

Mayor Dani Wilson called the special meeting of the Eureka Springs City Council to order at 6 p.m. Thursday, June 7, 2007, in the jury room on the second floor of the Western District Carroll County Courthouse.

PRESENT: Mayor Dani D. Wilson, Aldermen Patrick Brammer, Charlotte Buchanan, Eric Scheunemann, Joyce Zeller, City Attorney Tim Weaver, Police Chief Earl Hyatt, Director of Emergency Services David Stoppel, Transit Director Lamont Richie, Finance Director Yvonne Kline, Carroll County Judge Richard Williams, representatives of The Lovely County Citizen/Carroll County Newspapers, Patriots' Herald, Arkansas Democrat-Gazette newspapers, Dennis Hunt of Stephens Inc. of Fayetteville, and City Clerk-Treasurer Mary Jean Sell. Aldermen Rae Hahn and Kathy Harrison were absent.

The purpose of the meeting is to discuss financing the Waste Water Treatment Plant.

Mayor Wilson said she had been made aware about three weeks ago that the funds to continue construction on the waste water treatment plant on Highway 23 North are not available. Mr. Richie and Ms. Kline have gone through the city's financial records to try to determine what has happened to the funds. They are not missing or misappropriated, but have been spent on projects other than the waste treatment plant.

Mr. Richie gave a power point presentation outlining the history of revenue bonds for water and sewer projects since 2000. He said all of the funds raised by the 2000 and 2002 water and sewer bond issues have been exhausted. The 2005 "refunding" bond issue did not generate new funds for water and sewer projects, but gained a lower interest rate on the 2000 bond obligation and reduced the city's long term liability. None of these bond issues were dedicated to specific projects, but to "...finance extensions, betterments and improvements to the City's sewer system..."

On May 22, 2006, the City Council voted to accept a bid of \$2,415,000.00 from Branco Enterprises, Inc. for construction of the waste water treatment plant. On December 31, 2005, the remaining water and sewer bond funds totaled \$1,595,503.28. This amount has been confirmed by a 2005 independent audit of the water and sewer accounts, after the acceptance of the bid from Branco.

From the 2000 bond issue, the city realized \$2,524,137 and from the 2002 issue \$1,787,100, for a total of \$4,311,237 plus interest. The total of expenditures from the bond funds, through the end of May of 2007, is \$5,024,659.41, according to the city's records.

From Dec. 31, 2005, through May 31, 2007, a total of \$1,731,263.05 has been spent specifically for the waste water treatment plant construction.

Mr. Richie reviewed the city's general fund accounts and several of the restricted/dedicated account totals as of May 31.

He said it will take a minimum total of \$1,497,340.28 in payments to Branco and the engineering consultants to complete the plant.

City Council-Special 6/7/07 1

Mr. Richie said the options are (1) to use the city's available unrestricted funds, which would leave the city with little reserves; (2) raise the water and sewer rates; and (3) refinance the sales and use tax revenue bonds to provide the cash to complete the plant and provide some additional funds to continue work on water and sewer infrastructure.

Mr. Richie and Mayor Wilson said rate increases (on the water purchased for distribution) from Carroll-Boone Water District and from the State of Arkansas (for licensing and water testing) are expected this year.

Mr. Hunt presented Resolution 540, A Resolution of Intent Regarding the Issuance of Bonds to Refund Outstanding Sales and Use Tax Bonds and to Finance Sewer Improvements; and Prescribing Other Matters Pertaining Thereto.

He said one purpose of the resolution to make it possible for the city to be reimbursed for expenses while waiting on the funds from the bonds. It also calls for the approval of the voters in refunding a portion of the Series 1998 Bonds and Series 2002 Bonds.

The resolution calls for a new series of bonds totaling a maximum of \$4,000,000.

Mr. Hunt said this option will have the least impact on the citizens of Eureka Springs and will provide funding not only to finish the waste water treatment plant but to do future projects.

Ms. Zeller moved to read Resolution 540. Mr. Brammer seconded. Ms. Zeller and Mr. Brammer voted aye. Mr. Scheunemann and Ms. Buchanan did not vote. Ms. Buchanan left the room, taking the quorum with her.

Mr. Scheunemann moved to take a break at 3:50 p.m. Mr. Brammer seconded. Meeting resumed at 4:04 p.m. Ms. Buchanan returned to the table.

Discussion continued.

Terry McClung said he wanted the Council to act on the resolution today.

James DeVito said he wanted the Council to act on the resolution today.

Ernst Schrader said he wanted the Council to wait until the special meeting on Monday afternoon and to do more research on the issue.

Aldermen Buchanan, Harrison and Scheunemann have requested a special meeting for 4 p.m. Monday, June 11, to review the financing of the sewer plant.

ADJOURNMENT: Mr. Scheunemann moved to adjourn at 4:30 p.m. Ms. Buchanan seconded. All voted aye. Motion passed 4/0/0

This is the signature page for the minutes of the Eureka Springs Special City Council meeting Thursday, June 7, 2007.

City Clerk-Treasurer Mary Jean Sell

Mayor Dani D. Wilson

City Council-Special 6/7/07 2