

Rogers Waterworks and Sewer Commission

October 20, 2008

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled monthly meeting at 4:00 PM, Monday, October 20, 2008, in the Rogers City Hall. Commissioners present were Guy Cable, Lon Pepple, Travis Greene, and Jene` Huffman-Gilreath. Commissioner Don Kendall was absent. Rogers Water Utilities staff in attendance were Tom McAlister, Mark Johnson, Joyce Johnson, William Evans, Johnny Lunsford, Robert Moore, Billy Tyler, Everett Balk, Tim House, and Earl Rausch. Others at the meeting were Tim Serrat, Drew Van Winkle, and Robert Frazier. Chairman Greene called the meeting to order at 4:03 PM.

Greene welcomed the newest member of the Commission, Jene` Huffman-Gilreath (term to expire 2-1-15).

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

Greene recognized Johnny Lunsford, Sewer Field Team Leader. Lunsford presented Billy Tyler, Sewer Construction Team Leader, with a certificate of appreciation for five years of service with Rogers Water Utilities.

Greene recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with a short report detailing the status of the several projects in which the Commission had a pecuniary interest. Johnson noted that the administration building expansion had showed some progress of late, with the slab being poured, and wall studs going up. He said that the tank contractor, CBI, had started building the vertical support column for the new, two million gallon tank being constructed at S. 24th St. at W. Lilac.

Continuing with ongoing utility relocation projects for City of Rogers street improvements, Johnson said that the utility contractor for S. 26th St. (DECCO) had finished moving a water line on the north end of the project, while right-of-way issues held up the south end. Johnson said that the S. First St. project was finally finished. He said that the W. Pleasant Grove Road water line project was mostly complete except for street repair in Bellview Road.

Johnson said that the planned improvements to S. 21st St. were being coordinated through the City of Rogers, as was the plan to suspend a 24-inch water main from the planned Fir St. overpass over I 540.

Greene asked if the Fir St. water line was going to be OK? Johnson opined that he thought the project would be done because of the huge cost associated with a jack and

bore under the interstate highway. Will there be enough water for those hotels that are planned, Greene asked. Johnson said that there was plenty of capacity for the usual usage, and multistory units needed to take care of their own fire demand with pumps, etc.

Green recognized Joyce Johnson, Utilities Controller. Johnson presented the Commission with financial reports for September. She noted that water demand for September, typically a big demand month, was off 15% from September 2007. However, she noted that the water Department did show a small profit, and that revenues were slightly ahead of budget. She said that the winter months were typically low water demand months, and that, with the small margins in the water department, it would be a challenge to keep the water system in the black without a rate increase.

Continuing, Johnson pointed out that the Sewer Department was showing a profit despite the low demand, due to a rate increase that took affect last March. She said that sewer revenue was well ahead of budget. She noted that construction funds were being spent down on major projects.

Speaking of fund investments, Johnson said that recently, with the precipitous downturn in the economy, she and Utilities Manager Tom McAlister had serious discussions about the security of the Utilities' investments. As part of the annual audit, the auditors confirmed the securities pledged against the Utilities' investments, Johnson said.

Johnson presented the Commission with a copy of the state law that restricts municipal investments and securities for such investments. Johnson said that it was policy to have all investments in excess of the FDIC limit (currently \$250,000 per account) collateralized with other securities. Some banks had pledged securities in mortgages and other securities that changed in value with the vagaries of the stock market, she said. Johnson asked if the two bankers of the Commission might have the Utilities' investments and their securities evaluated by their trust departments, to make sure the investments were as safe as possible. Both Cable and Huffman-Gilreath said they would take the information to their respective trust departments for analysis.

Cable said that a product that did not fluctuate or decrease in value should secure the investments. He said that RWU should have a policy for guidance in investments and collateral. Pepple emphasized that there was no "Ah ha!" and only that the Commission's funds should be secure.

Greene asked if Johnson thought the budget was still "OK", since the weather had turned cool and wet, and demand for water was down. Johnson said that the revenue side of the budget, particularly the Water Department, had been very conservatively forecast, but emphasized that that the weather might change, and demand could go up or down, so the only sure cure for the water department was a rate increase.

Pepple asked if there had been an increase in the number of bad debts. Johnson said she did not think so, and went into some detail regarding the ongoing efforts to collect bad debts (Act 769, the Help to Others program).

Greene recognized Mark Johnson again. Johnson presented the Commission with a slide show detailing the ongoing effort to reduce sludge disposal costs. For the newer Commissioners, Johnson identified wastewater sludges and the problems associated with the disposal thereof. He recounted past problems with landfill operators and the high cost of transporting wet sludge.

Johnson spoke of some treatment/reduction/stabilization techniques investigated by engineering staff. Among those techniques investigated were lime stabilization, digestion, and several types of dryers. He said that Everett Balk, Design Engineer, was working toward making a recommendation to the Commission at the next meeting.

Huffman-Gilreath asked if the dryers were easily upsized (upgraded). Johnson said that parts of the process were easier to upgrade than others. Greene asked about the possibility of doing something regionally, since all cities faced the same problems. Johnson said that biggest hurdle to regionalization was one of timing, that all cities were in different phases of planning and construction. McAlister emphasized the need for a cheap energy source for a regional sludge facility to be cost effective.

Continuing, Johnson presented the Commission with “2008 Rogers Water Department Capital Improvement Plan”. He said that the old CIP had been updated, deleting some projects, adding others, and making adjustments for increased costs. For the decade ending in 2018, the total capital costs for water only were estimated at \$56 million. Johnson said that the CIP was needed by the water rate consultant to finish his analysis.

Greene asked about the proposed fixed base meter reading system. Johnson said that fixed base system would allow all meters to be read instantaneously, that it would no longer be necessary to send meter readers to every meter, every month. There was a motion by Cable, second by Greene, to send the CIP as is to the water rate consultant.

Greene recognized Robert Frazier of Warner, Smith, and Harris, Attorneys. Frazier presented the Commission with a letter signed by Alan Wooten, Managing Partner. The letter indicated the firms desire to continue as legal counsel to the Commission for a retainer of \$1500 per month, plus usual rates for litigation. McAlister spoke in favor of the continuing the relationship. There was a motion by Pepple, second by Greene, to continue another year with Warner, Smith, and Harris. All in favor, motion carried.

Greene recognized Drew Van Winkle, CPA, Lundy Allard & Associates, auditors for the City of Rogers. Van Winkle presented the Commission with FY 2008 audit reports for the water and sewer departments. Van Winkle gave Rogers Water Utilities a “clean” report, that is, there were no internal control procedure changes necessary. He noted a new section to the reports written by the RWU Manager, in compliance with GASB 34, a relatively new regulation for government accounting. McAlister said that, since the Commission had access to the reports for just a few days, the Commission might wait until next meeting to approve the audits. Action on the reports was tabled until the November meeting.

Greene recognized Mark Johnson again. Johnson presented the Commission with a memo, a cost spreadsheet, and a map of S. Second St., between Pine and Cherry Streets. He said that the new administration building construction had reemphasized the need to improve sewer and drainage infrastructure in the area. Johnson said that the existing sewer main was in need of replacement, and the surface drainage from the RWU property needed to be routed away from the neighbors on the north. Since both sewer and stormwater drain lines were inadequate and already in the S. Second St. right-of-way, it made sense to replace the piping at the same time, and repave the road, he said. Johnson estimated the cost at \$315,000. The Commission instructed Johnson to proceed with the bidding process and bring a recommendation to the Commission as soon as possible.

Greene recognized Tim Serrat, the owner of several acres in the area of Green Valley Bible Camp, southeast of Rogers. Serrat said that he was a brother to Terry McCauley, an employee with RWU. He said that he had, in the past, allowed RWU to get rid of trench spoil by filling a small hollow on his property. He said that the practice had discontinued when his neighbor came to complain to the Commission. He said that he had had trouble with the neighbor before, but assured the Commission that he had letters from ADEQ and the County approving the practice of placing “clean” fill in his ravine, and that the Commission was welcome to continue to use the hollow, if it wanted. No action was taken on the matter.

The meeting adjourned at 5:30 PM.

Respectfully submitted,

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

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