

Rogers Waterworks and Sewer Commission

September 20, 2004

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled monthly meeting at 4:00 PM, Monday, September 20, 2004, in the Rogers Water Utilities Training Center. Commissioners Donnie Moore, Dick McLelland, Lon Pepple, Jerry Pittman, and Fred Wanger were present. Rogers Water Utilities staff in attendance were Tom McAlister, Mark Johnson, Joyce Johnson, Mike Lawrence, William Evans, Robert Moore, Everett Balk, Earl Rausch, Stephen Ponder, and David Staib. Others in the audience were Tom Terminella, George Dottl, Tom Gould, Mark Lundy, Jason Kelley, Bryan Truitt, Jim Fowler, Don Roberts, Dan Brown, Mike Rowe, John Moore, and Jack Climer. Chairman Moore called the meeting to order at 4:00 PM.

There was a motion by Pittman, second by Wanger, to approve the August minutes, as revised. All in favor, motion carried.

Moore recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with a spreadsheet depicting the status of the several projects in which the Commission had a monetary interest. Johnson said that the Garrett Road lift station was operational and taking wastewater from the Cross Creek development. He said that the water and sewer extensions to the new Elza Tucker School in Lowell were complete. He said that the contractor was nearly done with the Lilac St. pump station and ground storage tank. Johnson said that the New Hope Road utilities relocation project was underway.

Continuing, Johnson told the Commissioners that the Pleasant Grove Water main was in service. He said that the Pleasant Grove Road sewer project was designed and bid, and the staff was waiting for commitments for cost sharing from the Director of Public Works. He said that he had contracted with an aerial photography firm to take shots along the route of the proposed 24-inch waterline from Pleasant Grove Road at the railroad tracks to north of the planned elementary school on Old Wire Road. He said the new photographs would help shorten the amount of time needed for the design.

Moore reminded everyone that RWU was hosting an open house at the new pump station and ground storage tank from 2:30 PM to 4:30 PM, Thursday, September 30, 2004. McAlister said that the Mayor was scheduled to speak at 3:00 PM, and that refreshments would be served. He said that some would receive invitations, but that the public was invited.

Continuing, Johnson presented the Commission with another spreadsheet and a couple of aerial photos. Johnson said that the spreadsheet was an effort to accurately depict the cash flow requirements of water projects underway and projects that would

soon start. According to his schedule, the Water department would be seriously short on reserves by the early spring of 2005. He said that when the Bentonville transmission line project started, RWU would have to pay its share (\$7.414 million) in four installments. All tolled, there were approximately \$14.5 million in projects already underway or soon to be underway, and that all projects, except the Bentonville transmission main, would be finished by next summer. Therefore, the need to borrow money was imperative, and he urged the Commission to empower staff to pursue a \$10 million bond issue, with the balance (\$4.5 million) to be made up by using water department reserves.

Tom McAlister said that he had been in contact with Jim Fowler of Morgan Keegan, and found out that the City of Rogers planned to issue \$2 million in promissory notes for the purchase of a new administration building this year. With that in mind, he said that RWU could issue no more than eight million dollars worth of bonds, to avoid the penalty for not being “bank rated”. He recognized Jim Fowler with Moran Keegan.

Fowler said that McAlister had contacted him, and that he had run out several scenarios for the issuance of \$8 million in tax-free bonds. He said that rates for public issues were very favorable, as low as the rates had been in thirty years. He said a twenty-year term would have an average interest cost of 4.08 percent. Fowler said that the water department could easily afford the \$8 million/20 year bond issue, and meet its existing debt service coverage requirements.

Continuing, Fowler said that, to get the “bank qualified” bond status for the issue, the bonds would need to be issued this calendar year. With all the public hearing requirements and the need to purchase bond insurance, the Commission would need to act quickly. Fowler said that the first step would be to get the council to issue a resolution allowing the Commission to issue bonds. There was a motion by Pittman, second by Wanger, to allow the staff to proceed with the process, and to use Morgan Keegan as bond underwriter. All in favor, motion carried.

Moore recognized Tom Terminella, developer of Creekwood subdivision, near Garrett Road and Bellview Road. Terminella said that he had been required by staff to install a third connection to the existing water system, in order to improve the water system hydraulics in the general area. He said his engineer had estimated the cost at \$61,000. He asked the Commission to pay for half the cost. Mark Johnson said that the costs were reasonable, and so was the request, and recommended the deal to the Commission. There was a motion by Pittman, second by McLelland, to approve a cost share arrangement with Terminella, not to exceed \$30,500, minus any incidental costs in acquiring easements, etc. All in favor, motion carried.

Moore recognized George Dottl, 9357 Everest Place, in Mountain Lake Estates. Dottl presented the Commission with copies of correspondence to Tom McAlister and Donnie Moore, and a letter from the Mayor. Dottl said that he had sent a letter to Donnie Moore, Chairman of the Commission, complaining about treatment received at the hands of RWU staff, particularly Tom McAlister, “general manager”. He said that he wasn’t given the courtesy of a reply, and demanded an apology, in writing.

He claimed that McAlister had made mistakes, and lied to cover them up. He quoted McAlister, and then offered “proof” that gave the lie to McAlister’s written words. He said that this was no longer about a one-inch water service, but now was a “personnel” matter, and urged the Commission to take strong action against McAlister, to correct his “arrogant” attitude.

There followed a long discourse regarding the request for a one-inch water service. Moore asked Mark Johnson if the existing water service was adequate for three homes? Johnson said “Yes, but domestic use only. The water service is inadequate for automatic irrigation purposes.” Moore said that the policy of the RWU was to charge those who desired modifications to the existing water system, based on the cost of construction.

Pepple asked the Deputy City Attorney, Jason Kelley, for direction on what to do now? Kelley said that the Commission need not take any action, nor was it bound to give anything to Dottl in writing. He said Mr. Dottl had spoken his mind, as was his right. No action was taken. Pittman said that he took exception to Dottl’s remarks about the “lies and arrogance” of the RWU staff.

Moore recognized Jason Kelley. Kelley reported that he had been in contact with Glenn Kelley (no relation), attorney for Benton County Rural Water District No. 1. Earlier, Kelley said that the District required \$86,000 to cede the water service for the proposed Camden Way Addition to Rogers Water Utilities. Since that time, the Arkansas Soil and Water Conservation Commission had interceded, requiring a public hearing. Now, the District says that they will accept \$27,500. While he thought that RWU would emerge victorious from the threatened lawsuit, never the less, there was some room for doubt, and the developer’s livelihood hung in the balance. Reluctantly, Kelley recommended the buy-out as the cleanest option. The Commission directed Kelley to make the deal for up to \$27,500.

Moore recognized Jim Forbes of Pipeline Analysis, LLC. Forbes presented the Commission with a proposed contract to inspect the manholes and “smoke test” the sewer lines in an area of south Rogers known as the “Blossomway drainage”. McAlister recommended the contract to the Commission, in order to provide the engineering justification for future sewer rehabilitation projects in the drainage. The “not to exceed” amount of the contract was \$230,978. Was this in the budget? Pepple asked. Yes, there is \$800,000 in the budget for “contract sewer rehabilitation”, McAlister said. There was a motion by Pittman, second by McLelland, to approve the contract with Pipeline Analysis. All in favor, motion carried.

Moore recognized Mark Lundy of Lundy Allard & Co., CPA’s. Lundy presented the Commission with copies of the FY ’04 audit reports for the water department and the sewer department. Lundy explained that RWU had kept track of “contributed capital” this year, and the value of all the developer paid-for water and sewer facilities was now being booked, to more accurately express the assets of the Utilities and to increase the depreciation expense. He demonstrated to the Commission how the new system had affected the books. Lundy said that there were no “material weaknesses”, so no management letter was issued. He said again that Joyce Johnson should not handle cash,

since she reconciled the bank statements. The Commission accepted the reports without comment.

Moore recognized Tom Gould, EES, Inc. Gould presented the Commission with a report detailing allowable “system development charges”, or SDC’s, based on the projections for growth and the staff’s projections for what that growth might cost. Gould said that growth should be paid for by new customers, instead of spreading out the cost over the entire customer base, as in the case of rate hikes. Gould reckoned that the SDC for water might be as high as \$1,300 for a ¾-inch water meter, and \$4210 for a sewer service. He said he did not recommend that the Commission set the fees that high, since future projects change, and the need for capital changes. Gould said that the Commission could easily justify \$700 for water and \$2300 for sewer, based on the facilities that already exist.

When asked what the impact would be on rates if the Commission chose not to implement connection fees, Gould asked, ”How would you like to triple your rates?” There was along discussion of the need to charge higher connection fees in order to protect the aging population on fixed incomes. Jason Kelley said that the Arkansas Statute that controlled the setting of impact fees specifically excepted “connection fees” from its onerous bookkeeping requirements. He said that, since the Commission had already enacted connection fees, that the Commission should stick to calling the fees connection fees. McAlister suggested that the staff update the capital improvement plan (CIP) and bring it to the Commission for their consideration, since Gould’s fee structure was based on the CIP.

Moore recognized Joyce Johnson, Utilities Controller. Johnson presented the Commission with financial sheets for August 2004. No exceptions were noted.

Moore noted that Fred Wanger had submitted his resignation from the Commission, but that he said he would serve until the Commission appointed a replacement. McAlister said that he would seek resumes from interested individuals.

The meeting adjourned at 5:45 PM.

Respectfully submitted,

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

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