

Rogers Waterworks and Sewer Commission

October 29, 2003

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled meeting at 4:00 PM, Wednesday, October 29, in the Rogers Water Utilities Training Center. Commissioners in attendance were Donnie Moore, Dick McLelland, Jerry Pittman, Lon Pepple, and Fred Wanger. Rogers Water Utilities staff in attendance were Tom McAlister, Mark Johnson, Joyce Johnson, Earl Rausch, Don Roberts, Mike Lawrence, Judy Bridges, and Everett Balk. Others in attendance were Jason Kelley, Dan Brown, Tom Terminella, John Moore, Kyle Weaver, John Moore, and Tom Gould. Chairman Moore called the meeting to order at 4:01 PM.

There was a motion by Pittman, second by Wanger, to approve the minutes of the September 20 and October 3 Commission meetings, as submitted. All in favor, motion carried.

Moore recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with a spreadsheet detailing the status of the several projects in which the Commission had an interest. He noted that the now infamous Phase V! 1998 Sewer bond project was complete, and that approximately 25 registered letters had now been sent to recalcitrant homeowners, giving them sixty days to connect to the new sewer system, per state and local ordinance.

Continuing, Johnson said that bids had been received and opened for the project known as the Garrett Road Regional Lift Station. He said that the low bidder, BBCI Construction, was a new company comprised of several partners in the Johnny McClelland Construction firm. Johnson said he thought they could do the project. The low bid was \$339,305, which was less than the engineer's estimate. There was a motion by McLelland, second by Pittman, to approve the low bid. All in favor, motion carried.

Continuing, Johnson said that the project known as the Garrett Road/Bellview Road gravity sewer/forcemain had been rebid after the previous project bids were in excess of projections. He said the low bid was from Seven Valleys Construction for \$966,515. Johnson said that the project had downsized considerably, about \$0.5 million, by cutting some extensions and using different pipe material. There was a motion by Pepple, second by Pittman, to approve the low bid. All in favor, motion carried.

Continuing, Johnson reported that the Ground storage/pump station project was progressing nicely, and he said he had a good feeling about the contractor, Van Horne Construction of Russellville. He said the tank subcontractor, Preload, Inc., would be onsite in a few weeks.

Johnson reported that the New Hope widening/utilities relocation project was proceeding slowly, in part due to the slow process of rights-of-way acquisitions. He said that the final design for water and sewer relocations was pending access to the necessary property. Johnson said that the date to let bids for the project had been put back again by the state highway department.

Moore asked about the impact of the proposed Perry Road interchange at Highway 540? Johnson said that the interchange would necessitate some facilities adjustments, but the design was to preliminary to estimate costs. Moore reminded those present that there was no money in the City's bond issue for utilities relocations.

Moore asked about sewer service for Lake Atalanta Park? Johnson said that his staff was looking at a design for the entire drainage basin in order to take some lift stations off line, but had not spent a great deal of time on the subject.

Moore recognized Don Roberts, Superintendent of Field Operations. Roberts presented the Commission with bid tabs for the replacement of two pieces of heavy equipment for his construction crews. He said that no bidder was completely compliant with specifications for the backhoe replacement; therefore, he recommended the low bid from Warrior Equipment, for \$45,389, with exchange. Roberts said there was only one bid for the Multi-Terrain Loader, \$31,942.20 with exchange, from Diamond Equipment. There was a motion by Pittman, second by McLelland, to approve the recommendations of staff. All in favor, motion carried.

Tom McAlister, Utilities Manager, presented the Commission with a copy of a letter from Dan Brown, P. E., Crafton, Tull, and Associates, representing his client, Tom Terminella, a local developer. The letter requested the Cities of Springdale, Lowell, and Rogers agree to move the Water service boundary south at Garrett Road and Bellview, so that water and sewer service might be obtained from Rogers for a parcel that Terminella owned that presently overlapped the boundary. McAlister said that moving the service boundary line had become burdensome for every one concerned, and that the lift station and forcemain just bid were not designed to include the Springdale's service area. He

said that, if the line continued to move, that planning for facilities would be impossible, and the upgrades necessary would be very expensive.

Dan Brown echoed the sentiments of McAlister, saying that the process to move the service boundary was not much fun for the client or the engineer. His client, Tom Terminella, said that he was looking at about 300 acres in the area for development, most of the property within Lowell and the Springdale service boundary.

Moore said that the Commission had a good relationship with Springdale, and he did not want these constant boundary relocations to harm the goodwill between the cities. He recommended that the line be moved once and for all. Moore said that someone would have to act as the “catalyst” to move the cities toward the final resolution. Terminella said that he would authorize Brown to take a preliminary look and report back to the Commission at a later date.

Moore recognized Tom Gould, EES, Inc., the utilities’ water rate consultant. Gould gave a brief Power Point presentation of his findings and conclusions he had drawn as a result of his study of the water department’s financial status. He pointed to three main causes that would impact the water department’s financial outlook: 1. Beaver Water District was set to raise bulk water sales by 15% in November 2. Beaver Water District has said, “not to count on rebates in the future, and 3. The department needed to issue approximately \$20 million in bonds to finance future capital improvements. The cost increase from Beaver would cost the department \$400,000 annually, he said. The rebate from Beaver in years past was between \$300,000 and \$600,000 annually, he said. Gould said the debt service would increase over \$2 million per year, if the department built every project in its Capital Improvement Plan. Gould said that the water department would have a net deficiency of about 25% in FY ’04 and a deficiency of nearly 40% in FY ’05. He said that the Department would no longer have the required bond service coverage, and would not be able to issue additional debt until water rates were raised.

He recommended that the Commission decide to recommend a 40% water rate increase to the city council. He said that, since the water rate increase was so large, that all user classes should bare the burden equally, without an adjustment for cost of service allocations, which the Commission could phase in over time. His second option was to raise rates 25% immediately, and 12 % next year, for a total of 40%. Gould showed the water rate schedule he recommended, and a comparison of existing rates with proposed rates.

There followed a long discussion of when the rates were last raised (January 1, 1990), how much the last increase from Beaver was (\$0.20/thousand gallons in 1991), and how much the ratepayers had saved by not passing along the last increase (about \$7 million). McLelland said that it was clearly time to do something. Wanger said they might just as well raise rates the entire 40% and be done with it. Others disagreed, and argued for the tow year phase-in. Finally, there was a motion by Pittman, second by Pepple, to recommend a two year phase in of the water rate increase, as recommended by the rate consultant. All in favor, motion carried. McAlister said that Gould would be

presenting his study and recommendations to the Council (in abbreviated form) at the November 25 City Council meeting.

Moore recognized Joyce Johnson, Utilities Controller. Johnson presented the Commission with financial sheets for the month of September. She noted the unaccounted for water rate was a negative number, since consumption had dropped off due to the cool weather.

The meeting adjourned at 5:35 PM.

Respectfully submitted,

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

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