

**May 17, 2010**

# **Rogers Waterworks and Sewer Commission**

## **Minutes**

The Rogers Waterworks and Sewer Commission held its regularly scheduled meeting at 4:00 PM, Monday, May 17, 2010, in the Rogers Water Utilities Board Room, 601 S. Second St. Commissioners in attendance were Lon Pepple, Don Kendall, Jene` Huffman-Gilreath, and Guy Cable. Travis Greene was absent. Rogers Water Utilities (RWU) staff present were Tom McAlister, Mark Johnson, Joyce Johnson, William Evans, Johnny Lunsford, Robert Moore, Earl Rausch, Cindy Bitgood, and Kathy Clay. Others at the meeting were Robert Frazier, Alan Wooten, and John Gore. Acting Chairman Pepple called the meeting to order at 4:00 PM.

There was a motion by Huffman-Gilreath, second by Cable, to approve the April meeting minutes. All in favor, motion carried.

Pepple recognized Mark Johnson, Utilities Engineer. Johnson recognized Cindy Bitgood, Administrative Assistant, for 15 years of service to RWU.

Pepple recognized Michelle Williams, RWU Office Manager. Williams recognized Kathy Clay, for five years of service to RWU as a Customer Service Representative.

Pepple recognized Mark Johnson again. Johnson presented the Commission with a bid tabulation for landscaping and irrigation services for the green areas around the Administration Building and the RWU Training Center. He said that RWU had enlisted the services of a landscape designer, Susan Jason, who had come up with a plan to beautify the grounds with minimal maintenance. The low bid was from The Grey Barn, for \$35,611, Johnson said.

Kendall asked if Grey Barn had done any work for the City. Johnson said yes, that Grey Barn had a contract open with the City of Rogers, with no complaints.

There was a motion by Cable, second by Kendall, to approve the low bid from Grey Barn. All in favor, motion carried.

Continuing, Johnson presented the Commission with a spreadsheet detailing the status of the several projects in which the Commission had a pecuniary interest. Cable asked about the liquidated damages on the elevated tank project. Johnson said that the project was completed several months behind schedule, no other reason than the contractor "messed up". He said that the contractor had said that he would be willing to pay liquidated damages as called for in the contract, but no final bill had been rendered to the tank contractor, PDM, to date.

Kendall asked about the lawsuit against Metro Park South? Had RWU sued anything besides Metro Park South? Robert Frazier said that only Metro Park South LLC had been sued so far. Kendall opined that the next time the Commission helped bring water and/or sewer service to a private developer, that RWU should demand a lien on the property to insure that the developer paid. He said he thought the lien might be levied so that the developer's financing was not jeopardized. Alan Wooten, Commissioner's legal counsel, said the best way was to demand the payment on the front end, before any service was provided. Tom McAlister, RWU Manager, reminded everyone that RWU had performed its part of the contract, and that the two other "partners" had performed. Only Metro Park South failed to perform, and now it was being sued by its creditors, including RWU. Kendall said that, when the bank takes over Metro Park South and sells the assets, RWU will not be represented because RWU's interest was not on the record.

Pepple recognized Joyce Johnson, Utilities Controller. Johnson presented the Commission with copies of the April 2010 financial reports. She noted that the water department had incurred a substantial loss for the month, and that the water department was running in a deficit for the past several months; however, the loss was not as great as projected, due mainly to a six percent water rate increase that went into effect last October. Johnson said that demand was up very slightly over last year, despite having lost a large industrial user in February.

Kendall asked what the projected loss for the water department was now. Johnson placed the loss about \$500,000 for FY 2010. Pepple asked about the sewer department. Johnson said that the sewer department was projected to turn a profit of \$1.4 million in FY 2010.

Continuing, Johnson presented the Commission with a draft budget proposal for FY 2011. She showed the Commission how the water department could "cash flow" with a contribution from depreciation reserves of about \$440,000 and a contribution of \$100,000 from the access and impact fees fund. Cable said he thought we should budget income from some access and impact fee revenue, since it was obviously being received. Johnson said that it was difficult to project a number based on previous experience, but that she would attempt to arrive at a conservative amount.

Johnson directed the Commission to the water department accrual basis budget. A loss of \$407,000 was predicted for FY 2011. Johnson explained some of her assumptions regarding revenue. She said she predicted a small amount of growth in the residential sector and commercial sector, with a slight drop in the Industrial water demand. She said that most departments predicted a drop in expenses, due mainly to a reduction in manpower. She said that Beaver Water District planned to raise wholesale water rates by \$0.02 per thousand gallons, and that major medical insurance had risen about 15 percent.

Continuing, Johnson explained the impact of the proposed lawsuit settlement would have on the budget. She said that a \$400,000 loss would be booked for the water department in 2010. Vouchers issued to those builders and developers that paid access and impact fees would be

credited to individual developer accounts until they were redeemed. She said that the sewer department would book an expense of \$750,000 for 2010 for the proposed lawsuit settlement. At the end of five years, any unused vouchers would be booked as income, Johnson said.

Continuing, Johnson directed the Commissioners' attention to the sewer department cash budget. There were two large capital items; a three million dollar sludge dryer and a \$1.2 million sewer rehabilitation project. She said that these projects would be cash flowed by a \$3 million state revolving loan and a \$750,000 contribution from the sewer department depreciation fund.

Kendall asked how the sewer department would pay for the loan. McAlister said that the typical RLF loan was a twenty year bond at 3% APR. He said that the sewer department had adequate revenue to service the debt.

Johnson said that the sewer department heads had submitted expense budgets projecting fewer expenses than FY 2010. She noted the large manpower reduction in the sewer department. She said that the total manpower contingent for RWU had dropped from 60 full time equivalents (FTE's), to 54.5 FTE's for FY 2011.

There were a few questions about the sludge dryer. Kendall asked if the Commission had approved the expenditure for the dryer. McAlister said that the Commission had agreed to allow staff to design and bid the dryer project, based on a projected cost savings in the project's sixth year. Mark Johnson said that he did not believe that continuing to haul wet sludge into another state was a viable, long term solution to the problem of sludge disposal.

Huffman- Gilreath asked about the costs to remodel the old building. Mark Johnson said that an architectural firm (Hight-Jackson & Associates of Rogers) had been hired to ascertain the need for flooding protection in the old building. Joyce Johnson noted that \$400,000 was budgeted for the old building remodel project in FY 2011.

Pepple thanked Joyce Johnson for her presentation on the budget proposal, and urged the Commissioners to study the document and ask questions, so the budget might be adopted at the June Commission meeting.

The meeting adjourned at 5:10 PM.

Respectfully submitted,

Tom S. McAlister, Acting Secretary

Rogers Waterworks and Sewer Commission

