

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water
January 8, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, January 8, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Craig Wood, Chair
Mr. Claude Wilson, Vice Chair
Dr. Thomas W. Rimmer, Secretary
Ms. M. Jane Dickey, Commissioner
Mr. Eddie Powell, Commissioner
Ms. Francille Turbyfill, Commissioner
Ms. Barbara Graves, liaison for the City of Little Rock
North Little Rock City Councilman Charlie Hight, liaison to the Water Commission

Present by telephone:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Mr. Gary Pittman, Chief Financial Officer
Ms. Connie Horn, Management Secretary
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Mr. Hal Kemp, attorney for Rick Ferguson
Mr. Rick Ferguson, developer
Mr. Tim Daters, P.E., President of White-Daters & Associates
Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers
Ms. Jill Joslin, Vice President/Account Supervisor with Heathcott Associates

Mr. Craig Wood, Chair, called to order the January 8, 2004, meeting of the Board of Commissioners.

Chair Wood welcomed guests to the meeting.

Chair Wood called for a motion to approve the minutes. Upon a motion duly made, the Board approved the minutes.

Upon a motion duly made, the Board approved the following:

- i. The renewal of a Joint Funding Agreement with the U.S. Geological Survey (USGS) for a water quality monitoring and assessment project for CAW's two drinking water supply reservoirs, Lake Maumelle and Lake Winona. CAW's portion of the cost of this agreement is \$84,000. (CAW has worked with the USGS on this project since the summer of 1989.)

- ii. A one-year extension of a contract with Garver Engineers, Inc., at a cost of \$270,000, for electrical services . (The contract, dated January 2, 2002, expired on December 31, 2002. It was extended in January 2003, expiring on December 31, 2003. The contract allows for four yearly extensions in one-year increments.)
- iii. A contract with Arkansas Utility Protection Services, Inc. (ARKUPS), for \$363,482, for the marking of locations of various utilities in preparation for pavement cuts required to repair services and mains.
- iv. A one-year extension of a contract with Heathcott Associates for advertising and public relations services for a maximum amount of \$250,000
- v. A contract with Carson & Associates, Inc., for \$1,069,500 for the expansion of the control building at Lake Maumelle. Mr. Dale Russom, Chief Operating Officer, explained that the expansion is necessary to accommodate the installation of new motor starters and switchgear for existing pumps #1 and #4, as well as allowance for growth to a total of seven pumps and appurtenant generator controls.
- vi. Easement compensation of \$112,000 to Alltel in order to run a waterline across the entire west side of their property located at the intersection of Cantrell Road and Rodney Parham Road in Little Rock. (This waterline is an integral part of a waterline that will run across the Arkansas River to serve the North belt transmission line that will be used to provide water to the City of Jacksonville and other areas located north of CAW's service area.)

Mr. Steve Morgan updated the Board on the following regionalism activities:

- Negotiations are continuing with the Salem Water Users Association for a water supply contract.
- The Saline Watershed Regional Water Distribution District will hold their first meeting today.
- Negotiations continue on a contract to supply water to Jacksonville Water Works.

Mr. Jim Harvey, Chief Executive Officer, asked Mr. Gary Pittman, Chief Financial Officer, to brief the Board on proposed changes in the administration of ancillary fees.

Mr. Pittman reminded the Board that Resolution 2001-11 confirmed and/or established a wide variety of ancillary charges including service fees, connection charges, deposits, and billing fees.

Mr. Pittman further explained that each time a sewer improvement district requests CAW assume their billing, we must amend the resolution. In order to avoid confusion in the future with multiple changes to the resolution, staff proposes these fees be handled administratively and reported as approved in Board meeting minutes.

CAW staff has consulted with legal counsel and has been advised that CAW's governing authority permits such action.

Mr. Harvey briefed the Board on the following:

- American Water Works Association (AWWA) Annual Conference & Exposition in Orlando, Florida, June 13 – 17, 2004

- The North Little Rock Chamber of Commerce 19th Annual Banquet to be held on January 29, 2004
- Attendance by Mr. Harvey to the AWWA Board meeting in San Juan, Puerto Rico, January 17-19, 2004

Mr. Eddie Powell, Commissioner, asked why the amount of “Unaccounted-For Water” has increased in the last two months.

Mr. Harvey replied that a short-term increase in the amount of “Unaccounted-For Water” could have several explanations, i.e. use by the fire department, undetected leaks, etc. He told the Board that staff looks at the overall twelve-month average to get a true indication of the amount of “Unaccounted-For Water”. He further stated that CAW has an aggressive campaign in place to determine the sources for “Unaccounted-For Water” and that staff uses the Geographical Information System (GIS) to help pinpoint problem areas.

Chair Wood asked ex-officio members Ms. Barbara Graves of Little Rock and Mr. Charlie Hight of North Little Rock if they would like to make a statement.

Ms. Graves stated that she was happy to be able to attend the meeting. She stated that the information acquired from attending the meetings indicates to her that CAW staff runs a very efficient organization.

Mr. Hight told the Board that attending the meetings has been an educational process and that he appreciates being included in the meetings.

Commissioner Rimmer joined the meeting at 3:30 p.m.

The Board met in executive session.

Upon reconvening, Chair Wood stated that the Board had voted to increase the salary of Mr. Jim Harvey by six and one-half percent (6-1/2%), effective January 3, 2004.

Chair Wood further stated that the Board unanimously requests Mr. Harvey consider postponing for three years his stated retirement date of April 1, 2005.

Mr. Harvey asked the Board for time to consider their request, to which they agreed.

Chair Wood told Mr. Harvey that the Board will be available to discuss any issues Mr. Harvey may have concerning their request. He further stated that the Board wants Mr. Harvey any way they can get him. Ms. Jane Dickey, Commissioner, added that the communities also want him to stay. Mr. Powell stated that the Board wants Mr. Harvey to stay as long as possible.

Mr. Harvey replied that he appreciates the confidence the Board has shown in him by their request and that he would give it serious consideration.

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

Secretary's Certificate

I, Francille Turbyfill, Secretary of the Board of Commissioners, Central Arkansas Water, hereby certify that the attached is a true, correct and complete copy of the Minutes of the meeting of the Board of Commissioners, Central Arkansas Water held on January 8, 2004, as the same appears in the records of Central Arkansas Water maintained at the corporate offices of Central Arkansas Water.

IN WITNESS WHEREOF, I have hereunder set my hand this 22nd day of April 2005.

CENTRAL ARKANSAS WATER

Francille Turbyfill, Secretary

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water
February 12, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, February 12, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Craig Wood, Chair
Mr. Claude B. Wilson, Vice Chair
Dr. Thomas W. Rimmer, Secretary
Ms. M. Jane Dickey, Commissioner
Mr. Eddie Powell, Commissioner
Ms. Francille Turbyfill, Commissioner
Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Ms. Marie A. Crawford, Director of Communications
Mr. Gary Pittman, Chief Financial Officer
Mr. Gary Hum, Director of Source & Treatment
Mr. Dennis Yarbrow, P.E., Supervisor of Water Sources
Ms. Connie Horn, Management Secretary
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Tad Bohannon, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Mr. George Gleason, Bank of the Ozarks
Dr. Dennis Ford, President of FTN Associates
Mr. Jim Malcolm, Project Manager for FTN Associates
Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers
Mr. James Matthews, General Properties, Inc.
Ms. Jill Joslin, Vice President/Account Supervisor with Heathcott Associates
Mr. Thad Gray, Chairman, Board of Commissioners, Jacksonville Water Works
Mr. Ken Anderson, General Manager of Jacksonville Water Works
Mr. Bob Marston, property owner in area of Lake Maumelle
Mr. Ron Strother, property owner in area of Lake Maumelle
Dr. Reed Green, Hydrologist with the U.S. Geological Survey
Mr. Hal Kemp, attorney for Water View Estates, L.L.C.
Mr. Rick Ferguson, developer of Water View Estates, L.L.C.
Mr. Randy Ferguson, developer of Water View Estates, L.L.C.
Mrs. Deanna Ferguson, Water View Estates, L.L.C.
Mrs. Pat Ferguson, Water View Estates, L.L.C.
Mr. Tim Daters, P.E., President of White-Daters & Associates
Mr. Joe White, Jr., Vice President of White-Daters & Associates
Ms. K.J. Longley, reporter with *The Times* of North Little Rock

Mr. Craig Wood, Chair, called to order the February 12, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and Mr. Jim Harvey, Chief Executive Officer, introduced the guests.

Mr. Harvey presented service lapel pins to each Commissioner in observance of their years of service to the CAW Board of Commissioners and predecessor water boards.

Chair Wood called for a motion to approve the minutes to the January 9, 2004, meeting. Mr. Claude B. Wilson, Commissioner, pointed out that his name had been omitted from the minutes. Upon a motion duly made and seconded, the Board approved the minutes with the stated revision.

Commissioner Williams joined the meeting at 2:15 p.m.

Mr. Harvey asked Mr. Bruno Kirsch, Chief Operating Officer, to address the Board on the proposed development within the Lake Maumelle Watershed.

Mr. Kirsch reviewed for the Board a 1985 study by Dr. Carl Stapleton of the University of Arkansas at Little Rock; a 1988 study by The Benham Group; and a 1992 study by the U.S. Geological Survey (USGS). He told the Board that, essentially, the studies stated Lake Maumelle is vulnerable to nutrient loading and that watershed management is key to protecting the water quality of the lake. He further stated that as a result of the studies, the Board of Commissioners, Little Rock Municipal Water Works (LRMWW), and, subsequently, the CAW Board approved resolutions that would go toward protecting Lake Maumelle's water quality.

He stated that in July 1992, the Little Rock Water Commission adopted a resolution establishing Phase 1 of the Lake Maumelle Watershed Protection Plan. He said the resolution established a one-quarter mile buffer around Lake Maumelle and that any lands within the buffer not owned by the utility would be purchased or condemned by LRMWW.

Mr. Kirsch explained that in October 1998, the Little Rock Water Commission adopted a resolution establishing watershed zones around Lake Maumelle and directing the acquisition of undeveloped property in Zone 1, as well as critical property in Zone 2 and a 300-foot buffer around critical streams. He said Resolution 2003-10, approved by the CAW Board on September 4, 2003, re-affirms the intent of the two resolutions adopted by the previous Board of Commissioners.

Mr. Kirsch told the Board that staff does not recommend any changes to the current watershed protection program.

Mr. Rick Ferguson, developer of Water View Estates, L.L.C., told the Board he hopes to prove that this development will not have an adverse effect on the water quality of Lake Maumelle. He further stated he believes development in this area is inevitable and that he proposes to set high standards for future development.

Mr. Ferguson introduced Dr. Dennis Ford of FTN Associates to the Board. Dr. Ford outlined proposed improvements intended within the development that will, in their opinion, protect the water quality of Lake Maumelle. The improvements consist in part of a 50-foot grass buffer, water quality control stations, and homeowners' association covenants that will provide various protections for Lake Maumelle. He further stated that the covenants would limit the amount of

chemicals used on lawns and restrict the application of chemicals on lawns to licensed applicators.

Dr. Ford stated he felt any water quality problems in Lake Maumelle would originate at the west end of Zone 2 and that is where CAW should be concentrating its water quality control efforts.

Mr. Hal Kemp, attorney for Mr. Rick Ferguson, told the Board that the developer is asking the Board to consider development of property within the Lake Maumelle Watershed. He further stated the developer would like to work with CAW staff and legal counsel in developing an agreement that would result in development standards within the Lake Maumelle Watershed. (The development plan includes 85 - 87 large residential lots on 265 acres within the watershed.)

Dr. Thomas W. Rimmer, Secretary, inquired about plans for maintaining the proposed 50-foot buffer. Mr. Ferguson stated there would be testing of runoff from the buffer after each development phase. He further stated that the buffer would be owned and maintained by the homeowners' association.

Ms. Francille Turbyfill, Commissioner, commented that the developer has gone beyond what is necessary to address CAW's concerns and she would like to see CAW staff consider the request.

In response to a question by Ms. M. Jane Dickey, Commissioner, Mr. Kirsch stated he believed CAW would have to monitor runoff once the development had been completed. Mr. Ferguson commented that the developer had not planned to monitor runoff once the development was completed but could develop a plan to do so.

Commissioner Dickey further asked from whom CAW would seek relief in the future if increased pollutants were discovered. Mr. Kemp stated the homeowners' association would be held responsible.

Commissioner Dickey also inquired as to whether CAW has the authority to establish development standards in the watershed. Mr. Kemp said CAW's adoption of a resolution stating its intent to purchase and/or condemn land to protect the watershed indicates such authority.

Commissioner Rimmer asked whether the calculations by FTN Associates show any increase in nutrient loading from the proposed development. Mr. Jim Malcolm, Project Manager for FTN Associates, stated that it would not be a measurable difference. Dr. Ford stated that once you get enough pollutants to measure, it is too late.

Mr. Gary Hum, Director of Source & Treatment, said that increased pollutants from development would result in additional water treatment requirements.

Upon a motion duly made by Commissioner Wilson and seconded by Commissioner Turbyfill, the Board voted 5-2 to postpone action on the request for 60 days.

Commissioner Eddie Powell asked staff to try again to reach a compromise with Mr. Ferguson on development standards.

Commissioner Dickey commented that the utility's intent always has been to protect the watershed. She further said that deviation from this objective would block the utility's ability to

acquire land near the Lake Maumelle intake structure. Further, she asked staff to look at the risk that runoff from Arkansas Highway 10 poses to Lake Maumelle's water quality.

Commissioner Rimmer stated that although the development does have some protections built into it, he is concerned about setting priorities in the protection of Lake Maumelle.

Chair Wood asked staff to examine Dr. Ford's opinion that the utility's protection efforts should focus on the west end of Lake Maumelle rather than the east end around the intake.

Commissioner Turbyfill said she would like to see CAW and the developer get together and work out a compromise. She said she believed that, if handled correctly, the result could be a win-win situation.

Mr. Steve Morgan, Director of Regionalism & Future Water Source, presented a draft contract with Jacksonville Water Works. He said the utility has had a supplier agreement with Jacksonville Water Works since 1980. He then outlined revisions in the contract: Inclusion of contract provisions consistent with other master-meter contracts held by CAW; changes in the minimum and maximum gallons of water per day that Jacksonville is required to take; and the establishment of a service boundary.

Mr. Thad Gray, Chairman of the Jacksonville Water Commission, told the Board that Jacksonville Water Works is beginning an \$18-million dollar capital investment in water transmission lines and that the new contract will aid them in being able to afford the improvements program.

Mr. Ken Anderson, General Manger of Jacksonville Water Works, said CAW did not have to re-negotiate the contract with Jacksonville and he appreciated CAW staff working with them to accomplish the new agreement. He also stated he believes Jacksonville Water Works achieved a good agreement with CAW.

Upon a motion duly made and seconded, the Board approved the 10-year contract with Jacksonville Water Works.

Upon a motion duly made, the Board approved the following:

- i. a contract with USInfrastructure, Inc., for \$65,000 for the design and preparation of construction plans for a suction line to Booster Pumping Station No. 23 (Montgomery) in North Little Rock
- ii. contracts for the annual purchase of various sized water meters:
 - a. Arkansas Water Products - \$285,600
 - b. Badger Meter, Inc. - \$131,393
- iii. a contract with Hughes Supply for \$79,728 for the annual purchase of fire hydrants

Mr. Harvey briefed the Board on the following:

- Staff has been unable to negotiate a reasonable fee for a salary survey; therefore, the plan is to adapt a survey provided by the American Water Works Association (AWWA) for CAW's use.

- Staff continues to work with developers of Stonelinks Subdivision to try and determine the cause of blue water in several residences in that area (CAW has conducted testing on the water to the residences and found no water quality problems with utility facilities up to the customers' meters.)

The Board convened in Executive Session to discuss security matters. Upon reconvening, the Board approved a motion to accept a contract with Advent Systems, Inc., for \$612,295 for the installation of a fully integrated security system for major CAW facilities.

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

RESOLUTION NO. 2004-01

A RESOLUTION AUTHORIZING CENTRAL ARKANSAS WATER TO ENTER INTO A WATER SUPPLY CONTRACT WITH THE JACKSONVILLE WATER DEPARTMENT; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, Central Arkansas Water ("CAW") desires to sell, and the Jacksonville Water Department ("Jacksonville") desires to buy, potable water; and

WHEREAS, CAW and Jacksonville desire to memorialize the terms and conditions of their agreement to sell and buy potable water;

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

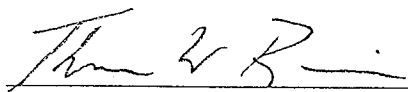
Section 1. The Agreement by and between CAW and Jacksonville, in the form presented to this Board, for the sale of water by CAW to Jacksonville and other matters related thereto is hereby approved, each or any of the Chair, Secretary, Chief Executive Officer of the Chief Operations Officers is hereby authorized to execute such Agreement on behalf of CAW; and such approval of any amendment to the form presented to the board shall be conclusively evidenced by their execution and delivery of the same; and

Section 2. Each or any of the Chair, Secretary, Chief Executive Officer or Chief Operations Officers be and hereby are authorized and directed to execute all documents, instruments and certificates required or necessary to carry out the foregoing sections of this resolution and take all other actions necessary or desirable in connection with the foregoing sections of this resolution.

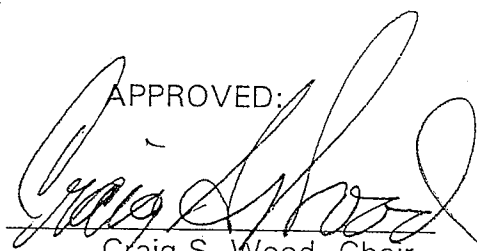
Section 3. This Resolution shall be in effect upon its adoption and approval.

ADOPTED: February 12, 2004

ATTEST:



Secretary

APPROVED:


Craig S. Wood, Chair

Minutes of a Special Meeting
Board of Commissioners
Central Arkansas Water

February 24, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a special meeting at 2 p.m. Tuesday, February 24, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Craig Wood, Chair
Mr. Claude B. Wilson, Vice Chair
Dr. Thomas W. Rimmer, Secretary
Ms. M. Jane Dickey, Commissioner
Mr. Eddie Powell, Commissioner
Ms. Francille Turbyfill, Commissioner
North Little Rock City Councilman Charlie Hight, liaison to the Water Commission

Present by telephone conference:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Mr. Gary Pittman, Chief Financial Officer
Ms. Marie A. Crawford, Director of Communications
Mr. Gary Hum, Director of Source & Treatment
Mr. Dennis Yarbrow, P.E., Supervisor of Water Sources
Ms. Connie Horn, Management Secretary
Ms. Sonia Leszczyna, Human Resources Assistant
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Tad Bohannon, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Arkansas State Representative Sam Ledbetter, District 37-Little Rock
Ms. Kathy Wells, Coalition of Little Rock Neighborhoods
Mr. Paul Dixon, Commercial Broker with Chenal Properties
Mr. Jack McCray, Manager of the Real Estate Division of Deltic Timber Corporation
Mr. Dave Meghreblian, Deltic Timber Corporation
Dr. Dennis Ford, President of FTN Associates, Ltd.
Mr. Jim Malcolm, Project Manager for FTN Associates, Ltd.
Mr. Jim Clark, attorney with Friday, Eldredge & Clark Law Firm
Mr. Bruce Tidwell, attorney with Friday, Eldredge & Clark Law Firm
Mr. James Matthews, General Properties, Inc.
Ms. Jill Joslin, Vice President/Account Supervisor with Heathcott Associates
Ms. Ruth Bell, League of Women Voters of Pulaski County
Ms. Kathleen Oleson, League of Women Voters of Pulaski County
Little Rock City Director Barbara Graves, liaison to the Water Commission
Dr. Karl "David" Straub, past member, Board of Commissioners, Little Rock Municipal Water Works

Mr. Bob Marston, property owner in Lake Maumelle area
Mr. Ron Strother, property owner in Lake Maumelle area
Mr. Darren Flamick, resident of the City of Little Rock
Mr. David Hargis, resident of the City of Little Rock
Dr. Reed Green, Hydrologist with the U.S. Geological Survey
Mr. Rick Ferguson, developer of Water View Estates, L.L.C.
Mr. Randy Ferguson, developer of Water View Estates, L.L.C.
Mrs. Deanna Ferguson, Water View Estates, L.L.C.
Mrs. Pat Ferguson, Water View Estates, L.L.C.
Mr. Hal Kemp, attorney for Water View Estates, L.L.C.
Mr. Tim Daters, P.E., President of White-Daters & Associates
Mr. Joe White, Jr., Vice President of White-Daters & Associates
Ms. Cindy Murphy, Reporter for the *Arkansas Democrat-Gazette*

Mr. Craig Wood, Chair, called the meeting to order and asked Mr. Jim Harvey, Chief Executive Officer, to introduce guests.

The purpose of the special meeting was to consider a proposal from Mr. Rick Ferguson to develop a residential subdivision within the Lake Maumelle Watershed.

Chair Wood explained that the meeting would be open for public comment after presentations by staff and parties representing the developer. He asked that interested parties wishing to address the Board raise their hands and they each would be given three minutes to speak.

Chair Wood reminded the Board that at the previous meeting Mr. Claude B. Wilson, Commissioner, had requested 60 days to obtain additional information regarding the development proposal. He stated that Commissioner Wilson had informed him that he was ready to address the issue rather than wait the full 60 days.

Ms. M. Jane Dickey, Commissioner, made a motion, seconded by Dr. Thomas W. Rimmer, Commissioner, to re-affirm resolution 2003-10/Watershed Protection Plan. Commissioner Dickey stated that resolution 2003-10, adopted by the CAW Board on September 4, 2003, was a re-affirmation of resolutions adopted in 1992 and 1998 by the Board of Commissioners, Little Rock Municipal Water Works (LRMWW), to protect the Lake Maumelle Watershed.

Chair Wood asked Mr. Ferguson whether he had new information he would like to present. Mr. Ferguson stated he had no new information but he would be willing to take questions. Mr. Ferguson then requested that Mr. Jack McCray, Manager of the Real Estate Division of Deltic Timber Corporation, be allowed to address the Board on another residential development proposed for the Lake Maumelle Watershed.

Mr. McCray thanked the Board for the opportunity to present development plans for land partially located within the Lake Maumelle Watershed. He said the development encompasses 1,170 acres, of which 794 acres are located within the watershed. He said Deltic has owned the land since 1980 and has plans to develop the land within the next two to three years. He also said he had met with CAW staff on several occasions, at which times CAW had expressed the desire to purchase the property and Deltic had expressed intentions to develop the property.

In response to a question from Commissioner Rimmer, Mr. Harvey replied that the property is within the Lake Maumelle Watershed and that CAW remains opposed to development within the watershed.

Ms. Alma Williams, Commissioner, joined the meeting by telephone conference at 2:15 p.m.

Chair Wood asked Ms. Dickey to repeat her motion for Commissioner Williams' benefit. Chair Wood told Commissioner Williams the motion had been seconded by Commissioner Rimmer.

Mr. Hal Kemp, attorney for Water View Estates, L.L.C., reiterated the request to develop property within the Lake Maumelle Watershed. He cited an agreement between CAW and developers of Alotian Golf Course, part of which is within the watershed. Mr. Kemp asked that CAW allow Water View Estates, L.L.C., to prepare a site plan similar to the agreement with Alotian Golf Course. He also cited an easement granted to the Ouachita Trail (a walking path) that lies between the property proposed for development and CAW property.

Following additional comments on behalf of the developer, Mr. Kemp stated it is their belief that the protective resolutions concerning development within the Lake Maumelle Watershed are a deliberate attempt by CAW to crush development around the lake.

During citizens' comments, Ms. Ruth Bell, representing the League of Women Voters of Pulaski County, said the league is opposed to development around Lake Maumelle and has concerns about potential threats to the watershed. She stated that the league is concerned that a sole agency does not have oversight responsibility for development within the watershed. She recommended the formation of a regional planning group that would have authority to develop a plan to protect the watershed from negative impact or land development. In conclusion, Ms. Bell said the league recommends a moratorium on development within the watershed until a master plan is in effect.

State Representative Sam Ledbetter, District 37-Little Rock, commended Commissioner Dickey on her motion to re-affirm the resolutions calling for protection of the Lake Maumelle Watershed. Representative Ledbetter said he opposes development within the watershed. He also commended the Water Commission and City of Little Rock for an outstanding job in protecting the water supply and cited protection of the reservoir as the reason the local area has one of the finest supplies in the United States. He further stated that non-point source pollution is the most difficult to control and identify. He urged the Commission to hold the line to protect the watershed and address other areas that impact the water supply.

Ms. Kathleen Oleson, also a representative of the League of Women Voters of Pulaski County and former member of the CAW Task Force on System Development Charges, stated her concerns on development within the Lake Maumelle Watershed. She further said dealing with one entity within the watershed, such as Alotian Golf Course, is easier than dealing with several property owners within a single development.

Dr. Karl "David" Straub, former member of the Board of Directors, LRMWW, stated he is a physician and bio-chemist and that this issue came before the Board when he was a member of the Little Rock Water Commission. He said he is strongly in favor of limiting development within the watershed. He cited many utilities around the country that have allowed development within their watersheds and since have had serious water quality problems. He stated he believes one of the problems with residential development close to the lake is in water run-off containing grease and oil from the roadways, as well as insecticides and pesticides from lawns. He further stated that additional pollution results in increased water treatment costs for CAW.

Chair Wood asked staff for their recommendation.

Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, quoted a policy statement from the American Water Works Association stating that "the quality of existing and potential sources of drinking water supply, including both groundwater and surface, shall be actively and aggressively protected and enhanced." He noted that there had been a previous attempt by

Soterra, Inc., to develop the property now owned by Water View Estates, L.L.C. He said the Water Commission presiding at that time voted against development of the property.

Mr. Kirsch noted that approximately one-third of the watershed is in the Quachita National Forest and no significant watershed protection measurements are needed in this area. In addition, he indicated that if development in zone 1 is allowed and water quality problems are experienced, the water treatment process will have to be upgraded. (The estimated cost for advanced treatment is over \$30,000,000.) Zone 1 was established to protect the water quality near the intake.

Mr. Kemp questioned how the line separating zone 1 from zone 2 was established. He commented that the line runs along the eastern boundary of the Alotian Golf Course and questioned if the line was established to accommodate the golf course.

Mr. Kemp stated it is their belief that the resolutions concerning development within the Lake Maumelle watershed is a deliberate attempt by CAW to crush development around Lake Maumelle.

In response to Mr. Kemp's remark about the establishment of the line separating zone 1 from zone 2, Mr. Harvey stated that the line was established long before the Alotian Golf Course proposal was presented to CAW staff. When representatives of the Alotian Golf Course were told about the resolution protecting the watershed in zone 1, they immediately moved their proposed golf course development outside of that zone.

Ms. Francille Turbyfill, CAW Commissioner, asked when Mr. Ferguson had first contacted staff about his proposed development plans. Mr. Harvey responded that staff first had communication with Mr. Ferguson in October 2003. Mr. Kirsch presented an internal E-mail, dated October 10, 2003 and composed on the same day that the utility first received information on Mr. Ferguson's proposal.

At this point in the meeting, Chair Wood commented that Lake Maumelle has been the principal drinking water source for Central Arkansas for more than 40 years and, with proper management by professional staff and the Board of Commissioners, should continue as such for 100 years or more. He further stated that as much as the Board would like to accommodate growth and development, the Board's greater responsibility is to protect the long-term drinking water sources of Central Arkansas. He also stated that the restrictions on property within the Lake Maumelle Watershed were in place prior to Mr. Ferguson's commitment to purchase the property in question.

Commissioner Rimmer stated he supported the motion made by Commissioner Dickey but expressed concern about the Board's ability to carry out the resolution, in terms of acquiring the property. He also said staff needs to revisit the practical and scientific aspects of the Watershed Protection Plan to ensure acquisition lines are drawn properly. (During the Board's regular meeting on February 12, 2004, a consultant for Water View Estates, L.L.C., questioned whether CAW was focusing protection efforts in the appropriate areas of the watershed.) Commissioner Rimmer also stated he was not inclined to overturn the resolution at this time.

Chair Wood called for a vote on Ms. Dickey's motion to re-affirm Resolution 2003-10. The Board voted 5-0, with 2 abstentions, to uphold the resolution.

With there being no further business, the meeting was adjourned.

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

March 11, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, March 11, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

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

Present by telephone conference:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Ms. Marie A. Crawford, Director of Communications
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Mr. Gary Pittman, Chief Financial Officer
Mr. Allen Vincent, Director of Information Services
Mr. Jerry Boon, C.P.A., Assistant Director of Finance
Ms. Deena Coston, C.P.A., Controller
Ms. Connie Horn, Management Secretary
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Mr. Jack Brashear, P.E., Senior Project Engineer for Garver Engineers, Inc.
Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers, Inc.
Ms. Pamela Byrd, C.P.A., Moore Stephens Frost Financial Group
Ms. Rachel Kremer, C.P.A., Moore Stephens Frost Financial Group
Ms. Cindy Murphy, Reporter for the *Arkansas Democrat-Gazette*

Mr. Craig Wood, Chair, called to order the March 11, 2004, meeting of the Board of Commissioners.

Chair Wood asked Mr. Jim Harvey, Chief Executive Officer, to introduce the guests. Chair Wood welcomed guests to the meeting.

Chair Wood noted revisions to the minutes of the February 24, 2004, Special Board Meeting and asked Mr. Harvey to explain the revisions. Mr. Harvey said the revisions were to expand on the water utility's efforts to protect the Lake Maumelle Watershed.

Chair Wood called for a motion to approve the minutes, as revised. Upon a motion duly made and seconded, the Board approved the minutes.

Dr. Thomas W. Rimmer, Commissioner, joined the meeting at 2:10 p.m.

Mr. Harvey asked Mr. Gary Pittman, Chief Financial Officer, to address the Board on the 2003 Independent Auditor's Report by Moore Stephens Frost Financial Group. Mr. Pittman introduced Ms. Rachel Kremer, C.P.A., and Ms. Pamela Byrd, C.P.A., with Moore Stephens Frost Financial Group.

Ms. Kremer told the Board that because there were no issues significant enough to warrant written notice, the auditors were not issuing a management letter this year. She further stated that CAW staff does an excellent job and is well prepared for the auditors at audit time.

Ms. M. Jane Dickey, Commissioner, commented that audit reports of governmental bodies are under greater scrutiny than before and asked Ms. Kremer her thoughts on the responsibilities of governmental bodies and upcoming changes in auditing requirements.

Ms. Kremer stated her opinion that the Board's responsibility is to oversee the actions of the staff and to fulfill certain fiduciary responsibilities in relation to the utility's financial reporting practices. She also indicated that as soon as the General Accounting Office (GAO) adopts the rules and regulations of the Governmental Accounting Standards Board, there may be a number of changes that impact governmental boards and commissions.

Commissioner Rimmer asked Ms. Kremer whether CAW should make changes in anticipation of the new accounting standards. Ms. Kremer responded that the Board might consider creating a finance audit committee. Commissioner Dickey asked staff to follow up on this recommendation.

Chair Wood asked Mr. Jerry Boon, C.P.A., Assistant Director of Finance, to change the terminology in the monthly financial statements to reflect the audit presentation terminology, as it relates to contributions. Mr. Boon indicated that staff would make the changes.

Chair Wood stated that the 2003 audit was the first in 17 years that did not require a management letter. He complimented staff for this accomplishment. (A management letter from the auditors notifies staff and the Board of suggested changes in accounting practices.)

Upon a motion duly made by Mr. Eddie Powell, Commissioner, and seconded by Commissioner Rimmer, the Board approved the 2003 Audit Report.

Mr. Pittman addressed the Board on a resolution that would allow staff to administratively handle future updates to the schedule of ancillary charges. Mr. Pittman said the Board still would review changes; however, the new policy would eliminate the confusion created by the current requirement for amending resolutions to add participants in the third party billing services.

Chair Wood asked that staff keep the Board informed of future changes to the resolution.

Upon a motion duly made by Commissioner Dickey and seconded by Ms. Francille Turbyfill, Commissioner, the Board approved Resolution 2004-02.

Mr. Steve Morgan, Director of Regionalism & Future Water Source, presented to the Board a resolution to change the minimum daily purchase requirements for Woodland Hills. He said Woodland Hills requested a reduction because a significantly smaller service area will be receiving water from CAW by way of the existing pipeline. Mr. Morgan further stated that Woodland Hills will save approximately \$200,000 on the cost of water by purchasing part of its supply through the City of Bryant. (CAW has a contract to sell water to the City of Bryant.)

In response to Chair Wood's question about whether the resolution would affect CAW's revenue, Mr. Morgan said CAW would realize the revenue from water sold to the City of Bryant.

Upon a motion duly made by Commissioner Powell and seconded by Commissioner Rimmer, Resolution 2004-04 was approved.

Mr. Morgan also presented to the Board a resolution to lift service restrictions stated within the contract between CAW and the City of Bryant. He said the restrictions, instituted in the late 1980s, prohibit the City of Bryant from serving areas outside its city limits. He said the new resolution will enable the city to supply water to the new Saline County Airport and other entities, as appropriate.

Upon a motion duly made by Commissioner Rimmer and seconded by Commissioner Dickey, Resolution 2004-03 was approved.

Mr. Allen Vincent, Director of Information Services, reported to the Board on in-coming call recording computer software for the Customer Service Center. Mr. Vincent told the Board that the software would record an in-coming call, as well as the computer screens viewed during the call. He further stated that this capability would be beneficial to training and evaluating employees.

In response to questions from the Commissioners, Mr. Harvey suggested delaying a decision on the purchase of the software so that staff could provide more information to the Board on the system's capabilities.

Upon a motion duly made and seconded, the Board approved the following:

- A request from Mr. Dan L. Nunley for a private fire service line agreement to serve his property at 6 Hethwood Road in Southwest Little Rock

Mr. Steve Morgan updated the Board on the following regionalism activities:

- CAW has received the first installment payment from all participating partners for the cost of the North Belt Transmission Main.
- The Vicksburg, Mississippi, District Office of the U.S. Army Corps of Engineers has forwarded a \$85,000 check for the Mid-Arkansas Regional Water Supply Study. The Mid-Arkansas Water Alliance anticipates a response in a few months to the request for the remaining discretionary storage in Greers Ferry Lake.
- CAW engineering staff has met with Maumelle Water Management staff and provided hydraulic models and a cost for supplying surplus water from CAW's system. Maumelle Water Management will be responsible for \$2.5 million of the \$3.5-million project cost.

CAW's cost will be \$1 million for improvements to current water lines and facilities within the CAW service area.

- Negotiations are continuing on a water supply contract with the Salem Water Users Association.

Mr. Harvey briefed the Board on the following:

- The purchase agreement in use by Mr. Rick Ferguson for the development of Water View Estates indicates an awareness of CAW's intent to protect the Lake Maumelle watershed and states the developer is negotiating with CAW regarding certain properties. CAW is currently working with an appraiser to determine the value of the property that Mr. Ferguson wants to develop within the watershed.
- Ms. Marie A. Crawford distributed information on the proposed Customer Assistance Fund. Staff has issued Requests for Proposals for interested advertising firms and community agencies. The deadline for submittals is April 1, 2004.
- The annual payment to the U.S. Army Corps of Engineers (\$154,426.20) and the Ouachita River Water District (\$25,000) for the Right of First Refusal on 120 million gallons a day from Lake DeGray is coming due.

Chair Wood told the Board that, due to a schedule conflict, Commissioner Powell had to leave the meeting at this time. Before Commissioner Powell left, Chair Wood reminded the Board of its request to Mr. Harvey for the postponement of his stated retirement date of April 1, 2005, and that Mr. Harvey had asked for time to consider the request. Mr. Wood informed the Board that Mr. Harvey has agreed to postpone his retirement but, as of this time, has not set a definite date. Mr. Wood stated that Mr. Harvey would let the Board know within 30 days how long he will postpone his retirement.

Mr. Harvey asked Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers, Inc., to give the Board an overview of the ongoing work on the Master Electrical Plans for the Jack H. Wilson Water Treatment Plant and Lake Maumelle.

Chair Wood thanked Mr. Brown for the informative update.

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

RESOLUTION 2004-02

A RESOLUTION TO ESTABLISH THE ANCILLARY SERVICE CHARGES THAT CENTRAL ARKANSAS WATER WILL CHARGE TO ITS CUSTOMERS FOR NON-WATER GOODS AND SERVICES PROVIDED BY CAW AND TO PRESCRIBE REGULATIONS REGARDING THE ADMINISTRATION OF ANCILLARY SERVICE CHARGES

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 83rd Arkansas General Assembly (the "Act"), and have consolidated the ownership and operation of their municipal water utilities in CAW: and

WHEREAS, CAW, by virtue of the Act and through its Board of Commissioners, is authorized and empowered to fix, charge and collect the rates for water and other goods and services provided by CAW, on such terms, conditions and regulations as the Board of Commissioners may deem necessary or expedient;

WHEREAS, CAW, pursuant to cost-of-service recommendations of CAW Staff and consultants, established rates for certain non-water goods and services provided by CAW, commonly known as Ancillary Service Charges, through Board of Commissioners' Resolution 2001-11, as amended by Resolutions 2002-08 and 2002-12;

WHEREAS, CAW has determined that it is both necessary and expedient that all CAW Ancillary Service Charges be administered and determined by the CAW Staff in accordance with certain rules and regulations; and

WHEREAS, CAW desires to revise and restate the Ancillary Service Charges to reflect the cost of such services to CAW;

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

Section 1. The following Ancillary Service Charges are established for the non-water goods and services provided by CAW and described below:

<u>Nonrecurring Customer Charges</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
Meter Cost and Deposit	See "Attachment A" for Charges
Construction Standpipe	\$75.00 **
Sprinkler Standpipe Fee	\$75.00
County Cut Fee	\$25.00
Engineering Services	See "Attachment B" for Charges
Violation of Temporary Water Service Contract (1 st Offense)	\$250.00
Violation of Temporary Water Service Contract (2 nd Offense)	\$500.00
Charge to Read a Temporary Construction Meter	\$25.00
Contracted Maintenance of Private Fire Hydrant (per year)	\$26.00

* This charge shall be reduced to \$5.00 for customers with "sprinkler" meters who notify CAW of their intent to open their "sprinkler" meter in the Spring and who then open their "sprinkler" meter.

** CAW shall refund \$25.00 to any customer who returns a reusable standpipe to CAW. CAW shall retain discretion to determine whether the proffered standpipe is reusable.

Third Party Billing Services

Charge

Little Rock Wastewater Utility	\$0.72 per bill
Wrightsville Sewer	\$0.92 per bill
NLR Wastewater	\$0.72 per bill
LR Sanitation	\$0.41 per bill
Pulaski County Sanitation	\$0.41 per bill
Arch St. Improvement District	\$0.46 per bill
Higgins Improvement District	\$0.65 per bill
Spring Valley Improvement District	\$0.79 per bill
Woodland Ridge Improvement District	\$0.79 per bill
Sherwood Sanitation	\$0.41 per bill
Mayflower Sewer	\$0.92 per bill

Section 2. The Chief Executive Officer ("CEO") is hereby charged with the responsibility of administering the determination, billing and collection of all Ancillary Service Charges of CAW in accordance with the following terms and conditions.

- (a) Charge Determination. On or before January 1 of each calendar year, the CEO shall conduct a review of all CAW Ancillary Service Charges to determine whether such charges provide sufficient revenue to ensure the recovery of CAW's reasonable costs incurred in providing all non-water goods and services to CAW customers. If the CEO determines that changes to the charges other than inflation

adjustments as described below, are warranted, a report of the CEO's findings and recommendations will be submitted to the Board of Commissioners at the Board's regularly scheduled January meeting (the "Annual Report").

The CEO is authorized to annually adjust any Ancillary Service Charge by an amount equal to the previous year's change in the Consumer Price Index – All Urban Customers as published by the Bureau of Labor Statistics, United States Department of Labor, or any successor to such index (the "inflation adjustment"). All inflation adjustments to Ancillary Service Charges approved by the CEO shall become effective April 1 of each calendar year.

The CEO's Annual Report shall include a schedule detailing (i) inflation adjustments to any Ancillary Service Charges, (ii) recommended adjustments to any Ancillary Service Charges that exceed the inflation adjustment, (iii) a description of any new non-water good or service the CEO proposes that CAW make available to its customers, as well as a recommended charge for such good or service, (iv) the identification of any Ancillary Services the CEO recommends should be discontinued by CAW, and (v) any supporting documentation the CEO determines is necessary to substantiate the CEO's findings and recommendations in the Annual Report.

The CEO's findings and recommendations contained in the Annual Report shall be deemed approved by the Board of Commissioners of CAW on April 1 of each calendar year, unless the Board of Commissioners, prior to said date, moves to suspend any one or all of the CEO's recommendations. In the event the Board of Commissioners decides to suspend one or more of the CEO's recommendations, all CEO recommendations not objected to by the Board of Commissioners shall become effective April 1 of each calendar year. Third party billing services to new customers may begin at times other than April 1, provided the CEO notifies the Board of Commissioners of the customer's name and the associated charge at the Board's regularly scheduled meeting preceding commencement of service, and the Board does not object and suspend the proposed service.

- (b) Charge Administration. The CEO is hereby authorized to administer the provisioning billing and collection of all Ancillary Service Charges of CAW. The CEO is specifically authorized to negotiate and enter contracts on CAW's behalf concerning all Ancillary Services, promulgate reasonable rules, regulations, terms and conditions regarding the provisioning, billing and collection of all Ancillary Services, and enforce such contracts, rules, regulations, terms and

conditions. In addition, the CEO is charged with the responsibility of conducting periodic cost of service analyses of all existing and proposed Ancillary Service Charges. The CEO may employ consultants to conduct the cost-of-service analysis of Ancillary Service Charges or utilize members of the CAW Staff.

Section 3. The Board of Commissioners, Central Arkansas Water finds that the foregoing Ancillary Service Charges and regulations regarding their administration are necessary and expedient; and

Section 4. The Board of Commissioners, Central Arkansas Water duly adopts the Ancillary Service Charges described herein with an effective date of 1 April 2004.

I, Tom Rimmer, 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 March, 2004.

Secretary

ATTACHMENT A

METER COSTS and DEPOSITS

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 2-Lane Price. If a customer requests that CAW install a meter at a location other than CAW's typical meter placement location, or if a customer requests that an existing meter be relocated to a new location, and CAW agrees with the customer's request, the Meter Connection Charge for such requests shall be double the normal Meter Connection Charge.

For meter connections larger than 4", the Meter Connection Charge shall be based upon CAW'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.

The Meter Connection Charge for 5/8"- through 4"-diameter meter sizes will be increased by 1/2% for each 1 foot of right-of-way width over 80 feet.

The Meter Connection Charge shall be as follows for a reduction in meter size:

1"-diameter to 5/8"- or 3/4"-diameter	\$ 140.00
1-1/2"- or 2" - diameter to a smaller size	190.00
3"- or 4" - diameter to a smaller size	225.00

If the existing tap and service line can be utilized when installing a new larger meter, the Meter Connection Charge shall be the difference in the Meter Connection Charges for the new meter and the old meter, plus \$100.00. Otherwise, the Meter Connection Charge shall be the Meter Connection Charge indicated above in the normal Meter Connection Charge schedule.

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	321 TO 700
6"		1,800.00	2,800.00	701 TO 1,500

* Domestic Deposits refundable after 12 consecutive months of payments without having a second notice issued.

Domestic Deposits will be waived or refunded for customers signing onto automatic payment program.

** Deposits waived for Landlords and Property Management companies with a good pay history.

*** Indicates the maximum number of residential or commercial "units" that can be served by a meter of the corresponding size.

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

ATTACHMENT B

ENGINEERING SERVICES

Special Contracts for Installation of Public Water Facilities and Fire Services

<u>Construction Costs</u>		<u>Charge</u>	
\$0	-	\$5,000	\$250.00
\$5,001	-	\$10,000	\$500.00
\$10,001	-	\$20,000	\$750.00
\$20,001	-	\$50,000	\$1,250.00
\$50,001	-	\$100,000	\$2,500.00
\$100,001	-	\$250,000	\$4,000.00
\$250,001	-	\$500,000	\$6,000.00
\$500,001	-	Greater	\$10,000.00

Engineering Inspections Charges

Special Contract and Fire Service Inspection Fees Charges

\$150.00 (per day maximum) or
\$45.00 (per hour) whichever is greater

Cross Connection Inspection Charges

\$100.00 (per trip)

Bacteriological Samples

Special Contract and Fire Service Sample Fees Charges

\$50.00 (per trip minimum) or
\$25.00 (per sample), whichever is less

RESOLUTION NO. 2004-03

A RESOLUTION AUTHORIZING CENTRAL ARKANSAS WATER TO AMEND AND MODIFY A WATER SUPPLY CONTRACT WITH THE SALINE COUNTY WATERWORKS & SANITARY SEWER PUBLIC FACILITIES BOARD; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, the Saline County Waterworks & Sanitary Sewer Public Facilities Board ("Woodland Hills") and the Central Arkansas Water ("CAW") entered into agreement for the purchase and sale of water dated December 12, 2002, (the "Agreement") whereby Woodland Hills agreed to buy and CAW agreed to sell potable water subject to certain terms and conditions set forth in the Agreement; and

WHEREAS, CAW and Woodland Hills desire to amend and modify the Agreement on the terms and conditions set forth herein.

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

Section 1. The Agreement by and between CAW and Woodland Hills, in the form presented to this Board, amend and modify the Agreement on the terms and conditions set forth and other matters related thereto is hereby approved, each or any of the Chair, Secretary, Chief Executive Officer of the Chief Operations Officers is hereby authorized to execute such Amendment on behalf of CAW; and such approval of any amendment to the form presented to the board shall be conclusively evidenced by their execution and delivery of the same; and

Section 2. Each or any of the Chair, Secretary, Chief Executive Officer or Chief Operations Officers be and hereby are authorized and directed to execute all documents, instruments and certificates required or necessary to carry out the foregoing sections of this resolution and take all other actions necessary or desirable in connection with the foregoing sections of this resolution.

Section 3. This Resolution shall be in effect upon its adoption and approval.

ADOPTED: March 11, 2004

ATTEST:

APPROVED:

Tom W. Rimmer, Secretary

Craig S. Wood, Chair

CERTIFICATE

STATE OF ARKANSAS)
)
COUNTY OF PULASKI)

I, Tom Rimmer , Secretary of Central Arkansas Water, do hereby certify that the foregoing is a true and correct copy of Resolution 2004-XX of the Resolutions of Central Arkansas Water, entitled: A RESOLUTION AUTHORIZING CENTRAL ARKANSAS WATER TO AMEND AND MODIFY A WATER SUPPLY CONTRACT WITH WOODLAND HILLS; AND PRESCRIBING OTHER MATTERS RELATING HERETO, adopted March 11, 2004 .

IN WITNESS WHEREOF, I have hereunto set my hand this _____ day of March, 2004.

Secretary
Board of Commissioners, Central Arkansas Water

FIRST AMENDMENT TO AGREEMENT

This First Amendment is made and entered into this _____ day of _____, 2004, by and between Central Arkansas Water ("CAW"), and Saline County Waterworks & Sanitary Sewer Public Facilities Board ("Woodland Hills").

WITNESSETH

WHEREAS, CAW and Woodland Hills entered into an Agreement for the purchase and sale of water dated December 12, 2002, (the "Agreement") whereby Woodland Hills agreed to buy and CAW agreed to sell potable water subject to certain terms and conditions set forth in the Agreement; and

WHEREAS, CAW and Woodland Hills desire to amend and modify the Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the recitals above and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment of Agreement. Paragraph 2 of the Agreement amended, in total, to read as follows:

PARAGRAPH 2: Subject to all the terms and conditions hereinafter set forth, CAW agrees to sell and Woodland Hills agrees to buy for distribution by the Woodland Hills water utility at the "Minimum Purchase" (as hereinafter defined) of potable water per day at the pressure and quantity available from CAW commencing on the date of the Engineer's Certificate. It is specifically understood and agreed that the Minimum Purchase is a daily minimum and that Woodland Hills will pay CAW for the Minimum Purchase regardless of whether Woodland Hills actually uses, or takes delivery of the entire Minimum Purchase each day based on the average daily volume computed using total volume taken within a billing cycle and the total number of days within the billing cycle. Provided that if CAW is unable to supply the Minimum Purchase each day at the Meter Station due to extenuating circumstances such as main supply line breaks, power failures, flood, fire, use of water to fight fires, earthquakes or other catastrophes, Woodland Hills will be exempt from paying for the Minimum Purchase of each 24 hour period that CAW is unable to deliver the Minimum Purchase. Commencing March 1, 2004 and ending February 28, 2005, there shall be no Minimum Purchase amount. Commencing March 1, 2005, the Minimum Purchase amount shall be the daily average of the total amount of water purchased by Woodland Hills from CAW during the previous ninety (90) days. Thereafter, the Minimum Purchase amount shall be adjusted annually, on March 1 of each year, based on the daily average of the total amount of water purchased by Woodland Hills from CAW during the previous ninety (90) days. The maximum amount of water sold pursuant to this Agreement is 400,000 gallons per day (the "Maximum Purchase"). The Maximum Purchase is an actual maximum amount of water that Woodland Hills is permitted to acquire from CAW in any 24 hour period; it is not an

“average” computed in a manner similar to the Minimum Purchase. It is also recognized that the Off-Peak purchasing time periods are intended to encourage Woodland Hills to develop its own water storage facilities and to reduce Woodland Hills’ dependency on CAW’s water transmission facilities during Peak periods.

2. Effect of Amendment. Except as otherwise specifically set forth in this First Amendment, the remaining terms of the Agreement shall remain in full force and effect and shall not be deemed modified, amended, revoked or rescinded in any manner. Capitalized terms not otherwise defined in this First Amendment shall have the meaning and definition ascribed to them under the Agreement. The remaining terms and conditions of the Agreement are incorporated herein by this reference as if set forth word for word herein.

In witness whereof, the parties have executed this First Amendment effective as of the day and year first written above.

CENTRAL ARKANSAS WATER

By: _____ Date _____
James T. Harvey, Chief Executive Officer

SALINE COUNTY WATERWORKS & SANITARY SEWER PUBLIC FACILITIES BOARD

By: _____ Date _____
_____, Chairperson

RESOLUTION NO. 2004-04

A RESOLUTION AUTHORIZING CENTRAL ARKANSAS WATER TO AMEND AND MODIFY A WATER SUPPLY CONTRACT WITH THE CITY OF BRYANT; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, the City of Bryant, Arkansas ("Bryant") and the City of Little Rock, Arkansas for the use and benefit of Little Rock Municipal Water Works ("Little Rock") entered into an agreement for the purchase and sale of water dated July 11, 1988 (the "Agreement") whereby Bryant agreed to buy and Little Rock agreed to sell potable water subject to certain terms and conditions set forth in the Agreement; and

WHEREAS, Little Rock assigned and CAW assumed the interests of Little Rock in the agreement; and

WHEREAS, CAW and Bryant desire to amend and modify the Agreement on the terms and conditions set forth herein.

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

Section 1. The Agreement by and between CAW and Bryant, in the form presented to this Board, amend and modify the Agreement on the terms and conditions set forth and other matters related thereto is hereby approved, each or any of the Chair, Secretary, Chief Executive Officer or the Chief Operating Officers is hereby authorized to execute such Amendment on behalf of CAW; and such approval of any amendment to the form presented to the Board shall be conclusively evidenced by their execution and delivery of the same; and

Section 2. Each or any of the Chair, Secretary, Chief Executive Officer or Chief Operating Officers be and hereby are authorized and directed to execute all documents, instruments and certificates required or necessary to carry out the foregoing sections of this resolution and take all other actions necessary or desirable in connection with the foregoing sections of this resolution.

Section 3. This Resolution shall be in effect upon its adoption and approval.

ADOPTED: March 11, 2004

ATTEST:

APPROVED:

Tom W. Rimmer, Secretary

Craig S. Wood, Chair

CERTIFICATE

STATE OF ARKANSAS)
)
COUNTY OF PULASKI)

I, Tom Rimmer, Secretary of Central Arkansas Water, do hereby certify that the foregoing is a true and correct copy of Resolution 2004-04 of the Resolutions of Central Arkansas Water, entitled: A RESOLUTION AUTHORIZING CENTRAL ARKANSAS WATER TO AMEND AND MODIFY A WATER SUPPLY CONTRACT WITH THE CITY OF BRYANT; AND PRESCRIBING OTHER MATTERS RELATING HERETO, adopted February 11, 2004

IN WITNESS WHEREOF, I have hereunto set my hand this 11th day of March, 2004.

Secretary, Board of Commissioners
Central Arkansas Water

FIRST AMENDMENT TO AGREEMENT

This First Amendment is made and entered into this 11th day of February, 2004, by and between Central Arkansas Water (“CAW”), and the City of Bryant, Arkansas (“Bryant”).

WITNESSETH

WHEREAS, Bryant and the City of Little Rock, Arkansas for the use and benefit of Little Rock Municipal Water Works (“Little Rock”) entered into an Agreement for the purchase and sale of water dated July 11, 1988 (the “Agreement”) whereby Bryant agreed to buy and Little Rock agreed to sell potable water subject to certain terms and conditions set forth in the Agreement; and

WHEREAS, Little Rock assigned and CAW assumed the interests of Little Rock in the Agreement; and

WHEREAS, CAW and Bryant desire to amend and modify the Agreement on the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the recitals above and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereto agree as follows:

1. Amendment of Agreement. Paragraph 13 of the Agreement is removed in its entirety and, in order to maintain the current numbering of the remaining paragraph of the Agreement, paragraph 13 shall hereafter read as follows, “Reserved”.

2. Effect of Amendment. Except as otherwise specifically set forth in this First Amendment, the remaining terms of the Agreement shall remain in full force and effect and shall not be deemed modified, amended, revoked or rescinded in any manner. Capitalized terms not otherwise defined in this First Amendment shall have the meaning and definition ascribed to them under the Agreement. The remaining terms and conditions of the Agreement are incorporated herein by this reference as if set forth word for word herein.

In witness whereof, the parties have executed this First Amendment effective as of the day and year first written above.

CENTRAL ARKANSAS WATER

By: _____
James T. Harvey, Chief Executive Officer

CITY OF BRYANT, ARKANSAS

By: _____
Paul E. Halley, Mayor

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

April 8, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, April 8, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Craig Wood, Chair
Mr. Claude B. Wilson, Vice Chair
Dr. Thomas W. Rimmer, Secretary
Ms. M. Jane Dickey, Commissioner
Mr. Eddie Powell, Commissioner
Ms. Francille Turbyfill, Commissioner
Ms. Alma Williams, Commissioner
North Little Rock City Councilman Charlie Hight, Liaison to the Water Commission

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Ms. Marie A. Crawford, Director of Communications
Mr. Gary Pittman, Chief Financial Officer
Mr. Jim Ferguson, P.E., Director of Engineering
Ms. Connie Horn, Management Secretary
Mr. Tad Bohannon, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Sam Jones, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Mr. Ron Strother, property owner in area of Lake Maumelle
Mr. David Hargis, attorney representing Mr. Ron Strother
Mr. Jack McCray, Manager of the Real Estate Division of Deltic Timber Corporation
Mr. Jim Clark, Attorney for Deltic Timber Corporation/Friday, Eldredge & Clark
Mr. Dewey Watson, Attorney for Deltic Timber Corporation/Friday, Eldredge & Clark
Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers, Inc.
Mr. Kirby Rowland, P.E., Vice President of Garver Engineers, Inc.
Mr. Gary Heathcott, President of Heathcott Associates
Mr. Hal Kemp, Attorney for Water View Estates, L.L.C.
Ms. Cindy Murphy, reporter for the *Arkansas Democrat-Gazette*
Ms. K.J. Longley, reporter with *The Times* of North Little Rock
Ms. Amy Fox, reporter for KTHV-TV, Channel 11
Mr. Oran Hardcastle, photographer for KTHV-TV, Channel 11

Mr. Craig Wood, Chair, called to order the April 8, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and Mr. Jim Harvey, Chief Executive Officer, introduced the guests.

Chair Wood called for a motion to approve the minutes to the March 11, 2004, meeting. Upon a motion duly made and seconded, the minutes were approved.

Chair Wood told the Commissioners that he had received a call from Ms. Jan Baker of the Walton Heights/Candlewood Property Owners Association requesting the association be allowed to paint its name on CAW's water storage tank in that area. Chair Wood said he told Ms. Baker that CAW normally does not allow artwork on storage tanks; however, she is welcome to make a presentation to the Board.

Mr. Harvey told the Board that staff has received similar requests from other neighborhood associations. Chair Wood suggested staff might want to develop a policy addressing requests of this type.

Chair Wood mentioned that the Commissioners earlier in the day had received a letter from Mr. Jack McCray, Manager of the Real Estate Division of Deltic Timber Corporation. He said the letter was in regard to Deltic's proposed development that partially would be located within the Lake Maumelle Watershed. Chair Wood told the Commissioners that he had provided response comments to the Deltic representatives and asked fellow Commissioners to do the same in support of CAW's watershed policy and staff.

Mr. Harvey asked Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, to update the Board on proposed development within the Lake Maumelle Watershed.

Mr. Kirsch told the Board that the proposed Water View Estates development consists of 1,100 acres along the north side of Lake Maumelle. He said 301 acres are within the watershed. He told Board that on March 25, 2004, Mr. Rick Ferguson, developer of Water View Estates, appeared before the Pulaski County Planning Board requesting approval of Phase 1 of the development. He said representatives from CAW also attended the meeting and requested that the Planning Board delay approval for 30 days so that CAW could negotiate with Mr. Ferguson on the purchase of the watershed property. (Phase 1 consists of 20 lots, of which portions of 8 lots are within the watershed.) Mr. Kirsch said the Planning Board approved the preliminary plat for Phase 1. He noted that until the Planning Board grants final approval, there may be no transfer of deeds on the property, unless the developer posts sufficient funds with the county to complete the project.

Mr. Kirsch said CAW is currently in the process of obtaining an appraisal on the property within the watershed then will transmit a purchase proposal to the developer.

Mr. Kirsch told the Board there is a proposal for a second development that partially would be located within the Lake Maumelle Watershed. He said Deltic has proposed The Ridges at Nowlin Creek for land located along the south side of Lake Maumelle. He stated that approximately 700 acres (180 lots) of the proposed development are in the watershed. Mr. Kirsch explained that Mr. McCray had appeared before the Subdivision Committee of the Little Rock Planning Commission and requested approval of the development. He said CAW staff has requested that the Planning Commission delay approval until the utility can negotiate with Deltic for the purchase of the property located within the watershed. (Unless there is a delay, the Planning Commission will consider Deltic's proposal on April 22, 2004.)

Mr. Kirsch further told the Board that based on Resolution 2003-10, approved by the Board of Commissioners, staff has authority to acquire property through purchase or condemnation.

Mr. Harvey introduced Mr. Sam Jones, attorney with Wright, Lindsey & Jennings law firm, and asked him to address the Board on the specifics of eminent domain.

Mr. Jones explained to the Board the process and rules regarding eminent domain. He also recommended CAW hire water quality experts to confirm CAW's reasoning as to the need to acquire property within the watershed.

Mr. Kirsch told the Board that staff always has indicated that the utility would not provide water service to properties in Zone 1. He asked the Commission to affirm continued actions to acquire critical property within the Lake Maumelle Watershed by whatever means necessary.

Ms. M. Jane Dickey, Commissioner, asked for further discussion on the consequences of condemnation proceedings. She stated she was concerned with the unknown amount of deposit the court would require of CAW during condemnation proceedings. She inquired as to whether CAW has the financial resources to comply with a high-end figure.

Mr. Harvey responded that CAW would have to undertake a bond issue. Mr. Gary Pittman, Chief Financial Officer, said that the earliest CAW could undertake a bond issue would be the early fall of this year; otherwise it would be the spring of 2005.

Ms. Alma Williams, Commissioner, stated that she believes it to be critical that a motion include the property on both the north and south sides of Lake Maumelle.

Mr. Harvey told the Board that he had met with Mr. McCray earlier in the day and Mr. McCray had told him that Deltic has hired two water quality/watershed development experts to assist the corporation in this matter. Mr. Harvey stated that Mr. McCray wanted to make a presentation to the Board. Mr. Harvey said staff is willing to listen to the presentation on the condition it be understood that CAW is not misleading the developer on the utility's position about not allowing land development in Zone 1 of the watershed. He said the presentation would be for informational purposes only. Mr. Harvey further stated that staff is willing to learn anything at anytime and willing to receive information and listen to presentations, with the understanding that CAW's position has not changed.

Mr. McCray asked to address the Board. He stated that he felt a lot of time, energy, and money are being spent on the issue of land development in Zone 1 of the watershed. He said CAW's watershed protection program encompasses more than just the developments of Mr. Ferguson and Deltic and involves a significant amount of financial resources to acquire the property. He further stated that Deltic's scientists have assured the corporation that a plan can be created that will exceed parameters adopted by CAW to ensure that development within the watershed would not have a negative impact on water quality.

He added that Deltic would like to work with CAW staff and the Commission on a plan for land development within the watershed.

Chair Wood complimented Mr. McCray on his attitude and willingness to work with staff on this issue.

Chair Wood asked Mr. McCray whether he would be willing to make a commitment that there would be no lots sold in Deltic's development during the time of a study by experts. Mr. McCray said Deltic would commit to not selling lots through the end of the year.

Mr. Dale Russom, P.E., Chief Operating Officer, asked Mr. McCray whether that commitment included “metes and bounds” or acreage sales. Mr. McCray responded that it applies to all sales.

Mr. Eddie Powell, Commissioner, made a motion, seconded by Dr. Thomas W. Rimmer, Secretary, to authorize staff to proceed with negotiations of property on the north side of Lake Maumelle.

Commissioner Williams stated that she would prefer the motion include property on both the south and north sides of the lake.

Commissioner Dickey voiced concern about the authority of CAW to enforce development standards to protect the watershed. She stated that she believes CAW, with the exception of property ownership, has no authority to control development within the watershed.

Chair Wood stated he believed Commissioner Dickey made a good point.

Chair Wood said he would like to voice two concerns on this issue. He said CAW has used Lake Maumelle as a source of water for over 40 years, the lake’s pristine quality has not been affected in those 40 years, and CAW expects this status to continue for another 40 years. He said, secondly, allowing land development in Zone 1 of the watershed would constitute offering the drinking water resource to the benefit of 200 to 300 families, who would like to have a view of the lake from their homes, while risking the quality of the water for 300,000 to 400,000 people in mid-Arkansas and the CAW service area. He further stated he believes it would not be a valuable trade-off and that asking 300,000-plus people to give up assurance of the lake’s water quality to make a living condition more delightful for 300-plus people is one of his main concerns.

Ms. Dickey stated that she was in favor of authorizing staff to proceed and wanted to include both the north and south sides of the lake in the motion. She also stated she believes staff should explore ways to annex CAW’s property at Lake Maumelle into the City of Little Rock. She said annexation would allow the City of Little Rock to adopt development standards that could protect all interests.

Commissioner Williams questioned whether it would be possible for the Water Commission to obtain the necessary authority to protect the watershed around the lake. Commissioner Dickey commented that it would take state legislation to gain planning authority.

Commissioner Powell amended the motion to include both sides of the lake.

Commissioner Rimmer stated he believes there is no reason to include both sides of the lake because staff already has authority to acquire property on the south side and Mr. McCray has stated lots will not be sold this year.

Commissioner Williams said she believed it best to give staff the authorization to proceed rather than have to wait until the next Board meeting, if negotiations on the south side of the lake did not succeed.

Chair Wood stated he believes it is important for all of the Commissioners to understand their commitment, in the event negotiations lead to condemnation proceedings.

Commissioner Powell questioned how CAW plans to finance property acquisitions that occur before a fall bond issue. Mr. Harvey responded that staff has discussed short-term financing with Stephens, Inc., and the financial advisors agree that short-term financing is a viable option.

Commissioner Powell expressed concern on proceeding with the condemnation process when the final cost of this action remains an unknown figure.

After some discussion and additional comments by Commissioner Powell, he amended his motion to include authorization to condemn property if negotiations to purchase fail.

The Board approved the motion to authorize staff to proceed with negotiations to acquire property within the watershed on the north and south sides of Lake Maumelle and, if negotiations fail, to proceed with condemnation.

Upon a motion duly made by Commissioner Powell and seconded by Commissioner Francille Turbyfill, the Board approved the following:

- i. a contract for \$116,677 with the Paladino-Nash Company for the replacement and relocation of 6-inch-diameter water lines in Smokey Lane in North Little Rock
- ii. a contract for \$141,300 with Pure Technologies, Inc., for the monitoring of a portion of the 72-inch-diameter concrete raw water transmission main from Lake Maumelle
- iii. a contract with Signature Fence Company for \$138,514 for the installation of approximately 6,200 feet of chain link security fence at Lake Maumelle, along Arkansas State Highway 300
- iv. a contract with Koontz Electric for \$1,088,880 for the replacement of existing antiquated controls for the standby generators at the Lake Maumelle Pumping Station

Mr. Steve Morgan, Director of Regionalism & Future Water Source, updated the Board on the following regionalism activities:

- Mid-Arkansas Water Alliance (MAWA) will have a general membership meeting on April 14, 2004. Mr. Morgan, who is President of MAWA, continues to address various organizations to inform them of MAWA's goals and update them on the progress MAWA has made.
- CAW has provided to the City of Maumelle the hydraulic information they need in order to determine what options are available to them in order to secure an additional water source.
- CAW staff and the City of Cabot are working on an amendment to the water supply contract with Cabot in order to satisfy requirements of the Arkansas Soil & Water Conservation Commission (ASWCC). (Cabot is borrowing money from ASWCC in order to pay for the city's share of the North Belt Transmission Main.) The amendment will specify how Cabot will pay to CAW the city's share of the cost of the transmission main.
- Negotiations are continuing on a water supply contract with the Salem Water Users Association.

Commissioner Dickey told Mr. Morgan that people who have attended the meetings at which he has spoken about MAWA have related to her that they were very impressed with his remarks and candor. She further commented on the level of confidence she has in him and thanked him for doing such a fine job.

Mr. Harvey briefed the Board on the following:

- Employees Suggestion System – CAW has re-started this program and taken steps to encourage employee participation. (Chair Wood commented that the suggestion system is a great program and he is glad the utility has revived it.)
- Customer Assistance Fund – Ms. Marie A. Crawford, Director of Communications, told the Board that CAW has received proposals from service agencies, as well as advertising firms. She said the review committee plans to have a recommendation at the May 2004 meeting.)
- Lead services – CAW has less than 3,600 lead services in its system. Previously there was a program to replace lead services. Replacements now occur as part of the regular maintenance and repair program.
- U.S. Internal Revenue Service Code Section 401 (a) Employees Savings Plan – Staff currently is accepting bids for a new plan administrator.
- Commission requests – Staff currently is gathering information on various requests made by the Board and will have a report at the next meeting.
- Fire Hydrant Painting Program – Staff has consulted with fire departments within our service area in picking a uniform color (silver) for fire hydrants. Other changes to bring the CAW fire hydrant system into uniformity will include the placement of a reflective color-coded band on each hydrant and the installation of a blue reflector in the street by each hydrant. The reflective band will indicate the flow rate of the fire hydrant and the reflector will assist fire crews in quickly locating a fire hydrant during an emergency.

The Board convened in Executive Session. Upon reconvening in Open Session, Chair Wood stated no action would be taken.

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

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

May 13, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 11 a.m. Thursday, May 13, 2004, at the Supervisor's House at Lake Winona.

Present:

Mr. Craig Wood, Chair
Mr. Claude B. Wilson, Vice Chair
Mr. Eddie Powell, Commissioner
Ms. Francille Turbyfill, Commissioner

Present by telephone conference call:

Ms. Alma Williams, Commissioner

Absent:

Dr. Thomas W. Rimmer, Secretary
Ms. M. Jane Dickey, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Ms. Marie A. Crawford, Director of Communications
Mr. Gary L. Hum, Director of Source & Treatment
Mr. Dennis Yarbrow, P.E., Supervisor of Water Sources
Mr. Rodney Johnson, Supervisor of Lake Winona
Ms. Connie Horn, Management Secretary
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Sam Ledbetter, Attorney for CAW with McMath Woods Law Firm

Also in attendance:

Saline County Judge Lanny Fite
Mr. Gary Heathcott, President of Heathcott Associates
Ms. Becky Heflin, Account Executive with Heathcott Associates
Mr. Roger Moren, President of the Saline Watershed Commission
Ms. Sarah M. Magee, Realty Specialist with the Jessieville-Winona Ranger District of the U.S. Forest Service
Mr. Rudy W. Thornton, Staff Officer - Forest Planning & GIS with the Jessieville-Winona Ranger District of the U.S. Forest Service
Ms. K.J. Longley, reporter with *The Times* of North Little Rock

Mr. Craig Wood, Chair, called to order the May 13, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and Mr. Jim Harvey, Chief Executive Officer, introduced the guests.

Mr. Harvey told the Board that Dr. Thomas W. Rimmer, Secretary, had called on a telephone conference line to participate in the Board meeting, but the Board members had not yet arrived and Commissioner Rimmer had stated that due to a poor cellular telephone connection, he

would have to place another call to the meeting. (Dr. Rimmer tried to call in later to the meeting but was unable to get a connection to the conference telephone line.) Chair Wood called for a motion to approve the minutes to the April 8, 2004, meeting. Upon a motion duly made and seconded, the Board approved the minutes.

Ms. Marie A. Crawford, Director of Communications, reported to the Board on the proposed Customer Assistance Fund. She told the Board that CAW had received proposals from three community service agencies and one advertising firm. She said staff's recommendation was for CAW to enter one-year agreements with Watershed Human & Community Development Agency in College Station and River City Ministry in North Little Rock for fund administration services. Further, she recommended a one-year agreement with Heathcott Associates of Little Rock for the management and marketing of the coupon advertising that would provide funding for the program.

Upon a motion duly made by Mr. Eddie Powell, Commissioner, and seconded by Mr. Claude B. Wilson, Commissioner, the Board approved the implementation of the Customer Assistance Fund. Ms. Crawford stated that before actual program implementation, staff would provide the Board with the standard guidelines that the fund administrators will use in determining customer eligibility.

Mr. Harvey told the Board that CAW has enjoyed a great relationship with the U.S. Forest Service over the years. He further stated that one of the reasons for the excellent quality of water obtained from Lake Winona is that the reservoir is so well protected by being located within the Ouachita National Forest.

At this point, Mr. Harvey introduced Mr. Rudy W. Thornton, Staff Officer - Forest Planning & GIS (Geographic Information System) for the U.S. Forest Service. Mr. Thornton updated the Board on forest service activities within the Lake Winona Watershed and the Ouachita National Forest. He told the Board that he has enjoyed working with the CAW staff, who always is helpful.

Mr. Thornton told the Board that the Forest Service has obtained control of the main tributary that supplies much of the water to Lake Winona. He also told commissioners that the Forest Service has acquired 3,800 acres of land from Weyerhaeuser Corporation. He said protection of water quality is a key reason the Forest Service was created. He said that within a watershed, the Forest Service has restrictions on land-use within stream zones and steep slope areas and the Forest Service excludes intense land operations of any sort in the areas. He said the Forest Service restricts a lot of land-use in order to protect water quality from runoff.

Mr. Thornton then introduced Ms. Sarah M. Magee, Realty Specialist with the Forest Service. Ms. Magee spoke to the Board on the Forest Service's land exchange program. She said the agency is interested in exchanging land around Lake Winona for land CAW may have that would be adjacent to Forest Service land. She said she has talked with Mr. Rodney Johnson, Supervisor of Lake Winona, about land that may be available for this program. She further told the Board that all exchanges are value-to-value rather than acre-to-acre.

Ms. Alma Williams, Commissioner, joined the meeting by telephone conference call at 12:10 p.m.

Mr. Bruno Kirsch, P.E., Chief Operating Officer, presented to the Board a resolution appointing Mr. Drew Dickey, Ranger for CAW, as a Warden for Lake Maumelle and Lake Winona. The resolution also re-appoints as Wardens Mr. Dennis Yarbro, P.E., Supervisor of Water Sources; Mr. Billy Zulpo, Ranger; and Mr. Johnson.

Upon a motion duly made by Commissioner Powell and seconded by Commissioner Wilson, the Board approved the motion.

Upon a motion duly made by Commissioner Powell and seconded by Commissioner Wilson, the Board approved a contract for \$675,150 with J. A. Riggs Tractor Company for the purchase/repurchase of 17 backhoes. At the end of the contract year, Riggs Tractor will repurchase the backhoes for \$613,100. The net cost to CAW will be \$62,050.

Mr. Steve Morgan, Director of Regionalism & Future Water Source, updated the Board on the following regionalism activities:

- Next week, CAW will set a meter to serve Woodland Hills (Saline County Water & Sewer Public Facilities Board) so the water user district may start taking supplemental water.
- CAW staff and City of Cabot officials are continuing to work on an amendment to the water supply contract with Cabot in order to satisfy requirements of the Arkansas Soil & Water Conservation Commission.
- CAW is continuing to work on a water supply contract with the Salem Water Users Association. The contract calls for a maximum usage of 4 million gallons per day. CAW will acquire 300 to 900 customers in West Pulaski County, as a result of this proposed agreement.
- Community Water System received a summary judgment stating Grand Prairie Water District must abide by the agreement that exists between the two water districts as to the validity of the current contract that binds members of the Lonoke-White County project to their signed agreements.

Mr. Morgan introduced Mr. Roger Moren, President of the Saline Watershed Commission, and Saline County Judge Lanny Fite. He said Mr. Moren and Judge Fite were prominent in building cooperation among water user districts in Saline County.

Mr. Moren thanked the Commission for inviting him to attend the meeting. He said his district is looking at water supply options within the county and with the Mid-Arkansas Water Alliance (MAWA). He said Mr. Morgan has been involved in many of the committee discussions within his district and they want Mr. Morgan to remain involved in their discussions. He further stated that he looks forward to working with CAW in any way that would be helpful.

Judge Lanny Fite told the Board that there would have been no regional water activities without the efforts of CAW. He also said CAW could not have better representatives than Mr. Morgan and Mr. Harvey, whom he commended as being open and honest. Judge Fite stated he looks forward to partnering with CAW and MAWA.

Chair Wood commended Judge Fite for doing a tremendous job that is beneficial to all involved.

Mr. Harvey introduced Mr. Sam Ledbetter, attorney with McMath Woods Law Firm. Mr. Ledbetter, who is legal counsel to CAW on watershed management issues, reminded the Board that at past meetings he has stated how proud he is of CAW and how difficult it is to make the types of decisions the commissioners and staff have had to make. He also stated that he considers CAW staff to be very professional and he is pleased to work with people of their caliber.

Mr. Ledbetter summarized condemnation actions, to date, regarding Water View Estates, L.L.C. He said he filed a lawsuit on behalf of CAW in Pulaski County Circuit Court on May 12, 2004.

He said Judge Willard Proctor, Jr., who presides over the Fifth Division, had issued an order granting CAW access to the land. He said an updated real estate search is under way and there is information that some buyers have conveyed land back to Mr. Rick Ferguson, the developer.

Mr. Ledbetter stated that CAW staff and he had met earlier in the week with Mr. Hal Kemp, attorney for Water View Estates, L.L.C. He said Mr. Kemp presented a proposal to sell 301 acres located within the Lake Maumelle Watershed for \$20 million. Mr. Ledbetter stated that Mr. Kemp was notified in writing that CAW had declined the offer.

Mr. Ledbetter stated that Mr. Kemp also proposed that a third party appraiser be brought in to appraise the land in question. (The CAW Watershed Protection Plan deems the 301 acres as critical to protecting the drinking water supply from runoff and identifies the property for acquisition by the utility.)

Chair Wood asked whether the \$20-million figure was an appraised value. Mr. Ledbetter stated that the appraiser for Water View Estates currently is preparing a formal appraisal report. He said the amount mentioned by Mr. Kemp was from verbal discussions with the appraiser.

At this point, Mr. Harvey, as part of his Board briefing:

- distributed a list of informational and program requests that the Board had made of staff (The report included progress results.)
- distributed the May issue of the American Water Works Association's *Opflow*, which features articles on watershed protection
- asked the Board to appoint a member to participate in a task group on watershed management (Commissioner Powell agreed to participate in the task group review.)
- advised that the Administration Committee of the Pulaski County Quorum Court has recommended to the full Quorum Court a resolution supporting CAW's watershed protection program for Lake Maumelle
- informed the Board of his meetings with the state's congressional delegation during the 45th Annual Salute to the Arkansas Congressional Delegation in Washington, D.C., on May 1 – 4, 2004 (The Arkansas State Chamber of Commerce sponsors the salute.)
- advised that staff will resume departmental updates to the Board at the August 2004 meeting
- informed the Board that due to scheduling conflicts, the June Board Meeting will be at 2 p.m. Thursday, June 24, and the July Board Meeting has been cancelled.

The Board convened in Executive Session. Upon reconvening in Open Session, Chair Wood stated no action would be taken.

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

RESOLUTION 2004-05

A RESOLUTION TO DESIGNATE LAKE WARDENS FOR CENTRAL
ARKANSAS WATER; AND FOR OTHER PURPOSES

WHEREAS, The Board of Commissioners, Central Arkansas Water, is the “operating authority” for Lake Maumelle and Lake Winona in accordance with Title 14, Chapter 234, Subchapter 4; and

WHEREAS, Arkansas Code Annotated § 14-234-407 allows the “operating authority” to designate employees of the utility as wardens to enforce the rules and regulations of the operating authority (the “Rules and Regulations”).

NOW THEREFORE BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER that Dennis Yarbro, Supervisor of Water Sources; Rodney Johnson, Supervisor, Lake Winona; Billy Zulpo, Ranger; and Drew Dickey, Ranger, are designated as “wardens” for Lake Maumelle and Lake Winona and have the authority to enforce the Rules and Regulations.

AND BE IT FURTHER RESOLVED BY THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER that Richard Hennings, who was previously designated as a warden for Lake Maumelle and Lake Winona, is no longer a warden for Lake Maumelle and Lake Winona, and he no longer has the authority to enforce the Rules and Regulations.

CERTIFICATE

I, Thomas W. Rimmer, 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 as its regular meeting held May 13, 2004.

Secretary

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

June 24, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened via telephone conference call in a regular meeting at 2 p.m. Thursday, June 24, 2004. The meeting location was the Capitol Avenue Utilities Building at 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Craig Wood, Chair

Present by telephone conference call:

Dr. Thomas W. Rimmer, Secretary
Ms. M. Jane Dickey, Commissioner
Mr. Eddie Powell, Commissioner
Ms. Francille Turbyfill, Commissioner

Absent:

Ms. Alma Williams Commissioner

CAW staff in attendance:

Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Gary Pittman, Chief Financial Officer
Ms. Marie A. Crawford, Director of Communications
Mr. Gerald Boon, C.P.A., Assistant Director of Finance
Ms. Connie Horn, Management Secretary
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Mr. Alfred L. Williams, Senior Vice President of Ramsey, Krug, Farrell & Lensing
Mr. Charles and Mrs. Murline Waits, customers of Brushy Island Water Authority
Ms. K.J. Longley, reporter with *The Times* of North Little Rock

Mr. Craig Wood, Chair, called to order the June 24, 2004, meeting of the Board of Commissioners.

Mr. Gerald Boon, C.P.A., Assistant Director of Finance, said staff on May 27, 2004, opened bids for the renewal of CAW's business insurance policy. He said Ramsey, Krug, Farrell & Lensing submitted the low bid of was \$233,846. He further stated that this annual premium is almost \$100,000 below the cost of insurance for the previous year. He said business insurance covers property, automobile liability, directors and officers, employment practices, earthquake, flood, and general.

Mr. Boon told the Board that staff would recommend adding insurance against terrorist acts for an additional \$6,379, which would bring the total insurance cost to \$240,225.

Mr. Eddie Powell, Commissioner, asked inquired about coverage specifics under the terrorism insurance.

Mr. Alfred L. Williams, Senior Vice President of Ramsey, Krug, Farrell & Lensing, stated that the terrorism insurance would provide CAW protection for damage between \$25 million and \$100 million.

After some discussion as to the need for terrorism insurance, the Board asked staff to provide more information on this coverage so the Board may consider it at the next meeting.

Upon a motion duly made, the Board approved the renewal of the business insurance policy, minus the terrorism insurance.

Upon a motion duly made, the Board approved a contract with IHP Industrial, Inc., in the amount of \$106,000. Mr. Dale Russom, P.E., Chief Operating Officer, said the contract is for the relocation of existing hydraulic accumulators and the replacement of associated piping at the Lake Maumelle Pumping Station. He explained that the relocation of the accumulators, which are required for the operation of the raw-water pumps, is to ensure the utility's compliance with U.S. Environmental Protection Agency guidelines. He said the relocation would place the hydraulic accumulators closer to associated valves thus reduce the amount of oil required for the system. He added that the installation of the new pipelines is to replace aging equipment. He said the current pipelines are 30 to 50 years old.

Mr. Charles and Mrs. Murline Waits, residents of the Brushy Island community near the City of Sherwood, addressed the Board on water pressure concerns. They expressed concern as to the delay in anticipated improvements to the Brushy Island Water Authority district and subsequent integration of that utility into CAW's distribution system.

Mr. Bruno Kirsch, P.E., Chief Operating Officer, explained that the decisions regarding proceeding with the project lies with the district's governing board. He told the Waitses that CAW staff would assist them in any way possible with determining the status of funding proposed by U.S. Rep. Vic Snyder, Second District congressman for Arkansas, and the Arkansas Soil and Water Conservation Commission. Mr. Kirsch said he would inquire with the conservation commission about possible steps to speed up the process.

Mr. Russom told the couple that CAW's engineering staff has been working with the Brushy Island Water Authority board to move the project forward; however, the final decision to proceed is up to the district's board.

Chair Wood thanked Mr. and Mrs. Waits for attending the Board meeting.

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

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

July 8, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, July 8, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Craig Wood, Chair
Dr. Thomas W. Rimmer, Secretary
Ms. M. Jane Dickey, Commissioner
Mr. Eddie Powell, Commissioner
Ms. Francille Turbyfill, Commissioner

Present by telephone conference call:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Ms. Marie A. Crawford, Director of Communications
Mr. Gary Pittman, Chief Financial Officer
Mr. Stan Benton, Director of Distribution
Ms. Ann White, Administrative Assistant
Mr. David London, Maintenance Supervisor
Mr. John Venable, Maintenance Technician
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Mr. Gary Heathcott, President of Heathcott Associates
Mr. Mack Vought, Director of Maintenance of Little Rock Wastewater Utility
Mr. Don Hamilton, Attorney, for Little Rock Wastewater Utility
Mr. Jack Brashear, P.E., Senior Project Engineer for Garver Engineers, Inc.
Mr. Norvell Plowman, Attorney

Mr. Craig Wood, Chair, called to order the July 8, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, introduced the guests.

Chair Wood called for a motion to approve the minutes to the May 13, 2004, and June 24, 2004, meetings. Ms. M. Jane Dickey, Commissioner, said she would like for the May 13 minutes to reflect that she was absent from the meeting. With the amendment to the May 13 minutes and a motion duly made and seconded, the Board approved the minutes.

Chair Wood informed the Commission that an Executive Session would follow the discussion of old and new business. He said the Executive Session discussion would be related to a Water Commission appointment, the election of officers for the coming year, and an employment agreement.

Chair Wood opened the meeting with the first 2004 monetary award under the Employees Suggestion System. Mr. Stan Benton, Director of Distribution, and Mr. David London, Maintenance Supervisor, requested Mr. John Venable, Maintenance Technician, to join them at the Commissioners' table. Mr. Venable had submitted a suggestion to install a pressure sustaining valve at the Panther Mountain Booster Pumping Station #28. Mr. Venable explained that installing the sustaining valve would benefit customers, as well as CAW. He further stated that the advantage of having the valve at Station #28 is that it allows CAW to maintain system pressure more effectively when taking the tank out of service. Also, if the system on the suction side of the station needs water, the valve would allow water to pass back through the water main. Mr. Venable said the Water Treatment Plant Operators would operate the valve by radio telemetry. Chair Wood presented Mr. Venable with a certificate and a check for \$400 for his suggestion to save CAW money.

Chair Wood asked Mr. Dale Russom, P.E., Chief Operating Officer, to update the Board on the proposed exchange of property between CAW and Little Rock Wastewater Utility (LRWU). (In November of 2003, CAW staff informed the Board that LRWU intended to vacate the office space at 221 East Capitol Avenue and construct a new office building at the Clearwater Operations/Maintenance Complex at 5300 South Shackleford Road. In June 2004, the Little Rock Board of Directors passed Resolution #11,766 to proceed with the transfer of property.) Mr. Russom said the Little Rock Sanitary Sewer Committee met in June and approved the transfer of property. He further stated that CAW has received three separate appraisals on the downtown and Shackleford Road properties and said the value of all property exchanges is \$1,148,650. He said that with the property exchange, CAW will acquire LRWU's 3/8-interest in the 221 East Capitol Avenue building and parking lot (\$918,750); 1/2-interest in the Paragon Building and parking lot (\$220,000); 1/2-interest in the parking lot at Sixth and Cumberland streets (\$52,500); and property beneath CAW's portion of the Clearwater Complex (\$32,400). In exchange, LRWU will acquire 10 acres of jointly-owned property at the southern boundary of the Clearwater Complex (\$75,000). He explained that LRWU prefers a cessation of billing fees until CAW satisfies payment. He said CAW anticipates it will take 25 months to satisfy the payment.

Commissioner Dickey asked whether the property exchange amount includes interest. Mr. Russom stated that CAW would be paying for 25 months and LRWU would not charge interest for that time span. He stated that the agreement is for CAW to pay off the \$1,148,650 in 25 installments.

Commissioner Rimmer asked when the cessation of fees would begin. Mr. Kirsch explained that he anticipated the closing of the contract on July 22, 2004, and the actual cessation of fees to begin in August.

Mr. Russom stated that the written contract allows LRWU 14 months to vacate the premises; however, LRWU expects to be out in 9 months. Mr. Mack Vought, Director of Maintenance for LRWU, said it would be 270 days from September 1.

Chair Wood asked whether the nine months would be rent-free, in lieu of the interest on the payments. He said he wanted to make sure he had the correct understanding. Mr. Russom responded in the affirmative.

Commissioner Rimmer asked CAW's funding source for the property exchange and whether the exchange is in the 2004 budget. Mr. Russom told the Board there was money in the budget. Mr. Russom also explained to the Board that the employees in the Administration Building at the Maryland Avenue Complex would move to 221 East Capitol Avenue.

Commissioner Dickey asked whether there was money in the budget for expenses associated with remodeling and relocating departments. She also wanted to know whether CAW is utilizing all the property the utility is purchasing. Mr. Russom stated that CAW does not anticipate that remodeling and relocation will involve significant expense. He also stated that LRWU would leave in place all wall dividers and CAW staff already has furniture. He said the move of the Maryland Complex would not be a large expense. Mr. Russom also noted that the existing LRWU space already is equipped to handle telephones and computers and explained that LRWU and CAW computers already are linked. He stated that CAW's telephone system is wired through the utility's computers.

Commissioner Powell asked about the utilization of the Maryland Avenue complex. Mr. Russom stated that prior years' budgets included a new Distribution Department facility at the Maryland Avenue complex. He stated that Distribution Department employees at that location would move into the Administration Building thus eliminating the need for a new facility. Mr. Russom stated that in addition to the re-alignment of work zones in the Distribution Department, the utility will locate a crew at the Capitol Avenue building to handle projects in the downtown areas of Little Rock and North Little Rock.

Chair Wood requested that at the next meeting staff present a space utilization plan for the Capitol Avenue Utilities Building and the Paragon Building.

Upon a motion duly made by Commissioner Dickey and seconded by Commissioner Turbyfill, the Board approved the Real Estate Contract (Offer and Acceptance) with LRWU.

Chair Wood asked Mr. Steve Morgan, Director of Regionalism & Future Water Source, to update the Board concerning the Maumelle Suburban Improvement District #500.

Mr. Morgan stated he has drafted a Memorandum of Understanding for the district to purchase supplemental water from CAW. He said the district, which serves the City of Maumelle, intends to purchase water from CAW at a minimum daily purchase rate of 350,000 gallons per day.

Mr. Morgan explained that the water system for the City of Maumelle will be split along Maumelle Boulevard with the east side of Maumelle Boulevard being served by CAW water through the Maumelle Suburban Improvement District #500.

Mr. Morgan stated that the City of Maumelle passed a resolution July 6 to proceed with a contract. He said he would like for the Board to approve the Memorandum of Agreement at this meeting and he is working on a draft contract for the Board to consider at the next meeting.

In response to a request for clarification regarding System Development Charges (SDCs), Mr. Kirsch confirmed that CAW considers the SDCs to be rates, thus the utility may assess the charges in contracts from master-metered customers. He said that when CAW staff met with Mr. Mark Davis, attorney with Wright, Lindsey & Jennings, Mr. Davis indicated the charges are a part of the rate schedule. Mr. Kirsch said if CAW adjusts the SDCs, the utility would follow the administrative procedures, as with the basic rate schedule, i.e., hold a public hearing.

Commissioner Powell asked whether CAW and the Maumelle district agreed upon the service boundary lines. Mr. Morgan responded in the affirmative and stated that a map delineating the boundary lines would be an attachment to the service contract.

Commissioner Rimmer asked if this was all new service to CAW and if the System Development Charges will apply to all the meters in this area. Mr. Morgan responded that these are considered services. He also stated it may take a 4- or 6-inch meter for the new section. There

will be a System Development Charge charged to Maumelle for that amount for existing customers. After the initial charge, each new customer that is tied into the Maumelle system will pay the appropriate rate, which is \$150 for each standard residential meter.

Chair Wood asked what initial System Development Charge would be paid by the Maumelle Suburban Improvement District #500. Mr. Morgan stated we do not know the meter size; however, it will be in the ten-thousand dollar range.

Upon a motion duly made and approved, the Board voted to approve the Memorandum of Understanding.

Upon a motion duly made, the Board approved the following:

- i. a contract for \$268,575 with Building & Utility Contractors, Inc., for installation of approximately 5,400 linear feet (l.f.) of 3-inch-diameter and 600 l.f. of 2-inch-diameter polyvinyl chloride (PVC) pipe in the Prospect Terrace area of Little Rock
- ii. a contract for \$812,465 with Building & Utility Contractors, Inc., for replacement of 2-inch-diameter galvanized water lines and installation of public fire hydrants in the McAlmont community just east of U.S. 67/167 and East McCain Boulevard

Chair Wood asked Mr. Gary Pittman, Chief Financial Officer, to provide a financial report.

Mr. Pittman stated that the first half of 2004 has had the lowest level of metered sales since 1986. The abundance of rainfall so far this year has not helped our metered sales. Mr. Pittman stated that the Operating Revenues for the first half of 2004 is \$13.5 million, which is \$800,000 below budget. Operating Revenues are about \$300,000 ahead of last year, due solely to the rate adjustment effective January 1, 2004. Expenses are under budget, because we are not producing as much water and using as many chemicals, due to all the rain. Capital Expenditures are ahead of plan, because we have pushed to get the work done quickly and we are also more concise with budgeting. Consequently, the amount in Bond Issue trust funds is now approximately \$1.4 million and will be depleted before year's end. In 2002, a five-year plan was prepared based upon a study conducted by Carter & Burgess that showed we needed \$76 million in bonds to finance the plans. In updating the Capital Expenditure plan for 2005, 2006, and 2007, it is estimated that CAW will need \$37 million. To net \$37 million requires a \$40 million bond issue. We propose splitting the two bond issues. The first bond issue would be approximately \$22 million in the late fall of 2004. Then, we would request approval for the remaining \$18 million bond issue in the spring of 2006. When added to the \$22 million 2002 bond issue, this will bring our total bonded indebtedness to \$62 million versus the \$76 million originally projected.

Commissioner Powell asked if CAWs' rates would support an additional \$22 million. Mr. Pittman responded that we have sufficient coverage for the bond issue. We also have a rate adjustment in place for January 2005, and we anticipate there will be another step in 2006, as part of the rate equalization process.

Chair Wood asked if CAW would have to increase one of the bond issues if the Watershed land acquisitions exceeded \$9.5 million. Mr. Kirsch responded that the actual cost will be determined by condemnations. Mr. Pittman further stated that if we have extra money, CAW will use the remainder for projects that have been pushed out to 2007. Otherwise, if we do not have enough money some of the projects will have to be postponed.

Commissioner Powell asked when CAW would be selling the bonds. Mr. Pittman stated we have a tentative date of October 12, 2004 for the sale and we would receive the bonds before Thanksgiving 2004.

Chair Wood asked if this is a 20-year bond issue and what the rate would be. Mr. Pittman responded in the affirmative and our financial advisors predict a rate of 4-1/2%.

Mr. Steve Morgan, Director of Regionalism & Future Water Source, updated the Board on the following regionalism activities:

- Salem Water Users Association took construction bids for capital improvements and came in \$500,000 under their engineer's estimate. The next phase will be their connection to CAW. We hope to have a contract for Board approval in the next several months.
- MAWA's deadline for new memberships ended June 30 with 27 members.
- MAWA has authorized the U.S. Corps of Engineers to gain a final allocation study to update our Water Source Study in 2002.

Mr. Morgan said that MAWA is anticipating receiving the draft report for allocations from Lake Ouachita and Greers Ferry Lake in August or early September. He further stated that CAW plans to hold a public hearing in September at each lake, and the results of the two meetings will be incorporated in the final report. MAWA is anticipating a positive response from the local Corps District; however, the report will have to be approved by the Regional Corps in Dallas, Texas, and the National Corps in Washington, D.C., which can take up to twelve months.

Mr. Kirsch briefed the Board on the following:

- Purchase of trucks – the Distribution Department budgeted for the purchase of four trucks. Landers Ford had one truck available on the State bid; therefore, CAW did purchase that truck. We accepted bids for three 3/4-ton pickup trucks. The low bid for the purchase of two 3/4-ton trucks was submitted by Bale Chevrolet for \$20,357. The remaining truck will be purchased from the 2005 State bid.
- Task Group – We have a 20-member Watershed Task Group. In the last Task Group meeting, deliberations began on recommendations for a Watershed Protection Plan for Zone 2. The Task Group will meet on Tuesday, July 13 at the Little Rock Regional Chamber of Commerce building for a presentation on proposed development within the watershed by Deltic Timber, which owns a vast majority of property on the south side of the Watershed in Zone 1 and 2. On July 20, the Task Group will tour Lake Maumelle. The Task Group should finish the study by the end of August or the first of September.
- Filming of August Board Meeting – Ms. Marie A. Crawford, Director of Communications, is producing a video for use at community meetings. We would like to make a video recording of the next Commission meeting.
- Terrorism Insurance – It is our recommendation that we not take this rider on the business insurance policy. The terms are in excess of \$25 million.
- Brushy Island – Mr. Charles and Mrs. Murline Waits, residents of the Brushy Island community, were at the telephone conference meeting in June. The flyer that was

received from Congressman Vic Snyder's office shows that Brushy Island is in the apportionment bill; however, after talking with Mr. Drew Pearson with Congressman Snyder's office, he stated that Brushy Island is not eligible. Mr. Pearson stated that these allocations are for rural development plans. We are talking with Congressman Snyder's office to see what specifically excludes Brushy Island.

Commissioner Dickey stated that she continues to be interested in having Lake Maumelle annexed into the City of Little Rock. Commissioner Dickey would like CAW's counsel to work with the City Attorney to determine if the property can be legally annexed, and what is necessary to annex to the City of Little Rock.

The Board convened in Executive Session. Upon reconvening in Open Session, Chair Wood announced the election of officers for 2004 - 2005.

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary

The Board accepted with regret the resignation of Commissioner Claude B. Wilson and adopted a resolution of commendation in tribute to him.

The Board appointed Mr. Tony Kendall of North Little Rock to serve the remaining three years of Mr. Wilson's six-year term. The Board is submitting a request for confirmation to the Little Rock Board of Directors and North Little Rock City Council.

The Board approved an employment agreement with Mr. Jim Harvey, Chief Executive Officer.

The next Board Meeting will be 11 a.m. Monday, August 16.

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

July 8, 2004

Resolution – 2004-06

WHEREAS, Mr. Claude B. Wilson, P.E., has been a leader in water utility affairs in Central Arkansas since 1985, the year of his first appointment to the North Little Rock Water Commission; and

WHEREAS, he served two full terms on the board and was instrumental in forging an agreement between the cities of North Little Rock and Little Rock to consolidate their municipal water systems into Central Arkansas Water (CAW) in 2001; and

WHEREAS, Mr. Wilson, as an inaugural member of the CAW Board of Commissioners, had a key role in providing the stable leadership and foresighted vision necessary to ensure the success of this unprecedented inter-local initiative; and

WHEREAS, the customers of Central Arkansas Water depend on private citizens, such as Mr. Wilson, to oversee the operations of their public drinking water utility and ensure a safe, high-quality, and dependable supply of drinking water for their homes, businesses, and industries; and

WHEREAS, as a member of the utility boards, Mr. Wilson brought to the governance of the water systems an extensive background in civil engineering, system planning, business, finance, and community involvement; and

WHEREAS, he particularly has supported infrastructure improvements; the continual enhancement of water quality and customer services; the recruitment and retention of highly-trained, skilled, and dedicated employees; and the regional initiative to secure a future water source for Central Arkansas; and

WHEREAS, Mr. Wilson’s tenure of service as a water commissioner spans 19 years; and

WHEREAS, during this time, he has demonstrated a strong commitment to improving the overall quality of life for citizens in the North Little Rock-Little Rock metropolitan community and making sure that water service continues to be at a quality level and low-cost price now and in the future.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Commissioners, Central Arkansas Water, does hereby express sincere appreciation to Mr. Wilson for his distinguished and dedicated service to CAW and the North Little Rock Water Department and recognize him for upholding the tradition of long-term vision, system integrity, and prudent fiscal management.

FURTHER, IT IS DIRECTED THAT a copy of this resolution be included in the official Minutes of the Board of Commissioners and a copy be presented to Mr. Claude B. Wilson.

* * * * *

We, Eddie Powell, Dr. Thomas W. Rimmer, Francille Turbyfill, M. Jane Dickey, Alma Williams, and Craig S. Wood, as members of the Board of Commissioners, Central Arkansas Water, do hereby certify that the above and foregoing is a correct copy of the resolution adopted by us on this 8th day of July 2004.

Chair

Vice Chair

Secretary



RESOLUTION 2004-07

A RESOLUTION APPOINTING MR. TONY KENDALL TO THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER, AND FOR OTHER PURPOSES

WHEREAS, the Board of Commissioners ("Board"), Central Arkansas Water, with regret accepts the resignation of Mr. Claude B. Wilson, who has served with distinction and dedication on the CAW Board; and

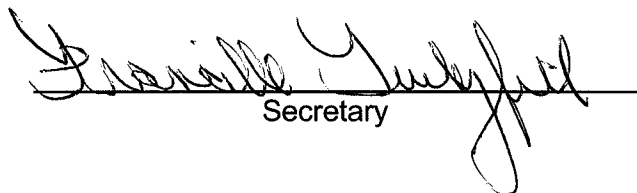
WHEREAS, by law it is the duty of the remaining commissioners to nominate and appoint a commissioner when a vacancy occurs on the Board, subject to approval by the Little Rock Board of Directors and North Little Rock City Council.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER, THAT the remaining commissioners do hereby appoint Mr. Tony Kendall to fulfill the remaining three years of the six-year term, subject to approval by the duly-elected and qualified members of the Little Rock Board of Directors and North Little Rock City Council, and that his term of office shall be July 8, 2004, through June 30, 2007.

BE IT FURTHER RESOLVED THAT the Little Rock Board of Directors and North Little Rock City Council be requested to approve this appointment.

CERTIFICATE

I, Francille Turbyfill, 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 July 8, 2004.


Secretary

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

August 16, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 11 a.m. Monday, August 16, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary/Treasurer
Ms. M. Jane Dickey, Commissioner
Mr. Tony Kendall, Commissioner
Mr. Craig Wood, Commissioner
Ms. Barbara Graves, liaison for the City of Little Rock

Present by telephone conference call:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Ms. Marie A. Crawford, Director of Communications
Ms. Connie Horn, Management Secretary
Mr. Gary Pittman, Chief Financial Officer
Mr. Jerry Boon, C.P.A., Assistant Director of Finance
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Bill Spivey, attorney for CAW with Wright, Lindsey & Jennings

Also in attendance:

Mr. Norvell Plowman, Attorney
Mr. Jack Brashear, P.E., Senior Project Engineer for Garver Engineers, L.L.C.
Mr. Gary Heathcott, President of Heathcott Associates
Ms. Jill Joslin, Vice President and Account Supervisor for Heathcott Associates
Ms. Amy Sandefur, videographer with Jones Production
Mr. Bob Sandefur, videographer with Jones Production
Mr. Mark Mathews, photographer
Ms. Janan Qualmann Administrative Assistant to the Director of River City Ministry
Ms. Bobbie Nichols, Vice President of Public Finance with Stephens, Inc.
Mrs. Ozell Snyder, Fiscal/Operations Manager with Watershed Human & Community Development Agency
Ms. Victoria Avery, Director of Children and Family Services for Watershed Human & Community Development Agency
Ms. K.J. Longley, reporter with *The Times* of North Little Rock
Mr. Marcus Howard, reporter with *The Times* of North Little Rock

Mr. Eddie Powell, Chair, presented to Mr. Claude Wilson, retired Commissioner, a resolution commending him for his 19 years of service to the North Little Rock and Central Arkansas Water boards of commissioners. Mr. Wilson recently retired from the Board. Chair Powell

thanked him for his service to customers of the North Little Rock Water Department (NLRWD) and CAW. Mr. Wilson commended fellow commissioners and utility employees as a group of good, hard-working, and competent individuals.

Chair Powell presented to Mr. Craig Wood, Immediate Past Chair, a plaque commending him for his leadership of the Board. Chair Powell commented that for more than 17 years Commissioner Wood has worked to ensure that the people of Central Arkansas have safe and high-quality water at a reasonable cost. Chair Powell further stated that the Board deeply appreciates everything Commissioner Wood has done.

Commissioner Wood thanked Chair Powell for his comments. He said he would like to recognize Mr. Wilson's 19 years of service to the water commissions of NLRWD and CAW. He noted that Mr. Wilson had the third longest tenure on the Board of Commissioners and that Mr. Wilson had served with integrity, vision, and accountability. He further stated that everyone appreciates Mr. Wilson's accomplishments and service to the boards.

Chair Powell called to order the August 16, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and asked Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, to introduce the guests.

Chair Powell introduced the newest Board member, Mr. Tony Kendall. Mr. Kendall will serve until June 30, 2007, to complete the three remaining years of Mr. Wilson's term. (Mr. Kendall's swearing-in ceremony was August 13, 2004.)

Chair Powell called for a motion to approve the minutes to the July 8, 2004, meeting. Upon a motion duly made and seconded, the Board approved the minutes.

Mr. Gary Pittman, Chief Financial Officer, presented to the Board a draft of a Reimbursement Resolution that declares the intent to issue a new series of revenue bonds and provides for reimbursement of payments from the general operating fund within a specified timeframe.

Upon a motion made by Ms. M. Jane Dickey, Commissioner, and approved by Commissioner Wood, the Board approved the resolution.

Ms. Marie A. Crawford, Director of Communications, presented the operating guidelines for the *Help to Others Customer Assistance Fund*. Ms. Crawford also distributed a sample of the marketing kit for prospective advertisers. Mr. Gary Heathcott, President of Heathcott Associates, and Ms. Crawford answered questions from the Board regarding program marketing and management.

Mr. Dale Russom, P.E., Chief Operating Officer, reported to the Board on a space utilization plan for the water utilities building on Capitol Avenue. (At the July meeting, the Board approved the purchase of Little Rock Wastewater Utility's portion of the building.) Mr. Russom stressed to the Board that the plan was preliminary and subject to change.

Upon a motion duly made and seconded, the Board approved the following:

- i. a contract for \$65,000 with Garver Engineers, L.L.C., for the design of a proposed Master Plan improvement that would include the installation of approximately 5,500 linear feet of 20-inch-diameter water transmission main on Main Street between 19th and 29th streets in North Little Rock

Mr. Steve Morgan, Director of Regionalism & Future Water Source, updated the Board on the following regionalism activities:

- CAW is currently working with Maumelle Suburban Improvement District #500 on a contract to supply the district with supplemental water.
- CAW is currently working on a contract to supply the Salem Water Users Association.
- The City of Cabot is considering using revenue bonds in lieu of state of Arkansas revolving loan funds as the source of financing for the city's share of the North Belt Transmission Main. The city is considering the financing option because of inflexible program requirements by the Arkansas Soil and Water Conservation Commission in the contract between CAW and the City of Cabot.
- A draft version of the U.S. Army Corps of Engineers' water source study should be available next month. The schedule for public hearings on the study also is next month.

Mr. Kirsch briefed the Board on the following:

- The Arkansas Watershed Advisory Group has scheduled a Watershed Conference for September 9-11, 2004, at The Peabody Little Rock. He asked Board members to let him know whether they would like to attend.
- The Nature Conservancy will hold a "Brainstorming Session" regarding preserving the purity of water resources in Central Arkansas on September 14, 2004, in Little Rock. The agenda specifically addresses concern about Greers Ferry Lake.
- CAW's Task Group for Watershed Management currently is drafting recommendations to present to the Board and utility staff. The Task Group's next meeting date tentatively is August 2, 2004. This meeting will be to discuss and refine the recommendations among Task Group members.

Dr. Thomas W. Rimmer, Vice Chair, asked whether The Cadmus Group, Inc., CAW's watershed protection consultants, had presented a report to the Task Group. Mr. Kirsch responded that the report should be ready to present at the Task Group's next meeting. Mr. Kirsch said the consultant is studying CAW's Watershed Protection Plan and will make recommendations on improvements to the plan.

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

RESOLUTION NO. 2004-08

A RESOLUTION DECLARING THE INTENT OF CENTRAL ARKANSAS WATER TO MAKE CERTAIN EXPENDITURES TOWARD CAPITAL IMPROVEMENTS FOR THE UTILITY AND TO REIMBURSE ITSELF FOR SUCH EXPENDITURES FROM THE PROCEEDS OF BONDS OF THE UTILITY; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, Central Arkansas Water (“CAW”) previously issued \$22,000,000 of its Water Revenue Bonds (Series 2002), dated October 1, 2002, pursuant to a capital improvement program which included the issuance of up to approximately Seventy Six Million Dollars (\$76,000,000) in bonds in accordance with the terms and conditions of a Master Trust Indenture by and between CAW and Metropolitan National Bank, as Trustee, dated October 1, 2002 (the “Master Trust Indenture”), to finance capital improvements to CAW’s water distribution system and water treatment facilities; and

WHEREAS, CAW proposes to issue a second series of bonds in accordance with the Master Trust Indenture to acquire, design, construct and equip additional capital improvements to CAW’s water distribution system and water treatment facilities (the “Improvements”); and

WHEREAS, it is appropriate that CAW assure that its power to issue capital improvement bonds to finance the costs of the Improvements, the interest on which is exempt from federal income tax, will, under applicable sections of the Internal Revenue Code and the Treasury Regulations promulgated thereunder, be preserved, and adoption of this Resolution serves that purpose.

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

Section 1. Pursuant to United States Treasury Regulation §1.150-2, CAW hereby declares its official intent and reasonable expectation to reimburse itself for original expenditures paid from its general or operating funds that are used in acquiring, constructing and equipping the Improvements between the date that is sixty (60) days prior to the date of this Resolution and the date the bonds are issued, plus a de minimis amount and preliminary expenditures, with the proceeds of one or more series of tax-exempt bonds in the principal amount of not to exceed \$30,000,000 (the “Bonds”).

Section 2. CAW shall reimburse itself for the original expenditures from proceeds of the Bonds within 18 months after the later of:

- (a) the date of the original expenditure is paid, or

- (b) the date the project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid.

Section 3. This Resolution shall be in effect upon its adoption and approval.

Section 4. A copy of this Resolution shall be filed with Secretary of CAW where it will be available for public inspection.

ADOPTED: August 16, 2004

ATTEST:

APPROVED:

Francille Turbyfill, Secretary

Eddie Powell, Chairperson

APPROVED AS TO FORM:

C. Tad Bohannon,
Counsel for Central Arkansas Water

CERTIFICATE

STATE OF ARKANSAS)
)
COUNTY OF PULASKI)

I, Francille Turbyfill, Secretary of Central Arkansas Water, do hereby certify that the foregoing is a true and correct copy of Resolution 2004-08 of the Resolutions of Central Arkansas Water, entitled: A RESOLUTION DECLARING THE INTENT OF CENTRAL ARKANSAS WATER TO MAKE CERTAIN EXPENDITURES TOWARD CAPITAL IMPROVEMENTS FOR THE UTILITY AND TO REIMBURSE ITSELF FOR SUCH EXPENDITURES FROM THE PROCEEDS OF BONDS OF THE UTILITY; AND PRESCRIBING OTHER MATTERS RELATING THERETO, adopted August 16, 2004.

IN WITNESS WHEREOF, I have hereunto set my hand this 16th day of August, 2004.

Francille Turbyfill, Secretary of
Central Arkansas Water

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

September 9, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, September 9, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary/Treasurer
Ms. M. Jane Dickey, Commissioner
Mr. Tony Kendall, Commissioner
Mr. Craig S. Wood, Commissioner

Present by telephone conference call:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Mr. Gary Pittman, Chief Financial Officer
Mr. Gary Hum, Director of Source & Treatment
Ms. Becky Wahlgreen, Director of Human Resources
Mr. Jerry Boon, C.P.A., Assistant Director of Finance
Mr. Dennis Yarbrow, Supervisor of Water Sources
Ms. Connie Horn, Management Secretary
Ms. Kathy Graves, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Tad Bohannon, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Sam Ledbetter, Attorney for CAW with McMath Woods Law Firm

Also in attendance:

Mr. Norvell Plowman, Attorney
Dr. Chi Ho Sham, Vice President of The Cadmus Group, Inc.
Ms. Barbara Graves, liaison for the City of Little Rock
Mr. Kirby Rowland, P.E., Vice President for Garver Engineers, L.L.C.
Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers, L.L.C.
Mr. Gary Heathcott, President of Heathcott Associates
Ms. Bobbie Nichols, Vice President of Public Finance with Stephens, Inc.
Mr. Marcus Howard, reporter with *The Times* of North Little Rock
Ms. Jill Zeman, reporter with the *Arkansas Democrat-Gazette*

Mr. Eddie Powell, Chair, welcomed Mr. Jim Harvey, Chief Executive Officer, back to CAW. He said everyone was glad to have Mr. Harvey back after his extended period of time off work.

Call to Order of September 9, 2004, Meeting

Chair Powell called to order the September 9, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and asked Mr. Harvey to introduce the guests.

Approval of August 16, 2004, Minutes

Chair Powell called for a motion to approve the minutes to the August 16, 2004, meeting. Upon a motion duly made and seconded, the Board approved the minutes.

Watershed Protection Plan Presentation

Mr. Bruno Kirsch, P. E., Jr., Chief Operating Officer, introduced Dr. Chi Ho Sham, Vice President of The Cadmus Group, Inc., and provided Dr. Sham's background and experience in the field of watershed protection. Mr. Kirsch reminded the Board that The Cadmus Group has been studying CAW's watershed protection plan for Lake Maumelle in order to offer recommendations on whether the policy should change or remain as is.

Dr. Sham told the Board that the task assigned to The Cadmus Group was to assess the risks of land development in Zone 1 of the Lake Maumelle Watershed and to assess CAW's management plan for Lake Maumelle. He presented to the Board the findings and recommendations of The Cadmus Group.

Dr. Sham stated that CAW was taking a proactive approach on watershed management as opposed to many water districts that are trying to return the quality of their water source to its previous state.

Mr. Kirsch told Board members the consultant's report would be sent to them once it had been finalized.

The Board thanked Dr. Sham for his presentation.

Resolution for Sale of Bonds

Mr. Gary Pittman, Chief Financial Officer, presented to the Board a draft of a resolution offering up to \$22,000,000 of Central Arkansas Water water revenue bonds, Series 2004; approving the form of an official notice of sale, official bid form, and preliminary official statement; and providing for other matters in connection with the sale of bonds. He told the Board that this resolution will authorize him to accept the bid providing the lowest "true interest" costs upon the advice of the financial advisor when the bonds are sold on October 19, 2004.

Mr. Pittman told the Board that a previously announced public hearing had been held at 1 p.m., just preceding the Board meeting. Mr. Pittman said no members of the public attended the public hearing.

Mr. Jerry Boon, C.P.A., Assistant Director of Finance, distributed a copy of the preliminary official statement regarding the sale of bonds.

Upon a motion made by Ms. M. Jane Dickey, Commissioner, and approved by Mr. Craig S. Wood, Commissioner, the Board approved the resolution.

Source & Treatment Department Update

Mr. Gary Hum, Director of Source & Treatment, presented an update on the operations of the department, ongoing improvements at the Lake Maumelle Pumping Station, and future issues and challenges. Commissioner Wood thanked Mr. Hum for the helpful and informative report.

Regionalism Report

Mr. Steve Morgan, Director of Regionalism & Future Water Source, updated the Board on the following regionalism activities:

- CAW continues to work with the Salem Water Users Association on a contract for water.
- The North Pulaski Water Works Association is the first master-metered customer to take water during off-peak hours. At a later date, CAW staff may request that the Board approve a change in the definition of "off-peak hours". The change under consideration would enable CAW to allow customers to take water at a time most beneficial to CAW and master-metered customers.
- The Mid-Arkansas Water Alliance (MAWA) has been told by the U.S. Army Corps of Engineers that an environmental impact study may be needed to take water from Greers Ferry Lake and Lake Ouachita. If the study is conducted, it could take 18-24 months to complete at a cost of \$500,000 to \$750,000.
- Southwest Power Administration, the electric cooperative that produces electricity using water from Greers Ferry Lake and Lake Ouachita, has told MAWA that the power company will not oppose the alliance's request to take water from the lakes.

Board Briefing

- The Southwest Section of the American Water Works Association (AWWA) will hold its annual conference in Little Rock on October 10-12, 2004, at the Doubletree Hotel.
- The AWWA Water Commissioners/Public Officials Summit will be October 16-18, 2004, in Denver, Colorado.
- Mr. Jack H. Wilson, former Manager-Engineer of Little Rock Municipal Water Works, in a recent letter commended Mr. Harvey for the progress and innovations made by the utility.
- CAW staff has some results from the acoustical monitoring program that detects damage to raw-water transmission mains and is continuing the program.

Executive Session

The Board adjourned the Open Session and convened in Executive Session. Upon reconvening in Open Session, Chair Powell asked for a motion to approve revisions to the employment agreement between Mr. Harvey and CAW.

Upon a motion duly made by Ms. Francille Turbyfill, Secretary/Treasurer, and seconded by Commissioner Dickey, the motion was approved.

Resignation by Commissioner

Commissioner Wood stated that after serving on the Board of Commissioners for 17 years, he is submitting his resignation, effective immediately, due to the end of his regular term of service.

He said he is reluctant to leave considering the serious problems that are facing the Board but believes a fresh perspective will be beneficial to the Board. He further stated he believes the current Commission is staffed with intelligent people who are strong enough to handle the problems facing them.

He asked that, when choosing his replacement, the Board be confident that the nominee is committed to the time and effort it will take to deal with the issues facing the Board of Commissioners. Commissioner Wood further stated he has enjoyed his years on the Commission and has always championed change.

Commissioner Wood read from a statement he had prepared detailing what he believes to be the most important issues currently facing the Commission.

Commissioner Dickey said she had learned a great deal from working with Commissioner Wood and enjoyed working with him on the Board of Commissioners. She said she greatly admires what Commissioner Wood has done for the utility while serving on the Board. Commissioner Dickey further stated that the time, skill, intelligence, and dedication Commissioner Wood brought to his position on the Board were an inspiration to her.

Commissioner Dickey asked that Commissioner Wood's statement be made an official part of the minutes to the September 9, 2004, meeting.

Chair Powell told Commissioner Wood that he has enjoyed Commissioner Wood's friendship and leadership in his various positions on the Board.

Mr. Harvey said that Commissioner Wood possesses the ability to see things from different viewpoints and brought a new slant on various issues brought before the Board. Mr. Harvey said Commissioner Wood had been good for CAW and his input would be missed.

Adjournment

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

RESOLUTION NO. 2004-09

A RESOLUTION AUTHORIZING THE OFFERING OF UP TO \$22,000,000 OF CENTRAL ARKANSAS WATER WATER REVENUE BONDS, SERIES 2004 (THE "BONDS"); APPROVING THE FORM OF AN OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM AND PRELIMINARY OFFICIAL STATEMENT; AND PROVIDING FOR OTHER MATTERS IN CONNECTION WITH THE SALE OF THE BONDS.

WHEREAS, the Board of Commissioners (the "Commission") of Central Arkansas Water (the "Issuer") has previously authorized the employment of Stephens Inc., as its Financial Advisor, Wright, Lindsey & Jennings LLP, as its Bond Counsel, and Metropolitan National Bank, as Trustee, for the proposed capital improvement bond program; and

WHEREAS, pursuant to the direction of the Commission, the Issuer's Chief Financial Officer together with the Financial Advisor, Bond Counsel, and Trustee have prepared and presented for consideration at this meeting of the Commission the forms of an Official Notice of Sale, Official Bid Form and Preliminary Official Statement; and

WHEREAS, upon the advice of the Chief Financial Officer, the Commission is now prepared to authorize the offering of the Bonds for sale, and to approve the sale documentation as described hereinafter.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Central Arkansas Water, as follows:

Section 1. The Bonds shall be designated Central Arkansas Water, Water Revenue Bonds, Series 2004 (the "Bonds"). The Bonds shall be offered for sale in the aggregate principal amount of not to exceed \$22,000,000 by written or electronic bids, at such time as may be approved by the Chief Financial Officer upon advice of the Financial Advisor, at such location as may be provided for in the Official Notice of Sale. At such time and place, the Chief Financial Officer shall meet with the Financial Advisor to receive the bids, and the Chief Financial Officer is hereby authorized to accept the bid providing the lowest "true interest" costs (as defined in the Official Notice of Sale) in the name of the Issuer if, upon advice of the Financial Advisor, he shall determine to do so in the best interest of the Issuer.

Section 2. The forms of the Official Notice of Sale and the Official Bid Form, substantially in the form exhibited to and before the Commission at the meeting at which this Resolution is adopted, are hereby approved.

Section 3. The form of Preliminary Official Statement, substantially in the form exhibited to and before the Commission at the meeting at which this Resolution is adopted, is hereby "deemed final" except for such terms and conditions as are

determined by the sale and such other changes, omissions, insertions and revisions as for the Chief Financial Officer shall deem advisable and the Preliminary Official Statement is hereby approved for use in connection with the sale of the Bonds.

Section 4. The Chief Financial Officer shall cause to be published in newspapers in the Cities of New York, New York and Little Rock, Arkansas, within the time provided by law, the Notice of Sale of the Bonds, substantially in the form exhibited to the meeting at which this Resolution is adopted.

Section 5. The Chief Financial Officer, after consultation with the Financial Advisor and Bond Counsel is hereby authorized to distribute the Official Notice of Sale, Official Bid Form and Preliminary Official Statement to perspective bidders for the Bonds, in substantially the forms submitted to this meeting, with such changes and modifications as the Chief Financial Officer shall deem appropriate.

Section 6. The Chief Financial Officer is authorized to take such other actions, and to approve such other documents as are, in his judgment, necessary or appropriate in order to provide for the sale of the Bonds, on the date specified, and accomplish the intent of this Resolution.

Section 7. This Resolution shall be in effect from and after the date of its adoption.

APPROVED, September 9, 2004.

Eddie Powell, Chair

ATTEST:

Francille Turbyfill, Secretary

CERTIFICATE

STATE OF ARKANSAS)
)
COUNTY OF PULASKI)

I, Francille Turbyfill, Secretary of the Board of Commissioners of Central Arkansas Water, do hereby certify that the foregoing is a true and correct copy of Resolution 2004-09 of the Resolutions of Central Arkansas Water entitled: A RESOLUTION AUTHORIZING THE OFFERING OF UP TO \$22,000,000 OF CENTRAL ARKANSAS WATER WATER REVENUE BONDS, SERIES 2004 (THE "BONDS"); APPROVING THE FORM OF AN OFFICIAL NOTICE OF SALE, OFFICIAL BID FORM AND PRELIMINARY OFFICIAL STATEMENT; AND PROVIDING FOR OTHER MATTERS IN CONNECTION WITH THE SALE OF THE BONDS, adopted by the Board of Commissioners of Central Arkansas Water on September 9, 2004, said Resolution now appearing of record in the office of Central Arkansas Water.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of September, 2004.

Francille Turbyfill, Secretary

Minutes of a Special Meeting
Board of Commissioners
Central Arkansas Water

September 28, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a special called meeting at 11 a.m. Tuesday, September 28, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary/Treasurer
Ms. M. Jane Dickey, Commissioner
Mr. Tony Kendall, Commissioner

Present by telephone conference call:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Ms. Marie A. Crawford, Director of Communications
Ms. Connie Horn, Management Secretary
Mr. Tad Bohannon, Attorney for CAW with Wright, Lindsey & Jennings

Also in attendance

Mr. Craig Douglass with Craig Douglass Communications, a public relations firm representing Deltic Timber Corporation

Call to Order of September 28, 2004, Meeting

Mr. Eddie Powell, Chair, called to order the September 28, 2004, meeting of the Board of Commissioners. Chair Powell stated that the primary purpose of the meeting was to establish procedures for the nomination of new Commission members. He further stated that there is currently a vacancy on the Commission due to the resignation of Commissioner Craig Wood. He reminded the Board that, per the water utilities' consolidation agreement, the nominee must be a resident of the City of Little Rock.

Approval of Resolution

Chair Powell told the Board that staff had prepared a draft resolution recognizing the many years of service to the Board of Commissioners by former Commissioner Wood.

Upon a motion duly made and seconded, the Board approved the resolution.

Commissioner Nomination Procedures

Chair Powell noted that Ms. Marie A. Crawford, Director of Communications, had provided the Board with information from utilities around the United States as to their procedures for nominating new Board members.

There followed a discussion on the various nominating procedures.

After agreeing that the nomination procedures would apply only to new members and not re-appointments, Chair Powell outlined the following procedure for nominating Board members:

- receive “Letters of Interest” with attached résumés
- provide the list of interested persons to the mayors of both cities
- select the best qualified candidates from the “Letters of Interest”
- interview the best qualified candidates from the “Letters of Interest”
- elect new member, which would require a majority vote

The Board requested that Ms. Becky Wahlgreen, Director of Human Resources, provide recommendations on a list of standard questions for the Board to utilize for candidate interviews and information to provide candidates regarding the duties of a Water Commissioner.

Chair Powell stated that the Board would receive “Letters of Interest” up until noon Wednesday, October 20, 2004. The Board set the following calendar for filling the current vacancy:

- | | |
|-------------------------------------|---|
| 2 p.m. Thursday, October 21 | Review “Letters of Interest” and résumés then select candidates for interviews |
| 5 p.m. – 7 p.m. Tuesday, October 26 | Interview qualified candidates and make appointment

Submit appointment for confirmation by Little Rock Board of Directors and North Little Rock City Council |

Adjournment

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

September 28, 2004

Resolution – 2004-11

WHEREAS, Mr. Craig Wood has been a leader in water utility affairs in Central Arkansas since 1987, the year of his initial appointment to the Little Rock Water Commission; and

WHEREAS, he served two terms on the board and was instrumental in forging an agreement between the cities of North Little Rock and Little Rock to consolidate their municipal water systems into Central Arkansas Water (CAW) in 2001; and

WHEREAS, Mr. Wood, as an inaugural member of the CAW Board of Commissioners, had a key role in providing the stable leadership and foresighted vision necessary to ensure the success of this unprecedented inter-local initiative; and

WHEREAS, the customers of Central Arkansas Water depend on private citizens, such as Mr. Wood, to oversee the operations of their public drinking water utility and ensure a safe, high-quality, and dependable supply of drinking water; and

WHEREAS, as a member of the utility boards, Mr. Wood brought to the governance of the water systems an extensive background in business, finance and investments, employee relations, community involvement; and educational and public health interests; and

WHEREAS, he particularly has been a leading and unrelenting force in protecting the watersheds of the metropolitan community's primary drinking water supplies, Lake Maumelle and Lake Winona, thus the precious resources that are so vital to homes, businesses, industries, and the community's quality of life; and

WHEREAS, he also sought to ensure educational and advancement opportunities for employees; encouraged diversity among the utility's workforce; and over the years provided invaluable advice on infrastructure management, inter-local cooperation, and investment strategies; and

WHEREAS, the investment strategies enabled the utility to diversify and earn higher yields on financial resources; and

WHEREAS, Mr. Wood's tenure of service as a water commissioner spans almost 17 years; and

WHEREAS, during this time, he has demonstrated a strong commitment to ensuring a quality water supply for citizens in the North Little Rock-Little Rock metropolitan area and surrounding municipalities; to providing this service at a quality level and low-cost price now and in the future; and establishing the utility as a leader in the national industry.

NOW, THEREFORE, BE IT RESOLVED THAT the Board of Commissioners, Central Arkansas Water, does hereby express sincere appreciation to Mr. Wood for his distinguished service to CAW and Little Rock Municipal Water Works and recognize him for his contributions to the vision, integrity, excellence, and sound management for which the utility is known.

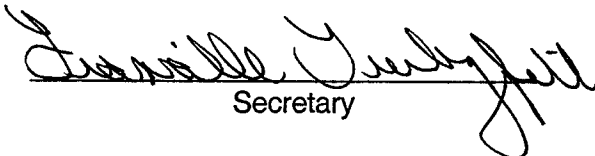
FURTHER, IT IS DIRECTED THAT a copy of this resolution be included in the official Minutes of the Board of Commissioners and a copy be presented to Mr. Craig Wood.

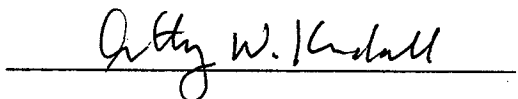
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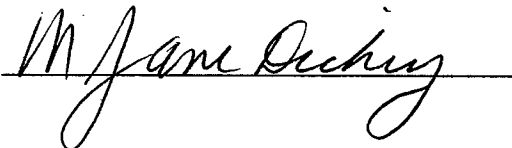
We, Eddie Powell, Dr. Thomas W. Rimmer, Francille Turbyfill, M. Jane Dickey, Alma Williams, and Tony Kendall, as members of the Board of Commissioners, Central Arkansas Water, do hereby certify that the above and foregoing is a correct copy of the resolution adopted by us on this 28th day of September 2004.

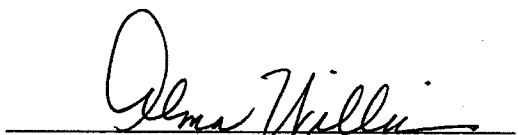

Chair


Vice Chair


Secretary







I SUBMIT MY RESIGNATION WITH MIXED FEELINGS. AFTER ABOUT 17 YEARS SERVING AS A WATER COMMISSIONER, IT IS TIME FOR THE COMMISSION TO HAVE THE BENEFIT OF A FRESH PERSPECTIVE, WITH THE OBJECTIVITY AND CREATIVITY OF A NEW COMMISSIONER. YET AS THIS COMMISSION FACES THE CURRENT SERIOUS PROBLEMS, I AM RELUCTANT TO LEAVE WHEN MY YEARS OF EXPERIENCE MIGHT BE OF SOME VALUE. HOWEVER, IN ALL OF THOSE YEARS ON THE COMMISSION THERE ALWAYS SEEMED TO BE MAJOR PROBLEMS AND I AM SURE THERE WILL ALWAYS BE

I ENCOURAGE YOU IN APPOINTING MY REPLACEMENT TO BE ASSURED THE PERSON SELECTED IS COMMITTED TO GIVING THE NECESSARY TIME FOR THE MEETINGS AND EVENTS OF THE UTILITY AS WELL AS THE TIME NEEDED TO PREPARE FOR THOSE MEETINGS

I WOULD LIKE TO COMMENT ON THE THREE MOST IMPORTANT ISSUES THE COMMISSION FACES TODAY:

1. MID ARKANSAS WATER AUTHORITY.

THIS IS A HUGE STEP FOR THIS UTILITY AND WILL REQUIRE YOUR PATIENCE, GENEROSITY, AND UNDERSTANDING. IF THIS REGION IS TO GROW BOTH IN POPULATION AND QUALITY OF LIFE, EVERYONE WILL NEED YOUR BEST EFFORT TO PROVIDE A DEPENDABLE, SUFFICIENT AND HIGH QUALITY WATER SUPPLY. WITHOUT THE MERGER OF THE LITTLE ROCK AND NORTH LITTLE ROCK UTILITIES, MID ARKANSAS WATER AUTHORITY WOULD NEVER HAVE HAPPENED. YET YOU MUST FORGET THE UTILITIES WERE EVER SEPARATE.

I KNOW FROM PERSONAL CONTACT THAT THE ARKANSAS CONGRESSIONAL DELEGATION DOES NOT UNANIMOUSLY SUPPORT CAW'S REGIONAL PLANS INCLUDING A FUTURE WATER SOURCE. I THINK THE COMMISSIONERS SHOULD PLAN TO CONTACT THE LOCAL OFFICE OF ALL THE DELEGATION AND TRY TO RESOLVE ANY AND ALL OF THE OBJECTIONS DISCOVERED.

2. MAUMELLE WATERSHED:

THIS ISSUE WILL OCCUPY A LOT OF TIME FOR THE IMMEDIATE FUTURE. THE ARGUMENTS WILL BE PERSUASIVE AND COMPLICATED BUT THE REAL ISSUE IS WHO AND/OR WHAT CAN ASSURE THAT THE PROTECTIVE MEASURES USED TODAY WILL BE EFFECTIVE WHEN THE CURRENT DEVELOPERS AND EXPERTS ARE GONE 50 TO 75 YEARS FROM NOW. THE LAKE MAY BECOME LESS THAN PRISTINE NATURALLY WITHOUT THE HELP OF DEVELOPMENT BUT THAT DOES NOT JUSTIFY ACCELERATING THE DECLINE BY DEVELOPMENT KNOWN TO CAUSE NON-SOURCE POLLUTION. IF THE UTILITY CANNOT OBTAIN POWER TO ASCERTAIN AND STOP EVENTS THAT THREATEN THE QUALITY OF THE LAKE THEN THE ONLY CHOICE IS OWNERSHIP. WE MAY NOT BE ABLE TO PROVE WHAT WILL AND WILL NOT AFFECT THE QUALITY OF THE LAKE BUT NOR CAN DEVELOPERS AND EXPERTS PROVE WHAT EVENTS WILL ABSOLUTELY NOT AFFECT THE QUALITY OF THE LAKE OVER A LONG PERIOD OF TIME. SEVERAL HUNDRED THOUSAND PEOPLE DEPEND OF THE ESSENTIAL BENEFITS OF LAKE MAUMELLE AND THIS COMMISSION IS CHARGED WITH THE RESPONSIBILITY OF ASSURING THE WATER SUPPLY IS NOT COMPROMISED BY THE DESIRE OF A FEW WHO WOULD LIKE TO LIVE IN A HOME WITH A NICE VIEW OF THE LAKE. THERE IS NO SHORTAGE OF LOTS TO BUILD HOMES IN THIS AREA SO CAW SHOULD NOT BE ACCUSED OF HINDERING GROWTH.

3: MANAGEMENT SUCCESSION:

WE ARE SO VERY FORTUNATE THAT JIM HARVEY HAS AGREED TO CONTINUE FOR TWO MORE YEARS AS CEO. HIS REPUTATION IN OUR COMMUNITY AND THE SUPPORT HE HAS WITH THE COMMUNITY LEADERS WILL BE A MAJOR BENEFIT IN SUCCESSFULLY RESOLVING THE ISSUES BEFORE YOU. IT IS NOT TOO SOON TO MAKE DEFINITIVE PLANS TO FIND A SUITABLE SUCCESSOR. IN FACT I THINK IT IS IMPERATIVE THAT SUCCESSION PLANS BE IMPLEMENTED FOR EACH CAW MANAGER AND DEPARTMENT HEAD. CAW SHOULD IDENTIFY FOR EACH MANAGER AND DEPARTMENT HEAD THE PERSON MOST LIKELY TO REPLACE HIM OR HER. THAT DOES NOT MEAN THE SELECTION CANNOT BE CHANGED. IT DOES MEAN THE PERSON IDENTIFIED WILL BE GIVEN THE TIME AND

OPPORTUNITY TO PREPARE FOR THE PROMOTION. WE HAVE BEEN DANCING AROUND THIS PROBLEM FOR YEARS, I AM SORRY TO SAY, BUT WITH UPCOMING RETIREMENTS IN THE UTILITY WE SHOULD MAKE THIS A TOP PRIORITY.

ONE LAST COMMENT ABOUT THE MERGER. THE RULES REQUIRE THAT COMMISSIONERS BE SELECTED FROM EACH CITY BUT THAT SHOULD BE THE LAST TIME COMMISSIONERS THINK OF THEMSELVES AS ANYTHING OTHER THAN C&W COMMISSIONERS. I DON'T THINK ANY ONE ANTICIPATED HOW WELL THE MERGER WOULD BE ACCOMPLISHED. OF COURSE IT WAS NOT EASY AND A LOT OF PEOPLE HAD TO MAKE SACRIFICES AND COMPROMISES. WE ALL BENEFIT GREATLY BECAUSE THE ENVIRONMENT WAS SUCH THAT THOSE SACRIFICES AND COMPROMISES WERE MADE WILLINGLY.

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

October 21, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, October 21, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary/Treasurer
Ms. M. Jane Dickey, Commissioner
Mr. Tony Kendall, Commissioner
Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Mr. Gary Pittman, Chief Financial Officer
Ms. Marie Crawford, Director of Communications
Mr. Stan Benton, Director of Distribution
Mr. Kevin Hall, Director of Environmental Health & Safety
Mr. Jerry Boon, C.P.A., Assistant Finance Director
Mr. Dennis Yarbrow, P. E., Supervisor of Water Sources
Ms. Connie Horn, Management Secretary
Mr. Tad Bohannon, Attorney for CAW with Wright, Lindsey & Jennings
Mr. Tommy Treece, Maintenance Technician for CAW

Also in attendance:

Mr. Jack Brashear, P.E., Senior Project Engineer for Garver Engineers, L.L.C.
Mr. Craig Douglass with Craig Douglass Communications, a public relations firm representing Deltic Timber Corporation
Mr. Gary Heathcott, President of Heathcott Associates
Mr. Mark McBryde, Executive Vice President of Stephens, Inc.
Ms. Bobbie Nichols, Vice President of Public Finance with Stephens, Inc.
Mr. Norvell Plowman, attorney
Mr. Craig Wood, former Commissioner
Mr. Marcus Howard, reporter with *The Times* of North Little Rock

Call to Order of October 21, 2004, Meeting

Chair Powell called to order the October 21, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and asked Mr. Harvey to introduce the guests.

Resolution of Commendation

Chair Powell presented a resolution of commendation to Mr. Craig Wood, former Chair and Commissioner of the Board of Commissioners, Central Arkansas Water.

Chair Powell commended and expressed appreciation to Mr. Wood for 17 years of dedication and contributions to the Board, CAW, and their predecessors. Chair Powell also said Mr. Wood's guidance would be felt for a very long time.

Mr. Wood said he appreciated the quality, competence, and dedication of the CAW staff. He further stated he felt honored to have served on the Board and expressed appreciation for the experience of serving.

Mr. Harvey presented a monetary award and certificate to Mr. Tommy Treece, Maintenance Technician, for a recommendation regarding treatment plant operations. Mr. Treece said he suggested the installation of a special water line to facilitate more effective efficient sludge removal from the sedimentation basins at the Jack H. Wilson Water Treatment Plant. He submitted his recommendation through the Employees Suggestion System, which rewards employees for money-saving ideas on how to improve operations.

Introduction of New Department Director

Mr. Bruno Kirsch, P.E., Chief Operating Officer, introduced Mr. Kevin Hall, who came aboard October 4 as the utility's Director of Environmental Health & Safety. Mr. Kirsch shared that Mr. Hall, having worked prior in the health and safety field with Little Rock Wastewater Utility, is very enthusiastic and knowledgeable. The Commissioners welcomed Mr. Hall.

Approval of Board Minutes

Chair Powell called for a motion to approve the minutes to the September 9, 2004, and September 28, 2004, meetings. Upon a motion duly made and seconded, the Board approved the minutes.

Sale of Bonds

Mr. Harvey introduced Mr. Mark McBryde, Vice President with Stephens, Inc. Mr. McBryde reported to the Board on the sale of \$22 million in water revenue bonds. There followed a discussion on the sale and Mr. McBryde answered questions presented to him by the Board.

Upon a motion duly made by Dr. Thomas W. Rimmer, Secretary, and seconded by Ms. Alma Williams, Commissioner, the Board approved the sale of bonds.

Salem Water Users Public Authority

Mr. Steve Morgan, Director of Regionalism & Future Water Source, presented to the Board a resolution and contract approving the sale of supplemental supply to the Salem Water Users Public Authority. Mr. Morgan said the public authority would not start taking water until 2006. He explained that the approved contract is necessary for the authority to acquire financing for the project.

Upon a motion duly made by Ms. Francille Turbyfill, Secretary/Treasurer and seconded by Vice Chair Rimmer, the motion was approved.

Approval of Contracts and Agreements

Upon a motion duly made and seconded, the Board approved the following:

- i. a contract with SBC for \$108,622 for the upgrade of the telephone systems at the Maryland Avenue Complex, Jack H. Wilson Water Treatment Plant, and Ozark Point Water Treatment Plant
- ii. a contract with Koontz Electric Company, Inc., for \$1,785,000 for the replacement of motor controllers at the Lake Maumelle Pumping Station
- iii. an amendment to the contract with the Kanis and Denny Roads Water Improvement District #349 of Pulaski County to extend and upgrade an 8-inch-diameter water main to a 16-inch-diameter transmission main in Leatha Lane in the Colonel Glenn Road area. (Participation by CAW is in the amount of \$59,950.)

Regionalism Report

Mr. Morgan told the Board that the U.S. Army Corps of Engineers has not decided whether an environmental impact study or assessment must precede approval of the Mid-Arkansas Water Alliance's (MAWA) request for discretionary storage in Greers Ferry Lake and Lake Ouachita. He further told the Board that the Corps has requested that MAWA provide a needs analysis.

Ms. M. Jane Dickey, Commissioner, stated she believes it is important to have the backing of Arkansas' U.S. congressional delegation.

Commissioner Dickey encouraged fellow Board members to take advantage of opportunities to talk with congressional members and, after some discussion, requested that staff arrange a meeting with the state's delegation.

Board Briefing

- Ms. Marie A. Crawford, Director of Communications, told the Board about employee participation in the Arkansas Susan G. Komen Race for the Cure on October 9. She said Lisa Luyet, Data Base Coordinator, placed 85th; Lisa Whatley, Customer Service Representative-Office, placed 143rd; and Shelia Stringfellow, sister of Sherry Lippiatt, General Accountant, placed 293rd.
- The Southwest Section of the American Water Works Association (AWWA) held its 2004 Annual Conference & Exhibition in Little Rock on October 10-12 at the Doubletree Hotel. Mr. Kirsch, 2004 Section Chair, also was Chair of the Local Arrangements Committee for the conference. At the conference, Mr. Kirsch received the George Warren Fuller Award for outstanding service, achievements, and leadership contributions to the Section. (The Fuller Award is the highest honor that the Southwest Section bestows.)
- The City of Little Rock has received the results of its recent ISO (Insurance Service Organization) inspection and maintained a Class 2 fire insurance rating. (ISO is an independent agency that reviews and rates the firefighting system and water supply capabilities of a city or community. Fire department capabilities make up 60 per cent of the score and water supply capabilities make up 40 per cent of the score. The rating

can impact property insurance premiums.) The City of Little Rock is one of few U.S. cities with a Class 2 rating. Class 1 is the highest rating. Central Arkansas Water achieved 38 out of 40 points. Little Rock Fire Chief Rhoda Mae Kerr and CAW staff are collaborating to determine improvements needed to achieve a Class 1 rating.

- CAW's 2005 health and dental insurance premiums for employees will remain the same as the 2004 rates. 2005 will be the second consecutive year of no premium increases. In 2003, the utility had a decrease in health insurance premiums.
- A recommendation from the 2003 independent audit was the creation of an audit committee. Mr. Harvey distributed several options presented by staff to meet the audit recommendation. He asked the Board to consider the options.
- Mr. Harvey told the Board that CAW still receives many requests from telecommunications companies to use CAW facilities (storage tanks) for antenna installation sites. He explained that although the companies pay a lease fee for the installations, allowing the antennae is extremely expensive because of security concerns. He reminded the Board that, in accordance with the water utilities Consolidation Agreement, the City of Little Rock receives 85% of revenue from leases for installations south of the Arkansas River. He told the Board that, at this time, CAW is not allowing new installations because of security concerns about telecommunication company representatives having access to the sites.
- CAW recently has begun a program to mark all hydrants within the water distribution system with color-coded bands that indicate location and flow capacity. The color-coding is beneficial to firefighting crews in emergencies and to CAW personnel.

AWWA Public Officials Summit

Chair Powell asked Commissioners Tony Kendall and Williams to provide the Board with a written report on their recent trip to the AWWA Public Officials Summit in Denver, Colorado.

Executive Session

The Board adjourned the Open Session and convened in Executive Session to discuss the Letters of Interest received for the vacancy on the Board. Upon reconvening in Open Session, Chair Powell stated that no action would be taken at this time.

Commissioner Retreat

Chair Powell asked the Commissioners to consider a date in the first quarter of 2005 for a Commission retreat. He asked they be prepared to set a date for the retreat at the next meeting.

Adjournment

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

RESOLUTION NO. 2004-10

A RESOLUTION AUTHORIZING CENTRAL ARKANSAS WATER TO ENTER INTO A WATER SUPPLY CONTRACT WITH THE SALEM WATER USERS PUBLIC WATER AUTHORITY; AND PRESCRIBING OTHER MATTERS RELATING THERETO.

WHEREAS, Central Arkansas Water (“CAW”) desires to sell, and the Salem Water Users Public Water Authority (“Salem”) desires to buy, potable water; and

WHEREAS, CAW and Salem desire to memorialize the terms and conditions of their agreement to sell and buy potable water in an Agreement submitted to this Board at this meeting for approval (the “Agreement”);

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

Section 1. The Agreement is hereby approved in substantially the form submitted to this Board at this meeting with such changes as shall be approved by the persons executing the Agreement. The execution of the Agreement by any of the persons duly authorized to do so by Section 2 hereof shall constitute conclusive evidence of the approval of CAW to such changes.

Section 2. Each or any of the Chair, Secretary, Chief Executive Officer or the Chief Operations Officers is hereby authorized to execute the Agreement on behalf of CAW.

Section 3. Each or any of the Chair, Secretary, Chief Executive Officer or Chief Operations Officers, for and on behalf of CAW, is authorized and directed to do any and all things necessary to effect the execution and delivery of the Agreement, the performance of all obligations of CAW under the Agreement, and the performance of all acts of whatever nature necessary to effect and carry out the authority conferred by this Resolution.

Section 4. This Resolution shall be in effect upon its adoption and approval.

ADOPTED: October 21, 2004

ATTEST:

APPROVED:

Francille Turbyfill, Secretary

Eddie Powell, Chair

CERTIFICATE

STATE OF ARKANSAS)
)
COUNTY OF PULASKI)

I, Francille Turbyfill, Secretary of Central Arkansas Water, do hereby certify that the foregoing is a true and correct copy of Resolution 2004-10 of the Resolutions of Central Arkansas Water, entitled: A RESOLUTION AUTHORIZING CENTRAL ARKANSAS WATER TO ENTER INTO WATER SUPPLY CONTRACT WITH THE SALEM WATER USERS PUBLIC WATER AUTHORITY; AND PRESCRIBING OTHER MATTERS RELATING HERETO, adopted October 21, 2004.

IN WITNESS WHEREOF, I have hereunto set my hand this 21st day of October, 2004.

Secretary
Board of Commissioners, Central Arkansas Water

RESOLUTION NO. 2004-12

A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER REVENUE BONDS FOR THE PURPOSE OF FINANCING THE COSTS OF DESIGNING, CONSTRUCTING AND EQUIPPING CAPITAL IMPROVEMENTS TO THE WATER COLLECTION, TREATMENT AND DISTRIBUTION SYSTEM OF CENTRAL ARKANSAS WATER; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST ON THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL TRUST INDENTURE; APPROVING THE OFFICIAL STATEMENT; AND PRESCRIBING OTHER MATTERS RELATING THERETO;

WHEREAS, Central Arkansas Water, a body politic and corporate, (the "Issuer") created pursuant to the Consolidated Waterworks Authorization Act, Act No. 982 of the Acts of Arkansas of 2001, as amended (the "Act"), and pursuant to a Consolidation Agreement entered into by and between the cities of Little Rock and North Little Rock, Arkansas dated as of March 5, 2001, as amended by a First Amendment to Consolidation Agreement dated as of June 30, 2001 (collectively, the "Agreement") is being operated, managed, and maintained by the Central Arkansas Water Board of Commissioners (the "Commission"); and

WHEREAS, the Commission has determined that in order for it to continue to provide quality water service to the Issuer's customers, that it is necessary to undertake a program of capital improvements including the acquisition of (i) real property within the Lake Maumelle watershed; (ii) acquisition, construction and/or installation of additional water distribution and transmission mains, fire hydrants and water storage facilities; (iii) the construction and equipping of additional pumping stations; (iv) facilities upgrades; (v) the acquisition and installation of various water pumping, processing and production equipment; and (vi) the costs of related engineering and other services (the "Improvements") to the water collection, treatment and distribution systems (collectively, the "Water System") having a total approximate cost of \$106,000,000; and

WHEREAS, the Commission has further determined that the cost of accomplishing the Improvements shall be paid from a combination of the following sources: (1) trust funds which have been set aside and are available to make capital improvements to the Water System in the approximate amount of \$20,000,000; (2) the proceeds of water revenue bonds issued pursuant to the Act in the approximate aggregate principal amount of \$62,000,000; and (3) funds derived from the operating revenues of the Water System; and

WHEREAS, the Issuer previously issued \$22,000,000 of its Water Revenue Bonds, Series 2002, dated October 1, 2002 (the "Series 2002 Bonds"), pursuant to a Master Trust Indenture dated as of October 1, 2002 (the "Master Trust Indenture"), as supplemented and amended by a Supplemental Trust Indenture dated as of October 1, 2002 (the "Series 2002 Supplemental Indenture"); and

WHEREAS, pursuant to the Agreement, the Issuer, by letter of its Chief Financial Officer dated July 12, 2004, notified the cities of Little Rock and North Little Rock of its intention to issue the Series 2004 Bonds (identified hereinafter) and neither City as of the date of this resolution has voted its disapproval of the Series 2004 Bonds; and

WHEREAS, pursuant to the Agreement and the Revenue Bond Act of 1987 (Act 852), the Issuer caused to be published on August 25, 2004, a notice of public hearing on the question of issuing the Series 2004 Bonds and thereafter, on September 9, 2004, held a public hearing, as advertised, at which comments from the public and customers of the Water System were heard; and

WHEREAS, pursuant to Resolution No. 2004-09 of the Commission dated September 9, 2004, the Chief Financial Officer was authorized to accept the bid resulting in the lowest true interest cost to the Issuer and accordingly the Chief Financial Officer approved the sale of the second series of the Issuer's water revenue bonds in the principal amount of \$22,000,000 (the "Series 2004 Bonds") to Prager, Sealy & Co., LLC (, the "Purchaser") for a sale price of One Hundred and Two Point Four Nine Eight percent (102.498%) of par, being the aggregate sum of \$22,549,617.27, resulting in a true interest cost of 4.1132808%. The Purchasers' bid together with the three additional bids received by the Issuer are set forth in detail on Exhibit "A" attached hereto and made a part hereof; and

WHEREAS, the Series 2004 Bonds will be issued in the aggregate principal amount of \$22,000,000; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Central Arkansas Water:

Section 1. Under the authority of the Constitution and laws of the State of Arkansas, including particularly the Act and the Agreement, the sale of the Central Arkansas Water, Water Revenue Bonds, Series 2004 (the "Series 2004 Bonds") to the Purchasers for a price of One Hundred and Two Point Four Nine Eight percent (102.498%) of par, being the aggregate sum of \$22,549,617.27, is hereby in all respects ratified and approved following the public hearing conducted in accordance with the Agreement and Act 852, and accordingly the Bonds are hereby authorized and ordered to be sold and issued in the total principal amount of \$22,000,000. The Bonds shall not be general obligations of the Issuer but shall be special obligations payable solely from revenues of the water system and certain other funds more specifically identified in a Master Trust Indenture, as supplemented and amended by the Series 2002 Supplemental Indenture and the Series 2004 Supplemental Indenture (identified hereinafter).

Section 2. The issuance of the Series 2004 Bonds is hereby authorized for the purposes of (i) providing funds to finance a portion of the costs of the Improvements (ii) to fund the Series 2004 Debt Service Reserve Subaccount, and (iii) to pay the costs of

issuance of the Series 2004 Bonds. The Series 2004 Bonds will mature, bear interest and be subject to redemption in accordance with the provisions of the Series 2004 Supplemental Indenture. The Series 2004 Bonds will be issued on a parity of security with the Series 2002 Bonds and all other bonds, if any, to be issued under the Master Trust Indenture.

Section 3. All actions heretofore taken by the Commission and officers of the Issuer in connection with the offering of the Series 2004 Bonds, including the preparation and distribution of the Official Notice of Sale and the Preliminary Official Statement, preparation of the Official Statement, holding of the public hearing on September 9, 2004, acceptance of the bid received from the Purchasers, and preparation of this Resolution (the "Authorizing Resolution") are hereby in all respects ratified and approved. The Official Statement is deemed a final Official Statement for purposes of the Securities and Exchange Commission Rule 15c2-12. The Official Statement of the Issuer in the form presented at this meeting with such changes, omissions, insertions and revisions as the Chief Financial Officer shall deem advisable is hereby authorized and approved and the Chair and Chief Executive Officer shall sign and deliver such final Official Statement to the Purchasers for distribution to the owners of the Series 2004 Bonds and other interested persons.

Section 4. The appointment of Metropolitan National Bank, Little Rock, Arkansas, to serve as trustee for the Bonds is hereby approved and ratified (the "Trustee").

Section 5. The Chair of the Commission is hereby authorized and directed to execute the Series 2004 Bonds and the Chief Executive Officer is hereby authorized and directed to execute the Series 2004 Bonds and to affix the Seal of the Issuer thereto.

Section 6. To prescribe the terms and conditions upon which the Series 2004 Bonds, and all additional bonds are to be executed, issued, accepted, held and secured, the Chair of the Commission is hereby authorized and directed to execute and acknowledge a Series 2004 Supplemental Trust Indenture (the "Series 2004 Supplemental Indenture") (collectively, the Master Trust Indenture, the Series 2002 Supplemental Indenture and the Series 2004 Supplemental Indenture are referred to hereinafter as the "Indenture") between the Issuer and the Trustee, and the Secretary of the Commission is hereby authorized and directed to execute and acknowledge the Series 2004 Supplemental Indenture and to affix the seal of the Issuer thereto and the Chair and the Secretary of the Commission are hereby authorized and directed to cause the Series 2004 Supplemental Indenture to be accepted, executed and acknowledged by the Trustee. The Series 2004 Supplemental Indenture is hereby approved in substantially the form submitted to this meeting with such changes as shall be approved by such persons executing the document, their execution to constitute conclusive evidence of such approval.

Section 7. The Chair, the Secretary, the Chief Executive Officer, both of the Chief Operating Officers, the Chief Financial Officer and the Commission, for and on behalf of the Issuer, are authorized and directed to do any and all things necessary to effect the execution and delivery of the Indenture, the performance of all obligations of the Issuer under the Series 2004 Supplemental Indenture, the issuance, execution, sale and delivery of the Series 2004 Bonds, and the performance of all acts of whatever nature necessary to effect and carry out the authority conferred by this Authorizing Resolution. The Chair, the Secretary, Chief Executive Officer, both of the Chief Operating Officers, the Chief Financial Officer and the Commission are further authorized and directed, for and on behalf of the Issuer, to execute all papers, documents, certificates and other instruments that may be required for the carrying out of such authority or to evidence the exercise thereof.

Section 8. The appointments of Stephens Inc., as Financial Advisor, and Wright, Lindsey & Jennings LLP, as Bond Counsel, are hereby approved and ratified.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

Section 9. This Authorizing Resolution shall be in effect from and after the date hereof.

ADOPTED: October 21, 2004

ATTEST:

Francille Turbyfill, Secretary

Eddie Powell, Chair

CERTIFICATE

STATE OF ARKANSAS)

COUNTY OF PULASKI)

CITY OF LITTLE ROCK)

I, Francille Turbyfill, Secretary of the Board of Commissioners of Central Arkansas Water, do hereby certify that the foregoing is a true and correct copy of Resolution No. 2004-12 of the Resolutions of Central Arkansas Water, entitled: **A RESOLUTION PROVIDING FOR THE ISSUANCE AND SALE OF WATER REVENUE BONDS FOR THE PURPOSE OF FINANCING THE COSTS OF DESIGNING, CONSTRUCTING AND EQUIPPING CAPITAL IMPROVEMENTS TO THE WATER COLLECTION, TREATMENT AND DISTRIBUTION SYSTEMS OF CENTRAL ARKANSAS WATER; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL AND INTEREST ON THE BONDS; AUTHORIZING THE EXECUTION AND DELIVERY OF A SUPPLEMENTAL TRUST INDENTURE; APPROVING THE OFFICIAL STATEMENT; AND PRESCRIBING OTHER MATTERS RELATING THERETO;** passed by the Commission on October 21, 2004, said Resolution now appearing of record in this office.

IN WITNESS WHEREOF, I have hereunto set my hand and seal of office on this 21st day of October, 2004.

Francille Turbyfill, Secretary

Minutes of a Special Meeting
Board of Commissioners
Central Arkansas Water

October 26, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a called telephone conference meeting at 2 p.m. Tuesday, October 26, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present by telephone:

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary/Treasurer
Ms. M. Jane Dickey, Commissioner
Mr. Tony Kendall, Commissioner
Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale W. Russom, P.E., Chief Operating Officer
Ms. Marie A. Crawford, Director of Communications
Ms. Connie Horn, Management Secretary

Call to Order of October, 2004, Meeting

Mr. Eddie Powell, Chair, called to order the October 26, 2004, special meeting of the Board of Commissioners. Chair Powell stated the purpose of the meeting was to fill the currently vacant Commissioner position.

Appointment of Commissioner

Upon a motion duly made and seconded, Dr. Roby Robertson was nominated to fill the current vacant Commissioner position. After discussion, the motion was called to a vote and the Commission unanimously approved the resolution appointing Dr. Robertson and directed that staff submit a confirmation request to the Little Rock Board of Directors and North Little Rock City Council.

Dr. Tom W. Rimmer, Commissioner, asked that the Board prepare a letter of thanks to the other six candidates. He stated that the applicants were an extremely competent and knowledgeable group.

Adjournment

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

RESOLUTION 2004-13

A RESOLUTION APPOINTING MR. ROBY ROBERTSON, PH.D., TO THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER, AND FOR OTHER PURPOSES

WHEREAS, the term of Mr. Craig Wood, a member of the Board of Commissioners, Central Arkansas Water ("CAW Board"), expired on June 30, 2004; and

WHEREAS, by law it is the duty of the remaining commissioners to nominate and appoint a commissioner when a vacancy occurs on the CAW Board, subject to confirmation by the Board of Directors of the City of Little Rock, Arkansas, and the City Council of the City of North Little Rock, Arkansas.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COMMISSIONERS, CENTRAL ARKANSAS WATER, THAT the remaining commissioners do hereby appoint Dr. Robertson to a seven-year term, subject to confirmation by the duly elected and qualified members of the Board of Directors of the City of Little Rock and the City Council of the City of North Little Rock, and that his term of office shall be through June 30, 2011.

BE IT FURTHER RESOLVED THAT the Board of Directors of the City of Little Rock and the City Council of the City of North Little Rock be requested to confirm this appointment.

CERTIFICATE

I, Francille Turbyfill, 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 special meeting held October 26, 2004.

Francille Turbyfill, Secretary

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

November 11, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, November 11, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary/Treasurer
Ms. M. Jane Dickey, Commissioner
Mr. Tony Kendall, Commissioner

Absent:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Ms. Marie A. Crawford, Director of Communications
Ms. Connie Horn, Management Secretary
Mr. Gary Pittman, Chief Financial Officer
Mr. Jerry Boon, C.P.A., Assistant Director of Finance
Mr. Stan Benton, Director of Distribution
Mr. Jim Ferguson, P.E., Director of Engineering
Ms. Deena Coston, C.P.A., Controller
Ms. Karen Hightower, Engineering Administrative Assistant
Mr. Richard Atlas, Instrument Technician II
Mr. Vernon Doyle, Instrument Technician II
Mr. David London, Maintenance Supervisor
Ms. Kathy Graves, Attorney for CAW

Also in attendance:

Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers, L.L.C.
Mr. Craig Douglass with Craig Douglass Communications, a public relations firm representing Deltic Timber Corporation
Mr. Gary Heathcott, President of Heathcott Associates
Alderman Charlie Hight, liaison for the North Little Rock City Council
Mr. Marcus Howard, reporter with *The Times* of North Little Rock
Mr. Kirby Rowland, Vice President with Garver Engineers, L.L.C.

Call to Order of November 11, 2004, Meeting

Mr. Eddie Powell, Chair, called to order the November 11, 2004, meeting of the Board of Commissioners. He welcomed guests to the meeting and asked Mr. Harvey to introduce the guests.

Employees Suggestion System Awards

Mr. Jim Harvey, Chief Executive Officer, presented Mr. Vernon Doyle and Mr. Richard Atlas, both Instrument Technicians II, with monetary and certificate awards for their suggestion to re-route the signal that allows the remote monitoring of operations at the Crystal Hill Pumping Station in North Little Rock. Mr. Doyle explained that CAW operations personnel previously monitored the station by way of the Supervisory Control and Data Acquisition (SCADA) System on the south side of the Arkansas River. Mr. Doyle and Mr. Atlas' suggestion was to re-direct the telemetry signal to the north-side SCADA System. The change has resulted in (1) better signal strength, which eliminated problems with data failures, and (2) costs-savings through the elimination of a backup telephone line.

Mr. Doyle thanked Mr. David London, Maintenance Supervisor, and CAW management for the opportunity to make suggestions for improvements and for the willingness of staff to listen to and implement suggested changes.

Recognition of Chief Executive Officer

Chair Powell told Commissioners that Mr. Harvey recently had received the Leadership Greater Little Rock Alumni's Jim Argue Distinguished Leadership Award for 2004. He further shared that the award recognizes alumni who have made significant contributions to the metropolitan community through business, civic, and other involvement. Mr. Powell said that this honor to Mr. Harvey is well deserved.

Approval of Board Minutes

Chair Powell called for a motion to approve the minutes to the October 21, 2004, and October 26, 2004, meetings. Upon a motion duly made and seconded, the Board approved the minutes.

Engineering Department Update

Mr. Jim Ferguson, P.E., Director of Engineering, updated the Commission on current and future projects of the Engineering Department. He also provided information on the department's four sections: Cross-Connection Control, New Service, Planning, and Design and Construction Management.

Executive Session

The Board adjourned the Open Session and convened in Executive Session to discuss a personnel issue. Upon reconvening the Open Session, Chair Powell said the Board would take no action.

At this point in the meeting, Ms. M. Jane Dickey, Commissioner, excused herself due to another appointment.

2005 Financial Plan

Mr. Gary Pittman, Chief Financial Officer, reviewed the 2005 Financial Plan, which is a guide for revenues and expenditures for the next fiscal year. The plan includes operations and maintenance, the capital improvements program, and a 3.5% adjustment to the Pay Plan.

Mr. Pittman answered questions from the Commissioners and, upon a motion duly made and seconded, the Board approved the 2005 Financial Plan.

Approval of Contracts and Agreements

Upon a motion duly made and seconded, the Board approved an amendment of \$90,000 to the 2004 electrical engineering services contract with Garver Engineers.

Regionalism Report

Mr. Steve Morgan, Director of Regionalism & Future Water Source, told the Board that CAW staff is currently working with Maumelle Suburban Water Improvement District #500 for the sale of supplemental water to the City of Maumelle.

Board Briefing

During a Board briefing, Mr. Harvey:

- Updated the Board on a Freedom of Information of Act case involving the Board of Directors for the City of Fort Smith. The case relates to communications between the city administrator and individual city board members.
- Commended Mr. Dennis Yarbrow, P.E., Supervisor of Water Sources, for the photograph that CAW used for the front cover of the 2005 Financial Plan. Mr. Yarbrow took the nighttime image of the new intake structure at the Lake Maumelle Pumping Station.
- Deferred to Ms. Kathy Graves, CAW legal counsel, for an update on attempts to contact Mr. John Thurman, attorney for the former North Little Rock Water Department, with regard to easements he was to obtain on behalf of the department. She said CAW has yet to receive documentation on easements related to several waterline projects.
- Asked Ms. Marie A. Crawford, Director of Communications, to update the Board on the *Help to Others Customer Assistance Fund*. Ms. Crawford stated that River City Ministry and Watershed Human and Community Development Agency have the program in operation and each agency has received \$7,000 to assist customers. She projected that each agency would receive a total of \$16,000 for fiscal year 2004. Mr. Harvey also commended Heathcott Associates, the program's advertising manager, and Ms. Crawford for their diligence in marketing strategy and securing the sale of coupon space, which is the funding source for the program.

Adjournment

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

RESOLUTION 2004-14

A RESOLUTION AUTHORIZING OFFICERS OF CENTRAL ARKANSAS WATER TO PURSUE THE PASSAGE OF LEGISLATION BENEFICIAL TO CENTRAL ARKANSAS WATER, AND PRESCRIBING OTHER MATTERS RELATING THERETO

WHEREAS, Central Arkansas Water, a body politic and corporate, ("CAW") created pursuant to the Consolidated Waterworks Authorization Act, Act No. 982 of the Acts of Arkansas of 2001, as amended, and pursuant to a Consolidation Agreement entered into by and between the cities of Little Rock and North Little Rock, Arkansas, dated as of March 5, 2001, as amended by a First Amendment to Consolidation Agreement dated as of June 30, 2001 (collectively, the "Agreement"), is being operated, managed, and maintained by the Central Arkansas Water Board of Commissioners (the "Commission"); and

WHEREAS, various water suppliers and water facilities have approached the professional staff, officers, and commissioners of CAW about being either managed by CAW, merging with CAW, or transferring assets to CAW; and

WHEREAS, the Commission has determined that it is appropriate to propose certain legislative amendments presented for the consideration of the Commission at this meeting (the "Legislation") at the next session of the Arkansas General Assembly in the interest of providing legal certainty to any such proposed operation of, merger with, or transfer of the assets of any water supplier or water facility.

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Central Arkansas Water:

Section 1. The Chief Executive Officer and both of the Chief Operating Officers of CAW, for and on behalf of CAW, are authorized and directed to do any and all things necessary to have the Legislation introduced and passed at the next session of the Arkansas General Assembly.

Section 2. The Chief Executive Officer and both of the Chief Operating Officers are further authorized and directed, for and on behalf of CAW, to do all acts necessary to carry out the purposes of this Resolution.

Section 3. This Resolution shall be in effect from and after the date hereof.

ADOPTED: December 9, 2004

ATTEST:

Francille Turbyfill, Secretary

Eddie Powell, Chair

CERTIFICATE

I, Francille Turbyfill, 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 December 9, 2004.

Secretary

Minutes of a Regular Meeting
Board of Commissioners
Central Arkansas Water

December 9, 2004

The Board of Commissioners, Central Arkansas Water (CAW), convened in a regular meeting at 2 p.m. Thursday, December 9, 2004, in the Third Floor Board Room of the Capitol Avenue Utilities Building. The building location is 221 East Capitol Avenue in Little Rock, Arkansas.

Present:

Mr. Eddie Powell, Chair
Dr. Thomas W. Rimmer, Vice Chair
Ms. Francille Turbyfill, Secretary/Treasurer
Ms. M. Jane Dickey, Commissioner
Mr. Tony Kendall, Commissioner
Dr. Roby Robertson, Commissioner

Absent:

Ms. Alma Williams, Commissioner

CAW staff in attendance:

Mr. Jim Harvey, Chief Executive Officer
Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer
Mr. Dale Russom, P.E., Chief Operating Officer
Mr. Steve Morgan, Director of Regionalism & Future Water Source
Mr. Gary Pittman, Chief Financial Officer
Ms. Marie A. Crawford, Director of Communications
Mr. Jim Ferguson, P.E., Director of Engineering
Ms. Connie Horn, Management Secretary
Ms. Kathy Graves, Attorney for CAW
Mr. Tad Bohannon, Attorney for CAW

Also in attendance:

Ms. Ruth Bell, member of the Task Group for Watershed Management and representative of the League of Women Voters of Pulaski County
Mr. Vince Blubaugh with GBMc & Associates, an engineering firm representing Deltic Timber Corporation
Mr. Lee Bodenhamer, property owner in the Lake Maumelle Watershed
Mr. Ken Brazil, Chair of the Task Group for Watershed Management and Supervisor of State Water Planning for the Arkansas Soil & Water Conservation Commission
Mr. Dee Brown, P.E., Manager of Electrical Engineering for Garver Engineers, L.L.C.
Dr. Gary Chamberlin, professor (retired) with the University of Arkansas (UALR) and member of the UALR Water Study Task Group
Mr. Gary Heathcott, President of Heathcott Associates
Ms. Crystal Hogg, Social Services Director for River City Ministry
Mr. Marcus Howard, reporter with *The Times* of North Little Rock
Ms. Stephanie Hymel, member of the Task Group for Watershed Management and Office Manager for the Audubon Arkansas
Ms. Jill Joslin, Vice President/Account Supervisor with Heathcott Associates
Mr. Jim Julian, attorney for Deltic Timber Corporation

Ms. Michelle Kaemmerling, attorney with Wright, Lindsey & Jennings
Mr. Mark Matthews, photographer
Mr. Jim McKenzie, member of the Task Group for Watershed Management and Executive Director of Metroplan Council of Local Governments
Mr. Bruce McMath, attorney for CAW with McMath Woods Law Firm
Mr. Greg McPhillips with GBMc & Associates, an engineering firm representing Deltic Timber Corporation
Ms. Kathleen Oleson, representative of the League of Women Voters of Pulaski County
Mr. Norvell Plowman, attorney
Ms. Kelly Quinn, photographer for UALR
Mr. Kirby Rowland, Vice President of Garver Engineers, L.L.C.
Dr. Chi Ho Sham, Vice President of The Cadmus Group, Inc.
Mr. Ken Smith, Executive Director of Audubon Arkansas
Ms. Ozell Snyder, Fiscal/Operations Manager for Watershed Human and Community Development Agency
Dr. Carl Stapleton, Vice Chair of the Task Group for Watershed Management and Associate Professor of Biology at the University of Arkansas at Little Rock
Mr. Joe Whalen, Project Manager for Flake Wilkerson Market-Insights, L.L.C.
Mr. George Wilkerson, President of Flake Wilkerson Market-Insights, L.L.C.
Mr. Jim Woodell, Development Director for River City Ministry
Ms. Jill Zeman, reporter for the *Arkansas Democrat-Gazette*

Call to Order of December 9, 2004, Meeting

Mr. Eddie Powell, Chair, welcomed guests and called to order the December 9, 2004, meeting of the Board of Commissioners.

Approval of Board Minutes

Chair Powell called for a motion to approve the minutes to the November 11, 2004, meeting. Upon a motion duly made and seconded, the Board approved the minutes.

Focus Group on Watershed Protection

Mr. George Wilkerson, President of Flake-Wilkerson Market Insights, L.L.C., informed the Board of the results of two focus group sessions on the watershed protection issue. He explained that the purpose of the focus group was to get a feel for public sentiment regarding watershed protection and CAW's role in watershed protection. Mr. Wilkerson, emphasizing that focus group discussion provides only a snapshot of public sentiment, said the overall message was that CAW should continue efforts to protect the Lake Maumelle Watershed from potential pollution by land development. Mr. Whalen, Project Manager with Flake-Wilkerson, and Mr. Wilkerson answered questions from the Board.

Task Group for Watershed Management

Chair Powell stated he appreciated the efforts of the members of the Task Group for Watershed Management and the time members spent preparing a final report. (CAW convened a task group in May 2004 to study the utility's Watershed Protection Plan and provide a community perspective on the plan.) Chair Powell further stated that many hours of hard work went into compiling the final report and that the report reflects the many viewpoints of the members of the group.

Mr. Ken Brazil, Chair of the Task Group for Watershed Management and Supervisor of State Water Planning for the Arkansas Soil & Water Conservation Commission, thanked the Board and CAW staff for their support in the completion of the report and commended members of the Task Group for their hard work.

Mr. Brazil summarized the findings and recommendations of the Task Group. Board members received written copies of the report.

Ms. Ruth Bell, who represented the League of Women Voters of Pulaski County on the Task Group, stated that the major concern of the league is the large number of territorial authorities that exist within the watershed of Lake Maumelle and the difficulty of creating a manageable plan to protect the watershed. Ms. Bell added that the league believes there is a need for an oversight authority that has the power to deal with planning and land-use issues. Ms. Bell further stated the league believes the long-term prospects of maintaining the water quality within Lake Maumelle at a relatively low cost are not good without an oversight authority.

Dr. Carl Stapleton, Vice Chair of the Task Group for Watershed Management and Associate Professor of Biology at the University of Arkansas at Little Rock, told the Board that a diverse group of people composed the Task Group. He added that it was one of the best groups in which he has been involved and he hoped the Board would continue to support CAW staff in watershed protection efforts.

At this point in the meeting, Dr. Roby Robertson, Commissioner, left the meeting because of another appointment.

Report from The Cadmus Group, Inc., on Watershed Protection

Dr. Chi Ho Sham, Vice President of The Cadmus Group, Inc., presented the finalized report on Lake Maumelle watershed protection. He stated that The Cadmus Group, Inc., concluded that CAW's phased Lake Maumelle source water protection program is rational, but additional action items (such as more extensive water quality monitoring and remediating problems posed by existing land use activities) should be included as a part of a dynamic water quality management plan. He further stated that CAW's land acquisition approach is consistent with watershed management activities undertaken by other municipal water suppliers (such as Boston, New York City, Salt Lake City, and Seattle). Dr. Sham said that, due to the high cost of land acquisition, a phased approach to prioritize land purchases is sensible. He said that the need to maintain the highest level of water quality at the eastern end of the lake, the steepness of the terrain and poor soil conditions, along with the proximity of Zone 1 to the water intake, justify the determination that residential development should be precluded in Zone 1.

Dr. Sham told the Board that The Cadmus Group recommends that the land acquisition program be continued in both the eastern portion of the Lake Maumelle watershed and in critical areas in the rest of the watershed. He said that, in particular, acquisition should focus on buffers along the major tributaries to the reservoir, including the Big Maumelle River. Dr. Sham further stated that it will be necessary to implement a comprehensive plan to establish and implement development restrictions and Best Management Practices (BMPs) throughout the entire watershed.

Approval of Contracts/Agreements

Upon a motion duly made by Ms. M. Jane Dickey, Commissioner, and seconded by Ms. Francille Turbyfill, Commissioner, the Board approved the following contracts/agreements:

1. an annual contract for the purchase of various water treatment chemicals from Carus Chemical (bimetallic glassy phosphate and potassium permanganate); Arkansas Lime (hydrated lime and quicklime); Harcross Chemical (hydrofluosilicic acid); General Chemical (liquid aluminum sulfate); Allied Universal (liquid chlorine); Advance Chemical (powdered activated carbon); and, KC Industries (sodium silicofluoride)
2. a low bid of \$648,225 from Lassiter Construction for the annual contract for repairs to cuts in street pavement and other surfaces
3. the purchase of a new gas chromatograph for \$108,491.75 from Shimadzu Scientific Instruments, Inc. (The existing gas chromatograph was purchased in 1994 and is no longer serviceable due to its age. The gas chromatograph is used to analyze organic substances.)

Resolution for Proposed Legislation

Mr. Tad Bohannon, CAW attorney, presented to the Board a resolution that would allow CAW staff to pursue the introduction of state legislation that would enable other water utilities to join with CAW or allow CAW to manage the operations of other utilities. (The Arkansas General Assembly convenes in January 2005.)

Upon a motion duly made by Commissioner Dickey and seconded by Mr. Tony Kendall, Commissioner, the Board approved the resolution.

Regionalism Report

Mr. Steve Morgan, Director of Regionalism & Future Water Source, told the Board that the Mid-Arkansas Water Alliance's (MAWA) needs analysis that the U.S. Army Corps of Engineers is conducting should be available later this month. He said he would deliver copies of the report to Board members before the next meeting.

Mr. Morgan told the Board about undeveloped land located within the Maumelle Watershed that CAW has agreed to purchase from Mr. Jack Armstrong. The parcel is 7.29± acres and located along the east side of Wilson Lateral Road in Flowerwood Farms Subdivision, which is within Zone 2 of the Lake Maumelle Watershed. He added that this land purchase did not require Board approval because the selling price was within management approval authority; however, he was briefing the Board on the purchase for informational purposes.

Mr. Morgan reminded the Board about a tract of watershed property CAW had negotiated to buy in 2002. He said CAW had to withdraw the offer to purchase due to litigation over ownership of the property. Mr. Morgan told the Board that it appears this litigation has been resolved and he has approached the property owner regarding CAW's purchase of the property. Mr. Morgan added that he hopes to have more information to present to the Board regarding the purchase of this property at next month's meeting.

Mr. Morgan updated the Board regarding ongoing work by CAW staff to help the Brushy Island Water Association (Brushy Island) solve the district's low water pressure and distribution problems. (Brushy Island has insufficient fire protection because of undersized water mains. CAW is working with the association on a plan to upgrade the water system.) Mr. Morgan said

dissension among property owners within the district has resulted in legal action. Mr. Morgan said he would keep the Board informed on the progress of the Brushy Island issue.

Board Briefing

Ms. Marie A. Crawford, Director of Communications, updated the Board on the *Help To Others Customer Assistance Fund*. She noted that in the past there has been no dedicated funding to assist customers with their water bills and, since September 2004, the fund has generated \$32,161 to assist families and individuals needing help with the payment of their utility bills to CAW and other Utility Billing Services partners. She said the program is a tremendous partnership between local businesses; customers who use the coupons that support the program; the fund administrators, River City Ministry and Watershed Human and Community Development Agency; Heathcott Associates, which markets and manages the program; and the CAW Board and staff. She stated that the program results reflect a lot of diligence and hard work. She said that since the start of the program November 1, 2004, 110 families have received help.

Mr. Jim Harvey, Chief Executive Officer, told the Board that CAW staff has been in touch with Mr. John Thurman, attorney for the former North Little Rock Water Department, regarding documentation on easements due to CAW. Mr. Harvey said that work is progressing on obtaining the documentation from Mr. Thurman.

Mr. Bruno Kirsch, Jr., P.E., Chief Operating Officer, told the Board that CAW had issued a "Request for Proposals" (RFP) for staff training and development. He stated that CAW had received three proposals and, after reviewing the proposals, the staff review committee had chosen Leading Edge Development of Little Rock. He added that staff is currently negotiating the fee with Leading Edge Development.

Mr. Harvey asked that the Board set a date for a Commission retreat. After some discussion, the Board set the retreat for 8 a.m. – 1:30 p.m. Saturday, March 5, 2005. The location will be the Patrick H. Hays Senior Citizens Center in North Little Rock.

Mr. Harvey told the Board that Mr. Jeff Eades, Information Service Technician II, graduated magna cum laude from UALR with a Bachelor of Business Administration Degree in Management Information Systems. He further shared that Mr. Eades was able to utilize CAW's Tuition Reimbursement Program, along with scholarships, to achieve his degree. Mr. Harvey commended Mr. Eades for his dedication to his education and for the outstanding job he does for CAW.

Chair Powell requested Mr. Eades' presence at the next Board meeting so the Board may recognize him on his achievement.

Mr. Jim Ferguson, Director of Engineering, informed the Board of a request for a private service line. He said Mr. Darin Wewers is building a house at 6423 Wilton Lane in Pulaski County. He further stated that the property has access to a public water line 3,500 feet from Mr. Wewers property, as it would be laid along existing street right-of-ways. Mr. Ferguson said Mr. Wewers has requested that CAW provide water service to him by way of a private service line that would cross another property owner's land. Mr. Ferguson said Mr. Wewers has made the request to avoid the cost that would be involved in extending the existing public water main. Mr. Ferguson added that he has informed Mr. Wewers that it is against CAW policy to allow the private service line when there is access to a public water main. Mr. Ferguson also said that utility policy does

not allow service by way of a private service line that crosses property not owned by the applicant.

Executive Session

The Board adjourned the Open Session and convened in Executive Session.

Upon reconvening in Open Session, the Board voted to increase the salary of Mr. Harvey by 5.5%, effective January 1, 2005.

Upon a motion duly made by Commissioner Dickey and seconded by Commissioner Kendall, the Board amended the Commission Bylaws, as follows:

- 3.8. Telephonic Meeting. Members of the Board may participate in any meeting of the Board by means of a conference telephone or similar communications equipment by means of which all persons participating in such meeting can hear each other, unless otherwise prohibited by statute. Participation in a meeting pursuant to this section shall constitute presence in person at such meeting, subject to the requirements of Section 3.11 of the bylaws.

- 3.11. Attendance. Regular attendance at Board meetings is critical to the functioning of the Board, and is expected of members. Any member of the Board who shall fail to attend in person, not including participation by telephone as provided in Section 3.8 of the bylaws, any two (2) consecutive regular meetings, or who shall fail to attend at least seventy-five percent (75%) of the regular and special meetings not designated as telephone conference call meetings held in any fiscal year, shall be subject to removal from the Board under Section 3.13 of the Bylaws.

Adjournment

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