

Rogers Waterworks and Sewer Commission

March 27, 2000

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled monthly meeting at 4:00 PM, Monday, March 27, 2000, in the Rogers Water Utilities Training Center. Commissioners present were Donnie Moore, Beck Scott, Dick McLelland, Lon Pepple, and Jerry Pittman. Others in attendance were Rogers Water Utilities staff Tom McAlister, Don Roberts, Mike Lawrence, Bob Anderson, and Earl Rausch, Deputy City Attorney Jim Clark, City Council members Tom Allen and Jim Gentry, Tom Sissom of the Northwest Arkansas Morning News, and Mark Love of Crafton Tull, and Associates. Chairman Moore called the meeting to order at 4:05 PM.

There was a motion by Pittman, second by McLelland, to approve the minutes of the February 21st and the March 2nd Commission meetings. All in favor, motion carried.

McAlister recognized Bob Anderson, Special Projects Coordinator for RWU, for five years of dedicated service. Anderson thanked the members of the Commission, and said that he enjoyed working at the Utilities, and expressed his appreciation to Mark Johnson, Utilities Engineer, for all his help.

Moore recognized Earl Rausch, Design Engineer for Rogers Water Utilities. Rausch gave a brief update on some of the on-going projects in which the Commission had a pecuniary interest. A list of the projects is attached hereto and is a part of these minutes by reference.

Moore recognized Don Roberts, Superintendent of Field Operations. Roberts presented bid tabulation for the replacement of a backhoe with a front-end loader. The apparent low bidder, Williams Tractor, Inc., did not meet minimum specifications, Roberts said. The low bidder that met the specifications was Warrior, Inc. of Rogers. With trade the bid of Warrior was \$65,000. Motion by Scott, second by Pittman, to approve the bid of Warrior, Inc., for \$65,000, plus trade. All in favor, motion carried.

Chairman Moore recognized Mark Love of Crafton, Tull, and Associates. Love said that his client, Johnson Construction Company, was in the process of locating an office on Morsani Road north of the airport. According to Love, the Rogers Fire Chief required fire protection in the form of a fire hydrant on the property, which was already served by Benton County Rural Water District No. 1, which afforded no fire protection. The cost of the necessary water extension from Rogers was estimated at \$32,800. Johnson Construction offered to pay for half the cost, if the Commission would agree to pay the other half. After some discussion, there was no action from the Commission. The request for aid was effectively denied. Love said that that meant that Johnson could not build his office. McLelland said that Johnson could build the water line without the

Commission's help. He said that the Commission had too many projects to fund without spending money on a project with no foreseeable revenue.

Moore recognized Tom Gould of Economic and Engineering Services, Inc. Gould said that he had been asked to look at the adequacy of the water and sewer rates for the Rogers Water Utilities. Gould presented the Commission with a copy of the executive summary of the results of the study (A copy of which is attached hereto and by reference a part of these minutes). Gould outlined his methodology to account for "cash basis" money flow for utilities. He said that he used the RWU FY 2000 budget as a basis, and projected costs and revenues through the year 2010. Based on the schedule of capital requirements provided by Utility staff, Gould projected the cash reserves in both the water and sewer departments would be spent down to more "reasonable levels".

Gould said that, based on the capital needs of the water and sewer departments, that the reserves of those entities would be spent over the next ten years. Without the existing reserves, the Utilities would face negative cash flows, and a rate increase would be needed immediately. He showed spreadsheet analyses for the water and sewer departments that projected negative cash flows by 2004. He recommended that water and sewer rates be increased by 7 to 10 percent by the end of the 2010. Smaller, incremental raises in the rates prior to 2010 would be a desirable alternative, Gould said. He also said that the existing connection fees (\$150 for water, \$150 for sewer) were "too low".

Finally, Gould addressed the need for a minimum reserve level for both departments. He likened minimum reserves like the need to maintain at least twenty dollars in his wallet. When he dipped below that level, he said, he started looking for a cash machine. He said that utilities should keep on hand at least 45 days O & M expenses and one year's average capital expenditures.

There were many questions and comments from the commissioners and aldermen Gentry and Allen. How do our rates compare to rates around the country? Gould said they were about average. What were typical connection fees for cities the size of Rogers? Four to five thousand, Gould said. What would be the impact on needed rate increases if the connection fees were increased? The rate increases could be smaller, he said. The Commission thanked Mr. Gould for his timely and interesting report.

McLelland asked when were the last rate increases? McAlister said the last rate hike for the water department was January 1, 1990. The last sewer rate increase was July 1, 1995. Pittman said that maybe we should "get a jump" on the needed future rate hikes by implementing something a little less sooner rather than later. There were several questions regarding the status of the planned water storage tank. McAlister said that he was still waiting on the results of a study being conducted by McGoodwin, Williams, and Yates.

The February 2000 financial statements were discussed. No objections were taken.

McAlister asked that the April meeting date be moved back one week from the 17th to the 24th. No one objected.

The meeting adjourned at 5:30 PM

Respectfully submitted,

Tom McAlister, Acting Secretary
Rogers Waterworks and Sewer Commission

File: Rogers Waterworks and Sewer Commission minutes, 3-27-00