

MINUTES

BOARD OF DIRECTORS MEETING

SEPTEMBER 15, 2009, AT 7:00 P.M.

The regular meeting of the Board of Directors was held on Tuesday, September 15, 2009, at 7:00 p.m., Board Chambers, City Hall, with Mayor Mike Bush presiding.

The invocation was given by Dr. Bill Terry, and Pledge of Allegiance to the Flag was led by Mayor Bush.

Dr. Bill Terry announced that the 20th Annual Leadership Prayer Breakfast will be held on Tuesday, October 13, 6:20 a.m., at Horner Hall, in the Hot Springs Civic and Convention Center. He stated that Mr. Herman Weaver, nicknamed "Thunderfoot," punter for the Detroit Lions and the Seattle Seahawks, will be the speaker. City Manager Lance Hudnell added that the Directors will be receiving a letter with their tickets included.

Mayor Bush called the meeting to order at 7:00 p.m.

1 Roll Call

Roll call was as follows: Present: Directors Peggy Maruthur, Elaine Jones, Cynthia Keheley, Tom Daniel, and Mike Bush, total 5. Absent: Director Rick Ramick.

2 Approval of Agenda

A motion was made by Director Daniel, duly seconded by Director Jones, that the agenda be approved; and upon voice vote, the motion unanimously carried.

Director Maruthur pointed out that Director Ramick is absent due to the flu and reminded everyone that this is the flu season, not just the H1M1 (swine flue); and there is vaccine available at Walgreen's.

3 Approval of Minutes of September 1, 2009 Board Meeting

A motion was made by Director Jones, duly seconded by Director Maruthur, that the minutes of the September 1, 2009 Board Meeting be approved; and upon voice vote, the motion unanimously carried.

4 Recognition of Guests

Police Chief Bobby Southard introduced recently hired police officer Kevin Hampton, who is a native of Hot Springs/Garland County, and a graduate of Lake Hamilton High School and also an attendee of National Park Community College. Officer Hampton expressed appreciation to Police Chief Southard and those involved in the selection process. He said that he looked forward to a long career in serving the City and its visitors and citizens.

City Manager Lance Hudnell introduced Mr. Morgan Barrett, who is a graduate of Mountain Pine High School and Arkansas Tech University in Russellville. He stated he is a licensed professional engineer and floodplain manager and has 17 years' experience in municipal infrastructure, construction, design and maintenance. He has previously served for 12 years as director of public works and city engineer with the city of Russellville, along with many other jobs during that time. He has also worked in the private sector in design and construction of traffic signals, commercial and residential developments, water and wastewater; and he is the City's new City Engineer.

Mr. Morgan Barrett thanked the City for the opportunity and mentioned the City has many challenges and hopes he can use his experience to deal with them effectively.

5 Board of Directors Announcements

Director Jones said that she needed to correct the name of the restaurant mentioned at the last Board Meeting, and the name of the new restaurant at 610 Central Avenue is Appetite - The Soul Food Restaurant.

Director Maruthur read a poem in honor of Dr. Gene Waterman, who recently passed away. She said that he helped the community and did work for no money.

CONSENT AGENDA

The Consent Agenda consisted of the following:

- 6 Public Safety Report** (September 1, 2009).
- 7 Proposed Resolution No. R-09-210** Approving Change Order No. 1 to the Contract with Engineers, Inc. for Utilities Relocation on Arkansas Highway 128 - Carpenter Dam Road.
- 8 Proposed Resolution No. R-09-211** Accepting Funding from the U. S. Department of Justice Pursuant to the Edward Byrne Local Justice Assistance Grant (JAG) Program for Certain Law Enforcement Equipment.

A motion was made by Director Daniel, duly seconded by Director Maruthur, that the Consent Agenda be approved; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, Daniel, and Bush, total 5. Absent and not voting: Director Ramick; motion unanimously carried.

9 PUBLIC HEARING

This being the time and date set for a public hearing on the water and wastewater rates for the City, Mayor Bush declared the public hearing open.

Mr. Steve Mallett, Deputy City Manager for Public Works and Utilities, stated there are approximately 35,000 water accounts (50-50 within the City and County); 25,000 wastewater accounts (60-40 split with the majority being in the City). The City has identified and projected a ten-year capital plan for the water system only (treatment improvements), which is a little over \$7½ million and includes some upgrades made to the City's existing plants to allow the City to move into the next three or four years by being able to add an additional treatment capacity at its large treatment plant. He stated the distribution improvements are line-related and pipeline-related and re-add and repair the lines and helps address the unaccountable water issues and averages

out to a little over \$2½ million per year for ten years. He mentioned the customer improvements are the \$13 million, which is for the replacement of the City's water meters. He commented that he presented a proposal about 1½ years ago to do this under a performance contract but is now returning with a different option to fund that. He added the \$13 million is an estimate the City received from one meter company; but before the City enters into a contract, it will have to get proposals. He said this will be for a fixed-base meter system that would also provide a backbone of communication if the City were to go with a certain type of lead-detection equipment that it could also utilize there. He noted the meter portion of that number is around \$5 million, which the City is going to have to do anyway. He said the total equipment cost is around \$9 million; therefore, the \$5 million the City is spending on meters will be spent regardless.

He stated the \$4 million is for the telemetry equipment or the wireless equipment that would transmit that data and preclude the City from having to go out and annually read the meters. He noted the additional cost over and above that is for the repeaters and installation of all of that. He explained that Alternative No. 1 still includes the new treatment plant, but the focus of tonight's meeting will be on Alternative No. 2 and Alternative No. 3. However, that is the estimate at the present time and will be identified a little more clearly. At that time, the City will come back to look at rates to fund the treatment facility. Regarding the wastewater side, by January 1, 2011, he advised the City shall achieve compliance for proper operation and maintenance of the wastewater collection system that applies to dry weather overflows. He said the Consent Administrative Order the City received from ADEQ and endorsed by EPA basically says the City has 16 months to address its dry weather overflows; and those pertain to pump failures and power outages during dry weather. He said that is accomplished by back-up power and monitoring system (the SCADA system), and that money has to be spent during the next 1½ years to be able to comply with that. He pointed out that is an aggressive schedule, and the rate structure addresses that and is why the majority of the increase is in the first two years since it is trying to meet that deadline. He stated the second part of the Consent Administrative Order requirement presents a deadline of January 1, 2018, for wet weather-related overflows; and those are all overflows that occur during a high rainfall event where there is a lot of stormwater that makes its way into the sewer system. He advised that, currently, the plant is rated at 12 million gallons a day; and its peak capacity is about 20 million gallons a day. He stated there are times when there are flows at the plant over 40 millions gallons a day, which is about twice the maximum capacity. He mentioned the City has a 40-million gallon a day, off-site storage pond; and with those rates, it can be filled in less than two days. He stressed that the City has to look at the system and the source of the leaks, which it is planning to address, and has a nine-year timeframe to do that. Therefore, the

City is allowed to spread out the cost over that nine-year period. He added the rates do include covering all of those. Regarding the ten-year capital plan, the City has \$60 million identified for collection improvements; and about \$50 million of that is related to the Consent Administrative Order. He said the other \$10 million is annual maintenance that the City does and has done for years and will continue to do. Regarding the treatment improvements, he advised that money is there for a wastewater plant expansion. He pointed out there are new regulations that were unknown as of a couple of years ago that they placed on the City through its permit. He advised the City was given a three-year period from the time of its renewal. Therefore, it has almost two years to be able to expand its system and is estimating that to be \$6 million; and until the study is done, that may be a high or low number, but that is a budget number that the City is using for the rate plan. Regarding the 2004 ten-year capital plan, which was \$25,200,000, the total spent since 2004 is \$19.7 million. He noted that the master plan was actually a 20-year master plan, but the rate plan adopted along with it, included the impact fees for the wastewater side, was a ten-year rate plan. He said it was identified as a \$25.2 million ten-year plan; and in the first five years, the City has spent almost \$20 million of that. He explained the examples for that included the Southwest Wastewater Treatment Plant, which was built on the west end of town, and was budgeted at \$2.9 million; and the actual expense was at \$5 million by the time that was finished. The piping to the plant was included with that plan and was estimated at \$2 million, but the actual cost was \$3 million. Other system piping and repairs that were made in the collection system and the ten-year capital budget for that was \$3.5 million. To-date for the five-year period, the City has already spent \$700,000 in excess of that. He mentioned there may have been some changes after 2004 that made those costs go up, but he believes the biggest increase is due to the fact that the fuel costs forced many of these projects to come in at a 50 percent to almost 100 percent premium of what was budgeted at the time. He explained that had to be rolled in and could not just build half a plant; and those three items were \$4 million, which was almost 20 percent of the total budget for the ten-year period. He commented that the City experienced those same increases in O&M costs due to fuel, and the cost of piping doubled in a year's time. He said the balance has been spent down in the budget, and it was not enough or else the City would not be under an Administrative Order. He stressed that the City is still short of what it needs to bring the system into place. He said the budget for those first four years in the ten-year capital plan was at \$14½ million, so the City was at \$5 million over what was budgeted in just the first five years. He mentioned that is one of the reasons for this issue being before the Board tonight; and the other reason is because in the next three-year period, the City has a projected capital expenditure that the rate plan is based on of about \$28 million. He added the

City proposes to spend more in the next three years than what it projected in the ten-year total in 2004. He stated the ten-year master plan says it needs to be reviewed on a bi-annual basis and then totally redone every five years; and this is at the five-year mark. He said he believes the City stayed in line with what the plan showed, but it just costs more to do what the City had to do. Regarding rates, there was a presentation to the Board at a work session on August 11 and later that evening, a public meeting was held at the Hot Springs Civic and Convention Center. The first public hearing was held two weeks ago at the regular Board Meeting; and tonight is the second public hearing.

Mr. Dan Jackson, rate consultant, explained there are significant levels of capital improvements that will have to be put into the City's system in order to not only ensure that it meets federal government environmental guidelines but also that the City continues to provide a good quality of service. He pointed out that expenses are going up, and the cost of everything goes up by three to four percent every year; but at the same time, the City faces the challenge of how to develop a long-term rate plan that will get the revenues needed while at the same time minimizing the impact on the ratepayers. He said that was the purpose of the long-term rate plan that he has assisted the City in putting together. He pointed out there are many different rate plans the City can put in place that will get it the revenues needed.

Mr. Jackson pointed out that water is a commodity; and like other commodities, it costs more to produce today than it did ten years ago. He noted the City tries to run its water and wastewater operation like a business; and like any business, costs increase. He said when these costs go up, the City has no choice but to pass those costs to the ultimate ratepayer to pay what it is costing the City to provide this service. He mentioned that the challenges facing the City are also being faced by other cities in Arkansas and across the country. He added the average water and wastewater utility has been raising its rates five to six percent per year every year over the last decade; and this trend is expected to continue in the future because inflation impacts the City and everyone else. He added there are environmental regulations, and the need to repair and replace systems. He said there are 30 to 40 percent of utilities across the United States charging rates that do not cover their costs and have decided not to ask the ratepayers to pay the full cost of service but use their general fund to subsidize the water and wastewater operation. He stated it might be that they have lower rates, but it also means that the taxpayers are subsidizing part of the service. He pointed out that a utility can have low rates, or it can have a high quality of service; but it cannot have both.

Mr. Jackson said the average ratepayer inside the city limits pays a minimum charge for the first thousand gallons of water service of \$4.22 a month. The vast majority of ratepayers have a 5/8 inch meter, which is the basic residential meter. If they have a larger meter, their monthly charge is a little higher. After the first 1,000 gallons, the average inside city ratepayer pays a rate of \$2.13 per thousand gallons; but outside city limit rates are approximately 40 to 50 percent higher. On the sewer side, the average ratepayer pays a monthly charge for the first 1,000 gallons of treated sewer service of \$11.45. If customers have a larger water meter, they pay a higher monthly charge because the expectation is they are going to be dumping more sewage into the system. Ratepayers also pay a volume charge of \$2.67 per 1,000 gallons. If they are outside the city, they pay a higher rate. The average residential family in the City uses about 5,000 gallons of water and wastewater service a month, which means they are paying \$33.59 a month for water and sewer service; and their monthly bill will also include taxes, sanitation fees, etc. However, Mr. Jackson said he was referring to the basic water and sewer service. If people use more water and sewer service, they pay more. If people use 10,000 gallons, they pay about \$55.99. It is estimated that about 80 percent of monthly water bills are 10,000 gallons or less, but there are some users who use a little more in the residential side. There are some commercial users that use a little more also, but the vast majority of ratepayers are using between 5,000 gallons and 10,000 gallons per month. Regarding comparison to other cities in Arkansas, Mr. Jackson explained that Hot Springs compares rather favorably. He pointed out that for 10,000 gallons of water service, Hot Springs is actually below Rogers, Conway, Texarkana, Benton, Ft. Smith, and Jacksonville and is a little higher than West Memphis, Little Rock and North Little Rock.

On the wastewater side, Mr. Jackson stated Hot Springs is a little higher than some and a little lower than others but is where it should be. He advised that the national average for 5,000 gallons of wastewater services is about \$27 to \$28; and its rates compare favorably to its neighbors and the rest of the country.

Mr. Jackson mentioned there are about 17,750 water inside customers and fewer water outside customers. He said there are about 15,000 wastewater customers inside the city and about 9,000 outside the city, and it is fairly uncommon to see this large of a percentage of the customer base being outside the city. He pointed out in 2004, there were questions raised about the fact that the City was charging a higher rate for outside city customers than it was for inside city customers. He explained there are three reasons why it is appropriate, just, and reasonable to charge a higher rate for the

county customers than it is for the inside city customers. The first reason is that it is supported by benchmark cost analysis. When looking at the cost of providing service inside the city and the cost of providing outside the city and on a per-unit basis, it is higher for outside city customers; and outside county customers are generally farther away from the water source. They generally are farther away from the treatment plant and requires more distribution system and collection system to transport the water and the wastewater service to and from the customer; and meter readers take significantly longer amounts of time to cover the outside city area. The amount of line per customer is about doubled for a county customer than it is for an inside city customer. He said there are other reasons why it is also appropriate. The second reason is the fact that the City owns the water and sewer system; and the City is responsible and liable for the water and sewer system. The City incorporates and takes all the risks of providing service to it. The ratepayers in the county have all the advantages of municipal water and sewer service, but they do not have the responsibilities because they are not owners of the system. Under the basic principles of capitalism, when a business provides a service to an outside customer and accepts the responsibility, the risk and liability of providing service to those outside customers, that business is entitled to be compensated for assuming that risk and responsibility. He emphasized there is a significant amount of risk in providing service to this magnitude of the number of customers outside the city. He commented if anything goes wrong with the system, if there is a catastrophic failure, if there is a catastrophic weather event, if the EPA starts mandating fines, all of that will be on the City, not the County. He added that is why there is risk involved in providing service outside the city and why it is appropriate to charge compensation for that outside-city risk. The third reason is that this is common practice around the country, and thousands of cities charge higher rates for outside city customers than they do for inside city customers. He mentioned in his 25-year career as a rate consultant, he has never seen a city charge a lower rate to an outside city retail customer than inside city customer. He stated other cities takes risks also, and they have accepted this as a reasonable way of being compensated for that risk.

Regarding the rate plans, Mr. Jackson pointed out the first alternative is to adopt a water and wastewater rate plan that funds all forecast capital improvement projects. The capital improvement plan is the primary driver behind the need for rate adjustments in the City over the next five to ten years. He stated the City cannot spend millions of dollars on water lines, wastewater treatment plants, lift stations and pump stations without passing those costs through to the ultimate ratepayers. He explained the first rate plan assumes the City adopts a plan that covers all of its capital improvement plan, including the construction of the new water treatment plant. The second alternative is to

adopt a rate plan that funds the entire capital improvement plan with the exception of the water treatment plant. The third alternative is the same as Alternative 2, but it implements a conservation rate for the residential customers. He said the basic idea of a conservation rate is that the more people use, the more they pay; and it encourages people to conserve water.

Mr. Jackson said it is his understanding that, based on the conversations with staff and the Board over the past several weeks, Alternative 1 at this point is basically not really on the table any longer. Under Alternative 2, approximately \$117 million of water and wastewater capital improvement projects is funded over the next decade. He added there is \$48 million in water projects and \$69 million in wastewater projects but is not looking at the wastewater treatment plant, which is about \$99 million. He explained the only way to spend \$117 million is by issuing long-term debt; and the City sells revenue bonded debt that is payable through water and wastewater rates each year in order to fund these projects. Under Alternative 2, he is projecting that the City would need to issue about \$111 million in long-term debt to fund these projects over the next decade. Capital improvement plans impact a rate plan in two ways: (1) how much do you have to spend? and (2) when do you have to spend it? He advised that in working with staff, he tried to space out the debt issuances over the next ten years because there is no point in paying off debt before the money is needed. He added by spacing the debt out over the next ten years, that takes a lot of pressure off the ratepayers and enables rate adjustments to be lower, particularly in the earlier years. In terms of cost of service, under Alternative 2, it starts out at about \$10 million in the current year and is going to increase to its highest to about \$16 million by 2019. Under Alternative 1, it would be much higher; but that is something the City is going to have to look at eventually in the future when it decides to build that large treatment plant, which will have an impact on the long-term rate plan. Under Alternative 2, he is proposing, effective October 2009, adjusting the minimum charge from \$4.22 to \$4.39 and adjusting the volume charge from \$2.13 to \$2.22. He said that he is just concentrating on the residential class inside the city. On the wastewater side, he would recommend that the base charge be increased from \$11.45 to \$12.88, with the volume charge going from \$2.67 to \$3.00; and that is the initial rate adjustment he would recommend for October 2009. Effective over each of the next four years, he would recommend a series of additional phased-in rate adjustments. Regarding the volumetric rate, he would recommend it going up by about five to ten cents per thousand gallons each year for the next four years. On the wastewater side, he would recommend increases in the volume rate from \$3 per thousand gallons in October to \$3.38 per thousand gallons in March 2010; \$3.51 in 2011; \$3.65 in 2012; and \$3.80 in 2013. He said for a residential

user of 5,000 gallons, which is the average usage for a residential household in the City, under this rate plan, their bill would go up by about \$3.11 a month. It would go from \$33.59 to \$36.70. If they are a higher-volume residential user, their bill would go up by about \$5.00 a month (from \$55.99 to \$60.99). He advised that the vast majority of residential ratepayers in the city will see their bills, under Alternative 2, go up between \$3 and \$5 a month. In 2010, a similar increase would be requested of the ratepayers. The bill would go up by about \$3.47 in 2010 for a 5,000-gallon user and about \$5.57 for a 10,000-gallon user. In the years after 2010, the rate adjustments would be considerably less (between \$1 and \$2 a month per ratepayer); therefore, the bill will gradually increase over the next five years. The 5,000-gallon user, who pays \$33.59, would gradually see their bill go up to about \$45 a month by 2013. If they are a sprinkler system user and use 15,000 gallons a month, their bill would go up by about \$1.36 a month and would go from \$34.04 to \$35.40. Mr. Jackson pointed out it is less because the sprinkler meter only uses water and does not use wastewater; therefore, the wastewater charges are not reflected. The sprinkler rate would go up by about \$1 to \$1.50 a month for an average user, and the average sprinkler user in the City is about 15,000 gallons a month. The average commercial business uses about 30,000 gallons a month, and they would see their bill go up by about \$12 a month under this plan from \$145 to \$158 with a similar increase in 2010 and much lower increases in 2011, 2012, and 2013.

Regarding Alternative 3, Mr. Jackson explained it is a conservation rate; and the idea behind Alternative 3 is that the more water people use, the more they pay. He said the biggest, single benefit of a conservation rate is that it encourages conservation. He advised that his experience as a consultant, cities that go from single-usage rates to inverted block-conservation rates typically see per-meter usage decrease by as much as five to ten percent per meter. For the City of Hot Springs, that is as much as 100 to 150 million gallons of water a year. Another advantage of a conservation rate is the lowest increases are in the lowest-volume users, and these are typically low-income and fixed-income people. He cautioned about putting in a conservation rate, that is if an individual is a high-volume user, that person is going to see a larger increase. Right now, if they use above 1,000 gallons a month, they pay \$2.13 per thousand gallons regardless of how much water they use. Under a conservation rate, they would pay \$2.13 per thousand gallons for between 1,000 and 5,000 gallons. If they use between 5,000 gallons and 10,000 gallons, their bill goes up by 25 cents to \$2.38 per thousand gallons. If they use between 10,000 gallons and 20,000 gallons, their bill goes to \$2.63 per thousand gallons. If they use above 20,000 gallons, their bill goes to \$2.88 per thousand gallons. He added that is only on the marginal amount of water. If they use

20,000 gallons, they still pay \$2.13 for the first 5,000 gallons. He reported of the 13 cities in the state, 9 have tiered rates; and the vast majority of cities are going to conservation rates due to the fact that they work and result in conservation. If the City were to implement a conservation-based rate, it would mean that effective in October 2009, it could keep the minimum charge the same and would not have to increase the rate; and it would stay at \$4.22. For the first 5,000 gallons, their bill would not change. That means if they are a water user and use 5,000 gallons or less, their water bill would not increase under this plan. The wastewater bill will still go up, but the water bill will not. If they use between 5,000 and 10,000 gallons, they start to see increases. On the commercial side, the rate would go up from \$2.13 to \$2.17 flat. This plan would not implement a conservation rate on commercial users. Most cities that have conservation rates only have them for residential users because residential ratepayers typically have a better ability to conserve than commercial users. A residential ratepayer can conserve water by watering their lawn twice a week instead of three times a week. Many commercial businesses that use water do not have the same level of luxury because they do not have a lot of outdoor water usage, and most of the water usage is inside their business. He is recommending that the City keep the flat volume rate on the commercial side; and if the City wants to go the conservation route, he would recommend that it set the increase higher on the sprinkler rate up to \$2.34 with gradual increases each month after that.

Regarding the impact of the conservation rate and how it compares to Alternative 2, Mr. Jackson advised for the 5,000 gallon user, instead of the bill going up \$3.50 a month, it only goes up \$2.60 a month. It goes up a dollar less, which is due to the wastewater. Each year the increase is less under the conservation rate if ratepayers are a 5,000-gallon user. If they are a 10,000-gallon user, the amount is still a little less. However, it is starting to catch up to Alternative 2. If people are a sprinkler user, their bill would be a little higher under Alternative 3 because the sprinkler increase is a little higher in order to conserve water. If they are a commercial user, their bill will actually be a little less under Alternative 3 because the City would be covering additional revenue from its residential ratepayers and would not need to have as big an increase on the commercial side.

Comparing the alternatives, Mr. Jackson stated a 5,000-gallon user pays \$33.59 at present. Under Alternative 2, the bill would go up to \$36.70; but under Alternative 3, it would only go up to \$36.19. By 2013, under Alternative 2 if the City keeps the flat rate, the bill goes from \$33 to \$45; but under the conservation rate, the bill goes from \$33 only to \$43. It is about \$2 a month less of an increase. It is still an increase but is

mostly due to the wastewater side. If people are commercial users, they are also paying less under Alternative 3. Under Alternative 2, their bill goes from \$145 to \$195; but under Alternative 3, it goes from \$145 to \$192. The people who will pay more under a conservation rate structure will be sprinkler users and high-volume residential users. If they are a residential ratepayer and use more than about 20,000 gallons a month, they will pay more under the conservation rate than they will under the flat rate.

Regarding the advantage of Alternative 2 of keeping a flat rate, Mr. Jackson mentioned people will have lower rate adjustments than they would under Alternative 1 because this is not counting the water treatment plant. The big disadvantage of Alternative 2 is that the rate plan will have to be modified when the water treatment plant is considered and put into place.

Mr. Jackson said under Alternative 3, the biggest advantage of this alternative is that water users, using 5,000 gallons or less, would not see a water increase under this plan; but they would see a wastewater increase. The biggest disadvantage is that if people are a high-volume, residential user, they will see a larger increase under Alternative 3; but that is what they would want. Mr. Jackson explained that the purpose of a conservation rate is to conserve water usage, and putting in a financial disincentive will conserve water usage.

Mr. Jackson noted that water and wastewater rates are going up all over the country, and many of the reasons they are going up is beyond anyone's control. He pointed out when inflation causes costs to go up, the City has no choice but to pass those costs through. He noted the City's system wears out and needs to be repaired or replaced, and the City has to make those repairs at the appropriate time if it wants to continue to have a superior quality of service. He added this rate plan only asks the ratepayers to pay what it is costing to provide service, and the City does not make a profit off of its water and wastewater operations. He stressed that all the City is asking is to pay the cost of service; and if rate adjustments are not adopted, the City is going to be in a situation where it is going to need the General Fund to subsidize the Water and Sewer Fund. He pointed out even with these rate adjustments, he is forecasting that the rates will remain very competitive with other Arkansas cities.

Director Maruthur said she was glad he said that he has been working on this since 2004, and she was going to correct him when he said the water rates would not be going up. At that time, he did not mention the fact that the wastewater rates would be going up; and even though it sounds like the City is getting small increases in its

water rates, it is going to end up being a huge increase with the water rate when adding in the wastewater rate.

Mr. Jackson replied that those who use wastewater service under either Alternative 2 or Alternative 3 would have to see increases each year.

Director Maruthur asked if he felt that the ratepayers are responsible for where the City is at the present time, and Mr. Jackson said that he did not believe that was true. Director Maruthur then questioned who he felt was responsible. She pointed out this was asked to him, but she did not receive an answer. She said that he is the managing director of Economists.com and did the wastewater rate study. She advised that she had posed the following questions to him: (1) "How much do we need to increase our rates to continue with the quality delivery service?" (2) "Is the old infrastructure placing a burden on our wastewater treatment facility?" (3) "Which methodology did you use - cash basis, cost, cost of services, or utility basis?" and (4) "How much does the I&I (inflow and infiltration) cost the City annually." She asked if he could give her the methodology formula that he used and place numbers through the city to this formula. She said that she wanted this on one page so the public could receive the page, but she received from him an eight-page executive summary, to which she responded that would not do. She noted that she passed out a copy to the Board. She said that she also asked, "What in our present management caused us to be in this position?" but went unanswered. Also, "What can we implement to see that this does not happen again?" She commented the City must seek an alternative rate increase structure to lessen the impact on all the people in the City and County and needs to have an efficiency study done so this does not have to be repeated. She advised that the City has not had a sewer rate increase in 8½ years. She questioned why at the end of this three-page presentation that she read, it says "that we should have an incremental study done to monitor this by the end of 2005, providing us with the funds until the city finds out what has happened." She questioned how to prohibit this from reoccurring and the best method to fund the City's needs. She said if the City cannot provide water and sewer service to its existing customers and meet the state and federal mandates, then it has no business extending services until it can comply. She mentioned she has been receiving e-mails and telephone calls and did not understand until tonight, but she has been receiving the go-ahead for the increase for both from businesses. She pointed out on the commercial side, things would not be going up. It is the people who live within the City or the people who receive the water and wastewater services, but in the County they pay a lot more; and those are the people who would be impacted. She said she received an e-mail today regarding

concerns about the growth in Hot Springs, and it appears that people are leaving the city limits and building outside of the city. She pointed out she did not know how accurate it is, but they wrote there is a negative 23 percent housing growth. She stated that there is a problem, and she wants to make sure that she and Mr. Jackson do not meet again and have to review this and make the people pay and pay when they are not responsible. She pointed out it is management of the city that is responsible. She added the Board is elected to just represent the people and make sure everything runs smoothly, and the Board depends on the professionals to make sure all of the bases are covered and things are done correctly. No matter what the outcome of the vote is tonight, she said she would like to see an amendment that the City has a review every two years.

Mayor Bush questioned her point; and Director Maruthur replied that because of what the City did not do, the ratepayers are going to have to pay more money for the same service; and her concern is that this does not happen again. She pointed out that her concern now is how did the City get here and not make the same mistake. She commented the City needs to be fair to the people who are trying to make the decision between affording groceries, healthcare, and continuing the basic services of water and wastewater. She added there are three different options on the floor except for the tiered. She said that she had passed out a sheet from Mr. Wayne Roberts and e-mailed it to the Directors, but Director Daniel's was returned because of error in the address. She pointed out this is another option that could be with a committee, possibly an ad hoc committee composed of Finance Director Dorethea Yates, City Attorney Brian Albright, City Manager Lance Hudnell, and rate consultant Dan Jackson, and done immediately by putting something together with perhaps the tiered rate and then have a two-year check on where the City is and what is being done. She reported that she spoke to City Attorney Brian Albright today and asked if there was a specific date the City had to comply with the Consent Administrative Order.

City Attorney Brian Albright advised that it was yesterday.

Director Maruthur said she is asking for something that once the Board votes for this, the City is locked into this and is not going to rescind it.

Mayor Bush asked how long the City has been addressing these issues, and Mr. Steve Mallett replied that he has been with the City for seven years; and it has been at least since then.

Mr. Jackson advised it is a question very commonly asked when he addresses rate adjustments and if there is something that could have been done to avoid this. He added that the City needs to look at the reasons why the rates need to be adjusted, and one reason is inflation. He stated the cost of everything goes up by three to four percent every year, and the City has no control over that and no ability to repeal the laws of economics. Another reason when specifically looking at water and wastewater service are some of the most important components, which are chemicals, electricity, insurance, and workers' compensation. He said all of these are costs that are going up at rates even higher than inflation, and the City has no choice but to pass those costs to the ultimate ratepayer. He mentioned the City has a system that is worth hundreds of millions of dollars, and it needs to be repaired and overhauled and needs to be replaced. He commented that the City has no control over the fact that lines, lift stations, and treatment plants only have a limited life span. He said he believes the City staff has done a good job in trying to the best extent possible to minimize cost increases, but the City cannot repeal all of the laws of economics and prevent any increase from being done. He added that wastewater rates have not gone up in several years; and during the same period of time, utilities around the rest of the country have been increasing their rates five to six percent a year. He stated the City can only go so long without eventually having to face some kind of rate adjustment, and the responsibility for rate adjustments lies in the people who use the service. He advised that the City has two choices (a) pass costs through to the ratepayers in terms of rate adjustments; or (b) do not do the rate adjustments and then the City will end up using its General Fund money to subsidize the water and sewer operation. He noted as guardians of the taxpayers' money, it is contingent upon any city to continually reassess budgets and look and see how best the City can minimize expenses.

Director Maruthur said that she is not concerned about the rates in any other city, and she understands what happened to the economy in October 2008, and that is a good excuse. However, in 2004, she was asking about operation and maintenance (O&M) and inflow and infiltration (I&I) and all the issues that were not addressed. She added the City did experience a rate increase. She said she is concerned about the City and fixing the problems. She pointed out this has been going on more than seven years. She said she printed out the paper submitted by Mr. Wayne Roberts regarding putting something together and does not see where two or three weeks is going to make a difference because once the ratepayers are locked in with whatever system the Board votes on, then that is it. She stated her concern is that everything is built in (a safety net) so that this does not happen again. She noted the City checked the operation and maintenance and asked why it was not done before. She added the

Board voted to do it, and the City was going to apply the money to improvements. She said that she understands that things have happened since last year and everything has gone up. She pointed out that the economy changed in October 2008.

Mr. Jackson replied that it has certainly caused growth to be depressed.

Director Maruthur said what happened with the economy has nothing to do with the City's infrastructure. She stated when the Board votes, she wants to make sure the City has the best solution in place and a safety net in place with the professionals who will address this and check it in intervals so that the Board is not here again on this issue.

Mayor Bush stated that he did not believe the City could have anybody on its staff any better than Mr. Mallett to provide the Board with information. He mentioned that he does not believe Mr. Jackson, who is hired by the City as a rate consultant, would tell the Board something that was incorrect; and he believes that Director Maruthur is implying something like that. He said it appears that in 2004, she did not get enough information.

Director Maruthur said that is not true, and she wanted to make sure in June 2004 that the City did not end up here again with the government telling the City it has to do certain things because it is not complying. She added she wants to make sure when the Board votes on this, that all of the bases are covered this time for things that could happen.

Regarding FireWise, Director Maruthur said that the City would want people to sprinkle. She noted it is a very integral part of a program called FireWise, and she was about to do a template with CSEPP that had to do with the issue the Board is discussing tonight. She said she wants to make sure there is a full Board present when this ordinance is voted on, and the City has the best plan in place and is not overlooking anything. She stressed this is not putting blame on Mr Mallett or Mr. Jackson because they are doing their jobs but has to do with the management of the City. She said that the City needs to do the right thing and if waiting two or three weeks will save the City, then she is requesting that.

Mr. Brian White, 512 Clark Street, was recognized and suggested the formation of a citizens oversight committee from the City and County. He added at the present time, there is not any representation of the County residents; and they are highly

qualified. He noted there have been problems in the past; and this Board, Mr. Mallett, Mr. Hudnell, and department heads have inherited these problems from previous administrations and department heads. He urged the Board to consider a committee made up of the city and county ratepayers. He said there have been a lot of questions from people in the county that he has talked to about the legalities of what the City is doing and can it charge the County more. He pointed out according to the Arkansas Supreme Court, the City has that right. He said that he is a county business person who pays a large water bill and paid \$1,800 water bill this month. He urged the Board to get the County and City residents involved and rebuild some trust.

Mr. George Pritchett, 125 Carl Drive, said it has been almost 2000 days since 2004; and nothing was fixed in that period of time; but tonight it needs to be fixed. He stated he was speaking for the tiered rate and passing it tonight. He pointed out that not one more committee, group, or anyone is going to change it. He noted the worst part that was looked at on the chart was in 2013 when the rate will actually be 50 percent higher than it is today. He added the City is fixing what it did not do. He thanked Director Keheley for presenting the thought to do the tiered rates. He commented that the City can visit this year after year and change these rates if it is wrong, but the City has to do something now.

Mr. Tom Brown, 100 Grand Ridge Terrace, stated that the owners of the water are the people who are present tonight – the people of Garland County and the State of Arkansas. He said that he has an issue of fairness and has a problem with the county residents paying 66 percent more premium. He mentioned at his home, off Carpenter Dam Road, surrounding his home are city residences. He said his line is the same line that brings them water, but the difference is that his sewer line was paid by the people who built his home 30 years ago on Grand Ridge Terrace. He commented that he has a difficult time paying 66 percent more just because somebody decided that 66 percent would be a good premium for him to pay considering that getting the water to his house and getting the sewer back to the City costs no more than the city residents who live around him.

Mr. Thomas Brown, 317 Bethel Street, said that he can see where there might be some rate increase in all of it; but there is a lot of waste going on within the City by the water company and sewer company; and there has not been anything done other than tearing out other sewer plants that should have been rebuilt. He noted that has been 14 years; and when going down the street, there is water coming up all over the street. He said that he has been told it is natural springs. However, it is not natural springs;

but water had leaked behind the Oaklawn Race Track for three years and is from a water main. When he lived on Euclid Street, in front of his house water lines were leaking, which is a lot of waste. Also, the sewer is running over in the creeks and branches going into the lakes; and those have not been cleaned up where the sewer spilled over in front of his house on Bethel Street. He said if he is going to have to pay, then something needs to be done to correct his problem.

Director Maruthur asked if he understood that rates have to go up, and this is not a blame game. She added things were not done, and all he is expecting is for things to get repaired so the rates do not go up because they cannot find the water. She said that was the reason she brought up 2004, and there was a problem finding water then. She stated that she appreciated his viewpoint because she believes he reflects how a lot of people feel, noting they do not mind paying. However, they want to know what happened and why the City did not fix things. She pointed out there seems to be a lot of growth in the County, and she was flooded with e-mails. However, it does not seem like the City is growing as far as residents within the City; and she would like to know why. She asked that Mr. Brown leave his telephone number with her before he leaves.

Mr. Bob Driggers, #3 Stonegate, said that the public is resolved to the fact that the Board is going to pass the rates tonight and hopefully it will be Alternative 3. However, the main question should be "How and why did the City get here and let's not do it again." He pointed out the 2004 plan did not work because it was either a bad plan, or it was not followed. He recommended that to potentially avoid this happening again, the Board should consider an autonomous board to operate the utilities, such as a public utilities board. He noted the oversight committee that Mr. White suggested could be an interim step to forming that type of board, and that type of board would take the pressure off all the Board Members. He pointed out the Board is too busy running the City to run a utility; but if the City has an autonomous board, it could have the expertise on staff and would take the politics out of it. Also, it would allow for the separation of funds so that the City does not intermingle funds or skim off the top. He said it could allow the County residents, which amount to around 49 percent of all the ratepayers, to be represented. He pointed out the accountability would be more simple. He questioned if they want to entrust spending millions of dollars in developing a plan to the same people who got the City here. He said that he personally did not. He stressed that the City needs a project manager; and if the City is going to spend this many millions of dollars, it needs one point of accountability and responsibility. He said that he worked several years for a public utility, and they work well. Also, there are several in Arkansas that are working and urged the Board to consider it. He mentioned

that he heard reference to a performance contract and had cautioned the city when Kent Myers was city manager not to ever get involved in a performance contract because they could be very costly.

Director Maruthur stated that the people voted not to have an autonomous commission, and the voters wanted it to be in this form of government to be under the city manager.

City Attorney Brian Albright advised that was in November 7, 1995.

Mr. Ted Burhenn, 318 Trapp Mountain, suggested that the autonomous commission should be revisited. He said that he has not seen any numbers that says the County costs the system 50 percent more, and it is not intuitively obvious. He said this is not a capitalistic state but is a republic and is supposed to look after all the people that they represent. Even though, they are not in the county, they are not represented by the Board; but the Board still has to look after the little people too because it is their responsibility. He pointed out if the City breaks down what has been on the internet for the last three weeks on all the costs being asked for, it is \$46 million. He noted this is to meet the DOJ. If the rest is broken up, what is being asked of is \$23 million for the City and \$12 million for the County. He stated the City is asking for 50 percent increase in the rate increase, not just the total rate. He said 50 percent is a real number, and he has looked it up and is an actual number that should be included. Also Mr. Jackson used the word "impact"; but he does not see anything in the ordinance that says anything about impact fee, although 1/3 of what is being requested tonight has to do with the increased production so that they can go out into the county or into a new development, or maybe on Carpenter Dam Road, and build a new development - impact fee. However, as an example, the widow lady who lives on Spring Street is going to end up paying 1/4 of what Mr. Jackson called cost of services. He pointed out she is not paying cost of services but is paying increase in cost of services and is also paying for the impact of further development. He said she does not gain anything out of that nor does the retired couple on Park Avenue. He stated the cost of services goes up, but 1/3 of it is not cost of services; and in about six months, there will \$100 million which is all capital.

Mr. Chris Reimers, 111 Squaw Valley Trail, thanked Director Maruthur for her effort to try to get this right. Also, he expressed appreciation to Director Keheley for her idea on the tiered rates. He said that he hoped Mr. Driggers is wrong and hopes the Directors have not already made up their minds. He stated that he believes it would be

an irresponsible tonight to vote on Alternative 3 because he has been at almost every meeting, and there have been two possible alternatives that have been discussed. Tonight, there was a third alternative placed before the Board; and he would like to know all of the details of this third alternative before a vote is taken. He said that he appreciated what Director Keheley is doing, but he believes more time is needed and to think about Alternative 3 because all of the details are unknown. He pointed out this is another example of rushing into something that the Board is not even sure what it is.

He said if he were Mr. Jackson, he would not use the \$33.59 number that he used because in his own charts, the average citizen in Hot Springs pays \$44.24. He added to use a \$33.59 cost as an average Hot Springs rate for a 5,000 gallon user, it actually appears that he is using both figures and making it appear that he is attempting to make the rate hikes look lower than they actually will be. He said that he believes he needs to use real numbers, and these numbers come from a draft that the Board was given in June.

Director Maruthur stated that he seemed to have an inordinate amount of concern over the issue of water and wastewater and asked that he explain why.

Mr. Reimers replied that he walked the streets this week talking to people and trying to put in an honest person to fill the vacancy of Director for District 4. He said that he did not speak to one person that paid a water rate of \$33, and he was walking through the poorer sections of town. He noted that he was getting \$60 and 80. He added that he feels like he is speaking for people who cannot speak for themselves, and they do not know the issue well enough. Therefore, that is why he is so interested in this subject. He pointed out that Mr. Jackson had said everything goes up three to four percent a year, but a gentleman told him that his social security check was not going up that amount in the next two years.

Director Daniel asked Mr. Reimers if he was on city water and sewer, and Mr. Reimers replied that he was not on either one. Director Daniel asked if the people he was talking to told him that was generally what their bill was (\$60 or \$80), and Mr. Reimers said that he did not ask a lot of people. However, the people who told him what their bill was, he was surprised at the amount they were paying; and they did not have large yards. Director Daniel asked if he realized the City's bill is made up of water, sewer and sanitation; and most people do not break it down how much they pay for water, sanitation and sewer. However, they say that their water bill was a certain amount, which consisted of water, sewer and sanitation. He stressed it is kind of misleading to say that these people are paying \$60, \$70, or \$80 a month. He added if

they are inside the City, they are paying the whole thing. However, for the people who live in the County, they pay that rate and pay a sanitation rate to the County.

Mr. Reimers said that he has a good point and most people include that in their bill, but he does not think it is a lie. He commented that he believes the average cost is \$44.24.

Director Jones asked that Mr. Jackson clarify this amount.

Mr. Jackson explained that the average ratepayer in the City uses 5,000 gallons a month; and under that, they pay \$33. He said the chart Mr. Reimers was referring to is a comparison chart showing 10,000 gallons a month; and the reason the 10,000 gallons was used in that chart was because for most cities in Arkansas, the average is higher than 5,000 gallons. Therefore, it is not fair to do a comparison at 5,000 gallons. People use it at 10,000 gallons, so \$43 is a little higher than what the average usage amount is. Also, average means some people are higher and some people are lower. He pointed out that he can only go by the data the City provides him, and the data is very explicit that the average residential usage for a month is about 5,000 gallons.

Director Maruthur stated that the consideration of a vote tonight is critical to the future of Hot Springs and what people can afford and what the City can get repaired. She stressed the City is under a Consent Order. She commented before the last meeting, the Board had two options; and there is a third option. She reiterated that she has a paper that she distributed to the Board, and the individual who put it together was the director of marketing logistics and in charge of international financial workings of an international corporation. She said he would like to meet with Mr. Jackson, the individual who did the mitigation when the City was under a mandate in the 1970's, the City Attorney, and the City Manager to make sure when the City does approve of something that everything is covered. She stated a couple of weeks is just a couple of weeks, but a mistake is something the City is going to have to live with; and the people who cannot pay, or the waste that could be involved is to her a disservice to the community. She pointed out that Mr. Thomas Brown said it eloquently; and he just wants to make sure when he pays, he gets the service. She said that is what everyone wants to do, and it is not about blame but about doing the right thing this time.

Director Daniel answered Mr. Brown stating that he indicated he lived in the county, but all around him is in the city. He asked why he was not in the City. Mr. Brown replied that the City runs out at the bottom of Casey Street, and he has to go up

Casey Street to get to Grand Ridge; and Grand Ridge is in the County. Director Daniel said that it bothers him that everyone is blaming the City, but the City cannot foresee the future. He said that Director Maruthur mentioned 2004, and he is sure that most everyone remembers that Arkla Gas said the government told Arkla Gas it had to dig up the lines, and there are leaks of a 100-year old pipe going down Central Avenue. He pointed out that was not in the budget for the City; but in order to save money, they came up with the money and found the time to replace all of the water lines down through Central Avenue that were 80 to 100 years old in order to conserve money and not install a new gas line and pave it. Then come back and put in a new water line, but that was not in the budget. He pointed out that things like that for major upkeep are there, and no one can foresee that. He stated that on any given day, people are going to see more vehicles that belong to the City in the County and more equipment working than inside the city limits, which costs a lot of money. He noted they were talking about people getting their workmens' compensation, etc.; and just the City's employment retirement system is at a rate of 12 percent. He stressed that everything goes up and continues to go up. He pointed out when the price of oil went up, that affected the price of polyethylene pipe. He noted many things happen that are out of the City's control, and he believes the City does an outstanding job with what it has. He said that he read the e-mail sent by Mr. Brian White, but he thought people are not leaving the city; and the only reason they are building in the county is because there are no codes. He pointed out they do not have to do anything the City says, and then they come to the City wanting to become part of the City. He noted they have a street that is about 10 feet wide and utilities that do not match anything, but then they want the City's water and sewer. He said people move into the county because contractors build a home or subdivision for a lot less money than they can in the city. He pointed out it costs a lot of money to keep the utilities going so whether people live in or out of the county or their business is in or out of the county, they have quality water. He added there is service for sanitation in the city and service for wastewater and stormwater. He questioned what more could be done to keep that without raising the rates.

Mr. Brown said that he did not think he knew anyone who was a resident of the County who would object to paying for the services that the City provides. He said where he lives, which is in the middle of the City, he did not know who determined this 66 percent premium.

Director Daniel responded that area was built in the County, and most of those people have annexed into the City. He suggested that he may consider starting a petition drive and getting some of his neighbors to annex.

Director Maruthur commented that Director Daniel has brought to the attention of many people why they did not move into the city or why they do not live in the city. She mentioned that Q. Byrum Hurst, Jr. was one of the people; and perhaps if he lived in the City, he would enjoy the benefits. She advised this was when they were pleading for their neighborhood. She questioned the location of his fireworks business in the County when it is in the middle of the City, and Director Daniel replied that it is not in the middle of the City and is coming into the City. Director Maruthur pointed out that he cannot have fireworks in the City and questioned why he has not petitioned to come into the City. Director Daniel stated that he still has a place inside the City and is paying a fireworks license on it. Director Maruthur asked why he has not annexed that piece of property, which is surrounded by the Mall, car dealerships, and developments. Director Daniel explained that he was waiting for Higdon Ferry Road and believed the City was going to annex some of that property. He commented that he assumed the City was going to do that sometime back but mentioned that Director Maruthur changed her mind and did not want to do it. He said that he would wait and let Director Maruthur take the lead on this.

Director Maruthur said that Director Daniel keeps bringing up the fact that these people are not in the City, and people live in the County because they want to live in the County; and people live in the City because they want to live in the City. She noted there is an exodus of city residents into the county, and it is not about the code simply because the City no longer operates under the Southern Building Code but under the International Building Code whether in the city or county.

Mayor Bush pointed out it is not an issue tonight, and Director Maruthur replied that people continue getting chastised for living in the county. Mayor Bush commented they live where they want to live.

Director Daniel said that he was chastised for having a business in the county, and he has nine water meters in the City and does not mind paying what he has to pay.

There being no further comments, Mayor Bush declared the public hearing closed.

UNFINISHED BUSINESS

10 Proposed Ordinance No. O-09-33

An ordinance entitled, "AN ORDINANCE ESTABLISHING RATES AND CHARGES FOR THE HOT SPRINGS MUNICIPAL WATER SYSTEM; AND FOR OTHER PURPOSES, taken from the agenda for consideration.

A motion was made by Director Jones, duly seconded by Director Keheley, that the rules be suspended and the ordinance be read for the third and final time by title only; and upon roll call, the following voted "aye": Directors Jones, Keheley, Daniel, and Bush, total 4. Voting "no": Director Maruthur. Absent and not voting: Director Ramick; motion failed to read by title only.

City Attorney Brian Albright advised that it requires five votes to suspend the rules because it takes 2/3 majority of the entire membership, and there are only five Directors present so that would be a unanimous vote unless Director Maruthur is prepared to change her vote.

Mayor Bush asked if Director Maruthur wanted to change her vote, and she replied that she did not.

City Attorney Brian Albright then read the ordinance in full for the third and final time; and upon the question "Shall the ordinance be passed as read?" and upon motion of Director Daniel, duly seconded by Director Keheley, that the ordinance be passed as read.

Mayor Bush stated that he needed to wait until Director Jones returns to the Board Chambers before taking a vote. Director Maruthur asked if that is what is normally done. She said that she can remember leaving the Board Chambers and votes were taken when she was out of the Chambers.

Mayor Bush commented there are citizens signed up to speak to the ordinance and recognized Mr. Brian White.

Mr. Brian White, 512 Clark Street, read the following e-mail from his wife, Karen White, who is unable to attend, "While watching a local morning TV news show last week, there was a report about how Arkansas is recovering from the downturn in housing construction. New home construction and sales in towns near what they call the Metro, which included Hot Springs, are quickly increasing. Of the 10 to 12 Metro areas, Garland County as a whole, stuck out like a sore thumb. We were the only area listed in red. Garland County came in at a negative 23 percent housing growth, while

everyone we compared to, had tremendous gains. The explanation they gave for the marked decline in Hot Springs is that Hot Springs is now deemed a second-home community. In a nutshell, people don't want to live here any more. They want to come here to party, gamble, play on our lakes, and go to the track; but they don't want their families living here. They go back to their wonderful schools and safe communities, and they use us. The people who own tourist attractions, hotels, and the bars are the only people who profit from them. Let those people pay for the increases. Hot Springs isn't a bunch of strip clubs, bars and restaurants catering to the tourist. It's the people. The people who raise their children and the people who retire here. We can't keep raising the cost of living in a town with nothing to offer but a bunch of seasonal part-time tourist jobs with little future, and we can't make it so expensive that retirees go to other states. We must improve our schools and our neighborhoods, and we must NOT raise utility rates for residential customers, unless we are purposefully and with forethought turning Central Avenue and our town into the Hot Springs STRIP. If there is no intention by this Board to encourage anything but the almighty tourist dollar, the town so many families call their hometown, is really already gone. Look at it from a business standpoint. We all saw the reports last week about the school benchmark scores. People who build companies that bring families to town to live, they don't search for stories in local newspaper meant to make us feel like everything's okay.

They look at numbers that anyone can get online. When you pull up the actual report, it doesn't say, 'The Hot Springs School District is still doing great things!' It says this year, 58 percent of our 8th graders don't meet standards in math, and 61 percent don't meet standards in English, and our dropout rate at 47 percent. Look at the numbers for the last several years. We have to attract families to this area, and we do it with our schools. The children who attend our schools, huge percentage of those children, are eligible for free and reduced meals. Those families, the majority of the families in the Hot Springs School district, can NOT afford these increases in the basic needs. Water and sewer are not luxury items. They are not optional. Finally, our neighborhoods. I live in District 5 between Oaklawn Elementary and Hot Springs High School. Mr. Ramick and other Board Members drive through my neighborhood now. Go the route my children take to school down Vineyard, Fleet, Leonard, Clark and Woodlawn. Overpriced dilapidated rent houses, boarded-up meth and crack houses, vacant, abandon overgrown homes, used by the homeless or the addicts. I remember when it didn't look like this here. A few weeks ago, I watched from my front window, two blocks from Oaklawn School, as a young man adjusted the handgun he carried stuck in the back of his pants. This used to be a beautiful neighborhood. This is my hometown and for those of you who have something other than a business interest in this place, it's yours too. Find all the leaks before you ask the citizens to pay. Fund the

mandates to keep growing, something all the developers say is absolutely vital but fund them with profits from the only thing that is growing. Fund it from the businesses who profit from the tourist. Develop an action committee to address this horrid classification of a second-home community. Five generations of my family have lived and died in this town, and people like me want it to stay a hometown. Ask the people in this town to help you. This is our hometown and it's not up for sale to the highest bidding commercial developer." Signed by Karen White (lifelong resident of Hot Springs).

Mr. Bob Driggers, #3 Stonegate, addressing Director Daniel, stated that people did not move to the County to avoid codes; but some were working to get away from the crime and other problems associated with the city. However, the City is welcome to annex them. He extended an invitation to a function the Garland Good Government Group is having on Thursday evening at the Transportation Plaza. There will be some distinguished guests brought here by the U. S. State Department, International Visitors' Bureau of Educational and Cultural Affairs, which is a group of six currently or formerly high ranking people in Nicaragua. They are members of the November 9 group. He explained that on November 9, 2008, an election was held in Nicaragua; and they are formed to promote accountability in government and encourage citizen participation in the democratic process. They are looking at bringing accountability and oversight in government and engaging in motivating citizens to participate in the democratic process. He extended an invitation to the public, and the State Department is bringing a translator.

Mayor Bush commended him and his group for hosting this group and said he looked forward to meeting them.

Mr. George Pritchett, 125 Carl, stated he is a realtor in the City; and in looking at the square miles in the City, the square miles in the County is about eight times what they are in the city. He commented when there is not an exodus from the City just to escape, it is because that is where the land, lake and things are to be developed; and most of the developments is upscale in the County. He pointed out there are not enough savings that Mr. Mallett or anyone else could get out of fixing the leaks in the water system. He stressed this increase has to be made, and the City could wait and wait, but the rates are going to be raised. He said he has lived in Hot Springs five or six years and had one water bill in that six years that exceeded \$29. He added that he has lived alone most of that time so that rate is accurate. He stated he lives in a condo and does not have the sanitation rate that Director Daniel's pointed out that people do. He commented that the majority of the senior citizens living alone, the majority of the

two-person household living alone and doing a nominal amount of laundry, are going to be paying the minimum rate. However, if they choose to water their yard, it is going to be more but is only for a short period of time, so this rate is a fair rate. He stated that industry in the City is limited, and the workforce is limited in its capabilities in many cases. However, if there is the right kind of workforce, the right kind of industry can be brought into the community. He pointed out that Hot Springs business is tourism, and the problems mentioned exist in the county as well as the city; and the people in the county frequently are weekenders, which is not going to change.

Director Maruthur commented that she does not want to continue waiting, and another option was added (the tiered option). She asked if he was familiar with the term "passive waste" or "benign neglect" Mr. Pritchett said that he is somewhat. She explained that benign neglect is when the City fails to take care of what it has. She stated passive waste is things that people write to her about, call her about, and the City ignores what the people are clamoring for as far as protections in their neighborhood. She advised that she came up with the city as a subdivision years ago and is still going to present it, plus a few other things. She stressed that she is concerned about the future of the City. She said that the boarded-up buildings and what Mr. White read are the concerns. She mentioned that Mr. Driggers said he did not move to the county to get around codes, and she believes that is probably true and thinks he is probably eager to get in the city and save some money. She said that she takes exception with the fact that Mr. Pritchett is implying that she wants to wait and wait and wait. She emphasized this is critical, and the City is under a Consent Order. She pointed out what the Board does is going to lay the groundwork for the future of the city and its development because the development is going out there.

Mr. Pritchett said that he agreed. He stated that he used the term "wait, wait, and wait" and believes this can be studied and studied. He commented what he wants to know is at the end of the day is "do you believe the City needs this increase and do you believe that the City can present any data that would give the public some material difference in moving forward with this at this time." He commented that in two, four or six weeks, he does not believe the City can.

Director Maruthur stated that because of benign neglect, the City does have a problem and has to come up with the funding. She said she believes the City owes it to the ratepayers and does not think waiting one more meeting and getting a group of professionals together (Mr. Dan Jackson, the City Attorney, Mr. Wayne Roberts, and the City Manager) will make a difference. She said when the Board votes, it can have a

safety net of revisiting and monitoring the system every two years, but she does not think that is waiting and waiting.

Mr. Pritchett said he is not sure where she is coming from with the benign neglect and is not sure how this water rate makes any difference in the drug houses, boarded-up homes, etc.; but there have been some professional studies in this for sometime. He mentioned the City has had a problem for the last 60 months and has not visited it. He said he has heard people say they want to study it some more, but it can be studied and studied; and no one will reveal anything that will make a difference in delaying it for two, four or six weeks.

Director Maruthur commented that a good example of benign neglect was when there were water breaks on Prospect Avenue to the point where cars flipped over in front of Levi Hospital. Also, a person in their 90's lived in an apartment and had two to three feet of water in her apartment. She said the City patched it and patched it and patched it. She commented she got the numbers together; and the City wanted to sleeve it, which means taking a pipe and putting it in another pipe, but did not. She noted the City spent the most amount of money from Grand Avenue to Central Avenue on Prospect doing the right thing, which was taking a line and replacing it. She said she did not believe there has been a break down there and does not believe anyone is at risk. She pointed out the materials that were used were the materials that were needed to be used because when they opened up that street, they found materials that were totally unacceptable that were done in World War II, which is called benign neglect. She added that has happened in District Nos. 1, 2, 3, and 4; and probably the least would be District No. 6 because it is the newest.

Mr. Pritchett said he understands that and in the interest of time, he agrees with her. However, he questioned how delaying this will make any difference in her benign neglect argument. Director Maruthur replied another idea has been received from a person who has international financial knowledge and operations of a city, but they were not able to be present tonight. Mr. Pritchett said he believes he has that same knowledge and understands what she is saying, but he is requesting that the Directors and people in attendance move forward; and all of these things she is asking for will be done.

Director Maruthur commented that gasoline rates were going up and she suggested looking into hybrids when purchasing new vehicles but was laughed at and said she did not understand, but the City has a deal with the State. She stated that she

understood but asked what that had to do with the direction it appears the economy is going. She noted the City now has these “monsters” and has to maintain and fill them with gasoline to take care of the citizens.

Mr. Pritchett replied that may be the case; but if the City had bought hybrids, it would require the Fire Department to have special training to respond in the event there was a fire. He questioned what this has to do with the water issue tonight, and Director Maruthur explained that whatever the Board votes on, it is going to have to live with. She said if the City had another idea, it can be coupled with the other three ideas and put a package together. Mr. Pritchett said he is sure at the next meeting someone can bring another idea. Director Maruthur pointed out that the City is under a second grace period, and this is serious. Mr. Pritchett stressed that he respectfully disagrees with delaying it.

Mr. Chris Reimers, 111 Squaw Valley Trail, said he agreed with Mr. Pritchett on one thing, and there is a need to rush and repair the leaks. He mentioned in a report, it states that about 32.8 percent of water produced from FY2007 to September 2008 was unaccounted for in the consumption area; and the national standard for water loss is about ten percent according to the American Waterworks Association. Therefore, there is a need to rush and fix the leaks, but the City does not need to rush and raise the water rates. He pointed out the lost water could affect the rates and perhaps the timing of any need for more water treatment plant capacity. Supposing the water loss is leakage, stopping the leaks would mean that suddenly the City has found for example a 25 percent increase in water supply. He said that might extend the need for more capacity years out and have time to resolve the Lake Ouachita Corps of Engineers problem that city officials now say is the reason for going to Entergy and asking for water from Carpenter Dam. He stated one thing he has not heard tonight, except from Mr. Jackson, is conservation. He spoke of Mr. Pritchett's low water bill and would like to put him on the conservation team because he does not know of many people who have a water bill that low. He said he has heard about conservation from citizens but has not heard much from engineers and rate people. He urged the Board to vote against the ordinance.

Mr. Ted Burhenn, 318 Trapp Mountain, also 264 Lake Harbor, and several other places in the city, said his concern is the differential rates between the City and County. He commented there is a rush to do this tonight because right now the developers are not paying anything; and if this can be pushed through, they will get off scott free. Also, there will be no impact fees as such to them. He said he believes the impact fees

should be addressed because approximately 1/3 of what is being asked for tonight on the water side, is for capital improvement to increase production. He commented that the repaving program in the city and relocation of the water lines is \$2,750,000; and that part of the county is going to be paying for that also but 1½ times. Regarding fixing the leaks, he said the leaks do need to be fixed; and most of the leaks are in the older infrastructure, which is inside the city limits. He stated he assesses that as 75 percent going to the City and 25 percent going to the County, which is \$14 million versus \$4 million, so \$10 million more is being used up in the City just for what is being asked for tonight. He commented that Director Maruthur's suggestion of bringing people in on that committee is a good idea and recommended talking to Mr. Milton Raabe, who is very knowledgeable of what is going on. Also, he is a developer and can look at it from that aspect.

City Attorney Brian Albright pointed out that Mr. Burhenn made a statement regarding impact fees and advised there is an impact fee ordinance, which is a separate ordinance under Hot Springs Code §9-3-2, that sets out the rates for the impact fees. He advised there is an impact fee that is in place today, but there is not an increase under the ordinance being considered tonight.

Director Maruthur asked if the City has been in litigation with people who have stolen water from the City, and Mr. Mallett replied that it has. He advised that Mr. Larry Merriman has stepped up the City's efforts in locating and prosecuting those that do not come around. He also makes personal visits to some of them, and they come into compliance just with a visit; but the ones that do not are referred to City Attorney Brian Albright. He noted there have been six that have been brought to court.

A motion was made by Director Maruthur to amend the ordinance to provide for two-year increments in reviewing and monitoring the state of the system (the maintenance and operation), the financial situation, the needs of the people of the City, and an update on the residential growth within the city.

City Attorney Brian Albright said for clarification, Director Maruthur wants the ordinance to be amended to deal with the update in the residency and monitoring the system every two years.

Mayor Bush commented that he would assume Mr. Mallett and his staff constantly monitor the system, which is part of his job. Mr. Mallett responded that he receives monthly budget reports from Finance Director Dorethea Yates advising him of

the status and gives a baseline. He said that staff was aware the Wastewater Fund was getting to the point that it is and was trying to balance that with the capital needs that they have and still face. He noted that staff does an annual budget with the Board's involvement and a monthly budget.

Director Maruthur said that she just wanted to make it official.

Mayor Bush called for a second to the motion made by Director Maruthur. There being no second, the motion died for lack of a second.

Director Keheley pointed out the City has been studying this issue for a long time and has sought advice and information and listened to numerous citizens. She stated that many of the citizens she has heard from are seriously concerned about the condition of the water and wastewater system, and they are reconciled that there is a necessity for a rate increase. She mentioned there are many issues of concern, such as the problems of the unaccounted-for water; the impact of the increase on the low-volume users; and the financial problems for the low and fixed-income citizens. She commented that Alternative 3 would provide some measure of relief for these people. She said that she has attended all of the public hearings on this issue and has questioned and sought answers from the staff many times. She added that the Directors have been elected to serve the very best interest of the citizens of all of Hot Springs, and no one wants to raise water and wastewater rates. She stated it is for the best interest for Hot Springs that the Board provide an adequate water system for the future. She mentioned there have been mistakes in the past, but it is the Board's duty tonight to look to the future; and it is time to start fixing the problem.

A motion was then made by Director Keheley, duly seconded by Director Jones, to amend Proposed Ordinance No. O-09-33 and read the amendments from the bond counsel and substitute Alternative No. 3 (the conservation plan) as the adopted rate schedule, and that there be an annual reassessment and review of the progress each year.

City Attorney Brian Albright advised that Alternative No. 3 is the tiered program that has been proposed by the rate consultant, and the amendments that Director Keheley is referring to are two technical suggestions that were suggested by bond counsel and have been included in the Board's packet for the last three meetings. He said she is also asking that Alternative 3 be substituted as the rate schedule and also include an annual assessment and review of the system.

Mayor Bush then called for a vote on the amendments to the ordinance; and upon roll call, the following voted “aye”: Directors Maruthur, Keheley, Jones, Daniel, and Bush, total 5. Absent and not voting: Director Ramick; motion unanimously carried.

Mayor Bush then called for a vote on the motion to adopt the ordinance, as amended; and upon roll call, the following voted “aye”: Directors Jones, Keheley, Daniel, and Bush, total 4. Voting “no”: Director Maruthur. Absent and not voting: Director Ramick; motion carried. Whereupon the ordinance was declared passed, as amended.

11 Proposed Ordinance No. O-09-34

An ordinance entitled, “AN ORDINANCE FIXING RATES FOR SERVICES RENDERED BY THE WASTEWATER SYSTEM OF THE CITY OF HOT SPRINGS; PRESCRIBING OTHER MATTERS RELATED THERETO,” was taken from the agenda for consideration.

A motion was made by Director Daniel, duly seconded by Director Jones, that the rules be suspended and the ordinance be read for the third and final time by title only; and upon roll call, the following voted “aye”: Directors Maruthur, Jones, Keheley, Daniel, and Bush, total 5. Absent and not voting: Director Ramick; motion unanimously carried. The ordinance was then read for the third and final time by title only; and upon the question “Shall the ordinance be passed as read?” and upon motion of Director Jones, duly seconded by Director Keheley, that the ordinance be passed as read.

Upon discussion, Mr. Chris Reimers said in the presentation that was made and was on television numerous times, public comment was not allowed because cameras were removed from the room; and there were numerous public comments. He mentioned it does say total water/wastewater costs for Hot Springs residents is \$44.24; and those other 13 cities, it is \$45.56. He said that is a savings of \$1.32 a month so, this is saving Hot Springs \$15.84 a year. He stated taking the average income of the people in those 13 cities, they make \$11,000 more per household than those in Hot Springs. He said people are paying a lot more than other people in Arkansas, and he does not understand why. He questioned why Hot Springs cannot be competitive in a city that is surrounded by water. He pointed out that Mr. Jackson used the word “a republic” and “democracy;” and at the present time, the Board is representing just over

50 percent of the people who are getting charged for this water because there is a vacant seat on the Board and one person is ill tonight. He said in regard to counting county residents, the Board tonight is making a vote and is only representing about 50 percent of the people who are actually paying for these water rates. He asked if that is democracy.

Mr. Ted Burhenn, 318 Trapp Mountain, stated that \$7,500,000 is going to capital to the advantage of the some of the developers. \$46 million has to be done because the City failed in what it was doing before. He said maybe it was because there was not a commission and maybe the City should reconsider that. He commented just because in 1995, citizens voted not to do that, maybe it should be revisited. He said the other thing that is in here is the repaving program and is going to cost all of the ratepayers \$2 million, and the County is going to pay 1½ times what the city does for that part. Also, the \$200,000 for the stormwater system that is in the City, the County does not have that. If a road is paved in the County, he commented the County has to pay the City for relocating those lines, which was what basically happened on South Moore recently where the County was responsible for moving those lines. He added the County is also responsible when the City paves a road in the City and is responsible to the point of \$1.5 million. He stressed that the leaks do need to be fixed, and the City's leaks are the biggest ones.

Mr. Brian White, 512 Clark Street, said that he is asking for the rate increase on the sewer and supports funding the \$47 million needed to get into compliance with the EPA and ADEQ, but the City does not need to stop at that point. He stated the City Code says that the funds generated from the sewer rates are to go to operate, maintain, and replace the system; but that has not been done because the sewer funds have been financially strapped. He said he has the minutes from the last public hearing held on May 17, 2004; and one of the things that Mr. Jackson pointed out in 2004 was that there was not a rate increase on the sewer side since 1998. Mr. White said that may be part of the reason on how the City got here. He pointed out if the City does not raise rates for a number of years and everything else goes up and capital improvements need to be made, the City can get into problems. He noted that compared to what is in the minutes of 2004, not much has changed, and a lot of the same names are in there; and many of the same questions are being asked. However, he can see where the City needs to do something with the sewer rates. He said the City needs to get into compliance, but he believes many of the other issues on the sewer side could be tabled and reviewed.

Director Maruthur stressed that the City has to comply; and as in many other issues, it is the form of funding. She mentioned there was an issue with the Greenway many years ago, and the specific grant that the City had before the Board was not beneficial for the City. She added the City also had an issue with city funding for the Farmers' Market, and Director Keheley came before the Board, and that was resolved. She stressed this is critical, and it needs to be done soon. She commented that she is not opposed to funding what the City needs to repair for its wastewater plant and supports it. However, it is how it is being done and how much the Board is thinking about new options; but it has to be done in a timely manner. She emphasized she is not going to be a part of just doing something because the City is just going to do it. She said if the Board cannot wait three weeks; and it has made a mistake, then so be it. However, she cannot be a part of it. She stressed that the City is complying with the EPA.

Director Keheley said everyone knows that the wastewater system is badly in need of major improvements, and the City is under that federal mandate and has to meet their requirements. She stressed that the City cannot tolerate the frequent system failures that produce all of the environmental and health problems and needs to start fixing the problem.

A motion was made by Director Keheley, duly seconded by Director Daniel, to amend the ordinance with the amendments included from the bond counsel with an annual review of the progress that the City is making; and upon roll call the following voting "aye": Directors Jones, Keheley, Daniel, and Bush, total 4. Voting as "Present": Director Maruthur. Absent and not voting: Director Ramick; motion carried.

Mayor Bush then called for a vote on the motion to adopt the ordinance, as amended; and upon roll call, the following voted "aye": Directors Jones, Keheley, Daniel, and Bush, total 4. Voting as "Present": Director Maruthur. Absent and not voting: Director Ramick; motion carried. Whereupon the ordinance was declared passed, as amended.

NEW BUSINESS

12 Proposed Resolution No. R-09-212

A resolution entitled, "A RESOLUTION ACKNOWLEDGING THE REVIEW OF THE 2008 COMPREHENSIVE ANNUAL FINANCIAL (AUDIT) REPORT," was taken from the agenda and read by title only.

A motion was made by Director Daniel, duly seconded by Director Jones, that the resolution be adopted as read.

Upon discussion, Ms. Dorethea Yates, Finance Director, reported that this report is basically the result of operations for the City and is a 159-page report that has all kinds of information. She encouraged the Directors to read it in its entirety because that report tells what has happened and what is going to happen. She said the report three years ago told the City that it was going to have problems with the Wastewater Fund. She stated this report is audited by an independent auditor, who comes in and makes sure that everything in that report is reported according to Generally Accepted Accounting Principles. She commented the auditors also look at the City's grants and makes sure the City is in compliance with the federal regulations associated with those grants. She advised that state law says the City cannot take money from the Water Fund and Wastewater Fund and put it in the General Fund, which is called co-mingling of funds. She advised that one of the things the auditors do is look at the City's financial reports and they make sure the City does not co-mingle its funds. She recognized Ms. Joy Black, accounting and purchasing manager, who had an integral part and keynote player in putting this report together.

Director Maruthur said it is illegal to co-mingle funds, but the City uses cost allocation from one department to cover work done by another department. Ms. Yates replied that the City reimburses the General Fund. She pointed out there are three departments (Finance, Information Services, and Human Resources) that provide services for all the different funds in the City.

Director Maruthur questioned where the money comes from if a line breaks and has to be repaired, and then has to be repaved, Ms. Yates replied if the work is done by one of the utilities that is associated with a utility fund, the money is paid from that utility fund.

Director Maruthur questioned if it comes from the Water Fund even though it is a paving, and City Manager Lance Hudnell replied that is only if it is a utility project.

Ms. Yates then recognized Mr. Gary Welch, auditor with Jordan, Woosley, Crone & Keaton, Ltd.

Mr. Welch said if any Board Member wishes to spend two to three hours with him, he can review this report in detail with them. He recognized Ms. Phyllis Trent and Ms. Christina Ellis, who are also with the firm. He explained that the report consists of several sections: (1) the Opinion Section which tells the Board what the auditors did and in fact did conduct an audit of the City and all funds of the City. It states that the financial statements are accurate and fairly stated in all material respects, and it states also that the financial statements were fair and in accordance with Generally Accepted Accounting Principles; (2) Section 2 are highlights of the financial data. This is also contained in the section called Management's Discussion and Analysis, which is written by the Finance Department. Some of the pertinent facts is that the city-wide assets exceeded liabilities by \$226 million, and \$8 million of that is available for ongoing obligations. The governmental funds had a combined fund balance of \$5.9 million, and \$3.8 million of this is in the unreserved category. The liabilities of the City decreased \$2 million or 4.6 percent in 2008, which was due to the regularly scheduled bond payments. The Advertising and Promotion Commission had net assets of \$13 million, which was an increase of \$2 million in 2008. Regarding the statement of net assets, there are two types of funds reported in the City's Comprehensive Report. The governmental activities consist of the General Fund, the Police, Fire and Street, and about 20 other special revenue funds. In the business-type activities, this is the Water, Wastewater, Sanitation, Airport, Stormwater and Parking. They are separate because the business-type activities are more business-oriented inasmuch as they are funded by user fees and user revenue. There are total assets of \$267 million, liabilities of \$41 million, leaving net assets of \$226 million. Compared to 2007, this was a decrease of about \$2 million. That was decreased for two primary reasons, which was the budgeted spending and reduction of bond debt. He explained the operations of the City section, which is separated by governmental and business-type; and includes the general fund, police, fire, etc. and had a net expense of \$6.5 million. The important point of that in this new government reporting format, depreciation is recorded on all of the general governmental fixed assets, and \$5.8 million was depreciation in that net expense. The business-type activities had a net revenue of \$5 million; and primarily all of this was in the Water, which was about \$1.7 million and the Airport, which was over \$2 million net revenue this year because the Airport had significant federal grants for runway construction; and it also had contributed assets such as the new finance building; and the net overall city net expense was \$1.5 million. He pointed out there are definite control features in the City's budget process, and this compares the final budget with

the actual results. He stated all budgets in the governmental categories had a positive budget result. The reduction mentioned earlier in the governmental in the General Fund was actually a budgeted reduction. Regarding final budget, the City intended to spend \$2.5 million of its reserves and actually spent less than that by \$800,000. Overall the governmental budget result was \$1.6 million positive. He explained that the budget comparisons for the business, which is the Water, Wastewater, and Sanitation were all positive except for the Wastewater. This was primarily due to some of the revenue from impact fees that was collected but not recognized because it is specified as to spending projects of a direct nature. Regarding actual federal and state award activity and, as in prior years, the City received significant awards. Most of these awards, totaling \$3.4 million in spending, came from the transit operations. They came from the Airport improvements and from the Community Development HUD projects. He also explained there were net assets of \$226 million, which is a reduction of .7 percent from 2007 of \$228 million. Mr. Welch pointed out the \$226 million is an important number because it illustrates that this is the net asset or net worth of all of the City's assets, less liabilities. He said the Unreserved Fund Balance in the General Fund is illustrated to see if it is maintaining some minimum of \$3.8 million. The important thing to remember going into the next budget phase, now that it is down to \$3.8 million, the City cannot continuously budget an excess spending out of that reserve or it will eventually go into a negative General Fund balance. They did a general comparison of how many months' expenditures this is covering and that is reducing from 7.7 months expenditures to 5.5 months. Then when they add transfers, which are significant, out of the General Fund, the General Fund collects; and then they transfer to Police, Fire and Street. When adding those transfers, the City's coverage is down to 2.1 months as a reserve. Regarding comparison of cash and investments, as far as the total outstanding debt and the net outstanding debt, the important comparison is in 2003; and the City had \$59 million in debt. Most of this debt was from the Civic Center Bond, which was originally \$39 million and was in 2001 so that bond was in this \$59 million number, which was paid off in 2007. The other primary bond reduction was in the wastewater plant that was built in 1991, and that was originally \$18 million. In 2008, it is down to \$6.5 million. Those two reductions are the significant difference between 2003 at \$59 million and that debt being down to \$28 million, and this is citywide. This encompasses primarily the Enterprise Funds bonded debt. Mr. Welch expressed appreciation to the Finance Department, Finance Director Dorethea Yates, and Joy Black, Accounting/Purchasing Manager, for their cooperation.

Mayor Bush then called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, Daniel, and Bush, total 5.

Absent and not voting: Director Ramick; motion unanimously carried. Whereupon the resolution was declared adopted.

13 Proposed Resolution No. R-09-213

A resolution entitled, "A RESOLUTION OF INTENT REGARDING THE PROJECT TO REPLACE THE EXISTING WATER METER SYSTEM WITH A FIXED BASE AUTOMATIC METER READING/LEAK DETECTION SYSTEM," was taken from the agenda and read by title only.

A motion was made by Director Maruthur, duly seconded by Director Keheley, that the resolution be adopted as read.

Upon discussion, Mr. Steve Mallett, Deputy City Manager for Public Works and Utilities, explained this resolution is a request to approve proceeding with initial process for applying for stimulus funding through ANRC. He said the City been notified there is at least \$3 million and possibly up to \$5 million in green infrastructure funding; and the City's meter project is the only project that was submitted that they considered to meet the criteria for the green infrastructure money. He explained it is not in the form of a grant but is in the form of one percent low interest loan and is the City's intention to pursue the possibility of funding the remainder of that through the same loan process with the same people since the City is going through it anyway. He stressed this is just the intent to apply for the loan funding, and he would still would have to come back to the Board and will have to bid the project, or the Board may decide not to do it at all. At that time, when he brings it to the Board to approve the loan, then that would be the time when the City would actually move forward.

Mr. Ted Burhenn, 316 Trapp Mountain, pointed out if the City is saying it is going to find all of the lost water, it cannot do that; and if the City is looking at 30 percent, that means that 30 percent of the meters are not reading at all. He commented that he is sure that Mr. Mallett has pulled a bunch of meters and looked at them and determined that the City is not near close to that. He noted the City has to replace them as they go through, but it is also a labor savings device in the fact that the City can just drive by and look. He added the employees do not have to get out and look at the meter. If they do that, the City goes back to everytime it justifies that 50 percent and says it is because they have to drive so much farther and spend so much more time; but now, the City does not have to do that. He said they should be able to reflect that cost back to the citizens. He asked Deputy City Manager Lance Hudnell if

he thought 50 percent is a justifiable figure for rate increase on the county. City Manager Lance Hudnell replied that what he is asking is has there been a time and motion study to follow every truck and measure every line, and the answer is there has not.

Mayor Bush then called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, Daniel, and Bush, total 5. Absent and not voting: Director Ramick; motion unanimously carried. Whereupon the resolution was declared adopted.

14 Proposed Resolution No. R-09-214

A resolution entitled, "A RESOLUTION DESIGNATING AND AUTHORIZING THE MAYOR TO EXECUTE CERTAIN DOCUMENTS IN CONNECTION WITH THE DRINKING WATER STATE REVOLVING FUND LOAN PROGRAM ADMINISTERED BY THE ARKANSAS NATURAL RESOURCES COMMISSION," was taken from the agenda and read by title only.

A motion was made by Director Daniel, duly seconded by Director Maruthur, that the resolution be adopted as read.

Upon discussion, Mr. Steve Mallett, Deputy City Manager for Public Works and Utilities, explained this is a resolution confirming the Mayor as the signatory authority for the City to do exactly what the Board just passed on the previous item, which is to apply for the loan and follow through with any documents that may require the Mayor's signature.

Mayor Bush then called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, Daniel, and Bush, total 5. Absent and not voting: Director Ramick; motion unanimously carried. Whereupon the resolution was declared adopted.

OTHER BUSINESS

15 Board of Directors Items for Discussion

Mayor Bush announced that Director Rick Ramick, who is not present tonight due to illness, will be the Assistant Mayor from September through December 2009.

Director Maruthur stated if anyone would like to become part of the CodeREd, citizens may call Paula Brown at 321-6861. Also, there is an account set up at Regions Bank for the family of Gene Yarbrough, deceased firefighter.

Director Maruthur stated she wanted to make some comments regarding her vote tonight. She pointed out the City has an overburdened system, and that is why the environmental agencies did what they did (EPA). She wants to make sure that the City does not continue to grow in such a way to overburden the system that the Board decided to fund in the manner it did. The taxpayers are paying a lot of money; and any issue that is this important, she believes the Board should have waited two or three weeks. She pointed out the Board had the same conversation about the ambulance service, and there was a little glitch. She said it appeared the Board needed to do something, and the whole procedure was started over again, which went very well. She said she believes it avoided litigation and appeared like it was much ado about nothing, but it was not. She stated the City did the right thing and believes the vote was unanimous, and the City did wait. She commented another item where there was a lot of debate over City Hall. She said the Board, including her, wanted a new City Hall; but it did not appear that the City had a plan and did not appear that it really was in a position to fund a new City Hall. She reminded the Board Members that had they gone ahead and had there not been a vote by the people, the City would be paying for a new City Hall at this time when it is searching for funds and is referring to an overburdened system, answering to the EPA, and among a lot of other things. She pointed out there is a reason, and progress is not always just going ahead and doing something; but sometimes it takes an extra week or two, giving the appearance of putting something off. She stressed that the City has to comply with EPA and hopes that after all this discussion and good input from the citizens, that the growth of the City continues within the City; and it does not experience more of an exodus into the County. She said that really concerns her.

Mayor Bush said he believes the City is growing and will get the numbers together for her within the next week or two.

16 City Manager's Report

City Manager Lance Hudnell gave the following report:

1. He expressed appreciation to four citizens (Lynn Fellows, Edith Small, residents of Timbercrest, and Jane Messer), who thanked Mr. John Faulkner, Project Coordinator, for his assistance in an alley, Lonnie Patman with regard to assisting residents with recycling, and Don Ashley, Scott Ashley, and Michael Parker in regard to repairs to a lift station.

2. A special work session is scheduled for next Tuesday, September 22, to consider the District 4 applicants and then have a second Special Meeting set for September 29. Since there are only four applicants, he asked if the Board would like to invite all four applicants for interviews or review them first.

Director Daniel questioned if there would be a problem with interviewing them and voting on the same night. City Manager Lance Hudnell said the Board could if that was so desired. He added that date could be September 22 or 29. Director Maruthur said that she preferred September 29. There were no objections from the Board to hold the interviews on the four applicants and vote on the same night.

City Attorney Brian Albright pointed out that the Board did establish the schedule by resolution and asked that a vote be taken on this date.

A motion was made by Director Daniel, duly seconded by Director Jones, that the Board interview and vote on the District 4 applicants on September 29, 2009; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, Daniel, and Bush, total 5. Absent and not voting: Director Ramick; motion unanimously carried.

3. He sent an e-mail to the Board with regard to the Comprehensive Plan and a public participation process and would appreciate if the Board would look at it. This will be discussed it at the agenda meeting. He wanted the Board to be aware of staff's recommendation with that plan.

4. The Shine Award will be on September 21, at 1 p.m., in the Board Chambers.

5. Next Tuesday, the Board needs to schedule a budget work session early in October. It will probably take four or five hours. The purpose of that work session will be to review the overall financial picture, the major department head projects, and then for the Board to determine its priorities before beginning the actual line-item-by-line item development of the budget and to understand the department head's goals for 2010.

He said that he wants to make an effort to make the budget document more goal-oriented and more-results oriented so that from year-to-year, the Board can look back and see if it did what it was going to do by the budget.

Mayor Bush said before that, he would like to have District 4 position filled. City Manager Lance Hudnell advised that the Board will be appointing that individual on September 29.

17 ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 10:15 p.m., to meet again on Tuesday, October 6, 2009, at 7:00 p.m.

ATTEST: _____

APPROVED: _____

Lance Hudnell, City Clerk

Mike Bush,

Mayor