

December 19, 2011

Rogers Waterworks and Sewer Commission

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled monthly meeting at 4:00 PM, Monday, December 19, 2011, in the Commission Room of the Rogers Water Utilities Administration Building. Commissioners present were Don Kendall, Guy Cable, Jene Huffman-Gilreath, Roger Surly, and Travis Greene. Rogers Water Utilities personnel present were Tom McAlister, Joyce Johnson, Mark Johnson, Stephen Ponder, William Evans, Johnny Lunsford, Pat Sharp, and Randy Watson. Deputy City Attorney Jim Clark was also present. Chairman Greene called the meeting to order at 4:04 PM.

There was a motion by Surly, second by Huffman-Gilreath, to approve the minutes of the November meeting. All in favor, motion carried.

Greene recognized Joyce Johnson, Utilities Controller. Johnson presented the Commission with financial reports for November 2011. She said that the Water Department showed a loss for the month due to low demand. She predicted that the Water Department would continue to show losses through the end of the fiscal year, but the strong demand of the summer would allow the Water Department to show a net profit for the Fiscal Year 2012. She said that the Sewer Department was continuing to show a profit, running slightly stronger than the previous fiscal year.

Cable commented that the expenses were running less than budget. Johnson reminded the Commission that water rates from Beaver Water District and the cost for employee health insurance were set to increase after the New Year.

Greene recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with spreadsheet detailing the status of the several projects in which the Commission had a pecuniary interest. Huffman-Gilreath asked if the City of Rogers had budgeted for water and sewer projects necessitated by the 2011 Sales Tax Bond Issue street projects. Johnson answered in the negative, stating that City of Rogers did not include the cost of moving utilities in its projects budget. Although the needed water extensions and relocations were impossible to determine without detailed engineering plans for the street and drainage improvements from the City's consulting

engineers, he estimated the cost to the Water Department at \$7 million and the Sewer Department at \$1.5 million.

Continuing, Johnson presented the Commission with a draft Capital Improvement Plan (CIP) update for the Water Department. Johnson said that he attempted to project capital need for the next ten years and the time frame for the capital projects. He separated the capital projects into three different categories: water line replacements, water main extensions, and “major capital projects”, such as water tanks and automated meter reading systems. He estimated that the total capital needs for the Water Department for the ten year period ending 2022 was over \$39 million.

Johnson elaborated on the major capital projects. He said that some of the water tanks needed to be cleaned and painted, and new mixing devices needed to be installed to reduce the potential for Total Trihalomehtanes (TTHM’s, a regulated group contaminants which form in the distribution system as the water ages) development in the water distribution system. Since the TTHM regulations were set to become effective next spring, the water storage tanks needed to happen soon, he said. Johnson said that the draft CIP included \$4 million over the next two fiscal years for an automated meter reading (AMR) system, which would allow RWU to read virtually all meters in the distribution system from the office. Johnson said that the technology was available and proven, and would move RWU’s meter reading system into the future. He said that the present meter reading system (three full-time meter readers physically visiting every meter ever month) was efficient and cost-effective, but was becoming outmoded with the new technology. Johnson said that AMR would allow the office to obtain real time data on water consumption, and enable the office customer service representative to show customers when and how much water the customers used, providing better customer service.

Surly asked Johnson how long the payback period for the AMR would be. Johnson answered “a long time” because RWU’s meter readers were so efficient, each reading approximately 500 meters per day. McAlister, RWU Manager, said that new water meters would increase revenue and lower the unaccounted for water rate, but that the cost savings and revenue increases would probably not be enough to amortize the proposed AMR debt; however, RWU needed to keep pace with technology. McAlister said that Fayetteville had radio read meters for many years, and that Springdale was upgrading its system to radio meters. McAlister said that Bentonville was considering AMR for their water and electric meters. He said that RWU had about 2600 radio meters in difficult routes around the Beaver Lake area.

Continuing, Mark Johnson spoke to the need for additional capital, and presented the Commission with a report detailing the cash needs for the Water Department for the five year period ending in 2017. He said that the capital required to “stay ahead” of the City’s street and drainage contractors, repair and update the water storage tanks, and the proposed AMR would

require a water rate bond issue of about \$15 million. Such a bond issue, Johnson said, would require a water rate increase of about 15 percent.

There was a lot of discussion about the need for the proposed water rate increase. Kendall asked if a water rate expert had been consulted. McAlister said that the staff had developed the rate study in-house, saving the Utilities and the ratepayers significant monies for a rate consultant. He said that the City Council did not want to hear from a rate consultant or RWU staff, but wanted to hear the recommendations from the Commission directly.

Kendall opined that the worst thing that could happen would be to ask for a rate increase, and then still not have enough revenue.

Cable raised the issue of using Water Department reserves for some of the capital requirements. Mark Johnson said that the reserves were not enough, that additional revenue was needed to pay for the 2011 City Sales Tax improvement-necessitated water projects which would happen over the next three to five years.

McAlister said that the RWU reserves were made an issue at the last rate study/increase (6% in 2009). McAlister opined that RWU reserves were not excessive and alluded to the tornado disaster in Joplin last May. He said that a catastrophic loss of income would not relieve RWU from its obligation to provide adequate water and sewer facilities, and to service outstanding debt. He recommended that the Commission establish some level of reserves, or set up a trust for water and sewer emergencies.

Greene asked what the other cities were doing (in regard to reserves). Joyce Johnson said she would research and report to the Commission.

Huffman – Gilreath asked about the status of the right-of-way acquisition for sewer transmission mains to the Northwest Arkansas Conservation Authority. Mark Johnson said that staff engineers were working on the project as time allowed. Huffman-Gilreath said she wanted to see an updated CIP for the Sewer Department. Johnson said that he would get to work on it. Greene said he would also like to know what level of technology the other cities were using, specifically in regard to sludge treatment and disposal.

There was a long discussion about the logistics of approaching the Council about the need for a rate adjustment. McAlister said that, first, the Commission needed to agree that the capital projects put forth by the RWU staff were reasonable and necessary, and that the proposed time frames were adequate. Then a new draft could be prepared for public consumption. He said that the Mayor could provide guidance on how to proceed with the City Council. He suggested

inviting the Council to a special Commission meeting to explain the need, and gather input from all stakeholders. He said he would contact the Mayor and report back to the Commission.

The meeting adjourned at 5:06 PM.

Respectfully submitted,

A handwritten signature in blue ink that reads "Tom S. McAlister". The signature is written in a cursive style with a large initial "T" and "M".

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

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