

Rogers Waterworks and Sewer Commission

December 17, 2012

Minutes

The Rogers Waterworks and Sewer Commission held its regular meeting at 4:00 PM on Monday, December 17, 2012, in the Rogers Water Utilities Administration Building. Present were Commissioners Travis Greene, Kathy McClure, Roger Surly, and Don Kendall. Rogers Water Utilities staff in attendance were Craig Noble, Joyce Johnson, Johnny Lunsford, William Evans, Vera Hall, Stephen Ponder, Pat Sharp, Jordan Waterhouse, and Earl Rausch. Others in attendance were City Attorney Ben Lipscomb, Deputy City Attorney Jim Clark and City Planner Derrel Smith. Chairman Greene called the meeting to order at 4:04 PM.

Chairman Greene introduced Kathy McClure as our new Water and Sewer Commissioner. She will be completing Guy Cable's term which expires April 1, 2016.

There was a motion by Kendall, second by Surly to approve the minutes of the November 19, 2012 regular meeting as submitted. All in favor, motion carried.

Chairman Greene recognized Joyce Johnson, Utilities Controller. Johnson presented the financial reports for November 2012. Johnson stated that the Water Department reported a profit of \$39,000 as compared to a loss of \$9,000 for the same month last year. This is due to increased revenues and collections of access and impact fees being stronger than the previous year. RWU is ahead of budget and prior year results in both the Water and Sewer Departments. Johnson next asked the Commission to look at the Water Department condensed profit and loss statement. At first glance, it looks like RWU is running over budget in general expenses in the Water Department. This is due to water purchases exceeding budget for the year. With the exception of water purchases, RWU is on target with the budget, while keeping in mind the addition of positive water revenue. Johnson stated that both departments are doing well. Surly asked why the industrial water and sewer revenue is down. Johnson stated that there has been a downward trend in industrial consumption, and RWU has budgeted for this trend. Surly asked if it was a plant closing. Johnson stated no, the last major industry to close was a couple of years ago. Johnson stated commercial consumption has been trending up. William Evans stated industrial users have become water conservers and are looking for ways to reduce their consumption. Surly asked why there is such a large receivable for NW Group, Inc. Johnson stated it is the Forbearance Agreement with the NW Group, Inc. (Holiday Inn Hotel). Kendall asked how much the NW Group, Inc. pays per month. Johnson stated that the NW Group, Inc. is making monthly payments of \$5,000 and their final payment will be in three years.

Johnson reported to the Commission that she had received information on old business item 7a, liability insurance for sewer damage. She stated that Commissioner Kendall asked staff to inquire about liability insurance for sewer backups. She contacted Rogers Insurance and they searched the market but could not find a policy that covered just liability insurance for sewer damage. They also indicated that an individual could purchase water and sewer backup damage coverage on their individual policy at a low cost. Johnson stated this coverage is \$40 or less per year. The purchase of the coverage is something that we could educate our customers about. Kendall asked who said some municipalities were carrying sewer backup insurance. Craig Noble stated that Conway Corporation has a policy. Ben Lipscomb stated Conway Corporation is different, and their argument for tort immunity is not as strong as a true municipality. Lipscomb stated that if we don't have a liability insurance policy, we are not liable due to tort immunity. If we purchase a liability insurance policy, we are liable to the extent of the policy. Lipscomb said he advised not to create liability where there currently is none. Noble stated that Johnson had found out from Rogers Insurance that purchasing liability insurance could "mess with" tort immunity. Lipscomb stated if we purchase liability insurance, we have weakened our case for tort immunity.

Kendall asked what if we had an old sewer line with roots growing into the pipe. A customer could claim that they have some sort of implied contract with RWU. The customer has the obligation of paying the water and sewer bill, and as a provision of our implied contract, we have to maintain our sewer line in a good and proper manner. Now, this sewer line has a stoppage and causes \$10,000 to \$50,000 of damage. What would happen? There was much discussion on the possible legal aspects and costs of a sewer backup. The Commissioners discussed educating our customers, and public relations as being important aspects of the issue. Chairman Greene asked what if we pick and choose which backups we are going to pay for. Lipscomb stated that unless you are making that decision based upon some source of ethnic, religious or other source of protective class of citizens, there should not be a problem. McClure suggested that it may be worth our time and money to educate with ads and fliers, telling our customers that they need this sewer backup insurance that costs \$40 a year versus paying \$6,000 to clean their house. Kendall stated that we should place a notice in our bills that they should consider buying sewer backup insurance. Surly asked if any action is required. Noble stated that there will be additional dialog in the coming months on this subject. Noble stated he felt that a public outreach program making homeowners aware that a sewer backup is their responsibility was a good idea. He also stated that it would be great if all the communities in NWA had the same policy. McClure stated that she thinks encouraging sewer backup insurance versus declaring tort immunity was the preferable approach with customers. Noble stated that at this point in time he is willing to continue the current policy. Clark asked the cost of the biggest sewer backup claim RWU has had. Lunsford stated a \$50,000 claim at Pinnacle Towers and a \$27,000 claim for a resident on 28th Street. Clark stated that as Johnson said, liability insurance is very expensive.

Chairman Greene recognized Earl Rausch, Interim Utility Engineer for the engineering report. Rausch stated that the biggest current job is getting the Insituform project going again. Insituform should be back in town in January 2013.

Rausch presented the project review report that includes grease trap, cross connection control and civil project review, as well as large scale planning. Rausch stated that the summary has been changed to reflect the type of business being reviewed. Kendall asked about the two office buildings on the civil review. Rausch stated that Pinnacle Springs is near Steak and Shake (old Tail of The Trout) and Pinnacle Heights is near Kendall's office. Kendall asked about Promenade Point Phase III. Rausch stated the project is on Green Acres Street. This site will include three buildings and will show up on the cross connection control review and on the fire sprinkler review. Chairman Greene asked who is going into the Pinnacle Springs Office Building. Stephen Ponder stated Core Architectural and HP Engineering are going on the first floor and the second floor will be leased.

Chairman Greene recognized Craig Noble for the Rogers Pollution Control Facility (RPCF) report. Noble stated that we have made real progress on the sludge dryer. We sent a letter to the contractor (Crossland Heavy) making them aware of the delinquency on this project. We had an additional unit failure last week due to the ignition components of the Fulton unit. Therma-Flite has ordered the Fulton replacements parts. Therma-Flite has a consultant and a crew of staff coming in tomorrow. RWU had good runs on Friday and Saturday. Our energy usage has been a little high but we are pushing more product through the dryer. We are waiting for the green light to begin the performance testing. RWU is making demands on Therma-Flite to get the personnel in here to get the project completed. Chairman Greene asked about how much money are we holding back. Ponder stated that we holding about 30 percent of the project. Noble stated the manufacturer (Therma-Flite) has been paid all of their fees. Therma-Flite could walk away today, and Crossland Heavy would be left holding the bag. Kendall asked what is causing the delay. Noble stated that the delay is Therma-Flite. We are holding five percent retainage and twenty five percent on performance testing per the bid document. Kendall asked how Therma-Flite is causing the problem. Noble stated that the sub-contractor of the general contractor is causing the delay. Clark stated that if a lawsuit is started, the primary lawsuit will be between Crossland Heavy and Therma-Flite. RWU will just be named in the lawsuit. Ponder stated that the Utility would not agree to pay Therma-Flite 90 percent of the cost before the unit was shipped from California. Crossland Heavy agreed to enter into that contract. Noble stated that Therma-Flite has experienced massive growth and is not taking care of clients that purchased products from them. Crossland Heavy was pleased that we presented them with our delinquency letter because it gives them some leverage against Therma-Flite. Noble stated that this is sludge dryer 101 and Therma-Flite is working the bugs out with this dryer.

Noble noted that the November discharge monitoring report (DMR) was complete and the numbers are within the permits limits. The plant has run very well during the past month. RWU had a 30-day monthly average of 0.33 mg/l of total phosphorus.

Noble asked the Commission if they had any questions concerning the Osage Creek water quality report from the USGS Highway 112 bridge site. Total phosphorus values are very low and these values were 0.347 mg/l.

Chairman Greene recognized William Evans, Water Field Operations Supervisor. Evans reviewed the chart representing unaccounted for water for 2012.

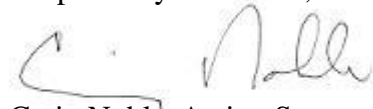
Evans informed the Commission that Beaver Water District (BWD) is feeding Chlorine Dioxide (CL2O2). Evans stated that he thinks the water tastes better since BWD stopped feeding potassium permanganate for settling. BWD is only feeding a quarter of a part per million at this time. The first laboratory results this quarter indicate the 4th quarter numbers are the lowest in the last three years. Our chlorine residual by random sampling around Rogers is becoming a more average value of 0.5 mg/l. In the past, the chlorine residual would range from 0.0 mg/l to 1.0 mg/l. BWD is going to ramp up the feed rate of CL2O2 in the next two weeks. The additional sampling for EPA Regulation Unregulated Contaminant Monitoring Report, Round 3 (UCMR-3) starts in January 2013. This regulation will contain twenty additional contaminants to be sampled for in the water. Kendall asked what caused the change. Evans stated that the EPA decided to lower their allowable maximum level due to studies that have been performed in the past. The EPA has lowered the allowable maximum level to 0.08 mg/l for TTHM and 0.06 mg/l for HAA5. Noble stated that we only have one site in the system with a problem and that is a water age issue. In the future, engineering may be requested to perform water age modeling in certain areas of the water system. Evans is also modifying the water tank levels to eliminate the formation of TTHM and HAA5. The EPA has changed their reporting from a running average across all sites to site specific reporting.

Chairman Greene recognized Johnny Lunsford, Sewer Field Operation Supervisor. Lunsford presented the collection system report. Lunsford stated RWU had two sewer overflows. Both overflows were reported to ADEQ and were private lines. Lunsford informed the Commission that the cost of inflow & infiltration (I&I) is down due to little rain during the month. The new vacuum truck is in service and we are in the process of hiring one additional employee.

Chairman Greene recognized Craig Noble. Noble informed the Commission that the fleet and equipment spreadsheet is included in their packet. He requested permission to purchase one (1) seven passenger mini-van for RPCF for a total cost of \$22,785 using the state bid. The new vehicle will be replacing a truck that is 14 years old and has 96,525 miles. Chairman Greene made a motion for the purchase of the one (1) seven passenger mini-van for \$22,785, second by Kendall. All in favor, motion carried.

Being no other business, the meeting adjourned at 5:14 PM.

Respectfully submitted,



Craig Noble, Acting Secretary
Rogers Waterworks and Sewer Commission
File: RWWSC minutes, 12-17-12