

September 27, 2010

Rogers Waterworks and Sewer Commission

The Rogers Waterworks and Sewer Commission held its regularly scheduled monthly meeting at 4:00 PM, Monday, September 27, 2010, in the Rogers Water Utilities Administration Building. Commissioners present were Guy Cable, Don Kendall, Travis Greene, and Jene` Huffman-Gilreath. Rogers Water Utilities (RWU) staff present were Tom McAlister, Mark Johnson, Joyce Johnson, Johnny Lunsford, Robert Moore, and Earl Rausch. Others at the meeting were Michael Lindsey and Jim Fowler of Morgan Keegan, Robert Frazier and Alan Wooten of Warner, Smith and Harris, Roxie Benincosa of Beall Barclay & Company, Bob Caudle of the NWA Morning News, Roger Surly, and Derrel Smith. Chairman Greene called the meeting to order at 4:02 PM.

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

Greene recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with a short spreadsheet which detailed the status of the several capital projects in which the Commission had a pecuniary interest. Greene asked about the sludge drier project. Would it be approved by the permitting agencies?

Johnson answered in the affirmative, he said the Arkansas Department of Health had already approved the project, and the Arkansas Department of Environmental Quality had only minor questions.

Continuing, Johnson updated the Commission on the on-going Sewer System Evaluation Survey (SSES) being conducted by RWU Engineering staff. He said that his staff was taking a hard look at about 89,000 feet of aging sewer mains in the old part of town. Johnson said that his staff was studying the field data and television logs to try to prioritize sewer rehab jobs and estimate costs. He said that the staff hoped to have a report to the Commission by next month, if possible.

Huffman-Gilreath asked Johnson if any of the sewer rehab could be done by pipe lining methods. Johnson said that most of it could be lined, and his task was to determine which rehab method would be the most cost effective, and then make a recommendation to the Commission.

Greene recognized Joyce Johnson, Utilities Controller. Johnson submitted August financial reports to the Commission. She said that consumption was up slightly in the Water Department over the previous year, as were impact fee collections. That, plus a six percent rate increase effective last fall helped the water department show a profit for the first time in several months.

Sewer sales were off slightly compared to last year. However, impact fee collections were up, and the Sewer Department continued to operate at a modest profit, Johnson said. She predicted a good month next month, when the high water sales in August and July would be collected.

Huffman-Gilreath asked why the unaccounted-for water rate was so high for the month. Johnny Lunsford, Sewer System Supervisor, explained that an eight-inch water line was broken by a contractor in the Pinnacle Point area, and the water ran until the valves could be found and shut down. Joyce Johnson said that it was not uncommon for monthly unaccounted-for water rates to increase in the summer and drop in the fall, due to the two month lag time between sales and receipts.

Greene recognized Tom McAlister, Rogers Water Utilities Manager. McAlister presented the Commission with a spread sheet analysis of the Commissioner election results. He said that Roger Surly was the clear winner over the other two aspirants. Therefore, he presented the Commission with the proposed Resolution No. 11-01, which recommended Surly's appointment to the Rogers City Council. There was a motion by Greene, second by Cable, to approve the resolution. All in favor, motion carried. Surly will serve Lon Pepple's unexpired term, term to expire 2-1-2012.

Greene recognized Roxie Benincosa, auditing manager for Beall Barclay & Associates, the City's auditing firm. Benincosa presented the Commission with FY '10 audit reports for the Water and Sewer Departments, as well as a management letter. The management letter presented another method of accounting for the forbearance agreement with Northwest Group to collect monies owed for the construction of water and sewer facilities for the area of S. 52 Street and Stoney Brook Road. She noted that the footnotes included an explanation of the Arkansas Public Employee Retirement System (APERS) since it represented a significant potential liability. There were no accounting or managerial weaknesses noted, Benincosa said. She was very complimentary of the "management team" at Rogers Water Utilities. The Commission accepted the reports without comment, and thanked Benincosa for her service.

Greene recognized Jim Fowler of Morgan Keegan, investment bankers. Fowler said that he had been asked by RWU staff to look at funding options for the proposed sludge drier project. He said that tax free municipal bonds were at a twenty year low, and this was a good time to "get in the market". He outlined an aggressive plan by which the Commission could close on a three to four million dollar bond issue before the beginning of the New Year. Fowler talked about the alternatives to the bond market: Buy America Bonds (taxable bonds subsidized by the federal government), the state Revolving Loan Fund, and General Obligation bonds.

McAlister said that, from the beginning of the project, he had intended to use the state revolving loan fund. Now, he favored the commercial bond market because of the extremely low rates. Why would we not just use some of the sewer department's reserves? Cable asked. McAlister

said he was reluctant to spend down reserves, as the reserves gave the sewer department the liquidity it needed to be attractive to rating agencies, and to keep an emergency fund on hand for disasters. Fowler said the bond rating agencies (Moody's, Standard and Poor) looked at the liquid assets to rate companies capacity to repay debts, and the need for a debt service reserve fund.

Some of the Commissioners questioned how they might select underwriters and bond attorneys so quickly (before the October 18, 2010 Commission meeting. Fowler said that Commission had to have an attorney to prepare documents before the meeting. McAlister said that, in the past, the Commission had used the Friday Firm (Little Rock) and the Mitchell Williams firm, which had a local bond attorney on staff in its Rogers office. Kendall asked the Commission attorney, Robert Frazier, if the bond attorney selection might be accomplished through a teleconference. Frazier said that the Commission would have to make the selection in a public meeting.

Finally, Kendall moved to hire Mitchell Williams as bond counsel and Morgan Keegan as bond underwriters for the sludge drier project. All in favor, motion carried.

The meeting adjourned at 4:55 PM.

Respectfully submitted,

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

File: RWWSC minutes, 9-27-10