

LITTLE ROCK SANITARY SEWER COMMITTEE
Minutes of the Meeting Held
July 21, 2010

The Little Rock Sanitary Sewer Committee met at 4:00 p.m., Wednesday, July 21, 2010, in the conference room of Little Rock Wastewater. Those attending included:

Little Rock Sanitary Sewer Committee

Ken Griffey, Vice Chair
Marilyn K. Perryman, Secretary
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, P.E., Manager of Engineering Services
Stanley Miller, Manager of Operations

Others attending included Ex Officio member Mark Stodola, Carolyn Witherspoon of Cross Gunter Witherspoon & Galchus, P.E., Joe Dollerschell of CDM, Tim Daters of White-Daters & Associates, Inc., Vince Hotho of Garver Engineers, Lamor Williams of the *Arkansas Democrat-Gazette*, and support staff from Administration & Community Relations, Engineering Services, Environmental Assessment Division, Information Services, and Maintenance. Sewer Committee Chair Cindy Miller and Mack M. Vought, Manager of Maintenance & Construction, did not attend.

The meeting was called to order by Mr. Griffey and on motion duly made and seconded, the Minutes of June 16, 2010, were approved with one revision. Mr. Griffey then called for public comments and there were none.

Howell Anderson reminded the Sewer Committee of the request by Deltic Timber at the May 19, 2010, meeting for a waiver of policy prohibiting pumping of sewage from one drainage basin into another. The request was tabled to allow the Sewer Committee more time for research and to allow Mr. Daters more time to work with staff and arrive at a solution. Mr. Anderson said Deltic's request is the same as originally presented. It is their intent to develop 75 acres into small residential lots outside the natural drainage basin and they are asking that Little Rock Wastewater waive the established policy. He

said Mr. Daters provided engineering data supporting their contention that the line originally installed by Deltic was sized of adequate capacity to include the area in question because of the reduction in density for which the land was originally developed versus the actual development.

Tim Daters displayed an overall plan for Chenal Valley since Deltic first began development in 1990 and pointed out the 24" sewer line that was extended along Rock Creek and up Kanis Road to Deltic's property in order to get to the original area of Chenal Valley. He said that most of the land, at that time, was either wooded or pasture land. His firm developed projected formulas and population densities for this basin roughly based on 2-1/2 units per acre and 3-1/2 people per unit figuring that they might develop about 75% of the property that way. He said their calculations supported the development of an additional 1,000-1,600 units, and the proposed pump station would be sized so that if LRW received additional requests it would not be necessary to increase the size of the pump station in order to accommodate additional development. He said that the Wildwood Center for the Performing Arts also has two pump stations in the area, and their existing force main will discharge into the proposed line in order to eliminate one of the Wildwood pump stations. He said that the area downstream toward Ferndale Cutoff is developed into 5 acre lots and Deltic owns a large area along the ridge tops that most likely will see very limited development along the western edge. He estimated that Deltic will invest approximately \$200,000 for the construction of the pump station and force main and will pay fees to LRW for the operation and maintenance of same. He said they are asking for credit of this amount against some of the fees that Deltic will pay for connecting to the sewer lines that Deltic built 20 years ago.

Mr. Anderson stated that flow monitors were installed in an effort to verify that adequate capacity exists to support the additional development, and the data supported Mr. Dater's engineering study. He said there is always concern about allowing pumping from one drainage basin to another and he felt it was important that any agreement be specific to the intended development and for only the intended usage. Mr. Anderson said that LRW has a capacity contribution fee that is primarily intended for areas that are actually zoned and developed at a higher capacity than originally designed. The fee is collected and saved in the event it is necessary to upsize the line. Mr. Anderson said in this case they are outside the basin so zero capacity was set aside for the proposed development and Deltic was charged a zero capacity fee. He said there are two sections, one installed prior to Sewer Improvement District 247 and the other lines installed by Deltic into SID 247. He said he understands that Deltic paid for the line and the additional capacity is theirs and that, typically, we collect reimbursement for a period of ten years but it has taken this area longer to develop so they have not been reimbursed for much of the original cost of sewer installation. It was calculated that about \$78,000 in capacity fees will be charged for the SID 247 line. Downstream of that, the fees for the other section will amount to over \$30,000 for which no credit can be given as Deltic had no part in the development of the area.

Ms. Perryman asked if there was a downside to honoring Deltic's request and Mr. Corbitt replied that if Deltic's request is denied their other option would be to install a

package treatment plant. He said this is undesirable from the standpoint of both LRW and environmentally since the Utility will eventually assume operation of the sewer system in this area, and experience has proven that it is usually necessary to correct the problems associated with a package plant by installing a sewer main. He said this area was taken into consideration in constructing the Little Maumelle Treatment Plant as much of that basin is already developed into five acre lots and there is little likelihood that a gravity sewer line will ever be installed to serve this area since it is located on the upper end of the basin. He said, taking these two things into consideration, it is staff's recommendation that Deltic's request be granted since the engineering studies show that the sewer line in the receiving basin has sufficient capacity.

Mr. Griffey asked whether Wildwood had been informed and Mr. Daters said that he had met with the director who was unaware they had the pumping stations until their conversation but they were agreeable to having Deltic eliminate their force line. Mr. Corbitt commented that it would be to Wildwood's advantage since one of their greatest expenses was for power to operate the force main and pump station that would be eliminated.

Mr. Griffey asked whether the request for a waiver meant that LRW's policy is outdated and whether the Sewer Committee would continue to see additional requests of this nature as Deltic expands development. Mr. Corbitt said he felt that the policy should stay in place since the sewer system is not typically designed for development outside the basin it serves and, should the Sewer Committee decide to grant the waiver, it should be site specific and any requests that follow should be decided on their own merit since future development is difficult to predict. He gave as an example the downtown area that was originally designed residential and is now heavily commercial.

Mr. Mays asked what percentage of Deltic's capacity contribution fees staff felt should be discounted and Mr. Anderson said he felt that Deltic should receive full credit for the fees associated with the SID 247 lines since they are assuming full cost of construction of the force main and pump station, but they would still have to pay the remaining fees and Deltic would pay LRW a fee for operation and maintenance of the force main and pump station in either a lump sum or on a monthly basis. Mr. Daters said that it is Deltic's intention to pay the O&M fees in a lump sum. Mr. Hornibrook asked if Deltic would have a problem with making this payment a provision of the waiver agreement and Mr. Daters said it could certainly be included.

Mr. Corbitt said that there would actually be five provisions: that the waiver be specific to the 75 acres, that the 75 acres would be limited to the planned development as presented to the Sewer Committee on this date, that one of the Wildwood pump stations would be eliminated and the flow from this station incorporated into the planned development, the credit for the contribution fees would only apply towards the SID 247 lines, and the lump sum payment of the capacity fee and operation and maintenance cost.

After discussion, on motion by Mr. Mays, and duly seconded, the Sewer Committee voted unanimously to grant the waiver of policy with the stipulations noted by Mr. Corbitt.

Mr. Griffey recognized Mayor Stodola who had recently joined the meeting and invited him to join the discussion or ask questions as he saw fit.

Mr. Corbitt presented Item 4 on the Sewer Committee agenda which is a resolution recommending approval of an adjustment of sewer rates and adoption of an ordinance establishing the rates to be effective as soon as possible. Mr. Corbitt said the resolution complied with a City Ordinance that the Board of Directors be given a 60 day notice of any ordinance having to do with rates or bonds that would come before the Board. He said the resolution was presented in order to start the procedure and could either be acted upon at this time or following the discussion of other items on the agenda. After discussion, the Sewer Committee tabled the resolution until the August meeting in order to allow for clarification of some of the issues.

Mr. Griffey then called for Item "e", listed for discussion, stating that he would like to go ahead and get the matter on the table. Mr. Griffey stated that the per diem that had been in place for the last 75 years and is paid to the Sewer Committee members had recently come into question. He said he did not presume to speak for the other members but he personally did not want anything to "cast a shadow on what the Sewer Committee and other boards and commissions do with their volunteer time." He said he was sure that the other members would agree, had no idea a per diem was in place when they joined the Sewer Committee, and were as pleasantly surprised as he. He said this is a token amount, but if even one citizen had a problem with the per diem it was too many and he would like to hear any discussion before a motion is put on the table to dissolve the per diem for Sewer Committee members.

Mayor Stodola asked Ms. Witherspoon whether she had done any research into the history of the per diem, and she said she found the opinion letter from Sewer Committee General Counsel, Don Hamilton, written approximately ten years ago, and had provided that information to the City Attorney about a week ago along with the policy that they had found. Mr. Stodola asked how long the per diem had been in effect and Mr. Griffey said it was established in 1935. Mr. Stodola noted that that was before the change in city government to the city manager form and the per diem had carried forward through the new form of government. Ms. Witherspoon said she assumed so as Mr. Hamilton was the most thorough person she knew and she felt he would have found reference to the per diem after its inception in 1935 if it existed, other than the opinion of ten years ago. Mr. Stodola said he had not seen the opinion letter and Ms. Witherspoon agreed to furnish him a copy.

Mr. Hornibrook observed that he had been out of town and wondered how the criticism of the per diem came about. Mr. Griffey stated that criticism of the per diem was expressed by City Director Brad Cazort at a recent agenda meeting, and he felt that it was best that the Sewer Committee go ahead and dissolve the per diem rather than

have it held up to criticism, since apparently none of the other boards or commissions receive a per diem.

As there was no other discussion on the matter, Mr. Griffey called for a motion to eliminate the per diem paid to the Sewer Committee members, and on motion by Ms. Perryman, seconded by Mr. Mays, the Sewer Committee voted unanimously to dissolve the per diem.

Mr. Corbitt stated that the original plan was that the rate ordinance would differentiate between residential and all other customers and would in fact raise the rate on any non-domestic customer and raise the trigger point for allowable concentrations for non-domestic customers higher than the current level of 250 mgs per liter which is about the normal domestic sewage strength for BOD and TSS. He said the new ordinance would change from milligrams per liter to a total pounds concept, which is an important limiting factor in our two discharge permits. He said the Utility has a certain strength that can be discharged into a stream but each treatment facility has a set number of pounds that it can treat and not exceed in a month's time.

He reminded the Sewer Committee of the resolution passed by the Sewer Committee and the proposed ordinance that was sent to the City Board for approval in order to provide a means to accommodate Sage V Food's request for expansion of their facility. He said Sage V has substantially increased their flow to the Fourche Creek Treatment Plant, increasing loadings to the point where it is no longer possible to do nothing and hope to meet permit limitations. He said it appears that Sage V likes being in Little Rock and staff has had several discussions with Pete Vegas, owner of Sage V, to the effect that they do not wish to be in the sewage treatment business and prefer that someone else handle treatment of their wastewater discharge. Mr. Corbitt said having a separate contract for a treatment process and a separate rate for that process would require a change in the rate ordinance. He said it is the preference of City officials, and he concurs, that LRW pursue a two step rate structure and include the Sage V rate structure in order to accomplish what is necessary for Sage V. Mr. Corbitt said that if this is done with all diligence it should be possible to accommodate Sage V.

Mr. Corbitt said that, at the request of Mayor Stodola that the Utility seriously consider implementing an impact fee, the impact fee ordinance was discussed by the Rate Advisory Committee. Their recommendation was to move forward with the impact fee ordinance which would specifically contain the methodology for calculating the impact fee. They also recommended that the impact fee be in the fee schedule that is approved annually by the Sewer Committee, because the calculation of that fee would be on an annual basis, based on the amount of debt, number of customers, etc. He said it is felt this would reduce the angst of having a separate discussion each year on an impact fee ordinance.

Mr. Corbitt said it was also the recommendation of the Rate Advisory Committee that a sewer service line policy be established. He explained that this is basically an ordinance patterned after a program in place in Jacksonville, and, when a problem with

a service line is detected, the property owner is given a certain amount of time in which to correct the problem. Mr. Corbitt said since he has been with the Utility, the City of Little Rock has had a contractual arrangement with the Department of Health to perform health inspections including service lines for the City. About 8 years ago, that contract expired and the function was assumed by the City Inspection Department. Mr. Corbitt said the Inspection Department is swamped and corrective action for defective service lines has not been as effective as in the past. The City would like for the Utility to revisit the monthly fee on the sewer bill to cover service line replacement, for residences only, and estimate the cost on an annual basis. Mr. Corbitt said this might be a fortuitous time to resurrect this issue since the two separate rates would entail an increase for non-domestic customers and a slight decrease for residential customers. He said the service line policy would be investigated and reported back to the Sewer Committee.

Mr. Griffey asked how the proposed rate ordinance would affect revenue and mentioned that Sage V is at this time paying \$60,000 per month for sewer surcharges. Mr. Barham stated that Sage V's surcharge would probably increase and would probably double as they want to double the capacity of their plant. Mr. Corbitt said Sage V has the capacity to triple the size of their operation without increasing the size of the building. Mr. Anderson said it is important to remember that Sage V has a two-tiered bill, the volumetric based sewer bill and the surcharge bill, and the change will be only to the surcharge bill. He said Sage V has about a \$200,000 per year volumetric sewer bill independent of the surcharge bill and, while the surcharge bill will change, LRW will still collect the volumetric sewer bill. He said there is also the benefit of the increased methane gas production associated with the Sage V operation. Mr. Barham commented that after Sage V is fully expanded, their surcharge bill will be about \$1.6 million annually, and the surcharge calculated on total solids would be in the neighborhood of \$600,000 so this is a considerable savings to them. Mayor Stodola said these were some new numbers he did not think the City had been apprised of on the surcharge bill/volumetric bill, and it would be helpful to have that information. Mr. Anderson said that he would be happy to provide it.

Mr. Griffey asked about the service availability fee and Mr. Corbitt said it was separate from the service line policy as it pertains to LRW's providing sewer service to several unsewered areas only to have the majority of customers in those areas fail to connect. The service availability fee would be a monthly charge on the sewer bill of a residence or business with sewer available but not connected. Mr. Corbitt said during the first two years after the sewer lines are constructed, the residential property owner has the option of connecting to the sewer line for \$150. After the two year period, the connection fee increases from \$150 to as much as \$2,000 - \$5,000 per acre which is that property owner's pro rata share in the cost of the sewer line construction. Mr. Corbitt said that he is proposing that those customers with sewer service available within 300 feet be charged the service availability fee which is currently \$12.87 per month, he would recommend that the recovery fee that is now a big hindrance be eliminated and make it easier for the homeowner to rationalize that they are paying the availability fee so they may as well connect to the sewer if their septic system fails. Mr. Corbitt said there is a precedent for the availability charge in other towns, and some

cities even charge for water and sewer whether or not the service is turned on. Mr. Corbitt said his rationale and reason for recommending the availability fee is that there would at least be some return on the considerable investment for funding the construction of sewer lines for the unsewered areas.

Mr. Corbitt said that City Attorney Tom Carpenter had recommended that each of the matters be presented in a separate ordinance and Don Hamilton had concurred. Mr. Griffey asked if Ms. Witherspoon agreed that there must be four separate ordinances and she replied that she did agree that it would be best, but it might be possible to combine some into one ordinance.

Ms. Perryman asked how the service availability fee is derived, and Mr. Corbitt compared it to the fees charged by Entergy, Center Point Energy, Central Arkansas Water, and the phone and cable companies. He said the fee is a pro rata share of the cost of the sewer mains, the capacity of the treatment facilities, accounting functions, and is part of the rate structure and is adjusted as rates are adjusted.

Mr. Barham observed that these issues concur with the recommendations of the Rate Advisory Committee. Mr. Daters said the one issue agreed upon by all RAC members was that if an impact fee is implemented, a service line policy should also be implemented. Mayor Stodola said he realized that the home builders believe that if there is an impact fee, the impact fee should be balanced by a service line fee and while he recognizes that all of the issues are expenses to the wastewater utility he still believes they are separate and distinct issues. He said "mandating that a property cannot be sold until a service line is fixed is something that many members of the community have spoken out loudly against in terms of shutting down real estate transactions which we obviously don't want to do." He commented that the options that are available led to discussion at City Hall about looking at the service line policy, and perhaps the service line issue of a dollar per account was raised back in 2002. Mr. Daters said the dollar was arrived at by the consultant working with the RAC and is the estimated expense per customer for inflow and infiltration (I&I). He said they estimated 40% of I&I comes from defective service lines and they wanted to be sure that expenses were shared equally across the system. Mr. Stodola said that was probably the same consultant who said that anyone who did not have their sewer line installed within the last five years would have to have it inspected, and commented that service lines were good for up to fifty years, given the new technology.

Mr. Corbitt summarized the information for the Sewer Committee and said he was not asking for approval or disapproval of any of the issues discussed, and merely wanted reassurance that staff is proceeding correctly. He said he hoped to have the documentation and appropriate resolutions ready for the next Sewer Committee meeting. Mr. Griffey asked how soon the documentation would be available for their review and Mr. Corbitt said it should be ready within three weeks. Mayor Stodola was then excused from the meeting.

In the absence of Mack Vought, Mr. Corbitt reported that maintenance goals for the month were met. He reported four non-capacity overflows during the month of July, bringing the annual total to 23. He also reported 42.6% of maintenance time was spent on preventive maintenance, 50.6% as proactive maintenance, and 6.8% on reactive maintenance.

Mr. Barham presented the financial report for the month of June, 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 \$1,905,825. Net income for the month is \$170,007, and net income year to date is \$336,203.

Stanley Miller reported there was a permit violation at the Fourche Creek Treatment Facility for Total Suspended Solids (TSS), with a reported weekly average of 50mg/l, exceeding the allowance of 45mg/l. Mr. Miller reminded the committee of the discussions regarding Sage V loadings, and commented that the Fourche plant's treatment capacity is stressed to the point that a small mistake because of loading is now a permit violation. He stated that another violation occurred in early July for BOD and will appear on next month's reports. He said changes in operations to offset these issues were made and Sage V has agreed to notify LRW when a line is added or taken off so that biology can be adjusted to compensate. Mr. Griffey asked when the dedicated line for Sage V is expected to be in operation, and Mr. Anderson replied that it will take approximately six months after the contract is signed with Sage V and the ordinance is passed by the City Board.

Howell Anderson reported that work on the river outfall portion of the Contract IV conveyance for the Little Maumelle Treatment Facility began in early July, using divers and barges, making this construction quite interesting. He observed that this project is nearing completion. He stated that the Fourche Creek Redundant Force Main, Contract I from the College Station Pump Station to the treatment facility is awaiting paperwork to issue the completion documents. Contract II for the portion of the project from Sloan Drive to the Arch Street Pump Station is 99% complete, and construction on Contract III for the College Station Area began in May and is expected to be complete within a couple of months. He stated that the disinfection project at Fourche continues to go well. Mr. Anderson also reported that LRW conducted the kick-off meeting with TME on June 23rd and several documents have been furnished to TME for evaluation in determining possible opportunities for cost reductions associated with electrical usage and rates. He stated that a lengthy SECAP update meeting with RJN was held recently and he thought that the results had been narrowed to the preferred alternatives. He said RJN would now develop cost estimates and present them to LRW. He mentioned that the number of developer funded projects through June, 2010, is higher than the same period in 2008 and 2009.

Mr. Hornibrook asked for an update on the collection system rehabilitation projects that have been delayed awaiting funding. Mr. Anderson replied that the engineering design work on these projects is complete and the work is on hold awaiting passage of the rate

increase and related bond issue. He commented that the Utility has never had this number of design projects on the shelf before and his concern is that, at some point, the information derived from smoke testing and televising of these areas will become obsolete.

Carolyn Witherspoon reported that Little Rock Wastewater's oral argument on the motion for dismissal of the Mountain Pure Water matter was successful, and Judge Fox granted the motion on July 9th. The licensing issue with Entergy for use of property for electrical power facilities was approved by the City Board, and the license has been filed with the Circuit Clerk. She reported that she and Mr. Corbitt had a very productive meeting with the City Board and received some suggestions about combining some of the ordinances. Ms. Witherspoon reported that she had spoken with Allen Gates, the environmental attorney for LRW, and he is working with Mr. Corbitt on the letter regarding some of the deadlines in the Sierra Club settlement. She mentioned that she is also working with Mr. Corbitt to provide the information requested by members of the Little Rock Board of Directors.

Mr. Corbitt reported that he had made a presentation to ADEQ regarding a three year extension of the deadlines mentioned in the Consent Administration Order, and they had seemed agreeable; however, after receiving the initial SECAP report he would like to delay the letter that Mr. Gates is preparing on the CAO and the Sierra Club settlement until the SECAP cost estimates are received. It may be necessary to request a five year extension. Mr. Corbitt said that LRW actually has until 2015 to complete the overflow mitigation program so he does not see a time crunch unless the funding deficit persists.

Mr. Griffey commended staff for working with City officials and said he realizes there is a lot of change going on and he appreciates the efforts of all concerned and thinks good will result.

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

Respectfully submitted,

Marilyn K. Perryman, Secretary