

August 18, 2008

Rogers Waterworks and Sewer Commission

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled meeting at 4:00 PM, Monday, August 18, 2008, in the Rogers City Hall. Commissioners present were Guy Cable, Travis Greene, Don Kendall, and Lon Pepple. Donna Warren was absent. Rogers Water Utilities staff present were Tom McAlister, Joyce Johnson, Mark Johnson, Everett Balk, Earl Rausch, William Evans, Mike Lawrence, and Johnny Lunsford. Others in attendance were Mike Lindsey, Jim Fowler, Amanda Rumancik, Pine Drewyor, Luke Moffitt, Jill Drewyor, Susan Barrett, John Keller, Robert Frazier, Alan Wooten, Asa Hutchinson, III, Mark Lundy, Derrel Smith, and Jim Clark. Chairman Greene called the meeting to order at 4:01 PM.

There was a motion by Pepple, second by Kendall, to approve the minutes of the June 16, 2008 meeting. All in favor, motion carried.

Greene recognized Mark Johnson, Utilities Engineer. Johnson recognized Everett Balk, Project Facilitation Engineer, for five years of service to RWU and the people of Rogers.

Continuing, Johnson told the Commission that construction of new water and sewer facilities had slowed, and there were few projects in which the Commission had a pecuniary interest that showed any progress during the past two months. He noted that the RWU business office expansion was new to his report. He said that the contractor had built up the building pad with hillside dirt, and most of the drainage structures were built. Johnson said that the contractor got off to a slow start, but should be able to catch up once the floor was poured, and the building was under roof.

Johnson said that the water storage tank contractor had cleaned and painted the existing hydopillat at S. 24th @ Lilac, and the tank was back in operation. He said the new tank, a twin of the existing tank, was under construction now.

Johnson said that the Pleasant Grove Road water line project was mostly complete: however, the City's paving contractor had pulled off the site due to a lack of right-of-way, the road cuts made by the water line contractor were backfilled with base, and some of the patrons of the Bellview Elementary School were unhappy with the rough, temporary state of the road.

Green recognized Everett Balk, Project Facilitation Engineer. He said that new construction had slowed somewhat, and that the number of plans sets submitted for

review and approval were down slightly over the past two months. Balk said that his engineers were continuing to work on grease abatement, the new water tank, and a possible route for a sewer outfall line to the proposed NACA wastewater treatment plant west and south of Cave Springs.

Green recognized Joyce Johnson, RWU Controller. Johnson presented two months of financial sheets since the Commission did not meet in July. Since the June statements were also year-end statements, she spent some time going through some key year-end indicators of the water and sewer systems financial well being. Going through the water department reports, she noted that the 1998 water bond was now gone, replaced by a new, 2008 bond issue. The sale of the guaranteed interest contract used for the debt service reserve, had lead to a negative arbitrage situation with the US IRS, and some \$37,000 was paid the IRS in July. She noted that sales were down over the previous year; however, the expenses were down, too. Revenue and access fees were up over the past year, she said.

Turning to the sewer system, she said that sales were off from the previous year; however, the sewer system benefitted for an eleven percent rate increase effective last March. She noted a similar increase in access and impact fees from the previous year. She said that the interest on the bond money spent on construction at the wastewater plant and the new office expansion could be capitalized, reducing expenses this year. She said that depreciation expense would increase next year as a result of all the new construction. Johnson said that the sewer department had to remit arbitrage to the IRS, because the sewer bonds were issued in 1998, defeased this year, resulting in the sale of the GIC, just like the water system. Johnson predicted that the auditors would not change the year-end statements.

Green asked why the access fees and impact fees were higher than the budget. Johnson said that such revenues were difficult to predict. Mark Johnson opined that a lot of construction jobs were delayed until last spring, at which time the impact fees would have to be paid.

Cable asked about the unaccounted for water rate. Johnson said that the yearly, annualized rate typically hovered around ten percent

Regarding the month of July 2008, Johnson said that the loss shown for the month was due to the lag between the sale of water and the billing. She noted that the negative arbitrage discussed earlier was booked this month.

Kendall asked about the status of the report from the rate consultant. Johnson said that the financial data asked for had been remitted, and now the consultant was waiting for an updated capital improvement plan. Mark Johnson said that the updated CIP for the water system would be out next month.

Greene recognized Jim Fowler of Morgan Keegan, Inc., the water bond underwriter. Fowler said that all the necessary paper work was completed for the proposed 2003 water

bond refunding. He said that bond insurance was no longer of any value, due to the recent collapse in that market segment. He estimated the savings in the bond market today at about \$5600/ year for the next fifteen years. He said the savings were relatively small, but the savings could disappear altogether if the market changed. He noted that the refunding would not be an advance refunding, so the bond issue might be refunded twice, if needed.

He estimated the average bond yield to be 3.9%. There was a motion by Pepple, second by Kendall, to proceed with the bond issue in order to save money. All in favor, motion carried.

Greene recognized John Keller, Black and Veatch Engineers, the engineer for the wastewater treatment plant expansion and improvements. Keller presented the Commission with Change Order No. 1, the sum of work change directives negotiated with the contractor, BRB, Inc., over the past twelve months. Keller said that most of the WCD's were deducts, that is, changes to the project that affected the owner in a positive way. The total change order was worth \$94,297.94 and an additional 49 days added to the contract. He said that the largest WCD was for the demolition of the inlet facility and the grit and scum unit, which are being replaced in this project. He said that the Contractor had dropped his price for the demolition about \$62,000 from the beginning of the contraction, when it was bid as a deductive alternate. Keller said that the additional days were due to the contractor, since the work was delayed several weeks due to the hold placed on Rogers' construction permit by Arkansas Department of Environmental Quality and the US Fish and Wildlife Service. He said that the contractor would probably ask for additional time due to the rainy weather this spring and summer. Keller said that all the necessary excavation had been performed, so there should be no more "surprises" in the future.

Green asked Mike Lawrence if he was in favor of paying the contractor to demolish the old plant. Lawrence, Rogers Pollution Control Facility Manager, answered in the affirmative.

After a few questions, there was a motion by Greene, second by Kendall to approve Change Order No. 1 as submitted. All in favor, motion carried.

Greene recognized Pine Drewyor, attorney for the proposed ANH Montessori School on Wood Lane in Little Flock. Drewyor said that his client desired sewer service from Rogers, but was told the matter required City Council approval. In order to get Council approval, the matter had to be brought before the Planning Commission and the Water Commission, Drewyor said. There was a motion by Cable, second by Kendall, to approve the extension of sewer service to the proposed school, subject to approval by the Rogers City Council. All in favor, motion carried.

Greene recognized Susan Barrett, CEO of Mercy Health Systems in Rogers. Barrett presented the Commission with a letter from the Jones Trust director, Roy Clinton, asking the Commission to defer or waive some or all water and sewer fees incurred by the Old St. Mary's hospital in down town Rogers. She said that the hospital had moved to

the bypass, and the old building had been boarded up. Now, Mercy health had transferred ownership to the Jones Trust, the same people who ran the Jones Center in Springdale. Barrett said that the Jones Trust wished to rent space to multiple nonprofit organizations, such as the NWA Community College.

There were several questions to Ms. Barrett from the Commission. Who had committed to rent space? Someone asked. Barrett opined that, by January, the building would be 60 to 70% rented, and would be able to pay its water bill. Cable said that RWU could not give its services away, but might defer payment, if the deal was solid. Barrett said that the Jones Trust had signed rent contracts in hand, but she was not at liberty to divulge some of the names.

There was a motion by Pepple, second by Cable, to approve the deferment of payment of the water/sewer/trash bill until 2-1-09. All in favor, motion carried.

Green recognized Johnny Lunsford, Sewer Rehabilitation Team Leader. Lunsford said that an existing '94 model backhoe needed some expensive repairs, and the staff decided the money might be better used to purchase a new one. He said that Scott Equipment Co. had the state bid for medium-size backhoes, at \$63,511. Lunsford said that he asked the other dealers for a quote, and they were all higher than the state bid. He said that the backhoe had been budgeted at \$70,000. There was a motion by Cable, second by Pepple, to approve the purchase of a backhoe from Scott for \$63,511.

Greene recognized Earl Rausch, Design Engineer for RWU. Rausch presented the Commission with an aerial photograph of Rogers Heights Addition and a spreadsheet analysis of probable costs associated with the replacement of inadequate sewer facilities for the area. He said the costs could be quite high, due to the sewer replacement “in place”, and “pump around” nature of the job. Rausch estimated the costs at \$762,000, or over \$300 per lineal foot.

Some Commissioners expressed consternation about the short notice. How long have you (RWU staff) known about this problem? One asked. Johnny Lunsford said that the problem was discovered last month during a routine television inspection, although sewer stoppages were common in the area. Last month?! Seems like a lot of money for something you just found out about, someone opined.

Tom McAlister, Utilities Manager, said that it was his decision to move forward with the project. He said that sewer lines were cracked and broken all over town, but this project lent itself to contract sewer rehab by the nature of its size and the location of the sewers (in the streets). He said that the sewer department budgets annually large sums of money for sewer rehab and never spends the money because, in the past, staff was too busy working on system-wide expansion due to growth. Now, with the slowdown in the economy, this was a perfect opportunity to design some sewer rehab projects in house and bid the work to contractors. Rausch said that he expected several bids for the job, since contractors were looking for work.

There was a motion by Cable, second by Pepple, to allow staff to design the necessary sewer replacement facilities in Rogers Heights, and bring back bids to the Commission for approval. All in favor, motion carried.

The meeting adjourned at 5:05 PM.

Respectfully submitted,

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

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