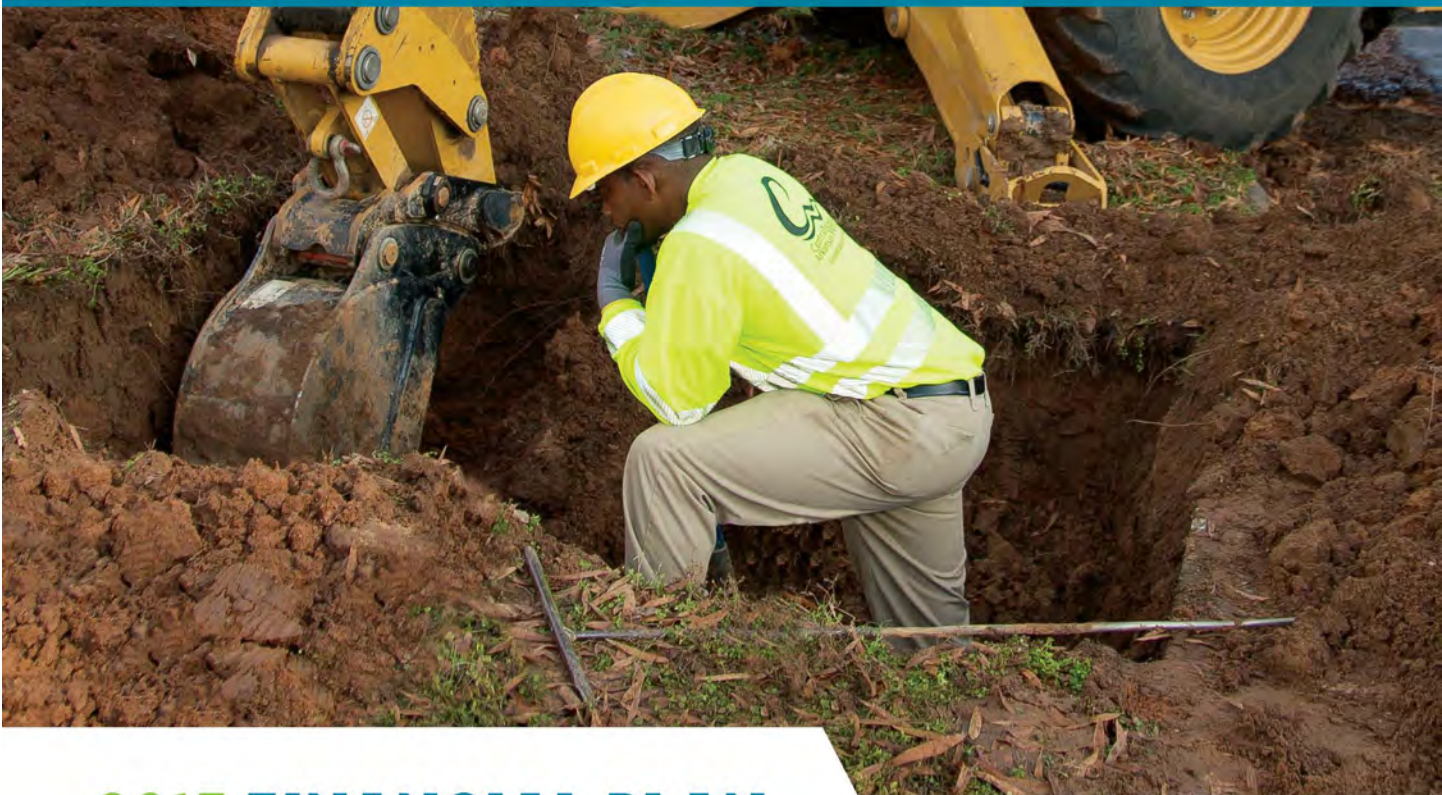




BUILDING A BETTER FUTURE WITH WATER



2017 FINANCIAL PLAN

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, 2016

A handwritten signature in black ink, appearing to read 'Jeffrey R. Egan'.

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 2016 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 the current budget continues to conform to program requirements, and we are submitting it to GFOA for an award.

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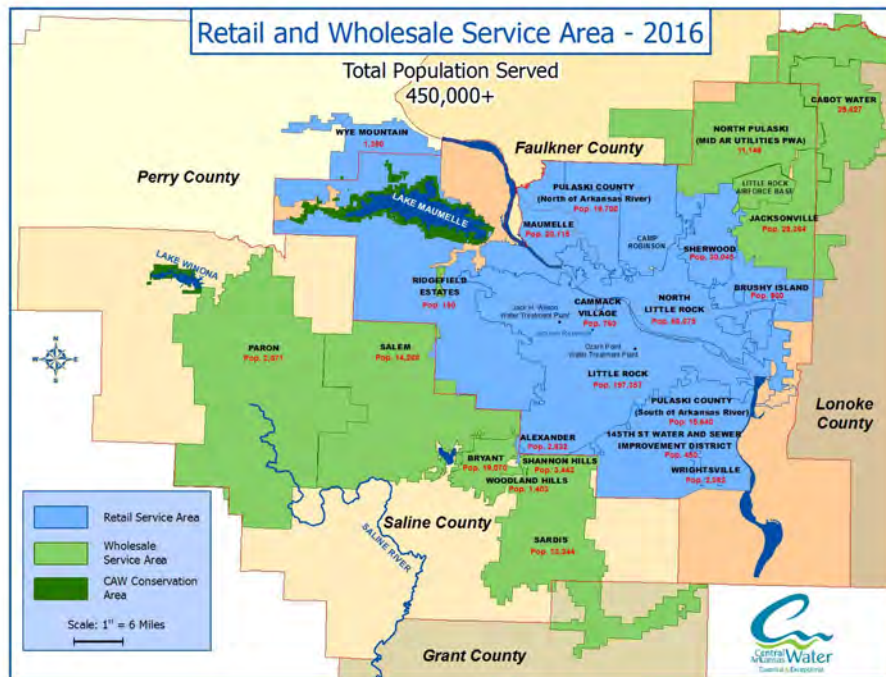
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About Central Arkansas Water

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 over 450,000, 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 133,000 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
- Maumelle
- Alexander
- Brushy Island Public Water Authority
- Cammack Village
- College Station
- Wrightsville
- Wye Mountain
- 145th Street Water and Sewer Improvement District
- Frazier Pike Public Facilities Board
- Unincorporated Pulaski County

In addition, CAW provides all of the treated water supply for the city of Shannon Hills, and Bryant Water and Sewer Department in Saline County, and Ridgefield Estates Public Facilities Board in Pulaski County. 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; Mid-Arkansas Utilities, which serves parts of Pulaski and Faulkner Counties; and Saline County Water & Sewer Public Facilities Board (Woodland Hills) in Saline County.

CAW's Past

The history of CAW and community water service in the Little Rock–North Little Rock metropolitan area dates back to the early 1800s when springs, shallow wells, and rainfall collected in cisterns provided water for the area.

Beginning in the mid 1870s, water was pumped directly from the Arkansas River into the distribution system. This water supply was good for firefighting, but the untreated water was not ideal for drinking. A yellow fever epidemic in Memphis in 1879 prompted the Little Rock City Council to seek a solution to the area's water quality problems. In 1886, two basins were constructed on Ozark Point, which today is the site of the Ozark Point Water Treatment Plant (Ozark Point Plant). Water was pumped into the basins from the river and allowed to "settle" before flowing into the distribution system. The process significantly increased the water quality at the time.

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. The private interests on the 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. The North Little Rock Water Company owned the water system on the north side of the Arkansas River from 1936 to 1959 when the City of North Little Rock purchased the facilities serving its corporate boundaries and its rural customers.



Late 1920s - Arkansas Water Company provides water to citizens and businesses on Main Street, south from Markham Street

At this time, the City of Little Rock and the water utility started construction of a dam on the Alum Fork of the Saline River. Plans for a comprehensive supply project included the dam and lake (later named Lake Winona); a 39-inch, 35-mile raw water line; a new purification plant at Ozark Point; and an auxiliary reservoir three miles west of the plant. The buildings at the Lake Winona pump station were built by the Civilian Conservation Corp and Works Progress Administration as part of the New Deal.

Moving forward at this time to 1947, Lake Winona had been serving the Central Arkansas Water area for a decade. Studies showed fast-growth and demand for water service in the region. As a result, Lake Maumelle was built. By 1958, Lake Maumelle's water flowed into the system for the first time. Lake Maumelle was built to be much bigger than Lake Winona and encompasses 13.9 square miles. The Jack H. Wilson Water Treatment Plant (Wilson Plant) began treating water in 1966. Expansions, over the years in 1977, 1984 and 1999, have taken its treatment capacity from its original 25 million gallons per day(MGD) to 133 MGD, as well as its storage capacity of 5 million gallons to 15 million gallons. Water flows through 9.3 miles of 48 inch pipe to the Wilson Water Treatment Plant and on to Jackson Reservoir and 7.8 miles of 72 inch pipe from Lake Maumelle to the Wilson Water Treatment Plant.

In 2000, a study by the University of Arkansas at Little Rock inspired the cities of Little Rock and North Little Rock to make a major change in their relationship by moving past geographical differences and corporate interests to benefit the entire customer base and surrounding area. 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.

The merger was the first of its kind in Arkansas to bring together municipal water systems owned by different cities. CAW exemplifies the kind of success and level of inter-local cooperation possible through a collaborative effort of city officials, utility officials, community leaders, and business leaders.

In the fall of 2016, CAW commenced work on the 2020 Strategic Plan, CAW's third strategic planning document. Operations, goals, and objectives remain greatly influenced by the

ten attributes of effective utility management and CAW's 2020 Strategic Plan adopts seven related strategic initiatives designed to help the utility focus its efforts through 2020 and beyond. Further details on the goals of the 2020 Strategic Plan are presented in the Strategic Plan section of this document.

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 Service, Information Services (IS), Water Production, and Water Quality.

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.



A planet shines bright above the Lake Maumelle intake.

The major components of the system are:

- **Raw Water Supply**
 - Lake Winona
 - Lake Maumelle
 - Maumelle Well Field
 - **Regulating Water Storage Facility**
 - Jackson Reservoir
 - **Pipeline**
 - 2,472 +/- miles of pipeline
 - **Booster Stations**
 - 26 booster pumping stations
- **Remote Storage**
 - 29 remote storage facilities
 -
 - **Treatment Facilities**
 - Jack H. Wilson Water Treatment Plant (*Wilson Plant*)
 - Ozark Point Water Treatment Plant (*Ozark Point Plant*)
 - Maumelle Water Management Treatment Plant (*MWM Plant*)

The Utility's service boundaries encompass approximately 530 square miles. The combined safe yield from the two surface 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 MWM well field provides a safe yield of 9.5 MGD and the MWM Plant has a maximum treatment capacity of 6.8 MGD. The Utility has 50.8 MG in remote storage capacity serving 22 pressure systems and another 25 MG in storage at the treatment plants.

CAW's Future

A major objective of the Utility is to secure 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 to develop water sources that will meet the region's needs through the 21st century. CAW's Manager of Planning, Regionalism & Future Water Source serves on MAWA's Board of Directors. Metroplan, which serves the four-county region of Pulaski, Saline, Lonoke, and Faulkner, along with officials of other cities and rural areas, is an integral partner in the effort.

In 2013, MAWA reached an agreement with the U.S. Army Corps of Engineers (the Corps) to withdraw 15 MGD out of Greers Ferry Lake. Currently 8 MAWA member utilities are taking water from Greers Ferry Lake to serve their respective customers as part of the Lonoke-White water treatment plant project. Lonoke-White withdraws and treats approximately 3.5 MGD on average.



Dam at Greers Ferry

Following this successful agreement and use of the water from Greers Ferry Lake for the Lonoke-White project, CAW and 27 participating cities and water user groups, through MAWA, submitted an allocation request in early 2015 for an additional 15 MGD from Greers Ferry Lake to the Corps. This second allocation request is pending before the Corps. The Arkansas U.S. congressional delegation is assisting and advising in MAWA's effort to secure this second allocation request.

MAWA is also currently in negotiations with the Corps for a 20 MGD water storage agreement in Lake Ouachita. Negotiations are progressing and a water storage agreement is expected to be entered into in the 2nd quarter of 2017. CAW will be entitled to 1 MGD out of the 20 MGD allocation to MAWA.

This regional approach to identify and secure the most feasible future water sources for regional needs represents one of the best ways to meet the needs of these communities while minimizing the financial burden on individual systems, particularly smaller systems.

The Utility still 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 the City of Hot Springs an option for up to 20 MGD, and, shortly thereafter, CAW informed the Corps 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 Corps. 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 Corps seeks to recover and that CAW does not believe are appropriate. Negotiations have been referred to the Corps' Washington office for further review and consideration. At this time, CAW does not anticipate resolution of the issues until early 2018. The additional 100 MGD will help meet the water needs of the Central Arkansas area through the middle of the next century.



DeGray Lake

On March 1, 2016, CAW officially merged with Maumelle Water Management (MWM). MWM provided water to the city of Maumelle in Pulaski County. At the time of the merger, CAW assumed ownership of all water related assets of MWM, including a raw water source consisting of 13 wells, a water treatment plant, 114 miles of water mains, two water storage tanks, two booster pump stations, and 675 fire hydrants.

Upon completion of a 30-inch transmission main to connect the MWM service area to the CAW distribution system, CAW will be able to provide a sufficient supply of water that will satisfy Maumelle peak water demands at full build-out, eliminating the risk of repeating the water shortages experienced in 2012 by MWM, and eliminating the costly water supply and treatment capacity expansions necessary to address these capacity issues. The consolidation also allows CAW to utilize stranded capital investments in the vicinity of MWM's service area, as well as available supply and treatment capacity made available by reduced wholesale demand. Customers of the MWM service area are bearing the costs of the consolidation with CAW through transition surcharges added to their monthly water bills. Consolidation with MWM will have little long-term impact on CAW's capacity. Even at full-build out, MWM's peak demand represents only 6.7% of CAW's treatment capacity.



**Anthony Kendall
Chair**



**Jay Hartman
Vice Chair**



**Carmen Smith
Secretary/Treasurer**



**John Braune
Member**



**Kandi Hughes
Member**



**Eddie Powell
Member**



**Roby Robertson, Ph.D.
Member**

Management Team

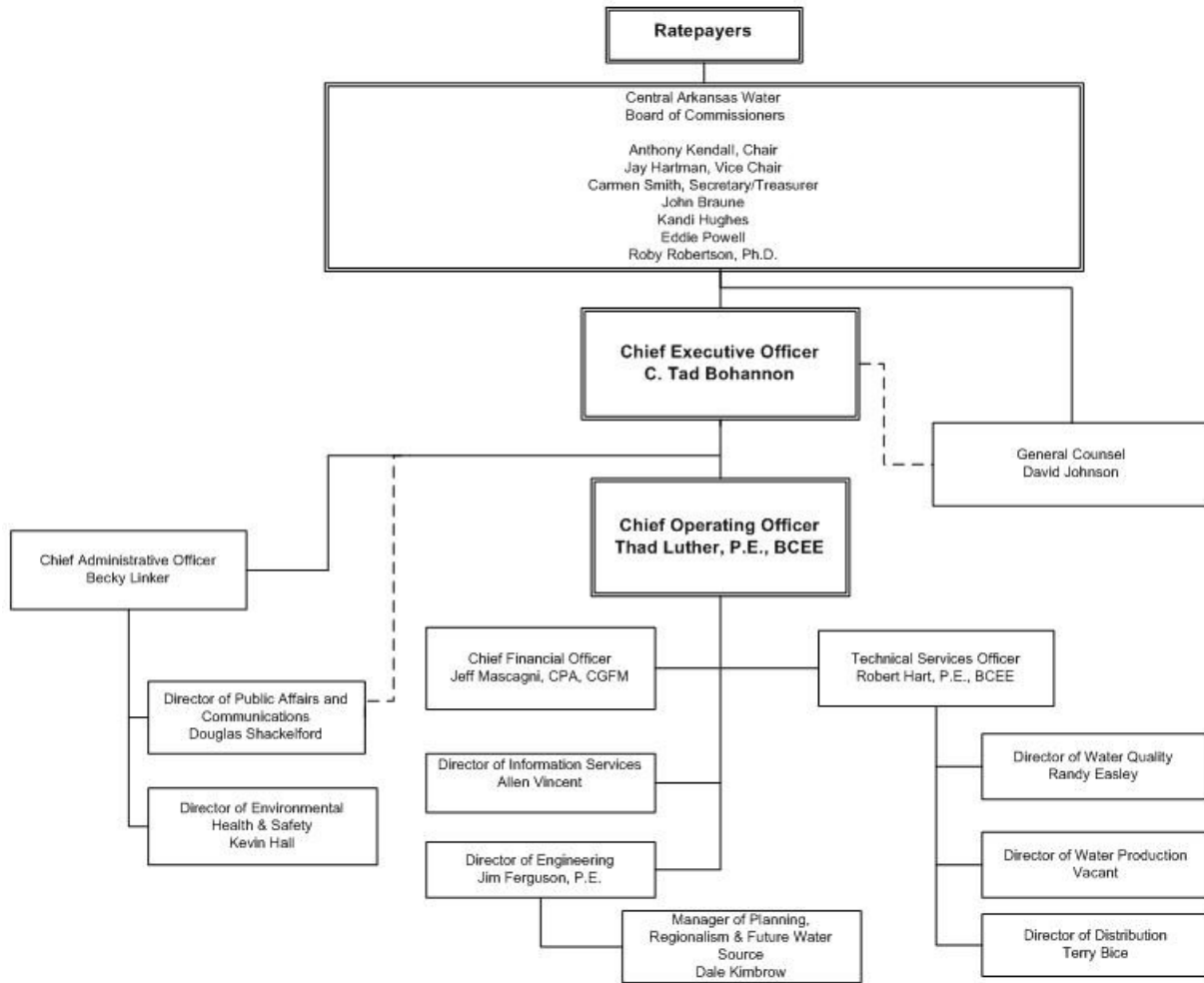
C. Tad Bohannon	Chief Executive Officer
Thad Luther, P.E., BCEE	Chief Operating Officer
David Johnson	General Counsel
Robert Hart, P.E., BCEE	Technical Services Officer/ Acting Director of Water Production
Becky Linker	Chief Administrative Officer
Jeff Mascagni, CPA, CGFM	Chief Financial Officer
Douglas Shackelford	Director of Public Affairs & Communications
Terry Bice	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

Financial Plan Development Team

Jeff Mascagni, CPA, CGFM	Chief Financial Officer
Todd Fisher, CPA	Finance Manager
Sherry Lippiatt	General Accountant
Leo O'Bannion	General Accountant
Gloria McKenzie	Accounting Clerk II
Becky Linker	Chief Administrative Officer

CENTRAL ARKANSAS WATER Organizational Chart

Effective January 1, 2017



November 10, 2016

Board of Commissioners
Customers and Other Interested Stakeholders
Central Arkansas Water
221 East Capitol Avenue
Little Rock, AR 72202



RE: 2017 Financial Plan – Budget Message

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

Staff respectfully presents the 2017 Financial Plan for Central Arkansas Water. Consistent with prior financial plans, this document was developed to continue to fulfill the Utility 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.”

This document is designed to present the comprehensive financial framework for all Utility activities for the budget year. The Management team and staff have developed an operating and capital improvement plan that addresses the strategic initiatives put in place through the development of the 2012 Strategic Plan as well as new focuses in the 2020 Strategic Plan, which is discussed starting on page 30. Associated performance measures are discussed in more detail within the department narratives (page 117 - 166).

Water Source and Water Quality Challenges

CAW has and will continue to encounter many challenges as it works to fulfill this mission. Absent a catastrophic failure or natural disaster, CAW has sufficient water sources available at this time to cover projected customer needs through 2070 and beyond considering current service area (both retail and wholesale) population growth rates and the continued declining per capita water use. The proposed financial plan includes financing to purchase water rights that will provide a redundant water source available to serve the needs of CAW’s customers in the event of a catastrophic failure or natural disaster as well as help meet the needs of the Central Arkansas area well beyond the middle of the 22nd century. The ongoing challenge for CAW will be to balance the costs of acquiring the additional water source and constructing the necessary infrastructure to make it a viable redundant supply with the need to keep rates affordable.

Another challenge for CAW is the protection of its surface water sources from both human induced threats such as pollution and wastewater intrusion, as well as natural threats such as wildfire and sediment originating in the watershed. Once water moves from the source, through the treatment plant and into the distribution system, new challenges arise. In addition to the ever changing regulatory challenges, customer concerns related to discolored water, taste and odors, and lead and copper, drive the need for action.

Pulaski County adopted a Watershed Zoning Code in April 2013 that established a number of water quality protection measures including density limitations, open space requirements, streamside buffer requirements, and prohibition of activities detrimental to water quality within the Pulaski County portion of the Lake Maumelle Watershed. Full implementation of the Zoning Code occurred in April 2014. Critical water quality protection provisions of the initially adopted Code were maintained in amendments to the Code that were adopted on August 26, 2014. As these amendments and codes are implemented, challenges will arise as to how they impact both water quality and watershed operations.

May 29, 2016 marked the three-year anniversary of the rupture of the ExxonMobil pipeline in Mayflower, AR. The same pipeline traverses the Lake Maumelle Watershed for 13.6 miles. Throughout 2014 and continuing through 2015, 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 should use of the pipeline be initiated.

Water Quality staff is committed to improving water quality throughout the distribution system. These improvements can be accomplished by strategic operation of the distribution system to reduce water age, installation of tank mixing systems, and management of system chlorine residuals. Strategic initiatives are in the planning stages to improve water quality at the treatment plants and throughout the distribution system.

The best way to meet these challenges is to never settle for the status quo. It is important to always look at our processes and see what we can do better, whether equipment and process upgrades are necessary, or if the challenge is represented by human resources. Water that tastes good and is safe for consumption are primary goals for all water providers. Successfully achieving those goals means happy and healthy customers and it also means that the utility is meeting its mission.

Infrastructure Improvement or Replacement Challenges

For larger U.S. water utilities, maintaining and enhancing an infrastructure whose components can be 100 years or older is a significant and ongoing challenge, and CAW is no exception in that regard. The steps in overcoming that challenge are to identify infrastructure needs and priorities, estimate the capital costs, implement the financial mechanisms to finance the projects, and update that plan on an ongoing basis.

In the past five years, CAW has spent over \$99 million on its treatment plants, distribution system, and pump stations to maintain regulatory compliance, enhance water quality, improve pressures and flows, replace aging water mains, and facilitate street and highway improvements. An additional \$73 million in infrastructure improvements are anticipated in the next five years. These improvements are guided by the 2010 Master Plan with 2015 and 2016 engineering updates for specific facilities, by the 2014 Asset Management Template which is used to help prioritize existing main replacements, by water main relocations in response to area transportation upgrades, and by ongoing internal assessment and improvement programs.

Key projects in 2017 will include the Phase 1 structural, electrical, mechanical, and hydraulic improvements to Pump Station #1A at the Jack Wilson Treatment Plant and a preliminary engineering report examining the necessary capital improvements to maintain the Ozark Point Plant as a viable and contributing asset for the foreseeable future. Those treatment plant improvements are projected to take place in 2018 and 2019. These projects will be funded by two separate bonds totaling \$16 million to be issued in early 2017 and mid-2018. These bonds are being issued from the State Revolving Loan Fund which is managed by the Arkansas Natural Resources Commission. Additionally in 2017, construction will begin on a 30-inch transmission main to supply treated CAW water to the City of Maumelle. This project will be completed in 2018 and will allow the abandonment of the wells and treatment plant which currently supply water to Maumelle.

By the end of calendar year 2016, CAW Distribution personnel will have replaced in a 2 year period over 31,000 feet of aging galvanized water mains. The savings realized as a result of CAW forces installing that pipe as compared to a private contractor is estimated at \$1 million. That effort, combined with private contractor projects for replacement of the galvanized pipe, will have resulted in almost 46,000 feet of galvanized pipe being replaced in 2015-2016. Replacement of these mains by both CAW personnel and by contractors will continue in future years.

Also in 2016, Distribution personnel completed a three year effort to locate, assess, and operate every water system valve in the system smaller than 16 inches. Valves larger than 16 inches are assessed and operated annually. This project examined over 34,000 valves and verified that 92% of the valves were readily located and operational. As a result of the valve inspection program, Distribution increased valve operability to 97%, a very high percentage for the water industry. The estimated savings to the Utility for conducting this assessment work when compared to a private contractor is over \$1.1 million.

Employment Challenges

The Utility continues to support workforce succession preparedness through internal advancement of employees in coordination with the utility-wide succession plan. Successful efforts in this area have resulted in an internal advancement rate of 78% for

non-entry level positions year-to-date (YTD) 2016, including the position of CEO. Employee turnover has increased significantly in 2016 and this trend is projected to continue through the remainder of the year and into 2017 as members of the baby boomer generation reach retirement age in increasing numbers. The Utility will continue to focus on succession planning and workforce preparedness in 2017, which will be further supported by the addition of a Human Resources Specialist dedicated to succession planning, leadership development, and employee training programs.

Diversity continues to be promoted and maintained through commitment to an environment that recognizes, encourages, and effectively utilizes each individual's talents. Diversity sensitivity training was conducted for those who were unable to attend in 2015, as well as new employees and those who joined CAW through our merger with MWM.

CAW will continue with steps to ensure compliance with new Internal Revenue Service (IRS) reporting requirements that took effect under the Affordable Care Act in early 2016 and the Department of Labor's revised overtime regulations. The Utility continues to perform well in key employment-related areas: time to fill vacant positions is trending well below the national average; annual turnover remains at half the national average; and cost of benefits remains just slightly above national averages.

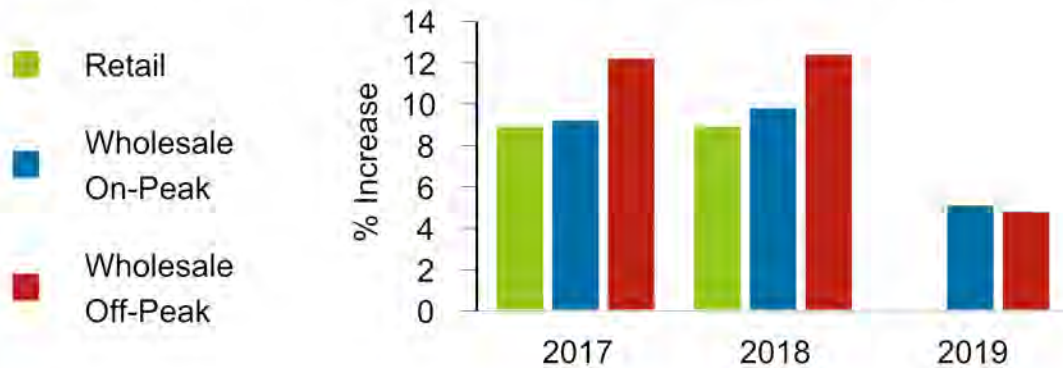
Financial Challenges

Developing accurate demand forecasts is one of the most significant challenges in creating long-term financial forecasts. There are many factors that influence customer demand projections. Climate and weather conditions, economic drivers, and conservation are a few of the factors that must be considered.

Based on historical consumption analysis coupled with rate consultant recommendations, when establishing rates for the rate resolution adopted in late 2015, retail consumption was adjusted down 0.5% from 2016 budget levels and is projected to decline 0.75% and 1.0% in 2018 and 2019 respectively. Wholesale consumption was adjusted down 9.3% in 2017 and is projected to remain flat through 2019. For purposes of this financial plan, however, consumption was further adjusted resulting in a 1.6% downward consumption adjustment from 2016 budget levels.

To support revenue requirements, the Commission approved a rate adjustment plan in December 2015 affecting charges in 2017, 2018, and 2019. The retail percentages shown below represent the impact on the average CAW inside city residential customer's bill. The wholesale percentages shown below represent the increase in the on-peak and off-peak rates.

Retail & Wholesale Rate Increases 2017-2019



Economy and Budget Summary

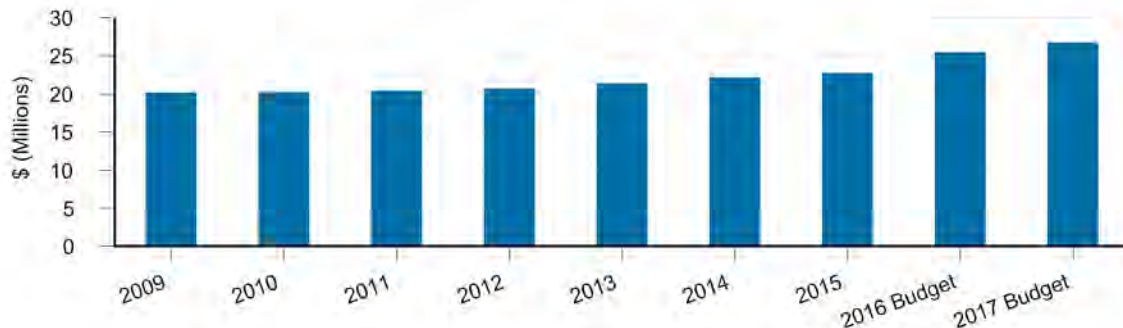
Real Gross Domestic Product (GDP) is expected to grow at an annual rate of 1.9% in the 3rd quarter and 2.2% in the 4th quarter of 2016. Economists see real GDP growing 1.8% in 2016, down from 2.4% in 2015. Forecasters predict real GDP will increase slightly to 2.2% in 2017, based on signs of economic growth tempered by uncertainty in the Federal Reserve's intentions regarding changing interest rates in 2017. The forecasters predict a relatively static labor market with 4.8% unemployment in 2016, remaining flat at 4.8% in both 2017 and 2018. The national unemployment rate is currently (July 2016) at 4.9%, down from 5.3% at this time last year. The unemployment rate in Pulaski County is currently at 3.8%, down from 5.0% last year.

The Arkansas Realtors Association reports that home sales in Arkansas' top five markets (Pulaski, Benton, Washington, Saline, and Faulkner Counties) during the first half of 2016 are up over 24% compared to 2015. Home sales in Pulaski County are up just over 14% for the first six months of 2016. Arkansas home prices are up 4.5% from a year ago. Metroplan reports the suburbanization trend, (population movement to the outskirts of the city) 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.

2017 Budget Changes from 2016 Budget		
Operating Revenues	\$ Change	% Change
Increase in Retail Water Sales	2,807,481	5.86 %
Increase in Wholesale Water Sales	244,839	6.41 %
Increase in Penalties and Turn-on Charges	63,742	3.20 %
Decrease in Ancillary Charges	(25,970)	(0.60)%
Increase in Maumelle Surcharge Revenue	590,725	28.63 %
Increase in Other Revenue	61,200	8.61 %
Total 2017 Operating Revenues Budget	64,539,046	6.15 %
Operating Expenses		
Increase in Labor and Benefits	1,486,196	5.88 %
Increase in Materials, Supplies, and Maintenance	10,287	0.16 %
Decrease in Electric and Other Utilities	(65,846)	(1.40)%
Decrease in Contract Services	(209,816)	(6.18)%
Decrease in Chemicals	(711,981)	(25.87)%
Decrease in Transition Cost - MWM	(204,100)	(80.32)%
Decrease in Depreciation	(77,608)	(0.62)%
Decrease in Other	(47,308)	(10.05)%
Total 2017 Operating Expenses Budget	55,909,263	0.32 %
Capital Expenditures		
Increase in Capital Expenditures	4,260,000	20.62 %
Debt Service		
Increase in Total Bond Debt Service	726,304	9.56 %

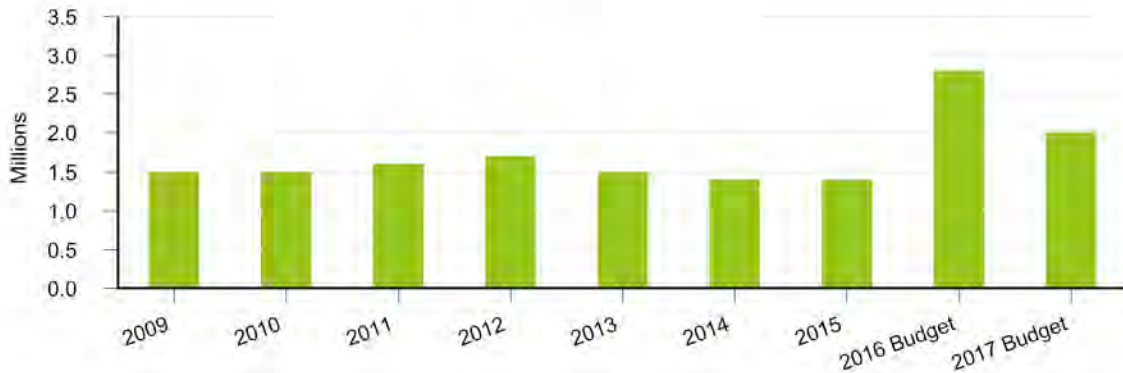
The proposed budget for 2017 includes \$55.9 million in operating expenses, \$24.9 million in capital expenditures, and \$8.3 million in debt service. 2017 includes an increase of 4.5% in health care costs and wage adjustments of 2.5% for employees. The total wage adjustment increase will amount to \$620,000 including benefits, which represents 1.1% of the total operating budget.

Labor and Benefits



The trend in chemical cost has been relatively flat prior to 2015, but increased \$1.4 million in 2016 primarily due to the addition of the MWM Water Treatment Plant. 2017 costs are expected to decrease by \$712 thousand or 25.9%, primarily due to shifting replacement of granular activated carbon (GAC) filters to capital spending and better alignment of chemical quantities budgeted based on consumption expectations.

Chemical Cost



Proposed Financial Plan Highlights

- 18.5 billion Gallons – Consumption (1.6% decrease from 2016 Budget)
- \$64,539,046 Operating Revenues (6.2% increase from 2016 Budget)
- \$55,909,263 Operating Expenses (0.3% increase from 2016 Budget)
- 330 Funded Positions (increase of seven compared to 2016 Budget)
- 8.9% Retail (Excluding MWM service area), 9.2% Wholesale On-Peak, and 12.2% Wholesale Off-Peak rate increases in 2017
- \$8,326,323 Bond Debt-Service (9.6% increase from 2016 Budget)
- \$24,920,000 Capital Expenditures (20.6% increase from 2016 Budget)
- \$10,250,000 Capital Expenditures Funded From Rates (20.6% increase from 2016 Budget)
- \$520,000 Capital Expenditures Funded From Excess Working Capital (carryover from 2016 Budget)

Acknowledgement

The 2017 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 ambitious targets and rose to the challenge. This process could not have been completed without their assistance.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "C. Tad Bohannon". The signature is fluid and cursive, with a long horizontal stroke at the end.

C. Tad Bohannon

Chief Executive Officer

CTB/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 \$100,000 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 2017 budgetary process is outlined below:

<u>DATE</u>	<u>ACTIVITY</u>
July 11, 2016	Initial budget meeting with overview of process and release of budget instructions/targets
August 8, 2016	Submission of budget requests to Finance
August 22, 2016	Second budget meeting with initial discussions on revisions necessary to balance budget
August 29, 2016	Departmental Review: Distribution, Engineering, Water Quality, and Water Production
August 30, 2016	Departmental Review: Finance & Customer Service, Information Services, and Administration
September 16, 2016	Review of proposed 2017 Financial Plan by Finance and Administration
September 26, 2016	Review of proposed 2017 Financial Plan by CEO
October 13, 2016	Presentation of proposed 2017 Financial Plan to Board of Commissioners
November 10, 2016	Adoption of 2017 Financial Plan by Board of Commissioners

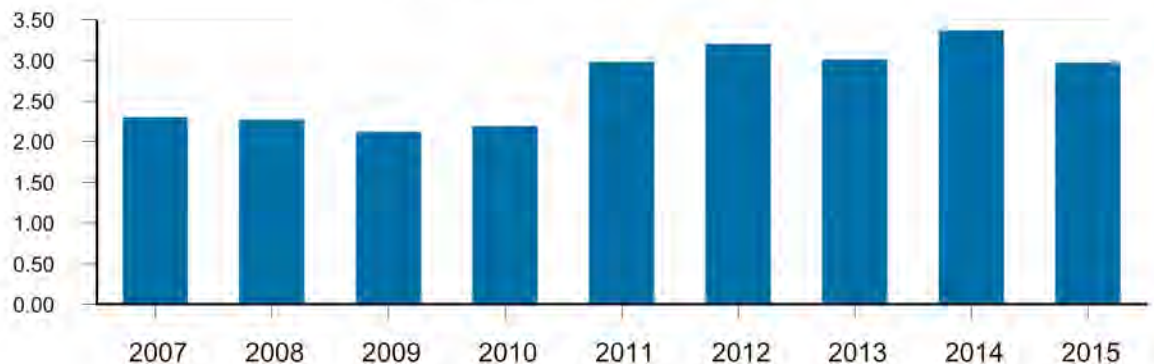
Financial Policies and Goals

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 111)
- Maintaining debt-service coverage, determined by dividing stabilized net revenue by annual debt-service for the fiscal year, at a target of 190% but not less than 175% (see page 82)
- Ensuring that operating reserves are maintained at a minimum level of 45 days budgeted operating costs sufficient to meet all operating, capital, and debt-service obligations (see page 83)
- Maintaining debt utilization below the 32% AWWA benchmark (see page 85)
- 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

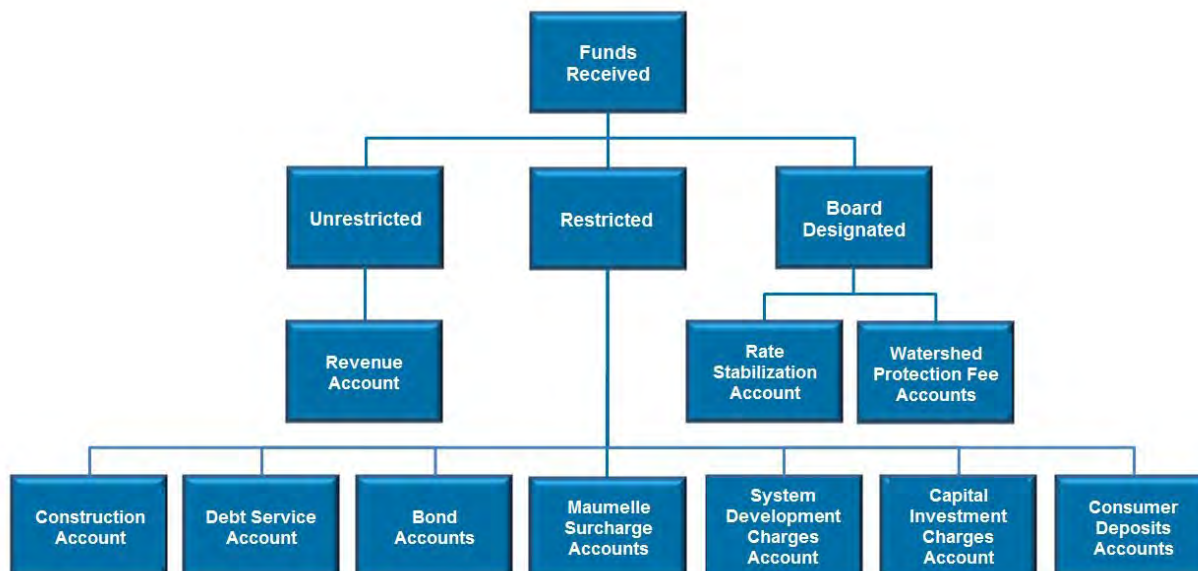
The Financial Plan for Central Arkansas Water, proposed by the CEO and adopted by the Board of Commissioners, is a reflection of the Utility's policies, goals, and priorities. It is a tool used to communicate to the public and staff regarding funds available and allocation decisions related to capital 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 full accrual accounting. 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, Maumelle Transition Surcharge Accounts, 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.

Maumelle Surcharge Accounts: All revenues from Maumelle Transition Surcharges applied to customers of the MWM service area are deposited into the respective Maumelle Surcharge Accounts. These revenues are restricted to pay for expenses specifically listed in the CAW-MWM consolidation agreement.

Debt-Service Reserve Account: A debt-service reserve account is held by the trustee for each outstanding bond obligation. The debt-service reserve requirement 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. Resolution 2015-01 clarified the debt coverage ratios that would trigger transfers into and out of the Rate Stabilization Account (RSA).

System Development Charges (SDC) 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 (CIC) 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 (WPF) Account: WPFs assessed on each monthly bill in the CAW and MWM service areas are deposited into these accounts. The funds collected from the CAW service area finance the Watershed Management Program designed to protect CAW water supply lakes. Funds collected from the MWM service area fund construction and preservation activities related to the MWM well field. Upon the conclusion of the Transition Period, WPF's charged to MWM customers will change to the CAW established rates and those funds will go toward protection of 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 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 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

The Utility classifies and defines net position 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.

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 2010C, 2012A, 2014, 2015, and 2016 Bond Issues. A rating of A1 was placed on the 2016 Maumelle Acquisition and Construction issue, which is supported by a pledge of long-term debt surcharges collected from customers in the MWM service area.

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

On November 13, 2014, the CAW Board adopted resolution 2014-09. The resolution established the following policies:

1. The water rates and ancillary fee structure for providing surplus water to wholesale customers shall be established utilizing a "cost of service" methodology, following industry accepted cost of service rate setting standards for water utilities, with a utility-basis approach, rather than a cash-needs approach, providing the customers within the Cities a reasonable rate of return, recognizing that CAW is a tax-exempt governmental entity, for the capital contributed by the Cities to CAW's water system and the investment risks assumed by the customers within the Cities to provide sufficient infrastructure to assure the wholesale customers of a reasonably reliable water supply.
2. The water rates and ancillary fee structure for providing water to retail customers who are not residents of the Cities shall be established in accordance with applicable Arkansas law, including specifically Ark. Code Ann. § 25-20-308(b) which states, "[s]ales of water and extensions of services . . . may be made at such rates and on such other terms as the board of commissioners may deem just and reasonable, and the rates need not be the same as the rates charged customers within the jurisdictions of the public body's participating public agencies."

3. The water rates and ancillary fee structure for providing water to retail customers who are residents of the Cities shall be established utilizing a “cost of service” methodology, following industry accepted cost of service rate setting standards for water utilities, with a cash-needs approach.
4. In accordance with Ark. Code. Ann. § 14-234-214, the water rates for inside city and outside city customers must be adequate to:
 - (a) pay the principal of and interest on all revenue bonds and revenue promissory notes as they severally mature;
 - (b) make such payments into a revenue bond sinking fund as may be required by resolution or trust indenture;
 - (c) provide an adequate depreciation fund to cover the cost of anticipated capital replacement needs;
 - (d) pay the estimated cost of operating and maintaining the system; and
 - (e) provide sufficient debt service coverage to meet all outstanding bond and trust indenture requirements.
5. When determining any water rates, whether inside city, outside city, or wholesale, the Board and CAW staff may consider whether it is appropriate to utilize a “base-extra capacity method” within the methodologies set forth above to accurately assign the cost associated with peak demand usage to those customers causing the utility to significantly exceed average load conditions.
6. When establishing customer classes within any water rate, whether inside city, outside city or wholesale, the Board and CAW staff shall assign costs to classes of customers in a cost-responsive and industry accepted manner so that the applicable rates closely meet the cost of providing service to such customer classes using the methodologies set forth above, based on the relevant factors for providing water service to each customer class, including but not limited to the following:
 - (i) characteristics;
 - (ii) location;
 - (iii) demand patterns;
 - (iv) utility staffing requirements;
 - (v) anticipated repair and replacement costs;
 - (vi) impact on water quality and supply preservation; and

- (vii) development, operation, maintenance and replacement of any specific facilities necessary to serve any particular class or classes of customers.
- 7. Notwithstanding the parameters set forth in paragraph 6 above, the Board and CAW staff shall also consider methods to reduce rates and provide assistance to aid low-income residential inside city customers, recognizing that the lost income realized by any reduction in rates for low-income residential inside city customers must be paid by other customers.
- 8. The capital improvement costs to expand the water facilities to serve future customers should be borne by those future customers, to the extent practical.
- 9. The design of rates to recover the cost of service should support the sustainability of water resources.

Strategic Plan

CAW's 2020 Strategic Plan is the foundation of CAW's efforts to make sure it continues to build a better future for central Arkansas. Consistent with prior years, CAW's strategic plan is based on the Effective Utility Management (EUM) framework developed by the Environmental Protection Agency (EPA), and six national water and wastewater associations, to address the challenges faced by water sector utilities across the country. These challenges were identified as rising material costs, aging infrastructure, regulatory changes, adequacy of water supply, security and environmental hazards, federal funding cuts, rate structure stress, and workforce complexities. The Ten Attributes of Effectively Managed Water Sector Utilities were developed to assist water utilities in their efforts to address these challenges. CAW adopted this framework for improvement in 2012. CAW's 2020 Strategic Plan continues to focus on areas stressed in years past such as transparency, infrastructure replacement, affordability, watershed protection, and employee development. In the spirit of continuous improvement, however, CAW's 2020 Strategic Plan adopts seven new Strategic Initiatives designed to help the utility focus its efforts through 2020 and beyond to build a better future for the utility, the community, and the utility's employees.




Strategic Initiative 1: Enhance Customer Confidence, Experience and Understanding
(EUM: Customer Satisfaction; Stakeholder Understanding and Support)

GOAL	OBJECTIVE
A. Increase CAW's understanding of customer expectations and perceptions	<ol style="list-style-type: none"> 1. Identify all classes of customers (internal, external, wholesale, retail, builders, service providers, etc.) and tailor outreach 2. Conduct broad-scale customer surveys every two years, commencing in 2018, to ensure CAW is informed about customer opinions, desires, and concerns, and enhance other means of obtaining customer feedback
B. Improve the customer service experience	<ol style="list-style-type: none"> 1. Collect and analyze customer feedback, comments from community involvement, and customer surveys to prioritize future customer communications and service enhancements 2. Improve customer experience by increasing ease of and options for services available online 3. Develop a service scheduling program for field services that establishes timelines and protocols to provide CAW field services by end of 2018 4. Adopt "first-call" resolution program as the primary measurement for customer service operations
C. Effectively communicate CAW's mission, challenges, and opportunities to customers	<ol style="list-style-type: none"> 1. Educate customers and increase community awareness on issues, projects, services, and the value of tap water 2. Maximize effective reach and efficiency of all available communication channels to better inform customers

Strategic Initiative 2: Enhance Stakeholder Engagement
(EUM: Stakeholder Understanding and Support)

GOAL	OBJECTIVE
A. Capitalize on the high level of CAW Board engagement	<ol style="list-style-type: none"> 1. Focus CAW Board meetings on strategic planning and current strategic achievements 2. Present and request CAW Board input on CAW policies and procedures
B. Increase community/ stakeholder understanding and engagement	<ol style="list-style-type: none"> 1. Develop outreach program to actively engage a more diverse stakeholder base 2. Establish effective Citizens Water Academy (or suitable alternative) and hold first class in 2017
C. Be recognized as a responsible, innovative leader in the industry by the general public, our city partners, the state legislature, and local and national organizations	<ol style="list-style-type: none"> 1. Report CAW's performance related to "Partnership for Safe Water" water quality goals and regulatory compliance no less than annually 2. Report CAW's accomplishments and challenges to key stakeholders at least quarterly 3. Track, regularly report, and effectively engage in legislation relevant to CAW and the water industry 4. Develop sustainable low-income customer assistance program valid under Arkansas law 5. Advance industry knowledge and CAW's reputation by offering regional and statewide industry training; documenting and publishing process or other improvements that can be utilized by other water providers; and promoting employee engagement in the water industry through targeted participation in workshops, presentations, workgroups, and research efforts



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An information source for community leaders and stakeholders

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Get the Lead Out

Despite the best efforts of E.I. DuPont, the Ethyl Corporation, and the American Petroleum Institute, it has now been well established that long term exposure to lead is dangerous to your health. While lead was removed from automotive fuels years ago, the stories coming from Flint, Michigan remind us that lead can be prevalent in other sources, including public water supplies. Fortunately, this is not an issue for Central Arkansas Water (CAW) customers.

The EPA's Lead and Copper Rule, initially published in 1991, requires all public drinking water systems to regularly test for lead at the tap. If more than 10 percent (10%) of the homes tested have lead concentrations higher than the EPA action level of 15 parts per billion, the individual water utility is required to notify area residents via newspapers, radio, TV and other means of the potential dangers. If the lead level remains consistently above the action level, the water supplier must take steps to control corrosion, which is the leading cause of lead in drinking water.

CAW recently received the results of its 2016 lead testing. CAW was required to test 50 high-risk homes using a testing procedure approved by the Arkansas Department of Health. CAW tested fifty percent (50%) more than required. No samples were above the action level for lead or copper. In fact, CAW's test results for lead were 0.001 mg/L (one five-thousandth of the 0.015 mg/L EPA action level) and the results for copper were 0.07 mg/L (approximately one-half of the 1.3 mg/L EPA action level).

Due to aggressive lead line replacement by CAW's predecessors in the 1980's, and outstanding water quality and corrosion control, lead water lines are not big issue for CAW. Unfortunately, this is not true for all water systems. You may hear about cities such as Grand Rapids, Michigan, Madison, Wisconsin, and others implementing large, costly lead replacement programs. The Pittsburgh Water and Sewer Authority has boldly announced that if customers want to "get the lead out" they are going to have to pay handsomely.

Good test results do not mean, however, that CAW will ignore the lead issue or customer concerns. Without a doubt, lead exists within CAW's water system. Many plumbing components and fixtures within older homes contain lead. There are still some lead components within CAW's water system. In addition to continuing an aggressive corrosion control program to limit the ability of lead into the water supply, CAW also has established a program to locate and replace lead components within its own system.

CAW is exploring opportunities to assist customers with replacement of lead fixtures or plumbing within the home, but this can be an expensive endeavor and there are certainly legal limits (in addition to fairness and policy concerns) on CAW's ability to use ratepayer funds to improve private property.

Nevertheless, CAW will continue to test above and beyond the minimum regulatory requirements to assure the water it provides to consumers is safe. Customer safety is the highest priority, and always will be.

Little Rock Construction Update

Ward 1


New water main along S. Rock Street between E. 4th Street and E. 6th Street. The existing 16-inch diameter water pipe will be replaced with a new 18-inch diameter ductile iron water pipe. The service lines from the water main to the meters will also be replaced at no expense to the customer.

New water main along new Broadway Bridge, U.S. Hwy 70.

It is anticipated that CAW will be replacing about 8,000 linear feet of 2" galvanized main in the E. Capitol, Bond, and W. 10th areas starting in late 2016. This project should take about nine months.

Central Arkansas Water
221 E. Capitol Ave.
Little Rock, AR 72203

Emergency 501-372-4263
Customer Service 501-372-5161
customerservice@carwv.com



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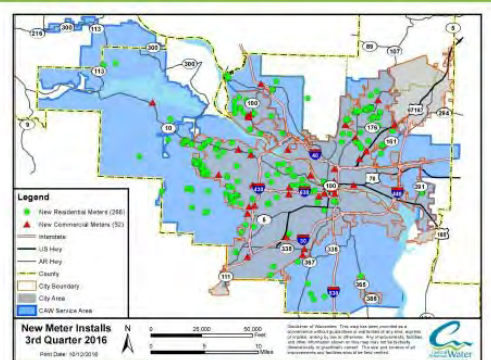
Bridge Replacements Mean Infrastructure Replacements

Each vehicular bridge crossing the Arkansas River between Little Rock and North Little Rock is home to a Central Arkansas Water Distribution main. These mains supply treated water to areas north of the river, including North Little Rock, Sherwood, Jacksonville, and coming in 2018, Miamelle.

The replacement of Broadway Bridge will cost the Arkansas Highway and Transportation Department \$68.4 million, and it will cost Central Arkansas Water (CAW) ratepayers \$1.3 million to replace the 16-inch water main on the old bridge with a new, 20-inch main.

Any new bridges that come in the future will see a substantial cost attached to them for water infrastructure. The I-30 corridor project has been the hot topic as of late. Since CAW has water lines on every bridge crossing the Arkansas River, when those bridges are torn down, CAW must replace those lines. In addition, when bridge approach piers and highway lanes are relocated, CAW must move other infrastructure within the highway right of way. For the I-30 corridor project, this means CAW may be required to relocate and replace several mains in the area between Roosevelt Road and the I-40 junction.

The exact cost of the I-30 corridor replacement has yet to be determined, but it could cost CAW ratepayers an additional \$30 million, depending on the final design specifications. CAW is neither for nor against the construction of a new I-30 corridor, but must be prepared for the cost of new infrastructure should the project come to pass.



New Meter Installs 3rd Quarter 2016

The map above indicates the location of each new water meter installed within the 3rd quarter of 2016. "New meters" does not include replacements. CAW replaces about 16,000 of the 132,000 existing water meters each year to insure they are functioning properly and customers are being billed properly. "New meters" are just that, they are new customers with new meters. A new meter can be in a new house, or can be located at a building that once had one meter, but was subdivided, and a second meter was installed. To CAW, new meters are one indication of growth. We believe you might find this information interesting, and helpful too.

Strategic Initiative 3: Optimize Infrastructure Performance & Increase Infrastructure Reliability

(EUM: Operational Optimization; Infrastructure Stability)

GOAL	OBJECTIVE
A. Maximize performance of existing infrastructure	<ol style="list-style-type: none"> 1. Continue CAW's progress under "Partnership for Safe Water" distribution performance criteria by submitting the Distribution Baseline Report by the end of 2017 and the Distribution Self-Assessment by the end of 2019 2. Participate in AWWA, AMWA, and other utility benchmark surveys to ensure and analyze comparative results to ensure CAW's infrastructure performance meets or exceeds that of industry peers 3. Continue development and implementation of asset management tools, such as the valve inspection program, to minimize asset life-cycle costs
B. Improve long-term reliability of infrastructure	<ol style="list-style-type: none"> 1. Complete renovations to the Ozark Treatment Plant that address identified operational deficiencies and aging components 2. Complete renovation of Wilson Pump Station 1A to eliminate performance issues and replace aging electrical and mechanical equipment 3. Replace a minimum of 25,000 feet of 2-inch galvanized pipe per year until average pipe break rate for galvanized pipe is under AWWA benchmark of 33 breaks per 100 miles of pipe 4. Locate, test and replace as needed all "un-locatable" valves 5. Develop schedule to review emergency response plans and risks from man-made or natural disasters; conduct regular disaster response exercises and modify ERPs as necessary

Strategic Initiative 4: Enhance Operating Excellence through Innovation, Leveraging of Technology, and Business Process Improvements

(EUM: Operational Optimization; Operational Resiliency)

GOAL	OBJECTIVE
A. Evaluate industry best practices to identify cost effective innovations and solutions to provide operating excellence	<ol style="list-style-type: none"> 1. Develop utility-wide process engineering and review capabilities to analyze and, as appropriate, document and improve CAW's business processes 2. Expand number of cross-departmental teams to increase coordination of activities and reduce costs 3. Institute a project management program to ensure successful execution of both operational and capital projects
B. Enhance Information Technology capabilities	<ol style="list-style-type: none"> 1. Complete Maumelle Billing Conversion to CAW Customer Information System in early 2017 2. Complete IT Master Plan and begin implementation of cost-effective recommendations with 2018 budget process 3. Develop and implement simplified online employee evaluation process, and online hiring/application process 4. Identify emerging technology trends and adjust current technology based on changing business requirements 5. Develop and implement document management solution 6. Provide system users with training, on-going support, and resources for all business applications



Strategic Initiative 5: Develop, Maintain, and Recruit a Diverse, Sustainable, High-Performing Workforce
(EUM: Employee and Leadership Development)

GOAL	OBJECTIVE
A. Recruit, develop, appropriately reward, and retain a high-performing, innovative, value-driven, informed, passionate, and diverse work force committed to achieving CAW's mission and strategic goals	<ol style="list-style-type: none"> 1. Evaluate workforce programs to ensure CAW's ability to successfully recruit and retain talented, diverse employees 2. Expand relationships with community and educational organizations to effectively broaden training and diversify recruitment efforts, and explore feasibility of local high schools and colleges offering industry specific certifications and/or job readiness programs 3. Explore and establish effective alternative employment programs such as internships and externships 4. Ensure total compensation package is competitive while balancing costs to the organization and adjusting as needed 5. Implement skill-based compensation where appropriate
B. Measure and improve employee satisfaction levels	<ol style="list-style-type: none"> 1. Continue periodic employee satisfaction survey and take appropriate action for improvement 2. Develop and maintain a comprehensive employee communication program to ensure timely two-way communication, to include weekly messages from the CEO 3. Communicate the value of CAW's total benefits package as part of overall compensation through annual statements to employees
C. Expand employee skills and technical training to develop and prepare employees for future positions, and increase span of employee certification and licensing	<ol style="list-style-type: none"> 1. Develop and periodically review training programs with an emphasis on professional and leadership development in order to cultivate and increase pool of leader talent (succession plan) 2. Improve knowledge and skill transfer to support workforce sustainability and develop knowledge management protocols for retaining and transferring essential, intellectual and tacit knowledge of employees 3. Promote continuous improvement for all employees, including development of continuous improvement training programs 4. Expand breadth of recommended or required certifications and licenses, as appropriate, and increase employee attainment of such, including exploration of project management certification for engineers and others
D. Assure safety and security of employees	<ol style="list-style-type: none"> 1. Develop safety protocols, improve training, and redefine work methodologies to improve safety of all employees and reduce the number of accidents, lost time days, job reassignment due to accidents, etc. 2. Improve work conditions, surroundings, and performance protocols to reduce opportunities for employees to be placed in at risk locations and/or confronted with undesirable actors



Strategic Initiative 6: Assure Long-Term Financial Stability and Integrity of Utility
(EUM: Financial Viability)

GOAL	OBJECTIVE
A. Be fiscally strong and financially stable	<ol style="list-style-type: none"> 1. Maintain accurate 5-year forecast of rates, operating costs, capital expenditures, and cash reserves 2. Maintain bond rating at current or improved levels; ensure CAW financial metrics meet or exceed guidelines set by CAW Board 3. Continue to receive GFOA awards for the completeness and transparency of CAW's Annual Financial Plan and Comprehensive Annual Financial Report 4. Explore capital alternatives and present results to CAW Board by the end of 2017
B. Achieve efficiencies and increase revenues through increased collaboration with strategic partners, and develop additional sources of revenue (or reductions in costs) as a means to maintain affordable rates	<ol style="list-style-type: none"> 1. If presented, pursue opportunities to expand CAW's customer base through cost-effective mergers with other utilities 2. Continue to work with MAWA and existing wholesale customers to develop intermediate and long term service strategies for water customers in central Arkansas 3. Actively explore and develop revenue opportunities that readily relate to CAW core competencies and are consistent with CAW mission and values
C. Enhance high stakeholder confidence in financial procedures, rates and budgets	<ol style="list-style-type: none"> 1. Re-examine current rate model, determine needs for 2020-2022, and present recommendations to CAW Board by September 2019 2. Conduct comprehensive study of rates charged by regional (Arkansas) and national utilities of similar size; present findings to the CAW Board 3. Explore alternative rate structures regarding allocation of operating costs and capital investment return 4. Explore potential rate targets for low-income customers utilizing EPA affordability standards and present results to CAW Board 5. Maintain clean financial audit opinion; have auditors review at least one sensitive business process each audit cycle, i.e. travel expense

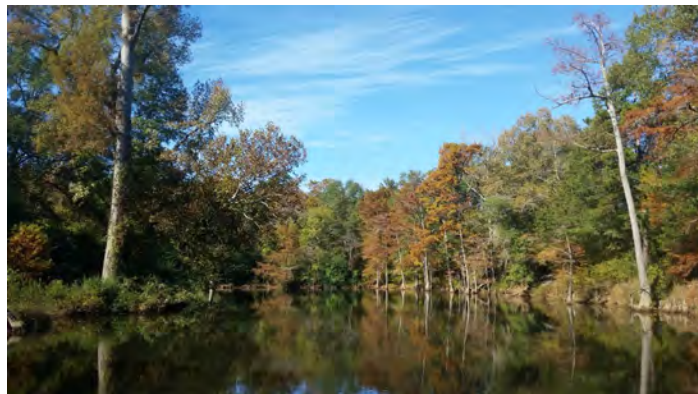




PARTNERSHIP FOR SAFE WATER

Strategic Initiative 7: Ensure Delivery of High-Quality Water for Future Generations
(EUM: Water Resource Adequacy; Product Quality)

GOAL	OBJECTIVE
A. Identify and secure additional sources of water supply	<ol style="list-style-type: none"> 1. Plan and secure additional water resources to augment or replace current supplies, including emergency water supply sources 2. Finalize acceptable water storage contract for DeGray Lake
B. Provide the highest water quality that exceeds all regulatory standards and preserves consumer confidence	<ol style="list-style-type: none"> 1. Continue CAW's progress under "Partnership for Safe Water" treatment performance criteria by submitting Treatment Baseline Report by the end of 2017, and Treatment Self-Assessment by the end of 2020 2. Ensure high quality water throughout delivery system by developing proactive managing and monitoring practices from source to tap 3. Develop and implement appropriate strategies to respond to regulatory changes, and to assure customers that CAW water continues to be of the highest quality 4. Develop internal capacity to model water quality in CAW's distribution system 5. Meet ADH water treatment optimization criteria
C. Effectively and efficiently manage source water quality	<ol style="list-style-type: none"> 1. Assess progress under the Lake Maumelle Watershed Management Plan and establish scope of operations for continued implementation of the goals and strategies set forth in the plan through the adaptive management process 2. Establish schedules to study activities set forth in the Recreation Management Plan and implement recommendations set forth in other recent watershed related studies 3. Develop short and long term plans for Watershed Center of Excellence 4. Implement vulnerability assessment recommendations to eliminate or reduce hazards to water quality within the watersheds of the source lakes 5. Proactively monitor water quality and environmental parameters within the source lakes, rivers and tributaries; collect and analyze watershed specific data to assess the impacts of natural and man-made influences within the source lakes and watersheds 6. Develop staff to support the Pulaski County SET program 7. Improve implementation of forest and land management initiatives

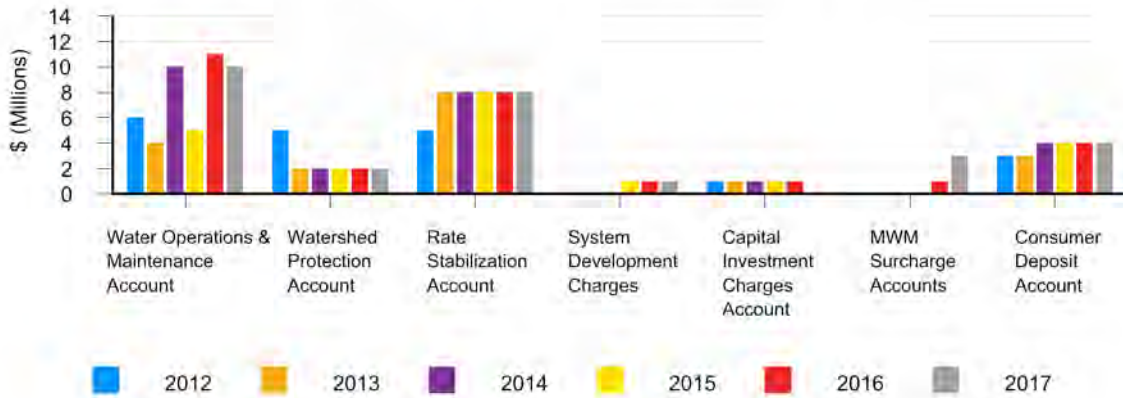


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SOURCES AND USES OF FUNDS – OVERVIEW

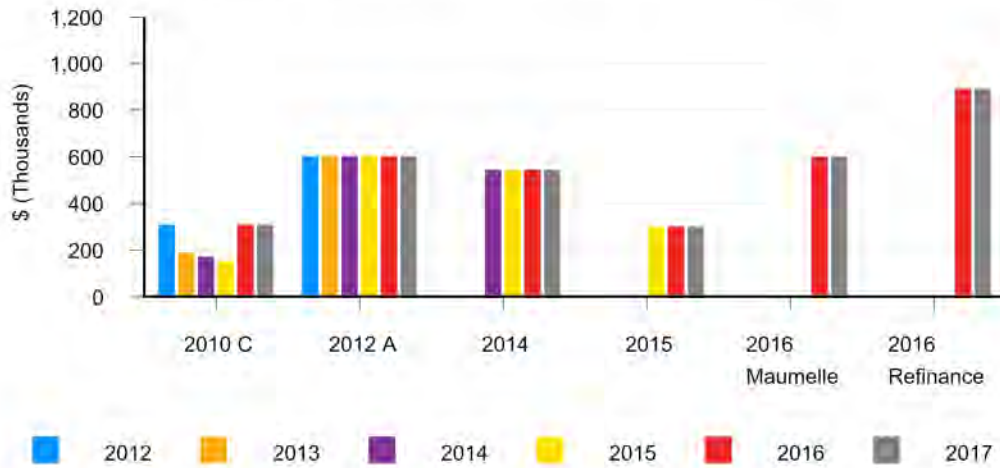
We anticipate a total of \$52,289,531 in both restricted and unrestricted funds to carry forward at December 31, 2016. Unrestricted water operations and maintenance funds amount to \$10,904,191 in addition to \$1,972,876 watershed protection funds, and \$8,123,717 rate stabilization funds. The restricted system development charges account amounts to \$1,026,333; the capital investment charges account amounts to \$1,388,473; the MWM surcharge accounts amount to \$1,272,396; and the restricted consumer deposits account amounts to \$3,773,522.

Restricted and Unrestricted Funds



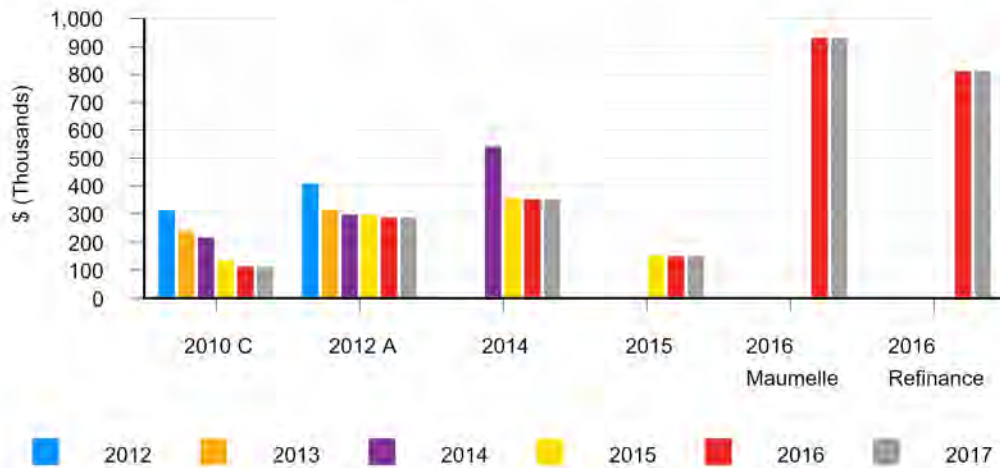
The bond trust indentures require CAW to maintain certain reserves during the life of the bond issues. Debt-service reserve accounts cover the principal and interest for the final year of each bond issue. The 2007 and 2011B Bond Issues were called and replaced with the 2016 Refinance Bond Issue. The 2016 Maumelle Bond was also issued in 2016 to finance the acquisition and capital improvements to the MWM water system. The debt-service reserve accounts amount to \$309,291 for the 2010C Bond Issue; \$602,160 for the 2012A Bond Issue; \$542,500 for the 2014 Bond Issue; \$301,275 for the 2015 Bond Issue; \$600,713 for the 2016 Maumelle Bond Issue; and \$893,000 for the 2016 Refinance Bond Issue.

Debt-Service Reserve Accounts

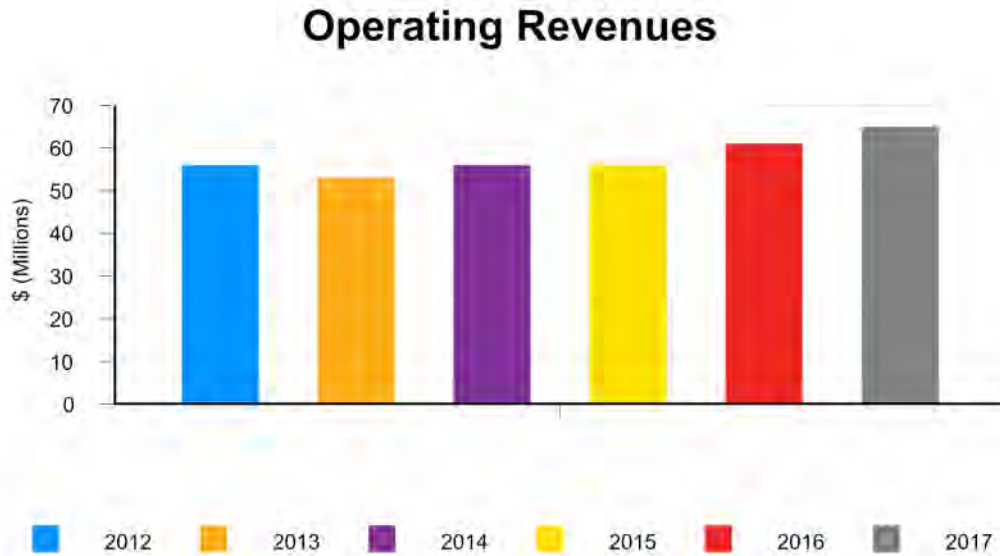


A bond account for each bond issue accumulates sufficient funds annually to pay the principal and interest on each bond issue. The accounts amount to \$112,501 for the 2010C Bond Issue; \$285,731 for the 2012A Bond Issue; \$350,666 for the 2014 Bond Issue; \$149,482 for the 2015 Bond Issue; \$930,143 for the 2016 Maumelle Bond Issue; and \$811,096 for the 2016 Refinance Bond Issue. The working capital reserve represents three months' worth of operating expenses, and for 2016, that amount is \$5,408,524.

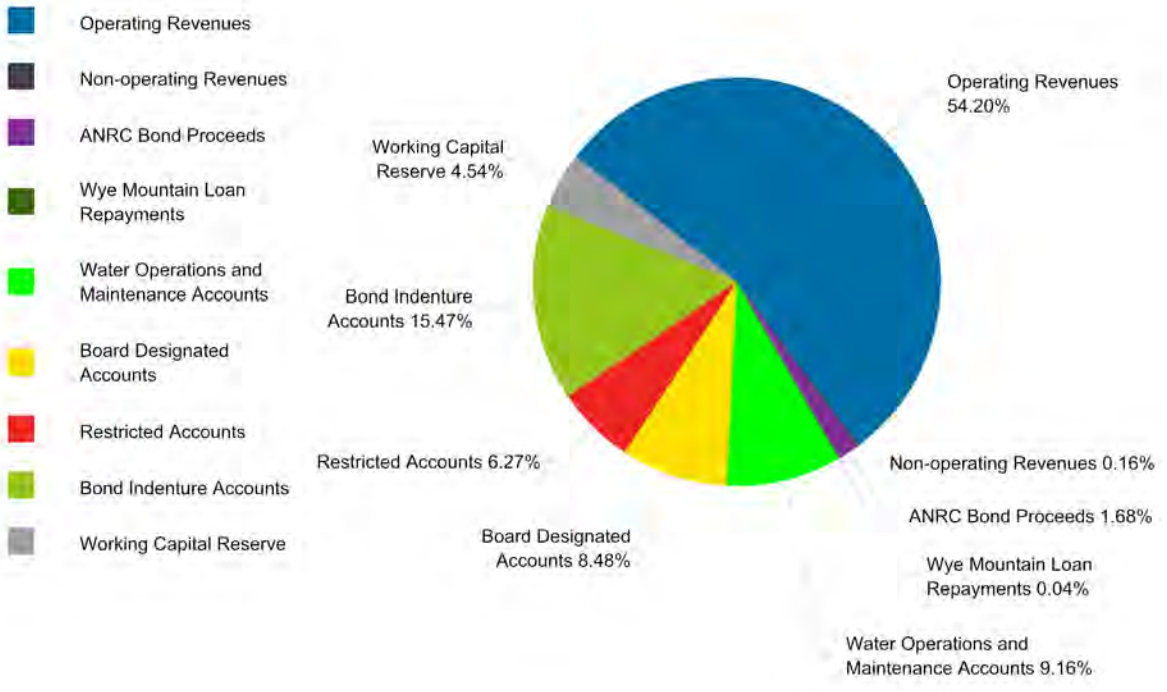
Bond Accounts



The carry-forward balances, along with anticipated operating revenues of \$64,539,046, non-operating revenues of \$190,055, Arkansas Department of Natural Resources (ANRC) bond proceeds of \$1,997,000, and Wye Mountain loan repayments of \$51,000 will fund normal operations and the capital improvement plan.

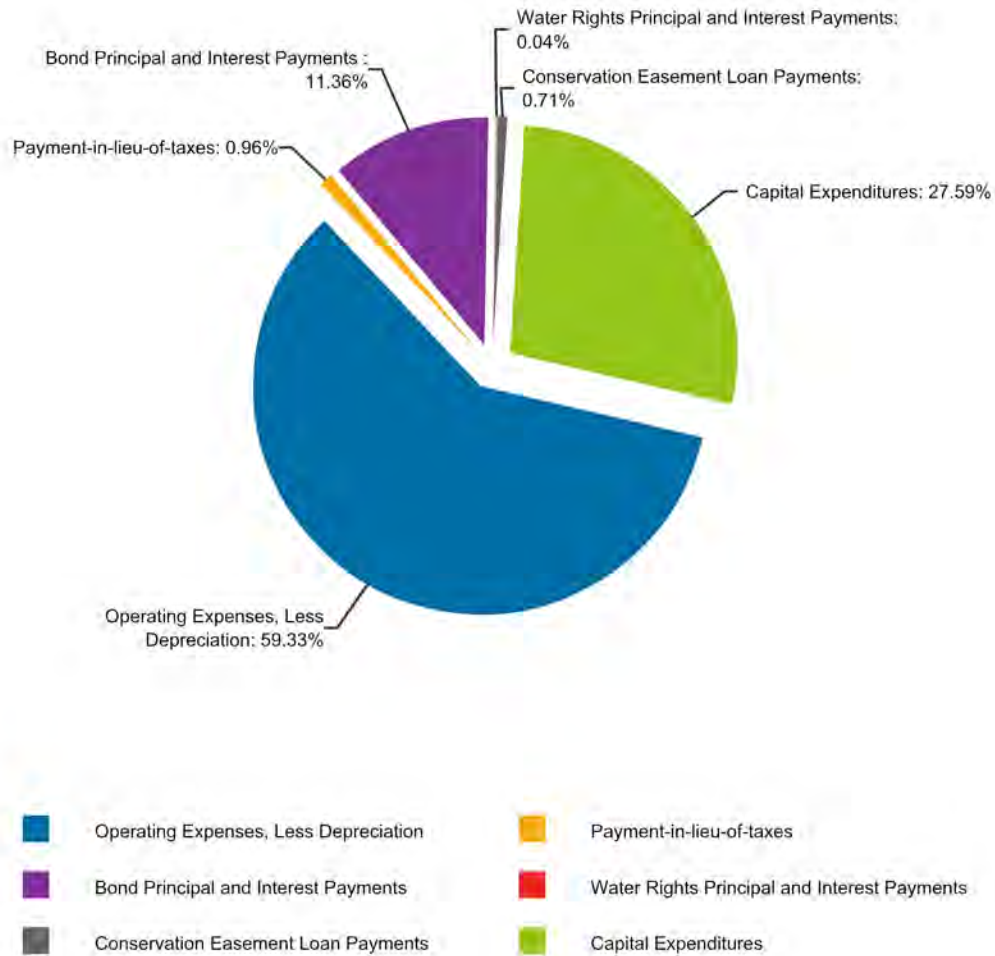


SOURCES OF FUNDS



Utility staff anticipates 54.2% 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.

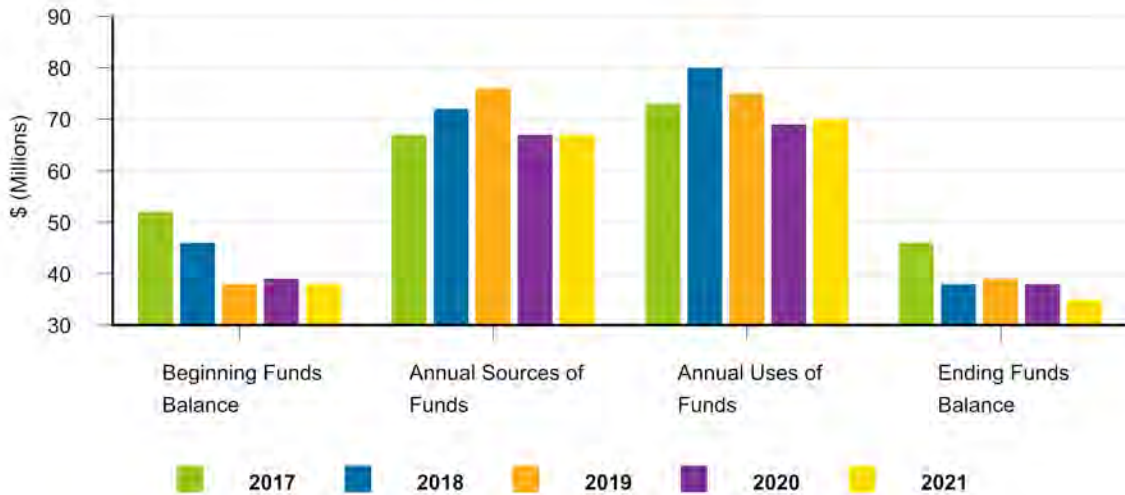
USES OF FUNDS



Operating expenses account for 59.3% of total uses of funds while capital expenditures account for 27.6% and bond principal and interest payments add up to 11.4%. The uses of funds are depicted above.

Assuming all normal operations occur as anticipated and all projects are completed in the capital improvement plan according to schedule, \$45,761,076 will remain in both restricted and unrestricted funds at December 31, 2017.

SOURCES AND USES OF FUNDS (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. A rate study was performed during 2015 to develop a more current rate model. There was no rate increase in 2016. Rates for 2017-2019 were approved by the CAW Board of Commissioners in the 4th quarter of 2015, which includes an 8.9% retail rate increase and a 10.0% wholesale rate increase in 2017 and 2018. There is no retail rate increase in 2019. There is an approximately 5% wholesale rate increase in 2019.

STATEMENT OF SOURCES AND USES OF FUNDS

Sources of Funds:

Carry Forward, as of December 31, 2016

Unrestricted Accounts		
Water Operations and Maintenance Accounts	\$	10,904,191
Board Designated Accounts		
Watershed Protection Fees Account		1,972,876
Rate Stabilization Account		8,123,717
Restricted Accounts		
System Development Charges Account		1,026,333
Capital Investment Charges Account		1,388,473
MWM Surcharges		1,272,396
Consumer Deposits Account		3,773,522
Bond Indenture Accounts		
Debt Service Reserve Account – 2010C		309,291
Debt Service Reserve Account – 2012A		602,160
Debt Service Reserve Account – 2014		542,500
Debt Service Reserve Account – 2015		301,275
Debt Service Reserve Account – 2016 Maumelle		600,714
Debt Service Reserve Account – 2016 Refinance		893,000
Construction Fund - 2016 Maumelle		12,530,940
Bond Account – Principal and Interest Reserve – 2010C		112,501
Bond Account – Principal and Interest Reserve – 2012A		285,731
Bond Account – Principal and Interest Reserve – 2014		350,666
Bond Account – Principal and Interest Reserve – 2015		149,482
Bond Account – Principal and Interest Reserve – 2016 Maumelle		930,143
Bond Account – Principal and Interest Reserve – 2016 Refinance		811,096
Working Capital Reserve		<u>5,408,524</u>

Total Carry Forward, as of December 31, 2016 **52,289,531**

2017 Activity

Operating Revenues	64,539,046
Non-operating Revenues	190,055
ANRC Bond Proceeds	1,997,000
Wye Mountain Loan Repayments	51,000

Total 2017 Activity **66,777,101**

Total Sources of Funds **119,066,632**

Uses of Funds:

Operating and Non-operating Expenditures	
Operating Expenses, Less Depreciation	43,494,977
Payment-in-lieu-of-taxes	706,717
Bond Principal and Interest Payments	8,326,323
Water Rights Principal and Interest Payments	32,905
Conservation Easement Loan Payment	519,727
Capital Expenditures	20,224,907

Total Uses of Funds **\$ 73,305,556**

Funds Available at December 31, 2017

Unrestricted Accounts	
Water Operations and Maintenance Accounts	\$ 9,597,335
Board Designated Accounts	
Watershed Protection Fees Account	1,540,157
Rate Stabilization Account	8,166,703
Restricted Accounts	
System Development Charges Account	1,330,763
Capital Investment Charges Account	242,020
MWM Surcharge Accounts	2,616,430
Consumer Deposits Account	3,790,989
Bond Indenture Accounts	
Debt Service Reserve Account – 2010C	309,291
Debt Service Reserve Account – 2012A	602,160
Debt Service Reserve Account – 2014	542,500
Debt Service Reserve Account – 2015	301,275
Debt Service Reserve Account – 2016 Maumelle	600,713
Debt Service Reserve Account – 2016 Refinance	893,000
Construction Fund - 2016 Maumelle	7,134,052
Bond Account – Principal and Interest Reserve – 2010C	112,712
Bond Account – Principal and Interest Reserve – 2012A	286,178
Bond Account – Principal and Interest Reserve – 2014	351,120
Bond Account – Principal and Interest Reserve – 2015	149,715
Bond Account – Principal and Interest Reserve – 2016 Maumelle	930,908
Bond Account – Principal and Interest Reserve – 2016 Refinance	811,948
Working Capital Reserve	5,451,107

Carry Forward, as of December 31, 2017 **\$ 45,761,076**

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

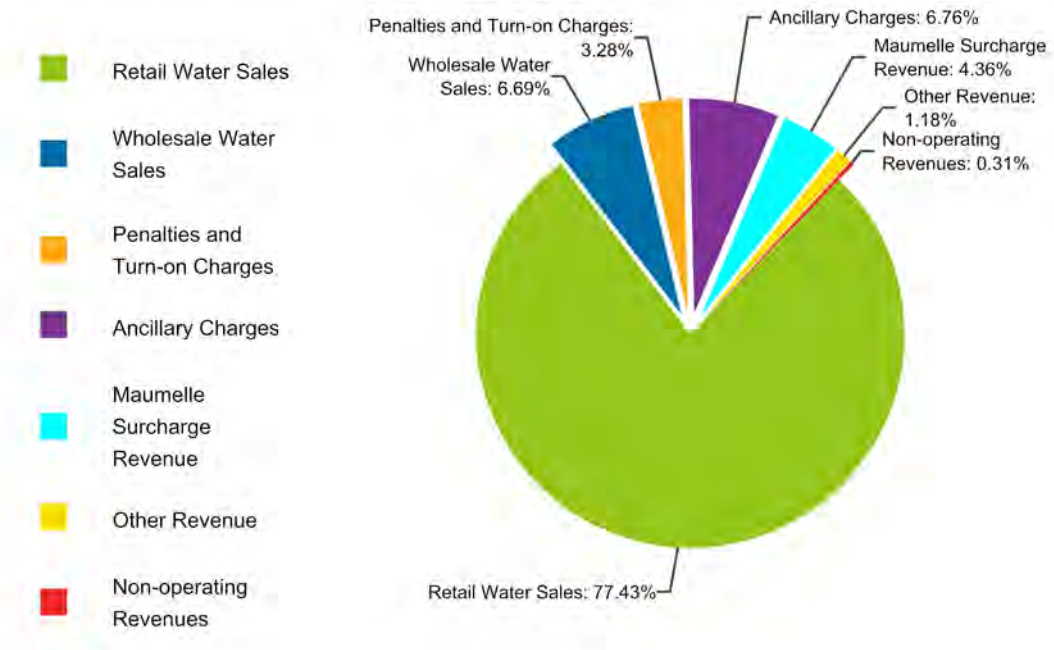
	2017 Budget	2018 Budget	2019 Budget	2020 Budget	2021 Budget
Beginning Funds Balance	52,289,531	45,761,076	38,378,668	39,272,463	37,950,970
Operating Revenues	64,539,046	67,474,434	67,280,370	67,092,402	67,027,072
Non-operating Revenues	190,055	228,805	191,893	265,912	262,445
ANRC Bond Proceeds	1,997,000	4,621,000	8,554,000	—	—
Wye Mountain Loan Repayments	51,000	51,000	51,000	51,000	51,000
Annual Sources of Funds	<u>66,777,101</u>	<u>72,375,239</u>	<u>76,077,263</u>	<u>67,409,314</u>	<u>67,340,517</u>
Operating Expenses	43,494,977	44,777,113	44,866,598	45,643,226	46,489,446
Payment-in-lieu-of-taxes	706,717	720,851	735,268	749,974	764,973
Bond Principal and Interest	8,326,323	8,311,931	8,301,512	9,336,179	9,310,579
Water Rights - Degray Lake Initial Payment	—	1,079,000	—	—	—
Water Rights Principal and Interest	32,905	796,076	796,076	796,076	796,076
Conservation Easement Loan Payment	519,727	340,676	411,014	481,352	481,352
Capital Expenditures	20,224,907	23,732,000	20,073,000	11,724,000	12,087,000
Annual Uses of Funds	<u>73,305,556</u>	<u>79,757,647</u>	<u>75,183,468</u>	<u>68,730,807</u>	<u>69,929,426</u>
Increase (Decrease) in Funds Balance	(6,528,455)	(7,382,408)	893,795	(1,321,493)	(2,588,909)
Ending Funds Balance	<u>45,761,076</u>	<u>38,378,668</u>	<u>39,272,463</u>	<u>37,950,970</u>	<u>35,362,061</u>
Breakdown of Funds Balance					
Unrestricted	9,597,335	9,690,358	10,495,764	9,356,446	6,518,795
Board Designated					
Watershed Protection	1,540,157	888,570	754,684	447,225	88,997
Rate Stabilization	8,166,703	8,207,536	8,248,575	8,269,195	8,289,870
Restricted					
System Development Charges	1,330,763	1,626,417	1,923,549	2,218,080	2,513,348
Capital Investment Charges	242,020	364,430	487,452	610,174	733,202
MWM Surcharges	2,616,430	2,511,512	3,481,994	3,051,196	3,092,321
Customer Deposits	3,790,989	3,809,944	2,524,069	2,530,380	2,536,706
Bond Reserves	13,025,572	5,705,700	5,734,228	5,748,564	5,762,935
Working Capital	5,451,107	5,574,201	5,622,148	5,719,710	5,825,887
Ending Funds Balance	<u>45,761,076</u>	<u>38,378,668</u>	<u>39,272,463</u>	<u>37,950,970</u>	<u>35,362,061</u>

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REVENUES, EXPENSES, AND NET POSITION – OVERVIEW

REVENUES – OVERVIEW

CAW is planning to receive 77.4% of its fiscal year revenue from metered sales (retail and wholesale water sales). The remaining revenues of 22.6% are penalties and turn-on charges, ancillary charges, Maumelle Transition Surcharges, 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.

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. During the MWM merger transition period, all customers within the former MWM service area will be charged specific retail water rates established in resolution 2015-15. Former MWM customers will transition to CAW's outside-city rates at the end of the transition period.

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. Based on a review of costs associated with customer service activities, increases will be implemented in 2017 to various penalties and turn-on charges to more accurately reflect the costs associated with performing these services. A turn-on charge of \$20 is assessed on the first monthly bill to obtain service where facilities are already in place. A turn-on charge of \$40 is assessed to any account that is turned off for non-payment and 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 11.3% of total metered consumption and 6.3% of total operating revenues in the 2017 budget.

Ancillary Charges

Ancillary charges include SDCs, CICs, WPFs, connection fees, 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" 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 \$0.45 cents for households with a 5/8" meter. Customers of the MWM service area have a \$0.75 WPF added to all meters on a monthly basis. This fee is restricted to finance protection and further development of the Maumelle well field which currently supplies raw water to the Maumelle system. MWM customers will transition to the CAW WPF fee structure upon the conclusion of the transition period.

Billing fees are assessed to CAW's 15 billing partners for all billing and customer service functions provided. Billing partners include water, waste water, and refuse districts in Central Arkansas.

Maumelle Surcharge Revenue

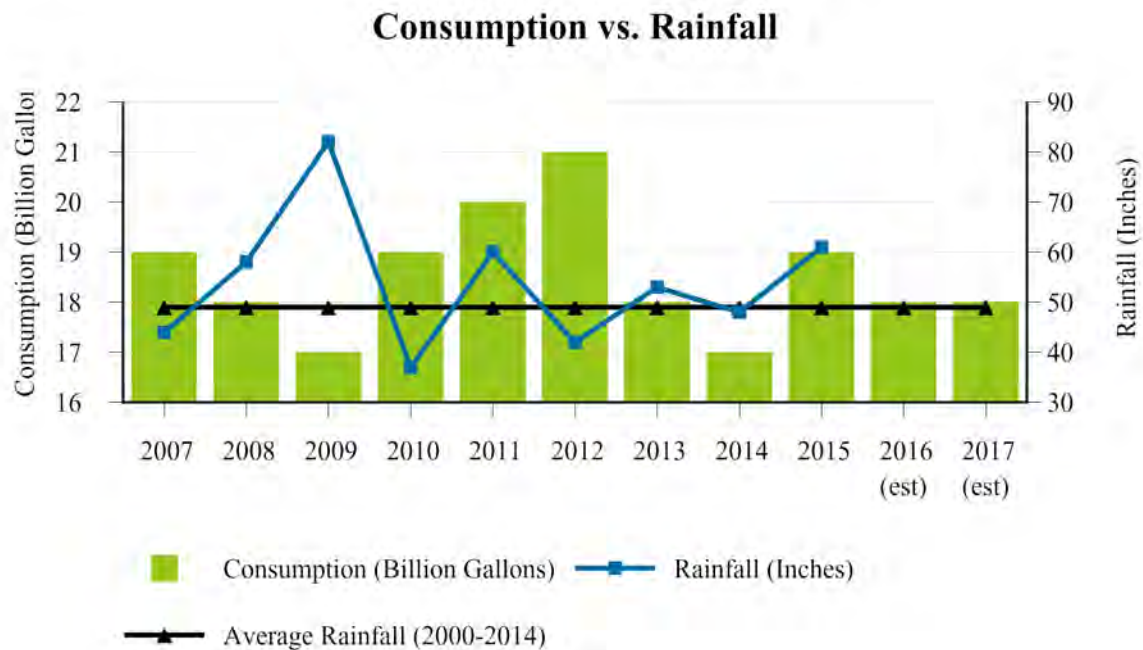
Maumelle Surcharge Revenue consists of revenue generated by the combined short-term, intermediate-term, and long-term transition surcharges charged to customers of the former MWM service area as part of the consolidation agreement. These surcharges were established to fund needed improvements to the MWM distribution system and to fund expenses directly related to combining the two Utilities. These surcharges will begin to be eliminated as the debts associated with the surcharges are repaid.

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

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. Record rainfall in 2009 resulted in operating revenues \$6.2 million less than budget.

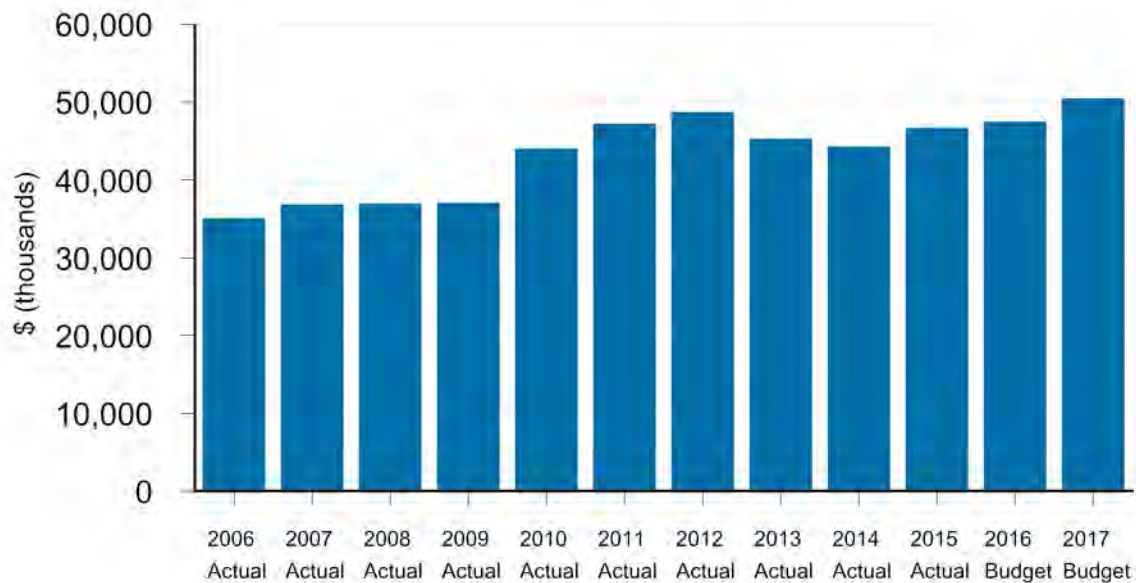


Developing accurate demand forecasts is one of the biggest challenges in creating long-term financial forecasts. There are many factors that influence customer demand projections. Climate and weather conditions, economic drivers, and conservation are a few of the factors that must be considered. Different factors affect consumption trends of each customer class, and therefore, consumption data is analyzed and forecast by class.

In order to forecast residential class usage, the total residential class usage was split into two categories: indoor and outdoor usage. Indoor usage was estimated by calculating the average of the three lowest usage months for the years analyzed. The remaining annual usage was categorized as outdoor usage. As it is impossible to predict the weather, a seven year historical average was used to forecast the outdoor usage component. The most recent calendar year actual usage was used to forecast the indoor usage component. A seven year historical average was used to forecast sprinkler class usage. A blend of the two most recent calendar years actual usage was used to forecast commercial and large volume classes.

Retail consumption is projected to decline 0.5%, 0.75%, and 1.0% in 2017 through 2019. Wholesale consumption was adjusted down 9.3% in 2017 and is projected to remain flat through 2019.

Metered Water Sales by Year



The above graph presents total actual Metered Water Sales for the years 2006 through 2015. Budgeted numbers are shown for the years 2016 and 2017. Even though CAW forecasts further reduction in consumption, the increase in 2017 reflects the retail and wholesale rate increases which go into effect January 1, 2017.

Water Rates and Fees

The CAW Board of Commissioners approved a rate schedule for 2017-2019 on December 10, 2015 with resolution 2015-20. Approved rates and fees for 2017 are presented on the following pages.

2017 rates are as follows:

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

METER SIZE (diameter)	RATES	
	EFFECTIVE JANUARY 1, 2017	
	INSIDE	OUTSIDE
5/8"	\$ 6.85	\$ 8.97
3/4"	8.85	11.59
1"	12.58	16.46
1 1/2"	21.26	27.83
2"	34.48	45.14
3"	63.76	83.46
4"	103.71	135.76
6"	205.14	268.52
8"	346.98	454.20
10"	499.56	653.92
12"	909.83	1,190.97

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

CUSTOMER CLASS	RATES	
	EFFECTIVE JANUARY 1, 2017	
	INSIDE	OUTSIDE
RESIDENTIAL	\$ 1.65	\$ 2.64
COMMERCIAL	1.54	2.47
LARGE VOLUME	1.26	2.02
SPRINKLER	1.65	2.64

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

CUSTOMER CLASS	RATES	
	EFFECTIVE JANUARY 1, 2017	
	INSIDE	OUTSIDE
RESIDENTIAL	\$ 2.15	\$ 3.44
COMMERCIAL	1.54	2.47
LARGE VOLUME	1.26	2.02
SPRINKLER	2.15	3.44

Monthly Watershed Protection Fee

METER SIZE (diameter)	EFFECTIVE MAY 1, 2009
5/8"	\$0.45
3/4"	0.45
1"	0.68
1 1/2"	1.13
2"	2.25
3"	3.60
4"	6.75
6"	11.25
8"	22.50
10"	36.00

Private Fire Service Charges

	RATES	
	EFFECTIVE JANUARY 1, 2017	
	INSIDE	OUTSIDE
FIRE HYDRANTS	\$ 74.24	\$ 107.39
FIRE CONNECTION MIN CHARGE	86.08	124.54
AUTOMATIC SPRINKLER SYSTEM MIN CHARGE (1,000 HEADS)	86.08	124.54
ADDL HEADS, EACH	0.09	0.14
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	16.84	24.37
1 1/2" DIAMETER, EACH	26.21	37.90
2" DIAMETER, EACH	43.06	62.27
2 1/2" DIAMETER, EACH	86.08	124.54

Wholesale Additional Monthly Volumetric Charge

Resolution 2015-20 also established a wholesale rate schedule for 2017-2019. The approved 2017 rates increase to \$1.43 for On Peak consumption and \$1.29 for Off Peak consumption. The wholesale rates are presented in the table below.

Wholesale Minimum Monthly Charge

METER SIZE (diameter)	RATES
	EFFECTIVE JANUARY 1, 2017
	OUTSIDE
2" or smaller	\$45.14
3"	83.46
4"	135.76
6"	268.52
8"	454.20
10"	653.92
12"	1,190.97

Volumetric Charge

TIME WATER IS TAKEN	RATES
	EFFECTIVE JANUARY 1, 2017
	\$ 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.	\$1.43
OFF PEAK Customers taking all water from: 10 p.m. to 4 a.m. and/or 9 a.m. to 5 p.m.	1.29

Raw Water Additional Monthly Volumetric Charge

	RATES
	EFFECTIVE JANUARY 1, 2017
	\$ PER 100 CF
Raw Water Customer	\$0.60

System Development Charge

METER SIZE (diameter)	
5/8"	\$150.00
3/4"	150.00
1"	225.00
1 1/2"	375.00
2"	750.00
3"	1,200.00
4"	2,250.00
6"	3,850.00
8"	7,500.00
10"	12,000.00

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	-	-	-

Maumelle Transition Period

Resolution 2015-15 establishes a rate schedule covering the former MWM service area during the Transition Period. Upon completion of infrastructure work required to connect the MWM service area with CAW's existing transmission system, these rates will be eliminated and customers in the MWM service area will be charged the established CAW Outside City rates that are in effect at that time. MWM Transition rates are listed below.

Minimum Monthly Charge (includes the first 1,000 gallons of water usage)

METER SIZE (diameter)	MINIMUM MONTHLY CHARGE
	Effective upon Consolidation
5/8"	\$9.56
3/4"	9.56
1"	42.70
1 1/2"	85.42
2"	149.50
3"	331.02
4"	565.92
6"	1,120.52
8"	1,893.68

METER SIZE (diameter)	SPRINKLER ACCOUNT MINIMUM MONTHLY CHARGE
	Effective upon Consolidation
5/8"	\$11.07
3/4"	11.07
1"	49.57
1 1/2"	99.14
2"	173.49
3"	331.02
4"	565.92
6"	1,120.52
8"	1,893.68

Additional Monthly Volumetric Charge (\$ per 1,000 gallons)

CUSTOMER CLASS	RATES			
	\$ PER 1,000 gallons (1,001 to 10,000 gallons)	\$ PER 1,000 gallons (10,001 to 20,000 gallons)	\$ PER 1,000 gallons (20,001 to 30,000 gallons)	\$ PER 1,000 gallons (30,001 + gallons)
NON-SPRINKLER	\$ 3.68	\$ 3.68	\$ 3.68	\$ 3.68
SPRINKLER	4.26	4.26	4.26	4.26

Watershed Protection Fee

METER SIZE (diameter)	Per Month Per Meter
All Meter Sizes	\$0.75

During the Transition Period, persons over the age of 65 years of age may receive a discount of \$3.00 per month on their monthly bill upon presentment of proof of age to the Utility. Upon completion of the Transition Period, this discount will be discontinued.

Maumelle Transition Surcharges

The Consolidation Agreement provides for the collection of debt surcharges on each meter within the MWM service area. These surcharges are pledged to repayment of all debt and expenses required to carry out the merger of the two Utilities. Each debt surcharge will continue until the debt associated with the respective surcharges is repaid.

METER SIZE (diameter)	TRANSITION	INTERMEDIATE	LONG TERM
5/8"	\$ 4.26	\$ 4.92	\$ 15.67
3/4"	4.26	4.92	15.67
1"	21.73	25.09	79.92
1 1/2"	32.38	37.39	119.09
2"	43.45	50.18	159.83
3"	54.10	62.48	199.01
4"	65.18	75.28	239.75
6"	129.05	149.05	474.71
8"	218.10	251.89	802.25

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 2017. This is partially attributed to interest income that will be received from a \$197,000 loan to the Wye Mountain Water Facilities Board to retire debt that is currently in default status. Interest rate estimates on cash and investment accounts remain at 0.20 - 0.35%.

EXPENSES - OVERVIEW

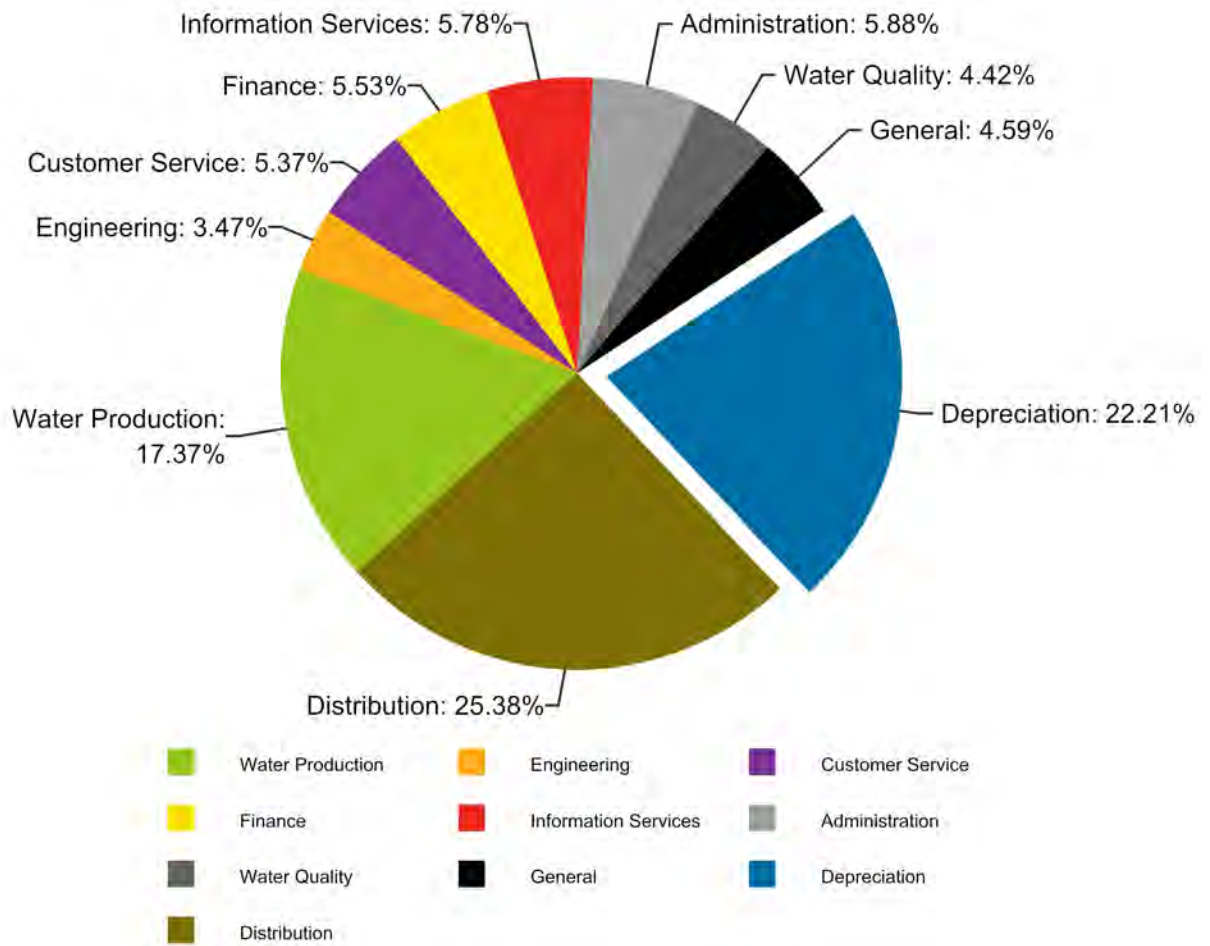
Operating Expenses

Depreciation is a major component of operating expenses and amounts to 22.20% of total operating expenses for 2017. Projections indicate that total depreciation in 2016 will fall below budgeted amounts by 2.64%. During the past several years, CAW has funded and completed a significant number of construction projects with the proceeds from bond issues 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 include 330 budgeted positions for 2017, an increase of seven positions from the number of 2016 positions. As of September 1, 2016, 300 positions were staffed, including nine part-time positions. This reflects an increase of 17 staffed positions when compared to 283 staffed positions in 2015. This increase is driven by the MWM merger, partially offset by currently vacant positions. Traditionally, the Utility's turnover rate is very low (6.8% for 2015 and projected 9.1% for 2016), 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 2.5% for exempt and non-exempt employees. Total wage and benefit costs associated with this increase amount to \$620,000. Health insurance premiums will increase by 4.5% in the upcoming year. The estimated national average increase for health insurance ranges from 5 - 8%. Individual department directors held operating expenses to a 0.6% overall increase (excluding depreciation, wages, and benefits) from the 2016 budget. The Arkansas Public Employees Retirement System (APERS) mandatory employer contribution rate will increase by 0.25% to 14.75% for the fiscal year beginning July 1, 2017.

OPERATING EXPENSES

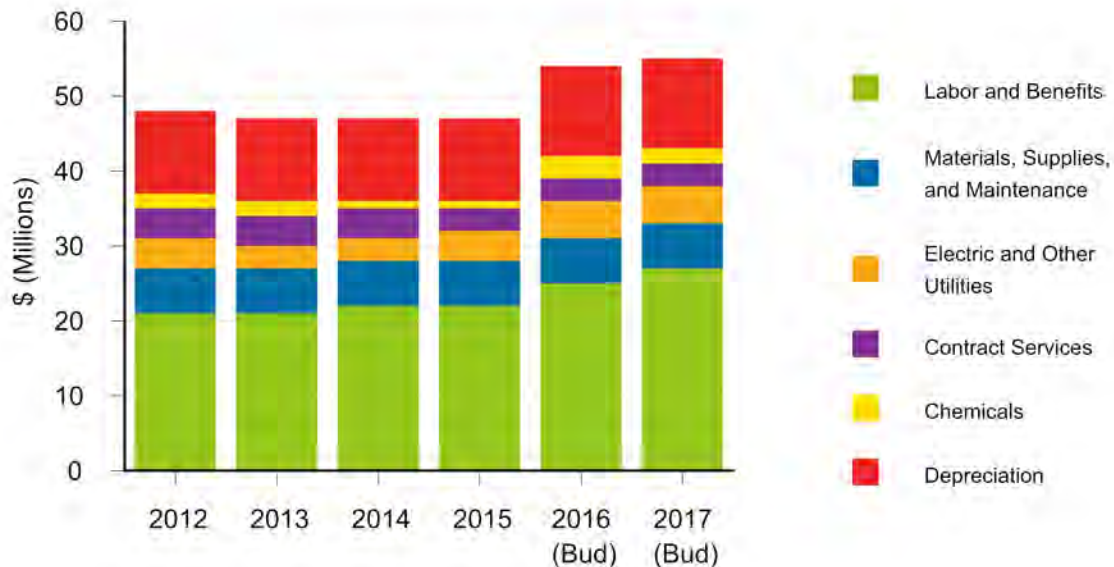
By DEPARTMENT



Budgeted 2017 Operating Expenses by Department are depicted above.

The following graph presents total actual Operating Expenses by Natural Classification for the years 2012 through 2015. Budget numbers are shown for the years 2016 and 2017.

Operating Expenses by Natural Classification



Water Production’s operating budget is decreasing by \$545,800 or 5.3% compared to 2016 budget. The number of employee positions remains constant with 36 budgeted employees. Variable costs such as chemical treatment, wastewater disposal, and power are driven by increases or decreases in water consumption. Water treatment chemical costs are budgeted to decrease by \$712,000 or 25.9% in 2017. The wastewater cost for disposal of treatment plant sludge is budgeted to decrease \$75,000 or 8.6% based on Little Rock Wastewater’s rates and disposal amounts. Budgeted power consumption (kWh) will decrease slightly for 2017 with a decrease of \$20,000 or 1.1%.

Water Quality is decreasing its budget for 2017 by \$189,400 or 7.1%. The 2017 budget decrease is reflected in labor and benefit costs with the reduction of one employee position and a reduction in expenditures for contract services. The total number of budgeted employees is 13 for 2017. 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, watershed, and laboratory staff.

Distribution, the largest department, is showing a budget increase of \$0.89 million or 6.7% from 2016 budgeted amounts. The number of budgeted employees increases by five to 152 for 2017. As of the budget date, the department maintained a total of 135 employees and 12 vacancies which are projected to be filled before the end of 2016. Increases for the 2017 budget year primarily consist of \$1.03 million in wage and benefit costs, partially offset by slight declines in fuel costs, material costs, and contractual services compared to 2016. Distribution forecasts that approximately \$1.60 million in payroll costs will be capitalized in 2017. 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 \$99,300 or 5.4% increase from the previous year's budget. In 2017, 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 increases by two to 24 employees with no vacancies as of September 1, 2016. Engineering is responsible for planning, design, and construction inspection of improvements within the CAW system.

The Finance & Customer Service Department is projecting a 2017 budget increase of \$70,700 or 1.2% compared to the 2016 budget. The primary cause for the increase was labor and benefit increases related to the addition of one position and increased software maintenance costs in the Finance section, partially offset by a reduction in wage and benefits, telephone services, and contract services in the Customer Service section. The total number of employees budgeted for the Finance section increases by one to 24, with no vacant positions at budget time. The total number of employees in the Customer Service section remains constant at 49 for 2017. The Finance section is responsible for finance, budgeting, purchasing, and billing. The Customer Service section provides customers with information, resolves problems, and reads water meters.

The Information Services Department budget for 2017 reflects an increase of \$95,300 or 3.0%. The total increase is associated with increased data service costs and contract services. The total number of departmental employees remains constant at 17, with one vacancy at budget time. The IS Department oversees information services, computer operations, and telecommunications.

The Administration Department is projecting a \$272,500 or 7.7% budget decrease from 2016. Wages and benefits are the largest decrease due to the turnover of several leadership positions. An increase in special projects expense related to strategic planning initiatives partially offset the labor and benefits decrease. The number of staff budgeted for the Administration Department includes 15 positions. The Administration Department includes Executive Staff, Human Resources, Environmental Health & Safety (EHS), Public Affairs & Communications, Legal, and Commissioners' expenses. Human Resources includes funds for employee assistance/wellness programs and employee training

programs, such as diversity and supervisory training. Also included are amounts for recruitment and succession planning/leadership development programs. EHS includes safety training and facilities security. Public Affairs & Communications includes the annual costs for all public communications, community outreach, and education efforts, as well as the water quality report. Other Administration costs include professional services.

The General category budget reflects a \$107,900 or 4.4% increase from 2016. 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 James T. Harvey (JTH) Administration building.

Depreciation reflects a decrease of \$77,600 or 0.6%. Depreciation expense is directly affected as capital projects are completed and capital 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 based on 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 2017 Financial Plan includes approximately \$361,700 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 2017 budget will result in a Net Position increase of approximately \$9,791,000, or approximately \$5,991,000 before contributions.

STATEMENT OF REVENUES AND EXPENSES
(BY NATURAL CLASSIFICATION – PERCENTAGE CHANGES)
CAW and MWM Combined

	2015	2016	2016	2017	CHANGE FROM	CHANGE FROM
	ACTUAL	PROJECTED	BUDGET	BUDGET	2016	2016
					PROJECTED	BUDGET
Operating Revenues						
Retail Water Sales	\$ 43,738,383	\$ 46,925,405	\$ 47,876,675	\$ 50,684,156	8.01 %	5.86 %
Wholesale Water Sales	3,721,178	3,709,149	3,822,161	4,067,000	9.65 %	6.41 %
Penalties and Turn-on Charges	1,867,727	1,944,100	1,994,258	2,058,000	5.86 %	3.20 %
Ancillary Charges	4,022,409	4,381,435	4,329,735	4,303,765	(1.77)%	(0.60)%
Maumelle Surcharge Revenue	—	2,153,762	2,063,000	2,653,725	23.21 %	28.63 %
Other Revenue	731,609	818,737	711,200	772,400	(5.66)%	8.61 %
Total Operating Revenues	54,081,306	59,932,588	60,797,029	64,539,046	7.69 %	6.15 %
Operating Expenses						
Labor and Benefits	22,365,434	24,817,140	25,258,977	26,745,173	7.77 %	5.88 %
Materials, Supplies, and Maintenance	5,654,030	6,147,707	6,401,463	6,411,750	4.29 %	0.16 %
Electric and Other Utilities	4,227,692	4,658,775	4,702,706	4,636,860	(0.47)%	(1.40)%
Contract Services	2,773,361	2,964,785	3,397,669	3,187,853	7.52 %	(6.18)%
Chemicals	1,355,080	2,118,384	2,752,150	2,040,169	(3.69)%	(25.87)%
Transition Cost - MWM	—	218,655	254,100	50,000	(77.13)%	(80.32)%
Depreciation	11,246,626	12,170,968	12,491,874	12,414,266	2.00 %	(0.62)%
Other	392,185	379,534	470,500	423,192	11.50 %	(10.05)%
Total Operating Expenses	48,014,408	53,475,948	55,729,439	55,909,263	4.55 %	0.32 %
Operating Income (Loss)	6,066,898	6,456,640	5,067,590	8,629,783	33.66 %	70.29 %
Non-operating Revenue (Expense)						
Payment-in-lieu-of-taxes	(659,088)	(675,516)	(675,516)	(706,717)	4.62 %	4.62 %
Investment Income	194,795	234,825	153,030	190,055	(19.07)%	24.19 %
Gain/Loss on Sale of Assets	76,092	81,647	—	—	(100.00)%	— %
Bond Interest Expense	(2,408,154)	(1,769,694)	(1,860,328)	(1,417,714)	(19.89)%	(23.79)%
Bond Interest Expense - Maumelle	—	(798,941)	(409,712)	(687,452)	(13.95)%	67.79 %
Interest Expense - Other	—	(51,837)	(105,752)	(17,453)	(66.33)%	(83.50)%
Total Non-operating Revenue (Expense)	(2,796,355)	(2,979,516)	(2,898,278)	(2,639,281)	(11.42)%	(8.94)%
Net Income (Loss) Before Contributions	3,270,543	3,477,124	2,169,312	5,990,502	72.28 %	176.15 %
Contributions						
Capital Contributions from Grantors	127,396	2,153,000	2,153,000	—	(100.00)%	(100.00)%
Contributions-in-aid of Construction	3,021,520	1,906,917	1,100,000	3,800,000	99.27 %	245.45 %
Total Contributions	3,148,916	4,059,917	3,253,000	3,800,000	(6.40)%	16.82 %
Change in Net Position	\$ 6,419,459	\$ 7,537,041	\$ 5,422,312	\$ 9,790,502	29.90 %	80.56 %

**STATEMENT OF REVENUES AND EXPENSES
(BY NATURAL CLASSIFICATION – PERCENTAGE CHANGES)
Central Arkansas Water Service Area Only**

	2015	2016	2016	2017	CHANGE FROM	CHANGE FROM
	ACTUAL	PROJECTED	BUDGET	BUDGET	2016	2016
					PROJECTED	BUDGET
Operating Revenues						
Retail Water Sales	\$ 43,738,383	\$ 43,350,713	\$ 44,296,640	\$ 47,105,356	8.66 %	6.34 %
Wholesale Water Sales	3,721,178	3,709,149	3,822,161	4,067,000	9.65 %	6.41 %
Penalties and Turn-on Charges	1,867,727	1,883,480	1,915,000	1,995,000	5.92 %	4.18 %
Ancillary Charges	4,022,409	4,146,529	4,091,230	4,111,165	(0.85)%	0.49 %
Maumelle Surcharge Revenue	—	2,153,762	2,063,000	2,653,725	23.21 %	28.63 %
Other Revenue	731,609	609,269	640,400	715,400	17.42 %	11.71 %
Total Operating Revenues	54,081,306	55,852,902	56,828,431	60,647,646	8.58 %	6.72 %
Operating Expenses						
Labor and Benefits	22,365,434	22,869,280	23,129,350	24,731,042	8.14 %	6.92 %
Materials, Supplies, and Maintenance	5,654,030	5,521,919	5,788,931	5,895,112	6.76 %	1.83 %
Electric and Other Utilities	4,227,692	4,216,883	4,293,656	4,195,256	(0.51)%	(2.29)%
Contract Services	2,773,361	2,745,837	2,990,694	2,955,247	7.63 %	(1.19)%
Chemicals	1,355,080	1,693,041	2,262,550	1,583,450	(6.47)%	(30.01)%
Transition Cost - MWM	—	218,655	254,100	50,000	(77.13)%	(80.32)%
Depreciation	11,246,626	11,412,050	11,679,475	11,546,666	1.18 %	(1.14)%
Other	392,185	371,534	450,500	403,200	8.52 %	(10.50)%
Total Operating Expenses	48,014,408	49,049,199	50,849,256	51,359,973	4.71 %	1.00 %
Operating Income (Loss)	6,066,898	6,803,703	5,979,175	9,287,673	36.51 %	55.33 %
Non-operating Revenue (Expense)						
Payment-in-lieu-of-taxes	(659,088)	(675,516)	(675,516)	(706,717)	4.62 %	4.62 %
Investment Income	194,796	231,188	144,000	189,935	(17.84)%	31.90 %
Gain/Loss on Sale of Assets	76,092	51,919	—	—	(100.00)%	— %
Bond Interest Expense	(2,408,155)	(1,769,694)	(1,860,328)	(1,417,714)	(19.89)%	(23.79)%
Bond Interest Expense - Maumelle	—	(798,941)	(409,712)	(687,452)	(13.95)%	67.79 %
Interest Expense - Other	—	(47,931)	(105,752)	(17,453)	(63.59)%	(83.50)%
Total Non-operating Revenue (Expense)	(2,796,355)	(3,008,975)	(2,907,308)	(2,639,401)	(12.28)%	(9.21)%
Net Income (Loss) Before Contributions	3,270,543	3,794,728	3,071,867	6,648,272	75.20 %	116.42 %
Contributions						
Capital Contributions from Grantors	127,396	2,153,000	2,153,000	—	(100.00)%	(100.00)%
Contributions-in-aid of Construction	3,021,520	1,902,917	1,100,000	3,800,000	99.69 %	245.45 %
Total Contributions	3,148,916	4,055,917	3,253,000	3,800,000	(6.31)%	16.82 %
Change in Net Position	\$ 6,419,459	\$ 7,850,645	\$ 6,324,867	\$ 10,448,272	33.09 %	65.19 %

* This schedule reflects revenues and expenses associated with the pre-MWM merger CAW operations

**STATEMENT OF REVENUES AND EXPENSES
(BY NATURAL CLASSIFICATION – PERCENTAGE CHANGES)
Maumelle Water Management Service Area Only**

	2016	2016	2017	CHANGE FROM	CHANGE FROM
	PROJECTED	BUDGET	BUDGET	2016	2016
	PROJECTED	BUDGET	BUDGET	PROJECTED	BUDGET
Operating Revenues					
Retail Water Sales	\$ 3,574,692	\$ 3,580,035	\$ 3,578,800	0.11 %	(0.03)%
Penalties and Turn-on Charges	60,620	79,258	63,000	3.93 %	(20.51)%
Ancillary Charges	234,906	238,505	192,600	(18.01)%	(19.25)%
Other Miscellaneous Revenue	209,468	70,800	57,000	(72.79)%	(19.49)%
Total Operating Revenues	4,079,686	3,968,598	3,891,400	(4.62)%	(1.95)%
Operating Expenses					
Labor and Benefits	1,947,860	2,129,627	2,014,131	3.40 %	(5.42)%
Materials, Supplies, and Maintenance	625,788	612,532	516,638	(17.44)%	(15.66)%
Electric and Other Utilities	441,892	409,050	441,604	(0.07)%	7.96 %
Contract Services	218,948	406,975	232,606	6.24 %	(42.85)%
Chemicals	425,343	489,600	456,719	7.38 %	(6.72)%
Depreciation	758,919	812,399	867,600	14.32 %	6.79 %
Other	8,000	20,000	19,992	149.90 %	(0.04)%
Total Operating Expenses	4,426,750	4,880,183	4,549,290	2.77 %	(6.78)%
Operating Income (Loss)	(347,064)	(911,585)	(657,890)	89.56 %	(27.83)%
Non-operating Revenue (Expense)					
Investment Income	3,637	9,030	120	(96.70)%	(98.67)%
Interest Expense - Other	(3,906)	—	—	(100.00)%	— %
Gain/Loss on Sale of Assets	29,728	—	—	(100.00)%	— %
Total Non-operating Revenue (Expense)	29,459	9,030	120	(99.59)%	(98.67)%
Net Income (Loss) Before Contributions	(317,605)	(902,555)	(657,770)	107.10 %	(27.12)%
Change in Net Position	\$ (317,605)	\$ (902,555)	\$ (657,770)	107.10 %	(27.12)%

* This schedule reflects revenues and expenses associated with the pre-MWM merger MWM operations

**STATEMENT OF REVENUES AND EXPENSES
(BY DEPARTMENT – PERCENTAGE CHANGES)
CAW AND MWM SERVICE AREAS COMBINED**

	2015	2016	2016	2017	CHANGE FROM	CHANGE FROM
	ACTUAL	PROJECTED	BUDGET	BUDGET	2016	2016
					PROJECTED	BUDGET
Operating Revenues						
Retail Water Sales	\$ 43,738,383	\$ 46,925,405	\$ 47,876,675	\$ 50,684,156	8.01 %	5.86 %
Wholesale Water Sales	3,721,178	3,709,149	3,822,161	4,067,000	9.65 %	6.41 %
Penalties and Turn-on Charges	1,867,727	1,944,100	1,994,258	2,058,000	5.86 %	3.20 %
Ancillary Charges	4,022,409	4,381,435	4,329,735	4,303,765	(1.77)%	(0.60)%
Maumelle Surcharge Revenue	—	2,153,762	2,063,000	2,653,725	23.21 %	28.63 %
Other Revenue	731,609	818,737	711,200	772,400	(5.66)%	8.61 %
Total Operating Revenues	54,081,306	59,932,588	60,797,029	64,539,046	7.69 %	6.15 %
Operating Expenses						
Water Production	7,690,137	9,463,018	10,255,609	9,709,794	2.61 %	(5.32)%
Distribution	11,711,334	12,887,384	13,297,751	14,189,751	10.11 %	6.71 %
Engineering	1,694,457	1,730,173	1,842,543	1,941,853	12.23 %	5.39 %
Customer Service	2,662,936	2,765,522	3,048,147	3,003,904	8.62 %	(1.45)%
Finance	2,582,474	2,884,987	2,974,983	3,089,888	7.10 %	3.86 %
Information Services	3,050,213	3,036,995	3,137,007	3,232,265	6.43 %	3.04 %
Administration	3,094,837	3,156,628	3,561,153	3,288,694	4.18 %	(7.65)%
Water Quality	2,168,670	2,473,449	2,661,970	2,472,547	(0.04)%	(7.12)%
General	2,112,724	2,906,823	2,458,402	2,566,301	(11.71)%	4.39 %
Depreciation	11,246,626	12,170,969	12,491,874	12,414,266	2.00 %	(0.62)%
Total Operating Expenses	48,014,408	53,475,948	55,729,439	55,909,263	4.55 %	0.32 %
Operating Income (Loss)	6,066,898	6,456,640	5,067,590	8,629,783	33.66 %	70.29 %
Non-operating Revenue (Expense)						
Payment-in-lieu-of-taxes	(659,088)	(675,516)	(675,516)	(706,717)	4.62 %	4.62 %
Investment Income	194,795	234,825	153,030	190,055	(19.07)%	24.19 %
Gain/Loss on Sale of Assets	76,092	81,647	—	—	(100.00)%	— %
Bond Interest Expense	(2,408,154)	(1,769,694)	(1,860,328)	(1,417,714)	(19.89)%	(23.79)%
Bond Interest Expense - Maumelle	—	(798,941)	(409,712)	(687,452)	(13.95)%	67.79 %
Interest Expense-Other	—	(51,837)	(105,752)	(17,453)	(66.33)%	(83.50)%
Total Non-operating Revenue (Expense)	(2,796,355)	(2,979,516)	(2,898,278)	(2,639,281)	(11.42)%	(8.94)%
Net Income (Loss) Before Contributions	3,270,543	3,477,124	2,169,312	5,990,502	72.28 %	176.15 %
Contributions						
Capital Contributions from Grantors	127,396	2,153,000	2,153,000	—	(100.00)%	(100.00)%
Contributions-in-aid of Construction	3,021,520	1,906,917	1,100,000	3,800,000	99.27 %	245.45 %
Total Contributions	3,148,916	4,059,917	3,253,000	3,800,000	(6.40)%	16.82 %
Change in Net Position	\$ 6,419,459	\$ 7,537,041	\$ 5,422,312	\$ 9,790,502	29.90 %	80.56 %

STATEMENT OF REVENUES

	INSIDE	OUTSIDE	TOTAL
<i>Operating Revenues</i>			
<i>Retail Water Sales – Little Rock</i>			
Residential	\$ 10,599,985	\$ 2,558,684	\$ 13,158,669
Commercial	7,488,212	297,860	7,786,072
Large Volume	1,633,387	183,379	1,816,766
Sprinkler	9,188,431	224,848	9,413,279
Raw Water	23,098	49,000	72,098
Private Fire Service	464,180	50,325	514,505
<i>Total Little Rock</i>	29,397,293	3,364,096	32,761,389
<i>Retail Water Sales – North Little Rock</i>			
Residential	3,865,906	4,497,492	8,363,398
Commercial	2,431,187	870,625	3,301,812
Large Volume	499,969	44,822	544,791
Sprinkler	1,395,423	569,863	1,965,286
Private Fire Service	87,603	81,077	168,680
<i>Total North Little Rock</i>	8,280,088	6,063,879	14,343,967
<i>Retail Water Sales – Maumelle</i>			
Residential		1,775,000	1,775,000
Commercial		82,800	82,800
Large Volume		816,000	816,000
Sprinkler		905,000	905,000
<i>Total Maumelle</i>		3,578,800	3,578,800
<i>Total Retail Water Sales</i>	37,677,381	13,006,775	50,684,156
<i>Wholesale Water Sales</i>			
Bryant Water and Sewer Department		1,060,000	1,060,000
Shannon Hills		177,000	177,000
Sardis Water Association		92,000	92,000
Saline County Water & Sewer Public Facilities Board (Woodland Hills)		18,000	18,000
Salem Water Users Association		1,060,000	1,060,000
Jacksonville Water Works		1,350,000	1,350,000
Mid Arkansas Utilities		70,000	70,000
Ridgefield Estates Public Facilities Board		30,000	30,000
Cabot Water Works		210,000	210,000
<i>Total Wholesale Water Sales</i>		4,067,000	4,067,000
<i>Penalties and Turn-on Charges</i>			
Penalties		885,000	885,000
Turn-on Charges		1,173,000	1,173,000
<i>Total Penalties and Turn-on Charges</i>		2,058,000	2,058,000
<i>Ancillary Charges</i>			
Billing and Ancillary Fees		1,953,965	1,953,965
Connection Fees		830,000	830,000
Watershed Protection Fees		1,099,600	1,099,600
Capital Investment Charges		121,200	121,200
System Development Charges		299,000	299,000
<i>Total Ancillary Charges</i>		4,303,765	4,303,765
<i>Maumelle Surcharges</i>			
Maumelle Surcharge Revenue		2,653,725	2,653,725
<i>Total Maumelle Transition Surcharges</i>		2,653,725	2,653,725

	INSIDE	OUTSIDE	TOTAL
<i>Other Revenue</i>		<u>772,400</u>	<u>772,400</u>
<i>Total Operating Revenues</i>	37,677,381	26,861,665	64,539,046
<i>Non-operating Revenues</i>			
Interest Income		189,005	189,005
Bond Issue Interest Income		<u>1,050</u>	<u>1,050</u>
<i>Total Non-operating Revenues</i>		190,055	190,055
<i>Total Operating and Non-operating Revenues</i>	\$ 37,677,381	\$ 27,051,720	\$ 64,729,101

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

	Materials							Transition Cost - MWM	Departmental Total
	Labor and Benefits	Supplies and Maintenance	Electric and Other Utilities	Contract Services	Chemicals	Depreciation	Other		
Administration									
Administration	\$ 967,535	\$ 145,460	\$ 960	\$ 174,300	—	—	\$ 79,200	\$ —	\$ 1,367,455
Human Resources	567,994	39,994	—	39,050	—	—	—	—	647,038
Public Affairs & Communications	318,195	184,700	900	157,200	—	—	6,000	20,000	686,995
Environmental Health & Safety	310,788	88,700	1,500	170,618	—	—	—	—	571,606
Commissioners Expense	—	1,200	—	14,400	—	—	—	—	15,600
Total Administration	2,164,512	460,054	3,360	555,568	—	—	85,200	20,000	3,288,694
Information Services									
Administration	1,082,360	794,131	467,900	10,000	—	—	—	—	2,354,391
Geographic Information System	649,385	219,854	—	8,635	—	—	—	—	877,874
Total Information Systems	1,731,745	1,013,985	467,900	18,635	—	—	—	—	3,232,265
Customer Service									
Administration	117,161	37,440	1,440	47,410	—	—	—	—	203,451
Cashiering	367,145	—	—	—	—	—	—	—	367,145
Call Center	846,487	—	—	—	—	—	—	—	846,487
Walk-in	267,382	—	—	—	—	—	—	—	267,382
Field	159,475	—	—	—	—	—	—	—	159,475
Meter Reading	573,666	1,200	—	—	—	—	—	—	574,866
Production Meter Reading	585,098	—	—	—	—	—	—	—	585,098
Total Customer Service	2,916,414	38,640	1,440	47,410	—	—	—	—	3,003,904
Finance									
Administration	1,205,101	78,385	1,536	405,300	—	—	—	15,000	1,705,322
Billing	479,313	650,400	—	—	—	—	—	—	1,129,713
Purchasing	246,638	1,850	—	6,365	—	—	—	—	254,853
Total Finance	1,931,052	730,635	1,536	411,665	—	—	—	15,000	3,089,888
General and Depreciation	1,268,182	206,900	113,200	640,027	—	12,414,266	337,992	—	14,980,567
Engineering									
Administration	1,265,453	57,900	3,840	31,916	—	—	—	—	1,359,109
New Service	161,444	580	—	780	—	—	—	—	162,804
Cross-Connection Control	233,178	13,680	1,440	2,880	—	—	—	—	251,178
Regionalism	166,262	1,300	480	720	—	—	—	—	168,762
Total Engineering	1,826,337	73,460	5,760	36,296	—	—	—	—	1,941,853
Water Production									
Administration	622,982	1,725	—	6,200	—	—	—	—	630,907
Lake Maumelle	486,476	61,675	1,100,800	16,078	27,500	—	—	—	1,692,529
Lake Winona	—	6,000	14,000	487	10,000	—	—	—	30,487
Ozark Point Plant	510,555	32,300	241,000	1,000	382,950	—	—	—	1,167,805
Wilson Plant	1,247,142	107,300	1,270,960	17,509	1,163,000	—	—	—	3,805,911
Booster Stations/ Jackson Reservoir	—	—	950,000	—	—	—	—	—	950,000
Maumelle	391,218	154,675	338,404	91,139	456,719	—	—	—	1,432,155
Total Water Production	3,258,373	363,675	3,915,164	132,413	2,040,169	—	—	—	9,709,794
Distribution									
Administration	578,209	203,500	123,500	650,477	—	—	—	15,000	1,570,686
Meters, Warehouse, and Dispatch	1,149,629	4,000	—	—	—	—	—	—	1,153,629
Pump Station Maintenance	759,828	132,600	—	—	—	—	—	—	892,428
Plant Maintenance – Ozark/Wilson	896,733	378,000	—	—	—	—	—	—	1,274,733
Distribution System Maintenance	5,042,462	2,420,900	—	—	—	—	—	—	7,463,362
Distribution Facility Maintenance	367,701	19,060	—	—	—	—	—	—	386,761

	Materials							Transition Cost - MWM	Departmental Total
	Labor and Benefits	Supplies and Maintenance	Electric and Other Utilities	Contract Services	Chemicals	Depreciation	Other		
Distribution Field Service	1,433,152	15,000	—	—	—	—	—	—	1,448,152
Total Distribution	10,227,714	3,173,060	123,500	650,477	—	—	—	15,000	14,189,751
Water Quality									
Administration	564,221	93,250	3,500	401,762	—	—	—	—	1,062,733
Watershed Management	271,378	58,500	1,500	236,100	—	—	—	—	567,478
Laboratory	585,245	199,591	—	57,500	—	—	—	—	842,336
Total Water Quality	1,420,844	351,341	5,000	695,362	—	—	—	—	2,472,547
Total	\$26,745,173	\$ 6,411,750	\$ 4,636,860	\$3,187,853	\$ 2,040,169	\$ 12,414,266	\$423,192	\$ 50,000	\$ 55,909,263

STATEMENT OF NET POSITION

Beginning Net Position, 1/1/2016	\$ 346,322,942
Operating Revenues, 2016	59,932,588
Operating Expenses, 2016	(53,475,948)
Other Expense, 2016	(2,979,516)
Contributions, 2016	4,059,917
Change in Net Position, 2016	<u>7,537,041</u>
Ending Net Position, 12/31/2016	<u><u>353,859,983</u></u>
Beginning Net Position, 1/1/2017	353,859,983
Operating Revenues, 2017	64,539,046
Operating Expenses, 2017	(55,909,263)
Other Expense, 2017	(2,639,281)
Contributions, 2017	3,800,000
Change in Net Position, 2017	<u>9,790,502</u>
Ending Net Position, 12/31/2016	<u><u>\$ 363,650,485</u></u>

Ending Net Position is based on 2016 projected numbers and 2017 budgeted numbers.

BUDGETED POSITIONS

Central Arkansas Water budgets employee positions each year. Total budgeted positions increased by seven in the 2017 budget. A total of 330 budgeted positions are identified in detail in the accompanying Summary of Budgeted Positions which lists the department, position title, and number of budgeted or actual positions. A numerical index 1 – 15 reflects modifications made to position titles or department locations.

Administration

The Administration Department includes Human Resources, Environmental Health & Safety, Public Affairs & Communications as well as the Chief Executive Officer and his staff. The executive staff includes the General Counsel position. Administration is budgeted to remain unchanged with a total of 15 positions in 2017 with no vacancies as of September 1, 2016. The Public Education Specialist position is a newly budgeted position in 2017, which is offset by the transfer of the Facility Maintenance Specialist from Administration to Distribution.

Finance & Customer Service

Finance increased by one position from the 2016 budget with a total of 24 employees. The 2017 Finance budgeted positions include 14 Accounting staff, three Purchasing staff and seven Billing staff. Finance employs two part-time CAW retirees. The position of Grants Specialist is newly budgeted for 2017. The 2017 budgeted positions for Customer Service remain unchanged from the 2016 budget with 49 budgeted positions, consisting of 30 Customer Service employees, seven full-time Meter Readers, and 12 part-time Meter Readers.

Information Services

The budgeted Information Services staff remains constant from 2016 to 2017 at 17 employees, which includes a Director, nine IS support staff, a GIS Manager, and six GIS staff. Actual department employment is 16, with one vacant position as of September 1, 2016.

Engineering

The Engineering Department 2017 budget contains 24 positions, including 16 Engineering staff, four New Service staff, three Cross Connection staff, and one employee in Regionalism. The department currently includes 22 employees with no vacancies as of September 1, 2016. Two positions, the New Service Coordinator and one New Service Representative, are filled by CAW retirees who work on a part-time basis. Staffing increases by one Engineering Technician and one Engineer for 2017 compared to 2016.

Water Production

The budgeted positions for Water Production remain constant at a total of 36 employees for the 2017 budget year. Water Production staff includes the Director of Water Production, Administrative personnel, Treatment Plant, and Water Source employees.

Water Quality

Water Quality staffing for 2017 includes a total of 13 budgeted positions. Staffing for 2017 drops by one position due to the elimination of the Assistant Director of Water Quality position. The department positions include eight Laboratory staff consisting of a Water Quality Specialist, Laboratory Manager, a Chemist, two Laboratory Technicians, and three Field Laboratory Technicians. The department also includes the Director of Water Quality, the Watershed Protection Manager, a Natural Resource Specialist (formerly the Watershed Administrator), and two Watershed Technicians (formerly Rangers in the Water Production department).

Distribution

Total staffing in Distribution increases by five to 152 employees for the 2017 budget period. Distribution includes a Director, an Assistant Director, Administrative staff, Distribution System Maintenance and Repair staff, Dispatchers, Warehouse and Meter Shop staff, Electricians, Instrument Technicians utility-wide Facility Maintenance staff, and other Distribution staff. Customer Service Field staff transferred to Distribution from Customer Service in late 2016, and the position of Facility Manager is newly budgeted for 2017.

Change in Budgeted Positions by Year					
	2013	2014	2015	2016	2017
Administration	-4	0	+2	+2	0
Finance	-1	0	0	+3	+1
Information Services	0	0	0	0	0
Engineering	+1	-1	-1	0	+2
Water Production	-6	+1	-1	+6	0
Distribution	-3	0	+4	+16	+5
Water Quality	N/A	0	+1	0	-1
Customer Service	+1	0	+1	+3	0

SUMMARY OF BUDGETED POSITIONS

	2013 Budget	2014 Budget	9/1/2015 Actual	2016 Budget	9/1/2016 Actual	2017 Budget
Administration						
	1	1	1	1	1	1
5,9 Chief Executive Officer	—	—	1	1	—	—
	1	1	1	1	1	1
Chief Legal Counsel	1	1	1	1	1	1
Chief Operating Officer	1	1	1	1	1	1
Technical Services Officer	—	—	—	—	1	1
9 General Counsel	1	1	1	1	1	1
Management Secretary	—	—	—	1	1	1
3 Administrative Assistant	1	1	1	1	1	1
Chief Administrative Officer	2	2	1	2	2	2
Human Resources Specialist	1	1	1	1	1	1
Human Resources Assistant	—	—	—	1	1	1
3,10 Director of Public Affairs and Communications	—	—	—	—	—	1
5 Public Education Specialist	1	1	1	1	1	1
3 Communications Assistant	1	1	1	1	1	1
Director of Environmental Health & Safety	1	1	1	1	1	1
Safety Specialist	—	—	—	1	—	—
1 Special Projects Manager	11	11	11	15	14	15
Total						
Finance						
	1	1	1	1	1	1
Chief Financial Officer	1	1	—	—	—	—
Administrative Assistant	2	2	1	1	—	1
Controller	—	—	1	1	1	1
Finance Manager	—	—	—	—	—	1
Grants Specialist	2	2	2	2	2	2
General Accountant	—	—	—	1	1	1
5 General Accountant/Maumelle	1	—	—	—	—	—
Accountant Assistant	4	4	5	5	5	5
Accounting Clerk I, II	—	—	—	1	1	1
Accounting Clerk I, II/Maumelle	—	—	1	1	1	1
Clerical - P/T	1	1	1	1	1	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	5	4	4	4	4	4
Billing Account Specialist	—	—	—	1	1	1
Billing Account Specialist/Maumelle	—	2	1	1	1	1
Billing Account Specialist – P/T	20	20	20	23	22	24
Total						
Customer Service						
3,10 Director of Customer Relations & Public Affairs	—	—	1	—	—	—
Customer Service Manager	1	1	1	1	1	1
Customer Service Supervisor – Office	1	1	1	1	1	2
11 Customer Service Assistant Supervisor	1	1	1	1	—	—
7a Cashier/PT Cashier	3	3	3	3	3	3
Cashier/PT Cashier/Maumelle	—	—	—	1	1	1
Receptionist	1	1	1	1	1	1
Customer Service Office Representative Walk-in	4	4	4	4	4	4
7d Customer Service Office Representative Call Center/Lead	14	14	13	13	13	12

SUMMARY OF BUDGETED POSITIONS

	2013	2014	9/1/2015	2016	9/1/2016	2017
	Budget	Budget	Actual	Budget	Actual	Budget
5,7d Customer Service Office Representative Call Center - P/T	1	1	3	3	3	3
12 Customer Service Supervisor - Meter Reading	—	—	—	—	—	1
12 Customer Service Assistant Supervisor – Field	1	1	1	1	1	—
Customer Relations Specialist	1	1	1	1	1	1
Customer Relations Specialist – P/T	1	1	1	1	1	1
4 Meter Reader	5	5	5	5	4	5
Meter Reader/Maumelle	—	—	—	2	1	2
Production Meter Reader – P/T	11	11	11	11	12	12
Total	45	45	47	49	47	49
Information Services						
Director of Information Services	1	1	1	1	1	1
Network Administrator	2	2	2	2	1	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
GIS Technician	4	4	4	4	4	4
Field Data Collector	1	1	1	1	1	1
Total	17	17	17	17	16	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	7	8	8	9
Engineering Aide	1	1	1	1	1	1
3 Engineer / SR Engineer	4	4	3	3	3	4
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	—	—	—	—	—
Total	24	23	21	22	22	24
Water Quality						
Director of Water Quality	1	1	1	1	1	1
1 Assistant Director of Water Quality	—	—	1	1	1	—
6 Watershed Protection Manager	1	1	1	1	1	1
13 Watershed Administrator	1	1	—	—	—	—
7b,1 Conservation Coordinator	1	1	1	1	—	—
3 Water Quality Specialist	1	1	1	1	1	1
13 Natural Resource Specialist	—	—	—	—	—	1
14 Watershed Technician	2	2	2	2	2	2
3 Laboratory Manager	1	1	1	1	1	1
3,7c Chemist	—	—	1	1	1	1
3,7c Laboratory Technician	3	3	2	2	2	2
3 Field Laboratory Technician	2	2	2	2	2	2
Field Laboratory Technician/Maumelle	—	—	—	1	1	1

SUMMARY OF BUDGETED POSITIONS

	2013	2014	9/1/2015	2016	9/1/2016	2017
	Budget	Budget	Actual	Budget	Actual	Budget
Total	13	13	13	14	13	13
Water Production						
5 Director of Production	1	1	—	—	—	1
System & Administrative Coordinator	1	1	1	1	1	1
15 Assistant Director of Production	1	1	1	1	1	1
5 Production Manager	—	—	—	—	—	1
5 Production Manager/Maumelle	—	—	—	2	2	2
5 Assistant Production Manager	—	—	—	—	—	3
3 Senior Engineer	—	1	1	1	—	—
1 Treatment Plant Supervisor	2	2	2	2	2	—
3 Plant Maintenance Specialist	2	2	—	—	—	—
8 Treatment Plant Operator	17	17	17	17	15	—
8 Treatment Plant Operator/Maumelle	—	—	—	6	5	—
Operator I, II, III	—	—	—	—	—	22
Operator I, II, III/Maumelle	—	—	—	—	—	5
1 Supervisor of Water Resources	1	1	1	1	1	—
5,8 Pumping Facility Operator	5	5	3	5	4	—
Total	30	31	26	36	31	36
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
Distribution Manager	1	1	1	1	1	1
Dispatcher / Lead Dispatcher	5	5	5	5	5	5
Warehouse Foreman	1	1	1	1	1	1
Warehouse Specialist	5	4	4	4	3	4
Field Meter Repairer	3	3	3	3	3	3
Meter Shop Foreman	1	1	1	1	1	1
Instrument Technician I, II	4	3	3	3	3	3
Instrument Technician I, II/Maumelle	—	—	—	1	1	1
Maintenance Technician	6	6	6	6	6	6
Maintenance Technician/Maumelle	—	—	—	3	2	3
Maintenance Helper/Maumelle	—	—	—	1	2	1
5 Facility Manager	—	—	—	—	—	1
3 Lake Winona Supervisor	1	1	1	1	1	1
3 Maintenance Repair Worker	1	1	1	1	1	1
3 Plant Maintenance Specialist	—	—	—	2	—	2
3 Facility Maintenance Specialist	1	1	1	1	1	1
Lead Groundskeeper	1	1	1	1	1	1
Maintenance Supervisor	1	1	1	1	1	1
Industrial Electrician	2	2	2	2	2	3
Distribution Supervisor	6	6	6	6	6	6
Water Distribution Specialist I, II, III	43	45	48	49	44	51
Water Distribution Specialist I, II, III/Maumelle	—	—	—	6	4	5
Troubleshooter	7	7	7	7	6	7
Foreman	19	19	18	19	18	20
Foreman/ Maumelle	—	—	—	1	—	1
Distribution Coordinator	1	1	1	1	1	1
3 Customer Service-Supervisor-Field	1	1	1	1	1	1

SUMMARY OF BUDGETED POSITIONS

	2013	2014	9/1/2015	2016	9/1/2016	2017
	Budget	Budget	Actual	Budget	Actual	Budget
3 Customer Service-Field Representative	14	14	14	14	15	15
3 Customer Service-Field Representative/Maumelle	—	—	—	2	2	2
Total	127	127	128	147	135	152
Total All Departments	287	287	283	323	300	330

- 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
 - 7a Customer Service Records Clerk position reclassified as a Cashier position
 - 7b Stewardship Coordinator re-titled Conservation Coordinator
 - 7c One Laboratory Technician reclassified as Chemist
 - 7d Two Fulltime Customer Service Office Representatives reclassified as P/T
 - 8 Treatment Plant Operator & Pumping Facility Operator Combined - Operator I,II,III
 - 9 Chief Legal Counsel reclassified as General Counsel
 - 10 Director of Customer Relations & Public Affairs reclassified to Director of Public Affairs & Communications
 - 11 Upgrade position to Supervisor
 - 12 Title change to Meter Reading Supervisor
 - 13 Watershed Administrator Revised & Retitled Natural Resource Specialist
 - 14 Ranger Revised & Retitled Watershed Technicians
 - 15 Assistant Director of Operations Retitled Assistant Director of Production
- Maumelle merger employees

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DEBT-SERVICE – OVERVIEW

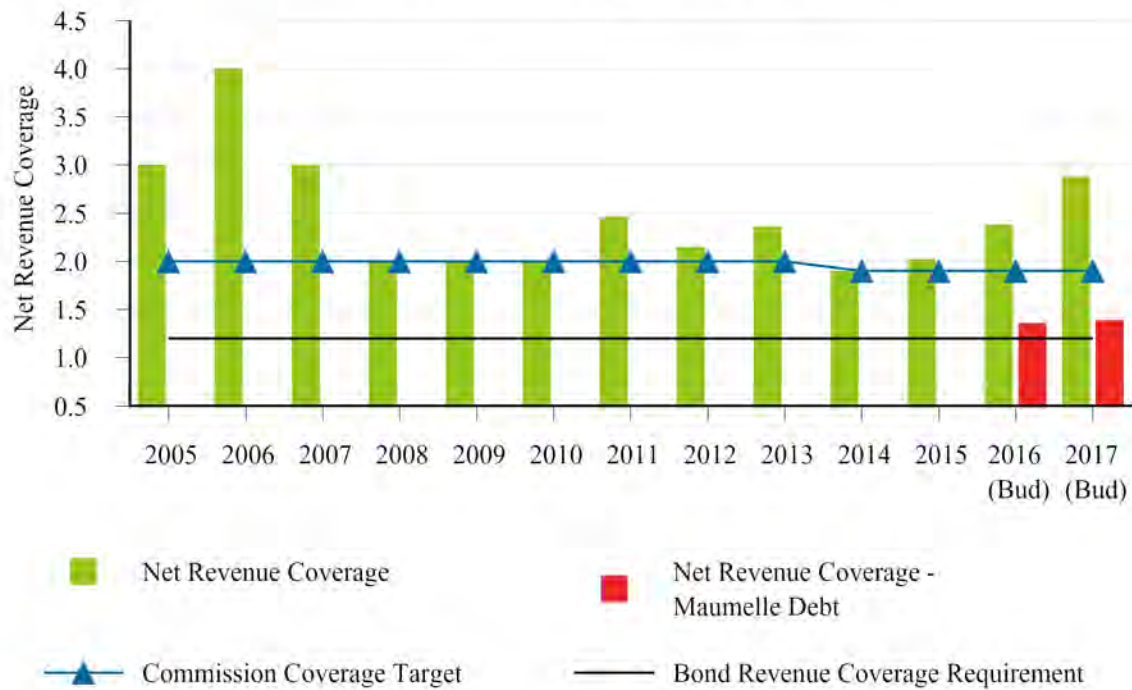
All of CAW's outstanding Revenue Bonds, other than the 2016 Maumelle Acquisition and Construction Bonds, are secured by and payable solely from the net revenues of the water system. CAW debt covenants specify that rates will be sufficient to meet a list of outflows (i.e., operations and maintenance expenses, 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.

The 2016 Maumelle bond issue is payable from long term debt surcharges applied to all customers in the former Maumelle Water Management service area. These charges will remain in place until sufficient funds have been collected to repay the \$22.75 million outstanding principal on this bond issuance.

OUTSTANDING BOND ISSUES

Issue	Maturity Date	Original Amount	Outstanding Balance (Sept 30, 2016)
2010a	October 2032	\$13,400,000	\$11,420,000
2010c	October 2030	\$8,830,000	\$3,040,000
2011a	April 2034	\$4,000,000	\$3,705,000
2012a	October 2032	\$17,515,000	\$15,405,000
2014	October 2034	\$10,850,000	\$10,085,000
2015	October 2030	\$7,445,000	\$7,445,000
2016	October 2027	\$17,860,000	\$17,860,000
2016 Maumelle	April 2046	\$22,750,000	\$22,750,000
TOTAL		\$102,650,000	\$91,710,000

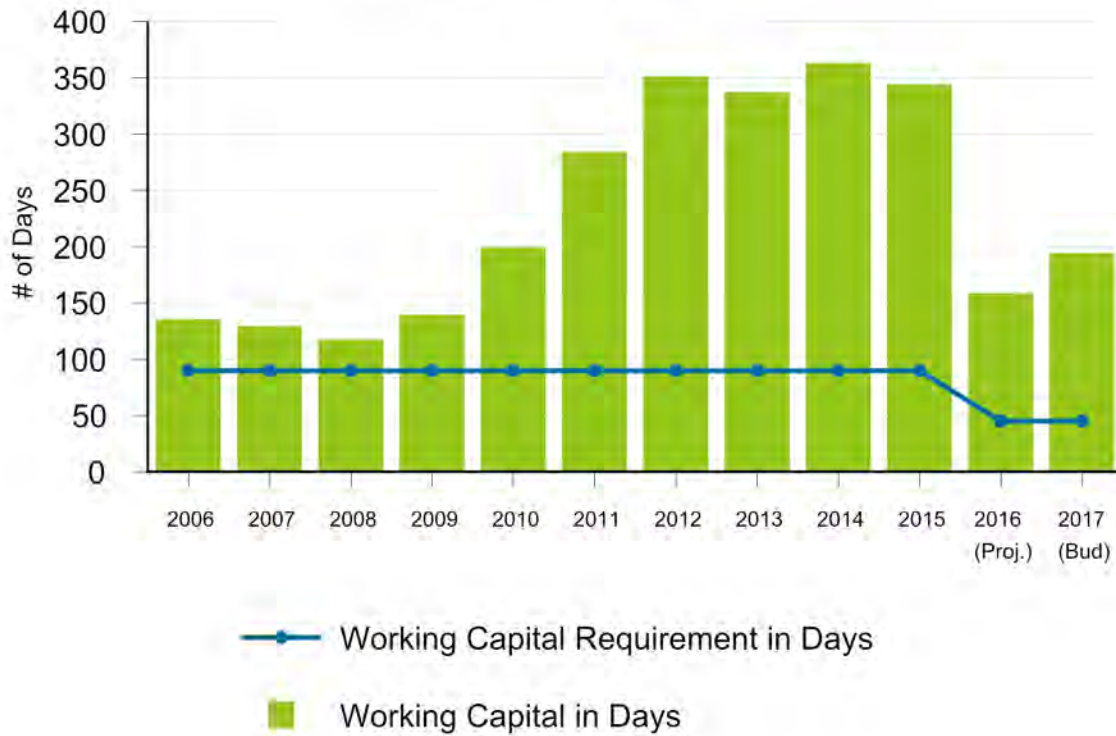
Debt-Service Coverage Ratio by Year



Bond covenants state that debt-service coverage must not be less than 120% of the aggregate debt-service due during the forthcoming fiscal year. Prior to 2015, the Commission had maintained a more conservative target of 200%, including Rate Stabilization Account transfers for Senior Debt. Resolution 2015-01 was enacted in March 2015 to clearly define triggers for Rate Stabilization Account transfers December 31, 2014 onward. The resolution establishes a debt service coverage target of 190% for Senior Debt. Coverage at or below 175% shall trigger a transfer from the Rate Stabilization Account and coverage in excess of 200% shall trigger the transfer of general revenue funds to the Rate Stabilization Account. The chart above shows actual coverage for 2005 through 2015, projected coverage for 2016, and budgeted coverage for 2017. The Utility maintained coverage consistently above the previous 200% Commission target with the exception of 2009. The Rate Stabilization Account was established the following year. The Utility met the revised 190% Commission target in 2014. Utility projections reflect coverage at 288% for 2017.

The 2016 Maumelle Bond Issue is structured as special revenue debt secured by Long-Term Debt Surcharges on customers of the MWM service area. The Long-Term Surcharge was designed to yield net revenue coverage of 130%. The bond covenant requires coverage of not less than 120%. Net revenue coverage on the 2016 Maumelle Bond is projected at 139% for 2017.

Operating Reserves by Year



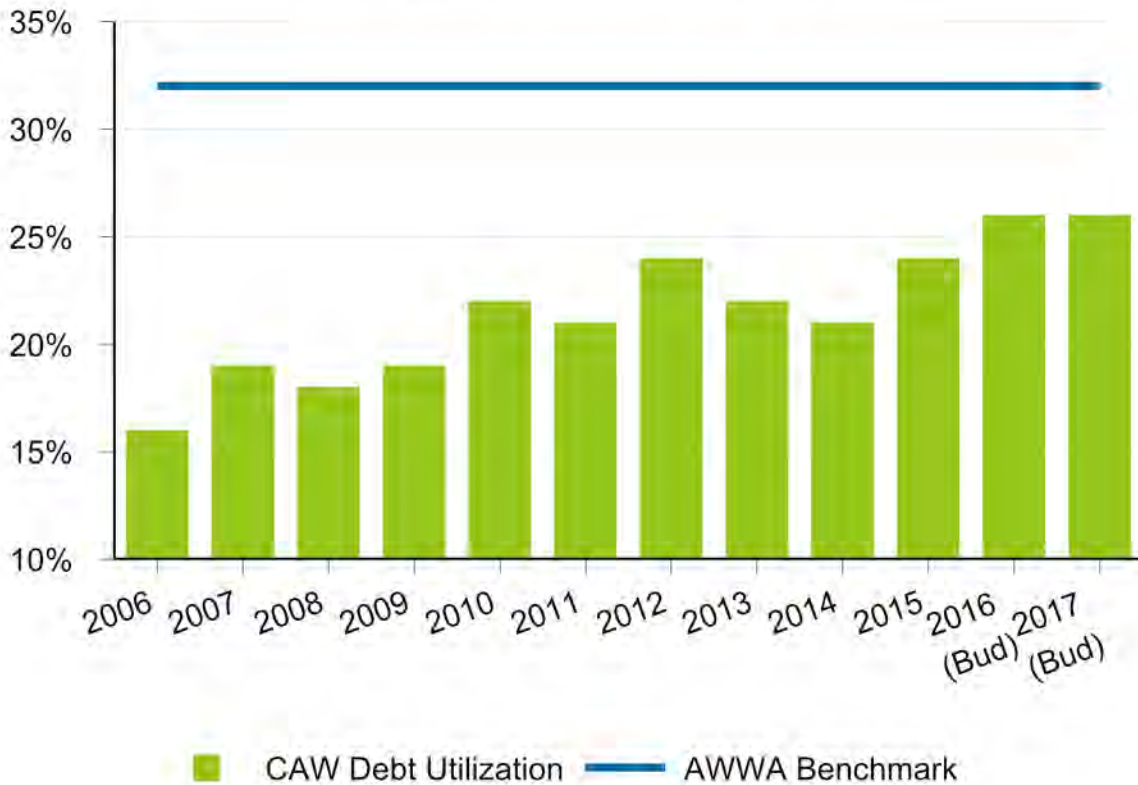
Bond covenants also require maintenance of minimum operating reserves. The chart above shows actual reserves on hand compared to the bond requirement for 2006 through 2014 and planned reserves on hand compared to the bond requirement for 2016 and 2017 based on forecasted numbers. Prior to 2016, the bond covenant requirement for working capital was 90 days. With the 2016 Refinance bond issue, the working capital requirement was revised to 45 days for 2016 onward. 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 summers in 2014, 2015 and 2016 also contributed to a decline in reserves. The 2017 budgeted increase in reserves is a result of retail and wholesale rate increases in 2017 to fund operations.

Days Cash on Hand by Year



Beginning in 2016, CAW began utilizing days cash on hand as a tool to measure performance. The Utility has a goal of maintaining 150 days cash on hand as an operating reserve requirement. CAW takes a more conservative approach and builds its financial models based on 175 days cash on hand. The Utility projects to have 192 days cash on hand at the end of 2017. Days cash on hand begins to decline in 2020 and 2021 due to increased capital needs and no approved rate increases from 2019 onwards.

Debt Utilization Ratio by Year



* The benchmark is derived from a 2013 survey by the American Water Works Association (AWWA) where the median debt obligation for all utilities was 32%.

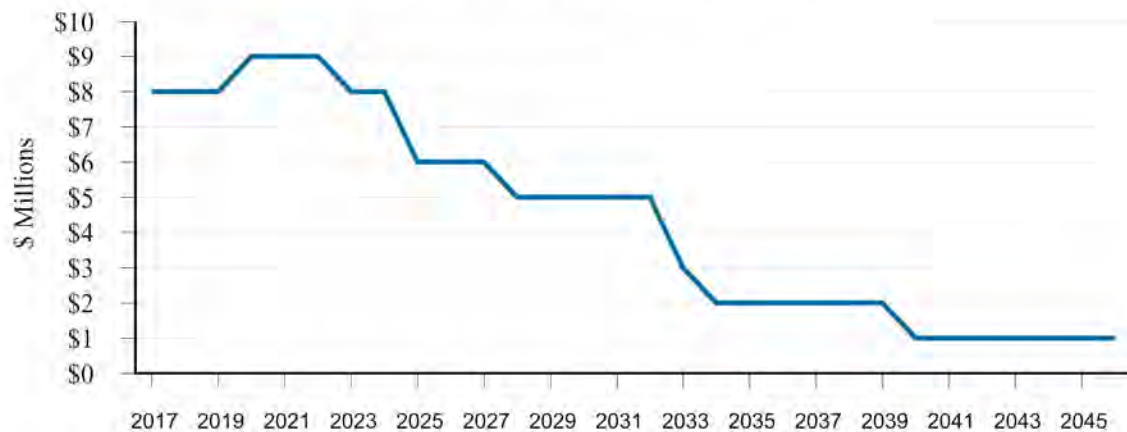
A \$16.0 million 20 year ANRC Bond issue is planned for late 2016. Proceeds from this bond issue will be drawn over the next three years and utilized for rehabilitations and upgrades to the Ozark Point Plant and to rehabilitate Pump Station 1A at the Wilson Plant. Repayment of this bond will begin in 2020. In early 2018, CAW plans to assume a loan in the amount of \$3,521,000 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 2006 through 2015 and estimated ratios for 2016 and 2017, 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 positive and well below the AWWA benchmark.

DEBT-SERVICE SCHEDULE

YEAR	OUTSTANDING SUBORDINATED DEBT			FUTURE SUBORDINATED DEBT			TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2017	5,398,474	2,927,849	8,326,323	—	—	—	8,326,323
2018	5,640,606	2,671,325	8,311,931	—	—	—	8,311,931
2019	5,838,145	2,463,367	8,301,512	—	—	—	8,301,512
2020	6,036,106	2,273,718	8,309,824	626,355	400,000	1,026,355	9,336,179
2021	6,249,496	2,034,728	8,284,224	642,014	384,341	1,026,355	9,310,579
2022	6,493,330	1,789,857	8,283,187	658,064	368,291	1,026,355	9,309,542
2023	5,472,616	1,545,565	7,018,181	674,516	351,839	1,026,355	8,044,536
2024	5,487,363	1,348,111	6,835,474	691,379	334,976	1,026,355	7,861,829
2025	4,257,589	1,184,735	5,442,324	708,663	317,692	1,026,355	6,468,679
2026	4,353,302	1,089,947	5,443,249	726,380	299,975	1,026,355	6,469,604
2027	4,454,517	991,114	5,445,631	744,539	281,816	1,026,355	6,471,986
2028	3,166,244	886,468	4,052,712	763,152	263,203	1,026,355	5,079,067
2029	3,253,498	804,501	4,057,999	782,231	244,124	1,026,355	5,084,354
2030	3,366,289	715,173	4,081,462	801,787	224,568	1,026,355	5,107,817
2031	2,864,638	619,824	3,484,462	821,832	204,523	1,026,355	4,510,817
2032	2,953,546	538,208	3,491,754	842,378	183,977	1,026,355	4,518,109
2033	1,017,762	456,571	1,474,333	863,438	162,917	1,026,355	2,500,688
2034	909,584	424,368	1,333,952	885,023	141,332	1,026,355	2,360,307
2035	800,000	397,963	1,197,963	907,149	119,206	1,026,355	2,224,318
2036	825,000	371,963	1,196,963	929,827	96,528	1,026,355	2,223,318
2037	855,000	345,150	1,200,150	953,074	73,281	1,026,355	2,226,505
2038	885,000	316,294	1,201,294	976,900	49,455	1,026,355	2,227,649
2039	915,000	286,425	1,201,425	1,001,299	25,032	1,026,331	2,227,756
2040	945,000	255,544	1,200,544	—	—	—	1,200,544
2041	975,000	223,650	1,198,650	—	—	—	1,198,650
2042	1,010,000	189,525	1,199,525	—	—	—	1,199,525
2043	1,045,000	154,175	1,199,175	—	—	—	1,199,175
2044	1,080,000	117,600	1,197,600	—	—	—	1,197,600
2045	1,120,000	79,800	1,199,800	—	—	—	1,199,800
2046	1,160,000	40,600	1,200,600	—	—	—	1,200,600
TOTAL	\$ 88,828,105	\$ 27,544,118	\$ 116,372,223	\$ 16,000,000	\$ 4,527,076	\$ 20,527,076	\$ 136,899,299

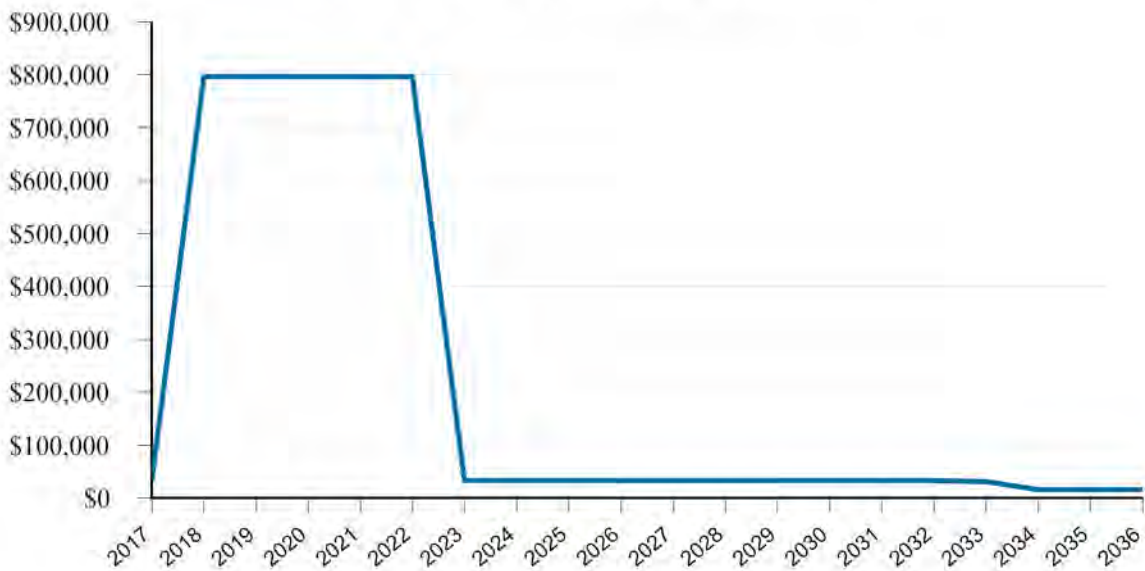
Bond Issue Debt-Service



WATER RIGHTS PAYABLE DEBT-SERVICE

YEAR	GREERS FERRY OUTSTANDING			DEGRAY LAKE FUTURE			LAKE OUACHITA FUTURE			TOTAL
	WATER RIGHTS PAYABLE			WATER RIGHTS PAYABLE			WATER RIGHTS PAYABLE			
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2017	8,672	8,483	17,155	—	—	—	7,017	8,732	15,749	32,904
2018	9,030	8,125	17,155	666,626	96,546	763,172	7,307	8,443	15,750	796,077
2019	9,402	7,753	17,155	684,905	78,267	763,172	7,608	8,141	15,749	796,076
2020	9,790	7,365	17,155	703,685	59,487	763,172	7,922	7,828	15,750	796,077
2021	10,194	6,961	17,155	722,980	40,192	763,172	8,249	7,501	15,750	796,077
2022	10,614	6,541	17,155	742,804	20,368	763,172	8,589	7,161	15,750	796,077
2023	11,052	6,103	17,155	—	—	—	8,943	6,806	15,749	32,904
2024	11,508	5,647	17,155	—	—	—	9,312	6,437	15,749	32,904
2025	11,983	5,172	17,155	—	—	—	9,696	6,053	15,749	32,904
2026	12,477	4,678	17,155	—	—	—	10,096	5,653	15,749	32,904
2027	12,992	4,163	17,155	—	—	—	10,513	5,237	15,750	32,905
2028	13,528	3,627	17,155	—	—	—	10,946	4,803	15,749	32,904
2029	14,086	3,069	17,155	—	—	—	11,398	4,352	15,750	32,905
2030	14,667	2,488	17,155	—	—	—	11,868	3,881	15,749	32,904
2031	15,272	1,883	17,155	—	—	—	12,358	3,392	15,750	32,905
2032	15,902	1,253	17,155	—	—	—	12,867	2,882	15,749	32,904
2033	14,480	597	15,077	—	—	—	13,398	2,351	15,749	30,826
2034	—	—	—	—	—	—	13,951	1,799	15,750	15,750
2035	—	—	—	—	—	—	14,526	1,223	15,749	15,749
2036	—	—	—	—	—	—	15,126	624	15,750	15,750
TOTAL	\$ 205,649	\$ 83,908	\$289,557	\$ 3,521,000	\$ 294,860	\$3,815,860	\$ 211,690	\$ 103,299	\$ 314,989	\$ 4,420,406

Water Rights Payable Debt-Service



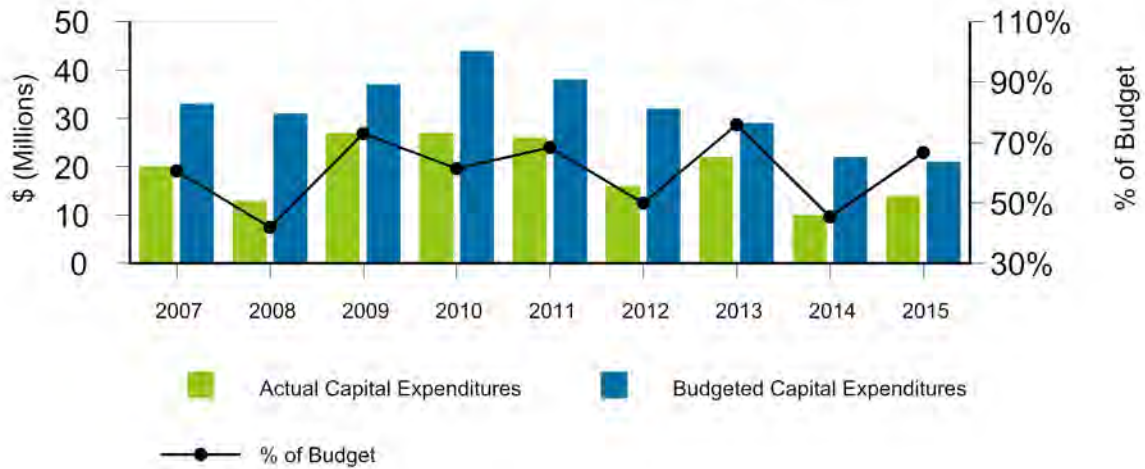
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CAPITAL IMPROVEMENT PLAN – OVERVIEW

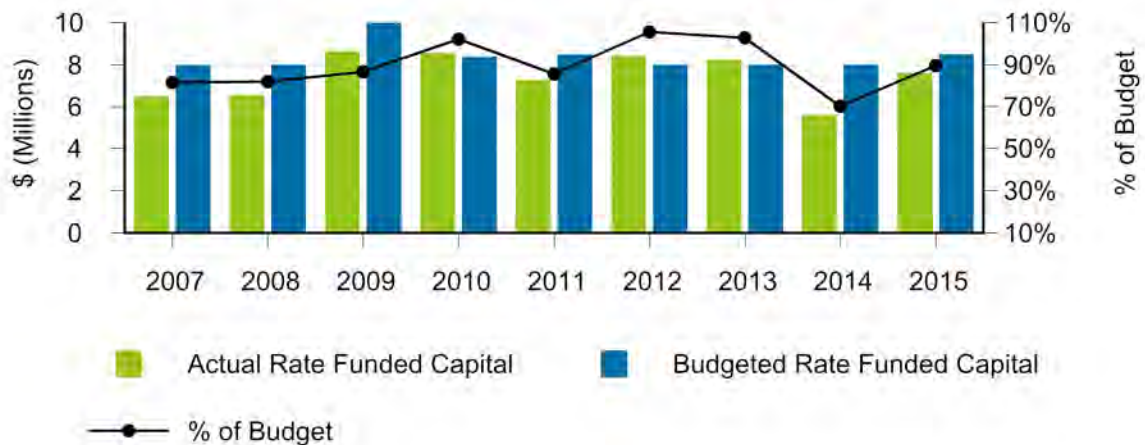
CAW historically does not complete 100% of planned capital projects each budget year. The Utility must allocate funding for the projects from the proper funding source. The funding sources for 2017 include rates, WPF's, grant proceeds, a loan from MAWA, MWM bonds, MWM surcharge revenue, developer funds, capital investment charges, and excess working capital (EWC).

Total actual Capital Expenditures and actual Capital Expenditures from rates compared to budget for 2007 through 2015 are as follows:

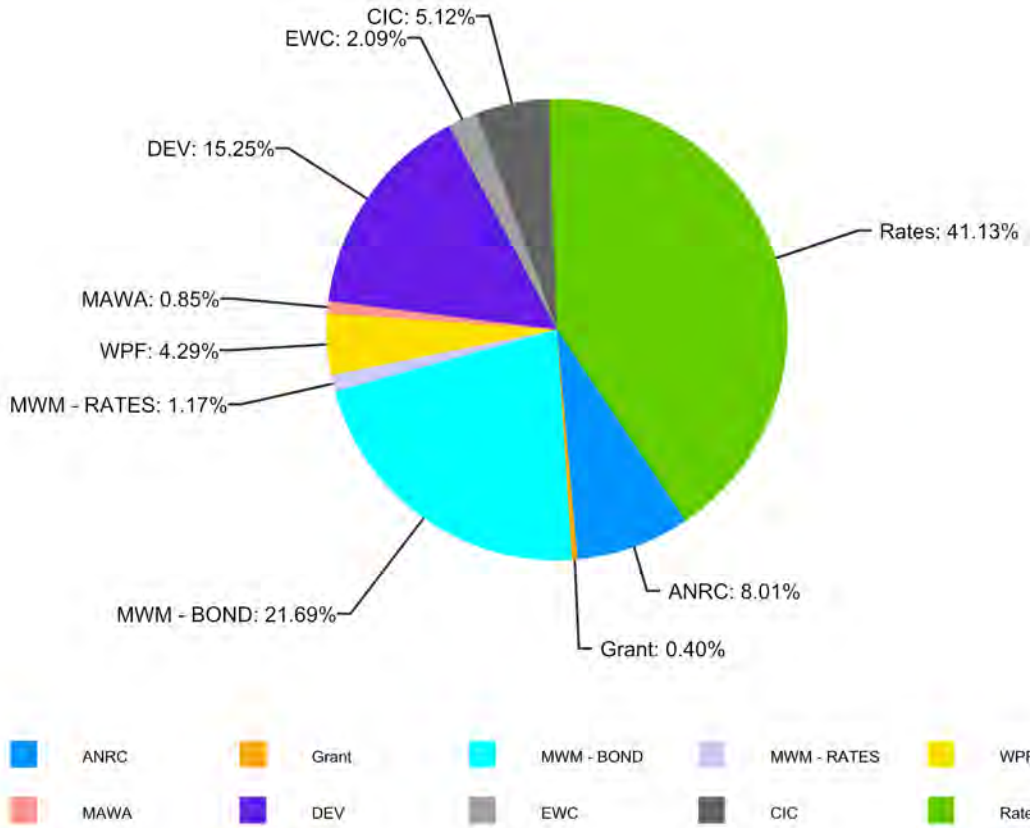
Capital Expenditures by Year



Capital Expenditures from Rates by Year

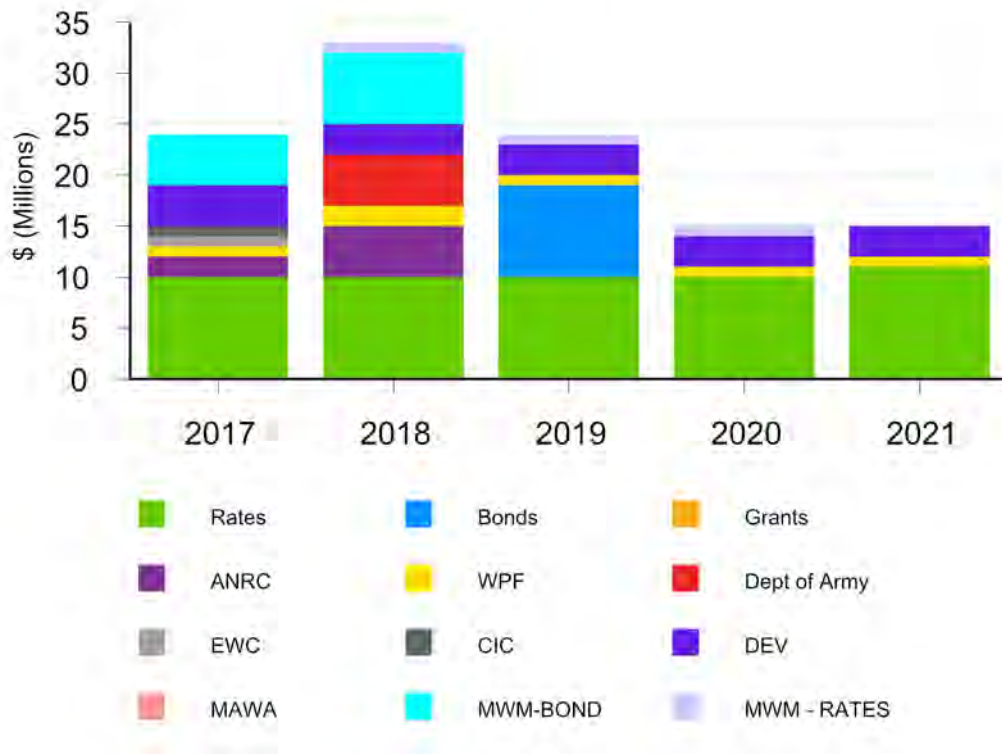


2017 CAPITAL EXPENDITURES By FUNDING SOURCE



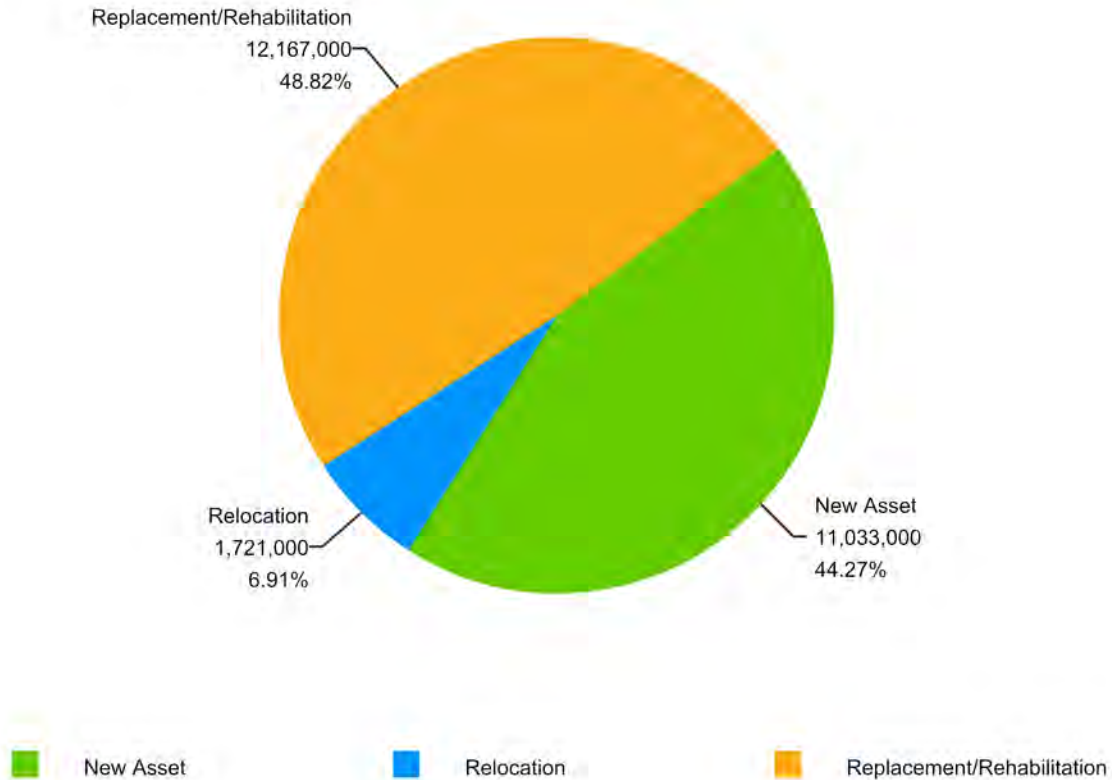
Rates account for approximately 41.1% of planned 2017 Capital Expenditures. Generally, watershed protection fees and grant proceeds are used to fund watershed management efforts, while rates are used to fund replacements, relocations, and rehabilitation projects.

BUDGETED CAPITAL EXPENDITURES By FUNDING SOURCE



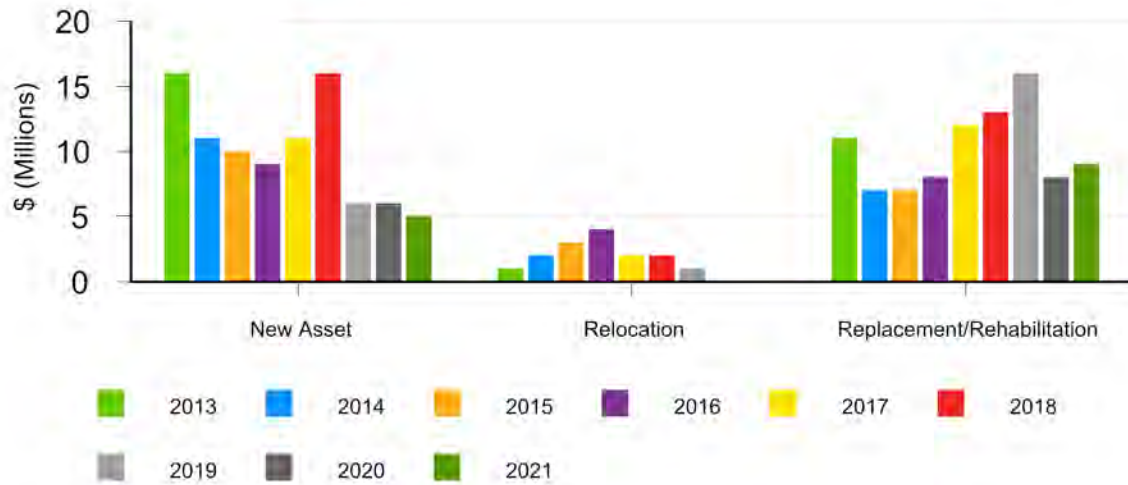
In 2015, CAW added \$2.9 million in EWC as a new funding source for relocations. Relocations are state and city projects that require CAW to move infrastructure. EWC is available as a result of operating results in 2010 – 2012. Spending from this initial allocation has left \$0.5 million available for 2017 relocation projects. From 2017 through 2021, funding from rates will become an increasingly important source of funding.

2017 CAPITAL EXPENDITURES By PURPOSE



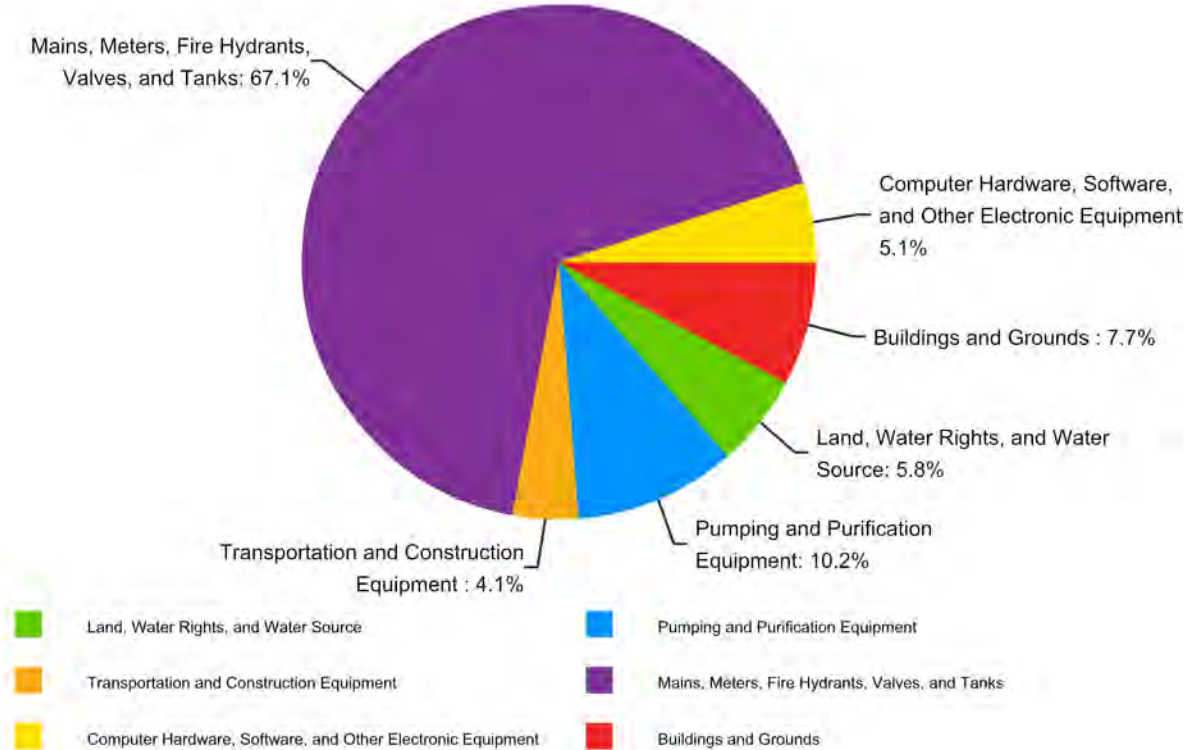
Of 2017 Capital Expenditures, 17.4% is budgeted for the bond-funded 30-inch Maumelle transmission main and 5.8% is budgeted for water rights and land acquisition within the new assets category above. Within the Replacement/Rehabilitation category, 8.0% of funding is related to bond funded rehabilitation work at Wilson Pump Station #1A and Ozark Point Plant, and 20.4% is related to replacing aging galvanized, asbestos cement, and cast iron water mains throughout the distribution system. The budgeted funding in the relocation category is all related to relocations required by city, county, and state roadway projects throughout the Utility service area.

BUDGETED CAPITAL EXPENDITURES By PURPOSE



New asset expenditures, along with associated bond funds, have declined with the completion of DBP plant upgrades. As indicated by the asset management plan, asset replacement needs are limited by the increased need in infrastructure replacement.

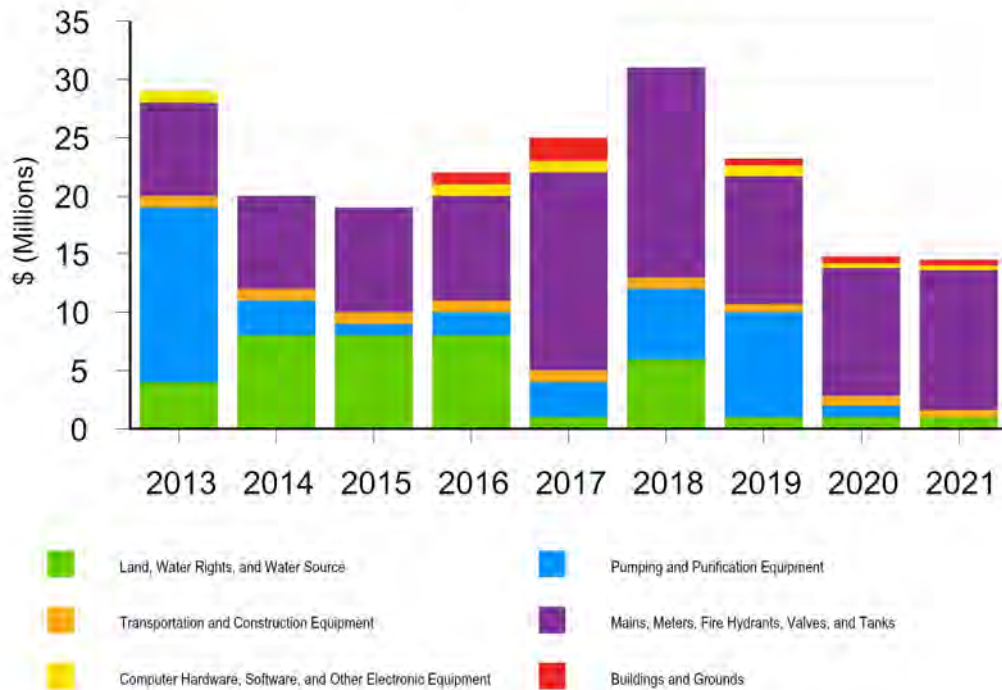
2017 CAPITAL EXPENDITURES BY ASSET



Approximately 67.1% of 2017 Capital Expenditures are distribution system assets (mains, meters, fire hydrants, valves, and tanks). Water Quality expenditures (land, water rights, and water source) account for 5.8% of the total. Another 10.2% of 2017 Capital Expenditures include water treatment facility improvements (pumping and purification).

A departmental justification is provided for each project in the 2017 Capital Improvement Plan (CIP), including impact on operations and maintenance expense, if any. Non-recurring capital projects in excess of \$1 million in 2017 are highlighted on pages 92-93. All projects with a total cost exceeding \$250,000 over the next five years are detailed in a separate CIP supplement to this Financial Plan.

BUDGETED CAPITAL EXPENDITURES By ASSET



The Five-Year Plan includes details to expand and improve the water system on both sides of the Arkansas River from 2017 through 2021. A large portion of the capital budget in 2013 went toward plant DBP upgrades. Main replacements represent a significant portion of total capital expenditures from 2017 to 2021. Main replacements are of primary importance to the Utility and will absorb more of the funding sources available in the future.

Non-Recurring Capital Projects Exceeding \$1,000,000

Install 30-inch Diameter Transmission Main to Maumelle - Engineering and Construction



This project consists of the installation of approximately 5.5 miles of 30-inch diameter transmission main extending from the North Little Rock Northbelt Transmission Main to Maumelle Blvd. in the City of Maumelle. This will allow the connection of Maumelle to the CAW service area and the subsequent shut down of the existing Maumelle raw water wells and water treatment plant. This is in conformance with the CAW/MWM merger agreement.

Funding Source	Previous Cost	2017 Budget	Future Cost	Total Cost	O&M Annual Impact
MWM - Bond	\$ 810,000	\$ 4,340,000	\$ 5,169,000	\$ 10,319,000	\$ —

Improvements to the Paragon Building - Developer Contribution



This project consists of leaseholder funded improvements to the first floor and exterior of the Paragon Building in the 300 block of Capitol Avenue in downtown Little Rock. These improvements will allow for the opening of a restaurant, allow for continued use of the second floor by CAW for document storage, and provide a source of revenue to the Utility.

Funding Source	Previous Cost	2017 Budget	Future Cost	Total Cost	O&M Annual Impact
DEV	\$ —	\$ 1,300,000	\$ —	\$ 1,300,000	\$ —

Improve Wilson Plant Pump Station #1A - Engineering and Construction



This project consists of the engineering and construction of Phase 1 of the recommended pump, structure, and electrical improvements to the existing Wilson Plant Pump Station #1A. A Preliminary Engineering Report (PER) was completed in 2015 that details needed improvements for Pump Station #1A, the original pump station located at the Wilson Plant. This pump station is the primary station pumping into the LR Intermediate and the Pulaski Heights pressure systems. Items to be addressed include the pump bodies, motors, motor starters, other electrical components, control equipment, and building integrity. The station also has a suction cavitation problem that will be addressed.

Funding Source	Previous Cost	2017 Budget	Future Cost	Total Cost	O&M Annual Impact
ANRC	\$ —	\$ 1,088,000	\$ 2,245,000	\$ 3,333,000	\$ —

CAPITAL IMPROVEMENT PLAN – FUNDING SOURCES (2017)

DESCRIPTION	TOTAL	ANRC	MAWA	GRANT	MWM - BOND	MWM - RATES	WPF	DEV	EWC	CIC	RATES
WATER PRODUCTION											
Replace GAC Media	260,000										260,000
Replace SCADA Human Machine Interface	515,000										515,000
Replace Cable Reel System	13,000										13,000
Install SCADA in Surge Tank Building - Lake Maumelle	10,000										10,000
Improve Generator Diesel Fuel Tank - Lake Maumelle	40,000										40,000
Purchase Compliance Backup Data Logging - Wilson	17,000										17,000
Rebuild Pump #3 - Lake Maumelle	25,000										25,000
Rehab Concrete and Roofs on Cone Valve and Generator Building - Lake Winona	15,000										15,000
Improve SCADA Server Room	30,000										30,000
Purchase Switchgear Control Node - Wilson	25,000										25,000
Improve Tank Management Systems	35,000										35,000
TOTAL	\$ 985,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 985,000
DISTRIBUTION											
Replace Calcium Hypochlorite Feeders	26,000										26,000
Enclose One Bay on Valve Shed (heated storage directional drilling machine)	42,000										42,000
Install Generator at Pump Station #16 D	37,000										37,000
Install, Replace, and Relocate Mains	90,000										90,000
Install Valves	80,000										80,000
Install Meters for New Services	240,000										240,000
Install Truck Wash at Maryland Avenue Complex (MAC)	6,000										6,000
Install Mains - Maumelle	12,000					12,000					
Install Hydrants - Maumelle	8,000					8,000					
Install Valves - Maumelle	5,000					5,000					
Install Meters - Maumelle	12,000					12,000					
Install, Replace, and Transfer Services - Maumelle	255,000					255,000					
Replace 1/2 Ton Trucks - Maumelle	42,000										42,000
Replace Two Ton Crew Truck - Maumelle	120,000										120,000
Purchase/Install Meters - Change Out Program	592,000										592,000
Install, Replace, and Transfer Services	1,209,000										1,209,000
Replace 1 Ton Service Truck(s)	35,000										35,000
Replace 1/2 Ton Truck(s)	42,000										42,000

CAPITAL IMPROVEMENT PLAN – FUNDING SOURCES (2017)

DESCRIPTION	TOTAL	ANRC	MAWA	GRANT	MWM - BOND	MWM - RATES	WPF	DEV	EWC	CIC	RATES
Replace 2 Ton Dump Truck(s)	188,000										188,000
Replace 3/4 Ton Service Truck(s)	92,000										92,000
Replace Dry Dirt Bin	30,000										30,000
Install and Replace Hydrants	131,000										131,000
Replace One Ton Van	33,000										33,000
Replace Two Ton Crew Truck(s)	360,000										360,000
Restore - Tank #2	400,000										400,000
Refurbish Wilson & Ozark Lime Feeder	175,000									175,000	
Replace Wilson East Filter Gallery Roof	28,000										28,000
Upgrade Zetron Data Line to Cellular	40,000										40,000
TOTAL	\$ 4,330,000	\$ —	\$ —	\$ —	\$ —	\$ 292,000	\$ —	\$ —	\$ —	\$ 175,000	\$ 3,863,000
FINANCE & CUSTOMER SERVICE											
Replace Commercial Meters (outdated touchreads)	180,000										180,000
Replace Vehicles (2)	42,000										42,000
Improve JTH Office	50,000										50,000
TOTAL	\$ 272,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 272,000
ADMINISTRATION											
Improve Paragon Building	25,000										25,000
Improve Paragon Building - Developer Contribution	1,300,000							1,300,000			
Strategic Planning Initiatives	200,000										200,000
Install Security Enhancements	35,000										35,000
TOTAL	\$ 1,560,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,300,000	\$ —	\$ —	\$ 260,000
WATER QUALITY											
Forest Restoration and Enhancement - Winrock Grass Farm	50,000						50,000				
Improve Building - Winrock Grass Farm	10,000						10,000				
Improve Forest Road(s)	50,000						50,000				
Improve Marina Facility	10,000						10,000				
Purchase Conservation Easements	300,000						300,000				
Purchase Property	500,000						500,000				

CAPITAL IMPROVEMENT PLAN – FUNDING SOURCES (2017)

DESCRIPTION	TOTAL	ANRC	MAWA	GRANT	MWM - BOND	MWM - RATES	WPF	DEV	EWC	CIC	RATES
Remove Dam / Construct Bridge - Winrock Grass Farm (Grants)	100,000			100,000							
Replace 1/2 Ton Truck(s)	50,000										50,000
River, Floodplain, and Wetland Restoration	100,000						100,000				
Install Sampling Stations	9,000										9,000
Restore Hydrologic Flow - USACE Sec. 206	50,000						50,000				
TOTAL	\$ 1,229,000	\$ —	\$ —	\$ 100,000	\$ —	\$ —	\$ 1,070,000	\$ —	\$ —	\$ —	\$ 59,000
INFORMATION SERVICES											
Improve Customer Service Software - Chat	35,000										35,000
Purchase Data Storage Protection	50,000										50,000
Improve GIS Custom Map Tools for Cityworks Server	40,000										40,000
Replace GPS Equipment - Utility Wide	30,000										30,000
Purchase OnLine New Employee Application Software	30,000										30,000
Purchase OnLine Performance Evaluations Software	30,000										30,000
Purchase Cisco Media Sense - Call Recording	30,000										30,000
Replace and Update Network Switches	40,000										40,000
Replace Servers	50,000										50,000
Develop Information Technology Master Plan	175,000										175,000
Replace Budgeting and Reporting System (Business Intelligence)	95,000										95,000
Replace Wireless AP	35,000										35,000
TOTAL	\$ 640,000	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 640,000
ENGINEERING											
Construct Structural Improvements to Tank #1 - Maumelle	200,000				200,000						
Purchase 1 MGD Water Rights in Lake Ouachita	212,000		212,000								
Developer Funded Capital	2,500,000						2,500,000				
Developer Participation - New Mains	50,000										50,000
Improve Ozark Point Plant - Engineering Design	909,000	909,000									
Improve Pump Station #1A - Construction Phase 1 - Wilson Plant	924,000	924,000									
Improve Pump Station #1A - Engineering Design - Wilson Plant	164,000	164,000									
Install 12-inch Diameter Main - W. Baseline - Interconnection W. Markham and Mabelvale - Proj 4092	340,000										340,000
Install 30-inch Diameter Transmission Main - Maumelle - Construction	4,201,000				4,201,000						

CAPITAL IMPROVEMENT PLAN – FUNDING SOURCES (2017)

DESCRIPTION	TOTAL	ANRC	MAWA	GRANT	MWM - BOND	MWM - RATES	WPF	DEV	EWC	CIC	RATES
Install 30-inch Diameter Transmission Main - Maumelle - Engineering	139,000				139,000						
Install 42/36-inch Diameter Remotely Operated Valves - Northbelt Trans. Main - Rodney Parham Rd	160,000										160,000
Install Distribution System Pressure Improvements - Maumelle	75,000				75,000						
Replace Master Meters	100,000										100,000
Professional Services - Engineering	5,000										5,000
Professional Services - Land Surveying	5,000										5,000
Professional Services - Property Appraisals	5,000										5,000
Relocate 12/8/6-inch Diameter Water Main - Phase 1 - Kanis Rd/Shackleford to Bowman -LR	400,000									400,000	
Relocate 16-inch Diameter Transmission Main - Capitol Drain/N. Cantrell Rd- LR	100,000							100,000			
Relocate 36-inch Diameter Transmission Main - Mississippi at I-630 - Proj 4030 - AHTD	300,000									300,000	
Relocate 8-inch Diameter Water Main - Chicot Rd/Mabelvale Pike - Proj 3903 - LR	300,000							300,000			
Relocate 8-inch Diameter Water Main - Geyer Springs Rd Rail Road Bridge - Proj 4239 - LR	120,000							120,000			
Relocate 8/12-inch Diameter Water Main - Counts Massie/Crystal Hill Rd - Proj 4037 -NLR	400,000									400,000	
Relocate Water Mains - Undesignated/Unknown Locations	100,000										100,000
Replace Control Valve - Storage Tank #23	20,000										20,000
Replace Distribution Mains - Maumelle	606,000				606,000						
Replace Vehicle(s)	26,000										26,000
Replace Water Mains - Galv, AC, CI - Systemwide	3,360,000										3,360,000
Replace Galv Water Main - Capitol/Bond/10th/Ingram - Proj 4280 (CO) \$700,000											
Replace Galv Water Main - Gravel Ridge - Proj 4282 (CO) \$210,000											
Replace Water Mains - Galv, AC, CI, - Systemwide \$2,450,000											
Wetlands Mitigation - Maumelle	183,000				183,000						
TOTAL	\$ 15,904,000	\$ 1,997,000	\$ 212,000	\$ —	\$ 5,404,000	\$ —	\$ —	\$ 2,500,000	\$ 520,000	\$ 1,100,000	\$ 4,171,000
GRAND TOTAL	\$ 24,920,000	\$ 1,997,000	\$ 212,000	\$ 100,000	\$ 5,404,000	\$ 292,000	\$ 1,070,000	\$ 3,800,000	\$ 520,000	\$ 1,275,000	\$10,250,000

ANRC	Arkansas Natural Resources	WPF	Watershed Protection Fees
MAWA	MAWA Loan	EWC	Excess Working Capital
Grant	Grant Proceeds	DEV	Developer Funded Capital
MWM - BOND	MWM 2016 Bond	CIC	Capital Investment Charges
MWM - RATES	MWM Rates	RATES	CAW Service Area Rates

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
WATER PRODUCTION		
<p>Replace GAC Media</p> <p>This is the routine replacement of granulated activated carbon filters at the Ozark Plant.</p>	260,000	—
<p>Replace SCADA Human Machine Interface</p> <p>This is the procurement, design, and installation of the human machine Interface (HMI) platform for the improved SCADA System.</p>	515,000	—
<p>Replace Cable Reel System</p> <p>The current system is unsafe as it may slip off one end of the crane and is dangerous to reattach.</p>	13,000	—
<p>Install SCADA in Surge Tank Building - Lake Maumelle</p> <p>This project will install a SCADA connection in the Lake Maumelle surge tank building to enable alarm coverage.</p>	10,000	—
<p>Improve Generator Diesel Fuel Tank - Lake Maumelle</p> <p>This project will drain, clean, and polish the fuel tank to improve on site diesel fuel storage for backup generators at Lake Maumelle Pump Station.</p>	40,000	—
<p>Purchase Compliance Backup Data Logging - Wilson</p> <p>This is the purchase of a data logging package to aid in researching historical compliance records.</p>	17,000	—
<p>Rebuild Pump #3 - Lake Maumelle</p> <p>This project will rehab pump #3 at the Lake Maumelle Pump Station. This pump is in need of maintenance as the pump was last pulled from service in the mid 1980's.</p>	25,000	—
<p>Rehab Concrete and Roofs on Cone Valve and Generator Building - Lake Winona</p> <p>Due to deterioration, the roofs on the cone valve and generator buildings at Lake Winona require rehabilitation to ensure protection of critical assets.</p>	15,000	—
<p>Improve SCADA Server Room</p> <p>This project is to build a server room in old chlorine room in order to house the new SCADA server and network equipment.</p>	30,000	—
<p>Purchase Switchgear Control Node - Wilson</p> <p>The current control node failed. This project is needed to put the Wilson Plant on generator power in the event of a power failure.</p>	25,000	—
<p>Improve Tank Management Systems</p> <p>This project will install a tank mixing system with a flow paced chlorination booster to reduce THMs and meet 0.2 residuals as specified by the Partnership for Safe Drinking Water.</p>	35,000	—

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
DISTRIBUTION		
Calcium Hypochlorite Feeders Replacement	26,000	—
This project consists of replacing calcium hypochlorite feeders at pumping and metering sites that have reached the end of their useful lives.		
Enclose One Bay on Valve Shed (heated storage directional drilling machine)	42,000	—
This project will enclose one storage bay and one zone cage bay of a currently open storage area to create a heated storage area for CAW's directional drilling machine.		
Install Generator at Pump Station #16D	37,000	—
This project will install a new backup power generator at pump station #16D.		
Install, Replace, and Relocate Mains	90,000	—
This project reflects the capital portion of main installation, replacement, or transfers performed by CAW distribution crews.		
Install Valves	80,000	—
This project consists of the installation of new valves within water system due to periodic replacement and changes in system needs.		
Install Meters for New Services	240,000	—
This project is the installation of water meters for new services requested for new construction and infrastructure additions.		
Install Truck Wash at Maryland Avenue Complex (MAC)	6,000	—
This project will install a truck wash at the Maryland Avenue Complex to allow for improved fleet maintenance.		
Install Mains - Maumelle	12,000	—
This is the capital cost associated with new mains in the Maumelle service area.		
Install Hydrants - Maumelle	8,000	—
This is the capital cost associated with new and replacement fire hydrant installation in the Maumelle service area.		
Install Valves - Maumelle	5,000	—
This is the capital cost associated with new and replacement valve installation in the Maumelle service area.		
Install Meters - Maumelle	12,000	—
This is the capital cost associated with new meter installation in the Maumelle service area.		
Install, Replace, and Transfer Services - Maumelle	255,000	—
This project is the capital portion of service installations, replacements, or transfers in the Maumelle service area.		
Replace 1/2 Ton Truck(s) (526M- 527M) - Maumelle	42,000	—

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
Due to excessive mileage and maintenance cost, two 1/2 ton trucks in the CAW fleet require replacement.		
Replace Two Ton Crew Truck - Maumelle	120,000	—
In order to standardize CAW's fleet, an aging Maumelle Crew Truck requires replacement with a Two Ton Crew Truck built to CAW specifications.		
Purchase/Install Meters - Change Out Program	592,000	—
This is the annual replacement of water meters that have been in service 16 years or longer. The meter change-out program enhances water metering by removing slow meters from the system.		
Install, Replace, and Transfer Services	1,209,000	—
This is the material and labor cost associated with installation of new services as well as replacement, and transfers of existing services.		
Replace One Ton Service Truck(s)	35,000	—
Due to excessive mileage and maintenance cost, a one ton service truck requires replacement		
Replace 1/2 Ton Truck(s)	42,000	—
Due to excessive mileage and maintenance cost, two 1/2 ton trucks require replacement.		
Replace Two Ton Dump Truck	188,000	—
Due to excessive mileage and maintenance costs, a two ton dump truck requires replacement.		
Replace 3/4 Ton Service Truck(s)	92,000	—
Due to excessive mileage and maintenance cost, three 3/4 ton service trucks require replacement.		
Replace Dry Dirt Bin	30,000	—
This project is the replacement of an existing dilapidated dry dirt bin with concrete structure in order to protect dirt and top soil required in CAW service work.		
Install and Replace Hydrants	131,000	—
A estimated 63 hydrants will be replaced as part of this project to maintain fire protection levels and quality water by means of flushing.		
Replace One Ton Van	33,000	—
This is the replacement of a one ton van due to high mileage and excessive maintenance.		
Replace Two Ton Crew Trucks	360,000	—
Due to excessive mileage and maintenance cost, three two ton crew trucks require replacement.		
Restore - Tank #2	400,000	—
This project consists of the repainting of the interior of Tank #2.		

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
<p>Refurbish Wilson & Ozark Lime Feeder</p> <p>This is the refurbishment of lime feeders at Wilson Plant and Ozark Point Plant that have reached the end of their useful lives.</p>	175,000	—
<p>Replace Wilson East Filter Gallery Roof</p> <p>Due to age and deterioration, the roof on the Wilson Plant east filter gallery requires replacement in order to protect sensitive water treatment equipment.</p>	28,000	—
<p>Upgrade Zetron Data Line to Cellular</p> <p>This project is the upgrade and conversion of existing Zetron data lines from analog copper data lines, which are no longer supported, to a cellular data connection.</p>	40,000	—
FINANCE & CUSTOMER SERVICE		
<p>Replace Commercial Meters (outdated touchreads)</p> <p>This project is the continued replacement of outdated touch read commercial meters with current technology.</p>	180,000	—
<p>Replace Vehicle(s)</p> <p>This project is the routine replacement of two Finance & Customer Service vehicles due to excessive mileage and maintenance costs.</p>	42,000	—
<p>Improve JTH Office</p> <p>This project includes procurement of fire proof document storage and miscellaneous improvements required to integrate MWM staff into the JTH building.</p>	50,000	—
ADMINISTRATION		
<p>Improve Paragon Building</p> <p>This project includes improvements to second floor document storage area of the Paragon Building along with any necessary environmental remediation.</p>	25,000	—
<p>Improve Paragon Building - Developer Contribution</p> <p>This project is a lessee funded renovation to the Paragon Building as part of a new restaurant development.</p>	1,300,000	—
<p>Strategic Planning Initiatives</p> <p>These funds will be used for projects resulting from the September Strategic Planning Retreat.</p>	200,000	—
<p>Install Security Enhancements</p> <p>This project is the implementation of recommendations resulting from the 2014 Vulnerability Assessment.</p>	35,000	—

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
WATER QUALITY		
Forest Restoration and Enhancement - Winrock Grass Farm	50,000	—
This project is reforestation work to be completed under the current Forest Legacy Agreement at the Winrock Grass Farm site.		
Improve Building - Winrock Grass Farm	10,000	—
Improvements targeted at activities that will directly enhance watershed facilities, watershed maintenance, water quality, and/or public access to CAW watershed areas.		
Improve Forest Road(s)	50,000	—
These funds will be utilized to improve forest roads for: access; timber management; and watershed inspection and monitoring activities.		
Improve Marina Facility	10,000	—
This will provide cost-share funding for improvements at Jolly Rogers Marina and Grand Maumelle Sailing Club.		
Purchase Conservation Easements	300,000	—
This project consists of purchasing conservation easements within the Lake Maumelle watershed area. Easements are more cost effective than fee simple purchase and are used as a long-term watershed protection tool to control development, improve water quality and ecosystem services.		
Purchase Property	500,000	—
This is the continued purchase of land within the Lake Maumelle watershed to ensure long term water quality protection for the Utility's customers.		
Remove Dam / Construct Bridge - Winrock Grass Farm (Grants)	100,000	—
This is the removal of an existing low water crossing/dam at the Winrock Grass Farm site and replacing it with a new bridge.		
Replace 1/2 Ton Truck(s)	50,000	—
Due to excessive mileage and maintenance cost, two 1/2 ton trucks require replacement.		
River, Floodplain, and Wetland Restoration	100,000	—
This is the restoration of natural environments along the Maumelle River to improve water quality, animal, and aquatic habitats.		
Install Sampling Stations	9,000	—
New sampling stations ensure compliance with Arkansas Department of Health (ADH), U.S. Environmental Protection Agency (EPA) and AWWA sampling guidelines for the revised total coliform rule.		
Restore Hydrologic Flow - USACE Sec. 206	50,000	—
The project will aim to restore hydrological flow of the Maumelle River at the former Winrock Grass Farm to pre-farmed conditions.		

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
INFORMATION SERVICES		
<p>Improve Customer Service Software - Chat</p> <p>This project will add the ability for customer service reps to correspond with customers via an online tool.</p>	35,000	2,000
<p>Purchase Data Storage Protection</p> <p>This disk backup solution will provide a better data backup and recovery tool.</p>	50,000	—
<p>Improve GIS Custom Map Tools for Cityworks Server</p> <p>This is phase 2 of development of custom map tools for the Cityworks Server map.</p>	40,000	10,000
<p>Replace GPS Equipment - Utility Wide</p> <p>This is the replacement of old GPS hardware requiring frequent repair with new technology.</p>	30,000	2,000
<p>Purchase OnLine New Employee Application Software</p> <p>This will provide human resources the ability for new employees to complete applications online.</p>	30,000	6,000
<p>Purchase OnLine Performance Evaluations Software</p> <p>This project would involve staff procuring an automated system to greatly streamline the current employee performance evaluation process.</p>	30,000	3,000
<p>Purchase Cisco Media Sense - Call Recording</p> <p>This software will allow recording of calls based on phone number, rather than IP Address. This will enhance customer service call research.</p>	30,000	2,000
<p>Replace and Update Network Switches</p> <p>The current networks switches are no longer supported by the vendor and require replacement.</p>	40,000	—
<p>Replace Servers</p> <p>This project is the routine annual replacement of servers that have reached the end of their useful life.</p>	50,000	—
<p>Develop Information Technology Master Plan</p> <p>These funds will be used to engage an outside firm to analyze the current state of information technology at CAW and provide recommendations for improvements.</p>	175,000	—
<p>Replace Budgeting and Reporting System (Business Intelligence)</p> <p>This project will procure a Business Intelligence solution to serve as a central reporting portal and to replace the current budget system that is no longer supported.</p>	95,000	15,000
<p>Replace Wireless AP</p> <p>This is the replacement of 25 wireless access points and shift to a centralized management solution for these devices.</p>	35,000	1,000

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
ENGINEERING		
Construct Structural Improvement to Tank #1 - Maumelle	200,000	—
This project consists of construction of structural repairs and improvements to Maumelle Tank #1 as recommended in the MWM merger feasibility study.		
Purchase 1 MGD Water Rights in Lake Ouachita	212,000	—
Purchase 1 MGD with funding through MAWA		
Developer Funded Capital	2,500,000	—
This is developer contributed capital improvements to CAW water system as a result of new developments in the CAW service area.		
Developer Participation - New Mains	50,000	—
This is the extension and/or upsizing of mains by CAW in cooperation with developer new water main installations. These enhancements allow for future system growth.		
Improve Ozark Point Plant - Engineering Design	909,000	—
This is the engineering design of the rehabilitation & improvements to Ozark Point Plant to increase functional life, efficiency, and effectiveness of the plant.		
Improve Pump Station #1A - Construction Phase 1 - Wilson Plant	924,000	—
This is phase 1 Construction of recommended pump, structure, and electrical improvements to the existing Wilson Plant Pump Station #1A.		
Improve Pump Station #1A - Engineering Design - Wilson Plant	164,000	—
This is engineering design of recommended pump, structure, and electrical improvements to the existing Wilson Plant Pump Station #1A.		
Install 12-inch Diameter Main - W. Baseline - Interconnection W. Markham and Mabelvale - Proj 4092	340,000	—
This is the installation of approx. 2,100 LF of water main along W. Baseline Rd at Crystal Valley Lateral to provide additional capacity and redundancy to both pressure systems.		
Install 30-inch Diameter Transmission Main - Maumelle - Construction	4,201,000	—
This is the bond funded installation of approx. 5.5 miles of 30-inch transmission main to serve the City of Maumelle.		
Install 30-inch Diameter Transmission Main - Maumelle - Engineering	139,000	—
This is the bond funded engineering services for the installation of the 30-inch Maumelle Transmission Main.		
Install 42/36-inch Diameter Remotely Operated Valves - Northbelt Trans. Main - Rodney Parham Rd	160,000	—

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
This project will install two valves to control flow from Wilson Plant high service pumps to the Northbelt Transmission Main and into west Little Rock.		
Install Distribution System Pressure Improvements - Maumelle	75,000	—
Installation of various distribution main improvements as per the Maumelle merger agreement.		
Replace Master Meters	100,000	—
Replacement of large diameter, older master meters due to age, wear, and obsolescence of the meters. Eight master meters are to be replaced in 2017.		
Professional Services - Engineering	5,000	—
This is outside professional design and consultation required on various CAW projects.		
Professional Services - Land Surveying	5,000	—
Professional land surveying is required for the acquisition of new land, easements, and maintenance of property rights on existing land and easement holdings.		
Professional Services - Property Appraisals	5,000	—
Professional appraisal services are required for the acquisition of new land and easements.		
Relocate 12/8/6-inch Diameter Water Main - Phase 1 - Kanis Rd/Shackleford to Bowman -LR	400,000	—
These are existing main relocations and lowering along Kanis Rd between Shackleford Rd and Bowman Rd. for City of Little Rock street improvements to Kanis Rd.		
Relocate 16-inch Diameter Transmission Main - Capitol Drain/N. Cantrell Rd- LR	100,000	—
This project is the relocation of approx. 200 LF of main attached to N. Cantrell Rd bridge due to City of Little Rock reconstruction of the existing bridge.		
Relocate 36-inch Diameter Transmission Main - Mississippi at I-630 - Proj 4030 - AHTD	300,000	—
This is the relocation of approximately 600 LF of concrete transmission main for interstate 630 highway reconstruction near the Mississippi Avenue exit.		
Relocate 8-inch Diameter Water Main - Chicot Rd/Mabelvale Pike - Proj 3903 - LR	300,000	—
This is the relocation of approx. 2,800 LF of water main for street improvements along Chicot Rd and Mabelvale Pike in the city of Little Rock.		
Relocate 8-inch Diameter Water Main - Geyer Springs Rd Rail Road Bridge - Proj 4239 - LR	120,000	—
This is the relocation of approx. 600 LF of cast iron water main for the construction of a railroad overpass in southwest Little Rock.		
Relocate 8/12-inch Diameter Water Main - Counts Massie/Crystal Hill Rd - Proj 4037 -NLR	400,000	—
Relocation of approx. 3,120 LF of water main along Counts Massie/Crystal Hill Rd.		

CAPITAL IMPROVEMENT PLAN - 2017 JUSTIFICATIONS

DESCRIPTION AND JUSTIFICATION	COST	O&M IMPACT
Relocate Water Mains - Undesignated/Unknown Locations	100,000	—
Relocate existing mains currently unknown/undesignated street and drainage improvements.		
Replace Control Valve - Storage Tank #23	20,000	—
This is the replacement of an old control valve that is undersized with a new, larger unit allowing more flow through to the storage tank.		
Replace Distribution Mains - Maumelle	606,000	—
This is the replacement of various distribution mains inside the City of Maumelle as per the merger agreement.		
Replace vehicle(s)	26,000	—
Due to excessive mileage and maintenance costs, one Engineering vehicle requires replacement in 2017.		
Replace Water Mains - Galv, AC, CI - Systemwide	3,360,000	—
This project replaces old, high maintenance distribution pipe that is experiencing numerous leaks and breaks.		
Wetlands Mitigation - Maumelle	183,000	—
This is the bond funded wetland mitigation as required for the construction of the Maumelle 30-inch transmission main.		

CAPITAL IMPROVEMENT PLAN - FIVE-YEAR PLAN

DESCRIPTION	2017	2018	2019	2020	2021
WATER PRODUCTION					
Replace GAC Media	260,000	260,000	260,000	260,000	260,000
Replace SCADA Human Machine Interface	515,000				
Replace Cable Reel System	13,000				
Install SCADA in Surge Tank Building - Lake Maumelle	10,000				
Improve Generator Diesel Fuel Tank - Lake Maumelle	40,000				
Purchase Compliance Backup Data Logging - Wilson	17,000				
Rebuild Pump #3 - Lake Maumelle	25,000	200,000	75,000		
Rehab Concrete and Roofs on Cone Valve and Generator Building - Lake Winona	15,000				
Improve SCADA Server Room	30,000				
Purchase Switchgear Control Node - Wilson	25,000				
Improve Tank Management Systems	35,000		35,000	35,000	35,000
Purchase SCADA System Radios		50,000	50,000		
Replace On-Line Turbidimeters - Ozark		52,000			
Upgrade SCADA Plant Programmable Logic Controller		75,000			
Replace Wilson Filter Media and Renovate Basin		25,000	25,000	25,000	25,000
Upgrade SCADA System Programmable Logic Controller				150,000	150,000
Improve Spillway - Lake Winona					75,000
TOTAL	\$ 985,000	\$ 662,000	\$ 445,000	\$ 470,000	\$ 545,000

DISTRIBUTION					
Replace Calcium Hypochlorite Feeders	26,000				
Enclose One Bay on Valve Shed (heated storage directional drilling machine)	42,000				
Install Generator at Pump Station #16 D	37,000				
Install, Replace, and Relocate Mains	90,000	91,000	93,000	94,000	95,000
Install Valves	80,000	81,000	82,000	83,000	84,000
Install Meters for New Services	240,000	243,000	247,000	251,000	255,000
Install Truck Wash at Maryland Avenue Complex (MAC)	6,000				
Install Mains - Maumelle	12,000	14,000	15,000	16,000	16,000
Install Hydrants - Maumelle	8,000	8,000	8,000	9,000	9,000
Install Valves - Maumelle	5,000	5,000	6,000	6,000	7,000
Install Meters - Maumelle	12,000	12,000			
Install, Replace, Transfer Services - Maumelle	255,000	212,000	215,000	220,000	255,000

CAPITAL IMPROVEMENT PLAN - FIVE-YEAR PLAN

DESCRIPTION	2017	2018	2019	2020	2021
Replace 1/2 Ton Trucks - Maumelle	42,000				
Replace Two Ton Crew Truck - Maumelle	120,000				
Purchase/Install Meters - Change Out Program	592,000	596,000	600,000	605,000	609,000
Purchase/Install Services (New, Replace, Transfer)	1,209,000	1,227,000	1,246,000	1,264,000	1,283,000
Replace One Ton Service Truck(s)	35,000	70,000	35,000	35,000	
Replace 1/2 Ton Truck(s)	42,000	85,000	109,000	89,000	70,000
Replace Two Ton Dump Truck(s)	188,000	190,000	194,000	95,000	100,000
Replace 3/4 Ton Service Truck(s)	92,000	93,000	31,000	128,000	130,000
Replace Dry Dirt Bin	30,000				
Install and Replace Hydrants	131,000	133,000	135,000	137,000	139,000
Replace One Ton Van	33,000	39,000	80,000		
Replace Two Ton Crew Truck(s)	360,000	253,000	135,000	135,000	140,000
Restore - Tank #2	400,000				600,000
Refurbish Wilson and Ozark Lime Feeder	175,000				
Replace Wilson East Filter Gallery Roof	28,000				
Upgrade Zetron Data Line to Cellular	40,000				
Replace Three Ton Dump Truck		120,000			
Purchase SCADA system radios		50,000			
Purchase Vac-Tron		70,000			
Purchase Directional Drilling Machine		235,000			
Replace Wilson/Ozark Programmable Logic Controller 5 processors and Input/Output Modules		25,000			
Meter Change Out Program - Maumelle		475,000	475,000		
Restore - Tank #22			600,000		
Restore - Tank #8			55,000		
Restore - Tank #17			200,000		
Maumelle - Replace 1/2 Ton Truck(s) (526M- 527M)			22,000		
Maumelle - Replace One Ton Service Truck (522 - crane truck)			42,000		
Maumelle - Replace Three Ton Dump Truck				120,000	
Restore Ground Storage Tank #2 - Maumelle				773,000	
Restore - Tank #21					850,000
Restore - Tank #25				210,000	
TOTAL	\$ 4,330,000	\$ 4,327,000	\$ 4,625,000	\$ 4,270,000	\$ 4,642,000

CAPITAL IMPROVEMENT PLAN - FIVE-YEAR PLAN

DESCRIPTION	2017	2018	2019	2020	2021
FINANCE & CUSTOMER SERVICE					
Replace Commercial Meters (outdated touchreads)	180,000				
Replace Vehicles	42,000	42,000		45,000	
Install AMI/AMR Meters			50,000	50,000	50,000
Improve JTH Office	50,000				
TOTAL	\$ 272,000	\$ 42,000	\$ 50,000	\$ 95,000	\$ 50,000
ADMINISTRATION					
Improve Paragon Building	25,000				
Improve Paragon Building - Developer Contribution	1,300,000				
Strategic Planning Initiatives	200,000				
Install Security Enhancements	35,000	35,000	35,000	35,000	35,000
TOTAL	\$ 1,560,000	\$ 35,000	\$ 35,000	\$ 35,000	\$ 35,000
WATER QUALITY					
Forest Restoration and Enhancement - Winrock Grass Farm	50,000				
Improve Building - Winrock Grass Farm	10,000				
Improve Forest Road(s)	50,000	50,000	50,000	50,000	50,000
Improve Marina Facility	10,000	10,000	10,000	10,000	
Purchase Conservation Easements	300,000	300,000	300,000	300,000	300,000
Purchase Property	500,000	500,000	500,000	500,000	500,000
Remove Dam / Construct Bridge - Winrock Grass Farm (Grants)	100,000				
Replace 1/2 Ton Truck(s)	50,000				
River, Floodplain, and Wetland Restoration	100,000	100,000	100,000	100,000	100,000
Install Sampling Stations	9,000	9,000	9,000	9,000	10,000
Restore Hydrologic Flow - USACE Sec. 206	50,000	350,000			
Data Needs Analysis - Watershed		250,000			
Replace Laboratory Facilities			500,000	500,000	500,000
Replace Ion Chromatograph				100,000	
Replace Inductively Coupled Plasma Mass Spectrometer					150,000
TOTAL	\$ 1,229,000	\$ 1,569,000	\$ 1,469,000	\$ 1,569,000	\$ 1,610,000

CAPITAL IMPROVEMENT PLAN - FIVE-YEAR PLAN

DESCRIPTION	2017	2018	2019	2020	2021
INFORMATION SERVICES					
Improve Customer Service Software - Chat	35,000				
Purchase Data Storage Protection	50,000				
Improve GIS Custom Map Tools for Cityworks Server	40,000				
Replace GPS Equipment - Utility Wide	30,000			30,000	30,000
Purchase OnLine New Employee Application Software	30,000				
Purchase OnLine Performance Evaluations Software	30,000				
Purchase Cisco Media Sense - Call Recording	30,000				
Replace and Update Network Switches	40,000				40,000
Replace Servers	50,000	20,000	20,000	20,000	20,000
Develop Information Technology Master Plan	175,000				
Replace Wireless AP	35,000				
Budgeting and Reporting System (Business Intelligence)	95,000				
Upgrade Operating Systems on Servers		20,000			
Network PIN Test		15,000			
Purchase Document Management Software		50,000			
Improve IT Systems - IT Master Plan		50,000			
Replace Server Uninterruptable Power Supply Units		20,000			
Replace Network Firewalls		30,000			
Upgrade enQuesta Server/Sans		85,000			
Purchase Additional SAN Disk VMWare Servers			65,000		
Purchase Microsoft Server Licenses			23,000		
Upgrade Billing System			700,000		
Purchase Billing Printer			48,000		
Upgrade Financial Management Software				40,000	
Purchase enQuesta Disaster Recovery Server - ODA				45,000	
Replace Large Format Scan/Print/Copy Machine				25,000	
Upgrade Phone System				85,000	
Purchase and Implement Laboratory Information Management System					50,000
Upgrade Phone System - Lake Maumelle					60,000
Replace SCADA Switches					40,000
TOTAL	\$ 640,000	\$ 290,000	\$ 856,000	\$ 245,000	\$ 240,000

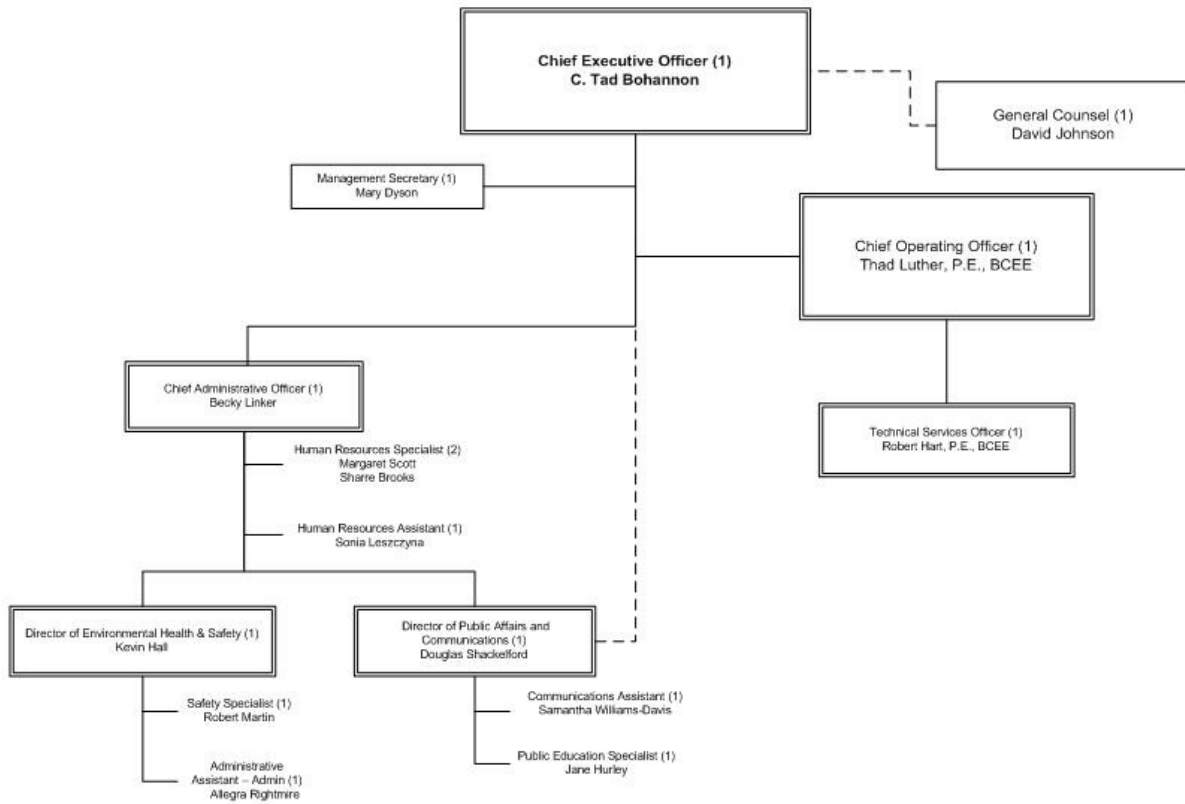
CAPITAL IMPROVEMENT PLAN - FIVE-YEAR PLAN

DESCRIPTION	2017	2018	2019	2020	2021
ENGINEERING					
Construct Structural Repair of Tank #1 - Maumelle	200,000	200,000			
Purchase 1 MGD Water Rights in Lake Ouachita	212,000				
Developer Funded Capital	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Developer Participation - New Mains	50,000	50,000	50,000	50,000	50,000
Improve Ozark Point Plant - Engineering Design	909,000				
Improve Pump Station #1A - Construction Phase 1 - Wilson Plant	924,000	1,585,000	660,000		
Improve Pump Station #1A - Engineering Design - Wilson Plant	164,000				
Install 12-inch Diameter Main - W. Baseline - Interconnection W. Markham and Mabelvale - Proj 4092	340,000				
Install 30-inch Diameter Transmission Main - Maumelle - Construction	4,201,000	5,041,000			
Install 30-inch Diameter Transmission Main - Maumelle - Engineering	139,000	128,000			
Install 42/36-inch Diameter Remotely Operated Valves - Northbelt Trans. Main - Rodney Parham Rd	160,000				
Install Distribution System Pressure Improvements - Maumelle	75,000				
Replace Master Meters	100,000	100,000			
Professional Services - Engineering	5,000	5,000	5,000	5,000	5,000
Professional Services - Land Surveying	5,000	5,000	5,000	5,000	5,000
Professional Services - Property Appraisals	5,000	5,000	5,000	5,000	5,000
Purchase DeGray Lake Water Rights		4,640,000			
Relocate 12/8/6-inch Diameter Water Main - Phase 1 - Kanis Rd/Shackleford to Bowman -LR	400,000				
Relocate 16-inch Diameter Transmission Main - Capitol Drain/N. Cantrell Rd- LR	100,000	100,000			
Relocate 36-inch Diameter Transmission Main - Mississippi at I-630 - Proj 4030 - AHTD	300,000				
Relocate 8-inch Diameter Water Main - Chicot Rd/Mabelvale Pike - Proj 3903 - LR	300,000				
Relocate 8-inch Diameter Water Main - Geyer Springs Rd Rail Road Bridge - Proj 4239 - LR	120,000				
Relocate 8/12-inch Diameter Water Main - Counts Massie/Crystal Hill Rd - Proj 4037 -NLR	400,000				
Relocate Water Mains - Undesignated/Unknown Locations	100,000	300,000	300,000	250,000	250,000
Replace Control Valve - Storage Tank #23	20,000				
Replace Distribution Mains - Maumelle	606,000	1,213,000			
Replace vehicle(s)	26,000	26,000	24,000	25,000	25,000
Replace Water Mains - Galv, AC, CI - Systemwide	3,360,000	2,860,000	2,650,000	3,900,000	4,425,000
Wetlands Mitigation - Maumelle	183,000				
Install 20-inch Diameter Swing Connection - Gravity System - Chicot Rd/So. University		75,000			
Construct Booster Pump Station #11 Improvements/Rehabilitation		75,000	250,000		
Construct Manitou Booster Pump Station Improvements - Maumelle		400,000			

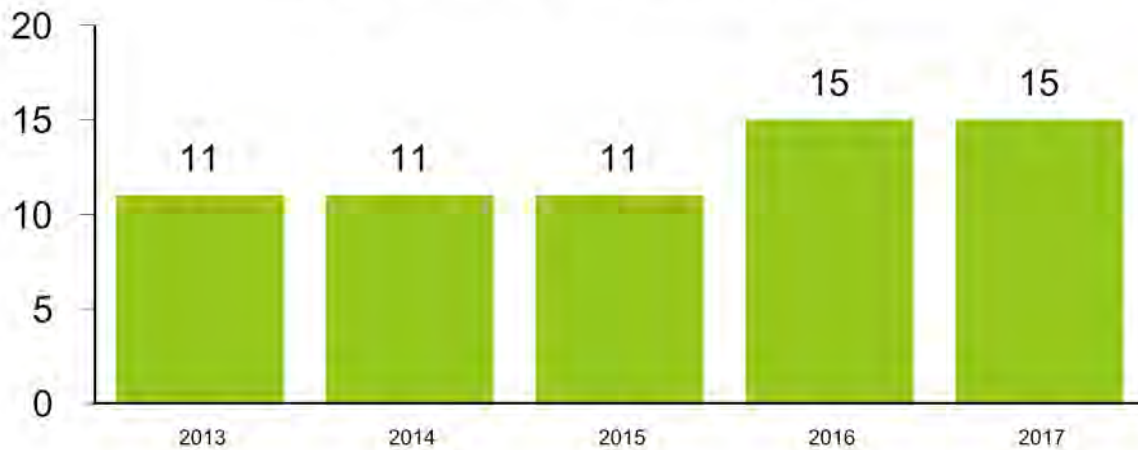
CAPITAL IMPROVEMENT PLAN - FIVE-YEAR PLAN

DESCRIPTION	2017	2018	2019	2020	2021	
Install Pump in Wilson High Service Pump Station #1B - Maumelle		403,000				
Improve Ozark Point Plant - Construction		2,631,000	7,894,000			
Improve Ozark Point Plant - Construction Management Services		405,000				
Relocate 12-inch Diameter Water Main - So. University - 28th/Col. Glenn - LR		500,000				
Relocate 24-inch Diameter Transmission Main - Maryland Avenue - SRWD		1,200,000				
Relocate 12/8/6-inch Diameter Water Main - Phase 2 - Kanis Rd/Bowman to Gamble -LR			600,000			
Relocate 12/8-inch Diameter Water Main- Hwy 10 Widening/I-430 to Sam Peck - AHTD		300,000	600,000			
Relocate 12/8-inch Diameter Water Main - HWY 10 Widening/I430 to Sam Peck- REIMBURSEMENT			(300,000)			
Install Master Plan Distribution Mains - Various				250,000	500,000	
Install 12-inch Diameter Water Main - West Markham to West Markham Pressure Zone Interconnection			250,000			
Install 8-inch Diameter Water Main - Joslin Rd/Oak Grove Looping				200,000		
Install 12-inch Diameter Water Main - Pump Station #28 Suction Improvements				350,000		
Construct Booster Pump Station #17B - Highland Ridge				600,000		
TOTAL		<u>\$ 15,904,000</u>	<u>\$ 24,747,000</u>	<u>\$ 15,493,000</u>	<u>\$ 8,140,000</u>	<u>\$ 7,765,000</u>
GRAND TOTAL		<u>\$ 24,920,000</u>	<u>\$ 31,672,000</u>	<u>\$ 22,973,000</u>	<u>\$ 14,824,000</u>	<u>\$ 14,887,000</u>

ADMINISTRATION DEPARTMENT



Departmental Staff by Year



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 Chief Operating Officer (COO) and Chief Administrative Officer (CAO), as well as day-to-day supervision of the General Counsel (GC).

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 Service, and Information Services departments, as well as EHS. The COO also directly supervises the Technical Services Officer covering the Distribution, Water Quality, and Water Production departments.

Chief Administrative Officer

The CAO is responsible for managing administrative aspects of the Utility. The CAO directly supervises the Human Resources and Public Affairs & Communications sections of the Administration Department. The CAO is responsible for development and implementation of personnel policies, compliance with Federal and State employment regulations, and administration of the Utility's Strategic Plan.

General Counsel

The GC reports directly to the CEO and the Board of Commissioners. The GC enhances CAW by providing prompt resolution of legal issues, proactive advice, and counsel to the Utility's administration. The GC 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 GC serves as legal adviser 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.

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.

2016 Accomplishments

In 2016, Administration transitioned from one CEO (Graham Rich) to another (Tad Bohannon). Graham Rich resigned effective January 8, 2016. Tad Bohannon was immediately appointed interim and was named CEO on January 22, 2016. While CEO transitions are far from rare, Tad is only the third CEO of CAW, which has traditionally had long-term leadership. Fortunately, due to Tad's long association with the utility as its legal counsel, the board and staff were familiar with Tad and Tad was familiar with the Utility; thereby assisting in a smooth transition. Under Tad's leadership, CAW has continued its history of outstanding customer service and water quality. CAW has also increased customer accounts by approximately 7.5% or 10,000 meters with the consolidation of MWM. With separate water sources, operations, procedures, billing software, and financial systems, consolidation of MWM's water system has not been without challenges, but the consolidation process continues. CAW plans to transfer MWM's billing and financial systems to CAW's systems in the first quarter of 2017, and transfer MWM's customers from MWM's old water source to CAW's water sources in early 2018.

2017 Goals

- Continued integration of MWM
- Long-term Succession Planning
- Continue increasing cross departmental functionality
- Begin formalizing Standard Operating Procedures and processes
- Increase employee morale

Administration Department - Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	\$ 1,116,724	\$ 1,289,889	\$ 967,535
Materials, Supplies, and Maintenance	311,892	95,860	146,660
Electric and Other Utilities	—	960	960
Contract Services	226,083	228,920	188,700
MWM Transition Cost	—	2,500	—
Other	43,198	114,000	79,200
Total Expenses	1,697,897	1,732,129	1,383,055
Total Capital Expenditures	55,438	75,000	1,560,000
Total Administration	\$ 1,753,335	\$ 1,807,129	\$ 2,943,055

ENVIRONMENTAL HEALTH & SAFETY

EHS works to create and maintain a safe workplace environment, both in the field and in the office, by preventing accidents and occupational illnesses. EHS staff conducts intense employee training, performs routine health and safety inspections throughout the Utility, and eliminates unsafe acts and conditions.

Each Director, Manager, and Supervisor has the responsibility of enforcing the Utility's safety policies and procedures and setting a good health and safety example for employees. While EHS has the responsibility of providing the necessary training and support to facilitate effective enforcement and workplace safety, management reinforces sound practices by leading by example and 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.

Mission

EHS ensures that each CAW employee benefits from 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, leading to reduced workers compensation claims, costs, and lost time compared to previous year.

2016 Accomplishments

By the end of 2016, EHS will have provided over 100 health and safety training sessions for CAW employees. The majority of the training EHS provides is OSHA required. Examples of training include CPR, defensive driving, competent person, confined spaces, respiratory protection, hearing conservation, forklift certification, and emergency response, among others.

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

2016 Accomplishments

EHS will complete a thorough safety inspection by the end of 2016 at all CAW facilities (JTH, MAC, Clearwater, Wilson Plant, Ozark Point, Lake Maumelle, Lake Winona, and all MWM facilities) and will work with staff to ensure that all hazards identified during those inspections are corrected.

Every CAW vehicle will be inspected at least once; however most vehicles will be inspected by EHS or department supervisors several times throughout the year.

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

2016 Accomplishments

EHS anticipates visiting over 150 job sites by the end of 2016. During these safety inspections, EHS personnel observe the operations, evaluate possible safety concerns, OSHA compliance, and public safety awareness, and note any corrections of safety issues found during jobsite visits.

2017 Goals

EHS will continue to implement recommendations of the Vulnerability Assessment in 2017, providing additional safety and security enhancements as needed at various Utility facilities and updating or creating Emergency Action Response Plans (EARP) for a number of scenarios identified by the Vulnerability Assessment.

EHS will be creating new safety policies as well as updating current safety policies included in the utility safety manual.

EHS will be working closely with our Distribution department to conduct a utility wide electrical safety survey. This will include creating standard operating procedures (SOP's) while working near high voltage services and equipment.

EHS will begin the process of creating a Job Safety Analyses in 2017. This will help integrate accepted safety and health principles and practices into a particular task or job operation.

CAW experienced a large increase in workplace injuries in 2016 compared to prior years. This increase in injuries prompted increased budget requirements for workers compensation expenses for 2017, but not to the extent of 2016 experience levels. The Utility plans to address the issues that resulted in the high injury experience in 2016 and a number of these 2017 goals are specifically designed to address and reduce injuries.

Performance Measures	2015 Actual	2016 Estimated	2017 Budget
Safety Training Classes	106	100	100
Safety Training Hours (cumulative)	2,314	2,400	2,500
Workers' Comp Claims	13	11	11
Workers' Comp Claim Costs	\$63,374	\$450,000	\$112,673
Workers' Comp Lost Time (days)	15	337	
"At Fault" Vehicular Accidents	7	6	6
"Not At Fault" Vehicular Accidents	4	4	6
Perform all Facility and Vehicular Inspections	Y	Y	Y

* Based on 5-year average 2012 - 2016

Environmental Health & Safety - Expenditure Summary

	2015 ACTUAL	2016 Budget	2017 Budget
Labor and Benefits	291,314	345,472	310,788
Materials, Supplies, and Maintenance	55,966	81,600	88,700
Electric and Other Utilities	471	740	1,500
Contract Services	149,868	194,100	170,618
Total Expenses	497,619	621,912	571,606
Total Capital Expenditures	—	—	—
Total Environmental Health & Safety	497,619	621,912	571,606

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 300+ dedicated employees. The section's four staff members, who collectively have over 89 years of experience in the field of Human Resources, have a wide range of diverse responsibilities that include recruitment; developing and maintaining the employee handbook and Utility-wide policies and procedures; evaluating and recommending employee benefits; overseeing the compensation program; providing training and professional development; reviewing/assisting with performance evaluations; overseeing Utility-wide succession planning; implementing the alcohol/drug-free workplace program; providing employee relations and assistance; leading diversity and inclusion initiatives; and providing oversight of CAW's Strategic Plan.

Human Resources is responsible for addressing many of the challenges currently faced by employers across the nation, including new IRS reporting and other new requirements under the Affordable Care Act, continually changing and expansive employment legislation, increased turnover and knowledge/experience drain caused by retirement of the baby boomer generation, qualified labor pool shortages, and a budget restrictive economy.

Additionally, 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. 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

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

Human Resources is committed to ensuring that the Utility's recruitment programs, policies, procedures, compensation, and employee benefits programs continue to attract and retain high performing, innovative, value-driven, informed, and passionate 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.

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 recruit, develop, reward, and retain a workforce that is high performing, innovative, value-driven, informed, passionate, 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

2016 Accomplishments

2016 was a challenging year for recruitment activities, due in large part to CAW’s merger with MWM and the integration and orientation of 30 MWM employees into CAW’s processes and programs. Normal recruitment activities also continued, with the filling of 14 positions in the first six months of the year, including three senior level managerial positions - General Counsel, Director of Public Affairs & Communications and Chief Executive Officer. Positions were filled, on average, within 5.0 weeks and well below the SHRM benchmark.

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

2016 Accomplishments

CAW’s turnover rate for the last five years has averaged just over 5.8%, far below the national five year average of 16% for state and local government employers. Retirements of the baby boomer generation continue to be reflected in an uptick in CAW’s turnover rate for 2016 (estimated 9%). CAW’s estimated annual turnover for 2016 still remains at just over half of the estimated 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 28.6% (2015)

2016 Accomplishments

CAW’s estimated 2016 Cost of Benefits as a percent of total compensation (labor + benefits) at 29.97% is slightly above the BLS/SHRM national average and is

primarily due to an increase in expenses associated with our self-funded workers' compensation coverage.

Objective 4: Implement Diversity and Inclusion training and programs

2016 Accomplishments

A strong commitment to Diversity and Inclusion initiatives continues throughout the organization. Multi-tiered harassment, discrimination, and diversity/inclusion training was conducted in late 2015 for CAW's Diversity and Inclusion Team (DIT), supervisors/managers, and all employees of the utility. Make-up sessions were conducted in 2016 for employees that were unable to attend in 2015 and for all new employees, including the 30 employees who joined the organization with the merger of CAW and MWM.

The DIT rolled-out a new initiative to celebrate National Diversity Month in late 2015 by interviewing a diverse group of CAW employees and spotlighting one participating employee via intranet/email each day. The "Spotlight" activity was so well received by employees that the DIT decided to continue the program by spotlighting two employees each day in celebration of National Diversity Month in October, 2016.

Additionally, CAW proudly holds the distinction, for the fifth year in a row, of being the largest participating organization in the Just Communities of Arkansas (JCA) Walk for commUNITY, with 66 CAW walkers participating.

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

2016 Accomplishments

CAW employees are committed to meeting and exceeding the professional standards of their jobs. The number of employees holding designated certifications exceeded the level of job certifications required by the Utility by an impressive 22% in 2016.

Objective 6: Ensure employee competency through training, meeting QualServe standard of 20.0 hours of training per employee annually.

2016 Accomplishments

Employees received 19.4 hours of training on average in 2016. An increased focus on employee and supervisory training is planned for 2017, which will be facilitated by the hiring of our new Human Resources Specialist, whose time will be dedicated to formalized succession planning, supervisory training, and employee training and development programs.

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

2016 Accomplishments

The Utility significantly increased its internal advancement metrics in 2016, with 78% of non-entry level positions filled internally. The Utility will continue to focus on workforce succession preparedness in 2017, which will be facilitated by the efforts of our new Human Resources Specialist.

Other 2016 Accomplishments

In addition to the goals and accomplishments identified above, Human Resources was responsible for the full integration of 30 MWM employees into CAW in early 2016. Activities included job matching, employment offers, pre-employment screening, background/qualification assessment, policy orientation, benefits enrollment, and all other new hire requirements.

Also at the start of 2016, Human Resources and Finance worked closely together to ensure the Utility's timely compliance with the new IRS reporting requirements brought about by the Affordable Care Act.

Human Resources was also responsible for overseeing the filling of an unanticipated vacancy on the CAW Board of Commissioners mid-year in 2016.

2017 Goals

Human Resources will refocus its efforts on implementation of a structured framework for succession planning and workforce preparedness in 2017, which will be supported by the addition of our new Human Resources Specialist. More formalized programs in the areas of leadership development, supervisory training for new and existing supervisory staff, and employee career counseling, training and development will be key focus areas.

Attention will also be given to greater automation of Human Resources processes, including employment applications and performance evaluations.

Performance Measures	2015 Actual	2016 Estimated	2017 Budget
Time to Fill (Weeks)	8.5 wks	5.0 wks	7.0 wks
Turnover	6.8%	9.1%	7.0%
Cost of Benefits*	28.5%	30.0%	28.6%
Diversity and Inclusion Training	Yes	Yes	Yes
Job-related Certification	117%	122%	122%
Employee Training (Hours)	20.3 hrs	19.4 hrs	20 hrs
Internal Advancement	63%	78%	66%

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

Human Resources - Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	\$ 445,755	\$ 530,972	\$ 567,994
Materials, Supplies, and Maintenance	24,407	31,882	39,994
Contract Services	34,187	40,950	39,050
MWM Transition Cost	—	85,098	—
Total Expenses	504,349	688,902	647,038
Total Capital Expenditures	—	—	—
Total Human Resources	\$ 504,349	\$ 688,902	\$ 647,038

PUBLIC AFFAIRS & COMMUNICATIONS

The Public Affairs & Communications Section manages a comprehensive and multi-faceted corporate public relations and communications program for CAW. Programming encompasses consumer, community, public, and news media relations, as well as other external communications with customers and the public. The section ensures that the Utility provides accurate, timely, and responsive information relating to service, rates, public-policy decisions, and initiatives that are integral to the Utility's role as a water service provider. Communications also is responsible for maintaining a positive public presence for the Utility. Staffing for the section includes the Director of Public Affairs & Communications, the Communications Assistant, and contractual support from external public relations agencies.

The Public Affairs & Communications section works extensively with other departments to meet the Utility's special and general communications objectives. The section develops and provides information to customers and the public through multiple venues that include billing statement inserts; billing statement messages; a series of customized pamphlets, brochures, and other publications; news releases; news conferences; facility tours; advertising; public presentations and meetings; community and special events; the distribution of water-related literature; a web site (www.carkw.com); social media venues such as Twitter messaging (<http://twitter.com/carkw>), a Facebook page, Blog, and YouTube video broadcast messaging.

Public Affairs & Communications also provides direction on consumer and other research, manages contracts with external public relations agencies, and oversees the Help to Others (H2O) Customer Assistance Fund which provides assistance to customers in need of help paying their utility bills to CAW and our billing partners. From its inception in November 2004, the H2O fund has been primarily self-supporting through private donations and advertising fees local businesses pay to advertise and/or insert coupons into monthly customer billing statements of CAW. Two local community agencies administer the H2O fund.

Mission

CAW's philosophy of external communications is: (1) To foster dialogue with customers to ensure the continual enhancement of service so as to meet the needs and reasonable expectations of customers. (2) To provide customers with information in advance of changes in rates, water service, policies, procedures, and operations. (3) To keep pace to the extent economically practical with advancements in communications technology. (4) To advance public participation in policy- and decision-making; and (5) to maintain relations that reflect the Utility's culture as a hometown utility and contributing corporate community partner.

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

Objective 1: Increase number of customers receiving assistance and amount of assistance provided through the H2O Fund by 10% compared to 2015. Maintain current revenue levels and seek additional funding resources for the H2O Fund.

2016 Accomplishments

In the first half of 2016, work commenced to strengthen and streamline the H2O Program, including review of new administrative and measurement procedures to ensure continuance of the program into the future. Funding for the program is being transferred from advertising revenue based to internal funding utilizing miscellaneous revenues received from cell phone tower leases, etc.

Objective 2: Expand opportunities to communicate with customers through diverse outreach venues, including leading-edge communications technology such as Facebook, Twitter, and web blogs.

2016 Accomplishments

In 2016, total consumer reach continued to increase through targeted social media marketing strategies. Strategies for outreach and education in 2017 will continue.

Objective 3: Comply with and/or exceed Federal and state regulatory deadlines for issuance of the annual Water Quality Report by July 1st.

2016 Accomplishments

The annual Water Quality Report was issued on June 30, 2016. Beginning July 1, 2016, postcard notices were mailed to all customers and all ground addresses within U.S. Zip Codes that are completely or significantly within the utility's Customer Information System.

Objective 4: Maintain frequent and regular contact with public officials and other key stakeholder groups regarding rates, water quality, and watershed protection.

2016 Accomplishments

Beginning in November 2016, public notifications on new water rates will be released to consumers and news media through billing statement inserts and messages and the Utility's website.

Objective 5: Foster public engagement in policy and decision-making through public meetings and public hearings.

2016 Accomplishments

In October 2015, public meetings were held concerning the merger of MWM and CAW prior to the merger, which went into effect in March 1, 2016.

Objective 6: Issue comprehensive Annual Report DVD following Board approval of the annual audit, no later than April 2016 for 2015 reporting.

2016 Accomplishments

Due to reorganization of the Public Affairs & Communications section, no annual report was issued in 2016. The Annual Report DVD will be issued again in April 2017.

Objective 7: Issue responses to Arkansas Freedom of Information Act requests within required timeframes.

2016 Accomplishments

100% compliance in 2016

EUM Attribute:	Customer Satisfaction
Goal:	To provide customer service that exceeds expectation in quality, delivery, rates, and dependability

Objective 1: Regularly conduct customer satisfaction surveys, targeting overall performance rating to exceed 80%.

2016 Accomplishments

In September 2015, CAW completed a comprehensive satisfaction survey. Overall, 94% of CAW customers responded favorably throughout the market, an improvement from the 2012 survey. CAW completes these surveys every three years, with the next survey occurring in 2018.

Objective 2: Compare CAW water rates to those of similar water utilities within the region by residential rate per 7500 gallons/month.

2016 Accomplishments

Continued review of annual water rate studies available through utility financial, rate, and management consulting services afford opportunities to promote consumer awareness on water industry averages.

Other 2016 Accomplishments

In addition to the goals and accomplishments identified above, the Public Affairs & Communications section experienced changes and improvements in other areas in 2016.

First, a major change came with the hiring of a new Director of Public Affairs & Communications in March 2016.

Second, the section provided instrumental facilitating support to restructure the Utility's sustainability objectives. The restructured team consists of 11 interdepartmental staff, one at-large member, and the facilitator from Public Affairs & Communications.

Finally, the section worked closely with the Finance & Customer Service department to increase participation in paperless billing and online account management options. The Utility currently has more than 10,000 participants. Additionally, the Utility began offering a Pay by Text option for mobile phone users. The number of customers signing up for this service in the first six weeks of operation is approaching 1,000.

2017 Goals

Public Affairs & Communications will see new approaches come to light in 2017. First, the department will add a Public Education Specialist to the staff in January. This Specialist will focus on creating curriculum and cultivating relationships with local school leaders, city officials, and other stakeholders, in an effort to provide a higher level of education about water related issues to students in schools in the CAW service area and beyond.

Also, CAW will expand its current communications programs to focus on current CAW resources, including its staff, facilities, lakes, and the final product, its water. CAW strives to deliver high quality water with dependable and exceptional service; therefore, the priority focus will be on education through sharing information about the quality of water and those who produce it.

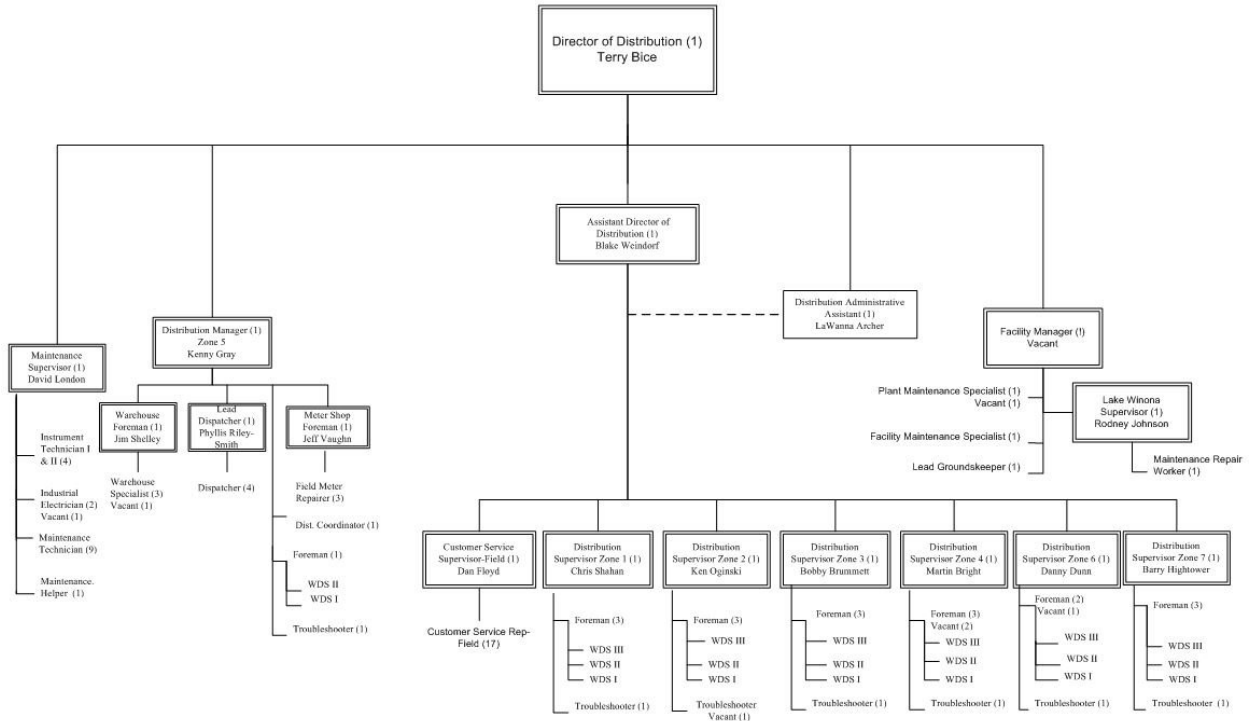
Performance Measures	2015 Actual	2016 Estimated	2017 Budget
Number of Customers Receiving Assistance through H2O Fund	21*	180	370
Amount of Assistance provided through H2O Fund	\$2,500*	\$22,900	\$43,200
Expand and Diversify Communications Outreach Venues	Yes	Yes	Yes
Issue Federal Water Quality Report Before July 1st	Yes	Yes	Yes
Issue Responses to Arkansas Freedom of Information Act Requests Within Required Timeframes	Yes	Yes	Yes

* Program was temporarily suspended for restructuring to increase program efficiency and oversight.

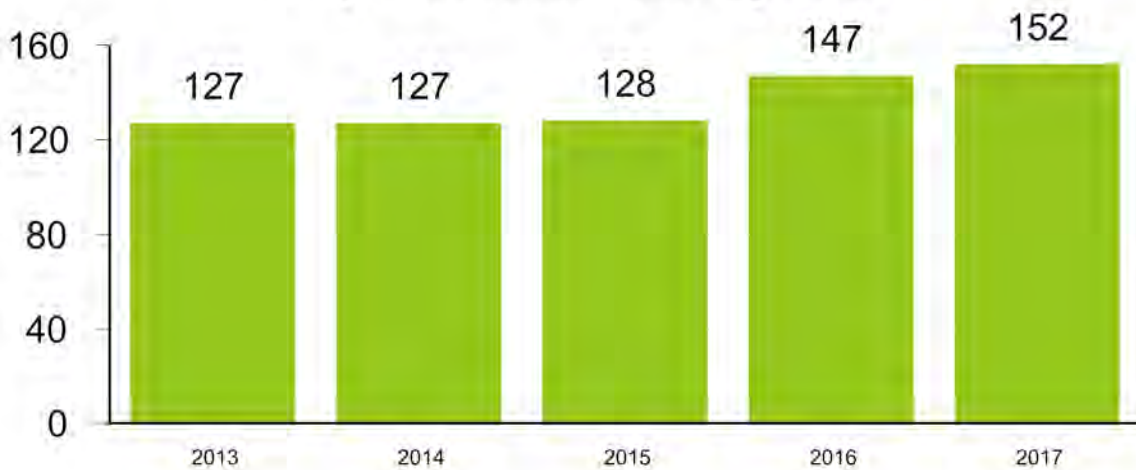
Public Affairs & Communications - Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	\$ 83,374	\$ 84,959	\$ 318,195
Materials, Supplies, and Maintenance	\$ 160,938	\$ 186,850	\$ 184,700
Electric and Other Utilities	\$ 840	\$ 900	\$ 900
Contract Services	\$ 135,835	\$ 167,000	\$ 157,200
MWM Transition Cost	—	60,000	20,000
Other	13,987	18,500	6,000
Total Expenses	394,974	518,209	686,995
Total Capital Expenditures	—	—	—
Total Communications & Public Affairs	\$ 394,974	\$ 518,209	\$ 686,995

DISTRIBUTION DEPARTMENT



Departmental Staff by Year



DISTRIBUTION DEPARTMENT

The Distribution Department ensures that the infrastructure used to transport water to customers is maintained to current standards and is quickly repaired when necessary. Although CAW's distribution system is highly technical in nature, the goal of the Distribution Department is simple - to provide dependable water service and high quality water to CAW customers. In order to meet this overarching goal, the Department undertakes a wide variety of initiatives to improve the distribution system's stability, reliability, resiliency, and sustainability.

As the most direct link between a water utility and its customers, the distribution system also substantially shapes the public's perception of the Utility and their level of satisfaction with the Utility's service. Through proactive maintenance as well as emergency repair activities, professional communication and customer service are emphasized in all elements of the department's work.

Mission

The Distribution Department is committed to operating and maintaining CAW's distribution system with dependable service that exceeds customer expectations in order to deliver high quality water to customers whenever they need it.

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.

2016 Accomplishments

The Distribution Department continued the 2-inch galvanized replacement program implemented in 2015. This program focuses on replacing 2-inch mains with high failure rates within the distribution system. Galvanized mains account for 44% of the distribution system's annual leaks and breaks, but only 6% of the system's pipe makeup. Distribution's goal is to replace 16,000 linear feet of galvanized pipe annually. This program furthers the goals of CAW's asset management plan, which identifies a need to increase the amount of this type of main replaced each year. CAW's 2014 pilot study of galvanized pipe replacement determined that in-house construction crews are the most cost-effective way to increase the replacement of these problem assets.

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

2016 Accomplishments

The Distribution Department continues efforts to minimize emergency outages, repair main breaks without resulting in an outage, and pre-schedule required outages whenever possible. Distribution expects to reduce the number of unplanned outages from the prior year by five occurrences, from 38 in 2015, to 33 in 2016. This is based on observed trends through September 1, 2016.

EUM Attribute: Operational Optimization
Goal: Maximize resource efficiency

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

2016 Accomplishments

The Distribution Department implemented a system-wide valve inspection program in July 2013. The objective is to reduce the number of customers affected from outages and property damage by inspecting and ensuring each of the 34,401 valves in the distribution system are locatable and operable. 2016 marks the third and final year of the initial three year valve inspection program. In 2016, Distribution personnel completed the inspection of 9,642 valves, which finalized the inspection of all 34,401 valves system-wide.

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

2016 Accomplishments

The distribution system is closely monitored for any increase in unaccounted for water. When significant increases occur, indicating a possible unreported leak or main break, Distribution personnel survey right-of-ways and easements that are not easily visible to locate leaks. By doing so, Distribution has maintained a 12-month rolling average of 9% unaccounted for water through September 1, 2016.

EUM Attribute:	Financial Viability
Goal:	Manage budget effectively

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

2016 Accomplishments

The Distribution Department budgets efficiently to minimize other departments' spending needs. Based on trends through September 1, 2016, Distribution anticipates completing 96% of the capital projects budgeted for 2016 with a cost of \$3.57 million.

Other 2016 Accomplishments

Meter Change Out: In addition to the goals and accomplishments identified above, Distribution anticipates replacing 5,400 meters in 2016, in accordance with the meter replacement program that replaces 5/8" meters every 16 years or sooner for larger meters. An additional 1,950 5/8" meters are projected to be changed by customer service as part of routine operations, resulting in 7,350 5/8" meters changed in 2016.

Merger with Maumelle Water Management: In 2016, the Distribution Department had a critical role in the successful merger with MWM. Along with the assimilation of MWM staff into the department, Distribution had several other key tasks. Warehouse personnel were responsible for ordering uniforms and PPE for MWM staff throughout CAW. Distribution also ensured that the MWM vehicle fleet was properly incorporated into the CAW fleet. Distribution was responsible for mapping 1,359 MWM valves and 889 MWM hydrants and worked closely with Geographic Information System (GIS) staff to make certain that the mapping of the MWM system was correct and incorporated in the CAW GIS system prior to merger date in order to operate Maumelle's system seamlessly. Following the merger, Distribution staff completed inspections on all MWM hydrants and also mapped approximately 9,600 meters in Maumelle. Distribution has completed 1,850 work orders in Maumelle through September 1, 2016

Integration of Customer Service Field Operations: Customer Service (CS) Field Operations were incorporated into the Distribution Department in 2016 in order to best serve our customers with the most efficient utilization of existing personnel and resources. Meters and all supplies used by CS Field reps are inventoried at Clearwater or Maryland Avenue and fleet services are also located at Clearwater. CS Field and Distribution work activities associated with water meters often overlap. By integrating CS Field into Distribution, these activities can be closely coordinated to maximize work efficiency and minimize costs. Additionally, with all CAW field operations centered in Distribution, there are more backup resources available for absent personnel, dispatch, and supervision of CS Field activities.

2017 Goals

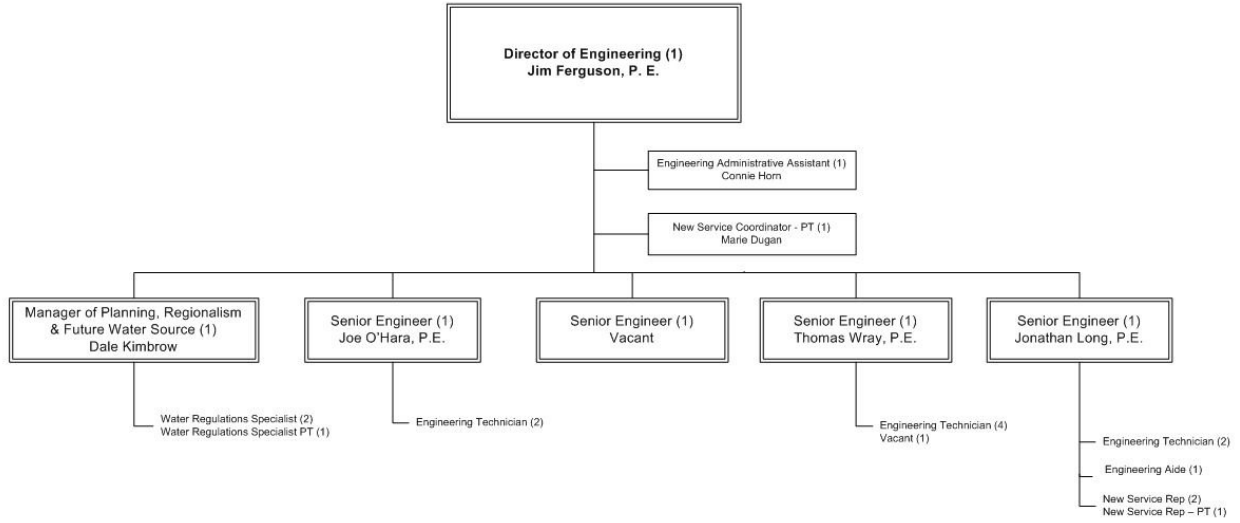
Through September 1, 2016 the Distribution Department experienced more lost time accidents and workers compensation claims than any of the previous three years. The department has refocused its safety efforts by increasing training, tailgate talks, and supervisor accountability. For 2017, the department will strive to achieve record low workers compensation claims. Also in 2017, Distribution will continue to pursue efficiency gains enabled by the integration of CS Field operations into the department and begin mapping meters on the south side of the river in order to improve its customer service response. Distribution will also continue its 2-inch galvanized pipe replacement program with an additional 16,000 feet in 2017, which should contribute to reduced main breaks, fewer unplanned outages, and a smaller number of customers affected by breaks. Distribution will also work in 2017 on new and existing strategic plan initiatives including Lead Service Line Replacement, 2-inch Galvanized Replacement Program, Leak Detection/Non-Revenue Water Audit, as well as Employee Performance and Training Enhancement.

Performance Measures	2015 Actual	2016 Estimated	2017 Budget
Number of Main Breaks per 100 Miles of Pipe	23.0	22.5	22.0
Reduce the Number of Unplanned Outages	38	34	32
Reduce the Number of Customers Affected	1001	975	850
Unaccounted For Water ≤ 9.5%	8.6%	9.0%	9.0%
Complete Capital Budget Projects	96%	97%	97%
Number of Workers Compensation Claims	8	8	6
Replace 2-inch Galvanized Pipe (Feet)	15,800	16,000	16,000
Inspect Valves for Operability	14,598	9,642	771

Distribution - Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	8,363,961	9,192,886	10,227,714
Materials, Supplies, and Maintenance	2,681,153	3,212,276	3,173,060
Electric and Other Utilities	60,281	127,500	123,500
Contract Services	605,939	743,889	650,477
MWM Transition Costs	—	21,200	15,000
Total Expenses	11,711,334	13,297,751	14,189,751
Total Capital Expenditures	3,896,765	3,431,000	4,330,000
Total Distribution	15,608,099	16,728,751	18,519,751

ENGINEERING DEPARTMENT



Departmental Staff by Year



ENGINEERING DEPARTMENT

The Engineering Department oversees the engineering, development, review, and management of all treatment, pumping, storage, and distribution improvements and the approval of residential, commercial, and large volume requests for services. The department also maintains vigilance within the service area to protect the system from contamination from backflow or cross-connections.

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 revises the Water Utility Master Plan to address and meet the growing and ever-changing dynamics of the CAW system. This section also continually reviews and modifies 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 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.

The CCCP section monitors CAW customer compliance with Arkansas Department of Health requirements concerning prevention of contamination of the system through real or potential cross-connections or backflow. The program maintains an extensive database of customer accounts, backflow requirements, and testing updates.

The New Service Section maintains information concerning water service availability and receives and processes requests for service from new customers to the CAW system. This section is highly-interconnected with the Customer Service Information System, Cityworks work-order system, GIS mapping computer systems, and various Engineering Department databases.

The Regionalism & Future Water Source Section serves as the Utility's 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.

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.

2016 Accomplishments

The MWM/CAW Merger Agreement requires the construction of a 30-inch transmission main connecting CAW’s existing facilities to the Maumelle service area. CAW worked closely with Hawkins-Weir Engineers, Inc. to develop a conceptual design and estimate the cost of the transmission main and other capital improvements needed to merge the two systems.

The Engineering Department completed a new water booster pump station capable of providing 2,000 gallons per minute of treated water into the North Little Rock High Pressure Zone. This station was needed to provide capacity to a high growth area.

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.

2016 Accomplishments

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. The request is under review, with the purchase expected to be completed in early 2018.

The ongoing water right study and corresponding agreement for water storage from Lake Ouachita by MAWA is expected to be executed in 2017.

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

2016 Accomplishments

Replaced approximately 30,625 linear feet of galvanized, asbestos-cement, and cast iron pipe through the combination of contracted work (14,625 linear feet) and work performed in-house by the Distribution Department (16,000 linear feet).

Galvanized, asbestos-cement, and cast iron pipe contribute to the majority of spontaneous water main failures in the CAW system.

Objective 4: Replace 20,000 linear feet of galvanized pipe annually.

2016 Accomplishments

Working in cooperation with Distribution, the Utility projects to replace approximately 21,890 linear feet of galvanized pipe through the combination of contracted work (5,890 linear feet) and work performed in-house by the Distribution Department (16,000 linear feet).

Other 2016 Accomplishments

In 2016, the Engineering Department reviewed approximately 30 street and drainage projects initiated by the Arkansas Highway and Transportation Department, Pulaski County Public Works, and the Cities of Little Rock, North Little Rock, Sherwood, and Maumelle. Several of these proposed improvement projects were found to require relocation of CAW water lines. The Engineering Department designed and contracted six capital projects and managed thirteen projects constructed by CAW crews for water line relocations in 2016. While relocations do result in new infrastructure installation, these projects are not dictated by CAW system needs or by pipe that is past its useful life. Therefore, these mandatory projects compete for limited capital funds that could otherwise be used for replacing aging infrastructure that is past its useful life or that has a chronic history of spontaneous leaks or breaks. The Utility was able to accommodate a portion of these relocations in 2016 using excess working capital funds which were allocated to a number of relocation projects starting in 2015.

Engineering completed a feasibility study for using raw water from the Arkansas River as an emergency water supply. This study was a recommendation of the Vulnerability Assessment completed in 2014-2015. The study evaluated both the quantity of water available in the river for emergency, identified a preferred location for withdrawal, and estimated costs of transporting water from the intake site to the treatment plants.

Engineering designed and managed the conversion of the service area around the Sylvan Hills High School from a low pressure zone into the adjacent higher pressure zone, alleviating low pressure and low fire flow conditions in the area.

2017 Goals

Engineering plans to oversee the replacement of approximately 30,000 linear feet of old, high maintenance galvanized, asbestos-cement, and cast iron pipe in 2017. Approximately one-half of this footage will be replaced through contracted capital jobs, and the second half will be replaced by the Distribution Department.

Approximately 30 street, road, and drainage improvement projects initiated by the Arkansas Highway and Transportation Department and the cities of Little Rock, North Little Rock,

Sherwood, and Maumelle will be reviewed with design of water facility relocations required on many.

Replacement of the Broadway Street Bridge crossing the Arkansas River is currently in process by The Arkansas State Highway and Transportation Department. CAW has a 16-inch water transmission main attached to the existing structure that will be replaced with a 20-inch steel pipe as part of the project. Work on the new bridge and transmission main will begin in late 2016 and is expected to be completed before the end of 2017. The Engineering Department will be monitoring and inspecting the water line work in conjunction with the Highway Department.

Engineering will be managing the design of the Wilson Plant High Service Pump Station #1A Improvements project and the Ozark Point Plant Rehabilitation and Improvements project. Both of these projects are scheduled to be designed by the selected consulting engineers during 2017. Engineering will also manage the 2017 construction of the 5.5 mile long, 30-inch transmission main that will be constructed to serve the City of Maumelle service area, newly merged into CAW in early 2016.

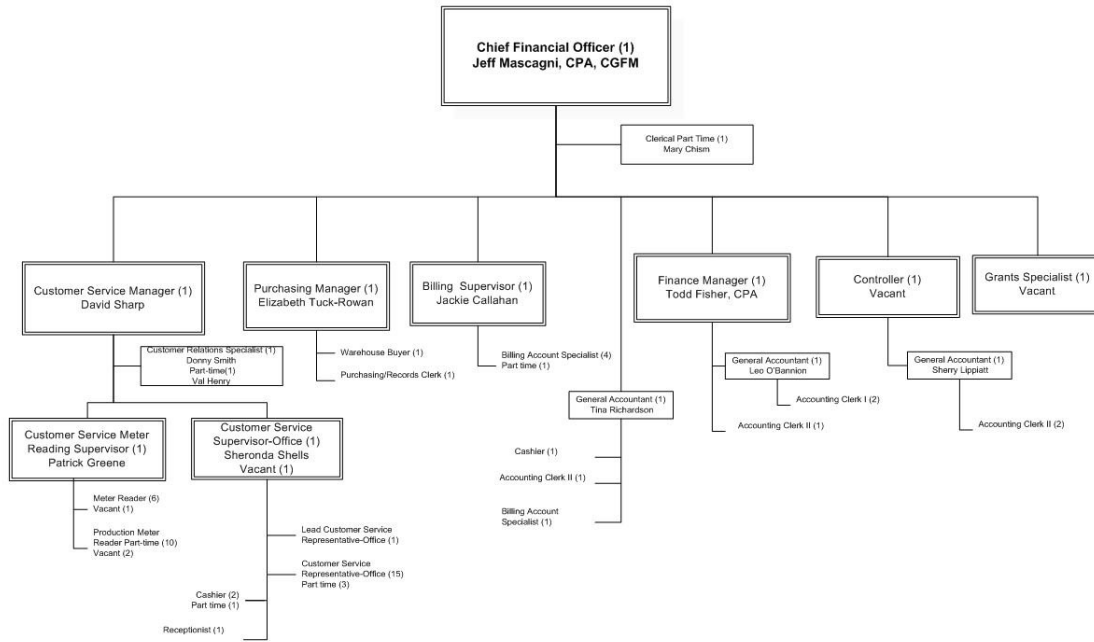
Performance Measures	2015 Actual	2016 Estimated	2017 Budget
Galvanized, Asbestos Cement, and Cast Iron Pipe Replacement (linear feet)	21,670	30,625	30,000

Engineering – Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	1,606,270	1,717,784	1,826,337
Materials, Supplies, and Maintenance	53,855	77,060	73,460
Electric and Other Utilities	3,375	5,760	5,760
Contract Services	30,957	41,939	36,296
Total Expenses	1,694,457	1,842,543	1,941,853
Total Capital Expenditures	8,661,212	11,478,000	15,904,000
Total Engineering	10,355,669	13,320,543	17,845,853

FINANCE & CUSTOMER SERVICE DEPARTMENT

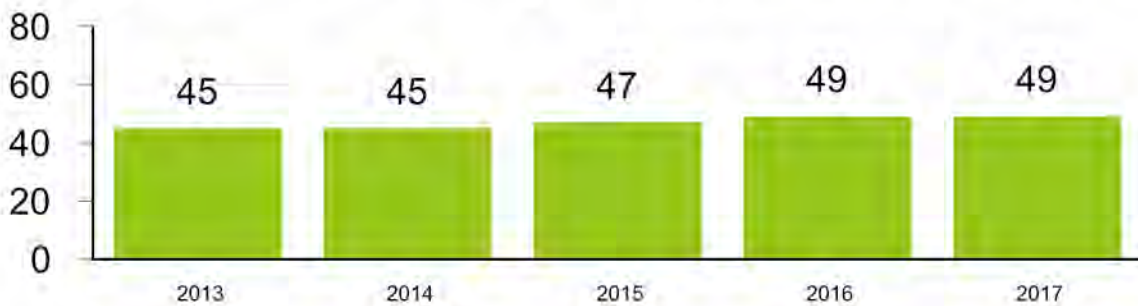
Effective: January 1, 2017



Departmental Staff by Year - Finance



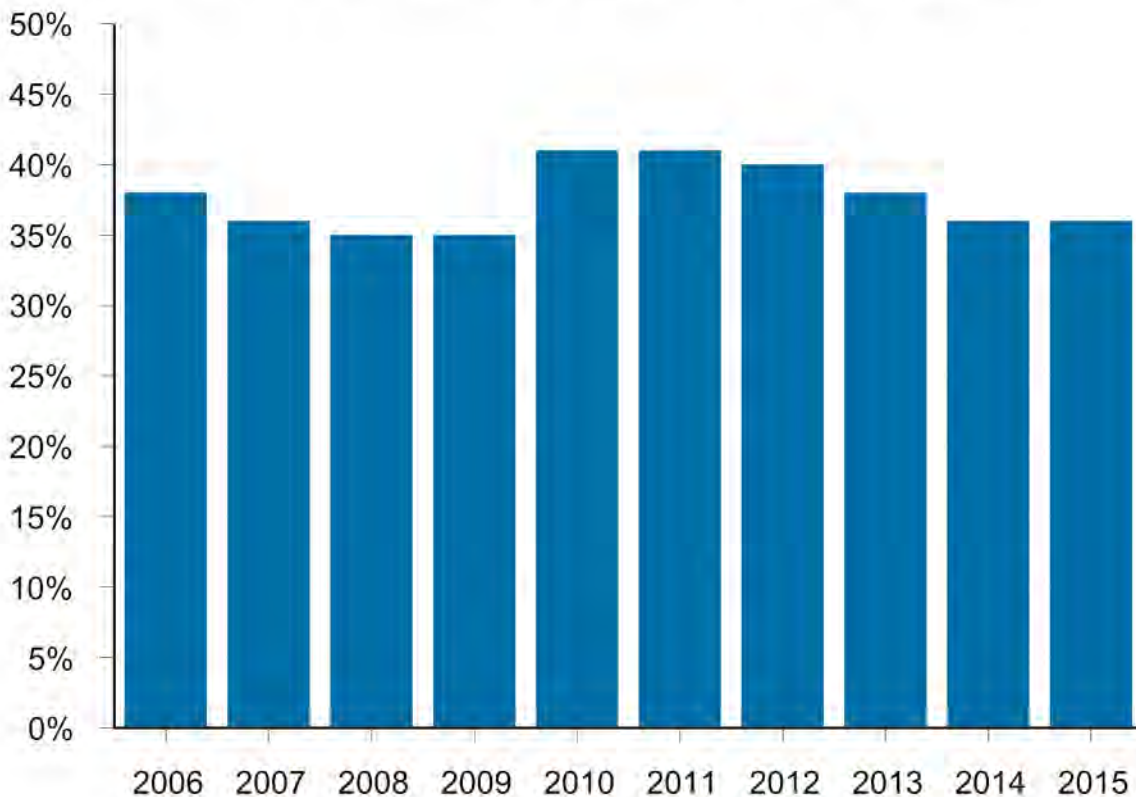
Departmental Staff by Year - Customer Service



FINANCE & CUSTOMER SERVICE DEPARTMENT

The Finance & Customer Service Department is the Utility's business operations center. The department includes multi-disciplined and cross-functional teams of professionals involved in accounting, finance, billing, customer service, and purchasing. The department's combined 73 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 133,000 metered accounts, 15 billing partners, and monthly billings that collectively total over \$150 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, customer relations, utility-wide purchasing, remittance processing, credit and collections, rate-making, call center operations, cashiering and pay agents, investments, bond-issue preparation, banking relationships, business insurance coverage, and risk management.

Mission

The Finance & Customer Service 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:	Customer Satisfaction
Goal:	To provide customer service that exceeds expectations

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

2016 Accomplishments

As of August 1, 2016, the year-to-date abandoned call percentage stood at 4.37%. While just short of the 4% goal, this year's abandoned call percentage represents a significant improvement from 2015 when CAW ended the year with a 6.54% abandonment rate. The improved performance can be attributed to several factors, but lower employee turnover and the resulting increase in individual employee experience was the most significant. The Call Center was fully staffed at the end of July; abandonment rate for the month was 2.69%.

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

2016 Accomplishments

Abandonment percentages and average answer times are closely related metrics. Through August 1, 2016, average answer time for the year was just over 50 seconds, compared to 65 seconds for all of 2015. An answer time of 30 seconds or lower should yield a drop call of 3% or less. Again, with a full staff, CAW was just short of this goal in July, which had an average time of 32.75 seconds.

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 second Thursday of each month for the previous month's activity

2016 Accomplishments

Finance consistently met this goal during 2016, providing the financial reports by the target deadline.

Objective 2: Receive the GFOA Distinguished Budget Award

2016 Accomplishments

Finance met this goal again in 2016, receiving the GFOA Distinguished Budget Award for the seventh consecutive year.

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

2016 Accomplishments

In 2015, CAW received the GFOA Certificate of Achievement for Excellence in Financial Reporting for the seventh consecutive year.

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

2016 Accomplishments

Despite delays in APERS distribution of data for compliance with new Governmental Pension Reporting Requirements (GASB 68), Finance met this goal once again in 2016. The 2015 CAFR was approved by the Commission April 14th, 2016.

Objective 5: Maintain stabilized net revenue bond coverage at or above Commission target (currently 190%)

2016 Accomplishments

Finance has met this goal each of the last seven years. The 2017 Financial Plan maintains net revenue coverage at this target.

Objective 6: Maintain days cash on hand at or above 175 days

2016 Accomplishments

CAW has maintained days cash on hand at or above 175 days continuously since 2010. CAW is projected to end 2016 with 211 days cash on hand and is budgeted for 194 days cash on hand to end 2017.

Objective 7: Maintain debt utilization at or below AWWA benchmark (currently < 32%)

2016 Accomplishments

CAW has continuously maintained a debt utilization ratio well below this benchmark over its history. This continued in 2016 with a projected debt utilization of 26.3%.

Other 2016 Accomplishments

The consolidation with MWM added approximately 7,500 new customer accounts to Customer Service operations. CAW staff worked closely with MWM employees in preparation for and after the March 1, 2016 consolidation date. Staff trained MWM employees on CAW work processes and guidelines, and provided support at the MWM office during the first three months of billing when large numbers of MWM customers called with questions about new rates or the consolidation in general.

The Utility continued to market and promote enrollment in paperless billing and use of improved online account management features. As of August 1, 2016, over 11,500 customers were enrolled in paperless billing; that represents a 5,000-customer increase from the same time last year. Customer Service worked with our Sustainability Committee to initiate a Paperless Contest among staff to encourage additional customer enrollment over the summer.

In June 2016, CAW started receiving payments by text through its third party payment processor, Invoice Cloud. This new text payment option is especially attractive to millennial customers.

CAW upgraded the telephone system used in the call center. The new system offers expanded functionality that allows better contact with customers and improved reporting features. The new reporting features enable supervisors and team leads to share performance metrics with individual staff members on a much more timely basis.

The Utility issued \$17,860,000 Water Revenue Bonds to refund Series 2007 and 2011B Bonds, saving approximately \$3.32 Million over the life of the new debt.

Finance, Distribution, and Engineering staff reviewed and updated the insurance values assigned to assets acquired in the MWM merger for inclusion on CAW's insurance policies. Finance staff is in the process of working with MR Valuation Consulting, LLC to review and

update insurance values assigned to assets at Lake Maumelle, Lake Winona, and the treatment plants.

Finance managed the financial aspects of all system mergers and acquisitions in 2016. In March 2016, CAW merged with MWM. This merger included the issuance of \$22,750,000 of Water Revenue Bonds to finance the retirement of existing MWM debt and to fund capital expenditures required to connect the MWM service area to the CAW distribution system and to upgrade a number of MWM infrastructure components. Long-term Debt Surcharges currently being assessed on accounts in the MWM service area are pledged to the repayment of these bonds. Finance is currently assisting with the transition from the MWM billing system to CAW's EnQuesta billing system. This transition is targeted to occur in late December 2016 or early January 2017.

Finance streamlined and standardized a number of processes in 2016, including improving the compilation of 2017 budgetary information utilizing a shared workflow utility. This system is anticipated to greatly improve the efficiency and consistency of the Financial Plan document creation process.

2017 Goals

Currently, CAW continues to operate MWM's customer service center in Maumelle and bill Maumelle customers on a stand-alone customer information system CAW inherited with the consolidation. In 2017, the Utility will close the Maumelle office and move all former MWM customers to CAW's customer information system, enQuesta. Finance & Customer Service staff will be actively involved in planning and executing a successful transition.

For the upcoming year, Customer Service will strive to consistently meet the department call abandonment goal of 4%. Customer Service will also pursue additional metrics to better assess customer satisfaction levels and first call resolution.

In 2015, CAW initiated an effort to replace its outdated touch-read meter reading system used on meters that are difficult to access. The touch-read system installed in 2001 is no longer supported and has been replaced with much-improved automated meter reading (AMR) technologies. CAW continued to replace individual touch-read units in 2016 and plans to complete all work in 2017.

A Customer Service Lead Representative position was added in 2016 and played an important role in improved call center performance, particularly in the areas of training and supervisory assistance. Customer Service plans to continue evaluating restructuring opportunities in 2017.

Finance will undertake a number of special projects in 2017 to improve overall financial services for the Utility. Finance, in coordination with Information Services, will implement a replacement to our budgeting and reporting software to improve the efficiency of the budgeting process and to greatly improve the financial and operational reporting capabilities of the Utility. Report options such as dashboards accessible via the CAW intranet are anticipated improvements available with updated reporting solutions.

Performance Measures	2015 Actual	2016 Estimated	2017 Budget
Abandoned Calls Percentage	6.54%	4.37%	<4.00%
Average Call Answer Time (in seconds)	65	52	40
Paperless Customers	8,565	13,000	17,500
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	2.02	1.96	2.88
Days Cash on Hand	293	211	194
Debt Utilization	23.90%	26.30%	26.10%

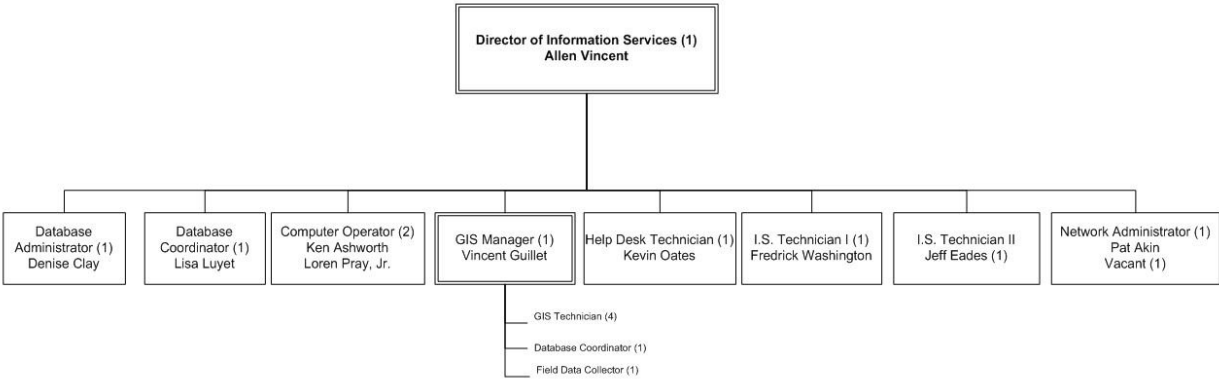
Finance - Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	2,587,577	2,902,105	3,199,235
Materials, Supplies, and Maintenance	813,854	915,496	937,535
Electric and Other Utilities	104,659	123,736	114,736
Contract Services	854,108	1,068,746	1,051,692
MWM Transition Cost	—	85,302	15,000
Depreciation	11,246,626	12,491,874	12,414,266
Other	335,000	338,000	337,992
Total Expenses	15,941,824	17,925,259	18,070,456
Total Capital Expenditures	—	—	50,000
Total Finance	15,941,824	17,925,259	18,120,456

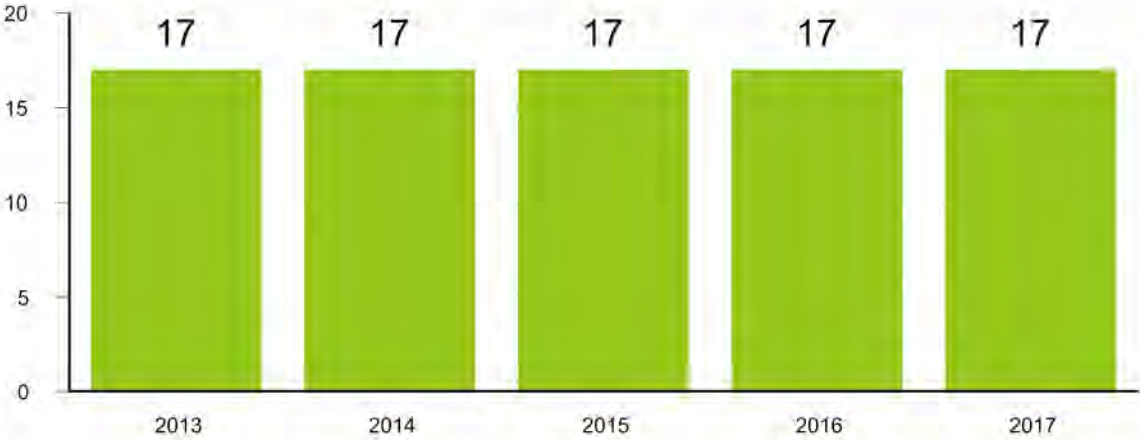
Customer Service - Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	2,532,533	2,851,114	2,916,414
Materials, Supplies, and Maintenance	93,385	110,650	38,640
Electric and Other Utilities	15,294	17,500	1,440
Contract Services	21,724	68,883	47,410
Other	—	—	—
Total Expenses	2,662,936	3,048,147	3,003,904
Total Capital Expenditures	152,243	230,000	222,000
Total Customer Service	2,815,179	3,278,147	3,225,904

INFORMATION SERVICES DEPARTMENT



Departmental Staff by Year



INFORMATION SERVICES DEPARTMENT

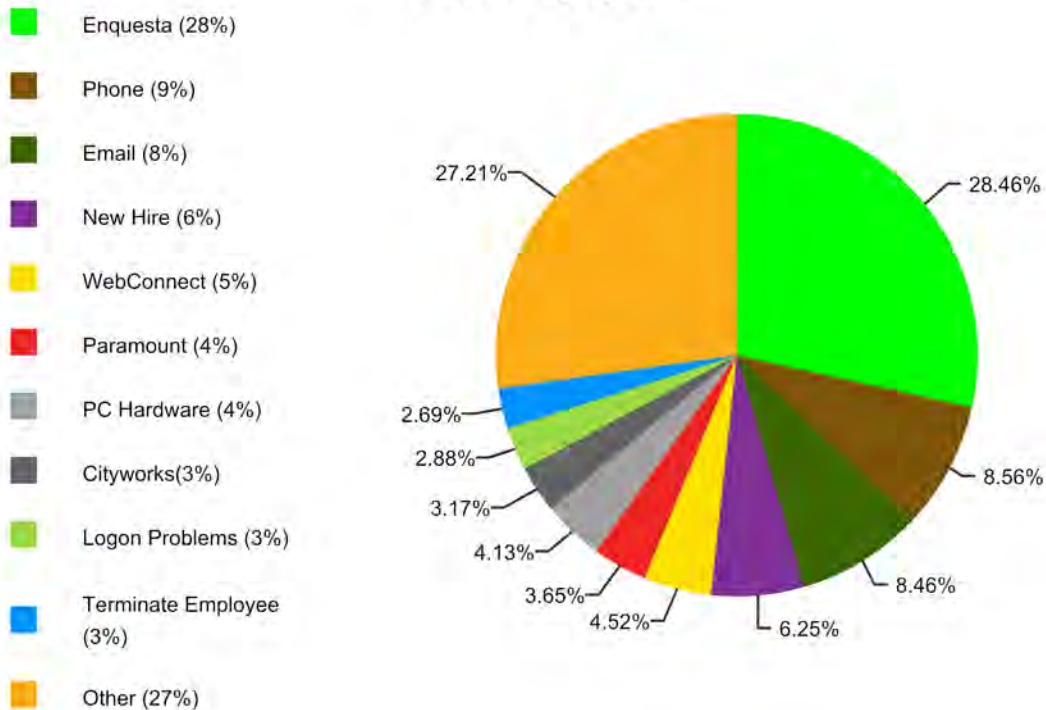
The Information Services Department maintains the computer hardware, software, and other electronic infrastructure that is necessary to support the day-to-day and mission-critical operations of the Utility. There are thousands of computer systems in place and hardware devices that make up CAW's Wide Area Network (WAN) 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. The department also researches, evaluates, and implements emerging technologies and approaches in order to improve technological automation of the Utility and translate these investments into increased efficiency and productivity for all areas of operations.

2015 Help Desk Tickets



Tickets By Type



Mission

The Information Services Department provides the Utility with leading-edge electronic infrastructure that ensures constant reliability and security for core elements of the Utility's operations.

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: MWM - Billing

2016 Accomplishments

In January 2016, testing started with applying the CAW surcharges to Maumelle customer's bills along with adding the North Little Rock Sewer charges. The CAW charges went live March 2016, and the NLR Sewer charges went live the following month. Prior to these charges being added, the MWM water bill was redesigned to reflect both charges. Testing continued for the next three months to ensure proper billing.

Objective 2: MWM - Data Conversion and Systems Integration

2016 Accomplishments

In May 2016, the GIS section completed the conversion of MWM linear and vertical asset data to CAW standards. While performing the initial field inspection of the MWM distribution system, CAW Distribution field crews used GPS to map and collect attributes on over 885 hydrants, 1,425 valves, and 9,845 meter boxes. The GIS section integrated the data into the master enterprise GIS database by scanning and cross-referencing over 185 as-built drawings and other plans. This allowed the team to map the entire MWM distribution network containing more than 110 miles of water mains with a very high degree of accuracy in a very short period of time. Many other features were mapped and cataloged during this effort including easements, land records, and vertical assets such as pump stations, tanks, wells, and the MWM treatment facility. The GIS section also ran quality control procedures to ensure that the service addresses in the MWM billing system were updated and matched to the master address database maintained by the Pulaski Area GIS (PAgis).

Objective 3: GPS Fleet Tracking System Implementation and System Integration

2016 Accomplishments

In October 2016, the GIS Section completed the implementation of a system to track over 50 vehicles in the CAW fleet. Each vehicle is outfitted with a GPS receiver that is constantly transmitting the vehicle's location, idle time, speed, and many other bits of data. Each vehicle can be viewed in real-time on any computer or mobile device that is accessed by authorized CAW users. This allows executives, managers and dispatchers to have a live view of where field technicians are at any given time in CAW's service territory. Since the system is integrated with CAW's GIS maps, the vehicle positions can be compared for proximity to work requests, customer needs, and emergency response. The data is continually analyzed by cloud-based computers so managers can be alerted about activities such as speeding, harsh driving, vehicles inside or outside of designated areas, and/or excessive idling. Reports can be generated on-the-fly, or emailed on a schedule, that detail a driver's performance, track fuel economies, and number of stops, along with many other variables. There is also a play-back function to allow a user to view a simulation of a vehicle as it has traveled over a period of time.

Objective 4: Transition Field Crews to Tablets and Provide Real-Time Work Order Processing

2016 Accomplishments

A significant effort has been given this year to system upgrades in order to facilitate the transition from laptops to tablets. Tablet devices will allow our field crews to process work orders in Cityworks over a cellular network in real-time. Staff has installed, configured, and tested two new versions of the Cityworks and GIS software. Many of the business processes that are currently in place will be impacted by the transition to mobile devices. Therefore, each workflow process must be reviewed, restructured, and tested prior to training and implementation. System administrators are working with software developers to migrate several custom, legacy GIS mapping tools from the current desktop environment to the new mobile paradigm. A mobile device management system (MDS) has been implemented to track, manage, and automate setup and configuration for over 50 mobile devices. We expect to more than double the number of mobile devices which have to be managed by IS staff over the next two years as laptops are replaced by tablets.

Objective 5: New Phone System - Lake Maumelle

2016 Accomplishments

The old phone system at Lake Maumelle, which was over 10 years old, could only be changed by a few experienced vendors which was getting harder to find. This system was replaced with a Cisco VoIP phone system that is similar to the system CAW has throughout the utility. Moves/Adds/Changes can be made from anywhere within the CAW network.

2017 Goals

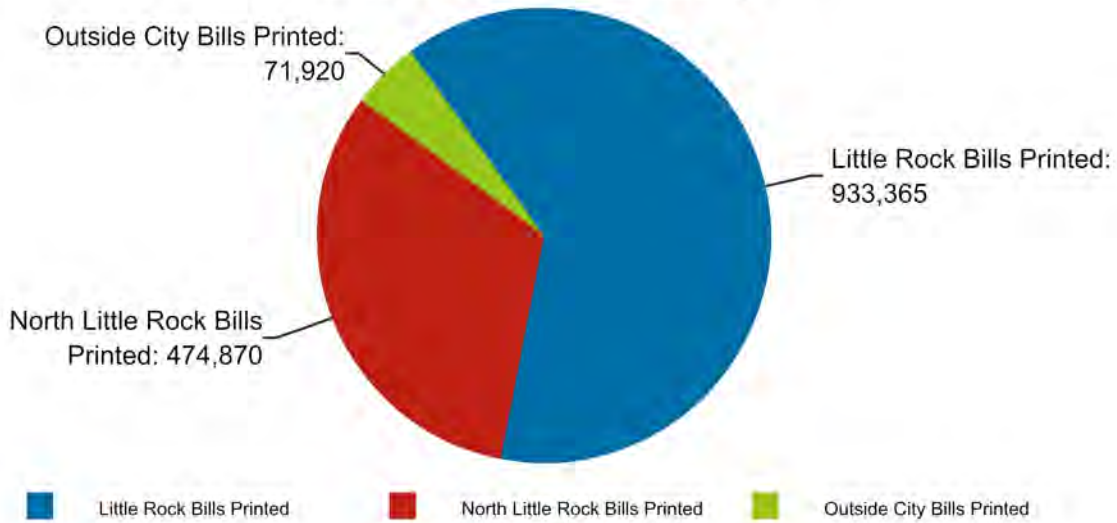
Beginning In late 2016, IS will begin converting Maumelle customer data from their current billing system CUSI to CAW's billing software, enQuesta. This conversion will allow CAW to move all MWM customer service operations to the JTH Administration Building and close MWM's administration office located in Maumelle.

During 2017, the department will conduct an IT Master Plan, which will include an assessment of the current EnQuesta billing system and provide direction on a new system if one is deemed necessary. CAW's last IT Master Plan was prepared in 2006.

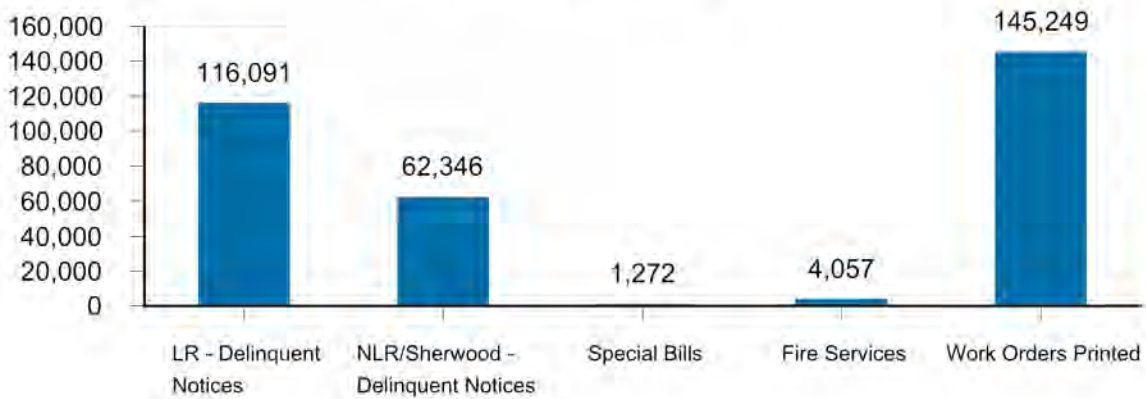
In 2017 IS also plans to implement a mobile computing environment that will allow our users to securely access more corporate data resources in real-time. The GIS servers, existing custom map tools, and Cityworks work management system will be upgraded to versions that enable mobile based web applications. The mobile operating environment will eliminate the need to import/export data that field technicians currently must perform twice a day. This will save staff time and make operations more efficient. Real-time data

transfer will also allow work to be assigned, routed, completed, and reviewed at any time from any secured, approved CAW device.

Bills Printed Annually



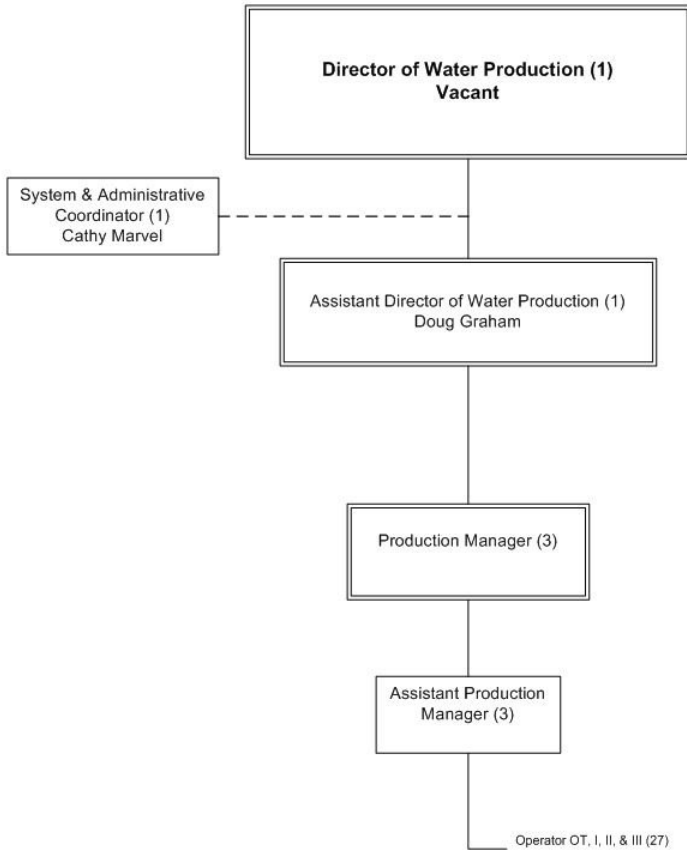
Non-Bill Printings



Information Services - Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	1,701,645	1,698,874	1,731,745
Materials, Supplies, and Maintenance	975,174	991,583	1,013,985
Electric and Other Utilities	358,255	431,550	467,900
Contract Services	15,139	15,000	18,635
Total Expenses	3,050,213	3,137,007	3,232,265
Total Capital Expenditures	153,257	170,000	640,000
Total Information Services	3,203,470	3,307,007	3,872,265

WATER PRODUCTION DEPARTMENT



Departmental Staff by Year - Water Production



Water Production Department

The Water Production Department of the Utility monitors and operates the water treatment and delivery facilities, ensures cost-effective performance in all facets of operation, and maintains awareness of water quality information, regulations, and operational technology development. The treatment plants produce an average of 62 million gallons of potable water per day, with a peak daily level of 126 million gallons on July 30, 2012. On March 1, 2016, CAW incorporated MWM into its treatment operations. This included the addition of a water treatment system with 13 wells as the source water and operating personnel. On a day-to-day basis, the section manages and administers operations of the treatment plants, distribution system pumping stations, storage tanks, and SCADA system. All staff members, with the exception of three, are required to obtain a State of Arkansas Water Operator's License. Supervisory and some additional operating staff also hold wastewater licenses from the Arkansas Department of Environmental Quality (ADEQ) for discharging water through a regulated discharge site with a National Pollutant Discharge Elimination System (NPDES) permit.

Water Production's responsibilities include operation of the Jack H. Wilson and Ozark Point treatment plants and high-service pumping stations; operation of the distribution system booster pumping stations, storage tanks, and intersystem valves; compliance with the Safe Drinking Water Act (SDWA); and the monitoring and treatment of NPDES permitted waste discharges.

EUM Attribute:	Product Quality
Goal:	Provide an uninterrupted supply of high quality potable water that meets or exceeds all Safe Drinking Water Act (SDWA) regulations.

Objective 1: Maintain 100% SDWA compliance

2016 Accomplishments

Through continued monitoring and operation of treatment processes, the distribution system, and other Utility facilities, CAW maintained 100% SDWA compliance through August 8, 2016, and does not foresee any issue that would cause the Utility to deviate from this compliance trend.

Objective 2: 99.8% of monthly filtered water compliance monitoring samples \leq 0.3 Nephelometric Turbidity Units (NTUs); NTUs is measurement of water clarity.

2016 Accomplishments

Through continuous monitoring of raw water quality and the treatment process, the department has successfully managed both the Jack H. Wilson and Ozark Point Plants to remain in 100% compliance for turbidity limits identified above through August 8, 2016. The Department does not foresee any issue that would cause the Utility to deviate from this compliance trend.

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

2016 Accomplishments

The results of a Comprehensive Performance Evaluation (CPE) completed in partnership with the Arkansas Department of Health were finalized in January 2015. The evaluation identified a number of opportunities to optimize treatment system operations to allow CAW to meet stretch goals that are beyond those required by regulations, including the stretch goal of Objective 3. Department staff began implementation of recommendations from the evaluation, including piloting the use of a catalyst to evaluate if this change could improve flocculation and settling of solids, ultimately reducing finished water turbidity.

Other 2016 Accomplishments

CAW joined the Partnership for Safe Drinking Water in 2015 as part of the Utility's continued commitment to provide the highest quality water to customers. The mission for the Partnership is to improve the quality of water delivered to customers by optimizing water system operations. This Partnership has resulted in a more proactive direction toward managing overall system operations, taking a holistic approach instead of silos of raw water supply, treatment, and distribution of water to our customers. Staff continues to evaluate additional methods to enhance performance and improve the longevity of the granular activated carbon caps at Ozark Point. Field chlorine monitors and additional calcium hypochlorite feed equipment have been evaluated for implementation in 2017.

2017 Goals

In 2017, the Production Department will continue work on the goal of enhancing operations through optimization of treatment processes, system operation, system enhancements and personnel training. The department will undertake additional training as well as more advanced training for operators and other personnel in order to realize additional efficiencies in operations as we look to manage the different areas of the Water Production Department. The department will also continue to identify strengths that can be improved upon and opportunities for change that will result in a more efficient operation. Specifically,

a SCADA HMI upgrade is scheduled to be completed in 2017, providing staff enhanced ability to operate, respond, log, retrieve, and view data for operating and compliance.

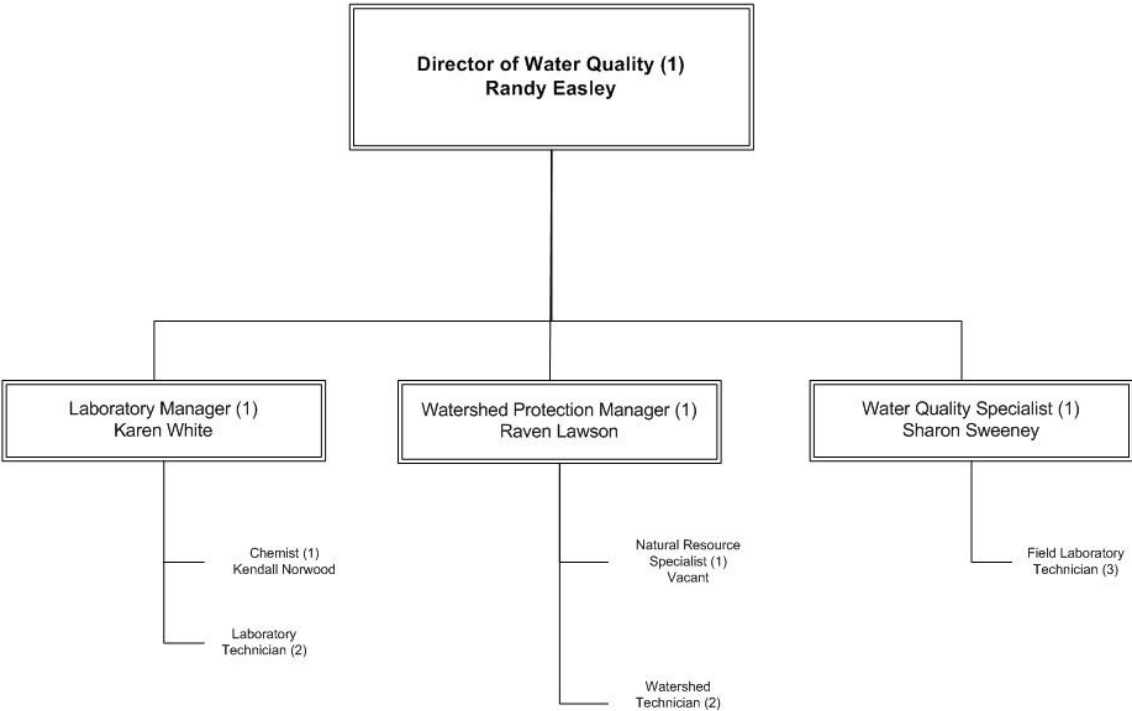
Performance Measures	2015 Actual	2016 Estimated	2017 Budget
100% SDWA Compliance	Yes	Yes	Yes
Months 100% of Filtered Turbidity ≤ 0.3 NTUs – Wilson Plant	12	12	12
Months 100% of Filtered Turbidity ≤ 0.3 NTUs – Ozark Point Plant	12	11	12
Months 95% of Filtered Turbidity ≤ 0.1 NTUs –Wilson Plant	9	10	12
Months 95% of Filtered Turbidity ≤ 0.1 NTUs – Ozark Point Plant	4	9	12
≤ 80% of All MCL	Yes	Yes	Yes

Water Production – Expenditure Summary

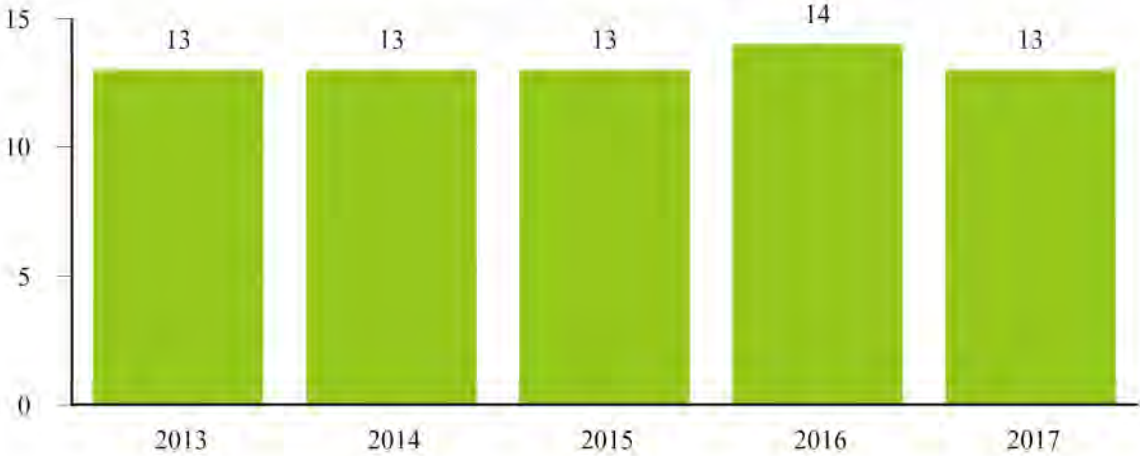
	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	\$ 2,403,000	\$ 3,077,821	\$ 3,258,373
Materials, Supplies, and Maintenance	232,203	391,736	363,675
Electric and Other Utilities	3,681,777	3,990,560	3,915,164
Contract Services	18,076	43,342	132,413
Chemicals	1,355,080	2,752,150	2,040,169
Total Expenses	7,690,136	10,255,609	9,709,794
Total Capital Expenditures	370,627	1,140,000	985,000
Total Water Production	\$ 8,060,763	\$ 11,395,609	\$ 10,694,794

WATER QUALITY DEPARTMENT

Effective: January 1, 2017



Departmental Staff by Year - Water Quality



Water Quality Department

The Water Quality Department encompasses the Utility's work related to watershed management, watershed stewardship, and water quality monitoring. The department oversees all sampling and laboratory operations including an Arkansas Department of Health certified bacteriological lab. The Watershed Management Program is the Utility's source water protection program for its two water supply reservoirs, Lake Maumelle and Lake Winona. The Program's goals are to protect, restore, and enhance the natural environment of these two reservoir's watersheds through 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 activities of the Watershed Management Program ensure CAW is cognizant of and attentive to the impacts its watershed decisions have on current and long-term watershed health. Major responsibilities of the Program include: managing and monitoring water resources, managing and monitoring utility-owned forested and non-forested lands, managing and monitoring recreation uses and use areas, managing and inspecting landscape-scale impacts and opportunities, promoting and conducting education and stewardship initiatives for homeowners and private landowners, and promoting and conducting watershed and utility-specific education and outreach.

CAW ensures high quality water at the customer's tap through a robust water quality monitoring program for both lakes, select tributaries, water treatment, and delivery systems. CAW conducts targeted studies initiated within the various elements of the system in order to better understand and assess water quality and implications for management and treatment. Water Quality staff also respond to customer concerns regarding water quality by providing information over the phone and by collecting samples when warranted.

The analytical laboratory serves a support role to the entire Utility. Through detailed analyses for a wide range of chemical and physical parameters in samples obtained both from the environment and CAW's treatment and distribution system, the laboratory provides sound data that serves as the basis for evaluating drinking water quality compliance, watershed and source water health, treatability, and long term monitoring initiatives. Assessment of water quality data assures the entire CAW system meets regulatory compliance, protects public health, and prevents nuisance episodes related to taste, odor, water age and discoloration.

Mission

The Water Quality Department protects public health and promotes the economic vitality of Central Arkansas by providing customers uninterrupted service of high-quality drinking water that meets all Federal and State water quality regulations.

EUM Attribute:	Product Quality
Goal:	Provide an uninterrupted supply of high quality potable water that meets or exceeds all Safe Drinking Water Act (SDWA) regulations.

Objective 1: Maintain SDWA regulated contaminant levels \leq 80% of allowable Maximum Containment Level (MCL)

2016 Accomplishments

The continued monitoring, evaluation, and modification of operational elements associated with the granulated activated carbon caps at the Ozark Point Plant in order to optimize the filtration process and address a wide variety of contaminants continues. The biologically active filter caps have increased the useful life of the filter carbon caps as well as helped to better control the formation of DBPs.

Objective 2: 100% monthly water compliance monitoring samples with Total Coliform Monitoring Rule (TCR)

2016 Accomplishments

Staff reviewed the location and status of bacteriological monitoring sites for TCR compliance monitoring and received ADH approval to install 12 dedicated sampling stations in 2016. Dedicated sampling stations will provide more consistent compliance monitoring data.

Objective 3: Continue land acquisition per Watershed Management Plan to provide greater source water protection

2016 Accomplishments

Using the 2015 staff-developed evaluation matrix for property acquisition (for evaluating and ranking properties for purchase), in 2016, staff has evaluated (to-date) over 500 acres, on six properties, for potential purchase. Acquisitions of several of these properties will take place prior to December 31, 2016. In partnership with the Arkansas Forestry Commission, CAW submitted a Forest Legacy grant application to the U.S. Forest Service (USFS) for the purchase of 138 acres in the Reece Creek drainage area.

Objective 4: Maintain or increase Lake Water Quality Monitoring

2016 Accomplishments

Under an ongoing agreement with U.S. Geological Survey (USGS), long term, ongoing water quality and flow monitoring continues for Lake Maumelle and its tributaries. As a part of the program, staff contributed \$22,500 of in-kind services

for work associated with the 2016 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.

In partnership with the University of Central Arkansas, CAW initiated additional biological monitoring of the Maumelle River in an effort to provide better understanding of the health of the watershed and evaluate current Program projects and activities. This monitoring will help in watershed and water quality management decisions.

Objective 5: Comprehensive Ecology Management

2016 Accomplishments

Reforestation of 140 acres on the former Winrock Grass Farm took place in February 2016. This reforestation effort resulted in more than 44,000 trees of 13 different species being planted in critical, water quality protection areas of the watershed along the Maumelle River.

A prescribed burn was conducted on approximately 225 acres in the Lake Maumelle watershed in the spring of 2016. The use of prescribed fire improves water quality by reducing the amount of decaying woody debris and increasing the herbaceous understory filter, as well as a number of other benefits including reducing the risk of catastrophic wildfire; improving forest resiliency to drought, disease, and pests; and enhancing wildlife habitat, species diversity, and recreational opportunities.

As part of the overall management strategy for Lake Maumelle, Lake Winona, and adjacent CAW-owned property, CAW contracted with the Kleinschmidt Group to develop a Recreation and Decision Making Framework. The framework will provide a consistent process for evaluating current, proposed, and potential future recreation opportunities in the watersheds, and responding to future requests for recreation in these areas.

In partnership with the University of Central Arkansas, CAW initiated additional monitoring of CAW-owned watershed properties in an effort to better understand the health of the watershed, evaluate current Program projects and activities, and provide baseline data and information for potential future management efforts. Ecological Timber Thinning on over 400 acres along the north shore of Lake Maumelle took place in 2016. This strategic thinning practice allows for additional sunlight to reach the forest floor and reduces the competition for water and nutrients among critical native plant and tree species. Under these conditions, the native forest understory and remaining healthy trees grow a

better root system creating a natural filter for runoff and better stability for soils which would otherwise release sediment and nutrients into the watershed tributaries and/or Lake Maumelle.

CAW submitted to be a project sponsor for a Corps Section 206 Project to restore and enhance hydrological flow and stability through the section of the Maumelle River transecting the former Winrock Grass Farm (WGF). The hydrology flows of the Maumelle River through the property have been altered over the years with man-made low water crossings, construction of a levee system, and side-channel cut-offs to provide water supply for irrigation and control flooding. These physical alterations have induced a variety of impacts to both water quality and the ecosystem over time. Enhancing and restoring these systems is part of a larger restoration and management plan for the WGF.

Other 2016 Accomplishments

CAW joined the Partnership for Safe Drinking Water in 2015 as part of the Utility's continued commitment to provide the highest quality water to customers. The mission for the Partnership is to improve the quality of water delivered to customers by optimizing water system operations. This Partnership has resulted in a more proactive direction in the treatment and system operations as we have begun to move toward managing the overall operation taking a holistic approach instead of silos of raw water supply, treatment and supplying water to our customers.

2017 Goals

Water Quality Department will continue to build relationships with local, state and Federal agencies, and non-governmental organizations to advance CAW's water quality goals. Existing relationships have led to additional project funding, enhanced public education and outreach, completion of wildlife surveys, and technical assistance for forest management. As part of managing the distribution system for improved water quality, we plan to install field equipment to help better monitor and control chlorine residual levels and reduce DBPs.

In order to enhance the Utility's conservation management objectives, staff will continue the long-range plan for forest management, building off of the existing fire management plan and silviculture plans completed in 2013 and 2014. These plans, in combination with the recreation management plan and watershed management plan, will create a road map for management activities, as well as enhance budget planning.

Staff will continue to focus on increasing property holdings and easements in key watershed areas and building and retaining partnerships essential for success of the Program's objectives. Water Quality Department will continue to add and enhance biological monitoring efforts. Monitoring of biological indicators 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.

Staff will also continue to find and implement creative strategies for watershed management and water quality enhancement through active management approaches; increased monitoring efforts; strategic education and outreach events and publications; and by seeking unique opportunities for funding projects that are congruent to the mission and goals of the department and Utility.

Performance Measures	2015 Actual	2016 Estimated	2017 Budget
100% SDWA Compliance	Yes	Yes	Yes
≤ 80% of All MCL	Yes	Yes	Yes
100% TCR Monitoring	Yes	Yes	Yes
Land Acquisition (cumulative acres of fee-simple and conservation easements)	150.8 purchased & 295 easement	300	200
Lake Water Quality Monitoring	Yes	Yes	Yes
Tributary Water Quality Monitoring	Yes	Yes	Yes
Implementation of Ecology Management	Yes	Yes	Yes
Acres Treated with Prescribed Burning (cumulative acres)	193	225	600
Acres Treated with Ecological Thinning (cumulative acres)	0	478	800

Water Quality – Expenditure Summary

	2015 Actual	2016 Budget	2017 Budget
Labor and Benefits	\$ 123,282	\$ 1,567,100	\$ 1,420,844
Materials, Supplies, and Maintenance	251,203	306,470	351,341
Electric and Other Utilities	2,740	3,500	5,000
Contract Services	681,445	784,900	695,362
Total Expenses	1,058,670	2,661,970	2,472,547
Total Capital Expenditures	1,197,329	4,136,000	1,229,000
Total Water Quality	\$ 2,255,999	\$ 6,797,970	\$ 3,701,547

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. (2015) ³	392,664
Per Capita Income (2014) ³	\$27,506
Median Household Income (2014) ³	\$46,410
Unemployment Percentage Rate (2015) ²	5.1%
Median Age (2010) ¹⁷	36.0

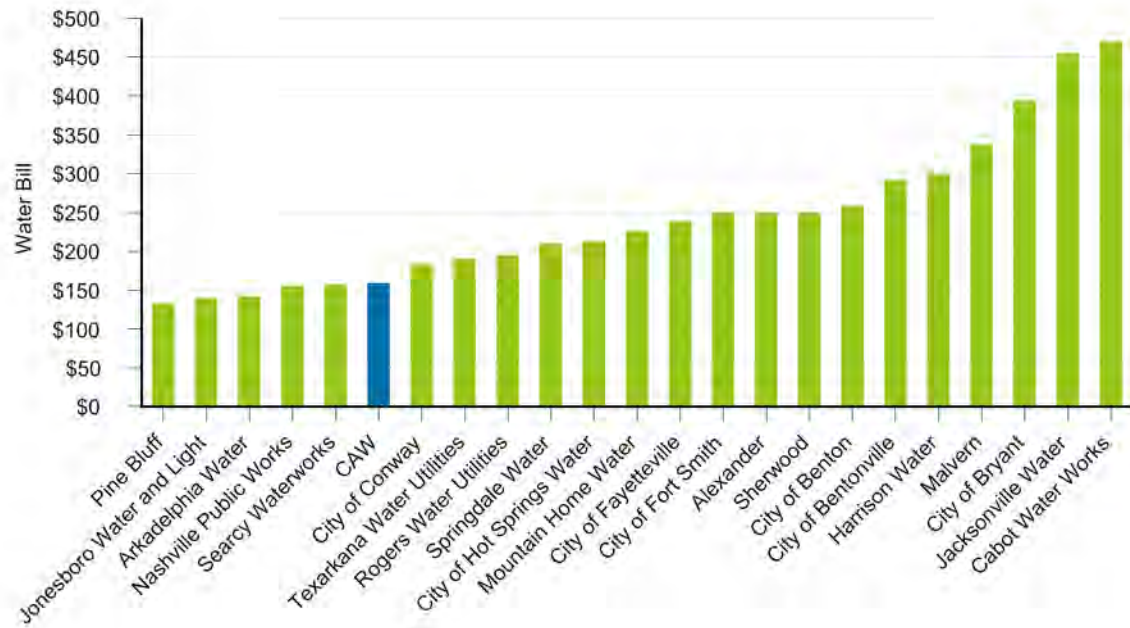
Race (2010) ¹¹	
* White	55.3%
* Black or African-American	34.8%
* American Indian	0.3%
* Asian	1.9%
* Hispanic	5.8%
* Other	1.9%
<i>Little Rock</i>	
Population (2015) ³	197,992
Per Capita Income (2014) ³	\$29,583
Median Household Income (2014) ³	\$46,409
Unemployment Percentage Rate (2016) ¹²	3.4%
Median 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 (2015) ³	66,504
Per Capita Income (2014) ³	\$23,196
Median Household Income (2014) ³	\$40,305
Unemployment Percentage Rate (2015) ⁴	5.7%
Median Age (2010) ⁶	35.9
Race (2010) ⁶	
* White	51.6%
* Black or African-American	39.6%
* American Indian	0.3%
* Asian	0.9%
* Hispanic	5.7%
* Other	1.9%
<i>Sherwood</i>	
Population (2015) ³	30,517
Per Capita Income (2014) ³	\$28,434
Median Household Income (2014) ³	\$58,300
Unemployment Percentage Rate (2015) ⁴	3.8%

<i>Sherwood (continued)</i>	
Median Age (2010) ⁶	37.0
Race (2010) ⁶	
* White	75.3%
* Black or African-American	18.5%
* American Indian	0.5%
* Asian	1.6%
* Hispanic	4.0%
* Other	0.1%
<i>Maumelle</i>	
Population (2015) ³	17,931
Per Capita Income (2014) ³	\$36,948
Median Household Income (2014) ³	\$79,182
Unemployment Percentage Rate (2015) ⁴	1.4%
Median Age (2010) ⁶	35.1
Race (2010) ⁶	
* White	82.9%
* Black or African-American	12.1%
* American Indian	0.4%
* Asian	2.3%
* Hispanic	2.3%
* Other	0.0%
CAW Service Area	
Square Miles	594
Miles of Public Water Distribution Pipe (2014)	2,494
Number of Meters in Service (2016)	
* Residential	116,899
* Commercial	11,585
* Large Volume	50
* Sprinkler	25,815
* Wholesale	17
Total Consumption (2015) (in billion gallons)	18.05
Average Daily Consumption (2015) (in million gallons)	57.90
Max. Day Consumption (2015) (in million gallons)	98.9
All-Time Max. Day Consumption (2012) (in million gallons)	126.0

CAW Rate Comparison - Commercial (2015)⁸			
1" - Meter			
<i>Water Provider</i>	<i>Commercial (74.8k Gallons)</i>	<i>Commercial (187.5k Gallons)</i>	<i>Commercial (374.0k Gallons)</i>
Pine Bluff	133.27	297.81	572.03
Jonesboro Water and Light	139.33	341.29	583.93
Arkadelphia Water	141.99	288.97	533.94
Nashville Public Works	155.54	338.43	643.24
Searcy Waterworks	156.67	378.83	749.09
CAW	158.72	385.22	762.72
City of Conway	183.48	400.69	755.99
Texarkana Water Utilities	189.87	464.76	922.91
Rogers Water Utilities	195.08	454.84	875.59
Springdale Water	210.06	520.85	1,026.44
City of Hot Springs Water	212.62	515.56	1,020.46
Mountain Home Water	226.14	506.64	974.14
City of Fayetteville	238.56	585.26	1,138.67
City of Fort Smith	249.98	609.98	1,209.98
Alexander	250.24	611.74	1,214.24
Sherwood	250.24	611.74	1,214.24
City of Benton	258.47	636.25	1,265.87
City of Bentonville	291.55	699.96	1,380.64
Harrison Water	299.17	725.53	1,443.93
Malvern	337.93	826.00	1,639.45
City of Bryant	394.45	976.77	1,947.30
Jacksonville Water	454.85	1,061.85	2,073.52
Cabot Water Works	470.26	1,165.90	2,325.30

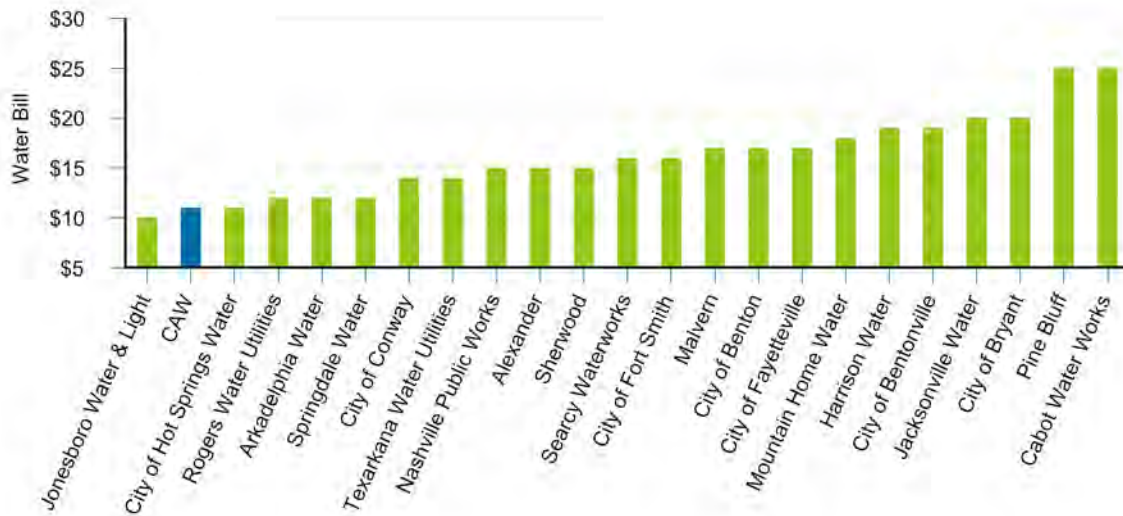
CAW WATER RATE COMPARISON - COMMERCIAL

(74.8k Gallon)



CAW Rate Comparison - Residential (2015)⁸			
5/8" - Meter			
<i>Water Provider</i>	<i>Residential (3.7k Gallons)</i>	<i>Residential (7.5k Gallons)</i>	<i>Residential (11.2k Gallons)</i>
Jonesboro Water and Light	10.11	16.95	23.61
CAW	10.68	18.73	26.78
City of Hot Springs Water	11.13	16.17	26.34
Rogers Water Utilities	11.53	21.18	30.58
Arkadelphia Water	11.97	20.18	27.80
Springdale Water	12.04	22.76	33.19
City of Conway	13.87	23.56	32.99
Texarkana Water Utilities	14.44	26.90	39.04
Nashville Public Works	14.71	24.82	34.66
Alexander	15.40	28.30	41.20
Sherwood	15.40	28.30	41.20
Searcy Waterworks	15.90	23.42	30.75
City of Fort Smith	16.37	31.17	45.97
Malvern	16.90	33.43	49.52
City of Benton	17.47	30.27	42.73
City of Fayetteville	17.48	31.84	45.83
Mountain Home Water	17.90	27.40	36.65
Harrison Water	19.41	35.45	51.06
City of Bentonville	19.44	33.13	48.60
Jacksonville Water	19.83	43.58	66.70
City of Bryant	19.90	39.63	58.83
Pine Bluff	24.59	34.04	43.50
Cabot Water Works	25.34	40.00	55.54

CAW Water Rate Comparison - Residential (3.7k Gallon)



Pulaski County Largest Employers (2015)⁷	
State of Arkansas	Government
Local Government	Government
Federal Government	Government
University of Arkansas for Medical Sciences	Health Care/University
Baptist Health System	Medical Services
Little Rock Air Force Base	Government
Acxiom	Data Processing
Little Rock School District	Education
Central Arkansas Veterans Health Care Systems	Health Care
Entergy Arkansas	Utility (Electric)

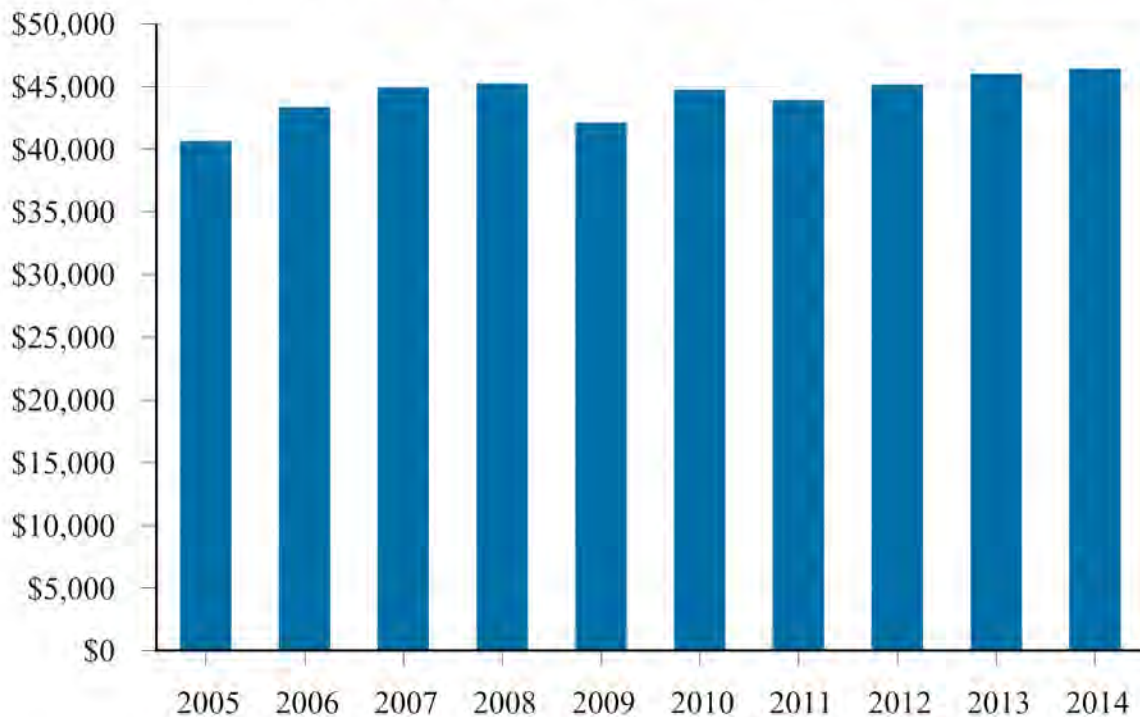


Arkansas' Ten Largest Cities by Population Unemployment Percentage Rate (2015)⁹	
Little Rock	4.4%
Fort Smith	4.7%
Fayetteville	3.5%
Springdale	3.3%
Jonesboro	4.2%
North Little Rock	5.0%
Conway	4.3%
Rogers	3.5%
Pine Bluff	8.3%
Bentonville	3.4%

Pulaski County – Median Household Income³	
<i>Year</i>	<i>Per Capita Income</i>
2005	40,629
2006	43,338
2007	44,909
2008	45,215
2009	42,107
2010	44,733
2011	43,898
2012	45,135
2013	46,013
2014	46,410

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.

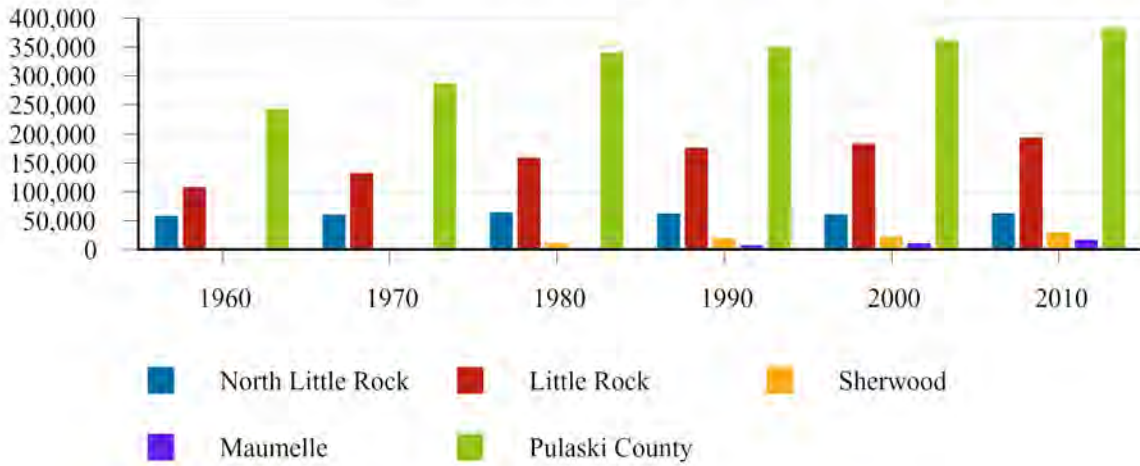
Pulaski County - Median Household Income



County and State Unemployment²		
<i>Year</i>	<i>Pulaski County</i>	<i>State of Arkansas</i>
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
2014	5.6	6.1
2015	5.1	3.9

Population by Decade					
<i>Year</i>	<i>Little Rock</i>	<i>North Little Rock</i>	<i>Sherwood</i>	<i>Maumelle</i>	<i>Pulaski County</i>
1960	107,813	58,032	222	N/A	242,980
1970	132,483	60,040	2,754	N/A	287,189
1980	159,151	64,388	10,423	N/A	340,597
1990	175,795	61,741	18,893	6,714	349,660
2000	183,133	60,433	21,511	10,557	361,474
2010	193,524	62,304	29,523	17,163	382,748

Population by Decade



CAW's Ten Largest Customers Percent of Revenues (2015)	
Jacksonville Water Works	2.15%
Bryant Water and Sewer	1.70%
Salem Water Alliance	1.68%
Shannon Hills Water Department	0.41%
Mid-Arkansas Utilities PWA	0.37%
University of Arkansas for Medical Sciences	0.37%
Arkansas Department of Corrections	0.34%
Cabot Waterworks	0.28%
Baptist Health System	0.27%
Sage V Foods LLC	0.26%

Sources:

- ¹ Wikipedia, *Pulaski County, Arkansas*, 9-9-13, http://en.wikipedia.org/wiki/Pulaski_County,_Arkansas
- ² Discover Arkansas, *Data Analysis*, 7-2-15, <http://www.discoverarkansas.net/cgi/dataanalysis/labForceReport.asp?menuchoice=LABFORCE>
- ³ United States Census Bureau, *Little Rock (city) QuickFacts from the US Census Bureau*, 8-30-16, <http://quickfacts.census.gov/qfd/states/05/05119.html>
- ⁴ City-Data, *Pulaski County, Arkansas*, 7-20-15, 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, *North Little Rock Demographic Fact Sheet*, 9-10-12, http://www.metroplan.org/files/53/NorthLittleRock_FactSheet2010.pdf
- ⁷ Arkansas Economic Development, *Largest Employers for Pulaski County*, 7-27-15 <http://www.arkansasedc.com/data/reports>
- ⁸ CAW Survey, *Arkansas Water Rates*, May 2015
- ⁹ City-Data, *Arkansas Bigger Cities (over 6000 residents), Arkansas*, 8-30-16, <http://www.city-data.com/city/Arkansas.html>
- ¹⁰ Demographics USA, Nielson Caritas
- ¹¹ Metroplan, *Pulaski County Demographic fact Sheet 2010*, 7-31-14, <http://www.metroplan.org/files/53/PulaskiCo-FactSheet2010.pdf>
- ¹² Department of Numbers, *Little Rock-North Little Rock-Conway, Arkansas Unemployment*, 8-30-16, <http://www.deptofnumbers.com/unemployment/arkansas/little-rock/>

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-residential customer that does not fit the definition of an Large Volume 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.

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 large volume service described in (i) above shall be assigned to the large volume 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 Residential, Commercial, Large Volume, 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 2010A, Series 2010C, Series 2011A, Series 2012A, Series 2014, Series 2015 and Series 2016 Refinance 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 2016 Maumelle Acquisition and Construction 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
ADEQ	Arkansas Department of Environmental Quality
AED	Automatic External Defibrillator
AGFC	Arkansas Game & Fish Commission
AHTD	Arkansas Highway and Transportation Department
AMR	Advanced Meter Reading
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
CAO	Chief Administrative Officer
CAW	Central Arkansas Water
CCCP	Cross-Connection Control Program
CCF	Hundred Cubic Feet
CEO	Chief Executive Officer
CF	Cubic Feet
CFO	Chief Financial Officer
CIP	Capital Improvement Plan
CIC	Capital Investment Charges
CO	Carryover
CONN	Connection
COO	Chief Operating Officer
CPA	Certified Public Accountant
CPE	Comprehensive Performance Evaluation
DBP	Disinfection Byproducts
DROP	Deferred Retirement Option Plan
DIAM	Diameter
DIT	Diversity and Inclusion Team
DVD	Digital Video Disc
DVR	Digital Video Recorder
EARP	Emergency Action Response Plans
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
GC	General Counsel
GDP	Gross Domestic Product
GFOA	Government Finance Officers Association
GIS	Geographic Information System
GPS	Global Positioning System
H2O	Help to Others
HMI	Human Machine Interface
HWY	Highway
IC	Ion Chromatograph
ICP/MS	Inductively Coupled Plasma Mass Spectroscopy
IS	Information Services
JCA	Just Communities of Arkansas
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
MPH	Miles per Hour
MWM	Maumelle Water Management
NGO	Non-Governmental Organization
NLR	North Little Rock
NPDES	National Pollutant Discharge Elimination System
NTU	Nephelometric Turbidity Unit
OPEB	Other Post-employment Benefits

OSHA	Occupational Safety & Health Administration
PAGIS	Pulaski Area Geographic Information System
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