

Minutes of the First Meeting  
of the Interim Board of Commissioners  
Regional Water Authority of Central Arkansas

5 March 2001

The Interim Board of Commissioners, Regional Water Authority of Central Arkansas, convened its first meeting at 11:55 a.m. Monday, 5 March 2001, in the Board of Commissioners', Little Rock Municipal Water Works, Conference Room on the Third Floor of the Little Rock Water Utilities Building. The building is located at 221 East Capitol Avenue. Present were:

Ms. M. Jane Dickey  
Mr. Eddie Powell  
Dr. Tom Rimmer  
Ms. Francille Turbyfill  
Ms. Alma Williams  
Mr. Claude B. Wilson  
Mr. Craig Wood

Ms. Kathlyn Graves - Attorney, Little Rock Municipal Water Works  
Mr. Walter May - Attorney, Little Rock Municipal Water Works  
Mr. John B. Thurman - Attorney, North Little Rock Water Department  
Mr. Jim Harvey - Chief Executive Officer, Little Rock Municipal Water Works  
Mr. Bruno Kirsch, Jr., P.E. - Chief Operating Officer, Little Rock Municipal Water Works  
Mr. Fred Glover - General Manager, North Little Rock Water Department  
Mr. Steve Morgan - Assistant Manager, North Little Rock Water Department  
Ms. Fredricka B. Sharkey - Communications Assistant, Little Rock Municipal Water Works  
Ms. Ann White - Management Secretary, Little Rock Municipal Water Works

Also in attendance were Mr. Cary Bradburn, reporter with *The Times of North Little Rock*; Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*; Mr. Ken Anderson, General Manager, of the Jacksonville Water Works; and Mr. Thad Gray, Chairman of the Jacksonville Water Commission.

The meeting opened with nominations for Chair and Vice-Chair of the Interim Board of Commissioners, Regional Water Authority of Central Arkansas. The Interim Board elected Ms. M. Jane Dickey and Ms. Francille Turbyfill as Chair and Vice-Chair, respectively, and decided not to elect other officers at this meeting.

Ms. Dickey then asked for suggestions on a regular meeting time and location for the Interim Board. After much discussion regarding individual schedules, the Interim Board established its regular meeting day and time as the third Thursday of each month at 4 p.m and left open the decision on a regular meeting location. The Interim Board scheduled the next meeting for 15 March 2001 at the Little Rock Water Utilities Building.

The Interim Board also decided to tour North Little Rock Water Department and Little Rock Municipal Water Works' facilities on Friday, 23 March 2001, with the tour to begin at 8:30 a.m. at the North Little Rock Water Department Eugene M. Wetzler Administration Building (1500 West Maryland Avenue) and with other arrangements to be announced later.

In response to a request from Ms. Dickey, Mr. Fred Glover, General Manager of the North Little Rock Water Department, explained that Carter-Burgess Inc., and CH2M Hill Inc., is the consulting engineering team that will conduct the distribution system assessments and water rate study for the Little Rock and North Little Rock water utilities. He said a representative

from Carter-Burgess, the lead consultant, will make a presentation to the Interim Board at its next meeting (15 March 2001).

Ms. Dickey then gave an update on the status of Senate Bill 311. (Senate Bill 311 is the draft enabling legislation that would allow the North Little Rock Water Department and Little Rock Municipal Water Works to merge. The proposed legislation is before the current session of the Arkansas General Assembly.) The Arkansas Senate approved the bill in February by a vote of 35-0; however, the House of Representatives is yet to consider the draft legislation. Ms. Dickey said legislation typically takes effect 90 days after the state legislature adjourns and noted that the state legislature has to adjourn its regular session by 9 March. Ms. Dickey said the proposed legislation may need an emergency clause so that it will be in effect on 30 June 2001. In response to a question from Commissioner Eddie Powell, Ms. Dickey said the bill was in the House Committee on City, County, and Local Affairs. Mr. Powell said State Rep. Mary Ann Salmon of North Little Rock serves on that committee and he would speak with her. Commissioner Tom Rimmer asked Ms. Dickey why the Interim Board needed the enabling legislation. Ms. Dickey said the legislation would give the Regional Water Authority of Central Arkansas the authority to issue bonds, set rates, and own real property. She added that a Consolidation Agreement was signed by North Little Rock Mayor Patrick Henry Hays, Little Rock Mayor Jim Dailey, North Little Rock Water Commission Chair Francille Turbyfill, and herself at a ceremony earlier in the day at the Little Rock Regional Chamber of Commerce building.

Ms. Dickey asked whether Little Rock Municipal Water Works or North Little Rock Water Department staff could provide to the incoming water commissioners (Ms. Alma Williams, Mr. Powell, and Dr. Rimmer) operations and other system information. Mr. Harvey, Chief Executive Officer of Little Rock Municipal Water Works, replied that utility staff could provide, upon request, copies of minutes to Little Rock Water Commission meetings, city policies governing the utility, annual reports, water quality reports, and the findings from a study conducted last year by the University of Arkansas at Little Rock Water Study Task Force entitled "Water for Our Future: Overcoming Regional Paralysis."

Commissioner Claude B. Wilson asked whether both the North Little Rock and Little Rock water commissions had been created by state statute. Ms. Dickey responded affirmatively.

Ms. Dickey informed the Interim Board that ALLTEL had created a team whose specialty is assisting companies involved in mergers. She said the team works with the entities to identify best practices to create a new organizational chart. Ms. Dickey recommended that the Interim Board seriously consider requesting assistance from the ALLTEL team. Ms. Dickey asked whether there was one staff person from the North Little Rock or Little Rock utility who could be dedicated to following the merger. Further, she offered that the Interim Board could consider hiring one temporary staff person to assume this responsibility. Both Mr. Harvey and Mr. Glover said there was not an employee, presently, who could work solely on the merger. Ms. Dickey then inquired as to whether there could be a kick-off meeting during which Mr. Harvey and Mr. Glover might provide five to seven major areas of focus, in regard to the creation of the merged utility.

After a short recess, Ms. Dickey reconvened the meeting by telling the Interim Board that they needed to decide on executive management for the merged utility. She then asked Attorney Kathlyn Graves and Attorney John B. Thurman how much information could be discussed at an open meeting and how much should be discussed in an executive session of

the Interim Board. Mr. Thurman advised that the Interim Board could hold interviews of any candidates in executive session but the decision would have to take place in public. He also said the Interim Board would have to discuss the process by which an executive level manager of the merged utility would be hired in public. Ms. Graves said she agreed.

Dr. Rimmer asked if the board had the authority to make a decision on top-level personnel when the creation of the merged utility had not been approved by the state legislature. Ms. Dickey explained that the Regional Water Authority of Central Arkansas would not exist until 1 July 2001. She added that the meeting's agenda stated the Interim Board's mission and job. The agenda stated that the mission of the Interim Board was "to assist in seeking the enactment of the Legislation authorizing the interlocal agreement for regional water commissions and in addressing issues of mutual concern, planning for the Consolidation and the operation of the Consolidated System, and participating in the Rate Study and Improvement Agendas. The duties of the Interim Board include identifying the assets of the Parties that are to become part of the Consolidated System and proposing procedures for transferring assets and employees at the Closing."

Dr. Rimmer asked if the actions taken by the Interim Board would become legal upon the state legislature's approval of the proposed merger agreement. Upon enactment of the enabling legislation, Mr. Thurman explained that the Interim Board would automatically become the new governing board for the merged utility on 1 July 2001. All actions would have to be ratified once the commission is established.

Mr. Powell asked for a timetable for naming the executive management. Ms. Dickey said she thought the Interim Board could decide who should run the utility and how it should be organized before receiving legislative approval. Mr. Powell also asked specifically what the executive management would include. Ms. Dickey explained that the proposed legislation prescribes a Chief Executive Officer and any other positions would be decided at the Board's discretion. Ms. Dickey said the Water Works executive management team includes a Chief Executive Officer and Chief Operating Officer. Vice-Chair Turbyfill said the North Little Rock Water Department employs a Manager and Assistant Manager. Mr. Glover told the Board he believes it would be easier if the staffs of both utilities knew who the new Chief Executive Officer is going to be. Mr. Harvey said he agreed. Ms. Dickey told the Commission she believed both Utilities had existing talent in their top level executives and thought it was appropriate to interview Mr. Glover and Mr. Harvey in executive session about their background and interests for the position of Chief Executive Officer. Commissioner Craig Wood suggested both men submit a resume' and be ready for an interview at the Board's next meeting, 15 March 2001. Mr. Wilson said he agreed with Mr. Wood's suggestion and he also believed in the Utilities' existing talent.

Mr. Powell inquired about the length of the presentation by Carter-Burgess at the next meeting. Mr. Harvey said it would be about 30 minutes long. Mr. Thurman said he believes the presentation will be much longer. He said he thought it would be more of a kick-off meeting for policy decisions.

Mr. Rimmer requested a copy of the job description of top-level management from each Utility. Ms. Dickey suggested that the Commission receive job descriptions for the second-in-command, as well.

Ms. Dickey said she wanted to set up a meeting with all the water utilities and/or commissions in the region to explore the concept of a regionalized water system. Ms. Dickey said she wanted each water association within the Central Arkansas region to know that this Board had an interest in working with them. She added that she has spoken to the Mr. Joe L. Allman, Mayor of the City of Cabot, who serves as Chair of the Water Users Committee. Mr. Wood said it was crucial to engage in talks with Cabot because it has the right-of-way to Greers Ferry Lake and has received approval for the site of a possible water intake facility. Mr. Wood stressed in his statement that he did not want the merged utility to miss the opportunity of working with Cabot and securing Greers Ferry Lake as a potential water source. Mr. Wood recommended that a delegation from the merged water authority go to Cabot to begin negotiations and said he did not know that Ms. Dickey had spoken to Mayor Allman. Mr. Harvey said Cabot did not have a water commission, but an advisory committee. Ms. Dickey said it seemed that in thinking about negotiations with Cabot, the Interim Board was not considering Benton, Bauxite, or other areas in the region and she was unsure if the Interim Board should make the decisions to leave other municipalities and water user groups out of the regional configuration now. Mr. Wood said if this Utility can get 40 million gallons of water per day from Greers Ferry Lake that would serve Northern Pulaski County, there would result in more water for Saline County. Mr. Harvey said Cabot did not have the right-of-way to Greers Ferry Lake. The City of Cabot is part of a conglomeration of entities that make up the Water Users Committee. (The Water Users Committee consists of the cities of Austin, Cabot, and Ward and the Highway 319 Water Association, Bayou Two Water Association, Grand Prairie Water Association, and Mount Vernon—Enola Water Association.) The Water Users Committee has the right-of-way for Greers Ferry Lake and Mr. Harvey said that Community Water Service is courting the Water Users Committee. He added that Community Water has influence in Washington D.C., with the members of the United States Congress.

Jacksonville Water Commission Chair Thad Gray said he has had the opportunity to attend several meetings with the Water Users Committee. He explained the Association had been working for several years to secure a long-term source for drinking water. Gray said the Jacksonville Water Commission has been “courted” by the Water Users Committee but Jacksonville would like to work with the new merged Utility. After further discussion regarding regionalization, Mr. Harvey told the Interim Board that the City of Malvern is building a new water system that could begin serving some of Saline County’s customers. The Interim Board decided to meet with all water districts in the region, while concurrently sending a delegation to the Water Users Committee. The delegation would consist of Mr. Glover, Mr. Harvey, Ms. Dickey, and Mr. Wood. Ms. Dickey recommended consulting Mr. Jim McKenzie, Executive Director of Metroplan, about having the regional meeting at the Metroplan building.

Dr. Rimmer asked for guidance in regard to Arkansas’ Freedom of Information Act. He specifically asked what information could be discussed in open and private meetings. Ms. Graves said she would make a brief presentation at the Board’s next meeting.

Mr. Harvey asked the Board if any members besides Ms. Dickey and Mr. Wood wished to attend the American Water Works Association regional meeting in Washington D.C. 17 - 21 June 2001. Mr. Harvey told the Interim Board that the Utilities were responsible for expenses for the trip. Mr. Wood said attending members wanted to meet with Arkansas’ Congressional Delegation to discuss the problems that have been encountered in trying to secure a third water source. Mr. Wood said they hoped the delegation could provide some assistance in working with the U.S. Army Corps of Engineers.

Mr. Powell commended Management Secretary Ann White for a “great” lunch.

With there being no further business to discuss, the meeting adjourned at 1:35 p.m.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice-Chair

\_\_\_\_\_  
Chair

March 5, 2001

Minutes of a Regular Meeting  
of the Interim Board of Commissioners  
Regional Water Authority of Central Arkansas

15 March 2001

The Interim Board of Commissioners, Regional Water Authority of Central Arkansas, convened a regular meeting at 4:05 p.m. Thursday, 15 March 2001, in the Third Floor Conference Room of the Little Rock Water Utilities Building. The building is located at 221 East Capitol Avenue. Present were:

Ms. M. Jane Dickey – Chair  
Ms. Francille Turbyfill – Vice-Chair  
Mr. Eddie Powell – Member  
Dr. Tom Rimmer – Member  
Ms. Alma Williams – Member  
Mr. Claude B. Wilson – Member  
Mr. Craig Wood – Member  
Ms. Kathlyn Graves – Attorney, Little Rock Municipal Water Works  
Mr. John B. Thurman – Attorney, North Little Rock Water Department  
Mr. Jim Harvey – Chief Executive Officer, Little Rock Municipal Water Works  
Mr. Bruno Kirsch, Jr., P.E. – Chief Operating Officer, Little Rock Municipal Water Works  
Mr. Fred V. Glover – General Manager, North Little Rock Water Department  
Mr. Steve Morgan – Assistant Manager, North Little Rock Water Department  
Ms. Fredricka B. Sharkey – Communications Assistant, Little Rock Municipal Water Works  
Ms. Ann White – Management Secretary, Little Rock Municipal Water Works

Also in attendance were Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*; Mr. Cary Bradburn, reporter with *The Times of North Little Rock*; Mr. James Tanner, P.E., Public Works Unit Manager with Carter-Burgess, Inc.; Mr. Larry Shaw, C.P.A., Senior Management Consultant with Carter-Burgess, Inc.; Mr. Billy “B.G.” Clark, Associate with Carter-Burgess, Inc.; and Mr. Allen M. Mullins, C.P.A., with Carter-Burgess, Inc.

Chair M. Jane Dickey called the meeting to order and requested the approval of the minutes to the previous meeting (5 March 2001). Ms. Dickey explained to the Interim Board that the draft of the minutes received earlier by facsimile message was different than the copy distributed at the meeting. She further stated that Ms. Marie A. Crawford, Director of Communications for Little Rock Municipal Water Works, was out of town and Ms. Crawford had made additional changes to an earlier copy that the Interim Board received. The Interim Board approved and signed the minutes of the previous meeting.

In an update on the merger of Little Rock Municipal Water Works and the North Little Rock Water Department, Ms. Dickey said she had spoken to Mr. Randy Wilbourn, Vice-President for Corporate Communications with ALLTEL Corporation, about ALLTEL’s providing assistance with the actual merger process. She said Mr. Wilbourn had recommended Mr. Jim Hillis, Vice President of Benefits (Retired) with ALLTEL, as the executive to assist the water utilities. Ms. Dickey further stated that Mr. Wilbourn had offered for ALLTEL to absorb expenses that Mr. Hillis might incur. She also said that the three of them had met earlier in the day with Mr. Fred Glover, General Manager of the North Little Rock Water Department, and Mr. Jim Harvey, Chief Executive Officer of Little Rock Municipal Water Works. Ms. Dickey explained that Mr. Hillis had agreed to meet with the Interim Board to explain how he could assist in the merger. After an introduction of the Interim Board, Mr. Hillis began his presentation.

Mr. Hillis said his career spanned back to 1978, when he joined Systematics, Inc. Noting that ALLTEL acquired Systematics in 1990, he said he had spent most of his career in the Human Resources Department of ALLTEL and specifically had worked with organizations involved in mergers. Mr. Hillis said he believed the two commissions already have the necessary knowledge and expertise for the development and execution of the merger plans. He added that he had worked for Conway Corporation while attending Hendrix College at Conway.

Mr. Hillis said two major issues in mergers are communications and management and he pointed out that different organizations have different methods for both communicating information to employees and managing operations and personnel. He said a merger affords the opportunity for looking at operating methods of both organizations and determining the best practices to be implemented in the new merged organization. Mr. Hillis further stated that ALLTEL has found success in executing best practices, specifically in the areas of billing and accounting, after a merger or business acquisition.

Mr. Hillis stated that the meeting earlier in the day had included discussions on the utilities' commitment to there being no employee terminations or layoffs, as a result of the merger. He said the staff integration process eventually could include changes in job descriptions, supervisors, work locations, and/or co-workers and an important part of communications would be preparing employees for the acceptance of change that the merger may create. Mr. Hillis said his role was to work with the staff from both utilities to implement and execute the merger process for a smooth transition and to be accountable to the Interim Board.

In response to questions from Commissioner Eddie Powell, Mr. Hillis said the most difficult aspect of a successful merger is the "people"—both employees and customers. He further stated that after a merger, a business operates differently. Mr. Hillis said employees and customers sometimes find difficulty in accepting a new method of doing business. Mr. Hillis said that in making mergers successful in other parts of the United States and abroad, he has identified certain issues that are universal to a merger. Mr. Hillis said the universal issues would serve as the guidelines for his assistance to the two water utilities. He noted that the merger plan for the water utilities would have to be tailored, i.e., while some universal issues would not be applicable, there would be additional issues particular to the merger of the water utilities.

Mr. Powell inquired about utility personnel's involvement in the merger planning process. Mr. Hillis suggested the development of a list of issues specifically related to the merger and the assignment of appropriate staff as issues leaders. He said this method would provide the opportunity for a significant number of personnel to be involved in structuring the merged utility and resolving related issues. Commissioner Craig Wood asked whether the Interim Board would receive a weekly status report. Mr. Hillis replied affirmatively.

Ms. Dickey asked whether the utility logo would be discussed. Mr. Hillis replied by saying that personnel generally have an attachment to symbols, logos, and names. He further stated that while working at Systematics, company officials worked to "embed" the Systematics ideals, including the logo and name, into the minds of employees at companies that Systematics had acquired. He explained that after Systematics was acquired by ALLTEL, the Systematics name was not removed for years. He said the objective was to be considerate of employees; however, he suggested that the Interim Board make immediate changes. Upon the recommendation of Ms. Dickey, the Interim Board unanimously accepted the offer for assistance from Mr. Hillis.

Ms. Dickey asked Mr. Hillis whether the merged utility could meet the startup deadline of 1 July 2001. Mr. Hillis said most organizations could be merged within 90 days. In responding to a question from Mr. Powell, Mr. Hillis said Mr. Harvey and Mr. Glover would play key roles in the establishment of a reporting schedule and target dates for specific merger activities. Mr. Powell thanked Mr. Hillis for his commitment to assist in the merger process. Mr. Hillis replied that he would enjoy working with the Interim Board and staff of the North Little Rock and Little Rock water utilities.

Ms. Dickey also expressed appreciation to ALLTEL and said her goal was to foster a team culture in regard to employee involvement in the merger process. Ms. Dickey further stated that she believed that with Mr. Hillis' assistance, the merged utility has a better chance of accomplishing the stated goals. Commissioner Claude B. Wilson offered that the Interim Board should express gratitude to Mr. Joe Ford, Chairman and Chief Executive Officer of ALLTEL, in the form of a letter. In response to comments about official letterhead stationery, Ms. Dickey stated that ALLTEL's design team would create logo design options for the new utility. She then asked Mr. Glover and Mr. Harvey to provide samples on the different uses of the current logos, e.g., trucks, stationery, mugs, etc.

Ms. Dickey then moved to the Interim Board's regular agenda with a presentation by Carter-Burgess, Inc. Mr. James Tanner, P.E., Public Works Unit Manager with Carter-Burgess, introduced Mr. Billy "B.G." Clark, Associate; Mr. Allen M. Mullins, C.P.A.; and Mr. Larry Shaw, C.P.A., Senior Management Consultant. (Carter-Burgess, Inc., and CH2M Hill, Inc., are conducting a water rate study and distribution system assessments in preparation for the merger of the two utilities.)

Mr. Shaw said the basic issues involved in the study are the identification of improvements needed to bring both the North Little Rock and Little Rock distribution systems up to specified standards; the development of an equalized rate model; and the determination of both the equalized rate for each customer classification and the timeline for implementation.

Mr. Shaw said the Interim Board also should develop a values and mission statement outlining the new utility's goals. In response to a question from Ms. Dickey, Mr. Shaw suggested that Mr. Hillis, the ALLTEL representative, assist the Interim Board in the development of the statement and that Carter-Burgess provide examples from other water utilities. He stressed that the statement was important to the development of the pricing process.

In further explanation, Mr. Shaw stated that the pricing development process involves three concepts:

1. Determination of the level of revenue requirements for operations and capital programs
2. Identification of cost (operating and capital) incurred for the different customer classifications
3. Allocation of costs among customer classifications within the rate schedule

Mr. Shaw shared with the Interim Board three documents: "Discussion of Service and Financial Policy Issues," "Suggested Pricing Policy," and "Other Merger Considerations." He then began a discussion on two financial approaches the Interim Board could adopt—the regional approach or the owner-customer approach. Mr. Shaw recommended the regional approach because all customers within a classification pay the same cost for services. Mr. Shaw said that with the owner-customer approach, the (municipal) owner looks for a return on investment and makes a profit from customers outside the city's corporate limits.



Mr. Shaw further stated that the populations of the cities of Little Rock and North Little Rock are increasing at a slower rate than the populations of surrounding areas. He said that by charging new outside-city customers an up-front fee to connect, customers within the corporate limits would not finance growth outside the city. Mr. Wood asked whether charging the up-front fee was similar to an impact fee and Mr. Powell asked whether each utility currently charges an up-front fee. Mr. Glover replied affirmatively to both questions. Mr. Shaw explained that the method he described would be a change to make the application of the up-front fee applicable to all classes of customers.

Ms. Dickey asked about the magnitude of the up-front fee and asked whether a property owner who builds a house inside the city limits of North Little Rock or Little Rock would be subject to the up-front fee. Mr. Shaw said the fee may be applicable to an inside-city residential customer and could range from \$500 to \$2,000 or more, depending upon the size of the customer's water meter.

Mr. Woods asked about the possibility of the Interim Board's establishing a reserve fund under the regional approach for future expansion or construction projects, such as a new water source. Mr. Shaw said the accumulation of a reserve fund was a long-term process and it tends to burden existing customers with cost of facilities designed for future customers. He further stated that the expansion of facility capacity would be a significant investment and the addition may not be needed for many years. In response to another question from Mr. Wood, Mr. Shaw said new customers connecting to the system would share in the capital cost of the new facilities and lessen the share for the existing customer base.

Ms. Dickey asked about the prospect of a capital recovery fee. Mr. Shaw said the fee was applicable to both approaches; however, he would suggest the owner-customer approach because the utility would need an investment return on risks. He further stated that the key issue was deciding whether new or existing customers would be responsible for financing expansions. He said that the Interim Board did not have to make an immediate decision.

Ms. Dickey pointed out that the University of Arkansas at Little Rock Water Study Task Force, in its "Water for Our Future: Overcoming Regional Paralysis" study report, suggested that a group of water utilities/users share in the ownership of a third water source. She asked whether the regional rate methodology approach could be used in sharing the cost of the third water source. Mr. Shaw said the difficulty in using the regional rate methodology approach would be in the different estimates of how much capacity each entity would need. He further stated that the entities whose geographical boundaries expanded would pay the greatest costs. In response to a question from Mr. Wood, Mr. Shaw explained that the Regional Water Authority of Central Arkansas assumes the risk if capacity is allocated on a current-use basis.

Mr. Powell asked about rate methods used by other authorities. Mr. Shaw said that in the 1970s and 1980s several water authorities in Texas used the owner-customer approach. He further stated that customers sued the water utilities over the new rates and the water authorities did not prevail.

Mr. Shaw stated that Carter-Burgess also is doing a rate study assessment for the City of Fort Smith Utility Department, which has changed to the regional approach because of rate level and administrative difficulties.

Mr. Powell asked Mr. Shaw to identify the major disadvantage in estimating future capacity needs. Mr. Shaw said existing customers assume the risk if estimates are not correct. Mr. Wood then stated that the concern was ensuring correct estimates. Mr. Powell asked whether Mr. Shaw knew of an occurrence in which a water treatment plant had been built and the estimated capacity was overestimated. Mr. Shaw said the City of San Antonio, Texas, built the Dos Rios Water Recycling

Center in 1987 with an overestimated capacity. He said estimations were based on current usage, but current usage was miscalculated because of an infiltration/inflow problem that was later corrected.

Mr. Wilson compared estimated capacity to long- and short-term planning by a business. Mr. Wood said the Interim Board's goal is to be the regional water supplier with the lowest cost. Mr. Shaw noted that the utility still had to maintain certain rates to cover bond debt.

Mr. Shaw further stated that the issue of cost allocation centers on determining which customers causes the utility to incur additional operational and capital costs. He said the Interim Board must use the cost-of-service approach prescribed by the American Water Works Association and suggested that the Interim Board review cost allocation factors. He further stated that the Interim Board should discuss with city officials reimbursement for fire protection. Mr. Shaw also suggested that the Interim Board consider cost-of-service pricing for ancillary services, such as fees for turning on or off water service, meter re-reading, and fees associated with insufficient funds.

Mr. Wood said he supported Little Rock's fire insurance rating and efforts to maintain or improve the rating. (The City of Little Rock has a Class 2 fire insurance rating from the Insurance Services Organization [ISO]. The rating is used as a determining factor in setting insurance rates for businesses and residences. The Class 2 rating is the second-highest level on the ISO scale.) Mr. Wood also asked whether the Interim Board should adopt an incentive plan to reduce water waste by other entities, such as the Little Rock Parks & Recreation Department. Mr. Shaw said that after the City of Dallas Water Utilities Department began charging the Dallas Park and Recreation Department for water usage, the department then terminated service to 75% of its water meters. He said turning off the meters affected the city's annual budget by reducing water cost and it reduced water usage. Mr. Shaw said his opinion is that all customers, including municipal agencies, should pay for rendered water service.

Mr. Shaw then explained to the Interim Board that the water utility provides more than water service to customers. He said water utilities also provide a quantity of water; billing and collection services; meter reading, maintenance, and repair; and water for fire protection. He further stated that the Interim Board might consider a conservation pricing structure with a unit cost for different customer classes and might adopt an inclining-block rate structure to support conservation. Mr. Shaw also suggested that the Interim Board consider a customer's ability to pay for water services. He said other financial considerations should be: (1) implementation of equal or similar customer service fees north and south of the Arkansas River; (2) deficiencies and efficiencies on distribution systems; (3) differential rates; and (4) rates based on capital improvement fees. Mr. Shaw said Carter-Burgess soon needed all of these decisions from the Interim Board, but the most important decision was the regional versus owner-customer approach.

Ms. Dickey said she was interested in both the mission statements of other utilities and more information on the regional approach. Mr. Shaw said the regional approach frequently was considered better because the approach presents a unified utility. He added that some investor-owned utilities, in many cases, have a single rate throughout a state and that this method takes the common rate approach even further. In response to comments from Ms. Dickey, Mr. Shaw said the mission statement of the Interim Board should be clear but concise.

Ms. Dickey said she wanted to clarify that the intention of the improvement suggestions in the distribution study by Carter-Burgess was not an opportunity to create a "Cadillac" system. She also said the Interim Board wanted to minimize the financial impact that the distribution system

improvements would have on all customers. Mr. Tanner said certain standards already have been set in regard to the distribution system assessments.

Commissioner Tom Rimmer asked whether the distribution system assessments and rate study would be delayed, pending the Interim Board's decision on the various financial issues. Mr. Tanner explained that Carter-Burgess had a 90-day deadline to complete the study. Mr. Shaw said the consultants needed a decision within two to three weeks and promised additional information for the Interim Board by Monday (19 March 2001). Ms. Dickey said the Interim Board would recommend to the North Little Rock Water Commission and Board of Commissioners, Little Rock Municipal Water Works, that an extension be granted to Carter-Burgess, if the Interim Board does not reach a prompt decision. She then thanked the Carter-Burgess delegation for the presentation.

After a short recess in the meeting, Mr. Wood suggested that the individual members of the Interim Board create a list of ideas in regard to each of the approaches presented by Carter-Burgess and, to expedite the decision-making process, share the ideas by electronic mail. Mr. Wood questioned how up-front fees and other allocations, such as fire protection fees, are determined and charged.

In an update on Senate Bill 311, Ms. Dickey said the enabling legislation passed the Arkansas House of Representatives by a 92-0 vote. She said the House added an emergency clause that would make the law effective 30 June 2001. (Senate Bill 311 is the enabling legislation that would allow the merger of water systems owned by different municipalities.) She explained that the Arkansas Senate has to concur with the House, so the bill has been sent back to the Senate's Insurance and Commerce Committee.

Ms. Dickey then told the Interim Board that Mr. Jim McKenzie, Executive Director of Metroplan Council of Local Governments, is organizing a regional meeting for Central Arkansas water utilities and water user groups. She said the tentative time and date are 7 p.m. Wednesday, 4 April 2001, at the Metroplan building (501 West Markham Street). She said Mr. McKenzie also is inviting municipal officials.

Ms. Dickey then called for an Executive Session for the purpose of conducting interviews for the Chief Executive Officer of the merged system. After the Executive Session, Ms. Dickey reconvened the Open Session. She said the interviews for Chief Executive Officer had gone well and emphasized that even though the Interim Board interviewed only Mr. Harvey and Mr. Glover for the position, the Interim Board wanted each of the four top-level executives from the two utilities to remain with the new merged utility.

Upon a motion duly made by Dr. Rimmer and seconded by Mr. Wood, the Interim Board unanimously appointed Mr. Harvey, as the Chief Executive Officer. Mr. Harvey accepted the appointment and thanked the Interim Board.

Mr. Glover expressed appreciation for being considered for the position of Chief Executive Officer. He further stated that the Interim Board had a tremendous process ahead, as was indicated by discussions during the meeting.

Ms. Dickey told the Interim Board that she had asked Ms. Kathlyn Graves, attorney for Little Rock Municipal Water Works, to postpone her presentation on the Arkansas Freedom of Information Act. She further stated that the Interim Board may have to meet before the next regular meeting on Thursday, 19 April 2001, to discuss a mission statement and other information presented by Carter-Burgess. Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer for Little Rock Municipal Water Works,

reminded the Interim Board that the Carter-Burgess delegation had indicated that the Interim Board would have additional materials by Monday (19 March 2001).

With there being no further business, Ms. Dickey adjourned the meeting at 7:30 p.m.

ATTEST:

APPROVED:

  
Vice-Chair

  
Chair

  
Member

  
Member

  
Member

  
Member

  
Member

Minutes of a Regular Meeting  
of the Interim Board of Commissioners  
Regional Water Authority of Central Arkansas

19 April 2001

The Interim Board of Commissioners, Regional Water Authority of Central Arkansas, convened a regular meeting at 4 p.m. Thursday, 19 April 2001, in the Third Floor Conference Room of the Little Rock Water Utilities Building. The building is located at 221 East Capitol Avenue. Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice-Chair  
Mr. Eddie Powell - Member  
Dr. Tom Rimmer - Member  
Ms. Alma Williams - Member  
Mr. Claude B. Wilson - Member  
Mr. Craig Wood - Member  
Ms. Kathlyn Graves - Attorney, Little Rock Municipal Water Works  
Mr. John B. Thurman - Attorney, North Little Rock Water Department  
Mr. Jim Harvey - Chief Executive Officer, Little Rock Municipal Water Works  
Mr. Bruno Kirsch, Jr., P.E. - Chief Operating Officer, Little Rock Municipal Water Works  
Mr. Fred Glover - General Manager, North Little Rock Water Department  
Mr. Steve Morgan - Assistant Manager, North Little Rock Water Department  
Ms. Marie A. Crawford - Director of Communications, Little Rock Municipal Water Works

Also in attendance were Mr. Gary P. Pittman and Mr. Tad Bohannon, Director of Finance & Customer Services and Attorney, respectively, for Little Rock Municipal Water Works; Mr. James Tanner, P.E., and Mr. Larry Shaw, Public Works Unit Manager and Senior Management Consultant, respectively, for Carter-Burgess, Inc.; Mr. Kirby B. Rowland, P.E., Manager of Environmental Projects with Garver Engineers; Mr. Burt Willey and Mr. David A. Decker, President and Director of Sales & Marketing, respectively, for Systems & Software, Inc.; and Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*.

The Interim Board of Commissioners approved the minutes to the 15 March 2001 meeting.

The first item on the agenda was a briefing on the Arkansas Freedom of Information Act (FOIA) by Ms. Kathlyn Graves, Attorney. She said there were three primary provisions of the law that were important to the Interim Board: The definition of a public meeting; the circumstances when the Board could convene in Executive Session; and the definition of a public record. She said a public meeting may be formal or informal and does not have to be scheduled officially in order for the FOIA to be applicable. She said that when a meeting is held, the time and place must be disclosed to the public and news media. She said the reason to avoid informal meetings is that notification cannot be given. She noted that at least two-hours' notice must be given for special or emergency meetings and even telephone conferences must be considered meetings, if business is to be acted upon or conducted.

Ms. Graves said electronic mail (E-mail) may constitute a public meeting, if there is a "round-robin" exchange between commissioners. She said commissioners may send E-mail concerning routine matters, as long as there is no discussion of issues that will come before the Interim Board. Further, she said the Arkansas General Assembly in the 2001 session had amended the FOIA to clarify that public records include E-mail.

In further explanation of a public meeting, Ms. Graves said a quorum is not necessary for a session to constitute a public meeting. She said while there is some question about whether a meeting between two members must comply with FOIA, the Arkansas Supreme Court has held that a meeting of more than two members constitutes a public meeting subject to the FOIA. She advised that the Interim Board, when not in a public meeting forum, avoid the discussion of items that might require action. In regard to a social event, she said if discussion of governmental business is intermittent and incidental to the social function, it is not considered a meeting and no public notification is required. She said discussion at a social event becomes a public meeting when there is discussion of an issue that will come before the Interim Board.

Ms. Graves said Executive Session discussion is permitted only for the consideration of employment, appointment, promotion, discipline, and/or termination. She said the purpose should be announced before convening in Executive Session and following such a session, the Interim Board must reconvene in Open Session to announce a decision. She stressed that a vote must be taken in Open Session and that a public body may not convene in Executive Session to discuss an employment issue when the true purpose is a non-employment matter. She said a public body may screen employment applicants in Executive Session but may not use such a session to discuss general personnel policy.

On the question of public records, Ms. Graves said the definition includes all records of a public entity, such as a water commission, as well as records that are kept by an employee or public official and that are within the scope of the business of the entity. She added that under current law there is no attorney-client privilege for public entities. She said records kept by outside legal counsel also carry no attorney-client privilege and are subject to the FOIA.

On behalf of the Interim Board, Chair M. Jane Dickey thanked Ms. Graves for the briefing on the FOIA.

Chair Dickey said Mr. Jim Harvey and Mr. Bruno Kirsch, Jr., P.E., Chief Executive Officer and Chief Operating Officer, respectively, of Little Rock Municipal Water Works and the Regional Water Authority of Central Arkansas, had met with Mr. John B. Thurman, Attorney for the North Little Rock Water Department, and Mr. Tad Bohannon, Attorney for Little Rock Municipal Water Works, on the issues of the transfer of property to the regional authority, the articles of incorporation, and the checklist of items that must be completed before the 1 July 2001 merger of Little Rock Municipal Water Works and the North Little Rock Water Department. She said assignments were given, accordingly. She also said that the enabling state legislation that allows the merger will take effect 30 June, a Saturday, and that the Arkansas Secretary of State's Office had agreed to be open that day for the filing of the articles of incorporation.

Commissioner Craig Wood asked about the resolution of agreements with other entities, such as joint occupancy agreements. Mr. Bohannon said a review of all outstanding contracts and agreements would be conducted and determinations made as to whether the contracts and agreements legally may be re-assigned to the new water authority.

At this point in the meeting, Mr. Kirsch introduced Mr. James Tanner, P.E., and Mr. Larry Shaw, Public Works Unit Manager and Senior Management Consultant, respectively, for Carter-Burgess, Inc., rate consultants for the new water authority. Mr. Kirsch said Mr. Shaw is the lead consultant on a rate study that is under way for the merged utility.

April 19, 2001

Mr. Shaw said the Regional Water Authority of Central Arkansas has two basic options on rate-setting methodology: The owner-customer method and the regional method. He explained that with the owner-customer method, there is a concept of return on capital investment in the water system and, under that method, the components of revenue requirements consist of return on capital investment, depreciation on water system facilities, and operations and maintenance expense. He said the regional approach generally uses the cash-basis method of determining revenue requirements and the revenue requirement components consist of operations and maintenance expense, capital outlay financed from revenues, and outstanding debt service.

Mr. Shaw said that with the regional approach, all customers within a classification pay the same unit cost and with the owner-customer method, the unit cost typically is higher for outside-city customers. He pointed out that both approaches address costing-out service to “wholesale” customers and said, at the request of the Interim Board, he would provide rough calculations on how each method would impact water service rates. On the issue of impact fees, Mr. Shaw said impact fees are a policy question that relates to who pays for new investment in the water system—existing customers or future customers to be served by the new investment. Commissioner Eddie Powell said his interpretation of Mr. Shaw’s comments is that for the most part developers do not support impact fees but would if the fees were reasonable.

In offering case history, Mr. Shaw said some water systems in the State of Texas, as well as other states, developed impact fees from the viewpoint of generating as much revenue as possible and the actual amount of the fees had little basis in standard rate-setting methodology. He stressed the point of impact fees being calculated in a manner that is fair to new and existing customers. He said that, in the State of Texas, his firm met with the development community and utility managers to work out a standard methodology for calculating impact fees. He said the methodology was mutually satisfactory to both parties, was in accordance with American Water Works Association practices, and eventually was adopted by the Texas Legislature. Mr. Shaw said in other states, lawsuits against water utilities have been for the right reasons in some cases and for the wrong reasons in other cases. He said utilities are not sued very often when the fees are based on a standard basis. In response to a question from Commissioner Wood, Mr. Shaw said with the absence of impact fees, revenue requirements for major improvements would have to be recovered through rates. He noted that a utility had the option of recovering only a portion of the cost through impact fees.

In response to a question from Mr. Thurman, Mr. Shaw said cash financing could result in current customers paying for facilities that are going to be used by future customers. The consultant said debt financing, in comparison to cash financing, may be a better way to recover the costs of such facilities. He cited the following example: If a facility’s life expectancy is 30 years and it is financed for 20 years, debt-financing provides for a better match between customers who will use the facilities and the financing method. He pointed out that both Little Rock Municipal Water Works and the North Little Rock Water Department are free of long-term debt, at this time.

In response to an inquiry from Commissioner Alma Williams, Mr. Shaw said the utility method typically is used for owner-customer rate-setting and the cash-basis for the regional method; however, with the owner-customer approach, a water system may use the utility method to determine rates for outside-city customers and use the cash-basis to determine rates for inside-city customers. He said the scenario represents a mix of the two approaches, with

outside-city customers paying a return on the supplier's invested capital. He added that either the utility method or cash-basis method may be used to calculate inside-city rates. In addition, he said while with the regional approach, all customers within a classification pay the same unit cost, the supplier probably would want an outside-city customer to pay for transmission facilities beyond the supplier's city limits. He said an exception might be if more than one customer uses the facilities, the supplier may want to own the water line to control use and maintenance.

Reiterating the Regional Water Authority of Central Arkansas' goal of regionalization of service, Commissioner Powell asked how rates would be determined for other cities that join the consolidated system. He asked whether the new municipalities would pay the same per-unit cost. Mr. Shaw said new users would pay the same per-unit cost; however, he would recommend a one-time capital recovery or "equity buy-in" fee, based upon the current demand of the municipal customer. He added that the capital recovery fee also may be based on current demand, plus additional demand over a specified period of time. He also said he advised suppliers to have contracts with "wholesale" customers to reduce the risk of financing major improvements. He said the longer the contract the better. Chair Dickey pointed out that utilities in the State of Arkansas have a legal limit of 20 years for contracts. On the issue of a future water source, Commissioner Wood added that the regional authority might want to maintain the status quo (with two raw water sources) until there are enough customers to have a third raw water source.

Mr. Shaw said he believes the regional approach is most appropriate for the regional authority, if the goal is a regional system. In response to questions from Commissioners Claude B. Wilson and Wood, Mr. Shaw said his consulting firm often takes a look at a utility's current situation and makes recommendations, accordingly, and his experience has been that the regional approach lends support to treating outside-city customers the same as inside-city customers and the owner-customer approach projects the impression that the supplier is trying to make money off outside-city customers. He said he would recommend an approach that meets the financial policies of the Interim Board and that would be fair and equitable to existing and future customers. After further discussion, Mr. Shaw said by the 17 May 2001 meeting of the Interim Board, he planned to have rough calculations or examples of rates/per-unit costs assessed under both methods. The Interim Board and he agreed that the calculations would provide a better understanding of the impact that the owner-customer and regional approaches would have on rates.

After a brief recess, Mr. Gary P. Pittman, Director of Finance & Customer Services, introduced Mr. Burt Willey and Mr. David A. Decker, President and Director of Sales & Marketing, respectively, for Systems & Software (S&S), Inc. (S&S is the computer software vendor for Little Rock Municipal Water Works.) Mr. Willey said his firm had been assessing the impact of the merger, in regard to the integration of North Little Rock Water Department data into the Municipal & Utility Package Software (MUPS) system.

Mr. Decker said the integration process would require an enterprise-wide solution for the merger of the computerized functions and data of the two water utilities. He said the MUPS system that Little Rock Municipal Water Works has contains integrated modules for customer information and billing; customer service and call tracking; automated work orders; cash receipting; credit and collections; automated bank draft transfers; and an interactive voice response telephone system for customers. He said the system also modules for meter and other facilities management, maintenance, and scheduling; the Cross-connection Control Program; general ledger; purchase orders and requisitions; accounts payable; inventory;



payroll; miscellaneous accounts receivable; fixed assets; work-order costing; job costing; and continuing property records. He noted that while Little Rock is a single integrated system, North Little Rock has five different software applications with some stand-alone processes. He proposed that similar functions and data for the North Little Rock Water Department would have to be converted to the MUPS system. He said the Little Rock system is about as complete of "suite" as is in existence and is more than customer billing in that it allows for user access throughout the utility and incorporates all utility functions.

After making a comparison of the Little Rock and North Little Rock computer services systems and providing statistics on the consolidated system, Mr. Decker said he anticipated an approximate 70 percent growth in the current MUPS system and an approximate 50 percent increase in users (an increase from 90 users to 140 users), when the North Little Rock functions and information are added. He said the system would have approximately 115,000 customer accounts. Mr. Decker then presented a proposal for the conversion and integration of the North Little Rock system. He said while the process would require a great deal of adaptation and modification, the benefits would be the integration of all functions; improved customer service with call tracking and interactive voice response; increased operational efficiency with single-entry flow through the various modules of the system, which eliminates redundant entries; common access throughout the consolidated utility; more accurate data base information; and easy incorporation of future enhancements. He also pointed out that Little Rock already has the integrated MUPS system.

Mr. Decker said the conversion/integration would be accomplished in three phases and the services to be performed by S&S would include overall project management, consultation and implementation, installation and training, customization and modifications, and post-implementation support. He projected that the total project would take approximately a year (June 2002), with a test run to be conducted before live implementation. He proposed a budget of \$2.1 million for the complete conversion/integration or \$1.9 million without North Little Rock Wastewater Utility accounts. He said S&S's proposal reflected a 20 percent existing-client discount and a 15 percent governmental entity discount from the computer hardware vendor, IBM.

Chair Dickey inquired about payment terms and noted that the Regional Water Authority of Central Arkansas would have no assets until 1 July 2001. Mr. Willey said payment terms would be established along with a schedule of milestones. CEO Harvey said Little Rock Municipal Water Works has invested significant time in the existing contract and since has talked with the consultant that assisted with the initial contract. He said while the costs appear "stunning," licensing and other requirements make the S&S proposal the preferred approach.

Chair Dickey said the new water commissioners might benefit from some insight on the difficulties that were involved in the implementation of MUPS. Mr. Pittman said Little Rock's problems were not as great as other utilities and said users, at this point, are pleased with the computer software. He also recommended a contract with S&S, in consideration of the fact that part of the integration process already is implemented and in consideration of the inevitable aspect of integration.

Commissioner Powell asked about alternatives. CEO Harvey said the utility might consider another system; however, another system would involve even greater costs. He also noted that maintaining the Harris Computer Systems process for North Little Rock Wastewater Utility accounts would involve maintaining two billing systems. In response to questions from

Commissioners Wood and Powell, he said financing for the computer system would have to be built into the water rate schedule and the schedule of milestones for the project was yet to be established. In addition, in response to an inquiry from Commissioner Tom Rimmer, Mr. Pittman said a financial advantage to the S&S contract would be the additional revenues generated by handling North Little Rock Wastewater Utility accounts. He said the wastewater utility would be charged a fee for the servicing of the accounts. Mr. Decker added that the integrated system also would allow for staffing efficiencies.

CEO Harvey said prior years' earnings would cover implementation costs incurred before the next adjustment in water rates. Mr. Willey also said the timetable for module installations and conversions was flexible and most of the work would not be done until 2002. Ms. Dickey shared some of the problems incurred with initial installation, such as the difficulties that employees experienced in learning and becoming comfortable with the system and the longer-than-expected timetable for the system to go on-line. She said there was no significant loss of data or untimely billing and said MUPS is great for facilities management, work orders, and the integration of functions and data. She said she had talked with legal counsel about competitive bidding requirements. She said if there was a motion to accept S&S's proposal, she would recommend the inclusion of an emergency-situation clause, in consideration of the time constraints and the fact that two-thirds of the consolidated system already was committed to the MUPS computer software. Upon a motion duly made and seconded, the Interim Board accepted the proposal from S&S.

The next item on the agenda was the review of logo designs for the new authority. Ms. Marie A. Crawford, Director of Communications, commended ALLTEL Corporation's graphic design group for the approximate 20 different options prepared for the regional authority. She said the Logo Project Team—comprised of Mr. Steve Morgan and Ms. Jeanette Glancy, Assistant Manager and Drafter, respectively, for the North Little Rock Water Department, and herself—had selected three final designs for consideration by the Interim Board. She noted that the project team's design goals were simplicity, ease of identification by the public, and a symbol that reflects the regional mission of the authority. In presenting the final three designs, Ms. Crawford pointed out that all of the design options were developed around "Central Arkansas Water" rather than "Regional Water Authority of Central Arkansas." She said, keeping in mind that an objective of public communications is to educate and inform, the logo should include the formal name of the new water authority and, if one of the three designs was to be adopted, she would recommend changing the name of the consolidated utility to "Central Arkansas Water." After further discussion, the Interim Board voted unanimously to adopt the new name of Central Arkansas Water and adopt a logo design.

In an update on the merger, Mr. Morgan, Project Manager for the merger planning process, expressed thanks to ALLTEL. He said Mr. Jim Hillis, Vice President of Benefits (Retired), and Ms. Becky Parkerson, Director of Performance Management, respectively, of ALLTEL, really had been helpful by providing various forms, workable solutions, and suggestions. He said he also appreciated employees of both utilities for taking on merger planning assignments, in addition to their regular responsibilities. He said all employees had been very professional in managing the process.

In outlining the merger planning process, Mr. Morgan said there were four components: Organization, assessment, development, and implementation. He said 12 teams, including a Steering Committee and 11 project teams assigned to the various major areas of operations, were leading the planning process. He said the Steering Committee had authority to make

some decisions about the merged utility; however, some issues and recommendations would have to be decided by the Interim Board.

Chair Dickey, noting that she has been receiving copies of correspondence between Mr. Morgan and the team leaders, praised him for a fabulous and impressive job with the planning process. In concluding the update, CEO Harvey said Mr. Fred Glover, currently General Manager of the North Little Rock Water Department, and Mr. Kirsch had been named Chief Operating Officers for the consolidated utility. He said Mr. Glover would oversee distribution/maintenance, financial management, customer services, and human resources, and Mr. Kirsch would have oversight responsibilities for engineering and planning, water source and treatment, safety, and information services. CEO Harvey pointed out that two new departments were being created: Information Services and Water Source & Treatment and noted that the Environmental Health and Safety Program would no longer be a joint function with Little Rock Wastewater Utility. He said Mr. John B. Jarratt, Director of Environmental Health and Safety, would work closely with the program until 1 July, when he would assume a consultant's role.

Mr. Glover and Mr. Kirsch then announced their department directors. Mr. Kirsch echoed the comments of Mr. Morgan, in regard to the increased responsibilities of employee, and said he anticipates even more enthusiasm as the process progresses. Mr. Glover said staff is working on Supervisory and Data Acquisition Control System changes that would allow the monitoring and control of facilities north of the Arkansas River from the Jack H. Wilson Water Treatment Plant. Mr. Kirsch stressed that assurance would be made that the controls were operating properly. CEO Harvey said Little Rock Municipal Water Works had anticipated having to hire additional Water Treatment Plant Operators; however, with the merger, the North Little Rock Water Department's system controllers would be trained as plant operators.

In an update on a customer service office north of the river, Chair Dickey said she had read a letter stating North Little Rock Mayor Patrick Henry Hays' concerns about use of the North Willow Street building, which formerly housed North Little Rock Water Department and North Little Rock Utilities Accounting Department offices. She said Mayor Hays had no problems with the integration of the customer information systems but wanted to maintain a one-stop location for his city's municipal services. Ms. Dickey said she hoped that continued talks would lead to a mutually satisfactory plan.

Next on the agenda was a report on the 4 April 2001 regionalism meeting hosted by Metroplan Council of Local Governments. Chair Dickey estimated that 70 individuals attended. It was noted that Mr. Morgan is collaborating with Mr. Jim McKenzie, Executive Director of Metroplan, on a survey of water utilities and user groups in the region and that from the survey a committee will be formed for more in-depth talks. In response to a question from Commissioner Powell about the meeting, CEO Harvey said there appeared to be no negative feelings and he believed that attitudes about regionalism have changed. Commissioner Wood said some water user groups were surprised by the change in stance on the part of the cities of Little Rock and North Little Rock. He cited Mr. Roger Moren, Manager of Sardis Water Association, whom he said had expressed frustration over past difficulty, in securing supply from the City of Little Rock. Chair Dickey said she was pleased with the attendance at the meeting and the plan is to get the mayors of the largest cities, as well as two or three of the water user associations, to develop alternative approaches to a future source. She said water officials needed to begin their talks with Arkansas' U.S. congressional delegation.

With there being no further business, Ms. Dickey adjourned the meeting.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice-Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

Minutes of a Regular Meeting  
of the Interim Board of Commissioners  
CENTRAL ARKANSAS WATER

17 May 2001

The Interim Board of Commissioners, CENTRAL ARKANSAS WATER, convened a regular meeting at 4 p.m. Thursday, 17 May 2001, in the Third Floor Conference Room of the Little Rock Water Utilities Building. The building is located at 221 East Capitol Avenue. Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice-Chair  
Mr. Eddie Powell - Member  
Dr. Tom Rimmer - Member  
Mr. Craig Wood - Member  
Ms. Kathlyn Graves - Attorney, Little Rock Municipal Water Works  
Mr. John B. Thurman - Attorney, North Little Rock Water Department  
Mr. Jim Harvey - Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. - Chief Operating Officer  
Mr. Fred V. Glover - Chief Operating Officer  
Mr. Steve Morgan - Director of Regionalism & Future Water Source  
Ms. Marie A. Crawford - Director of Communications

Also in attendance were Ms. Deirdre S. Newcomb and Ms. Becky Wahlgreen, Directors of Human Resources; Mr. Thad Gray and Mr. Ken Anderson, Jacksonville Water Commission Chairman and Jacksonville Water Works Manager, respectively; Mr. Kirby B. Rowland, P.E., Manager of Environmental Projects for Garver Engineers; Mr. James Tanner, P.E., Public Works Unit Manager for Carter-Burgess, Inc.; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; Mr. Allen M. Mullins, C.P.A., with Carter-Burgess, Inc.; Mr. Eddie Williams and Mr. Ed Long, both members of the Cabot City Council's Water Committee; Ms. Margaret Ramsey, member of the Bryant City Council; and Mr. Jake Sandlin, reporter with the *Arkansas Democrat-Gazette*.

Commissioners Alma Williams and Claude B. Wilson notified Chair Dickey prior to the meeting that they would be unable to attend because of prior commitments.

Chair Dickey called the meeting to order and called for approval of the minutes to the 19 April 2001 meeting. The Interim Board approved the minutes to the meeting.

Next on the agenda was the staff proposal on the new salary schedule for non-exempt (hourly) employees. In beginning her presentation, Ms. Deirdre S. Newcomb, Director of Human Resources, first congratulated the Interim Board members on their excellent job of selecting the new utility's name, CENTRAL ARKANSAS WATER, and logo. Ms. Newcomb said the formulation of the salary proposal involved the determination of job matches between Little Rock Municipal Water Works and the North Little Rock Water Department. She said department directors and superintendents made the determinations, based upon similar job duties and responsibilities. She said the proposal reflected a mix of the current pay plans of the Little Rock and North Little Rock water systems and said the pay grade matches were based upon matching market rates. Ms. Newcomb provided the Interim Board with a copy of the recommended grade-step salary schedule. She said the integration of pay plans would involve a 2% increase in cost from the current salary schedule for non-exempt employees. She said at the start of the process a decision was made that no employee would incur a pay-cut, as a result of the merger.

Mr. Jim Harvey, Chief Executive Officer, said the development of the salary proposal was an intense process that required several meetings and much compromise. In response to questions from the Interim Board, he said the increased cost must be factored into the new water rate schedule and while the salary costs would not change considerably at the beginning of 2002, there might be some increased costs due to staffing additions. Ms. Newcomb added that the recommended salary schedule was a fair approach to the integration of the two utilities' current pay plans. She said staff later would conduct an actual market salary survey. She said, with the available data, the restructuring presented was the best approach. Ms. Newcomb said the purpose of her presentation was to introduce the proposal. She asked that the Interim Board review the recommendation for a later decision.

Next on the agenda, Ms. Becky Wahlgreen, Director of Human Resources, presented the staff recommendation on the employee benefits program. She first expressed appreciation to ALLTEL Corporation, particularly Mr. Jim Hillis, Vice President of Human Resources Development (Retired), for the tremendous help provided to Ms. Newcomb and herself. She said a benefits program is an integral part of an organization's compensation package and it is as critical as wages and monetary compensation. She said both water utilities historically had observed a philosophy of paying employees at or slightly above market to retain the most qualified personnel. She said likewise with employee benefits, the recommendation reflected benefit practices at or slightly above market, based upon regional survey data. Ms. Wahlgreen's presentation included chart comparisons of the market average to Little Rock and North Little Rock's current benefits, as well as the proposed benefits for CENTRAL ARKANSAS WATER. Her presentation covered health insurance, dental insurance, term life insurance, short-term and long-term disability, the employee assistance programs, vision/hearing, paid time off, holidays, retirement, etc. She said the integration of the benefits programs also would involve increased costs and provided figures regarding the associated costs.

Chair Dickey commended Ms. Wahlgreen for the benefits comparison chart. She also thanked both Ms. Wahlgreen and Ms. Newcomb for the presentations and praised them for the amount of work that went into the development of the proposals. CEO Harvey asked that the Interim Board review both the salary and benefits proposals and consider the items at the 14 June meeting. Ms. Newcomb offered that Ms. Wahlgreen and she would be available to answer questions prior to the June meeting.

In a follow-up presentation on the owner-customer and regional approaches to rate-setting, Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc., prefaced his comments with a statement that the figures contained in a preliminary comparison only were for the purpose of providing a "notion" of the relative differences between the two methodologies. He further explained that the comparison would show the differences that would occur in rates, based upon the application of the owner-customer approach as opposed to the regional approach. Using the historical revenue year of 2000, he offered a rate scenario that would recoup the revenues from the different classes of customers in both Little Rock and North Little Rock. (The document, "Preliminary Comparison of Owner/Customers and Regional Approaches," included separate rates for Little Rock and North Little Rock.)

Following the comparison document, Mr. Shaw explained that in North Little Rock the application of the owner-customer method (as opposed to the regional method) would have resulted in an 11% lower rate to master-metered customers, a 42% lower rate to outside-city

customers, and a 12% lower rate to inside-city customers, based on year 2000 revenues. The analysis revealed that in Little Rock, the owner-customer method would have resulted in a 1% higher rate to master-metered customers, no change in the rate to the North Little Rock Water Department, a 15% lower rate to outside-city customers, and a 19% higher rate to inside-city customers. He reiterated that the figures only were for explanation and understanding and in no way were a projection of the actual rates that would come out of the ongoing rate study by Carter-Burgess. Mr. Shaw concluded that in his opinion using one or the other approach would not result in a significant difference in rates. He said there would be other factors involved in the rate-setting process and specifically noted impact fees and the use of the utilities' reserve funds.

After further discussion of equalized rates, the financing of distribution facilities and growth, the use of the reserve funds, impact fees, regionalism, and the two approaches to rates, Chair Dickey offered that the Interim Board needed to provide some direction to the consultants as to which was the preferred rate-setting method for the study. Commissioner Craig Wood stated that an initial motivation for the merger of the Little Rock and North Little Rock water systems was to provide water to surrounding communities that financially could not bear the costs. He said it appeared that with the regional method current ratepayers initially would have to pay more for service; however, it was the best approach to the objective of regionalism. The consensus among Interim Board members was the regional approach. CEO Harvey and Mr. Shaw were asked to provide a schedule of steps on the rate recommendation process. Mr. Shaw said he anticipated that by the June meeting he would have a perspective on the revenue requirements and would be into the cost allocation phase. He suggested separate Interim Board sessions on revenue requirements, cost allocation to customer classes, and the decision on the rate recommendations. He said 1 January 2002 is the target effective date for the new rates. He also pointed out that with the requirements for public notification and review by the Little Rock Board of Directors and North Little Rock City Council, 15 September 2001 would be the deadline to meet the effective date. Chief Operating Officer Bruno Kirsch, Jr., P.E., said in light of the original June 2001 due date for the study findings and the work yet to be completed, the consultants needed to request a formal time extension. Chair Dickey thanked Mr. Shaw for the comparison of rate methodologies.

On a related matter, Mr. Steve Morgan, Director of Regionalism & Future Water Source and Project Manager for the merger, shared with the Interim Board the results of a recent survey on surrounding municipalities and water user groups that are interested in a regional approach to securing a future water source. Through the survey, Metroplan Council of Local Governments gathered information on the water systems' number of metered customers, population served, number and type of current water sources, current long-term debt, master-metered customers, and governance. Mr. Morgan said the plan is to form a subcommittee that would develop a sense of direction for the regional effort. Commissioner Wood recommended verification of the information that the survey participants provided. Mr. Morgan said verification would be done. Chair Dickey said the Arkansas Department of Health could assist with confirmation of the data and noted the department's Engineering Division also would have useful information on other Central Arkansas water systems. CEO Harvey suggested that a Health Department representative might serve on the subcommittee.

Next to address the Interim Board was Mr. Thad Gray, Chairman of the Jacksonville Water Commission. Mr. Gray introduced Mr. Ken Anderson, Manager of the Jacksonville Water Works, and Mr. Eddie Williams and Mr. Ed Long, both members of the Cabot City Council. Mr.

May 17, 2001

Gray said the Jacksonville Water Commission had passed a resolution expressing support for a regional approach to a future water source, expressing the desire to be an equity partner with CENTRAL ARKANSAS WATER and the City of Cabot, and recommending a two-phase process for addressing short-term and long-term water needs.

Mr. Gray said the cities of Jacksonville and Cabot have been working together on the issue of a future water source. He said the urgency for a future source is greater in areas northeast of Central Arkansas and while the need for some users is 15 to 20 years into the future, the time table is much shorter for other users, such as the cities of Jacksonville and Cabot. He said the Jacksonville Water Commission had endorsed the desire to be an equity partner with CENTRAL ARKANSAS WATER in the development of a future source. He said there are seven entities, along with the City of Cabot, that are looking for a solution to a more immediate need for additional supply (7 to 10 years into the future).

On behalf of the cities of Jacksonville and Cabot, Mr. Gray provided a water pricing methodology for the Interim Board's consideration. He outlined the three pricing components as follows:

1. The cost for supply and treatment, including high-service pumping at the treatment facilities, would be common to all participating systems.
2. Transmission lines included in the cost of transmission could be identified by size and location, as agreed upon by the parties. Further, consideration should be given to adopting a single uniform transmission rate for all systems, as opposed to separate rates for separate systems. Thus the cost would be common to all systems.
3. The cost for distribution and storage would be unique to each system and each system would be responsible for recovering from its retail base only the cost for distribution and storage that is incurred by that system.

In summary, Mr. Gray said, under the Jacksonville-Cabot proposal, each water system served by CENTRAL ARKANSAS WATER would pay common supply, treatment, and transmission costs and alone would bear its distribution and storage costs. He said he hoped the Interim Board would accept the regional concept, which would lend itself more toward unity. He said the customer-owner approach would create a ripple effect and hardship. He suggested the need for flexibility in the rate structure, based upon the size of the system. He said some systems would be able upfront to purchase equity while other systems would have to acquire equity through rates.

Mr. Ed Long, speaking on behalf of the City of Cabot, commended the Interim Board for the regional effort. He said his city is at the point that he foresees Little Rock and North Little Rock being in 15 to 20 years. He said his city needs additional supply in the next seven years. He said the city's exploration of alternatives dates back to 1992. He said "walls" prevented a regional approach back then so his city began to look at Greers Ferry Lake at Heber Springs. He said the opportunity to work with CENTRAL ARKANSAS WATER was not available; consequently the City of Cabot and its partners are close to an agreement with Community Water System. He said while they have invested in a study, he does not believe the group is any closer to the reality of a future water source than it was years ago. He said the group is \$50 million short of funding needed for the Greers Ferry Lake alternative and, if the group signs with Community Water System, it would take "a real avenue away" from CENTRAL ARKANSAS WATER. He stressed that he was representing the City of Cabot and not the other

May 17, 2001



parties in the Lonoke-White Counties Water Users Association; however, he noted that his city represents approximately 50% of the group's project.

Mr. Long said there really can be no separation in regard to the cities of Little Rock, North Little Rock, Sherwood, and Jacksonville. He added that "huge walls have come tumbling down" and the City of Cabot at least wants to be a part of discussion about a regional effort. He said signing with Community Water System would prohibit his city from pursuing another alternative for three years. In response to a question from Vice-Chair Francille Turbyfill, Mr. Williams said 1 July 2001 was the user group's deadline to make a decision on the Community Water System project; however, the Cabot City Council had made it clear that until CENTRAL ARKANSAS WATER defines its path, the council would not sign with Community Water System.

In response to a question from Commissioner Eddie Powell, Mr. Williams said concern over ownership of the future source might be an obstacle to a partnership between CENTRAL ARKANSAS WATER and the City of Cabot. He said the barriers historically have been political. Mr. Gray added that economic and philosophical differences also had multiplied as the re-sale of supply moved farther out into surrounding areas. He said he believed there had been more of an effort "to do what's right" since the University of Arkansas at Little Rock's study, "Water for Our Future: Overcoming Regional Paralysis." Mr. Williams said the system of inflated costs to master-metered customers does not work. In response to additional comments from Commissioner Powell, Mr. Williams said the City of Cabot needs the following from CENTRAL ARKANSAS WATER:

1. A commitment to a regional effort on a future water source
2. A commitment to partner with the City of Cabot
3. A commitment that if in the future, the City of Cabot needs additional water supply, it would be able to get the supply at a reasonable price from CENTRAL ARKANSAS WATER and a commitment that CENTRAL ARKANSAS WATER would be willing to work through the issues to deliver the additional supply to the City of Cabot

Mr. Williams emphasized that lack of choice in the past is the only reason his city is considering the Greers Ferry Lake alternative. He said when there is only one option, price cannot be an issue. He said one of his concerns is that a regional committee's projections may be too far into the future to meet the needs of his city.

Chair Dickey said she concurs that the regional effort should proceed apace. Commissioner Wood added that Mr. Williams had made an important point in stating that users to the north have a more immediate need than users to the south. He said the greatest need seems to be north of the Arkansas River and it would not be most practical to bring the water supply to that area from the south because of the considerable cost and transmission distance involved. He said Greers Ferry Lake probably is the most prudent alternative for users to the north.

In concluding comments, Mr. Gray said he was thankful for the effort of the Interim Board and the speed at which the Interim Board has acted. He said he believes that within 30 days the method and philosophy must be in place for the City of Cabot to back away from the pending agreement with Community Water System. He said the City of Jacksonville does not want to lose the City of Cabot as a partner.

Commissioner Powell said he would like for CENTRAL ARKANSAS WATER to partner with the cities of Jacksonville and Cabot. Mr. Gray shared that the City of Jacksonville has 9 to 10 years in its contract to purchase 3 million gallons per day from the City of North Little Rock. He said his system would need increased capacity by the end of the contract term. He also pointed out that many communities are totally dependent upon the City of Cabot for their water supply. He said the North Little Rock Water Commission and North Little Rock City Council in the year 2000 presented a "rate phase-down" to equalize inside-city and outside-city rates within a 10-year period. He said the Jacksonville Water Commission and Jacksonville City Council next would consider a "phase-down" in rates to the City of Cabot.

Mr. Williams told the Interim Board that the City of Cabot two years ago passed a 1% sales tax to develop temporary wells and was able to pay off approximately \$7 million in debt. He said the city's Water and Sewer Department is debt-free thus able to make decisions about future financing.

The Interim Board delayed discussion of the transfer of property to CENTRAL ARKANSAS WATER by the cities of Little Rock and North Little Rock.

With there being no further business, Chair Dickey adjourned the meeting at 6:10 p.m.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice-Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

Minutes of a Regular Meeting  
of the Interim Board of Commissioners  
CENTRAL ARKANSAS WATER

14 June 2001

The Interim Board of Commissioners, CENTRAL ARKANSAS WATER, convened a regular meeting at 2 p.m. Thursday, 14 June 2001, in the Third Floor Conference Room of the Little Rock Water Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas. Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice-Chair  
Mr. Eddie Powell - Member  
Dr. Tom Rimmer - Member  
Ms. Alma Williams - Member  
Mr. Claude Wilson, P.E. - Member  
Mr. Craig Wood - Member  
Mr. Tad Bohannon - Attorney, Little Rock Municipal Water Works  
Mr. John B. Thurman - Attorney, North Little Rock Water Department  
Mr. Jim Harvey - Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. - Chief Operating Officer  
Mr. Fred Glover - Chief Operating Officer  
Mr. Steve Morgan - Director of Regionalism & Future Water Source  
Ms. Marie A. Crawford - Director of Communications

Also in attendance were Mr. Gary P. Pittman, Director of Finance & Customer Service; Mr. Dale W. Russom, P.E., Director of Engineering; Ms. Deirdre S. Newcomb and Ms. Becky Wahlgreen, Directors of Human Resources; Mr. Jim Hillis, Vice President-Retired of Human Resources Development for ALLTEL Corporation; Ms. Becky Parkerson, Director of Performance Management in the Human Resources Department of ALLTEL Corporation; Mr. James Tanner, P.E., Public Works Unit Manager for Carter-Burgess, Inc.; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; Mr. Allen M. Mullins, C.P.A., with Carter-Burgess, Inc.; Mr. Kirby B. Rowland, P.E., Manager of Environmental Projects for Garver Engineers; Mr. Cary Bradburn, reporter with *The Times* of North Little Rock; and Mr. Thad Gray and Mr. Ken Anderson, Jacksonville Water Commission Chairman and Jacksonville Water Works Manager, respectively.

Chair M. Jane Dickey convened the meeting with the acknowledgement that all members of the Interim Board of Commissioners, CENTRAL ARKANSAS WATER, were present. The Interim Board then approved the minutes to the 17 May 2001 meeting. Next, Mr. Jim Harvey, Chief Executive Officer, introduced Ms. Becky Parkerson, Director of Performance Management in the Human Resources Department of ALLTEL Corporation, and recognized Mr. Jim Hillis, Vice President-Retired of Human Resources Development for ALLTEL Corporation. CEO Harvey also acknowledged Mr. Cary Bradburn, reporter with *The Times* of North Little Rock.

CEO Harvey deferred to Mr. Hillis and Ms. Parkerson for an overview of the merger planning process. He said Ms. Parkerson and Mr. Hillis had assisted utility staff with the integration of operations. Mr. Hillis said the integration of operations was a major task in the merger of Little Rock Municipal Water Works and the North Little Rock Water Department. He said it had been a pleasure working with utility staff and he had only praise for the entire effort. He said that through weekly team meetings, staff kept on-task and at the past couple of

meetings, teamwork and communications had reached a level that the distinction between the two utilities was no longer evident.

In an overview of the merger process, Mr. Hillis said the original plan was to have the employee benefits and salary schedules worked out by April. He said the process had involved matching job descriptions/functions between the two utilities and had been accomplished in a thoughtful, thorough, and professional approach. He noted that staff well evaluated all options in the integration process and had to balance costs, the impact on workforce morale and the ability to foster teamwork, and future objectives. He said staff did an extraordinary job of balancing the objectives and said the Interim Board should be proud of staff.

CEO Harvey reminded the Interim Board that at the 17 May 2001 meeting, Ms. Deirdre S. Newcomb and Ms. Becky Wahlgreen, Directors of Human Resources, had presented staff proposals on the employee benefits program and the salary schedule for non-exempt (non-salaried) employees. At this meeting (14 June 2001), Ms. Wahlgreen presented the staff proposal on the pay plan for exempt (salaried) employees. She said the development of the pay plan for exempt employees reflected a blending of the pay plans for both the Little Rock and North Little Rock water utilities. She said department directors and superintendents determined job matches, which, along with a comparison of who supervises the positions and whom the positions supervise, determined pay grade positioning. She said the final step was the establishment of pay for individual employees.

In response to questions from Commissioner Eddie Powell and Commissioner Tom Rimmer, Ms. Newcomb said 7 to 11 exempt positions had no matches between the 2 utilities and Ms. Wahlgreen said there were instances of upward shifts in pay. Ms. Wahlgreen said the net effect of the changes in the exempt employees salary schedule would be an approximate \$42,000 increase, excluding the salaries of the Chief Executive Officer and Chief Operating Officers. Chair Dickey asked the percentage that the changes represented in the total payroll for exempt employees and CEO Harvey said he would provide that information by the adjournment of the meeting. Ms. Newcomb added that each employee would receive an individual salary and benefits statement outlining the employee's benefits with CENTRAL ARKANSAS WATER.

Chair Dickey inquired as to whether the proposed pay plans reflected increases due to factors other than increased responsibilities. CEO Harvey said there were changes due to disparities in pay for similar jobs and changes due to increased responsibilities. Upon a motion duly made and seconded, the Interim Board approved the salary schedule for non-exempt employees. Upon another motion duly made and seconded, the Interim Board approved the employee benefits program.

In presenting a proposal on benefits for future retirees, Ms. Wahlgreen said staff recommended that CENTRAL ARKANSAS WATER retain Little Rock's practice of providing health insurance coverage for employees who retire. She said staff also recommended that the utility—for future retirees—discontinue the \$3,000 life insurance coverage benefit. After a discussion of the eligibility requirements for future retirees to receive health insurance coverage, Chair Dickey and Commissioner Rimmer suggested the postponement of action on the proposal, pending further clarification of the written eligibility requirements.

June 14, 2001

On another benefit proposal, CEO Harvey said it was more economical to provide automobile allowances than vehicles to certain employees. He recommended that the Interim Board set the automobile allowances for the four chief officers and that the CEO establish the allowances for other eligible employees, based upon usage of personal vehicles for utility business. He noted that the automobile allowances cover all expenses, with the exception of airport parking. Upon a motion duly made and seconded, the Interim Board set the automobile allowance for the four chief officers and authorized the CEO to set the rates for other eligible employees.

The next item on the agenda was a proposal on early retirement incentives. CEO Harvey said the Steering Committee (which consists of Chief Operating Officers Bruno Kirsch, Jr., P.E., and Fred Glover and himself) and Mr. Steve Morgan, Project Manager, had met earlier in the day and could not foresee a balance of advantages to the utility. He said the recommendation was to remove the item from consideration, which the Interim Board did.

CEO Harvey said significant progress had been made on the rate-development process. He said both the Little Rock Water Commission and North Little Rock Water Commission had granted Carter - Burgess, Inc., a contract time extension on the water rate study. He said the new study completion date was 31 August 2001. The Interim Board also consented to the study extension time. (The consultants requested the extension in order to prepare the Interim Board for the various phases of the rate-design process.)

In continued discussion on rate methodology, COO Kirsch said the consultants had prepared a preliminary forecast on revenue requirements. He then introduced Mr. James Tanner, P.E., Public Works Unit Manager for Carter-Burgess, Inc.; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; and Mr. Allen M. Mullins, C.P.A., with Carter-Burgess, Inc. COO Kirsch said the preliminary revenue requirements were high, in terms of total dollar amount, and staff was looking at shifting non-essential projects. Mr. Shaw said the historical analysis assumed that past expense trends would continue in the future with few exceptions. He said he also had adjusted the figures for inflation and growth in the water system. He said he had preliminary figures on revenue requirements for operations and maintenance, common capital costs, merger costs, and the budgets for eliminating deficiencies in the distribution systems north and south.

Mr. Shaw said the forecast included the separate costs to be born by the individual cities for deficiencies in the distribution systems. In response to a question from Commissioner Powell, COO Glover said the eligibility of deficiencies for reserve fund monies depended upon the nature of specific improvements. He added that he anticipated actual capital costs to be less than the preliminary figures. The construction of the additional raw water intake at Lake Maumelle, transmission mains, treatment plant improvements, and capital equipment were listed among the common capital costs to be born by CENTRAL ARKANSAS WATER.

Chair Dickey said the Interim Board needed a list of items that make up the common preliminary costs, system deficiencies, and merger costs. COO Kirsch said the information would be available at the July 2001 meeting of the Interim Board.

Mr. Shaw said the Little Rock and North Little Rock water utilities' reserve funds would "mitigate" the revenue requirements that must be generated through customer rates. He also explained that if sprinkler account rates were to be based on cost of service, the cost to the customer would be greater than the rate for domestic service because of the demand that sprinkler accounts place on the system during peak usage periods. He said he anticipated

that some capital improvement projects would be taken out of the first five years or removed altogether from the capital improvements plan. He also said increases in ancillary/service fees and, if instituted, impact fees would generate additional financing revenues and would reduce the revenue requirements that must come from customer rates.

Commissioner Craig Wood asked about the possibility of having incentive rates for large water users to conserve water and to implement efficiencies in water usage. Mr. Shaw said instead of a declining-block rate, he would recommend separate rates for different classes of customers.

In stating staff's position, CEO Harvey said he agreed with a different rate for sprinkler accounts because the utility is funding distribution system improvements to meet the demand of sprinkler customers but not being compensated for the improvements. Mr. Shaw said he would recommend an impact fee for each new meter connection. He explained that the fee would be applicable separately to new connections and to new sprinkler meter installations. Commissioner Wood voiced concern about the impact of the new rates on low-income families who are existing customers, particularly in regard to the minimum monthly bill.

In concluding his presentation, Mr. Shaw said the order of the next steps in the rate-design process would be: (1) finalizing the revenue requirements, (2) developing the cost-allocation formula, (3) finalizing cost allocations, (4) developing the rate design, and (5) finalizing the rate design. Chair Dickey said the Interim Board members, in their discussions, would benefit from a breakdown of the merger costs, preliminary capital costs, and the budgets for distribution system deficiencies. She asked that the commissioners receive the figures several days before the July 2001 meeting date. She offered that it also was not too early to start developing a rate review calendar that would include dates for the presentation of the rate proposal to the public and notices to the Little Rock Board of Directors and North Little Rock City Council. She said she wanted to ensure there was time to implement the new rates in an orderly manner. Mr. John B. Thurman, attorney for the North Little Rock Water Department, reiterated an earlier comment that the Interim Board would need to finalize the proposal by September to meet the notice requirements of the Consolidation Agreement, the schedules of the cities' legislative bodies, and the 1 January 2002 targeted implementation date.

Mr. Tanner offered that the consultants could meet more than once a month with the Interim Board, if necessary. The Interim Board, staff, and consultants discussed the following schedule: Presentation of final revenue requirement figures and presentation of preliminary cost allocations at the July 2001 meeting; presentation of final cost allocations and presentation of preliminary rate design at the August 2001 meeting; and the finalization of the rate proposal at the September 2001 meeting.

Mr. Mullins also suggested a workshop on rate design, which Chair Dickey said might be held between the July and August meetings. The other Interim Board members concurred with the idea of a workshop.

At this point in the meeting, CEO Harvey re-introduced the proposal on the salary schedule for exempt employees. He said the approximate \$42,000 increase in costs calculated out into 1.7% of the total payroll for exempt employees. Upon a motion duly made and seconded, the Interim Board approved the salary schedule for exempt employees.

Next on the agenda was the presentation of a six-month financial plan (1 July - 31 December 2001) for the merged utility. CEO Harvey noted that the preliminary budget was a working document and all expenditures greater than \$50,000 would come before the Interim Board for approval. He also recommended that the CEO's spending authority be \$50,000, the same amount the Chief Executive Officer had with Little Rock Municipal Water Works.

Mr. Gary P. Pittman, Director of Finance & Customer Service, presented the six-month financial plan and said staff soon would begin work on the 2002 financial plan. He said he anticipated \$500,000 in net income at the end of the first six months of operation (period ending 31 December 2001). CEO Harvey added that instead of the City of Little Rock's receiving an annual payment-in-lieu-of- taxes, the cities of Little Rock and North Little Rock each would receive an annual franchise fee from CENTRAL ARKANSAS WATER, in accordance with the Consolidation Agreement. He further noted that the utilities would pass on the fees to customers. Mr. Pittman said the balance forward on 1 July 2001 would be approximately \$21 million and over the next six months, he estimates the utility would bring in \$16.7 million in water revenue. He said with an expected withdrawal of \$2.5 million from Little Rock's Water Resources Reserve Fund Trust for the second intake structure at Lake Maumelle and the receipt of \$1.5 million in Arkansas Highway & Transportation Department road project reimbursements, the utility would have total funds available of \$41.7 million over the six-month period. Mr. Pittman estimated that total expenditures for the next six-month period would be \$30.6 million, which would leave a cash balance of \$11.1 million at 31 December 2001. Upon a motion duly made and seconded, the Interim Board accepted the financial plan for the first six months of CENTRAL ARKANSAS WATER operations.

In a monthly update, Mr. Morgan, Project Manager for the merger, said the consolidation could be accomplished by 1 July, as planned. He said the approval of the employee benefits program and salary schedules were major steps. He said staff had combined the best practices in operations and the principle had proven out well. He acknowledged Mr. Hillis and Ms. Parkerson for their guidance and gracious manner and senior utility staff for the time and effort they had dedicated to the planning process. He said staff especially was due commendation in consideration of the fact that employees took on the merger planning/integration duties with their regular responsibilities. In a related matter concerning the City of Cabot's participation in a future water source initiative with CENTRAL ARKANSAS WATER, Mr. Thurman said it was his understanding that if the Lonoke/White Counties Water Supply Project was abandoned, easements purchased for the project would be liquidated to pay off the loan with which the property was purchased. (Community Water System is administrator of the Lonoke/White Counties Water Supply Project, a cooperative effort between municipalities and water user groups in Lonoke and White counties.) Mr. Thurman had reviewed the easements issue and submitted to the Interim Board a written summary of his findings.

At this point in the meeting, Mr. Thad Gray and Mr. Ken Anderson, Chairman of the Jacksonville Water Commission and General Manager of Jacksonville Water Works, respectively, joined the Interim Board.

Chair Dickey asked fellow commissioners to have their calendars at the July 2001 meeting so they could set the rate review schedule and discuss the regular monthly meeting time for the Interim Board. After a discussion of commissioners' schedules, the Interim Board set the next meeting for 2 p.m. Thursday, 26 July 2001, at the Little Rock Water Utilities Building.

June 14, 2001

On another merger issue, Chair Dickey said Wright, Lindsey & Jennings, legal counsel for Little Rock Municipal Water Works, advised that a resolution be adopted to terminate officially the Interim Board and authorize the Board of Commissioners, CENTRAL ARKANSAS WATER, to take all action necessary or desirable to effect the consolidation of the Little Rock and North Little Rock water utilities. (The effective date of the merger is 1 July 2001.) Chair said the Little Rock Board of Directors had approved a franchise agreement and the North Little Rock City Council would consider a franchise agreement later in the month of June 2001. Upon a motion duly made and seconded, the Interim Board adopted the resolution.

Mr. Dale W. Russom, P.E., Director of Engineering, introduced a revised policy on the water utility's participation in the upsizing of facilities associated with developer projects. He said Little Rock currently pays the difference between the requirements for the development and the excess capacity requested by the water utility and bears the cost for the extension from the last lot to the edge of the subdivision (in anticipation of future extensions). He said the water utility also participates in the cost of storage tanks, pumping stations, and other improvements that would benefit the water system. He recommended that the CENTRAL ARKANSAS WATER policy retain the provision to bear the cost of excess facilities, last-lot participation, looping of the distribution system, and storage tanks and pumping stations. In addition, he recommended a new provision that would allow the water utility to participate in the upsizing and replacement of old water main in areas of redevelopment within the utility's service boundaries. He said the participation percentage would equal to the age of the water main being replaced. Mr. Russom said the utility is missing out on opportunities to replace water mains that have reached or surpassed life expectancy.

Chair Dickey described the proposal as a good policy and CEO Harvey said it was fair. Commissioner Wood said the new provision could have a significant impact on the budget and suggested that the policy include language that participation in redevelopment would be subject to budget constraints. Commissioner Alma Williams suggested an amendment to the language in the proposed policy. Mr. Russom said he would draft a resolution for the Interim Board's consideration.

The Interim Board approved the purchase/repurchase of 11 backhoes/loaders for the Distribution Department from Traksan Equipment Company.

On the issue of the CEO's purchasing authority, the Interim Board approved a motion duly made and seconded to set the authority at the amount equal to the Little Rock City Manager's authority. (The amount would be the authorized level at which the CEO may expense funds without approval of the Board of Commissioners, CENTRAL ARKANSAS WATER.)

The Interim Board convened an Executive Session to discuss a personnel matter. The Interim Board reconvened in Open Session and Chair Dickey announced that no action would be taken.

CEO Harvey provided an update on plans for the Interim Board and designated staff to attend the 2001 Annual Conference and Exposition of the American Water Works Association (17 - 21 June in Washington, D.C.). He also said the schedule was in place for meetings with Arkansas' congressional delegation. (While in Washington, D.C., for the conference, the Interim Board and designated staff will meet with the state's congressional members, both Senate and House of Representatives members.)



With there being no further business, Chair Dickey adjourned the meeting.

ATTEST:

APPROVED:

---

Vice Chair

---

Chair

---

Member

---

Member

---

Member

---

Member

---

Member

Minutes of a Special Meeting  
of the Board of Commissioners  
CENTRAL ARKANSAS WATER

2 July 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened a special meeting at 10 a.m. Monday, 2 July 2001, in the Third Floor Conference Room of the Capitol Avenue Building (downtown office). The building location is 221 East Capitol Avenue in Little Rock, Arkansas. Present were:

Ms. M. Jane Dickey – Chair  
Ms. Francille Turbyfill – Vice Chair  
Dr. Tom Rimmer – Member  
Ms. Alma Williams – Member  
Mr. Claude B. Wilson, P.E. – Member  
Ms. Kathlyn Graves – Attorney  
Mr. Walter E. May – Attorney  
Mr. John B. Thurman – Attorney  
Mr. Jim Harvey – Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. – Chief Operating Officer  
Mr. Fred V. Glover – Chief Operating Officer  
Mr. Steve Morgan – Director of Regionalism & Future Water Source  
Ms. Marie A. Crawford – Director of Communications

Also in attendance were Ms. Fredricka B. Sharkey, Communications Assistant; Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*; and The Honorable Wayne Gruber, Pulaski County District Court Judge and a member of the North Little Rock Water Commission.

Prior to the meeting, Commissioners Craig Wood and Eddie Powell informed utility staff that they would be unable to attend the meeting because of prior vacation plans.

Chair M. Jane Dickey called the meeting to order. She introduced The Honorable Wayne Gruber for the swearing-in of the Interim Board of Commissioners, CENTRAL ARKANSAS WATER, as the first officially-seated governing board of the consolidated utility. (In accordance with the Consolidation Agreement between the cities of Little Rock and North Little Rock, the Interim Board became the official governing board of CENTRAL ARKANSAS WATER, effective 1 July 2001. 1 July 2001 was the effective merger date for Little Rock Municipal Water Works and the North Little Rock Water Department.) Commissioners M. Jane Dickey, Tom Rimmer, Francille Turbyfill, Alma Williams, and Claude B. Wilson, P.E., took the oath of office. After the swearing-in ceremony, Chair Dickey expressed appreciation to Judge Gruber.

Next, Chair Dickey asked Ms. Marie A. Crawford, Director of Communications, and Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, to conduct the drawing of terms for the seven commissioners. Ms. Crawford explained that for the drawing staff had placed the names of commissioners and the different terms of office in separate hard hats. She said COO Kirsch one-by-one would pull the names of commissioners representing the City of Little Rock and, in turn, the member whose name was selected would draw for a term of 1, 3, 5, or 7 years. Ms. Crawford further stated she would draw for Commissioner Wood's term of office and Ms. Fredricka B. Sharkey, Communications Assistant, would draw for Commissioner Powell. The Little Rock representatives on the Board of Commissioners drew the following terms:

Commissioner Alma Williams – 1 year  
Commissioner Craig Wood – 3 years  
Commissioner Tom Rimmer – 5 years  
Commissioner M. Jane Dickey – 7 years

The North Little Rock representatives on the Water Commission drew the following terms:

Commissioner Claude B. Wilson, P.E. – 6 years  
Commissioner Eddie Powell – 4 years  
Commissioner Francille Turbyfill – 2 years

(The Consolidation Agreement, signed 5 March 2001, provided that the Little Rock representatives would serve odd-number terms and the North Little Rock representatives would serve even-number terms.)

At this point in the meeting, Chair Dickey opened the meeting to nominations for the offices of Chair, Vice Chair, Secretary, and Treasurer. She explained that the Water Commission's Rules and Regulations (by-laws) provided for the discretion of electing a single commissioner to the offices of Secretary and Treasurer. In response to a question from Commissioner Wilson, she stated that each office had a one-year term. Commissioner Williams made a motion to affirm Commissioner Dickey and Commissioner Turbyfill, Chair and Vice Chair, respectively, of the Interim Board, to the same offices on the official governing board. Chair Dickey and Vice Chair Turbyfill accepted the nominations. Commissioner Rimmer moved to combine the offices of Secretary and Treasurer and nominated Commissioner Powell for the office of Secretary/Treasurer. The Commission approved the following slate of officers for the year 2001 – 2002:

Commissioner M. Jane Dickey – Chair  
Commissioner Francille Turbyfill – Vice Chair  
Commissioner Eddie Powell – Secretary/Treasurer

Following the election of officers, the Water Commission began deliberations on the adoption of Rules and Regulations for the Water Commission. Chair Dickey asked that the Water Commission consider the by-laws as a "minimalist approach." She said the by-laws should address specific issues, such as ethics, conflicts of interests, and travel policies that would hold the Water Commission to greater public responsibility because the Water Commission is no longer governed by the elected municipal bodies of Little Rock and North Little Rock. (Act 311 of the 2001 Arkansas General Assembly and the Consolidation Agreement authorize the Water Commission to set water rates and make other decisions without the approval of the cities of North Little Rock or Little Rock.) Commissioner Rimmer inquired as to whether the current set of by-laws gives the Water Commission power to amend the document. Mr. Walter E. May, Attorney, said the Consolidation Agreement would have to be reviewed, but his interpretation was that the Water Commission had the authority to amend the by-laws. On the issue, Mr. John B. Thurman, Attorney, suggested a review of the enabling legislation. Chair Dickey stated that she interpreted the authority of the Water Commission to include amending by-laws with a majority vote. Mr. Thurman suggested the Water Commission formulate a motion specifying proposed changes in the by-laws. Chair Dickey offered a motion for the following addition between Item 6 and Item 7 of the by-laws:

"These rules and regulations may be amended at any time by official act of the Water Commission."

Chair Dickey further directed the numbering of the addition as Item 7, with the renumbering of the succeeding items in the by-laws. With a motion duly made and seconded, the Water Commission approved the amendment to the by-laws.

Mr. May said, under both Act 311 and the Consolidation Agreement, the Water Commission has authority to alter by-laws. Commissioner Rimmer noted that references to the Secretary and

Treasurer in the by-laws were inconsistent and specifically pointed out that the offices of Secretary and Treasurer are referenced separately and jointly, as Secretary-Treasurer, in the document. Commissioner Rimmer asked whether all references to the two offices should be joint references.

Mr. Thurman explained that the duties of the Secretary and Treasurer are separate even though the duties are assigned to a single commissioner. Mr. Thurman said that in his opinion the official titles of Secretary and Treasurer should not be referenced jointly because the by-laws would have to be amended, again, if the Water Commission later decided to separate the two offices. Mr. Thurman further stated there was little precedent in drafting by-laws for a water commission formed by the merger of two water utilities, but he agreed that the by-laws should be amended. Mr. May said he believed the current document was based on by-laws used by the Board of Commissioners, Little Rock Municipal Water Works. With a motion duly made and seconded, the Water Commission approved the amended by-laws.

Mr. Jim Harvey, Chief Executive Officer, said the Water Commission needed to adopt the U.S. Internal Revenue Code 401 (a) Plan and the U.S. Internal Revenue Code Section 125 Plan, referred to as the CENTRAL ARKANSAS WATER Employees Savings Plan and CENTRAL ARKANSAS WATER Cafeteria Plan, respectively. (Both programs are employee benefits plans. The 401 [a] Plan is a deferred compensation program that allows an employer to match an employee's mandatory contribution to the plan. CENTRAL ARKANSAS WATER's program currently provides for a 1-percent contribution by the employee and a 5-percent match by the water utility. The Cafeteria Plan allows a participating employee to set aside pre-tax income in anticipation of certain expenses, such as childcare and unreimbursable medical expenses.) CEO Harvey explained that the Water Commission must approve both plans and that all participants in the Little Rock and North Little Rock utilities' programs must re-enroll to participate in the CENTRAL ARKANSAS WATER programs. With a motion duly made and seconded, the Water Commission approved both of the employee benefits plans.

Chair Dickey said the Water Commission also must ratify all previously-taken actions. In response to a comment from Commissioner Wilson, she explained that each decision the Water Commission previously made as the Interim Board had to be ratified. Commissioner Wilson made a motion for the ratification of all prior decisions, with the inclusion of the amended by-laws. Upon a motion duly made and seconded, the Water Commission ratified the following:

1. Appointment of Mr. Jim Harvey as Chief Executive Officer
2. Minutes to the 5 March, 15 March, 19 April, 17 May, and 14 June 2001 meetings
3. Salary Schedule for Non-exempt Employees
4. Salary Schedule for Exempt Employees
5. Employee Benefits Program
6. Car allowances for the Chief Executive Officer, Chief Operating Officers, and Director of Regionalism & Future Water Source
7. Financial Plan for the period 1 July through 31 December 2001
8. \$50,000 purchasing/spending authority for the Chief Executive Officer
9. Contract with Systems & Software, Inc., for the Municipal & Utility Package Software (conversion of North Little Rock accounts and upgrade in overall computer information system)
10. Name change from Regional Water Authority of Central Arkansas to CENTRAL ARKANSAS WATER and adoption of official logo
11. Contract with Traksan Equipment Company for the purchase/repurchase of 11 backhoes/loaders
12. Contract with Carter-Burgess, Inc., and CH2M Hill, Inc., for the "Distribution System Assessment and Water Rate Development Services" study

13. Extension of rate study completion time for Carter-Burgess, Inc. (extension of 31 August 2001 granted)
14. Resolution adopting the policy on participation with real estate developers in water main installations and other water system facilities
15. Resolution granting the Interim Board authority to undertake all actions necessary to effect the consolidation of Little Rock Municipal Water Works and the North Little Rock Water Department

CEO Harvey told the Water Commission that he had received a telephone call from Mr. Tom Carpenter and Mr. Cy Carney, Little Rock City Attorney and Little Rock City Manager, respectively, pledging their commitment to work cooperatively with the Water Commission. Chair Dickey said she also wanted the Water Commission to have a positive and mutually-beneficial working relationship with City of North Little Rock officials.

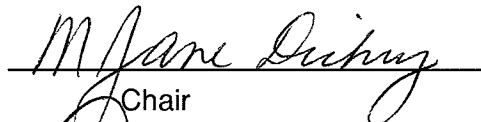
Chair Dickey asked the Water Commissioners to be prepared to re-evaluate their regular meeting schedule at the 2 p.m. Thursday, 26 July 2001, meeting. In response to a question from Commissioner Rimmer, Chair Dickey said that the Water Commission ratified the 17 May 2001 minutes and all other previously approved minutes in the last agenda item. She further stated that the Water Commission would have to sign the 17 May 2001 minutes.

With there being no further business, Chair Dickey adjourned the meeting.

ATTEST:

APPROVED:

  
Vice Chair

  
Chair

  
Member

  
Member

  
Member

  
Member

  
Member

There is no Resolution 2001-01

There is no Resolution 2001-02

## RESOLUTION 2001-03

### RESOLUTION GRANTING THE INTERIM BOARD TO UNDERTAKE ALL ACTIONS NECESSARY TO EFFECT CONSOLIDATION

WHEREAS, the Consolidation Agreement dated as of March 5, 2001, by and among the City of Little Rock, Arkansas, the City of North Little Rock, Arkansas, the Board of Commissioners of the Little Rock Municipal Water Works and the Board of Commissioners of the North Little Rock Water Department (the "Consolidation Agreement") provided for the creation of an Interim Board (the "Interim Board") to prepare for the consolidation of the Little Rock and North Little Rock water systems; and

WHEREAS, the Consolidation Agreement further provided that, upon the creation of the "Consolidated Entity" (as defined in the Consolidation Agreement), members of the Interim Board would thereupon automatically become the members of the Board of Commissioners of the Consolidated Entity; and

WHEREAS, the Interim Board desires to adopt resolutions in anticipation of the closing of the transactions contemplated by the Consolidation Agreement and the consolidation of the Little Rock and North Little Rock water systems; and

WHEREAS, the Interim Board anticipates that the resolutions set forth below will be approved and ratified by the Board of Commissioners of the Consolidated Entity, following creation of the Consolidated Entity;

#### BE IT RESOLVED BY THE INTERIM BOARD THAT:

1. Each of the Chairman, Vice-Chairman and Secretary of the Interim Board created under the Consolidation Agreement is hereby authorized and directed to undertake all actions necessary or desirable to effect consolidation of the Little Rock and North Little Rock water systems as contemplated by the Consolidation Agreement and otherwise to carry out the obligations of Central Arkansas Water under the Consolidation Agreement. This authority includes the execution and delivery, and/or the acceptance, on behalf of Central Arkansas Water, of such deeds, easements, bills of sale, assignments, licenses, franchise agreements, and other agreements, documents and instruments, and the taking of such actions, as shall in the opinion of the officer so acting be necessary or desirable in effecting the consolidation. This authorization shall survive the effective time of the consolidation of the Little Rock and North Little Rock water systems, and shall at all times thereafter constitute full authority for the Chairman, Vice-Chairman and Secretary of the Board of Commissioners of Central Arkansas Water to execute and deliver, and/or to accept, such additional deeds, easements, bills of sale, assignments, licenses, franchise agreements, and other agreements, documents and instruments, and to take such further actions, following the effective time of the consolidation of the Little Rock and North Little Rock water systems, as shall in the opinion of the officer so acting be necessary or desirable to further or complete



the consolidation of the Little Rock and North Little Rock water systems as contemplated by the Consolidation Agreement.

2. The franchise fee applicable to Central Arkansas Water, as set by ordinance adopted by the Board of Directors of the City of Little Rock on June 12, 2001, is hereby agreed to on behalf of Central Arkansas Water.

The foregoing resolutions have been duly ratified, confirmed and adopted by the Board of Commissioners of Central Arkansas Water at a meeting of the Board of Commissioners of Central Arkansas Water held on July 2, 2001.

Attest:

APPROVED:

---

Secretary

---

Chair

**RESOLUTION 2001-05**

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners, Central Arkansas Water, that the following shall become a part of Central Arkansas Water rules and regulations, effective 1 July 2001:

1. Central Arkansas Water will install reinforcing water mains and facilities at its own expense when funds are available to improve water service to property already served by this system,
2. Central Arkansas Water recognizes that mains and facilities installed by Applicants and Central Arkansas Water sometimes may benefit and afford service to property held by landowners that do not participate in the cost of installation thereof,
3. Applicants for water service are required to participate in or pay the entire cost of installing mains and facilities required to serve their premises,
4. It is determined that non-participating landowners should not receive water service until they share in the cost of installation of mains and facilities,
5. Central Arkansas Water establishes a Development Fee - Every person requesting water service for property to be served by a distribution main or other facilities installed (prior to the request) at the expense of anyone other than the owner of the property at the time the main or other facilities were installed, shall be required to pay to Central Arkansas Water a Development Fee.
  - 5.1. A Development Fee shall also be applicable to property that already has water service, when the request is for a larger connection than the property has at the time of the request for service.
  - 5.2. A Development Fee shall also be applicable if additional footage is installed across the last lot for future service to property under other ownership or gaps between developments if completion of a water main grid is beneficial to the water system hydraulics or is part of the master plan,
  - 5.3. The Development Fee is established as follows:

<u>METERED CONNECTION</u>		<u>END OF WATER MAIN, FIRE LINE, OR WATER MAIN TAP</u>	
<u>Size</u>	<u>Development Fee</u>	<u>Size</u>	<u>Development Fee</u>
5/8-inch	\$ 2,000.00	2-inch	\$ 800.00
3/4-inch	2,400.00	3-inch	1,200.00
1-inch	2,800.00	4-inch	1,600.00
1-1/2-inch	4,200.00	6-inch	2,400.00
2-inch	4,800.00	8-inch	3,200.00
3-inch	7,200.00	10-inch	4,000.00
4-inch	8,000.00	12-inch	4,800.00
6-inch	12,000.00	16-inch	6,400.00
		20-inch	8,000.00
		24-inch	9,600.00

- 1.1. When a request is for both fire line connections and metered service connections, the amount of the Development Fee shall be the sum of all connections. For the purposes of this paragraph a metered service connection off of a fire line is a separate connection and subject to the Development Fee.
- 1.2. Specific areas to be assessed Development Fees will be determined by the Chief Executive Officer

- 1.3. To reduce the hardship that may be imposed upon low-income households, a reduction in the Development Fee will apply as follows for 5/8-inch diameter meters only, based on the number of persons residing in the household and the total household income:

Percent of Development Fee Due	HOUSEHOLD INCOME LEVEL			
	50%	60%	80%	100%
Number of Persons in Household				
1	Up to \$14,750	\$14,750 to \$17,700	\$17,700 to \$23,650	Above \$23,650
2	Up to \$16,900	\$16,900 to \$20,280	\$20,280 to \$27,000	Above \$27,000
3	Up to \$19,000	\$19,000 to \$22,800	\$22,800 to \$30,000	Above \$30,000
4	Up to \$21,100	\$21,100 to \$25,320	\$25,320 to \$33,750	Above \$33,750
5	Up to \$22,800	\$22,800 to \$27,360	\$27,360 to \$36,450	Above \$36,450
6	Up to \$24,500	\$24,500 to \$29,400	\$29,400 to \$39,150	Above \$39,150
7	Up to \$26,150	\$26,150 to \$31,380	\$31,380 to \$41,850	Above \$41,850
8+	Up to \$27,850	\$27,850 to \$33,420	\$33,420 to \$44,550	Above \$44,550

- 1.1. In order to wholly or partially reimburse Applicants who participate in the initial cost of a distribution main or facility, Central Arkansas Water may contract to pay to said Applicants all or a part of the Development Fees attributable to the facilities installed. In no event shall payment to an Applicant exceed the amount of the Applicant's cost for the installation of the facilities. Reimbursement shall be made pursuant to the terms and conditions of a Development Fee Addendum to Contracts for Distribution System Facilities. The term of Development Fee Addendum contracts shall be ten years.
2. Establishes an Acreage Connection Fee. - Every person requesting water service for property that is benefited by a transmission main or other facilities installed (prior to the request) at the expense of anyone other than the owner of the property at the time the main or other facilities was installed, shall be required to pay to Central Arkansas Water an Acreage Connection Fee. However, if the property is within the boundaries of an improvement district that participated in the cost of the main or facility for which Acreage Connection Fee would otherwise be levied, the Acreage Connection Fee shall not be applicable.
- 2.1. The Acreage Connection Fee shall be in addition to any applicable Development Fee and shall apply to transmission mains that are sixteen (16) inches or greater in diameter, storage tanks, pumping stations, and similar facilities.
- 2.2. The Acreage Connection Fee shall be determined by Central Arkansas Water and shall be based upon amortizing the cost of the facility over the acreage to be developed during ten years following the date of installation of the facilities. For the purpose of the Acreage Connection Fee, property served by a transmission main is hereby declared to be benefited by said main if lying within the distances set out as follows:
- | <u>Main Diameter</u> | <u>Distance</u> |
|----------------------|-----------------|
| 16-inch              | 1/4 mile        |
| 20-inch              | 1/2 mile        |
| 24-inch and larger   | 3/4 mile        |
- 2.3. Property that is partially within the applicable distance shall only be charged for that portion lying therein.

- 2.4. Central Arkansas Water may, from time to time partially or wholly, participate in the installation of water mains, storage tanks, pumping stations, and similar facilities, in which event it may establish an Acreage Connection Fee for property that receives direct benefit from such installations.
3. Applicant, as used herein, means any person or legal entity that enters into a written contract with the Board of Commissioners, Central Arkansas Water, for installation of water mains or other facilities.
4. After 1 July 2001, no person requesting water service shall be required to pay a Front Foot Charge, but nothing herein shall impair or otherwise alter existing Pro Rata Charge Addenda (to contracts with Little Rock Municipal Water Works for distribution facilities) or Refunding Contracts (with North Little Rock Water Department) concerning the collection of such charges.
5. Any Applicant eligible for reimbursement of Front Foot Charges shall have the option to convert their Pro Rata Charge Addenda to Development Fee Addendum contracts. Applicants will be eligible to collect the Development Fee until the expiration date of Pro Rata Charge Addenda contracts.
6. Notwithstanding the expiration of the term of any contract with Applicants now in existence or hereafter executed by Central Arkansas Water, Central Arkansas Water may continue collection of Development Fees, Acreage Connection Fees, or Front Foot Charges in order to recoup overhead and construction costs. Central Arkansas Water is further authorized to discontinue collection of any such fee or charge after ten years, if the Chief Executive Officer determines that collection thereof is de minimis or less than the cost of collection.

- - - - -

I, **Eddie Powell, Secretary of the Board of Commissioners, Central Arkansas Water**, certify that, as such Secretary, I have custody of the Minutes and documents of Central Arkansas Water, and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at its regular meeting held \_\_\_\_\_.

\_\_\_\_\_  
Secretary

## RESOLUTION 2001-06

NOW, THEREFORE, BE IT RESOLVED, by the Board of Commissioners, Central Arkansas Water, that the following shall become a part of Central Arkansas Water rules and regulations, effective 1 July 2001:

Central Arkansas Water may, from time to time participate with Applicants in the installation of water facilities.

1. Participation will be considered in the following cases:

- 1.1. Tanks and pump stations are constructed that will benefit an area larger than that owned by the Applicant,
- 1.2. Water main supplying the area are undersized for needed fire flows,
- 1.3. The Master Plan proposes larger water mains to allow for future needs,
- 1.4. Existing water mains are approaching their useful life expectancy.

Formula to be used to participate with Applicant (for depreciated value of water mains that are over 10 years old) is as follows:

Developer pays percent of life of water main remaining times current cost

Central Arkansas Water participates in the percent of life of water main that is expired times current cost

2. When participation by Central Arkansas Water is anticipated, the following factors will be considered:

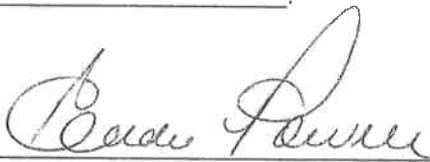
- 2.1. Minimum desirable size of water main
- 2.2. Anticipated type of development
- 2.3. Anticipated rate of development
- 2.4. Projected total demand for fire and domestic
- 2.5. Hydraulic gradient and characteristics of system
- 2.6. Master Plan for distribution and transmission system
- 2.7. Budgetary restraints
- 2.8. Age, adequacy and life expectancy of the existing water mains in the area.

3. Central Arkansas Water will establish Development Fees applicable to every person requesting water service for property to be served by a water distribution main or other facilities installed (prior to the request) at the expense of anyone other than the owner of the property at the time the water main or other facilities were installed, shall be required to pay to Central Arkansas Water a Development Fee.
4. Applicant, as used herein, means any person or legal entity that enters into a written contract with the Board of Commissioners, Central Arkansas Water, for installation of water mains or other facilities.

5. In order to wholly or partially reimburse Applicants who participate in the initial cost of a water distribution main or facility, Central Arkansas Water may contract to pay to said Applicants all or a part of the Development Fees attributable to the facilities installed. In no event shall payment to an Applicant exceed the amount of the Applicant's cost for the installation of the facilities. Reimbursement shall be made pursuant to the terms and conditions of a Development Fee Addendum to Special Contracts for Distribution System Facilities. The term of Development Fee Addendum contracts shall be ten years.

-----

I, **Eddie Powell, Secretary of the Board of Commissioners, Central Arkansas Water**, certify that, as such Secretary, I have custody of the Minutes and documents of Central Arkansas Water, and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at its regular meeting held 1 July 2001.

  
Secretary

Minutes of a Regular Meeting  
of the Board of Commissioners  
CENTRAL ARKANSAS WATER

26 July 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened a regular meeting at 2 p.m. Thursday, 26 July 2001, in the Third Floor Conference Room of the Capitol Avenue Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas. Present were:

Ms. M. Jane Dickey – Chair  
Ms. Francille Turbyfill – Vice Chair  
Mr. Eddie Powell – Member  
Dr. Tom Rimmer – Member  
Ms. Alma Williams – Member  
Mr. Claude Wilson, P.E. – Member  
Mr. Craig Wood – Member  
Ms. Kathlyn Graves – Attorney  
Mr. John B. Thurman – Attorney  
Mr. Jim Harvey – Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. – Chief Operating Officer  
Mr. Fred Glover – Chief Operating Officer  
Mr. Steve Morgan – Director of Regionalism & Future Water Source  
Ms. Marie A. Crawford – Director of Communications

Also in attendance were Mr. Gary P. Pittman, Director of Finance & Customer Service; Ms. Fredricka B. Sharkey, Communications Assistant; Ms. Becky Wahlgreen, Director of Human Resources; Mr. Jim Hillis, Vice President-Retired of Human Resources Development for ALLTEL Corporation; Mr. James Tanner, P.E., Public Works Unit Manager for Carter-Burgess, Inc.; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; Mr. Kirby B. Rowland, P.E., Manager of Environmental Projects for Garver Engineers; Mr. Thad Gray, Chairman of the Jacksonville Water Commission; Mr. Ken Anderson, General Manager of Jacksonville Water Works; Mr. Mike Marlar, P.E., with Marlar Engineering Company, Inc.; Mr. Roger Moren, General Manager of Sardis Water Association; and Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*.

Ms. M. Jane Dickey, Chair, opened the meeting with an announcement that Commissioner Craig Wood and Commissioner Eddie Powell had taken the oath of office earlier in the day at 1 p.m. and that, at this point, all seven members of the Board of Commissioners, CENTRAL ARKANSAS WATER, were official in their capacities. (On 2 July 2001, The Honorable Wayne Gruber, Pulaski County District Court Judge and a member of the North Little Rock Water Commission, administered the oath to Vice Chair Francille Turbyfill; Commissioners Tom Rimmer, Alma Williams, and Claude B. Wilson, P.E.; and Chair Dickey. The Honorable David Stewart, Little Rock Municipal Court Judge for the Environmental Division, administered the oath of office to Commissioners Wood and Powell.)

Chair Dickey also pointed out that it had been almost four weeks since the 30 June 2001 inaugural ceremony for CENTRAL ARKANSAS WATER. She said the merger and integration of Little Rock Municipal Water Works and North Little Rock Water Department operations were possible only with the guidance and expertise of Mr. Jim Hillis, Vice President-Retired of Human Resources Development for ALLTEL Corporation, and Ms. Becky Parkerson, Director of Performance Management in the Human Resources Department of ALLTEL Corporation. Chair Dickey presented

Mr. Hillis with a plaque of appreciation. She said Ms. Parkerson was unable to attend the meeting and she would present Ms. Parkerson's plaque of appreciation at a later date. Mr. Hillis commended CENTRAL ARKANSAS WATER staff and the "great work" accomplished with the merger.

The Water Commission approved:

1. A contract with Kampco, Inc., for water main improvements in Second Street and in Sixth Street (in the area of the ACXIOM Corporation and Arkansas Capital Commerce Center development in downtown Little Rock. Carter-Burgess, Inc., and CH2M Hill, Inc., consultants on the "Distribution System Assessment and Water Rate Development Services" recommended the improvements to increase water flow to the eastern part of the service area in Little Rock.)
2. The transfer of sub-metering requests/matters to the Engineering Division of the Arkansas Department of Health
3. Water service recommendations for inside- and outside-city customers:
  - a. The development of a uniform pre-annexation agreement, in collaboration with City of Little Rock and City of North Little Rock staff
  - b. A request from Sardis Water Association for 2 million gallons of supplemental water per day, with CENTRAL ARKANSAS WATER staff to negotiate the terms of the water service contract with Mr. Roger Moren, General Manager of Sardis Water Association
4. A Development Fee Addendum for Ms. Valva Hawkins, et al., on an 8-inch-diameter water line installation in Griffith Lane and Dan Glover Road (south of Lawson Road in Pulaski County):
  - a. Reimbursement of 100% of the Development Fee to the developer on the section of water main along Griffith Lane from Mandan Road to Dan Glover Road and along Dan Glover Road, beginning at Griffith Lane and extending southerly for 500 linear feet
  - b. Reimbursement of 55% of the Development Fee to the developer and 45% of the Development Fee to CENTRAL ARKANSAS WATER for a 300-linear-foot section of water main along Dan Glover Road, beginning 500 linear feet south of Griffith Lane
5. A medical insurance benefit for future retirees
6. A customer deposit refund policy that provides for the refund of a residential customer's service initiation deposit after 12 months of "good pay" (i.e., no second notices)

In a presentation on proposed revenue requirements and preliminary cost allocations, Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc., provided the Water Commission



with a chart of capital improvement projects, as well as proposed schedules for meter connection charges for inside- and outside-city customers, ancillary fees (for service turn-ons, turn-offs, etc.), and impact fees. He also provided charts of projected revenues, under the new rates, and proposed revenue requirements for each of the years 2001 – 2010. Mr. Shaw said most of the changes from current fees were due to the updating of the fees to reflect the cost to provide the services. He recommended an effective date of 1 January 2002 to coincide with the new rate schedule and noted that both the Little Rock and North Little Rock water utilities were reviewing updates for fee schedules and rates prior to merger talks.

Mr. Jim Harvey, Chief Executive Officer, and Mr. Shaw both said the proposed fee schedules would be defensible because the basis was cost of service. Mr. Shaw added that the impact fee schedule, as designed, would apply to inside- and outside-city customers and existing “wholesale” (master-metered) customers but not future “wholesale” customers. He said he would propose that the utility charge new “wholesale” customers a capital recovery fee. Chair Dickey said she would be interested in seeing the impact and ancillary fee schedules for other similarly-situated cities, such as Memphis, Tennessee; Tulsa, Oklahoma; and Springfield, Missouri. In response to a question from Commissioner Rimmer, Mr. Shaw said the overall cost-allocation plan proposes recouping through the rate schedule rather than impact fees the costs incurred by the demand that sprinkler systems place on the system. Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, added that the utility may use an impact fee on sprinkler meters to effect change in usage patterns among customers.

Mr. Shaw presented four scenarios for meeting revenue requirements through rates, impact fees, and debt-financing: (1) funding 100% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and impact fees; (2) funding 100% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and no impact fees; (3) funding 75% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and impact fees; (4) funding 75% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and no impact fees.

In response to a comment from Commissioner Powell, Mr. Shaw said the cost-allocation plan did not factor in the reserve funds held in the trust of the Little Rock Water Commission and the North Little Rock Water Commission. He said the reserve funds are at a level that would mitigate the overall revenue required from rates and fees and said the rate design would factor in the reserve funds. In response to Chair Dickey, Mr. Shaw said the cost-allocation covers bonded-indebtedness and he later would provide her with the percentage factor. Chair Dickey also directed that the line item for merger costs end after the year 2002 and thereafter the costs be incorporated into the utility's standard operations and maintenance expenses.

Mr. Shaw said the proposed rate schedule would be for the next five years and after that time, the utility would need to take another look at revenue requirements. Chair Dickey asked about decisions that the Water Commission needed to make in order for him to proceed on the rate design. Mr. Shaw asked whether the cost-of-service methodology used in calculating the fees was acceptable and whether to use the base-extra-capacity or commodity-demand method of allocating costs. He noted that both methods are accepted as fair and equitable bases by American Water Works Association standards and explained that Black & Veatch Corporation of Kansas City, Missouri, used the base-extra-capacity method in a 1998 rate study for Little Rock Municipal Water Works. He said the base-extra-capacity method in theory is best able to recognize differences in

consumption demand patterns. He said the commodity-demand method, which he would recommend, is easier to understand and separates costs into fixed and variable components thus facilitates the design of rates to assure cost recovery. He said the differences in the methods would be minor in terms of customer rates. Chair Dickey requested a staff recommendation on the methods.

CEO Harvey said, in his opinion, the base-extra-capacity method is fairer; however, the commodity-demand method is easier to understand. COO Kirsch said he was accustomed to the base-extra-capacity method but was in agreement that both methods are accepted throughout the drinking water industry.

In further discussing the options on cost-allocation methods, Mr. Shaw said it probably would be most beneficial to have the rate-design workshop for the Water Commission after he has gone through the entire preliminary process. Commissioner Wood also asked that prior to the workshop staff prepare a set of recommendations on the fee schedules and cost-allocation methods. CEO Harvey said staff was supportive of the fee schedules and would submit a set of recommendations on the fees and cost-allocations. Commissioner Powell said he was more comfortable with the impact fee schedule in knowing that the cost to an individual homeowner would be incorporated into the mortgage. At this point, Mr. Shaw noted that utility staff and he had made progress on determining which projects were eligible for financing out of the reserve funds.

Next on the agenda was the Water Commission's schedule for regular meetings. Chair Dickey said the last few meetings had been at 2 p.m. on the third Thursday of the month. After discussion, the Water Commission changed its regular meeting time and date from 4 p.m. on the third Thursday of the month to 2 p.m. on the second Thursday of the month. Because of scheduling conflicts, the Water Commission set the August meeting for 2 p.m. Wednesday, 15 August, and the rate-design workshop for 2 p.m. Monday, 27 August. The Water Commission set the remainder of the meeting schedule, as follows:

2 p.m. Thursday, 13 September  
2 p.m. Thursday, 11 October  
2 p.m. Thursday, 8 November  
2 p.m. Thursday, 13 December

In an update on regionalization efforts, Mr. Steve Morgan, Director of Regionalism & Future Water Source, said a Metroplan – A Council of Local Governments subcommittee has been meeting regularly to develop recommendations on a regional approach to resolving both the current and future water needs of Central Arkansas. In a memorandum to the Water Commission, he outlined three approaches to regionalization: (1) the full merger of CENTRAL ARKANSAS WATER and other municipalities and water user groups; (2) long-term contracts between CENTRAL ARKANSAS WATER and other municipalities and water user groups; and (3) joint ownership of the new water source, treatment facilities, and transmission lines (by a new and separate regional water authority comprised of equity partners). Mr. Morgan shared that Chair Dickey and he have attended all of the subcommittee sessions and the target date for a report is 15 September 2001. Chair Dickey extended an invitation for other Water Commissioners to attend the meetings and Mr. Morgan said he would provide notification on future meeting dates.

The final item on the agenda was a brief discussion on official portraits for the Water


The final item on the agenda was a brief discussion on official portraits for the Water Commissioners. Ms. Marie A. Crawford, Director of Communications, said Dixie Knight Photography had offered two options: (1) Ms. Knight's taking the photographs prior to a regular meeting of the Water Commission at the Capitol Avenue Building or (2) each commissioner's making an appointment with the studio. Ms. Crawford said the photography package would include portraits for display at the Capitol Avenue Building and Maryland Avenue Complex, as well as black/white and color publicity prints.

With there being no further business, Chair Dickey adjourned the meeting.

ATTEST:

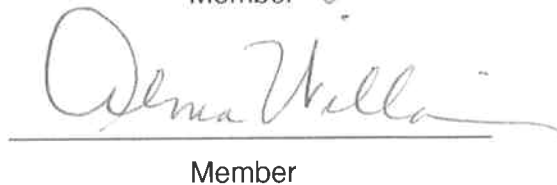
APPROVED:

  
Vice Chair

  
Chair

  
Member

  
Member

  
Member

  
Member

  
Member

Minutes of a Regular Meeting  
of the Board of Commissioners  
CENTRAL ARKANSAS WATER

26 July 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened a regular meeting at 2 p.m. Thursday, 26 July 2001, in the Third Floor Conference Room of the Capitol Avenue Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas. Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice Chair  
Mr. Eddie Powell - Member  
Dr. Tom Rimmer - Member  
Ms. Alma Williams - Member  
Mr. Claude Wilson, P.E. - Member  
Mr. Craig Wood - Member  
Ms. Kathlyn Graves - Attorney  
Mr. John B. Thurman - Attorney  
Mr. Jim Harvey - Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. - Chief Operating Officer  
Mr. Fred Glover - Chief Operating Officer  
Mr. Steve Morgan - Director of Regionalism & Future Water Source  
Ms. Marie A. Crawford - Director of Communications

Also in attendance were Mr. Gary P. Pittman, Director of Finance & Customer Service; Ms. Fredricka B. Sharkey, Communications Assistant; Ms. Becky Wahlgreen, Director of Human Resources; Mr. Jim Hillis, Vice President-Retired of Human Resources Development for ALLTEL Corporation; Mr. James Tanner, P.E., Public Works Unit Manager for Carter-Burgess, Inc.; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; Mr. Kirby B. Rowland, P.E., Manager of Environmental Projects for Garver Engineers; Mr. Thad Gray, Chairman of the Jacksonville Water Commission; Mr. Ken Anderson, General Manager of Jacksonville Water Works; Mr. Mike Marlar, P.E., with Marlar Engineering Company, Inc.; Mr. Roger Moren, General Manager of Sardis Water Association; and Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*.

Ms. M. Jane Dickey, Chair, opened the meeting with an announcement that Commissioner Craig Wood and Commissioner Eddie Powell had taken the oath of office earlier in the day at 1 p.m. and that, at this point, all seven members of the Board of Commissioners, CENTRAL ARKANSAS WATER, were official in their capacities. (On 2 July 2001, The Honorable Wayne Gruber, Pulaski County District Court Judge and a member of the North Little Rock Water Commission, administered the oath to Vice Chair Francille Turbyfill; Commissioners Tom Rimmer, Alma Williams, and Claude B. Wilson, P.E.; and Chair Dickey. The Honorable David Stewart, Little Rock Municipal Court Judge for the Environmental Division, administered the oath of office to Commissioners Wood and Powell.)

Chair Dickey also pointed out that it had been almost four weeks since the 30 June 2001 inaugural ceremony for CENTRAL ARKANSAS WATER. She said the merger and integration of Little Rock Municipal Water Works and North Little Rock Water Department operations were possible only with the guidance and expertise of Mr. Jim Hillis, Vice President-Retired of Human Resources Development for ALLTEL Corporation, and Ms. Becky Parkerson, Director of

Performance Management in the Human Resources Department of ALLTEL Corporation. Chair Dickey presented Mr. Hillis with a plaque of appreciation. She said Ms. Parkerson was unable to attend the meeting and she would present Ms. Parkerson's plaque of appreciation at a later date. Mr. Hillis commended CENTRAL ARKANSAS WATER staff and the "great work" accomplished with the merger.

The Water Commission approved:

1. A contract with Kampco, Inc., for water main improvements in Second Street and in Sixth Street (in the area of the ACXIOM Corporation and Arkansas Capital Commerce Center development in downtown Little Rock. Carter-Burgess, Inc., and CH2M Hill, Inc., consultants on the "Distribution System Assessment and Water Rate Development Services" recommended the improvements to increase water flow to the eastern part of the service area in Little Rock.)
2. The transfer of sub-metering requests/matters to the Engineering Division of the Arkansas Department of Health
3. Water service recommendations for inside- and outside-city customers:
  - a. The development of a uniform pre-annexation agreement, in collaboration with City of Little Rock and City of North Little Rock staff
  - b. A request from Sardis Water Association for 2 million gallons of supplemental water per day, with CENTRAL ARKANSAS WATER staff to negotiate the terms of the water service contract with Mr. Roger Moren, General Manager of Sardis Water Association
4. A Development Fee Addendum for Ms. Valva Hawkins, et al., on an 8-inch-diameter water line installation in Griffith Lane and Dan Glover Road (south of Lawson Road in Pulaski County):
  - a. Reimbursement of 100% of the Development Fee to the developer on the section of water main along Griffith Lane from Mandan Road to Dan Glover Road and along Dan Glover Road, beginning at Griffith Lane and extending southerly for 500 linear feet
  - b. Reimbursement of 55% of the Development Fee to the developer and 45% of the Development Fee to CENTRAL ARKANSAS WATER for a 300-linear-foot section of water main along Dan Glover Road, beginning 500 linear feet south of Griffith Lane
5. A medical insurance benefit for future retirees
6. A customer deposit refund policy that provides for the refund of a residential customer's service initiation deposit after 12 months of "good pay" (i.e., no second notices)

In a presentation on proposed revenue requirements and preliminary cost allocations, Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc., provided the Water Commission with a chart of capital improvement projects, as well as proposed schedules for

July 26, 2001

meter connection charges for inside- and outside-city customers, ancillary fees (for service turn-ons, turn-offs, etc.), and impact fees. He also provided charts of projected revenues, under the new rates, and proposed revenue requirements for each of the years 2001 - 2010. Mr. Shaw said most of the changes from current fees were due to the updating of the fees to reflect the cost to provide the services. He recommended an effective date of 1 January 2002 to coincide with the new rate schedule and noted that both the Little Rock and North Little Rock water utilities were reviewing updates for fee schedules and rates prior to merger talks.

Mr. Jim Harvey, Chief Executive Officer, and Mr. Shaw both said the proposed fee schedules would be defensible because the basis was cost of service. Mr. Shaw added that the impact fee schedule, as designed, would apply to inside- and outside-city customers and existing "wholesale" (master-metered) customers but not future "wholesale" customers. He said he would propose that the utility charge new "wholesale" customers a capital recovery fee. Chair Dickey said she would be interested in seeing the impact and ancillary fee schedules for other similarly situated cities, such as Memphis, Tennessee; Tulsa, Oklahoma; and Springfield, Missouri. In response to a question from Commissioner Rimmer, Mr. Shaw said the overall cost-allocation plan proposes recouping through the rate schedule rather than impact fees the costs incurred by the demand that sprinkler systems place on the system. Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, added that the utility may use an impact fee on sprinkler meters to effect change in usage patterns among customers.

Mr. Shaw presented four scenarios for meeting revenue requirements through rates, impact fees, and debt-financing: (1) funding 100% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and impact fees; (2) funding 100% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and no impact fees; (3) funding 75% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and impact fees; (4) funding 75% of the capital improvements program with debt-financing and meeting other revenue requirements through rates and no impact fees.

In response to a comment from Commissioner Powell, Mr. Shaw said the cost-allocation plan did not factor in the reserve funds held in the trust of the Little Rock Water Commission and the North Little Rock Water Commission. He said the reserve funds are at a level that would mitigate the overall revenue required from rates and fees and said the rate design would factor in the reserve funds. In response to Chair Dickey, Mr. Shaw said the cost-allocation covers bonded-indebtedness and he later would provide her with the percentage factor. Chair Dickey also directed that the line item for merger costs end after the year 2002 and thereafter the costs be incorporated into the utility's standard operations and maintenance expenses.

Mr. Shaw said the proposed rate schedule would be for the next five years and after that time, the utility would need to take another look at revenue requirements. Chair Dickey asked about decisions that the Water Commission needed to make in order for him to proceed on the rate design. Mr. Shaw asked whether the cost-of-service methodology used in calculating the fees was acceptable and whether to use the base-extra-capacity or commodity-demand method of allocating costs. He noted that both methods are accepted as fair and equitable bases by American Water Works Association standards and explained that Black & Veatch Corporation of Kansas City, Missouri, used the base-extra-capacity method in a 1998 rate study for Little Rock Municipal Water Works. He said the base-extra-capacity method in theory is best able to recognize differences in consumption demand patterns. He

said the commodity-demand method, which he would recommend, is easier to understand and separates costs into fixed and variable components thus facilitates the design of rates to assure cost recovery. He said the differences in the methods would be minor in terms of customer rates. Chair Dickey requested a staff recommendation on the methods.

CEO Harvey said, in his opinion, the base-extra-capacity method is fairer; however, the commodity-demand method is easier to understand. COO Kirsch said he was accustomed to the base-extra-capacity method but was in agreement that both methods are accepted throughout the drinking water industry.

In further discussing the options on cost-allocation methods, Mr. Shaw said it probably would be most beneficial to have the rate-design workshop for the Water Commission after he has gone through the entire preliminary process. Commissioner Wood also asked that prior to the workshop staff prepare a set of recommendations on the fee schedules and cost-allocation methods. CEO Harvey said staff was supportive of the fee schedules and would submit a set of recommendations on the fees and cost-allocations. Commissioner Powell said he was more comfortable with the impact fee schedule in knowing that the cost to an individual homeowner would be incorporated into the mortgage. At this point, Mr. Shaw noted that utility staff and he had made progress on determining which projects were eligible for financing out of the reserve funds.

Next on the agenda was the Water Commission's schedule for regular meetings. Chair Dickey said the last few meetings had been at 2 p.m. on the third Thursday of the month. After discussion, the Water Commission changed its regular meeting time and date from 4 p.m. on the third Thursday of the month to 2 p.m. on the second Thursday of the month. Because of scheduling conflicts, the Water Commission set the August meeting for 2 p.m. Wednesday, 15 August, and the rate-design workshop for 2 p.m. Monday, 27 August. The Water Commission set the remainder of the meeting schedule, as follows:

- 2 p.m. Thursday, 13 September
- 2 p.m. Thursday, 11 October
- 2 p.m. Thursday, 08 November
- 2 p.m. Thursday, 13 December

In an update on regionalization efforts, Mr. Steve Morgan, Director of Regionalism & Future Water Source, said a Metroplan - A Council of Local Governments subcommittee has been meeting regularly to develop recommendations on a regional approach to resolving both the current and future water needs of Central Arkansas. In a memorandum to the Water Commission, he outlined three approaches to regionalization: (1) the full merger of CENTRAL ARKANSAS WATER and other municipalities and water user groups; (2) long-term contracts between CENTRAL ARKANSAS WATER and other municipalities and water user groups; and (3) joint ownership of the new water source, treatment facilities, and transmission lines (by a new and separate regional water authority comprised of equity partners). Mr. Morgan shared that Chair Dickey and he have attended all of the subcommittee sessions and the target date for a report is 15 September 2001. Chair Dickey extended an invitation for other Water Commissioners to attend the meetings and Mr. Morgan said he would provide notification on future meeting dates.

The final item on the agenda was a brief discussion on official portraits for the Water Commissioners. Ms. Marie A. Crawford, Director of Communications, said Dixie Knight Photography had offered two options: (1) Ms. Knight's taking the photographs prior to a regular meeting of the Water Commission at the Capitol Avenue Building or (2) each commissioner's making an appointment with the studio. Ms. Crawford said the photography package would include portraits for display at the Capitol Avenue Building and Maryland Avenue Complex, as well as black/white and color publicity prints.

With there being no further business, Chair Dickey adjourned the meeting.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member



Minutes of a Regular Meeting  
of the Board of Commissioners  
CENTRAL ARKANSAS WATER

15 August 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened a regular meeting at 2 p.m. Wednesday, 15 August 2001, in the Third Floor Conference Room of the Capitol Avenue Building (downtown office). The building location is 221 East Capitol Avenue in Little Rock, Arkansas. Present were:

Ms. M. Jane Dickey – Chair  
Ms. Francille Turbyfill – Vice Chair  
Mr. Eddie Powell – Secretary/Treasurer  
Dr. Tom Rimmer – Member  
Mr. Claude B. Wilson, P.E. – Member  
Mr. Craig Wood – Member  
Little Rock City Director Larry Lichty – Ex-officio Member  
Ms. Kathlyn Graves – Attorney  
Mr. John B. Thurman – Attorney  
Mr. Jim Harvey – Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. – Chief Operating Officer  
Mr. Fred Glover – Chief Operating Officer  
Mr. Steve Morgan – Director of Regionalism & Future Water Source  
Ms. Marie A. Crawford – Director of Communications

Also in attendance were Mr. Gary P. Pittman, Director of Finance & Customer Service; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; Mr. Allen M. Mullins, C.P.A., with Carter-Burgess, Inc.; Mr. Kirby B. Rowland, P.E., Manager of Environmental Projects for Garver Engineers; Mr. Ken Anderson, General Manager of Jacksonville Water Works; and Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*.

Commissioner Craig Wood participated in the meeting by telephone conference call from the State of Minnesota and Commissioner Alma Williams at the 26 July 2001 meeting had informed fellow Water Commissioners that she would be unable to attend the 15 August 2001 meeting because of a prior commitment.

Chair M. Jane Dickey called the meeting to order and asked whether there were revisions to the minutes of the 26 July 2001 meeting. Upon a motion duly made and seconded, the Water Commission approved the minutes.

In a continuation of the rate development and review process, Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc., presented three documents to the Water Commission: "Revenue Requirements," which showed projected operating and capital costs for the years 2001-2006; "Cost Allocation," which showed how the revenue requirements are allocated to the various service functions (volume, maximum day, maximum hour, meters, billings, fire protection, etc.) for the same projected period; and "Cost vs. Revenue," which showed the cost of water service for Little Rock and for North Little Rock for each year of the projected period and compared the cost to estimated revenues at current rates and the resulting difference between cost and revenues. He said Carter-Burgess had based the projections on the assumption that 100% of capital projects, with the exception of improvements to eliminate distribution system deficiencies, would be debt-financed.

Mr. Shaw said that in working with the utility's staff, the consultants had identified eligible projects to fully expend by 2003 the reserve funds of both Little Rock and North Little Rock. He said utilization of the reserve funds would reduce the cost that must be recovered from rates. He also said the debt-financing would ensure that future customers bear a portion of the cost of facilities that are in place to accommodate those future customers. He pointed out that the consultants had not factored in impact

fees, which would further reduce cost that had to be recovered through rates. Mr. Shaw said there would be additional refinements to the projections, but the revisions would be minor. He also said he was participating in the development of staff recommendations in regard to the rate proposal and said he would make a specific recommendation concerning enhanced record keeping that would facilitate future rate-setting.

In conclusion, Mr. Shaw said the Water Commission's rate-design workshop on Monday, 27 August 2001, would include recommendations on the establishment of rates and financial policies for CENTRAL ARKANSAS WATER. Chair Dickey thanked Mr. Shaw for his presentation.

The next item of discussion was the draft water service contract with Sardis Water Association. Mr. Steve Morgan, Director of Regionalism & Future Water Source, said staff had reviewed a prior draft agreement between Little Rock Municipal Water Works and the association. He said staff had revised the former draft and was finalizing an updated draft of a contract between CENTRAL ARKANSAS WATER and Sardis Water Association. He said CENTRAL ARKANSAS WATER staff; Mr. Roger Moren, General Manager of Sardis Water Association; and the association's engineers were conferring on service connection points, etc., and a written agreement might be ready for the Water Commission's review next month (September 2001).

In response to a question from Chair Dickey, Chief Executive Officer Jim Harvey said the language of the contract would reflect that CENTRAL ARKANSAS WATER's new rate schedule, when effective, would be applicable to the service agreement with Sardis Water Association. CEO Harvey also said that the association would take water during off-peak periods and that past discussions had included a minimum daily purchase of 500,000 gallons and a maximum daily purchase of 2 million gallons. Further, he said the Arkansas General Assembly had enacted legislation that allows 30-year contracts between water utilities/user groups in comparison to the former 25-year limit.

In an update on professional services selection procedures, CEO Harvey said staff had issued a request for proposals for legal services and he recommended the appointment of a joint review committee that was representative of the Water Commission and staff. Commissioner Claude B. Wilson, P.E., and Commissioner Tom Rimmer offered to serve with three staff members. CEO Harvey said he expected to have recommendations for insurance and independent auditing service providers at the September 2001 meeting. Commissioner Wood inquired about banking services. Mr. Gary P. Pittman, Director of Finance & Customer Service, and CEO Harvey said staff anticipates issuing a request for proposals for banking services at the first of 2002, upon the completion of the full conversion of North Little Rock customer accounts to the Municipal & Utility Package Software.

Mr. Steve Morgan, in a report on talks between Metroplan-Council of Local Governments and Central Arkansas cities/water users, said the group held its most recent regional water discussion meeting on 6 August 2001. He said at the meeting, representatives of the cities of Jacksonville and Cabot expressed the need for some assurance that CENTRAL ARKANSAS WATER intended to supply the long-term needs of the two cities. He said the City of Cabot had a pending decision to make in regard to its participation in the Lonoke/White Counties Water Supply Project. He said the other prospective participants in the project (the cities of Ward and Austin, the Arkansas Highway 319 Water Association, Bayou Two Water Association, Grand Prairie Water Association, and Mount Vernon-Enola Water Association) all had signed on to the project and the City of Cabot, the largest prospective partner, had not signed with Community Water Service on the project. (The project plan is to bring water from Greers Ferry Lake at Heber Springs to the Lonoke County and White County cities and water user groups.) Community Water System is the administrator of the Lonoke/White Counties Water Supply Project.)

Mr. Morgan said the Cabot City Council had called a special meeting for Saturday, 18 August 2001, to discuss the options of signing on with the Lonoke/White Counties Water Supply Project or joining in a regional effort with CENTRAL ARKANSAS WATER. He said CENTRAL ARKANSAS WATER staff had agreed to provide a letter of intent to the cities of Cabot and Jacksonville and he presented to the Water Commission a proposed resolution that expressed the intent of CENTRAL ARKANSAS WATER to supply the long-term water supply needs of the cities of Jacksonville and Cabot. Chair Dickey asked Mr. Ken Anderson, General Manager of Jacksonville Water Works, whether the resolution addressed the questions and concerns that the cities of Jacksonville and Cabot have. Mr. Anderson said, based on the Water Commission meeting discussion and the language in the resolution, he believed the resolution did address the cities' concerns.

Chair Dickey said the cities of Jacksonville and Cabot are direct and indirect customers, respectively, and the resolution was significant in that it provides some of the assurance that the cities seek beyond their current relationship to CENTRAL ARKANSAS WATER. She said if CENTRAL ARKANSAS WATER becomes the sole source for the cities, the water system must be able to supply the demand. She said if through the adoption of the resolution, CENTRAL ARKANSAS WATER secures the cities as partners in a new water supply then the water utility would have significantly increased the customer base for the new supply. In response to questions and comments from Chair Dickey and Commissioner Eddie Powell, CEO Harvey and Mr. Morgan said they would confer with City of Cabot officials as to whether the city officials wanted a CENTRAL ARKANSAS WATER representative to attend the special meeting on Saturday, 18 August.

In further discussion, Commissioner Wood said he was concerned that if the City of Cabot accepts CENTRAL ARKANSAS WATER's resolution and opts not to sign on with the Lonoke/White Counties Water Supply Project and the municipal and community partners do not build the water line from Greers Ferry Lake, the cities and communities in Lonoke and White counties will face a longer period for resolving their long-term water supply needs. Mr. Morgan said he had been told that the Lonoke/White Counties Water Supply Project was feasible without the participation of the City of Cabot.

Upon a motion duly made and seconded, the Water Commission voted 6-0 to adopt the resolution of intent to supply the long-term water supply needs of the cities of Jacksonville and Cabot.

As an addition to the agenda, Mr. John B. Thurman, Attorney, said he was in the process of acquiring easements for the Mountain Crest Project. (The Mountain Crest Project includes the installation of a pumping station, storage tank, and 22,250 linear feet of 12-inch-diameter ductile iron water line. The improvements are to enhance service in the western portion of the distribution system-north). Mr. Thurman said the project requires the acquisition of 72 easements and only 3 likely will involve eminent domain proceedings. He requested authority to file proceedings on one property. Upon a motion duly made and seconded, the Water Commission authorized Mr. Thurman to file eminent domain proceedings in the matter.

At this point in the meeting, Chair Dickey announced that the Water Commission would convene an Executive Session to discuss a personnel matter. The Water Commission re-convened in Open Session and Chair Dickey announced that the Water Commission had received a request for retirement from Mr. Fred Glover, Chief Operating Officer. In a letter dated 8 August 2001 to CEO Harvey, Mr. Glover said that over the past year he had pondered the possibility of retirement; however, after the dream of merging the North Little Rock Water Department and Little Rock Municipal Water Works became a reality, he felt his responsibilities to customers and employees required his assistance in the merger of the two water utilities. Mr. Glover said the merger process had been an intriguing challenge that had been met. He said he had enjoyed his role in the process and with operations and other matters related to the merger settling down, he was comfortable in retiring from CENTRAL ARKANSAS WATER. He

praised employees of both former utilities for their acceptance and contribution to the merger and said the future was promising for the cities of Little Rock and North Little Rock, as well as surrounding cities and communities, in terms of meeting their broader water needs in a fair and equitable manner. He said his retirement was for personal and family reasons and that retirement most significantly would provide more time for his wife, Carolyn, and him to spend with their grandchildren. With individual expressions of regret, respect, and appreciation the Water Commission granted Mr. Glover's request for retirement, effective 30 November 2001. (Upon retirement, Mr. Glover will have 26 years of service with the North Little Rock Water Department and CENTRAL ARKANSAS WATER.)

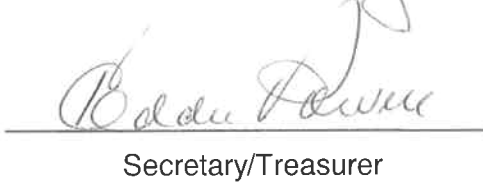
With there being no further business, Chair Dickey adjourned the meeting.

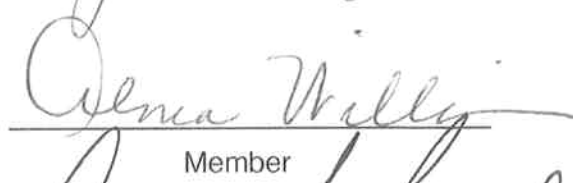
ATTEST:

APPROVED:

  
Vice Chair

  
Chair

  
Secretary/Treasurer

  
Member

  
Member

  
Member

  
Member

**RESOLUTION 2001-04**

**RESOLUTION EXPRESSING INTENT TO SUPPLY  
LONG-TERM WATER NEEDS OF JACKSONVILLE AND CABOT**

WHEREAS, the Jacksonville Water Works and the Cabot Water System are seeking sources of drinking water that will meet the long-term needs of their systems; and

WHEREAS, Central Arkansas Water is currently a primary supplier of water to the Jacksonville Water Works and an indirect supplier, through the Jacksonville Water Works, to the Cabot Water System; and

WHEREAS, Central Arkansas Water has or expects to acquire sufficient capacity to meet the long-term needs of the Jacksonville Water Works and the Cabot Water System; and

WHEREAS, the Consolidation Agreement under which Central Arkansas Water was created anticipates “a regional effort to secure a new source of water supply for central Arkansas, with a regional authority that can grow in number of members and in scope of responsibility”; and

WHEREAS, the Board of Commissioners desires to confirm the willingness of Central Arkansas Water to meet the long-term needs of the Jacksonville Water Works and the Cabot Water System on fair and equitable terms;

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF CENTRAL ARKANSAS WATER THAT:

1. It is the intent of Central Arkansas Water to offer to supply water to the Jacksonville Water Works and the Cabot Water System in quantities sufficient to meet their long-term needs. It is further the intent of Central Arkansas Water that the rates, fees and other charges for such water shall be fair and equitable, in light of the results of the rate study currently being conducted by Central Arkansas Water and the long-term needs of the areas served by Central Arkansas Water. Specifically, the Board of Commissioners contemplates that the rates, fees and other charges to be proposed to the Jacksonville Water Works and the Cabot Water System will be determined in a fair and equitable manner using the national standards for pricing as set forth by the American Water Works Association and other applicable professional standards.

2. The management and staff of Central Arkansas Water are authorized to enter into discussions with the management and staff of the Jacksonville Water Works and the Cabot Water System to further the purposes of these resolutions, and to recommend to the Board of Commissioners appropriate arrangements for carrying out the intent of these resolutions. Specifically, given that tentative plans anticipate that the Jacksonville Water Works and the Cabot Water System would construct a joint transmission main to tie into the northeastern portion of the Central Arkansas Water distribution system, the Board of Commissioners contemplates that the management and staff of Central Arkansas Water and their counterparts


will develop a proposal for a jointly funded engineering study to determine the hydraulic impact of this or any other project that would serve the cities of Cabot and/or Jacksonville in an equitable fashion.

The foregoing resolutions have been duly adopted by the Board of Commissioners of Central Arkansas Water at a meeting of the Board of Commissioners of Central Arkansas Water held on August 15, 2001.

Attest:

  
Secretary

APPROVED:

  
Chair

## **RESOLUTION 2001-04**

### **RESOLUTION EXPRESSING INTENT TO SUPPLY LONG-TERM WATER NEEDS OF JACKSONVILLE AND CABOT**

WHEREAS, the Jacksonville Water Works and the Cabot Water System are seeking sources of drinking water that will meet the long-term needs of their systems; and

WHEREAS, Central Arkansas Water is currently a primary supplier of water to the Jacksonville Water Works and an indirect supplier, through the Jacksonville Water Works, to the Cabot Water System; and

WHEREAS, Central Arkansas Water has or expects to acquire sufficient capacity to meet the long-term needs of the Jacksonville Water Works and the Cabot Water System; and

WHEREAS, the Consolidation Agreement under which Central Arkansas Water was created anticipates “a regional effort to secure a new source of water supply for central Arkansas, with a regional authority that can grow in number of members and in scope of responsibility”; and

WHEREAS, the Board of Commissioners desires to confirm the willingness of Central Arkansas Water to meet the long-term needs of the Jacksonville Water Works and the Cabot Water System on fair and equitable terms;

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF CENTRAL ARKANSAS WATER THAT:

1. It is the intent of Central Arkansas Water to offer to supply water to the Jacksonville Water Works and the Cabot Water System in quantities sufficient to meet their long-term needs. It is further the intent of Central Arkansas Water that the rates, fees and other charges for such water shall be fair and equitable, in light of the results of the rate study currently being conducted by Central Arkansas Water and the long-term needs of the areas served by Central Arkansas Water. Specifically, the Board of Commissioners contemplates that the rates, fees and other charges to be proposed to the Jacksonville Water Works and the Cabot Water System will be determined in a fair and equitable manner using the national standards for pricing as set forth by the American Water Works Association and other applicable professional standards.

2. The management and staff of Central Arkansas Water are authorized to enter into discussions with the management and staff of the Jacksonville Water Works and the Cabot Water System to further the purposes of these resolutions, and to recommend to the Board of Commissioners appropriate arrangements for carrying out the intent of these resolutions. Specifically, given that tentative plans anticipate that the Jacksonville Water Works and the Cabot Water System would construct a joint transmission main to tie into the northeastern portion of the Central Arkansas Water distribution system, the Board of Commissioners contemplates that the management and staff of Central Arkansas Water and their counterparts will develop a proposal for a jointly funded engineering study to determine the hydraulic impact of this or any other project that would serve the cities of Cabot and/or Jacksonville in an equitable fashion.

The foregoing resolutions have been duly adopted by the Board of Commissioners of Central Arkansas Water at a meeting of the Board of Commissioners of Central Arkansas Water held on August 15, 2001.

Attest:

APPROVED:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Chair



Minutes of a Special Meeting  
of the Board of Commissioners  
CENTRAL ARKANSAS WATER

27 August 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened a special meeting at 2 p.m. Monday, 27 August 2001, in the Training Center of the Maryland Avenue Complex. The building location is 1500 West Maryland Avenue in North Rock, Arkansas. Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice Chair  
Mr. Eddie Powell - Secretary/Treasurer  
Dr. Tom Rimmer - Member  
Ms. Alma Williams - Member  
Mr. Claude B. Wilson, P.E. - Member  
Mr. Craig Wood - Member  
Ms. Kathlyn Graves - Attorney  
Mr. John B. Thurman - Attorney  
Mr. Mark Davis - Attorney  
Mr. Jim Harvey - Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. - Chief Operating Officer  
Mr. Fred Glover - Chief Operating Officer  
Mr. Steve Morgan - Director of Regionalism & Future Water Source  
Ms. Marie A. Crawford - Director of Communications

Also in attendance were Mr. Gary P. Pittman, Director of Finance & Customer Service; Mr. Ron Brown, Assistant Finance Director; Mr. Gerald Boon, Controller; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; Mr. Allen M. Mullins, C.P.A., with Carter-Burgess, Inc.; Mr. James Tanner, P.E., Public Works Unit Manager for Carter-Burgess, Inc.; Mr. Clyde Burnett, P.E., Water Utilities Engineer for Carter-Burgess, Inc.; Mr. Jim McKenzie, Executive Director of Metroplan - Council of Local Governments; Mr. Thad Gray, Chairman of the Jacksonville Water Commission; Mr. Ken Anderson, General Manager of Jacksonville Water Works; Mr. Kirby Rowland, P.E., Manager of Environmental Projects for Garver Engineers; Mr. Cary Bradburn, reporter with *The Times* of North Little Rock; Ms. Cindy Murphy, reporter with the *Arkansas Democrat-Gazette*; and Mr. Jason Anthes, photographer with the *Arkansas Democrat-Gazette*.

The following City of Cabot representatives also were present: Mr. Joe Allman, Mayor; Mr. Eddie Joe Williams; Mr. Eddie Long, alderman and member of the Water & Sewer Committee; Mr. Odis Waymack, alderman and member of the Water & Sewer Committee; Mr. David Langstaff, Water Manager for the Water & Wastewater Department; Mr. Keith Rhodes, City Attorney; and Mr. Stewart Noland, P.E., of Crist Engineering, Inc. Attending on behalf of other municipal/community water users were: Mr. Bob Griffin, member of the City of Bryant Water & Sewer Committee; Mr. Tim Shaw, Project Assistant for Community Water System at Heber Springs; Mr. Bill Bethea, Assistant to the Chief Executive Officer of the Conway Corporation; Mr. Roger Moren, General Manager of Sardis Water Association; and Mr. Art Brooke, Mayor of the City of Ward.

Ms. M. Jane Dickey, Chair, called the meeting to order. She shared with the Board of Commissioners, CENTRAL ARKANSAS WATER, information on the American Water Works Association's Third Water Board & Public Officials Summit. The meeting date and location

are 3 - 5 November 2001 in Charleston, South Carolina. Chair Dickey offered that the conference agenda is an excellent program for CENTRAL ARKANSAS WATER board members. She said she planned to attend and hoped that fellow commissioners also would attend. Upon a motion duly made and seconded, the Water Commission approved attendance of the conference by board members who wish to attend.

At this point, Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc., opened the Water Commission's Rate Methodology Workshop. As the start of an overview of refined revenue and revenue requirement projections for the years 2001-2010, Mr. Shaw presented three recommendations relative to pricing and funding of water service:

1. No changes in the existing rate schedule for the year 2002
2. Implementation of impact fees in the year 2002
3. Adjustments in service and ancillary fees in the year 2002

Mr. Shaw said projections indicate that, with an updated schedule of service and ancillary fees and the implementation of a schedule of impact fees, the water utility would generate sufficient revenue to cover costs in the year 2002. He presented an updated service and ancillary fee schedule and a proposed impact fee schedule. Further, in light of the 1 July 2001 merger of Little Rock Municipal Water Works and the North Little Rock Water Department into CENTRAL ARKANSAS WATER, Mr. Shaw recommended that the Water Commission await more accurate and consistent revenue and revenue requirement figures for the consolidated utility before deciding on rate adjustments. He said the Little Rock and North Little Rock water systems maintained different types of revenue and rate information and said a uniform system would provide more consistent information for determining rates. He said the differences were associated with the administering and pricing of services to customers.

Mr. Shaw said he would encourage utility staff to review each year all of the costs incorporated into the revenue requirements and update and refine the estimates for the 10-year plan, based upon the latest information available. He said new computer system capabilities would provide for the collection of consistent customer class information in 2002 and the annual review would facilitate revisions to the recommended rates for the different customer classes for each period, as needed.

In continuing the workshop, Mr. Shaw outlined a two-phase approach to taking all customers other than inside-City of Little Rock customers to full cost-of-service rates by the year 2006 and taking inside-City of Little Rock rates to full cost-of-service rates less the application of Water Resources Reserve Fund Trust monies by the end of the year 2006. He said the second phase would be to bring all rates to the full cost-of-service level within the next four-year period after the year 2006. He estimated that if capital improvements program amounts after the year 2006 paralleled the capital improvements program amounts for the years 2001-2006 then rate equalization likely would occur within the next two to three years after 2006.

Mr. Shaw said a comparison of costs, current rates and revenues, revenue requirements, and available reserve funds reveals that an average \$1.18 per unit (100 cubic feet of water) would be the cost-of-service rate for all customers excluding inside-City of Little Rock customers and an average \$1.19 per unit would be the cost-of-service rate for inside-City of Little Rock customers in 2006.

In response to questions from Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, and Mr. Stewart Noland, P.E., with Crist Engineering, Inc., a representative of the City of Cabot, Mr. Shaw said mastered-metered customer rates would not exceed the current rates for at least the next five years.

Chair Dickey recommended that management staff discuss the adjustments in service and ancillary fees with affected entities, such as the wastewater, solid waste, and other service providers for which CENTRAL ARKANSAS WATER provides customer billing and collection services. Mr. Jim Harvey, Chief Executive Officer, said management staff would share the proposed schedule with the entities. Chair Dickey also inquired about the Water Commission's requirements to notify the public of the phased plan to equalize rates within customer classes. After a discussion with legal counsel about whether service and ancillary fees are classified as rates, Chair Dickey asked legal counsel to research whether public hearings were required for the updated schedule of service and ancillary fees. (In the past, the Little Rock Board of Directors and North Little Rock City Council had final approval of rate adjustments; however, the Little Rock Water Commission and North Little Rock Water Commission had final approval on the schedule of service and ancillary fees.)

With there being no further business, Chair Dickey adjourned the meeting at 3:47 p.m.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary/Treasurer

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

Minutes of a Regular Meeting  
Board of Commissioners  
CENTRAL ARKANSAS WATER

13 September 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened a regular meeting at 2 p.m. Thursday, 13 September 2001, in the Third Floor Conference Room of the Capitol Avenue Building. The building location is 221 East Capitol Avenue in Little Rock. Present were:

Ms. M. Jane Dickey – Chair  
Ms. Francille Turbyfill – Vice Chair  
Mr. Eddie Powell – Secretary/Treasurer  
Dr. Tom Rimmer – Member  
Ms. Alma Williams – Member  
Mr. Claude B. Wilson, P.E. – Member  
Mr. Craig Wood – Member  
Ms. Kathlyn Graves – Attorney  
Mr. John B. Thurman - Attorney  
Mr. Michael Davis - Attorney  
Mr. Jim Harvey – Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. – Chief Operating Officer  
Mr. Fred Glover – Chief Operating Officer  
Mr. Steve Morgan – Director of Regionalism & Future Source  
Ms. Marie A. Crawford – Director of Communications

Also in attendance were Mr. Gary P. Pittman, Director of Finance & Customer Service; Mr. Dale W. Russom, P.E., Director of Engineering; Mr. James Tanner, P.E., Public Works Unit Manager for Carter-Burgess, Inc.; Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc.; Mr. Allen M. Mullins, C.P.A., with Carter-Burgess, Inc.; Mr. Thad Gray, Chairman of the Jacksonville Water Commission; Mr. Ken Anderson, General Manager of Jacksonville Water Works; Mr. Roger Moren, General Manager of Sardis Water Association; Mr. Eddie Long, Alderman and Member of Water & Sewer Committee for the City of Cabot; Mr. Jack N. Brashear, P.E., Senior Project Engineer with Garver Engineers; and Ms. Katherine "K.J." Longley, Editor of the *Sherwood Voice*.

Ms. M. Jane Dickey, Chair, opened the meeting. The Board of Commissioners, CENTRAL ARKANSAS WATER, approved the minutes to the 15 August 2001 and 27 August 2001 meetings.

First on the agenda was a presentation by Mr. Larry Shaw, Senior Management Consultant for Carter-Burgess, Inc., on proposed financial policies related to the pricing function of water services and on rate schedule scenarios for CENTRAL ARKANSAS WATER. He proposed the following three financial policies related to the pricing of water services:

1. The price for basic water and related ancillary services should reflect the cost to provide each service, based upon the regional approach to assigning cost responsibility.
2. The capital improvement costs to expand the water facilities to serve future customers should be borne by those future customers.
3. The design of rates to recover the cost of service should support the conservation of water resources.

On the rate schedule, Mr. Shaw proposed two scenarios: (A) a schedule that would begin the rate equalization process among Little Rock and North Little Rock customers in the year 2003 and (B) a schedule scenario that would begin the rate equalization process in the year 2002.

Both rate proposals incorporated the use of reserve trust funds held by the cities of Little Rock and North Little Rock and addressed rates for domestic, commercial and other public utility, industrial, governmental, sprinkler, and raw-water customers. Mr. Shaw also included typical bills for the different classes of customers, under the two rate schedule scenarios.

Upon a motion made by Mr. Craig Wood, Commissioner, to adopt the recommended financial policies, the Water Commissioners began a discussion on the fact that, under the proposed schedule scenarios, inside-city customers in Little Rock at some point in the future may pay higher rates than outside-city customers because the former class would bear the City's franchise fee. Chair Dickey said she would be reluctant to set policy for inside-city customers to pay a higher rate than outside-city customers would pay. Mr. Shaw said that in some states, legislation allows the franchise fee to be considered a cost to provide service thus a cost to be borne by inside- and outside-city customers and it is added as a percentage of the customer bill. Commissioner Wood said a factor similar to the franchise fee would be "public good" projects requested of the water utility by the cities of Little Rock and North Little Rock.

In further discussion of the rates for inside- and outside-city customers, Mr. Shaw said he does not believe that under the regional cost-of-service methodology for common-to-all-costs, inside-city Little Rock customers ever would pay higher rates than outside-city customers would pay for the same service. He reiterated that the current rate scenarios were based on available data and, as more complete and additional data become available on the cost to serve customers outside both cities, the cost of service and cost allocation would change. He cited the City of Hot Springs Municipal Utilities as an example of a water system that had such data available and the cost to serve outside-city customers was determined to be much higher than the cost to serve inside-city customers.

Dr. Tom Rimmer, Commissioner, expressed concern about adopting financial policies that at this time had not been drafted in written form and recommended that more time be allowed for consideration of the proposal unless an urgency existed. Commissioner Wood said that without defining the pricing policies, the Water Commission could not complete the rate design. He then inquired about the timetable for beginning the rate equalization process. Chair Dickey said the Consolidation Agreement between the cities of Little Rock and North Little Rock required the Water Commission to begin an initial equalization schedule by 1 January 2002 or as soon thereafter as practical.

Comments from staff indicated that the conversion of North Little Rock accounts to the Municipal & Utility Package Software (MUPS) would have to be accomplished prior to the implementation (programming) of a new rate schedule and said the anticipated date for project completion is April 2002. Commissioner Wood withdrew the motion to adopt the proposed financial policies for the pricing of water services.

In response to a question from Commissioner Rimmer, Mr. Jim Harvey, Chief Executive Officer, said the problem with not adopting rates by 1 January 2002 is that the utility currently has different ancillary fees in effect for customers north and south of the Arkansas River. (The separate fee schedules were carryovers from the Little Rock Municipal Water Works and North Little Rock Water Department systems.) Resuming past discussions about whether ancillary fees, by law, are "rates," Ms. Kathryn

Graves, Attorney, said arguments could be made both ways. Commissioner Wood said the safest approach would be to consider the ancillary fees as "rates." Mr. John B. Thurman, Attorney, said his greatest concern was that after 1 January 2002, the water utility may not legally have rates or fees that discriminate.

After further discussion of the financial policies and ancillary fees, Ms. Alma Williams, Commissioner, said she would like a staff recommendation and offered a motion for staff to prepare a recommendation on the ancillary fees, based upon available legal opinion. With a motion duly made and seconded, the Water Commission approved the request for a staff recommendation. On the financial policies, Commissioner Rimmer made a motion for staff also to provide a written recommendation on the proposal outlined by Mr. Shaw, as well as other relevant policies.

In regard to questions about rates and capital improvement costs after the year 2006, Mr. Shaw emphasized that the capital improvements costs beyond 2006 only were estimates. He said that as future capital improvements programs become more detailed and specific, updates of the rate model would be possible and, in turn, a determination of related costs and rates. He reminded the Water Commission that capital improvements for the period after 2006 were only on an estimated basis and actual rates for the years after 2006 would change from the numbers provided in the current scenarios.

Mr. Shaw also said the rate scenarios address the regional approach for outside-city customers and the equalization of rates within the two corporate boundaries (Little Rock and North Little Rock). He said the basis for the regional approach to common-to-all-costs, which tentatively was adopted by the Water Commission, was to equalize the common costs for inside- and outside-city users. He said rate differentials would be reflected in the allocation of costs for facilities used by specific customers. Chair Dickey said she understood the rationalization behind the rate scenarios but was concerned about dramatic increases that might occur for inside-city Little Rock customers. Ms. Francille Turbyfill, Vice Chair, said she did not think there would be dramatic rate changes if the adjustments were implemented over time. Commissioner Wood added that there would be a transitional period and he did not think the incremental adjustments would be dramatic.

In response to a question from Mr. Eddie Powell, Secretary-Treasurer, CEO Harvey said he understands legal counsel's concerns about whether ancillary fees are "rates" and said the schedule to begin rate adjustments in 2002 more quickly would begin the rate equalization process. He said staff was comfortable with postponing adjustments in rates until 2003 so that staff and the consultants would have uniform data on customers north and south of the river.

Explaining how the year 2006 was selected as the end of the first phase of rate adjustments, Mr. Shaw said 2006 was the final year for which the utility currently has a definitive capital improvements plan. Ms. Dickey noted that from the rate scenarios it appeared that by the year 2006 most of the rate adjustments would be completed. Mr. Shaw affirmed the statement.

In concluding the discussion on rates, Mr. Shaw said for the Water Commission's October 2001 meeting he would have a recommendation on whether to begin adjustments to the rate schedule in 2002 or 2003.

Chair Dickey thanked Mr. Shaw and other representatives of Carter-Burgess, Inc., for the preparation and presentation of the rate schedule scenarios.

The Water Commission also approved:

1. The selection of Moore Stephens Frost, Certified Public Accountants, as auditors, and Rebsamen Insurance Company, as the agent for business (property, fire, automobile, liability, etc.) insurance (The auditors contract is for a term of five years, with annual renewal options, and the insurance contract is for three years, with annual renewal options.)
2. A contract with Woolpert, L.L.C., for Geographic Information System (GIS) Data Conversion and Implementation for the inclusion of CENTRAL ARKANSAS WATER's facilities north of the Arkansas River into the utility's existing GIS system.
3. A contract with McV, Inc., for the replacement of 1,330 linear feet (l.f.) of 8-inch-diameter cast iron pipe and two public fire hydrants with 1,330 linear feet of 8-inch-diameter ductile iron pipe and two public fire hydrants in 22nd Street in Little Rock and the replacement of approximately 9,000 l.f. of 2-inch-diameter galvanized water main with approximately 9,000 linear feet of 3-inch-diameter polyvinylchloride (PVC) pipe in sections of 11th, Abigail, Battery, Bishop, Jefferson, and Oak streets, as well as Patricia Lane, in Little Rock.
4. A contract with Utility Service, Inc., for the cleaning and coating of the interior of the 4-million-gallon ground storage tank at Granite Mountain (Tank #13A).
5. An amendment to the contract with Carter-Burgess, Inc., for the consulting firm to provide hydraulic analysis services until the utility has staff trained to perform the analyses.

In an update on the Central Arkansas Regional Water Discussion Group, Mr. Steve Morgan, Director of Regionalism & Future Source, said much progress had been accomplished since last month's report. He said staff nearly was ready with a draft contract for service to Sardis Water Association. He said CEO Harvey and he had a productive meeting with Dr. Joe Nix of the Ouachita River Water District; Mr. J. Randy Young, Executive Director of the Arkansas Soil & Water Conservation Commission; and Pulaski County Judge Floyd G. "Buddy" Villines. He said Dr. Nix had questions about CENTRAL ARKANSAS WATER's commitment to retain the Right of First Refusal on 120 million gallons of water per day from DeGray Lake. (The Right of First Refusal agreement is with the Ouachita River Water District.) Mr. Morgan said the Arkansas Soil & Water Conservation Commission is interested in providing as much as two-thirds of the funding for a future water source study for the region because it would reduce the number of studies required by different water users in the region.

Mr. Morgan also shared that the Regional Water Discussion Group and Metroplan – Council of Local Governments is almost ready to make their final recommendations from the past six months of talks with Central Arkansas water users. He said the findings would be in a report to be presented at a 6 p.m. meeting on 1 October 2001 at Metroplan's 501 West Markham Street office. He said the discussion group would make available the final version of its recommendations to the Water Commissioners and he invited the Water Commissioners to attend the October meeting. He said the interest in the regional effort is very significant on the part of other water users and communities. He said he had met with representatives of the City of Cabot and the central Lonoke County community of Furlow.

CEO Harvey said Judge Villines has federal monies to build a pedestrian bridge across the Arkansas River at Murray Lock and Dam and utility staff had talked previously about installing a transmission main at the crossing. He said Garver Engineers has been working on a design plan and believes that the crossing will support a 36-inch-diameter waterline without much additional cost to the project. He said the Arkansas Soil & Water Conservation Commission and the Ouachita River Water District were interested in the future-source study and the commission was interested in the crossing, as well, because they foresee the potential for their participation to be a motivation for CENTRAL ARKANSAS WATER to retain the right to the DeGray Lake supply rather than continuing to look north for a future water source. Further, CEO Harvey said the Arkansas Soil & Water Conservation Commission's interest is in the statewide benefits and the commission foresees the potential for a DeGray Lake project to benefit other municipalities and communities between Arkadelphia and Little Rock.

Chair Dickey commended Mr. Morgan for the leadership that he has shown in the regionalization effort.


With there being no further business, Chair Dickey adjourned the meeting.

ATTEST:

APPROVED:

  
Vice Chair


  
Chair

  
Secretary/Treasurer

  
Member

  
Member

  
Member

  
Member



Minutes of a Special Meeting  
Board of Commissioners  
CENTRAL ARKANSAS WATER

20 September 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened a special telephone conference call meeting at 9 a.m. Thursday, 20 September 2001. The telephone conference originated in the Third Floor Conference Room of the Capitol Avenue Building (downtown office). The building location is 221 East Capitol Avenue in Little Rock, Arkansas. Participating in the meeting were:

Ms. M. Jane Dickey - Chair  
Mr. Eddie Powell - Secretary/Treasurer  
Dr. Tom Rimmer - Member  
Ms. Alma Williams - Member  
Mr. Claude B. Wilson, P.E. - Member  
Mr. Jim Harvey - Chief Executive Officer  
Mr. Bruno Kirsch, Jr., P.E. - Chief Operating Officer  
Mr. Fred Glover - Chief Operating Officer  
Ms. Marie A. Crawford - Director of Communications

Mr. Jim Harvey, Chief Executive Officer, opened the meeting with an announcement of Water Commissioners and utility staff to participate in the meeting and stated that the purpose of the special session was to consider a contract proposal for the inspection of the raw water pipeline from Lake Maumelle. He said staff had notified the news media of the called meeting.

(CENTRAL ARKANSAS WATER has two raw water transmission lines from Lake Maumelle: A 48-inch-diameter pipeline and a 72-inch-diameter pipeline. Both raw water mains are constructed of re-enforced concrete cylinder pipe—a metal liner coated with concrete inside and out, the concrete wrapped with pre-stressed wire/cable, and the wire/cable coated in concrete. The wire/cable and the steel liner deteriorate through contact with damp and corrosive soil conditions.)

Harvey said the utility has had water line breaks many times in the past because the wire/cable had deteriorated from exposure to dampness and corrosive soil. He said if the utility could analyze the condition of the pipeline segments, the utility would be better situated to replace weakened sections prior to actual rupture or failure. He said Mr. Dennis Yarbro, P.E., Supervisor of Water Sources, had researched various technologies used to detect problems prior to the failure of water lines and would present the inspection proposal. (Mr. Dale W. Russom, P.E., Director of Engineering, initiated and assisted with research on pipeline testing procedures.)

Mr. Yarbro said technology had been developed that utilizes a transmitter and receiver combination to detect broken wires. He said the transmitter impresses an electromagnetic current onto the cable wrapping and a receiver picks up the signal. Broken wires result in attenuation (weakening) of the signal. He said the utility received two proposals for analysis services to determine the condition of the raw water pipeline. He recommended a contract in the amount of \$103,340.05 with Openaka Corporation, Inc., for the analysis of a 3-mile section of the 72-inch-diameter raw water line between the Lake Maumelle Pumping Station and the Little Maumelle River crossing. He said the proposal is to evaluate the technology

and designated section of the pipeline then determine whether to continue the project on the 48-inch-diameter raw water pipeline.

The Supervisor of Water Sources said the work by Openaka Corporation would involve the installation of two 24-inch-diameter access points (manholes) to allow the project teams inside the pipeline. He said the teams would assemble the detection equipment and conduct the tests inside the pipeline. Further, he stated that the work would involve moving the equipment through the pipeline from one manhole to the other manhole and involve performing sounding tests for indications of de-lamination (separation) of the concrete and liner. Mr. Bruno Kirsch, Chief Operating Officer, P.E., said the 2001 budget includes \$110,000 for the project and staff had delayed the project until the fall season, which is a period of low water production and demand. Mr. Yarbrow added that the inspection project would require the de-watering of the pipeline under analysis.

In response to questions from Chair M. Jane Dickey and Commissioner Alma Williams, Mr. Yarbrow said the project fell within the scope of a professional engineering service. He said the approach that staff took was to research available technologies, as well as the experience of the engineering firms, and select the best engineering firm for the job. He said other engineering firms utilize similar or different technologies and the Openaka Corporation utilizes the technology that involves a combination of testing procedures and equipment.

Commissioner Eddie Powell inquired about the utility's knowledge of Openaka Corporation. Mr. Yarbrow said he had been introduced to the engineering firm and technology last year while in the Washington, D.C., area to observe sound-analysis technology for determining the effect of high water pressure and surges on cable wrapping. He said the engineering firm had done work for the Washington Suburban Sanitary Commission, which has hundreds of miles of large diameter pipeline.

In response to an inquiry from Commissioner Tom Rimmer about developing in-house expertise, CEO Harvey said staff would consider the possibility, if practical. When asked by Commissioner Claude B. Wilson, P.E., and Commissioner Williams about a continuation of the project and the pace at which technology is changing, Mr. Yarbrow said staff likely would await the results of the first analysis before deciding whether to test additional pipeline sections. He also pointed out that testing would be limited to periods of low water usage. He said engineering firms are continuing to develop different pipeline analysis technologies and noted that Openaka Corporation had approximately eight years of experience with the combination technology. Mr. Yarbrow said the engineering firm's experience with the computer software and equipment was to the point that analysis results were more precise. Upon a motion duly made and seconded, the Water Commission with a 5-0 vote approved the contract with Openaka Corporation.

CEO Harvey said Ms. Francille Turbyfill, Vice Chair, had planned to participate in the called meeting, if she was available, and had voiced support for the project.

In an update on security at CENTRAL ARKANSAS WATER facilities, CEO Harvey said operations continued to be under heightened security. (The utility instituted a higher level of security following terrorist attacks on 11 September 2001 in New York City, Washington, D.C., and Shanksville, Pennsylvania. The Federal Bureau of Investigation, National Infrastructure Protection Center, American Water Works Association, and Association of Metropolitan Water Agencies advised governmental entities to heighten physical and cyber [computer system] security. The national entities have recommended that the additional security be in place for

a span of at least 30 days.) CEO Harvey outlined the enhanced security measures in place at Lake Maumelle, Lake Winona, the Jack H. Wilson Water Treatment Plant, Ozark Point Water Treatment Plant, Clearwater Operations/Maintenance Complex, Capitol Avenue Building, and Maryland Avenue Complex. He said the utility is requiring employees to wear photograph identification badges at all times while in utility buildings and he said visitors must have escorts in the buildings. He said the utility has re-opened the lakes to boating activities but noted that marina and utility personnel at Lake Maumelle inspect the boats of unknown patrons. He said marina and utility personnel are allowing known patrons onto the lake. When asked about water quality monitoring, CEO Harvey said the Source & Treatment Department continuously monitors water quality and a drop in chlorine residual would be the most immediate indication of a problem. He added that he had asked department personnel to remain alert and report any instance of unusual activity or testing results. On related security matter, COO Kirsch informed the Water Commissioners that each would be receiving by mail photograph identification badges. He asked that they wear the badges to Water Commission meetings and when visiting utility facilities.

On another water quality matter, Mr. Yarbrow shared that he expects the fall season's turnover of Lake Maumelle to occur within the next several days. (The turnover typically results in a change in water quality that is compensated for through the treatment process. The turnover is the result of water on the surface becoming cooler and denser, sinking to the bottom, and bringing the lower strata of water and organic matter to the surface. The surface water is warm during the summer and cools during the fall season.)

In resuming a brief discussion on the pipeline inspection, Mr. Yarbrow said the delivery time for the tapping sleeves for the manholes is four to six weeks. He projected that the actual testing would begin in November 2001. Commissioner Wilson said he would be interested in observing the installation and work. Mr. Yarbrow said staff would notify the Water Commissioners when the project commences.

With there being no further business, Chair Dickey adjourned the meeting at 9:20 a.m.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary/Treasurer

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

\_\_\_\_\_  
Member

September 20, 2001

Minutes of a Regular Meeting  
Board of Commissioners  
CENTRAL ARKANSAS WATER

11 October 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened in a regular meeting at 2 p.m., Thursday, 11 October 2001, in the Third Floor Board Room of the Capitol Avenue Complex, Little Rock. Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice-Chair  
Mr. Eddie Powell - Secretary/Treasurer  
Dr. Thomas Rimmer - Commissioner  
Ms. Alma Williams - Commissioner  
Mr. Claude Wilson - Commissioner  
Mr. Craig Wood - Commissioner

Also in attendance were:

Mr. James Harvey - Chief Executive Officer  
Mr. Bruno Kirsch - Chief Operating Officer  
Mr. Fred Glover - Chief Operating Officer  
Ms. Marie Crawford - Director of Communications  
Mr. Steve Morgan - Director of Regionalism & Future Source  
Mr. Gary Pittman - Director of Finance & Customer Service  
Mr. Dale Russom - Director of Engineering  
Ms. Connie Horn - Management Secretary  
Ms. Kathy Graves, Attorney - Wright, Lindsey & Jennings  
Mr. Ken Anderson, Manager - Jacksonville Water Works  
Mr. Thad Gray - Jacksonville Water Works  
Mr. Larry Lichty - Little Rock Board of Directors  
Mr. Allen Mullins - Carter & Burgess  
Mr. James Tanner - Carter & Burgess  
Mr. Kirby Rowland - Garver Engineers  
Ms. Cindy Murphy - *Arkansas Democrat-Gazette*  
Mr. Stephen Thornton - *Arkansas Democrat-Gazette*  
Ms. K. J. Longley - *Sherwood Voice*

Ms. M. Jane Dickey, Chair, called the regular October meeting to order. Ms. Dickey asked if there was a motion to approve the minutes of the previous meeting. Mr. Wood made a motion, which was seconded by Mr. Powell, to approve the minutes of the previous meeting. The motion was approved.

At this time, Mr. Harvey indicated that item #2 on the agenda would not need to be considered and asked the Commission to remove the second item from its agenda. The Commission agreed to do so.

Item #3 on the agenda was for the approval of a low bid, in the amount of \$145,646.10 from Landers Ford for the purchase of three two-ton trucks. A motion was made by Mr. Wood and seconded by Mr. Powell. The motion was approved.

Item #4 on the agenda concerned the selection of legal services. A committee had

previously been formed to select a firm for legal representation. Mr. Harvey reported that the committee had received eight (8) statements of qualifications and that making a decision from the submittals was extremely difficult. He informed the Board that after review of the qualifications presented, the committee was pleased to recommend the law firm of Wright, Lindsey & Jennings to the Board of Commissioners.

Mr. Wilson asked for an opportunity to comment and indicated that he wanted to state for the record that the decision by the committee was not a unanimous one in that he had supported Mr. John Thurman, attorney for North Little Rock Water Department, due to the long standing and successful relationship that he had with that utility. Mr. Harvey commented that Mr. Thurman had rendered wise counsel and valuable service during and after the merger process. Mr. Powell urged Wright, Jennings & Lindsey to utilize Mr. Thurman's vast knowledge and experience in the water utility field.

Mr. Wood made a motion, which was seconded by Mr. Powell, to accept the committee's recommendation to appoint the law firm of Wright, Lindsey & Jennings as legal counsel. After some discussion, Mr. Wood called attention to wording in the "Engagement of Counsel" letter as to who has authority to engage legal counsel. After some discussion, Mr. Wood amended his motion to include giving authority to engage legal counsel to "CEO, Chairman of Commission or designees of the CEO". The amended motion was approved.

Item #5 on the agenda concerned Resolution #2001-07, Selection of Professional Services. Mr. Kirsch reported the previous Commissions of the former water departments of Little Rock and North Little Rock had approved similar policies. After some discussion on the definition of, and selection of professional services, a motion was made by Mr. Powell and seconded by Mr. Rimmer to approve the policy as recommended by staff. The motion was approved.

Item #6 on the agenda concerned Resolution #2001-08A - Financial Policies. A presentation by Mr. Kirsch was followed by several questions and much discussion regarding the significance of, and the difference between, 08A and 08B. Mr. Powell made a motion to approve Resolution #2001-08A, as recommended by staff, with the addition of the phrase "to the extent it is practical" added to item #2. Mr. Wood seconded the motion and the motion was approved.

Item #7 on the agenda concerned Resolution #2001-09A - Establishing a Schedule of Rates. Mr. Kirsch presented the Commission with two options: 9A and 9B. Mr. Mullins of Carter & Burgess answered questions from the Commission and explained the differences between the two choices. Mr. Kirsch informed the Commission that this resolution would have to be presented at a public hearing; therefore, staff is seeking approval from the Commission to do so. Mr. Wood made a motion to present this resolution at a public hearing as recommended by staff. The motion, which was seconded by Ms. Williams, was approved.

Item #8 on the agenda concerned Resolution #2001-10 - System Development Charges. This is a new charge and is considered to fall under the category of rates. Because of this, it must also be presented at a public hearing. In a discussion on this resolution, Mr. Rimmer suggested adding the phrase "to the extent it is practical" in the sixth WHEREAS. Mr. Wood made a motion to approve this resolution with the additional phrasing, as recommended by staff. The motion was seconded by Ms. Williams and approved.

Item #9 on the agenda concerned Resolution #2001-11 - Ancillary Service Charges. Mr. Kirsch explained to the Commission that both the Little Rock Municipal Water Works and the North Little Rock Water Department had charges for these activities. However, the charges may be different for the same activity. The rate consultants had reviewed the charges and recommended a cost of service approach. The proposed charges are based on cost of service to the extent practical. Staff recommends approval of these charges for CENTRAL ARKANSAS WATER. A motion to approve the resolution as recommended by staff was made by Mr. Wood and seconded by Mr. Powell. The motion was approved.

Item #10 on the agenda was for the approval of a contract for engineering services for the over-sizing of an 8" main to a 12" main to serve the Beau Vue Sub-division. At this point, Ms. Dickey cited a conflict of interest and asked Ms. Turbyfill to take over as Chair during this discussion. Mr. Dale Russom reported to the Commission that this project had previously been approved by the LRMWW Board of Commissioners under a different name and different developer. CAW will participate 100% in installation of 750 linear feet of the 12" main at 8" main cost. A motion to approve this project was made by Mr. Wood and seconded by Mr. Powell. The motion was approved.

Item #11 on the agenda was for the approval of a contract with Garver Engineers for engineering services for the construction of Brodie Creek Pump Station. After some discussion, a motion was made by Mr. Powell to approve the project as recommended by staff. The motion, which was seconded by Mr. Wilson, was approved.

Item #12 on the agenda concerned approval of a contract for engineering services with Marlar Engineering. The project is for the installation of a 24-inch waterline in Brodie Creek from Bowman to Chenal Pkwy. A motion was made by Mr. Wilson and seconded by Ms. Turbyfill to approve the project as recommended. The motion was approved.

Item #13 on the agenda was a report by Mr. Steve Morgan on regionalism activities. Mr. Morgan recently attended a Metroplan meeting and reported that they are working on an engineering study for future water sources. Mr. Harvey commented that the Corps of Engineers has offered to participate 50% in the engineering study. Mr. Morgan also reported that North Pulaski Water District is planning to make capital improvements to their system and is currently taking water on a continuous basis. They are proposing to build a pump station and take their water during off-peak hours. He also reported that there have been discussions regarding contract language for the sale of water with Sardis Water District.

Item #14 on the agenda concerned security procedures for the water utility. Mr. Harvey reported to the Commission that he had recently held meetings with all employees of the utility. He explained he felt that even though the security precautions recently put into place may seem extreme, in light of recent events, they are certainly necessary. Mr. Harvey went on to explain the various security precautions being undertaken at the various facilities. Mr. Wood commented that a substantial sum of money had been approved for security at the treatment plants and wondered if the work had been completed. Mr. Harvey reported that the work was almost complete and that he had received a letter from property owners in the area complimenting CAW on the appearance of the work done.

At this time, Ms. Dickey requested a report from CAW staff regarding our ability to get additional water out to areas of industrial parks and the port authority of Little Rock. She stated she had heard of lost opportunities for new industry because of water needs at the

power plant at Wrightsville. She wanted to ensure we never again miss out on the opportunity for industrial development. Mr. Harvey commented that there is currently a report on this issue, and that it can be quickly updated and given to the Commission.

Mr. Russom reported that he had been receiving a large amount of requests for water and he would like to do a complete hydraulic study to verify the water needs in these areas. There have been discussions on providing water to these areas, but he felt there needed to be further studies on providing water to these areas.

In final action, Ms. Dickey asked for a motion to adopt a resolution to authorize Mr. Harvey to execute a severance agreement with Mr. Fred Glover. The motion was made by Mr. Powell and seconded by Mr. Wilson. The motion was approved.

With no further business, Chair Dickey adjourned the meeting at 4:35 p.m., 11 October 2001.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice-Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary/Treasurer

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

RESOLUTION 2001-07

A RESOLUTION ESTABLISHING POLICY FOR THE SELECTION  
OF PROFESSIONAL SERVICES

WHEREAS, it is the policy of the Board of Commissioners of CENTRAL ARKANSAS WATER, to negotiate contracts for professional services on the basis of demonstrated competence and qualifications for the type of services required and at fair and reasonable prices, and to not use competitive bidding for the procurement of professional services; and

WHEREAS, professional services today are not limited to the traditional professions, and the definition of professional services is a constantly changing and developing concept; and

WHEREAS, in acquiring professional services it must be determined what process should be used and therefore it is necessary for the Board of Commissioners to define professional services;

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners, CENTRAL ARKANSAS WATER, finds that professional services shall include, but shall not be limited to, engineering, land surveying, financial, legal, architectural, economic, business planning, forecasting, real estate, real estate appraisal, land management, timber management, natural resource conservation and management forestry, horticultural, agricultural, geological, computer, systems analysis, risk management, medical, insurance, archeological, accounting, statistical, chemical, environmental, water quality, hydraulic, and such other services involving labor, experience, skill, education, or special knowledge, as the Board of Commissioners may determine from time to time.

\*\*\*\*\*

CERTIFICATE

I, Eddie Powell, Secretary of the Board of Commissioners, CENTRAL ARKANSAS WATER, certify that, as such Secretary, I have custody of the Minutes and documents of CENTRAL ARKANSAS WATER, and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at it regular meeting held 11 October 2001.

\_\_\_\_\_  
Secretary



RESOLUTION - 2001-08

A RESOLUTION TO ESTABLISH POLICIES THAT FORM THE BASIS  
FOR RATE DESIGN AND WATER SERVICE PRICING

WHEREAS, the City of Little Rock and the City of North Little Rock have created CENTRAL ARKANSAS WATER as a public body corporate and politic under the Consolidated Waterworks Authorization Act, Act 982 of the 83rd Arkansas General Assembly, and have consolidated the ownership and operation of their municipal water utilities into CENTRAL ARKANSAS WATER; and

WHEREAS, the Consolidation Agreement between the City of Little Rock and the City of North Little Rock vested the authority to establish water rates in the Board of Commissioners, CENTRAL ARKANSAS WATER.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER, THAT:

1. The price for basic water and related ancillary services should reflect the cost to provide each service, based upon the regional approach to assigning cost responsibility.
2. The capital improvement costs to expand the water facilities to serve future customers should be borne by those future customers, to the extent it is practical.
3. The design of rates to recover the cost of service should support the conservation of water resources.

\*\*\*\*\*

CERTIFICATE

I, Eddie Powell, Secretary of the Board of Commissioners, CENTRAL ARKANSAS WATER, certify that, as such Secretary, I have custody of the Minutes and documents of CENTRAL ARKANSAS WATER, and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at its regular meeting held 11 October 2001.

---

Secretary

RESOLUTION 2001-09

A RESOLUTION TO ESTABLISH A SCHEDULE OF RATES FOR  
CENTRAL ARKANSAS WATER; TO FIX THE EFFECTIVE DATE FOR  
THESE RATES; AND FOR OTHER PURPOSES

WHEREAS, the City of Little Rock and the City of North Little Rock have created Central Arkansas Water as a public body corporate and politic under the Consolidated Waterworks Authorization Act, Act 982 of the 83<sup>rd</sup> Arkansas General Assembly, and have consolidated the ownership and operation of their municipal water utilities in CAW, and

WHEREAS, the Consolidation Agreement between the City of Little Rock and the City of North Little Rock vested the authority to establish water rates in the Board of Commissioners, Central Arkansas Water, and

WHEREAS, the Consolidation Agreement further directed the Commission to propose an equalizing schedule of water rates, to take effect beginning January 1, 2002 or as soon thereafter as practicable, which shall be based on a Rate Study; shall equalize water rates among similarly situated classes of customers throughout the City of Little Rock and The City of North Little Rock over a reasonable period of time not to exceed ten (10) year, and shall provide sufficient funds for the accomplishment of the improvement Agendas, and

WHEREAS, Carter-Burgess, the rate consultant, has completed the Rate Study and has made a final recommendation on the schedule of rates to meet the requirement of the Consolidation Agreement, and

WHEREAS, the Board of Commissioners accepts findings of Rate Study which is based on a cost of service methodology for establishing water rates as appropriate, and

WHEREAS, the Board of Commissioners finds that the rates established herein are adequate to meet the revenue requirements that include the cost of operating and maintaining the system as well as funding for needed capital improvements,

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF COMMISSIONERS,  
CENTRAL ARKANSAS WATER THAT:

RATE SCHEDULE NO. 1  
Of  
CENTRAL ARKANSAS WATER

**Section 1.** The following schedule of rates are hereby established by Central Arkansas Water for existing customers of the former Little Rock Municipal Water Works and future customers of the former Little Rock Municipal Water Works

Effective Dates

This schedule shall become effective for water billed on or after February 1, 2002 and January 1, 2003, as hereinafter set forth.

Meter Measurement

Except for public and private fire services, all water used shall be measured through meters. The size of each meter shall be determined by the Central Arkansas Arkansas commensurate with its estimate of the amount of water to be used for the premises. One cubic foot of water is equal to 7.48 gallons weighing 62.5 pounds avoirdupois.

Minimum Monthly Charge

The minimum monthly charge includes payment for the first 200 cubic feet of water used.

Meter Size	Rates		Rates	
	Effective February 1, 2002		Effective January 1, 2003	
	Inside LR	Outside LR	Inside LR	Outside LR
5/8"	\$ 3.60	\$ 5.40	\$ 3.60	\$ 5.40
3/4"	\$ 4.65	\$ 7.00	\$ 4.65	\$ 7.00
1"	\$ 6.60	\$ 9.90	\$ 6.60	\$ 9.90
1 1/2"	\$ 11.20	\$ 16.80	\$ 11.20	\$ 16.80
2"	\$ 18.10	\$ 27.20	\$ 18.10	\$ 27.20
3"	\$ 33.50	\$ 50.50	\$ 33.50	\$ 50.50
4"	\$ 54.50	\$ 82.00	\$ 54.50	\$ 82.00
6"	\$107.50	\$161.50	\$107.50	\$161.50
8"	\$171.00	\$257.00	\$171.00	\$257.00
10"	\$245.00	\$368.00	\$245.00	\$368.00
12"	\$447.00	\$671.00	\$447.00	\$671.00

Additional Monthly Charge

In addition to the minimum monthly charge, the following rates shall apply to the amount of water used in excess of 200 cubic feet (CF) per month:

	Rates		Rates	
	Effective February 1, 2002		Effective January 1, 2003	
	Inside LR Charges \$ Per 100 C.F.	Outside LR Charges \$ Per 100 C.F.	Inside LR Charges \$ Per 100 C.F.	Outside LR Charges \$ Per 100 C.F.
The next 1,800 CF or less	\$ 0.780	\$ 1.270	\$ 0.780	\$ 1.270
The next 98,000 CF or any part thereof	\$ 0.580	\$ 0.840	\$ 0.580	\$ 0.840
All over 100,000 CF	\$ 0.400	\$ 0.650	\$ 0.580	\$ 0.650

### Nonresident Consumers

The term "outside city" used in the foregoing rates refers to any consumer except the City of Little Rock and Master Metered Customers receiving service outside the municipal boundaries and to nonresident consumers and Master Metered Customers who purchase water within the municipal boundaries, which water is then transported to a point outside the municipal boundaries for use or resale.

### Private Fire Service

Private fire service connections for private premises shall pay the following annual fire service charges:

	Rates		Rates	
	Effective February 1, 2002		Effective January 1, 2003	
	Inside LR	Outside LR	Inside LR	Outside LR
Fire Hydrants	\$ 59.50	\$ 89.25	\$ 59.50	\$ 89.25
Fire Connection Min. Charge	\$ 69.00	\$ 103.50	\$ 69.00	\$ 103.50
Automatic Sprinkler System				
Min. Charge (1,000 heads)	\$ 69.00	\$ 103.50	\$ 69.00	\$ 103.50
Additional heads, each at	\$ 0.07	\$ 0.11	\$ 0.07	\$ 0.11
Standpipe				
1 1/4" (or smaller) diameter, each	\$ 13.50	\$ 20.25	\$ 13.50	\$ 20.25
1 1/2" diameter, each	\$ 21.00	\$ 31.50	\$ 21.00	\$ 31.50
2" diameter, each	\$ 34.50	\$ 51.75	\$ 34.50	\$ 51.75
2 1/2" diameter, each	\$ 69.00	\$ 103.50	\$ 69.00	\$ 103.50

**Section 2.** The following schedule of rates are hereby established by Central Arkansas Water for existing customers of the former North Little Rock Water Department and future customers of the former North Little Rock Water Department.

### Effective Dates

This schedule shall become effective for water billed on or after February 1, 2002 and January 1, 2003, as hereinafter set forth.

### Meter Measurement

Except for public and private fire services, all water used shall be measured through meters. The size of each meter shall be determined by the Central Arkansas Water commensurate with its estimate of the amount of water to be used for the premises. One cubic foot of water is equal to 7.48 gallons weighing 62.5 pounds avoirdupois.

### Minimum Monthly Charge

The minimum monthly charge includes payment for the first 200 cubic feet of water used.

Meter Size	Rates		Rates	
	Effective February 1, 2002		Effective February 1, 2003	
	Inside NLR	Outside NLR	Inside NLR	Outside NLR
5/8"	\$ 4.77	\$ 6.39	\$ 4.77	\$ 6.39
3/4"	\$ 6.15	\$ 8.24	\$ 6.15	\$ 8.24
1"	\$ 8.75	\$11.72	\$ 8.75	\$11.72
1 1/2"	\$14.79	\$19.81	\$14.79	\$19.81
2"	\$23.98	\$32.14	\$23.98	\$32.14
3"	\$44.36	\$59.44	\$44.36	\$59.44
4"	\$72.15	\$96.68	\$72.15	\$96.68
6"	\$142.70	\$191.22	\$142.70	\$191.22
8"	\$241.36	\$323.42	\$241.36	\$323.42
10"	\$347.50	\$465.65	\$347.50	\$465.65
12"	\$632.88	\$848.06	\$632.88	\$848.06

### Additional Monthly Charge

In addition to the minimum monthly charge, the following rates shall apply to the amount of water used in excess of 200 cubic feet (CF) per month:

	Rates		Rates	
	Effective February 1, 2002		Effective January 1, 2003	
	Inside NLR Charges \$ Per 100 C.F.	Outside NLR Charges \$ Per 100 C.F.	Inside NLR Charges \$ Per 100 C.F.	Outside NLR Charges \$ Per 100 C.F.
The next 3,100 CF or less	\$ 1.48	\$ 1.99	\$ 1.43	\$ 1.94
The next 30,000 CF or any part thereof	\$ 1.35	\$ 1.81	\$ 1.35	\$ 1.81
All over 90,000 CF or any part thereof	\$ 0.99	\$ 1.33	\$ 0.99	\$ 1.33
All over 123,300 CF	\$ 0.72	\$ 0.96	\$ 0.72	\$ 0.96

Nonresident Consumers

The term "outside city" used in the foregoing rates refers to any consumer except the North Little Rock and Master Metered Customer receiving service outside the municipal boundaries and to nonresident consumers and Master Metered Customer who purchase water within the municipal boundaries, which water is then transported to a point outside the municipal boundaries for use or resale.

Private Fire Service

Private fire service connections for private premises shall pay the following annual fire service charges:

	Rates		Rates	
	Effective February 1, 2002		Effective January 1, 2003	
	Inside NLR	Outside NLR	Inside NLR	Outside NLR
Fire Hydrants	\$ 61.70	\$ 82.68	\$ 61.70	\$ 82.68
Fire Connection Min. Charge	\$ 71.55	\$ 95.88	\$ 71.55	\$ 95.88
Automatic Sprinkler System				
Min. Charge (1,000 heads)	\$ 71.55	\$ 95.88	\$ 71.55	\$ 95.88
Additional heads, each at	\$ 0.07	\$ 0.09	\$ 0.07	\$ 0.09
Standpipe				
1 1/4" (or smaller) diameter, each	\$ 14.00	\$ 18.76	\$ 14.00	\$ 18.76
1 1/2" diameter, each	\$ 21.78	\$ 29.19	\$ 21.78	\$ 29.19
2" diameter, each	\$ 35.78	\$ 47.95	\$ 35.78	\$ 47.95
2 1/2" diameter, each	\$ 71.55	\$ 95.88	\$ 71.55	\$ 95.88

**Section 3.** The following schedule of rates is hereby established by Central Arkansas Water for Master Metered Customers.

### Master Metered Customers

All outside Central Arkansas Water customers purchasing water through a master meter shall pay a Minimum Monthly Charge as found in Section 1 for the first 200 cubic feet of water used, and an additional amount determined by the following rates for all water used in excess of 200 cubic feet per month effective the dates stated.

	Rates	Rates
	Effective February 1, 2002	Effective January 1, 2003
	\$ Per 100 CF	\$ Per 100 CF
Customers taking any water from 6:01 am to 9:59 pm	\$ 0.704	\$ 0.704
Customers taking all water from 10 pm to 6 am	\$ 0.515	\$ 0.515

**Section 4.** The following schedule of rates is hereby established by Central Arkansas Water for Raw Water Customers.

### Raw Water Customers

All outside Central Arkansas Water customers purchasing raw water shall pay a Minimum Monthly Charge as found in Section 1 for the first 200 cubic feet of water used, and an additional amount determined by the following rates for all water used in excess of 200 cubic feet per month effective the dates stated:

	Rates	Rates
	Effective February 1, 2002	Effective January 1, 2003
	\$ Per 100 CF	\$ Per 100 CF
Raw Water Customer	\$ 0.30	\$ 0.30

**Section 5.** Central Arkansas Water established the following methodology to equalize water rates among similarly situated classes of customers throughout the City of Little Rock and the City of North Little Rock.

The rate equalization process is intended to phase-in differences in customer's rates to a regional cost approach over no longer than the next ten years. The first phase of equalization will occur by 2006 because the proposed Capital Improvement Program only is projected through 2006.

By 2006, customer water rates in the City of Little Rock will increase to recover the total increase in the cost of service less the use of the existing reserve trust funds. All other CAW customers' rates will decrease to total cost of service before the use of the reserve trust funds.

After 2006, customer water rates will be increased in the City of Little Rock as the cost of service increases. Other customer's rates will remain unchanged until the rates equate to the cost of service. At that time, rates for all customers will be based on cost

of service. The equalization of rates will take three to four years after 2006 depending on the size of the Capital Improvement program.

2002-2003 – The rates will remain the same in the 2002. In 2003, equalization of the rate will begin by making the last rate block of the inside City the Little Rock the same as the second rate block and reducing the first rate block of the inside and outside City of North Little Rock by five (5) cents.

2004-2005 – The next step to the equalization of rates will be the establishment of the specific rates for each customer class and the elimination of the declining blocks in each City.

2006-2008 – The rates will change more reflect the Cost of Service for each customer class between the Cities of Little Rock and North Little Rock. The rates for customers within the City of Little Rock will rise due to the elimination of the reserve trust funds.

2009-2010 – The rates will equalize for the different customer classes to reflect the Cost of Service between customers in the Cities of Little Rock and North Little Rock. Outside rates will reflect Cost of Service but probably will not equal the Cost of Service rates within the Cities of Little Rock and North Little Rock.

**Section 6.** Bills for service shall be rendered and paid monthly except payments for private fire service shall be due in semi-annual installments in advance on the first (1st) day of January and July of each year. At the request of the private fire service customer the annual payments for private fire service protection can be divided equally among the twelve months and added to their normal monthly water bills.

**Section 7.** A penalty of ten percent (10%) shall be added to any bill not paid before the 20th day following the billing date. If a bill is not paid within 30 days after the billing date, service for the affected premise, or customer, may be discontinued. In such event, the Water Works may levy a reconnection charge.

**Section 8. Repealer.** All resolutions ordinances and parts of ordinances establishing rate schedules for water or water services supplied or to be supplied by the City of Little Rock through its former municipal water works system and the City of North Little Rock through its former municipal water works are repealed, as of the effective date of the schedule herein established.

**Section 9. Severability.** The provisions of this resolution are separable, and if any portion, section, provision, or phrase of this resolution shall be declared invalid or unconstitutional, such action shall not affect the validity of the remainder of this resolution.

### **CERTIFICATE**

I, Eddie Powell, Secretary of the Board of Commissioners, CENTRAL ARKANSAS WATER, certify that, as such Secretary, I have custody of the Minutes and documents of CENTRAL ARKANSAS WATER, and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at its regular meeting held 11 October 2001.

---

Secretary



RESOLUTION 2001-10

A RESOLUTION TO ESTABLISH A SCHEDULE OF SYSTEM DEVELOPMENT CHARGES FOR CENTRAL ARKANSAS WATER; TO FIX THE EFFECTIVE DATE FOR THESE CHARGES; AND FOR OTHER PURPOSES

WHEREAS, the City of Little Rock and the City of North Little Rock have created CENTRAL ARKANSAS WATER as a public body corporate and politic under the Consolidated Waterworks Authorization Act, Act 982 of the 83rd Arkansas General Assembly, and have consolidated the ownership and operation of their municipal water utilities into CENTRAL ARKANSAS WATER; and

WHEREAS, the Consolidation Agreement between the City of Little Rock and the City of North Little vested the authority to establish water rates in the Board of Commissioners, CENTRAL ARKANSAS WATER, and upon the advice of legal counsel, System Development Charges are considered rates; and

WHEREAS, the Consolidation Agreement further directed the Board of Commissioners to propose an equalizing schedule of water rates to take effect beginning 1 January 2002, or as soon thereafter as practicable, and directed that the schedule of rates shall be based upon a rate study; shall equalize water rates among similarly-situated classes of customers throughout the City of Little Rock and the City of North Little Rock over a reasonable period of time not to exceed ten (10) years; and shall provide sufficient funds for the accomplishment of the Improvement Agendas; and

WHEREAS, Carter-Burgess, Inc., the rate consultant, has completed the rate study and has made a final recommendation on an initial schedule of System Development Charges to meet the requirement of the rate study project; and

WHEREAS, the Board of Commissioners accepts the findings of the System Development Charges Section of the rate study, which is based upon an American Water Works Association-accepted methodology for establishing System Development Charges, as appropriate; and

WHEREAS, it is the adopted policy of CENTRAL ARKANSAS WATER that the capital costs invested to expand the water facilities should be borne, to the extent it is practical, by the new development that will use and benefit from said water facilities; and

WHEREAS, the Board of Commissioners finds that System Development Charges established herein are needed to expand the water system facilities to serve future growth capital improvements.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER, THAT:

**Section 1.** This resolution is intended to ensure the provision of adequate water facilities to serve new development in CENTRAL ARKANSAS WATER's service area by requiring new development to pay its pro rata share of the capital improvement costs necessitated by and attributable to the new development. System Development Charges established by this Resolution are additional and a supplemental to, and not in substitution of, any other requirement posed by CENTRAL ARKANSAS WATER.

**Section 2.** The following definitions apply to this resolution:

- a) New Development – a project involving the construction, reconstruction, redevelopment, conversion, structural alteration, relocation, or enlargement of any structure or any use or extension of land which has the effect of increasing the requirements for capital improvements or facility expansions, measured by the number of service units to be generated by such activity, and which results in a connection or an enlarged connection to the CENTRAL ARKANSAS WATER system. New service to an existing municipality or other political jurisdiction on either a retail or wholesale basis shall be considered new development. The installation of a separate sprinkler meter by a domestic customer will not be considered new development.
- b) System Development Charge – a water facilities fee imposed upon new development by CENTRAL ARKANSAS WATER, pursuant to this Resolution, in order to fund or recover the cost of capital improvements or facilities expansions necessitated by and attributable to such new development.
- c) Capital Improvements – water facility improvements that have a life expectancy of five (5) or more years and that are to be owned and operated by or on behalf of CENTRAL ARKANSAS WATER in support of improvements needed by the utility to increase its water supply or transmission capabilities. Capital improvements also may be improvements needed by a partnering water system to increase its water supply or transmission capabilities from CENTRAL ARKANSAS WATER or from a future water source.
- d) Offset – the amount of the reduction in a System Development Charge designed to fairly reflect the value of water facilities provided by a developer pursuant to CENTRAL ARKANSAS WATER's development regulations or requirements.
- e) Recover – the imposition of a System Development Charge to reimburse CENTRAL ARKANSAS WATER for capital improvements that the utility has previously oversized to serve new development.
- f) Service Unit – the unit equivalent to the hydraulic capacity of a 3/4-inch-diameter water meter.
- g) Water Facility – a capital asset for providing water service, including but not limited to, land or easements, water source facilities, water treatment facilities, raw and treated water transmission facilities, and pumping and storage facilities. Water facility excludes site-related facilities.
- h) Site-related Facilities – improvements or facilities which are for the primary use or benefit of a new development and/or for the primary purpose of safe and adequate provision of water facilities to serve the new development, which are not included in the System Development Charge, and for which the developer or property owner is solely responsible, under applicable CENTRAL ARKANSAS WATER regulations.

- i) Assessment – A determination of the amount of the System Development Charge per service unit that may be imposed upon new development pursuant to this Resolution.

**Section 3.** Water service to a new customer shall not be approved without the assessment of a System Development Charge pursuant to this Resolution, and water service will not be initiated until payment of the charge is received. This Resolution applies to all new direct and indirect customers of CENTRAL ARKANSAS WATER. Wholesale (Master-Metered) Customers will remit payment of the System Development Charges to CENTRAL ARKANSAS WATER with their monthly water payment.

**Section 4.** CENTRAL ARKANSAS WATER will establish a separate account for System Development Charges. The funds in the account only shall be used to fund capital improvements, as defined in Section 2c. Interest earned on the System Development Charges account shall be considered funds of the account and shall be use solely for the aforementioned improvements. CENTRAL ARKANSAS WATER shall establish adequate financial and accounting controls to ensure that the System Development Charges disbursed from the account are utilized solely for the purpose authorized. CENTRAL ARKANSAS WATER shall maintain proper financial records on System Development Charges, and the records shall be open for public inspection.

**Section 5.** Upon the passage of this Resolution, all existing acreage charges no longer will be applicable.

**Section 6.** The effective date of the schedule of System Development Charges is 1 February 2002.

**Section 7.** The following assessment schedule of System Development Charges is hereby adopted:

ACTUAL METER SIZE (inch)	SERVICE UNITS	CHARGE BY METER SIZE
5/8 or 3/4	1	\$1,300
1	1.5	\$1,950
1 1/2	2.5	\$3,250
2	5	\$6,500
3	8	\$10,400
4	15	\$19,500
6	25	\$32,500
8	50	\$65,000
10	80	\$104,000
12	115	\$149,500
20	450	\$585,000

The above schedule may be offset when a developer provides site-related facilities pursuant to CENTRAL ARKANSAS WATER's development regulations and requirements.

**Section 8. Repealer.** All resolutions, ordinances, and parts of ordinances establishing rate schedules for water or water services supplied or to be supplied by the City of Little Rock through its former municipal water works system and the City of North Little Rock through its former municipal water works system are repealed, as of the effective date of the schedule herein established.

**Section 9. Severability.** The provisions of this Resolution are separable, and if any portion, section, provision, or phrase of this Resolution shall be declared invalid or unconstitutional, such action shall not affect the validity of the remainder of this Resolution.

\*\*\*\*\*

### **CERTIFICATE**

I, Eddie Powell, Secretary of the Board of Commissioners, CENTRAL ARKANSAS WATER, certify that, as such Secretary, I have custody of the Minutes and documents of CENTRAL ARKANSAS WATER, and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at its regular meeting held 11 October 2001.

---

Secretary

RESOLUTION 2001-11

A RESOLUTION TO ESTABLISH THE ANCILLARY SERVICE CHARGES THAT CENTRAL ARKANSAS WATER WILL CHARGE TO ITS CUSTOMERS FOR SERVICES ASSOCIATED WITH PROVIDING WATER SERVICE

WHEREAS, the City of Little Rock and the City of North Little Rock have created Central Arkansas Water (CAW) as a public body corporate and politic under the Consolidated Waterworks Authorization Act, Act 982 of the 83<sup>rd</sup> Arkansas General Assembly, and have consolidated the ownership and operation of their municipal water utilities in CAW: and

WHEREAS, the former water utilities had established ancillary service charges that were different for similar types of service; and

WHEREAS, the Board of Commissioners, Central Arkansas Water has received a recommendation from the rate consultant to establish fees based on cost of service; and

WHEREAS, the rate consultant has proposed a set of ancillary service charges that are based on cost of service; and

WHEREAS, the Board of Commissioners, Central Arkansas Water has the authority to establish ancillary fees and desires to have fair and consistent fees to all customers of the CAW;

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF CENTRAL ARKANSAS WATER THAT:

Section 1 The following ancillary service fees are established for customer service activities:

<u>ACTIVITY</u>	<u>CHARGE</u>
Service Charge	\$15.00
Collection Visit	\$20.00
Non-Pay Turn-on	\$20.00
Non Pay Set Back	\$25.00
Non-Pay Set back Restore Closed Account	\$35.00
Bad Check Charge	\$15 + bank fee
No Contract - Restore Service	\$30.00
Straight Connection	\$40.00
Stolen Meter	\$50.00
Plugged SVC/Couplings	\$50.00
ETO (After Hrs Service)	\$50.00
Reroute – Same Day Turn-On	\$20.00
Lock – Broken or Missing	\$75.00

Section 2 The following ancillary service fees are established for new service and development activities:

<u>New Service Charges</u>	<u>Charge</u>
Meter Connection and Development Fees	See "Attachment A" for Fee Schedule
Construction Standpipe	\$75.00
Sprinkler Standpipe Fee	\$75.00
County Cut Fee	\$25.00
Engineering Fees	See "Attachment B" for Fee Schedule
Violation of Temporary Water Service Contract (1 <sup>st</sup> Offense)	\$250.00
Violation of Temporary Water Service Contract (2 <sup>nd</sup> Offense)	\$500.00
Charge to Read a Temporary Construction Meter	\$25.00

Section 3 The following ancillary service fees are established for billing services to other entities:

<u>Customer</u>	<u>Charge</u>
Little Rock Wastewater Utility	\$0.90
Wrightsville Sewer	\$0.90
NLR Wastewater	\$0.70 or \$0.80*
LR Sanitation	\$0.40
Pulaski County Sanitation	\$0.40
Arch St. Improvement District	\$0.45
Higgins Improvement District	\$0.64
Spring Valley Improvement District	\$0.77

\* Higher rate applies if major changes to the billing software program are required.

Section 4 The Board of Commissioners, Central Arkansas Water finds that the foregoing schedule of service fees is required to provide sufficient revenue to ensure the proper operation and maintenance of the utility.

Section 5 The Board of Commissioners, Central Arkansas Water duly adopts the schedule of service fees with an effective date of 1 January 2002.

I, Eddie Powell, Secretary of the Board of Commissioners, CENTRAL ARKANSAS WATER, certify that, as such Secretary, I have custody of the minutes and documents of CENTRAL ARKANSAS WATER and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at a regular meeting held this 11th day of October 2001.

---

Secretary

**ATTACHMENT A**

**METER COST, DEPOSITS AND DEVELOPMENT FEES**

METER SIZE	2-LANE ROAD 20 - 28'	3-LANE ROAD 29 - 36'	* 4-LANE ROAD 37 - 48'	** STATE HIGHWAY
------------	-------------------------	-------------------------	---------------------------	------------------

**\*\*\* METER CONNECTION CHARGES**

5/8"	\$320.00	\$360.00	\$400.00	\$600.00
3/4"	380.00	460.00	540.00	780.00
1"	620.00	780.00	860.00	1,340.00
1-1/2"	1,340.00	1,500.00	1,640.00	2,640.00
2"	1,640.00	1,800.00	1,940.00	3,280.00
3"	5,900.00	6,870.00	7,370.00	12,110.00
4"	6,390.00	7,680.00	8,187.00	13,410.00

\* Prices for Interstate Systems are for Short Side Taps ONLY using the 4-Lane Price.

\*\* 25% of this charge to cover the costs of "Special Conditions" imposed by the Arkansas Highway & Transportation Department.

\*\*\* If at CAW's request, applicant installs the tap, service line, meter box, and meter setter, and CAW installs the meter only, the meter connection charge will be half the normal two-lane price.

For meter connections larger than 2", the charge shall be based upon the Central Arkansas Water's estimated cost of installing the service line, meter, meter box and lid; in order to estimate the cost, it will be assumed in each instance that the service line was laid from the middle of the street. Cost shall include labor, materials (except the meter itself), equipment rental, supervision, fees, permits and overhead.

Add 1/2% to Meter Connection Charge for each 1 foot of R/W width over 80 feet - 5/8" through 2" meter size.

To reduce meter size: 1" Size to 3/4" or 5/8"	\$140.00
1 1/2" or 2" to 3/4" or 5/8"	225.00
3" or 4" Size to 2" or smaller	190.00

To increase meter size: If existing tap and service line can be utilized charge the difference in the cost of the meters plus \$100.00. Otherwise charge normal connection fee.

**METER DEPOSITS**

METER SIZE	DOMESTIC	SMALL BUSINESS	MULTIPLE UNIT	UNITS
5/8"	\$ 35.00	\$ 50.00	\$ 80.00	1 TO 3
3/4"	50.00	75.00	150.00	4 TO 8
1"	75.00	125.00	300.00	9 TO 28
1-1/2"		275.00	500.00	29 TO 52
2"		425.00	850.00	53 TO 100
3"		700.00	1,200.00	101 TO 320
4"		1,000.00	1,700.00	320 TO 700
6"		1,800.00	2,800.00	700 TO 1,500

Fire Hydrant Meter Deposit: \$150 for local & \$300 for out of town contractors. \$25 Service Charge applies for initial setting and each time the Fire Hydrant meter is moved to an alternate location.

DEVELOPMENT  
FEES

METERED CONNECTIONS		END OF MAIN OR TAP FOR EXT. OR F.S.	
5/8"	\$ 2,000	2"	\$ 875
3/4"	2,400	3"	1,300
1"	2,800	4"	1,750
1-1/2"	4,200	6"	2,600
2"	4,800	8"	3,500
3"	7,200	10"	4,400
4"	8,000	12"	5,250
6"	12,000	16"	7,000
		20"	8,700
		24"	10,500



## ATTACHMENT B

### ENGINEERING FEES

#### Special Contracts for Installation of Public Water Facilities and Fire Services

<u>Construction Costs</u>			<u>Charge</u>
\$0	-	\$1,000	\$200
\$1,001	-	\$3,000	\$300
\$3,001	-	\$7,000	\$560
\$7,001	-	\$10,000	\$600
\$10,001	-	\$20,000	\$1,000
\$20,001	-	\$50,000	\$2,000
\$50,001	-	\$100,000	\$3,000
\$100,001	-	\$500,000	\$10,000
\$500,001	-	Greater	\$14,000

#### Inspection Fees

##### Special Contract and Fire Service Inspection Fees

Charges

\$150(per day max) or  
\$45(per hour) whichever is greater

##### Cross Connection Inspection

Charges

\$100(per trip)

#### Bacteriological Samples

##### Special Contract and Fire Service Sample Fees

Charges

\$50(per trip) or  
\$25(per sample) whichever is greater

**RESOLUTION 2001-12**

A RESOLUTION TO ESTABLISH A SEVERANCE AGREEMENT BY AND BETWEEN CENTRAL ARKANSAS WATER AND FRED V. GLOVER; AND FOR OTHER PURPOSES

**RESOLVED**, that CENTRAL ARKANSAS WATER, by and through its legally constituted officers, does hereby approve the Severance Agreement between Fred V. Glover and CENTRAL ARKANSAS WATER; and

**FURTHER RESOLVED**, that the legally constituted officers be, and they hereby are, authorized and directed on behalf of CENTRAL ARKANSAS WATER to execute the above referenced Severance Agreement and to do such other things and to execute such other papers and documents as may be found necessary to implement the Agreement.

Approved: October 11, 2001

\_\_\_\_\_  
Secretary

Minutes of a Regular Meeting  
Board of Commissioners  
CENTRAL ARKANSAS WATER

8 November 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened in a regular meeting at 2 p.m., Thursday, 8 November 2001, in the Third Floor Board Room of the Capitol Avenue Complex, Little Rock.

Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice-Chair  
Mr. Eddie Powell - Secretary/Treasurer  
Dr. Thomas Rimmer - Commissioner  
Ms. Alma Williams - Commissioner  
Mr. Claude Wilson - Commissioner  
Mr. Craig Wood - Commissioner

Also in attendance were:

Mr. James Harvey - Chief Executive Officer  
Mr. Bruno Kirsch - Chief Operating Officer  
Mr. Fred Glover - Chief Operating Officer  
Mr. Steve Morgan - Director of Regionalism & Future Source  
Ms. Connie Horn - Management Secretary  
Ms. Kathy Graves, Attorney - Wright, Lindsey & Jennings  
Mr. Mike Marlar - Marlar Engineering  
Mr. Kirby Rowland - Garver Engineers  
Mr. Bryan Day - Little Rock Parks & Recreation  
Ms. Cindy Murphy - *Arkansas Democrat-Gazette*

Ms. M. Jane Dickey, Chair, called the regular November meeting to order. Ms. Dickey asked if there was a motion to approve the minutes of the previous meeting. Mr. Powell made a motion, which was seconded by Dr. Rimmer, to approve the minutes of the previous meeting. The motion was approved.

Ms. Alma Williams arrived for the meeting.

The Commission was asked to approve a Joint Funding Agreement with the U. S. Department of the Interior for water resources investigations of Lakes Maumelle and Winona. Mr. Jim Harvey explained to the Commission that we have done this for the past several years and he felt CENTRAL ARKANSAS WATER was getting a good deal in this agreement. He introduced Mr. Kirsch to give a detailed explanation of the project. Mr. Bruno Kirsch explained that this was a long-term, ongoing project. He explained that there are stations in Lakes Maumelle and Winona that convey information on the status of the lakes to satellites, which enables the information to be accessed on the internet and from our website. This contract is for the maintenance of these stations in the lakes and for water quality analysis from the information obtained from these stations. Mr. Kirsch reported that the contract, in the amount of \$60,000, has decreased each year and is considered a good investment. Mr. Craig Wood asked in what manner had the information

has been used. Mr. Kirsch replied that the information is used to detect any significant water quality changes in the lakes and for long-term trends in the lakes.

At this time, Chair Dickey asked that the minutes show the arrival of Ms. Francille Turbyfill.

Mr. Eddie Powell made a motion, seconded by Ms. Williams, to approve the agreement with the U. S. Department of the Interior. There being no further discussion on the matter, a vote was taken and the motion was approved.

A contract with SKE Support Service, in the amount of \$241,546, was presented to the Commission for approval. Mr. Fred Glover stated that this is a long-running contract that is renewable on an annual basis. This contract reflects a 3% increase in cost over the previous year. At this time, this contract is for vehicles located on the south side of the river only. It is anticipated that, in the future, all department vehicles would be covered under this contract. Ms. Dickey asked Mr. Glover how vehicles of the North Little Rock Water Department had been maintained and where this work was done. Mr. Glover responded that the North Little Rock Water Department had employees who held the position of maintenance mechanics and that the maintenance work was performed at Water Department facilities. Ms. Williams made a motion, seconded by Mr. Wilson, to approve the maintenance contract with SKE Support Service. There being no further discussion on the matter, the motion was approved.

A state project to widen and improve Asher Avenue from University Avenue to Col. Glenn Rd. requires the replacement and/or relocation of water lines. Mr. Kirsch presented to the Commission for their approval a contract with Giles Mechanical in the amount of \$839,810.28. Mr. Kirsch reported that we have not worked with this contractor before and that Mr. Dale Russom, Director of Engineering, checked references and conducted a personal discussion with this contractor on project expectations. Mr. Wood questioned who would be inspecting this job as it progressed. Mr. Kirsch responded that, in this case, we would be inspecting the job and keeping a close eye on the work done by the contractor until we are confident the contractor can perform the work to our standards. In response to a question regarding the budgeting of this project, Mr. Kirsch replied that this project had actually been budgeted in 2002, but the highway department has already started their part of this project. After further discussion, a motion was made by Dr. Thomas Rimmer to approve the contract as recommended by staff. Ms. Williams seconded the motion. Mr. Wood encouraged staff to keep a close eye on the contractor. The motion was approved.

Mr. Kirsch presented to the Board of Commissioners a contract for the sale of land on Hwy. 10 to the Arkansas State Highway and Transportation Department. This land will be used to construct a passing lane on Hwy. 10. After some discussion, Mr. Powell made a motion to accept the contract as presented. The motion was seconded by Dr. Rimmer. There being no further discussion on the matter, the motion was approved.

On another matter before the board, Mr. Bruno Kirsch acknowledged that CENTRAL ARKANSAS WATER received a request from Little Rock Parks and Recreation to install water lines within the Jack Stephens Golf Academy. He indicated that this request, formerly submitted to Little Rock Municipal Water Works by Mayor Jim Dailey, was not supported by staff and was denied by the Little Rock Municipal Water Works Board of Commissioners. Ms. Dickey asked for the history of the two previous water departments in dealing with requests of this type. Mr.

Glover responded that North Little Rock Water Department had recently installed lines, at the city's request, for the soccer fields and at Riverfront Park. He indicated that the water utility did not provide a payment in lieu of taxes to the city and that probably had a bearing on the commission's decision to support these two projects. Mr. Harvey responded that in the past they worked as closely as possible with the Parks and Recreation Department, but did not get involved in the design or installation of waterlines.

At this time, Ms. Dickey acknowledged Mr. Brian Day, Director of Parks and Recreation. Ms. Dickey mentioned that Mr. Day has achieved accreditation for the Little Rock Parks System. Mr. Day addressed the Commission and explained that this project is for a 250-acre public golf course for children. He told the Commission that the project has, so far, been funded through private contributions of money and services and asked CENTRAL ARKANSAS WATER to install approximately 1,200 feet of waterline.

Mr. Kirsch informed the Commission that the approximate cost of the water line service would be \$57,365.50 and mentioned that CENTRAL ARKANSAS WATER has already received similar requests for other projects. After further discussion, Ms. Williams made a motion to table this item until CENTRAL ARKANSAS WATER staff is able to create a policy that would address these types of projects. Dr. Rimmer seconded the motion. With no further discussion, the motion was approved.

Ms. Dickey asked if the staff needed further guidance in setting policy for these types of requests. Dr. Rimmer commented that he felt the policy for these kinds of projects was stated in both the Consolidation Agreement and the enabling legislation in that it refers to participation if cultural or economic development is involved. Mr. Wood advised that in setting policy, we might want to consider the view of outlying communities towards monies spent on these projects. Mr. Harvey commented that, with this discussion, the staff has been given an insight into the Commission's opinions on these types of projects and will prepare a policy to present to the Commission for approval.

Mr. Kirsch updated the Commission on the history of the Little Rock Port Authority and the availability of water to the Port Authority. In 1971-72, the Port Authority committed to contributing \$228,000 towards bringing water to the site selected for the Little Rock Port Authority, with LRMWW investing \$1.69 million in the project. To this date, the Port Authority has paid only \$75,000 toward the project. LRMWW built the Granite Mountain Tank in 1985 and installed a second pump in 1993 to support the usage demands in the Port Authority area and other system requirements. This was done to ensure the Port Authority would have the amount of water they needed. Since then, there have been requests from various entities for large amounts of water from this area in the future. Mr. Kirsch reported to the Commission on a study that is being done of the area that would help determine the best ways to serve the various requests for water.

After some discussion on the availability of water to the area, Ms. Dickey asked Water Department staff to make a concerted effort to work with development groups interested in this area in order to achieve economic good.

Mr. Steve Morgan presented to the Commission a resolution for active participation in a Regional Water Source Study conducted by Metroplan. The cost of this project is \$125,000. Mr. Morgan has received a commitment from the Corps of Engineers to contribute 50% of the cost for this study. Arkansas Water & Soil Conservation has agreed to pay 25% of the

remaining cost and interested surrounding communities will assist in making up the remaining 25%. This leaves a cost to CENTRAL ARKANSAS WATER of approximately \$17,000.

Ms. Dickey asked if Mr. Morgan is confident this will provide a study of future water sources for Central Arkansas. Mr. Morgan responded that he is confident it would do so and that the Corps of Engineers would look at all sources of water. Mr. Powell asked if this study would indicate cost from each recommended water source or location. Mr. Morgan confirmed that it would do so. He also stated that the recommended water source would provide the best alternative for a regional water source rather than an individual water utility. Mr. Powell asked how long it would take to conduct the study and Mr. Morgan indicated it would probably take six to nine months. Mr. Powell made a motion to approve the resolution as presented. The motion, seconded by Ms. Williams, was approved.

Mr. Harvey informed the Commission that he is working with Ms. Kathy Graves on creating a procedure for adopting new policies.

Mr. Harvey reminded the Commission that Christmas Eve is an official holiday and that it is on Monday this year. The utility's normal practice is to not be closed four consecutive days. He asked the Commission if they would allow the utility to be closed on Christmas Eve this year. After some discussion in which Mr. Harvey assured the Commission there would be employees on call for emergency situations, Ms. Williams made a motion to designate Monday, 24 December 2001 an employee holiday. The motion, seconded by Mr. Powell, was approved.

At this time, Ms. Dickey asked to hear from the three Commissioners who attended the Public Summit Conference in Charleston, SC. Dr. Rimmer suggested they prepare a report to be presented at the beginning of the next Commission meeting. Ms. Dickey agreed.

Mr. Wood presented to the Commission a letter he sent to the *Arkansas Democrat-Gazette* in response to their editorial regarding impact fees. Ms. Dickey thanked Mr. Wood for taking the time to respond to the editorial.

Ms. Dickey asked Water Department staff if the date for the public hearing to discuss impact fees had been set. Mr. Harvey informed her it had been set for 28 November 2001, 6:00 p.m., at the Little Rock Chamber of Commerce. Ms. Dickey remarked that she had received several comments from developers expressing their concern regarding these charges. Mr. Wood said that he had also received comments of concern on these charges and encouraged each Commissioner to attend the public hearing.

Ms. Dickey reported the Commission would go into executive session at the December meeting to conduct the yearly evaluation for the Chief Executive Officer. She asked Ms. Williams, Mr. Powell and Dr. Williams to work on a form to be used at that meeting.

With no further business, Chair Dickey adjourned the meeting at 4:00 p.m., 8 November 2001.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice-Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary/Treasurer

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

November 8, 2001

## RESOLUTION 2001-13

### RESOLUTION TO BE A "PARTICIPATING ENTITY" IN A REGIONAL FUTURE WATER SOURCE STUDY TO BE UNDERTAKEN BY THE CENTRAL ARKANSAS REGIONAL WATER DISCUSSION GROUP AND METROPLAN – COUNCIL OF LOCAL GOVERNMENTS

WHEREAS, CENTRAL ARKANSAS WATER has the critical charge of ensuring a quality and adequate source of drinking water for the more than 360,00 people who depend upon the water system for service; and

WHEREAS, the Board of Commissioners, CENTRAL ARKANSAS WATER, as the governing body for of the utility, has responsibility for the management, extension, and plans development for the water system; and

WHEREAS, the availability of a dependable, safe, and adequate supply of water is a direct determinant of the quality of life and economic health of the cities of Little Rock, North Little Rock, and surrounding cities and water associations served by the water system; and

WHEREAS, the Board of Commissioners has determined, based upon both consultants' studies and trends in peak demand, that additional supply will be needed within the next 15 years to continue to meet the system's standards for quality and to meet the increased demand of customers; and

WHEREAS, through the Central Arkansas Regional Water Discussion Group, led by Metroplan – Council of Local Governments, we have the opportunity to participate in a study to evaluate the future water needs of Central Arkansas and a potential source or sources to meet the area's needs through the year 2050; and

WHEREAS, the scope of the comprehensive study will encompass the collection of data on existing physical facilities of water systems serving customers in the area, as well as historical water consumption statistics, projections on future needs, and existing plans for facility improvements; an analysis of community growth trends and projections for a 50-year planning period; the identification of potential future sources; an examination of water treatment requirements to meet regulatory agency requirements; and a determination of costs for intake, treatment, transmission, and pumping needs to be associated with each potential future source; and

WHEREAS, the regional planning group has presented the alternatives of our involvement in the study as a "Participating Entity" that would contribute to the funding of the project; and

WHEREAS, the regional approach to the study allows for the sharing of costs among large and small water utilities, municipalities, and user groups in Central Arkansas and establishes the foundation for a regional and shared funding approach to the development of supply to meet the region's future needs; and



WHEREAS, Board of Commissioners, CENTRAL ARKANSAS WATER, and our utility's professional staff deem our future water supply needs to be of the urgency that we should be a "Participating Entity," as in this capacity our future needs would be a part of the study's primary focus and we could derive the economic benefits of the shared approach to the study.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER, THAT the water utility will be a "Participating Entity" in the future-source study to be undertaken by the Central Arkansas Regional Water Discussion Group and Metroplan.

I, Eddie Powell, Secretary of the Board of Commissioners, CENTRAL ARKANSAS WATER, certify that, as such Secretary, I have custody of the minutes and documents of CENTRAL ARKANSAS WATER and that the above and foregoing is a correct copy of a resolution adopted by said Board of Commissioners at a regular meeting held on this 8<sup>th</sup> day of November, 2001.

---

Secretary

Minutes of a Regular Meeting  
Board of Commissioners  
CENTRAL ARKANSAS WATER

13 December 2001

The Board of Commissioners, CENTRAL ARKANSAS WATER, convened in a regular meeting at 2 p.m., Thursday, 13 December 2001, in the Third Floor Board Room of the Capitol Avenue Complex, Little Rock.

Present were:

Ms. M. Jane Dickey - Chair  
Ms. Francille Turbyfill - Vice-Chair  
Mr. Eddie Powell - Secretary/Treasurer  
Dr. Thomas Rimmer - Commissioner  
Mr. Claude Wilson - Commissioner  
Mr. Craig Wood - Commissioner

Also in attendance were:

Mr. James Harvey - Chief Executive Officer  
Mr. Bruno Kirsch - Chief Operating Officer  
Mr. Fred Glover - Chief Operating Officer  
Ms. Marie Crawford - Director of Communications  
Mr. Steve Morgan - Director of Regionalism & Future Source  
Mr. Gary Pittman - Director of Finance  
Mr. Dale Russom - Director of Engineering  
Ms. Connie Horn - Management Secretary  
Ms. Kathy Graves, Attorney - Wright, Lindsey & Jennings  
Mr. Mike Marlar - Marlar Engineering  
Mr. Kirby Rowland - Garver Engineers  
Ms. Cindy Murphy - *Arkansas Democrat-Gazette*

Ms. Dickey, Chair, called the December meeting of the Board of Commissioners, CENTRAL ARKANSAS WATER, to order. She reported to the Commissioner that Ms. Williams would not be able to attend today's meeting.

Ms. Dickey noted that the Agenda had been revised and that Item 8 had been delayed. She also mentioned that she had worked with Water Department staff to group agenda items to improve efficiency.

Mr. Powell suggested that Item 4 (Presentation to Commission on AWWA Public Officials Summit) on the agenda be postponed until Ms. Williams could be present and the agenda was not so full. Ms. Dickey agreed to delay the item.

Ms. Dickey welcomed all guests in attendance and stated she appreciated their interest in the meeting.

At a previous meeting, Ms. Dickey asked Mr. Harvey to look into comments made to her regarding the lack of water service at potential industrial site in the Little Rock Port area. Mr. Harvey reported to the Commission that the amount of water available at the indicated site was not the reason for the lack of business locating there. The business in question had located in another area of the state because of the availability of sewer service, cheaper power rates and water service. Ms. Dickey commented that CENTRAL ARKANSAS WATER

needs to be sensitive to the needs of the community to bring businesses to Central Arkansas, but we do not want to subsidize industry.

Mr. Harvey addressed the Commission on an article that had appeared in the *Arkansas Democrat Gazette* the previous day. He stated that the reporter had misinterpreted his comments.

Mr. Powell made a motion to approve the minutes from the 8 November 2001 meeting. The motion was seconded by Dr. Rimmer and approved.

Mr. Wyck Nisbet reported to the Commission on the participation by government employees in the Social Security program. This was an ongoing participation under Little Rock Municipal Water Works and North Little Rock Water Department and must be formalized under CENTRAL ARKANSAS WATER. The Commission was asked to approve a resolution to authorize holding an employee referendum on participation in full Social Security coverage. Mr. Wood made a motion, seconded by Dr. Rimmer, to approve the resolution as presented. The motion was approved.

Negotiations for the sale of land to Pulaski Academy for use as a right-of-way have been completed. CENTRAL ARKANSAS WATER will retain a 50' easement on the property. Mr. Russom reported to the Commission that an agreement had been reached to place the value of the land at \$6,580. Mr. Wood asked Mr. Russom who would pay for repairs if we had to dig in the easement. Mr. Russom responded that it would be the same as in the past in that we would repair the pavement and any minor landscaping, such as grass. Mr. Wood made a motion, seconded by Ms. Turbyfill, to approve the sale of land to Pulaski Academy. The motion was approved.

A recommendation was made by Mr. Harvey to form a task group to reconsider the implementation of the System Development Charge. Mr. Wood commented that it is important to take into consideration a plan that will meet the needs of the surrounding communities and still enable CENTRAL ARKANSAS WATER to reach its goals. Mr. Harvey stated that members of the task force would be selected from the surrounding cities, Chambers of Commerce, neighborhood groups, etc. He also stated that an acreage fee is currently in place and will remain so until something definite is decided about the System Development Charge. After further discussion, Mr. Powell made a motion to repeal Resolution 2001-10. The motion, seconded by Mr. Wilson, was approved. Mr. Wood commented that this action does not imply that the decision to repeal the resolution is the final action to be taken on this resolution. This is a chance for the Commission to re-study the information gathered on impact fees, but not necessarily rejecting the idea of impact fees. Ms. Dickey stated that she felt this charge has some validity but that the Commission needs to gather further information on this issue. The motion was approved.

Mr. Harvey presented the following annual contracts for the Commission's approval:

- Purchase of chemicals
- Surveying - Garver Engineers
- Electrical engineering services - Marlar Engineering
- Locating services - Arkansas Utility Protection Services (ARKUPS)
- Public relations services - The Communications Group

After some discussion, a motion was made by Mr. Wood to approve the contracts as presented. The motion, seconded by Mr. Wilson, was approved.

Mr. Harvey called the 2002 Financial Plan aggressive and ambitious and asked Mr. Pittman to explain it to the Commission. Mr. Pittman told the Commission that a lot of effort and teamwork went into the making of this plan. Included in this plan is a Pay Plan Adjustment recommendation of 3-1/2%. This figure is an average amount that can change according to individual employee job performance. Mr. Pittman also explained that what appeared to be extreme fluctuations in department budgets was due to shifting of costs and personnel between departments. Ms. Dickey questioned the budget as it applies to the Lake Maumelle Watershed. She reminded staff that protecting the water source through watershed acquisition is a Commission priority. Mr. Russom commented that Lake Maumelle is continually monitored and that the water quality remains excellent. Mr. Wood complimented the staff for presenting a concise and clear budget review and made a motion to accept the 2002 Financial Plan as presented. The motion, seconded by Mr. Powell, was approved.

North Pulaski Waterworks Association has communicated with Mr. Morgan a desire to discuss merger negotiations with CENTRAL ARKANSAS WATER. Mr. Wood asked if our service area is contiguous with their district. Mr. Morgan responded that it was. Mr. Powell made a motion to approve merger discussions with North Pulaski Waterworks Association. The motion, seconded by Ms. Turbyfill, was approved.

Mr. Claude Wilson announced he had to leave due to a schedule conflict.

Ms. Dickey recused herself from discussion on the approval of a contract for financial advisor. Mr. Pittman told the Commission that CENTRAL ARKANSAS WATER plans to issue bonds in 2002 to fund capital improvements and that the services of a financial advisor would be needed. After receiving several RFQ's, Stephens Inc. was selected as the best qualified. After some discussion, Mr. Wood made a motion to approve the financial advisor as recommended by staff. The motion, seconded by Dr. Rimmer, was approved.

Mr. Powell asked that the record show that four Commissioners were present for the vote.

The Commission went into Executive Session to discuss the job performance of Jim Harvey, CEO. The Commission reconvened and reported that the Board was very please with Mr. Harvey's performance and recommended including him in the pay plan adjustment. Mr. Powell made a motion, seconded by Mr. Wood, to approve the pay adjustment for Mr. Harvey. The motion was approved. Ms. Dickey reported that the Board of Commissioners would meet in Executive Session at the January Board meeting in order to prepare a written evaluation.

With being no further business before the Commission, the meeting was adjourned at 5:10 p.m., 13 December 2001.

ATTEST:

APPROVED:

\_\_\_\_\_  
Vice-Chair

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Secretary/Treasurer

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

\_\_\_\_\_  
Commissioner

December 13, 2001

**RESOLUTION - 2001-14**

**RESOLUTION TO REQUEST AUTHORIZATION OF REFERENDUM**

**Full SOCIAL SECURITY Coverage**

**WHEREAS**, it is the express purpose and intention of **CENTRAL ARKANSAS WATER** to extend to its employees an opportunity to participate in full SOCIAL SECURITY coverage on as broad a basis as is permitted under applicable state and Federal Law, and

**THEREFORE**, be it resolved that **CENTRAL ARKANSAS WATER** is hereby authorized to make written request to the Arkansas State Social Security Administrator for authorization to hold a referendum to determine whether a majority of its employees desire to participate in full SOCIAL SECURITY coverage.

**CERTIFICATION**

I, Eddie Powell, do hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER on the 13<sup>th</sup> day of December 2001.

Signed: \_\_\_\_\_

Title: Secretary, Board of Commissioners

Date: \_\_\_\_\_