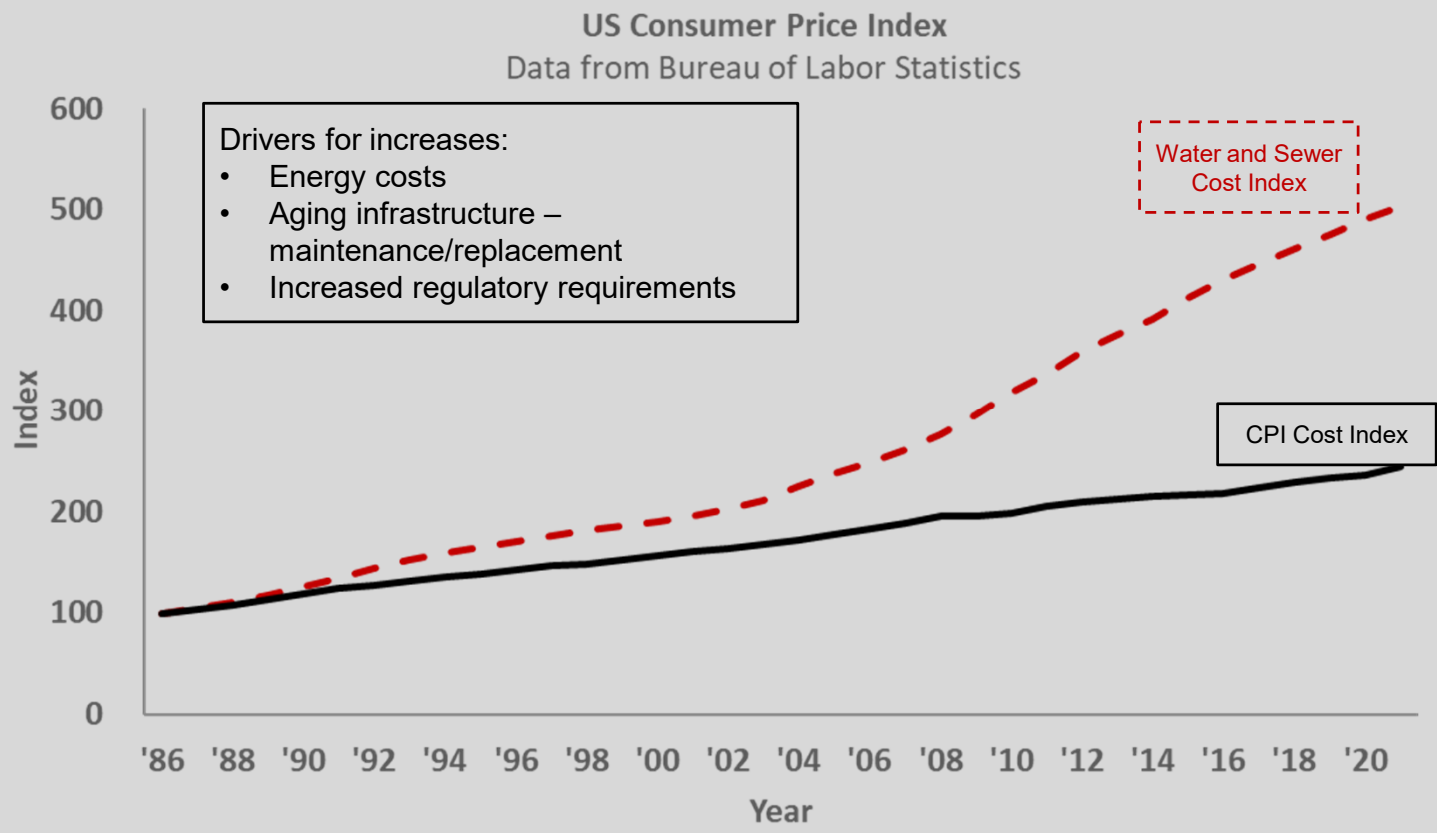


Meet financial metrics and policy objectives

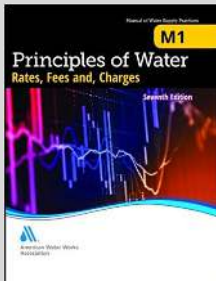


Minimize impact to customer

Water costs continue to increase locally and nationwide



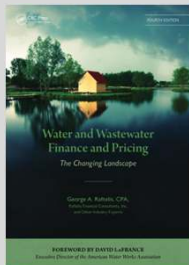
Guided by industry-standard financial planning and rate-setting approaches



American Water Works Association,
Manual M-1, Principles of Rates, Fees, and Charges



Water Environment Federation
Financing and Charges for Wastewater Systems



Raftelis Financial Consultants
Water and Wastewater Finance and Pricing

Changes since 2015 financial plan and connection fee study

- Several projects from the 2015 capital plan have been completed
- Staff identified capital projects for future water supply
- Connection fees were last updated and adopted in 2015
- Water rates were last increased in 2015

Water Connection Fees



What are connection fees?

- One-time charge
- Fee for new customer demand only
- Fee required of all new customers for their share of capacity
- Fee required for existing customers requesting increases in capacity
- Fee based on the value of the utility's capacity and the amount of capacity needed by the new customer

What are connection fees?

- Can be used to pay for debt service
- Can help keep user rates low
- Balances equity between existing and new customers
- Fee represents cost to reserve capacity in system backbone facilities
 - › Water treatment plants
 - › Wells
 - › Transmission mains
 - › Pump stations

Connection fee industry best practices

- Compliant with State Statutes – Title 62, §62-895. Municipal development fees
- Reasonably tied to impact of new development
- Assessed in proportion to impact
- May not be used to fund repairs

Connection fee industry best practices

- Based on actual system costs or reasonable cost estimates
- Assessed in a non-discriminatory manner – based on published fee schedule
- Review the connection fees relative to their sufficiency to fund new capacity....at least biennially to determine the appropriateness of the fees in accordance with Title 62, §62-895.

-Norman municipal code Sec. 21-107. Fees and Charges

Current water connection fees

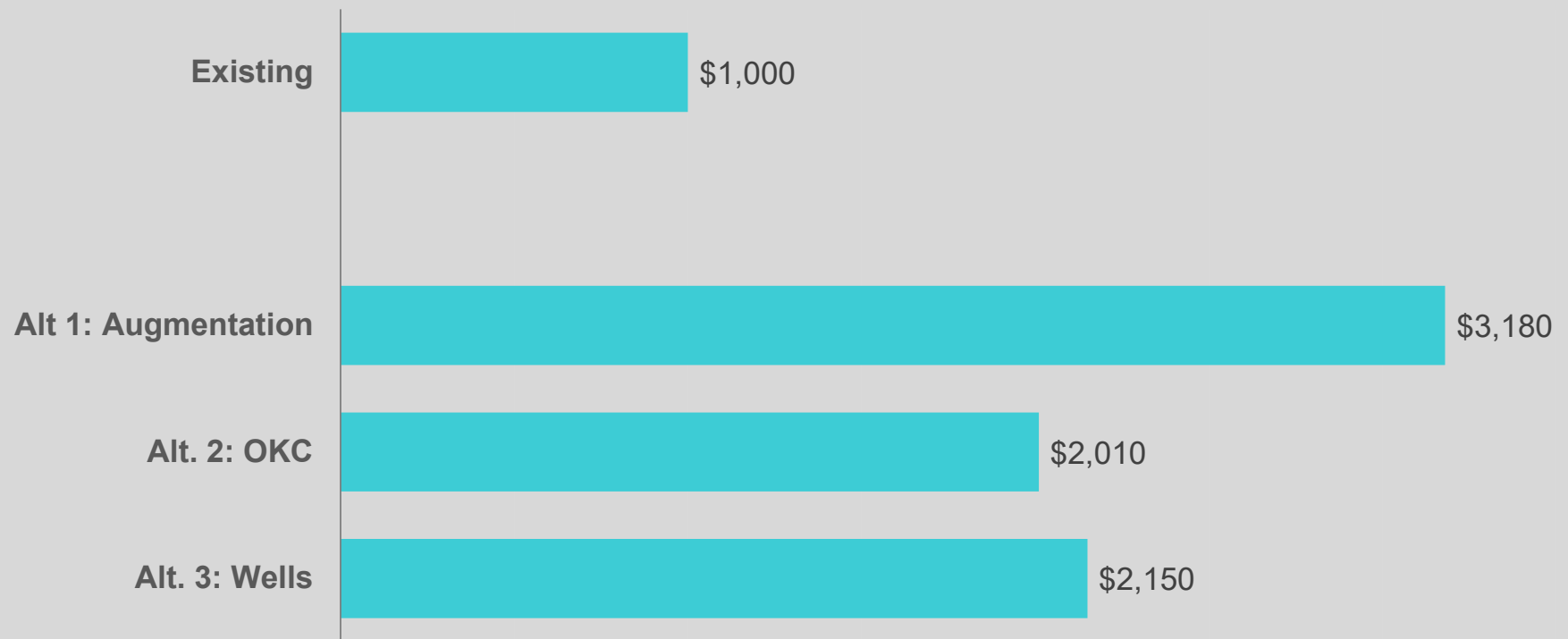


Meter Size (inches)	Fee
3/4"	\$1,000
1"	\$1,670
1 1/2"	\$3,330
2"	\$10,670
3"	\$21,330
4"	\$33,330
6"	\$66,670

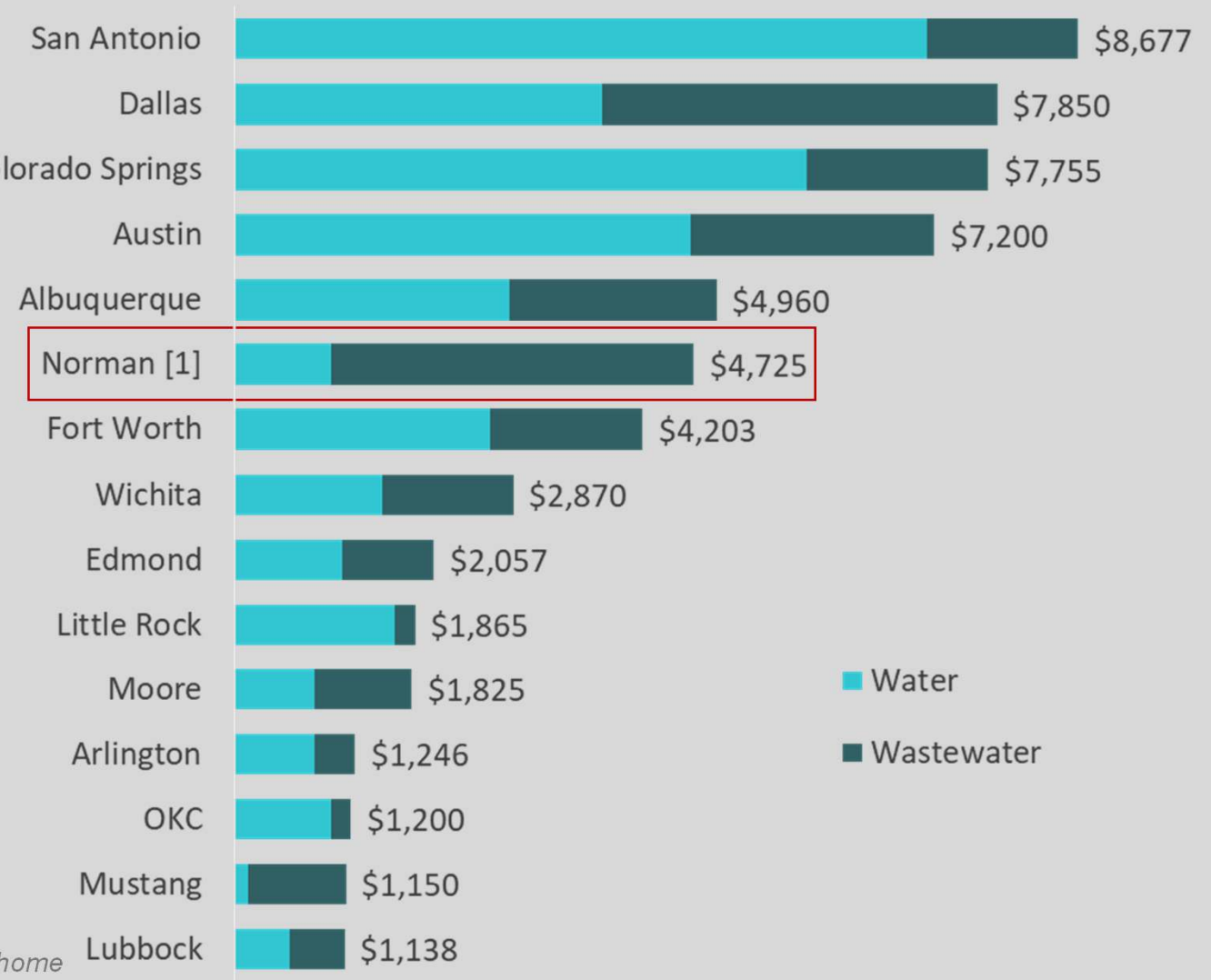
Connection fee alternatives: Funding future capacity infrastructure

- Alt. 1: Augmentation: Lake Thunderbird Augmentation
(Indirect Potable Reuse)
- Alt. 2: OKC - Purchase additional wholesale water from
Oklahoma City
- Alt. 3: Drill/Install wells at Garber-Wellington

Connection fee alternatives comparison 3/4" water meter



Water and wastewater utility survey



[1] Includes wastewater excise tax fee

15 Norman WW fee based on 2,500 sq ft home

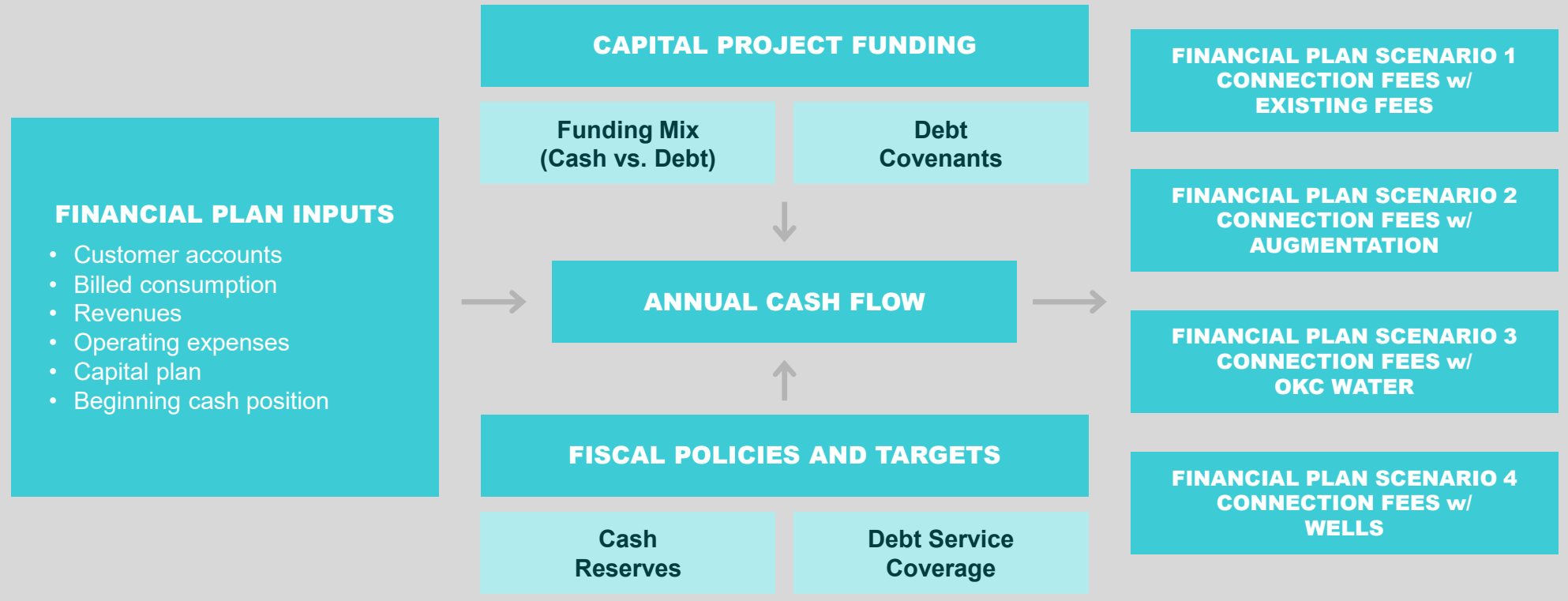
Water Financial Plan





The Financial Planning Process

What is the revenue required to meet expenditures?



Financial plan capital cost drivers

- AMI – Advanced Metering Infrastructure
- Disinfection and blending (DEQ requirement)
- Water line replacement
- Source of supply acquisition

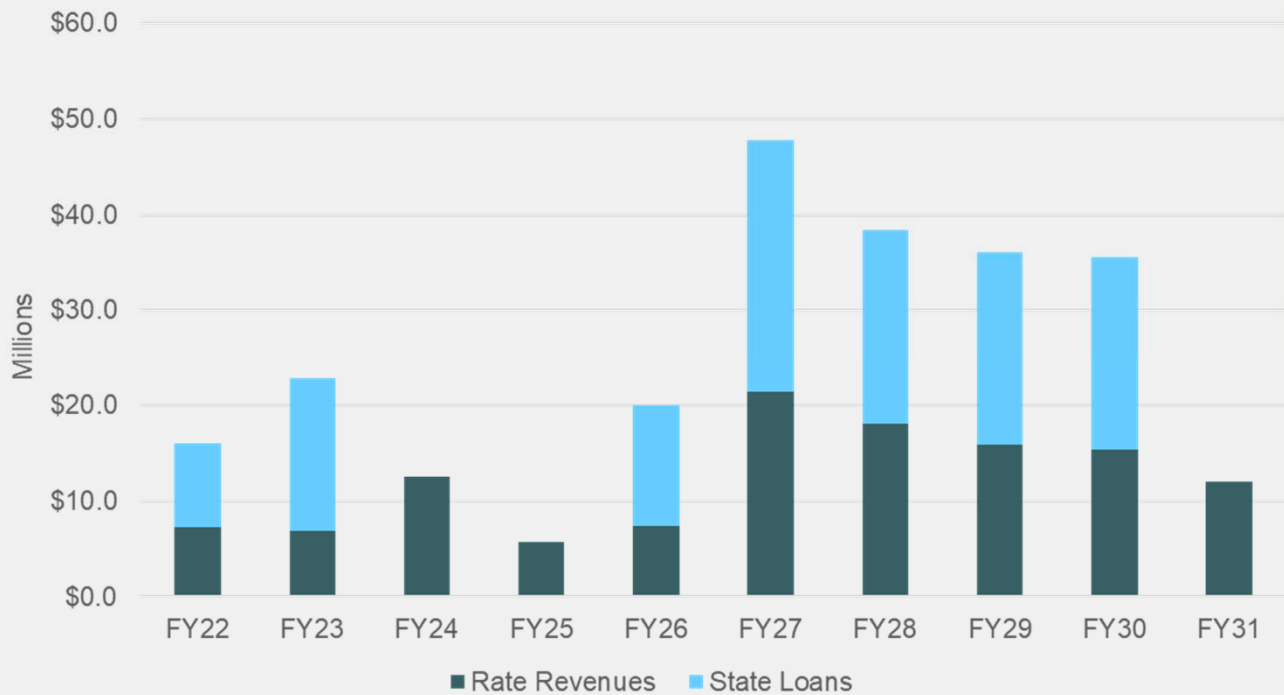
Financial plan assumptions

- Forecast period: 2022 - 2031
- Incorporates proposed revenue adjustment of \$4.0 million anticipated for FY23 implementation
- Annual customer account growth of 1.67%
- Operating reserve target: 30 days of O&M

Financial plan assumptions

- Capital reserves target: \$15 million
- Debt service coverage requirement: 1.25 times annual debt service
- Revenue adjustments on 3-year intervals
- State loan terms
 - › 20-year term, 3.0% annual interest rate, 2.0% issuance costs

Water utility capital improvement program, FY22 – FY31



\$122.5m Rate Revenue

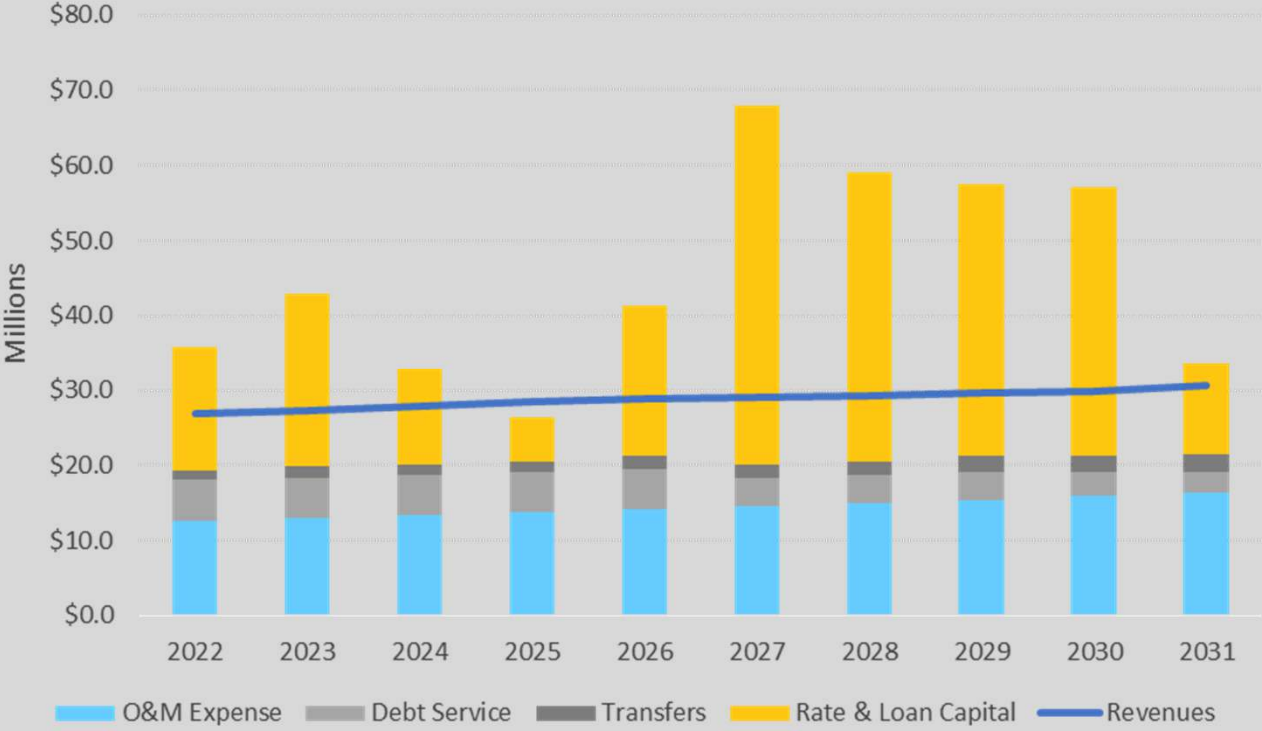


\$124.4m State Loans



\$246.9m Total

Cash flow projections: No revenue increases



Inadequate debt service coverage



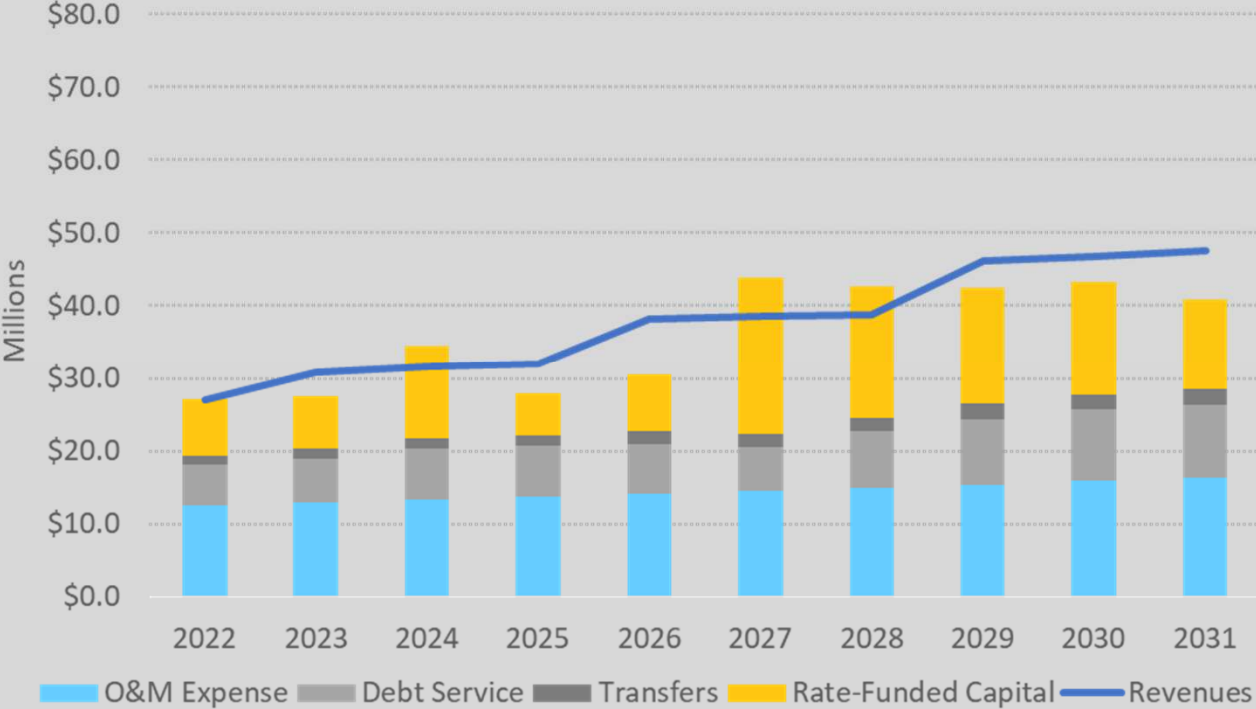
Depletion of reserves



Reduced level of service

*Based on existing connection fees
Revenues include connection fees

Cash flow projections with proposed revenue adjustments



**Based on existing connection fees
Revenues include connection fees
Capital costs net of proposed bond issues*



Meet debt service coverage



Maintain adequate reserves



Maintain level of service

Fund balance and reserve targets with proposed revenue adjustments



*Based on existing connection fees

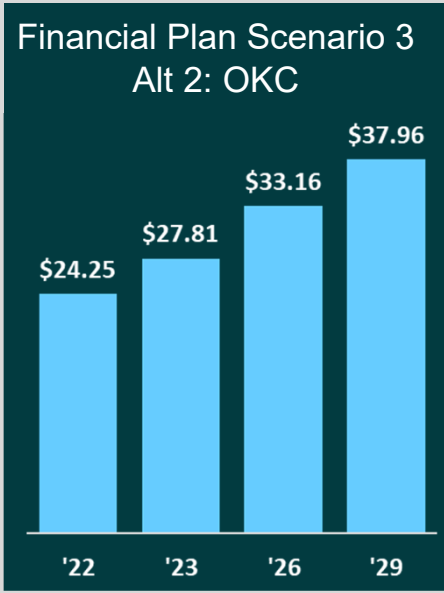
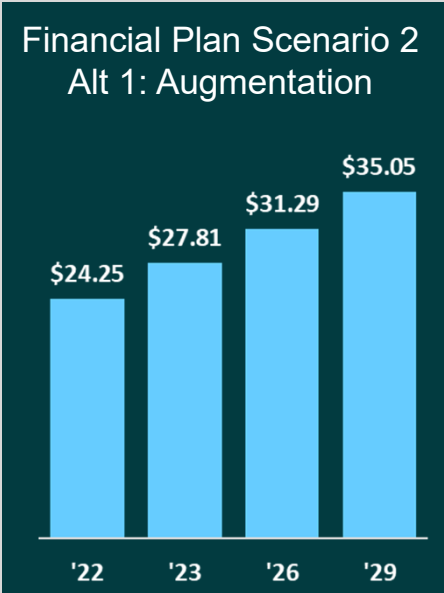


Meet target reserves by end of study period

Financial plan scenario results

Typical monthly residential bills under each alternative

3/4" customer, 5,000 gallons usage



Monthly Bill Change

	'23	'26	'29
Change	\$3.56	\$5.43	\$6.48

Monthly Bill Change

	'23	'26	'29
Change	\$3.56	\$3.48	\$3.76

Monthly Bill Change

	'23	'26	'29
Change	\$3.56	\$5.35	\$4.80

Monthly Bill Change

	'23	'26	'29
Change	\$3.56	\$2.79	\$3.06

Thank You



Possible Sale or Lease of Property (101, 112, 113, 115, 116 and 118 W. Gray)

City Council Study Session
November 2, 2021



Sites

101 W. Gray

113 W. Gray



Sites

115 W. Gray



101 – 115 W. Gray

- Approximately 19,384 of built out space
- Land – 0.528 acres
- Current Zoning: CCFBC Urban General
- Legacy Zoning: C-2
- 101 and 113 built in 1940; 115 built in 1955



Sites

112 W. Gray



116 W. Gray



Sites

118 W. Gray



112 – 118 W. Gray

- Approximately 19,523 square feet (less than ½ acre)
- Current Zoning: CCFBC Urban General
- Legacy Zoning: C-2



Background

- These properties were acquired by the City of Norman in 2011 “for municipal purposes” with funds obtained through a financing pledging capital fund revenues.
- Purchase price: \$1,650,000
- Transferred via Quit Claim deed to the Norman Municipal Authority in 2012
- Staff Memo in 2011: Potential future municipal uses included location for the Facilities Management Division, Municipal Court, central location for Development Services, storage, and expansion of municipal and public parking.
- Structures on the north side of Gray have been used for storage and Facilities Management; lots on the south side of Gray remain vacant.



Zoning

- CCFBC – Urban General: purpose is to develop multi-story buildings with 3 or more dwelling units within a single or attached structures and/or mixed-use placed directly at the sidewalk or behind small doorwalls.
- Legacy Zoning – C-2
 - As long as an addition to the structures on the north doesn't exceed 50% of the structure of the non-conforming structure, developer could proceed under legacy zoning
 - Wide variety of uses allowed, including artist studio, amusement enterprise, gift shop, and office business



Authority to Sell/Lease Property

- City Charter (Article I, Section 1)
 - City can hold, lease, mortgage, convey or otherwise dispose of any of its property
- State Law (11 O.S. 22-101)
 - City can sell and convey any real or personal property owned by the municipality and make orders respecting the same as may be conducive to the best interests of the municipality
- Case Law – City holds property in two distinct capacities:
 - Property purchased and held by municipal corporations for the use of the corporation as an entity
 - Power of the municipal corporation to dispose of it is unquestioned
 - Property purchased and held by the municipal corporation for the public use and benefit of its citizens (parks, municipal dump lands, etc)
 - Municipal corporation can only dispose of the property when the public use has been abandoned, or the property has become unsuitable or inadequate for the purpose to which it was dedicated

See *State ex rel. Remy v. Agar*, 559 P.2d 1235 (1977), citing *City Nat. Bank v. Incorporated Town of Kiowa*, 230 P. 894, 897 (1924)



Background

- Staff was approached by Factory Obscura in Spring 2021 about creating a larger scale immersive art museum experience in Downtown Norman; Council discussed this potential economic development project on April 13, 2021
- Many buildings in Downtown Norman are of historical significance and could be more challenging to convert to this use.
- Factory Obscura believes the City's Gray Street properties could be converted, and would tie in nicely with other upcoming projects, including two-way Gray Street, James Garner Avenue Improvements, etc.
- Factory Obscura has been soliciting investments over the last number of months and have a number of investors

Concerns – ensuring there is adequate space; investing for a shorter term arrangement; low cost financing



Possible Scenarios

- Performance Standards should drive the decision in an economic development project – it is important to ensure a return on the City’s investment, if any.
 - Job Creation: to be considered a “quality job”, each full time job must pay at least \$41,916 per year and provide benefits
 - Would need to work with Factory Obscura to determine how many quality jobs and when they were anticipated to come on line.
 - Could also include standards related to number of visitors
 - Clawbacks if the standards are not met
- Long Term Lease - nominal lease rate to assist them to recoup their investment more quickly; lease renewal would be at a negotiated market rate
- Purchase – Negotiate a below market purchase price, contingent on performance standards, reversionary right for a period of time if standards are not met; right of first refusal thereafter.
- Financing Improvements; Long Term Lease – work with the Cleveland County Industrial Authority to finance a portion of the improvements/rehabilitation/construction. City would pledge lease payments (or a portion thereof) to the Authority until the financing is paid off. Possibility this could be a lease to purchase arrangement as well.

In any scenario, payments from Factory Obscura would be made primarily from admission and gift shop revenue.



QUESTIONS? INPUT?

