

TONTITOWN WATER & SEWER COMMISSION

MEETING MINUTES 12-28-2010

1. **ROLL CALL** – Members present were Steve Gunderson, Mike Zulpo, Bill Brandt, and Larry Goddard who arrived during financials. Also present were Ronnie Delozier, Steve Davis, Davis Consulting, Mick Wagner, Rebecca Bennett & JR Carroll, Attorney.
2. **APPROVAL OF AGENDA** – A motion made by Brandt to approve agenda as presented and 2nd by Zulpo, motion passed unanimously.
3. **APPROVAL OF MINUTES FOR 11-23-2010** – A motion made by Brandt to approve minutes as presented and 2nd by Zulpo, motion passed unanimously.
4. **REVIEW FINANCIALS** – Wagner stated that he has the current month financials and proposed budget for 2011 ending November 2010. Income is 3% above projected. The cost of goods sold are slightly lower than budgeted. All Expenses are within or below budget except materials which were 20 % above budget, they were budgeted \$8,800, but used \$11,000.

Wagner stated that the 2011 Budget was projected using January to September actual performance and anticipated from that number. Assumptions were put in for what it would look like next year. Sewer volumes will double next year because of Waste Management. Water Purchases has been given a 3% increase but we have not received Springdale Water's increase yet.

NACA flows as of day 1 reflected Tontitown contributing 50,000 gallons and Bentonville contributed 400,000 gallons that day. We are estimating that Bentonville will contribute 1.2 million gallons a day by March or April 2011. Overall 2011 it is projected that there will be an 85/15 split of the NACA O&M budget and plugged it with what kind of cost it would cover both the treatment & transmission charges. We projected Health Insurance will receive a 20% increase. Goddard stated that it sounds reasonable with what he has seen.

We will have to use reserves for NACA start up to compensate for the sales tax shortfalls.

Brandt asked how much is in TWU reserve fund . Wagner stated that there is about 2 million.

Capital Expenditures for 2011 have a computer in the reserves and GIS system will need to have a few things done estimating around \$8,000. Hand tools will need repaired or replace so we put \$5,000 in budget for that. Plan racks are carts that hold paper and we put in \$1,000 for them. Meter upgrades and Jetter Vac will estimate a cost of about \$56. Wagner stated that on the building even though we don't have a building in the plan there will be a design and so there is \$15,000 put on that budget. Water System capital

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improvements are budgeted for \$75,000 because currently we have 2 small projects. Sewer System we have a project and need to leave some to cover other projects, so we put in \$10,000. This leaves about \$100,000 that could be put back into reserves. A motion made by Brandt to accept the budget as presented and 2nd by Goddard, motion passes unanimously.

5. OLD BUSINESS

A. Discussion of Simple IRA – Wagner stated that there is nothing new to report on that. We have a report that says we will match up to 5% but the bank will only allow us to match up to 3% and there hasn't been anything new to come up.

6. NEW BUSINESS

A. HDR Sewer and Water Rate analysis – Davis stated that basically the process started in the summer. They look at each of the utilities on a standalone basis. They normally have a Revenue requirement and cost of services analysis in the Rate Studies, but in this case all of the customers are so uniform that they went from a Revenue requirement to a Rate Design. Each utility is reviewed independently so that they can make sure each individual utility it covered. A cash basis was utilized for this analysis. There will be an Interest Expense account in the Financials and it is looked at as principal and interest. Capital projects funded for rates are supposed to approximate depreciation expenses but in this case there will be a lot more money going into depreciation. It is suggested depreciation funding be increased. One of the loan documents made it under funding depreciation. The result of the analysis is showing a 4% net income in 2010 and in 2011 there are some negative numbers. It is suggested that Tontitown Water set aside \$70,000 for funding depreciation. The reason for this is that when water lines need to be replaced there will be cash available. 2012 has two events that make it somewhat of an anomaly compared to the other years. First there is a \$50,000 piece of equipment that is another truck. The Executive Director is currently receiving \$2 a year and Mr. Wagner might choose to do other things in the future so it is suggested that \$100,000 is put in for that salary. That will make 90% come from water account and 10% come from sewer account. The monthly bills average for residential customers at about 6,400 gallons of water used and they are paying around \$38 a month for water. That cost for 2015 for the same amount of gallons used will increase to around \$54 a month. In order to determine if that is a reasonable number the affordability of projected water rates is looked at. It was determined on the low range as being 1.5% and the high range as 2.5%. Davis suggests that the water department adjust rates over the next 5 years of 10% in 2011, 15% 2012 & 5% in 2013- 2015.

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Sewer Volume total revenue requirement is \$1,281,000 and the non rate revenue for sales tax is \$788,000 for 2011.

Wagner stated that the rate would be presented at the next Council committee of the whole

- B. Consider extension of sewer main approximately 600 feet along – south side of W. Henri de Tonti Blvd** – Wagner stated that Padrissimo has had several write ups from the Health Department. We have found that there is a gravity sewer line with septic tanks and there are several problems with that. Wagner stated that Padrissimo should put in a lift station and force main but our gravity line must be extended closer by about 600 feet. It will cost less than \$20,000 to do this project and only take about a week. The Health Department will need to approve the plans and they have sent out the letter to Padrissimo suggesting they to hook up to city sewer.

Brandt asked how many manholes there are. Wagner stated that there are 2 or 3.

Gunderson asked if there were any utilities that we will need to move. Wagner stated that there are none to move but quite a few to locate.

A motion made by Zulpo to accept the line extension and 2nd by Brandt. Brandt asked how this line extension is different from extending somewhere else.

Wagner stated that it is a health concern in this area because of septic surfacing on the ground.

Goddard asked what the alternative is. Wagner stated that there isn't one.

Carroll stated that the statue is very clear that TWU has the right to force connection if there is a health concern.

Gunderson asked will others in this area be forced to connect.

Wagner stated the Commission policy to date was to only require new construction or customer with septic problems to connect to sewer. Motion passed unanimously.

- C. Backflow Prevention Device – George's Benton County Foods** –

Wagner stated that we sent out letters to all the operating chicken houses on TWU system stating TWU cross connection policy.. Benton County foods gave notice to George's that they are terminating their contract and asked for us to give them a wavier on installing a BFP device since they were going out of business ; however if these commercial layer houses are converted to broilers they would have to install a BFP. A motion made by Brandt to give the reprieve and 2nd by Goddard, motion passed unanimously.

- D. Discuss Jetter/Vac Bid** – Wagner stated that there has been information given out about the Jetter that will cost around \$56,000 and requires bids.

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Vermeer & Ditch Witch are the two companies we have in town that sale the Jetter and we have tested from each one. Our field staff had demoeed different units and feels VacTron is a superior unit.

Wagner explained it was possible to buy though a national bidding entity.

Carroll explained that the same principle as buying from the state. They get national price & allow cities to use that price. Carroll stated that TWU can legally spec a Brand & Model. This is not saying TWU will buy from a certain company but that TWU wants that certain product and anyone can make a bid.

Wagner stated that he has presented a bid to Carroll to review and we need guidance from the commission to run the ad in the Newspaper. Goddard motion to run the bid and 2nd by Brandt, motion passed unanimously.

- 7. COMMENTS FROM MANAGEMENT** – Wagner stated that at the end of Taldo Loop there is a mess with our lines in the road. On the North end we can eliminate a problem section of the line by connecting it to the 8" line that's stubbed out from Barrington on the south side of Taldo Loop. The cost for this is estimated less than \$20,000 for materials and labor.

Wagner stated that on Albano connection as approved in earlier Commission meeting was under The cost for this is estimated less than \$20,000 for materials and labor.

- 8. COMMENTS FROM COMMISSIONERS** – Gunderson stated that Zulpo's resignation needs to be accepted since he would be going on the city council. A motion made by Brandt to accept Zulpo's resignation and 2nd by Goddard, motion passed unanimously.
Ronnie Delozier had expressed an interest in filling vacancy fo remainder of Zulpo's term. In earlier meeting the Commission had recommended this action. Gunderson said he will get this added to next Council agenda.

- 9. ADJOURN** – Gunderson adjourned the meeting.