

NORTH LITTLE ROCK WASTEWATER TREATMENT COMMITTEE

MINUTES OF A MEETING HELD TUESDAY, DECEMBER 8, 2015

A meeting of the North Little Rock Wastewater Treatment Committee was held on Tuesday, December 8, 2015 at the administrative offices located at the Faulkner Lake Treatment Plant.

The meeting was called to order by Chairman Matthews at approximately 12:13 p.m. Those in attendance at the meeting were Mr. K.W. Matthews, Mr. Ed Nelson, Mr. Clark McGlothin, Mr. Sylvester Smith and Ms. Karen Bryant. Also in attendance were Mr. Marc Wilkins, Director, Ms. Gina Briley, Mr. Charles Frost, Mr. Lyle Leubner, Mr. Ronnie Thompson, Mr. Michael Clayton, Mr. Dan Jackson with Willdan*Economists.com, Mr. Bruce Engstrom with EGP, PLLC, Mr. C. Tad Bohannon legal counsel for Central Arkansas Water, Mr. Sam Hilburn and Mr. Mark Halter with Hilburn, Calhoon, Harper, Pruniski & Calhoun, Ltd. and Dawn Harmon.

First, the Committee reviewed the minutes of its November 10, 2015 meeting. After review, a motion was made by Mr. Nelson, seconded by Mr. McGlothin, to approve the minutes of the November 10, 2015 meeting as submitted. The motion carried unanimously.

Next, the Committee reviewed the cash disbursements for November 2015. There being no questions or comments, a motion was made by Mr. Nelson, seconded by Ms. Bryant, to approve the cash disbursements for November 2015 reflecting total cash disbursements of \$1,783,495.03 and transfers between accounts of \$1,182,449.62. The motion carried unanimously.

Upon motion made by Mr. Nelson, seconded by Mr. McGlothin, the Committee unanimously approved the Financial Statement for November 2015.

The Committee then continued its discussion regarding the Wastewater Consolidation Agreement by and between Central Arkansas Water, North Little Rock Wastewater Treatment Committee and Maumelle Water Management. At that time, Mr. Dan Jackson with Willdan*Economists.com presented the findings of their Phase II Financial Analysis and Impact of Maumelle Wastewater System Acquisition. Mr. Jackson explained to the Committee that this was a very unique opportunity and the best way to determine its success was to apply the following formula:

Marginal Revenues (any additional revenues from acquired accounts)

LESS

Marginal Operating Costs (any additional operating and administrative

expenses incurred from management of the new system)

LESS

Marginal Debt Service (any annual debt service from funds borrowed for capital expenditures required to acquire and repair system)

EQUALS

Net Marginal Revenues (if positive, then acquisition is financially feasible.)

After further due diligence, Mr. Jackson stated that the analysis indicates that the acquisition is forecast to be financially feasible and beneficial to both Maumelle and North Little Rock Waste Water customers. While the monthly rates to Maumelle ratepayers will require initial adjustment, future rates will be the same for Maumelle and North Little Rock Wastewater ratepayers. Increased efficiencies and economies of scale are forecast to benefit both systems and enable additional investment. A copy of the Willdan*Economists.com analysis report is attached to these minutes.

Next, Mr. Bruce Engstrom advised the Committee that he totally endorses the report submitted by Willdan*Economists.com. He further stated that he was asked by Mr. Wilkins to review the books and records of Maumelle, review the Willdan*Economists.com report and also review the financial history of North Little Rock Wastewater Utility with respect to the reserves. He has completed all of these tasks with the exception of reviewing the books and records for Maumelle. His office had scheduled to do this prior to the meeting but due to a conflict they were unable to do so. However, he advised the Committee that this task would be completed this week prior to the December 11 Noon deadline. Based on everything he has reviewed thus far, his professional opinion is that this is a good acquisition for both parties. After further discussion, a motion was made by Mr. Smith, seconded by Mr. Nelson, to proceed with presenting the acquisition to the North Little Rock City Council for approval. The motion carried unanimously.

The Committee then reviewed the invoice received from Municipal League Workers' Compensation Trust in the sum of \$80,079.00. The amount paid for 2015 was \$57,340.00. This is around a 40% increase. The National Council on Compensation Insurance Rates for the Utility's payroll class went up 27% from 2015. The Utility's experience rating went from 1.47 to 1.54, which is a 5% increase. The numbers of claims for each of the last three years are as follows:

- 2012 - 3 claims
- 2013 - 18 claims
- 2014 - 12 claims

Additionally, the covered payroll went up 9% in anticipation of adding some positions. It was noted that the increased amount has been included in the 2016 budget. A motion

was then made by Mr. Smith, seconded by Mr. McGlothin, to authorize payment to the Municipal League Workers' Compensation Trust in the amount of \$80,079.00. The motion carried unanimously.

Mr. Wilkins then advised that the Utility received an invoice from APERMA for property and liability coverage in the amount of \$102,996.00. This is the same amount which was paid for 2015. A motion was made by Mr. Smith, seconded by Ms. Bryant, to authorize payment to APERMA for property and liability coverage in the amount of \$102,996.00. The motion carried unanimously.

Mr. Wilkins then informed the committee that the staff has prepared bid documents for the 3306 E. 10th Street Pump Station project. This project includes replacement of the existing Dixie Pump Station, replacement of approximately 1,030 linear feet of 6-inch force main and the addition of an auxiliary power supply. The project will be funded through general revenues and is included in the 2016 Budget in the amount of \$400,000.00. Further, Mr. Wilkins stated that the staff has provided engineering design services for this project and will provide engineering services during the bidding and construction phase. A motion was made by Mr. Smith, seconded by Ms. Bryant, to authorize the staff to advertise for bids for the 3306 E. 10th Street Pump Station project. The motion carried unanimously.

Mr. Wilkins then updated the Committee on the SSES Engineering Services Agreement. Conducting a Sewer System Evaluation Survey (SSES) of the Utility's collection system is a requirement of the Consent Administrative Order. The plan is to complete the SSES over an eight-year period. Through the 2015 calendar year, the Utility is half way complete with the plan. RJN, Inc. is the engineering services firm the Committee selected to conduct the field work, engineering analysis and reporting. The contract with RJN, Inc. was for three years and was extended for one additional year. The staff recommends to continue using the services of RJN, Inc. for the remainder of the SSES program and to enter into a new three-year agreement. The 2016 SSES scope of work includes approximately 2,027 manholes and 382,401 linear feet of gravity pipelines in the Indian Hills/Overbrook, Dixie Addition and South Levy areas. The projected cost of the 2016 SSES is \$570,176. The work will be paid for with general revenues and is included in the 2016 Budget in the amount of \$600,000. A motion was made by Mr. McGlothin, seconded by Ms. Bryant, to authorize the staff to enter into a three-year agreement with RJN, Inc. and authorize 2016 services in the amount of \$570,176. The motion carried unanimously.

The Committee then reviewed Item 9 of the Agenda, the proposed 2016 Budget. A decision was made to defer any action on the Budget until the January 2016 meeting.

Mr. Wilkins then advised the Committee that he has been working with Little Rock to standardize specifications so that there will be more uniformity between the two which will benefit development. He stated he would keep the Committee apprised of his communications.

There being no further action to come before the Committee, a motion was made by Mr. Smith to adjourn the meeting. The motion carried unanimously, and the meeting was adjourned at approximately 1:25 p.m.

APPROVED AS TO FORM:

A handwritten signature in blue ink, appearing to read "K. W. Matthews", with a long horizontal flourish extending to the right.

K. W. MATTHEWS, CHAIRMAN

RESPECTFULLY SUBMITTED,

A handwritten signature in blue ink, appearing to read "S. Smith", with a long horizontal flourish extending to the right.

SYLVESTER SMITH,
VICE-CHAIRMAN/SECRETARY