NORTH LITTLE ROCK
WASTE WATER TREATMENT COMMITTEE

MINUTES OF A MEETING HELD MONDAY, MAY 11, 2015

A meeting of the North Little Rock Waste Water Treatment Committee was held on Monday, May 11, 2015 at the administrative offices located at the Faulkner Lake Treatment Plant.

The meeting was called to order by Chairman Matthews at approximately 12:15 p.m. Those in attendance at the meeting were: Mr. K.W. Matthews, Mr. Ed Nelson, Mr. Sylvester Smith and Ms. Karen Bryant. Also in attendance were Mr. Marc Wilkins, Director, Ms. Gina Briley, Mr. Charles Frost, Mr. Lyle Leubner, Mr. Michael Clayton, Mr. Ronnie Thompson, Mr. Dan Jackson with Willdan | Economists.com, Mr. Mark Halter with Hilburn, Calhoon, Harper, Pruniski & Calhoun, Ltd. and Dawn Harmon.

First, the Committee reviewed the minutes of its April 14, 2015 meeting. After review, a motion was made by Ms. Bryant, seconded by Mr. Nelson, to approve the minutes of the April 14, 2015 meeting as submitted. The motion carried unanimously.

The Committee then reviewed the voucher disbursements for April 2015. There being no questions or comments, a motion was made by Mr. Nelson, seconded by Ms. Bryant, to approve the voucher disbursements for April 2015 reflecting total cash disbursements of $1,315,770.61 and transfers between accounts of $1,054,070.84. The motion carried unanimously.

Upon motion made by Mr. Nelson, seconded by Bryant, the Committee unanimously approved the Financial Statement for April 2015.

Mr. Dan Jackson with Willdan | Economists.com was present at the meeting to present the findings of the 2015 Wastewater Rate Study and Long Term Financial Plan. Mr. Jackson stated that the Utility's rates are in the middle of the state median. He further emphasized that the Utility has done an outstanding job at keeping expenses at a minimum and the increase is needed to keep up with the increase in operating expenses, capital improvements that need to be made and which will allow the Utility to be financially viable. Currently, the minimum/base charge (400 cu. ft. of volume) is $14.56, and the volume rate per hundred cu. ft. after that is $3.64 for a monthly bill of $25.48 for the average customer. Based on Mr. Jackson's analysis, the proposed rates would be as follows:

	Current	Effective Jan-16	Effective Jan-17	Effective Jan-18	Effective Jan-19	Effective Jan-20
Res/Comm Monthly Rates						
Base Charge -- 1st 4 hcf	$ 14.56	$ 15.88	$ 17.32	$ 18.52	$ 19.64	$ 20.64
% Increase		**9.1%**	**9.9%**	**7.6%**	**6.5%**	**5.4%**
Volume Charge -- Per hcf	3.64	3.97	4.33	4.63	4.91	5.16
% Increase		**9.1%**	**9.1%**	**6.9%**	**6.0%**	**5.1%**
Impact on Monthly Bill -- 7 hcf						
Total Wastew ater Charge	$ 25.48	$ 27.79	$ 30.31	$ 32.41	$ 34.37	$ 36.12
Increase		**2.31**	**2.52**	**2.10**	**1.96**	**1.75**
% Increase		**9.1%**	**9.1%**	**6.9%**	**6.0%**	**5.1%**

A copy of the 2015 Wastewater Rate Study and Long Term Financial Plan Preliminary Findings and Recommendations is attached to these minutes and made a part hereof. It was noted that on page 8 of the report, a correction needed to be made. The third item in the assumptions should read as follows:

- A new 3-man crew will be added in 2016; a Power Rodder crew will be converted into a Vac-con crew.

After a lengthy discussion regarding the rate structure, Mr. Smith asked if Mr. Jackson could provide an additional analysis using the following scenario: base rate - reduced by 2% with the volume rate increased by 2%. Mr. Jackson stated that he would have these numbers prepared within the week and would provide them to Mr. Wilkins. With that being said, the Committee members agreed to look at all scenarios and carefully analyze the impact of the rate increase on all North Little Rock customers. This matter will be brought back before the Committee at the June 2105 meeting.

Next, Mr. Wilkins presented to the Committee a cost comparison of the North Little Rock Waste Water sewer line cleaning equipment for the calendar year 2014. He stated that the Vac-Con is the most productive and cost effective method for cleaning gravity sewer lines by a wide margin. North Little Rock Waste Water currently operates 3 Vac-Con crews and maintains a 4th Vac-Con (spare) to be shared by all crews. Having the spare Vac-Con enables production when one of the Vac-Cons is out of service. In addition to cleaning pipelines, the Vac-Cons are used for specialized tasks at all of the

treatment plants, pump stations and in the collection system. The staff wishes to purchase a 5th Vac-Con and convert one of the Power Rodder crews into a Vac-Con crew. This is expected to increase production by 350,000 to 400,000 lineal feet per year while increasing costs $100,000 to $110,000 per year. It was noted the 2015 Budget includes $250,000 for the purchase of a new Vac-Con. After review of the numbers and further discussion, a motion was made by Mr. Smith, seconded by Ms. Bryant to authorize the staff to purchase a Vac-Con through HGAG in the amount of $350,000.00. The motion carried unanimously.

Mr. Wilkins then advised the Committee that Little Rock Wastewater has requested use of a North Little Rock Waste Water Utility permitted disposal site near Prothro Junction during the calendar year 2015 for disposal of biosolids currently stored at the Little Rock Wastewater Fourche Creek Treatment Facility. The North Little Rock Waste Water Utility site (Dougan Farm) has 375 acres permitted for biosolids disposal. The Utility plans to dispose of biosolids from its Faulkner Lake Treatment Plant during the calendar year 2015 and anticipates that less than 80 acres will be required. The Utility has received confirmation from the property owner that she would appreciate the biosolids from Little Rock Wastewater which will be a minimum of 1,500 dry tons. Little Rock Wastewater will be responsible for any costs associated with sampling, analysis and the annual report. In addition, Little Rock Wastewater will pay North Little Rock Waste Water Utility a lump sum of $5,000.00 as compensation for managing the permit. A motion was then made by Mr. Nelson, seconded by Ms. Bryant, to authorize the staff to enter into a "Memorandum of Agreement between Little Rock Wastewater and North Little Rock Wastewater Utility for use of Biosolids Disposal Site & Permit". The motion carried unanimously.

The Committee then discussed the McCain Rail Grade Separation. Marlar Engineering, Inc. has prepared the contract documents to relocate approximately 506 lineal feet of existing 10" gravity sewer main. This project is necessary to prevent conflicts between existing sewer lines and the proposed railroad overpass bridge on Fairfax Drive between East McCain Boulevard and AR HWY 161. The project has been authorized by the Arkansas Highway Department for bidding and is eligible for 100% reimbursement of actual cost through the Federal Aid Program. There was then discussion among the Committee members regarding cut backs on projects through the Arkansas Highway Department. Mr. Wilkins stated that the action being requested was solely for bids and he would confirm with the Arkansas Highway Department that this project was still eligible for 100% reimbursement before moving forward. Therefore, a motion was made by Mr. Nelson, seconded by Ms. Bryant, to authorize the staff to advertise for bids for the McCain Rail Grade Separation contingent upon receiving executed easements. The motion carried unanimously.

A motion was then made by Mr. Smith, seconded by Mr. Nelson, to excuse the absence of Mr. McGlothin from the meeting. The motion carried unanimously.

There being no further action to come before the Committee, a motion was made by Mr. Nelson to adjourn the meeting. The motion carried unanimously and the meeting was adjourned at approximately 1:35 p.m.

APPROVED AS TO FORM:

K. W. MATTHEWS, CHAIRMAN

RESPECTFULLY SUBMITTED,

SYLVESTER SMITH,
VICE-CHAIRMAN/SECRETARY

North Little Rock Wastewater Utility

2015 Wastewater Rate Study and

Long Term Financial Plan

Preliminary Findings and Recommendations

WILLDAN | Economists.com

May 11 2015

Presentation Format

- Residential WW Rate Comparison
- NLRWWU -- Volumes and Revenue Requirements
- Long Term Capital Improvement Plan
- Proposed Rate Plan
- Summary

Facts about Water and Wastewater Rates in the 21st Century

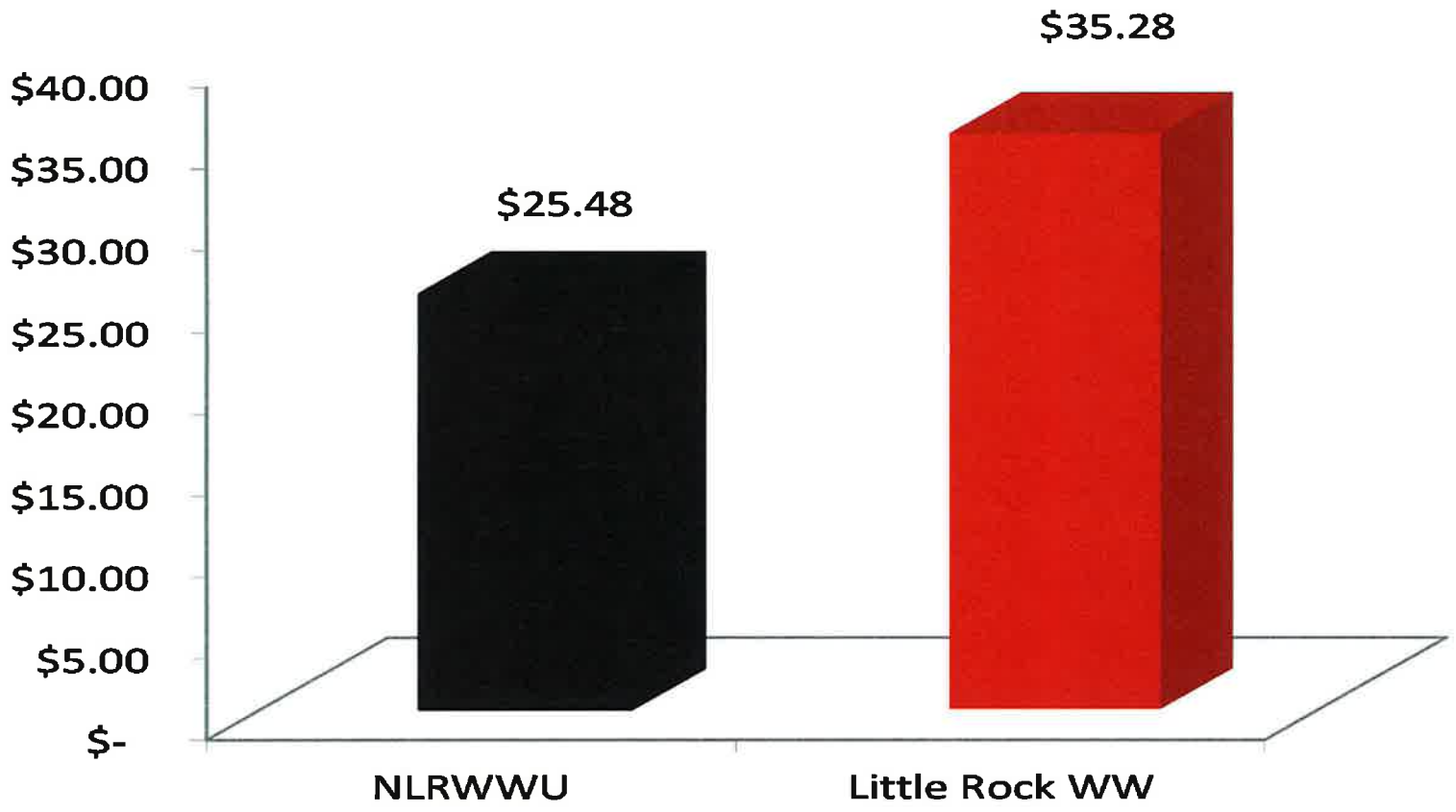
- Costs are on the rise
  - American Water Works Association (AWWA) projects water and sewer infrastructure needs could top $2 trillion in the next 20 years
- Average utility has been increasing rates 5-6% per year; trend expected to continue
- 30-40% of utilities have rates in place that do not cover their costs
- Many reasons for rate increases are beyond a City's ability to influence
- General rule: a utility can have low rates or high quality service but NOT both!

NLRWWU
Current WW Monthly Rates

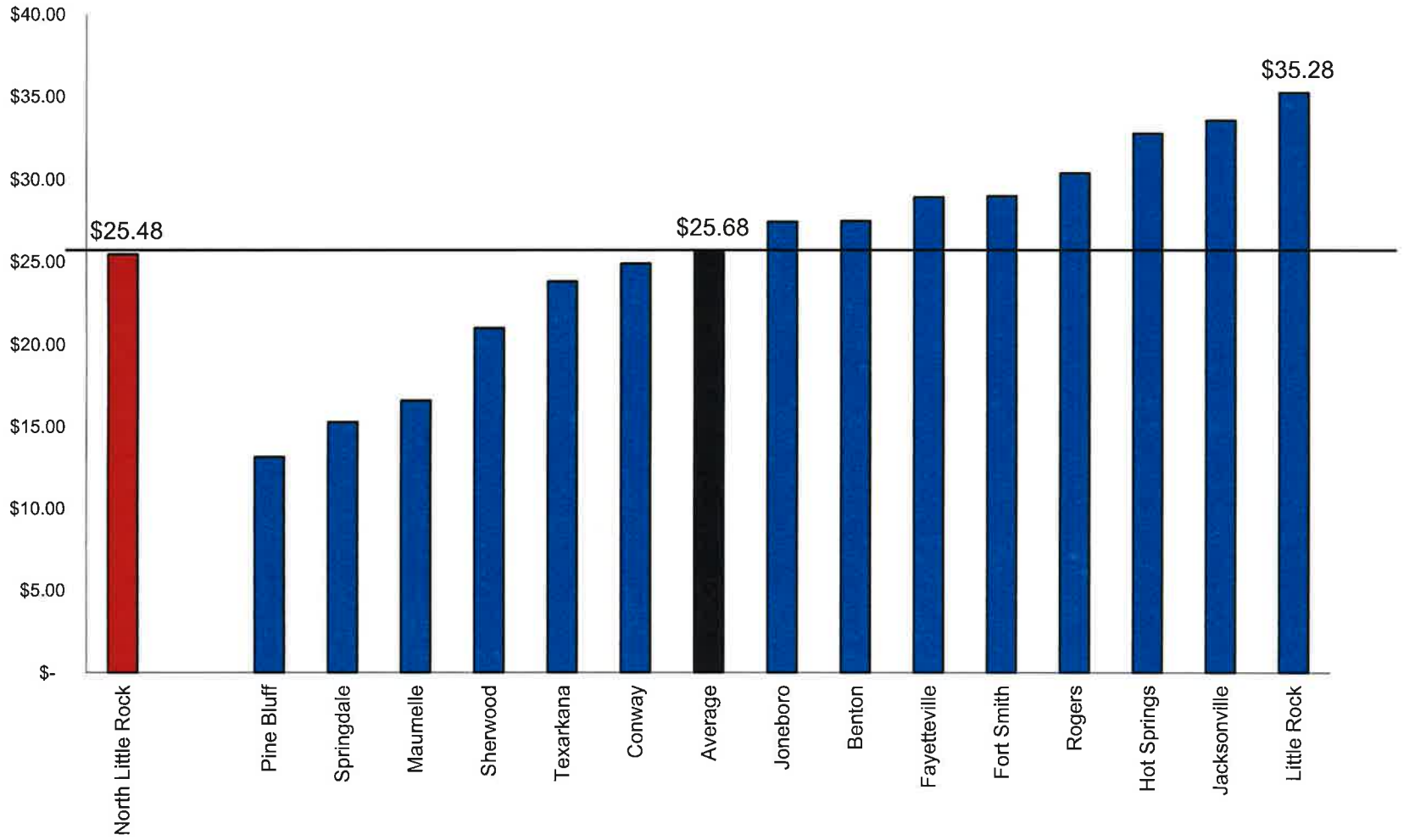
All Accounts - Residential, Commercial or Industrial Inside or Outside of City Limits	
Minimum / Base Charge (includes 400 cu. ft. of volume)	$14.56

All Accounts Wastewater Volume Rates	
Metered -$ per hundred cubic feet (rounded up to nearest ccf) Volumes are based on winter average	$3.64

Current WW Charges – 7 hcf
NLRWWU and Little Rock

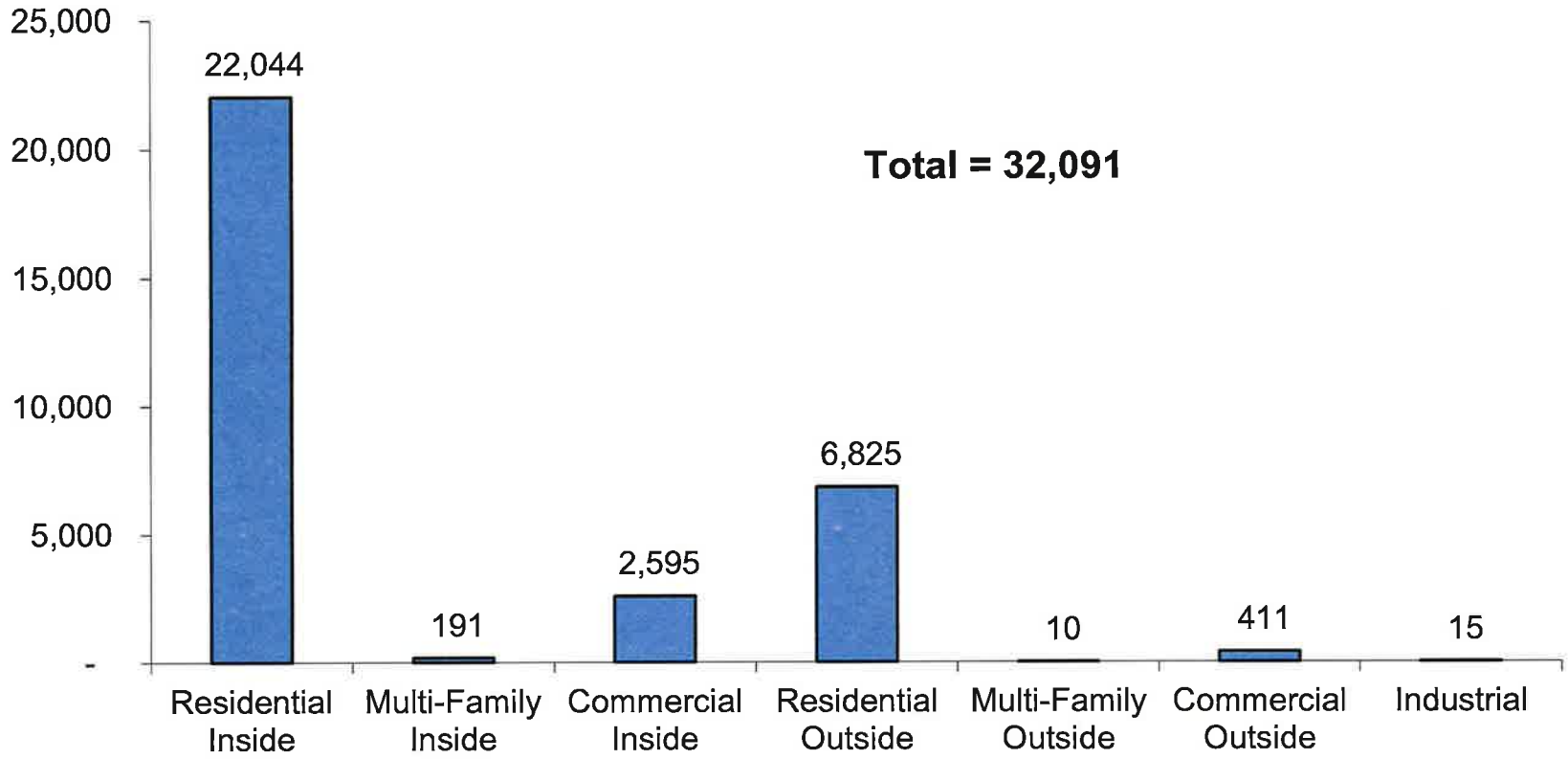


Residential Monthly Charge Comparison
5,000 Gallons WW



NOTE: NLRWWU equivalent is 700 cubic feet

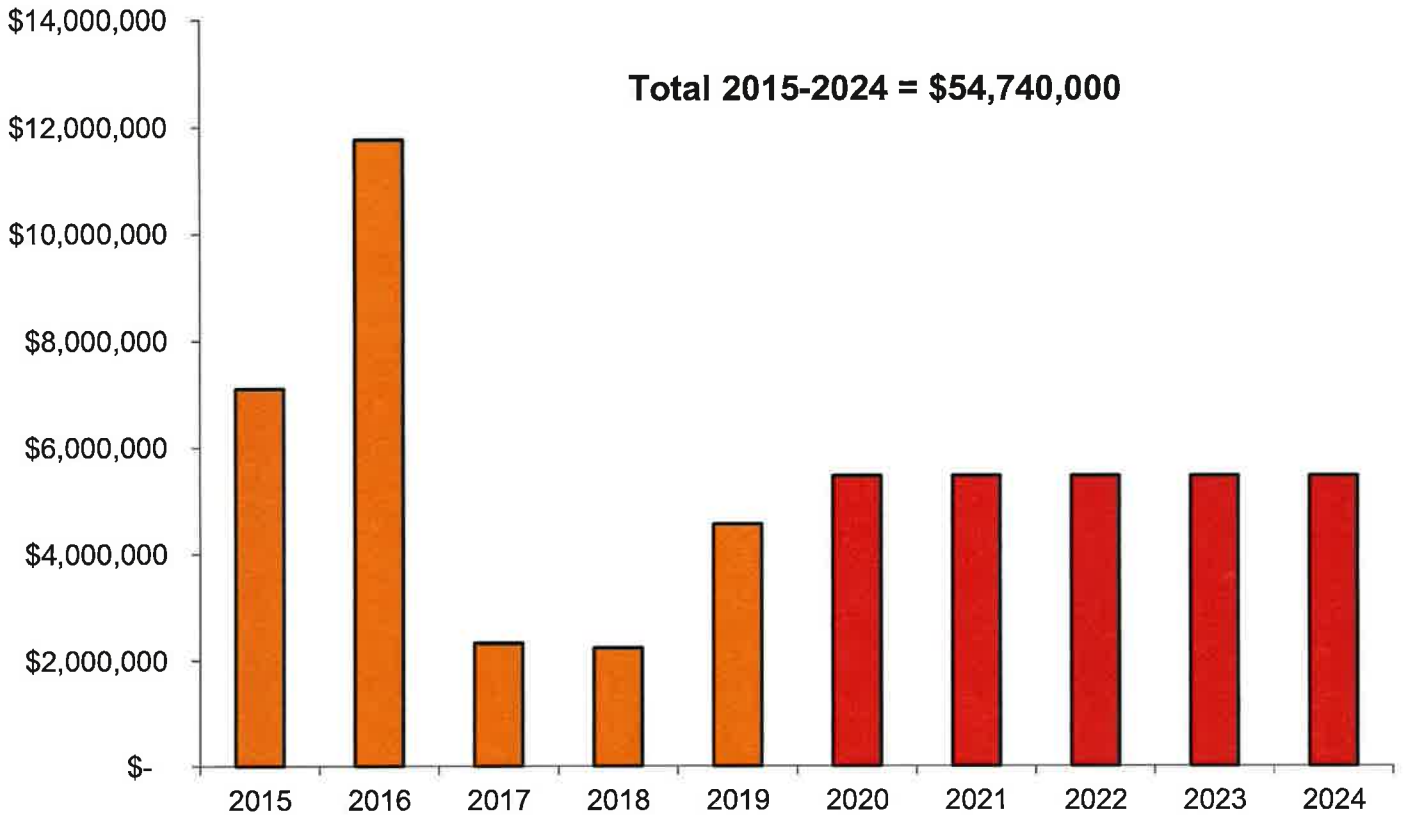
Wastewater Accounts by Customer Class – Test Year 2015



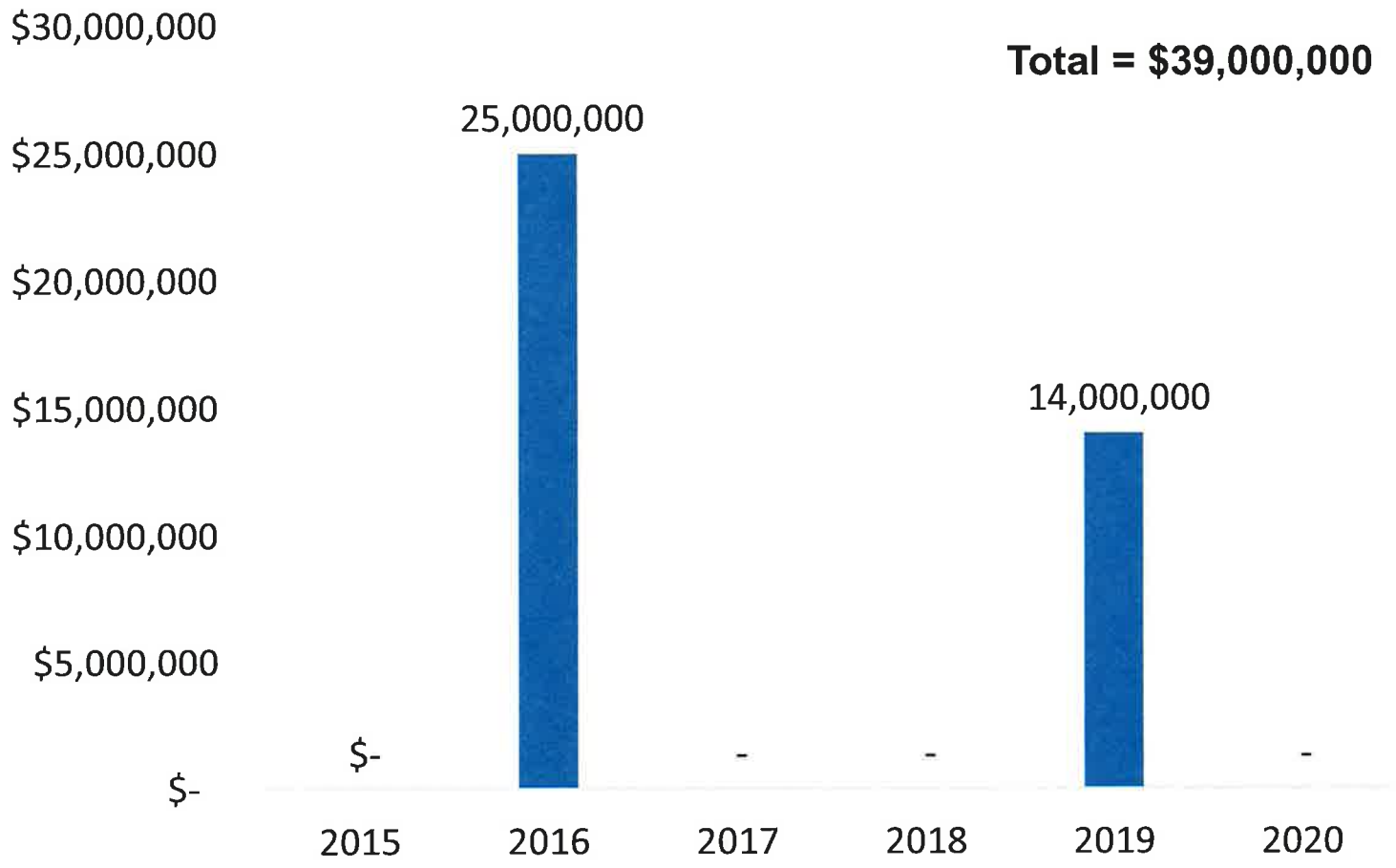
10 Year Forecast
Significant Financial Assumptions

- Growth in accounts and usage will be limited (less than 1% a year)
- Most operating expenses will increase 3-5% per year; some expenses (chemicals/gasoline/insurance) will increase at higher rates
- A new 3-man crew will be added in 2016; a ~~Vac-con~~ Power Rodder crew will be converted into a ~~Power Rodder~~ Vac-con crew
- Capital outlays in 2016 and 2017 forecast to be lower than 2015's $2.0 million
- Some debt will be retired
- Most significant impact on rates – funding of $25M bond in 2016 and $14M bond in 2019 to fund system capital improvements

NLRWWU
Capital Improvement Plan 2015-2024



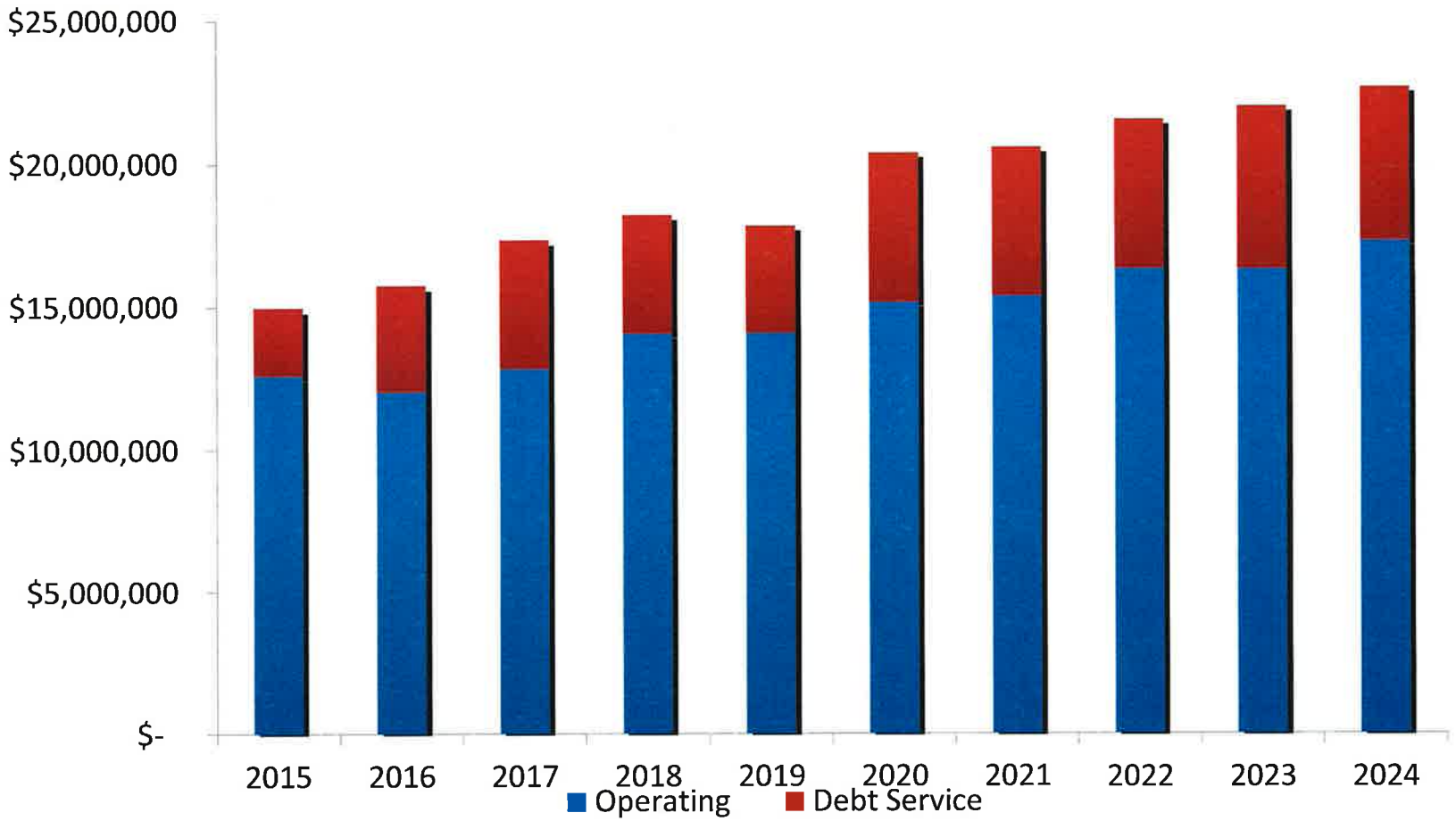
NLRWWU
Forecast Future Debt Issues to Fund CIP



Future Bond Issues
Forecast Annual Debt Service

	2016 -- $25,000,000			2019 -- $14,000,000			Total
	Principal	Interest	Total	Principal	Interest	Total	Future Debt
2015	$ -	$ -	$ -	$ -	$ -	$ -	$ -
2016	-	-	-	-	-	-	-
2017	-	812,500	**812,500**	-	-	-	**812,500**
2018	-	812,500	**812,500**	-	-	-	**812,500**
2019	-	812,500	**812,500**	-	-	-	**812,500**
2020	906,972	812,500	**1,719,472**	-	560,000	**560,000**	**2,279,472**
2021	936,449	783,023	**1,719,472**	-	560,000	**560,000**	**2,279,472**
2022	966,883	752,589	**1,719,472**	-	560,000	**560,000**	**2,279,472**
2023	998,307	721,165	**1,719,472**	470,145	560,000	**1,030,145**	**2,749,617**
2024	1,030,752	688,720	**1,719,472**	488,950	541,194	**1,030,145**	**2,749,617**
2025	1,064,251	655,221	**1,719,472**	508,508	521,636	**1,030,145**	**2,749,617**

NLRWWU
Forecast Cost of Service



NLRWWU
Forecast Cost of Service

	2015	Fcst Yr 1 2016	Fcst Yr 2 2017	Fcst Yr 3 2018	Fcst Yr 4 2019	Fcst Yr 5 2020
Operating	$ 10,551,800	$ 10,995,050	$ 11,590,415	$ 11,987,664	$ 12,400,306	$ 12,829,468
Capital Outlays	2,051,600	1,050,000	1,250,000	2,100,000	1,700,000	2,350,000
Debt Service -- Current	2,368,099	3,708,719	3,708,720	3,324,029	2,939,332	2,939,333
Debt Service -- Future	-	-	812,500	812,500	812,500	2,279,472
Total Cost of Service	**14,971,499**	**15,753,769**	**17,361,634**	**18,224,193**	**17,852,138**	**20,398,273**

Proposed Rate Plan

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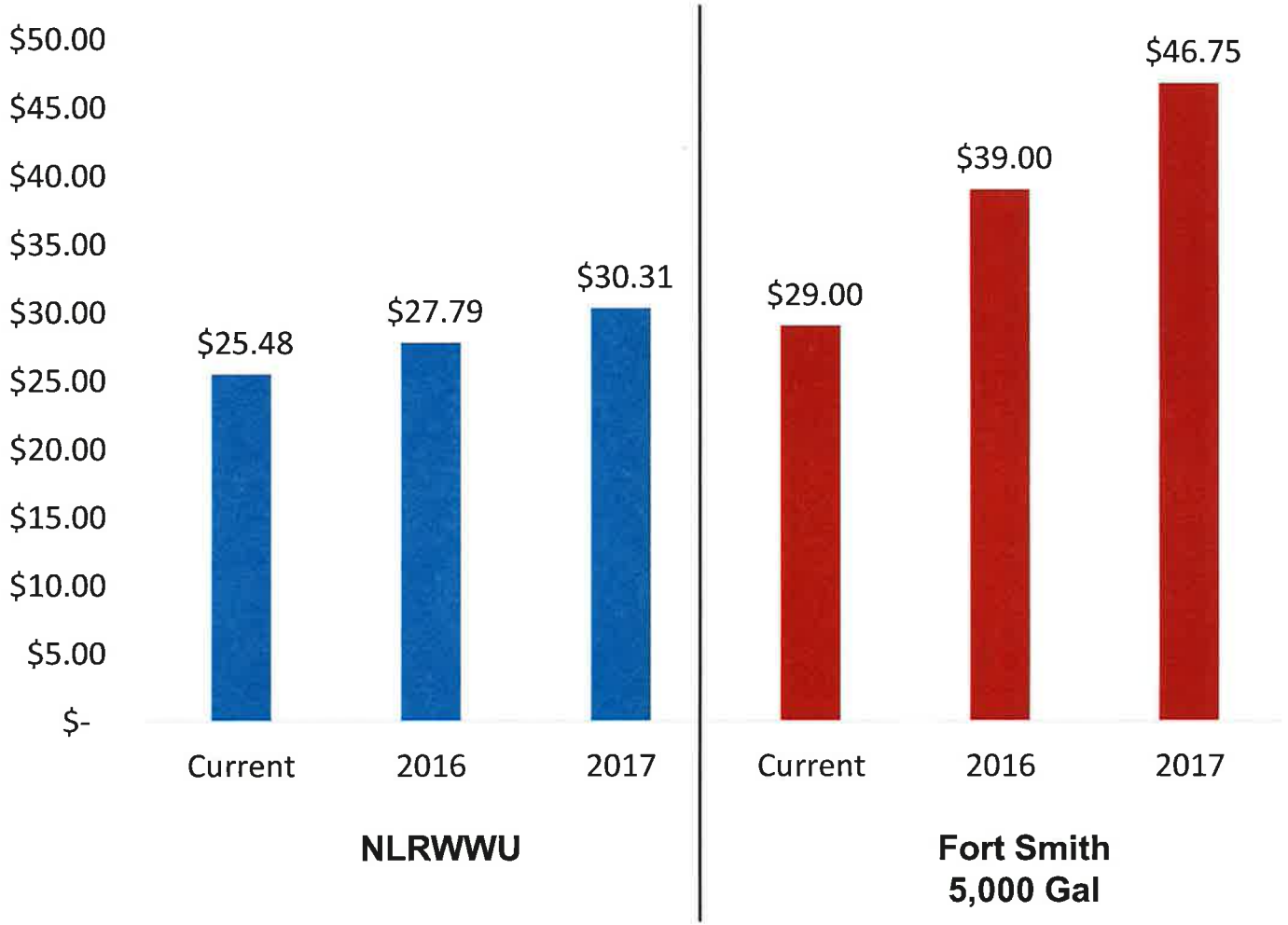
Forecast Monthly Charges – 7 hcf
NLRWWU and Little Rock

Forecast Monthly Charges
NLRWWU and Fort Smith



Presentation Summary
Why Must NLRWWU Increase Rates?

- To pay increased operating expenses

- To pay for Capital Improvements required to maintain the high quality of service expected by ratepayers

- To ensure that the utility will continue to be financially viable