

LITTLE ROCK SANITARY SEWER COMMITTEE
Minutes of the Meeting Held
January 20, 2010

The Little Rock Sanitary Sewer Committee met at 4:00 p.m., Wednesday, January 20, 2010, in the conference room of Little Rock Wastewater. Those attending included:

Little Rock Sanitary Sewer Committee

Cynthia C. Miller, Chair
Pete Hornibrook, Member
Richard L. Mays, Jr., Member

Little Rock Wastewater

Reggie A. Corbitt, P.E., CEO
James A. Barham, Manager of Finance
Howell Anderson, Manager of Engineering Services
Stanley Miller, Manager of Operations
Mack M. Vought, Manager of Maintenance & Construction
Don F. Hamilton, General Counsel

Others attending included Vince Hotho of Garver Engineers, Mitch Berry of 223 Beckwood Drive, Joe Dollerschell of CDM, Jordan Johnson of Cranford Johnson Robinson Wood, and support staff from Administration and Community Relations, Engineering Services, Environmental Assessment Division, and Finance. Ken Griffey, Vice Chair, Marilyn K. Perryman, Secretary, and Ex Officio Member Mark Stodola did not attend.

The meeting was called to order by Ms. Miller who welcomed Mr. Hornibrook and Mr. Mays. Upon motion duly made and seconded, the minutes of the December 16, 2009, meeting were approved as written.

Howell Anderson gave a brief presentation on the status of the collection system and an update on the Sierra Club settlement and Consent Administrative Order from the Arkansas Department of Environmental Quality. Mr. Anderson displayed a map showing the various drainage basins throughout the city and the location of the Adams Field and Fourche Creek Treatment Facilities as well as the location where construction of the Little Maumelle Wastewater Facility is underway. He quoted that the collection system is comprised of 1,312 miles of pipeline with 32,542 manholes and 28 pump

stations. There are currently 67,033 customers and 762 miles of service lines. Mr. Anderson said that the maximum length of travel through the collection system is 23 miles or approximately 17 hours. Mr. Anderson mentioned that the average age of a sewer main is 40 years or older.

Mr. Anderson said that the primary concern on the federal and state level during the 1940's – 1960's was to eliminate disease. The United States Environment Protection Agency's Clean Water Act was passed in 1972 establishing a permit program for technical standards, and requiring secondary treatment in order to achieve fishable waterways. The Water Quality Act of 1987 added substantial penalties for permit violations. Little Rock Wastewater was sued by the Sierra Club in 2001, resulting in the Sierra Club Settlement Agreement, which contained mandates for the elimination of sanitary sewer overflows (SSO's). In 2006, the Consent Administrative Order (CAO) was issued by ADEQ and contained basically the same mandates as the Sierra Club settlement agreement.

LRW has worked diligently to comply with the settlement agreement and the CAO. Emergency calls for non-capacity sanitary sewer overflows decreased from 1424 in 1987 to 106 calls in 2009. The terms of the Sierra Club settlement allowed a total of 121 SSO's in 2003 and LRW actually experienced 93. The number of SSO's has continued to decrease from the permitted number of allowable overflows 66 in 2009 to only 38 non-capacity overflows. The terms of the agreement specified that at any point during that time if the terms were met for two consecutive years that part of the settlement agreement was dispensed with. Little Rock Wastewater met those terms in 2004 and 2005; however, the program to eliminate overflows continues with a current goal of no more than 38 overflows per year.

The System Evaluation and Capacity Assurance Plan (SECAP) was completed and accepted in 2001. The plan provided for development of a system wide hydraulic model to identify capacity deficiencies. A major Capital Project Improvement Plan was developed including the hydraulic upgrade of the Adams Field Treatment Plant, construction of the new Little Maumelle Treatment Facility, hydraulic upgrades of the Arch Street and Cantrell Road Pump Stations, hydraulic upgrade of the Fourche Creek Treatment Facility, and upgrades of numerous lines. The plan also recommended inflow and infiltration reduction measures and outlined a plan for renewal and replacement of various sewer system improvements. Mr. Anderson displayed various graphs showing the various categories of overflows, the various projects to address those overflows, and the cost and completion date. He ended the presentation by listing the work proposed for the years 2010-2014, totaling approximately \$222,692,723, and stated that there are contracts totaling \$120,600,000 currently in progress, with future projects of \$141,600,000 for which there is currently no funding available.

After discussion, and on motion duly made and seconded, the Sewer Committee approved the following Investment Work Orders:

<u>Item</u>	<u>Amount</u>
2010 Cured in Place Pipe Annual Maintenance Contract	\$900,000
2010 Pipeburst Annual Maintenance Contract	\$600,000

After discussion, and on motion duly made and seconded, the Sewer Committee approved the following Purchase Approval request:

<u>Item</u>	<u>Vendor</u>	<u>Amount</u>
Ductile Iron Pipe	Consolidated Pipe	\$ 61,846

Mack Vought reported 38 dry weather or non-capacity overflows for the year, with 3 overflows during the month of December. He also reported 9.3% of maintenance time was spent on preventive maintenance, 86.7% on proactive maintenance and 4.1% on reactive maintenance. Mr. Vought explained the reports included in his division report, stating that he used them as a management tool to keep an overview of the work performed. He called attention to the SSO costing and occurrence information stating that \$46,140 was budgeted and, due to the unanticipated number of overflows, \$99,418.47 was actually spent. He called attention to the maps included in his report which show the area of the overflow, the street address, and a description of the overflow.

Jim Barham then presented the financial report for the month of December, 2009. After review, and upon motion duly made and seconded, the financial reports were approved by the Sewer Committee, including the payment of Operations & Maintenance expenditures in the amount of \$2,450,342. Net income for the month is (\$386,626), and net income year to date is (\$18,251).

Mr. Barham stated that assessments for the year totaled \$39,769,000 which is approximately \$1.5 million below projections, primarily due to lower than anticipated revenue from commercial accounts. Mr. Barham also mentioned that \$4.6 million in benefits were budgeted and benefits for the year were actually \$5.3 million, which was still substantially below the years 2005-2008. He also discussed the impact the lower interest rates had on investments, stating that LRW was approximately \$700,000 below projections on investments.

Stan Miller explained the Operations Division report, stating that it began with reports from each of the treatment facilities and included various graphs and charts regarding plant operations. He reported that both treatment facilities met their NPDES permit requirements for the month of December.

Howell Anderson introduced Joe Dollerschell of CDM, stating that Mr. Dollerschell is over construction management of various large construction projects currently

underway. He also introduced Vince Hotho of Garver Engineers with whom LRW has contracted for engineering design work. Mr. Anderson reported that Contract II for the pipeline between Sloan Drive and the Arch Street Pump Station is about 73% complete. He said that work is underway on the segment across the Holiday Inn property between the hotel and the expressway and mentioned the difficulty in obtaining the easement and Holiday Inn's request that the work be completed during January and February.

Mr. Anderson also mentioned the Alsop South Rehabilitation project which is located at the foot of Cantrell Hill, stating that this has been a very visible and successful project and should eliminate a very active overflow location.

He also reported that RJN Group was contracted to update the present SECAP report, stating that LRW will be spending the money for future improvements to the system based on the information derived from the report. He said RJN has installed over 60 flow monitors throughout the city and is currently gathering information as to which lines may need improvement as well as the impact improvements such as the peak flow attenuation facility have had. He called attention to the decrease in developer funded projects which were less than \$1 million in 2009 compared to \$3.5 million in 2006. He also mentioned that service line inspections decreased from 1,410 in 2005 to 823 in 2009.

Don Hamilton then gave his report on pending legal matters and he summarized the status on the Ranch Properties condemnation suit concerning the sewer easement for sewer lines involving the Little Maumelle Treatment Plant. He stated that the suit had been filed in 2008 and an order of taking had been entered then and construction completed last year after a hearing on March 30, 2009, held on objections by the landowner. It appears that any further action at this time is not necessary until the matter is set for trial or defendant Ranch Properties, Inc. takes further action.

As to the Mountain Pure Co.'s litigation, Mr. Hamilton explained the two cases presently pending both filed by Mountain Pure. The first case filed by Mountain Pure was for an injunction against both Little Rock Wastewater and Central Arkansas Water regarding collection of Mountain Pure's unpaid account and Mountain Pure's claim for overpayment in the amount of \$289,576 which was previously denied by the court upon filing. The second case filed by Mountain Pure is against only Little Rock Wastewater arising out of the administrative order dated July 24, 2009, signed by Mr. Corbitt. In that case, LRW filed a motion for summary judgment and Mountain Pure filed its response on January 13, 2010. LRW is in the process of filing its reply to the response and, after that time, an order on the motion will be appropriate. LRW intends to ask for an oral argument on the motion for summary judgment.

Mr. Hamilton then summarized the case involving the 2000 Beechwood house damage claim made by Quinton Smith by her attorney's Paul James and Hal Kemp. There has been no further development since the last report although Mr. James has threatened to file litigation since the earlier meetings last year but so far has not done so. Mr. Hamilton stated that, in his opinion, LRW has no liability in this case and there does not

appear to be any legal authority for the landowner's claim against LRW or the City of Little Rock.

Mr. Hamilton explained the situation on the Shannon Hills sewer service contract which was terminated by a letter from the City of Shannon Hills' engineer on October 7, 2009. Although the City Attorney's office has proposed documentation by a formal ordinance adopted by the City of Little Rock, nothing further has been done in that regard. In the meantime, Mr. Hamilton proposes to send a letter from Mr. Corbitt confirming the determination and that LRW has no further responsibility in any reporting requirements to the regulatory agencies.

As to the status of the Sewer Committee's instructions to hire inside legal counsel in view of Mr. Hamilton's retirement effective January 31, 2010, the advertising notice appeared in this past Sunday's newspaper. There appear to be several interested attorneys including Larry Carpenter, Steve Giles, Bill Mann, and Pat Hayes, but nothing further has been done because the closing date for applications is set for Friday, January 22nd.

Mr. Hamilton stated there are two other important deadlines in February for the Little Rock Wastewater 2009 annual audit letter in response to the auditor's request as well as the annual reports due next month in connection with the Sierra Club settlement, as well as the ADEQ Consent Administrative Order. He added that work has begun in preparation of these matters.

Finally, Mr. Hamilton explained the status of the sewer rehabilitation work done on Berkshire Park Condominiums for the purpose of upgrading the sewer facilities to be turned over to LRW for future maintenance and operation. The matter was documented, the work completed, and payment received, but the necessary easement and bill of sale have not been executed and that will be done shortly. The same situation exists with Tamarack Pines Condominiums, in which the condominiums desire that the sewer system there be turned over to the Little Rock sewer system. However, in order for that to be done, work will be required to upgrade the condominium sewer system to LRW standards, and a contract has been prepared for that purpose and will be executed shortly, with the work to commence after the contract is fully executed. The estimated cost of that project is \$57,631.77, payable in installments before and during the performance of the work which will be performed by LRW.

Mr. Hamilton then stated that his report was concluded. There was further discussion regarding the condominium work performed and to be performed and the circumstances of that work being done. At the conclusion of that discussion, Mr. Hamilton asked for any further questions on pending legal matters and there were none.

Mr. Corbitt explained the contracts LRW has with other cities, stating that until the City of Shannon Hills left in September, there were three such contracts, City of Cammack Village, City of Alexander, and City of Shannon Hills. Mr. Corbitt said that because Shannon Hills operated and maintained their sewer system, and were connected to the

Little Rock system, a lower than usual outside city rate was negotiated and Shannon Hills paid the same as City of Little Rock customers. Because LRW operates and maintains the sewer systems in Cammack Village and Alexander, by ordinance, these cities pay one and one-half times the rate paid by City of Little Rock customers. Mr. Corbitt said he was not sure when the Cammack Village and Alexander contracts expire, but he does not anticipate any change since these cities do not want the responsibility of operating and maintaining their sewer systems.

Ms. Miller said that a Selection Committee was recently formed to select an attorney to serve as General Counsel to LRW and the Sewer Committee. She said that she, Mr. Griffey and Ms. Perryman are serving on the Committee and invited Mr. Hornibrook and Mr. Mays to participate.

Ms. Miller said she was recently contacted about standing water at the corner of Kavanaugh and Cantrell. Mr. Corbitt said it was stormwater from recent rains and the Public Works Department should be notified.

Mr. Corbitt explained the rate increases which began in 2006 and 2007 and the last portion of the rate increase went into effect in January, 2010. He said an extensive rate analysis and cost of service study, and one of the things mentioned in the study was that residential customers are currently subsidizing commercial customers because of the way the rates are structured. He said that LRW's plan is to contact the City Board during the first quarter of this year and propose a 3.5% rate increase for commercial customers. He said there would actually be a slight reduction in rates for residential customers. Mr. Corbitt said that the advantage of putting the 3.5% rate increase into effect by the second quarter of this year is that it will reduce the rate increases proposed for 2011, 2012 and 2013 will be reduced from 11% to 8% to 5% for those years.

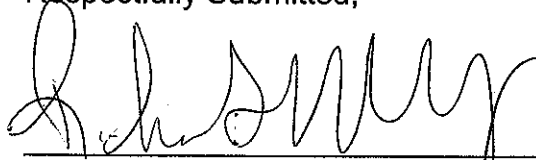
Mr. Corbitt also described the Rate Advisory Committee who met for several months and developed the rate analysis and cost of services study. He said there were members from various organizations and professions and represented realtors, community activists, neighborhood associations, etc.

Mr. Corbitt said that Central Arkansas Water received funds from the community recovery and reinvestment act and a groundbreaking ceremony is planned for improvements to the Jack Wilson Plant. He said the Sewer Committee members are invited to attend and he would forward the necessary information.

In closing, Ms. Miller recognized Mr. Hamilton for his 30 years with Little Rock Wastewater and expressed appreciation for his service.

There being no other business and on motion duly made and seconded, the meeting was adjourned.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Richard L. Mays, Jr.", written in a cursive style. The signature is positioned above a horizontal line.

Richard L. Mays, Jr., Acting Secretary