

MINUTES OF THE MEETING OF THE BOARD OF COMMISSIONERS  
PONCA CITY, OKLAHOMA  
May 31, 2016

Southwest Business Products E1505510LD

Pursuant to notice as required by law, the Ponca City Board of Commissioners met in special session at 2:00 p.m. in the Commission Chamber at City Hall, 516 E. Grand Avenue, with Mayor Homer Nicholson presiding:

Present: Homer Nicholson, Mayor  
Lanita Chapman, Commissioner  
Ryan Austin, Commissioner  
Nancy Rathbun, Commissioner  
Mary Beth Moore, Commissioner  
Craig Stephenson, City Manager  
Michael Vanderburg, City Attorney  
Marc LaBossiere, Finance Director/City Clerk

Absent: None

Others Present: Tana McKinley, Don Bohon, Hong Fu, Chris Henderson, Mike Lane, Anthony Rogers, Jim Sindelar, City Staff; Curt Wilson, P66, David Myers, PCDA, Brett Cabbiness, Beverly Bryant, TEAM Radio, Steve Dye, PC News

1. CALL TO ORDER.

Mayor Nicholson called the meeting to order at 2:00 p.m.

2. DISCUSS PROJECT COSTS ASSOCIATED WITH THREE SCENARIOS OF DRAWING KAW LAKE WATER TO PONCA CITY

Mayor Homer Nicholson began, reminding all that the City has talked about Kaw Lake as a water supply for years and what we should or shouldn't do regarding our water rights there. Nicholson noted that the City of Enid is now looking to draw water out of Kaw Lake. As the City has water rights there, he conveyed a feeling that it is the responsibility of the City Commission to be looking to 30, 40 and 50 years down the road about the future water supply for Ponca City. Nicholson then expressed gratitude to City staff for their time and effort in researching the issue to bring information in a work session format to educate the Commission as well as giving the news press an opportunity to learn and help inform the public. Nicholson re-iterated that it is a very important topic and reminded all that when he ran for office 10 years ago it was one of his concerns.

City Manager Craig Stephenson clarified that today's work session and presentation are an overview of the facts as we know them today, and hopefully they will create a valid conversation about Ponca City's water rights and water supply. Stephenson informed all that the City has three permitted sources of water for its water supply, one in a ground water permit and two in different stream water permits. Stephenson explained that Ponca City has accessed two of these three sources of water; the first in our ground water supply which is derived from three well fields east of Ponca City, between the City and the Arkansas River. We have also accessed at times one stream water source that is from Lake Ponca. The second stream water supply that the City has access to but has not utilized is Kaw Lake. Stephenson then detailed the differences between groundwater rights and surface water rights, basically that groundwater rights are yours once you own them but surface water rights are allocated based on a schedule of use, meaning that you use them or risk losing those rights or having them reduced over time.

Stephenson continued, discussing recent drought trends and efforts by the City of Enid to secure water rights to Kaw Lake along with preliminary engineering of a pipeline project to move approximately 20 million gallons per day of raw water from Kaw Lake to Enid for their use. The first cost estimate for Enid's project is \$451 million, with a contingency of 30%. Final costs could be less than this amount, or more depending on many factors.

Stephenson informed all that Ponca City's largest and main source of water supply is our groundwater permit. Our well fields have dropped some during the most recent drought. While the City doesn't have a long time period of data in the use of the well fields and water levels, we do have what we believe to be valid data batches. There are three well fields Ponca City utilizes: the East Well Fields-closest to the Arkansas River, the Mid Well Field, and the West Well Field-just to the east of the City's water plant. The East Well Field which is closest to the Arkansas River dropped between 4 and 6 feet from July 2009 to July 2012. By July 2015, most were only 1 ½ to 2 feet below the 2009 levels and we don't know what 2016 has done, but it has been wet and we anticipate levels to be up further. The West Well field is the most productive and is the closest to the water plant. In July 2012 the wells were down between 4 and 10 feet from July 2009. By July 2015, one of the wells had completely recovered, and the others were 6 to 7 feet below the 2009 levels. Stephenson summarized that we are seeing a recovery in the well fields as they are charged mainly by the Arkansas River.

Stephenson continued, emphasizing that Ponca City's current water supply has served the community well over our history, as we have not rationed water, even in the most recent drought period. Because of the eastward march of the nation's drought and the City of Enid's desire to come over and take water from Kaw Lake, we felt that it was important to have a study done, so we hired an engineering firm to provide us with an order-of magnitude cost estimates on three possible scenarios for accessing the water from Kaw Lake for our water supply. Stephenson concluded noting that Environmental Services Director Hong Fu will now make a presentation on the three scenarios, and after she is done Finance Director Marc LaBossiere will provide the Commission with options for funding and possible rate increases and the debt service obligations. Stephenson clarified that that this was the planned overview of what was to accomplish today, with a real desire of opening a conversation with the community and that the press will hopefully help get the word out.

Fu began her presentation stating the purpose of her PowerPoint presentation was to discuss Ponca City's water rights, to outline three scenarios of drawing Kaw Lake water to supply the Ponca City Water Treatment Plant, to provide order-of magnitude cost estimate associated with each Kaw Lake water transmission scenarios, and finally, to generate interest and discussion about Ponca City's long-term water supply. Fu informed all that Kaw Lake was originally a reservoir project authorized by the Flood Control Act of 1963, with construction beginning in 1966, and the Lake opening for use in 1976. Fu noted there are multiple purposes for Kaw Lake, including in order of importance, flood control, water supply, fish and wild life, hydropower, and recreation. Fu stated a belief that it is important to know the function of the lake and to know that water rights will never be allocated to a point that exceeds the lake's dependable annual yield and that it will always be at a level to support the fish and wildlife along with recreation.

Fu continued, noting that Ponca City has three water rights at this time, including a stream water permit to Lake Ponca totaling about 2,529 acre feet per year equal to 2.26 million gallons per day (MGD), a groundwater permit to our well field that runs from Kaw Lake

Dam to the eastern edge of Ponca City which is 14,048.6 acre feet per year equal to 12.54 MGD, and a stream water permit to Kaw Lake which has never been utilized and is 14,031 acre feet per year equal to 12.53 MGD. Ponca City's stream water permit to Kaw Lake originally required the City to first draw 20% of the allocated water before 2004. The permit was amended by the Board in 2004 for the City to begin use in 2014. In 2013 the City requested another revision to the schedule of use to 2024. The OWRB has not yet responded to this 2013 request.

Fu stated that there were three scenarios drafted by Garver Engineering to draw water from Kaw Lake and secure our permit. Both Scenario 1 and Scenario 2 will utilize the existing 48" shutoff valve in Kaw Dam and the existing valve owned by Ponca City and Stillwater. The valve is located about 2100 feet south of the dam. The hydraulic capacity of the valve is more than enough to support Ponca City and Stillwater. The difference between Scenario 1 and Scenario 2 is the proposed flow rate. Scenario 3 is only possible if the City of Ponca City chooses to partner with the City of Enid in a pipeline project to Kaw Lake, where we access a pump intake at the lake, and the transmission pipeline to the south of Ponca City.

Fu explained details for the scenarios, as follows:

Scenario 1 – Ponca City uses the existing intake structure with a proposed flow rate of 20.1 MGD. Major infrastructure needs include 42,500 feet of 36" transmission main and fittings, a 36" launching and receiving station, a new pump station, SCADA equipment and programming, electrical service and fiber cable, and upgrades to the City's water treatment plant.

Scenario 2 – Ponca City uses the existing intake structure, but with a proposed flow rate of 16.2 MGD on a gravity flow basis. Major infrastructure needs include 42,500 feet of 36" transmission main, a 36" launching and station, SCADA equipment and programming, electrical service and fiber cable, and upgrades to the City's water treatment plant.

Scenario 3 – Ponca City will partner with the City of Enid with a proposed flow rate of 20 MGD for Ponca City. Major infrastructure needs to be shared with Enid include power transmission to the intake valve at Kaw Lake, emergency backup power, intake pump station, and approximately 63,000 feet of 36" pipeline. Major Infrastructure needs to be funded by Ponca City include approximately 16,000 feet of 36" pipeline, multi-stage pressure reduction equipment, and upgrades to the City water treatment plant.

Fu then explained the calculations used to determine the project costs for each scenario. The estimated grand total for Scenario 1 is \$61 million, Scenario 2 is \$54 million, and Scenario 3 is \$67 million. Fu noted that the discussion of this project is not driven by a water shortage by Ponca City. The water rights to the well fields alone have and continue to support our community's water needs.

Fu then discussed the City's well fields, as well as the P66 Well field. The City's East Well field is the least productive well field with a saturation depth of 20 to 26 feet which is more drought resistant and recovers much quicker than the highly productive West Well field which has a saturation depth of 30 to 35 feet, but it is not drought resistant at all. We do not have a long term monitoring data on the well fields, but have data since 2009. The City's East Well field and West Well field along with both of the P66 Well field are in the same aquifer, however, the City's Well fields recover much better than the P66 Well field. Stephenson then mentioned that the City's original permit with OWRB was in 1984 and that

they adjusted the schedule of use several times since then. For over 30 years Ponca City has pondered the question about Kaw Lake as our water supply.

City Finance Director Marc LaBossiere began with information on the municipal debt in general, qualifying that any City debt requires approval of a vote of the people. The most common form of City debt is General Obligation Bonds (G.O.), with the most recent example in Ponca City being resident approval of a project to construct a new Public Safety Center in 1974. Currently, the City does not have any G.O. bond debt. The principal and interest to pay off the G.O. bond debt is collected through ad valorem property taxes.

LaBossiere continued, discussing public trust debt options, as is appropriate for the Ponca City Utility Authority (PCUA). The PCUA is a public trust, which is more like a business, and the City is the sole beneficiary. With public trusts, no vote of the people is required for debt as they mirror business-like activities. However, public trust debt does require a supermajority approval by the trustees, which is 4 out of 5 votes in our case. LaBossiere stated that the most common form of public trust debt is probably revenue bonds, where all revenues from the utility system are pledged against the debt that is issued. Another very common public trust debt program is from OWRB Loan Programs. Another common method of public trust debt is private placements, where at times in the economic cycle large banks are hungry for municipal debt and give very competitive rates. LaBossiere noted there are some other hybrids such as our recent PCUA debt issue for the Ponca City Aquatic Family Center-YMCA, where the citizens voted to approve a dedicated ½ cent sales tax as the primary source of revenue to pay off the debt.

LaBossiere then explained that with PCUA debt, along with the necessary approval of the trustees, it is very common that a 10% reserve is required to be held in a trust escrow account. There are also private use restrictions, where governments can't issue debt if there is a private user that will be a major beneficiary of the project. Other requirements include minimum debt coverage ratios of 125%. At this point in time, the PCUA is has a coverage ratio of 675% due to great strides made in paying off debt in the past decade. LaBossiere then reviewed a history of PCUA debt, where on June 30, 1996 we had \$32.917 million, of which \$7.295 was backed by a voter approved sales tax for economic development. As of June 30, 2006, we had \$28.760 million debt. Finally, as of June 30, 2016 we will have \$32.257 million, of which \$7.415 is backed by a voter approved sales tax for the PCAFC-YMCA resulting in \$24.842 million net debt at that time.

LaBossiere concluded by giving a financial overview of Scenario #2, the most probable project of the three that were studied. He stated that with the assumptions of a \$55 million project with no reserve requirements for a 25 year life on the debt at a 3.5% interest rate (the rate used by Enid's financial advisor), the annual debt service requirement is approximately \$3.32 million per year. To fund a project under these assumptions with an across the board rate increase would require a 43% rate increase to all ratepayers. LaBossiere noted other points to remember include a necessity to fund other projects and capital needs of the utility systems run by the PCUA in the next 25 years, including a Fiber To The Premise Project, plant upgrades, pump upgrades, and collection and distribution improvements. The original water system began with a 1920 bond issue, making some of the current infrastructure 95 years old. Also relevant is the fact that Kaw Lake's water supply is from the Arkansas River which flows through several other states before coming into Oklahoma and that we have no control over activity that occurs upstream from us.

Nicholson re-iterated gratitude for the due diligence done to study the issue and educate the

public as well as a hope that all can see our concern for the long term future of Ponca City. Nicholson reminded all that Ponca City has never had to ration water and that we have never had a water problem, but that one incident could jeopardize supply. Discussion ensued.

3. COMMENTS FROM MAYOR AND COMMISSIONERS.

Mayor Nicholson thanked Vice Mayor Moore and Commissioner Rathbun for filling in for him recently.

4. CITY MANAGER COMMENTS.

City Manager Craig Stephenson announced that both AMBUC and Wentz pools were open. Stephenson informed all that there will be a youth fishing clinic at the Marland Mansion pond on June 7, 2016. Stephenson then outlined upcoming weekend activities, including the Battle of the Burger and Cruzin' Grand events happening together in downtown Ponca City on Friday, June 3, 2016 and the Ponca City Herb Festival on the following day as well as the Schooner Car, Truck and Motorcycle Show, the Cherokee Strip Corvette Show and Legends From the Sky at the Poncan Theatre. Stephenson encouraged the public to attend the many activities that are scheduled.

5. ADJOURN.

A motion was made by Commissioner Chapman to adjourn. Commissioner Moore seconded.

Roll: Yeas; Chapman, Moore, Nicholson, Austin, Rathbun. Nays; None. Motion carried.

Mayor Nicholson adjourned the meeting at 3:21 p.m.

*PASSED IN SESSION AND APPROVED THIS 13<sup>TH</sup> DAY OF JUNE 2015.*



  
VICE MAYOR

ATTEST:

  
CITY CLERK

