

City Corporation  
Board of Directors' Meeting  
Main Office Conference Room  
Tuesday, June 19, 2012, 4:00 p.m.

PRESENT:

Directors:	Don Guess Frank Russenberger	Art Jones Luke Duffield
City Corp:	Craig Noble Keith Gray Brenda Austin Kenny Lutz	Larry Collins Hope Penman Jim Lynch Rena Taylor
Others:	Bob Hardin Craig Johnson Mayor Bill Eaton John Cochran	Andrew Pownall Rusty Gadberry Preston Tolliver

Vice Chairman Don Guess called the meeting to order at 4:00 p.m.

Approval of the May 2012 Minutes: Art Jones made a motion to approve the minutes. Frank Russenberger seconded. Minutes were approved with two (2) corrections noted.

Review and Consideration of the May 2012 Financials: On the water side, revenues were 3.5% (\$15,780.90) over budgeted amounts for the month. The yearly variance is running 2.6% less than budgeted amounts. Total Operations & Maintenance (O&M) expense for the month was 8.3% over budget (\$30,343.20). The O&M budget amount was \$366,619.00 with the actual O&M monthly total being \$396,962.20. The yearly variance is 5.9% (\$263,159.86) under projected budget. The net income for the month was 15.9% (\$13,587.28) less than the budgeted income. On the sewer side, revenues were 1.2% (\$3,917.30) over projected amounts. The budgeted revenue was projected to be \$333,875.00 with the actual total revenue being \$337,792.30. The yearly variance is 0.4% (\$13,031.17) over budget. Total O & M expense was \$40,115.63 over budget. The yearly variance is 3.4% (\$127,632.28) under budget projections. The net income for the month was 1149.1% (\$36,266.68) under budget. Frank Russenberger made a motion to approve the May 2012 financials. Art Jones seconded. The Financial Report was approved as presented.

Capital Projects Status Report: Reported that all areas are operating well with no issues being noted.

Operating Reports: Reported that all operations had run smoothly for the month. There was a nitrate violation during the month. Staff is currently using several “out of the box” methods to stay in compliance.

ISO Rating Criteria: Fire Chief John Cochran gave a presentation regarding the current ISO rating criteria. Cochran alluded to a 1992 written agreement between City Corporation and the Fire Department. In the original agreement, Cochran stated that the Board agreed to provide 20 new hydrants per year. The figure is now represented in the City Corporation budget as \$30,000 yearly for the purchase of fire hydrants. Frank Russenberger stated that a problem could arise if City Corporation was also asked to run the line to the new hydrant. Chief Cochran stated that he was not suggesting that City Corporation resume the responsibility of the property owners. Luke Duffield stated that according to the presentation, the ISO rating was weighted heavily in favor of the capacity of the system and not the individual fire plugs. He stated that City Corporation’s main goal is to provide the infrastructure.

Bid Items: Three of the bid items had only one responsive bid received and were tabled from last month’s meeting. Tommy Richardson had asked Rusty Gadberry with Arkansas Data Services to research possible lease options for the Power 7 Server. The bid for Power 7 Server from ADS came in at \$107,477.00. Gadberry brought in a price quote for leasing the equipment at \$112,272.49. After taxes, the amounts would be about the same stated Gadberry. Art Jones asked if City Corporation would have to have a software contract if the item was purchased. Rusty Gadberry stated that a three year contract was rolled into the price. Craig Noble asked Bob Hardin for his legal opinion on which venture would be best, lease or purchase? Hardin stated that the only issue he could see would be the tax depreciation aspect. Frank Russenberger made a motion to purchase the Power 7 server. Art Jones seconded. Motion passed. The telephone system bid was by Service Plus, Inc. The Mayor stated that this was the company that won the bid for the City’s system and that they were very pleased with the services. The bid was received in the amount of \$36,410.64. Frank Russenberger made a motion to accept the bid. Luke Duffield seconded. Motion passed. The next bid item was for Fire Hydrants. One bid was received from River Valley WinWater in the amount of \$24,017.02 for 15 Clow Medallion Fire Hydrants. Art Jones made a motion to approve the bid. Luke Duffield seconded. Motion passed. The fourth bid was for a sewer Certificate of Deposit (CD) investment. Two bids were received on June 14, 2012. The apparent high bidder was Liberty Bank in the amount of 0.593% APR. The CD is currently at Liberty at the rate of 0.793% APR. Art Jones made a motion to accept the bid. Luke Duffield seconded. Motion passed. The fifth item, CCTV, was pulled from the agenda by Craig Noble. He will bring the item back at a later meeting.

Consent Administrative Order Update: Keith Gray gave the Status report for May.

PCW Plant Design Update: Andrew Pownall gave an update on the PCW Plant Design Project.

2012-2013 Budget Review/ Approval: Noble presented the Budget to the Board. He stated that funds that were available at one time in the past; revenue from Verizon Wireless and the one percent (1%) Sales Tax proceeds were no longer available to City Corporation. All proceeds from the Sales Tax now go to the City of Russellville to fund the previously mentioned street and drainage projects. Historically, the funds that were in City Corporation's Cash Funds account were used in keeping the "Promises Made" to the voters. These Projects included the Weir Road Tank (2MG), 16th Street Project, conversion to Sodium Hypochlorite at the WTP, upgrades to the PCW (equalization basin), sewer lift station replacements (A and B) as well as several other projects. Noble stated that City Corporation has continued to meet or exceed ALL required improvements and milestone deadlines to date. This allows the Utility to stay in compliance with the Administrative Orders issued by the Arkansas Department of Environmental Quality (ADEQ), and overseen by EPA. Noble also pointed out that the aggressive street and drainage improvement program as administered by the City of Russellville, with the lack of increased or additional funding sources for the Utility, continue to stress the financial stability of the Utility when coupled with the federally mandated Administrative Orders and the normal expenses associated with the Utility operations. Funding for identified projects is provided solely through internally generated funds, i.e. water sales, wastewater sales, taps, fees, etc. With the renewed emphasis for these street and drainage projects, the economic pressure from the above projects is expected to increase. The City of Russellville street and drainage projects force City Corporation to make decisions regarding the replacement and/or relocation of water and wastewater facilities in the identified street and drainage areas to prevent damage to City Corporation facilities at the time of construction or in the future. Art Jones made a motion to table the budget until such time as the liaison, Burke Larkin, can set up a meeting with the City Council. Frank Russenberger seconded adding that he believed it to be prudent to hold off until the Board knows from where the funding is coming.

Luke Duffield made a motion to adjourn. Art Jones seconded. Motion carried. Meeting was adjourned.

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Art Jones, Secretary