

LITTLE ROCK SANITARY SEWER COMMITTEE
Minutes of the Meeting Held
February 17, 2010

The Little Rock Sanitary Sewer Committee met at 4:00 p.m., Wednesday, February 17, 2010, in the conference room of Little Rock Wastewater. Those attending included:

Little Rock Sanitary Sewer Committee

Cynthia C. Miller, Chair
Ken Griffey, Vice Chair
Marilyn K. Perryman, Secretary
Richard L. Mays, Jr., Member

Little Rock Wastewater

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

Others attending included Vince Hotho of Garver Engineers, Bob Ridgeway of Perryville, Arkansas, and support staff from Administration and Community Relations, Engineering Services, Environmental Assessment Division, Finance, and Information Services. Sewer Committee member Pete Hornibrook and Ex Officio Member Mark Stodola did not attend.

The meeting was called to order by Ms. Miller and upon motion duly made and seconded, the minutes of the January 20, 2010, meeting were approved as written. Ms. Miller then asked for public comments and there were none. Mr. Coop joined the meeting at this point, representing Mayor Stodola.

After discussion and upon motion duly made and seconded, the Sewer Committee approved the following resolutions:

A Resolution of Appreciation to James R. Pender for His Service on the
Little Rock Sanitary Sewer Committee

A Resolution of Appreciation to Dale J. Wintroath for His Service on the
Little Rock Sanitary Sewer Committee

Mack Vought presented an Investment Work Order for the purchase and installation of the electrical switchgear and one 350 horsepower high speed blower in the aeration portion of the Adams Field Treatment Facility. Mr. Vought said the current 1973 model centrifugal blowers are very inefficient, and power costs for the blower building average approximately \$21,000 per month. He said the blowers are also expensive to maintain and parts are becoming difficult to obtain. Mr. Vought also estimated a savings per month of \$4,200-\$8,200. He mentioned that this equipment is to be funded from bond money already designated for this project. After discussion, and, on motion duly made and seconded, the Sewer Committee unanimously approved the Investment Work Order, as follows:

<u>Item</u>	<u>Amount</u>
High Speed Blower Project, Adams Field Facility	\$298,700.00

Mack Vought reported that a goal of 28 non-capacity overflows was set for 2010. He reported five non-capacity overflows during the month of January, one of which was a service line and should not have appeared on the report. Mr. Vought reported 8.9% as time spent on preventive maintenance, 89.9% as proactive maintenance, and only 1.2% of time spent on reactive maintenance. Mr. Vought commented these figures were well above industry standards. Mr. Griffey noted that three of the overflows were caused by grease and asked whether grease is an ongoing problem. Mr. Vought said that due to the "Can the Grease" campaign and increased efforts of the Maintenance Division, the problem was much better although it seemed to have reached a plateau. Mr. Corbitt described an incident several years ago when grease stopped a 60" line and described the difficulty of clearing a line that has been clogged by grease. He said that the grease campaign had been very successful.

Jim Barham then presented the financial report for the month of January, 2010. 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 \$1,800,145. Net income for the month is \$92,891.

Mr. Barham stated that the last phased increase of 5% went into effect in January and increased revenue by 1.4%. He called attention to the realized increase in residential revenues of 4.4% and commercial revenue of .64% indicating that the economy is still having an adverse economic impact. Benefits for the month were \$952,000, which is considerably more than the same period in 2008 and 2009, primarily because most employees were shifted to the high deductible insurance. LRW funds the associated health savings accounts up front and payroll deducts the premiums & contributions throughout the year. Ms. Miller asked if the budget could be cut if the economic trend continues and Mr. Barham stated that both projects and purchases are on hold until funds are available.

Mr. Griffey stated that the numbers are not good and asked what would be done in the event an additional rate increase is not approved. Mr. Corbitt then explained that LRW did not receive any of the original stimulus money, which was primarily designated for small towns. He stated that \$85.8 million in construction projects have been completed since 2002, with an additional \$124.6 million now under contract, leaving \$141.6 million in projects mandated by court order and Consent Administrative Order, of which over \$130 million is without funding. Letters are being sent to the current senators and representatives of this district requesting assistance in obtaining funding for these projects.

Stan Miller reported no NPDES permit violations for the month. He said the freezing weather caused some issues and cited as an example the freezing of the odor control system at the Adams Field facility. The odor control system was drained and placed out of service until piping repairs were completed and temperatures rose. The Arkansas Department of Environmental Quality was notified of the problem and kept informed of the status. This issue has been resolved and the system is now working properly. He commented that construction at the Fourche Creek facility is going well.

Howell Anderson reported that construction of all ongoing projects was adversely affected by the snow and freezing temperatures during January and February, but construction is still progressing. Under Contract II, for the redundant force main, the contractor has completed installation of the pipeline across the Holiday Inn property. Each joint in the pipeline was tested to ensure that it would not be necessary to make repairs after the paving is completed. The disinfection project at the Fourche Creek Treatment Plant is 37% complete. Max Foote Construction mobilized on Schedule II, the secondary clarifier project, and installed some dewatering wells. Mr. Anderson explained that the water table is currently very high so the wells were installed in order to pump out some of the water.

Mr. Anderson said the SECAP update will be the roadmap that LRW follows to get from this point to the end of the Consent Administrative Order compliance standard. He said it may redefine some of the projects currently scheduled; it may identify additional projects, and/or eliminate projects that we thought would be necessary. He said this is a very important document and we are trying to complete the study before budget preparation for 2010. He said RJN was asked to extend the period the flow monitors were used by one month in order to provide a certain rainfall event of high intensity but not too long in duration which they were able to obtain. He said he feels good about the progress RJN is making.

Mr. Anderson explained that the contractors on the annual maintenance contracts have the option of requesting an increase in the unit price at the first of each year. They were limited to a figure established as the heavy construction cost index; however, in most instances, they did not request an increase this year and all of these contracts were successfully negotiated for 2010. A hold was placed on the contracts until the second quarter of the year.

Mr. Griffey stated that Mr. Anderson is doing a good job of overseeing the various contractors and asked if, given the current economic situation, the contractors are being held to an even higher standard of performance to assure that they are coming in on budget and on schedule. Mr. Anderson stated that since we are city government, we are required to bid the various projects and do not necessarily have the option of hiring the contractor of choice; however, he felt that the projects LRW has underway are progressing as they should. He said that, naturally, when dealing with approximately \$200 million worth of jobs there will be things that come up, but there is an in-depth review of change orders. Sometimes the contractors come up with a way to do something that actually costs less and sometimes they run across something that increases the cost, but LRW tries to be fair to the contractor, the utility, and the ratepayers. He said as part of the new accounting and budgeting procedures, they tracked the projects that had been completed and most had come in within 10% of the budgeted amount.

Reggie Corbitt presented the legal report and stated that there were two cases with legal issues pending for the month of January. He stated that LRW is awaiting a decision from Judge Fox on the Ranch Properties, Inc. matter, but a right of entry has already been issued and all that remains is a determination of costs. On the matter of Mountain Pure, LLC, there are two items remaining, a show cause hearing order on the injunction and the temporary restraining order. Both have been answered and an oral argument is scheduled. Mr. Corbitt reported that there are three garnishments, two of which are having funds deducted as scheduled, and a satisfaction of judgment was filed on the third on January 22nd.

Mr. Corbitt commented that it was interesting that there is such reluctance on the part of certain industrial customers to install a sewer flow meter. He displayed a graph showing a comparison of accounts having the flow meter and the significant savings to industries who do install the flow meter. He said that Mountain Pure was finally convinced to install the flow meter and found to have approximately 100,000 gallons difference in flow. Mountain Pure was told that if they installed the flow meter and operated for one year at about 100,000 gallons average differential, an adjustment would be made.

Mr. Corbitt called attention to the 2009 Sierra Club Compliance Report, which is required on an annual basis, and also updates the regulatory agency and the court on the progress LRW made during the year. He said no action by the Sewer Committee is required, but he would appreciate the Sewer Committee's input as to any revisions or additions that should be made.

Mr. Corbitt stated that Brian Day, Assistant City Manager, had contacted him requesting that LRW fund a portion of a U.S. geological study of Fourche Creek, which to date had been funded by the Audubon Society, the City of Little Rock and the County until February 1st, when Audubon withdrew. He said he thought the amount they are requesting is \$10,000, and he would bring the official request to the March meeting along with a recommendation. Mr. Griffey asked if Ken Smith was still with the Audubon

Society and said that he would be interested in hearing his comments as to why they are not participating. Mr. Corbitt said he had not spoken with Mr. Smith, but had placed a call to John Chamberlain which had not yet been returned.

Mr. Corbitt stated that he is scheduled to present the current report to the Little Rock Board of Directors on April 13th. Ms. Miller urged the Sewer Committee members to be present if at all possible as she thought it would bode well for the Committee.

Mr. Corbitt mentioned that he had learned that morning that CDM would present a project paper on the peak flow attenuation facility at the Water Environment Federation Technical Conference (WEFTEC) in New Orleans in October. He stated that it is quite difficult to have a project approved for presentation at WEFTEC and it was an honor for CDM and Little Rock Wastewater. He said there is a June deadline for advance registration and stated that this is a very informative international conference and he thought that it would be a good source of information for the Sewer Committee members. He will provide registration information as soon as it is available in the event they are interested in attending.

Reggie Corbitt and Jim Barham then presented the Excellence in Achievement Award from the Universal Public Purchasing Certification Council to Trudy Moore, Purchasing Supervisor, and the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for 2008 to Debbie Williams, Accounting Supervisor. Mr. Corbitt stated that both were very prestigious awards and represented the efforts of the entire Purchasing and Accounting Divisions. The Sewer Committee commended both Ms. Moore and Ms. Williams on the achievements.

Ms. Miller asked for other business, and Mr. Griffey replied that he did have a comment, stating that from the beginning he had not been an advocate for hiring in-house counsel. He said he thought, given the current financial condition of LRW the timing was inappropriate and it was a luxury the Committee could do without. He said he would rather see the field employees of LRW keep their jobs, and he would like to postpone hiring in-house counsel for six months or until the Sewer Committee sees whether the rate increase is approved.

Ms. Miller said that this matter was discussed at length before a decision was made to advertise for in-house counsel, former members of the Sewer Committee were polled and thought that having in-house counsel was a savings. She said the job had been advertised, there had already been several applications, and interviews were underway. She said she thought that Mr. Griffey was wrong in thinking that using outside counsel would cost less given the hourly fees most outside counsel would charge. She said she felt that having in-house counsel would save money, probably a lot of money, and she felt it was too late to retract what had been done when the interviewing process was halfway completed.

Mr. Griffey stated that he was out voted from the beginning and felt it was important to make his objections a matter of record. Ms. Miller said that she did not vote without

giving the matter a great deal of thought and she truly felt that hiring in-house counsel was the most prudent decision.

Mr. Barham stated that before Mr. Hamilton was hired, an exhaustive analysis of fees paid to outside counsel was performed and there was a substantial savings in hiring in-house counsel although the utility was at the time in the midst of the Fourche lawsuit. Ms. Miller said she felt that the numerous legal matters LRW deals with on a daily basis justified having someone on board to handle the myriad details that are encountered.

Mr. Griffey stated that he would be interested in hearing Mr. Corbitt's comments and Mr. Corbitt stated that, while legal matters could be handled either way, he did not know that he would consider in-house counsel a luxury. He said when outside counsel was used, he made numerous decisions because of the expense involved. He said these matters were considered mundane, but might not have been, such as "whether a particular document is in the correct form, does the language in this easement protect the interest of the utility, is there something in this contract that may cause us problems later on" that he might not catch. He said when there is a cost of \$200-\$400 per hour to have someone look at a particular matter, there is a reluctance to ask for a legal opinion. He said from that standpoint he thought having in-house counsel is a prudent choice.

Mr. Griffey asked what Mr. Corbitt thought was in the best interest of the ratepayer, and Mr. Corbitt said he thought that having counsel in-house was the most prudent choice, both from the standpoint of what is most cost efficient and the prevention of future problems. Mr. Corbitt went on to say that when you are in the public arena and deal with as many contracts as LRW has entered into during the past few years, there have been numerous contract provisions that Mr. Hamilton caused to be amended for the good of the utility and, ultimately, the ratepayers that an outside counsel might not have considered. Mr. Corbitt also mentioned that it was unlikely that the same person would handle all LRW legal matters if it was decided to go with outside counsel.

Mr. Griffey said he just needed to hear again that the Sewer Committee was making the best and most prudent decision for the ratepayers of Little Rock. He said he appreciated everyone's comments. Ms. Miller said she thought they would save the ratepayers a lot of money and that is the bottom line.

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

Respectfully submitted,

Marilyn K. Perryman, Secretary