



2015 Financial Plan

(January 1 through
December 31, 2015)



CENTRAL ARKANSAS WATER

OUR MISSION

To enhance the quality of life for Central Arkansas by delivering high-quality water and dependable service that exceed customer expectations; protecting and ensuring a long-term water supply for future generations; and serving as responsible stewards of public health, utility resources, and the environment.

THE VALUES PICTURE

PROFESSIONALISM: I will be courteous and responsible in my dealings with others and will adhere to the technical and professional standards of my job.

INTEGRITY: I will display honesty in my work and interactions with others and will adhere to high moral and ethical standards. I will be fiscally responsible and conservative in the use of funds and resources entrusted to our utility.

CONTINUAL IMPROVEMENT: I will search for a new and better way of doing things, embracing new technologies and sustainable business practices. I will seek ways to enhance my own professional development, as well as that of my co-workers.

TEAMWORK: I will support my co-workers with enthusiasm, work collaboratively and do my part to ensure Central Arkansas Water achieves its goals.

UNITY: I will work in harmony with others to ensure a positive, safe and healthy work environment. I will consider the needs and viewpoints of customers and community stakeholders and work collaboratively with each. I will appreciate diversity and value the differences that each individual brings to any situation.

RESPECT: I will treat others with high regard, fairness and consideration.

EXCELLENCE: I will work to ensure that Central Arkansas Water meets and exceeds "world class" standards and the expectations of those I work with and the customers we serve.





GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Central Arkansas Water
Arkansas**

For the Fiscal Year Beginning

January 1, 2014

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to Central Arkansas Water for the Utility's 2014 annual budget.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operation guide, as a financial plan, and as a communication device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA for an award.

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APPENDIX

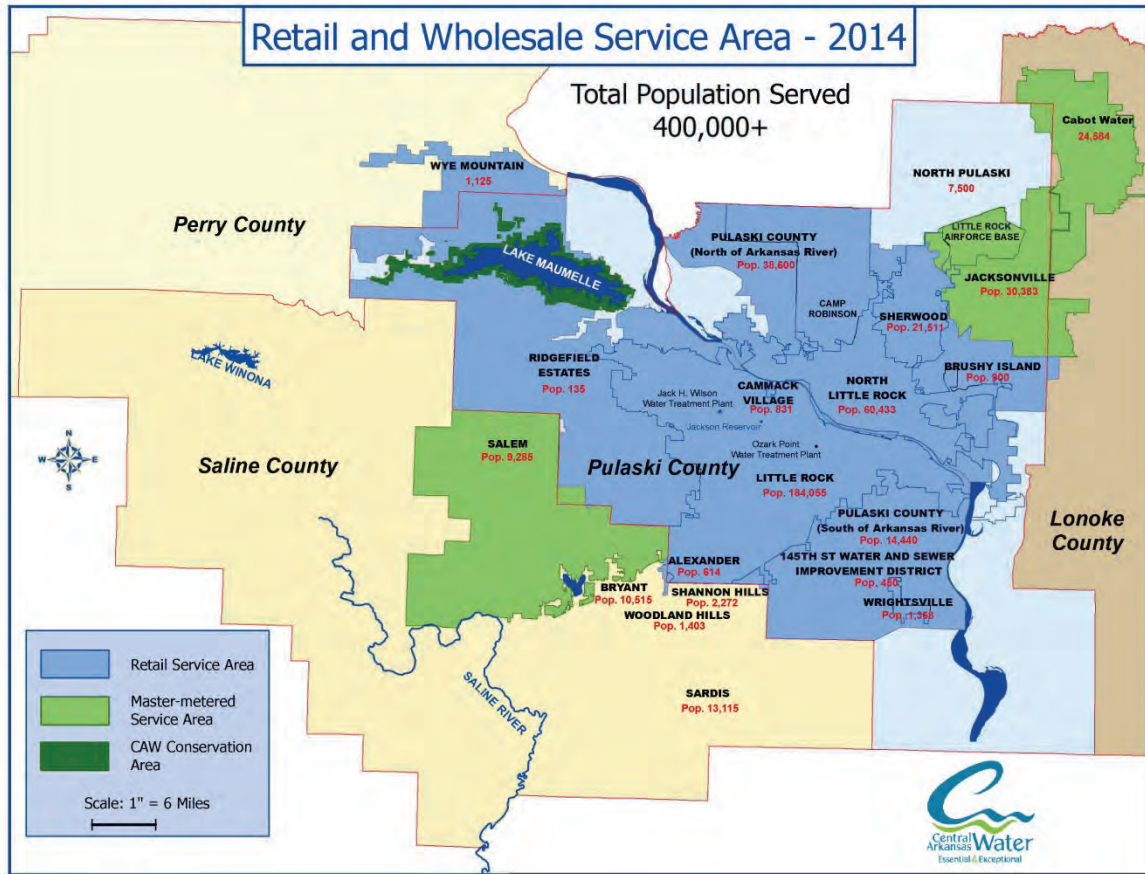
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About Central Arkansas Water

Central Arkansas Water (CAW or the Utility) is the largest water supplier in the State of Arkansas. The Utility plays an integral role in the quality of life for residents and the economic health of the communities it serves. As a regional water supplier serving a population of about 400,000, CAW contributes to the public health and well-being of 1 in every 7 Arkansans. In addition, CAW supplies the water needed by industries that compete in regional, national, and international markets. The Utility has approximately 124,000 Residential, Commercial, Large Volume, and Wholesale customers in Pulaski, Saline, Grant, Perry, and Lonoke counties.



CAW's retail service boundaries encompass the cities and communities of:

- Little Rock
- North Little Rock
- Sherwood
- Alexander
- Brushy Island Public Water Authority
- Cammack Village
- College Station
- Wrightsville
- Wye Mountain
- 145th Street Water and Sewer Improvement District
- Unincorporated Pulaski County

In addition, CAW provides all of the treated water supply for the city of Shannon Hills, Bryant Water and Sewer Department in Saline County, and Ridgefield Estates Public Facilities Board. The Utility provides a supplemental water supply to Jacksonville Water Works, whose service area includes Little Rock Air Force Base; the Salem Water Users Association in Saline County; Sardis Water Association, which serves parts of Saline and Grant counties; Cabot Waterworks in Lonoke County; North Pulaski Waterworks Association, which serves parts of Pulaski and Faulkner Counties; and Saline County Water & Sewer Public Facilities Board (Woodland Hills).

CAW's Past

The history of CAW and community water service in the Little Rock–North Little Rock metropolitan area dates back to spring and well use in the early 1800s.

From the late 1880s to the mid-1930s, a succession of investor-owned utilities served Little Rock and North Little Rock. On the north side of the Arkansas River, the private interests included: Home Water Company, Little Rock Water Works Company, American Water Works & Electric Company, Arkansas Water Works Company, and North Little Rock Water Company. South of the river included the same private companies operating in North Little Rock with the exception of the North Little Rock Water Company.



The Arkansas Water Works Company owned the Little Rock system from 1910 to 1936. In 1936, the City of Little Rock, after securing a Federal grant and loan through the U.S. Federal Emergency Administration of Public Works, purchased all facilities serving the south side of the river. North Little Rock Water Company owned the North Little Rock system from 1936 to 1959, at which time the City of North Little Rock purchased the facilities serving its municipal boundaries and rural customers.

Following acquisitions by the respective cities, the municipalities appointed separate, three-member governing boards to oversee operations, planning, and expansion of Little Rock Municipal Water Works and the North Little Rock Water Department.

In 2000, “Water for Our Future: Overcoming Regional Paralysis,” a study by the University of Arkansas at Little Rock (UALR), marked the beginning of a new era in inter-local cooperation and the concept of metropolitan services for the cities of Little Rock and North Little Rock. At the time, the two cities had a 64-year-old history as water supplier and customer. The UALR

study findings were the impetus for the cities to initiate a dynamic change in their relationship, moving past geographical differences and political interests looking toward the good of the entire customer base, and surrounding areas in Central Arkansas. The result was a unanimous decision by the cities' governing bodies and water commissions to merge Little Rock Municipal Water Works and the North Little Rock Water Department into Central Arkansas Water.

On March 5, 2001, city and water officials signed a historic Water Utilities Consolidation Agreement. On July 1, 2001, the utilities officially merged operations under the governance of a single board. This Consolidation Agreement served as the de-facto Strategic Plan for CAW until 2008. The Consolidation Agreement required CAW to merge operations, equalize rates, and equalize service in the two cities within ten years. Through effective planning and diligent implementation, the Utility met these goals ahead of schedule. Service levels were equalized through an \$80 million seven-year capital improvement plan. The CAW Board of Commissioners passed a resolution in 2008 equalizing rates for all CAW customers in January 2010.

Also in 2008, CAW staff and Board members embarked on the Utility's initial Strategic Plan. The Plan identified 160 significant task items with six focus areas. Over the next thirty-four months, 81% of those tasks were completed. From an organizational standpoint, arguably the most significant outcome from the process was the new Mission Statement and Values PICTURE. Examples of other projects that have guided CAW operations and investments from 2009 through 2011 include:

- 2010 CAW Master Plan – fifty-year planning horizon document with detailed ten-year capital improvement plan
- Leadership Development Pipeline – a systematic approach to succession planning
- CAW Diversity and Inclusion Team – team formation and diversity training of all CAW employees
- Capital Expenditure Request Process – prioritization of projects for annual budgeting purposes

In 2011, CAW embarked on the Utility's second Strategic Plan utilizing a framework based on the Ten Attributes of Effective Utility Management (EUM), with a focus on metrics. These metrics were designed to help staff in the effectiveness of day-to-day operations and management, as well as provide Board members continuous access to key performance indicators via an internet portal. Under the second Strategic Plan, CAW staff and Board members identified 195 task items associated with the EUM ten Attributes:



Ten Attributes of Effectively Managed Utilities

- Product Quality
- Customer Satisfaction
- Employee/Leadership Development
- Operational Optimization
- Financial Viability
- Infrastructure Stability
- Operational Resiliency
- Community Sustainability
- Water Resource Adequacy
- Stakeholder Understanding/Support



Further details on these strategic plan items and related accomplishments and goals are presented in the strategic plan section of this document. Key performance metrics used by management and the Board to track departmental progress toward strategic goals are presented in the department narratives.

CAW's Present

CAW remains under public ownership. A seven-member Board of Commissioners governs the Utility and a Chief Executive Officer (CEO) oversees day-to-day operations and administration. The Utility's organizational structure includes seven departments: Administration, Distribution, Engineering, Finance, Customer Relations & Public Affairs, Information Services (IS), and Water Quality & Operations.

CAW is an industry leader in the areas of excellent water quality, exemplary regulatory compliance, outstanding system reliability, prudent financial management, affordable rates, source-water protection, exceptional customer service, and strong public involvement.

The major components of the system are two raw water supplies, Lake Winona and Lake Maumelle; a regulating and a raw water storage facility, Jackson Reservoir; two treatment facilities, the Jack H. Wilson Water Treatment Plant (Wilson Plant) and the Ozark Point Water Treatment Plant (Ozark Point Plant); approximately 2,358 miles of pipeline; 23 booster pumping stations; and 27 remote storage facilities. The Utility's service boundaries encompass approximately 515 square miles. The combined safe yield from the two water sources is 120 million gallons per day (MGD). The maximum treatment capacity of the Wilson Plant is 133 MGD and the treatment capacity of the Ozark Point Plant is 24 MGD. The Utility has a combined 45.79 MG in remote storage capacity serving 19 pressure systems and another 25 MG in storage at the treatment plants.

CAW's Future

A major objective of the Utility's consolidation is securing future water sources for Central Arkansas. CAW is a member of the Mid-Arkansas Water Alliance (MAWA), which, in collaboration with the Metroplan Council of Local Governments, is leading a regional initiative on the development of a source to meet the region's needs through the 21st century. Our Manager of Planning, Regionalism & Future Water Source serves on the Alliance's Board of Directors. Metroplan, which serves the four-county region of Pulaski, Saline, Lonoke, and Faulkner, as well as officials of other cities and rural areas, is an integral partner in the effort.

With 27 participating cities and water user groups, CAW has made application to the U.S. Army Corps of Engineers for allocation from Greers Ferry Lake and Lake Ouachita in Arkansas. In 2014 MAWA reached an agreement with the Corps of Engineers for 15 MGD out of Greers Ferry Lake. Currently 8 members are taking water from the lake to serve their respective customers, around 3.5 MGD on average. This formal request follows a study to determine the most feasible future-source alternative(s). Black & Veatch Corporation of Kansas City, Missouri, was the engineering consultant on the study project and the U.S. Army Corps of Engineers, Arkansas Natural Resources Commission (ANRC), and Ouachita River Water District were participating, funding partners. In addition, our U.S. congressional delegation is assisting and advising in the effort.

The regional approach represents the potential for water users in the region to meet their needs and minimize the financial burden on individual systems, particularly smaller systems.



In 2015, the Utility plans to purchase water rights to 100 MGD in DeGray Lake. The Utility has owned the right of first refusal to 120 MGD in DeGray Lake since 1988. In 2013, CAW assigned to the City of Hot Springs a portion of CAW's rights under the option for up to 20 MGD, and shortly thereafter CAW informed the U.S. Army Corps of Engineers that CAW desires to exercise its option to acquire the storage space in DeGray Lake for the remaining 100 MGD. CAW and the City of Hot Springs are currently negotiating the terms and conditions of the Water Storage Agreement that each party will execute with the U.S. Army Corps of Engineers. The parties have reached an agreement on the general terms of the proposed Water Storage Agreement, but continue to negotiate details regarding electrical generation charges that the U.S. Army Corps of Engineers seeks to recover and that CAW does not believe are appropriate. Negotiations have been referred to the U.S. Army Corps of Engineers' Washington office for further review and consideration. At this time, CAW does not anticipate resolution of the issues until mid-to-late

2015. The additional 100 MGD is anticipated to help meet the water needs of the Central Arkansas area through the middle of the next century.

The Frazier Pike Public Facilities Board has been formed to install water system improvements to a rural area of southeast Pulaski County. This area contains a substantial number of low-income and moderate income households. The ANRC has agreed to provide funding for the project which will cost approximately \$1,000,000. Funding will consist of a \$257,000 loan and a \$775,000 "Arkansas Community and Economic Development Block Grant." The agreement between the Frazier Pike Public Facilities Board and the ANRC states CAW will operate the new water system. The loan will be paid by collection of a \$28.15 per meter per month surcharge to each customer. This surcharge is in addition to CAW's applicable charges to provide water service. Upon repayment of the debt in full, ownership of the water system improvements will be automatically transferred to CAW. CAW has no liability related to this loan debt. The only collateral for the loan is the \$28.15 per month surcharge. ANRC would like to close the loan in mid-October 2014. Construction will begin shortly thereafter, and CAW will begin selling water to the new customers mid-summer 2015.



Eddie Powell
Chair



Board of Commissioners



Roby Robertson, Ph.D.
Vice Chair



Anthony Kendall
Secretary/Treasurer



Jay Hartman
Member



Marie-Bernarde Miller
Member



Carmen Smith
Member



John Braune
Member

Management Team

Graham W. Rich, P.E., BCEE	Chief Executive Officer
Thad Luther, P.E., BCEE	Chief Operating Officer
C. Tad Bohannon	Chief Legal Counsel
Robert Hart, P.E., BCEE	Technical Services Officer
Becky Wahlgreen	Chief Administrative Officer
Jeff Mascagni, CPA	Chief Financial Officer
John Tynan	Director of Customer Relations & Public Affairs
Darrell Boggs	Director of Distribution
Jim Ferguson, P.E.	Director of Engineering
Kevin Hall	Director of Environmental Health & Safety
Allen Vincent	Director of Information Services
Randy Easley	Director of Water Quality & Operations

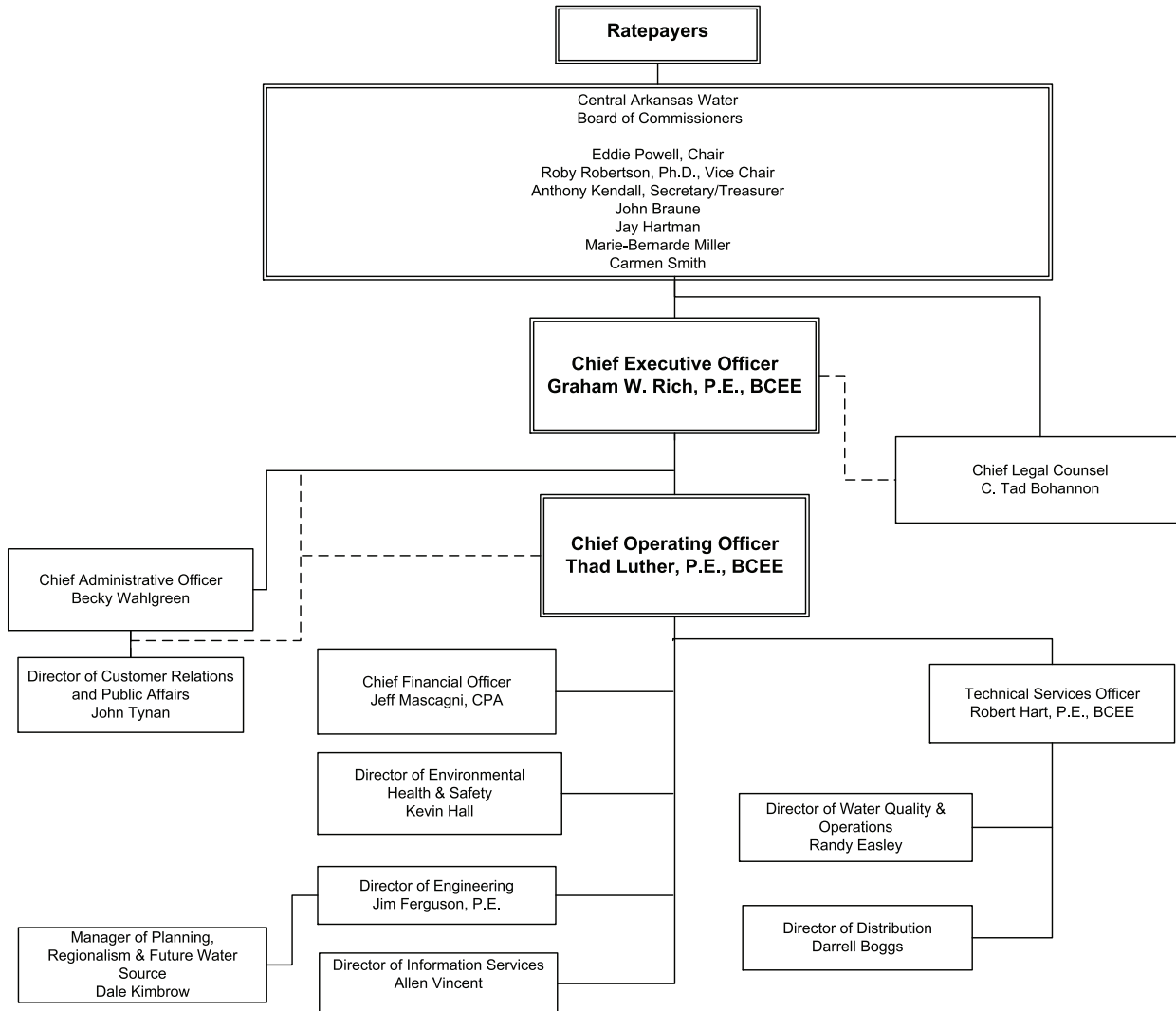
Financial Plan Development Team

Jeff Mascagni, CPA	Chief Financial Officer
Deena Coston, CPA	Controller
Todd Fisher, CPA	Finance Manager
Sherry Lippiatt	General Accountant
Leo O'Bannion	General Accountant
Gloria McKenzie	Accounting Clerk II

CENTRAL ARKANSAS WATER

Organizational Chart

Effective August 1, 2014



November 13, 2014

RE: 2015 Financial Plan – Budget Message

Members of the Commission, Customers, and Other Interested Stakeholders:

We respectfully present the 2015 Financial Plan for Central Arkansas Water.

Our mission is to enhance the quality of life for Central Arkansas by delivering high-quality water and dependable service that exceed customer expectations; protecting and ensuring a long-term water supply for future generations; and serving as responsible stewards of public health, utility resources, and the environment.

Water Source and Water Quality Challenges

We have and will continue to encounter many challenges as we work to fulfill this mission. A challenge for any water utility is to secure adequate long-term water source(s). Current water sources are adequate to cover projected customer needs through 2070. The proposed financial plan includes financing to purchase water rights that will help meet needs of the Central Arkansas area through the middle of the next century.

Pulaski County adopted a Watershed Zoning Code in April of 2013 that established a number of water quality protection measures including density limitations, open space requirements, streamside buffer requirements, and prohibition of detrimental activities within the Pulaski County portion of the Lake Maumelle Watershed. Full implementation of the Zoning Code was suspended until April 2014 to provide additional time for a taskforce of stakeholders to address lingering concerns. CAW staff participated in the Zoning Code Taskforce and was able to maintain the critical water quality protection provisions of the initially adopted Code. These amendments to the Code were adopted August 26, 2014.

May 29, 2014, marked the one year anniversary of the rupture to the ExxonMobil pipeline in Mayflower, AR. The same pipeline traverses the Lake Maumelle Watershed for 13.6 miles.

Throughout 2014, CAW worked with ExxonMobil to attempt to gain access to additional information necessary to complete a thorough evaluation of the safety and integrity of the pipeline. Although a significant amount of information was obtained by CAW, numerous questions and areas of concern remain. A pipeline integrity consultant advising CAW has identified a number of tests and integrity verification steps that need to occur if ExxonMobil should request to restart the pipeline. CAW continues to encourage ExxonMobil to undertake steps recommended by our pipeline integrity consultant, but to date, ExxonMobil has not agreed to any actions beyond those required by federal regulators. It should be noted that CAW filed a notice of intent to sue ExxonMobil in late 2013 and continues to consider this, pipeline relocation negotiations, and all other options for reducing risks posed by the pipeline to the Lake Maumelle Watershed.

In addition, CAW completed its 2014 Vulnerability Assessment, which includes a risk assessment and risk mitigation evaluation for the ExxonMobil pipeline in the Lake Maumelle Watershed. CAW is pursuing talks with ExxonMobil to discuss the implementation and funding of various risk reduction and mitigation measures identified in the Vulnerability Assessment.

Infrastructure Improvement or Replacement Challenges

Replacing or improving aging infrastructure is a significant challenge which will continue to grow without a substantial increase in dedicated resources. An Asset Management Plan was completed in 2014 to aid in building a strategy to tackle the challenge of replacing horizontal assets. The Asset Management Plan details the need to replace an additional \$8 million in horizontal assets annually. In order to maintain flat revenue requirements in 2015 and 2016, we are moving toward the \$8 million goal by increasing replacements to \$3.2 million in 2018 and \$5 million in 2019 of the proposed five-year financial plan. After reviewing results of a 2014 pilot project that assessed potentially outsourcing valve inspection, a comprehensive internal valve and fire hydrant inspection and maintenance program was developed and implemented. This internal program is on schedule to assess all 32,000 valves within a three year period and all 12,000 fire hydrants annually.

During 2014, a \$15 million bond funded multi-year project was completed to meet the EPA Stage 2 Disinfectant/Disinfection By-Products (D/DBP) Rule. The proposed financial plan includes a \$16.5 million bond issue in 2017 to finance a \$12 million improvement project at the Ozark Point Plant, a \$2.5 million improvement project at Wilson Plant Pump Station #1A, and the addition of a 24"-diameter suction main to Montgomery Pump Station #23.

Employment Challenges

We continue to support workforce succession preparedness through internal advancement of employees in coordination with the Utility-wide succession plan. Diversity continues to be promoted and maintained through the establishment of an environment that recognizes,

encourages, and effectively utilizes each individual's talents. The Utility continues to perform well in key employment-related areas - time to fill vacant positions remains below the national average; annual turnover remains less than half the national average; and cost of benefits remains in line with national averages.

Financial Challenges

Without a scheduled rate increase in 2015, the proposed budget was developed to maintain flat revenue requirements despite increasing operating costs and stable consumption projections. This was achieved with cash flow savings from refunding the 2004 series bonds and the use of cash reserves.

There is uncertainty in forecasting consumption due to weather conditions. A wet cool summer can lead to a significant decline in both sprinkler consumption and the outside usage component of domestic consumption. Historically we have budgeted for a "normal" weather year and built cash reserves in higher than normal consumption years available to supplement revenues in lower than normal consumption years. The proposed financial plan includes projected consumption at 19.06 billion gallons – consistent with prior year projections. The proposed budget includes funding for a rate and operational efficiency study. One component of the rate study will be to look at rate structure strategies to reduce the impact weather has on revenues.

Economy and Budget Summary

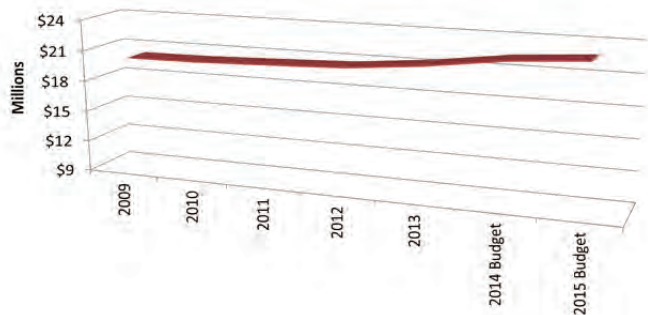
According to 43 forecasters surveyed by the Federal Reserve Bank of Philadelphia, real Gross Domestic Product (GDP) is expected to grow at an annual rate of 3.0% in the 3rd quarter and 3.1% in the 4th quarter of 2014. The forecasters see real GDP growing 2.1% in 2014, down from the previous estimate of 2.4%. The forecasters predict real GDP will grow 3.1% in 2015, 2.9% in 2016, and 5.3% in 2017. The forecasters predict improving conditions in the labor market with 6.3% unemployment in 2014, before falling to 5.7% in 2015, 5.4% in 2016, and 5.3% in 2017. The National unemployment rate is currently (August 2014) at 6.1%, down from 7.2% last year at this time.

The unemployment rate in Pulaski County is currently (July 2014) at 6.3%, which is down from 7.4% last year at this time. The Arkansas Realtors Association reports that home sales in Arkansas' five top markets (Pulaski, Benton, Washington, Saline, and Faulkner Counties) during the first half of 2014 are up almost 3%. Home sales in Pulaski County are up just over 6% for the first six months of 2014. Arkansas house prices are up 1.6% from a year ago. Metroplan reports the suburbanization, a move to the outskirts of the city, trend continues but at a slower rate. Little Rock and North Little Rock are seeing a shift in housing construction to multi-family in their respective downtown and midtown redevelopment sites.

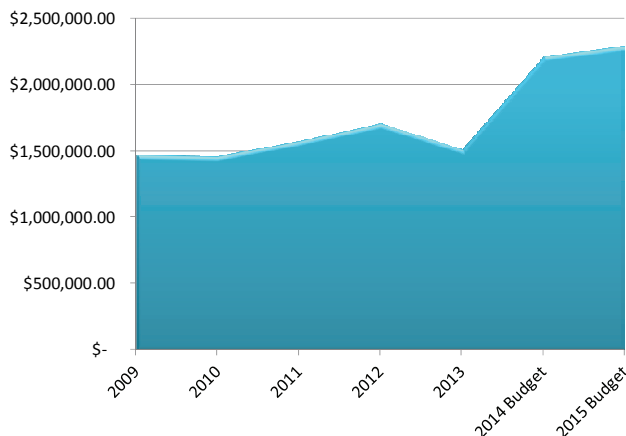
2015 Budget Changes from 2014 Budget		
Operating Revenues	\$ Change	% Change
Increase in Retail Water Sales	-	0.00%
Increase in Wholesale Water Sales	-	0.00%
Decrease in Penalties and Turn-on Charges	13,023	-0.65%
Increase in Ancillary Charges	36,518	0.89%
Decrease in Other Revenue	19,555	-2.21%
Total 2015 Operating Revenues Budget	55,880,794	0.01%
Operating Expenses		
Increase in Labor and Benefits	493,036	2.21%
Decrease in Materials, Supplies, and Maintenance	7,524	-0.13%
Increase in Electric and Other Utilities	78,890	2.34%
Increase in Contract Services	43,812	1.14%
Increase in Chemicals	79,700	3.60%
Increase in Depreciation	46,710	0.42%
Decrease in Other	30,000	-8.17%
Total 2015 Operating Expenses Budget	49,996,970	1.43%
Capital Expenditures		
Decrease in Capital Expenditures	185,447	-0.93%
Debt Service		
Decrease in Total Debt Service	483,282	-5.87%

The proposed budget for 2015 includes \$50 million in operating expenses, \$19.9 million in capital expenditures, and \$8.2 million in debt service. 2015 includes an increase of 15% or \$280,000 in health care costs and wage adjustments of 1% for exempt and 1.5% for non-exempt employees. The total wage adjustment will amount to \$235,000.

Labor and Benefits



Chemical Cost



The trend in chemical cost has been relatively flat prior to 2014. 2014 increased \$575,000 primarily due to D/DBP requirements. 2015 costs are expected to increase \$79,700 or 3.6% again primarily due to process changes associated with the D/DBP improvements. Total capital expenditures are expected to decrease \$185,400.

Proposed Financial Plan Highlights

- 19.06 Billion Gallons – Consumption (no change from 2014 Budget)
- \$55,880,794 Operating Revenues (.01% increase from 2014 Budget)
- \$49,996,970 Operating Expenses (1.43% increase from 2014 Budget)
- 293 Funded Positions (6 additional positions compared to 2014 Budget)
- No rate increase in 2015
- \$7,753,290 Debt-Service (5.87% decrease from 2014 Budget)
- \$19,861,000 Capital Expenditures (0.93% reduction from 2014 Budget)
- \$8,500,000 Capital Expenditures Funded From Rates (6.25% increase from 2014 Budget)
- \$2,291,000 Capital Expenditures Funded From Excess Working Capital (new in 2015 Budget)

Acknowledgement

The 2015 Financial Plan is the culmination of continuous review and communications between the Finance department, department directors, and departmental staff over the past three months. Departments again were asked to meet challenging targets and rose to the challenge. This process could not have been completed without their assistance.

Respectfully submitted,



Graham W. Rich, P.E., BCEE

Chief Executive Officer

GWR/jbm

Budget Process and Calendar

The planning process for the Utility involves a Water Utility Master Plan, updated approximately every five years; a Strategic Plan, updated every five years; a Rate Model, updated with a rate study every three years; a five-year Capital Plan, updated annually; and an Operating Budget, updated annually.

Water Utility Master Plan

The Water Utility Master Plan provides guidance for future growth, rehabilitation or replacement of existing facilities, and preparation of the Capital Improvement Plan.

Rate Model

The Rate Model provides a fair and equitable basis for setting rates by customer class.

Capital Improvement Plan

The Capital Improvement Plan provides the Board of Commissioners and the public with a comprehensive view of the asset investments required over the next five years to ensure adequate water resources, a high level of water quality, and to meet service needs of present and future customers. Although asset investments are approved through the budget process, final Board approvals are obtained as projects exceeding \$50,000 are initiated.

Operating Budget

The Operating Budget provides a comprehensive view of revenues and expenses. A balanced budget is adopted annually. For planning purposes, CAW has developed a five year projection of sources and uses of funds. This projection will serve as a guide for future operating needs.

Budget adjustments with no-net-change impact are allowed. A Budget Re-allocation Form must be completed and approved by the Chief Operating Officer (COO) and Chief Financial Officer (CFO) for any changes or reallocations during the plan year.

The 2015 budgetary process is outlined below:

<u>DATE</u>	<u>ACTIVITY</u>
July 17, 2014	Initial budget meeting with overview of process and release of budget instructions/targets
August 15, 2014	Preparation of budget requests by departments and submittal to Finance
August 28, 2014	Second budget meeting with initial discussions on revisions necessary to balance budget
September 2, 2014	Departmental Review Session #1– Distribution and Engineering
September 2, 2014	Departmental Review Session #2 – Customer Relations & Public Affairs and Information Services
September 3, 2014	Departmental Review Session #3– Water Quality & Operations and Finance
September 3, 2014	Departmental Review Session #4 – Administration
September 10, 2014	Third budget meeting with final discussions on revisions necessary to balance budget
September 29, 2014	Review of proposed 2015 Financial Plan by CEO
October 9, 2014	Presentation of proposed 2015 Financial Plan to Board of Commissioners
November 13, 2014	Adoption of 2015 Financial Plan by Board of Commissioners

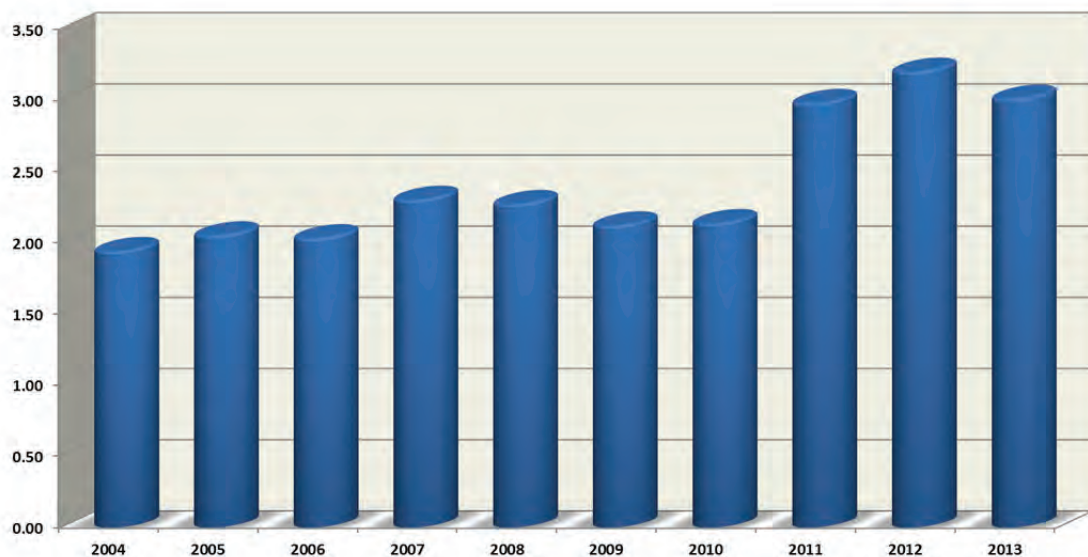
Financial Policies and Goals

Financial Management

The following guidelines are established to maintain a sound financial condition and to secure the most cost-effective credit rating on issues of indebtedness:

- Prudent budgeting and effective budget control
- Financial accounting and reporting in accordance with Generally Accepted Accounting Principles (GAAP) and making such reports available to bond rating agencies and the public
- Establishing and maintaining rates, fees, and charges that will provide sufficient revenues to offset projected expenditures
- Maintaining a five-year capital plan with annual updates (see page 89)
- Maintaining debt-service coverage, determined by dividing stabilized net revenue by annual debt-service for the fiscal year, at not less than 200% (see page 65)
- Ensuring that operating reserves are maintained at a minimum level of three months budgeted operating costs sufficient to meet all operating, capital, and debt-service obligations (see page 66)
- Maintaining debt utilization ratio below the 40% AWWA benchmark (see page 67)
- Maintaining the current ratio, determined by dividing current assets by current liabilities, above 1.50 (see below)

Current Ratio by Year



Basis of Accounting and Budgeting

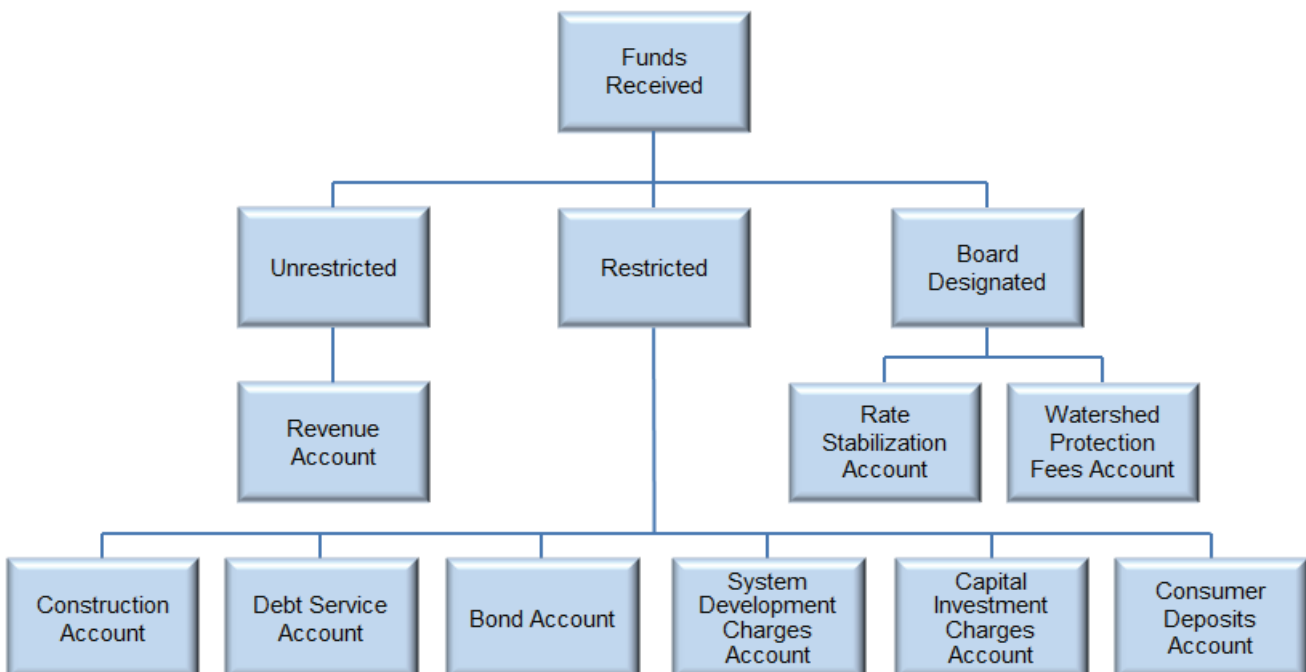
The Financial Plan for Central Arkansas Water, proposed by the CEO and adopted by the Board of Commissioners, is a reflection of the Utility's policies, goals, and priorities. It is a tool used to communicate to the public and staff regarding funds available and allocation decisions related to capital improvements, technology, staffing, equipment, and other aspects of operations.

The basis of budgeting corresponds with the basis of accounting used for financial reporting; both are accomplished using the full accrual basis. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Fund Structure

The Utility is accounted for as a stand-alone governmental enterprise fund, which is considered a proprietary fund type. Enterprise funds account for activities that are financed and operated in a manner similar to private business enterprises or for which periodic determination of revenues, expenses, and operating income is desirable. Such funds render services to the general public on a user-charge basis and report using the economic resources measurement focus. However, to comply with bond resolutions, the Utility has accounts that segregate monies received for specific purposes described in the bond documents.

The accounts used by the Utility are: Revenue Account, Construction Account, Bond Account, Debt-Service Reserve Account, Rate Stabilization Account, Watershed Protection Fees Account, System Development Charges Account, Capital Investment Charges Account, and Consumer Deposits Account.



Revenue Account: All revenues from user charges and fees are deposited into the revenue account. The disbursement priority order is: operation and maintenance costs, senior debt – bond account, senior debt – debt-service reserve account, subordinated debt – bond account, subordinated debt – debt-service reserve account, and rate stabilization account.

Construction Account: On construction related bond issues, a construction account is held by the trustee for each bond obligation throughout the construction period. Bond proceeds for the purpose of financing construction costs are deposited into a construction account. Upon completion of construction activities, CAW files a written request with the trustee. The trustee then pays construction invoices out of this account.

Bond Account: A bond account is held by the trustee for each bond obligation outstanding. The Utility's standard operating procedure is to transfer monthly (on or before the final business day of the month), to the trustee, 1/12th of funds needed for the upcoming April 1 and October 1 debt-service payments.

Debt-Service Reserve Account: A debt-service reserve account is held by the trustee for each bond obligation outstanding. The debt-service reserve requirement for the senior debt is 100% of maximum annual debt-service while the requirement for the subordinated debt is 50% of maximum annual debt-service. If on the final business day of any month, after the deposit required by the bond account, the amount in the bond account is less than the amount required, the trustee shall transfer amounts from the reserve account to the bond account to cure the deficiency. Whenever deposits in the reserve account exceed the requirement, excess funds shall be transferred by the trustee into the bond account. Whenever the amount in this account together with the amount in the bond account is sufficient to pay in full all outstanding bonds in accordance with the terms, the funds shall be transferred to the bond account and no deposits shall be required to be made into this account.

Rate Stabilization Account: Resolution 2010-03 established a rate stabilization account for the purpose of minimizing or leveling rate increases and providing additional cash for operations during revenue shortfall years.

System Development Charges Account: SDC's assessed as part of a new development are held in this account and used to fund or recover the cost of capital improvements or facility expansions necessitated by a new development.

Capital Investment Charges Account: CIC's assessed on new meter connections are held in this account. These funds are used to recover the cost of capital improvements for facility expansions of treated water transmission and distribution facilities, and pumping and storage facilities related to site-specific facilities.

Watershed Protection Fees Account: WPF's assessed on each monthly bill are deposited into this account. These funds finance the Watershed Management Program designed to protect CAW water supply lakes.

Consumer Deposit Accounts: This account holds customer deposits paid upon beginning water service with CAW. Funds are used to ensure payment of remaining balances on new customer accounts. Deposits are refunded out of this account upon establishment of satisfactory payment history.

Balanced Budget

Budgeted expenditures are balanced with current revenues, carryover balances, and rate stabilization account (RSA) transfers. Budgeted expenditures shall not exceed estimated financial resources in a given year. Funding is available for operating, capital, and debt-service in this budget.

Net Position (Fund Balance)

The Utility classifies and defines "net position (fund balance)" as:

- Net investment in capital assets – the net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of any bonds, mortgages, notes, or other borrowings attributable to the acquisition, construction, or improvement of these assets. This component also includes deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt.
- Restricted – the restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets contain constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws or regulations of other governments.
- Unrestricted – the unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of "net investment in capital assets" or "restricted."

Revenue Forecasting

The Board of Commissioners completes an independent review of rates every three years to ensure that sufficient funding is available to meet the Utility's operating, capital, and debt-service needs. Assumptions used to develop water sales are driven by consumption estimates

prepared by rate consultants. If necessary, adjustments are made annually to factor in circumstances that were unforeseen during the preparation of the rate model.

2015 metered water sales are budgeted based on 19.06 billion gallons consumption. The 2015 consumption estimate is based on a rate consultant recommendation, and represents the median over the history of the Utility.

Debt Administration

CAW has no legal debt limits; however, the Board of Commissioners adheres to strict guiding principles. Long-term debt is issued only to finance capital improvements. The Utility strives to attain the highest credit rating to ensure borrowing costs are minimized and access to future credit is available. Debt is scheduled to be paid back within a period that does not exceed the expected life of the asset financed by the debt. The Utility uses a competitive process in the sale of bonds unless it is specifically determined that a negotiated sale will produce more favorable results. The Utility adheres to full financial disclosure as it relates to its outstanding securities. The Utility has a bond rating from Moody's Investors Service of Aa2 on the 2007 Bond Issue and a rating of Aa3 on the subordinated Series 2010B, 2010C, 2011B, 2012A, and 2014 Bond Issues.

Investment Policy

Investments are reported at fair value based on quoted market prices. Purchases and sales of investments are recorded on a trade date basis. Interest income is accrued when earned. Investment income includes all interest earned on investments, as well as realized and unrealized gains and losses.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Utility manages its exposure to declines in fair values by limiting investments to securities with a maturity of not more than five years from the date of purchase.

Credit risk is the risk that the issuer or counterparty will not fulfill its obligations. To minimize exposure to credit risk, the investment policy specifies the types of securities in which the Utility may invest. In general, the following investments are considered permissible investments:

- Direct obligations of the United States government
- Open end, government obligation money market mutual funds
- Obligations that are fully guaranteed, secured, or insured by the United States government agencies, instrumentalities, and government-sponsored entities

- Repurchase agreements that are fully collateralized by direct obligations of the United States government and general obligations of any State of the United States or political subdivision thereof
- General obligations of the States of the United States and of the political subdivisions, municipalities, commonwealths, territories or insular possessions thereof
- Pre-funded municipal bonds, the principal and interest of which are fully secured by the principal and interest of a direct obligation of the United States government
- Revenue bond issues of any State of the United States or any municipality or any political subdivision thereof

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utility will not be able to recover the value of deposits, investments or collateral securities that are in the possession of an outside party. State of Arkansas statutes require the Utility to maintain cash balances on deposit with financial institutions located within the State. State law also requires that account balances in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC) be collateralized by the financial institution.

With the exception of securities that are direct obligations of the United States government, deposit accounts that are fully insured by the FDIC or fully collateralized, and money market funds with an underlying portfolio that is limited principally to United States government obligations, the investment policy states that no more than 20% of the total balance may be invested in any single investment or in securities of a single obligor.

The Utility's first priority is the security of funds, followed by providing sufficient liquidity to meet cash requirements and maximizing yields.

Capital Policy

Initial acquisition costs of an asset are capitalized if the asset has a service life of more than one year and a cost of \$5,000 or more. Costs not meeting these criteria are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective asset classes.

Rate Design and Water Service Pricing Policies

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

Strategic Plan

CAW's strategic plan is based around the EUM framework developed by the Environmental Protection Agency (EPA), and six national water and wastewater associations. This committee found water sector utilities across the country faced similar challenges. These challenges were identified as rising material costs, aging infrastructure, regulatory changes, adequacy of water supply, security/environmental hazards, federal funding cuts, rate structure stress, and workforce complexities. In response, the Ten Attributes of Effectively Managed Water Sector Utilities were designed to address these challenges. CAW has adopted this model frame work and is focused on the future needs of the Utility, the community, and utility employees. (Note: The order of presentation is not a ranking of priority. Rather, the following paragraphs define EUM attributes and company level impact. Some departments are better situated to address specific attributes than others. See departmental sections for detail at departmental level and the key metrics tracked.)



Ten Attributes of Effectively Managed Water Sector Utilities

First, Product Quality focuses on the production of high quality, potable water, treated effectively in full compliance with regulatory, customer, public health, and ecological needs. CAW is working to integrate water quality and service complaints into our Geographic Information System (GIS). Integration of data into the GIS system will allow the review of frequency, type of complaint, and area effected. This centralized data will help assess problematic system segments before customers are impacted.



Additionally, Water Quality is working to include/plot water sample data into our GIS system, shifting utility focus beyond compliance to proactively identifying system needs. The multi-year D/DBP compliance project was completed mid-year 2014. During 2015, effectiveness of these improvements will be closely monitored and a presentation of results to the Board of Commissioners is scheduled in May 2015. In 2013, an in situ chemical oxidation monitor was purchased to assist in total organic carbon (TOC) data collection efforts. CAW is using TOC data to better decide how and when to perform controlled burns so that long-term water quality is optimized. Controlled burning removes fallen wood debris that otherwise raise TOC levels.

Second, Customer Satisfaction focuses on providing reliable, responsive, and affordable service to our customer base. Our focus is to enable customers to better understand their water bill. CAW customers receive one bill for as many as three services (water, sewer, and refuse) as applicable to the customer. Previous surveys have shown customers often mistake charges for other services as receiving a large water bill. In reality, water service is the highest value on the bill, comprising only 21% of the average customer's billing. The Utility has created a modified presentation of the billing statement in order to more clearly convey critical billing information while also modernizing the look and feel of the statement. These enhancements will be implemented late 2014/early 2015. Recently, customer service has struggled through a period of high turnover from internal promotion (a positive for the Utility). CAW is currently working to increase customer service staffing levels which should reduce call hold time for customers. Recent upgrades to the Utility's billing system have allowed the addition of e-billing and a customer portal with self-management features. CAW anticipates increased customer satisfaction from the addition of these features, and establishment of a preferred contact method (land line, cell, text, or tweet) for each customer's individual preference. Lastly, a customer satisfaction survey is planned for 2015.

Third, through Employee and Leadership Development CAW strives to employ the best, brightest, most motivated, and safest-working individuals. CAW is working toward a detailed leadership development / succession plan which supports internal employee advancement in coordination with Utility-wide needs. Diversity is promoted and maintained through the establishment of an environment that recognizes, encourages, and effectively utilizes each individual's talents. When internal talent does not meet a staffing need, Utility hiring practices focus on recruiting the best employees in and around the Utility's service area, resulting in a more knowledgeable work force. Historically, the Utility has benefited from very low turnover. However, low turnover can leave a utility with a high volume of retirements at a later date and an associated talent loss. To address this, management has renewed focus on cross-training and procedural documentation. Further, CAW provides employer assistance for college tuition, creating opportunity for motivated employees to obtain the educational requirements necessary for personal advancement. CAW is working to establish formalized career counseling for all employees, an internal certificate program, and to provide on the job training while anticipating key future staffing needs at the departmental level. An employee satisfaction and engagement survey is being conducted in 2014 to gather employee feedback regarding CAW's performance in the areas of leadership engagement and overall job satisfaction.

Fourth, Operational Optimization examines day-to-day operation to provide timely, cost-effective, reliable, and sustainable performance in all facets of operations. Near term, CAW will develop standard job costs for tasks associated with ancillary fees. This will ensure that the fees assessed are sufficient to cover the Utility's cost to perform these activities. Another key initiative will implement a paperless customer service work order process. This project will develop a seamless integrated process to replace the current process of reviewing new work orders, printing the next day's work orders, passing out work orders to be completed, and receiving back and keying completed work orders. Transitioning from a paper process to a hand held tablet process will reduce waste while improving operational efficiency.

Fifth, Financial Viability must be maintained for the essential service CAW provides. Financial viability encompasses the full life-cycle cost of the Utility, maintains controlled operation and maintenance expense growth, establishes predictable rates to the customer at levels adequate to recover costs, provides for reserves, maintains support from bond rating agencies, and retains capital necessary for future needs. A rate study will be performed in 2015 to ensure appropriate rates are established to support operational needs through the end of the decade. Next, CAW will conduct a review of ancillary fees verifying charges for additional services have kept pace with the cost of providing these services (Turn on/off service, penalties on unpaid balances, remove lock from meter, credit/collections, non-sufficient funds, etc.). CAW's investment policy prudently requires all investments to be within FDIC insured accounts, governmental securities, or other investments backed by governmental agencies. Due to

current macroeconomic conditions, planned investment return on reserves is budgeted significantly lower than previous years.

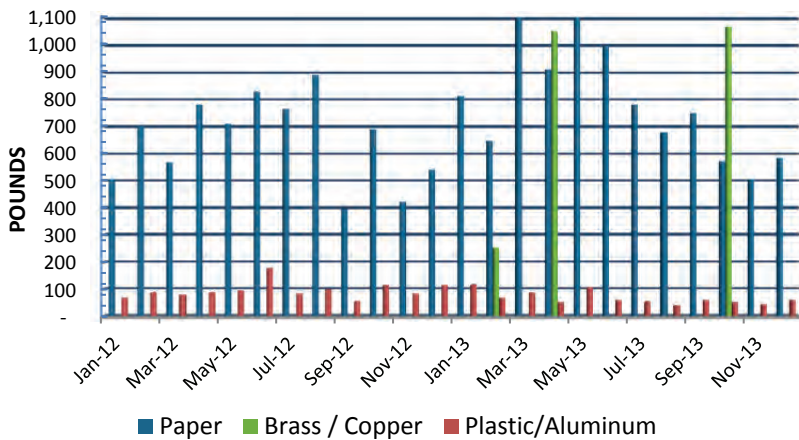


Sixth, as part of CAW's focus on Infrastructure Stability, CAW works to maintain and enhance the condition of all assets long-term at the lowest life-cycle cost while maintaining superior service levels. Balancing life-cycle costs requires tradeoffs when deciding on asset repairs, rehabilitations, or replacements. A cross departmental team has created a horizontal asset management plan designed to formalize asset evaluation. CAW will continue assessing the number of system breaks per 100 miles of pipe,

as well as other factors, to ensure the asset management plan is effectively identifying and prioritizing the assets most in need of repair, rehabilitation, or replacement. During 2014, a valve inspection program was implemented to include a hydraulic valve exerciser, a portable vacuum system, hydraulic unit, and truck in support of a Hydrant & Valve Operation and Maintenance Program. This program is designed to maintain and identify inoperable hydrants and valves within the water system. The program is on schedule to meet the Utility goal of assessing all 12,000 fire hydrants annually and all 32,000 valves within a three year period. The Distribution department is currently conducting a pilot project for the replacement of 2"-diameter (DIAM) galvanized water mains. This will provide a cost benchmark for future 2"-DIAM main replacements when making insourcing vs. outsourcing decisions.

Seventh, Operational Resiliency focuses on Utility efforts where leadership and staff work together to proactively identify, assess, establish tolerance levels for, and effectively manage a full range of business risks to include: legal, regulatory, financial, environmental, safety, security, and natural disaster-related events. 2014 saw the completion of a surge tank within the raw-water transmission mains from Lake Maumelle to the Wilson Plant. A new cost benefit analysis will be conducted to see if projects of this scale can be justified on other parts of the system. Engineering has identified the Montgomery Pump Station as a key improvement area in support of operational resiliency. The Montgomery Pump Station is currently served by a single 20"-DIAM suction main constructed in 1965. This main has a history of failure due to its age and corrosion, and approaches flow limitation during summer months. Construction of a second pipeline will increase flow and provide backup supply in the event a failure occurs on the current supply pipeline. To better respond to emergency events, CAW is planning field

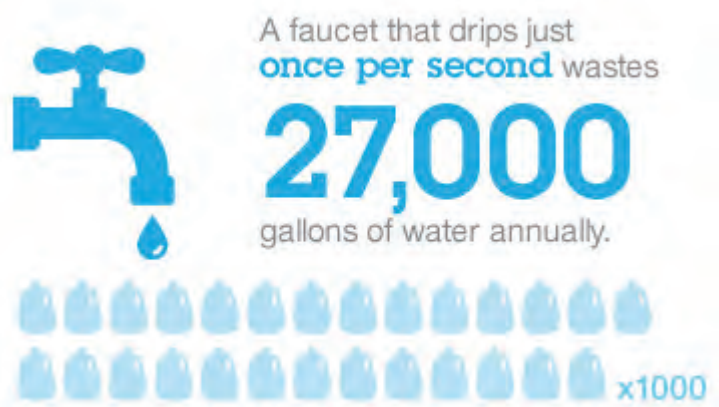
exercises for a Jackson Reservoir Dam failure and a raw water transmission main repair. Field exercises provide a valuable refresher to all essential employees. Finally, CAW continues to work toward funding and implementation of risk reduction and mitigation measures identified in the 2014 Vulnerability Assessment. Among other risks, the assessment identified opportunities to reduce risk associated with the Exxon Mobile Pegasus pipeline that crosses through the Lake Maumelle watershed.



Eighth, CAW is committed to Community Sustainability. CAW strives to enhance the natural environment by investing in protection, restoration, preservation, and enhancement of natural resources. During 2013 CAW began testing e-billing and an on-line customer portal. In late 2014, the Utility plans a larger roll out and promotion of this initiative. Anticipated results are

conservation of paper, reduced community landfilled paper, and reduced Utility mailing costs. Beyond conservation, CAW strives to recycle all materials when economically feasible. The James T. Harvey Administration Building (JTH) and Clearwater buildings have well established recycling programs and near-term recycling efforts will be improved at the Wilson plant. The CAW sustainability team will work to increase our stewardship and recycling efforts, while remaining current on EPA and business recycling education, improvements, and initiatives.

Ninth, Water Resource Adequacy ensures water availability for current and future customer needs. Long term supply hinges on demand analysis, conservation, and public education. CAW is committed to responsible management of our surface water supplies of Lake Maumelle and Lake Winona and has acquired rights to 100 million gallons of water per day as a future water supply in DeGray Lake. The Utility's long-term capital plan



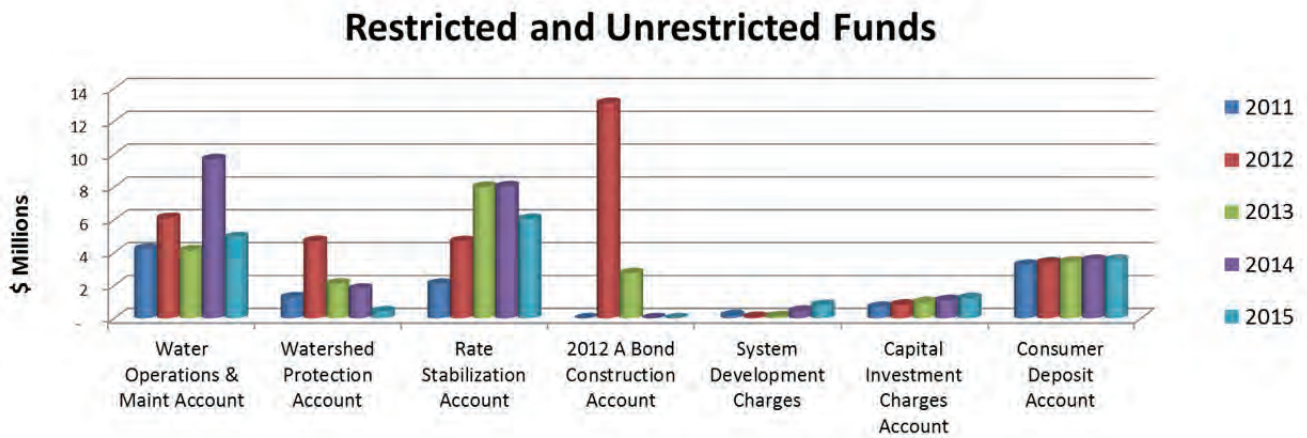
includes a significant allocation of funds to continue the purchase of land and conservation easements to provide greater protections to our water sources. "Sprinkler Smart" is a program

developed in coordination with the University of Arkansas Division of Agriculture. This program focuses on educating the public on wise outdoor water use. Conservation has proven to be a difficult topic as “wet” years (high rainfall) diminish water conservation interest and many hold an incorrect perception that conservation is unnecessary or harms their landscape. A major long-term strategic objective is securing a future water source. Negotiations are continuing and expect to be finalized in 2015 for the purchase of 100 MGD in water rights from DeGray Lake. This effort will secure a water source for the Utility’s service area through the end of the century.

Tenth, Stakeholder Understanding & Support creates an environment of understanding and support from oversight bodies, city mayors, community, watershed, and regulatory interests. Support from stakeholders helps CAW accomplish Utility goals. By identifying key stakeholder groups and establishing staff liaisons, CAW can better work with such organizations as cities, counties, engineering firms, professional organizations, and education and advocacy organizations. Additionally, CAW has established a presence on both Facebook and Twitter in order to better engage customers and community on Utility efforts and other information. Today it seems as though all businesses have a social media presence. For CAW, 2014 saw the introduction of “Water Buddy”, a short video series developed to teach about wise water use and prevention of frozen pipes. We hope education will lead to better understanding and commitment for watershed protection.

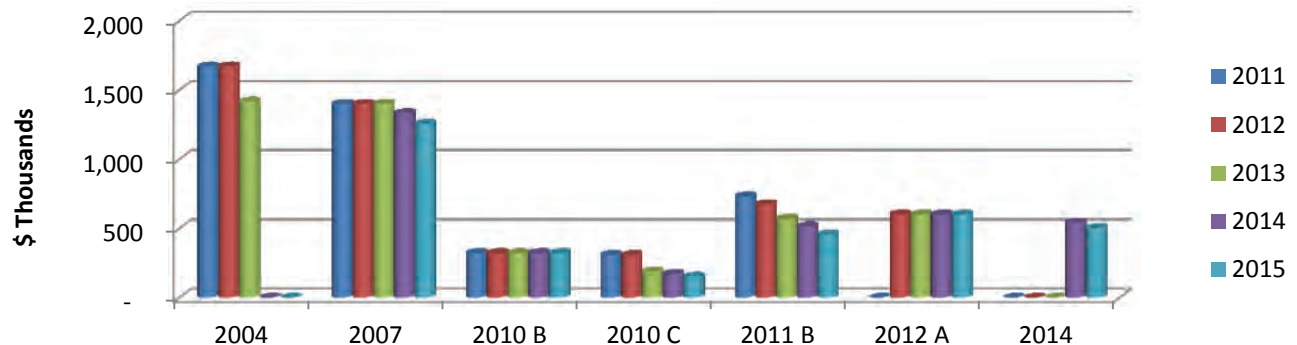
SOURCES AND USES OF FUNDS – OVERVIEW

We anticipate a total of \$39,863,169 in both restricted and unrestricted funds to carry forward at December 31, 2014. Unrestricted water operations and maintenance funds amount to \$11,686,699 in addition to \$1,802,880 watershed protection funds, and \$6,035,028 rate stabilization funds. The restricted 2012A Bond Issue construction account has been fully utilized during 2014. The restricted system development charges account amounts to \$456,352; the capital investment charges account amounts to \$1,109,479; and the restricted consumer deposits account amounts to \$3,554,347.



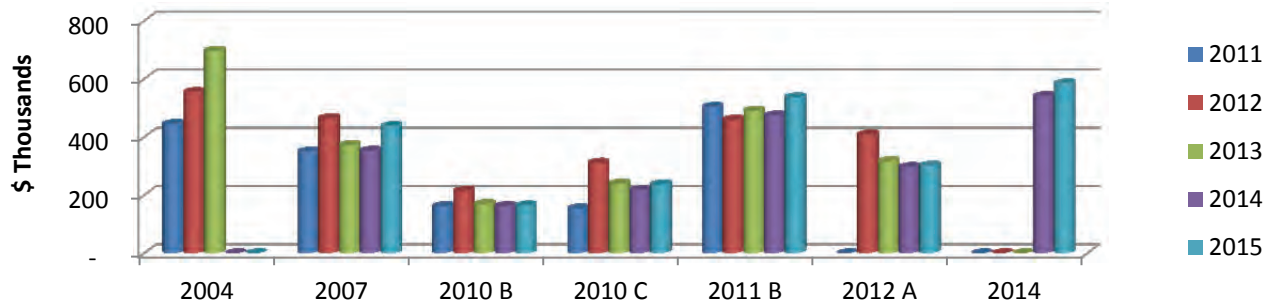
The bond trust indentures require CAW to maintain certain reserves during the life of the bond issues. Debt-service reserve accounts cover the principal and interest for the final year of each bond issue. The 2004 Bond Issue has been called and replaced with a 2014 Bond Issue. The accounts amount to \$0 for the 2004 Bond Issue; \$1,333,000 for the 2007 Bond Issue; \$322,581 for the 2010B Bond Issue; \$170,500 for the 2010C Bond Issue; \$515,500 for the 2011B Bond Issue; \$602,159 for the 2012A Bond Issue; and \$542,500 for the 2014 Bond Issue.

Debt-Service Reserve Accounts



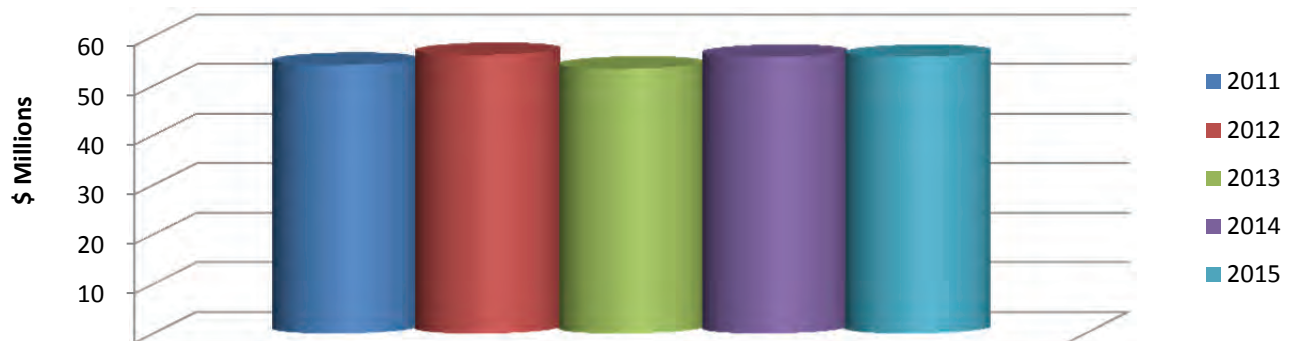
A bond account for each bond issue accumulates sufficient funds annually to pay the principal and interest on each bond issue. The accounts amount to \$352,823 for the 2007 Bond Issue; \$162,410 for the 2010B Bond Issue; \$216,595 for the 2010C Bond Issue; \$474,349 for the 2011B Bond Issue; \$297,204 for the 2012A Bond Issue; and \$540,982 for the 2014 Bond Issue. The working capital reserve represents three months' worth of operating expenses, and for 2014, that amount is \$9,687,781.

Bond Accounts

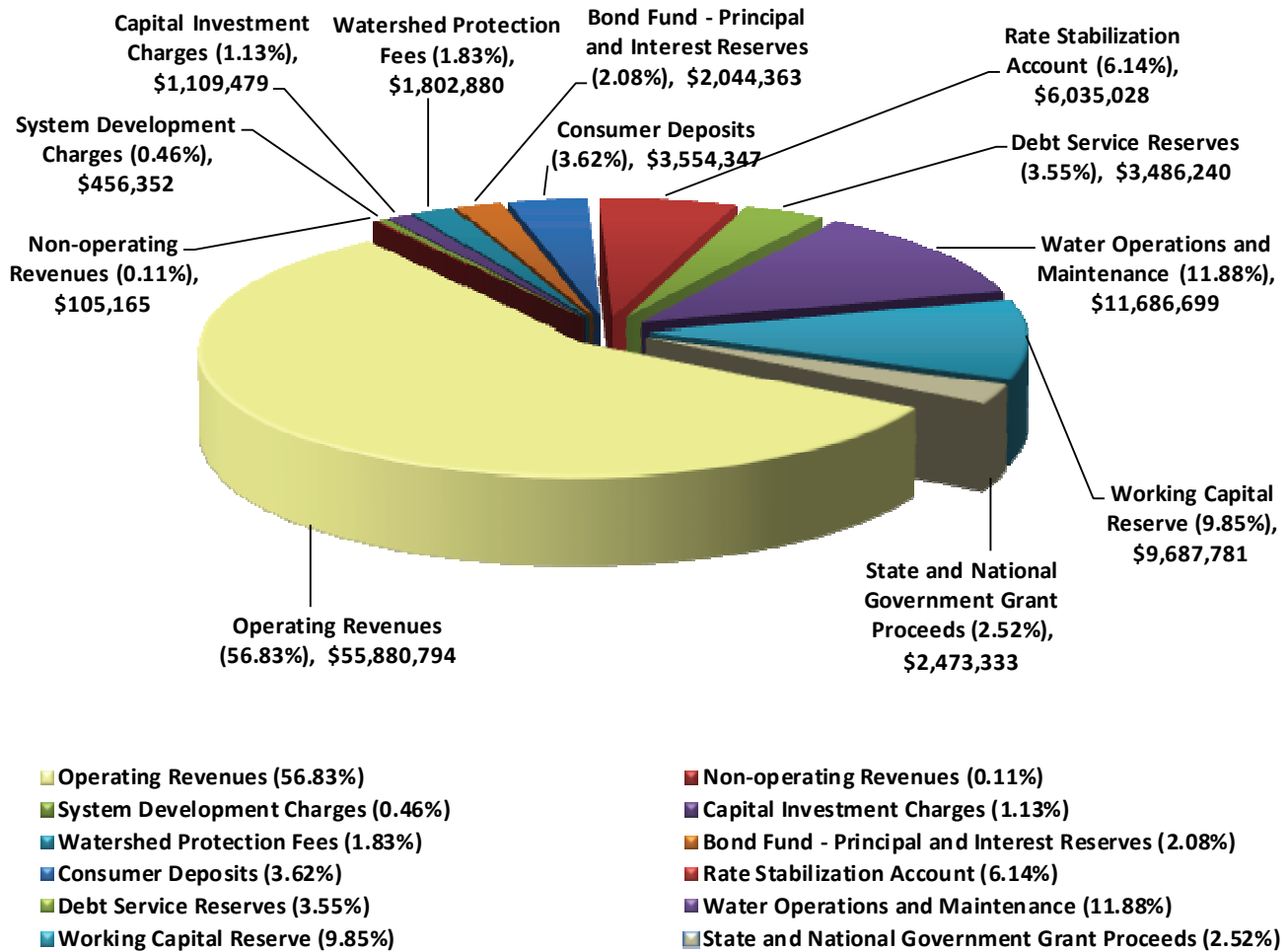


The carry-forward balances, along with anticipated operating revenues of \$55,880,794, non-operating revenues of \$105,165, and state and national government grant proceeds of \$2,473,333 will fund normal operations and the Capital Improvement Plan.

Operating Revenues

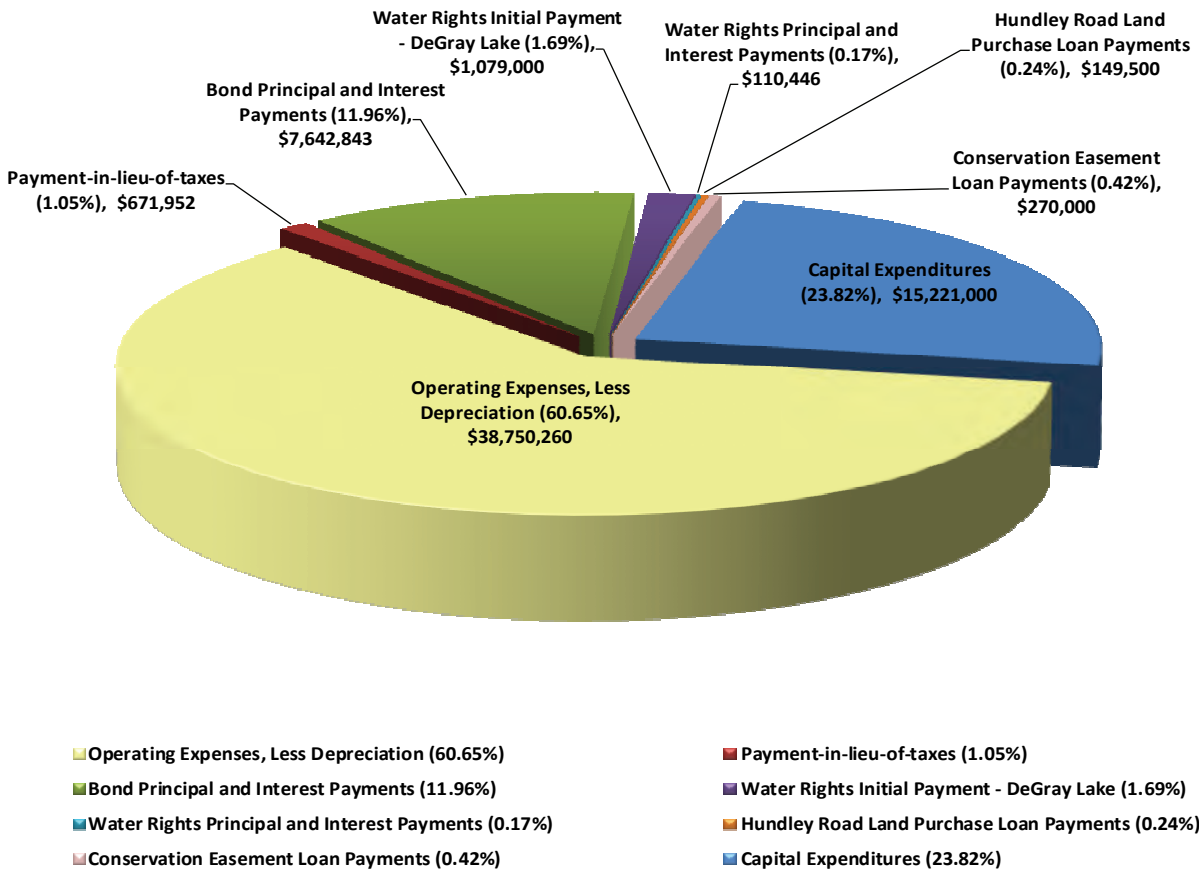


SOURCES OF FUNDS



We anticipate 56.83% of total Sources of Funds from operating revenues. The remaining Sources of Funds are made up of various sources. The Sources of Funds are depicted above.

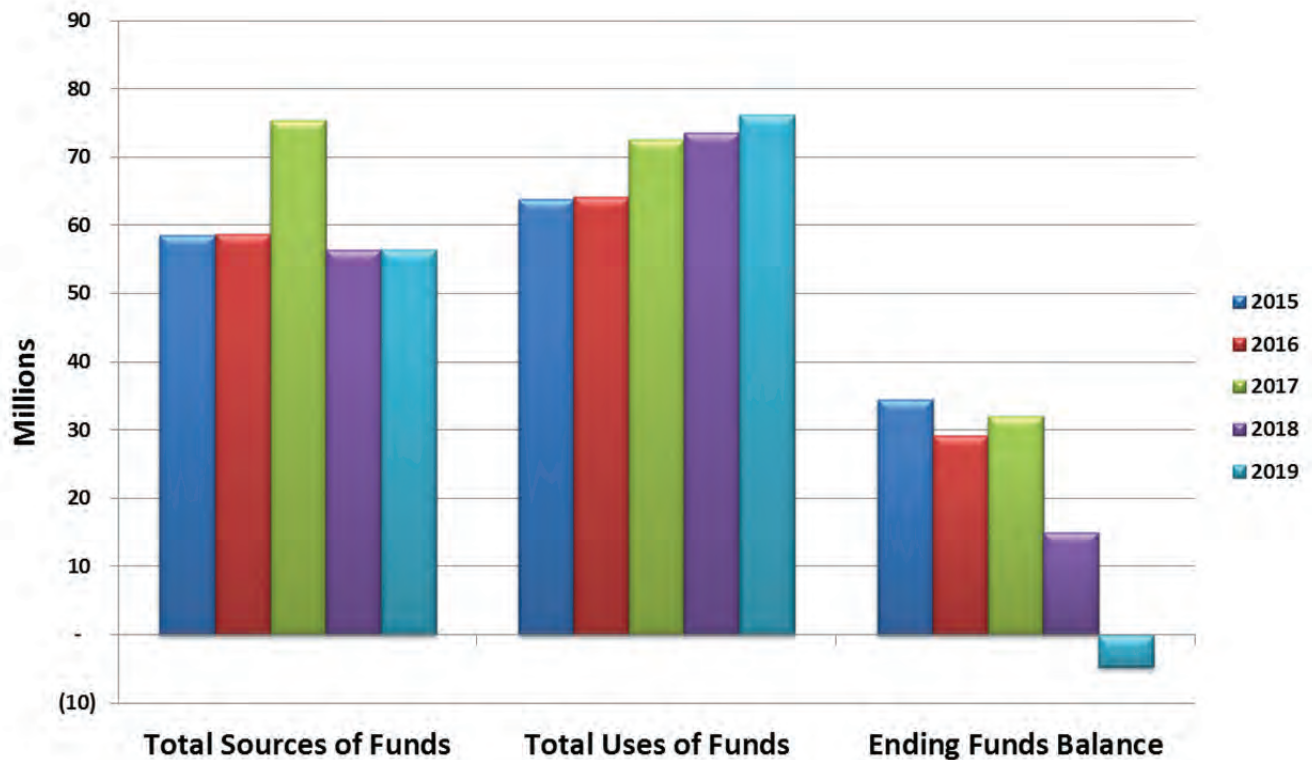
USES OF FUNDS



Operating expenses account for 60.65% of total Uses of Funds while capital expenditures account for 23.82% and bond principal and interest payments add up to 11.96%. The Uses of Funds are depicted above.

Assuming all normal operations occur as we anticipate and we complete all projects in the Capital Improvement Plan according to schedule, we anticipate that \$34,427,460 will remain in both restricted and unrestricted funds at December 31, 2015.

SOURCES AND USES (FIVE-YEAR FORECAST)



CAW forecasts sources and uses of funds for five years as a tool to aid in developing a plan for the operational and capital resources of the Utility. Accurate forecasts of revenues, expenses, debt service, and capital outlay are needed in order to set future rates. Proper planning and prioritization of spending are necessary to efficiently and effectively allocate limited financial resources. There are currently no approved rate increases over the next five years while operating expenses are forecasted to increase 3% annually. The current rate resolution addresses 2013-2015; no action has been taken for 2016 and beyond. However, additional debt service (details at Debt-Service tab) and additional operations and maintenance costs associated with capital improvements (details at Capital Improvement Plan tab) may necessitate a rate increase in 2017. A rate study is planned beginning early spring 2015 to determine rates for 2016 – 2018.

STATEMENT OF SOURCES AND USES OF FUNDS

Sources of Funds:

Carry Forward, as of December 31, 2014

Unrestricted Accounts		
Water Operations and Maintenance Accounts	\$	11,686,699
Board Designated Accounts		
Watershed Protection Fees Account		1,802,880
Rate Stabilization Account		6,035,028
Restricted Accounts		
System Development Charges Account		456,352
Capital Investment Charges Account		1,109,479
Consumer Deposits Account		3,554,347
Bond Indenture Accounts		
Debt Service Reserve Account – 2007		1,333,000
Debt Service Reserve Account – 2010B		322,581
Debt Service Reserve Account – 2010C		170,500
Debt Service Reserve Account – 2011B		515,500
Debt Service Reserve Account – 2012A		602,159
Debt Service Reserve Account – 2014		542,500
Bond Account – Principal and Interest Reserve – 2007		352,823
Bond Account – Principal and Interest Reserve – 2010B		162,410
Bond Account – Principal and Interest Reserve – 2010C		216,595
Bond Account – Principal and Interest Reserve – 2011B		474,349
Bond Account – Principal and Interest Reserve – 2012A		297,204
Bond Account – Principal and Interest Reserve – 2014		540,982
Working Capital Reserve		9,687,781
Total Carry Forward, as of December 31, 2014		39,863,169
2015 Activity		
Operating Revenues		55,880,794
Non-operating Revenues		105,165
State and National Government Grant Proceeds		2,473,333
		58,459,292
Total 2014 Activity		58,459,292
Total Sources of Funds		98,322,461

Uses of Funds:

Water Operations and Maintenance Expenditures	
Operating Expenses, Less Depreciation	38,750,260
Payment-in-lieu-of-taxes	671,952
Bond Principal and Interest Payments	7,642,843
Water Rights Initial Payment - DeGray Lake	1,079,000
Water Rights Principal and Interest Payments	110,446
Hundley Road Land Purchase Loan Payment	149,500
Conservation Easement Loan Payment	270,000
Capital Expenditures	15,221,000

Total Uses of Funds

\$ 63,895,001

Funds Available at December 31, 2015

Unrestricted Accounts	
Water Operations and Maintenance Accounts	\$ 6,935,520
Board Designated Accounts	
Watershed Protection Fees Account	419,713
Rate Stabilization Account	6,055,028
Restricted Accounts	
System Development Charges Account	807,852
Capital Investment Charges Account	1,233,179
Consumer Deposits Account	3,562,347
Bond Indenture Accounts	
Debt Service Reserve Account – 2007	1,256,500
Debt Service Reserve Account – 2010B	322,581
Debt Service Reserve Account – 2010C	152,000
Debt Service Reserve Account – 2011B	458,000
Debt Service Reserve Account – 2012A	602,160
Debt Service Reserve Account – 2014	504,250
Bond Account – Principal and Interest Reserve – 2007	437,753
Bond Account – Principal and Interest Reserve – 2010B	164,835
Bond Account – Principal and Interest Reserve – 2010C	237,031
Bond Account – Principal and Interest Reserve – 2011B	536,799
Bond Account – Principal and Interest Reserve – 2012A	301,703
Bond Account – Principal and Interest Reserve – 2014	584,657
Working Capital Reserve	9,855,552

Carry Forward, as of December 31, 2015

\$ 34,427,460

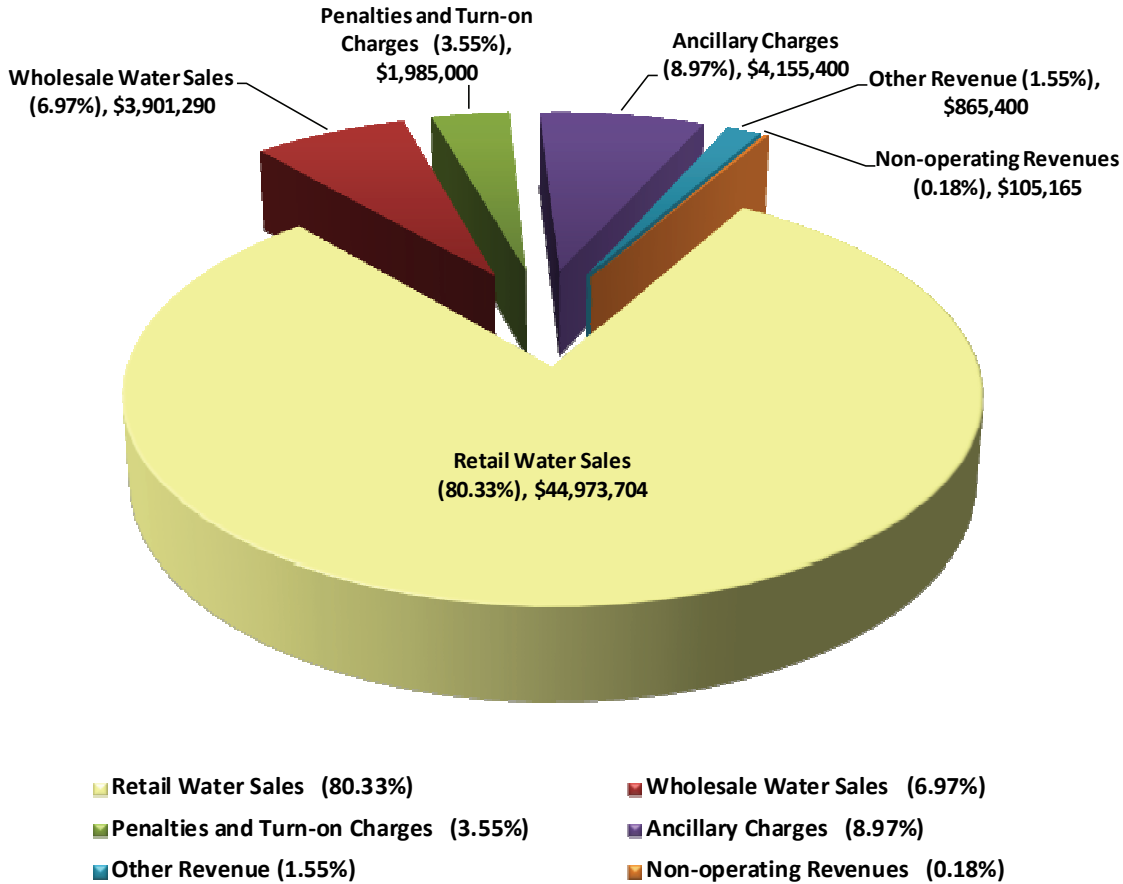
STATEMENT OF SOURCES AND USES OF FUNDS (FIVE-YEAR FORECAST)

	2015 Budget	2016 Budget	2017 Budget	2018 Budget	2019 Budget
Beginning Funds Balance	39,863,170	34,427,461	29,124,152	32,023,536	14,984,105
Operating Revenues	55,880,794	56,265,710	56,265,710	56,265,710	56,265,710
Non-operating Revenues	105,165	117,952	153,165	154,535	139,144
Bond Proceeds	-	-	16,500,000	-	-
Grant Proceeds	2,473,333	2,400,000	2,480,000	25,000	25,000
Total Sources of Funds	58,459,292	58,783,662	75,398,875	56,445,245	56,429,854
Operating Expenses	38,750,260	39,912,768	41,110,151	42,343,455	43,613,759
Payment-in-lieu-of-taxes	671,952	692,111	712,874	734,260	756,288
Bond Principal and Interest	7,642,843	7,655,193	9,078,568	9,052,062	9,027,343
Bond Issue Expense	-	-	200,000	-	-
Water Rights - Degray Lake Initial Payment	1,079,000	-	-	-	-
Water Rights Principal and Interest	110,446	576,899	576,898	576,899	576,898
Hundley Road Land Purchase Loan Payment	149,500	-	-	-	-
Conservation Easement Loan Payment	270,000	260,000	-	-	-
Capital Expenditures	15,221,000	14,990,000	20,821,000	20,778,000	22,230,500
Total Uses of Funds	63,895,001	64,086,971	72,499,491	73,484,676	76,204,788
Increase (Decrease) in Funds Balance	(5,435,709)	(5,303,309)	2,899,384	(17,039,431)	(19,774,934)
Ending Funds Balance	34,427,461	29,124,152	32,023,536	14,984,105	(4,790,829)
Breakdown of Funds Balance					
Unrestricted	6,935,520	2,089,407	5,448,216	(1,323,354)	(20,094,915)
Board Designated					
Watershed Protection	419,713	(882,287)	(2,804,287)	(3,891,287)	(4,378,287)
Rate Stabilization	6,055,028	6,087,298	2,368,461	-	-
Restricted					
System Development Charges	807,852	1,161,786	1,518,462	1,878,582	2,242,849
Capital Investment Charges	1,233,179	1,359,560	1,487,852	1,618,306	1,751,169
Customer Deposits	3,562,347	3,576,612	3,594,484	3,615,978	3,641,110
Bond Reserves	5,558,269	5,580,556	15,182,470	7,701,166	6,500,989
Working Capital	9,855,553	10,151,220	5,227,878	5,384,714	5,546,256
Ending Funds Balance	34,427,461	29,124,152	32,023,536	14,984,105	(4,790,829)
Rate Stabilization Transfers	-	-	3,750,000	2,381,594	-

REVENUES, EXPENSES, AND NET POSITION – OVERVIEW

REVENUES – OVERVIEW

CAW is planning to receive 87.30% of its fiscal year revenue from metered sales (retail and wholesale water sales). The remaining revenues of 12.70% are penalties and turn-on charges, ancillary charges, other revenue, and non-operating revenues as depicted below:



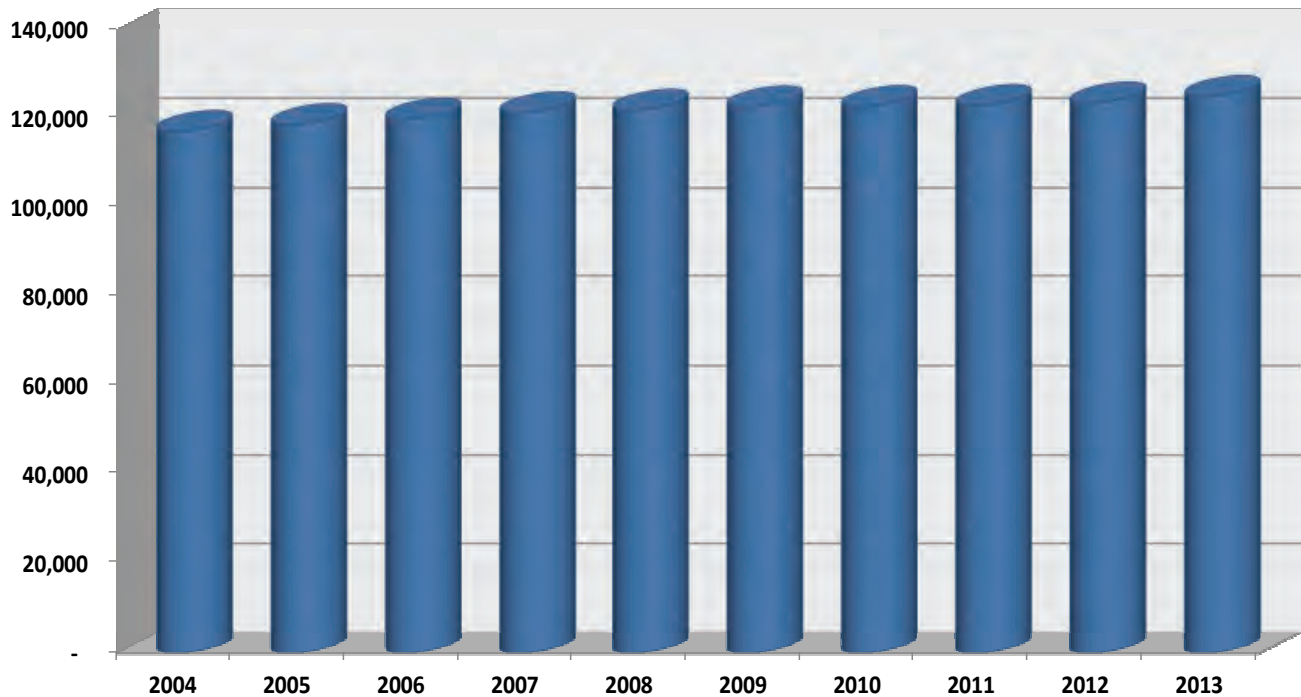
Retail Water Sales

Retail water sales include five types of metered service: residential, commercial, large volume, sprinkler, and raw water. Residential includes all customers receiving water service at a single building or building unit that is owned, leased, or rented by one party, separately metered, and occupied as a residence. Commercial includes all customers receiving water service at (i) a building containing two or more apartments or family units that are rented or leased to tenants as residences and are not separately metered; (ii) a building occupied by a retail or service business; (iii) a building owned or occupied by a public utility, a department of a municipality,

or a state or federal governmental agency; or (iv) a non-residential customer that does not fit the definition of a large volume customer. Large volume includes any non-residential and non-sprinkler customer (i) who uses at least 1,500,000 cubic feet (cf) of water per meter during the 12-month period from September 1st to August 31st; or (ii) who agrees to take or pay for a minimum of 125,000 cf of water per meter per month on an annual basis. Customers who qualify for large volume water service described in (i) above shall be assigned to the large volume class for the calendar year beginning the following January. Sprinkler includes all customers receiving separately-metered water service used exclusively for irrigation sprinkler systems or other outdoor purposes. Raw water includes customers receiving untreated water. Untreated water is used for irrigation.

Projected retail water sales are based in part on customer growth or lack of growth. The following graph presents the total actual number of customers at the end of 2004 through 2013. Historically customer growth has averaged approximately 0.50% annually.

Customer Accounts by Year



Retail water sales also include private fire services made up of private fire hydrants, indoor sprinkler systems, and standpipes.

Due to differing rates, retail water sales are also separated into inside-city and outside-city. Inside-city includes all customers that reside within the city limits of Little Rock or North Little Rock. Outside-city includes all customers that reside outside the city limits of Little Rock or North Little Rock.

Penalties and Turn-on Charges

Water bills, with the exception of private fire services, are due and payable on or before the 20th day following the billing date stated on the water bill. Payments for private fire services are due in semi-annual installments in advance on the 1st day of January and July each year. Water bills not paid on or before the due date are considered delinquent and a penalty of 10% of the total current bill is assessed against the account. A turn-on charge of \$15 is assessed on the first monthly bill to obtain service where facilities are already in place. A turn-on charge of \$25 is assessed to any account that is turned off for non-payment then reconnected.

Wholesale Water Sales

CAW provides wholesale water service to water districts outside the city limits of Little Rock and North Little Rock. The districts own and operate their own water systems, perform their own meter reading and customer billing, and purchase water on a wholesale basis for distribution to their respective retail customers. CAW bills each water district based on metered consumption at a rate that reflects the cost of providing the service. Wholesale customers account for approximately 13% of total metered consumption and 7% of total operating revenues in the 2015 budget.

Ancillary Charges

Ancillary charges include system development charges (SDC), capital investment charges (CIC), connection fees, watershed protection fees (WPF), billing fees, and other miscellaneous charges (insufficient fund checks, illegal connections, stolen meters, etc.).

SDC's are based upon meter size and apply to all new meter connections, with the exception of residential sprinkler meters. The charges are to fund or recover the cost of capital improvements or facility expansions necessitated by and attributable to new development. The charge begins at \$150 for a 5/8"-DIAM meter.

CIC's may be geographical area-based and/or water main-based and are applicable to site-specific new meter connections. The charges are to fund or recover the cost of capital

improvements or facility expansions for treated water transmission and distribution facilities, pumping, and storage facilities related to site-specific facilities.

Connection fees for a meter installation are based upon the width of the street or state highway, location of the meter installation on the site, permitting costs, and materials.

WPF's are based upon meter size and apply to all meters. The fee is restricted to finance the Watershed Management Program, which includes land purchases, water quality monitoring, and other measures to protect CAW drinking water supply lakes from potential sources of pollution. The monthly fee is 45 cents for households with a 5/8"-DIAM meter.

Billing fees are assessed to CAW's 13 billing partners for all billing and customer service functions provided. Billing partners include water, waste water, and refuse districts in Central Arkansas.

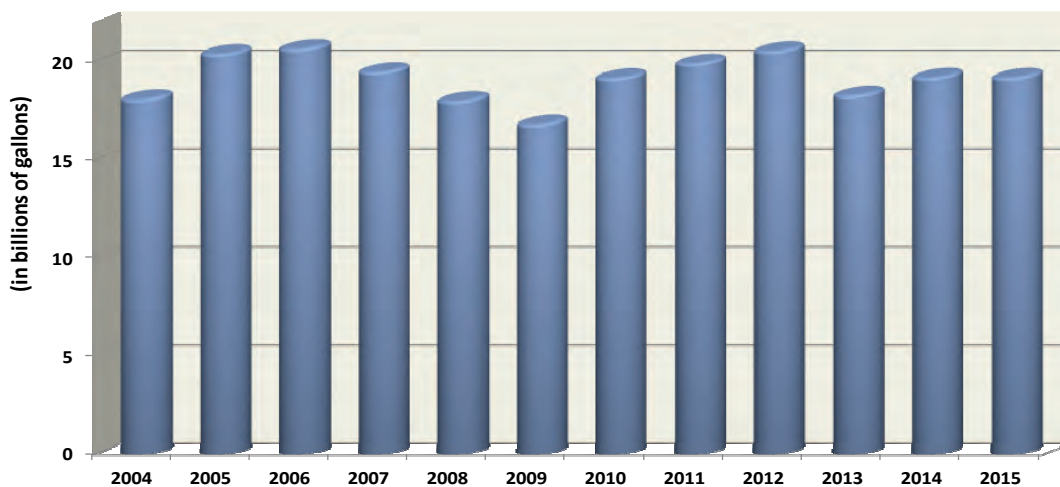
Other Revenue

Other Revenue consists of income generated from recycling, engineering fees, Grande Maumelle Sailing Club rent, Jolly Roger's Marina rent, telecommunication tower space rent, and other miscellaneous items.

Water Demand

The following graph presents total actual metered consumption for the years 2004 through 2013. 2014 and 2015 are budgeted numbers.

Metered Consumption by Year



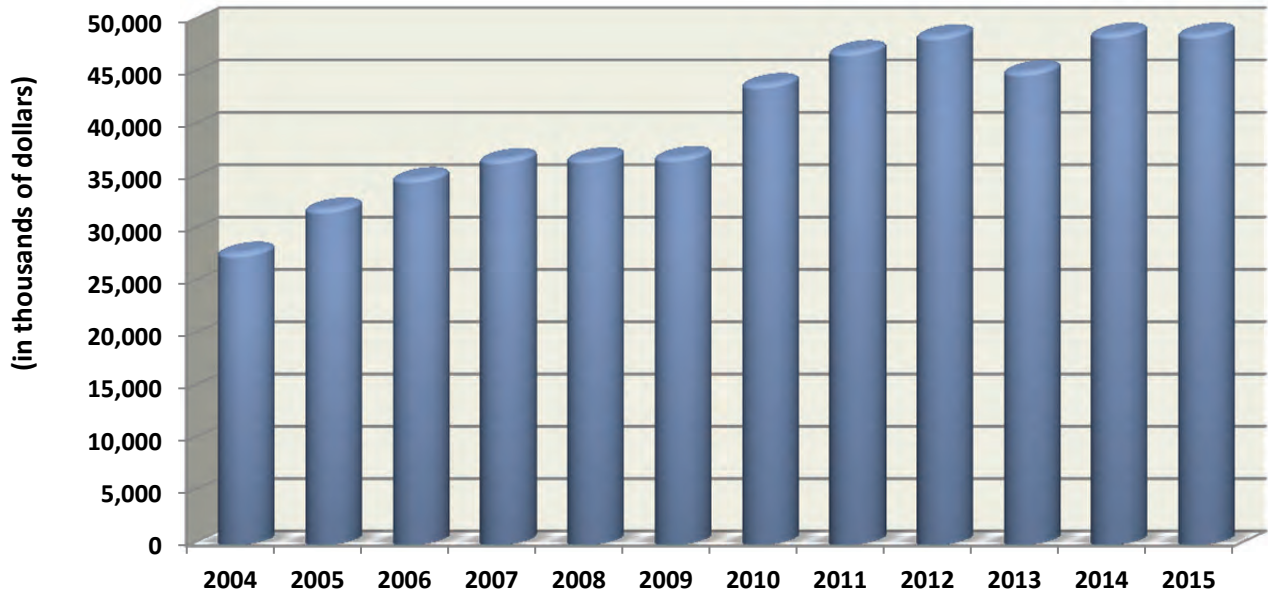
Weather is the most significant factor impacting customer demand for water. Wet or dry extremes in weather can have a significant impact on sprinkler consumption and operating revenues. Even with annual growth in the customer base, a wet summer can lead to revenue shortfalls. In an effort to determine and budget a normal year's consumption, the Utility, based on rate consultant recommendation, used a 19.06 billion gallon consumption estimate as the basis for calculating water sales for 2015. The consumption estimate represents the median over the history of the Utility and represents no change from the 2014 budget.

Another factor that impacts customer demand is water conservation efforts. Conservation is extremely important when considering peak water usage and timing of future water treatment capital expenditures for increased capacity. A majority of the Utility's operating costs are fixed, and as a result, when water consumption is reduced, revenues fall and rates must be adjusted to cover the costs. Although water conservation will result in reduced costs for capacity additions in the future, many customers focus on short-term impacts. We have identified the need to educate our customers on the importance of water conservation and the future costs that can be avoided with wise water use. As a result, our rates feature two conservation incentive components.

The first component is a conservation rate discount that amounts to a 15% discount each month for households inside the cities of Little Rock and North Little Rock, that have a single residential meter (not applicable to households with a sprinkler meter), and that use 300 cf of water (approximately 2,300 gallons) or less per month. Studies have shown that elderly and low-income Residential customers use less water, thereby falling within the discount amounts. Consequently, the discount serves as an incentive for wise water use by all customers, with the added benefit of making water more affordable for elderly and low-income customers. The second component is an inclining block rate that increases by 30% on second block usage in excess of 3,300 cf (approximately 25,000 gallons) on monthly Residential and Sprinkler usage. While meant to encourage wise water use, the charge also generates additional revenue from those customers causing increases in peak-day demand. Increased revenue generated from the second inclining block is used to offset and hold down water increases in the first block.



Metered Water Sales by Year



The above graph presents total actual Metered Water Sales for the years 2004 through 2013. Budgeted numbers are shown for the years 2014 and 2015.

The current rate model has rates set through 2015. There is no rate increase planned in 2015.

Water Rates and Fees

A goal of the merger of the former Little Rock Municipal Water Works and the former North Little Rock Water Department into CAW was to equalize water rates within respective inside-city customer classes in both Little Rock and North Little Rock. Rates were equalized January 1, 2010.

Current and proposed water rates and current fees are as follows:

Minimum Monthly Charge (includes the first 200 cf of water usage)

METER SIZE (diameter)	RATES	
	EFFECTIVE JANUARY 1, 2014	
	INSIDE	OUTSIDE
5/8"	\$ 5.85	\$ 7.66
3/4"	7.56	9.89
1"	10.74	14.06
1 1/2"	18.16	23.75
2"	29.45	38.54
3"	54.45	71.27
4"	88.57	115.93
6"	175.19	229.29
8"	296.33	387.82
10"	426.63	558.37
12"	777.01	1,016.94

Additional Monthly Volumetric Charge (\$ per 100 cf 3 - 33)

CUSTOMER CLASS	RATES	
	EFFECTIVE JANUARY 1, 2014	
	INSIDE	OUTSIDE
RESIDENTIAL	\$ 1.61	\$ 2.58
COMMERCIAL	1.51	2.41
LARGE VOLUME	1.23	1.96
SPRINKLER	1.61	2.58

Additional Monthly Volumetric Charge (\$ per 100 cf over 33)

CUSTOMER CLASS	RATES	
	EFFECTIVE JANUARY 1, 2014	
	INSIDE	OUTSIDE
RESIDENTIAL	\$ 2.10	\$ 3.36
COMMERCIAL	1.51	2.41
LARGE VOLUME	1.23	1.96
SPRINKLER	2.10	3.36

Private Fire Service Charges

	RATES	
	EFFECTIVE JANUARY 1, 2014	
	INSIDE	OUTSIDE
FIRE HYDRANTS	\$ 69.71	\$ 100.84
FIRE CONNECTION MIN CHARGE	80.83	116.94
AUTOMATIC SPRINKLER SYSTEM MIN CHARGE (1,000 HEADS)	80.83	116.94
ADDL HEADS, EACH	0.08	0.13
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	15.81	22.88
1 1/2" DIAMETER, EACH	24.61	35.59
2" DIAMETER, EACH	40.43	58.47
2 1/2" DIAMETER, EACH	80.83	116.94

Wholesale Additional Monthly Volumetric Charge

TIME WATER IS TAKEN	RATES
	EFFECTIVE JANUARY 1, 2014
	\$ PER 100 CF
ON PEAK Customers taking any water from: 4:01 a.m. to 8:59 a.m. and/or 5:01 p.m. to 9:59 p.m.	\$1.19
OFF PEAK Customers taking all water from: 10 p.m. to 4 a.m. and/or 9 a.m. to 5 p.m.	1.04

Raw Water Additional Monthly Volumetric Charge

	RATES
	EFFECTIVE JANUARY 1, 2014
	\$ PER 100 CF
Raw Water Customer	\$0.55

System Development Charge

METER SIZE (diameter)	
5/8"	\$ 150
3/4"	150
1"	225
1 1/2"	375
2"	750
3"	1,200
4"	2,250
6"	3,850
8"	7,500
10"	12,000

Capital Investment Charge

METER SIZE (diameter)	AREA \$50*	AREA \$100*	AREA \$200*	AREA \$400*	METER OFF MAIN	CONN** SIZE	CONN** OFF MAIN
5/8"	\$ 50	\$ 100	\$ 200	\$ 400	\$ 2,000	2"	\$ 875
3/4"	50	100	200	400	2,400	3"	1,300
1"	75	150	300	600	2,800	4"	1,600
1 1/2"	125	250	500	1,000	4,200	6"	2,400
2"	250	500	1,000	2,000	4,800	8"	3,200
3"	400	800	1,600	3,200	7,200	10"	4,000
4"	750	1,500	3,000	6,000	8,000	12"	4,800
6"	1,250	2,500	5,000	10,000	12,000	16"	6,400
8"	2,500	5,000	10,000	20,000	-	20"	8,000
10"	4,000	8,000	16,000	32,000	-	24"	9,600

*charges that are associated with specific geographical sections of system based on initial construction costs.

**CONN – connection – refers to end of main or tap for water main extension or fire service.

Connection Fee

METER SIZE (diameter)	2-LANE ROAD 20 – 28'	3-LANE ROAD 29 – 36'	4-LANE ROAD 37 – 48'	STATE HIGHWAY
5/8"	\$ 450	\$ 510	\$ 570	\$ 850
3/4"	560	680	800	1,150
1"	900	1,130	1,250	1,950
1 1/2"	1,340	1,500	1,640	2,640
2"	1,640	1,800	1,940	3,280
3"	5,000	-	-	-
4"	5,500	-	-	-
6"	7,500	-	-	-
8"	10,000	-	-	-

Monthly Watershed Protection Fee

METER SIZE (diameter)	EFFECTIVE MAY 1, 2009
5/8"	\$.45
3/4"	.45
1"	.68
1 1/2"	1.13
2"	2.25
3"	3.60
4"	6.75
6"	11.25
8"	22.50
10"	36.00

Non-operating Revenues

Investment Income is earned on funds that are being held in financial institutions. These earnings are subject to the availability of funds to invest and the rates available from the market. Investment market conditions for the past four to five years have been poor and are expected to remain weak although slightly higher in 2015. Interest rate estimates on cash and investment accounts remain at .20 - .35%.

EXPENSES - OVERVIEW

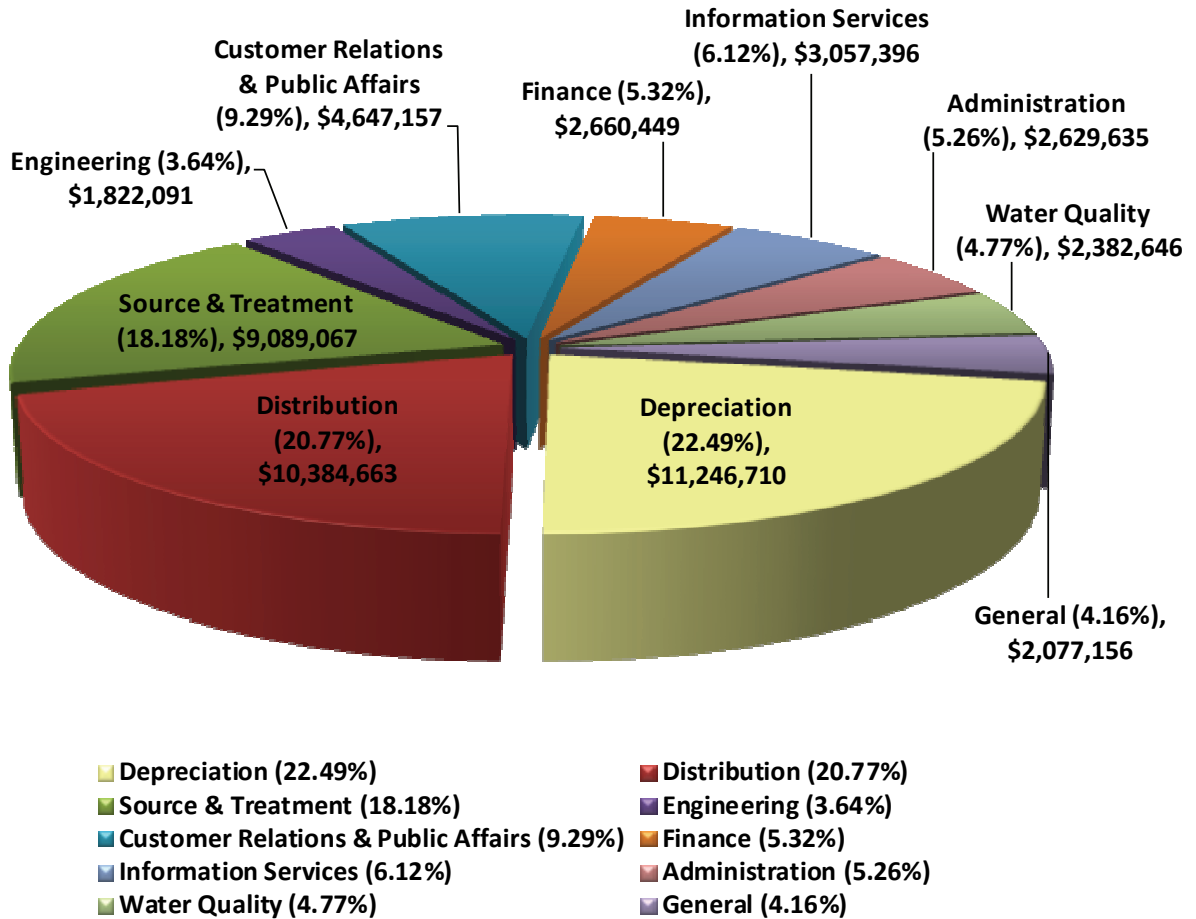
Operating Expenses

Depreciation is a major component of operating expenses and amounts to 22.49% of total operating expenses for 2015. Projections indicate that total depreciation will exceed 2014 budgeted amounts by .42%. During the past several years, CAW has funded and completed a significant number of construction projects with the proceeds from the 2002 Bond Issue, 2004 Bond Issue, 2007 Bond Issue, 2010A Bond Issue, 2010B Bond Issue, 2010C Bond Issue, 2011A Bond Issue, 2012A Bond Issue, and Little Rock and North Little Rock reserve trust funds. As projects are completed from all of the funding sources, the costs are capitalized and depreciated.

Operating expenses includes 293 budgeted positions for 2015, an overall increase of six positions. As of September 1, 2014, 277 positions were staffed, including five part-time positions. This staffing level reflects an increase of one staffed position when compared to 276 staffed positions in 2013. Traditionally, the Utility's turnover rate is very low (3.9% for 2012 and 4.3% for 2013), and staffing levels remain consistent from year to year. Where warranted, positions have been phased out or combined with other positions as employees retire. Other positions have been retained as part-time instead of full-time as circumstances indicate. Operating expenses for each department include an increase of 1% for exempt employees and 1.5% for non-exempt employees. Total costs associated with this increase amount to \$307,500 and cover both wages and fringe benefits. Health insurance premiums will increase by 15% in the upcoming year. The estimated national average increase for health insurance ranges from 5.2 - 7%. Individual department directors worked closely with the Administration Department to hold operating expenses to a 1.73% overall increase (excluding depreciation) from the 2014 budget. The Arkansas Public Employees Retirement System (APERS) mandatory employer contribution rate will decrease slightly from 14.75% to 14.50% beginning July 1, 2015. In addition, beginning in 2012, all employers must contribute to APERS for employees participating in the Deferred Retirement Option Plan (DROP) as well as for retirees who have returned to a position covered by APERS. These changes will add approximately \$157,500 in additional fringe benefit costs in 2015.

OPERATING EXPENSES

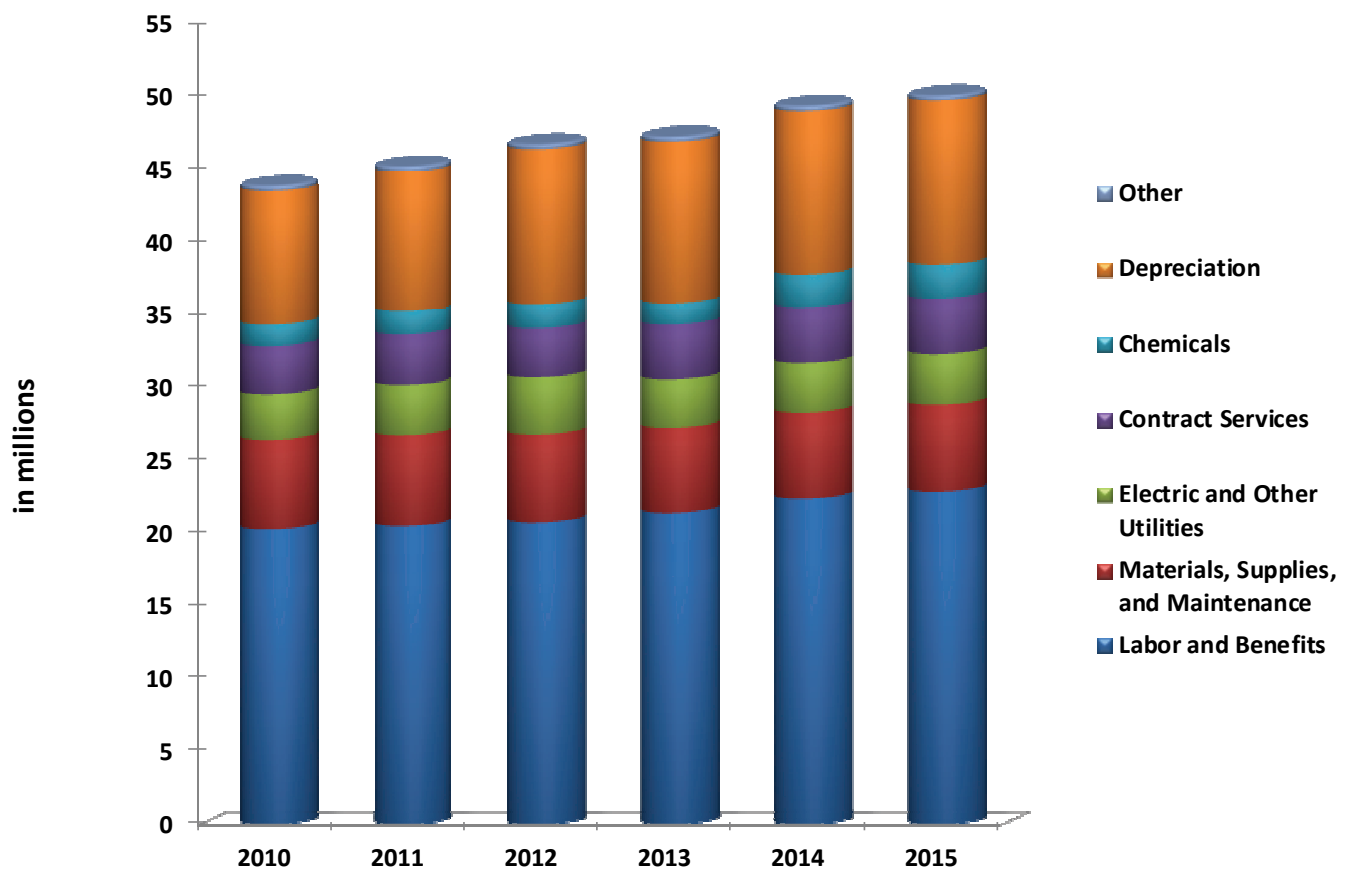
By DEPARTMENT



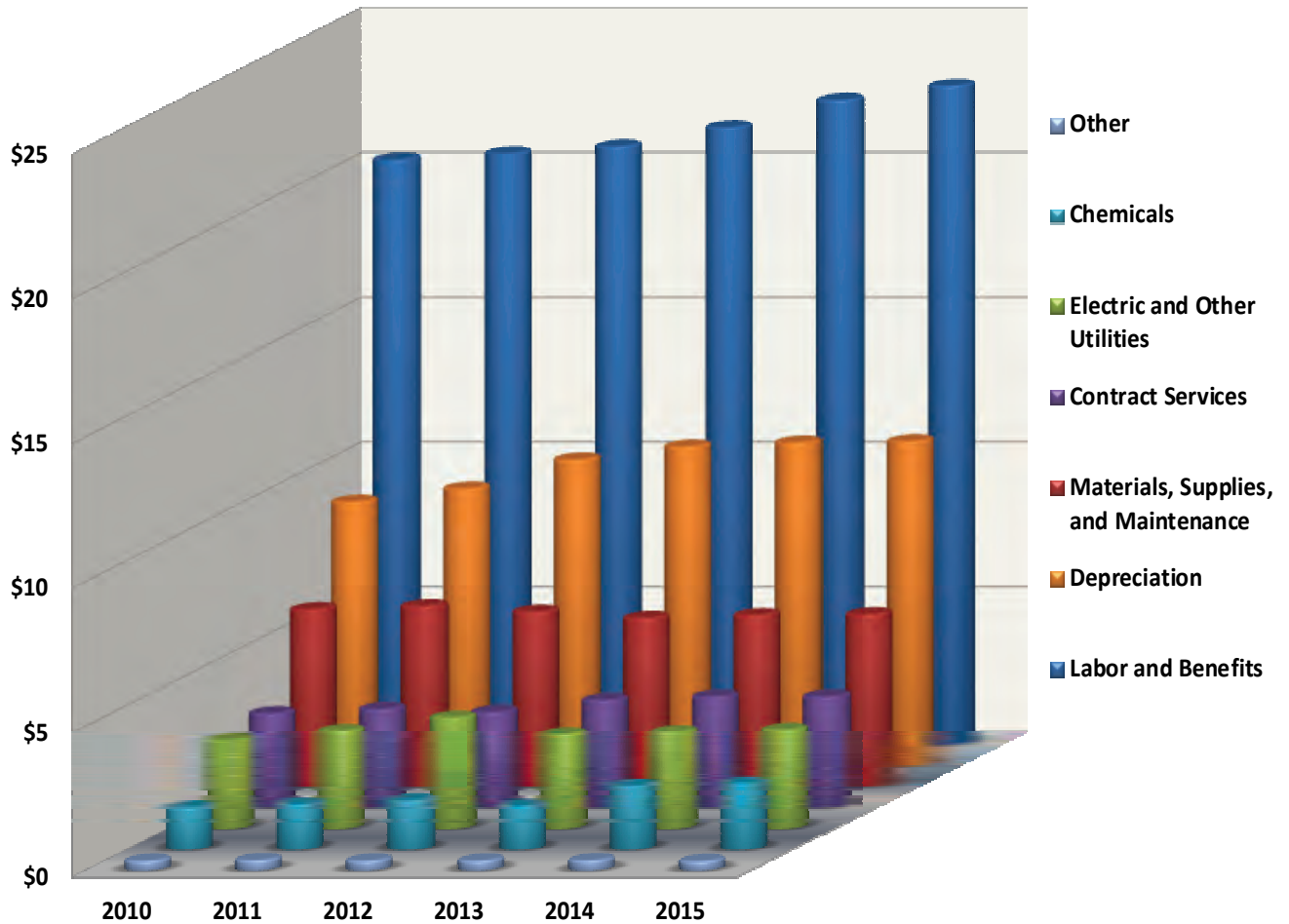
Budgeted 2015 Operating Expenses by Department are depicted above.

The following two graphs present total actual Operating Expenses by Natural Classification for the years 2010 through 2013. Budget numbers are shown for the years 2014 and 2015.

Operating Expenses by Natural Classification



Operating Expenses by Natural Classification



With the retirement of the Director of Source & Treatment in 2014, a reorganization combined Source & Treatment and Water Quality into Water Quality & Operations under one director. Source & Treatment’s operating budget is increasing by \$239,800 or 2.71% over 2014. The number of employee positions decreases by one compared to the 2014 budget. Variable costs such as chemical treatment, wastewater disposal and power are budgeted to increase in 2015 but are driven by increases or decreases in water consumption. Water treatment chemical costs are budgeted to increase by \$79,700 or 3.60% in 2015. Wastewater cost for disposal of treatment plant sludge is budgeted to increase \$68,500 or 8.86% based on Little Rock Wastewater’s rates and disposal amounts. Budgeted power consumption (kWh) remains flat for 2015 resulting in an increase of \$11,800 or .43%. The remaining increase in the 2015 Source & Treatment budget is associated with payroll and benefit costs. Source & Treatment is responsible for maintaining the lakes and treatment plants.

Water Quality is increasing its budget for 2015 by \$64,650 or 2.79%. The 2015 budget increase is reflected in labor and benefit costs. To ensure high-quality raw water for the Utility, the Water Quality Department is responsible for implementation of the Lake Maumelle Watershed Management Plan and overall large-scale watershed protection programs for both Lake Maumelle and Lake Winona. The department includes water-quality monitoring and assessment; monitoring of watershed land-use activities that may impact water quality in the lakes; building program support for watershed protection with local governments, private industry, and the public; and providing the CAW Board with continual recommendations for water quality protection. The budget includes a director, administrative, and laboratory staff.

Distribution, the largest department, is showing a budget increase of \$64,300 or .62% from 2014 budgeted amounts. The number of budgeted employees increases from 109 in 2014, to 113 in 2015. The increase in staffing will add a work crew to focus on capital projects. As of the budget date, the department maintained a total of 108 employees and one vacancy. Increases for the 2015 budget year primarily consist of \$75,193 in labor and benefit costs. Fuel costs, material costs, and contractual services are anticipated to remain stable with slight increases over 2014. The department forecasts that approximately \$1.575 million in payroll costs will be capitalized in 2015. This department maintains water mains, booster pumping stations, storage tanks, the vehicle and equipment fleet, treatment plants, all warehouses, and other buildings.

The Engineering Department is projecting a \$148,921 or 7.56% decrease from the previous year's budget. The majority of the decrease is the result of transferring a Senior Engineer to Source & Treatment. In 2015, the amount budgeted for capitalized labor is \$400,000. This \$400,000 in labor costs will be reflected as capital charges rather than operating expense. The total number of budgeted employees in the department decreased from 23 to 22 after transferring one Engineer. Engineering is responsible for planning, design, and construction inspection of improvements within the CAW system.

The Finance Department is projecting a budget increase of \$92,826 or 3.62%. Labor and benefit expenses account for \$26,489 of the increase which includes the Pay Plan adjustment and health insurance costs. The total number of employees budgeted for the department remains consistent with 2014 at 20. A reorganization in late 2013 separated the Finance and Customer Service Department into the Finance Department, which included Billing and Purchasing; and Customer Relations & Public Affairs, which included a new director, all Customer Service staff and Communications. The Finance department is responsible for finance, budgeting, purchasing, and billing.

Customer Relations & Public Affairs was newly created in 2014 to combine Customer Service, Communications and Public Affairs. A comparison of the budget from the former departmental units to the newly formed department shows an increase of \$10,259 or .22% when comparing 2014 to 2015. Customer Relations provides customers with information, resolves problems, and reads water meters. Communications includes the annual costs for all marketing and education efforts as well as the water quality report.

The Information Services Department budget for 2015 reflects an increase of \$74,919 or 2.51%. The bulk of the increase is \$70,000 in utilities for telephone, communications, and internet service costs. The total number of departmental employees remains constant at 17, with all positions filled. The IS Department oversees information services, computer operations, and telecommunications.

The Administration Department is projecting a \$235,142 or 9.82% budget increase from 2014. In addition to the budgeted labor and benefits increase of \$79,291, contractual services are budgeted for an additional \$117,899 over 2014 levels. The number of staff budgeted for the Administration Department includes 13 positions with one vacancy in Human Resources. The Administration Department includes Human Resources, Environmental Health & Safety (EHS), and Commissioners' expenses. Human Resources includes funds for employee assistance programs and employee training programs, such as diversity and leadership training. Also included are amounts for consulting, recruitment, and succession planning. EHS includes safety training, facilities security, and building maintenance. Other Administration costs include professional services.

The General category budget reflects a \$24,962 or 1.22% increase from 2014. This area of the budget includes expenditures for other post-employment benefits (OPEB), workers compensation, and future water resources. The General category also includes costs for business insurance, uncollectible accounts, utilities, and building maintenance items for the JTH facility.

Depreciation reflects an increase of \$46,710 or .42%. Depreciation expense is directly affected as capital projects are completed and fixed assets are acquired. Asset types determine the service life used for depreciation and range from 75 years for distribution mains to five years for electronics. The Utility capitalizes individual property acquisitions in excess of \$5,000.

Other Expenses

Payment-in-lieu-of-taxes (PILOT) is paid to the cities of Little Rock and North Little Rock and is equal to the ad valorem taxes that would have been payable to each City in respect of the Utility's real property and improvements located within the corporate limits of each city had such real property and improvements been subject to ad valorem taxation.

Interest expense is budgeted net of capitalized interest. Capitalized interest is interest incurred during the process of acquiring or constructing a capital asset, or interest that could have been avoided by paying down debt rather than cash-financing capital projects. Capitalized interest is included as part of the cost of the associated asset. The 2015 Financial Plan includes approximately \$272,500 in capitalized interest.

NET POSITION – OVERVIEW

Net Position is the residual of all other elements presented in a statement of financial position. The increase or decrease in Net Position from one period to the next equals the net of all activity reported for that period. The total balance of Net Position at any point in time equals the cumulative total of all activity from inception.

Net Position is classified as Net Investment in Capital Assets; Restricted; and Unrestricted.

Overall, the 2015 budget will result in a Net Position increase of approximately \$6,680,400, or approximately \$3,107,100 before contributions.

**STATEMENT OF REVENUES AND EXPENSES
(BY DEPARTMENT – PERCENTAGE CHANGES)**

	2013 ACTUAL	2014 PROJECTED	2014 BUDGET	2015 BUDGET	CHANGE FROM 2014 PROJECTED	CHANGE FROM 2014 BUDGET
Operating Revenues						
Retail Water Sales	\$ 42,191,270	\$ 40,469,941	\$ 44,973,704	\$ 44,973,704	11.13%	0.00%
Wholesale Water Sales	3,807,271	3,829,513	3,901,290	3,901,290	1.87%	0.00%
Penalties and Turn-on Charges	1,960,976	1,886,591	1,998,023	1,985,000	5.22%	(0.65%)
Ancillary Charges	4,096,139	3,949,503	4,118,882	4,155,400	5.21%	0.89%
Other Revenue	1,990,277	721,983	884,955	865,400	19.86%	(2.21%)
Total Operating Revenues	54,045,933	50,857,531	55,876,854	55,880,794	9.88%	0.01%
Operating Expenses						
Source & Treatment	7,889,209	7,971,435	8,849,260	9,089,067	14.02%	2.71%
Distribution	10,495,249	10,530,459	10,320,394	10,384,663	(1.38%)	0.62%
Engineering	1,773,172	1,905,595	1,971,012	1,822,091	(4.38%)	(7.56%)
Customer Relations & Public Affairs	4,767,883	4,551,758	4,636,897	4,647,157	2.10%	0.22%
Finance	1,994,272	2,538,058	2,567,623	2,660,449	4.82%	3.62%
Information Services	2,902,303	3,097,679	2,982,477	3,057,396	(1.30%)	2.51%
Administration	2,364,745	2,469,602	2,394,493	2,629,635	6.48%	9.82%
Water Quality	1,936,431	2,008,313	2,317,996	2,382,646	18.64%	2.79%
General	2,017,004	2,014,303	2,052,194	2,077,156	3.12%	1.22%
Depreciation	11,068,273	10,818,812	11,200,000	11,246,710	3.96%	0.42%
Total Operating Expenses	47,208,541	47,906,014	49,292,346	49,996,970	4.36%	1.43%
Operating Income (Loss)	6,837,392	2,951,517	6,584,508	5,883,824	99.35%	(10.64%)
Non-operating Revenue (Expense)						
Payment-in-lieu-of-taxes	(608,436)	(658,776)	(658,776)	(671,952)	2.00%	2.00%
Investment Income	111,482	168,606	82,000	105,165	(37.63%)	28.25%
Gain/Loss on Sale of Assets	249,854	38,567	-	-	(100.00%)	0.00%
Bond Interest Expense	(2,334,445)	(2,252,677)	(2,461,011)	(2,160,790)	(4.08%)	(12.20%)
Interest Expense-Other	(13,707)	(19,557)	(19,564)	(49,176)	151.45%	151.36%
Total Non-operating Revenue (Expense)	(2,595,252)	(2,723,837)	(3,057,351)	(2,776,753)	1.94%	(9.18%)
Net Income (Loss) Before Contributions	4,242,140	227,680	3,527,157	3,107,071	1,264.67%	(11.91%)
Contributions						
Capital Contributions from Grantors	47,903	2,063,500	2,033,601	2,473,333	19.86%	21.62%
Contributions-in-aid of Construction	864,644	2,045,926	2,141,079	1,100,000	(46.23%)	(48.62%)
Total Contributions	912,547	4,109,426	4,174,680	3,573,333	(13.05%)	(14.40%)
Change in Net Position	\$ 5,154,687	\$ 4,337,106	\$ 7,701,837	\$ 6,680,404	54.03%	(13.26%)

* Note: Re-classed prior years to match 2015 presentation.

**STATEMENT OF REVENUES AND EXPENSES
(BY NATURAL CLASSIFICATION – PERCENTAGE CHANGES)**

	2013 ACTUAL	2014 PROJECTED	2014 BUDGET	2015 BUDGET	CHANGE FROM 2014 PROJECTED	CHANGE FROM 2014 BUDGET
Operating Revenues						
Retail Water Sales	\$ 42,191,270	\$ 40,469,941	\$ 44,973,704	\$ 44,973,704	11.13%	0.00%
Wholesale Water Sales	3,807,271	3,829,513	3,901,290	3,901,290	1.87%	0.00%
Penalties and Turn-on Charges	1,960,976	1,886,591	1,998,023	1,985,000	5.22%	(0.65%)
Ancillary Charges	4,096,139	3,949,503	4,118,882	4,155,400	5.21%	0.89%
Other Revenue	1,990,277	721,983	884,955	865,400	19.86%	(2.21%)
Total Operating Revenues	54,045,933	50,857,531	55,876,854	55,880,794	9.88%	0.01%
Operating Expenses						
Labor and Benefits	21,356,954	22,204,150	22,301,541	22,794,577	2.66%	2.21%
Materials, Supplies, and Maintenance	5,870,728	6,041,862	6,005,390	5,997,866	(0.73%)	(0.13%)
Electric and Other Utilities	3,287,135	3,273,423	3,364,426	3,443,316	5.19%	2.34%
Contract Services	3,755,786	3,739,710	3,837,689	3,881,501	3.79%	1.14%
Chemicals	1,514,367	1,478,076	2,216,300	2,296,000	55.34%	3.60%
Depreciation	11,068,273	10,818,812	11,200,000	11,246,710	3.96%	0.42%
Other	355,298	349,981	367,000	337,000	(3.71%)	(8.17%)
Total Operating Expenses	47,208,541	47,906,014	49,292,346	49,996,970	4.36%	1.43%
Operating Income (Loss)	6,837,392	2,951,517	6,584,508	5,883,824	99.35%	(10.64%)
Non-operating Revenue (Expense)						
Payment-in-lieu-of-taxes	(608,436)	(658,776)	(658,776)	(671,952)	2.00%	2.00%
Investment Income	111,482	168,606	82,000	105,165	(37.63%)	28.25%
Gain/Loss on Sale of Assets	249,854	38,567	-	-	(100.00%)	0.00%
Bond Interest Expense	(2,334,445)	(2,252,677)	(2,461,011)	(2,160,790)	(4.08%)	(12.20%)
Interest Expense-Other	(13,707)	(19,557)	(19,564)	(49,176)	151.45%	151.36%
Total Non-operating Revenue (Expense)	(2,595,252)	(2,723,837)	(3,057,351)	(2,776,753)	1.94%	(9.18%)
Net Income (Loss) Before Contributions	4,242,140	227,680	3,527,157	3,107,071	1,264.67%	(11.91%)
Contributions						
Capital Contributions from Grantors	47,903	2,063,500	2,033,601	2,473,333	19.86%	21.62%
Contributions-in-aid of Construction	864,644	2,045,926	2,141,079	1,100,000	(46.23%)	(48.62%)
Total Contributions	912,547	4,109,426	4,174,680	3,573,333	(13.05%)	(14.40%)
Change in Net Position	\$ 5,154,687	\$ 4,337,106	\$ 7,701,837	\$ 6,680,404	54.03%	(13.26%)

* Note: Re-classed prior years to match 2015 presentation.

STATEMENT OF REVENUES

	INSIDE	OUTSIDE	TOTAL
Operating Revenues			
Retail Water Sales – Little Rock			
Residential	\$ 10,158,390	\$ 1,956,089	\$ 12,114,479
Commercial	7,422,975	495,269	7,918,244
Large Volume	2,014,017	307,307	2,321,324
Sprinkler	7,906,990	206,490	8,113,480
Raw Water	76,931	-	76,931
Private Fire Service	500,106	18,000	518,106
Total Little Rock	28,079,409	2,983,155	31,062,564
Retail Water Sales – North Little Rock			
Residential	3,741,954	4,335,300	8,077,254
Commercial	2,329,073	914,123	3,243,196
Large Volume	631,366	52,925	684,291
Sprinkler	1,200,764	582,253	1,783,017
Private Fire Service	94,382	29,000	123,382
Total North Little Rock	7,997,539	5,913,601	13,911,140
Total Retail Water Sales	36,076,948	8,896,756	44,973,704
Wholesale Water Sales			
Bryant Water and Sewer Department		935,000	935,000
Shannon Hills		165,000	165,000
Sardis Water Association		75,000	75,000
Saline County Water & Sewer Public Facilities Board (Woodland Hills)		14,000	14,000
Salem Water Users Association		695,000	695,000
Jacksonville Water Works		1,355,000	1,355,000
North Pulaski Waterworks Association		466,290	466,290
Ridgefield Estates Public Facilities Board		16,000	16,000
Cabot Water Works		180,000	180,000
Total Wholesale Water Sales		3,901,290	3,901,290
Penalties and Turn-on Charges			
Penalties		900,000	900,000
Turn-on Charges		1,085,000	1,085,000
Total Penalties and Turn-on Charges		1,985,000	1,985,000
Ancillary Charges			
Billing and Ancillary Fees		1,824,200	1,824,200
Connection Fees		850,000	850,000
Watershed Protection Fees		1,010,000	1,010,000
Capital Investment Charges		121,200	121,200
System Development Charges		350,000	350,000
Total Ancillary Charges		4,155,400	4,155,400
Other Revenue			
		865,400	865,400
Total Operating Revenues	36,076,948	19,803,846	55,880,794
Non-operating Revenues			
Interest Income		77,500	77,500
Bond Issue Interest Income		27,665	27,665
Total Non-operating Revenues		105,165	105,165
Total Operating and Non-operating Revenues	\$ 36,076,948	\$ 19,909,011	\$ 55,985,959

**STATEMENT OF OPERATING EXPENSES
(BY DEPARTMENT AND NATURAL CLASSIFICATION)**

	Labor and Benefits	Materials Supplies and Maintenance	Electric and Other Utilities	Contract Services	Chemicals	Depreciation	Other	Departmental Total
Administration								
Administration	\$ 1,036,848	\$ 215,460	\$ 960	\$ 168,120	\$ -	\$ -	\$ 42,000	\$ 1,463,388
Human Resources	440,607	35,732	-	29,950	-	-	-	506,289
Environmental Health & Safety	332,818	76,700	740	234,100	-	-	-	644,358
Commissioners Expense	-	1,200	-	14,400	-	-	-	15,600
Total Administration	1,810,273	329,092	1,700	446,570	-	-	42,000	2,629,635
Information Services								
Administration	1,038,462	763,000	435,000	6,500	-	-	-	2,242,962
Geographic Information System	601,730	204,204	-	8,500	-	-	-	814,434
Total Information Systems	1,640,192	967,204	435,000	15,000	-	-	-	3,057,396
Customer Relations & Public Affairs								
Administration	263,469	126,900	17,500	28,109	-	-	-	435,978
Cashiering	382,121	-	-	-	-	-	-	382,121
Call Center	777,496	-	-	-	-	-	-	777,496
Walk-in	260,252	-	-	-	-	-	-	260,252
Field	1,373,471	22,000	-	-	-	-	-	1,395,471
Meter Reading	343,468	1,750	-	-	-	-	-	345,218
Production Meter Reading	541,906	-	-	-	-	-	-	541,906
Communications	82,315	239,500	900	142,000	-	-	15,000	479,715
Public Policy	-	5,000	-	24,000	-	-	-	29,000
Total Customer Service	4,024,498	395,150	18,400	194,109	-	-	15,000	4,647,157
Finance								
Administration	1,014,456	38,880	1,536	374,392	-	-	-	1,429,264
Billing	391,356	600,000	-	-	-	-	-	991,356
Purchasing	232,929	1,000	-	5,900	-	-	-	239,829
Total Finance	1,638,741	639,880	1,536	380,292	-	-	-	2,660,449
General and Depreciation	996,406	215,500	112,000	473,250	-	11,246,710	280,000	13,323,866
Engineering								
Administration	1,107,993	60,300	3,840	38,006	-	-	-	1,210,139
New Service	156,628	580	-	780	-	-	-	157,988
Cross-Connection Control	275,449	14,880	1,440	1,350	-	-	-	293,119
Regionalism	158,345	1,300	480	720	-	-	-	160,845
Total Engineering	1,698,415	77,060	5,760	40,856	-	-	-	1,822,091
Source & Treatment								
Administration	384,972	950	-	5,200	-	-	-	391,122
Lake Maumelle	642,272	55,980	1,153,960	5,595	62,150	-	-	1,919,957
Lake Winona	220,497	20,980	14,000	1,495	24,200	-	-	281,172
Ozark Point Plant	466,600	30,450	111,000	151,200	865,750	-	-	1,625,000
Wilson Plant	1,197,038	102,800	568,960	709,118	1,343,900	-	-	3,921,816
Booster Stations/Jackson Reservoir	-	-	950,000	-	-	-	-	950,000
Total Source & Treatment	2,911,379	211,160	2,797,920	872,608	2,296,000	-	-	9,089,067
Distribution								
Administration	529,040	200,300	67,500	627,326	-	-	-	1,424,166
Meters, Warehouse, and Dispatch	1,037,304	4,000	-	-	-	-	-	1,041,304
Pump Station Maintenance	444,651	102,000	-	-	-	-	-	546,651
Plant Maintenance – Ozark/Wilson	707,044	266,000	-	-	-	-	-	973,044
Distribution System Maintenance	4,114,498	2,285,000	-	-	-	-	-	6,399,498
Total Distribution	6,832,537	2,857,300	67,500	627,326	-	-	-	10,384,663
Water Quality								
Administration	467,724	69,900	3,500	504,040	-	-	-	1,045,164
Watershed Management	127,832	36,000	-	224,100	-	-	-	387,932
Watershed Steward	109,360	22,000	-	55,850	-	-	-	187,210
Laboratory	537,220	177,620	-	47,500	-	-	-	762,340
Total Water Quality	1,242,136	305,520	3,500	831,490	-	-	-	2,382,646
Total	\$ 22,794,577	\$ 5,997,866	\$ 3,443,316	\$ 3,881,501	\$ 2,296,000	\$ 11,246,710	\$ 337,000	\$ 49,996,970

STATEMENT OF NET POSITION

Beginning Net Position, 1/1/2014	\$ 346,384,666
Operating Revenues, 2014	50,857,531
Operating Expenses, 2014	(47,906,014)
Other Expense, 2014	(2,723,837)
Contributions, 2014	4,109,426
Change in Net Position, 2014	<u>4,337,106</u>
Ending Net Position, 12/31/2014	<u>350,721,772</u>
Beginning Net Position, 1/1/2015	350,721,772
Operating Revenues, 2015	55,880,794
Operating Expenses, 2015	(49,996,970)
Other Expense, 2015	(2,776,753)
Contributions, 2015	3,573,333
Change in Net Position, 2015	<u>6,680,404</u>
Ending Net Position, 12/31/2015 *	<u>\$ 357,402,176</u>

* Ending Net Position is based on 2014 projected numbers and 2015 budgeted numbers.

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BUDGETED POSITIONS

Central Arkansas Water budgets employee positions each budget year. Total budgeted positions increased slightly from 287 in 2014 to 293 in the 2015 budget. The accompanying Summary of Budgeted Positions lists the department, position title, and number of budgeted or actual positions. A numerical index indicates 1 – positions removed from authorized staffing, 2 – temporary positions, 3 – positions moved to another department, 4 – a Wye Mountain employee added to staffing, 5 – new positions, 6 – a position replacement, and 7 – a position reclassified.

Administration

The Administration Department includes Human Resources, Environmental Health & Safety, as well as the Chief Executive Officer and his staff. Staffing for 2015 includes the addition of Chief Legal Counsel and an Administrative Assistant position. The Communications Assistant was reassigned to the newly formed Customer Relations & Public Affairs Department. The Administrative Assistant position was a budget re-allocation from Engineering to the Administration Department. Administration is budgeted at a total of 13 positions with one vacancy.

Finance

During 2014, the Finance & Customer Service Department was split into two departments. The Finance Department retained 20 of the total of 80 employees and Customer Relations & Public Affairs now includes the remaining 60 employees. The 2015 Finance budget includes 20 positions made up of 11 Accounting staff, three Purchasing staff and six Billing staff. Finance will employ a total of two part-time CAW retirees.

Customer Relations & Public Affairs

Customer Relations & Public Affairs was newly formed in 2014 by moving 60 employees from Customer Service, one Communications Assistant from Administration, and the Director position was filled by a current employee who transferred from Water Quality to make a total of 62 employees. This department employs two CAW retirees who work on a part-time basis.

Information Services

The budgeted Information Services staff remains constant from 2014 to 2015 at 17 employees including seven GIS staff. Actual department employment is 17, with no open positions.

Engineering

The Engineering Department includes 14 Engineering staff, three New Service staff, three cross connection staff, and one employee in Regionalism. The Engineering staff budget decreased by one employee from 23 in 2014 to 22 in 2015 after a Senior Engineer was reassigned to Source & Treatment. Current actual employment is 22 employees with no

vacancies. Two positions, the New Service Coordinator and one New Service Representative, are filled by CAW retirees who work on a part-time basis.

Source & Treatment

The budgeted positions for Source & Treatment decreased from 35 total employees to 34 employees with the merger of Source & Treatment into Water Quality & Operations in 2014. Source & Treatment and Water Quality will be under the direction of one director. A Senior Engineer position was moved from Engineering to Source & Treatment. A temporary duplication of staffing in the 2014 budget for the Supervisor of Water Sources position was not utilized and offset the increase created by the addition of a Senior Engineer. There are two vacant Pumping Facility Operators at budget time.

Water Quality

Water Quality staffing for 2015 includes a total of 12 budgeted positions. These positions include eight Laboratory staff consisting of a Water Quality Specialist, Laboratory Manager, a Chemist, three Laboratory Technicians, and two Field Laboratory Technicians. The department also includes the Director of Water Quality & Operations, the Assistant Director of Water Quality, the Watershed Protection Manager (formerly Director of Watershed Management), and the Stewardship Coordinator.

Distribution

Total staffing in Distribution increased by four employees for the 2015 budget period compared to 2014. The increase is created by the addition of three Water Distribution Specialists and a Foreman who will focus on capital projects. Total budgeted employees for the Distribution Department increases from 109 in 2014 to 113 in 2015.

Change in Budgeted Positions by Year					
	2011	2012	2013	2014	2015
Administration	-1	-1	-4	0	+1
Finance	+2	0	0	0	0
Information Services	-1	0	0	0	0
Engineering	-1	0	+1	-1	-1
Source & Treatment	0	+1	-6	+1	-1
Distribution	-6	-2	-3	0	+4
Water Quality	N/A	N/A	+11	0	+1
Customer Relations & Public Affairs	N/A	N/A	N/A	N/A	+2

SUMMARY OF BUDGETED POSITIONS

	2011	2012	2013	2014	9/1/2014	2015
	Budget	Budget	Actual	Budget	Actual	Budget
Administration						
Chief Executive Officer	1	1	1	1	1	1
⁵ Chief Legal Counsel	0	0	0	0	1	1
Chief Operating Officer	1	1	1	1	1	1
Technical Services Officer	1	1	1	1	1	1
Management Secretary	1	1	1	1	1	1
³ Administrative Assistant	0	0	0	0	1	1
Chief Administrative Officer	1	1	1	1	1	1
Human Resources Specialist	2	2	1	2	1	2
Human Resources Assistant	1	1	1	1	1	1
¹ Director of Communications	1	0	0	0	0	0
Communications Assistant	1	1	1	1	0	0
Director of Environmental Health & Safety	1	1	1	1	1	1
Safety Specialist	1	1	1	1	1	1
Office Maintenance Worker	1	1	1	1	1	1
⁶ Director of Watershed Management	1	1	0	0	0	0
³ Watershed Administrator	1	1	0	0	0	0
^{2,3} Watershed Intern – P/T, Temp	1	1	0	0	0	0
³ Stewardship Coordinator	1	1	0	0	0	0
Total	17	16	11	12	12	13
Finance						
Chief Financial Officer	1	1	1	1	1	1
Administrative Assistant	1	1	1	1	0	0
Controller	2	2	2	2	1	1
Finance Manager	0	0	0	0	0	1
General Accountant	2	2	2	2	2	2
Accountant Assistant	1	1	0	0	0	0
Accounting Clerk I, II	4	4	3	4	4	5
Clerical - P/T	0	0	0	0	0	1
Purchasing/Records Clerk	1	1	1	1	1	1
Warehouse Buyer	1	1	1	1	1	1
Purchasing Manager	1	1	1	1	1	1
Billing Supervisor	1	1	1	1	1	1
Billing Account Specialist	4	4	3	4	4	4
Billing Account Specialist – P/T	2	2	2	2	1	1
Total	21	21	18	20	17	20
Customer Relations & Public Affairs						
Director of Customer Relations & Public Affairs	0	0	0	0	1	1
Customer Service Manager	1	1	1	1	1	1
Customer Service Supervisor – Office	1	1	1	1	1	1
Customer Service Assistant Supervisor	1	1	1	1	1	1
⁷ Customer Service Records Clerk	1	1	0	0	0	0
⁷ Cashier/PT Cashier	2	2	2	3	3	3
Receptionist	1	1	1	1	1	1
Customer Service Office Representative Walk-in	4	4	4	4	4	4
Customer Service Office Representative Call Center	15	15	12	14	14	15
Customer Service Office Representative Call Center - P/T	0	0	1	1	0	0
Customer Service Supervisor – Field	1	1	1	1	1	1
Customer Service Assistant Supervisor – Field	1	1	1	1	1	1
Customer Service – Field Representative	14	14	14	14	14	14
Customer Relations Specialist	1	1	1	1	1	1
Customer Relations Specialist – P/T	1	1	1	1	1	1
⁴ Customer Service Meter Reader	4	4	4	5	5	5
Production Meter Reader – P/T	11	11	11	11	11	11
Communications Assistant	0	0	0	0	1	1
Total	59	59	56	60	61	62

SUMMARY OF BUDGETED POSITIONS

	2011 Budget	2012 Budget	2013 Actual	2014 Budget	9/1/2014 Actual	2015 Budget
Information Services						
Director of Information Services	1	1	1	1	1	1
Network Administrator	2	2	2	2	2	2
Information Services Technician I, II	2	2	2	2	2	2
Help Desk Technician	1	1	1	1	1	1
Database Coordinator	2	2	2	2	2	2
Computer Operator	2	2	2	2	2	2
Database Administrator	1	1	1	1	1	1
GIS Manager	1	1	1	1	1	1
¹ Graphic Technician	2	0	0	0	0	0
GIS Technician	2	4	4	4	4	4
Field Data Collector	1	1	1	1	1	1
Total	17	17	17	17	17	17
Engineering						
Director of Engineering	1	1	1	1	1	1
Engineering Administrative Assistant	1	1	1	1	1	1
New Service Coordinator - P/T	1	1	1	1	1	1
Engineering Technician	8	8	8	8	8	8
Engineering Aide	1	1	1	1	1	1
³ Engineer / SR Engineer	3	3	4	4	3	3
New Service Representative	2	2	2	2	2	2
New Service Representative - P/T	1	1	1	1	1	1
Water Regulations Specialist	3	3	3	3	3	3
MGR. of Planning, Regionalism & Future Water Source	1	1	1	1	1	1
³ Administrative Assistant	1	1	0	0	0	0
Total	23	23	23	23	22	22
Water Quality						
Director of Water Quality & Operations	-	-	1	1	1	1
Assistant Director of Water Quality	-	-	0	0	0	1
⁶ Watershed Protection Manager	-	-	1	1	0	1
Watershed Protection Specialist	-	-	0	1	0	0
Stewardship Coordinator	-	-	1	1	1	1
³ Water Quality Specialist	-	-	1	1	1	1
³ Laboratory Manager	-	-	1	1	1	1
^{3,8} Chemist	-	-	0	0	0	1
³ Laboratory Technician	-	-	3	3	3	3
³ Field Laboratory Technician	-	-	2	2	2	2
Total	New Dept 2012	New Dept 2012	10	11	9	12
Source & Treatment						
Director of Source & Treatment	1	1	1	1	0	0
System & Administrative Coordinator	1	1	1	1	1	1
Assistant Director of Operations	1	1	1	1	1	1
^{3,5} Senior Engineer	0	0	0	0	1	1
³ Water Quality Specialist	1	1	0	0	0	0
³ Laboratory Manager	1	1	0	0	0	0
³ Laboratory Technician	3	3	0	0	0	0
³ Field Laboratory Technician	2	2	0	0	0	0
Treatment Plant Supervisor	2	2	2	2	2	2
Plant Maintenance Worker	2	2	2	2	1	2
Treatment Plant Operator	17	17	17	17	17	17
Supervisor – Lake Winona	1	1	1	1	1	1
Maintenance Repair Worker	1	1	1	1	1	1
Ranger	2	2	2	2	2	2
Supervisor of Water Sources	1	1	1	1	1	1
² Replacement Supervisor of Water Sources	0	0	0	1	0	0
⁵ Pumping Facility Operator	3	4	3	5	3	5
Total	39	40	32	35	31	34
Total Water Quality & Operations	39	40	42	46	40	46

SUMMARY OF BUDGETED POSITIONS

	2011 Budget	2012 Budget	2013 Actual	2014 Budget	9/1/2014 Actual	2015 Budget
Distribution						
Director of Distribution	1	1	1	1	1	1
Distribution Administrative Assistant	1	1	1	1	1	1
Assistant Director of Distribution	1	1	1	1	1	1
¹ Special Projects – P/T, Temp	1	0	0	0	0	0
³ Distribution Engineer	1	1	0	0	0	0
Distribution Manager	1	0	0	1	1	1
Dispatcher / Lead Dispatcher	5	5	5	5	5	5
Warehouse Foreman	1	1	1	1	1	1
Warehouse Specialist	5	5	4	4	4	4
Field Meter Repairer	3	3	3	3	3	3
Meter Shop Foreman	1	1	1	1	1	1
Instrument Technician I, II	4	4	3	3	3	3
Maintenance Technician	6	6	6	6	6	6
Maintenance Helper	1	0	0	0	0	0
¹ Supervisor of Grounds	1	0	0	0	0	0
Lead Groundskeeper	0	1	1	1	1	1
Maintenance Supervisor	1	1	1	1	1	1
Industrial Electrician	2	2	2	2	2	2
Distribution Supervisor	7	7	7	6	6	6
Water Distribution Specialist I, II, III	43	45	45	45	44	48
Troubleshooter	7	7	7	7	7	7
Foreman	20	19	19	19	19	20
Distribution Coordinator	1	1	1	1	1	1
Total	114	112	109	109	108	113
Total All Departments	290	288	276	287	277	293

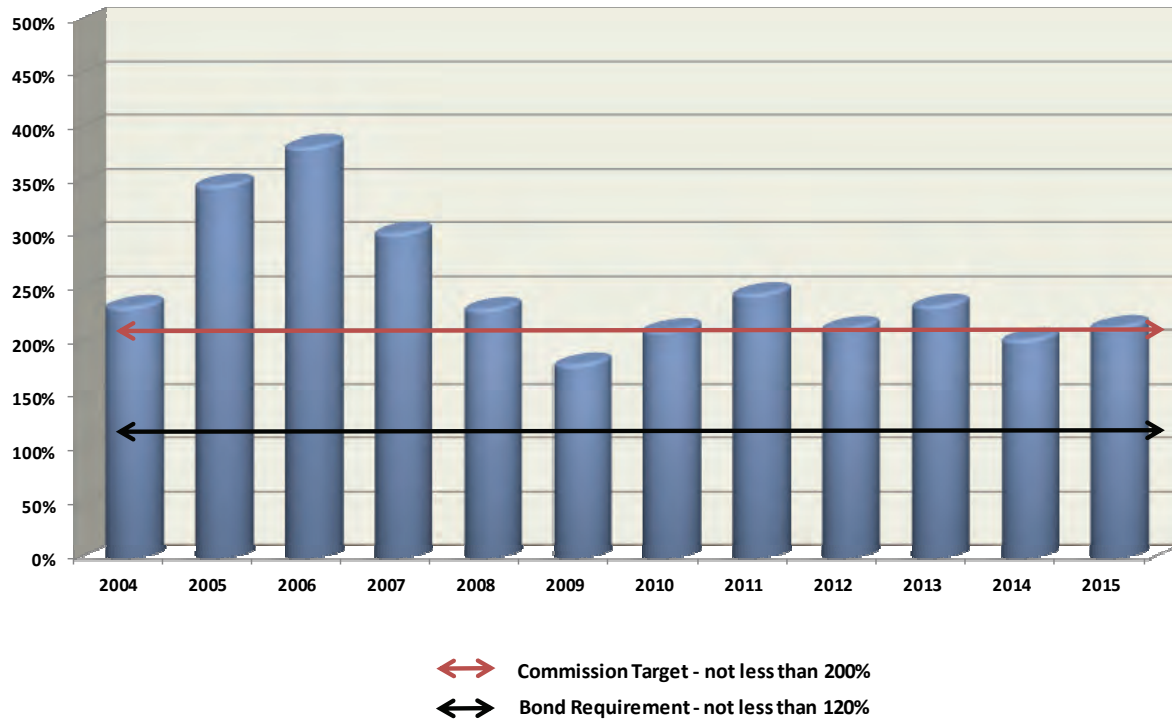
- ¹ Position removed from authorized staffing
- ² Temporary position
- ³ Position moved to/from another department
- ⁴ Added Wye Mountain employee
- ⁵ New position
- ⁶ Director of Watershed Management position replaced by Watershed Protection Manager
- ⁷ Customer Service Records Clerk position reclassified as a Cashier position
- ⁸ Replace Laboratory Technician position after employee retirement

DEBT-SERVICE – OVERVIEW

Revenue Bonds are secured by and payable solely from the net revenues of the water system. CAW debt covenants specify that rates will be sufficient to meet a list of outflows (i.e., operations and maintenance expenses, principal and interest, capital needs, and allowances for contingencies and any temporary unanticipated reduction in revenues); that CAW will operate the system continually in an efficient and economical manner; that at all times CAW will maintain and preserve the system in good repair, working order, and condition so that the operating efficiency thereof will be of high integrity; that the financial books will be open for the trustee or its agent to inspect; that the system or any part of it will not be pledged except as provided for in the bond resolutions; that CAW will keep insurance in such amounts and against such risks as are usually carried by municipalities operating water systems in the State of Arkansas; and that CAW shall provide the trustee an annual audit within 120 days after the close of the year.

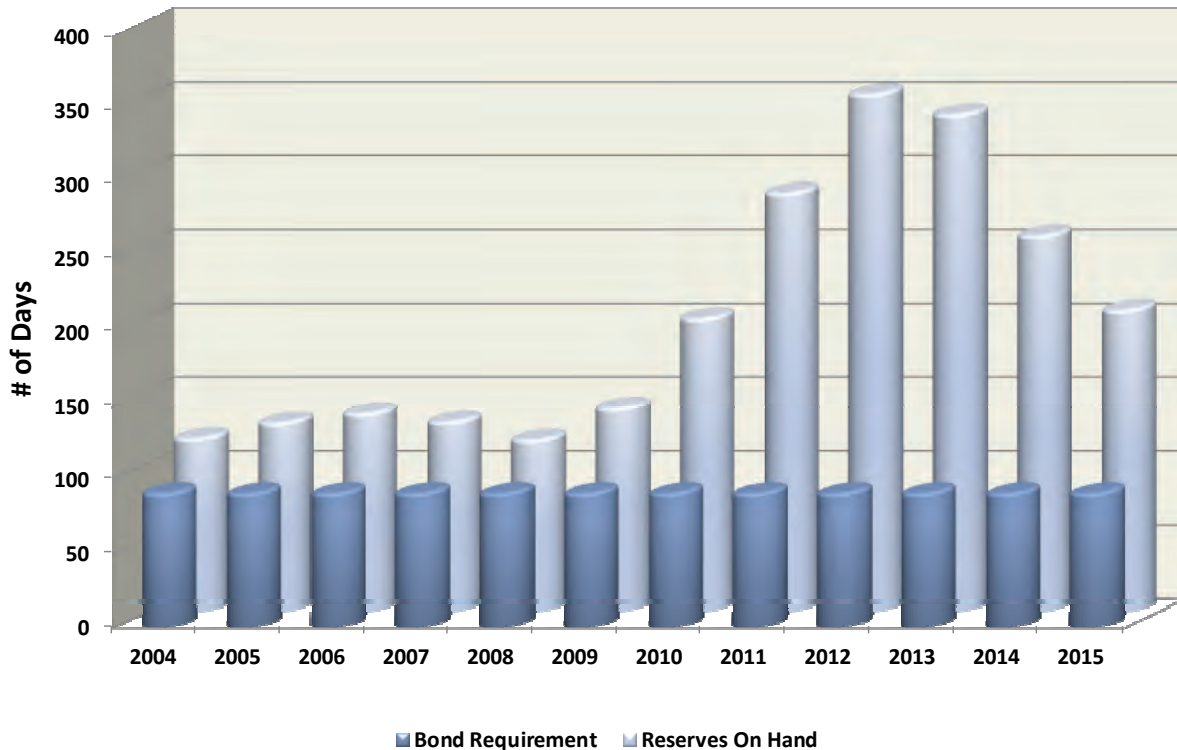
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Debt-Service Coverage Ratio by Year



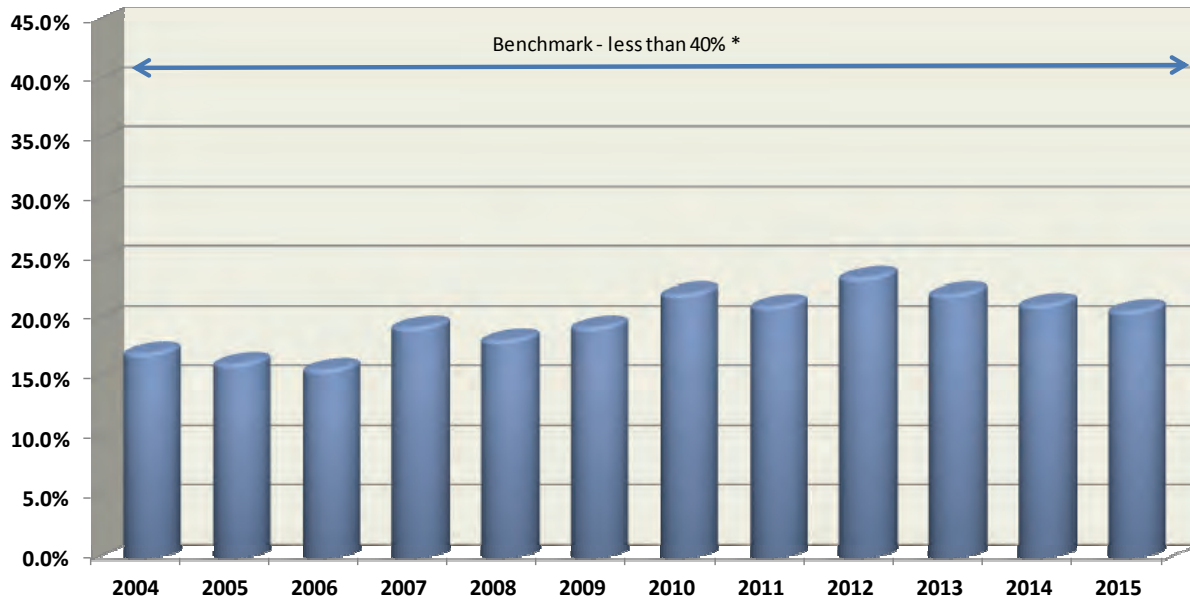
Bond covenants state that debt-service coverage must not be less than 120% of the aggregate debt-service due during the forthcoming fiscal year. The Commission has set a more conservative target of 200% including Rate Stabilization Account transfers. The chart above shows actual coverage for 2004 through 2013, projected coverage for 2014, and budgeted coverage for 2015. The Utility has maintained coverage consistently above the 200% Commission target with the exception of 2009. The Rate Stabilization Account was established the following year. Utility projections reflect coverage at 200% for 2014 including a Rate Stabilization Account transfer projected at \$2 Million. The transfer is needed due to a decline in irrigation revenues with escalated rainfall and cool weather through the summer months.

Operating Reserves by Year



Bond covenants also require operating reserves to be maintained at a minimum level of three months of budgeted operating costs. The chart above shows actual reserves on hand compared to the bond requirement for 2004 through 2013 and planned reserves on hand compared to the bond requirement for 2014 and 2015 based on forecasted numbers. The elevated reserves beginning in 2010 are due to three years of higher than normal consumption levels and revenues resulting from dry warm weather conditions and the corresponding increase in irrigation. The wet and cool 2014 summer also contributes to a decline in reserves. The 2015 budgeted decline in reserves is a result of no rate increase in 2015 to fund operations.

Debt Utilization Ratio by Year



* the benchmark is derived from a 2006 survey by the American Water Works Association wherein the median debt obligation for all utilities was 40%

Stage 2 D/DBP Rule improvements at the treatment plants were completed in August 2014 closing out the 2012 Revenue Bond construction account. The Utility also completed construction work financed through the 2011A ANRC bond.

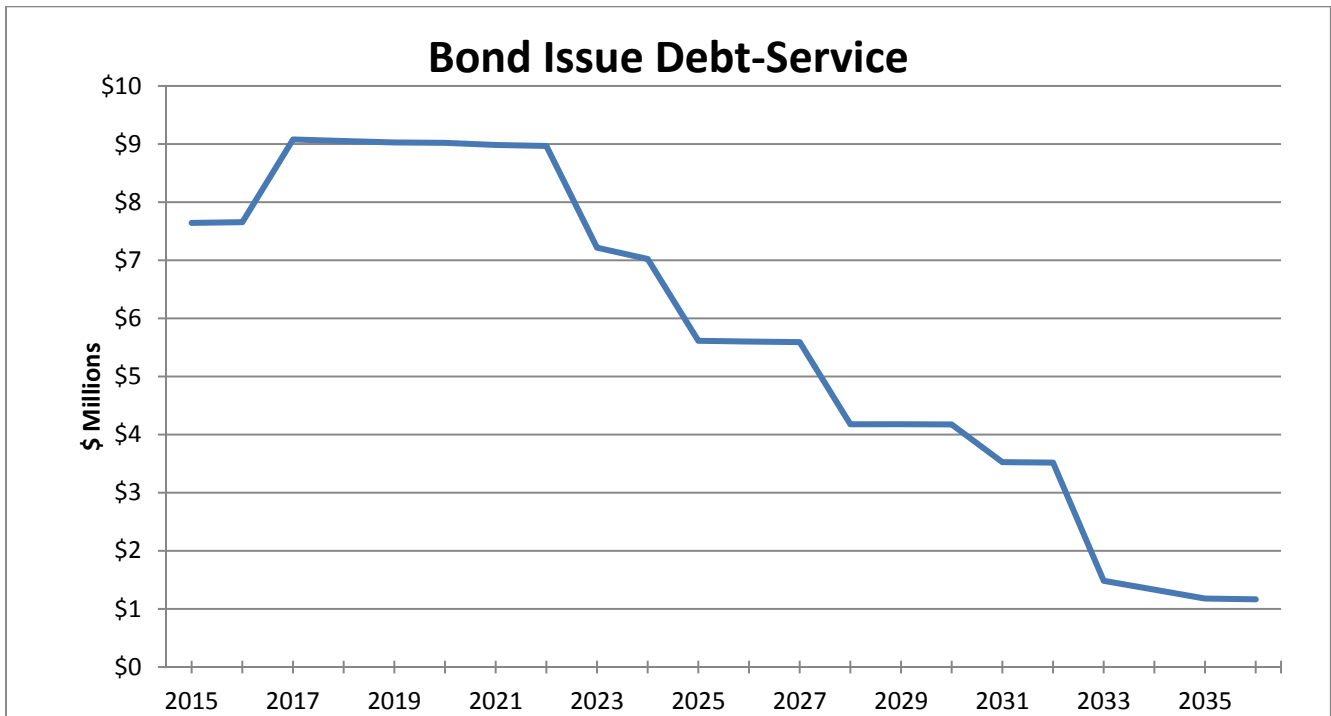
There is no planned bond activity in 2015. As construction time lines have been modified, management moved a \$14,000,000 revenue bond issue previously scheduled for 2015 to 2017 and increased to \$16,500,000. During late 2015, CAW plans to assume a loan in the amount of \$3,561,400 from the Department of the U.S. Army to purchase water rights on 100 MGD from DeGray Lake.

The chart above depicts CAW's actual debt utilization ratio for 2004 through 2013 and estimated ratios for 2014 and 2015 factoring in planned debt additions and repayments, as well as additional capital assets net of anticipated accumulated depreciation. Based on these estimates, the Utility's debt position will remain manageable and well below the AWWA benchmark.

DEBT-SERVICE SCHEDULE

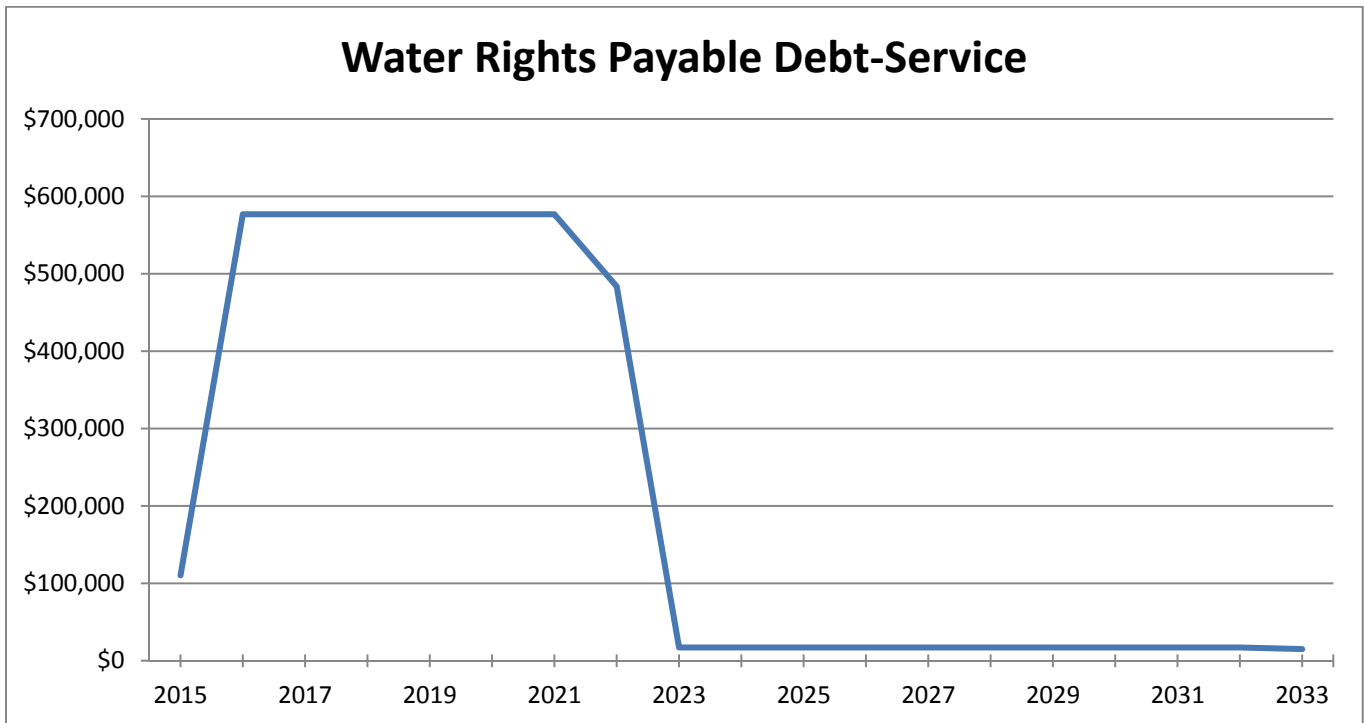
BOND ISSUE DEBT-SERVICE

YEAR	OUTSTANDING SENIOR DEBT			OUTSTANDING SUBORDINATED DEBT			TOTAL	FUTURE SUBORDINATED DEBT			TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL		PRINCIPAL	INTEREST	TOTAL	
2015	765,000	633,175	1,398,175	4,110,399	2,134,269	6,244,668	7,642,843	-	-	-	7,642,843
2016	800,000	596,838	1,396,838	4,371,739	1,886,617	6,258,356	7,655,194	-	-	-	7,655,194
2017	840,000	558,837	1,398,837	4,513,474	1,731,256	6,244,730	7,643,567	610,000	825,000	1,435,000	9,078,567
2018	880,000	518,938	1,398,938	4,640,606	1,593,019	6,233,625	7,632,563	625,000	794,500	1,419,500	9,052,063
2019	920,000	477,137	1,397,137	4,773,145	1,448,811	6,221,956	7,619,093	645,000	763,250	1,408,250	9,027,343
2020	965,000	433,438	1,398,438	4,901,106	1,330,649	6,231,755	7,630,193	660,000	731,000	1,391,000	9,021,193
2021	1,010,000	387,600	1,397,600	5,049,496	1,159,459	6,208,955	7,606,555	680,000	698,000	1,378,000	8,984,555
2022	1,055,000	339,625	1,394,625	5,223,330	985,626	6,208,956	7,603,581	700,000	664,000	1,364,000	8,967,581
2023	1,110,000	289,513	1,399,513	3,652,616	815,671	4,468,287	5,867,800	720,000	629,000	1,349,000	7,216,800
2024	1,160,000	236,788	1,396,788	3,597,363	690,718	4,288,081	5,684,869	745,000	593,000	1,338,000	7,022,869
2025	1,215,000	181,687	1,396,687	2,327,589	564,292	2,891,881	4,288,568	770,000	555,750	1,325,750	5,614,318
2026	1,275,000	123,975	1,398,975	2,393,302	501,666	2,894,968	4,293,943	790,000	517,250	1,307,250	5,601,193
2027	1,335,000	63,412	1,398,412	2,459,517	435,389	2,894,906	4,293,318	820,000	477,750	1,297,750	5,591,068
2028	-	-	-	2,531,244	365,293	2,896,537	2,896,537	845,000	436,750	1,281,750	4,178,287
2029	-	-	-	2,618,498	290,388	2,908,886	2,908,886	875,000	394,500	1,269,500	4,178,386
2030	-	-	-	2,711,289	212,747	2,924,036	2,924,036	900,000	350,750	1,250,750	4,174,786
2031	-	-	-	2,154,638	130,848	2,285,486	2,285,486	935,000	305,750	1,240,750	3,526,236
2032	-	-	-	2,223,546	70,532	2,294,078	2,294,078	965,000	259,000	1,224,000	3,518,078
2033	-	-	-	262,762	10,796	273,558	273,558	1,000,000	210,750	1,210,750	1,484,308
2034	-	-	-	134,584	2,187	136,771	136,771	1,035,000	160,750	1,195,750	1,332,521
2035	-	-	-	-	-	-	-	1,070,000	109,000	1,179,000	1,179,000
2036	-	-	-	-	-	-	-	1,110,000	55,500	1,165,500	1,165,500
TOTAL	\$ 13,330,000	\$ 4,840,963	\$ 18,170,963	\$ 64,650,243	\$ 16,360,233	\$ 81,010,476	\$ 99,181,439	\$ 16,500,000	\$ 9,531,250	\$ 26,031,250	\$ 125,212,689



WATER RIGHTS PAYABLE DEBT-SERVICE

YEAR	GREERS FERRY OUTSTANDING WATER RIGHTS PAYABLE			DEGRAY LAKE FUTURE WATER RIGHTS PAYABLE			TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2015	7,999	9,157	17,156	77,103	16,188	93,291	110,447
2016	8,328	8,827	17,155	470,082	89,662	559,744	576,899
2017	8,672	8,483	17,155	483,134	76,609	559,743	576,898
2018	9,030	8,125	17,155	496,550	63,194	559,744	576,899
2019	9,402	7,753	17,155	510,337	49,406	559,743	576,898
2020	9,790	7,365	17,155	524,508	35,235	559,743	576,898
2021	10,194	6,961	17,155	539,072	20,670	559,742	576,897
2022	10,614	6,541	17,155	460,644	5,809	466,453	483,608
2023	11,052	6,103	17,155	-	-	-	17,155
2024	11,508	5,647	17,155	-	-	-	17,155
2025	11,983	5,172	17,155	-	-	-	17,155
2026	12,477	4,678	17,155	-	-	-	17,155
2027	12,992	4,163	17,155	-	-	-	17,155
2028	13,528	3,627	17,155	-	-	-	17,155
2029	14,086	3,069	17,155	-	-	-	17,155
2030	14,667	2,488	17,155	-	-	-	17,155
2031	15,272	1,883	17,155	-	-	-	17,155
2032	15,902	1,253	17,155	-	-	-	17,155
2033	14,480	597	15,077	-	-	-	15,077
TOTAL	\$ 221,976	\$ 101,892	\$ 323,868	\$ 3,561,430	\$ 356,773	\$ 3,918,203	\$ 4,242,071

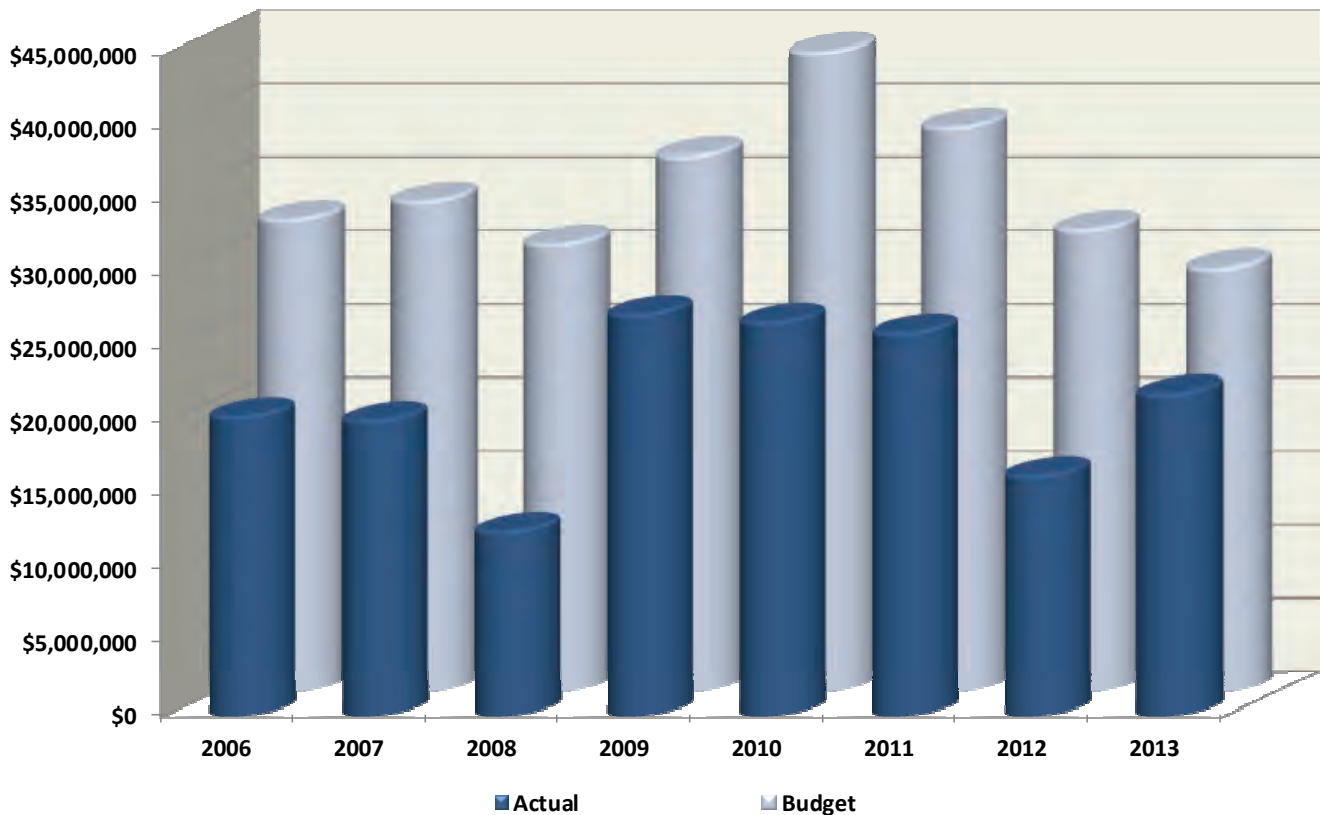


CAPITAL IMPROVEMENT PLAN – OVERVIEW

CAW historically does not complete 100% of planned capital projects each budget year. The Utility must allocate funding for the projects from the proper funding source. The funding sources for 2015 include rates, WPF's, grant proceeds, and excess working capital (EWC).

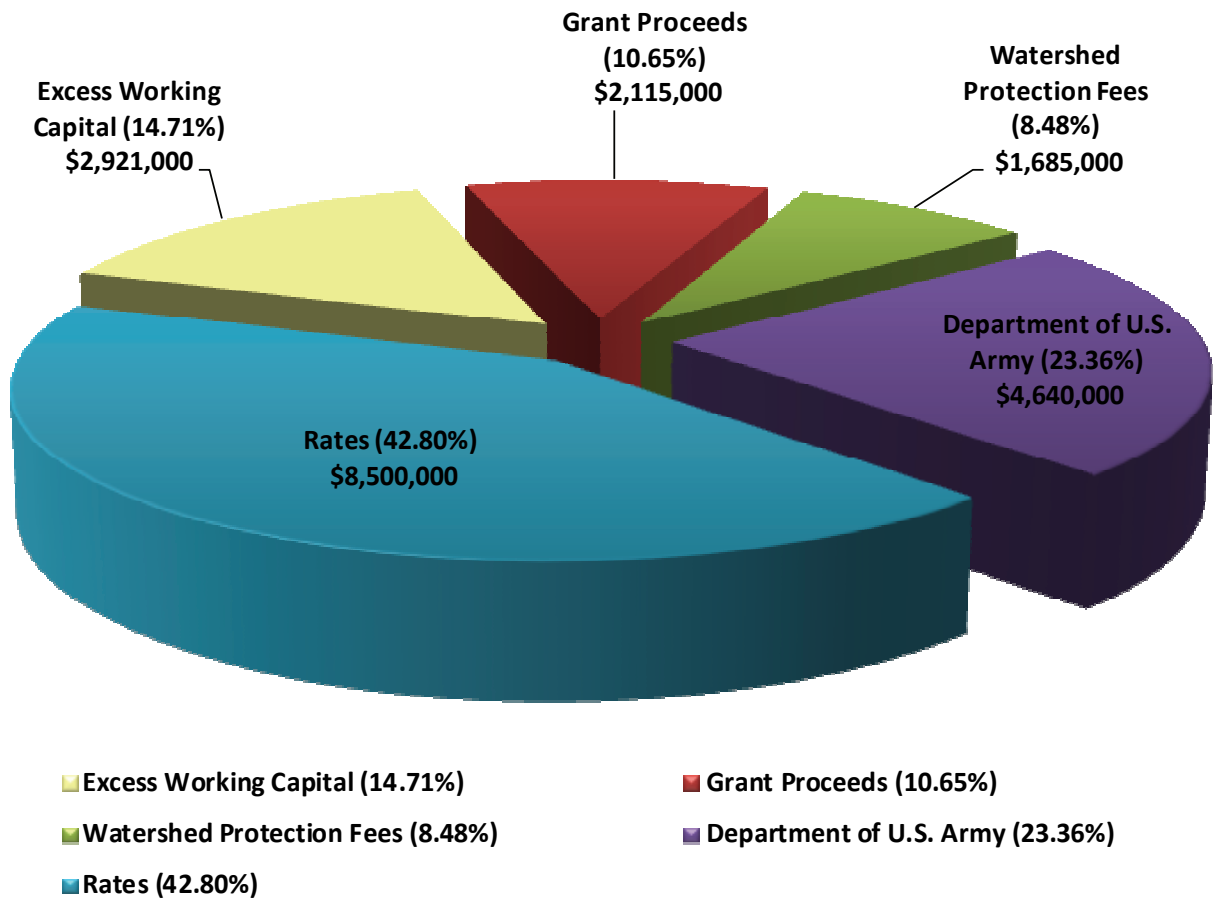
Actual Capital Expenditures compared to budget for 2006 through 2013 are as follows:

Capital Expenditures by Year



Budgeted 2015 Capital Expenditures by funding source are depicted below:

CAPITAL EXPENDITURES By FUNDING SOURCE

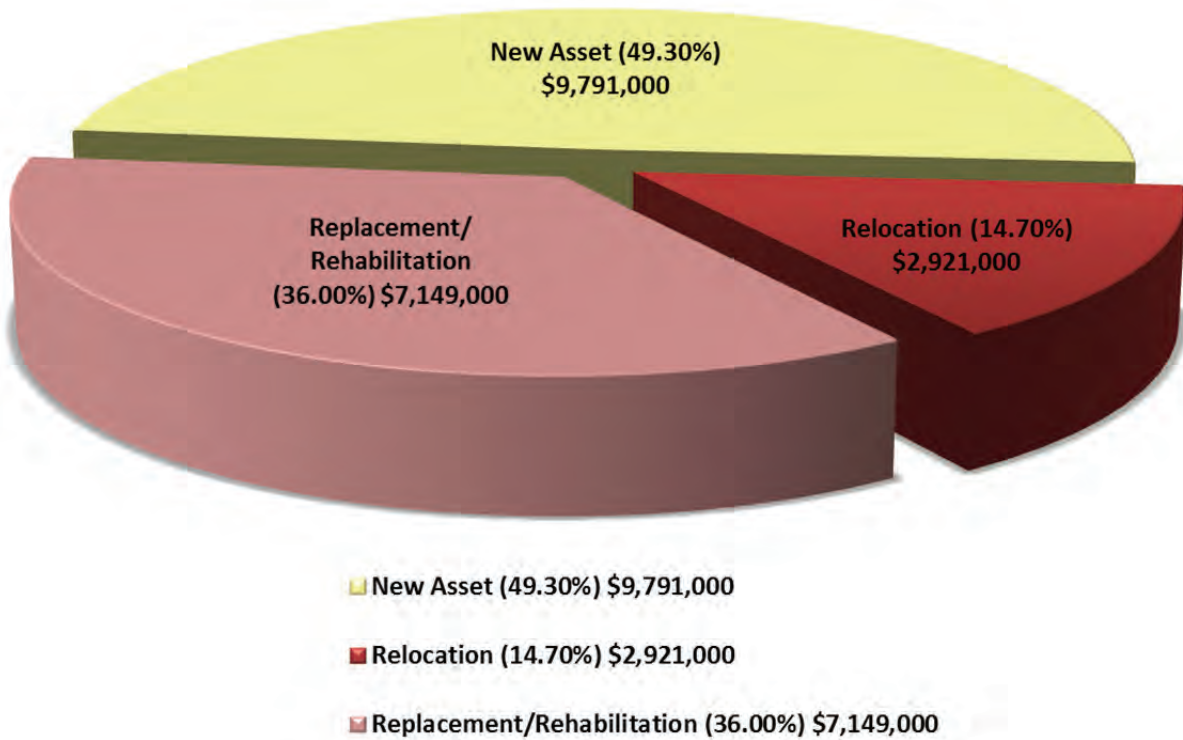


Rates account for approximately 42.80% of planned 2015 Capital Expenditures. Grant proceeds account for approximately 10.65%. Generally, watershed protection fees and grant proceeds are utilized to fund watershed management efforts, while rates are utilized to fund replacements, relocations, and rehabilitation projects.

In 2015, CAW added EWC as a new funding source for relocations. Relocations are state and city projects that require CAW to move infrastructure. EWC is available as a result of operating results in 2010 – 2013.

Budgeted 2015 Capital Expenditures by purpose are depicted below:

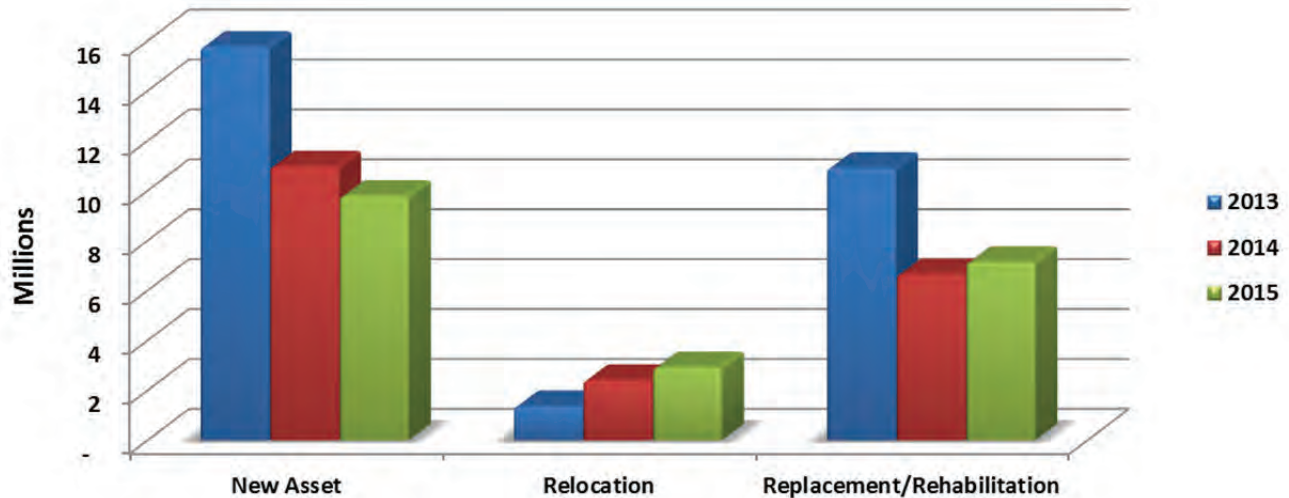
CAPITAL EXPENDITURES



Of 2015 Capital Expenditures, 42.34% is budgeted for water rights and land acquisition within the new assets category above.

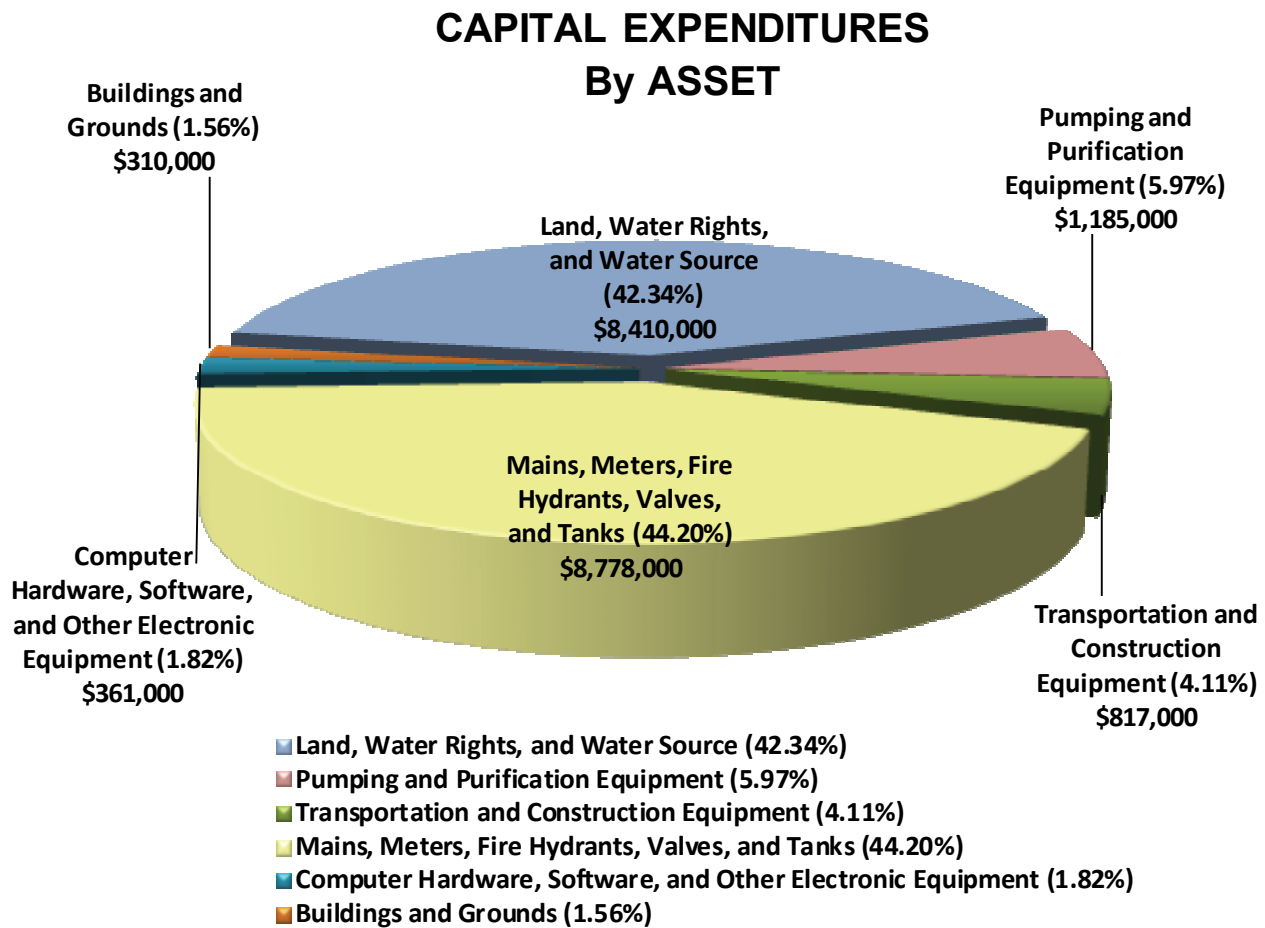
CAPITAL EXPENDITURES

THREE-YEAR TREND



New asset expenditures along with associated bond funds have declined with the completion of D/DBP plant upgrades. Relocation projects are increasing as city and state governments are receiving increased sales tax funding for infrastructure improvements and expansion. Many infrastructure projects require CAW to relocate assets. Asset replacement has been forced to decrease as spending was necessary in other areas. Plans, per the asset management plan, call for an increase in future replacement spending.

Budgeted 2015 Capital Expenditures by asset type are depicted below:



Approximately 44.20% of 2015 Capital Expenditures are distribution system assets (mains, meters, fire hydrants, valves, and tanks). Water Quality & Operations expenditures (land, water rights, and water source) account for 42.34% of the total. Another 5.97% of 2015 Capital Expenditures include water treatment facility improvements (pumping and purification).

A departmental justification is provided for each project in the 2015 Capital Improvement Plan including impact on operations and maintenance expense, if any. All projects with a total cost exceeding \$1,000,000 also include a photographic image.

The Five-Year Plan includes details to expand and improve the water system on both sides of the Arkansas River from 2015 through 2019. For the upcoming year, a loan with the Department of the U.S. Army is planned at \$3,561,400. The loan amount increase reflects CAW's modified plan to purchase 100 MGD, previously 60 MGD, from DeGray Lake. Contributions from third-parties are reflected as credits in the following schedules as the contributions reduce the total cost of the project to the Utility.

Capital Projects Exceeding \$1,000,000

Property Purchase Reece Creek Phase I



This request is the first of four phases for acquisition of 845 acres on the north side of Lake Maumelle. Phase I will acquire 138 acres of property along Reece Creek. CAW funds will match a Forest Legacy grant of \$1.92 million. Acquisition and protection of undeveloped land like this property is the most effective way to ensure long-term water quality protection.

Previous Cost	Capital			Total Cost	O&M Annual Impact
	2015 Budget	Future Cost			
\$ -	\$ 2,590,000	\$ -		\$ 2,590,000	\$ -

Purchase DeGray Lake Water Rights – 100 MGD



This is the purchase of 100 MGD of the 120 MGD water rights currently under a right of first refusal contract with the Department of U.S. Army. This purchase will decrease operations and maintenance costs approximately \$88,000 and increase debt service costs approximately \$560,000 per year.

Previous Cost	Capital			Total Cost	O&M Annual Impact
	2015 Budget	Future Cost			
\$ -	\$ 4,640,000	\$ -		\$ 4,640,153	(\$ 88,000)

CAPITAL IMPROVEMENT PLAN – 2015 FUNDING SOURCES

DESCRIPTION	TOTAL	EWC	Grant	WPF	Army	Rates
SOURCE & TREATMENT						
Purchase Online Fluoride Analyzer	6,000					6,000
Purchase Online Chlorine Analyzer	28,000					28,000
Purchase Online Turbidimeters	70,000					70,000
Purchase Online System Chlorine Monitor	40,000					40,000
TOTAL	\$ 144,000	\$ -	\$ -	\$ -	\$ -	\$ 144,000
DISTRIBUTION						
Capital Labor	1,575,000					1,575,000
Purchase/Install Meters - Change-Out Program	442,000					442,000
Purchase/Install - New Service Meters	144,000					144,000
Replace 1"-DIAM Copper Service and Install 1" and 2"-DIAM Services (Projects 1-4)	468,000					468,000
Replace (4) Backhoe Trailers	67,000					67,000
Replace Hydrants	58,000					58,000
Replace (3) Two Ton Crew Trucks	384,000					384,000
Replace (1) Dump Truck	92,000					92,000
Replace (2) 3/4 Ton Service Trucks 4x4	60,000					60,000
Replace (1) 1/2 Ton Truck	23,000					23,000
Replace (1) One Ton Van	42,000					42,000
Purchase Miscellaneous Boring Attachments	20,000					20,000
Replace Alum & Lime Feeder View Panel	11,000					11,000
Purchase New Pressure Calibrator	5,000					5,000
Replace Backup Batteries For Remote Telemetry Units and Computer Processing Units	15,000					15,000
Replace Shimpo Flocculation Drive - Ozark Basin	10,000					10,000
Replace Motor #1 - Station #29 - 29th Street	5,000					5,000
Install Variable Frequency Drive - Pump #6 - Scenic Hills	180,000					180,000
Variable Frequency Drive - Station #24 - Scenic Hills	7,000					7,000
Replace Filter Controls - Wilson	66,000					66,000
Replace Influent #3 Flow Meter - Wilson	22,000					22,000
Install Truck Lift in Maintenance Shop - CAW 50%	12,000					12,000
Purchase Air Piercing Tools	9,000					9,000
TOTAL	\$ 3,717,000	\$ -	\$ -	\$ -	\$ -	\$ 3,717,000
CUSTOMER RELATIONS & PUBLIC AFFAIRS						
Replace (3) Vehicles	83,000					83,000
Replace Commercial Meters	75,000					75,000
Install Automatic Meter Reading Meters - Route #5754	75,000					75,000
TOTAL	\$ 233,000	\$ -	\$ -	\$ -	\$ -	\$ 233,000

CAPITAL IMPROVEMENT PLAN – 2015 FUNDING SOURCES

DESCRIPTION	TOTAL	EWC	Grant	WPF	Army	Rates
ADMINISTRATION						
Replace Roof - JTH	150,000					150,000
Security Enhancements	100,000					100,000
TOTAL	\$ 250,000	\$ -	\$ -	\$ -	\$ -	\$ 250,000
WATER QUALITY						
Purchase Conservation Easement(s)	300,000			300,000		
Purchase Property	500,000			500,000		
Purchase Forest Legacy Projects	2,590,000		1,915,000	675,000		
Improve Building - Winrock Grass Farm	50,000			50,000		
Improve Marina Facility	10,000			10,000		
Remove Dam / Construct Bridge - Winrock Grass Farm	350,000		200,000	150,000		
Replace Total Organic Carbon Analyzer	50,000					50,000
TOTAL	\$ 3,850,000	\$ -	\$ 2,115,000	\$ 1,685,000	\$ -	\$ 50,000
INFORMATION SERVICES						
Purchase Additional SAN Disk VMWare Servers	32,000					32,000
Replace Servers	20,000					20,000
Replace Phone System - Lake Maumelle	30,000					30,000
Purchase Custom Tools for Map Server Platform	40,000					40,000
Purchase Network Management Software	10,000					10,000
Upgrade Financial Management Software	35,000					35,000
Replace enQuesta Data Server	60,000					60,000
Replace Network Firewall	20,000					20,000
Replace Global Positioning System Equipment	30,000					30,000
Replace Phone System - JTH	44,000					44,000
Purchase Payment Kiosk - JTH	25,000					25,000
TOTAL	\$ 346,000	\$ -	\$ -	\$ -	\$ -	\$ 346,000
ENGINEERING						
FACILITIES						
Purchase DeGray Lake Water Rights	4,640,000			4,640,000		
Preliminary Engineering Report - Pump Station #1A - Wilson Plant (co)	50,000					50,000
Preliminary Engineering Report - Intake Inspection - Lake Winona/Lake Maumelle	90,000					90,000
Preliminary Engineering Report - Alternate Water Source - AR River	120,000					120,000
Construct Booster Pump Station #26B - NLR High Pressure Zone	430,000					430,000

CAPITAL IMPROVEMENT PLAN – 2015 FUNDING SOURCES

DESCRIPTION	TOTAL	EWC	Grant	WPF	Army	Rates
ENGINEERING (Cont.)						
TRANSMISSION MAINS - REPLACEMENTS						
Replace 16"-DIAM Steel Pipe Across Cantrell Road - Pulaski Heights East Feed	300,000					300,000
TRANSMISSION MAINS - RELOCATIONS						
Relocate 16"/12"-DIAM Main - McCain/Fairfax RR Bridge	580,000	580,000				
Relocate 16"-DIAM Main - Capitol Drain/N. Cantrell Road	100,000	100,000				
DISTRIBUTION MAINS - NEW CONSTRUCTION						
Developer Participation - New Mains	100,000					100,000
DISTRIBUTION MAINS - REPLACEMENTS						
Replace 12"-DIAM Asbestos Cement Main - E Roosevelt/Welch St - LR W1	650,000					650,000
Replace 2"-DIAM Galvanized Pipe - N Monroe/Palm/Woodlawn - LR W3	565,000					565,000
Replace 2"-DIAM Galvanized And 6"-DIAM Asbestos Cement Pipe. - Dixie Addition - NLR W2	450,000					450,000
Replace 2"-DIAM Galvanized Pipe - SA Jones/'C'/Delhaven - NLR W2	230,000					230,000
Replace 2"-DIAM Galvanized Pipe - Rose/Healy - NLR W2	160,000					160,000
Replace 2"-DIAM Galvanized Pipe - Creekridge - Sherwood W4	160,000					160,000
DISTRIBUTION MAINS - RELOCATIONS						
Relocate 2"-DIAM Main - Schiller St - LR	40,000	40,000				
Relocate 12"-DIAM Main - Zoo Dr - LR	25,000	25,000				
Relocate 8"-DIAM Main - Woodson St -LR	40,000	40,000				
Relocate 12"-DIAM Main - Sheila Ln & Meyer Rd - LR	17,000	17,000				
Relocate 8"-DIAM Main - Victoria at Woodford - LR	20,000	20,000				
Relocate 2"-DIAM Main - Sandy Ln - LR	8,000	8,000				
Relocate 6"-DIAM Main - Thompson Rd - LR	95,000	95,000				
Relocate 8"-DIAM Main - Hawthorne at Tyler - LR	15,000	15,000				
Relocate 12"-DIAM Main - Pinnacle Valley Rd - LR	30,000	30,000				
Relocate 12"-DIAM Main - Hinson & Pebble Beach - LR	10,000	10,000				
Relocate 6"-DIAM Main - McAdoo Drainage - LR	25,000	25,000				
Relocate 8"-DIAM Main - Dorado Beach - LR	5,000	5,000				
Relocate 8"-DIAM Main - Overlook Dr - LR	35,000	35,000				
Relocate 12"-DIAM Main - 'W' St at Grant - LR	45,000	45,000				
Relocate 12"-DIAM Main - Taylor Loop Rd - LR	175,000	175,000				
Relocate 12"-DIAM Main - W 36th & Shackleford - LR	15,000	15,000				
Relocate 2"-DIAM Main - W 44th - LR	50,000	50,000				
Relocate 8"-DIAM Main - 'P' St - LR	15,000	15,000				
Relocate 2"/6"/12"-DIAM Main - Potter St - LR	25,000	25,000				
Relocate 8"-DIAM Main - Yarberry Ln - LR	6,000	6,000				
Relocate 12"-DIAM Main - Chicot Rd at Mabelvale Pike - LR	190,000	190,000				
Relocate 2"-DIAM Main - Malloy St - LR	30,000	30,000				
Relocate 6"/8"-DIAM Main - N. Pine St - LR	60,000	60,000				

CAPITAL IMPROVEMENT PLAN – 2015 FUNDING SOURCES

DESCRIPTION	TOTAL	EWC	Grant	WPF	Army	Rates
ENGINEERING (Cont.)						
DISTRIBUTION MAINS - RELOCATIONS (Cont.)						
Relocate 8"-DIAM Main - 17th St - LR	30,000	30,000				
Relocate 6"-DIAM Main - Adams St - LR	65,000	65,000				
Relocate 12"/8"/6"-DIAM Main - Counts Massie/Old Crystal Hill Rd - NLR/Maumelle	375,000	375,000				
Relocate 2"-DIAM Main - Schaer St - NLR	20,000	20,000				
Relocate 8"-DIAM Main - Poe St - NLR	35,000	35,000				
Relocate 2"/6"-DIAM Main - 39th St - NLR	30,000	30,000				
Relocate 8"-DIAM Main - Oakbrooke Dr - Sherwood	5,000	5,000				
Relocate 12"-DIAM Main - Arch St - AHTD	300,000	300,000				
Relocate 8"/3"-DIAM Main - I-430 & Hwy 10 (Cantrell Rd) - AHTD	60,000	60,000				
Relocate 12"-DIAM Main - MacArthur Rd - AHTD	150,000	150,000				
Relocate Undesignated/Unknown Locations - LR	50,000	50,000				
Relocate Undesignated/Unknown Locations - NLR	50,000	50,000				
Relocate Undesignated/Unknown Locations - Sherwood	10,000	10,000				
Relocate Undesignated/Unknown Locations - Pulaski County	10,000	10,000				
Relocate Undesignated/Unknown Locations - AHTD	75,000	75,000				
MISCELLANEOUS						
Capital Labor	400,000					400,000
Replace Vehicle	25,000					25,000
Professional Services - Engineering	20,000					20,000
Professional Services - Property Appraisals	5,000					5,000
Professional Services - Land Surveying	5,000					5,000
TOTAL	\$11,321,000	\$ 2,921,000	\$ -	\$ -	\$4,640,000	\$ 3,760,000
GRAND TOTAL	\$19,861,000	\$ 2,921,000	\$ 2,115,000	\$ 1,685,000	\$4,640,000	\$ 8,500,000

EWC	Excess Working Capital
Grant	Grant Proceeds
WPF	Watershed Protection Fees
Army	Department of U.S. Army
Rates	Rates

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
SOURCE & TREATMENT		
Purchase Online Fluoride Analyzer Analyzer will enable earlier issue detection and adjustment of fluoride feed system.	6,000	-
Purchase Online Chlorine Analyzer Analyzer is required for adjusting disinfection treatment and continuous monitoring.	28,000	-
Purchase Online Turbidimeters Replace older units with diminished bulb intensity. Units required for compliance monitoring.	70,000	-
Purchase Online System Chlorine Monitor Online/Remote data enables greater detail than real time allowing for better chlorine adjustment.	40,000	-
DISTRIBUTION		
Capital Labor Annual capitalization of labor expended on capital improvement projects.	1,575,000	-
Purchase/Install Meters - Change-Out Program Annual replacement of water meters that have been in service 16 years or longer. Change-out program enhances water metering by removing slow meters from the system. Slow meters directly impact revenues.	442,000	-
Purchase/Install - New Service Meters Material costs associated with installation of new meters.	144,000	-
Replace 1"-DIAM Copper Service and Install 1" and 2"-DIAM Services (Projects 1-4) Assets used during new construction and infrastructure additions.	468,000	-
Replace (4) Backhoe Trailers Replace trailers currently loaded near limits and incurring repairs frequently. New trailers will have higher gross vehicle weight rating and require less repair.	67,000	-
Replace Hydrants Estimate of 58 hydrants that will be upgraded to maintain fire protection levels. Project is necessary to ensure hydrants in the system are satisfactory to fight fires and the distribution system is flushed.	58,000	-
Replace (3) Two Ton Crew Trucks Replace trucks #204, #205, and #86 due to excessive mileage and maintenance costs.	384,000	-
Replace (1) Dump Truck Replace truck #43 due to excessive mileage and maintenance costs.	92,000	-
Replace (2) 3/4 Ton Service Trucks 4x4 Replace trucks #291 and #421 due to excessive mileage and maintenance costs.	60,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
DISTRIBUTION (Cont.)		
Replace (1) 1/2 Ton Truck Replace truck #426 due to excessive mileage and maintenance costs.	23,000	-
Replace (1) One Ton Van Replace van #410 due to excessive mileage and maintenance costs.	42,000	-
Purchase Miscellaneous Boring Attachments Purchase miscellaneous attachments for boring machine operations.	20,000	-
Replace Alum & Lime Feeder View Panel Existing panels are deteriorating and have exceeded life expectancy.	11,000	-
Purchase New Pressure Calibrator Replace current calibrator in need of repair.	5,000	-
Replace Backup Batteries For Remote Telemetry Units and Computer Processing Units Due to critical nature of components they are on a three year replacement schedule.	15,000	-
Replace Shimpo Flocculation Drive - Ozark Basin Existing mixer obsolete and no spare parts remain.	10,000	-
Replace Motor #1 - Station #29 - 29th Street Existing motor is old and inefficient.	5,000	-
Install Variable Frequency Drive - Pump #6 - Scenic Hills Variable speed control is needed when intermediate system tank #2 is out of service for cleaning or repair.	180,000	-
Variable Frequency Drive - Station #24 - Scenic Hills Current single speed pump is used during high demand. Variable drive will provide better pressure control.	7,000	-
Replace Filter Controls - Wilson Existing equipment is deteriorating and beyond useful life.	66,000	-
Replace Influent #3 Flow Meter - Wilson Current meter obsolete and no longer giving accurate signal.	22,000	-
Install Truck Lift in Maintenance Shop - CAW 50% CAW cost share with Little Rock Waste Water to improve maintenance shop.	12,000	-
Purchase Air Piercing Tools Purchase 3" Mole Hogs to replace used equipment.	9,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
CUSTOMER RELATIONS & PUBLIC AFFAIRS		
Replace (3) Vehicles Replace trucks #400, #437, and #444 due to excessive mileage and maintenance costs.	83,000	-
Replace Commercial Meters Replacement of commercial meters with new electric read meters.	75,000	
Install Automatic Meter Reading Meters - Route #5754 Reduction of read costs within this route.	75,000	-
ADMINISTRATION		
Replace Roof - JTH Roof leaking and requires replacement.	150,000	-
Security Enhancements Implementation year 1 - 2014 Vulnerability Assessment.	100,000	-
WATER QUALITY		
Purchase Conservation Easement(s) Conservation Easement purchases are more cost effective than outright property purchase. Easements contribute to long-term water quality protection as a utility tool to control development.	300,000	-
Purchase Property Continue to purchase land to ensure long-term water quality protection.	500,000	-
Purchase Forest Legacy Projects See Page 74	2,590,000	-
Improve Building - Winrock Grass Farm Improvements target activities directly enhancing the facility, watershed maintenance, water quality, and/or public access.	50,000	-
Improve Marina Facility Provide cost-share funding for improvements at Jolly Rogers Marina and Grand Maumelle Sailing Club. Each expense would include corresponding cost-share from the Marina/Sailing Club.	10,000	-
Remove Dam / Construct Bridge - Winrock Grass Farm matching by grants.	350,000	-
Replace Total Organic Carbon Analyzer Replace aged asset beyond useful life.	50,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
INFORMATION SERVICES		
Purchase Additional SAN Disk VMWare Servers Additional disk capacity needed for virtual servers.	32,000	-
Replace Servers Replace old servers greater than six years old.	20,000	-
Replace Phone System - Lake Maumelle Asset is beyond useful life and no longer supported by vendor.	30,000	-
Purchase Custom Tools for Map Server Platform Procure outside firm to develop customer tool-set integrating ArcGIS and Cityworks mobile environment on tablets.	40,000	-
Purchase Network Management Software Software will allow monitoring of Business and SCADA networks.	10,000	-
Upgrade Financial Management Software Current software is outdated. Software upgrades are required.	35,000	-
Replace enQuesta Data Server Asset is beyond useful life.	60,000	-
Replace Network Firewall Current software is outdated. Software upgrades are required.	20,000	-
Replace Global Positioning System Equipment Replace old hardware requiring frequent repair with new technology.	30,000	-
Replace Phone System - JTH Asset is beyond useful life and no longer supported by vendor.	44,000	-
Purchase Payment Kiosk - JTH Addition of payment kiosk to lobby.	25,000	-
ENGINEERING		
FACILITIES		
Purchase DeGray Lake Water Rights See Page 75	4,640,000	(88,000)
Preliminary Engineering Report - Pump Station #1A - Wilson Plant (co) Assess upgrade to Wilson Plant Pump Station #1A.	50,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
ENGINEERING (cont.)		
FACILITIES (cont.)		
Preliminary Engineering Report - Intake Inspection - Lake Winona/Lake Maumelle/Jackson Assess condition of existing raw water intake structures.	90,000	-
Preliminary Engineering Report - Alternate Water Source - AR River Assess feasibility of Arkansas River as an alternative water source.	120,000	-
Construct Booster Pump Station #26B - NLR High Pressure Zone Current system at capacity. New pump station provides redundancy and allows future growth.	430,000	-
TRANSMISSION MAINS - REPLACEMENTS		
Replace 16"-DIAM Steel Pipe Across Cantrell Road - Pulaski Heights East Feed Replace approximately 600 linear feet of steel water main.	300,000	-
TRANSMISSION MAINS - RELOCATIONS		
Relocate 16"/12"-DIAM Main - McCain/Fairfax RR Bridge Relocate existing main due to construction of new railroad bridge.	580,000	-
Relocate 16"-DIAM Main - Capitol Drain/N. Cantrell Road Relocate existing main due to bridge replacement.	100,000	-
TRANSMISSION MAINS - NEW CONSTRUCTION		
Developer Participation - New Mains CAW Participation in main installation costs due to larger size mains needed in future growth areas.	100,000	-
TRANSMISSION MAINS - REPLACEMENTS		
Replace 12"-DIAM Asbestos Cement Main - E Roosevelt/Welch St - LR W1 Replace approximately 62 year old 12"-DIAM main experiencing numerous leaks and breaks.	650,000	-
Replace 2"-DIAM Galvanized Pipe - N Monroe/Palm/Woodlawn - LR W3 Replace approximately 90 year old 2"-DIAM main experiencing numerous leaks and breaks.	565,000	-
Replace 2"-DIAM Galvanized And 6"-DIAM Asbestos Cement Pipe. - Dixie Addition - NLR W2 Replace approximately 65 year old 2"-DIAM main experiencing numerous leaks and breaks.	450,000	-
Replace 2"-DIAM Galvanized Pipe - SA Jones/'C'/Delhaven - NLR W2 Replace approximately 40 to 100 year old 2"-DIAM main experiencing numerous leaks and breaks.	230,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
ENGINEERING (cont.)		
TRANSMISSION MAINS - REPLACEMENTS (cont.)		
Replace 2"-DIAM Galvanized Pipe - Rose/Healy - NLR W2 Replace approximately 42 year old 2"-DIAM main experiencing numerous leaks and breaks.	160,000	-
Replace 2"-DIAM Galvanized Pipe - Creekridge - Sherwood W4 Replace approximately 42 year old 2"-DIAM main experiencing numerous leaks and breaks.	160,000	-
DISTRIBUTION MAINS - RELOCATIONS		
Relocate 2"-DIAM Main - Schiller St - LR Relocate 2"-DIAM Main due to city street and drainage improvements.	40,000	-
Relocate 12"-DIAM Main - Zoo Dr - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	25,000	-
Relocate 8"-DIAM Main - Woodson St -LR Relocate 8"-DIAM Main due to city street and drainage improvements.	40,000	-
Relocate 12"-DIAM Main - Sheila Ln & Meyer Rd - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	17,000	-
Relocate 8"-DIAM Main - Victoria at Woodford - LR Relocate 8"-DIAM Main due to city street and drainage improvements.	20,000	-
Relocate 2"-DIAM Main - Sandy Ln - LR Relocate 2"-DIAM Main due to city street and drainage improvements.	8,000	-
Relocate 6"-DIAM Main - Thompson Rd - LR Relocate 6"-DIAM Main due to city street and drainage improvements.	95,000	-
Relocate 8"-DIAM Main - Hawthorne at Tyler - LR Relocate 8"-DIAM Main due to city street and drainage improvements.	15,000	-
Relocate 12"-DIAM Main - Pinnacle Valley Rd - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	30,000	-
Relocate 12"-DIAM Main - Hinson & Pebble Beach - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	10,000	-
Relocate 6"-DIAM Main - McAdoo Drainage - LR Relocate 6"-DIAM Main due to city street and drainage improvements.	25,000	-
Relocate 8"-DIAM Main - Dorado Beach - LR Relocate 8"-DIAM Main due to city street and drainage improvements.	5,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
ENGINEERING (cont.)		
DISTRIBUTION MAINS - RELOCATIONS (cont.)		
Relocate 8"-DIAM Main - Overlook Dr - LR Relocate 8"-DIAM Main due to city street and drainage improvements.	35,000	-
Relocate 12"-DIAM Main - 'W' St at Grant - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	45,000	-
Relocate 12"-DIAM Main - Taylor Loop Rd - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	175,000	-
Relocate 12"-DIAM Main - W 36th & Shackelford - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	15,000	-
Relocate 2"-DIAM Main - W 44th - LR Relocate 2"-DIAM Main due to city street and drainage improvements.	50,000	-
Relocate 8"-DIAM Main - 'P' St - LR Relocate 8"-DIAM Main due to city street and drainage improvements.	15,000	-
Relocate 2"/6"/12"-DIAM Main - Potter St - LR Relocate 2", 6", & 8"-DIAM Main due to city street and drainage improvements.	25,000	-
Relocate 8"-DIAM Main - Yarberry Ln - LR Relocate 8"-DIAM Main due to city street and drainage improvements.	6,000	-
Relocate 12"-DIAM Main - Chicot Rd at Mabelvale Pike - LR Relocate 12"-DIAM Main due to city street and drainage improvements.	190,000	-
Relocate 2"-DIAM Main - Malloy St - LR Relocate 2"-DIAM Main due to city street and drainage improvements.	30,000	-
Relocate 6"/8"-DIAM Main - N. Pine St - LR Relocate 6" & 8"-DIAM Main due to city street and drainage improvements.	60,000	-
Relocate 8"-DIAM Main - 17th St - LR Relocate 8"-DIAM Main due to city street and drainage improvements.	30,000	-
Relocate 6"-DIAM Main - Adams St - LR Relocate 6"-DIAM Main due to city street and drainage improvements.	65,000	-
Relocate 12"/8"/6"-DIAM Main - Counts Massie/Old Crystal Hill Rd - NLR/Maumelle Relocate 12", 8", & 6"-DIAM Main due to city street and drainage improvements.	375,000	-
Relocate 2"-DIAM Main - Schaer St - NLR Relocate 2"-DIAM Main due to city street and drainage improvements.	20,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
ENGINEERING (cont.)		
DISTRIBUTION MAINS - RELOCATIONS (cont.)		
Relocate 8"-DIAM Main - Poe St - NLR Relocate 8"-DIAM Main due to city street and drainage improvements.	35,000	-
Relocate 2"/6"-DIAM Main - 39th St - NLR Relocate 2" & 6"-DIAM Main due to city street and drainage improvements.	30,000	-
Relocate 8"-DIAM Main - Oakbrooke Dr - Sherwood Relocate 8"-DIAM Main due to city street and drainage improvements.	5,000	-
Relocate 12"-DIAM Main - Arch St - AHTD Relocate 12"-DIAM Main due to city street and drainage improvements.	300,000	-
Relocate 8"/3"-DIAM Main - I-430 & Hwy 10 (Cantrell Rd) - AHTD Relocate 8" & 3"-DIAM Main due to city street and drainage improvements.	60,000	-
Relocate 12"-DIAM Main - MacArthur Rd - AHTD Relocate 12"-DIAM Main due to city street and drainage improvements.	150,000	-
Relocate Undesignated/Unknown Locations - LR Relocate pipes as needed due to city, county, or state improvements.	50,000	-
Relocate Undesignated/Unknown Locations - NLR Relocate pipes as needed due to city, county, or state improvements.	50,000	-
Relocate Undesignated/Unknown Locations - Sherwood Relocate pipes as needed due to city, county, or state improvements.	10,000	-
Relocate Undesignated/Unknown Locations - Pulaski County Relocate pipes as needed due to city, county, or state improvements.	10,000	-
Relocate Undesignated/Unknown Locations - AHTD Relocate pipes as needed due to city, county, or state improvements.	75,000	-
MISCELLANEOUS		
Capital Labor Annual capitalization of labor expended on capital improvement projects.	400,000	-
Replace Vehicle Replace Truck #290 due to excessive mileage and maintenance costs.	25,000	-

CAPITAL IMPROVEMENT PLAN - 2015 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
ENGINEERING (cont.)		
MISCELLANEOUS (cont.)		
Professional Services - Engineering Professional design and consultation as required on various projects.	20,000	-
Professional Services - Property Appraisals Professional appraisal services required for the acquisition of new land and easements.	5,000	-
Professional Services - Land Surveying Professional land surveying required for the acquisition of new land, easements, and maintenance of property rights on existing land and easement holdings.	5,000	-
		19,861,000
		(88,000)

CAPITAL IMPROVEMENT PLAN – FIVE-YEAR PLAN

DESCRIPTION	2015	2016	2017	2018	2019
SOURCE & TREATMENT					
Purchase Online Fluoride Analyzer	6,000				
Purchase Online Chlorine Analyzer	28,000				
Purchase Online Turbidimeters	70,000				
Purchase Online System Chlorine Monitor	40,000				
Replace SCADA Human Machine Interface		700,000			
Replace Continuous Chlorine Analyzer - Wilson & Ozark		13,000			
Purchase SCADA System Radios		50,000	50,000		
Upgrade SCADA Plant Programmable Logic Controller		75,000			
Upgrade SCADA System Programmable Logic Controller		150,000	100,000	50,000	
Improve Dam - Lake Maumelle					1,400,000
Replace Fence - Jackson Reservoir				350,000	
Install SCADA - Maumelle Surge Tank Building		25,000			
Purchase Compliance Backup Data Logging		15,000			
Replace On-Line Turbidimeters - Ozark		52,000			
TOTAL	\$ 144,000	\$ 1,080,000	\$ 150,000	\$ 400,000	\$ 1,400,000

DISTRIBUTION

Capital Labor	1,575,000	1,505,000	1,535,000	1,565,000	1,597,000
Purchase/Install Meters - Change-Out Program	442,000	460,000	478,000	497,000	517,000
Purchase/Install - New Service Meters	144,000	151,000	157,000	163,000	169,000
Replace 1"-DIAM Copper Service and Install 1" and 2"-DIAM Services (Projects 1-4)	468,000	487,000	506,000	526,000	547,000
Replace (4) Backhoe Trailers	67,000	69,000			
Replace Hydrants	58,000	60,000	62,000	64,000	66,000
Replace (3) Two Ton Crew Trucks	384,000	396,000	408,000	280,000	
Replace (1) Dump Truck	92,000	95,000	98,000	101,000	104,000
Replace (2) 3/4 Ton Service Trucks 4x4	60,000	94,000	97,000	67,000	69,000
Replace (1) 1/2 Ton Truck	23,000	24,000	25,000	25,000	26,000
Replace (1) One Ton Van	42,000				
Purchase Miscellaneous Boring Attachments	20,000	20,000	20,000	20,000	20,000
Replace Alum & Lime Feeder View Panel	11,000				
Purchase New Pressure Calibrator	5,000				

CAPITAL IMPROVEMENT PLAN – FIVE-YEAR PLAN

DESCRIPTION	2015	2016	2017	2018	2019
DISTRIBUTION (cont.)					
Replace Backup Batteries For Remote Telemetry Units and Computer Processing Units	15,000				
Replace Shimpo Flocculation Drive - Ozark Basin	10,000				
Replace Motor #1 - Station #29 - 29th Street	5,000				
Install Variable Frequency Drive - Pump #6 - Scenic Hills	180,000				
Variable Frequency Drive - Station #24 - Scenic Hills	7,000				
Replace Filter Controls - Wilson	66,000				
Replace Influent #3 Flow Meter - Wilson	22,000				
Install Truck Lift in Maintenance Shop - CAW 50%	12,000				
Purchase Air Piercing Tools	9,000				
Improve Enclose Shed Area		50,000			
Restore - Tank #2			900,000		
Restore - Tank #25				210,000	
Update Pump Station #11			220,000		
Restore - Tank #17				145,000	
Restore - Tank(s)				350,000	700,000
TOTAL	\$ 3,717,000	\$ 3,411,000	\$ 4,506,000	\$ 4,013,000	\$ 3,815,000
CUSTOMER RELATIONS & PUBLIC AFFAIRS					
Replace Vehicles	83,000	83,000	110,000	90,000	90,000
Replace Commercial Meters	75,000	75,000	50,000		
Install Automatic Meter Reading Meters - Route #5754	75,000				
Install AMI / AMR Meters		100,000	100,000	100,000	100,000
TOTAL	\$ 233,000	\$ 258,000	\$ 260,000	\$ 190,000	\$ 190,000
ADMINISTRATION					
Replace Roof - JTH	150,000				
Security Enhancements	100,000	35,000	35,000	35,000	36,000
TOTAL	\$ 250,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 36,000
WATER QUALITY					
Purchase Conservation Easement(s)	300,000		300,000	300,000	300,000
Purchase Property	500,000		500,000	500,000	500,000
Purchase Forest Legacy Projects	2,590,000	3,030,000	3,140,000		

CAPITAL IMPROVEMENT PLAN – FIVE-YEAR PLAN

DESCRIPTION	2015	2016	2017	2018	2019
WATER QUALITY (cont.)					
Improve Building - Winrock Grass Farm	50,000	75,000			
Improve Marina Facility	10,000	10,000	10,000	10,000	10,000
Remove Dam / Construct Bridge - Winrock Grass Farm	350,000	350,000	350,000		
Replace Total Organic Carbon Analyzer	50,000				
Land Coverage Determination - Lake Maumelle		50,000			
Aerial Photography of Watershed - Lake Maumelle		35,000			
Purchase Property Maintenance Equipment		25,000	10,000	10,000	10,000
Improve - Forest Road(s)		50,000	50,000	50,000	50,000
Forest Restoration and Enhancement - Winrock Grass Farm		75,000	50,000		
River, Floodplain, and Wetland Restoration - Winrock Grass Farm		100,000	100,000	100,000	
Replace Truck		25,000			
Replace Gas Chromatograph		125,000			
Water Quality Evaluation Report			250,000		
Update Watershed Management Plan				500,000	
Improve Laboratory Facilities					1,000,000
TOTAL	\$ 3,850,000	\$ 3,950,000	\$ 4,760,000	\$ 1,470,000	\$ 1,870,000
INFORMATION SERVICES					
Purchase Additional SAN Disk VMWare Servers	32,000				65,000
Replace Servers	20,000	20,000	20,000	20,000	20,000
Replace Phone System - Lake Maumelle	30,000				
Purchase Custom Tools for Map Server Platform	40,000				
Purchase Network Management Software	10,000				
Upgrade Financial Management Software	35,000			30,000	
Replace enQuesta Data Server	60,000				
Replace Network Firewall	20,000				
Replace Global Positioning System Equipment	30,000	15,000			
Replace Phone System - JTH	44,000				
Purchase Payment Kiosk - JTH	25,000				
Upgrade Operating Systems On Servers		20,000		20,000	20,000
Purchase Billing Printer		45,000			
Purchase Mac Server For iPad Management		6,000			
Purchase Payment App For Mobile Devices		40,000			
Replace and Upgrade Network Switches			40,000		
Replace Server UPS Units				20,000	
Upgrade/Replace Billing System					700,000

CAPITAL IMPROVEMENT PLAN – FIVE-YEAR PLAN

DESCRIPTION	2015	2016	2017	2018	2019
INFORMATION SERVICES (cont.)					
Replace Camera/DVR Equipment - JTH					32,000
Purchase Microsoft Server Licenses					22,500
TOTAL	\$ 346,000	\$ 146,000	\$ 60,000	\$ 90,000	\$ 859,500
ENGINEERING					
FACILITIES					
Purchase DeGray Lake Water Rights	4,640,000				
Preliminary Engineering Report - Pump Station #1A - Wilson Plant (co)	50,000				
Preliminary Engineering Report - Intake Inspection - Lake Winona/Lake Maumelle/Jackson	90,000				
Preliminary Engineering Report - Alternate Water Source - AR River	120,000				
Construct Booster Pump Station #26B - NLR High Pressure Zone	430,000				
Preliminary Engineering Report - Winona Low Head Pump			130,000		
Replace Control Valve at Storage Tank #23			20,000		
Improve Pump Station #1A - Wilson			1,500,000	1,000,000	
Improve Ozark Point WTP		750,000	3,500,000	5,750,000	1,250,000
Replace Building Roofs - Lake Winona					10,000
Construct Booster Pump Station #17B - Hi Ridge					600,000
Construct 1.0 MG Storage Tank #5B - Pulaski Heights					2,000,000
TRANSMISSION MAINS - NEW CONSTRUCTION					
Construct 24"-DIAM Suction Main to Pump Station #23 - Montgomery			1,000,000	800,000	
Construct 16"-DIAM Parallel Feed Main to Storage Tanks #14A & #14B - Mabelvale					2,000,000
Master Plan Transmission Mains					1,000,000
TRANSMISSION MAINS - REPLACEMENTS					
Replace 16"-DIAM Steel Pipe Across Cantrell Road - Pulaski Heights East Feed	300,000				
TRANSMISSION MAINS - RELOCATIONS					
Relocate 16"/12"-DIAM Main - McCain/Fairfax RR Bridge	580,000				
Relocate 16"-DIAM Main - Capitol Drain/N. Cantrell Road	100,000	100,000			
Relocate 20"-DIAM Main Across Ark. River - Broadway Bridge Attachment - AHTD		1,400,000			
Relocate 24"-DIAM Main - Maryland Avenue - CSherwood			1,200,000		

CAPITAL IMPROVEMENT PLAN – FIVE-YEAR PLAN

DESCRIPTION	2015	2016	2017	2018	2019
ENGINEERING (cont.)					
DISTRIBUTION MAINS - NEW CONSTRUCTION					
Developer Participation - New Mains	100,000	100,000	100,000	100,000	100,000
Install 12"-DIAM W. Baseline Road - Interconnection W. Markham and Mabelvale		375,000			
Extend 8"-DIAM Looping - Joslin to Oak Grove			200,000		
Master Plan Distribution Mains				250,000	250,000
DISTRIBUTION MAINS - REPLACEMENTS					
Replace 12"-DIAM Asbestos Cement Main - E Roosevelt/Welch St - LR W1	650,000				
Replace 2"-DIAM Galvanized Pipe - N Monroe/Palm/Woodlawn - LR W3	565,000				
Replace 2"-DIAM Galvanized And 6"-DIAM Asbestos Cement Pipe. - Dixie Addition - NLR W2	450,000				
Replace 2"-DIAM Galvanized Pipe - SA Jones/'C'/Delhaven - NLR W2	230,000				
Replace 2"-DIAM Galvanized Pipe - Rose/Healy - NLR W2	160,000				
Replace 2"-DIAM Galvanized Pipe - Creekridge - Sherwood W4	160,000				
Replace 2"-DIAM Galvanized Pipe - Meadowcliff - LR W7		525,000			
Replace 2"-DIAM Galvanized Pipe - Jackson/Rose/Elm - LR W3			410,000		
Replace 2"-DIAM Galvanized Pipe & 6"-DIAM Cast Iron Pipe- Warren/Arapaho - LR W2			580,000		
Replace 2"-DIAM Galvanized Pipe - Twin Lakes/Hicks Add. - LR W6				800,000	
Replace 2"-DIAM Galvanized Pipe - Alexander/Sardis/Mann - LR W7			400,000		
Replace 2"-DIAM Galvanized Pipe - Parkhill/Lakewood - NLR W1		150,000	550,000		
Replace 8"-DIAM Cast Iron Pipe - River Rd - NLR W2&3			60,000		
Replace 2"-DIAM Galvanized Pipe Undesignated/Unknown Locations				3,200,000	5,000,000
Replace 6"/8"/12"-DIAM Cast Iron/Asbestos Cement Pipe Undesignated/Unknown Locations				1,000,000	1,000,000
Replace 2"-DIAM Galvanized Pipe & 6"-DIAM Asbestos Cement Pipe - Lone Pine - JP13				780,000	
DISTRIBUTION MAINS - RELOCATIONS					
Relocate 2"-DIAM Main - Schiller St - LR	40,000				
Relocate 12"-DIAM Main - Zoo Dr - LR	25,000				
Relocate 8"-DIAM Main - Woodson St -LR	40,000				
Relocate 12"-DIAM Main - Sheila Ln & Meyer Rd - LR	17,000				
Relocate 8"-DIAM Main - Victoria at Woodford - LR	20,000				
Relocate 2"-DIAM Main - Sandy Ln - LR	8,000				
Relocate 6"-DIAM Main - Thompson Rd - LR	95,000				
Relocate 8"-DIAM Main - Hawthorne at Tyler - LR	15,000				
Relocate 12"-DIAM Main - Pinnacle Valley Rd - LR	30,000				
Relocate 12"-DIAM Main - Hinson & Pebble Beach - LR	10,000				
Relocate 6"-DIAM Main - McAadoo Drainage - LR	25,000				
Relocate 8"-DIAM Main - Dorado Beach - LR	5,000				
Relocate 8"-DIAM Main - Overlook Dr - LR	35,000				
Relocate 12"-DIAM Main - 'W' St at Grant - LR	45,000				

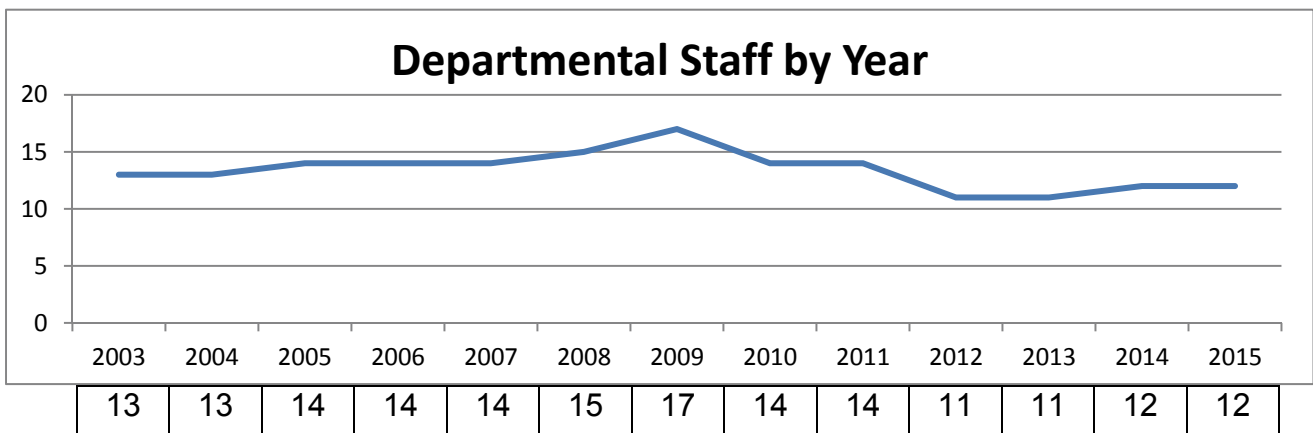
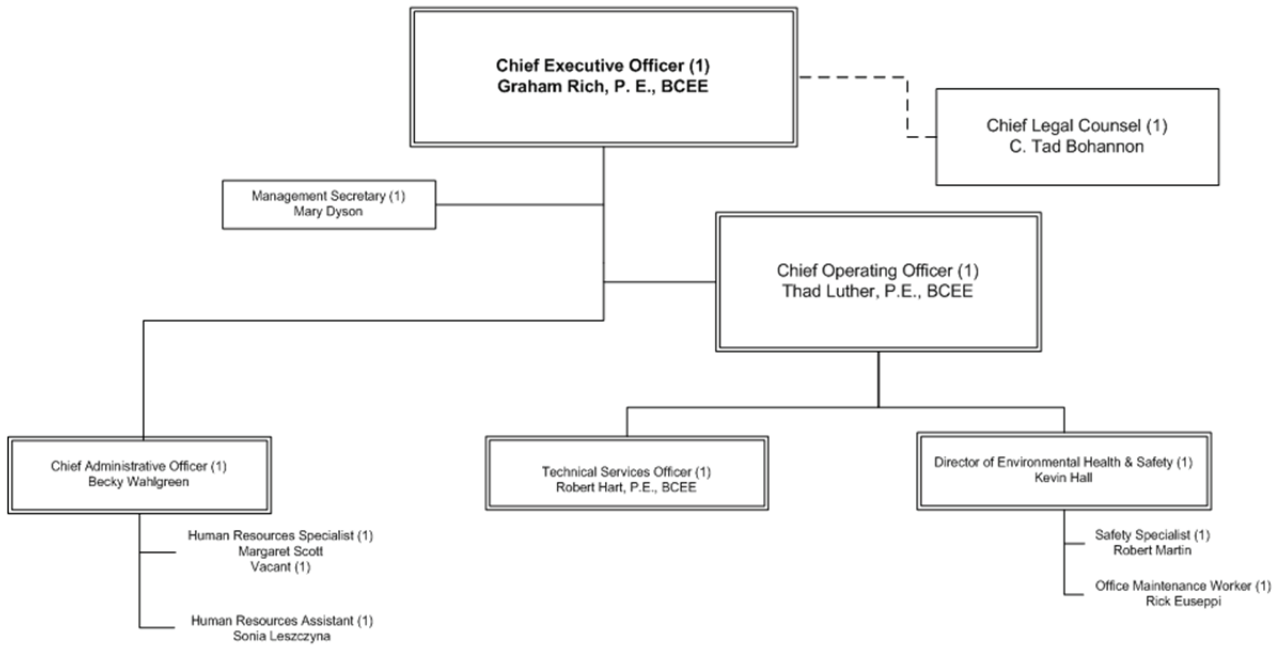
CAPITAL IMPROVEMENT PLAN – FIVE-YEAR PLAN

DESCRIPTION	2015	2016	2017	2018	2019
ENGINEERING (cont.)					
DISTRIBUTION MAINS - RELOCATIONS (Cont.)					
Relocate 12"-DIAM Main - Taylor Loop Rd - LR	175,000				
Relocate 12"-DIAM Main - W 36th & Shackelford - LR	15,000				
Relocate 2"-DIAM Main - W 44th - LR	50,000				
Relocate 8"-DIAM Main - 'P' St - LR	15,000				
Relocate 2"/6"/12"-DIAM Main - Potter St - LR	25,000				
Relocate 8"-DIAM Main - Yarberrry Ln - LR	6,000				
Relocate 12"-DIAM Main - Chicot Rd at Mabelvale Pike - LR	190,000				
Relocate 2"-DIAM Main - Malloy St - LR	30,000				
Relocate 6"/8"-DIAM Main - N. Pine St - LR	60,000				
Relocate 8"-DIAM Main - 17th St - LR	30,000				
Relocate 6"-DIAM Main - Adams St - LR	65,000				
Relocate 12"/8"/6"-DIAM Main - Counts Massie/Old Crystal Hill Rd - NLR/Maumelle	375,000				
Relocate 2"-DIAM Main - Schaer St - NLR	20,000				
Relocate 8"-DIAM Main - Poe St - NLR	35,000				
Relocate 2"/6"-DIAM Main - 39th St - NLR	30,000				
Relocate 8"-DIAM Main - Oakbrooke Dr - Sherwood	5,000				
Relocate 12"-DIAM Main - Arch St - AHTD	300,000				
Relocate 8"/3"-DIAM Main - I-430 & Hwy 10 (Cantrell Rd) - AHTD	60,000				
Relocate 12"-DIAM Main - MacArthur Rd - AHTD	150,000	150,000			
Relocate Undesignated/Unknown Locations - LR	50,000	300,000	300,000	200,000	150,000
Relocate Undesignated/Unknown Locations - NLR	50,000	150,000	150,000	150,000	150,000
Relocate Undesignated/Unknown Locations - Sherwood	10,000	25,000	25,000	25,000	25,000
Relocate Undesignated/Unknown Locations - Pulaski County	10,000	10,000	10,000	10,000	10,000
Relocate Undesignated/Unknown Locations - AHTD	75,000	100,000	100,000	100,000	100,000
Relocate 2"-DIAM Main - Clarkston St - LR		5,000			
Relocate 3"-DIAM Main - Longlea Ct		15,000			
Relocate 6"/8"/12"-DIAM Main - Kanis Rd -LR		1,300,000			
Relocate 12"-DIAM Main - Gamble Rd - LR		150,000			
Relocate 6"-DIAM Main - Marlborough St - LR		50,000			
Relocate 12"/8"-DIAM Mains - Hwy 10 Widening at Rodney Parham - AHTD			400,000		

CAPITAL IMPROVEMENT PLAN – FIVE-YEAR PLAN

DESCRIPTION	2015	2016	2017	2018	2019
ENGINEERING (cont.)					
MISCELLANEOUS					
Capital Labor	400,000	400,000	360,000	360,000	360,000
Replace Vehicle	25,000	25,000	25,000	25,000	25,000
Professional Services - Engineering	20,000	20,000	20,000	20,000	20,000
Professional Services - Property Appraisals	5,000	5,000	5,000	5,000	5,000
Professional Services - Land Surveying	5,000	5,000	5,000	5,000	5,000
TOTAL	\$ 11,321,000	\$ 6,110,000	\$ 11,050,000	\$ 14,580,000	\$ 14,060,000
GRAND TOTAL	\$ 19,861,000	\$ 14,990,000	\$ 20,821,000	\$ 20,778,000	\$ 22,230,500

ADMINISTRATION DEPARTMENT



EXECUTIVE STAFF

Chief Executive Officer

The highest-ranking officer in the organization, the CEO, reports directly to the Board of Commissioners. The CEO collaborates with the Board to establish a strategic plan for the Utility and is responsible for implementing plan initiatives throughout the organization. The CEO also is responsible for the overall management of the Utility and the organization's profile and image. As the Utility's leader, the CEO frequently fills the roles of motivator, mentor, and advocate. The CEO has direct supervision over the COO and Chief Administrative Officer (CAO), as well as day-to-day supervision of the Chief Legal Counsel (CLC).

Chief Operating Officer

The COO is responsible for managing the day-to-day activities of the Utility and ensuring the required resources and assets are in place to deliver high-quality water and dependable service. The COO is responsible for the development, design, and implementation of business processes and systems that effectively and efficiently deliver water and service to customers. The COO directly supervises the Engineering, Finance, Customer Relations & Public Affairs, and Information Services departments, as well as Environmental Health & Safety. The COO also directly supervises the Technical Services Officer covering the Distribution and Water Quality & Operations departments.

Chief Legal Counsel

The CLC reports directly to the CEO and the Board of Commissioners. The CLC will enhance CAW by providing prompt resolution of legal issues, proactive advice, and counsel to the Utility's administration. The CLC is responsible for working with the Board, the Utility's officers and department directors to ensure operations of the Utility maintain compliance with relevant laws, regulations, and policies. The CLC serves as legal advisor and counsel to the Board and staff; provides assistance in interpreting the legal ramifications of proposals, policy directives and other actions; advises, promotes and manages efforts related to federal, state or local legislation; assists the CEO with strategic initiatives and the communication of such with external stakeholders; drives decision-making that creates medium and long-term improvements in operations; and handles special projects as requested by the Board, CEO or COO.

EUM Attribute: Financial Viability

Goal: Evaluate alternative health care models in an effort to stabilize employee health care costs

Goal: CAW reserve funds and existing debt service coverage ratio strategy

Goal: Establish long term rate model (through December 2019) that provides predictable rates, adequate to recover operating costs, provide for reserves, maintain support from bond rating agencies, replace needed assets, and plan for and invest in future needs

EUM Attribute: Employee and Leadership Development

Goal: Implement increased diversity and inclusion training for CAW managers and employees

EUM Attribute: Stakeholder Understanding/Support

Goal: Maintain open dialogue with city and county officials, major customers, regional partners, and community organizations

Administration Department – Expenditure Summary

	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 776,646	\$ 779,791	\$ 1,036,848
Materials, Supplies, and Maintenance	86,562	71,104	215,460
Electric and Other Utilities	400	960	960
Contract Services	325,800	244,420	168,120
Other	62,097	70,000	42,000
Total Expenses	1,251,505	1,166,275	1,463,388
Total Capital Expenditures	115,032	135,000	250,000
Total Administration	\$ 1,366,537	\$ 1,301,275	\$ 1,713,388

ENVIRONMENTAL HEALTH & SAFETY

The Environmental Health & Safety Section's main goal is to create and maintain a safe workplace, in both the field and office environments, by preventing accidents and occupational illnesses. This goal is achieved by conducting intense employee training, performing routine health and safety inspections throughout the Utility, and eliminating unsafe acts and conditions.

Management must set good health and safety examples by wearing the proper personal protective equipment (PPE); following all safety rules and regulations; actively participating in safety inspections and safety meetings; and being good role models for employees. Each director, manager, and supervisor has the responsibility of enforcing the Utility's safety policies and procedures. EHS has the responsibility of providing the necessary training and support to facilitate effective enforcement and workplace safety.

Mission

EHS is committed to ensuring that each employee of CAW is provided a safe and healthy place of employment.

EUM Attribute:	Operational Resiliency
Goal:	Eliminate or reduce employee injuries and motor vehicle crashes

Objective 1: Provide Occupational Safety & Health Administration (OSHA) required safety training for all affected CAW employees. The targets are to complete all budgeted training and to reduce workers compensation claims, costs, and lost time compared to previous year

2014

As of August 14, 2014 CAW has spent \$20,300 in workers compensation claims compared to \$48,900 during this same time period in 2013 (59% decrease). \$13,800 of the \$20,300 spending year-to-date is associated with a claim occurring March 2013.

EHS created an Emergency Response Team (volunteer employees) who have been trained to respond to medical emergencies (employees and customers) at the JTH facility.

EHS created a Fall Protection Program to ensure employees who climb over four feet are protected 100% of the time.

Objective 2: Inspect all facilities on a quarterly basis and all vehicles annually

Objective 3: Inspect all construction sites to ensure adherence to all Federal and State regulations and all CAW rules and regulations

2014

As of August 14, 2014, EHS has conducted 84 jobsite inspections and six facility inspections. Inspections verify OSHA and CAW compliance. CAW policies and practices are more rigorous than OSHA requirements.

2015 Goals

EHS will play a vital role in addressing corrective actions identified in the 2014 Vulnerability Assessment Plan.

EHS is also developing a Defensive Driving Course specifically for our CDL drivers. Training will include four hours of classroom training and two hours of hands on skill evaluation (range practice and drills).

Performance Measures	2013 Actual	2014 Estimated	2015 Budget *
Safety Training Classes	136	100	110
Safety Training Hours (cumulative)	3,377	2,700	3,000
Workers' Comp Claims	9	6	12
Workers' Comp Claim Costs	\$74,800	\$35,000	\$45,100
Workers' Comp Lost Time (days)	45	0	11
"At Fault" Vehicular Accidents	5	1	8
"Not At Fault" Vehicular Accidents	3	3	5
Perform all Facility and Vehicular Inspections	Yes	Yes	Yes

* Based on 5-year average 2008 - 2013

Environmental Health & Safety – Expenditure Summary

	2013 ACTUAL	2014 Budget	2015 Budget
Labor and Benefits	\$ 269,618	\$ 266,470	\$ 332,818
Materials, Supplies, and Maintenance	51,019	79,700	76,700
Electric and Other Utilities	480	740	740
Contract Services	331,733	338,100	234,100
Total Expenses	652,850	685,010	644,358
Total Capital Expenditures	9,557	43,000	-
Total Environmental Health & Safety	\$ 662,407	\$ 728,010	\$ 644,358

HUMAN RESOURCES

The Human Resources Section provides services and support for all aspects of employment, employee relations, and strategic planning for each of CAW's nearly 300 dedicated employees. The section's three staff members, who collectively have over 79 years of experience in the field of Human Resources, have a wide range of diverse responsibilities that include recruitment; employee handbook, policies and procedures; compensation; employee benefits; training and development; performance evaluations; utility-wide succession planning; alcohol/drug-free workplace program; employee relations and assistance; diversity and inclusion initiatives; and oversight of CAW's Strategic Plan.

Human Resources is responsible for addressing the many challenges currently faced by employers, including implementation of the Patient Protection and Affordable Care Act initiatives (healthcare reform) and ever-changing and expansive employment legislation, a budget restrictive economy, increasing retirements of the baby boomer generation, and qualified labor pool shortages. Most importantly, Human Resources works hard to ensure that CAW's employees enjoy a uniquely positive work environment, with opportunities for individual professional growth and the opportunity to make important contributions to the growth of the Utility, in accordance with the Utility's mission and values.

All of the programs and initiatives of the Human Resources Section focus on a single objective: ensuring that CAW has the well-educated, well-trained, and dedicated work force that the Utility requires to provide the exceptional water and outstanding service that customers expect and on which they know they can depend.

Mission

Human Resources is committed to ensuring that the Utility's recruitment programs, policies, procedures, compensation, and employee benefits programs continue to attract and retain exceptional employees throughout the organization. This role is in ongoing support of the Utility's commitment to exceptional water quality and customer service, fiscal responsibility, resource stewardship and sustainability, and legal and ethical accountability.

The Human Resources staff strives to provide the Utility with a well-qualified, diverse, and dedicated work force through recruitment efforts and Utility programs and is dedicated to providing CAW's nearly 300 employees with outstanding service, support, information, and assistance in regard to Utility policies, benefits, programs, and other areas of concern.

In addition, Human Resources is committed to ensuring CAW's fair and equitable treatment of all employees, in accordance with legal and professional standards.

EUM Attribute: Employee and Leadership Development

Goal: To attract and retain a workforce that is competent, motivated, and diverse in a collaborative environment dedicated to continual learning and improvement and the professional and leadership development of all employees, while maintaining competitive pay and employee benefits within the budgetary requirements of the Utility

Objective 1: Maintain “time to fill” vacant positions at or below SHRM standard of seven weeks

2014

2014 was a high volume year for recruitment with 27 positions filled in the first 8.5 months of the year. Five senior level managerial positions were successfully filled following key retirements at the Director and Officer level. Positions were filled, on average, within 6.7 weeks.

Objective 2: Maintain annual turnover rate at or below 10%

2014

CAW’s average turnover rate for the last five years has remained just over 4.3%, approximately one third of the national average for state and local government employers. Anticipated retirements of the baby boomer generation are now creating a slight uptick in the turnover rate for 2014 (estimated 7.2%). CAW’s estimated annual turnover for 2014 still remains at less than half the national average for state and local governments.

Objective 3: Maintain cost of benefits below the adjusted Bureau of Labor Statistics / Society for Human Resource Management (BLS/SHRM) national average of 28.3% (2014)

2014

Adjustments were made in the calculation methodology for Cost of Benefits to provide for continued tracking against the SHRM Cost of Benefits benchmark which now tracks benefits as a percent of total compensation (wages + benefits), rather than wages only. Estimated 2014 Cost of Benefits at 28.5% are in line with the BLS/SHRM national average.

Objective 4: Implement Diversity and Inclusion training and programs

2014

A strong commitment to Diversity and Inclusion initiatives continues throughout the organization. One example is the distinction held by CAW, for the third year in a row, of being the largest participating organization in the Just Communities of Arkansas (JCA)

Walk for commUNITY, with 76 CAW walkers participating. The Diversity and Inclusion Team has planned training for early 2015.

Objective 5: Ensure employee competency through job-related certification, tracking percentage of those meeting job certification requirement(s)

2014

The number of employees holding designated certifications continues to exceed the level of job certifications required by the Utility.

Objective 6: Ensure employee competency through training, meeting QualServe standard of 21.8 hours of training per employee annually.

2014

Utility wide training for all employees is planned for late 2014/early 2015.

Objective 7: Support workforce succession preparedness through internal advancement of employees, tracking number of non-entry level positions filled internally

2014

The Utility will continue to focus on workforce succession preparedness with a goal to increase internal advancement of employees in 2015.

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Time to Fill (Weeks)	7	6.67	7
Turnover	4.3%	7.2%	5.1%
Cost of Benefits*	28.42%	28.5%	28.7%
Diversity and Inclusion Training	Yes	No	Yes
Job-related Certification	120%	120%	120%
Employee Training (Hours)	25.9	19.7	26
Internal Advancement	69%	46%	66%

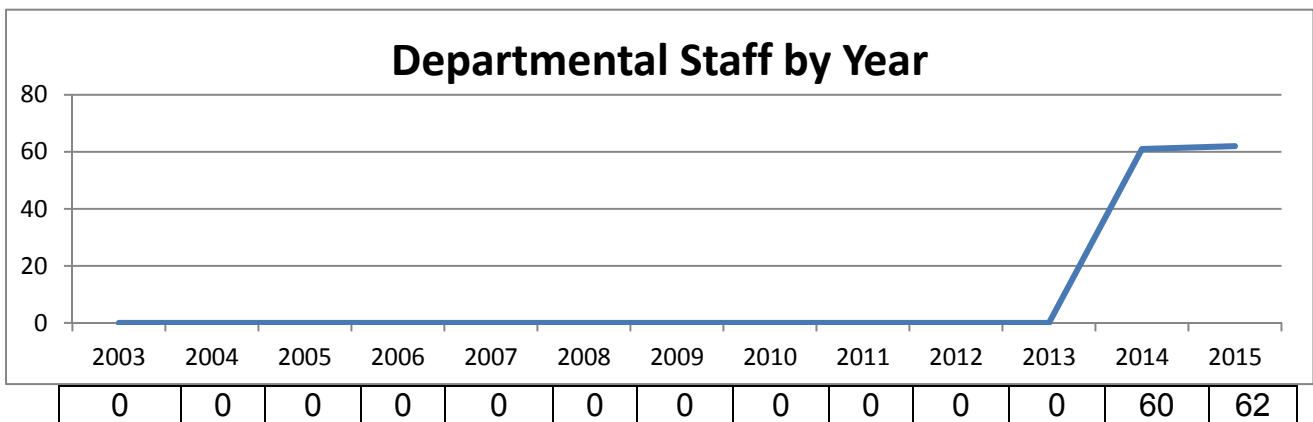
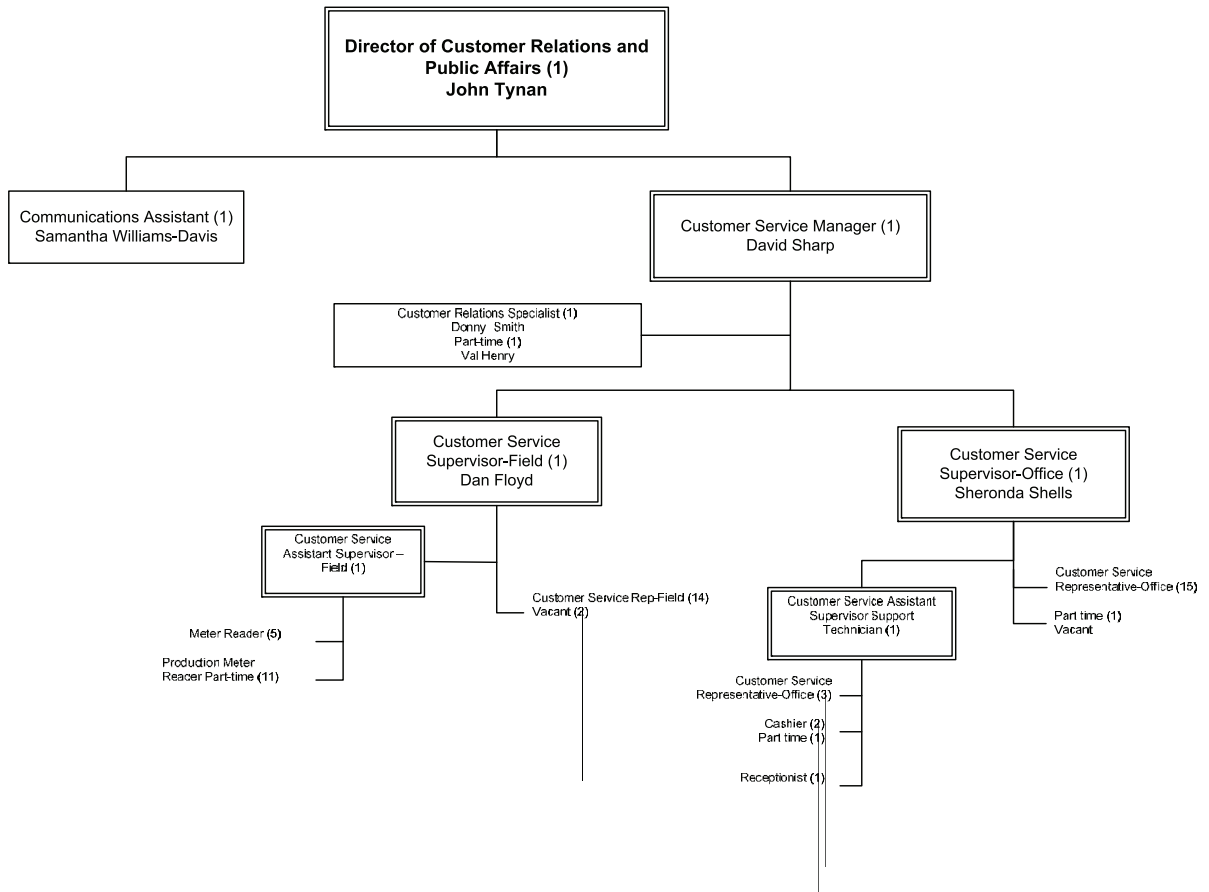
*Calculation methodology revised to provide benchmarking with BLS/SHRM Cost of Benefits Calculation as percentage of total compensation (wages & benefits), rather than percentage of wages only.

Human Resources – Expenditure Summary

	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 421,207	\$ 478,926	\$ 440,607
Materials, Supplies, and Maintenance	15,634	35,332	35,732
Contract Services	23,549	28,950	29,950
Total Expenses	460,390	543,208	506,289
Total Capital Expenditures	-	-	-
Total Human Resources	\$ 460,390	\$ 543,208	\$ 506,289

CUSTOMER RELATIONS & PUBLIC AFFAIRS DEPARTMENT

Effective: August 1, 2014



CUSTOMER RELATIONS & PUBLIC AFFAIRS DEPARTMENT

The Customer Relations & Public Affairs Department (CRPA) was formed in late 2014 and encompasses the Communications Section, the Customer Service Section, and the Public Policy Section of the Utility. The formation of this department allows CAW to take a holistic approach to managing relationships with external and internal audiences and ensure that all interactions with the Utility provide an exceptional experience that exceeds expectations.

The Communications Section manages a comprehensive and multi-faceted corporate communications program for CAW. Responsibilities include targeted and general marketing programs, website and social media management, community support and special event representation, collateral support for all internal departments, media relations, customer education and outreach, and oversight of the Help to Others (H2O) program. The section ensures that the Utility provides accurate, timely, and responsive information relating to service, rates, public-policy decisions, and initiatives.

The Customer Service Section is the utilities primary contact for customers. This section provides information to customers through all phases of the account management process: creation, metering, collection, troubleshooting, transferring, and closing of accounts. The Customer Service Section responsibilities include: meter reading, customer relations, field service operations, call center operations, cashiering, and pay agents.

The Public Policy Section analyzes, develops, and advocates adoption of sound public policy at local, state, and federal levels. Work within this section is completed collaboratively with the CEO and CLC.

Mission

CRPA seeks to clearly, consistently, and aggressively communicate the essential and exceptional attributes of CAW to our customers, the general public and internal audiences.

CRPA is committed to providing service that not only meets but clearly exceeds external and internal customer expectations. The department accomplishes its mission through teamwork, communication, courtesy, integrity, innovation, and takes responsibility for the efficient and effective delivery of quality service.

EUM Attribute: Stakeholder Understanding and Support

Goal: Actively involve stakeholders to engender understanding, support, and disseminate information through multiple venues to optimize audience diversity and outreach

Objective 1: Expand opportunities to communicate with customers through diverse outreach venues, including leading-edge communications technology such as Facebook, Twitter, Blog, and Rich Site Summary (RSS)

2014

Communications expanded email-based communication in conjunction with e-bill enhancements. A Long-Range Communications Plan and a Social Media Plan have been developed for new and emerging communications tools.

Objective 2: Comply with and/or exceed Federal and State regulatory deadlines for issuance of the annual Water Quality Report before July 1st.

2014

On June 9, 2014, postcard notices informing citizens of the electronic availability of the Water Quality Report were mailed to all customers and all ground addresses within the CAW service area. Notices on bill statements began June 2 and continued through July 31. A separate Water Quality Report was mailed to all Wye Mountain Water System customers on June 19, 2014.

Objective 3: Maintain frequent and regular contact with public officials and other key stakeholder groups regarding rates, water quality, and watershed protection

2014

Through August 2014, CAW has issued approximately 30 press releases. Further, CAW and its activities have been featured in 70 different media stories or articles to date.

Objective 4: Foster public engagement in policy and decision-making through the Utility's annual Stakeholder's Meeting and State of the Utility address, public meetings, and public hearings

2014

CAW staff served on the Lake Maumelle Watershed Zoning Taskforce, ensuring water quality protections within the adopted Zoning Code were maintained. The CEO and staff briefed the Board on wholesale water rates and asset management during regular board meetings and special workshops. The Stakeholder meeting was deferred from mid-2014 to early 2015 in order to hold the meeting earlier in the year and better manage department workflow.

Objective 5: Issue Annual Report DVD following Board approval of the annual audit, no later than August

2014

The Annual Report was distributed in August 2014 to consumers through the CAW website, social media, and direct mail to elected officials and members of the Association of Metropolitan Water Agencies.

EUM Attribute: Customer Satisfaction

Goal: To provide customer service that exceeds expectations

Objective 1: Maintain abandoned calls percentage at or below 4%

Objective 2: Maintain average call answer time at or below 30 seconds

Other 2014 Accomplishments

The Utility successfully upgraded the enQuesta billing system in late 2013 and took advantage of the enhanced features and functionality of the system in late 2014 with the launch of a marketing campaign aimed at increasing enrollment in paperless billing and use of improved online account management. In addition, the Utility will modify the presentation of the billing statement in late 2014/early 2015 in order to more clearly convey critical billing information while modernizing the look and feel of the statement.

CAW continued to implement and evaluate the Advanced Metering Infrastructure (AMI) pilot project. Additional equipment to enhance data collection was purchased and additional system segments evaluated and installed.

In partnership with the Legal Section and Finance Department, the CRPA began development of Rules and Regulations Governing Water Service for the Utility. This document will ensure clear and consistent application of all policies across all Departments.

2015 Goals

In addition to the ongoing objectives identified above, the CRPA Department will continue to implement the Long-Range Communications Plan. This includes completing detailed research on media consumption outlets for target populations to ensure marketing efforts are most effectively reaching the desired audience. The department will also develop and implement marketing plans for various utility efforts including a “Value of Water” campaign, Watershed Outreach campaign, and Asset Management campaign. These plans will create a road map for outreach activities, as well as ensure efficient use of marketing budget. Finally, the department will update its Customer Satisfaction Survey in 2015.

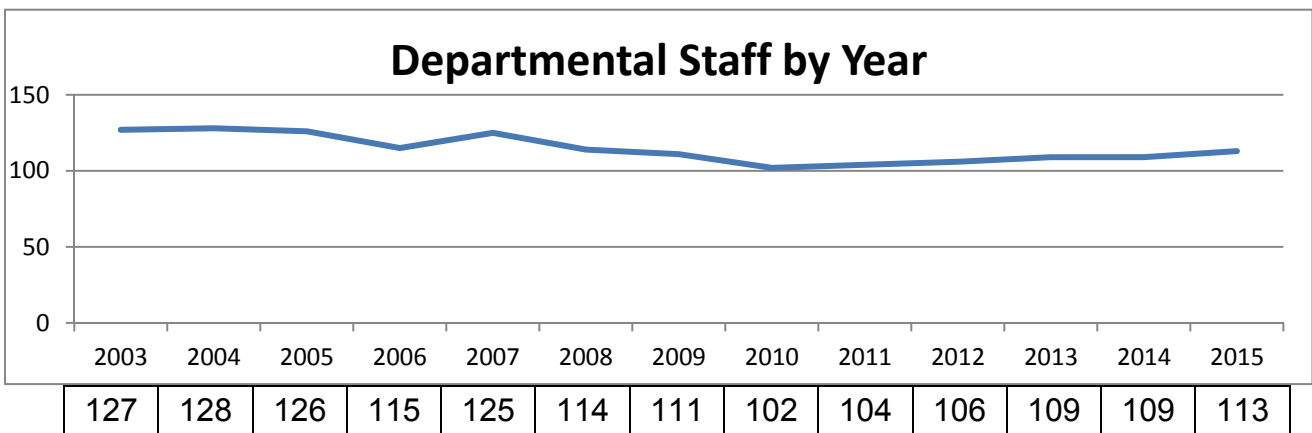
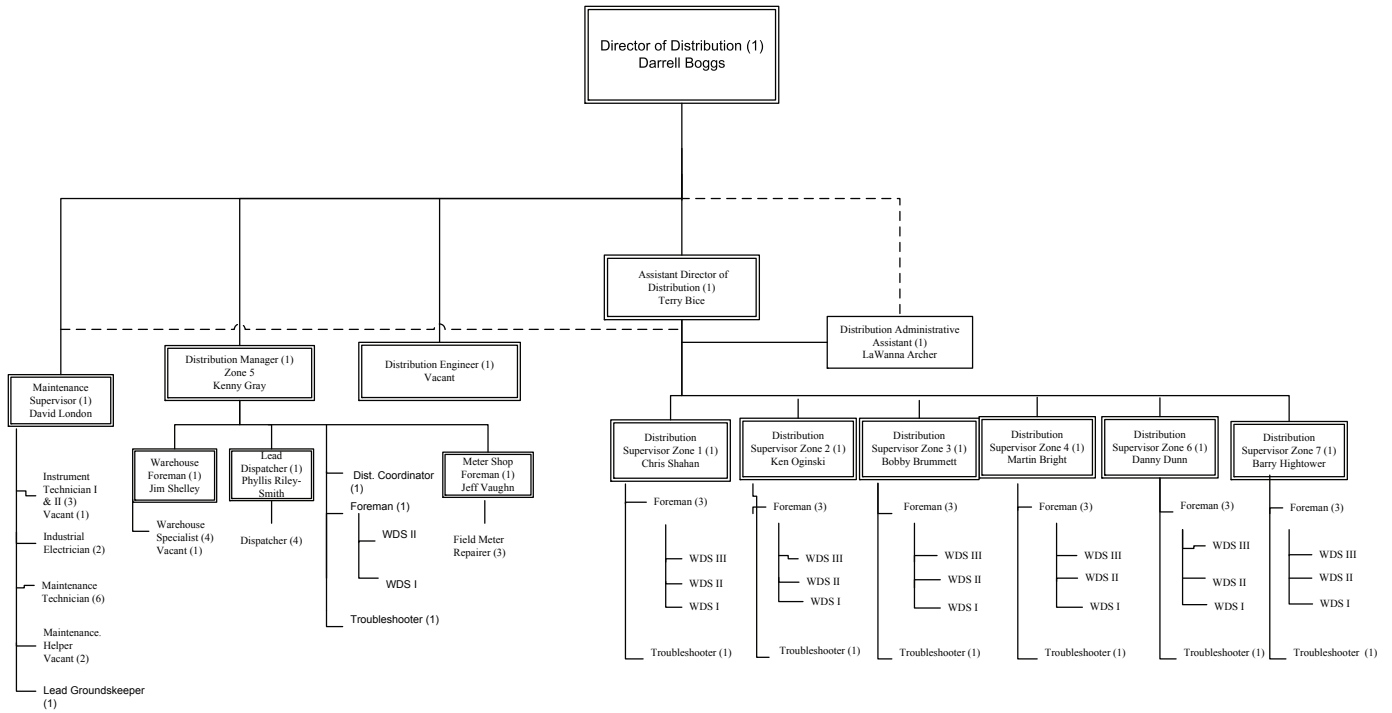
The Customer Service Section will continue to replace old commercial meters with new electronic read meters. In addition, the section will implement AMI / AMR in additional areas where its use will reduce costs and provide enhanced information to customers.

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Abandoned Calls Percentage	4.17%	4.75%	4.00%
Average Call Answer Time (in seconds)	36.47	37.00	35.00
Expand and Diversify Communications Outreach Venues	Yes	Yes	Yes
Issue Federal Water Quality Report Before July 1 st	Yes	Yes	Yes
Maintain Frequent and Regular Contact with Public Officials and Other Key Stakeholder Groups	Yes	Yes	Yes
Foster public engagement in policy and decision-making through the Utility’s annual Stakeholder’s Meeting and State of the Utility address, public meetings, and public hearings	Yes	Yes	Yes
Issue Annual Report DVD By August Each Year	Yes	Yes	Yes
Number of Customers Receiving Assistance Through H2O Fund	378	430	450

Communications – Expenditure Summary

	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 77,163	\$ 79,290	\$ 82,315
Materials, Supplies, and Maintenance	249,144	305,900	239,500
Electric and Other Utilities	920	900	900
Contract Services	109,160	117,900	142,000
Other	14,893	21,000	15,000
Total Expenses	451,280	524,990	479,715
Total Capital Expenditures	-	-	-
Total Communications	\$ 451,280	\$ 524,990	\$ 479,715

DISTRIBUTION DEPARTMENT



DISTRIBUTION DEPARTMENT

In function, a water distribution system is highly technical in nature. While water utility distribution divisions across the United States can be very different in organizational and operational makeup based on chosen management philosophy and practices, the focus should always be on water quality and how it is affected by the system's stability, reliability, resiliency, and sustainability.

In application, the Distribution Department adheres to five keys for success: Leadership, Strategic Business Planning, Organizational Approach, Continual Improvement Framework, and Measurement. We also strive to ensure technical aspects complement the more interpersonal areas, such as Dispatching, Customer Service, Administration, and Human Resources, in a team framework.

Mission

Our mission statement reflects a commitment to “deliver high quality water and dependable service” to our customers. Just as important as the quality of water supplying a distribution system is the quality of the operations and maintenance used to maintain that system. If the infrastructure used to transport water to customers is allowed to deteriorate and operate without any level of standards, the quality of the water delivered cannot be guaranteed safe for consumption, let alone high quality. Moreover, of the three major components of a water system (source water, treatment facilities, and the distribution system), the distribution system is the most direct link between a water utility and its customers. Problems at the source and/or treatment facilities may never be noticed by the customer. However, problems in the distribution system have a direct impact on customers' perception of the Utility and their level of satisfaction with the Utility's service.

The Distribution Department is committed to operating and maintaining our system with dependable service that exceeds customer expectations and delivers that high quality water.

EUM Attribute: Infrastructure Stability

Goal: To ensure asset repair, rehabilitation, and replacement efforts are coordinated within the community to minimize disruptions and other negative consequences

Objective 1: Reduce the total number of main breaks per 100 miles of pipe from previous year.

Objective 2: Reduce the number of unplanned outages from previous year.

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Number of Main Breaks per 100 Miles of Pipe	25.19	25.44	25.00
Reduce the Number of Unplanned Outages	41	35	35

EUM Attribute: Operational Optimization
Goal: Maximize resource efficiency

Objective 1: Reduce the number of customers affected by unplanned outages

Objective 2: Maintain unaccounted for water below AWWA Benchmark (median = 9.5%) and Arkansas Department of Health action level > 15%

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Reduce the Number of Customers Affected	705	1,050	800
Unaccounted For Water ≤ 9.5%	8.24	8.60	8.50

EUM Attribute: Financial Viability
Goal: Manage budget effectively

Objective 1 : Schedule and complete at least 85% of approved capital budget projects

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Complete capital budget projects	99.5%	94%	95%

EUM Attribute: Operational Resiliency
Goal: Manage departmental risk

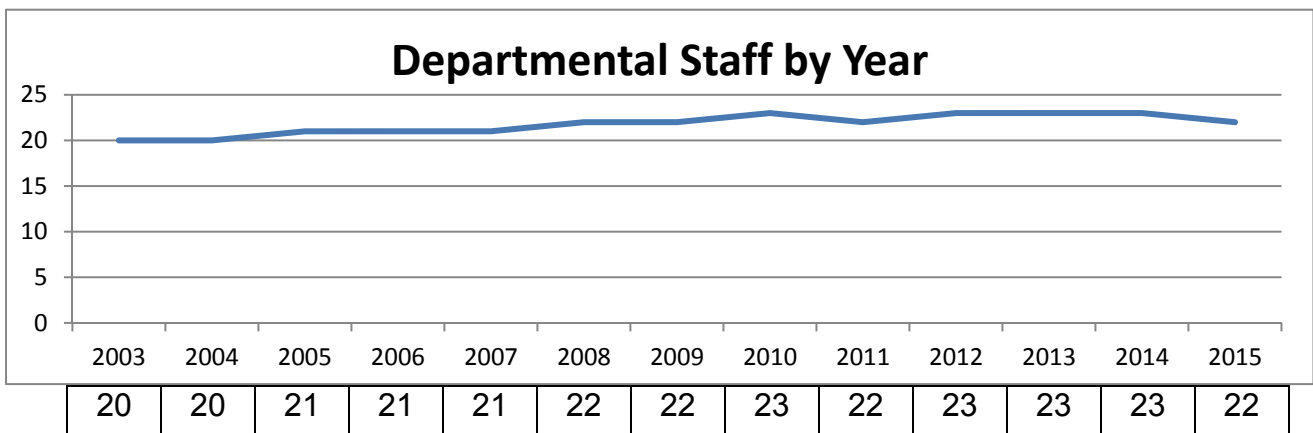
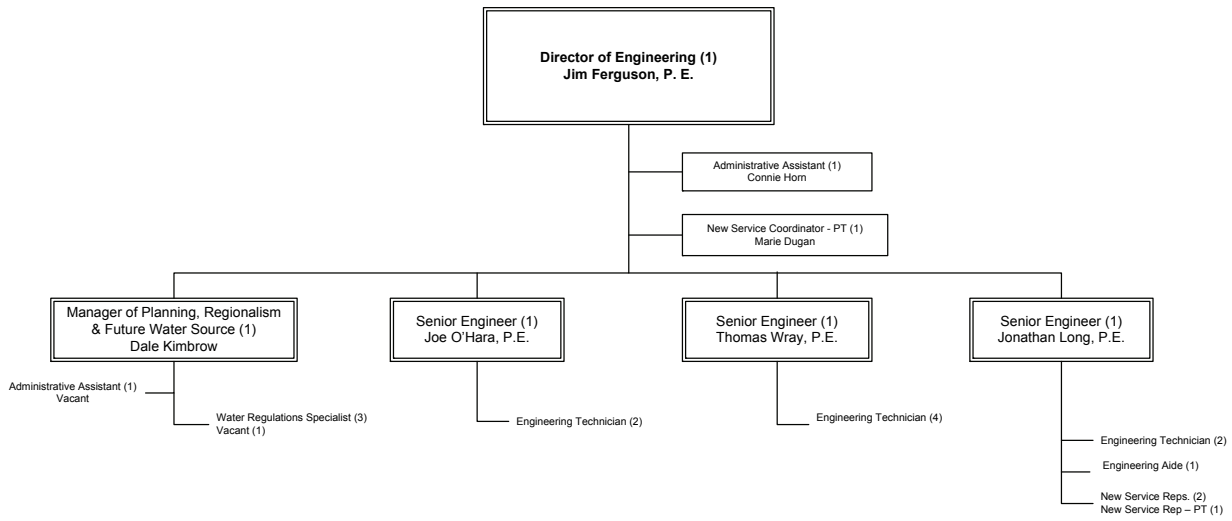
Objective 1: Keep the number of worker's compensation claims below 10.5 annually

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Number of Workers Compensation Claims	9	7	7

Distribution Department – Expenditure Summary

	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 6,686,543	\$ 6,757,344	\$ 6,832,537
Materials, Supplies, and Maintenance	3,073,943	2,853,250	2,857,300
Electric and Other Utilities	60,998	80,500	67,500
Contract Services	673,765	629,300	627,326
Total Expenses	10,495,249	10,320,394	10,384,663
Total Capital Expenditures	3,380,166	3,485,592	3,717,000
Total Distribution	\$ 13,875,415	\$ 13,805,986	\$ 14,101,663

ENGINEERING DEPARTMENT



ENGINEERING DEPARTMENT

The Engineering Department is committed to providing CAW customers with the best water service possible at a fair price through the careful engineering, development, review, and management of all treatment, pumping, storage, and distribution improvements and the approval of residential, commercial, and industrial requests for services. The department also maintains vigilance within the service area to protect the public potable water supply from the possibility of contamination or pollution from backflow or cross-connection into the system.

The Engineering Department consists of four sections: Engineering and Planning, Cross-Connection Control Program (CCCP), New Service, and Regionalism & Future Water Source.

The Engineering and Planning Section works to develop and adhere to the Water Utility Master Plan for existing and future improvements and works to revise the Water Utility Master Plan as necessary to address and meet the growing and ever-changing dynamics of the CAW system. This section also continually reviews and modifies, as necessary, the CAW Standard Specifications, Standard Details, and Operating Guidelines to ensure that the needs of the CAW system are being met in a cost-efficient and practical manner. Planners, Engineers, and Engineering Technicians work directly with new and existing customers, developers, consulting engineers, architects, plumbers, and contractors to plan and construct needed expansion or revision of water system facilities. The combined efforts of staff in the Engineering and Planning Section ensure the timely review of submitted development projects. The section's goal is to produce in-house design of any pipeline installation, replacement, and/or relocation project that is classified as a Capital Expenditure. The use of outside consulting engineers for design support is limited to capital projects involving specific technical matters that are beyond the staff engineers' areas of competence or time restrictions. Engineering Technicians, with oversight from staff Engineers, manage and inspect all capital, public, and private projects involving construction and installation of potable water facilities. The Engineering and Planning Section provides information to, and works closely with, the GIS section of the IS Department to update and maintain infrastructure records. Engineers and Engineering Technicians may be rotated between area zones of the CAW service system to better familiarize themselves with other areas of the system. The Engineering and Planning Section currently is staffed with the Director of Engineering, an Administrative Assistant, three Senior Engineers, eight Engineering Technicians, one Engineering Aide, and one retiree working part-time as New Service Coordinator.

The CCCP monitors CAW customer compliance with applicable Arkansas Department of Health requirements concerning prevention of contamination of the potable water supply through real or potential cross-connections or backflow. The CCCP is highly computerized in providing services to customers and enforcing the Arkansas Department of Health (ADH) regulations. The program maintains an extensive database of customer accounts, backflow requirements, and testing updates. Staffing for the CCCP consists of three Water Regulation Specialists.

The New Service Section provides information concerning water service availability and receives requests for service from new customers to the CAW system. This section maintains a highly-computerized information retrieval and data input process and is highly-interconnected with the Customer Service Information System, as well as the work order and GIS mapping computer systems and various Engineering Department data bases. The New Service Section currently is staffed with two New Service Representatives and one retiree working part-time as a New Service Representative.

The Regionalism & Future Water Source Section serves as 'liaison' to neighboring water systems, Wholesale Customers, and Large Volume Customers to ensure that CAW is meeting the needs and reasonable expectations of major water users. The Manager of Planning, Regionalism & Future Water Source also represents CAW on the MAWA Board of Directors. By establishing regular communication and managing relations with wholesale entities, large volume accounts, and water quality sensitive accounts, CAW is able to promote fairness, provide a high level of service to these classifications of customers, and be responsive to their concerns. The Manager of Planning, Regionalism, & Future Water Source is the only member of this section.

EUM Attribute: Operational Resiliency

Goal: Maintain proper and adequate planning for expansion of new system infrastructure and rehabilitation of existing infrastructure so as to meet the needs and security of existing and future customers of the CAW system

Objective 1: Master Planning and Construction Plan review throughout the system to determine scope of needed facility and pipeline installations or improvements

2014

Design improvements for Stage 2 D/DBP Rule were completed in 2013. Plant improvements necessary to produce potable water meeting the Stage 2 requirements at both the Jack H. Wilson and Ozark Point Water Treatment Plants were completed in 2014.

Objective 2: Continue CAW's work with MAWA, as the Alliance continues studies, investigations, and progress toward securing water rights for the entirety of Mid-Arkansas region

2014

After selling a 20 MGD DeGray Lake raw water allotment to the City of Hot Springs in 2013, CAW has made an official request to the U.S. Army Corps of Engineers to purchase the remaining 100 MGD DeGray Lake raw water allotment.

Objective 3: Improve infrastructure to mitigate spontaneous water main failures within the system

Objective 4: Replace 10,000 linear feet of Asbestos-Cement pipe and 20,000 linear feet of Galvanized Pipe annually

2014

Due to funding and construction requirements, actual pipe replacement was below planned goal. Currently 2014 estimated replacements are 4,400 linear feet of Asbestos-cement pipe and 18,000 linear feet of Galvanized Pipe.

2015 Goals

The Arkansas State Highway and Transportation Department has committed to replacing the existing Broadway Street Bridge crossing the Arkansas River. CAW has a 16"-DIAM water transmission main attached to the existing structure that will also have to be relocated. The replacement/relocated main will be 20"-DIAM steel pipe. Work on the new bridge and transmission main will begin in 2015 and be completed before the end of 2016. Approximately seven pipe replacement projects are anticipated for 2015. Approximately three dozen relocation projects are anticipated for 2015 due to increased street, road, and drainage improvement projects projected by the Arkansas Highway and Transportation Department and the cities of Little Rock, North Little Rock, Sherwood, and Maumelle. Three preliminary engineering reports are planned to determine future improvements needed for a major booster pump station, raw water intake structures, and an alternate raw water supply source.

Engineering has the goal of replacing 10,000 feet of asbestos-cement pipe and 20,000 feet of galvanized pipe annually. Projects anticipated for 2015 will see replacement of approximately 1,000 feet of asbestos-cement pipe and approximately 22,000 feet of galvanized pipe.

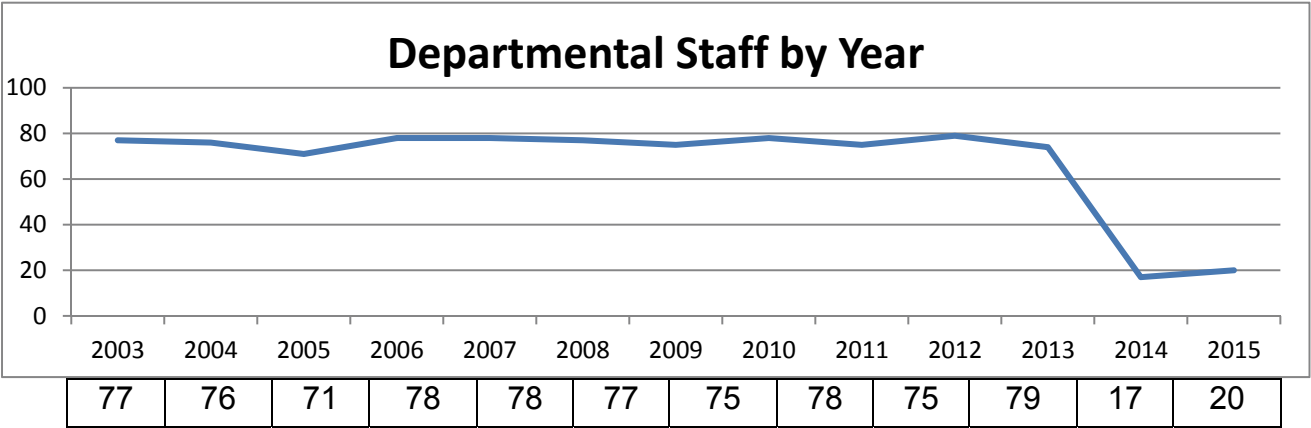
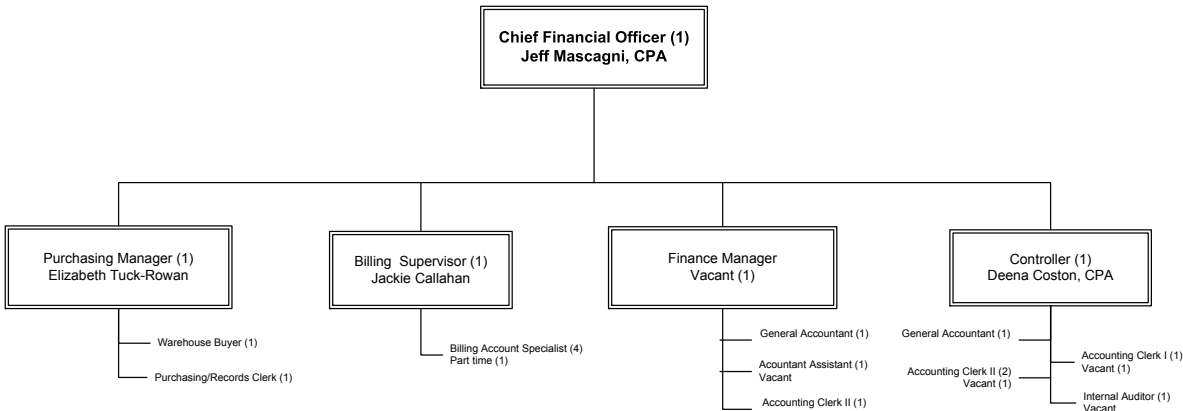
Planned replacement of asbestos-cement pipe is below annual goal due to budget restraints. Galvanized pipe replacement is more critical because most spontaneous water main failures in the system are galvanized pipe.

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Asbestos Cement Pipe Replacement (linear feet)	33	4,400	1,000
Galvanized Pipe Replacement (linear feet)	6,100	18,000	22,000

Engineering Department – Expenditure Summary

	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 1,667,350	\$ 1,846,282	\$ 1,698,415
Materials, Supplies, and Maintenance	59,957	83,300	77,060
Electric and Other Utilities	4,644	5,760	5,760
Contract Services	41,219	35,670	40,856
Total Expenses	1,773,170	1,971,012	1,822,091
Total Capital Expenditures	16,554,212	12,355,555	11,321,000
Total Engineering	\$ 18,327,382	\$ 14,326,567	\$ 13,143,091

FINANCE DEPARTMENT

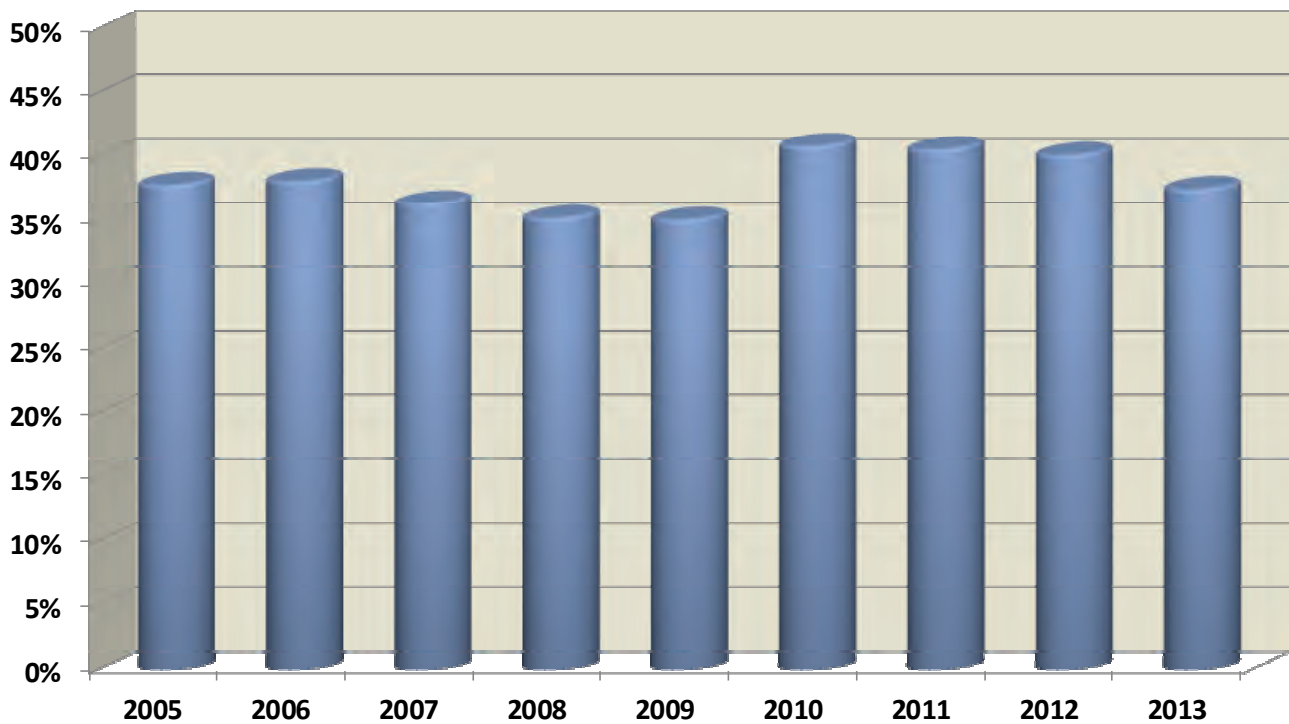


* Prior to 2014 Finance includes Customer Service.

FINANCE DEPARTMENT

The Finance Department is the Utility's business operations area. The department includes multi-disciplined and cross-functional teams of professionals involved in accounting, finance, billing, and purchasing. The department's 20 staff members stay attuned to the needs and expectations of external and internal customers while maintaining the rigors of cyclical mission-critical functions involving approximately 123,000 metered accounts, 13 billing partners, and monthly billings that collectively total over \$130 million annually.

Water Revenue as % of Total Billings by Year



The department's responsibilities cover a broad range of functions that include financial planning and reporting, fiscal control, interdepartmental budgeting, billing, utility-wide purchasing, remittance processing, credit and collections, rate-making, investments, bond-issue preparation, banking relationships, business insurance coverage, and risk management.

Mission

The Finance Department is committed to providing quality service to customers in ways that are helpful, caring, and responsive. Customers include water customers, as well as the departments within the Utility. The department's goal is to offer services that not only meet but clearly exceed external and internal customer expectations. The department accomplishes its mission through teamwork, communication, courtesy, integrity, and innovation and takes responsibility for the efficient and effective delivery of quality service.

EUM Attribute: Financial Viability

Goal: To ensure the long-term financial success of the Utility through sound financial management practices

Objective 1: Distribute financial reports by the 2nd Thursday of each month for the previous month's activity

Objective 2: Receive the GFOA Distinguished Budget Award

Objective 3: Receive the GFOA Certificate of Achievement for Excellence in Financial Reporting

Objective 4: Finalize and distribute Comprehensive Annual Financial Report (CAFR) by April 30

Objective 5: Maintain stabilized net revenue bond coverage at or above Commission target (currently 200%)

Objective 6: Maintain working capital at or above bond requirement (currently 90 days)

Objective 7: Maintain debt utilization at or below AWWA benchmark (currently < 40%)

Other 2014 Accomplishments

Worked successfully through issues related to the 2013 EnQuesta (billing software) upgrade that carried over into 2014

Established terms with new vendor, Invoice Cloud, to show customer payments in real time within enQuesta system. Invoice Cloud now processes customer payments via credit cards, debit cards, and e-checks.

Issued \$10,850,000 Water Revenue Bonds to refund Series 2004 Bonds saving approximately \$265,000 annually over the next ten years

CAW's Fleet Management Plan was developed to provide a management plan with recommendations for improving the administration and operation of CAW's vehicle fleet. The Plan is organized to reinforce a fleet vehicle life cycle management process and provides recommendations on how departments may standardize their respective fleet vehicle life cycle management processes. This process incorporates all major facets of vehicle life cycle management from needs determination to retirement of the acquired vehicle.

A purchasing policies and procedures manual has been developed to provide CAW staff guidelines to aid in obtaining quality goods and services at the lowest reasonable cost, while operating at the highest standards of ethical conduct.

The development of terms and conditions has become a standard part of any invitation to bid, request for proposal or formal bid document. Terms and conditions form a foundation for contractual agreements as well as provide directive to potential bidders.

A complete review of CAW ancillary service charges is underway during the fourth quarter of 2014. This review is examining all costs required to perform these services in order to assess if the current fee structure is adequate to recover the current costs to provide these services. Any proposed changes as a result of this review will be presented for possible implementation in early 2015.

Billing, along with Finance and Information Services, improved efficiency and accuracy of the CAW account write off process. Accounts over 120 days past due are written off. A manual review process involving two days work is now automated to reduce process time to two or three hours of work.

Billing established two new work orders. Work order #220 identifies any 1.5" or larger meter with no usage. Work order number #210 identifies any 1.5" or larger meter with a significant drop in consumption from the previous month. Initially, a significant drop is defined as a 50% or greater consumption decrease. This is important because maintenance of large meters is completed by Distribution rather than Customer Service. Previously, delays were encountered causing lost revenue due to work orders going to the wrong department. This process now prioritizes routing of larger meter work and proactively identifies meters slowing due to age.

2015 Goals

In addition to the recurring objectives above, the Finance Department will:

Upgrade Microsoft GP Dynamics, Altec Doc-Link, and Paramount Workplace financial systems. This goal was pushed back a year to focus on EnQuesta issues from the 2013 upgrade.

Complete a rate study setting retail, wholesale, and raw water rates through 2018.

Complete appraisals on critical above ground assets for insurance valuation.

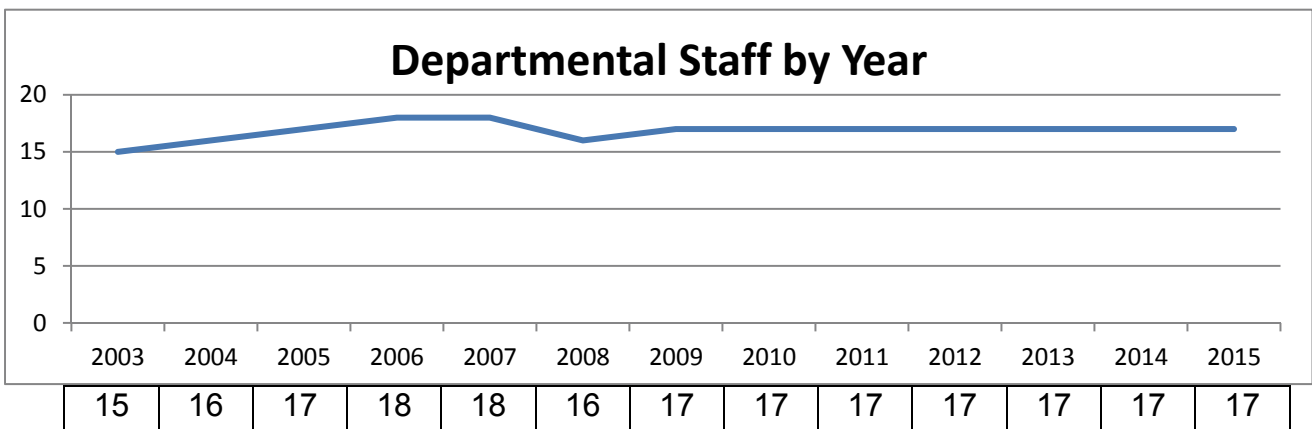
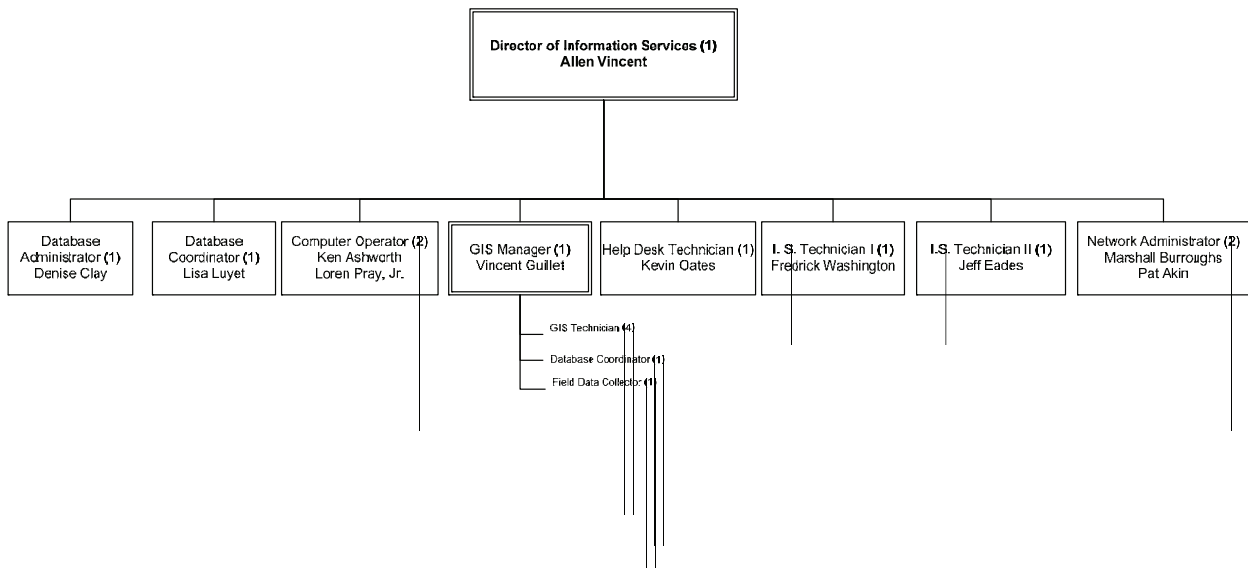
Billing is working to establish an auto transfer process for both debit and credit balances from inactive to active accounts. This process will save time researching, writing transfer cards, and manually keying.

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
Months Interim Financial Reports Distributed by 2 nd Thursday	Yes	Yes	Yes
GFOA Distinguished Budget Award Was Received	Yes	Yes	Yes
GFOA Certificate of Achievement for Excellence in Financial Reporting Was Received	Yes	Yes	Yes
CAFR Finalized and Distributed by April 30 th	Yes	Yes	Yes
Revenue Bond Coverage	2.36%	2.00%	2.16%
Working Capital (in days)	337	255	205
Debt Utilization	22.18%	21.34%	20.84%

Finance Department – Expenditure Summary

	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 2,554,713	\$ 2,639,752	\$ 1,638,741
Materials, Supplies, and Maintenance	263,311	881,380	639,880
Electric and Other Utilities	102,560	113,536	1,536
Contract Services	812,385	709,149	380,292
Depreciation	11,068,273	11,200,000	11,246,710
Other	278,307	276,000	280,000
Total Expenses	15,079,549	15,819,817	14,187,159
Total Capital Expenditures	39,748	227,800	-
Total Finance & Customer Service	\$ 15,119,297	\$ 16,047,617	\$ 14,187,159

INFORMATION SERVICES DEPARTMENT



INFORMATION SERVICES DEPARTMENT

Technological automation translates into increased efficiency and productivity for all areas of operations at CAW, and the Information Services Department maintains the many information systems that are necessary to support the day-to-day and mission-critical operations of the Utility.

Mission

There are thousands of computer hardware devices that make up CAW's Wide Area Network (WAN) and systems in place to support the Utility's range of operations from the Customer Service Call Center to the control of remote distribution system facilities. The IS Department manages and maintains the devices and systems, provides appropriate support services, ensures availability 24 hours per day, and supplies security for data maintained on the various systems.

EUM Attribute: Operational Optimization

Goal: Research and test current computer software and hardware that are on the market so that CAW remains on the leading edge of automation that will cost-effectively improve the Utility's operations, business practices, and service to customers

Objective 1: Upgrade EnQuesta (Billing System) to EnQuesta 4

2014

The upgrade to EnQuesta in late 2013 presented many challenges. Overall the benefits gained will outweigh the past struggles. The new system gives customers the ability to receive a paperless bill. Online account management, allows for future integration with the Cityworks Work Order system.

Objective 2: EnQuesta – Cityworks Integration - Field Service Orders

2014

Customer Service Field Service Orders has historically been a paper process. With the EnQuesta upgrade, CAW will have the ability to transfer these orders to Cityworks. This project is projected to be completed by year end. This process will allow better order tracking and order processing on a laptop or tablet rather than paper.

Objective 3: Wide Area Network (WAN) Improvements

2014

Previously the JTH building served as the hub of all network traffic. Should anything happen to the JTH building, other CAW locations would be unable to communicate. With

the improvements, AT&T is the center hub of all network traffic. This improves the redundancy of our network and increases the network speed at Ozark Point and Maryland Avenue Complex.

2015 Goals

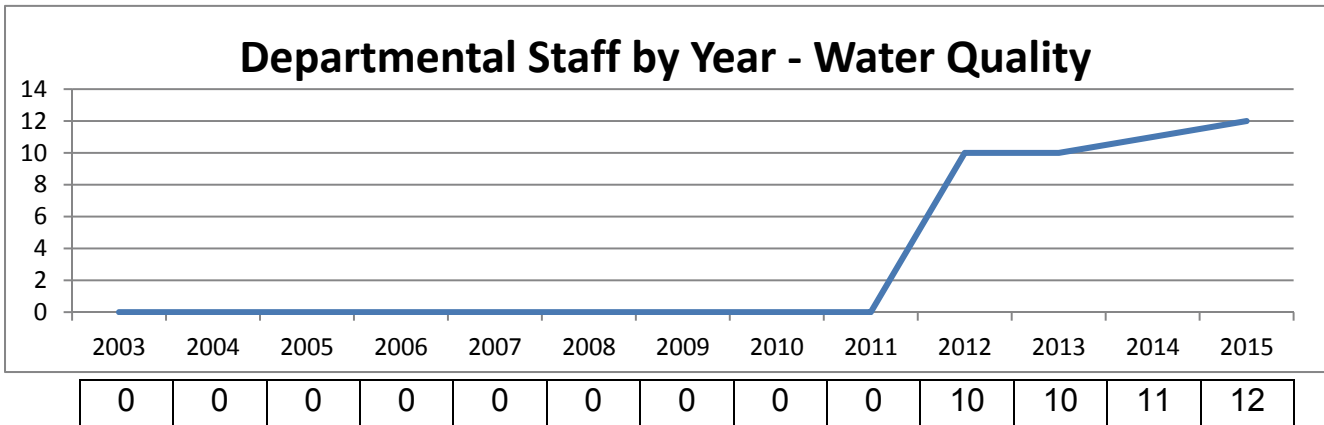
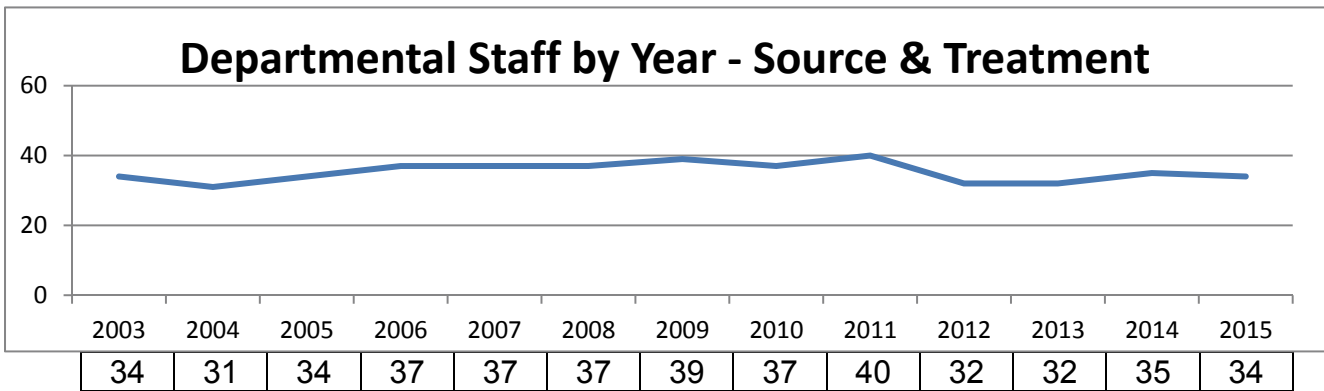
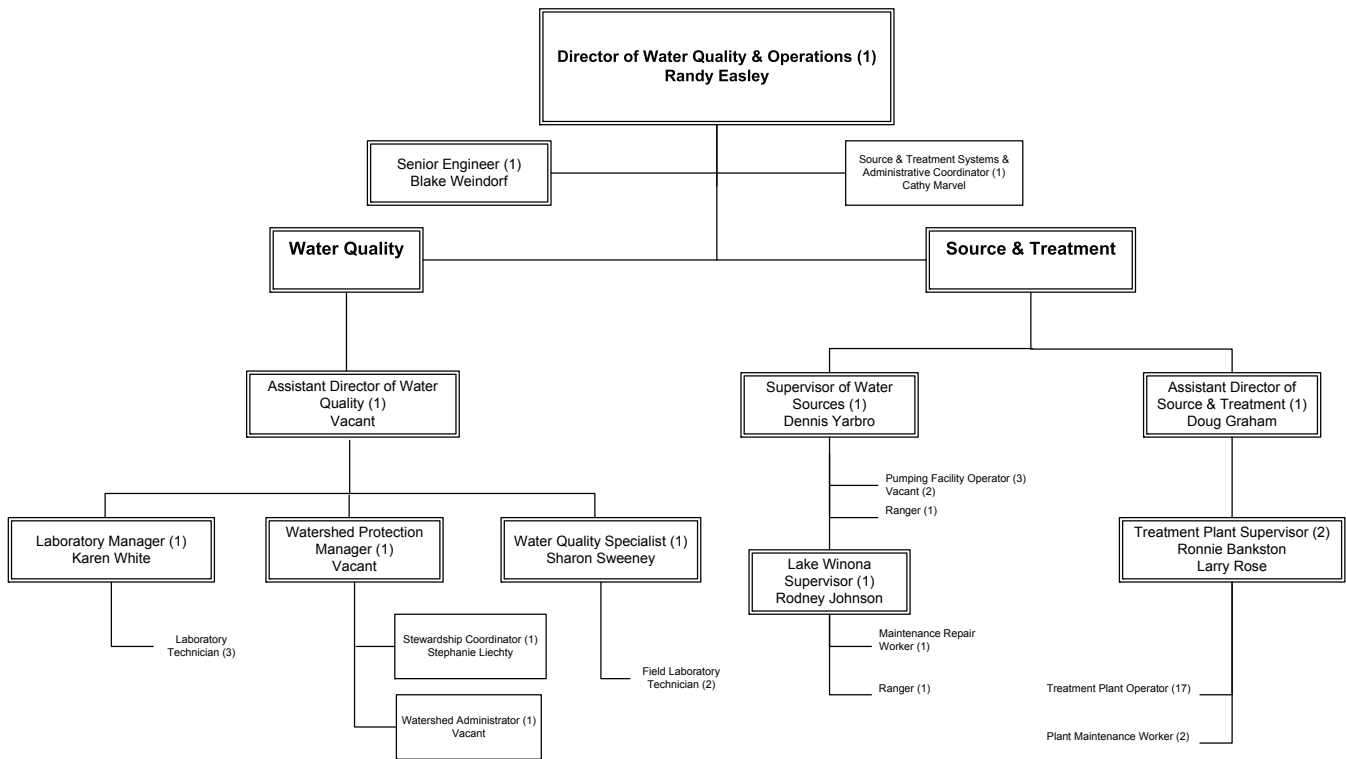
In addition to the recurring objectives above, IS will support the upgrades of Microsoft GP Dynamics, Microsoft Forecaster, Altec Doc-Link, and Paramount Workplace financial systems. WAN improvements will be continued, the new bill roll out will be finalized as well as e-billing and upgrades to the current Cisco phone system.

Information Services Department – Expenditure Summary

	2012 Actual	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 1,624,867	\$ 1,627,408	\$ 1,670,771	\$ 1,640,192
Materials, Supplies, and Maintenance	1,002,274	863,058	931,704	967,204
Electric and Other Utilities	365,320	392,529	365,000	435,000
Contract Services	20,853	19,305	15,000	15,000
Total Expenses	3,013,314	2,902,300	2,982,475	3,057,396
Total Capital Expenditures	372,633	621,128	223,500	346,000
Total Information Services	\$ 3,385,947	\$ 3,523,428	\$ 3,205,975	\$ 3,403,396

WATER QUALITY & OPERATIONS DEPARTMENT

Effective: August 1, 2014



SOURCE & TREATMENT

Source & Treatment is the area of the Utility that manages operations of the source waters, treatment plants, distribution system pumping stations, and storage tanks. The treatment plants produce an average of 62 million gallons of potable water per day and produced a peak daily level of 126 million gallons on July 30, 2012. Source & Treatment staff performs an average of 208 water quality tests per day. The 34 staff members stay informed of Safe Drinking Water Act (SDWA) regulations and the State of Arkansas' Rules and Regulations Pertaining to Public Water Systems. All staff members, with the exception of three, are required to obtain a State of Arkansas Water Operator's License.

Source & Treatment responsibilities cover a broad range of functions that include: patrolling the lakes and watersheds; operation and maintenance of source water intakes, pumping stations, and raw water lines; operation of the treatment plants and high-service pumping stations; operation of the distribution system booster pumping stations, storage tanks, and intersystem valves; and plant operational SDWA compliance monitoring.

Mission

Source & Treatment is committed to protecting public health and promoting the economic vitality of Central Arkansas by providing to our customers an adequate supply of high-quality drinking water that meets all State and Federal regulations pertaining to public water systems.

Source & Treatment's goal is to reliably monitor and operate the water treatment and delivery facilities, ensure cost-effective performance in all facets of operation, maintain awareness of water quality information, regulations, and operational technology development.

EUM Attribute: Product Quality

Goal: Provide an uninterrupted supply of high quality potable water that meets or exceeds all SDWA regulations

Objective 1: Maintain 100% SDWA compliance

Objective 2: 100% of monthly filtered water compliance monitoring samples \leq 0.3 Nephelometric Turbidity Units (NTUs)

Objective 3: 95% of monthly filtered water compliance monitoring samples \leq 0.1 NTUs

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
100% SDWA Compliance	100%	100%	100%
Months 100% of Filtered Turbidity \leq 0.3 NTUs – Wilson Plant	100%	100%	100%
Months 100% of Filtered Turbidity \leq 0.3 NTUs – Ozark Point Plant	100%	100%	100%
Months 95% of Filtered Turbidity \leq 0.1 NTUs –Wilson Plant	54.5%	75%	100%
Months 95% of Filtered Turbidity \leq 0.1 NTUs – Ozark Point Plant	58.5%	75%	100%

Other 2014 Accomplishments

Successful start-up and testing of the Chlorine Dioxide facilities at both the Ozark Point and Jack Wilson water treatment facilities were fully realized in 2014, leading to an enhanced ability to better manage disinfection by-products. Rehabilitation of the Ozark Point filters to include granular activated carbon (GAC) caps provide an enhanced ability to meet SDWA regulations through improved filtering capacity and greater by-product removal ability. Replacement of pH analyzing equipment at the Wilson Plant enhanced treatment staff's ability to monitor and react to changes in water quality, thus improving the overall quality of water produced.

2015 Goals

With completion of major modifications at both water treatment facilities, a significant goal for 2015 is the enhancement of the treatment capabilities through plant optimization. This process takes a critical look at how the facilities are maintained and operated so efficiencies may be realized. The newly added chlorine dioxide process will be carefully monitored and should provide staff with additional data useful for budgeting and operational management.

Source & Treatment – Expenditure Summary

	2013 Actual	2014 Budget	2015 Budget
Labor and Benefits	\$ 2,739,207	\$ 2,849,510	\$ 2,911,379
Materials, Supplies, and Maintenance	235,022	206,470	211,160
Electric and Other Utilities	2,700,099	2,777,070	2,797,920
Contract Services	700,513	799,910	872,608
Chemicals	1,514,367	2,216,300	2,296,000
Total Expenses	7,889,208	8,849,260	9,089,067
Total Capital Expenditures	40,747	511,000	144,000
Total Source & Treatment	\$ 7,929,955	\$ 9,360,260	\$ 9,233,067

WATER QUALITY

Water Quality formed in mid-2012 and encompasses the Watershed Management Section, the Watershed Stewardship Section, the Water Quality Section, and the Analytical Laboratory. The formation of Water Quality allows Central Arkansas Water to take a more holistic approach to water quality management from the source to the tap.

The Watershed Management Section is the Utility's source water protection program for its two water supply reservoirs; Lake Maumelle and Lake Winona. Responsibilities include implementation of the Lake Maumelle Watershed Management Plan, strong water quality monitoring program for both lakes and select tributaries, working with county and state government for implementation of regulatory programs, and inspection of activities in the respective watersheds that may pose a water quality risk.

The Watershed Stewardship Section assists CAW in meeting its goals by being cognizant of and attentive to the impacts its decisions have on current and long-term future community, watershed health and welfare; managing operations, infrastructure, and investments to protect, restore, and enhance the natural environment; and considering a variety of pollution prevention, watershed, and source water protection approaches as part of an overall strategy to maintain and enhance ecological and community sustainability.

The Water Quality Section conducts investigations through the collection of samples and data for trending water quality changes in the watersheds, source waters, water treatment and delivery systems. Targeted studies initiated at these systems are conducted in order to better understand and assess water quality and implications for management and treatment.

The Laboratory Section serves a support role to the Watershed Management, Watershed Stewardship, and Water Quality Sections and the Water Treatment Plant Operations Department. Through the analyses of a variety of environmental and operational samples for chemical and physical parameters, the laboratory provides sound data that serves as the basis for determination of drinking water quality compliance, watershed and source water health, treatability, and long term monitoring initiatives.

Mission

Water Quality is committed to protecting public health and promoting the economic vitality of Central Arkansas by providing our customers an adequate supply of high-quality drinking water that meets all State and Federal regulations pertaining to public water systems.

The overarching goals are to provide quality control for the Utility from the source to the customer's tap. These goals provide water quality protection through monitoring the watersheds, source water, water treatment, and delivery systems. Assessment of water quality data assures these systems meet regulatory compliance, protect public health, and prevent nuisance episodes related to taste, odor, and discoloration.

EUM Attribute: Product Quality

Goal: Provide an uninterrupted supply of high quality potable water that meets or exceeds all SDWA regulations

Objective 1: Maintain 100% SDWA compliance

2014

The evaluation and replacement of analytical equipment to update current capabilities has continued with the purchase of a Rapid Response Total Trihalomethane Analyzer (RR-TTHM), and Palin Test equipment that will enhance CAWs capability to efficiently operate the newly constructed Chlorine Dioxide facility and provide additional water quality data in treatment plants, and distribution systems.

Objective 2: Maintain SDWA regulated contaminant levels \leq 80% of allowable Maximum Containment Level (MCL)

Objective 3: 100% monthly water compliance monitoring samples with Total Coliform Monitoring Rule (TCR)

2014

Staff continues to review the location and status of our bacteriological monitoring sites for TCR compliance monitoring. Additional sites were added when the Wye Mountain water system was added, and staff has prioritized replacement of many sites with dedicated sampling stations that will provide more consistent compliance monitoring data.

Objective 4: Continue land acquisition per Watershed Management Plan to provide greater source water protection

2014

Negotiations continue regarding a potential conservation easement on 300 acres in the watershed with a goal of completion by year-end.

A Forest Legacy grant application for the purchase of 388 acres in the Reece Creek drainage area was submitted to the U.S. Forest Service (USFS).

Objective 5: Maintain or increase Lake Water Quality Monitoring

2014

Additional real-time monitoring equipment was installed at the raw water lines at both Lake Maumelle and Lake Winona. This real-time monitoring will allow better operational control for water treatment staff and provide an additional measure of

safety for the source water through rapid dissemination of monitoring data. Along with this increased capability, a web portal was developed to better integrate all USGS information for end users.

Research collaborations were continued with: Dr. Paul Simone, Univ. Memphis (RR-TTHM) and Dr. Alan Wilson, USGS/Auburn Univ. (Algal Toxins).

Objective 6: Maintain or increase Tributary Water Quality Monitoring

2014

Water Quality negotiated the terms of the agreement with USGS for the long term, ongoing water quality and flow monitoring of Lake Maumelle and its tributaries. As a part of the program, staff contributed \$22,500 of in-kind services for work associated with the 2014 monitoring plan, thereby reducing costs associated with relying solely on USGS personnel.

Water Quality staff continues consolidation and streamlining of the data review process and informational databases. This more integrated data management system will allow historical, current, and future data to be presented in a more efficient manner.

Additional Biological monitoring initiated in the tributaries to Lake Maumelle will provide better understanding of the health of the watershed. This monitoring will help in our watershed and water quality management decisions.

Objective 7: Comprehensive Ecology Management

2014

On April 27, 2014 a tornado in western Pulaski County caused significant damage to timber on CAW property. Approximately 529 acres of forest were damaged from the storm, consisting of 283 acres on the north shore and 246 acres on the south shore of Lake Maumelle. To reduce risk of wildfire and insect infestation within storm damaged areas and adjacent forestland, CAW contracted to remove the downed and damaged timber. Restoration of the tornado scar, along with water quality monitoring are additional activities undertaken related to this event.

Controlled burns were conducted on approximately 559 acres in the Lake Maumelle watershed. The use of controlled fire reduces risk of catastrophic wildfire, improves water quality by reducing the amount of decaying woody debris, and increases the herbaceous understory.

2015 Goals

Many of the aforementioned objectives and projects initiated in previous years are long term in nature; 2015 will see a continuation of these initiatives and will include the following additional work efforts.

Water Quality will continue to build relationships with Local, State, and Federal agencies and Non-governmental organizations (NGOs) to advance CAW's water quality goals. Relationships have led to: additional project funding (USFS); public education, outreach, and wildlife surveys (Audubon); and integration of forest management expertise (AGFC).

In order to enhance the Utility's conservation management objectives, staff will develop and implement long-range plans for: forest management, controlled burns, timber harvesting, and recreational planning. These plans will create a road map for management activities, as well as enhance budget planning.

Staff will continue to focus on increasing our property holdings in key watershed areas. Most notably, application has been submitted to the Forest Legacy program to aid CAW in purchasing additional acreage adjacent to the Winrock Grass Farm.

Water Quality will also implement additional biota monitoring. Monitoring of biota will support planning efforts, and provide the basis necessary to develop metrics guiding future watershed planning while providing better understanding of the health of the watersheds and source waters.

Performance Measures	2013 Actual	2014 Estimated	2015 Budget
100% SDWA Compliance	100%	99%	100%
≤ 80% of All MCL	100%	100%	100%
100% TCR Monitoring	100%	100%	100%
Land Acquisition per Plan (cumulative acres)	2400	2700	3000
Lake Water Quality Monitoring	Yes	Yes	Yes
Tributary Water Quality Monitoring	Yes	Yes	Yes
Implementation of Ecology Management	Yes	Yes	Yes

Water Quality – Expenditure Summary

	2012 Actual	2013 Actual	2014 Budget (Restated)	2015 Budget
Labor and Benefits	\$ -	\$ 1,004,248	\$ 1,074,228	\$ 1,242,136
Materials, Supplies, and Maintenance	-	243,314	351,750	305,520
Electric and Other Utilities	-	2,260	3,960	3,500
Contract Services	-	686,604	888,058	831,490
Total Expenses	-	1,936,426	2,317,996	2,382,646
Total Capital Expenditures	-	1,181,135	3,065,000	3,850,000
Total Source & Treatment	\$ -	\$ 3,117,561	\$ 5,382,996	\$ 6,232,646

*\$40,000 reclass between Water Quality and Customer Relations for the "Sprinkler Smart" Program

Statistical Information

Pulaski County is the largest county by population in the State of Arkansas, with a population of approximately 390,000. Its county seat is Little Rock, which is also the State’s capital and largest city. Pulaski County forms the core of the Little Rock-North Little Rock-Conway Metropolitan Statistical Area, which accounted for approximately 700,000 people in the 2010 census. According to the U.S. Census Bureau, Pulaski County has a total area of 808 square miles, of which 771 square miles are land and 37 square miles are water.¹

Local, State, and Federal government have been the area’s major employers for many years. Medical facilities, banks, and other service industries are also very important to the economy. Government and medical facilities employers in particular have kept the local economy relatively stable during the recent downturn. Both the Cities of Little Rock and North Little Rock have revitalized their respective downtown areas, which in turn fueled attraction of major corporations in a variety of industries.

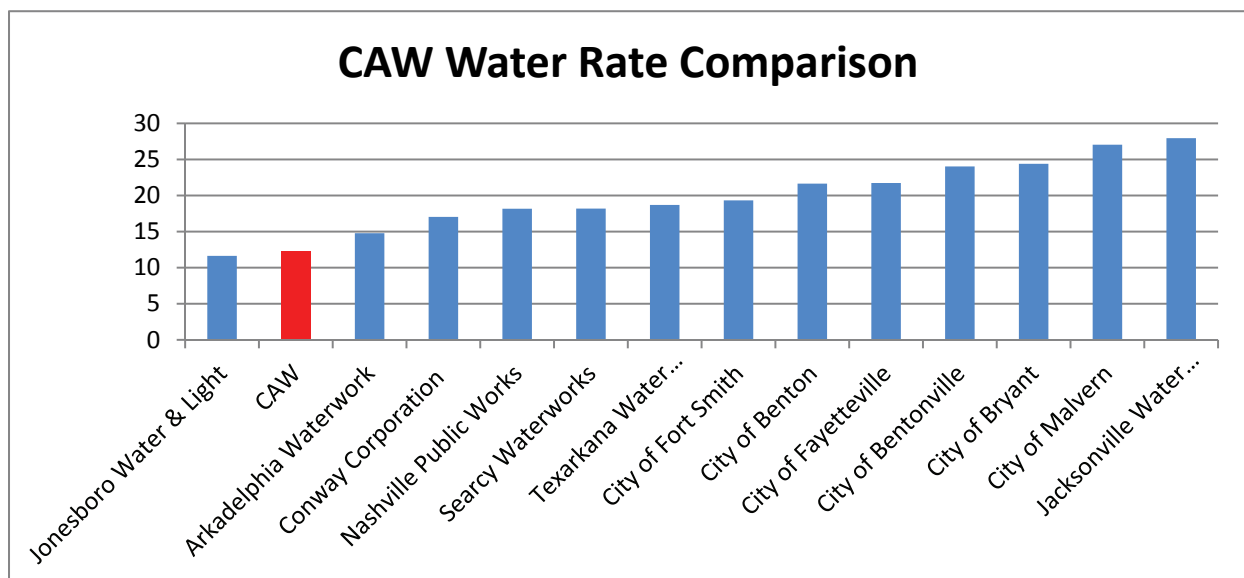


Demographics	
<i>Pulaski County</i>	
Population Est. (2013) ²	391,284
Per Capita Income (2011) ³	\$ 27,744
Median Household Income (2012) ³	\$ 46,102
Unemployment Percentage Rate (2014) ²	6.0%
Median Age (2010) ¹⁵	36.0
Race (2010) ¹⁵	
• White	55.3%
• Black or African-American	34.8%
• American Indian	0.3%
• Asian	1.9%
• Hispanic	5.8%
• Other	1.9%

<i>Little Rock</i>	
Population (2013) ²	197,357
Per Capita Income (2012) ³	\$ 29,841
Median Household Income (2012) ³	\$ 45,135
Unemployment Percentage Rate (2014) ²	6.0%
Median Age (2010) ⁵	35.1
Race (2010) ⁵	
• White	46.7%
• Black or African-American	42.2%
• American Indian	0.3%
• Asian	2.6%
• Hispanic	6.8%
• Other	1.4%
<i>North Little Rock</i>	
Population (2013) ²	66,075
Per Capita Income (2012) ²	\$ 23,762
Median Household Income (2012) ²	\$ 39,558
Unemployment Percentage Rate (2014) ⁴	6.2%
Median Age (2010) ⁸	35.9
Race (2010) ⁸	
• White	51.6%
• Black or African-American	39.6%
• American Indian	0.3%
• Asian	0.9%
• Hispanic	5.7%
• Other	1.9%
CAW Service Area	
Square Miles	515
Miles of Public Water Distribution Pipe (2014)	2,358
Number of Meters in Service (2014)	
• Residential	108,648
• Commercial	11,333
• Large Volume	55
• Sprinkler	24,733
• Wholesale	17
Total Consumption (2013) (in billion gallons)	18.55
Average Daily Consumption (2013) (in million gallons)	50.83
Max. Day Consumption (2013) (in million gallons)	106.0
All-Time Max. Day Consumption (2012) (in million gallons)	126.0

CAW's Ten Largest Customers Percent of Revenues (2013)	
Jacksonville Water Works	2.38%
Bryant Water and Sewer	1.64%
Salem Water Alliance	1.30%
North Pulaski Waterworks	0.79%
University of Arkansas for Medical Sciences	0.48%
Arkansas Electric Cooperative	0.41%
Baptist Health System	0.38%
Veterans Administration Hospitals	0.38%
Arkansas Department of Corrections	0.37%
Cabot Waterworks	0.32%

CAW Rate Comparison (2014)¹²			
<i>Water Provider</i>	<i>Residential (5k Gallons)</i>	<i>Small Commercial (15k Gallons)</i>	<i>Small Industrial (25k Gallons)</i>
Little Rock/North Little Rock (CAW)	\$ 12.29	\$ 33.03	\$ 43.98
Jonesboro Water & Light	11.64	28.44	45.24
City of Fayetteville	21.74	40.29	63.69
Searcy Waterworks	18.19	37.69	57.19
Conway Corporation	17.04	42.34	66.79
Texarkana Water Utilities–Madeville	18.70	41.93	66.43
Arkadelphia Waterworks	14.78	34.83	53.33
Jacksonville Water Department	27.95	94.45	154.85
Nashville Public Works	18.17	44.77	64.87
City of Fort Smith	19.33	52.97	87.80
City of Benton	21.65	54.66	87.67
City of Bentonville	24.03	62.31	98.71
City of Bryant	24.40	73.80	123.20
City of Malvern	27.05	77.80	136.80



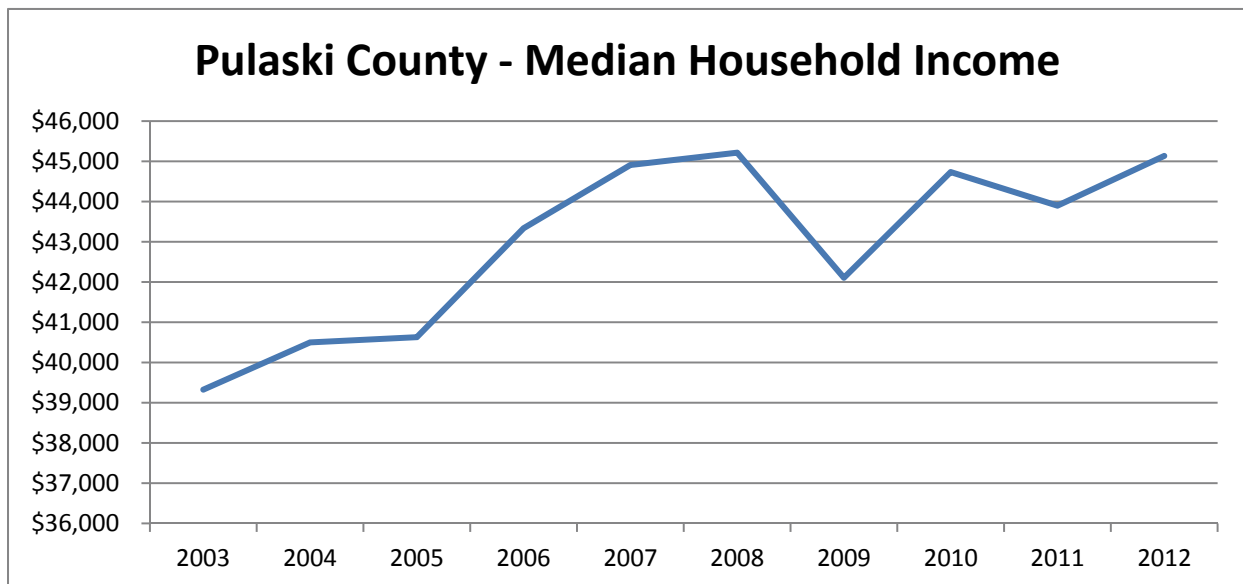
Pulaski County Largest Employers (2012)¹¹	
State of Arkansas	Government
Local Government	Government
Federal Government	Government
Little Rock Air Force Base	Government
University of Arkansas for Medical Sciences	Health Care/University
Baptist Health System	Medical Services
Little Rock School District	Public School
Arkansas Children's Hospital	Medical Services
Central Arkansas Veterans Health Care Systems	Medical Services
Wal-Mart	Retail



Arkansas' Ten Largest Cities by Population Unemployment Percentage Rate (2012)¹³	
Little Rock	6.8%
Fort Smith	7.9%
Fayetteville	5.7%
Springdale	5.3%
Jonesboro	6.7%
North Little Rock	7.0%
Conway	6.6%
Rogers	5.9%
Pine Bluff	10.9%
Hot Springs	8.8%

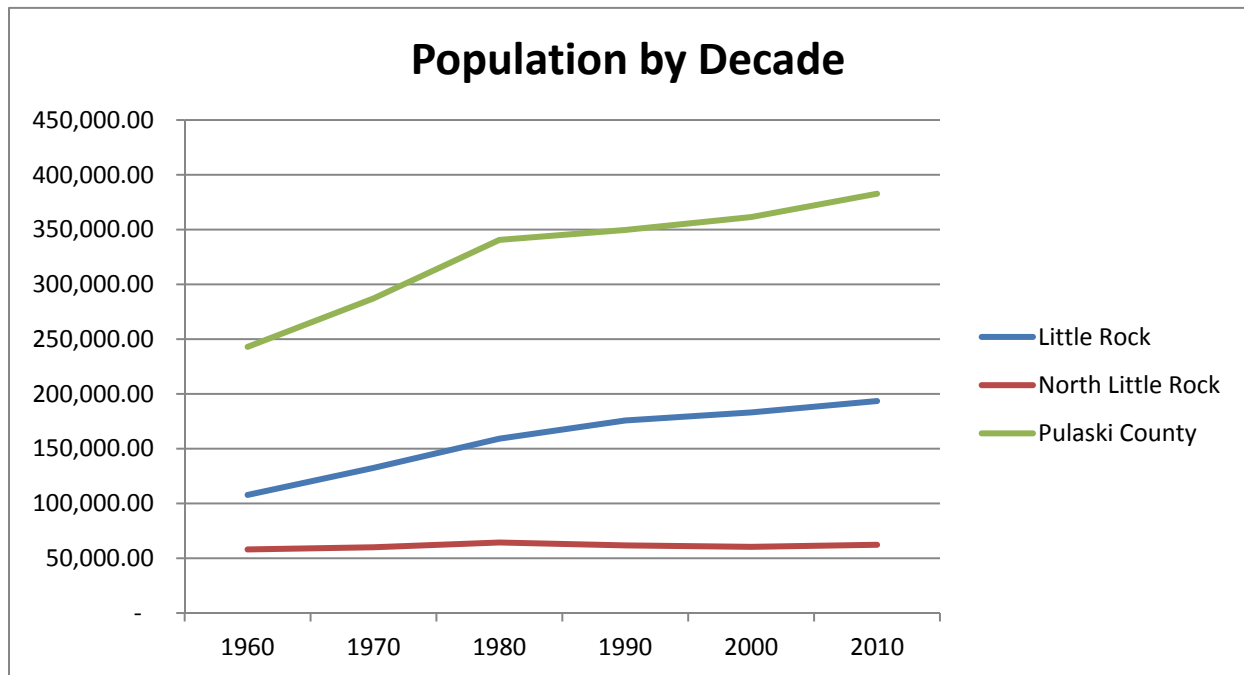
Pulaski County – Median Household Income³	
<i>Year</i>	<i>Per Capita Income</i>
2003	39,325
2004	40,499
2005	40,629
2006	43,338
2007	44,909
2008	45,215
2009	42,107
2010	44,733
2011	43,898
2012	45,135

Median Household income is a direct reflection of the local economy and resident’s ability to pay water billings. During improving economic times, CAW expects to have fewer and smaller write-off accounts.



County and State Unemployment²		
<i>Year</i>	<i>Pulaski County</i>	<i>State of Arkansas</i>
2003	5.2	5.8
2004	5.1	5.6
2005	4.7	5.1
2006	4.9	5.3
2007	4.7	5.2
2008	4.6	5.3
2009	6.3	7.4
2010	7.1	7.9
2011	7.2	7.9
2012	6.6	7.3
2013	6.0	7.5

Population by Decade			
<i>Year</i>	<i>Little Rock</i>	<i>North Little Rock</i>	<i>Pulaski County</i>
1960	107,813	58,032	242,980
1970	132,483	60,040	287,189
1980	159,151	64,388	340,597
1990	175,795	61,741	349,660
2000	183,133	60,433	361,474
2010	193,524	62,304	382,748



County and State – Retail Sales¹⁴		
<i>Year</i>	<i>Pulaski County</i>	<i>State of Arkansas</i>
2002	6,036,969	29,262,775
2003	5,885,416	29,920,716
2004	6,112,391	31,463,983
2005	6,428,030	34,290,412
2006	7,237,434	38,843,312
2007	8,455,750	43,504,752
2008	8,509,331	43,820,789
2009	5,435,602	39,251,552
2010	7,299,415	38,330,197

Sources:

- ¹ Wikipedia, *Pulaski County, Arkansas*, 9-9-13, http://en.wikipedia.org/wiki/Pulaski_County,_Arkansas
- ² Discover Arkansas, *Data Analysis*, 7-31-14, <http://www.discoverarkansas.net/cgi/dataanalysis/labForceReport.asp?menuchoice=LABFORCE>
- ³ United States Census Bureau, *Little Rock (city) QuickFacts from the US Census Bureau*, 7-31-14, <http://quickfacts.census.gov/qfd/states/05/0541000.html>
- ⁴ City-Data, *Pulaski County, Arkansas*, 9-10-12, http://www.city-data.com/county/Pulaski_County-AR.html
- ⁵ Metroplan, *Little Rock Demographic Fact Sheet*, 9-10-12, http://www.metroplan.org/files/53/LittleRock_FactSheet2010.pdf
- ⁶ Metroplan, *City of Little Rock Profile 2010*, 9-10-12, http://www.metroplan.org/files/53/LittleRock_Profile2010.pdf
- ⁷ City-Data, *Little Rock, Arkansas*, 9-13-13, <http://www.city-data.com/city/Little-Rock-Arkansas.html>
- ⁸ Metroplan, *North Little Rock Demographic Fact Sheet*, 9-10-12, http://www.metroplan.org/files/53/NorthLittleRock_FactSheet2010.pdf
- ⁹ Metroplan, *City of North Little Rock Profile 2010*, 9-10-12, http://www.metroplan.org/files/53/NorthLittleRock_Profile2010.pdf
- ¹⁰ City-Data, *North Little Rock, Arkansas*, 9-13-13, <http://www.city-data.com/city/North-Little-Rock-Arkansas.html>
- ¹¹ Arkansas Economic Development, *Largest Employers*, 9-12-12, http://arkansasedc.com/media/148602/pulaski_08_2012.pdf
- ¹² CAW Survey, *Arkansas Water Rates*, May 2014
- ¹³ City-Data, *Arkansas Bigger Cities (over 6000 residents)*, Arkansas, 9-12-12, <http://www.city-data.com/city/Arkansas.html>
- ¹⁴ Demographics USA, Nielson Caritas
- ¹⁵ Metroplan, *Pulaski County Demographic fact Sheet 2010*, 7-31-14, <http://www.metroplan.org/files/53/PulaskiCo-FactSheet2010.pdf>

Glossary of Key Budget Terms

Accounting Standards – the financial statements are prepared in accordance with principles generally accepted in the United States of America and all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Accrual Basis of Accounting – a basis of accounting that recognizes the financial effect of transactions when such transactions occur, regardless of the timing of the related cash flow.

Balanced Budget – planned expenditures do not exceed estimated financial resources available for a specified period.

Board of Commissioners – the seven-member board that governs Central Arkansas Water.

Biota – the total collection of organisms in a region, or a time period. The biota of the Earth make up the biosphere.

Bonds – certificates of indebtedness issued by an entity that guarantees payment of principal and interest at a future date.

Budget – an annual financial plan that identifies revenue sources and amounts, services to be provided, and amounts of money to fund said services.

Capital Assets – assets that have an initial value or cost greater than or equal to \$5,000 and an estimated useful life greater than one year.

Capital Outlay – fund disbursements for the purchase of capital assets, such as furniture, vehicles, machinery, and building improvements.

Clean Water Act – the Federal law that establishes how the United States will restore and maintain the chemical, physical, and biological integrity of the country's waters (oceans, lakes, streams and rivers, ground water, and wetlands.) The law provides protection for the country's waters from both point and non-point sources of pollution.

Commercial Customers – all customers receiving water service at (i) a building containing two or more apartments or family units that are rented or leased to tenants as residences and that are not separately metered; (ii) a building occupied by a retail or service business; (iii) a building owned or occupied by a public utility, a department of a municipality, or a State or

Federal government agency; or (iv) a non-domestic customer that does not fit the definition of an Industrial Customer.

Contributions-in-aid-of-construction – funds or equity contributed by customers, developers, or other entities for improvements and/or extensions to the Utility’s assets.

Contractual Services – goods and services that Central Arkansas Water acquires under contract from an outside company or vendor. Professional services and insurance are examples of contractual services.

Debt-Service – expenditures for principal and interest on outstanding bond issues.

Debt-Service Reserves – funds used to pay debt-service of revenue bonds, if the sources of the pledged revenues do not generate sufficient funds to satisfy the debt- service requirements. Debt-Service Reserves are funded in whole or part from the proceeds of the bonds or are allowed to gradually accumulate over a period of years through required payments from the pledged revenues.

Depreciation – an accounting allocation of a portion of the cost of a capital asset to the operating expenditures of the current fiscal period.

Enterprise Fund – a self-contained governmental fund operated to account for services supported by user charges and fees.

Expenditures – decreases in net financial resources under the current financial resources measurement focus; pertains to payment of normal operating and capital outlays.

Expenses – the cost of doing business in a proprietary organization. Expenses may be either direct outflows or the using up of an asset, such as the depreciation of capital assets.

Fiscal Year – a period of 12 consecutive months designated as the budget year. Central Arkansas Water’s fiscal year is the calendar year.

Fund – an accounting entity with a set of self-balancing accounts that is used to account for financial transactions for specific activities. CAW is accounted for as a stand-alone enterprise fund.

Fund Balance – the accumulation of total revenues less total expenses since the beginning of operations.

Gain/Loss on Sale of Assets – income or expense that is based upon the amount of proceeds compared to the net book value of the capital assets.

Generally Accepted Accounting Principles (GAAP) – the conventions, rules, and procedures that serve as the norm for the fair presentation of financial statements.

Governmental Accounting Standards Board (GASB) – the board that establishes generally accepted accounting principles for State and local governmental units.

Horizontal Asset – underground assets such as pipelines, vaults, valves, etc.

Investment – securities purchased and held for the production of revenues in the form of interest.

Large Volume Customers – any Commercial Customer (i) who uses at least 1,500,000 cf of water per meter during the 12-month period from September 1 to August 31; or (ii) who agrees to take or pay for a minimum of 125,000 cf of water per meter per month on an annual basis. Customers who qualify for industrial service described in (i) above shall be assigned to the industrial class for the calendar year beginning the following January.

Long-Term Debt – debt with a maturity of more than one year from date reported.

Maintenance – the use of materials and services in the effort to renew, repair, or renovate existing land, structures, vehicles, and equipment.

Net Revenues – revenues less operating and maintenance expenses (excluding depreciation and amortization) and PILOT.

Non-operating Revenue and Expense – all revenues and expenses that do not meet the definitions of operating revenues and operating expenses.

Operating Expenses – costs required to provide service or maintain principal ongoing operations.

Operating Revenues – sources of income that are in connection with principal ongoing operations.

Payment-in-lieu-of-taxes (PILOT) – negotiated payment to local government in lieu of property tax.

Rating – an indication of the likelihood that an obligation will be re-paid.

Raw Water – untreated water.

Residential Customers – all customers receiving water service at a single building or building unit that is owned, leased, or rented by one party, separately metered, and occupied as a residence.

Retail Water Sales – includes Domestic, Commercial, Industrial, Sprinkler, and Raw Water Metered Services, as well as Private Fire Services.

Safe Drinking Water Act (SDWA) – Federal legislation passed in 1974 that regulates the treatment of water for human consumption and requires testing for and elimination of contaminants that might be present in the water.

Senior Debt – debt that takes priority over other debt securities sold by the issuer. Senior debt includes the Series 2004 and Series 2007 Bonds.

Sprinkler Customers – all customers receiving separately-metered water service used exclusively for irrigation sprinkler systems or other outdoor purposes.

Subordinated Debt – debt that ranks below other debt with regard to claims on revenues. Subordinated debt includes the Series 2010A, Series 2010B, Series 2010C, Series 2011A, Series 2011B, Series 2012A, and future Series 2015 Bonds.

System Development Charges (SDC) – a one-time connection charge that provides a means for financing a portion of the source of supply, raw water transmission facilities, treatment plants, and treated water transmission facilities required to provide service to a new customer.

Wholesale Customers – all customers purchasing water through a wholesale meter contract.

Glossary of Acronyms and Abbreviations

ADH	Arkansas Department of Health
AED	Automatic External Defibrillator
AGFC	Arkansas Game & Fish Commission
AHTD	Arkansas Highway and Transportation Department
ANRC	Arkansas Natural Resources Commission
AOSH	Arkansas Occupational Safety and Health
APERS	Arkansas Public Employees Retirement System
AWWA	American Water Works Association
BCEE	Board Certified Environmental Engineer
BLS	Bureau of Labor Statistics
CAFR	Comprehensive Annual Financial Report
CAW	Central Arkansas Water
CCCP	Cross-Connection Control Program
CCF	Hundred Cubic Feet
CEO	Chief Executive Officer
CF	Cubic Feet

CFO	Chief Financial Officer
CIC	Capital Investment Charges
CLC	Chief Legal Counsel
CO	Carryover
CONN	Connection
COO	Chief Operating Officer
CPA	Certified Public Accountant
D/DBP	Disinfectants and Disinfection Byproducts
DROP	Deferred Retirement Option Plan
DIAM	Diameter
DVD	Digital Video Disc
DVR	Digital Video Recorder
EFT	Electronic Funds Transfer
EHS	Environmental Health & Safety
EPA	Environmental Protection Agency
EUM	Effective Utility Management
EWC	Excess Working Capital

FDIC	Federal Deposit Insurance Corporation
GAAP	Generally Accepted Accounting Principles
GAC	Granular Activated Carbon
GALV	Galvanized
GASB	Governmental Accounting Standards Board
GDP	Gross Domestic Product
GFOA	Government Finance Officers Association
GIS	Geographic Information System
GPS	Global Positioning System
H2O	Help to Others
HWY	Highway
IC	Ion Chromatograph
ICP/MS	Inductively Coupled Plasma Mass Spectroscopy
IS	Information Services
JTH	James T. Harvey Administration Building
KW	Kilowatt (1,000 Watts)
KWH	Kilowatt Hours

LCD	Liquid Crystal Display
LR	Little Rock
MAWA	Mid-Arkansas Water Alliance
MCL	Maximum Contaminant Level
MG	Million Gallons
MGD	Million Gallons per Day
NGO	Non-Governmental Organization
NLR	North Little Rock
NTU	Nephelometric Turbidity Unit
OPEB	Other Post-employment Benefits
OSHA	Occupational Safety & Health Administration
PC	Personal Computer
P.E.	Professional Engineer
pH	Potential Hydrogen
Ph.D.	Doctor of Philosophy
PILOT	Payment-in-lieu-of-taxes

PPE	Personal Protective Equipment
P/T	Part-Time
RSA	Rate Stabilization Account
RSS	Rich Site Summary
SCADA	Supervisory Control and Data Acquisition System
SDC	System Development Charge
SDWA	Safe Drinking Water Act
SHRM	Society for Human Resource Management
SR	Senior
TCR	Total Coliform Rule
TOC	Total Organic Carbon
TTHM	Total Trihalomethanes
UALR	University of Arkansas at Little Rock
USFS	U.S. Forest Service
USGS	U.S. Geological Survey
WAN	Wide Area Network
WPF	Watershed Protection Fee