

Rogers Waterworks and Sewer Commission

September 16, 2013

Minutes

The Rogers Waterworks and Sewer Commission held its regular meeting at 4:00 PM on Monday, September 16, 2013, in the Rogers Water Utilities Administration Building. Present were Commissioners Don Kendall, Roger Surly, Travis Greene and Kathy McClure. Rogers Water Utilities staff in attendance were Joyce Johnson, Johnny Lunsford, David Staib, Jordan Waterhouse, Jennifer Lattin, William Evans, Pat Sharp, Keith Carpenter, Vera Hall and Earl Rausch. Others in attendance were City Attorney Ben Lipscomb, Deputy City Attorney Jim Clark, City Planner Derrel Smith, John Gore of the Morning News, John Evans and Eric Hoyt of the Beall Barclay & Company and Ivan Crossland, Marc Sell and Mike Kirk of Crossland Construction. Chairman Don Kendall called the meeting to order at 4:02 PM. City Attorney Ben Lipscomb, and Deputy City Attorney, Jim Clark arrived at the meeting after the Crossland Construction presentation.

There was a motion by Surly, second by Greene to approve the minutes of the August 19, 2013 regular meeting as submitted. All in favor, motion carried.

Chairman Kendall recognized Joyce Johnson, Utilities Controller. Johnson presented the financial reports for August 2013. The water department billed revenue was down 23.34% from the same month last year. Profit was \$185,000 for August 2013 as compared to \$331,000 in August 2012. Water access and impact fees collected in August 2013 were \$135,000, up from \$85,000 in August 2012. The sewer department billed revenue for August 2013 was down 10.08% from August 2012, and profit was \$295,000 as compared to \$316,000 in August 2012. Sewer access and impact fees collected in August 2013 were \$256,000, up from \$144,000 in August 2012.

Profit is down \$250,000 in the water department for the first two months of FY 14 compared to FY 13. Sewer department profit is down \$46,000 for the same time period. Chairman Kendall asked how this is going to impact the budget for FY 14. Johnson stated the weather in the spring will have a significant impact on whether we can meet the budget in the water department. If we have a dry spring the water department could break even for FY 14. However, a wet spring could result in a deficit. Johnson stated reserves as of August 31, 2013 are \$15.8 million in the water department, and \$14.6 million in the sewer department. Although the meter count is up 600 from the previous year, billed revenue is down substantially in both the water and sewer departments. Johnson asked if there were any questions. There were none.

Chairman Kendall recognized Earl Rausch, Interim Utility Superintendent for the Staff report. Rausch stated the August department reports indicated normal operations. The engineering report shows the sewer rehabilitation phase 2 is finished and in plan review and the AMP and Longhorn Steakhouse are in the process. The pollution control DMR shows the wastewater plant is running good. The FOG program inspected fifteen restaurants in August and the industrial pretreatment program reviewed three industries. The water department set or changed out 219 water meters. The lost water is at 1% for the month of August, while being 11% for the year. The sewer department performed 52,700 feet of sewer line flushing and 12,890 feet of sewer line camera work. There were 6 sewer manhole overflows. Rausch asked if there were any questions. There were none.

Chairman Kendall recognized Ivan Crossland, owner of Crossland Construction. Crossland discussed the completed sludge dryer project.

Chairman Kendall recognized Joyce Johnson. Johnson presented information to support paying off the 1996 ADFAs early. She stated this would save the utility in excess of \$250,000 in interest costs. The sewer department could use reserves to pay off the bonds in January 2014 rather than the scheduled pay off date of October 2017. Johnson stated that Jim Fowler from Raymond James indicated that he thought the early pay off would have a neutral effect on the sewer department bond rating. Rausch and Johnson have discussed upcoming capital expenditure needs for the sewer department and there are no known large capital needs on the short term horizon. We will be able to continue the sewer rehabilitation program and the sewer street projects. Johnson stated as of June 30, 2006, the sewer debt was \$25 million and reserves were \$10 million. After the pay off of the 1996 ADFAs, the sewer debt will be \$26 million, and reserves should be approximately \$10 million as of June 30, 2014. If the Commission wants to move forward, Jill Drewyor, bond attorney, can prepare a resolution for the Commission meeting on October 21, 2013 which can then go to the City Council for their approval on November 22, 2013. We are required to give a 90 day notice to ADFAs and could pay off the bonds in January 2014. There was a motion by Surly, second by McClure to pay off the 1996 ADFAs. All in favor, motion carried.

Chairman Kendall recognized Joyce Johnson. Johnson introduced Eric Hoyt of Beall Barclay for the presentation of the 2013 water and sewer audit reports. Hoyt stated both water and sewer department audits had unqualified opinions, and both departments are in good financial health. The auditors also gave a clean report on control and compliance for both departments. In the governance letter, the biggest item was the implementation of the GASB 65 which resulted in restating prior period equity for 2012. The equity restatement was \$437,000 in water and \$676,000 in sewer. This resulted from expensing unamortized bond issuance costs, a change required by GASB 65 for years beginning after December 15, 2012. Surly asked if there was any upcoming accounting policy changes coming. Hoyt stated GASB 67, financial reporting for pension plans. GASB 67 will impact future reports and will require reporting unfunded pension accruals on our balance sheets. It will probably be included on the next audits. Hoyt asked if there were any questions. There were none.

Chairman Kendall adjourned the meeting at 4:46 PM.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Earl Rausch".

Earl Rausch, Acting Secretary
Rogers Waterworks and Sewer Commission
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