

May 18, 2009

# Rogers Waterworks and Sewer Commission

## Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled monthly meeting at 4:00 PM, Monday, May 18, 2009, in the Rogers City Hall. Present were Commissioners Guy Cable, Travis Greene, Jene` Huffman-Gilreath, Lon Pepple, and Don Kendall. Rogers Water Utilities staff present were Tom McAlister, Joyce Johnson, Mark Johnson, Johnny Lunsford, Mike Lawrence, Earl Rausch, Terry McCauley, and Kevin Felty. Others in attendance were Robert Frazier, Alan Wooten, Derrel Smith, and Moe Torabi. Chairman Greene called the meeting to order at 4:02 PM.

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

Greene recognized Johnny Lunsford, Sewer System Team Leader. Lunsford presented Terry McCauley, Sewer System Technical Advisor, with a certification of appreciation for twenty-five years of dedicated service to Rogers Water Utilities and the citizens of Rogers.

Greene recognized Joyce Johnson, Utilities Controller. Johnson presented the Commission with financial statements for April. Johnson said that water consumption was down from last year 4.8 %, as were cash receipts. For Fiscal Year '09, the Rogers Water Department was operating at a loss of over \$280,000. With only two months remaining in the fiscal year, she doubted that the deficit might be made up. She blamed the cool, wet weather for the lack of consumption.

The story was similar for the Sewer Department, Johnson said. Sales were off over 5% for the same period last year. Although the Sewer Department showed a net profit, the amount was much smaller than the budgeted amount, owing to the lack of consumption. She said that other forms of revenue, such as impact fees and interest, were also off dramatically from last year. She said that the schedule of funds (investments) was changed significantly, as the wastewater treatment plant expansion project was finally finished. Now, the interest on the construction bond fund and the depreciation expense must be expensed on the profit/loss statement, she said.

Greene recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with a short report detailing the status projects in which the Commission had a pecuniary interest. Johnson said that the RWU expansion of the existing administration building project was on hold indefinitely while the contractor's surety bond took over the project. Johnson said that the Commission's attorneys had put the surety bond on notice that the Commission expected the surety to hire a competent contractor to finish the project.

Greene asked why the contractor had failed? Johnson said that the contractor had obviously used payments from RWU to pay subcontractors for other projects, and his subs weren't getting paid, so that the surety was forced to take over the project. Johnson said that the project had been mismanaged by the general contractor, Bossler Contracting, Inc.

Huffman-Gilreath asked if the office equipment delivery would be delayed. Johnson said that the office equipment supplier, Moser, Inc., would store the equipment until it was ready to be delivered.

Continuing, Johnson noted that the elevated tank at S. 24<sup>th</sup> St. @ Lilac St. was being cleaned and prepped for painting. He said the wet, windy weather had delayed the project somewhat.

Johnson said that the Olive Street overpass widening and traffic control improvements were on apparently "on go". He said that the contractor for the sewer improvements on Will Rogers Street and N. 10<sup>th</sup> St., GN Construction, was unable to purchase the required insurance, and would asked to be relieved from the contract. He said that the project might be rebid, or the second low bidder might agree to perform the terms of the contract for the original bid amount.

McAlister asked about the status of the sludge drier. Johnson said that a small, portable drier would soon be at the treatment plant for a trial on the City's sludge. He said that the project had been submitted for "stimulus" package money, i. e., additional monies would be available through the Arkansas Natural Resources Commission, either as a grant or a low cost loan.

Huffman-Gilreath asked if the drier was one the Commission had seen before? Johnson said, "No", that the proposed drier was a new design to the staff, but looked very promising. Pepple asked how much water would be removed. Mike Lawrence, Rogers Pollution Control Facility Manager, said that the existing centrifuge dewatered the sludge to about 20% solids, and the drier would dry the sludge to a solids content of about 95%, or almost a 400 % decrease in weight and volume, a big savings on transportation and disposal costs.

Chairman Greene recognized Mark Johnson again. Johnson presented the Commission with a bid tabulation for the construction of approximately 6000 feet of 24-inch water transmission mainline to be constructed in and along W. Pleasant Grove Road, from Bellview Road to Champions Blvd. The low bid was from Rosetta Construction, for \$1,365,110. He said that the contract called for construction to be substantially complete in seventy-five days, so that Pleasant Grove Road would be open in time for school traffic in August. He noted that his would be the last of the 2006 water bond projects, which needed to be completed before the end of the year. Johnson said that Rosetta was qualified, and recommended the low bid to the Commission.

There were several questions regarding the project. Cable wanted to know why the project was slated to be built in the existing street. Johnson said that the City had the widening of the street slated for a bond election sometime in the next two years; however, the alignment for the new street was not set, and rights-of-way had not been acquired. He said that the street was a natural place to build for access reasons. He predicted that acquiring easements in the area of W. Pleasant Grove Road would be problematic.

Greene wanted to know if this was the smartest route (down the street). Johnson said that contractor would have to be finished before school started in the fall, and that the entire street would be repaved. The area between the subdivisions would not be widened, so that the City of Rogers need not go back and repave the area. Kendall asked if the waterline would have to be moved in the future, assuming the City widened the street and put in drainage structures. Johnson said that the water main would be sufficiently deep to avoid such conflicts. Pepple asked why Rosetta's unit price for class seven granular backfill (gravel) was less than the other bidders. Johnson said he did not know why, just that the contractor was bound for the aggregate price. Greene asked if the project needed to be built now, or if another project might be selected. Johnson said that this project was selected as the best use of the 2006 bond money because it would energize the entire water system on the west side of the bypass. Kendall said that the project was published on a list of projects to be funded in the 2006 water bond issue (and water rate increase), and should not be a surprise to anyone.

Finally, Kendall moved, second by Cable, to approve the low bid from Rosetta Construction. All in favor, motion carried.

Greene recognized Moe Torabi. Torabi explained that he had built two small homes on E. Olrich, that the homes were essentially complete, and he only required water service to be able to sell the homes. He was surprised, Torabi said, to find out that water and sewer access and impact fees amounted to \$7000. He wanted the Commission to delay the fees until he had sold the homes, or just one home, so he could pay RWU from the proceeds of the sale. If the homes did not sell, he would rent them, and pay RWU in installments.

Alan Wooten, attorney for the Commission, said that the Commission did not have the authority to change the ordinance, which required the fees to be paid before water service was established. Only the City Council had authority to change the ordinance, he said. Torabi said that he had talked to the Mayor, and had been directed to the Commission. He said he talked to Tom McAlister, RWU Manager, who said he had to attend the Commission meeting.

Pepple asked when Torabi started to build the homes. He said about six months ago. Wooten said the ordinance was enacted in 2007. Torabi said that someone should have warned him about the fees. McAlister said that typically, builders and plumbers came asking for water service well after the necessary building permits were pulled. Cable said that builders were usually very careful to ascertain all costs before starting a project. Torabi said that he had built in Rogers before and fees were a few hundred dollars. He said that the current fees were too high, and that government should be willing to help

those who would make an investment in the City of Rogers. Finally, Cable said that there was nothing the Commission could do to help Mr. Torabi. Torabi asked for something in writing to that effect. Wooten said he would prepare a letter for Mr. Torabi.

Greene recognized Joyce Johnson again. Johnson presented the Commission with a draft FY '10 Budget for the Water and Sewer Departments. She spent some time going through the major features of the cash budget and the accrual budget. Johnson said that the budget was prepared using the existing water and sewer rates and projecting zero growth in the demand for water and sewer services. She said that projected demand might still be too aggressive, especially if the current economic recession deepens. Under this scenario, she estimated that the water department could operate in a deficit of about \$800,000; if RWU spent the capital it planned. Johnson said she made the same assumptions for the sewer department, but rates were high enough to show a net profit.

Continuing, she said that she and the other department heads had cut costs where feasible. She showed the Commission that the manpower contingency for RWU had been reduced by seven over the last twelve months. However, the largest expenses, other than payroll and payroll taxes, were interest and depreciation, two things that could not be reduced. She said that McAlister had institute a wage freeze and a hiring freeze until either the recession improved significantly, or a rate increase indicated a net profit again.

McAlister said that his goal was to reduce the amount of the needed water rate increase, in order to keep water service affordable. He said that the rate consultant, Tom Gould, would be at the next Commission meeting to present a recommendation.

Pepple asked about overtime paid to employees. Johnson said that the supervisors had made some changes to minimize the need for overtime. Cable asked about the apparent wage increase in the water field operations. Johnson said that a sewer system worker had been moved to the water department. Huffman-Gilreath expressed concern over the plan (or lack thereof) to replace aging water and sewer infrastructure. Mark Johnson said that a Capital Improvement Plan was developed in 2004, and needed revision. He said that, because of the uncertainty regarding available monies, most "nonessential" projects had been moved back indefinitely.

Joyce Johnson urged the Commission to study the draft document, as would RWU staff, since some changes would still be necessitated.

The question of the proposed Northwest Arkansas Conservation Authority (NACA) discharge permit was raised. McAlister said that the Arkansas Department of Environmental Quality (ADEQ) had published a draft permit, and that comment could be made on the permit until 4:30 PM tomorrow. Cable asked how the Rogers Chamber of Commerce might be used to help defeat the permit and the impending disaster that awaited the rest of the Cities in the Illinois River watershed. McAlister said that, failing congressional intervention, his best hope was the stream assessment being conducted by University of Arkansas Cooperative Extension Service and McGoodwin, Williams, and Yates, Inc. He said that early data indicated a dramatic improvement in the water quality

in Osage and the Spring Creeks, that there was no impairment, and that the streams should be “delisted” from the State’s 303(d) list of impaired water bodies. The State of Oklahoma water criterion for phosphorus was still a concern, but it was forty stream miles below the outfall of the plant(s), and would need to be dealt with by the two states.

The meeting adjourned at 6:00 PM.

Respectfully submitted,

Tom S. McAlister, Acting Secretary  
Rogers Waterworks and Sewer Commission

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