



# CITY OF NORMAN, OK CITY COUNCIL STUDY SESSION

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

Tuesday, December 07, 2021 at 5:30 PM

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## 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. DISCUSSION REGARDING AN ELECTION FOR A WATER RATE INCREASE.

### ADJOURNMENT



# City of Norman

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## Water Connection Fee, Financial Plan, and Rate Design Study

December 7, 2021





Connection Fees



Financial Plan



Rate Design

# Water Connection Fees



# Current water connection fees

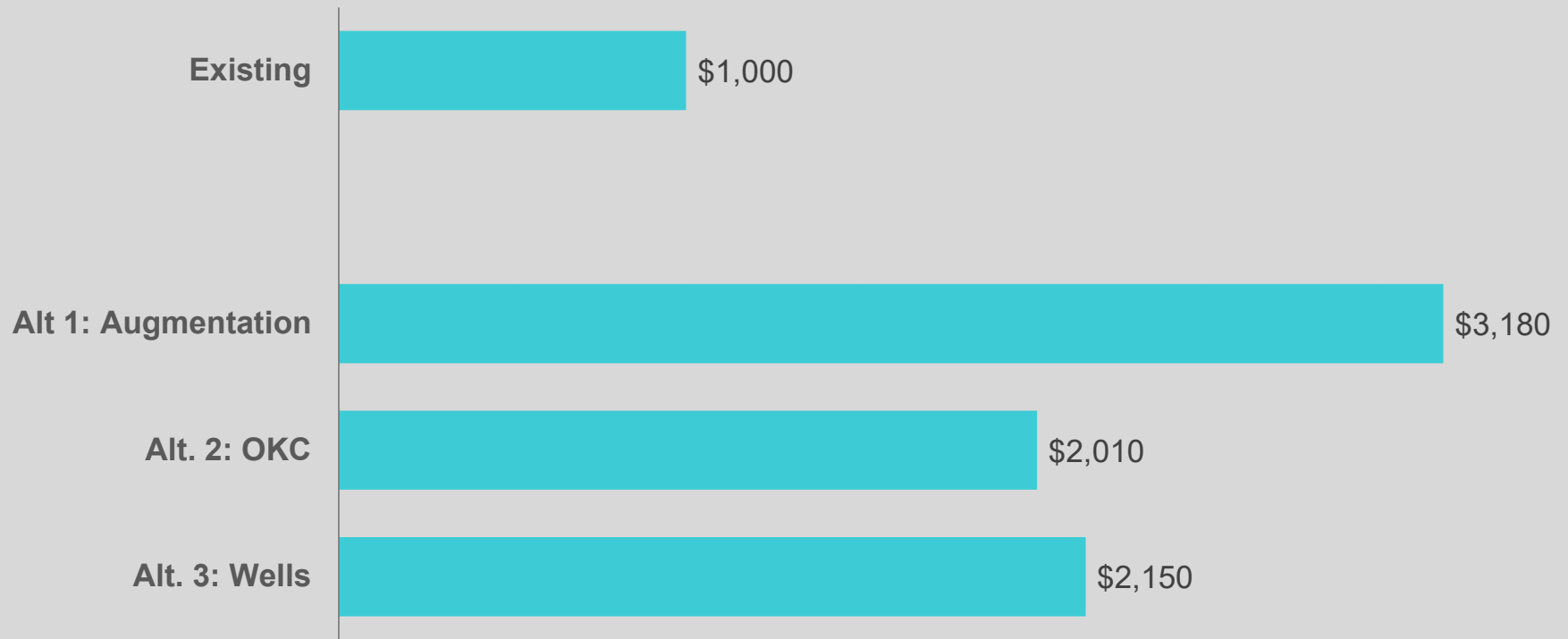


Meter Size (inches)	Fee
3/4"	\$1,000
1"	\$1,670
1 1/2"	\$3,330
2"	\$10,670
3"	\$21,330
4"	\$33,330
6"	\$66,670

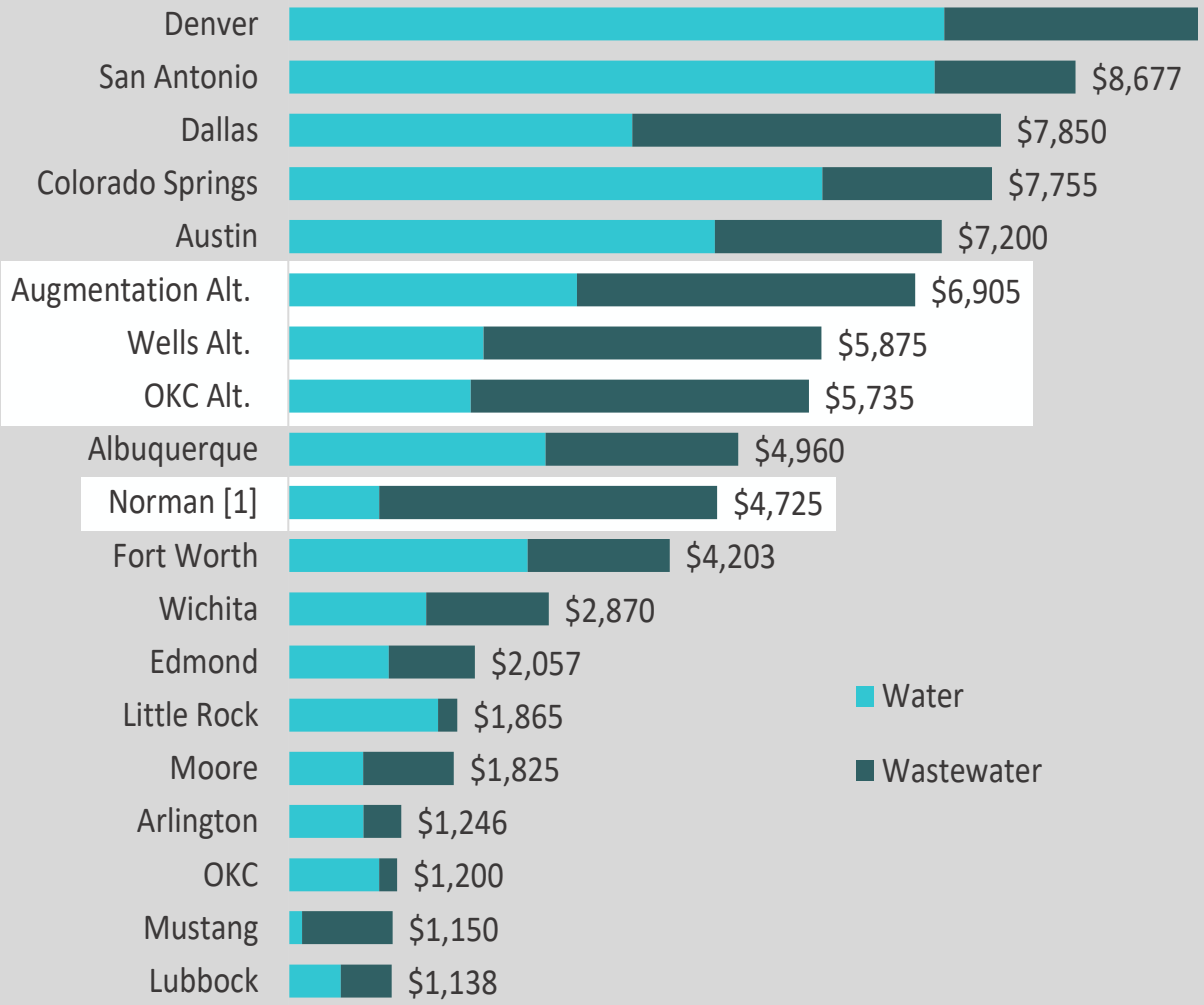
## Connection fee alternatives: Funding future capacity infrastructure

- Alt. 1: 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

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



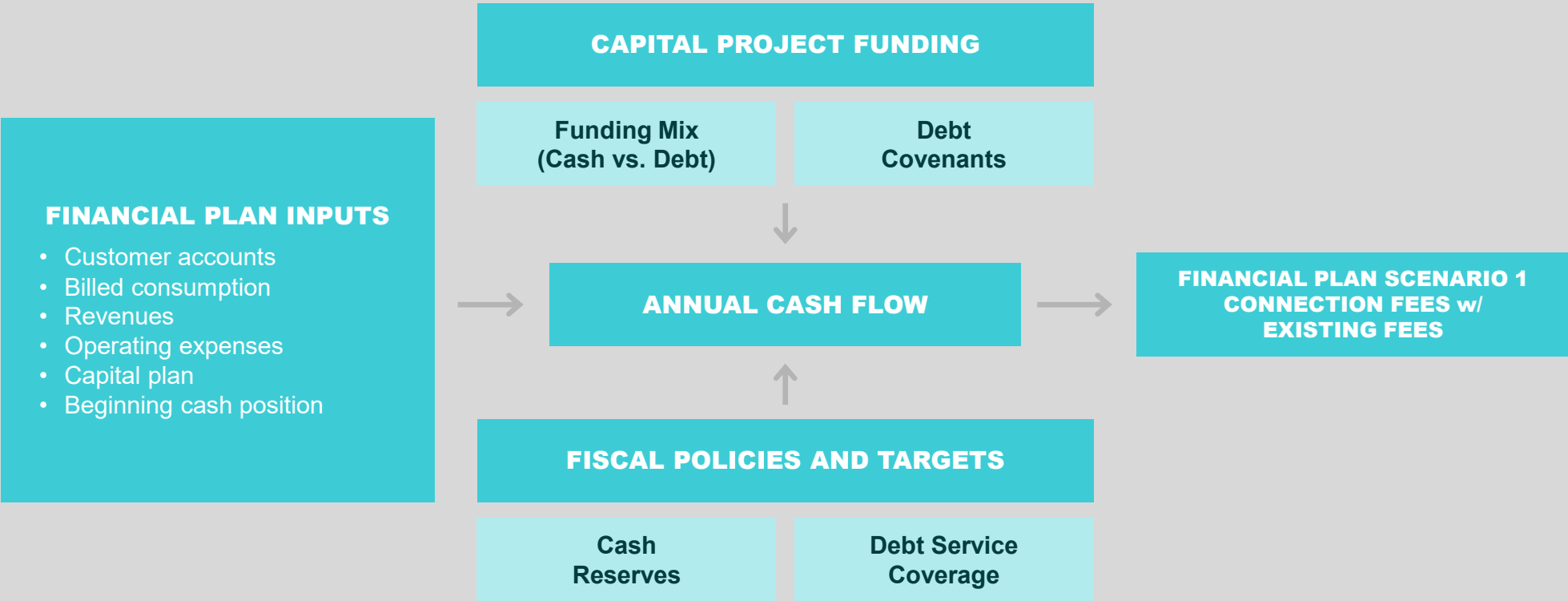
# Water Financial Plan



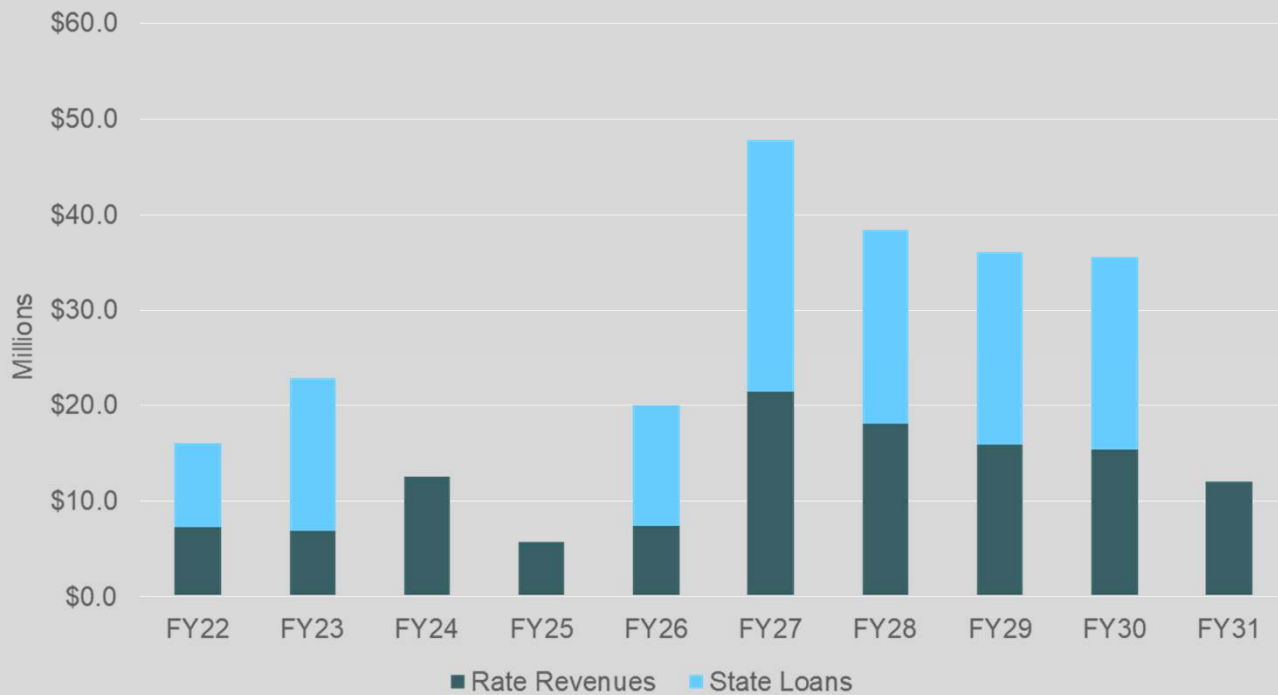


# The Financial Planning Process

*What is the revenue required to meet expenditures?*



# Water utility capital improvement program, FY22 – FY31



\$122.5m Rate Revenue

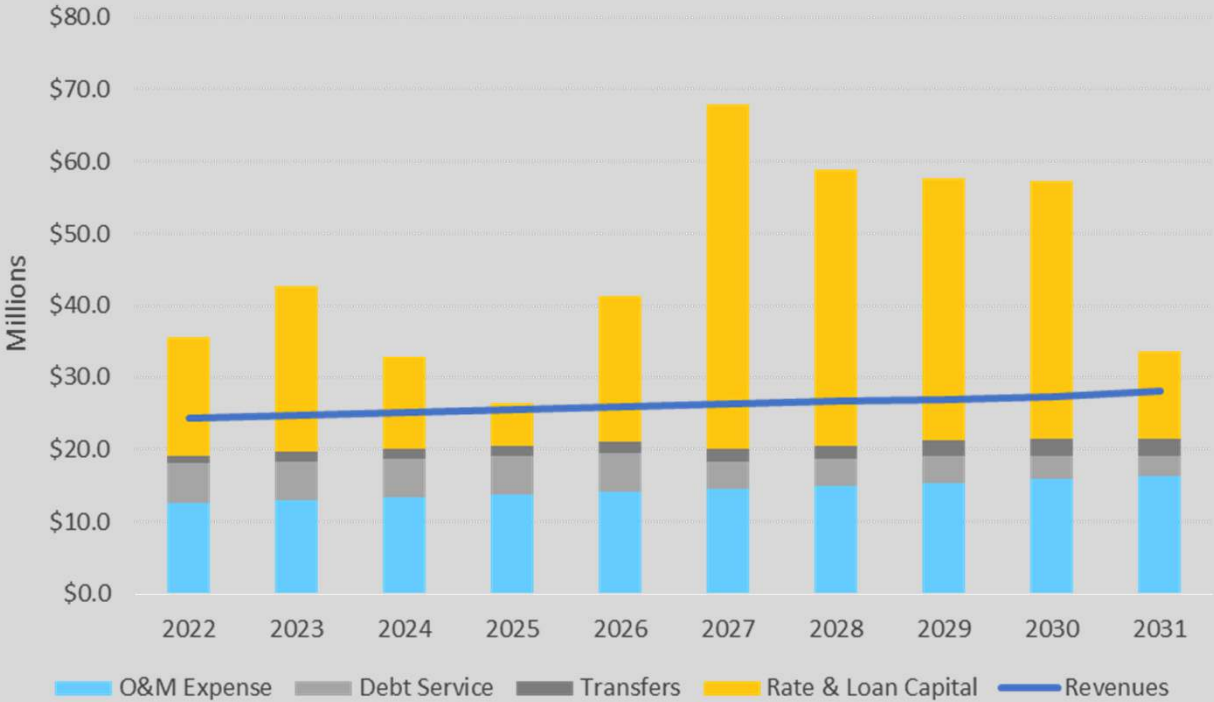


\$124.4m State Loans



\$246.9m Total

# Cash flow projections: No revenue increases



Inadequate debt service coverage



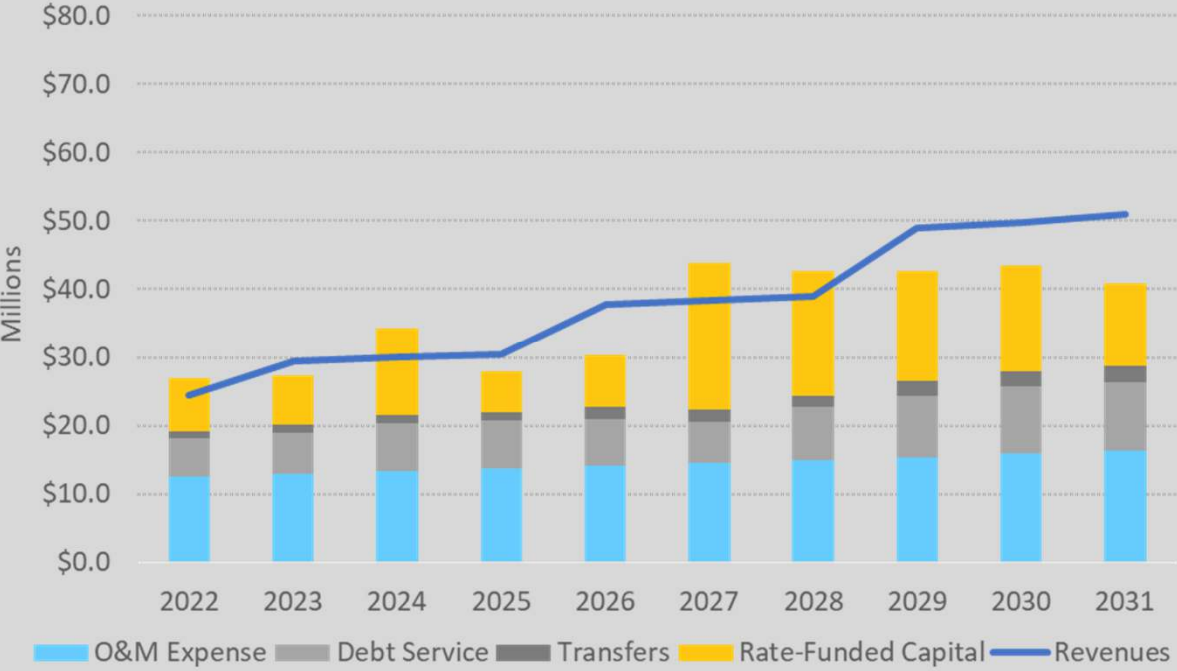
Depletion of reserves



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

# Rate Structure Design



# What costs do water rate structures recover?

- Monthly service charge
  - › Cost of billing, administration, meters, and customer service field services
  - › A portion of capital costs (e.g. depreciation expense, debt service, etc.)
- Volume rates
  - › Recover the cost to pump, treatment, store and distribute water to customers
  - › Fire protection costs

# Current residential rate structure

## Fixed Monthly Charge

Description	Monthly Charge \$ per bill
All Meter Sizes	\$6.00
Capital Imp. Charge	\$1.50
<b>Total Fixed Charge</b>	<b>\$7.50</b>



## Fixed Block Volumetric Rates

Threshold (gallons)	Volume Rate (\$ per kgal)
0 – 5,000	\$3.35
5,001 – 15,000	\$4.10
15,001 – 20,000	\$5.20
> 20,000	\$6.80



## Monthly Water Bill





# Current commercial/industrial rate structure

## Fixed Monthly Charge

Description	Monthly Charge \$ per bill
All Meter Sizes	\$6.00
<b>Total Fixed Charge*</b>	<b>\$6.00</b>
*CIC = 60% of sewer \$ figure	



## Block Thresholds Vary by Customer

Threshold (gallons)	Volume Rate (\$ per kgal)
0 – AWC*	\$3.80
> AWC	\$4.20
*AWC = Average winter consumption	



## Monthly Water Bill



# Common pricing objectives



**Revenue stability**



**Equity between classes**



**Equity within a class**



**Equity between existing and new customers**



**Conservation pricing signal**



**Demand management**



**Essential use affordability**



**Customer understanding**



**Customer impact**



**Ease of administration/  
implementation**

# Universal objectives



**Revenue Sufficiency**



- Costs covered
- Financial health maintained



**Defensibility**



- Legally compliant;  
defensible in court

# Norman's pricing objectives



**Revenue stability**



**Conservation pricing signal**



**Essential use affordability**



**Equity between existing and new customers**



**Customer impact**



**Ease of administration/implementation**

# Rate structure alternatives



## Residential Alternatives

Alternative 1: Across-the-board increase based on financial plan results

Alternative 2: “July Retreat” rates

Alternative 3: Higher fixed charge – increase revenue stability



## Commercial

Fixed charge will vary based on residential alternatives

# FY23 rate revenue needs

- Recover additional \$4.7 million starting in FY23 to fund AMI project and regulatory disinfection project
- Total rate revenue to be recovered in FY23: \$24.7 million
  - › Residential portion: \$19.9 million
  - › Commercial portion: \$4.8 million
- The \$4.7 million will be recovered through a combination of the monthly service charge and volume rates

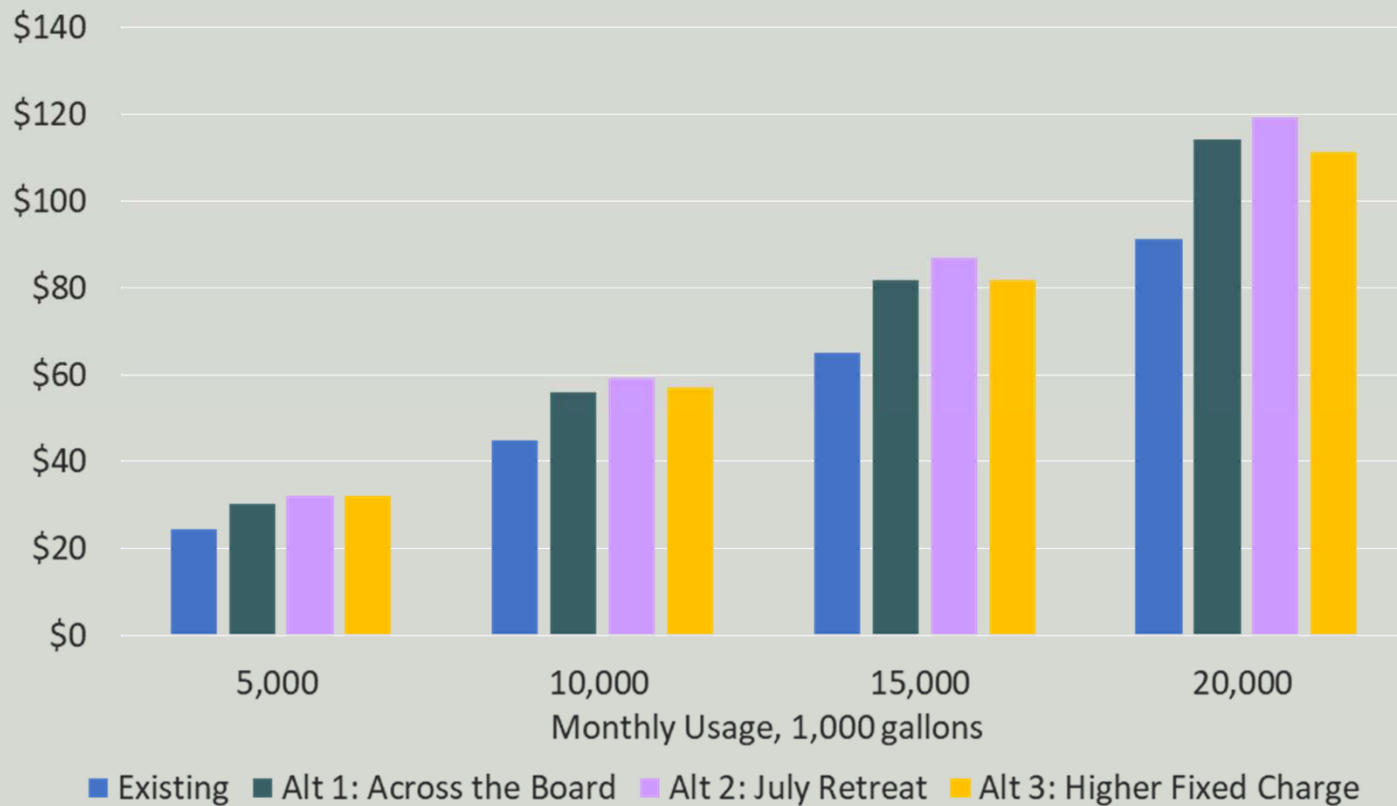


# Residential rate alternatives snapshot (FY23)

Description	2022 Current Rates	Alt. 1 Across the Board	Alt. 2 July Retreat	Alt. 3 Higher Fixed Charge
Monthly Service Charge, \$ per bill				
All Customers	\$7.50	\$9.30	\$9.50	\$11.50
Volume Rates, \$ per 1,000 gallons				
Block 1	\$3.35	\$4.20	\$4.50	\$4.10
Block 2	\$4.10	\$5.15	\$5.50	\$5.00
Block 3	\$5.20	\$6.50	\$6.50	\$5.90
Block 4	\$6.80	\$8.50	\$8.00	\$7.25



# Residential bill comparison at various levels of consumption







# Residential typical bill comparison in tabular form

Water Usage 1,000 gal	2022 Current Rates	Alt. 1 Across the Board	Alt. 2 July Retreat	Alt. 3 Higher Fixed Charge
0	\$7.50	\$9.30	\$9.50	\$11.50
1	\$10.85	\$13.50	\$14.00	\$15.60
2	\$14.20	\$17.70	\$18.50	\$19.70
3	\$17.55	\$21.90	\$23.00	\$23.80
4	\$20.90	\$26.10	\$27.50	\$27.90
5	\$24.25	\$30.30	\$32.00	\$32.00
10	\$44.75	\$56.05	\$59.50	\$57.00
15	\$65.25	\$81.80	\$87.00	\$82.00
20	\$91.25	\$114.30	\$119.50	\$111.50

73% of monthly bills are 5,000 gallons or less



# How the residential alternatives compare against objectives

Water Usage 1,000 gal	Revenue Stability	Conservation	Essential Use Affordability	Equity	Customer Impact	Ease of Administration
Across the Board	✓✓	✓✓	✓✓	✓	✓✓✓	✓
July Retreat	✓✓	✓✓✓	✓	✓	✓	✓
Higher Fixed Charge	✓✓✓	✓✓	✓	✓	✓	✓



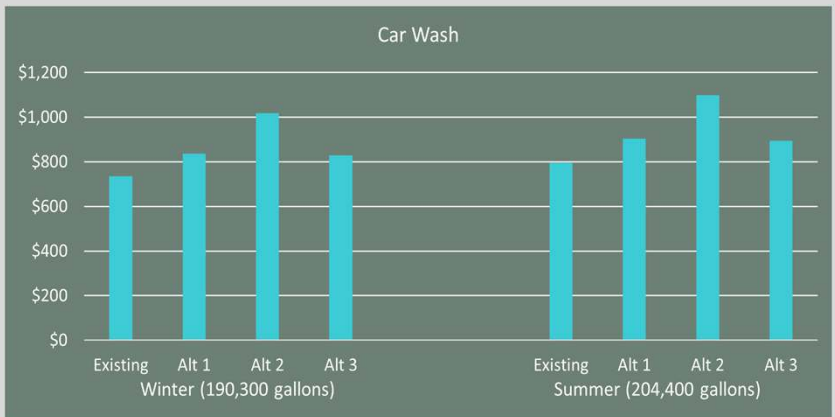
# Commercial rate alternatives snapshot (FY23)

Description	2022 Current Rates	Alt. 1 Across the Board	Alt. 2 July Retreat	Alt. 3 Higher Fixed Charge
Monthly Service Charge, \$ per bill **				
All Customers	\$6.00	\$7.80	\$8.00	\$10.00
Volume Rates, \$ per 1,000 gallons				
Block 1	\$3.80	\$4.35	\$5.25	\$4.25
Block 2	\$4.20	\$4.80	\$5.75	\$4.70
*The proposed service charges from the residential alternative apply to commercial. The volume rate structure, price ratios, and number of tiers remain the same as the existing rates for all alternatives.				
** CIC = 60% of sewer \$ figure				



# Commercial typical bill comparison

## Various business types



# Thank You

