Rogers Waterworks and Sewer Commission
May 19, 2008

Minutes

The Rogers Waterworks and Sewer Commission held its regularly scheduled meeting at 4:00 PM, Monday, May 19, 2008, in the Rogers City Hall. Present were Commissioners Travis Greene, Lon Pepple, Don Kendall, and Guy Cable. Commissioner Donna Warren was absent. Rogers Water Utilities (RWU) staff in attendance were Tom McAlister, Mark Johnson, Joyce Johnson, Everett Balk, Earl Rausch, Johnny Lunsford, and Robert Moore. In the audience were Jill Drewyor, Mike Lindsey, Kevin Hesse, Derrel Smith, and Asa Hutchinson, III. Chairman Greene called the meeting to order at 4:05 PM.

Tom McAlister, Rogers Water Utilities Manager, presented Donnie Moore, out-going Chairman of the Commission, with a plaque expressing the gratitude of the RWU staff and Commission for his faithful service of twenty years. Moore complimented the staff, noting “they were a great bunch to work with”. He also thanked past Chairmen Beck Scott and Bob Matlock for setting “the example” for future Chairmen and Commissioners to emulate. Moore received a standing ovation in acknowledgement of his service.

Chairman Greene welcomed Guy Cable to the Commission as the replacement for Donnie Moore, his term to expire 2-1-16. The Council at the May 13th meeting confirmed Cable’s appointment.

There was a motion by Kendall, second by Greene, to approve the minutes of the April 15th and April 21st Commission meetings. All in favor, motion carried.

Greene recognized Mark Johnson, Utilities Engineer. Johnson presented the Commission with a short report on the several projects in which the Commission had a pecuniary interest. He said that the Stoney Brook Road water and sewer project was finished except for the final adjustments of valves and manholes to match finished grade. Likewise, the Pauline Whitaker Parkway water main project was practically finished, but now additional turn lanes were being added to accommodate the proposed Wal-Mart Neighborhood Market and the proposed Harp’s store. A few valves and a hydrant will need to be adjusted, he said.

Continuing, Johnson said that the City’s contractor for the S. 26th St. widening project was also the Commission’s contractor for the relocation and adjustment of water and sewer lines. He said that the project was going slowly, hampered by lack of a key right-of-way, but the Contractor had no issues with RWU.

Johnson said that the water and sewer relocation project on W. Pleasant Grove Road was on going. He said that the section of 24-inch water line to be laid in Bellview Road would be completed after school was out for the summer. Johnson said he had a meeting with
the city and its engineer regarding crossing the interstate at the Ash St. alignment with a proposed bridge and a possible 24-inch water main. Greene asked if there would be adequate water for a proposed ten-story hotel in the area. Johnson said that the Rogers fire marshal would decide the question, and then the hotel might have to construct a pump to pressurize its fire suppression system. Johnson said that all the work the Commission had done in the area has strengthened the water system, but there was one final piece of infrastructure remaining: the crossing of I 540 with a 24-inch water transmission main.

Greene recognized Everett Balk, Project Facilitation Engineer. Balk presented the Commission with a short report detailing the actions of his section. He said that the number of plans submitted for review had increased from the previous month. He also said his section was working on putting together specifications for a sewer rehabilitation project.

Greene recognized Joyce Johnson, RWU Controller. Johnson presented the Commission with copies of the financial sheets for April. She said that water consumption was down nine percent from the same period last year, while revenue was down over five percent. Johnson said that sewer sales were down, but revenue was up, thanks to a rate increase that took effect in January. Johnson gave the Commission a schedule of funds showing the RWU reserves and how the funds were classified, as of the end of April.

Cable asked Johnson why the water department’s net was down from last year. Johnson said that sales were down due to the cool wet spring, depreciation expense was up due to the large amounts of assets that were being dedicated to the city by developers, and interest income was way off because reserve funds were spent while interest offered by banks on CD’s had fallen by nearly 50%. She also noted that the water department had absorbed a two-cent per thousand-gallon rate increase from Beaver Water District (BWD). Greene asked if the rate increase from BWD was budgeted (did RWU know about it ahead of time?) Johnson answered in the affirmative. Pepple asked how Johnson knew the decrease in demand was due to a drop in irrigation water. She said that, since sewer sales were down too, she inferred that the homeowners were not using water outside.

Greene recognized Robert Moore, Operations and Maintenance Supervisor at the Rogers Pollution Control Facility (RPCF). Moore asked for permission to advertise for bid two large, influent replacement pumps at the RPCF, estimated cost $32,000 each. There was a motion by Pepple, second by Cable, to approve request for permission to bid. All, in favor, motion carried.

Greene recognized Michael Lindsey of Morgan Keegan, the Commission’s bond underwriter. He presented a schedule of savings if the 2003 water bond were refunded using current (last Friday) prices. While there was still an overall savings, he suggested the Commission wait awhile to let the market get over what he called the “current credit crunch”. McAlister said that a special called meeting might be in order to pass a resolution recommending the bond issue to the Council.
Greene recognized Mark Johnson again. Johnson presented the Commission with an aerial photograph of the south part of Rogers and a memo detailing the need for a relief sewer and some probable costs associated thereto. He said that the current sewer line serving the area of far south Rogers and northern Lowell was installed from money from the 1998 sewer bond issue. At that point, there was no development in the watershed. Ten years later, over 1400 lots had been platted in the watershed, with several large developments in the planning stages. Johnson said that the existing sewer main would soon be overloaded, and, unless additional capacity was constructed, there could not be any additional development, even though there are several hundred acres of developable property remaining in the watershed. He asked for permission to study the needs of the area with in-house engineering staff, and come up with a design, so that the costs might be better defined. The Commission told Johnson to proceed.

Greene recognized Joyce Johnson, Controller, again. Johnson presented the Commission with draft copies of the FY '09 Budget report. She went through the budget to show how the different reports flowed from one to another. She went through the cash budget report and the accrual report. She noted that she had been very conservative in projecting sales, as growth and weather conditions for the coming year were unreliable. Johnson said that she estimated that the income from impact fees would be off 20% from last year, due to the slow down in new home construction. She noted that the water department showed a projected net revenue growth of less than $33,000, less than one percent of the gross. While the sewer department was more robust than the water department, she projected that the net revenue would not grow from the previous year. She said that sludge disposal costs had risen significantly (6.5%). She noted that part of the interest on the construction fund for the addition to the RPCF could be capitalized.

Kendall asked how the fund balances had changed recently? Johnson said that she would send out the schedule funds for previous years to the Commission. Kendall expressed concern about the illegal exaction lawsuit recently refiled in state court. Asa Hutchinson, III, the Commission's legal council, said that the lawsuit was back in Judge Clinger's court, which dismissed the original case with prejudice. Kendall wanted to know what the worst case scenario or ultimate liability was for RWU, if it lost the lawsuit? McAlister estimated the loss at about $2.9 million. What about going forward? Asa said that the lawsuit asked for the return of hookup and access fees collected retroactive to April 2006, not going forward.

There were a few questions about the budget. What was the upside to the water budget? Pepple asked. An increase in sales was the answer. A prolonged drought period would help the bottom line tremendously, she opined. Failing that, she would recommend an independent water rate study. Johnson said that she had already contacted the Commission's rate analyst, Tom Gould, to get a budget amount for the rate study, if the Commission so desired. What about trimming the budget, Pepple asked? Johnson said that the manpower quotient had been reduced by 2.5 persons. Most of the water budget was comprised of debt, depreciation, and cost of water purchased, three expenses that might not be cut. McAlister opined that more people were needed, not less, since demand
for service was ever increasing, along with the population in the service area. Finally, there was a motion by Kendall, second by Pepple, to hire Gould to do a water rate study. All in favor, motion carried.

Greene recognized Kevin Hesse, 13343 El Montano Rd, in Monte Ne (Benton County). Hesse said he had come to the Commission for redress of problems caused by the dumping of dirt by RWU on his neighbor’s property. He said that city crews had dumped hundred of loads of dirt and debris in his neighbor’s hollow, causing a mess on the street. He said that the land belonged to an RWU employee, and he did not think that RWU should be improving an employee’s property on city time with city equipment. Also, he said that the some of the dirt being dumped might been better have been sold to reduce the deficit. Hesse claimed that his well had started going bad about the same time the dumping had started, and that he was subjected to harassment, intimidation, and obfuscation from members of the Rogers Water Utilities.

In response, McAlister admitted that dirt was being hauled to the brother of an employee, but the practice had stopped, since the City street department had asked for clean fill at the site of the future recycling center on Stave Mill Road. McAlister said that he knew of Mr. Hesse’s complaint, but had not spoken with him. He said that RWU had broken no laws, that the dirt being hauled to Monte Ne was “trench spoil” which had to be disposed of, and filling up hollows for people had been the cheapest means of accomplishing the task. As for Hesse’s claim that the dirt had caused his well to go bad, McAlister said he knew of several homes in the immediate area with bad wells. Johnny Lunsford (RWU Superintendent of Field Operations), 9800 El Camino Road, had crude oil in his well, he said.

Chairman Greene thanked Hesse, and promised to “dig deeper”.

The meeting adjourned at 5:40 PM.

Respectfully submitted,

\[Signature\]

Tom S. McAlister, Manager
Rogers Waterworks and Sewer Commission

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