

June 15, 2009

Rogers Waterworks and Sewer Commission

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled monthly meeting at 4:00 PM, Monday, June 15, 2009, in the Rogers City Hall Council Chambers. Commissioners present were Don Kendall, Travis Greene, Guy Cable, and Jene` Huff-Gilreath. Lon Pepple was absent. Rogers Water Utilities staff in attendance were Tom McAlister, Mark Johnson, Joyce Johnson Earl Rausch, Mike Lawrence, Johnny Lunsford, Vera Hall, and William Evans. Others in attendance were Kimber Wenzelburger, Bill Hagen Burger, Derrel Smith, Tom Gould, and Robert Frazier. Chairman Greene called the meeting to order at 4:01 PM.

There was a motion by Cable, second by Kendall, to approve the minutes of the May meeting as submitted. All in favor, motion carried.

Greene recognized Joyce Johnson, Utilities Controller. Johnson presented Vera Hall, RWU Customer Service Representative, with a plaque and a gift for five years of service to RWU and the people of Rogers.

Greene recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with a spreadsheet detailing the status of the several projects in which the Commission had a pecuniary interest. He reported the Pleasant Grove Road water transmission main contractor had move on site and had strung pipe along the street. Kendall asked if the project would be finished in time for school to start? Johnson said that the contractor was making good progress so far. Huffman-Gilreath asked if the contractor could work nights? Johnson said that night work was expensive and dangerous, and probably not called for in a project like this.

Continuing, Johnson gave the Commission an update on the on-going saga of the RWU Administration Building expansion project. He said that the contractor's surety bond, Traveler's Insurance, had met with staff and Multi Craft Contractors to go over the remaining tasks. He said that Traveler's was trying to negotiate a contract with Multi Craft to finish the job.

How much has been paid to the original contractor? Kendall asked. Johnson said that about \$900,000 had been paid to Bossler, leaving approximately \$400,000 in the original

contract. What remained to finish? Someone asked. Johnson said that the in-floor heating system had to be finished, so that the flooring could be laid down. He said that the large outside air handling equipment was yet to be purchased. The drive through needed to be completed, and the water damage to the existing building needed to be addressed, he said.

Johnson addressed the need for a sludge drier at the Rogers Pollution Control Facility. He said that he had been informed that the drier would not be considered for “stimulus” money by the Arkansas Natural Resources Commission (ANRC). However, the project could be funded by the state revolving loan fund (SLRF) if needed. Why no stimulus money? Someone asked. Johnson said that he thought there were other projects that were close to being ready for bid, especially in parts of the state hardest hit by the current recession. Mike Lawrence, Pollution Control Facility Manager, said that a demo sludge drier would be at the plant later in the month.

Continuing, Johnson said that the N. 13th St. Sewer replacement project had been designed in-house and bid last week. He said that he had neglected to put the project on previous reports, but the project was needed to slow down infiltration and inflow into the sewer main which was laid in the roadside ditch in front of the current Tucker’s Furniture store back in the early Sixties.

Johnson told the Commission of a recent mishap concerning W. New Hope Road between Beth Drive and Craig Circle. He said that sewer crews were pumping sewage into an old forcemain to divert some water out of the large outfall sewer on the south side of Rogers. Unfortunately, the old sewer forcemain from the New Hope Terrace sewer lift station, which was connected to the 12-inch forcemain the sewer crew was trying to put into use, had not been properly shutoff and abandoned when Dixieland Road was improved. The old sewer forcemain under the street at New Hope Road, had apparently separated and pressurized the asphalt overlayment, effectively lifting the asphalt as high as ten inches, and separating the top layer from the underlying binder. He said that the pavement had settled back into place, but the asphalt would probably need to be replaced between Craig Circle and Beth Drive, in all five lanes.

Huffman-Gilreath asked if the problem had been resolved, Johnson said that the old forcemain had been cut and capped, like it should have been during the Dixieland Road improvements.

Continuing, Johnson said that the new, two million-gallon elevated tank at Lilac St. and S. 24th St. had been painted and was almost ready to be put into service. He said that the project had been delayed due to weather conditions. He said that I 540/Fir St. overpass was still being considered by the Arkansas State Highway Department. He said that the hanging of a large diameter water main from the proposed bridge made the highway department staff nervous, and they were making concessions about construction in the highway right-of-way.

Greene recognized Joyce Johnson, Utilities Controller. Johnson presented the Commission with financial reports for May 2009. Johnson said that the trend toward

declining water consumption was continuing, with a nine percent decrease over the same period last year. For the fiscal year, the water department was running \$380,000 in the red. She blamed the decline in revenue on the cool wet weather and the sagging economy. The sewer department was still showing a net profit, but much less than projected for the year, she said.

Greene asked why water revenues were down? Johnson said that water sprinkler (irrigation) demand was off, people were conserving. She noted that industrial demand had weakened; reserves were down and earning less interest. Johnson said that the collection of impact fees was almost nil.

Greene recognized Tom McAlister, RWU Manager, who presented the Commission with a Change Order No. 1 for the on-going stream assessment being performed by McGoodwin, Williams, and Yates (MWY) and the University of Arkansas Cooperative Extension Service. McAlister reminded the Commission that the project had been undertaken by the Cities of Rogers and Springdale in reaction to the placement of Osage and Spring Creeks on the 303(d) list, or “impaired water bodies list”. It was the assertion of the Cities that the streams below the Cities’ wastewater treatment plant outfalls were not impaired, and the stream study data would support the assertion; however, due to the extreme wet weather, the researchers were not able to perform a rapid bio-assessment during a period of low flow in 2008. The researchers were desirous of continuing the water quality data collection and, if possible, another critical flow bio-assessment. The cost for extending the collection of data and the critical flow bio-assessment was set at \$36,220.75. This cost was to be evenly split between the cities. If the bio-assessment was not done, the cost would be reduced by \$17,000, McAlister said. After some discussion, there was a motion by Cable, second by Huffman-Gilreath, to approve the Change order No. 1. All in favor, motion carried.

Chairman Greene recognized Joyce Johnson again. Johnson presented the Commission with a revised budget proposal for FY ’10. She said the changes from the last submittal were identified in red ink for clarity. Johnson said that she and McAlister had determined that the revenue projections from water sales were too ambitious, and thought a more conservative approach would be to forecast an overall decrease in demand of six percent from the current year. She explained that industrial demand was off over 20 percent for the same month as last year. Johnson said that a decrease in demand was partially offset by a reduced bill for water purchases from Beaver Water District. She said that, if rates remain unchanged and demand dropped six percent, then the water department would see a deficit of approximately \$1 million. The sewer department would see a net profit, but greatly reduced from earlier forecasts. Johnson said that the water department’s capital improvement plan had been moved back several years to save money.

Kendall asked why the water department was losing money. Johnson said that the revenue forecast a year ago did not materialize. Water consumption was off due to the wet weather, impact fees had dried up, and interest income on reserves was also way down. She said that the average usage for residential water users had declined over the

last two years, indicating water conservation had a widespread appeal to those trying to save money in a time of recession.

There was a motion by Cable, second by Huffman-Gilreath, to approve the budget as revised. All in favor, motion carried.

Greene recognized Earl Rausch, RWU Design Engineer. Rausch presented the Commission with a bid tabulation and a recommendation for the needed sewer work on N. 13th St. He said that his estimate of cost was about \$164,000. The low bid was from Rosetta Construction for \$134,875. There was a motion by Kendall, second by Huffman-Gilreath, to approve the low bid from Rosetta. Kendall, Cable, and Huffman-Gilreath voted in favor, Greene abstained. Motion carried.

Greene recognized Tom Gould of HDR Engineering, Inc. Gould explained that he had been retained to perform a rate study for the Rogers Water Department. He said he last did a rate study for the Water Department in 2003. He said this rate study was for the five year period of 2010 to 2014.

Gould went through his ratemaking methodology briefly for the Commission. He said the first step was to determine revenue requirements, i. e., the amount of money necessary to pay all bills and meet all debt service coverage requirements, while maintaining an adequate reserve for emergencies and capital needs. Then, water rates were developed to produce the amount of revenue required. He said that capital improvements had been moved back four years by RWU staff, in order to delimit the amount of rate increase necessary. He concluded that a nine percent rate increase, across the board, would generate enough revenue (\$576,000) to meet revenue requirements. This equated to an average increase of \$1.18 per customer per month. Thereafter, he suggested a three percent increase per annum through the study period. This provides plenty of debt service coverage for the bond rating agencies, Gould said.

Kendall asked how much money the proposed nine percent rate increase would generate. Gould said approximately \$560,000. Kendall wanted to know why the water department was budgeting for a million dollar loss, and the rate increase would only generate half that amount. Gould said that the budget he modeled for Rogers Water Utilities was based on cash, while the budget approved by the Commission was based on accrual accounting. He said that, according to the accrued accounting, the water department had a cost of \$1.9 million per year in depreciation expense. Gould said that he was only cash budgeting \$540,000 per year (to start) to fund a Capital Improvement Plan.

Huffman-Gilreath asked how Rogers' rates compared to other cities? Gould said that he had not prepared a comparison, but would for the next meeting. He said that he thought Rogers' water rates were very low compared to other cities in which he worked.

Greene asked if, the economy came back, or if we had a hot, dry summer, could we give the money back? McAlister said that if revenue exceeded projections, then the water department could fund more capital improvements through rates. McAlister suggested

two rate increases instead of four: nine percent for 2010, and six percent for 2011. He said that it was difficult to project revenue through two years. He suggested another rate analysis in 2012, to see if rates were sufficient for the future. Someone asked how soon the rates could be in effect? McAlister said that the fastest possibility would be September. Cable said that the Commission had no choice but to go to the Council for a rate increase.

There was a motion by Greene, second by Cable, to recommend a two-tier rate proposal to City Council, for nine percent the first year, and six percent the next. All in favor, motion carried.

The meeting adjourned at 5:35 PM.

Respectfully submitted,

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

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