

City Corporation
Board of Directors' Meeting
Main Office Conference Room
Tuesday, November 13, 2012, 4:00 p.m.

PRESENT:

| | | |
|------------|--|---|
| Directors: | Don Guess Frank Russenberger | Art Jones Luke Duffield |
| City Corp: | Steve Mallett Larry Collins Hope Penman | Jim Lynch Rena Taylor Brenda Austin |
| Others: | Gary Bennett Bob Hardin Andrew Pownall John Shoptaw | Aaron Stallmann Clint Bell Mayor Bill Eaton |

Vice-Chair Guess called the meeting to order at 4:00 p.m.

Gary Bennett introduced the Board to Mr. Aaron Stallmann who will be filling in for Mr. Bennett at the monthly meetings on occasion.

Approval of the October 2012 Minutes: Art Jones made a motion to approve the minutes. Luke Duffield seconded. Minutes were approved as presented.

Financial Audit: Mr. John Shoptaw presented the results of the latest financial audit. Mr. Shoptaw pointed out areas of interest for the board including the profit for the sewer side. Art Jones asked Mr. Shoptaw to elaborate on depreciation. Mr. Shoptaw stated that depreciation is a concept whereby there is an attempt to recognize a capital expenditure over the course of its reasonable life. Depreciation could be used in an emergency if the Board were to suspend the rules, however; it is mainly reserved for the funding of replacement and repairs to the system as needed. Mr. Shoptaw concluded his report. Luke Duffield made a motion to approve the financial audit. Art Jones seconded. Motion carried.

Review and Consideration of the October 2012 Financials: On the water side, revenues were 7.1% (\$35,455.28) under budgeted amounts for the month. The yearly variance is running 0.3% less than budgeted amounts. Total Operations & Maintenance (O&M) expense for the month was 17.3% over budget (\$67,395.52). The O&M budget amount was \$389,029.00 with the actual O&M monthly total being \$456,424.52. The yearly variance is 6.8% (\$113,316.79) over projected budget. The net income for the month was 83.4% (\$94,233.32) less than the budgeted income. On the sewer side, revenues were 0.8% (\$2,799.88) over projected amounts. The budgeted revenue was projected to be \$341,065.00 with the actual total revenue being

\$343,864.88. The yearly variance is 1.2% (\$16,913.11) under budget. Total O & M expense was \$7,834.37 over budget. The yearly variance is 9.1% (\$131,819.45) under budget projections. The net income for the month was 384% (\$5,114.53) greater of a loss than anticipated. Art Jones made a motion to approve the October 2012 financials. Frank Russenberger seconded. The Financial Report was approved as presented.

Chief Operating Officer Report: Steve Mallet gave an update to the Board regarding several items that he has been working on recently. Among those items, he addressed water service to Cove Landing, City of Russellville Street Projects, the Wellness Program, ADEQ and ADH correspondence. Mr. Jones asked about a news article which stated that Atkins has applied to go to the Arkansas River with its treatment discharge. Steve Mallett said that he would research this with ADEQ and report back at the next Board Meeting.

Bond Resolution: Mr. Mallett presented the Board with a resolution for the Board of Directors to sign regarding the Water and Sewer Revenue Bonds to be issued to City Corporation. Mr. Jones addressed the resolution and explained that the only change is that it more clearly defines who will have the responsibility of making the payments on the loan. City Corporation will make the payments directly to Regions bank on behalf of the City of Russellville. Art Jones made a motion to adopt the resolution. Frank Russenberger seconded. Motion carried.

Capital Projects Status Report: Collins reported that all areas are operating well with no issues being noted. Collins stated that sludge removal at the Water Treatment Plant Lagoons was going well. The sludge should be removed by the end of the week with weather permitting.

Operating Reports: Collins reported that all operations had run smoothly for the month. Collins stated that filter washes are up because of the presence of algae but that they are improving. Mr. Collins concluded his report stating that one violation was noted in October which was on chlorine residual.

Bid Items: The Outfall Revenue Fund Certificate of Deposit matured on 11/14/12. The total is \$3,660,842.92. Sealed bids were accepted on 11/13/12. The apparent high bidder was Liberty Bank with .517% APR. The current interest amount is .579% APR. Frank Russenberger made a motion to accept the bid. Art Jones seconded. Motion carried.

Consent Administrative Order Update: Clint Bell gave an update on the Consent Administrative Order for the month of October. Mr. Bell noted that the East 2nd Street project will start on Monday, November 26. Also, the final steps of design and the City Mall project are all but complete. The project will advertise soon.

PCW Plant Design Update: Andrew Pownall with CDMSmith gave the report on the PCW Plant Design Update. Mr. Pownall reported that the Arkansas Department of Health has reviewed and approved Schedule I: Dechlorination System. The Construction Permit Application was

submitted to ADEQ on August 31 for review for Schedule II: Nitrate Removal. Schedule II was sent to the Arkansas Department of Health.

The Board adjourned into Executive Session.

The Board came out of Executive Session and voted to change Steve Mallett's title to General Manager. Art Jones made a motion. Frank Russenberger seconded. The vote was unanimous. Art Jones also made a motion to name Harold Barr as the nominee for the next Board member. Luke Duffield seconded. Motion carried.

Frank Russenberger made a motion to adjourn. Art Jones seconded. Motion carried. Meeting was adjourned.

Art Jones, Secretary