Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Aldermen

Ward 1 Position 1 – Adella Gray
Ward 1 Position 2 – Brenda Thiel
Ward 2 Position 1 – Kyle B. Cook
Ward 2 Position 2 – Nancy Allen
Ward 3 Position 1 – Robert K. Rhoads
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 – Shirley Lucas
Ward 4 Position 2 – Lioneld Jordan

Final Agenda
City of Fayetteville Arkansas
City Council Meeting
April 01, 2008

A meeting of the Fayetteville City Council will be held on April 01, 2008 at 6:00 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order

Roll Call

Pledge of Allegiance

Mayor's Announcements, Proclamations and Recognitions:

Presentations, Reports and Discussion Items:

Agenda Additions: Liquor Store on Highway 62

A. Consent:

1. Approval of the March 18, 2008 City Council meeting minutes. **APPROVED.**

2. **Bid # 08-25 Golden Circle Ford:** A resolution to award Bid # 08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4X4 regular cab pickup truck for use by the Fire Department.

   PASSED AND SHALL BE RECORDED AS RESOLUTION NO. 74-08.

3. **Bid # 08-37 Landers McLarty Ford:** A resolution awarding Bid # 08-37 and approving the purchase of one (1) crew cab chassis with reading utility body from Landers McLarty Ford in the amount of $42,493.73 for use by the Transportation Division.

   PASSED AND SHALL BE RECORDED AS RESOLUTION NO. 75-08.

B. Unfinished Business:

1. **Hiring Freeze:** Hiring Freeze Appeals: **THERE WERE NO HIRING FREEZE APPEALS.**

2. **ADM 07-2712 Amend Chapters 151, 159, 161, 162, 163 and 164:** An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 159: Fees, Chapter 161: Zoning Regulations, Chapter 162: Use Units, Chapter 163: Use Conditions and Chapter 164: Supplementary District Regulations in order to make accessory dwelling units a permitted use in all residential zoning districts contingent upon Planning Division administrative approval. ***This ordinance was left on the First Reading at the March 18, 2008 City Council meeting.***

   THIS ITEM WAS LEFT ON THE SECOND READING OF THE ORDINANCE.

C. Public Hearing:

1. **Public Hearing for Monthly Sewer Rate Ordinance. THE MAYOR OPENED THE PUBLIC HEARING. THERE WERE NO PUBLIC COMMENTS MADE. THE MAYOR CLOSED THE PUBLIC HEARING.**

D. New Business:

1. **WG Land Company LTD:** A resolution approving a Memorandum of Understanding concerning annexation and zoning of certain real property with WG Land Company LTD Partnership.

   PASSED AND SHALL BE RECORDED AS RESOLUTION NO. 76-08.

2. **RZN 07-2889 (Cooper):** An ordinance amending ordinance number 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance located at the southwest corner of North College Avenue and East Cleburn Street.

   PASSED AND SHALL BE RECORDED AS ORDINANCE NO. 5121.

3. **VAC 08-2930 (Wilmoth/Wellsley Place):** An ordinance approving VAC 08-2930 submitted by Dave Jorgensen for property located at 1609 Wellsley Place to vacate a portion of the utility and drainage easements on the subject property, containing a total of 643 square feet.

   PASSED AND SHALL BE RECORDED AS ORDINANCE NO. 5122.

4. **ADM 08-2941 (Hoskins Parkland Variance):** Submitted by Tracy Hoskins, requesting a variance from the parkland dedication contribution formula, relative to the land trade between Hoskins and the City Council as referred to in Resolution No. 149-06.

   THIS ITEM FAILED BY VOTE OF THE ALDERMEN.

5. **Amend Chapters 151, 152 and 166:** An ordinance amending Title XV: Unified Development of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit or regulate decentralized sewer systems within the city limits.

   THIS ITEM WAS LEFT ON THE FIRST READING OF THE ORDINANCE.

6. **Repealing and Replacing § 51.136:** An ordinance repealing and replacing § 51.136, Monthly Water Rates, of the Fayetteville Code of Ordinances.

   PASSED AND SHALL BE RECORDED AS ORDINANCE NO. 5123.

7. **Repealing and Replacing § 51.137:** An ordinance repealing and replacing § 51.137, Monthly Sewer Rates, of the Fayetteville Code of Ordinances.

   THIS ITEM WAS LEFT ON THE SECOND READING OF THE ORDINANCE.

8. **Repealing and Replacing § 51.138:** An ordinance repealing and replacing § 51.138, Definitions pertaining to Water and Sewer Rates, of the Fayetteville Code of Ordinances.

   PASSED AND SHALL BE RECORDED AS ORDINANCE NO. 5124.

9. **Repealing and Replacing § 51.139:** An ordinance repealing and replacing § 51.139, Users Outside City Limits with a new § 51.139, Reviews of Water and Sewer Rates, Notification to User of the Fayetteville Code of Ordinances.

   PASSED AND SHALL BE RECORDED AS ORDINANCE NO. 5125.

10. **Repealing and Replacing § 51.144:** An ordinance repealing and replacing § 51.144, Filling Water Tanks on Commercial Trucks; Rates, of the Fayetteville Code of Ordinances.

    PASSED AND SHALL BE RECORDED AS ORDINANCE NO. 5126.

11. **Amend § 157.05 and § 171.05:** An ordinance to amend § 157.05 Vacations of Streets, Alleys, Rights-of-Way and Easements and § 171.05 Procedure for Closing Utility Easements and Street Rights-of-Way.

    PASSED AND SHALL BE RECORDED AS ORDINANCE NO. 5127.

12. **Discussion of a liquor store on Highway 62.**

Announcements:

1. **City Council Tour: NONE**

Adjournment: MEETING ADJOURNED AT 7:45 P.M.

City Council Meeting April 1, 2008

Adjourn 7:45 PM

Subject:		Roll			
Motion To:					
Motion By:					
Seconded:					
	Thiel	✓			
	Cook	✓			
Alderman	Allen	✓			
Rhoads	Rhoads	✓			
arrived	Ferrell	✓			
at 6:10 PM	Lucas	✓			
	Jordan	✓			
	Gray	✓			
	Mayor Coody	✓			
		9-0			

Subject:		Consent			
Motion To:		Approve ✓			
Motion By:		Jordan			
Seconded:		Cook			
	Thiel	✓			
	Cook	✓			
	Allen	✓			
	Rhoads	absent during the vote.			
	Ferrell	✓			
passed	Lucas	✓			
Res.	Jordan	✓			
74-08 to	Gray	✓			
75-08	Mayor Coody				
		7-0			

City Council Meeting April 1, 2008

Subject:		Hiring Freeze			
Motion To:					
Motion By:		No Appeals			
Seconded:					
B.1. Unfinished	**Thiel**				
	Cook				
	Allen				
	Rhoads				
	Ferrell				
	Lucas				
	Jordan				
	Gray				
	Mayor Coody				

Subject:		ADM 07-2712 Amend Chapter 151, 159, 161, 162, 163 & 164			
Motion To:		2nd Read			
Motion By:		Jordan			
Seconded:		Lucas			
B.2 - Unfinished	**Thiel**	✓			
	Cook	✓			
	Allen	✓			
Left on the Second Reading	**Rhoads**	absent during the vote.			
	Ferrell	✓			
	Lucas	✓			
	Jordan	✓			
	Gray	✓			
	Mayor Coody				

7-0

City Council Meeting April 1, 2008

Subject:		Public Hearing for Monthly Sewer Rate			
Motion To:					Ordinance
Motion By:					
Seconded:					
C. 1.	Thiel	Mayor Coody opened the Public			
	Cook	Hearing.			
Public	Allen				
Hearing	Rhoads	There was no public comment			
	Ferrell				
	Lucas				
	Jordan	Mayor Coody closed the Public			
	Gray	Hearing.			
	Mayor Coody				

Subject:		WG Land Company LTD.			
Motion To:		Approve			
Motion By:		Jordan			
Seconded:		Ferrell			
D. 1.	Thiel	✓			
	Cook	✓			
	Allen	✓			
Passed	Rhoads	absent during the vote.			
	Ferrell	✓			
	Lucas	✓			
	Jordan	✓			
76-08	Gray	✓			
	Mayor Coody				

7-0

City Council Meeting April 1, 2008

Subject:		RZN 07-2889 Cooper.			
Motion To:		2nd Read	3rd Read	Pass	
Motion By:		Cook	Cook		
Seconded:		Thiel	Gray		
D.2.	Thiel	✓	✓	✓	
	Cook	✓	✓	✓	
	Allen	✓	✓	✓	
	Rhoads	✓	✓	✓	
	Ferrell	✓	✓	✓	
passed	Lucas	✓	✓	✓	
	Jordan	✓	✓	✓	
5121	Gray	✓	✓	✓	
	Mayor Coody				
		8-0	8-0	8-0	

Subject:		VAC 08-2930 Wilmoth/ Wellsley Place			
Motion To:		2nd Read	3rd Read	Pass	
Motion By:		Ferrell	Ferrell		
Seconded:		Cook	Thiel		
D.3.	Thiel	✓	✓	✓	
	Cook	✓	✓	✓	
	Allen	✓	✓	✓	
passed	Rhoads	✓	✓	✓	
	Ferrell	✓	✓	✓	
	Lucas	✓	✓	✓	
	Jordan	✓	✓	✓	
5122	Gray	✓	✓	✓	
	Mayor Coody				
		8-0	8-0	8-0	

City Council Meeting April 1, 2008

Subject:		ADM 08-2941 Hoskins Parkland Variance			
Motion To:		Approve the variance			
Motion By:		Ferrell			
Seconded:		Rhoads			
D.4. New Business Failed	Thiel	✓			
	Cook	N			
	Allen	N			
	Rhoads	✓			
	Ferrell	✓			
	Lucas	N			
	Jordan	N			
	Gray	N			
	Mayor Coody				
		3-5			

Subject:		Amend Chapters 151, 152 and 166.			
Motion To:					
Motion By:					
Seconded:					
D.5. New Business Left on the First Reading	Thiel				
	Cook				
	Allen				
	Rhoads				
	Ferrell				
	Lucas				
	Jordan				
	Gray				
	Mayor Coody				

City Council Meeting April 1, 2008

Subject:		Repealing & Replacing 51.136			
Motion To:		2nd Read	3rd Read	Pass	
Motion By:		Jordan	Jordan		
Seconded:		Cook	Cook		
D.6.	**Thiel**	✓	✓	✓	
New	**Cook**	✓	✓	✓	
Business	**Allen**	✓	✓	✓	
	Rhoads	✓	✓	✓	
	Ferrell	✓	✓	✓	
passed	**Lucas**	✓	✓	✓	
	Jordan	✓	✓	✓	
5123	**Gray**	✓	✓	✓	
	Mayor Coody				
		8-0	8-0	8-0	

Subject:		Repealing & Replacing 51.137			
Motion To:		2nd Read			
Motion By:		Jordan			
Seconded:		Cook			
D.7.	**Thiel**	✓			
New	**Cook**	✓			
Business	**Allen**	✓			
	Rhoads	✓			
Left on	**Ferrell**	✓			
the Second	**Lucas**	✓			
Reading	**Jordan**	✓			
	Gray	✓			
	Mayor Coody				
		8-0			

City Council Meeting April 1, 2008

Subject:		Repealing & Replacing 51.138			
Motion To:		2nd Read	3rd Read	Pass	
Motion By:		Jordan	Jordan		
Seconded:		Cook	Cook		
D.8. New Business	**Thiel**	✓	✓	✓	
	Cook	✓	✓	✓	
	Allen	✓	✓	✓	
	Rhoads	✓	✓	✓	
	Ferrell	✓	✓	✓	
	Lucas	✓	✓	✓	
Passed	**Jordan**	✓	✓	✓	
	Gray	✓	✓	✓	
5124	**Mayor Coody**				
		8-0	8-0	8-0	

Subject:		Repealing & Replacing 51.139			
Motion To:		2nd Read	3rd Read	Pass	
Motion By:		Jordan	Jordan		
Seconded:		Gray	Cook		
D.9. New Business	**Thiel**	✓	✓	✓	
	Cook	✓	✓	✓	
	Allen	✓	✓	✓	
	Rhoads	✓	✓	✓	
	Ferrell	✓	✓	✓	
Passed	**Lucas**	✓	✓	✓	
	Jordan	✓	✓	✓	
	Gray	✓	✓	✓	
5125	**Mayor Coody**				
		8-0	8-0	8-0	

City Council Meeting April 1, 2008

Subject:	Repealing & Replacing 51.144			
Motion To:		2nd Read	3rd Read	Pass	
Motion By:		Jordan	Jordan		
Seconded:		Thiel	Thiel		
D.10.	Thiel	✓	✓	✓	
New	Cook	✓	✓	✓	
Business	Allen	✓	✓	✓	
	Rhoads	✓	✓	✓	
	Ferrell	✓	✓	✓	
Passed	Lucas	✓	✓	✓	
	Jordan	✓	✓	✓	
	Gray	✓	✓	✓	
5126	Mayor Coody				
		8-0	8-0	8-0	

Subject:	Amend 157.05 & 171.05				
Motion To:		2nd Read	3rd Read	Pass	
Motion By:		Ferrell	Ferrell		
Seconded:		Rhoads	Rhoads		
	Thiel	✓	✓	✓	
D.11.	Cook	✓	✓	✓	
New	Allen	✓	✓	✓	
Business	Rhoads	✓	✓	✓	
	Ferrell	✓	✓	✓	
Passed	Lucas	✓	✓	✓	
	Jordan	✓	✓	✓	
	Gray	✓	✓	✓	
5127	Mayor Coody				
		8-0	8-0	8-0	

City Council Meeting April 1, 2008

Subject:	Discussion on Liquor Store on Highway 62				
Motion To:		Add to the agenda		Conditional Use	
Motion By:		Lucas		Appeal that	
Seconded:		Jordan		was approved	
	Thiel	✓		by Planning	
	Cook	✓		Commission.	
No Action taken	**Allen**	✓			
	Rhoads	✓		(Too late to	
	Ferrell	✓		appeal)	
	Lucas	✓			
	Jordan	✓			
	Gray	✓			
	Mayor Coody				
		8-0			

Subject:					
Motion To:					
Motion By:					
Seconded:					
	Thiel				
	Cook				
	Allen				
	Rhoads				
	Ferrell				
	Lucas				
	Jordan				
	Gray				
	Mayor Coody				

Final Agenda
City of Fayetteville Arkansas
City Council Meeting
April 01, 2008

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Call to Order

Roll Call

Pledge of Allegiance

Mayor's Announcements, Proclamations and Recognitions:

Presentations, Reports and Discussion Items:

Agenda Additions:

A. Consent:

1. Approval of the March 18, 2008 City Council meeting minutes.

2. **Bid # 08-25 Golden Circle Ford:** A resolution to award Bid # 08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4X4 regular cab pickup truck for use by the Fire Department.

3. **Bid # 08-37 Landers McLarty Ford:** A resolution awarding Bid # 08-37 and approving the purchase of one (1) crew cab chassis with reading utility body from Landers McLarty Ford in the amount of $42,493.73 for use by the Transportation Division.

B. Unfinished Business:

1. **Hiring Freeze:** Hiring Freeze Appeals:

2. **ADM 07-2712 Amend Chapters 151, 159, 161, 162, 163 and 164:** An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 159: Fees, Chapter 161: Zoning Regulations, Chapter 162: Use Units, Chapter 163: Use Conditions and Chapter 164: Supplementary District Regulations in order to make accessory dwelling units a permitted use in all residential zoning districts contingent upon Planning Division administrative approval. ***This ordinance was left on the First Reading at the March 18, 2008 City Council meeting.***

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1. **Public Hearing for Monthly Sewer Rate Ordinance.**

D. New Business:

1. **WG Land Company LTD:** A resolution approving a Memorandum of Understanding concerning annexation and zoning of certain real property with WG Land Company LTD Partnership.

2. **RZN 07-2889 (Cooper):** An ordinance amending ordinance number 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance located at the southwest corner of North College Avenue and East Cleburn Street.

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4. **ADM 08-2941 (Hoskins Parkland Variance):** Submitted by Tracy Hoskins, requesting a variance from the parkland dedication contribution formula, relative to the land trade between Hoskins and the City Council as referred to in Resolution No. 149-06.

5. **Amend Chapters 151, 152 and 166:** An ordinance amending Title XV: Unified Development of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit or regulate decentralized sewer systems within the city limits.

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10. **Repealing and Replacing § 51.144:** An ordinance repealing and replacing § 51.144, Filling Water Tanks on Commercial Trucks; Rates, of the Fayetteville Code of Ordinances.

11. **Amend §157.05 and §171.05:** An ordinance to amend §157.05 Vacations of Streets, Alleys, Rights-of-Way and Easements and §171.05 Procedure for Closing Utility Easements and Street Rights-of-Way.

Announcements:

1. **City Council Tour: NONE**

Adjournment:

Handed out at Agenda Session
3-25-08

Memorandum of Understanding

This Memorandum of Understanding, made and entered into this ______ day of April, 2008, by and between the City of Fayetteville, Arkansas, a municipal corporation, 113 W. Mountain, Fayetteville, Arkansas, and WG Land Company Ltd. Partnership, 3535 North College Avenue, Fayetteville, Arkansas

WG Land Company Ltd. Partnership agrees to seek de-annexation of its real property abutting the proposed Van Asche Boulevard Extension from the City of Johnson once the proposed street extension is funded and scheduled for construction by the City of Fayetteville.

In return, the City of Fayetteville agrees to annex the real property adjacent to the proposed Van Asche Boulevard Extension with the following understandings:

1 That the property will be annexed into the City of Fayetteville as an R/A Zoning District, and will remain so until actual development and construction of future improvements is commenced;

2 That as the property is brought into development, the portion of the property north of the proposed Van Asche Boulevard Extension shall be re-zoned to an Industrial Zoning District consistent with its use for warehousing and cold storage; and,

3 That as the property is brought into development, the portion of the property south of the proposed Van Asche Boulevard Extension shall be re-zoned to a Commercial Zoning District.

CITY OF FAYETTEVILLE:

By:______________________________
DAN COODY, Mayor

ATTEST:

By:______________________________
SONDRA E.SMITH, City Clerk/Treasurer

WG LAND COMPANY LTD. PARTNERSHIP

By: Robert G. Whitfield
ROBERT G. WHITFIELD, General Partner

ORDINANCE NO.

AN ORDINANCE AMENDING TITLE XV: UNIFIED DEVELOPMENT CODE OF THE CODE OF FAYETTEVILLE TO AMEND CHAPTER 151: DEFINITIONS, CHAPTER 152: ADMINISTRATION AND CHAPTER 166: DEVELOPMENT IN ORDER TO PROHIBIT OR REGULATE DECENTRALIZED SEWER SYSTEMS WITHIN THE CITY LIMITS

WHEREAS, the City Council has the authority under A.C.A. § 14-236-01 to regulate the disposal of waste and wastewater; and

WHEREAS, the City of Fayetteville provides a community sewer system that efficiently and safely disposes of water and wastewater; and

WHEREAS, the Community sewage systems or decentralized sewer systems pose potential environmental and management concerns.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE ARKANSAS:

Section 1: The City Council of the City of Fayetteville, Arkansas hereby amends §151.01 **Definitions** of the UDC by adding the definition of *Community sewage system* as shown below:

"*Community sewage system.* (Development) Any non-publicly owned system serving two (2) or more individual houses, housing units, apartments or other occupied structures for the collection and disposal of domestic, non-residential or industrial wastewater of a liquid nature, including various devices for the collection, conveyance and treatment of the treated wastewater effluent and the monitoring of the affected groundwater quality and the management of the associated solid waste by-products (septage and sludge). (Also known as decentralized sewer systems)"

Section 2: The City Council of the City of Fayetteville, Arkansas hereby amends §152.01 of the UDC by enacting a new subsection 152.01 (U) as follows:

"(U) *Water and Sewer Systems: City Engineer.*"

Section 3: The City Council of the City of Fayetteville, Arkansas, hereby repeals §166.03 (I) *Public sanitary sewer not accessible* in its entirety and enacts a new §166.03 (I) *Public sanitary sewer not accessible* as shown on Exhibit "A" attached.

Section 4: The City Council of the City of Fayetteville, Arkansas hereby repeals §166.04 (A)(10)(b) *Public sanitary sewer system not accessible* and enacts a replacement §166.04 (A)(10)(b) *Public sanitary sewer system not accessible* as shown on Exhibit "B" attached.

PASSED and **APPROVED** this ____ day of April, 2008.

APPROVED:

By: ______________________________
DAN COODY, Mayor

ATTEST:

By: ______________________________
SONDRA E. SMITH, City Clerk/Treasurer

EXHIBIT "A"

To be inserted at Chapter 166: Development:

166.03 (I)

(1) *Public sanitary sewer accessible.* Where a public sanitary sewer is reasonably accessible, the subdivider shall connect with such sewer, and each lot within the subdivision shall be provided with a connection thereto. All connections shall be subject to the approval of the City Engineer. Individual service lines shall be installed, and individual connections shall be made prior to the paving of the street, if possible.

(2) *Public sanitary sewer not accessible.* Where a subdivision is proposed so that each lot has a minimum gross area of one and one-half acres, an individual sewage disposal system for each lot may be used; for lots having a gross area of less than one and one-half acres, an individual sewage disposal system may be used for each individual lot when a permit for a septic system is granted by the Arkansas Department of Health. A copy of the Arkansas Department of Health permit granted for each lot shall be provided at the time the application is submitted for subdivision or lot split approval for all lots less than one and one-half acres. Existing septic systems, sewage disposal fields (leach fields), alternate disposal fields required by state law and water wells on-site or off-site within 100 feet shall be shown on all proposed subdivisions and lot splits.

(3) *Community sewage systems.* The construction of community sewage systems or decentralized sewer systems shall be prohibited within the City.

(4) *Annexation of community sewage systems.* Where a community sewage system is annexed into the City, then the following shall apply:

(a) *Unconstructed systems.* The wastewater system shall be designed such that the entire collection system is a traditional-style gravity sewer system that carries all wastewater flow to centralized treatment facilities and shall meet City standards for design construction. The system must also be designed such that there is one single point of connection from which a future gravity connection can be made to the City sanitary sewer system when the latter becomes available. This connection shall be made at the expense of the owner of the decentralized wastewater system.

(b) *Constructed systems.* Systems constructed prior to annexation into the City must tie to the City sanitary sewer system when a City sanitary sewer main is constructed within 300 feet of the community sewage system and such main is reasonably available to the community sewage system. This connection shall be made at the expense of the owner of the decentralized wastewater system.

State law reference(s)--"Arkansas Sewage Disposal Systems Act," A.C.A. §14-236-101 et seq.

ALDERMAN AGENDA REQUEST FORM

FOR: COUNCIL MEETING OF APRIL 1, 2008

FROM: ALDERMAN BOBBY FERRELL

ORDINANCE OR RESOLUTION TITLE AND SUBJECT:

An Ordinance To Amend §157.05 Vacations Of Streets, Alleys, Rights-Of-Way And Easements And §171.05 Procedure For Closing Utility Easements And Street Rights-Of-Way

APPROVED FOR AGENDA:

Bobby Ferrell

Bobby Ferrell
Alderman

3-11-08
Date

Kit Williams
City Attorney (as to form)

3-11-08
Date

FAYETTEVILLE

THE CITY OF FAYETTEVILLE, ARKANSAS

KIT WILLIAMS, CITY ATTORNEY
DAVID WHITAKER, ASST. CITY ATTORNEY

DEPARTMENTAL CORRESPONDENCE

LEGAL DEPARTMENT

TO: **Alderman Bobby Ferrell**

FROM: **Kit Williams**, City Attorney

DATE: **March 11, 2008**

RE: **Code Amendment to permit vacation request to go directly to City Council**

I found two code sections in the Unified Development Code that would need to be amended so that the normal procedure for vacation requests could be shortened and be referred directly to the City Council. Attached is a proposed ordinance would amend both of these sections.

I required a two-thirds majority to bypass the Planning Commission for two reasons:

(1) assure the City Council that this would be applied only in rare and necessary occasions; and

(2) the ordinance will need a two-thirds vote to Suspend the Rules and allow for passage in one meeting. If an applicant cannot get six votes for the exception, the applicant probably cannot get six votes to Suspend the Rules.

If this looks like what you want, please let me know, and I will run it past Jeremy for his input and to ensure I have not missed another code section that would need amendment.

ORDINANCE NO. _____

AN ORDINANCE TO AMEND §157.05 **VACATIONS OF STREETS, ALLEYS, RIGHTS-OF-WAY AND EASEMENTS** AND §171.05 **PROCEDURE FOR CLOSING UTILITY EASEMENTS AND STREET RIGHTS-OF-WAY**

WHEREAS, A.C.A. §14-54-104 gives the City Council the power to vacate public grounds not required for corporate purposes; and

WHEREAS, vacations of streets, alleys, rights-of-way and easements should normally be considered by the City Council only after receiving a recommendation of the Planning Commission and after a public notice as currently required by the Unified Development Code; and

WHEREAS, a rare situation might occur when the City Council would need to vacate an easement or unbuilt road or alley so promptly that consideration by the Planning Commission and publication of notice would not be feasible.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby amends §157.05 **Vacations of Streets, Alleys, Rights-of-Way and Easements** by enacting a new subsection (C) as follows:

"(C) *Exception*

" No recommendation from the Planning Commission nor publication before the City Council's public hearing shall be required if the City Council finds the following by a vote of at least two-thirds of its members and the Mayor:

"(1) The street, alley, or right-of-way to be vacated has not been constructed or has not been used by the public for at least five years or the easement does not contain any utilities within the area to be vacated; and

"(2) Special circumstances exist which require prompt consideration of the vacation request and justify the bypass of the Planning Commission and special publication of the notice for the public hearing.

Section 2: That the City Council of the City of Fayetteville, Arkansas hereby amends §171.05 **Procedure For Closing Utility Easements and Street Rights-of-Way** by enacting a new subsection (E) as follows:

"(E) *Exception*

"The vacation request need not be presented to the Planning Commission before being submitted to the City Council if the City Council finds the following by a vote of at least two-thirds of its membership and the Mayor:

"(1) The street, alley, or right-of-way to be vacated has not been constructed or has not been used by the public for at least five years or the easement does not contain any utilities within the area to be vacated; and

"(2) Special circumstances exist which require prompt consideration of the vacation request and justify the bypass of the Planning Commission.

PASSED and **APPROVED** this 1st day of April, 2008.

APPROVED:

By: ______________________________
DAN COODY, Mayor

ATTEST:

By: ______________________________
SONDRA E. SMITH, City Clerk/Treasurer

(c) *Method of notice.* Method of notice shall be certified mail, return receipt requested, to the property owner's last known address.

(5) *Facilities emitting odors and facilities handling explosives.*

(a) *Who gets notice.* All owners of property within 500 feet of boundary line of the property intended to contain the use.

(b) *When.* At least 10 days prior to the public hearing.

(c) *Methods of notice.*

(i) *Mail.* Certified mail, return receipt requested, to the property owner's last known address.

(ii) *Publish.* Publication in a newspaper of general circulation within the city.

(6) *Wireless communications facilities.*

(a) *Who gets notice.* Applicants requesting permits for new towers shall notify property owners within 500 feet radius from the center of the tower; applicants requesting permits for co-location shall not require notification.

(b) *Method of notice.* Notification shall be certified mail for adjoining property owners, including across streets and regular mail for the remaining property owners within the notification area.

(C) *Proof of notice.* Prior to the public hearing, the following, if required, shall be filed with the Planning Division.

(1) *Receipts.* Return receipts.

(2) *Plan.* Site plan drawings.

(3) *Proof of publication.* Proof of publication.

(4) *Notices.* Signed notices.

(Code 1965, App. A., Art. 7(10), (20); Ord. No. 1747, 6-29-70; Ord. No. 1880, 8-15-72; Ord. No. 2486, 11-21-78; Ord. No. 2605, 2-19-80; Code 1991, §§160.085, 160.090, 160.095, 160.096; Ord. No. 3716, §3, 6-15-93; Ord. No. 3780, §1, 4-19-94; Ord. No. 4100, § 2 (Ex. A), 6-16-98; Ord. No. 4178, 8-31-99)

157.05 Vacations of Streets, Alleys, Rights-of-Way, and Easements

(A) *Public hearing required.* The City Council shall hold a public hearing, after receiving a recommendation by the Planning Commission, on applications requesting vacation of streets, alleys, rights-of-way, and easements.

(B) *Notice of public hearing.* Notice of public hearing shall be published, by the City Clerk, in a newspaper of general circulation in the city prior to the public hearing.

(Code 1965, § 18-15; Ord. No. 1685, 7-7-69; Ord. No. 1898, 1-16-73; Code 1991, §98.13; Ord. No. 3925, §1, 10-3-95; Ord. No. 4100, §2 (Ex. A), 6-16-98)

Cross reference(s)--Streets and Sidewalks, Ch. 171.

157.06 Appeals of Staff Decisions/ Interpretations- Board of Adjustment

(A) *Public hearing required.* The Board of Adjustments shall hold a public hearing on appeals of staff decisions/interpretations concerning Zoning, Chapters 160 through 165.

(B) *Notice of public hearing.*

(1) *Zoning regulations.* The Board of Adjustment shall give the following notice of appeals of zoning regulations.

(a) *Who gets notice.* Due notice to the parties in interest.

(b) *When.* Seven (7) day's public notice.

(2) *Airport zone.* The Board of Adjustment shall publish in a local newspaper of general circulation in the city at least 15 days prior to the public hearing.

(C) *Sign.* A sign 18 inches high and 24 inches wide shall be placed upon property seven (7) days before the date of the public hearing.

(D) *City Council.* The City Council shall also give notice of such hearing to interested persons and organizations as it deems feasible and practical.

(Code 1965, App. A., Art. 10(2); Ord. No. 1747, 6-29-70; Ord. No. 2538, 7-3-79; Code 1991, §§160.172, 162.03; Ord. No. 3699, §3, 4-20-93; Ord. No. 3716, §2, 6-15-93; Ord. No. 3925, §7, 10-3-95; Ord. No. 3901, §1, 7-5-95; Ord. No. 3963, §9, 4-16-96; Ord. No. 4100, §2 (Ex. A.), 6-16-98.

Cross reference(s)--Appeals, Ch. 155.

	Ordinary	Hilly
Approach	25 mph	20 mph
Sight distance	90 feet	70 feet
Grades within 100 ft.	Flat	4%
Minimum angle	75°	75°

Minimum Curb Radius		
Minor streets	30 feet	30 feet
Collector streets	50 feet	50 feet

Minimum Jog		
Minor streets	150 feet	150 feet
Collector streets	200 feet	200 feet

(Code 1965, App. C., Art. IV, §E; Ord. No. 2196, 2-17-76; Code 1991, §159.50; Ord. No. 4100, §2 (Ex. A), 6-16-98)

171.03 Street Improvements

(A) When commercial, industrial, residential or multi-family development takes place along any street which is not constructed according to the city's existing standards, the developer shall:

(1) Dedicate sufficient right-of-way to bring the street into conformance with the right-of-way requirements of the city's Master Street Plan, provided, the City Council may vary the right-of-way dedication requirement imposed hereby in the event of undue hardship;

(2) Install street paving, curbs, gutters, and sidewalks necessary to bring the street into conformity with all existing city standards. The developer shall be required to bear that portion of the costs of said improvements which bears a rational nexus to the needs created by the development.

(B) The requirements of this section shall not apply where the development will not increase the amount of vehicular traffic on the abutting street.

(Code 1965, App. C., Art. IV, §J; Ord. No. 2935, 8-2-83; Ord. No. 3302, 10-20-87; Code 1991, §159.55; Ord. No. 4100, §2 (Ex. A), 6-16-98)

171.04 Crosswalks To Be Accessible To Physically Disabled

At all pedestrian crosswalks on collector and arterial streets, in commercial zones, and on those streets financed by federal funds throughout the city, adequate and reasonable access for the safe and convenient movement of physically handicapped persons, including those in wheelchairs, across curbs constructed or replaced on or after the effective date of this section shall be provided.

(Code 1965, §18-14; Ord. No. 2267, 8-17-76; Code 1991, §98.12; Ord. No. 4100, §2 (Ex. A), 6-16-98)

171.05 Procedure For Closing Utility Easements And Street Rights-Of-Way

The procedure for closing of streets and alleys shall hereafter be as follows:

(A) *Information to City Clerk.* Petitioners shall present to the City Clerk in duplicate the following information before processing shall begin:

(1) *Petition/plat.* Petition to close and vacate street or alley, including a certified or photostatic copy of the plat on record in the Circuit Clerk's office.

(2) *Abstractor's certificate.* Abstractor's certificate of ownership.

(3) *Utilities comments.* Comments from owners or agents, of all utility companies concerning streets or alleys to be closed and its relationship to existing or planned utilities, with recommendations, as to what action should be taken.

(B) *Information to Zoning and Development Administrator/Planning Commission.* One copy of the above shall be presented by the City Clerk to the Zoning and Development Administrator who shall submit same for review and recommendation of the Planning Commission.

(C) *Recommendation to City Council.* The recommendation of the Planning Commission shall be forwarded to the City Council.

(D) *Record with Circuit Clerk.* If an ordinance is adopted closing or vacating the street or alley, it shall be published and reported in the Circuit Clerk's office.

(Code 1965, §18-15; Ord. No. 1685, 7-7-69; Ord. No. 1898, 1-16-73; Code 1991, §98.13; Ord. No. 3925, §1, 10-3-95; Ord. No. 4100, §2 (Ex. A), 6-16-98)

Cross reference(s)--Notifications and Public Hearings, Ch. 157, Fees, Ch. 159.

171.06 Occupation Of Streets And Highways By Public Utilities

Any public utility, as defined by state law, which occupies the streets, highways or other public places of the city under a franchise granted by the city or the state shall occupy said streets, highways or other public places subject to the following terms and conditions:

(A) *Written approval.* A public utility shall not erect or place any facility more than seven (7) feet inside the right-of-way line for any street without the

Aldermen

Ward 1 Position 1 – Adella Gray
Ward 1 Position 2 – Brenda Thiel
Ward 2 Position 1 – Kyle B. Cook
Ward 2 Position 2 – Nancy Allen
Ward 3 Position 1 – Robert K. Rhoads
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 – Shirley Lucas
Ward 4 Position 2 – Lioneld Jordan

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

City of Fayetteville Arkansas
City Council Meeting Minutes
March 18, 2008

A meeting of the Fayetteville City Council was held on March 18, 2008 at 6:00 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Mayor Coody called the meeting to order.

PRESENT: Alderman Gray, Thiel, Cook, Allen, Rhoads, Ferrell, Lucas, Jordan, Mayor Coody, City Attorney Kit Williams, City Clerk Sondra Smith, Deputy City Clerk Amber Wood, Staff, Press, and Audience

Pledge of Allegiance

Mayor's Announcements, Proclamations and Recognitions:

This is the first live web streaming meeting exercise we are going through and Amber Wood, Deputy City Clerk is working with the company that is live web streaming.

Presentations, Reports and Discussion Items:

Sustainability Report: **John Coleman,** Sustainability Coordinator gave an update on the sustainability efforts of the city. He stated the utility costs are down from last year, but this is not a trend because more data needs to be collected. He has set up a sustainability team that is made up of City employees.

Alderman Thiel thanked John for his service and the work that he has done for the Environmental Concerns Committee.

Nominating Committee Report: **Alderman Cook** presented the Nominating Committee Report. A copy of the report is attached.

Alderman Ferrell moved to approve the Nominating Committee Report. Alderman Thiel seconded the motion. Upon roll call the motion passed unanimously.

Agenda Additions: None

Consent:

Approval of the March 04, 2008 City Council meeting minutes.

Approved

Landers Ford State Vehicle Purchase: A resolution approving the purchase of two (2) compact extended cab 2X4 pickup trucks from Landers Ford through the state vehicle purchase contract in the amount of $23,784.00 for use by the Meter Division.

Resolution 52-08 as Recorded in the office of the City Clerk.

Bid # 08-17 Truck Centers of Arkansas: A resolution awarding Bid # 08-17 and approving the purchase of two (2) tandem axle dump trucks from Truck Centers of Arkansas in the amount of $200,050.00 for use by the Water & Sewer Division.

Resolution 53-08 as Recorded in the office of the City Clerk.

Bid # 08-18 Truck Centers of Arkansas: A resolution awarding Bid # 08-18 and approving the purchase of two (2) tandem axle dump trucks with auxiliary hydraulics from Truck Centers of Arkansas in the amount of $210,960.00 for use by the Transportation Division.

Resolution 54-08 as Recorded in the office of the City Clerk.

Bid # 08-19 Truck Centers of Arkansas: A resolution awarding Bid # 08-19 and approving the purchase of one (1) tri-axle dump truck from Truck Centers of Arkansas in the amount of $106,259.00 for use by the Transportation Division.

Resolution 55-08 as Recorded in the office of the City Clerk.

Bid # 08-20 Truck Centers of Arkansas: A resolution awarding Bid # 08-20 and approving the purchase of three (3) recycle trucks from Truck Centers of Arkansas in the amount of $471,873.00 for use by the Solid Waste & Recycling Division.

Resolution 56-08 as Recorded in the office of the City Clerk.

Bid # 08-21 Downing Sales and Service: A resolution awarding Bid # 08-21 and approving the purchase of one (1) drop box truck from Downing Sales and Service in the amount of $158,735.00 for use by the Solid Waste & Recycling Division; and approving a budget adjustment in the amount of $1,805.00.

Resolution 57-08 as Recorded in the office of the City Clerk.

Bid # 08-22 Truck Centers of Arkansas: A resolution awarding Bid # 08-22 and approving the purchase of one (1) container carrier truck from Truck Centers of Arkansas in the amount of $76,423.00 for use by the Solid Waste & Recycling Division.

Resolution 58-08 as Recorded in the office of the City Clerk.

Bid # 08-23 Scruggs Equipment Company: A resolution awarding Bid # 08-23 and approving the purchase of one (1) knuckleboom truck from Scruggs Equipment Company of Memphis in the amount of $90,332.00 for use by the Solid Waste & Recycling Division.

Resolution 59-08 as Recorded in the office of the City Clerk.

Bid # 08-26 Golden Circle Ford: A resolution awarding Bid # 08-26 and approving the purchase of one (1) crew cab dump truck from Golden Circle Ford of Jackson, Tennessee in the amount of $46,504.00 for use by the Transportation Division.

Resolution 60-08 as Recorded in the office of the City Clerk.

Bid # 08-27 Longo Toyota: A resolution awarding Bid # 08-27 and approving the purchase of two (2) compact hybrid sedans from Longo Toyota of Los Angeles, California in the amount of $44,360.00 for assignment to the rental pool.

Resolution 61-08 as Recorded in the office of the City Clerk.

West Side Wastewater Treatment Plant Deed Restriction: A resolution approving a deed restriction covenant for the West Side Wastewater Treatment Plant Outfall Site as required by the U.S. Army Corps of Engineers Section 404 Nationwide Permit Number 14207-1.

Resolution 62-08 as Recorded in the office of the City Clerk.

Arkansas Western Gas Company Agreement: A resolution approving an agreement with Arkansas Western Gas Company in the amount of $397,000.00 for relocation of gas lines and appurtenances to allow construction of improvements to Mount Comfort Road.

Resolution 63-08 as Recorded in the office of the City Clerk.

Arkansas Highway and Transportation Department Agreement: A resolution approving preparation and execution of an agreement with the Arkansas Highway and Transportation

Department for the city to take over maintenance of Shiloh Drive between Garland Avenue and Mount Comfort Road.

Resolution 64-08 as Recorded in the office of the City Clerk.

Peace at Home Shelter Building Permit Fee: A resolution to waive the building permit fee and other developmental fees for the construction of the Peace at Home Family Shelter.

Resolution 65-08 as Recorded in the office of the City Clerk.

2008 Assistance To Firefighters Grant: A resolution authorizing the Fayetteville Fire Department to apply for a Department of Homeland Security 2008 Assistance to Firefighters Grant in the amount of $300,000.00 to replace self-contained breathing apparatus (SCBA) and a SCBA Mobile Cascade system.

Resolution 66-08 as Recorded in the office of the City Clerk.

Alderman Jordan moved to approve the Consent Agenda as read. Alderman Cook seconded the motion. Upon roll call the motion passed unanimously.

Alderman Allen: This is an enormous number of trucks and a lot of money. Were they all bought at the same time and so they are all going out of commission at the same time? Why is there such a large number?

David Bragg, Fleet Operations Superintendent: This is really not an unusual amount of equipment for what we do every year. This year we have just gone about it a little differently. We are doing all the acquisitions in the first half of the year. Our budget is up a little over previous years. It is a cyclical thing where we go on an eight to ten year service life. Some years we have more equipment that comes due than other years. The money is accumulated into the fleet fund on an even basis so that money will be available in the fleet fund when the vehicle is due for replacement. There is another fairly large group of vehicles coming up for approval next month but that is essentially the end of the acquisitions for this year. We have a fleet with a value of over $25 million. We have to spend $1.5 million to $2.5 million every year just to stay even.

Mayor Coody: To replace old equipment as it phases out.

David Bragg: Yes.

Alderman Ferrell: There were some vehicles that the equipment committee did not approve. If you are flush in money then you can afford a great fleet, if you are not you can't.

<u>Unfinished Business:</u>

<u>Hiring Freeze:</u>

Hiring Freeze Appeals: A resolution to approve the hiring of replacement employees

Animal Services – One Animal Services Officer and One Animal Services Caregiver

Jim Hatfield, Animal Services Superintendent: The caregiver position was created when we promoted from within. We promoted one of the caregivers to the vet assistant position. By promoting from within we have opened another position. We have an officer position also. By continuing this position it will save us overtime on call pay for two senior officers when we look at overtime emergency on call pay.

Alderman Lucas: Do they not get paid overtime and on call pay when they are called at night. The other officers could not cover that?

Jim Hatfield: Yes but the two senior officers are paid more. There are two other officers and they are paid about mid level.

Mayor Coody: You could cover this slot but it would be more stressful for the staff and you would be using more expensive people at a higher overtime rate to cover for this entry level position.

Jim Hatfield: Correct.

Alderman Ferrell: These are replacement positions correct?

Jim Hatfield: Absolutely.

Mayor Coody: We aren't bringing new positions forward.

Alderman Lucas: Is this an increase to a full time position?

Jim Hatfield: We have the caregiver slot that is open; we have a part time person that is trying to cover that position.

Alderman Thiel moved to approve the Animal Services Officer and the Animal Services Caregiver position. Alderman Gray seconded the motion. Upon roll call the motion passed unanimously.

One Animal Services Officer – Approved
One Animal Services Caregiver – Approved

Human Resources – Administrative Assistant

Missy Leflar, Human Resources Division Manager: I am losing 20% of my work force which is one person. We did have five full time positions and one part time position. This past November my division voluntary cut the part time position in an effort to help the City with budget cuts. If we lose this position we can not keep the balls juggling in the air. Each of us would have to man that front desk two hours per day and make sure her other work got done as well. Our staff is at a current level of five which is under sized for an organization with the number of employees we have. Seven HR staff members would be the medium number and we have five. I would like to request that you allow me to replace this position. It is not a new position.

Alderman Ferrell: Do you have any indication of whether the replacement person would be a new hire or a transfer?

Missy Leflar: No sir, we would post it internally as well as run a job advertisement.

Alderman Ferrell: Chances are that a new person would cost less wouldn't it?

Missy Leflar: I should hope so.

Alderman Rhoads moved to approve the Human Resources Administrative Assistant position. Alderman Thiel seconded the motion. Upon roll call the motion passed unanimously.

Human Resources Administrative Assistant - Approved

Resolution 67-08 as Recorded in the office of the City Clerk.

Ambulance Service Interlocal Agreement: A resolution to approve an interlocal agreement for ambulance service by and with the City of Fayetteville, Washington County, Elkins, Farmington, Goshen, Greenland, Lincoln, Prairie Grove, West Fork, Winslow and Johnson, and to establish the ambulance authority and Central Emergency Medical Services as the exclusive emergency and non-emergency ambulance service within the cities. ***This resolution was tabled at the March 4, 2008 City Council meeting to the March 18, 2008 City Council meeting.***

Mayor Coody: You guys came to some terms in the past few days haven't you?

Alderman Jordan: Yes we have. There were funding issues and equipment cost reimbursement and other issues. I had concerns about Springdale not being involved. Other things that were discussed were price per capita, which all cities will pay the same per capita. Exclusivity was also passed by the committee. I think it is an agreement that is good for both parties in general.

City Attorney Kit Williams: We have had some very good committee meetings. We made some changes to the agreement that would be a positive improvement for everyone involved.

Kit explained the conditions of the agreement.

Alderman Lucas: After 2011 the equipment will be owned by the authority.

City Attorney Kit Williams: Yes. Everything that is purchased new by the authority is going to be the authority's from day one. Equipment that has been transferred by another party if they have not left the authority by July 1, 2011 all the property will be the authority's property.

Jeff Dick with Arkansas Paramed Transfer: We are nonemergency providers within the City of Fayetteville. I understood it would have to come before the City Council another time to vote for exclusivity.

Alderman Ferrell: Tonight.

City Attorney Kit Williams: The amendment itself does not require it but the resolution that would adopt this does authorize exclusivity for nonemergency services. That part of the resolution would have to be removed or else exclusivity would be granted tonight.

Jeff Dick: I would like to ask the Council to reconsider the exclusivity part. You would be going to a drastic step of granting a monopoly to one provider and you would basically be pushing the other providers out. I would like to see competition in the market place.

John Gibson, Chairman of the Board of Central EMS: When we thought about putting the board together, we put a hospital and nursing home representative on the board. I suspect they will be looking very seriously at the rates that are charged to their businesses for nonemergency service. We have a good agreement that I think we can all live with.

He thanked the people that worked on the agreement.

Mayor Coody: Thanks for your patience. The County and the City have always been good partners and I am glad we will be able to continue this great relationship that we have.

John Gibson: I am going to stay around and make sure that this ambulance service is as good or better than it is right now.

Rick Wilcox, owner of Northwest Medical Transfer: I disagree that it is automatic money in your pockets to create a monopoly. I pulled out of Fayetteville about a year and a half ago. He discussed an independent study that was done on ambulance services. He discussed Medicare payments that are received for ambulance service. He said insurance is a tough business to deal with.

Alderman Jordan gave a summary of the proposed contract.

Alderman Thiel: The recommendation from the committee is to approve this?

Alderman Jordan: Yes.

Alderman Thiel: I appreciate the concerns from the private businesses about exclusivity. Looking at the potential for possible savings to the citizens of Fayetteville is one of the reasons we started this discussion several years ago. She quoted what the City Attorney wrote in a memo about exclusivity. Based on this memo and the committee recommendation I support exclusivity.

Mayor Coody: Central EMS if granted exclusivity will contract out with the private folks to handle the load that they can't.

Alderman Ferrell: I think all of us want to have good ambulance service. I want to thank the committee. I do not support exclusivity in ambulance service. EMS today is in the nonemergency business. They are another provider.

Alderman Lucas: This has bothered me to have exclusivity.

A discussion followed on the contract.

Alderman Allen: I spoke to several nurses and the exclusivity was troublesome to them. What percentage of nonemergency transfers is being done by EMS now?

Becky Stuart, Chief of Central EMS: We do about 120 nonemergency calls per month.

Alderman Allen: Could someone need a nonemergency transfer and be unable to be transferred for a lengthy period of time?

Becky Stuart: We would be able to learn more about the call volume and add resources through the authority and Central EMS. We might have to have another provider that we contract with to come in and help with the peak demand times.

Alderman Allen: So these other companies could come in at that time even if we go with the exclusivity?

Becky Stuart: That would be through a contractual agreement between another provider and the EMS Authority.

Alderman Rhoads: If they don't do what they say and don't hire someone else then we will get complaints and they will change their ways or we will go non exclusive.

Alderman Thiel: Didn't you say that if this passed you are going to add a truck or two?

Becky Stuart: Right now we have the infrastructure in place and we are able to add two ambulances a day, Monday through Friday 8-5 which is when most of the nonemergency calls occur.

Alderman Jordan: You said exclusivity could be a gain for the City of Fayetteville.

City Attorney Kit Williams: At least for the authority and that would mean that we would not have to pay as much subsidy.

Becky Stuart: It will be a gain to the overall system both emergency and nonemergency.

Alderman Jordan: Do you have any estimates on how much that could be?

Becky Stuart: At this time our estimates are $300,000 net per year.

Alderman Allen: Did the committee have any concern about competition?

Alderman Jordan: Yes.

Alderman Lucas: When you have exclusivity you can designate different staff and vehicles for those transfers which helps.

Becky Stuart: Yes. Currently all of the ambulances that are in place for Washington County and Fayetteville through Central EMS are paramedic level certified. That is the highest and most expensive level. If we know how many nonemergency calls and what time of day they are scheduled we can put on a nonemergency basic life support ambulance. We can then match the resource with the type of call. We feel this is a better use of our resources.

Alderman Ferrell: If you have to call someone that you are contracting with to help there wouldn't be any correlation between whether they had insurance or not in a situation like that.

Becky Stuart: Absolutely not.

Alderman Cook: When we first came into this I was against exclusivity. Since then I have kind of swayed. I think it would be a mistake at this point if we didn't at least give this a try.

Alderman Ferrell moved to amend the resolution to remove exclusivity of non-emergency transfers services from the agreement. Alderman Jordan seconded the motion. Upon roll call the motion failed 1-7. Alderman Ferrell voting yes.

This amendment failed.

Alderman Jordan thanked several individuals for their work on this.

Alderman Lucas thanked several individuals for their work on this.

Alderman Gray moved to approve the resolution. Alderman Thiel seconded the motion. Upon roll call the resolution passed 7-1. Alderman Ferrell voting no.

Resolution 68-08 as Recorded in the office of the City Clerk.

John Gibson: Thanked each member of the Council for working on this.

A discussion followed on the appointment of someone to this board.

New Business:

Economic Development Strategic Plan: A resolution to approve a budget adjustment in the amount of $75,000.00 to match a similar expenditure of the University of Arkansas Technology Development Foundation to jointly hire a consultant for Phase One of an Economic Development Strategic Plan.

Gary Dumas, Director of Operations gave a brief description of this resolution. He stated they are trying to create an economic development vision statement followed by a fairly detailed strategic plan. The University has agreed to partner with us for half of this, up to $75,000. All we are doing today is appropriating the funds.

Alderman Cook: I thought this was a partnership with the University and now you are saying we are contracting with the University. It sounds like the University is taking the lead on it.

Gary Dumas: It is a partnership. We thought it was best to go through their selection process, just like we do a normal selection process. If you choose to have the City in the lead I would have to talk to the University but I don't think there would be any problem with that.

Alderman Cook: This came from the City initially. I don't disagree with partnering with the University, I think that is a good thing, but I don't want the citizens to feel like we are throwing money at the University and they are bringing somebody in here.

City Attorney Kit Williams: Would it not be possible to have a joint selection?

Gary Dumas: That is what the process is going to be.

Alderman Allen: I thought that part of our process was to bring forth our ideas about economic development to the table. It seems to me in these difficult economic times that should be where we start rather than with a consultant. I find it problematic particularly in tough economic times to bring in a consultant.

Gary Dumas: I suppose if the City Council wants to take that direction you certainly can. The recommendation to you is that we solicit outside assistance to gain from their prior experience and knowledge and to gain a new point of view of our local issues. What outside services will bring is facilitation of constructive discussion bringing that diverse knowledge and diverse opinion into a consolidated statement with which all sides can identify and move forward toward the achievement of our common objective a sustainable, successful, Fayetteville economy.

He read a brief statement from the University about bringing in a consultant.

I think the staff and those at the University that have participated feel that a fresh prospective from the outside, and in the essence of time, it is best to use external services.

Alderman Allen: I have concern for economic development in Fayetteville too. It seems like we should have started six months ago rather than with a consultant.

Mayor Coody: We brought in Dover Kohl to do our Downtown Master Plan. We have plenty of expertise in house to do it if they had nothing else to do. We would not have been able to focus on it like Dover Kohl did. They brought some very interesting and workable ideas to Fayetteville. Economic development is not a single thing that we do. We have been doing economic development seriously for the last seven years and I am very pleased with our progress. It is time to ratchet it up and go to the next level.

Phil Stafford, University of Arkansas: Every thing we have been trying to do is to accelerate the process. The concern about whether we are using outside consultants or not is really directed at the efficiencies. You will be a part of that vision and process. Having someone that can help us to guide us and keep us focused I think is the real value of working with outside consultants. I believe we will achieve better results by utilizing outside services that will help us to participate in a team like fashion.

Mayor Coody: One of the things I am excited about is the potential to really capitalize on the sustainability issue.

Phil Stafford: We have a history of partnering together. I think we are now able to take advantage of some of the additional strengths that we have been able to develop and couple that with new initiatives within the region.

Alderman Cook: I think there is some value with bringing someone in from the outside. Ultimately we are trying to attract from outside the community. We want to bring jobs here, to me that is the bottom line. Those jobs are going to be created by someone investing that money from outside the community. I think when we have that view and we get suggestions that ultimately we can create a better strategy.

Alderman Rhoads: I look forward to and endorse bringing someone else in. I think we have talented people at the University of Arkansas and with the City. I do not discount the smart people that are here. This is an opportunity to take this to another level and take advantage of folks that have done this before.

Alderman Allen: I agree with what Alderman Rhoads said. My point of disagreement was the process where I thought we would have more input. My concern is having a consultant at a time when we didn't give raises to people on our staff, because of tough economic times. That makes it hard for me to justify. It is not because I don't value our goals and that we need to do every thing we can in order to do the best job we can with economic growth in Fayetteville and have the proper kind of growth.

Alderman Ferrell: This money is coming out of the economic development fund and I think that is an appropriate place for it to come out of. I think we are over due. We don't have the luxury of waiting any longer. I think we need to have agreement on how to be successful and I think this partnership can direct us toward that.

Alderman Cook: If this actually works we will see what we have gotten from Van Scoyoc and much more in the long run.

Alderman Jordan: Why is FEDC or the A&P Commission not partnering with us on this?

Gary Dumas: There is no reason that they are not. FEDC looks to the City to provide guidance on what direction the City wants them to go. They are an implementer of your vision not the creator of the economic development vision. They are here to make things happen after you decide where we should go. This creates that plan so they have guidance and then we can actually measure success.

Alderman Jordan: If they are going to benefit from it.

City Attorney Kit Williams: It is not absolutely clear that A&P could donate money in this particular area. I have not researched that.

Alderman Jordan: That is a concern of mine.

Alderman Thiel moved to approve the resolution. Alderman Gray seconded the motion. Upon roll call the resolution passed 6-2. Alderman Allen and Jordan voting no.

Resolution 69-08 as Recorded in the office of the City Clerk

Norman Company: A resolution approving the purchase of office equipment and furniture from Norman Company through U.S. Communities in the amount of $29,948.88 for the new West Side Wastewater Treatment Plant; and approving a contingency of $1000.00.

David Jurgens, Water and Wastewater Director: This is the furniture purchase for the West Side Treatment Plant.

Alderman Ferrell voiced his concern about the cost of the chairs. He stated he will not vote for this.

Alderman Gray: I am going to vote for this. I want us to have furniture that is going to last. I would rather buy a good chair from the beginning and have it last a long time. The staff has given us their recommendation and I support it.

Alderman Thiel: A selection committee reviewed this and we do want to buy quality furniture because in the long run it pays for itself.

Alderman Ferrell: Who was on the selection committee?

David Jurgens: It wasn't a selection committee; it was two of my employees and one OMI representative.

Alderman Ferrell: As the plant comes on line they will not be spending as much time there is that correct?

David Jurgens: The wastewater plant now is manned 24/7. The new plant as time goes on will be able to cut the night shift but the operation staff will still be a 16 hour a day operation.

Alderman Lucas: I have a little bit of a struggle with the cost of the chairs.

David Jurgens: The average price is just under $100. We tried to select furniture that was appropriate for the location and the use. We selected furniture that met the sustainable green type requirement. We followed the City's purchasing policy. We choose industrial grade furniture rather than standard or residential grade.

Mayor Coody: The people that have been building the wastewater treatment center have been doing a marvelous job on value engineering and making sure we get the best bang for our buck out there. OMI has done a stupendous job for the City of Fayetteville as far as managing our wastewater treatment center.

Alderman Thiel moved to approve the resolution. Alderman Gray seconded the motion. Upon roll call the resolution passed 4-4. Alderman Gray, Thiel, Cook, and Rhoads voting yes. Alderman Allen, Ferrell, Lucas, and Jordan voting no. Mayor Coody voted yes to pass the resolution.

Resolution 70-08 as Recorded in the office of the City Clerk

Arkansas Highway & Transportation Department Proposal: A resolution approving a proposal from the Arkansas State Highway and Transportation Department (AHTD) to widen Crossover Road from Mission Boulevard to Joyce Street; and reaffirming the City of Fayetteville's commitment of $7,700,000.00 to the project.

Ron Petrie, City Engineer gave a brief update on the project. He gave the four possible options. He stated the Street Committee voted 3-1 to use the second option which was to use the City commitment of $7.7 million and proceed with the project.

Alderman Thiel: This project will proceed from Highway 45 to Joyce Street.

Alderman Jordan: The Street Committee recommended this option.

Alderman Thiel: I heard from a lot of people that supported following the plan that was originally given to us. I support doing it like this.

Alderman Allen: I also support building it like this.

Alderman Lucas: I also support this.

Alderman Ferrell: I voted against this at the Street Committee meeting however I will support it tonight.

Alderman Thiel moved to approve the resolution. Alderman Jordan seconded the motion. Upon roll call the resolution passed unanimously.

Resolution 71-08 as Recorded in the office of the City Clerk

Transportation Bond Program Funds: A resolution approving the use of existing Transportation Bond Program funds to proceed with the Van Asche Boulevard extension to the west of Gregg Avenue upon formal acceptance of an annexation from the adjoining property owner WG Land Company Limited Partnership.

Ron Petrie gave an update on this proposal. He said there was specific language within this agreement having to do with the industrial zoning within the cavern area and the commercial zoning for the remaining property when it is annexed or when it is developed.

Alderman Jordan thanked Alderman Thiel because some of this funding is coming from a project that was proposed for Ward 1.

Alderman Thiel: This is just delaying the proposed Fifteenth Street project.

Alderman Allen: This is the right thing to do.

Alderman Cook: My concern is the de-annexation. That will be a fight.

Gary Dumas: The annexation and de-annexation is not going to be an easy task.

Alderman Cook: What if the City of Johnson says no to the de-annexation?

City Attorney Kit Williams: This has happened before between other cities with property owners. A property owner has the right, if the city that he is currently a member of doesn't provide the kind of services that another city would offer, to go to court to require de-annexation from the other city, if the new city is willing to accept him in and offer the services that he can't get from the prior city. I think that is the situation that we have right now in this particular property.

Alderman Cook: Is that a lengthy process?

City Attorney Kit Williams: Yes.

Gary Dumas: I sent a letter to the City of Johnson proposing a negotiated agreement.

Alderman Cook: If we agree to this nothing happens until that land is in the City of Fayetteville?

Gary Dumas: I think that we should probably proceed with the design that will be done internally.

A discussion followed on a proposed amendment.

Alderman Lucas moved to approve the resolution. Alderman Jordan seconded the motion. Upon roll call the resolution passed unanimously.

Resolution 72-08 as Recorded in the office of the City Clerk

Red Oak Park Streambank Improvements: A resolution approving a revised project design for the Red Oak Park Streambank Improvements submitted by the Arkansas Game and Fish Commission Region 1 Stream Team.

Carole Jones, Fayetteville Parks and Recreation: We have had discussion since this was tabled. Residents of Ward 4 voted and agreed that we should proceed with the Arkansas Game and Fish Commission design. They also wanted us to work on the master plan of park once we get the stream finished and the possibility of looking at rain gardens in conjunction with this.

David Evans, Arkansas Game and Fish Commission: I don't see any change from what I said before. The slight narrowing of the channel from the modification that you asked me to make I am not willing to modify it any farther down than that.

Lowell Boynton, Bell Gabel Chapel Owner: I sent my comments to everyone in written form. I think there is a lack of appreciation for how much water is coming down through there.

Aubrey Shepherd, citizen: I think this is a chance to educate people. This is a poster child for bad development.

Valerie Biendara, citizen thanked Alderman Jordan and Lucas for the meetings they had regarding this. She also thanked Carole and Connie from Parks and Recreation for their hard work to see something done with this park. I appreciate the Council voting on this and giving us our park back.

Paul Becker, Finance Director reviewed the funding for the project. If the Council wants to use park land dedication funds they would need to amend the resolution. This is currently budgeted in the capital improvement fund.

A discussion followed on the funding for the project and where the funds are coming from. A discussion also followed regarding future park land dedication funds.

Alderman Ferrell moved to amend the resolution to use Park Land Dedication Funds in the amount of $39,578. Alderman Jordan seconded the motion. Upon roll call the motion passed 6-2. Alderman Gray and Thiel voting no.

Alderman Jordan moved to approve the resolution. Alderman Lucas seconded the motion. Upon roll call the resolution passed unanimously.

Resolution 73-08 as Recorded in the office of the City Clerk

ADM 06-2380 Amend Chapters 166 & 172: An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 166: Development and Chapter 172: Parking and Loading in order to adopt Urban Residential Design Standards.

City Attorney Kit Williams read the ordinance.

Alderman Lucas moved to suspend the rules and go to the second reading. Alderman Cook seconded the motion. Upon roll call the motion passed 7-0. Alderman Gray was absent during the vote.

City Attorney Kit Williams read the ordinance.

Karen Minkel, Planning Division gave a brief update on the proposed ordinance. Planning Commission forwarded this ordinance to the Ordinance Review Committee with a vote of 7-0. The Ordinance Review Committee forwarded this ordinance to the City Council with a vote 3-0.

Alderman Ferrell: Was there any thought about the PZD's being able to be considered?

Jeremy Pate, Director of Current Planning: For this particular item a PZD would not likely utilize these standards.

Alderman Jordan moved to suspend the rules and go to the third and final reading. Alderman Thiel seconded the motion. Upon roll call the motion passed 7-0. Alderman Rhoads was absent during the vote.

City Attorney Kit Williams read the ordinance.

Mayor Coody asked shall the ordinance pass. Upon roll call the ordinance passed unanimously.

Ordinance 5118 as Recorded in the office of the City Clerk.

ADM 07-2712 Amend Chapters 151, 159, 161, 162, 163 and 164: An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 159: Fees, Chapter 161: Zoning Regulations, Chapter 162: Use Units, Chapter 163: Use Conditions and Chapter 164: Supplementary District Regulations in order to make accessory dwelling units a permitted use in all residential zoning districts contingent upon Planning Division administrative approval.

City Attorney Kit Williams read the ordinance.

Leif Olson, Planning Division: The Planning Commission forwarded this to the Ordinance Review Committee with a vote of 6-0. The Ordinance Review Committee forwarded it to the City Council with a vote of 3-0. He gave a list of proposed requirements from the Council of Neighborhoods.

There was a discussion on the proposed changes from the Council of Neighborhoods. After discussion this was left on the first reading and sent back to the Ordinance Review Committee to review.

Alderman Allen: I have concerns about implementation and how this will be regulated. Basically I think it is a really good ordinance.

Jeremy Pate: We looked at utilizing this for PZD's but we didn't get a lot of support for that. We did not feel it was the right thing to do to propose these as a use by right for PZD's

Alderman Thiel: During the Ruskin Heights discussion this was a big issue so I appreciate that being looked at in a different way.

This ordinance was left on the First Reading.

ADM 08-2927 (Stadium Centre Cottages): An ordinance amending a Residential Planned Zoning District entitled R-PZD 06-2212, Stadium Centre Cottages, located at the SW corner of One Mile Road and Sandra Street, containing approximately 2.45 acres, to reflect revised lot width and lot area requirements as described and depicted herein.

City Attorney Kit Williams read the ordinance.

Jeremy Pate gave a brief description of the proposed ordinance. Planning Commission voted unanimously to support this amendment.

Alderman Lucas: This does not increase the density.

Jeremy Pate: That's correct.

Alderman Jordan moved to suspend the rules and go to the second reading. Alderman Lucas seconded the motion. Upon roll call the motion passed 7-0. Alderman Allen was absent during the vote.

City Attorney Kit Williams read the ordinance.

Alderman Jordan moved to suspend the rules and go to the third and final reading. Alderman Lucas seconded the motion. Upon roll call the motion passed 7-0. Alderman Allen was absent during the vote.

City Attorney Kit Williams read the ordinance.

Mayor Coody asked shall the ordinance pass. Upon roll call the ordinance passed 7-0. Alderman Allen was absent during the vote.

Ordinance 5119 as Recorded in the office of the City Clerk.

Amend Chapter 72 Parking Regulations: An ordinance to amend Chapter 72, Parking Regulations, of the Fayetteville Code by enacting §72.59 EcoTag authorized for free parking at long term parking meters.

City Attorney Kit Williams read the ordinance.

John Coleman, Sustainability Coordinator gave a brief description of the proposed ordinance. He stated this will cost very little money in time on behalf of staff.

Mayor Coody: I asked John to bring this forward because I have been supportive of encouraging people to buy as fuel efficient vehicles as possible.

Alderman Thiel: I support this. I feel it is sending a signal to our city and other cities that we value this.

Alderman Gray: I think we need to do anything we can to encourage people to save gas and this is one more way we can encourage them.

Alderman Allen: I am not sure this is the way to reward. I would like for us to think of other ways we can reward. This seems it discriminates toward the poor.

Alderman Ferrell: I think it was a good intention but a bad application.

Alderman Ferrell moved to suspend the rules and go to the second reading. Alderman Jordan seconded the motion. Upon roll call the motion passed unanimously.

City Attorney Kit Williams read the ordinance.

Dillon Ferrell: I believe the ordinance as written is ill-advised at this time. We are in a budget short fall and cutting parking revenue even in a slight way would jeopardize other programs in the city. This does not take into account electric vehicles. There are a number of motorcycles that would far exceed the 40 mile per gallon rating. I feel to limit to strictly four wheel gas pedestrian powered vehicles at this point would send the wrong message from the City.

Mayor Coody: These cars would have to meet certain mileage standards and as technology improves if EPA says that a car meets the high mileage standards then they might be available to take advantage of the program too. If the program becomes so popular that we see a real hit to the budget we could always scale it back or do away with it.

Alderman Jordan moved to suspend the rules and go to the third and final reading. Alderman Thiel seconded the motion. Upon roll call the motion passed unanimously.

City Attorney Kit Williams read the ordinance.

Mayor Coody asked shall the ordinance pass. Upon roll call the ordinance failed 2-6. Alderman Gray and Thiel voting yes.

This ordinance failed.

Amend Chapter 150 General Provisions: An ordinance to Amend §150.12 Penalty of the Unified Development Code of the Code of Fayetteville to refer back to §10.99 General Penalty of the Code of Fayetteville.

City Attorney Kit Williams read the ordinance.

City Attorney Kit Williams: In the UDC this only had the title and nothing written under it. I suggest that we include the language to refer back to the general penalty section of our entire Code of Fayetteville.

Alderman Cook moved to suspend the rules and go to the second reading. Alderman Lucas seconded the motion. Upon roll call the motion passed 7-0. Alderman Thiel was absent during the vote.

City Attorney Kit Williams read the ordinance.

Alderman Jordan moved to suspend the rules and go to the third and final reading. Alderman Ferrell seconded the motion. Upon roll call the motion passed 7-0. Alderman Thiel was absent during the vote.

City Attorney Kit Williams read the ordinance.

Mayor Coody asked shall the ordinance pass. Upon roll call the ordinance passed 7-0. Alderman Thiel was absent during the vote.

Ordinance 5120 as Recorded in the office of the City Clerk.

Meeting adjourned at 9:20 PM

Dan Coody

Dan Coody, Mayor

Sondra E. Smith

Sondra E. Smith, City Clerk/Treasurer

Nominating Committee Report
Meeting Date: March 13, 2008
Room 313, City Hall 5:00pm

Members present: Kyle Cook, Adella Gray, Shirley Lucas
Also present: Nancy Allen, Robert Ferrell

The following is being submitted by the Nominating Committee to the entire City Council for consideration.

Board of Adjustments

The committee recommends the following candidates for appointment:

Bob Kohler – one term ending 3/31/13
Steven Bandy – one unexpired term ending 3/31/10

Civil Service Commission

The committee recommends the following candidates for appointment:

Steve Coppinger – one term ending 3/31/14
Fred Vorsanger – one term ending 3/31/14

Construction Board of Adjustments and Appeals

The committee recommends the following candidate for appointment:

Jim Key – one term ending 3/31/13

Fayetteville Public Library Board of Trustees

The committee recommends the following candidates for appointment:

Don Marr – one term ending 4/01/13
Dan Ferritor – one term ending 4/01/13

Planning Commission

The committee recommends the following candidates for appointment:

James Graves – one term ending 3/31/11
Audy Lack – one term ending 3/31/11
Jeremy Kennedy – one term ending 3/31/11

City of Fayetteville

Final Report
Comprehensive Water and Sewer Rate Study

March 2008

Prepared by
HDR Engineering, Inc.

HDR ONE COMPANY | Many Solutions

March 31, 2008

Mr. Paul Becker
Director of Finance
City of Fayetteville
113 W. Mountain St.
Fayetteville, Arkansas 72701

Subject: Final Report for the Comprehensive Water and Sewer Rate Study
Project #42284

Dear Mr. Becker:

HDR Engineering, Inc. (HDR) is pleased to present the final report on the Comprehensive Water and Sewer Rate Study conducted for the City of Fayetteville (City). The key objective of the rate study was to develop equitable rates that generate sufficient revenue to fund the operating and capital needs of the water and sewer utilities. This report outlines the approach, methodology, findings, and conclusions of the rate study.

The conclusions and recommendations contained within this report provide a financial plan that meets the operating and capital needs of each utility. Furthermore, this report provides rates that are cost-based, defensible, and equitable to the City's customers. This report was developed using "generally accepted" rate setting techniques and is based upon data and information provided by the City.

We appreciate the assistance provided by the City's Management team and City staff in the development of this study. We hope to have the opportunity to work with the City again in the future.

Sincerely yours,
HDR Engineering, Inc.

Thomas Gould
Vice President

HDR Engineering, Inc.

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Suite 1200
Bellevue, WA 98004-5549

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Technical Appendix

Executive Summary

Introduction

HDR Engineering (HDR) was retained by the City of Fayetteville (City) to conduct a comprehensive water and sewer rate study. The main objectives of the water and sewer rate study were to establish water and sewer rates that fully recover the cost of providing service to customers, adequately provide for maintaining and expanding the City's infrastructure, and provide adequate reserves for future needs. The development of this study determines the adequacy of the existing water and sewer rates and provides the basis for any adjustments needed to move to cost-based rates. At the same time, the study will also review the fairness and equity of the City's current water and sewer rates.

> ***"The main objectives of the water and sewer rate study were to establish water and sewer rates that fully recover the cost of providing service to customers, adequately provide for maintaining and expanding the City's infrastructure, and provide adequate reserves for future needs."***

Overview of the Rate Study Process

A comprehensive rate study consists of three interrelated analyses. Table ES-1 provides an overview of these analyses.

Table ES-1
Overview of the Comprehensive Rate Analyses

Revenue Requirement Analysis	*Compares the revenue of the utility to the expenses to determine the overall rate adjustment required*
Cost of Service Analysis	*Allocates the revenue requirements to the various customer classes of service in an equitable manner*
Rate Design Analysis	*Considers both the level and structure of the rate design to collect the appropriate and targeted level of revenues*

For this particular study, all aspects of a comprehensive rate analysis were conducted. Each utility was financially evaluated on a "stand-alone" basis. That is, no subsidies between the utilities should occur.

Comprehensive Water Rate Study

In conducting the water comprehensive rate study, the revenue requirement, cost of service and rate design analyses noted above in Table ES-1 were utilized. Provided below is a summary of each analysis.

Water Revenue Requirement Analysis – The development of the water revenue requirements was the first analysis undertaken in the water utility rate study. This analysis was used to determine the overall adequacy of the water utility rates. For this particular study, the revenue requirements were developed for a five-year projected time period (calendar year 2006–2010). This time period captured a good representation of current conditions the City will have to deal with for the next several years. In projecting the revenues and operating expenses for the utility, the primary inputs to the analysis were the City's accounting and billing records, capital plan and debt service obligations.

A "cash basis" revenue requirement was developed that considered the prudent funding of both operating and capital infrastructure requirements of the City. The calendar year 2006 budget was used as a starting point. Escalation factors were developed for various types of expenses that the City incurs. The escalation factors used ranged from 3% to 10% per year. One key item in the water revenue requirements is the purchased water costs from the Beaver Water District. For 2008, Beaver Water District increased their wholesale rate by $0.02/1,000 gallons. The present wholesale rate from Beaver is $1.16/1,000 gallons. This study has assumed continued increases from Beaver as a result of their 15-year Financial Plan. Wholesale water costs for the City are approximately $6.3 million per year. Operation and maintenance costs for the projected time period ranged from $11.2 million in 2007 to $12.4 million in 2010.

An important aspect of the water revenue requirements was the funding of capital improvements. In the case of the City, there is a fairly significant list of water-related capital projects to be undertaken. In fact, the list of capital projects is so large that there are two lists – funded and unfunded. A major objective of this study is to determine the true financial condition of the water utility and develop a workable capital plan. To achieve this objective, the list of capital projects was reviewed by City Staff and prioritized. Those projects that could be deferred into the future were set aside as "deferred capital projects." Unfortunately, the amount of projects being deferred is approximately $12.5 million. With the deferred projects being excluded, the City still anticipates approximately $58.4 million in capital projects which must be completed in the five year period of 2007-2010. The water financial plan developed as a part of this study assumes the need for the City to borrow a significant amount of funds to begin paying for the "unfunded" projects. It has been assumed that the City will need to borrow approximately $14.9 million in the 2007/2008 period. This financing will likely be slid out in time, but should occur at some point to be able to fund the needed projects. Failure to do so will only further push the water utility into deeper capital project deferrals. It should be noted that the financial plan developed as a part of this study has provided the financial/rate ability for the City to borrow these needed funds.

"An important aspect of the water revenue requirements was the funding of capital improvements."

A summary of the water revenue requirement analysis is provided below in Table ES-2. The technical appendix at the end of the report will provide the detailed technical analysis for the full five-year period.

Table ES-2
Summary of Water Revenue Requirement Analysis ($000's)

	2006	2007	2008	2009	2010
Sources of Funds					
Rate Revenues at Present Rates	$11,872	$12,190	$12,517	$12,855	$13,202
Wholesale Revenue	315	322	331	341	352
Miscellaneous Revenue	1,395	1,436	1,454	1,498	1,543
Less: Safe Water Act Fee/Sales Tax	812	855	881	903	928
Total Sources of Funds	$14,394	$14,803	$15,183	$15,597	$16,025
Expenditures					
Water Portion of Joint Expenses	$2,819	$2,923	$3,035	$3,151	$3,273
Direct Water Expenditures	8,060	8,312	8,573	8,844	9,124
Taxes and Transfers.	1,320	1,379	1,421	1,459	1,500
Debt Service	1,030	1,337	1,948	1,949	3,484
CIP Funded Through Rates	1,269	1,900	2,000	2,100	2,200
Change in Working Capital	0	0	0	0	0
Total Revenue Requirements	$14,498	$15,851	$16,977	$17,503	$19,581
Balance (Deficiency) of Funds	($104)	($1,048)	($1,794)	($1,906)	($3,556)
Bal. (Def.) of Funds as a % of Rates	(0.9%)	(8.4%)	(14.0%)	(14.4%)	(26.2%)

The results of the water revenue requirements show a deficiency of funds in each year of the projected five-year time period of 2006–2010. The deficiency ranges from approximately $104,000 or 0.9% of water rate revenue in 2006, to $3.6 million or 26.2% in 2010.

The results of the study were presented to the City's management team, along with the City Water and Sewer Committee. In discussions with both of these groups, a water rate transition plan was developed. The transition plan was developed to recognize the potential impact to certain customers from the overall adjustments. To help transition the needed water adjustments and cost of service results (discussed below), the City and Committee chose to extend the transition period to 2011 for purposes of this study. The adjustments shown in Table ES-3 reflect the summary discussions with the Committee.

Table ES-3
Water Rate Transition Plan

	2008	2009	2010	2011
Proposed Water Rate Adjustments	3.6%	5.8%	5.3%	5.3%

The next step in the comprehensive water rate study is the cost of service analysis. This portion of the study is discussed in detail below.

Water Cost of Service Analysis – The next step in a comprehensive rate study is to perform a cost of service study. For this portion of the study, the revenue requirements were converted from a "cash basis" to the "utility/accrual basis". The "utility/accrual basis" is used to allow the City to earn a "fair" rate of return for serving outside Fayetteville and wholesale customers.

The objectives of the water cost of service analysis are different from determining revenue requirements. A revenue requirement analysis determines the utility's overall financial needs, while the cost of service study determines the "fair and equitable" manner to collect those revenue requirements. A summary of the water utility cost of service analysis is shown within Table ES-4.

Table ES-4
Summary of the Water Utility Cost of Service Analysis ($000's)

Class of Service	Present Rate Revenues	Allocated Costs [1]	$ Difference	% Difference
Inside Fayetteville –				
Residential	$6,271	$6,537	($267)	4.3%
Commercial	1,432	1,365	67	– 4.7%
Industrial	1,271	1,615	(344)	27.1%
Government	620	756	(136)	21.9%
Irrigation	819	1,296	(477)	58.2%
Outside Fayetteville	2,104	1,970	134	– 6.4%
Wholesale	331	338	(6)	1.9%
Total	$12,849	$13,877	($1,793)	8.0%

As can be seen from the above table, there are cost differences associated with serving the various customer groups. In developing the outside Fayetteville and wholesale cost allocations, the City has assessed each of these customer groups a "fair" rate of return on the City's investment to serve these customers. Therefore, in the opinion of HDR, the City can not charge an amount greater than that shown in the cost of service for these specific customers.

Water Rate Design – The revenue requirements indicate the priority of the City should be to generate an adequate level of funding for the water utility with cost-based rates. At the present time, all retail customers within the City of Fayetteville are billed under the same rate schedule. The City's present retail water rate is a "declining" block rate structure. This study has recommended that the City move towards individual rate schedules for each customer class of service. There are a number of advantages to this change, but most importantly, the City can establish rates for each customer group that reflect the cost characteristics of that particular group of customers.

Based upon discussions with the City, it was concluded that the new retail customer classes of service should be proposed:

- Residential
- Non-Residential
- Major Industrial

- Irrigation
- Outside Fayetteville
- Wholesale

Provided below in Table ES-5 is a summary of the final proposed rate adjustments for 2008 – 2011 for the various customer classes of service.

Table ES-5
Summary of the Proposed 2008 – 2011 Water Rate Adjustments ($000's)
Revised Customer Classes of Service

Class of Service	2008	2009	2010	2011
Inside Fayetteville –				
Residential	5.5%	5.5%	5.5%	5.5%
Non-Residential [1]	4.1%	4.1%	4.1%	4.1%
Major Industrial	6.6%	6.6%	6.6%	6.6%
Irrigation	10.0%	10.0%	10.0%	10.0%
Outside Fayetteville	-6.4%	6.0%	3.0%	3.0%
Wholesale	1.9%	6.0%	3.0%	3.0%
Total	3.6%	5.8%	5.3%	5.3%

[1] – Combined adjustment for previously defined Commercial and Government class of service

For each class of service, a proposed rate for the 2008 – 2011 time period has been developed.

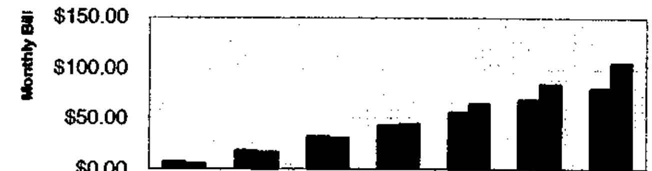
The proposed residential water rate has been significantly restructured to better reflect the characteristics of this class of service and the overall policy objectives of the City Council. In particular, conservation and efficient use of water resources are an important objective. However, at the same time, affordability and ability to pay must also be addressed. The proposed residential rate attempts to address these objectives and is shown below in Table ES-6.

Table ES-6
Proposed Inside and Outside Fayetteville Residential Water Rate

	Inside Fayetteville				Outside Fayetteville			
Rate Components	2008	2009	2010	2011	2008	2009	2010	2011
Meter Charge – ($/Month)								
5/8" x 3/4"	$4.00	$4.25	$4.50	$4.75	$4.60	$4.89	$5.18	$5.46
1"	5.55	5.90	6.25	6.60	6.38	6.79	7.19	7.59
1-1/2"	9.70	10.30	10.90	11.50	11.16	11.85	12.54	13.23
2"	14.10	15.00	15.90	16.75	16.22	17.25	18.29	19.26
Consumption Charge – ($/1,000 gallons)								
First 2,000 gallons	$2.11	$2.25	$2.39	$2.53	$2.43	$2.59	$2.75	$2.91
Next 13,000 gallons	2.81	2.99	3.17	3.36	3.23	3.44	3.64	3.86
Over 15, 000 gallons	3.98	4.24	4.49	4.75	4.58	4.88	5.16	5.46

The residential rate structure has re-designed with three consumption blocks. The first block is designated for "essential" use and may be considered a "lifeline" block. The price of this block is set at a 25% discount of the average cost. This block is intended to address the issue of affordability and ability to pay. The second block is intended to address the remainder of typical indoor use and a portion of "efficient" outdoor use. Within the City, the average residential water customer uses approximately 5,000 gallons per month. Hence, setting the second block at a limit of 15,000 gallons should provide sufficient water for outdoor needs for a typical lot size. The final block is designed to capture outdoor use, and this is likely "inefficient" outdoor use. The under-collection within the first block is collected within this portion of the rate structure. It should be noted from a water resource perspective outdoor use is typically considered "discretionary" consumption. As can be seen in the bill comparison, the lowest users will actually see a slight rate decrease under these proposed rates. The largest users will have their bills adjusted under this proposed approach, and these revenues should be derived during the summer months.

Comparison of Present and Proposed Residential Inside City Bills at Varying Consumption Levels ($/Month)



1,000 Gal. Usage	0	5	10	15	20	25	30
Present Rates	$6.69	$17.93	$31.98	$44.08	$56.18	$68.28	$80.38
Proposed Rates	$6.11	$16.65	$30.70	$44.75	$64.64	$84.54	$104.44

Water rates were developed for the various other retail and wholesale customers. The main text of this report provides a detailed discussion of the proposed rates for each customer class of service.

The water rates, as proposed herein, are cost-based and were developed using generally accepted rate-making methods and principles. The implementation of rate adjustments, as shown in the rate transition plan through 2011, should move the City closer to cost-based rates for all customers.

Comprehensive Sewer Rate Study

The comprehensive sewer rate study was developed using the same analytical framework as the water rate study. As with the water utility, three separate analyses were developed; a revenue requirement analysis, a cost of service analysis and the design sewer rates. Provided below is a summary discussion of each analysis.

Sewer Revenue Requirement Analysis – The revenue requirement for the sewer utility was developed using the same general assumptions as the water utility. The sewer revenue requirements reviewed the same five-year projected time period of 2006 to 2010. This same time period was reviewed in order to maintain consistency between the rate studies being conducted for the City.

The City's 2006 sewer utility budget document was used as the base to project future year costs. The future O&M expenses were escalated by the most appropriate escalation factor. Generally, the escalation factors ranged from 3% to 10%. The highest escalation factor was due to increasing medical costs. A major change in the City's O&M levels are a result of the City's expanded wastewater treatment plant coming on line in 2008. In 2008, it has been assumed that the plant will be in a "start-up" mode and have $1.5 million of additional expenses over and above current levels. As the plant becomes more fully operational, the City estimated that the additional costs would be $3.0 million per year. In addition, it has been assumed that additional personnel will be needed. The City has assumed an additional labor cost of $50,000 in 2008 and a total of $100,000 in 2009. These expenses are not unexpected and have been known and anticipated for the last two years or more.

The City's total O&M expenses in 2007 are projected to be $9.4 million. With the additional costs noted above, the City's sewer O&M is projected to increase to $11.2 million in 2008 and $13.1 million in 2009. At that point, the plant is fully operational and the City will be incurring the full costs of the plant. By 2010, it has been assumed that general inflation will increase the total O&M costs to approximately $13.6 million.

Much like the water utility, capital infrastructure is an important funding component of the City's sewer rates. The City anticipates approximately $8.9 million in capital expenditures for the sewer utility over the five-year period of 2006–2010. This equates to approximately $1.8 million per year in capital improvement projects. The major projects are collection system projects related to the renewal and replacement of existing facilities, along with the development of additional interceptor capacity. The funding for most of these projects is from a combination of reserve funds, grant funding, impact fees and rates. Even with this assumed funding, the City still has approximately $10.5 million in deferred capital improvements. At some point, the City will need to address this long-term funding issue. In 2010, the study has assumed that a large portion of past deferrals are included within the capital funding. As a result, it has been assumed that the City will need to borrow approximately $7.0 million. This will help the City understand the potential long-term impacts of their past deferrals.

Given a projection of revenues and expenses, the City's sewer revenue requirements were developed. A summary of the sewer revenue requirements can be seen in Table ES-7.

Table ES-7 Summary of the Sewer Revenue Requirement Analysis ($000's)	2006	2007	2008	2009	2010
Sources of Funds					
Rate Revenues at Present Rates	$12,641	$12,946	$13,260	$13,584	$13,918
Wholesale Revenue	137	141	145	149	154
Miscellaneous Revenue	492	542	551	474	476
Total Sources of Funds	$13,270	$13,629	$13,956	$14,207	$14,548
Expenditures					
Sewer Portion of Joint Expenses	$2,288	$2,368	$2,451	$2,538	$2,627
Direct Sewer Expenditures	6,821	7,040	8,768	10,504	10,838
Service Level Plan	0	0	0	50	100
Taxes and Transfers	478	493	507	523	538
Debt Service (Rate Funded)	603	606	608	608	1,100
CIP Funded Through Rates	3,183	2,700	2,700	2,730	2,900
Change in Working Capital	0	0	0	0	0
Total Revenue Requirements	$13,373	$13,207	$15,034	$6,9533	$18,103
Balance (Deficiency) of Funds	($103)	$422	($1,078)	($2,746)	($3,555)
Bal. (Def.) of Funds as a % of Rates	(0.8%)	3.2%	(8.0%)	(20.0%)	(25.3%)

As can be seen, the City's sewer rates will be deficient in 2008 due to the initial start-up costs associated with the West Side Wastewater Treatment Plant. The full impact of the operational costs associated with the treatment plant occurs in 2009. It should be pointed out that the level of adjustment shown in 2009 was projected in July of 2006, and communicated to the City's sewer customers at that time. In July 2006, HDR analyzed the potential impacts from the passage or failure of the sales tax initiative. As a result of that analysis, the City told the citizens of Fayetteville that no adjustments to sewer rates would occur in 2008, but that an adjustment of approximately 20% would be expected in 2009.

The reason for the size of the sewer adjustment is the need for adequate funding of the O&M costs associated with the West Side Wastewater Treatment Plant and/or the need for funding for renewal and replacement capital projects. Depending upon one's viewpoint, the deficiency in 2009 is roughly equal to the incremental operational costs for the wastewater treatment plant ($3.0 million) and/or the amount of funding for capital improvements from rates ($2.7 million). If the City's prior rate adjustment was intended to fund the incremental operational costs of the new plant, then at that time, there was no consideration of the adequate funding of CIP from rates. This study has acknowledged the need to fund both of these uses of funds and has provided adequate funding for both of those components.

The results of the study were presented to the City's management team, along with the City's Water and Sewer Committee. In discussions with both of these groups, a sewer rate transition plan was developed. The transition plan recognized the need for an adjustment to the sewer utility in 2009. The adjustments shown in ES-8 reflect the summary discussions with the Committee.

Table ES-8 Sewer Rate Transition Plan				
	2008	2009	2010	2011
Proposed Sewer Rate Adjustments	0.0%	20.0%	3.0%	3.0%

The next step in the comprehensive water rate study is the cost of service analysis. This portion of the study is discussed in detail below.

Sewer Cost of Service Analysis – Like the water cost of service study, the sewer cost of service study seeks to equitably allocate the revenue requirements to the various customer classes of service. The sewer cost of service analysis requires that the City allocate costs in conformance with the various wholesale contracts the City has with various parties. In particular, contracts with the Cities of Farmington and Elkins require a specific cost allocation methodology and rate of return. Table ES-9 provides a summary of the sewer cost of service.

Table ES-9
Summary of the Sewer Utility Cost of Service Analysis ($000's)

Class of Service	Present Rate Revenues	Allocated Costs	$ Difference	% Difference
Inside Fayetteville –				
Residential	$7,209	$7,837	($627)	8.7%
Commercial	2,076	2,618	(542)	26.1%
Industrial	2,467	3,749	(1,281)	51.9%
Government	878	1,018	(140)	15.9%
Outside Fayetteville–City of Farmington	695	765	(69)	10.0%
Outside Fayetteville – All Others	257	309	(52)	20.0%
Wholesale – City of Elkins	149	173	(24)	15.7%
Total	$13,734	$16,468	($2,735)	19.9%

As can be seen from the above table, there are cost differences associated with serving the various customer groups. In developing the outside Fayetteville and wholesale rates, the City has assessed each of these customer groups a "fair" rate of return on the City's investment to serve these customers. Therefore, in the opinion of HDR, the City can not charge an amount greater than that shown in the cost of service for these customers.

Sewer Rate Design – The revenue requirements indicate the priority of the City should be to generate an adequate level of funding for the sewer utility with cost-based rates. At the present time, all retail customers within the City of Fayetteville are essentially billed under the same rate schedule. There is a rate differential between residential and commercial, but it is contained within the same rate schedule.

Similar to the water utility, it is recommended that the sewer utility move towards individual rate schedules for each customer class of service. Based upon discussions with the City, it was concluded that the new sewer customer classes of service should be proposed:

- Residential
- Non-Residential
- Major Industrial
- Outside Fayetteville - City of Farmington
- Outside Fayetteville
- Wholesale - City of Elkins

Provided below in Table ES-10 is a summary of the final proposed sewer rate adjustments for 2008 – 2011 for the various customer classes of service.

Table ES-10
Summary of the Proposed 2008 – 2011 Sewer Rate Adjustments
Revised Customer Classes of Service

Class of Service	2008	2009	2010	2011
Inside Fayetteville –				
Residential	0.0%	18.0%	2.6%	2.6%
Non-Residential [1]	0.0%	24.0%	2.6%	2.6%
Major Industrial	0.0%	25.0%	6.0%	6.0%
Outside Fayetteville-Farmington	0.0%	10.0%	3.0%	3.0%
Outside Fayetteville	0.0%	19.6%	3.0%	3.0%
Wholesale – City of Elkins	0.0%	15.5%	3.0%	3.0%
Total	0.0%	20.0%	3.0%	3.0%

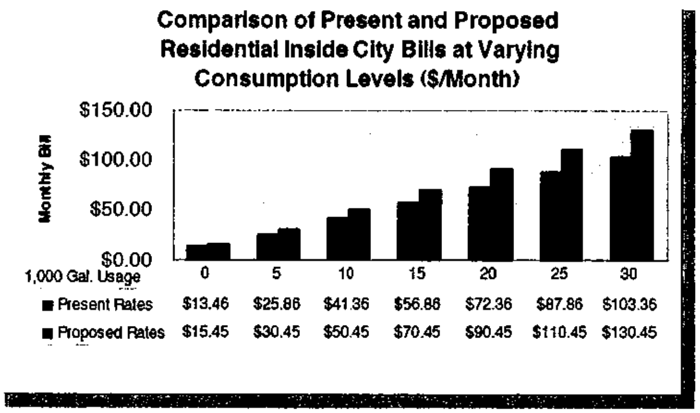
[1] – Combined adjustment for previously defined Commercial and Government class of service

It should be noted that while the water utility is adjusting rates in 2008, the sewer utility will not adjust rates until January 1, 2009.

The proposed residential sewer rate generally follows the approach used for water utility. The proposed residential sewer rate is shown below in Table ES-11.

Table ES-11 Proposed Inside and Outside Fayetteville Residential Sewer Rate						
	Inside Fayetteville			Outside Fayetteville		
Rate Components	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Service Charge – ($/Month)						
5/8" x 3/4"	$12.45	$12.80	$13.20	$12.40	$12.80	$13.20
1"	16.20	16.65	17.15	23.10	23.80	24.50
1-1/2"	26.45	27.15	28.00	41.10	42.30	43.60
2"	37.80	38.85	40.05	54.30	55.90	57.60
Quantity Charge – ($/1,000 gallons)						
First 2,000 gallons	$3.00	$3.07	$3.14	$5.57	$5.74	$5.91
All Over 2,000 gallons	4.00	4.10	4.18	5.57	5.74	5.91

The proposed residential sewer rate uses a two-block approach. This is similar to the residential water rate structure in that it has a first block or "lifeline" block that is priced at 25% below cost. The balance or difference is made up in the second block. In this case, there is no third block. A sewer utility does not have an "outdoor" component or inefficient use. Given that, an inverted block rate structure with three blocks was not needed.



Rates were developed for the various other retail, outside Fayetteville and wholesale customers. These are discussed in detail within the main text of this report.

The results of the sewer rate study indicated that sewer rates are deficient for the projected time period reviewed. The sewer rates, as proposed herein, are cost-based and were developed using generally accepted rate-making methods and principles. The implementation of rate adjustments, as shown in the rate transition plan through 2011, should move the City closer to cost-based sewer rates for all customers.

Summary

This report has provided a comprehensive water and sewer rate study for the City. This study has established rates which are cost-based and contemporary and reflect the City Council's current policy objectives and goals.

Section 1
Introduction

1.1 Introduction

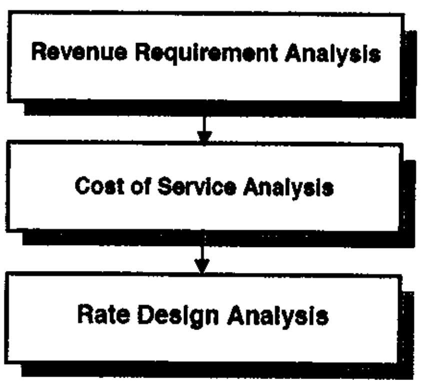
HDR Engineering, Inc. (HDR) was retained by the City of Fayetteville (City) to perform a comprehensive water and sewer rate study. The main objectives of the water and sewer rate study were to establish water and sewer rates that fully recover the cost of providing service to customers, adequately provide for maintaining and expanding the City's infrastructure, and provide adequate reserves for future needs. The development of this study determines the adequacy of the existing water and sewer rates and provides the basis for any adjustments needed to move to cost-based rates. At the same time, the study will also review the fairness and equity of the City's current water and sewer rates.

1.2 Overview of the Rate Study Process

User rates must be set at a level where a utility's operating and capital expenses are met with the revenues received from customers. This is an important point, as failure to achieve this objective may lead to insufficient funds to maintain system integrity. To evaluate the adequacy of the existing rates, a comprehensive water and sewer rate study is often performed.

A comprehensive water and sewer rate study consists of three interrelated analyses. Figure 1-1 provides an overview of these analyses.

Figure 1-1
Overview of the Comprehensive Rate Analyses



Compares the sources of funds (revenues) to the expenses of the utility to determine the overall rate adjustment required

Allocates the revenue requirements to the various customer classes of service in a "fair and equitable" manner

Considers both the level and structure of the rate design to collect the target level of revenues

The water and sewer rate study prepared for the City reviewed each of these analytical elements. A detailed discussion of each of these elements of the study is presented within this report.

1.3 Organization of the Study

This report is organized in a sequential manner that first provides an overview of utility rate setting principles, followed by sections that discuss in detail the specific steps used to review the City's water and sewer rates. The following sections comprise the City's comprehensive water and sewer rate study report:

- Section 2 – Overview of Utility Rate Setting Principles
- Section 3 – Water Rate Study
- Section 4 – Sewer Rate Study

A Technical Appendices are attached at the end of this report, which details the various analyses that were used in the preparation of this report.

1.4 Summary

This report will review the comprehensive water and sewer rate analyses prepared for the City of Fayetteville. This report has been prepared utilizing "generally accepted" sewer rate setting techniques. The next section of the report will provide a brief overview of the general rate setting process that was used to analyze and establish the proposed water and sewer rates for the City.

Section 2
Overview of Utility Rate Setting Principles

2.1 Introduction

In developing and establishing utility rates, there are "generally accepted" principles or guidelines around which these types of rates should be set.[1] The purpose of this section of the report is to provide a general overview of the methodology and guidelines used for setting cost-based water and sewer rates. This should provide the reader with a better understanding of the general process that is detailed later in this report.

2.2 Global Principles Around Which Rates Should Be Set

As a practical matter, there should be a general set of principles around which water and sewer rates should be set. These guiding principles may be items such as setting rates that are cost-based, easy to understand, etc. These types of principles may be referred to as "global principles" since they should be utilized by all utilities (e.g. water, sewer, solid waste, etc.) in the development of their rates.

Provided below is a brief listing of the global principles around which the City should consider in setting its utility rates:

> ***"In developing and establishing utility rates, there are "generally accepted" principles or guidelines around which rates should be set."***

- Rates should be cost-based and equitable, and set at a level such that they meet the full revenue requirements of the utility.
- Rates should be easy to understand and administer.
- Rates and the process of allocating costs should conform to "generally accepted" rate setting techniques.
- From the utility's perspective, rates should be stable, in their ability to provide adequate revenues to meet the utility's financial, operation, and regulatory requirements.
- From the customer's perspective, rate levels (bills) should be stable from year to year (i.e. small rate adjustments are preferred over large rate adjustments).

These guiding principles will be utilized within this study to help develop water and sewer rates that are cost-based and equitable. It should be noted that the City has used these basic principles in the past to establish their water and sewer rates.

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[1] The American Water Works Association M1 Manual, *Principles of Water Rates, Fees and Charges*, is the most widely recognized source for "generally accepted" rate setting principles. For the wastewater industry, the Water Environment Federation, Manual of Practice No. 27, *Financing and Charges for Wastewater Systems*, is the most widely recognized source for "generally accepted" wastewater rate setting principles.

2.3 Types of Utilities

Utilities are generally divided into two types - public and private utilities. Public utilities are usually owned by a City, county or special district, and theoretically operated at zero profit. A public utility is in essence locally owned since its customers are also its owners. In contrast to this, a private utility is a "for profit" enterprise and is owned by a private company and/or stockholders. A private utility is capitalized by issuing stock to the general public. As such, the shareholders are, in essence, the owners of the private utility. Therefore, the "owners" of a private utility may not be customers or local citizens, but rather numerous individuals or shareholders spread across the United States. As a point of reference, the City of Fayetteville water and sewer utilities are "public" utilities.

> *"... the "owners" of a private utility may not be customers or local citizens, but rather numerous individuals or shareholders spread across the United States."*

Given these two vastly different forms of utility ownership, their financial operations and considerations also vary significantly. Public utilities are capitalized or financed by issuing debt and soliciting funds from customers through direct capital contributions or user rates. These public or municipal utilities are exempt from state and federal income taxes. In addition, a publicly elected City Council or Board of Directors usually regulates public utilities. In contrast, private utilities are taxable entities. Given their "for profit" status, their rates and operational affairs are generally regulated by a state public utility commission or other regulatory body.

2.4 Methods of Accumulating Costs for Revenue Requirements

By virtue of these two entity's vastly different administrative and financial characteristics, their revenue requirements are based upon different elements. Most private utilities utilize what is known as a "utility or accrual" basis of setting rates. This convention calculates a utility's annual revenue requirement by aggregating a time period's operation and maintenance (O&M) expenses, taxes, depreciation expense and a "fair" return on investment. Operation and maintenance expenses include the materials, electricity, chemicals, labor, supplies, etc., which are needed to keep the utility functioning. Depreciation expense is a means of recouping the cost of capital facilities over their useful lives and generating internal cash. Private utilities must pay state and federal income taxes, along with any applicable property, franchise, sales and other forms of revenue taxes. The return portion of this type of revenue requirement pays for the private utility's interest expense on indebtedness, provides funds for a return to the utilities' shareholders in the form of dividends, and leaves a balance for retained earnings and cash flow purposes.

Since public utilities do not have equity owners, per se, and are usually exempt from income taxes, a different method of determining their annual revenue requirement is commonly used. The convention used by most public utilities is called the "cash basis" approach of setting rates. As the name implies, a public utility aggregates its cash expenditures for a period of time to determine its required revenues from user rates and other forms of income. This methodology conforms nicely to most public utility budgetary requirements, and is a very straightforward and easily understood calculation. Operation and maintenance expenses are added to any applicable taxes or transfer payments to determine total operating expenses. Capital costs are calculated by adding debt service payments (principal and interest) to capital improvements financed with operating rate revenues. Annual depreciation expense is sometimes included in lieu of this latter item to stabilize annual revenue requirements. Under the "cash basis" approach, the sum of the capital and operating expense equals the utility's revenue requirement during any period of time. It should be noted that the two portions of the capital expense component (debt service and capital improvements financed from rates) are necessary under the cash basis approach because utilities generally cannot finance all of their capital facilities with long-term debt.

Table 2-1 may be helpful in summarizing and comparing the cash and utility basis methodologies.

Table 2-1
Cash vs. Utility Basis Comparison

	Cash Basis		Utility (Accrual) Basis
+	O&M Expenses	+	O&M Expenses
+	Taxes	+	Taxes
+	Capital Additions Financed with Rate Revenues (≥ Annual Deprec. Exp)	+	Annual Depreciation Expense
+	Debt Service (P+I)	+	Return on Investment
=	Revenue Requirement	=	Revenue Requirement

Given a summary of the revenue requirements, the utility can determine from the analysis the overall level of rate adjustment needed in order for the utility to meet its overall expenditure needs.

2.5 Overview of the Cost Allocation Procedures

After the total revenue requirement has been quantified and determined, it is allocated to the users of the service in a manner that reflects the cost relationships incurred for the production and delivery of the services. This analytical exercise usually takes the form of a "cost of service" study.

A cost of service study is a three-step approach. First, costs must be functionalized or grouped into the various cost categories related to the providing of service (e.g. for a water utility; source of supply, treatment, transmission, distribution, etc.). This step is largely accomplished by the utility's accounting system. The next step is the classification of the functionalized costs. Classification refers to the arrangement of the functionalized data into cost components. For a water utility, these are typically, capacity-related, commodity (flow)-related, public fire protection-related and customer-related component costs. For a sewer utility, these are typically volume-related, strength-related and customer-related cost components. Once the costs are classified to the various cost components, the last step in the cost of service process is the allocation of the classified costs to each of the customer classes of service (e.g. residential, commercial, industrial etc.). Each of the cost components are allocated to the various customer classes of service based upon each customer class' relative contribution to the specific cost component. For example, customer related costs are allocated proportionally to each class of service based upon the number of customers in that class of service in relation to the overall number of total customers. Once the costs are allocated to each class of service, a measure of the required level of rate revenues from each class of service to achieve cost-based rates can be determined.

2.6 Economic Theory and Rate Design

The design of the proposed water and sewer rates for adoption by the City concludes the rate study process. The rate design process utilizes the results of both the revenue requirement and cost of service analysis to develop rates that achieve the overall goals and objectives of the City. These goals and objectives may include consideration of cost-based rates, but may also consider items such as ability to pay, continuity of past rate philosophy, conservation, encouragement of economic development, ease of administration, legal requirements, etc. It is important to understand that cost of service is only one goal or objective in designing final water and sewer rates, however, it is an important one.

While the general description of the utility rate setting process discussed in this section of the report is greatly simplified and abbreviated, it does however address the basic elements of contemporary regulatory thinking. One of the major justifications for a comprehensive rate study is founded in economic theory. Economic theory suggests that the price of a commodity must roughly equal its cost, if equity among customers is to be maintained. The implications of this statement on utility rate design are significant. For example, capacity-related costs are usually incurred by a water utility to meet peak use requirements. Thus, the customers causing peak demands should properly pay for the demand-related facilities in proportion to their contribution to maximum demands. Recent emphasis on seasonal and marginal cost-based utility rates are movements in a direction that embrace this economic concept. Through refinement of costing and pricing techniques, consumers of a product are given a more accurate price signal of what the commodity costs to produce and deliver. The above basic thoughts have considerable foundation in economic literature. They also serve as primary guidelines for rate design by most utility regulators and administrative agencies. This "price-equals-cost" concept will provide the basis for much of the subsequent analysis and comment.

> ***"Economic theory suggests that the price of a commodity must roughly equal its cost, if equity among customers is to be maintained."***

2.7 Prudent Financial Planning

There are three key financial indicators that should be considered in the development of any utility financial plan, or revenue requirement. These three indicators are: capital projects funded from rates, debt service coverage ratio, and reserve levels. The following discussion provides a brief overview of each of these financial planning indicators.

Capital Projects Funded From Rates – Prudent financial planning dictates that a utility should fund a certain portion of capital improvement projects from rates on an on-going basis. The general financial guideline used is that at a minimum, a utility should fund an amount equal to or greater than annual depreciation expense. However, there are three reasons for increasing the level of capital funding through rates. The first is that, funding levels over and above depreciation expense better reflect actual replacement cost. Second, increasing the level of capital funding will help provide cash flow to fund the capital plan in future years, and minimize any long-term borrowing needs. Third, an increased level of capital funding will strengthen the utilities debt service coverage ratio.

Debt Service Coverage Ratio – The debt service coverage ratio is an important financial measure that is reviewed by bond rating agencies and banks to evaluate a utility's ability to make debt payments. This ratio is calculated by subtracting total O&M and taxes from total revenues. The resulting figure is then divided by the amount of annual revenue bond debt service payments to determine the utilities debt service coverage ratio. Typically, most bond covenants require at least a minimum debt service coverage ratio of 1.25. A strong debt service coverage ratio may provide the benefit of a higher bond rating and potentially lower interest costs (i.e. lower risk equates to lower interest rates). Currently, the City strives to maintain a debt service coverage ratio above 1.25.

Reserve Levels – Reserve levels are a crucial part of a utility's financial picture. Typically utilities maintain several different types of reserve funds. These may include: an operating reserve, a capital reserve, an emergency or contingency reserve, a rate stabilization reserve, and a bond reserve. Each of these reserves has its own financial, operating or legal requirements which may set an established minimum reserve level (e.g. a bond reserve). A key aspect of reviewing reserve levels was determining target minimum levels for the City's current reserves. It is important to remember that when reserves fall below the targeted minimum level, management should review the cause of the declining reserves and determine what action, if any, should be taken. Maintenance of minimum reserve levels should not, on its own, trigger the need for a rate adjustment. However, after two consecutive years of diminishing reserves as a result of not fully covering costs, rates should be reviewed.

2.8 Summary

This section of the report has provided a brief introduction to the general principles, techniques, and economic theory used to set contemporary and cost-based water and sewer utility rates. These principles, techniques, and economic theory will become the basis for the City's rate analyses. The next section of the report will review the water rate analysis undertaken for the City.

Section 3
Comprehensive Water Rate Study

3.1 Introduction

This section of the report discusses the financial plan and rate analysis developed for the City's water utility. One of the main objectives of a water rate study is to develop equitable water rates while attempting to minimize impacts to the utility's customers. At the same time, the water utility should be viewed as a stand-alone entity capable of financially supporting its operating and capital needs. For that reason, the water utility is independently reviewed from the sewer utility.

> ***"One of the main objectives of a water rate study is to develop equitable water rates while attempting to minimize impacts to the utility's customers."***

In developing the water rate analyses, a three-step process was utilized. First, revenue requirements were developed to determine the overall level of rate adjustment required. Next, a cost of service study was developed to equitably allocate the revenue requirements. This analysis provides the basis for determining "cost-based" rates. Finally, given an overall level of adjustment and a method to equitably allocate costs, the final step is to design the final proposed rates. The final proposed rates consider the cost-based rates, but also take into account any other policy considerations (e.g. conservation, ability to pay, etc.).

This section of the report will discuss in detail the analyses undertaken, along with the key assumptions of the water rate analysis. The section concludes with the final proposed water rates.

3.2 Development of the Water Revenue Requirements

The development of revenue requirements is the first step in the rate study process. A revenue requirement analysis determines the adequacy of the overall level of water rates. From this analysis, a determination can be made as to the level of water rate adjustment needed to provide adequate and prudent funding for both operating and capital needs.

The City's budget documents, consumption data, and capital improvement plan were used to complete the revenue requirements. A number of items were calculated independently of the budget document – the revenues at present rate levels, and the reserve levels. Provided below is a detailed discussion of the development of the water utility revenue requirements.

3.2.1 Determination of Time Period and Method of Accumulating Costs

The initial step in calculating the revenue requirement for the water utility was to establish a "test period", or time frame of reference for the revenue requirement analysis. For this particular study, the revenue requirements were developed for a five-year projected time period (2006–2010). This time period captured the City's major capital projects. Reviewing a multi-year time period is generally recommended in an attempt to identify any major expenses that may be on the horizon. By anticipating future financial requirements, the City can begin planning for these changes sooner, thereby, minimizing short-term rate impacts and rates over the long term.

The revenue requirement developed for the City utilized the "cash basis" methodology and was customized to follow the City's system of accounts (budget documents). Table 3-1 provides a summary of the approach that was used to develop the City's water revenue requirements.

Table 3-1
Overview of the Water Utility Revenue Requirements

\+ Operation and Maintenance Expenses
- ✓ Water Director
- ✓ Billing and Collections
- ✓ Meter Operations Program
- ✓ Meter Maintenance & Backflow Prevention
- ✓ Operations and Administration Program
- ✓ Water Purchased Program
- ✓ Water Distribution Maintenance Program
- ✓ Water Storage and Pumping Maintenance Program

\+ Taxes/Transfer Payments
\+ Net Capital Improvements Funded From Rates (calculated below) [1]
\+ Debt Service (P+I) Existing and Future
\- Change in Working Capital (Use of Reserves)
= Total Water Revenue Requirements

[1] Net Capital Improvements Funded From Rates
\+ Total Water Capital Improvement Projects
\- Funding Sources Other Than Rates
- ✓ Plant investment charges
- ✓ Grants
- ✓ Low-Interest State Loans
- ✓ Long Term Debt Issues

= Net Capital Improvements Funded From Rates [1]

Given a time period around which to develop the revenue requirements, and a method to accumulate the costs, the focus shifts to the projection of revenues and expenses for the City's water utility. The primary financial inputs in this process were the City's historical billing records, the City's capital improvement plan and the City's 2006 budgeted expenses.

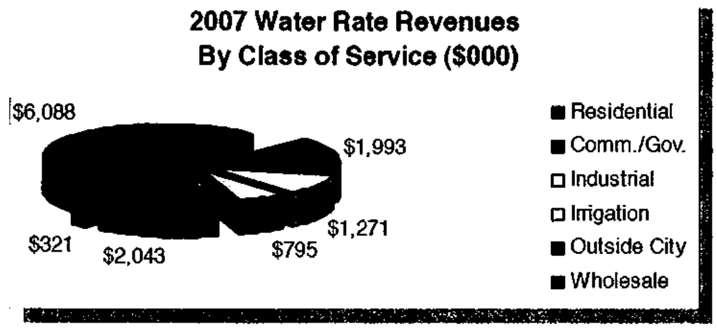
3.2.2 Water Rate and Other Miscellaneous Revenue

The revenue requirement calculation begins with a projection of rate revenue at present rate levels. This process involved developing projected billing units for each customer class of service (e.g. residential, commercial, etc.) based on historical usage records and an assumed annual growth rate. The billing units are then applied (multiplied) against the current rates to calculate the projected revenue. This method of independently calculating revenue ensures consistency in the revenue and consumption figures that are used throughout the rate study process.

It should be noted that the City maintains consumption records by customer class of service, but the City uses a single retail rate structure, which has a declining block consumption charge.

The revenue at present rates was calculated using 2005 historical consumption data and the specific rate schedule for that year. Rate revenues were projected forward to 2010 based on calculated 2005 rate revenues, plus an assumed 3% growth rate for all customers except industrial. Industrial was assumed to remain at current levels during the test period. It should be noted that the City and the region has seen significant growth over the last few years. However, in projecting future revenues it is best to not be overly optimistic. The projection developed herein has fairly balanced the issue of growth and the need to be conservative in financial/rate projections.

The water utility also receives a variety of miscellaneous revenue. Miscellaneous revenue varies by year, but is relatively level during the planning period. Miscellaneous revenue for the water utility consists primarily of interest on various fund balances, fire protection fees and billed services, among others. Miscellaneous revenue for the City was escalated at 3.0% per year with two exceptions. First, interest was calculated based on projected investment fund balance. Second, hydrant income was not escalated, as it was presumed to be eliminated for outside Fayetteville customers. Miscellaneous revenue averages $1.3 million through 2010.



In total, the City is projected to receive approximately $12.1 million in total rate and miscellaneous revenue in 2006, which increases to nearly $13.6 million by 2010. This increase over time is not a function of any assumed rate adjustments. Rather, it is primarily a function of customer growth on the system.

The City also receives impact fee revenue.. The impact fee revenue data for the test period was provided by the City and is projected to average $3 million through the test period. These impact fees are deposited directly into the Impact Fee Reserve for use on capital projects and debt service. Legally, impact fees can not be used for operation and maintenance expenses. Given that, they have not been included in miscellaneous revenues.

3.2.3 Allocation of Joint O&M Expenses

The City incurs a certain level of expenses that are of a joint or common nature. The City tracks these expenses and they relate specifically to the City's water and sewer activities. As a part of this study, the joint expenses were allocated between the two utilities. A number of different methods were used to allocate these costs, depending upon the specific cost. In total, there were approximately $6.6 million in joint O&M expenses. Of this amount, $3.6 million was deemed to be related to water services and $3.0 million were allocated to sewer. This split is the first step in projecting the water O&M expenses beyond the first (budget) year.

3.2.4 Water Operation and Maintenance Expenses

The next step of the rate study involves projecting operation and maintenance (O&M) expenses. The City's 2006 budgeted expenses were used as a starting point to project future O&M expenses. Future year projections were calculated by applying an applicable escalation factor. Escalation factors developed for the various types of expenses that the City incurs include: labor, benefits, materials and supplies, equipment, purchased water, and miscellaneous expenses. The escalation factors applied range from 3% to 10% per year. The higher escalation factors reflect the significantly higher escalation and cost increases associated with medical benefits.

One of the major expenses for the water utility is purchased water from the Beaver Water District. During this test period, the Beaver Water District announced that wholesale water rates would be increasing. The Beaver Water District held a meeting on April 19, 2007 whereby the Beaver Water District approved a 15-year Financial Plan. To adequately and properly fund the District's 15-year plan, the Board approved wholesale water rate adjustments. In summary form, the Board approved a $0.02/1,000 gallon increase to be effective in 2008. The present rate is $1.16/1,000 gallons. The City and HDR assumed a $0.02/1,000 gallon increase in 2008 and each year thereafter. In summary form, the projected purchased water costs for the City in 2007 were approximately $6.5 million. With assumed customer growth and increased wholesale purchased water rates from Beaver Water District, the City's wholesale purchased water costs is expected to be approximately $7.1 million by 2010.

Over the projected time period, no extraordinary O&M expenses are anticipated. In addition, no additional personnel are projected to be added during the projected time period. In total, O&M expenses range from $11.2 million in 2007 to $12.4 million in 2010. This increase in O&M expense over time is primarily a function of increased purchased water costs and inflation.

3.2.5 Taxes and Transfers

The water utility currently has a limited number of taxes. The major tax is a franchise fee of approximately $525,000 in 2007. These franchise fees are anticipated to increase slightly over time as a function of inflation. At the same time, the City has certain "pass-through" taxes in which the City acts as the collect agent. These pass-through taxes are a Safe Water Act tax and a sales tax. Combined, these pass-through taxes range from $800,000 to $900,000 during the test period. The analysis acknowledges these pass-through payments by including them under miscellaneous revenue as well as under expenses creating a net rate impact of zero.

3.2.6 Water Capital Improvement Projects

A utility typically has two basic types of capital improvement projects to consider: renewals and replacements and growth-related projects. A utility may also need to make "regulatory" or "mandated" improvements. These may be required by Federal or State legislation (e.g. Safe Drinking Water Act). The majority of capital projects on the City's capital improvement plan are renewals and replacement.

A general financial guideline that can be used to determine proper funding levels for capital improvements from rates is that, at a minimum, a utility should fund an amount equal to or greater than annual depreciation expenses. Annual depreciation expense reflects the current investment in plant that is being depreciated or "losing" its useful life. Therefore, this portion of plant investment needs to be replaced to maintain the existing level of infrastructure. It must be kept in mind that, in theory, annual depreciation expense reflects an investment in infrastructure an average of fifteen (15) years ago, assuming a 30-year useful (depreciable) life. Simply funding an amount equal to annual depreciation expense will not be sufficient to replace the existing or depreciated facility. Therefore, consideration should be given to funding within rates some amount greater than annual depreciation expense for renewals and replacements. Whenever possible, the City should be funding capital projects from rates in an amount that is greater than annual depreciation expense. At the same time, the City has a number of deferred capital projects which only accentuates the capital infrastructure funding issue. For many utilities, it is difficult to set rates at an adequate level to meet current needs, let alone make up for past deferrals.

In the case of the City, there is a fairly significant list of water-related capital projects to be undertaken. In fact the list of capital projects is so large that there are two lists – funded and unfunded. A major objective of this study is to determine the true financial condition of the water utility and develop a workable capital plan. To achieve this objective, the list of capital projects was reviewed by City Staff and prioritized. Those projects that could be deferred into the future were set aside as "deferred capital projects." Unfortunately, the amount of projects being deferred is approximately $12.5 million. With the deferred projects being excluded, the City anticipates approximately $58.4 million in capital projects which must be completed in the five year period of 2007-2010.

"A general financial guideline that can be used to determine proper funding levels for capital improvements from rates is that, at a minimum, a utility should fund an amount equal to or greater than annual depreciation expenses.

As discussed previously, as a general rule, a utility should fund a portion of capital improvement projects from rates on an on-going basis. This funding will help to meet the City's renewal and replacement capital projects. The typical financial guideline is that, at a minimum, a utility should fund an amount equal to or greater than annual depreciation expense. The city's current depreciation expense is $1.8 million. In 2006 the capital funded through rates is $1.2 million and increases to $2.2 million by 2010. A summary of the water capital improvement projects is provided in Table 3-2.

Table 3-2
Summary of the Water Utility Capital Improvement Plan ($000)

	2006	2007	2008	2009	2010	Deferred
Funded Capital Projects -						
Water Improvements	$224	$224	$224	$258	$0	$0
Water Service Improvements	183	149	216	160	1681	0
Budgeted Capital Projects	10,636	274	282	290	299	0
Total Funded Capital Projects	$11,043	$647	$722	$674	$725	$0
Unfunded Capital Projects	$1,053	$5,530	$9,945	$4,765	$23,346	$12,455
Total Capital Improvement Projects	**$12,096**	**$6,177**	**$10,677**	**$5,439**	**$24,071**	**$12,455**
Less: Outside Funding Sources						
Water Impact Fees	$0	$0	$0	$1,000	$0	
Use of Working Capital Fund	7,811	1	16	2,339	0	
Misc. Grants/Cost Sharing	1,366	0	0	0	0	
New Long-Term Borrowing	0	4,275	8,650	0	21,870	
Total Outside Funding Sources	**$9,177**	**$4,276**	**$8,666**	**$3,339**	**$21,870**	
Total Capital Funded From Rates	**$2,919**	**$1,900**	**$2,000**	**$2,100**	**$2,200**	

As can be seen in Table 3-2, even with the significant amount of deferrals, there is a large amount of projects assumed in 2010. If these projects are not funded, then the City could invariably have deferred capital improvement projects approaching $20 million. This financial plan also assumes the need for the City to borrow significant amount of funds to begin paying for the "unfunded" projects. It has been assumed that the City will need to borrow approximately $14.9 million in the 2007/2008 period. This financing will likely be slid out in time, but should occur to be able to fund the needed projects. Failure to do so will only further push the water utility into deeper deferrals. It should be noted that the financial plan developed as a part of this study has provided the financial/rate ability for the City to borrow these needed funds.

3.2.7 Debt Service Payments

Debt service relates to the principal and interest obligations of the water utility when financing capital projects with long-term debt issues. The City currently has two bond issues outstanding with combined annual debt service of approximately $1.0 million (2002A and 2004). In addition to the principal and interest payments the City pays other fees associated with their bond issues that average $26,000 annually.

As noted above in the capital improvement plan, it has been assumed that the City will need to utilize long-term debt to fund the capital projects. The impact of this borrowing in the initial years is very manageable. The assumed borrowing in 2007 and 2008 will add approximately $909,000 in annual long-term debt service payments. The borrowing in 2010 is a significant debt issue and would have a large impact upon the utility. The assumed borrowing in 2010 would add an additional $1.5 million in annual debt service payments for the City. HDR has included this within the study, recognizing that the City will likely spread these costs out over time, but it is important for the City to recognize the potential long-term impact of these deferrals.

3.2.8 Water Utility Reserve Levels

As mentioned in Section 2.7, reserve levels are an important component to the overall financial health of a utility. The City maintains two reserve funds for the water and sewer utility. To best show the financial position of the water utility on a stand alone basis the reserves were split equally into water and a sewer fund. The City also accumulates funds into an impact fee fund for water and sewer. Due to the legal restrictions placed on the use of impact fees, the reserve for water and sewer impact fees was also split between water and sewer.

Proper reserve levels provide liquidity needed for daily operations and ensure funding for capital projects. The City currently has no stated minimum reserve policies. Industry standards for minimum operating reserves is either 45 to 60 days of operations and maintenance expense, where 45 days is for a utility with a one month billing cycle and 60 days is for a utility with a bimonthly billing cycle. Due to the City's monthly billing cycle, HDR recommends that the City maintain a minimum operating reserve of 45 days. Under the 45 day standard the City meets this minimum industry standard. However, it is important to understand that the minimum standard is not necessarily the desirable level of reserves or HDR's recommended level. HDR recognizes that utilities are capital and cash-flow intensive entities. For that reason, HDR generally recommends reserve levels closer to 90 to 120 days of O&M.

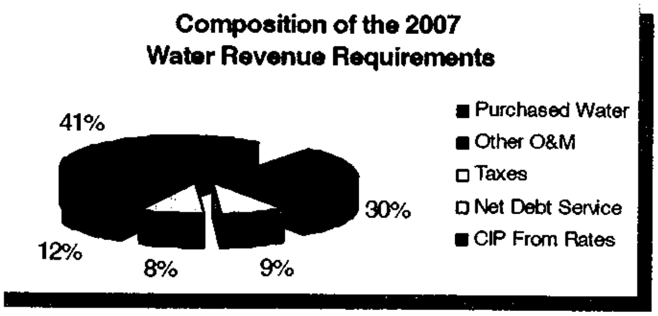
3.2.9 Summary of the Water Revenue Requirements

In developing the final revenue requirements, consideration was given to the financial planning criteria of the City. In particular, emphasis was placed on attempting to minimize rates, yet still providing adequate funds to support the City's O&M activities along with the planned capital projects throughout the projected time period. A summary of the water revenue requirements is provided in Table 3-3.

Table 3-3
Summary of Water Revenue Requirement Analysis ($000's)

	2006	2007	2008	2009	2010
Sources of Funds					
Rate Revenues at Present Rates	$11,872	$12,190	$12,517	$12,855	$13,202
Wholesale Revenue	315	322	331	341	352
Miscellaneous Revenue	1,395	1,436	1,454	1,498	1,543
Less: Safe Water Act Fee/Sales Tax	812	855	881	903	928
Total Sources of Funds	$14,394	$14,803	$15,183	$15,597	$16,025
Expenditures					
Water Portion of Joint Expenses	$2,819	$2,923	$3,035	$3,151	$3,273
Direct Water Expenditures	8,060	8,312	8,573	8,844	9,124
Taxes and Transfers	1,320	1,379	1,421	1,459	1,500
Debt Service	1,030	1,337	1,948	1,949	3,484
CIP Funded Through Rates	1,269	1,900	2,000	2,100	2,200
Change in Working Capital	0	0	0	0	0
Total Revenue Requirements	$14,498	$15,851	$16,977	$17,503	$19,581
Balance (Deficiency) of Funds	($104)	($1,048)	($1,794)	($1,906)	($3,556)
Bal. (Def.) of Funds as a % of Rates	(0.9%)	(8.4%)	(14.0%)	(14.4%)	(26.2%)

The results of the water revenue requirements show a deficiency of funds in each year of the projected five-year time period of 2006–2010. The deficiency ranges from approximately $104,000 or 0.9% of water rate revenue in 2006, to $3.6 million or 26.2% in 2010. It should be noted that the final year of the projections contain a large portion of deferred capital projects. Table 3-2 highlighted this issue and included a large amount of long-term borrowing to fund those projects. HDR recognized that the City would likely be unwilling to adjust rates to that level by 2010, but wanted to communicate the importance of understanding the size and magnitude of these past capital project deferrals.



In reviewing Table 3-3, it should be noted that the annual deficiencies are cumulative. That is, any adjustments in the initial years will reduce the deficiency in the following years. For example, an 8.4% adjustment in 2007 would reduce the adjustment needed in 2008 to approximately 5.6%. As a part of this study, a rate transition plan was developed for the water utility. This aspect of the study is discussed in more detail later in this section of the report.

Detailed exhibits of the water revenue requirement analysis prepared for the water utility are provided in Appendix A, Water Technical Appendix at the end of this report.

3.2.10 Debt Service Coverage

The debt service coverage (DSC) ratio is a financial measure of the utility's ability to repay outstanding debt. Typically, a utility must maintain a minimum of a 1.25 DSC ratio on outstanding revenue bonded debt. Failure to meet the minimum DSC for an outstanding debt obligation is considered to be technical default, making the revenue bonds callable or payable upon demand. Therefore, it is critical that the utility meet this legal requirement. On this basis, the net revenue of the combined utilities (gross revenue of the utilities less operating and maintenance expenses) must currently equal at least 1.25 times the City's annual revenue bond debt service payments. Table 3-4 provides a summary of the calculation of debt service coverage ratios.

Table 3-4
Summary of Water Debt Service Coverage Ratio

	2006	2007	2008	2009	2010
Water Revenue Bond DSC Ratios –					
Before Rate Adjustment	3.41	2.67	1.84	1.85	1.04
After RR Rate Adjustment	3.51	3.45	2.76	2.83	2.06
After Proposed Rate Adjustment [1]	3.41	2.67	2.07	2.50	1.64

[1] – See proposed water rate adjustments on Table 3-5

For the water utility, on a stand-alone basis, the utility meets the coverage requirement during the test period after the rate adjustments. This even includes 2010 during which a large bond issue is assumed to pay for deferred capital projects.

3.2.11 Rate Transition Plan

The results of the study were presented to the City's management team, along with the City Water and Sewer Committee. In discussions with both of these groups, a water rate transition plan was developed. The transition plan was developed to recognize the potential impact to certain customers from the overall adjustments. To help transition the needed water adjustments and cost of service results (discussed below), the City and Committee chose to extend the transition period to 2011 for purposes of this study. The adjustments shown in 3-5 reflect the summary discussions with the Committee.

Table 3-5
Water Rate Transition Plan

	2008	2009	2010	2011
Proposed Water Rate Adjustments	3.6%	5.8%	5.3%	5.3%

The adjustments shown in Table 3-5 are assumed to be effective on January 1 of each year. It should be noted that the adjustments shown in Table 3-5 do not fully meet the revenue requirements in 2010, but have made significant progress in moving towards fully funding the revenue requirements of the water utility. The portion that does not fully meet the revenue requirements is related to the unfunded and deferred capital projects.

It must be kept in mind that this study continues to show a significant backlog of deferred capital projects beyond 2010 (Table 3-2), which the City must address at some point. This will likely require additional long-term borrowing and rate increases beyond what has been shown in this study.

3.2.12 Summary Recommendations of the Revenue Requirements

Based upon the water revenue requirement analysis developed herein, it is projected that the City's water utility will operate at a deficit during the projected period of 2007–2010. The total level of deficiency is projected to be approximately $1,805,000 or 16.9% by 2010. The rate adjustments proposed herein will help move the City toward cost-based rates. In this case, cost-based rates are defined as fully meeting both the operating and capital improvement requirements of the City's water utility.

This concludes the discussion and review of the water revenue requirement analysis. Given the findings and recommendations from this analysis, the focus now shifts to the water cost of service analysis.

3.3 Water Cost of Service Analysis

The objectives of the water cost of service analysis are different from determining revenue requirements. A revenue requirement analysis determines the utility's overall financial needs, while the cost of service study determines the equitable manner to collect those revenue requirements. This analysis used the base/extra-capacity cost of service allocation method. The base/extra-capacity method is a "generally accepted" methodology that may be used to equitably allocate costs between the various types of customers served by the water utility. Provided below is a more detailed discussion of the overall approach used, along with the findings and conclusions of the water cost of service analysis.

3.3.1 Overview of the Cost of Service Methodology

The water cost of service developed for the City uses the "base/extra-capacity" methodology. This methodology is a "generally-accepted" cost of service methodology as defined by the American Water Works Association (AWWA). At the same time, the methodology also utilizes a "utility basis" methodology which provides a "fair" return to the City for the investments made to serve customers. It should be noted that the City is required to use these two elements within their water cost of service methodology. The City has a number of water service contracts which contain language similar to or identical to the following:

> *"Water rates for all customer classes will be based upon a cost-of-service rate study performed by independent utility rate consultants. All cost of service studies shall be conducted utilizing the utility basis of determining revenue requirements and the base—extra capacity method of cost allocation in accordance with the methodology presented in the manual entitled Water Rates, published by the American Water Works Association."*[2]

HDR is of the opinion that the water cost of service study, as developed herein, complies with the contractual requirements of the City's contract customers and equitably allocates costs to Outside City and wholesale customers.

3.3.2 Customer Classes of Service

A key objective of a cost of service analysis is to determine, what cost differences, if any, exist between serving the various types of customers on the water system. Given that, one of the first tasks that must be accomplished in the cost of service analysis is to determine the customer classes of service to be reviewed. In making this determination, customers should be grouped together into similar or homogeneous groups based upon facility requirements and/or usage characteristics. For this study, the following customer classes of service were utilized:

- Residential
- Commercial
- Industrial
- Governmental
- Irrigation
- Outside Fayetteville (Outside City)
- Wholesale (Contract)

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[2] City of Elkins Water Purchase Contract dated May 21, 1991.

The water cost of service conducted for the City utilized a three-step approach to review costs. These three steps are: functionalization, classification, and allocation.

3.3.3 Functionalization of Costs

The first analytical step in the cost of service process is called functionalization. Functionalization is the arrangement of expenses and asset (plant) data by major operating functions within the utility (e.g. wholesale purchases, pumping, transmission, distribution, etc).

Within this study, the functionalization of the cost data was largely accomplished through the City's system of accounts.

3.3.4 Classification of Costs

The second analytical step in the water cost of service study is the classification of costs. Classification determines why the expenses were incurred or what type of need is being met. The City's plant accounts and revenue requirements were reviewed and classified according to the following cost classifiers as part of the water utility cost of service study.

- **Base Costs.** Base-related costs are those costs that tend to vary with the total quantity of water consumed by a customer under average conditions. The costs of pumping water or electricity under average flow conditions are examples of a base-related cost.
- **Extra-Capacity (Demand) Related Costs.** Capacity costs are those costs incurred to meet peak demand conditions. These costs are a function of meeting maximum demand requirements of the customers. Capacity may be defined by the peak period event, but is typically defined as peak day and/or peak hour requirements. Extra-capacity related costs are important since they are related to the sizing of facilities that meet these peak use requirements. For example, portions of distribution reservoirs and mains (pipes) must be adequately sized to meet peak use demands.
- **Customer Related Costs.** Customer costs are those costs that vary with the number of customers on the water system. They do not vary with system output or consumption levels. These costs are also sometimes referred to as "readiness to serve" or "availability" costs. Customer costs may also sometimes be further classified as either actual or weighted. Actual customer costs vary

Terminology of a Water Cost of Service Analysis

FUNCTIONALIZATION – The arrangement of the cost data by functional category (e.g. supply, treatment, etc.).

CLASSIFICATION – The assignment of functionalized costs to cost components (e.g. commodity, capacity, customer, and fire protection related).

ALLOCATION – Allocating the classified costs to classes of service based upon each class's proportional contribution to that specific cost component.

BASE COSTS – Costs that are classified as base related are associated with providing the average flow of water.

EXTRA CAPACITY COSTS – Costs classified as capacity related vary with above average or peak usage. Facilities are often designed and sized around meeting peak demands.

FIRE PROTECTION COSTS - Costs that are related to fire protection systems (e.g. hydrants).

CUSTOMER COSTS – Costs classified as customer related vary with the number of customers on the system (e.g. metering costs).

DIRECT ASSIGNMENT – Costs that can be clearly identified as belonging to a specific customer or group of customers.

CUSTOMER CLASSES OF SERVICE – The grouping of customers into similar groups based upon usage characteristics and/or facility requirements.

proportionally, from customer to customer, with the addition or deletion of a customer regardless of the size of customer. In contrast to this, a weighted customer cost reflects a disproportionate cost, from customer to customer, with the addition or deletion of a customer.

- **Public Fire Protection Related Costs.** Public fire protection costs are those costs that are related to the public fire protection function. Usually, such costs are those related to public fire hydrants and the over-sizing of mains and reservoirs for fire protection purposes.
- **Revenue Related Costs.** Certain costs associated with the water utility may vary with the amount of revenue received by the City. An example of a revenue related cost is a tax based upon the gross revenues of the utility.
- **Direct Assignments.** Some costs associated with operating the system may be directly traced to a specific customer or class of service (e.g. bad debt expense). In this case, these costs are then "directly assigned" to that specific class of service. This assures that other classes of service will not be allocated costs for those "significant" facilities that they do not benefit from, or costs that they did not incur.

For each of the classified costs noted above, an allocation factor must be developed to allocate each specific type of cost in an equitable manner to the customer classes of service (e.g. residential, commercial, etc.).

A more detailed discussion of the specific cost of service methodology used for the City is provided below.

3.3.5 Functionalization and Classification of Water Plant in Service

The City's historical plant records were used in performing the functionalization of water plant in service. The classification process included reviewing each group of assets and determining which cost classifiers the assets were related to, or what function the asset (facility) provided. Provided below is a brief discussion of the classification process used for the water utility.

Under the base/extra-capacity method of allocating costs, a cost may be reviewed to determine the portion related to "base" or average demand conditions and the balance or remainder of the cost is considered "extra-capacity" or that level of demand over and above average demand conditions. To make this determination, the City's average day demand and peak day demands were reviewed and determined. From that analysis, it was determined that the relationship between average day demand and peak day demand was 63%/37%, with 63% being "base" related and 37% "extra-capacity" related.

In developing the classification of costs, care had to be taken to assure that certain costs were not allocated to a customer group, if that particular customer group did not benefit from those facilities. As an example, the City's water distribution mains were not allocated to wholesale customers. This approach is consistent with past cost of service studies developed for the City.

Table 3-6 provides a simple summary of the basic functionalization and classification of the City's major water plant items.

Table 3-6
Summary of the Classification of the Water Utility Plant in Service

Plant Component	Base Costs All	Base Costs Retail Only[1]	Extra-Capacity All	Extra-Capacity Retail Only[1]	Actual Customer	Weighted Customer	Fire Protection
Source of Supple - Lines	63%	–	37%	–	–	–	–
Storage	–	63%	–	37%	–	–	–
Transmission Mains	31%	–	64%	–	5%	–	–
Distribution Mains	–	31%	–	64%	5%	–	–
Meters/Connections	–	–	–	–	–	100%	–
Hydrants	–	–	–	–	–	–	100%

[1] Excludes allocation to wholesale customers

The above table represents a summary of the classification of major water plant accounts. A more detailed review of the classification of the water plant in service can be found in the Water Technical Appendix.

3.3.6 Functionalization and Classification of Water Expenses

Certain O&M expenses could be clearly identified to a specific activity (e.g. meter operations program). In that case, the classification of the expense should follow the service provided. In other instances, the O&M expense was related to a corresponding plant account water (e.g. water storage and pumping maintenance). In that case, operating expenses are generally classified in a manner similar to the corresponding plant account. This approach to classification of operating expenses has been used for this analysis.

For the City's study, the 2008 water revenue requirements were functionalized and classified utilizing the previously discussed methodology. The revenue requirements for 2008 were selected since it represents the time period over which rates would be proposed. A more detailed review of the functionalization and classification of revenue requirements can be found in the Water Technical Appendix.

3.3.7 Allocation of the Revenue Requirements

Once the classes of service have been defined, and the classification process is complete, the various costs are then allocated to each of the classes of service based on equitable allocation factors. The water utility's classified costs were allocated to the various classes of service using the following allocation factors.

- **Base-Related Allocation Factor.** Base-related costs are associated with average demand conditions. Total annual water consumption is used for the base allocation factor. Historical 2005 water sales, by class of service were used to develop the base allocation factor.
- **Extra-Capacity Related Allocation Factor.** Extra capacity-related costs vary with peak use or maximum demands on the system. Accordingly, the extra capacity allocation factor was developed based upon each class' assumed contribution to the system peak day demand. In developing this allocation factor, the City did not have City-specific measured information

on individual customer class contributions to the City's peak day event. Given that, peaking factors, by class of service, were used to estimate the contribution of the each class of service to the peak event. The peaking factors were initially calculated (estimated) by taking the ratio of the average month to peak month consumption. This ratio was assumed to be a reasonable surrogate of peaking factors for each customer class of service. The calculated total system peak demand was compared to the actual (historical) system peak demand to assure reasonableness of the peaking factors for each class of service.

- **Customer Allocation Factors.** Customer costs vary with the number of customers on the system. Two basic types of customer allocation factors were identified - actual and weighted. The allocation factors for actual customers were based upon the projection of the number of customers developed within the revenue requirements. The weighted customer allocation factor is also broken down further into two factors that attempt to reflect the disproportionate costs associated with serving larger water users. The first weighted customer factor is for customer service and accounting. This weighted customer allocation factor takes into account the fact that it may take more time to read a meter and process a bill for larger or more complex customers. The second weighted customer allocation factor is for meters and services. This factor attempts to reflect that different capital costs associated with providing larger sized meters.
- **Public Fire Protection Allocation Factor.** The allocation of public fire protection expenses in the water cost of service analysis involved an analysis of each class of service and their fire flow requirements. The analysis took into account the gallon per minute flow requirements in the event of a fire, along with the required duration of the flow. The fire flow rates used within the allocation factor were based upon the guidelines in the City's Water Master Plan. For this study, it has been assumed that the minimum fire flow requirement for a residential customer is 1,500 gallons per minute (gpm) and up to 3,000 gpm for the non-residential customer. The minimum fire flow requirements are then multiplied by the number of customers in each class of service, and the assumed duration, in minutes, of the required flow, to determine the class's prorated fire flow requirements.
- **Revenue Related Allocation Factor.** The revenue related allocation factor was developed from each customer class' projected annual rate revenues for 2006. This same amount of revenue was used in the revenue requirement analysis.

The water utility allocation factors noted above can be found in the Water Technical Appendix.

3.3.8 Rate of Return for Outside City and Wholesale Customers

Under the "utility" basis methodology, the City is entitled to a "fair" rate of return on their investment to serve outside City customers and wholesale (contract) customers. The City earns a "fair" return on these outside City and wholesale customers, and it is the responsibility of the inside City retail customers to provide a sufficient rate of return to meet the overall revenue requirements of the utility.

Under the utility basis methodology, there are a number of different approaches that may be used to determine a "fair" rate of return to serve the outside City and wholesale customers. The most technically correct method is to use a weighted cost of capital analysis. Under this methodology, the City determines its capital structure (debt/equity) and then determines the cost of each component (e.g. debt = 4.5% and equity = 10.0%). The challenge for a municipal utility is determining a fair return on the equity component. Given that, an alternative approach was used for this study to determine the overall rate of return. Under the approach used for this study, HDR used the cost of debt plus a 3.0% risk premium to determine the overall rate of return. The risk premium is intended to reflect the weighted cost of equity component. This approach is generally recognized, and as an example, Seattle Public Utilities utilizes this exact approach to establish their rates for their wholesale customers. The rate of return used within this study for the outside City and wholesale customers was 7.5%. This was composed of a market cost of debt of 4.5% plus a 3.0% risk premium.

3.3.9 Summary of the Water Cost of Service Results

The summary of the allocated costs determine each class's cost responsibility. The allocated costs are then compared to the present revenue received by each customer class to identify if each class is paying its "cost of service." A summary of the water cost of service analysis developed for each class of service is shown within Table 3-7.

Table 3-7
Summary of the Water Utility Cost of Service Analysis ($000's)

Class of Service	Present Rate Revenues	Allocated Costs [1]	$ Difference	% Difference
Inside Fayetteville –				
Residential	$6,271	$6,537	($267)	4.3%
Commercial	1,432	1,365	67	– 4.7%
Industrial	1,271	1,615	(344)	27.1%
Government	620	756	(136)	21.9%
Irrigation	819	1,296	(477)	58.2%
Outside Fayetteville	2,104	1,970	134	– 6.4%
Wholesale	331	338	(6)	1.9%
Total	$12,849	$13,877	($1,793)	8.0%

[1] Allocated costs adjusted to reflect an 8.0% adjustment for 2008

As can be seen from the above table, there are cost differences associated with serving the various customer groups. In developing the outside Fayetteville and Wholesale rate, the City has assessed each of these customer groups a "fair" return on the City's investment to serve these customers. Therefore, in the opinion of HDR, the City can not charge an amount greater than that shown in the cost of service for these customers.

It should also be noted that the City has a single water rate structure for the inside City (Fayetteville) customers. Given that, an exhibit was developed to show the impact of combining all inside Fayetteville customers into a single class of service. That is shown below in Table 3-8.

Class of Service	Present Rate Revenues	Allocated Costs [1]	$ Difference	% Difference
Table 3-8 Summary of the Water Utility Cost of Service Analysis ($000's)				
Inside Fayetteville –	$10,413	$11,569	($1,156)	11.1%
Outside Fayetteville	2,104	1,970	134	– 6.4%
Wholesale	331	338	(6)	1.9%
Total	$12,849	$13,877	($1,793)	8.0%

[1] Allocated costs assumes an 8.0% adjustment for 2008

On a combined basis, the cost of service results for the Inside Fayetteville customers do not appear to be far from the overall cost of service adjustment of 8.0%. However, as the prior table has clearly shown, within the Inside Fayetteville customer groups, significant cost differences exist and the City's declining block rate structure is not properly priced for the large users.

Viewing Table 3-7 does not provide the full picture of the cost relationships between the various customer groups. For example, the industrial customers are showing the need for one of the larger rate adjustments. However, on a per unit cost basis, these customers currently pay the lowest per unit cost. Figure 3-1 provides a graphical view of the current average rate revenue received from each class of service and the average allocated costs of each customer group.

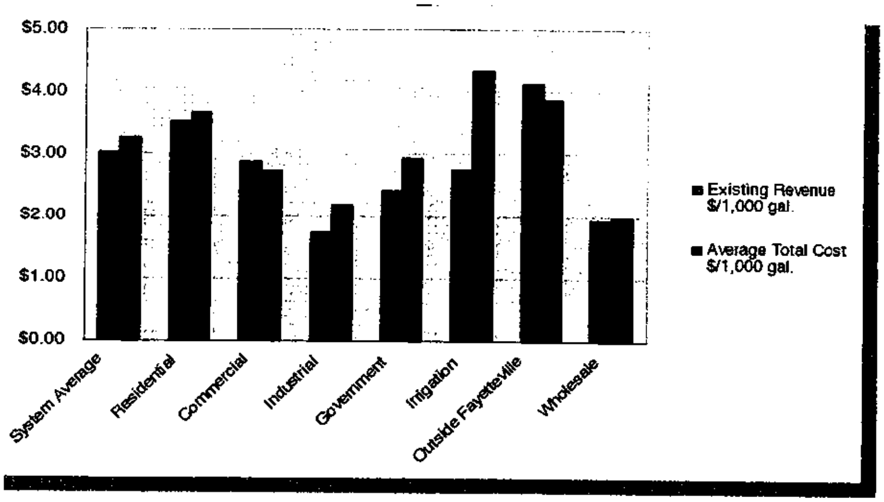


Figure 3-1 – Comparison of the Average Unit Revenue to the Allocated Average Cost ($/1,000 gallons)

As can be seen, there is a declining cost function associated with serving the City's larger commercial and industrial customers. However, as discussed previously, the City's declining block rate structure appears to have set the ending tail blocks at too low a level. The results of this study are similar to the prior cost of service study conducted for the City. At that time, the City made a policy decision to subsidize the industrial customers.

The allocation of costs attempted to reflect that the facilities and costs allocated to each customer class match the respective benefit received. A general rule that may be used to view the results of a cost of service is that if the cost of service results for a particular class of service are within

±5% of the overall adjustment, then the class of service is within a "reasonable range" of cost of service. It must be kept in mind that a cost of service analysis reflects costs and usage characteristics of a specific point in time, and as time goes on, customer's consumption patterns and usage requirements may change. For that reason, HDR would recommend that the City update this cost of service on a routine basis (e.g. every five years). Contractually, the City is required to use cost of service to establish rates for their wholesale customers.

3.3.10 Summary Recommendations of the Water Cost of Service

The cost of service results for the water utility clearly showed cost differences between the various customer classes of service. Given that result, the City was faced with the policy decision of whether movement towards cost of service for all customers was appropriate, and if so, how best to transition to cost of service. As a part of this study, HDR reviewed with the City's Management and Water and Sewer Committee a number of alternatives to "phase in" the cost of service results. The Committee concluded that movement towards cost of service was a decision they had made at the time of the last rate study and deferred that phase-in until this study. The obvious challenge of developing the "phase-in" of the cost of service study was the decision of how fast and how much. Provided below in Table 3-9 is a summary of the proposed phase-in for 2008 – 2011.

Table 3-9
Summary of the Proposed 2008 – 2011 Water Rate Adjustments ($000's)

Class of Service	2008	2009	2010	2011
Inside Fayetteville –				
Residential	5.5%	5.5%	5.5%	5.5%
Commercial	2.0%	2.0%	2.0%	2.0%
Industrial	6.6%	6.6%	6.6%	6.6%
Government	9.0%	9.0%	9.0%	9.0%
Irrigation	10.0%	10.0%	10.0%	10.0%
Outside Fayetteville	–6.4%	6.0%	3.0%	3.0%
Wholesale	1.9%	6.0%	3.0%	3.0%
Total	3.6%	5.8%	5.3%	5.3%

For the retail customers, this phase-in has assumed equal adjustments across a four year period. Even with these adjustments, the City still has certain subsidies within their system that will need to be resolved beyond 2011.

For the Outside Fayetteville and Wholesale customers, the 2008 adjustment follows the cost of service results. These adjustments will set these customers at their "cost of service." The adjustments beyond 2008 follow the overall adjustments shown within the water revenue requirements. The final year, 2011, assumes an overall inflationary adjustment, thus the 3.0% adjustments for Outside Fayetteville and Wholesale customers.

The overall adjustment in 2008 is below the proposed adjustment of 8.0% shown in the revenue requirements. The City was willing forego the overall adjustment to help phase-in the retail customer's cost of service. However, in 2010 and 2011, the overall adjustments are greater than those shown in the revenue requirement analysis. In essence, the City is willing to forego a larger adjustment in the initial year, with a trade-off of larger adjustments in the following years. HDR reviewed the impact of this phase-in and determined that the City would still meet their debt service coverage ratios, but financially would need to use some reserve funds in the initial year to mitigate the reduced overall adjustment.

3.4 Rate Design

The final step of the comprehensive water rate study process is the design of water rates to collect the desired level of revenue, based upon the findings and recommendations of the water revenue requirement analysis and cost of service analysis. In reviewing water rate designs, consideration is given to the level of the rates and the structure of the rates. This subsection of the report will review the proposed water rate designs for the City.

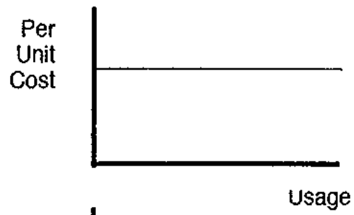
3.4.1 Overview of Water Rate Structures

There are various "generally accepted" rate structures that can be used to establish water rates. The initial starting point in considering a rate structure is the relationship between fixed costs and variable costs. Fixed costs are generally collected as a fixed charge on a monthly basis (e.g. $3.88 per month for a 5/8" x 3/4" meter). This charge may be called by various names (e.g. customer charge, meter charge, readiness to serve charge, etc.), but in all cases, it is intended to collect those fixed costs that the utility incurs, regardless of the customer's level of consumption. While the charge is a fixed cost, it typically increases by meter size. The rate at which the meter charge increases is usually a function of the meter capacity.

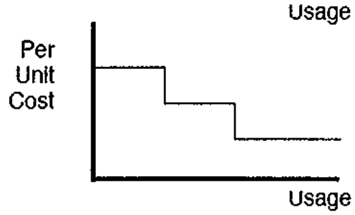
While it was noted that there are different approaches that can be used to collect fixed charges, the same can be said for variable or volumetric charges. Variable charges, sometimes referred to as commodity or consumption charges, are generally based upon metered consumption and charged on a $/unit cost. The unit of measurement may vary (e.g. gallons, thousands of gallons, cubic feet, hundreds of cubic feet, etc.), but it is not a critical element in the development of the rates. This is because the charge per unit is simply adjusted to reflect the units of measurement being used. In other words, if you are charging $2.00 per 1,000 gallons, and wanted to charge on a per gallon basis, the rate would be 0.002¢/gallon. It is the structure of the variable charges where numerous options exist.

There are three basic rate structures for variable charges; a uniform charge, a declining block charge and an inverted block charge. Table 3-10 provides an overview of each of these variable charge rate structures.

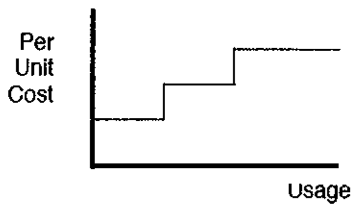
Table 3-10
Overview of the Various Variable Charge Rate Structures



UNIFORM RATE STRUCTURE
The cost per unit of consumption under a uniform rate structure does not increase or decrease with additional units of consumption



DECLINING BLOCK RATE STRUCTURE
The cost per unit of consumption under a declining block rate structure decreases with additional units of consumption



INVERTED BLOCK RATE STRUCTURE
The cost per unit of consumption under an inverted block rate structure increases with additional units of consumption

As can be seen from Table 3-10, the basic philosophy of each of these variable charge rate structures varies significantly. Under a uniform rate structure, the cost per unit does not change with consumption. From the perspective of customer understanding and rate administration/billing, this is a simple and straightforward approach. In contrast, the declining block rate structure is a bit more complex. The number of blocks (e.g. 3 stepped blocks) and size of the blocks (e.g. 0 – 10,000 gal) may vary. However, the number of blocks should be reasonable (i.e. 2 – 4 blocks) for reasons of simplicity and administration. Declining block rates may imply that there are certain economies of scale with additional consumption, and not necessarily a "volume discount." Depending upon the utility, this may or may not be a true statement. Finally, an inverted block rate structure attempts to send a price signal to consumers that their consumption costs more, as more water is consumed. This may or may not be the proper price signal regarding the utility's water resource costs. As with the declining block rate structure, the number and size of each block may vary, but should be reasonable for purposes of customer understanding and rate administration.

The rate structure concepts noted above may be combined and used to form various rate design options that meet the City's needs. However, at the same time, the rates must meet the City's overall goals and objectives in designing rates.

3.4.2 Rate Design Criteria and Considerations

Prudent rate administration dictates that several criteria must be considered when setting utility rates. Some of these rate design criteria are listed below:

- Rates which are easy to understand, from the customer's perspective
- Rates which are easy for the utility to administer
- Consideration of the customer's ability to pay
- Continuity, over time, of the rate making philosophy
- Policy considerations (encourage conservation, economic development, etc.)
- Provide revenue stability from month to month and year to year
- Promote efficient allocation of the resource
- Equitable and non-discriminating (cost-based)

Many contemporary rate economists and regulatory agencies feel that the last consideration, cost-based rates, should be of paramount importance and provide the primary guidance to utilities on rate structure and policy.

It is important that the City provide its customers with a proper price signal as to what their consumption or usage is costing. This goal may be approached through rate *level* and *structure*. When developing the proposed rate designs, all of the above listed criteria were taken into consideration. However, it should be noted that it is difficult, if not impossible, to design a rate that meets all of the goals and objectives listed above. For example, it may be difficult to design a rate that takes into consideration the customer's ability to pay, and one which is cost-based. In designing rates, there are always trade-offs between the various goals and objectives.

3.4.3 Establishing Retail Customer Classes of Service

As a part of the discussion with the City management and Water and Sewer Committee, HDR noted that the single rate schedule for retail customers was ineffective for purposes of attempting to establish cost-based rates. If the City established individual rate schedules for each class of service, the City would have far more flexibility in its ability to adjust rates for a single group of customers. More importantly, by moving to individual rate schedules by class of service, the City would have the ability to use different rate structures for different classes of service. For example, an inverted block rate is often used for conservation purposes for residential customers. However, that particular rate design is not particularly effective with large commercial or industrial customers. Once again, having rate schedules by customer class of service provides greater flexibility for the City to achieve the rate design objectives they have for each class of service (e.g. conservation, ability to pay, efficient use, etc.). From that discussion, the City concluded that movement to customer classes of service (individual rates by class of service) was appropriate. The following customer classes of service were proposed:

- Residential
- Non-Residential
- Major Industrial
- Irrigation
- Outside Fayetteville
- Wholesale

As can be seen, the classes of service are slightly different than the classes of service used for the cost of service study. Two changes were made to the classes of service. First, the commercial and governmental class of service was combined into a single class of service (non-residential). The other major change was to develop a "Major Industrial User" class of service. The City has three significant users which are very different from a typical non-residential customer. The Major Industrial user is a non-residential customer, and excludes any wholesale or irrigation use customers.[3] To qualify for this rate the customer's individual meter must use an average of 5,000,000 gallons per month (12 month average prior calendar year) at a common facility/building. This does not apply to combined or consolidated sets of bills for non-irrigation use at separate facilities/buildings. At the present time, it appears that three customers would qualify as a Major Industrial customer under this definition.

3.4.4 Review of the Final Adjustments By Class of Service

As this study progressed, a number of different decisions were made regarding the overall levels of rate adjustments, the phase-in of the cost of service and the re-definition of customer classes of service. Provided below in Table 3-11 is a summary of the final proposed rate adjustments for 2008 – 2011 for the various customer classes of service.

Table 3-11
Summary of the Proposed 2008 – 2011 Water Rate Adjustments ($000's)
Revised Customer Classes of Service

Class of Service	2008	2009	2010	2011
Inside Fayetteville –				
Residential	5.5%	5.5%	5.5%	5.5%
Non-Residential [1]	4.1%	4.1%	4.1%	4.1%
Major Industrial	6.6%	6.6%	6.6%	6.6%
Irrigation	10.0%	10.0%	10.0%	10.0%
Outside Fayetteville	-6.4%	6.0%	3.0%	3.0%
Wholesale	1.9%	6.0%	3.0%	3.0%
Total	3.6%	5.8%	5.3%	5.3%

[1] – Combined adjustment for previously defined Commercial and Government class of service

For each class of service, a proposed rate for the 2008 – 2011 time period has been developed.

3.4.5 Review of the Present Fayetteville Retail Water Rate

The City currently has a single rate for their retail customers. The City's present inside and outside Fayetteville retail rate is shown below in Table 3-12.

[3] Wholesale customers have their own specific rate and are an outside Fayetteville customer. Irrigation use customers have a distinct usage profile which does not fit the usage/cost profile of a Major Industrial use customer

Table 3-12 Present Inside and Outside Fayetteville Retail Water Rates		
Rate Components	**Present Inside Fayetteville Rate**	**Present Outside Fayetteville Rate**
Meter Charge –		
5/8" x 3/4"	$3.88/month	$4.92/month
1"	5.39	6.84
1-1/2"	9.40	11.94
2"	13.69	17.39
3"	31.90	40.51
4"	52.80	67.05
6"	105.60	134.11
8"	158.40	201.16
Consumption Charge – ($/1,000 gallons)		
0 – 10,000 gallons	$2.81/1,000 gal.	$3.52/1,000 gal.
10,001 – 300,000 gallons	2.42	3.03
300,001 – 5,000,000 gallons	1.76	2.20
Over 5,000,000 gallons	1.60	1.98

As can be seen, the City has a rate structure that is composed of two components; a meter charge and a consumption charge. The fixed meter charge is based upon meter size. In contrast to this, the consumption charge is based upon the customer's metered usage and is a declining block rate structure.

Given that this rate structure applies to all retail customers, the declining block rate structure appears appropriate, but the pricing for the two lowest blocks are set too low, hence the results of the cost of service which indicated that the largest customers needed their rates adjusted greater than the overall average increase. The movement towards rates developed for each individual class of service will help rectify this disparity.

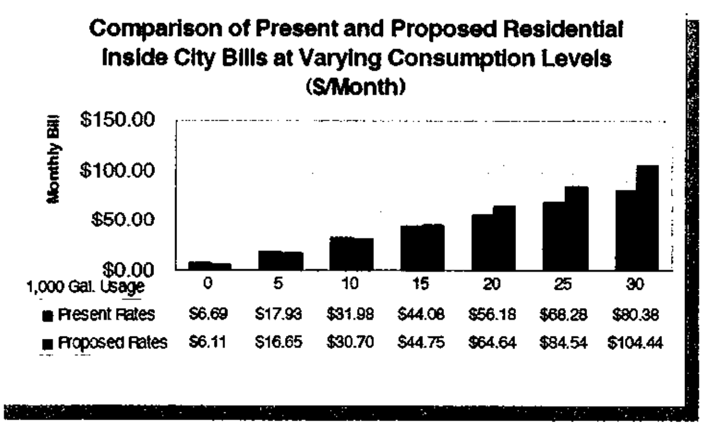
The City's outside Fayetteville rates are very similar to the inside Fayetteville rate structure, but the pricing reflects the risk differential (rate of return) between these two customer groups. The current differential between inside and outside City customers is approximately 25%. The cost of service has shown that the Outside Fayetteville rates are too high, and the differential must be adjusted downward.

3.4.6 Proposed Residential Water Rate

The proposed residential rate has been greatly restructured to better reflect the characteristics of this class of service and the overall policy objectives of the City Council. In particular, conservation and efficient use of water resources are an important objective. However, at the same time, affordability and ability to pay must also be addressed. The proposed residential rate attempts to address these objectives and is shown below in Table 3-13.

Table 3-13 Proposed Inside and Outside Fayetteville Residential Water Rate								
	Inside Fayetteville				Outside Fayetteville			
Rate Components	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
Meter Charge – ($/Month)								
5/8" x 3/4"	$4.00	$4.25	$4.50	$4.75	$4.60	$4.89	$5.18	$5.46
1"	5.55	5.90	6.25	6.60	6.38	6.79	7.19	7.59
1-1/2"	9.70	10.30	10.90	11.50	11.16	11.85	12.54	13.23
2"	14.10	15.00	15.90	16.75	16.22	17.25	18.29	19.26
Consumption Charge – ($/1,000 gallons)								
First 2,000 gallons	$2.11	$2.25	$2.39	$2.53	$2.43	$2.59	$2.75	$2.91
Next 13,000 gallons	2.81	2.99	3.17	3.36	3.23	3.44	3.64	3.86
Over 15, 000 gallons	3.98	4.24	4.49	4.75	4.58	4.88	5.16	5.46

As can be seen, this rate structure has three consumption blocks. The first block is designated for "essential" use and may be considered a "lifeline" block. The price of this block is set at a 25% discount of the average cost. This block is intended to address the issue of affordability and ability to pay. The second block is intended to address the remainder of typical indoor use and a portion of "efficient" outdoor use. The average water customer uses approximately 5,000 gallons per month. Hence, setting the second block at a limit of 15,000 gallons should provide sufficient water for outdoor needs for a typical lot size. The final block is designed to capture outdoor use, and this is likely "inefficient" outdoor use. The under-collection within the first block is primarily collected within this portion of the rate structure. It should be noted from a water resource perspective outdoor use is typically considered "discretionary" consumption. As can be seen in the bill comparison, the lowest users will actually see a slight rate decrease under these proposed rates. The largest users will have their bills adjusted under this proposed approach.



All tiered rates have revenue stability concerns in that a bulk of the revenue is collected in the tail block of the rate structure, which is weather sensitive. For that reason, the City should be aware that this rate structure may over or under-collect from year to year, depending upon the weather and outdoor water use. However, this rate structure is intended to encourage conservation and efficient use. With each gallon of water saved, that is one less gallon of water purchased at the wholesale level from Beaver Water District.

The outside Fayetteville rate applies to all outside City residential customers, with the exception of the White River Rural Water System. For White River, there is an additional fixed charge of

$5.94/month, regardless of the meter size. This additional fixed charge is a part of the current rates charged to White River. This surcharge will be eliminated after December 31, 2011. The revised differential between inside and outside Fayetteville customers is approximately 15%. This rate differential was developed based upon the results of the cost of service analysis.

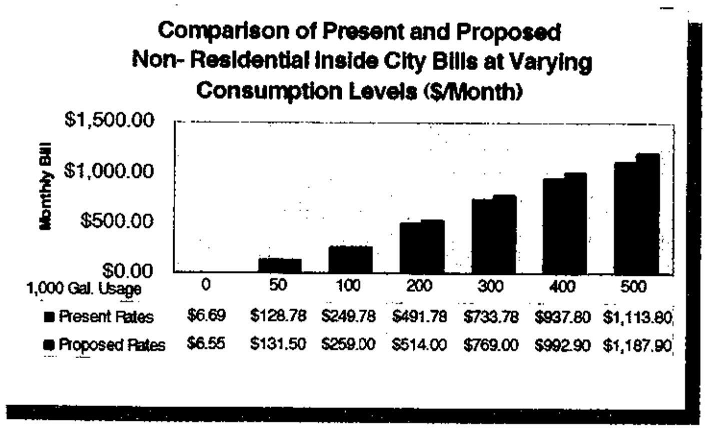
3.4.7 Proposed Non-Residential Water Rate

The proposed non-residential rate has also been greatly simplified to better reflect the characteristics of this class of service. This class of service has a wide variety of customers and a number of customers within this class of service consume significant quantities of water (i.e. over 300,000 gallons per month). The existing four-block rate structure had a price break at 300,000 gallons. While the objective for this class was to move to a uniform volumetric rate, it was difficult to do so because of the number of customer using the larger volumes of water and the potential impact of moving to a uniform consumption charge. The proposed non-residential rate has a two-block declining structure. It is shown below in Table 3-14.

Table 3-14
Proposed Inside and Outside Fayetteville Non-Residential Water Rate

	Inside Fayetteville				Outside Fayetteville			
Rate Components	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
Meter Charge – ($/Month)								
5/8" x 3/4"	$4.00	$4.25	$4.50	$4.75	$4.60	$4.89	$5.18	$5.46
1"	5.55	5.90	6.25	6.60	6.38	6.79	7.19	7.59
1-1/2"	9.70	10.30	10.90	11.50	11.16	11.85	12.54	13.23
2"	14.10	15.00	15.90	16.75	16.22	17.25	18.29	19.26
3"	32.90	34.95	37.00	39.05	37.84	40.19	42.55	44.91
4"	54.45	57.85	61.25	64.65	62.62	66.53	70.44	74.35
6"	108.85	115.65	122.45	129.30	125.18	133.00	140.82	148.70
8"	163.30	173.50	183.70	193.90	187.80	199.53	211.26	222.99
Consumption Charge – ($/1,000 gallons)								
0 – 300,000 gallons	$2.55	$2.61	$2.68	$2.75	$2.93	$3.00	$3.08	$3.16
Over 300,000 gallons	$1.95	$2.11	$2.28	$2.45	$2.24	$2.43	$2.62	$2.82

The first item to note with this rate structure is the fixed charges for this class of service are the same as those used for residential customers. It was determined that the use of a single set of fixed charges would simplify the administration of the City's rates. It is the volumetric charge that has been adjusted by each class of service to produce the overall required adjustments from each class of service.



As can also be seen, this rate structure has eliminated the four block structure and moved to a two-block declining rate structure. For these two blocks, the pricing relationship has been established to help minimize impacts to the largest users within this class of service. However, as the rate adjusts through time, larger adjustments have been placed on the second block of consumption to attempt to move the price of the two blocks closer together. This logic follows the results of the cost of service which indicated that the last two blocks (largest users) were priced well below their cost.

Similar to the residential rate structure, the outside City non-residential rate applies to all of Fayetteville's outside City non-residential customers, with the exception of White River. For White River, there is an additional fixed charge of $5.94/month, regardless of the meter size.

An inverted block rate structure is not recommended for this class of service. Unlike a residential customer, greater use does not necessarily imply inefficient use. Given that situation, an inverted block rate structure is probably not appropriate for non-residential customers. In some cases, the largest users on the City's system may actually be the most efficient.

3.4.8 Proposed Major Industrial Water Rate

The Major Industrial class of service was created to recognize that the largest users on the City's system have different usage and cost characteristics than other non-residential customers. As noted previously, this class of service is for an individual meter that utilizes an average of 5,000,000 gallons per month. At the present time, three customers appear to qualify for this rate. Presented below in Table 3-15 is a summary of the proposed Major Industrial water rate.

Table 3-15
Proposed Inside and Outside Fayetteville Major Industrial Water Rate

	Inside Fayetteville				Outside Fayetteville			
Rate Components	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
Meter Charge – ($/Month)								
4"	$54.45	$57.85	$61.25	$64.65	$62.62	$66.53	$70.44	$74.35
6"	108.85	115.65	122.45	129.30	125.18	133.00	140.82	148.70
8"	163.30	173.50	183.70	193.90	187.80	199.53	211.26	222.99
Consumption Charge – ($/1,000 gallons)								
All Consumption	$1.77	$1.89	$2.01	$2.14	$2.04	$2.17	$2.31	$2.46

The rate structure for this particular class of service is a uniform rate structure. The cost of service indicated that this particular class of service had the lowest per unit retail cost of any of the retail customer groups. A detailed bill comparison for this proposed rate schedule is included within the Technical Appendices.

3.4.9 Proposed Irrigation Rate

Conservation and efficient use of water are important concepts in the water utility industry. Irrigation use is typically the component of usage which has the greatest amount of discretionary use, while at the same time, some of the most inefficient use. Given that, contemporary water rate design designs for irrigation customers have changed significantly from past practices. First, irrigation use is now considered a distinct end-use. At the same time, the pricing should reflect the seasonal use of this group and the large demands that they place upon the system during a peak-use period. The proposed irrigation rate for Fayetteville is a transitional rate, in that some of these customers are moving from a steeply declining block rate to a rate structure that better reflects the costs they place upon the system. Provided below in Table 3-16 is the proposed irrigation rate from inside and outside Fayetteville retail customers.

Table 3-16
Proposed Inside and Outside Fayetteville Irrigation Rate

	Inside Fayetteville				Outside Fayetteville			
Rate Components	**2008**	**2009**	**2010**	**2011**	**2008**	**2009**	**2010**	**2011**
Meter Charge – ($/Month)								
5/8" x 3/4"	$4.00	$4.25	$4.50	$4.75	$4.60	$4.89	$5.18	$5.46
1"	5.55	5.90	6.25	6.60	6.38	6.79	7.19	7.59
1-1/2"	9.70	10.30	10.90	11.50	11.16	11.85	12.54	13.23
2"	14.10	15.00	15.90	16.75	16.22	17.25	18.29	19.26
3"	32.90	34.95	37.00	39.05	37.84	40.19	42.55	44.91
4"	54.45	57.85	61.25	64.65	62.62	66.53	70.44	74.35
6"	108.85	115.65	122.45	129.30	125.18	133.00	140.82	148.70
8"	163.30	173.50	183.70	193.90	187.80	199.53	211.26	222.99
Consumption Charge – ($/1,000 gallons)								
0 – 300,000 gallons	$2.81	$3.09	$3.37	$3.64	$3.23	$3.55	$3.88	$4.19
Over 300,000 gallons	$1.84	$2.16	$2.70	$3.28	$2.11	$2.48	$3.11	$3.77

Over the four-year period of rate adjustments, the adjustments have been applied to increase the second block of consumption at a greater level than the first block. Ultimately, the two-block declining structure should be eliminated, but this may take a number of years to achieve. Detailed bill comparisons for the proposed irrigation rates are included within the Technical Appendices.

3.4.10 Proposed Wholesale Water Rates

Fayetteville currently has five wholesale water customers. They are as follows:

- Washington County Rural Development Authority
- Mount Olive Water Association
- City of Elkins
- City of West Fork

It should be noted that in accordance with the 1970 contract between Greenland and Fayetteville, Greenland agreed to pay the Outside Fayetteville retail rates. Therefore, the proposed wholesale rates apply to the above customers, with the exception of Greenland. Provided below in Table 3-17 is the summary of the proposed wholesale water rates.

Table 3-17 Present and Proposed Wholesale Water Rate					
	Present Wholesale	Proposed Wholesale Rate			
Rate Components	Rate	2008	2009	2010	2011
Meter Charge – ($/Month)					
5/8" x 3/4"	$55.55	$5.00	$5.30	$5.60	$6.00
1"	55.55	7.00	7.40	7.80	8.30
1-1/2"	55.55	12.15	12.85	13.55	14.45
2"	55.55	17.70	18.75	19.75	21.00
3"	55.55	41.30	43.80	45.10	46.50
4"	55.55	68.30	72.25	76.10	81.10
6"	55.55	136.70	144.90	149.20	153.70
8"	55.55	205.00	216.90	228.40	240.50
Consumption Charge – ($/1,000 gallons)					
All Consumption	$1.81	$1.84	$1.95	$2.01	$2.07

As can be seen, at the present time, wholesale customers pay a fixed charge of $55.55, regardless of meter size. The proposed rates have incorporated meter charges that follow the approach used for the other classes of service. The rate adjustments have been passed-through in accordance with the results of the cost of service analysis.

3.4.11 Fire Protection Rates

The City has private fire protection rates (monthly stand-by fire protection service charges). These rates are based upon service line size. For this study, the private fire protection charges were adjusted by the overall annual adjustments for 3.6% in 2008, 5.8% in 2009, 5.3% 2010 and 5.3% in 2011. The City has also historically had public fire protection (hydrant) rates for outside Fayetteville customers. Based upon discussions with the City, for administrative and cost reasons, it was recommended that these public fire protection (hydrant) rates be eliminated.

3.5 Summary of the Water Rate Study

This section of the report presents the development and results of the water utility rate study. The results of the water rate study indicated that water rates are deficient for the projected time period reviewed. The water rates, as proposed herein, are cost-based and were developed using generally accepted rate-making methods and principles. The implementation of rate adjustments, as shown in the rate transition plan through 2011, should move the City closer to cost-based rates for all customers. The next section of the report will discuss the development and results of the sewer rate study.

Section 4
Comprehensive Sewer Rate Study

4.1 Introduction

This section of the report presents the comprehensive sewer rate study undertaken for the City. As with the water utility, the objective of the sewer rate study was to determine the sufficiency of current sewer rate revenues to cover projected operating and capital needs, while reviewing the overall equity of rates charged to the various customer classes of service.

> ***"The revenue requirement analysis assumes that the City's sewer utility must financially "stand on its own" and not be subsidized by any other utility or City fund."***

The revenue requirement analysis assumes that the City's sewer utility must financially "stand on its own" and not be subsidized by any other utility or City fund. In developing the revenue requirements for this utility, all the costs that are necessary to run the sewer utility in a prudent and financially stable manner were included.

4.1.1 Determination of Time Period and Method of Accumulating Sewer Costs

The revenue requirement for the sewer utility was developed using the same general framework and similar assumptions as for the water utility. The sewer revenue requirements reviewed a time period of 2006–2010, with emphasis on 2007 – 2010. This time period was reviewed in order to maintain consistency between the rate studies and to determine the impact of recent major sewer treatment plan improvements.

The sewer revenue requirement developed for the City utilized the "cash basis" methodology and was customized to follow the City's system of accounts (budget documents). Table 4-1 provides a summary of the approach that was used to develop the City's sewer revenue requirements.

Table 4-1
Overview of the Sewer Utility Revenue Requirements

+ Operation and Maintenance Expenses
  - ✓ Wastewater Director
  - ✓ Billing and Collections
  - ✓ Meter Operations Program
  - ✓ Meter Maintenance & Backflow Prevention
  - ✓ Operations and Administration Program
  - ✓ Sewer Mains Maintenance Program
  - ✓ Wastewater Treatment Plant Program
+ Taxes/Transfer Payments
+ Net Capital Improvements Funded From Rates (calculated below) [1]
+ Net Debt Service (P+I) Existing and Future
– Change in Working Capital (Use of Reserves)

= Total Sewer Revenue Requirements

[1] Net Capital Improvements Funded From Rates

+ Total Sewer Capital Improvement Projects
– Funding Sources Other Than Rates
  - ✓ Sewer Impact Fees
  - ✓ Grants
  - ✓ Low-Interest State Loans
  - ✓ Long Term Debt Issues

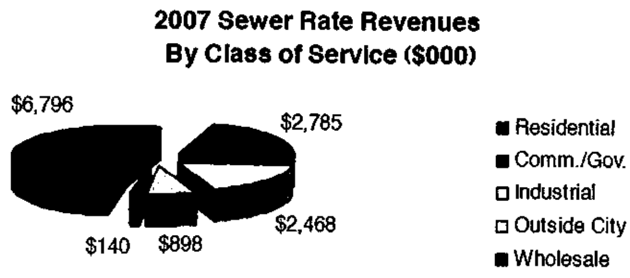
= Net Capital Improvements Funded From Rates [1]

Given a time period around which to develop the revenue requirements, and a method to accumulate the costs, the focus shifts to the projection of revenues and expenses for the City's sewer utility. The primary financial inputs in this process were the City's historical billing records, the City's sewer capital improvement plan and the City's 2006 budgeted expenses. A more detailed discussion of the key assumptions contained within the sewer revenue requirement is provided below.

4.1.2 Sewer Rate Revenue and Miscellaneous Revenue

The revenue requirement calculation begins with a projection of rate revenue at present rates. This process involved developing projected billing units for each customer class of service (e.g. single family, multi-family, commercial, etc.) based on historical usage records and an assumed annual growth rate. The billing units are then applied (multiplied) against the current rates to calculate the projected revenue. This method of independently calculating revenue ensures consistency in the revenue and consumption figures through rate design.

The revenue at present rates was calculated using 2004–2005 historical consumption data and the specific rate schedule for that year. Rate revenues were projected forward to 2006 based on calculated 2004–2005 rate revenues, plus 3.0% growth rate for 2007-2010. In 2007 the rate revenue is projected to be $13.1 million, increasing to $14.1 million by 2010 as a result of the assumed customer growth on the system.



The sewer utility also receives miscellaneous revenue. Miscellaneous revenue varies by year, but is fairly level during the planning period. Miscellaneous revenue for the sewer utility consists of a variety of sources, but the largest single miscellaneous revenue source is interest earnings from reserve funds. Interest revenue for the City was calculated at 3.0% of the balance of the reserve funds. Miscellaneous revenue as calculated to be approximately $542,000 in 2007, declining slightly over time to approximately $476,000 in 2010. This slight decline in overall miscellaneous revenues is primarily a function of declining reserve balances and interest earnings.

4.1.3 Sewer Operation and Maintenance Expenses

The City's 2006 sewer utility budget document was used as a base to project future year costs. The future O&M expenses were escalated by the most appropriate escalation factor. Escalation factors ranged from 3% to 10%. The vast majority of costs were escalated at 3% to 4% per year.

A major change in the City's O&M levels are a result of the City's expanded wastewater treatment plant coming on line in 2008. In 2008, it has been assumed that the plant will be in a "start-up" mode and have $1.5 million of additional expenses over and above current levels. As the plant becomes more fully operational, the City estimated that the additional costs would be $3.0 million per year. In addition, it has been assumed that additional personnel will be needed. The City has assumed an additional labor cost of $50,000 in 2008 and a total of $100,000 in 2009. These expenses are not unexpected and have been known for the last two years or more.

The City's total O&M expenses in 2007 are projected to be $9.4 million. With the additional costs noted above, the City's sewer O&M is projected to increase to $11.2 million in 2008 and $13.1 million in 2009. At that point, the plant is fully operational and the City will be incurring the full costs of the plant. In 2010, it has been assumed that general inflation will increase the total O&M costs to approximately $13.6 million.

4.1.4 Sewer Taxes and Transfers

The sewer utility currently has a franchise fee of approximately $493,000 in 2007. These franchise fees are anticipated to increase slightly over time as a function of inflation. In 2010, the franchise fees are projected to be approximately $538,000.

4.1.5 Sewer Capital Improvement Projects

The City anticipates approximately $8.9 million in capital expenditures for the sewer utility over the five-year period of 2006–2010. This equates to approximately $1.8 million per year in capital improvement projects. The major projects are collection system projects related to the renewal and replacement of existing facilities, along with the development of additional interceptor capacity. The funding for most of these projects is from a combination of reserve funds, grant funding, impact fees and rates.

As noted for the water utility, a general rule of funding capital projects is that a utility should fund a portion from rates on an on-going basis. A guideline for funding that is used by HDR is to attempt to fund at a minimum, an amount equal to or greater than annual depreciation expense. As noted within the water utility discussion, annual depreciation expense is not the same as replacement cost. Therefore, the City will need to find additional funding sources to meet their long-term replacement needs. This study has established funding from rates that is roughly equal to the current annual depreciation expense of the utility. As the City's new wastewater treatment plant comes on line, the annual depreciation expense will increase, but the funding level established within this study best reflects the City's current system and funding needs.

A summary of the sewer capital improvement projects is provided in Table 4-2.

Table 4-2
Summary of the Sewer Utility Capital Improvement Plan ($000)

	2006	2007	2008	2009	2010	Deferred
Funded Capital Projects -						
Wastewater Treatment Improvements	$180	$185	$190	$200	$210	$0
Sewer Improvements	1,569	1,569	1,569	1,659	1,719	0
Sewer Service Improvements	171	137	204	148	156	0
Budgeted Capital Projects	8,807	131	159	96	89	0
Total Funded Capital Projects	$10,727	$2,022	$2,122	$2,103	$2,174	$0
Unfunded Capital Projects						
Wastewater Treatment Improvements	$355	$385	$363	$182	$197	$0
Sewer Improvements	1,065	129	1,570	3,315	7,769	10,540
Total Unfunded Capital Projects	$1,420	$514	$1,933	$3,497	$7,966	$10,540
Plus: Additions to Capital Reserves	$212	$164	$0	$0	$0	$0
Total Capital Improvement Projects	**$12,360**	**$2,700**	**$4,055**	**$5,600**	**$10,140**	**$10,540**
Less: Outside Funding Sources						
Sewer Impact Fees	$0	$0	$1,355	$0	$0	
Use of Working Capital Fund	7,811	0	0	2,880	240	
Misc. Grants/Cost Sharing	1,366	0	0	0	0	
New Long-Term Borrowing	0	0	0	0	7,000	
Total Outside Funding Sources	**$9,177**	**$0**	**$1,355**	**$2,880**	**$7,240**	
Total Capital Funded From Rates	**$3,183**	**$2,700**	**$2,700**	**$2,720**	**$2,900**	

Table 4-2 indicates that there is a significant amount of deferred capital projects to be funded. The projects that will be funded include a significant portion in 2010. It has been assumed that the City will issue a $7.0 million bond in 2010 to fund these projects. In all likelihood, these projects will be slid out into future years, but with $10.5 million in deferred projects already, the City will need to make some difficult decisions concerning the funding and timing of these projects.

4.1.6 Debt Service Payments

Debt service is related to the sewer utility's long-term borrowing for capital. Within this study, only rate-related debt service is included. The sewer utility currently has a significant amount of outstanding debt. Currently, there is a 2002 revenue bond issue, which has an annual principal and interest payment of approximately $565,000 per year. There is a $7.0 million debt issues assumed in 2010 to fund capital improvements has an annual debt service of approximately $492,000. When taken together, the annual debt service payments, to be funded from rates, range from approximately $606,000 in 2007 to $1.1 million in 2010.

4.1.7 Sewer Utility Reserve Levels

The final component of the sewer revenue requirement is the review of reserve levels, as discussed in Section 2.7 of this report. As with the water utility reserves, the sewer utility operating reserve minimum target is 45 days of operating expense. This level ranges from approximately $1.1 million in 2006 to $1.6 million by 2010. The projected reserve levels are anticipated to meets this minimum level. Overall, the sewer utility is projected to maintain an adequate level of reserves which will provide financial stability over the time period reviewed.

4.1.8 Summary of the Sewer Revenue Requirements

Given the above assumptions and the projections of revenues and expenses for the sewer utility, the revenue requirements were developed. A summary of the sewer revenue requirements is presented in Table 4-3.

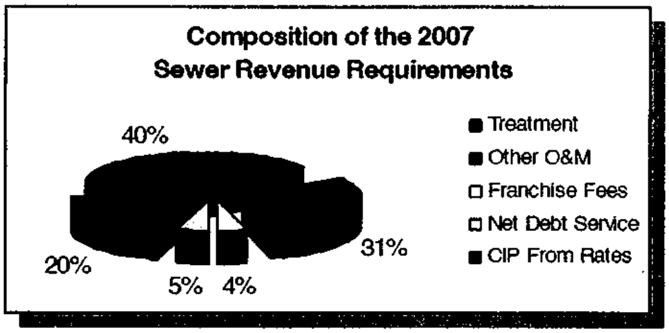
Table 4-3
Summary of the Sewer Revenue Requirement Analysis ($000's)

	2006	2007	2008	2009	2010
Sources of Funds					
Rate Revenues at Present Rates	$12,641	$12,946	$13,260	$13,584	$13,918
Wholesale Revenue	137	141	145	149	154
Miscellaneous Revenue	492	542	551	474	476
Total Sources of Funds	$13,270	$13,629	$13,956	$14,207	$14,548
Expenditures					
Sewer Portion of Joint Expenses	$2,288	$2,368	$2,451	$2,538	$2,627
Direct Sewer Expenditures	6,821	7,040	8,768	10,504	10,838
Service Level Plan	0	0	0	50	100
Taxes and Transfers	478	493	507	523	538
Debt Service (Rate Funded)	603	606	608	608	1,100
CIP Funded Through Rates	3,183	2,700	2,700	2,730	2,900
Change in Working Capital	0	0	0	0	0
Total Revenue Requirements	$13,373	$13,207	$15,034	$6,9533	$18,103
Balance (Deficiency) of Funds	($103)	$422	($1,078)	($2,746)	($3,555)
Bal. (Def.) of Funds as a % of Rates	(0.8%)	3.2%	(8.0%)	(20.0%)	(25.3%)

In reviewing Table 4-3, it should be understood that the annual deficiencies are cumulative. That is, any adjustments in the initial years will reduce the deficiency in the following years. Therefore, an adjustment of 20% in 2009 will leave a deficiency of approximately 5.3% in 2010.

As can be seen, the City's sewer rates will be deficient in 2008 due to the initial start-up costs associated with the West Side Wastewater Treatment Plant. The full impact of the operational costs associated with the treatment plant occurs in 2009. It should also be pointed out that the level of adjustment shown in 2009 was projected in the July of 2006, and communicated to the City's sewer customers at that time. In July 2006, HDR analyzed the potential impacts from the passage or failure of the sales tax initiative. As a result of that analysis, the City told the citizens of Fayetteville that no adjustments to sewer rates would occur in 2008, but that an adjustment of approximately 20% would be expected in 2009.

The reason for the size of the adjustment is the need for adequate funding of the O&M costs associated with the West Side Wastewater Treatment Plant and/or the need for funding for renewal and replacement capital projects. Depending upon one's viewpoint, the deficiency in 2009 is roughly equal to the incremental operational costs for the wastewater treatment plant ($3.0 million) and/or the amount of funding for capital improvements from rates ($2.7 million). If the City's prior rate adjustment was intended to fund the incremental operational costs of the new plant, then at that time, there was no consideration of the adequate funding of CIP from rates. This study has acknowledged the need to fund both of these uses of funds and has provided adequate funding for both of those components. Detailed exhibits of the sewer revenue requirement analysis can be found in Appendix B, Sewer Technical Appendix.



4.1.9 Debt Service Coverage

The debt service coverage (DSC) ratio is another financial indicator that is used to judge the financial status of a utility. The sewer fund should have a minimum debt service coverage ratio of 1.25 on any outstanding revenue bonds. Failure to meet the minimum DSC for an outstanding debt obligation is considered to be technical default, making the revenue bonds callable or payable upon demand. Therefore, it is critical that the utility meet this legal requirement. On this basis, the net revenue of the combined utilities (gross revenue of the utilities less operating and maintenance expenses) must currently equal at least 1.25 times the City's annual revenue bond debt service payments.

Table 4-4
Summary of Sewer Debt Service Coverage Ratio

	2006	2007	2008	2009	2010
Sewer Revenue Bond DSC Ratios –					
Before Rate Adjustment	6.90	3.36	2.18	0.89	0.89
After RR Rate Adjustment	7.08	3.02	3.03	3.07	4.12
After Proposed Rate Adjustment [1]	6.90	3.36	2.18	3.07	3.45

[1] – See proposed sewer rate adjustments on Table 4-5

As Table 4-4 indicates, on a "stand-alone" basis, without a rate adjustment in 2009, the sewer utility's debt service coverage ratio will be 0.89. A debt service coverage ratio of less than 1.00 indicates that the utility would not have sufficient revenue to meet the full debt service payment (i.e. the utility has 89% of the needed funds for debt service). This lack of an adequate DSC clearly indicates the need for a rate adjustment. With the proposed rate adjustment of 20% in 2009, the utility returns to an adequate DSC. The adjustment in 2009 will also provide adequate coverage to allow for a bond issue in 2010 to help pay for the sewer utility's deferred capital.

4.1.10 Rate Transition Plan

The results of the study were presented to the City's management team, along with the City Water and Sewer Committee. In discussions with both of these groups, a sewer rate transition plan was developed. The transition plan recognized the need for an adjustment to the sewer utility in 2009. The adjustments shown in 4-5 reflect the summary discussions with the Committee.

Table 4-5
Sewer Rate Transition Plan

	2008	2009	2010	2011
Proposed Sewer Rate Adjustments	0.0%	20.0%	3.0%	3.0%

The adjustments shown in Table 4-5 are assumed to be effective on January 1 of each year. The adjustments shown in 2010 and 2011 are assumed to be inflationary adjustments. This study has extended the adjustments into 2011 to match the timing shown in the rate transition plan for the water utility.

Similar to the water utility, it is important to keep in mind that even with these adjustments, the sewer utility continues to show a significant backlog of deferred capital projects beyond 2010 (Table 4-2), which the City must address at some point. This will likely require additional long-term borrowing and rate increases beyond what has been shown in this study.

4.1.11 Consultant's Recommendation Regarding Sewer Revenue Requirements

The above concludes our discussion of the sewer revenue requirements. The results from the revenue requirement for the sewer utility indicate the utility needs to increase rates to properly fund the incremental operating costs associated with the West Side Wastewater Treatment Plant and to adequately fund capital improvements from rates. The proposed rate adjustments are also necessary to ensure that the utility is meeting its debt service coverage ratio required by its bond covenants. The next step in the rate study was the sewer cost of service analysis.

4.2 Sewer Cost of Service Analysis

Similar to the water cost of service analysis, a sewer cost of service analysis is concerned with the equitable allocation of the total sewer revenue requirements to the various customer classes of service of the utility.

"Similar to the water cost of service analysis, a sewer cost of service analysis is concerned with the equitable allocation of the total sewer revenue requirements to the various customer classes of service of the utility."

In order to determine the cost to serve each customer class of service on the sewer system, an analysis is conducted using the same basic analytical framework as the water cost of service study. That is, the sewer cost of service developed for the City functionalizes, classifies and allocates the revenue requirements to each of the classes of service in a "fair and equitable" manner. Provided below is a detailed discussion of the sewer cost of service study conducted for the City.

4.2.1 Overview of the Cost of Service Methodology

The City has certain requirements in setting their sewer rates. The City has certain sewer agreements and contracts that have elements that pertain to the rate setting methodology or approach to be used. As an example, the City of Greenland entered into a sewer contract on December 21, 1993 which contains a subsection that pertains to the rate setting process. The pertinent subsection appears as follows:

> *"4. SEWER RATES: The rates for sewer service shall be on a cost-of-service basis as computed by a Registered Professional Engineer selected and employed by the City of Fayetteville. Greenland shall have the right to review such rates and provide the City with their comments prior to the time that the rates are adopted by Fayetteville. The rates as of the date of this contract shall be as shown on Exhibit "A" attached. The sewer rates include maintenance and treatment costs, tapping fees, and surcharge rates for excess BOD and Suspended Solids. Fayetteville reserves the right to review the sewer rates at the end of each three year period or at the same time Fayetteville rates are reviewed, and make an adjustment in said rates if indicated, based upon a demonstrable increase or decrease in cost of performance hereunder."*

The City has other sewer contracts and agreements with other customers. For the most part, they do not provide for a specific methodology, but they do provide for a specific method to determine an appropriate rate of return. This would imply the use of the "utility/accrual" basis methodology. Given that, the sewer cost of service conducted for the City utilized a "utility/accrual" basis methodology and provided for a "fair" return on investment to serve the outside City and wholesale customers. This aspect of the rate setting process is discussed in more detail later in this section of the report. In the opinion of HDR, the sewer cost of service analysis as developed herein conforms to the contractual requirements and fairly allocates costs to the outside City and wholesale customers, while providing for a "fair" rate of return to City to serve outside City and wholesale customers.

4.2.2 Functionalization of Sewer Costs

The first analytical step in the cost of service is called functionalization. Functionalization is the arrangement of sewer expenses and asset (plant) data by major operating functions. This task was accomplished through the utility's system of accounts.

4.2.3 Development of Cost Classifiers

The second analytical task performed within the cost of service is the classification of the functionalized expenses to cost components. This task reviews each cost and attempts to determine why the cost was incurred and what type of need was being met (e.g. volume, strength, customer etc.). The cost classifiers used for the City's sewer utility cost of service study are as follows:

- **Volume Related Costs.** Volume related costs are those that tend to vary according to the quantity of wastewater collected and treated. A majority of collection system costs and treatment costs are included in this component. An example of a volume related cost is chemicals for the wastewater treatment process. The total cost incurred for chemicals is generally related to the total flow or volume of wastewater.

- **Strength Related Costs.** Strength related costs are those costs associated with the additional handling and treatment of high "strength" wastewater. Strength of sewerage is typically measured in biochemical oxygen demand (BOD) and suspended solids (SS). The higher the level of BOD or SS, the higher the cost of treatment. Pre-treatment is generally required if the discharge is known to regularly exceed the typical waste strength.

- **Customer Related Costs.** Customer related costs include the costs of billing, collecting, and accounting. Customer costs typically vary with the addition or deletion of a customer. These costs may also be further categorized as actual or weighted. The differences in these costs are similar to those noted for the water utility.

- **Revenue Related Costs.** Some costs associated with the wastewater utility may vary with the amount of revenue received by the utility. An example of a revenue related cost would be a tax that is assessed on the amount of revenues received.

- **Direct Assignment.** Certain costs associated with operating the utility may be directly traced to a specific customer or class of service. These costs

Terminology of a Sewer Cost of Service Analysis

FUNCTIONALIZATION – The arrangement of the cost data by functional category (e.g. treatment, collection, etc.).

CLASSIFICATION – The assignment of functionalized costs to cost components (e.g. volume, strength and customer and related).

ALLOCATION – Allocating the classified costs to each class of service based upon each class's proportional contribution to that specific cost component.

VOLUME COSTS – Costs that are classified as volume related vary with the total flow of wastewater water (e.g. chemical use at the treatment plant).

STRENGTH COSTS – Costs classified as strength related refer to the wastewater treatment function. Strength may be defined as biochemical oxygen demand and suspended solids. High strength wastewater costs more to treat.

CUSTOMER COSTS – Costs classified as customer related vary with the number of customers on the system, e.g. billing costs.

DIRECT ASSIGNMENT – Costs that can be clearly identified as belonging to a specific customer or group of customers.

CUSTOMER CLASSES OF SERVICE – The grouping of customers into similar groups based upon usage and strength characteristics and/or facility requirements.

are then "directly assigned" to that specific class of service.

The final analytical task performed with the data in the sewer cost of service analysis is the allocation of the classified costs. For each of the classified costs noted above, an allocation factor is developed which equitably allocates each specific type of cost in a "fair and equitable" manner to the customer classes of service (e.g. residential, commercial, etc.) for the utility. For example, in developing the volume allocation factor for the sewer consideration is given to the total wastewater flow of each class of service in order to equitably allocate these costs.

The allocation of costs is performed after the classification of the test period's data is complete. The various classification totals are allocated among rate groups or customer classes of service based upon the nature of the classification.

A more detailed discussion of the specific cost of service methodology used for the sewer utility is provided below.

4.2.4 Functionalization and Classification of Sewer Plant in Service

The functionalization and classification of sewer plant in service is an important element of the City's study. One of the complexities of the City's study is that certain facilities are allocated to certain customers, but not to others. To properly address this issue, HDR had to develop a classification scheme that would classify and allocate costs to all customers, another scheme which allocated certain facilities to all customers with the exception of the City of Farmington, and finally, a scheme to allocate certain facilities to only the retail customers.

The reason for this complexity is related to both the treatment and collection system, along with contractual requirements. On the collection system, all customers benefit from interceptors and are assigned a proportional share of those interceptors. However, the collection system is related only to the City's retail service and given that, wholesale is not assigned any costs associated with the City's collection assets. On the treatment side, the City of Farmington is contractually assigned 8.2% of the West Side Wastewater Treatment Plant (WSIP), but none of the Noland plant. At the same time, the Owl Creek lift station was directly assigned to the City of Fayetteville and the City of Farmington paid directly for their share of this facility.

Obviously, the classification and eventual allocation of costs is complex and must be properly established to provide a result that is fair and equitable to all parties and reflects the current contractual agreements between the City and their contractual customers. As a part of this study process, HDR provided a draft analysis to the City of Elkins' and Farmington's financial/rate consultant. The purpose of providing the draft analysis was to allow for a review prior to finalization of the study to assure that Elkins' and Farmington's financial/rate consultant concurred that the classification and allocation of costs was appropriate and fair. A conference call was held between HDR, the City and Elkin/Farmington's rate consultant to review, line-by-line, the classification of these costs. Based upon that conference call, the parties concurred that the classification was appropriate and reflected the current contractual agreements between the parties and reflected a fair classification of the plant assets.

Table 4-6 provides a simple summary of the basic functionalization and classification of the City's major sewer plant items.

Table 4-6 Summary of the Classification of the Sewer Utility Plant in Service							
	Volume- Related			Strength-Related			
Plant Component	All	w/o Farmington	Retail Only	BOD	SS	Direct Assign. To Farmington	Direct Assign. To Fayetteville
Collection System –	–	–	–	–	–	–	–
Interceptors	100.0%	–	–	–	–	–	–
Collectors	–	–	100.0%	–	–	–	–
Lift Stations	100.0%	–	–	–	–	–	–
Treatment Plant –	–	–	–	–	–	–	–
Noland Plant	–	40.0%	–	30.0%	30.0%	–	–
Noland Renovation	–	40.0%	–	30.0%	30.0%	–	–
West Plant (WSIP)	–	36.8%	–	27.5%	27.5%	8.2%	–
West Trunk Line	–	40.0%	–	30.0%	30.0%	–	–
Owl Creek Lift Station	–	–	–	–	–	–	100.0%
East Trunk Line	–	40.0%	–	30.0%	30.0%	–	–

[1] Excludes allocation to wholesale customers

Given the functionalization of plant in service (assets), the next step of the cost of service analysis is the functionalization and classification of operating expenses.

4.2.5 Functionalization and Classification of Sewer Operating Expenses

Operating expenses are generally functionalized and classified in a manner similar to the corresponding plant account. For example, treatment related expenses are classified in the same manner (percentages) as treatment plant, etc. This approach to classification of operating expenses has been used for the City's analysis.

An important element of the operation and maintenance expenses are the costs associated with the Noland and West Side Wastewater Treatment Plants. Similar to the handling of the plant in service, the O&M costs associated with the Noland plant were not allocated to the City of Farmington, but 8.2% of the West Side Wastewater Treatment Plant O&M is assigned to the City of Farmington.

The sewer utility revenue requirements for 2009 were functionalized, classified, and allocated. The reason that 2009 was utilized is that is the first year of the proposed 20.0% adjustment. In that way, the timing of the proposed sewer adjustment is matched up with the cost of service analysis. A more detailed review of the classification of revenue requirements can be found in the Sewer Utility Technical Appendices.

4.2.6 Customer Classes of Service

Seven different classes of service were reviewed within the City's sewer cost of service analysis. These classes of service were as follows:

- Residential
- Commercial
- Industrial
- Governmental
- Outside Fayetteville – City of Farmington
- Outside Fayetteville (All other Outside City customers)
- Wholesale (Contract) – City of Elkins

The classes of service used for the sewer cost of service are similar, but different than those used for the water cost of service study. In this case, due to the different contracts the City has, the study needed to segregate out the City of Farmington and Elkins as separate customer classes of service. The main difference between the two contracts is the rate of return allowed under each contract.

4.2.7 Development of Allocation Factors

Once the classification process is complete, and the classes of service to be reviewed have been defined, the various classified sewer costs are then allocated to each of the classes of service. The sewer utility's classified costs were allocated to the various classes of service using the following methods.

Volume Allocation Factors. Volume-related costs are generally allocated on the basis of contribution to flows of the treatment plant. In order to develop this allocation factor, some knowledge of the contribution to flows must be determined. Given that wastewater flows are typically not metered, water consumption is generally utilized as the surrogate for wastewater flows. In the case of residential customers, winter time water usage is used to create an average that is then charged every month as a "base" wastewater flow. The use of winter water usage for residential customers is necessary to avoid including summer lawn watering consumption in the volume allocation factor. Summer lawn irrigation obviously does not contribute to wastewater treatment flows, and needs to be excluded. For commercial and general/industrial customers, their billed sewer (metered water consumption) consumption is utilized since they have the ability to segregate irrigation use via an irrigation meter. The volumes for Farmington were handled in a manner similar to the inside Fayetteville residential and non-residential customers. Elkins volumes are metered and have been utilized within this study. To the estimated or metered volumes, inflow and infiltration (I&I) is added. The flow contributions from each customer, plus I&I should equate to the total volumes received at the treatment plant. All customers, with the exception of Elkins, was allocated a portion of the I&I volumes.

> ***"The use of winter water usage for residential customers is necessary to avoid including summer lawn watering consumption in the volume allocation factor."***

Strength-Related Allocation Factors. Strength-related costs were classified between biochemical oxygen demand (BOD) and suspended solids (SS). Both of these types of costs were allocated to the various classes of service based upon the relative estimated strengths that each class of service contributed to the overall flow at the plant. Individual allocation factors were developed for BOD and SS. Strengths were measured in milligrams per liter, and multiplied times the annual estimated flows to develop an overall relationship of total pounds. It is assumed that the average or typical residential and commercial customers have domestic type strengths for BOD and SS in the range of 180-260 mg/l. Elkins was the exception where its BOD is 120 mg/l and suspended solids is 115 mg/l. This is in part due to the high levels of I&I within Elkins system.

Customer-Related Allocation Factors. Customer-related costs within the cost of service study are allocated to the various customer classes of service based upon their respective customer counts. The number of customers for the study was developed within the revenue requirement study. Two types of customer allocation factors were developed, actual and weighted. Actual customer costs do not vary by the volume or strength characteristics of the class of service. A weighting factor was used to develop the weighted customer allocation factor. The weighted customer allocation factor attempts to reflect the disproportionate costs associated with serving larger commercial customers. These customers are assigned a higher per customer cost because they require additional administrative costs and possible monitoring.

Revenue-Related Allocation Factor. Revenue-related costs were allocated based upon the revenues at present rates for each class of service. Revenue-related costs are those costs that vary with the amount of revenue received. Revenues at present rates for 2009 were developed within the revenue requirement study previously discussed.

The allocation factors used within the sewer rate study, and discussed above, are located in the Sewer Utility Technical Appendices.

4.2.8 Rate of Return for Outside City and Wholesale Customers

Under the "utility" basis methodology, the City is entitled to a "fair" rate of return on their investment to serve outside City customers and wholesale (contract) customers. The City earns a "fair" return on these outside City and wholesale customers, and it is the responsibility of the inside City retail customers to provide a sufficient rate of return to meet the overall revenue requirements of the utility.

As noted within the water cost of service discussion, there are a number of different methods that may be used to establish the final rate of return for a class of service. In this case, the rate of return for Farmington and Elkins is established using a specific formula. In general, the formula uses the cost of debt, plus a risk premium. In the case of Farmington and Elkins, the formula for each is slightly different and with different risk premiums. Given that, it results in different rates of return. For Farmington, the overall rate of return was 6.03% and for Elkins the overall rate of return was 7.05%. The rate of return for the outside City customers was set equal to the rate of return used for Farmington.

4.2.9 Summary of the Sewer Cost of Service Results

The test period revenue requirements were classified into their various cost components. The individual classification totals were then allocated to the various classes of service based upon the appropriate allocation factors. The allocated expenses for each class of service were then aggregated to determine each class's revenue responsibility. A summary of the results of this process can be seen in Table 4-7.

Table 4-7
Summary of the Sewer Utility Cost of Service Analysis ($000's)

Class of Service	Present Rate Revenues	Allocated Costs	$ Difference	% Difference
Inside Fayetteville –				
Residential	$7,209	$7,837	($627)	8.7%
Commercial	2,076	2,618	(542)	26.1%
Industrial	2,467	3,749	(1,281)	51.9%
Government	878	1,018	(140)	15.9%
Outside Fayetteville–City of Farmington	695	765	(69)	10.0%
Outside Fayetteville – All Others	257	309	(52)	20.0%
Wholesale – City of Elkins	149	173	(24)	15.7%
Total	$13,734	$16,468	($2,735)	19.9%

As can be seen from the above table, there are cost differences associated with serving the various customer groups. In developing the Farmington, outside Fayetteville and City of Elkins wholesale rate, the City has assessed each of these customer groups a "fair" return on the City's investment to serve these customers. Therefore, in the opinion of HDR, the City can not charge an amount greater than that shown in the cost of service for these customers.

An exhibit was developed to show the impact of combining all inside Fayetteville customers into a single class of service. That is shown below in Table 4-8.

Table 4-8
Summary of the Sewer Utility Cost of Service Analysis ($000's)

Class of Service	Present Rate Revenues	Allocated Costs	$ Difference	% Difference
Inside Fayetteville –	$12,632	$15,222	($2,590)	20.5%
Outside Fayetteville–City of Farmington	695	765	(69)	10.0%
Outside Fayetteville – All Others	257	309	(52)	20.0%
Wholesale – City of Elkins	149	173	(24)	15.7%
Total	$13,734	$16,468	($2,735)	19.9%

On a combined basis, the cost of service results for the Inside Fayetteville customers does not appear to be far from the overall cost of service adjustment of 19.9%. However, as the prior table has clearly shown, within the Inside Fayetteville customer groups, significant cost differences exist, particularly with the larger customers.

Viewing Table 4-7 does not provide the full picture of the cost relationships between the various customer groups. For example, the industrial customers are showing the need for one of the larger rate adjustments. However, on a per unit cost basis, they currently pay the lowest per unit cost. Figure 4-1 provides a graphical view of the current average rate revenue received from each class of service and the average allocated costs of each customer group.

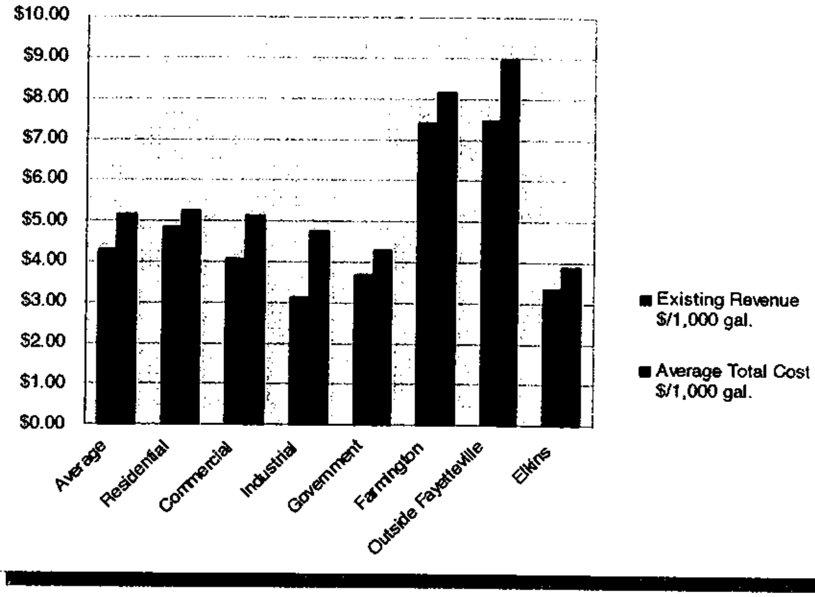


Figure 4-1 – Comparison of the Average Unit Revenue to the Allocated Average Cost ($/1,000 gallons)

As can be seen, there is a slightly declining cost function associated with serving the City's larger commercial and industrial customers. However, it is not as steep as the current rate structure provides. Interestingly, the results of this study are similar to the prior cost of service study conducted for the City. At that time, the City made a policy decision to subsidize the industrial customers.

The allocation of costs attempted to reflect that the facilities and costs allocated to each customer class match the respective benefit received. A general rule that may be used to view the results of a cost of service is that if the cost of service results for a particular class of service is within ±5% of the overall adjustment, then the class of service is within a "reasonable range" of cost of service. It must be kept in mind that a cost of service analysis reflects costs and usage characteristics of a specific point in time, and as time goes on, customer's consumption patterns and usage requirements may change. For that reason, HDR would recommend that the City update this cost of service on a routine basis (e.g. every five years). Contractually, the City is required to use cost of service to establish rates for their wholesale customers.

4.2.10 Summary Recommendations of the Sewer Cost of Service

The cost of service results for the sewer utility clearly showed cost differences between the various customer classes of service. Given that result, the City was faced with the policy decision of whether movement towards cost of service for all customers was appropriate, and if so, how best to transition to cost of service. As a part of this study, HDR reviewed with the City's management team, along with the Water and Sewer Committee a number of alternatives to "phase in" the cost of service results. The Committee concluded that movement towards cost of service was a decision they had made at the time of the last rate study and deferred that phase-in until this study. The obvious challenge of developing the "phase-in" of the cost of service study was the decision of how fast and how much. Provided below in Table 4-9 is a summary of the proposed phase-in for 2008 – 2011.

Table 4-9
Summary of the Proposed 2008 – 2011 Sewer Rate Adjustments ($000's)

Class of Service	2008	2009	2010	2011
Inside Fayetteville –				
Residential	0.0%	18.0%	2.6%	2.6%
Commercial	0.0%	26.0%	1.5%	1.5%
Industrial	0.0%	25.0%	6.0%	6.0%
Government	0.0%	21.0%	3.0%	3.0%
Outside Fayetteville - Farmington	0.0%	10.0%	3.0%	3.0%
Outside Fayetteville – All Other	0.0%	19.6%	3.0%	3.0%
Wholesale – Elkins	0.0%	15.5%	3.0%	3.0%
Total	0.0%	19.9%	3.0%	3.0%

First, no adjustment will be made to sewer rates until 2009. This decision was made within the revenue requirement analysis. Given that, for the retail customers, this phase-in has assumed a gradual phase-in for the industrial class of service. The outside Fayetteville, Farmington and Elkins customers have been set at their cost of service in 2009. The adjustments after 2009 reflect the overall assumed inflationary adjustments.

4.3 Rate Design

The final step of the comprehensive sewer rate study process is the design of sewer rates to collect the desired level of revenue, based upon the findings and recommendations of the sewer revenue requirement analysis and cost of service analysis. In reviewing sewer rate designs, consideration is given to the level of the rates and the structure of the rates. This subsection of the report will review the proposed sewer rate designs for the City.

4.3.1 Overview of Sewer Rate Structures

There are various "generally accepted" rate structures that can be used to establish sewer rates. Much like the discussion included within the water rate design portion of the report, sewer rates are generally composed of a fixed and variable charge. Many of the same rate structure concepts discussed for water apply for the sewer utility. A major difference is the basis for the billing of wastewater volumes. Wastewater volumes are typically not metered. Given that, water consumption is typically used as a surrogate for wastewater volume billing purposes.

4.3.2 Establishing Retail Customer Classes of Service

As a part of the discussion with the City management and the Water and Sewer Committee, HDR noted that the single rate schedule for retail sewer customers was ineffective for purposes of attempting to establish cost-based rates. The City determined that moving to customer classes of service the sewer utility was logical, given the same decision for the water utility. The following customer classes of service for the sewer utility were proposed:

- Residential
- Non-Residential

- Major Industrial User
- Outside Fayetteville – Farmington
- Outside Fayetteville
- Wholesale - Elkins

As can be seen, the classes of service are slightly different than the classes of service used for the cost of service study, but similar to those final classes of service used for the proposed water rates. In this case, Farmington is segregated as a separate outside Fayetteville customer due to the specifics of their wholesale contract with the City and the results of the cost of service analysis.

The Major Industrial User is defined in the same manner as that used for the water utility. To qualify for this rate the customer's individual meter must use an average of 5,000,000 gallons per month (12 month average prior calendar year) at a common facility/building. This does not apply to combined or consolidated sets of bills for non-irrigation use at separate facilities/buildings. At the present time, it appears that three customers would qualify as a Major Industrial customer under this definition.

4.3.3 Review of the Final Adjustments By Class of Service

As this study progressed, a number of different decisions were made regarding the overall levels of rate adjustments, the phase-in of the cost of service and the re-definition of customer classes of service. Provided below in Table 4-10 is a summary of the final proposed sewer rate adjustments for 2008 – 2011 for the various customer classes of service.

Table 4-10
Summary of the Proposed 2008 – 2011 Sewer Rate Adjustments
Revised Customer Classes of Service

Class of Service	2008	2009	2010	2011
Inside Fayetteville –				
Residential	0.0%	18.0%	2.6%	2.6%
Non-Residential [1]	0.0%	24.0%	2.6%	2.6%
Major Industrial	0.0%	25.0%	6.0%	6.0%
Outside Fayetteville-Farmington	0.0%	10.0%	3.0%	3.0%
Outside Fayetteville	0.0%	19.6%	3.0%	3.0%
Wholesale – City of Elkins	0.0%	15.5%	3.0%	3.0%
Total	0.0%	20.0%	3.0%	3.0%

[1] – Combined adjustment for previously defined Commercial and Government class of service

For each class of service, a proposed rate for the 2009 – 2011 time period has been developed.

4.3.4 Review of the Present Fayetteville Retail Sewer Rate

The City currently has a single rate for their retail customers. The rate does have a residential and commercial usage (quantity) components. The City's present inside and outside Fayetteville retail sewer rate is shown below in Table 4-11.

Table 4-11 Present Inside and Outside Fayetteville Retail Sewer Rate		
Rate Components	Present Inside Fayetteville Rate	Present Outside Fayetteville Rate
Monthly Service Charge –		
5/8"	$10.36/month	$10.35/month
3/4"	11.98	14.10
1	13.47	19.35
1-1/2"	21.99	34.33
2"	31.44	49.32
3"	73.01	115.27
4"	120.26	190.21
6"	238.37	377.56
8"	356.48	564.90
Quantity [Volume] Charge – ($/1,000 gallons)		
Residential	$3.10/1,000 gal.	$4.66/1,000 gal.
Commercial	2.42	4.66

As can be seen, the City has a sewer rate structure that is composed to two components; a monthly service charge and a quantity (volume) charge. The monthly service charge is based upon meter size, while the quantity charge is a uniform rate structure.

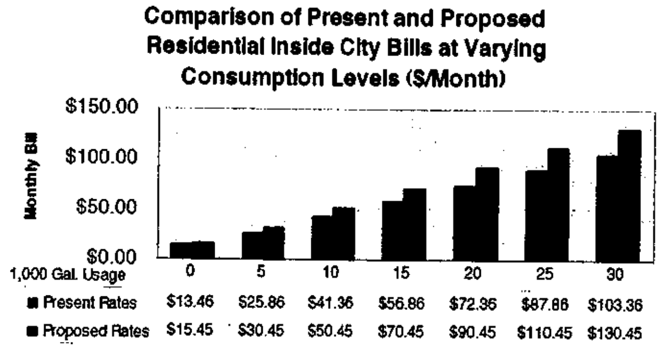
The City's outside Fayetteville rates are similar to the inside Fayetteville rate structure, but the pricing reflects the risk differential (rate of return) between these two customer groups. The current differential between inside and outside City customers within the rate varies by component. The cost of service has shown that the Outside Fayetteville rates are near cost-based.

4.3.5 Proposed Residential Sewer Rate

The proposed residential rate generally follows the approach used for water utility. The proposed residential sewer rate is shown below in Table 4-12.

Table 4-12 Proposed Inside and Outside Fayetteville Residential Sewer Rate						
	Inside Fayetteville			Outside Fayetteville		
Rate Components	2009	2010	2011	2009	2010	2011
Service Charge – ($/Month)						
5/8" x 3/4"	$12.45	$12.80	$13.20	$12.40	$12.80	$13.20
1"	16.20	16.65	17.15	23.10	23.80	24.50
1-1/2"	26.45	27.15	28.00	41.10	42.30	43.60
2"	37.80	38.85	40.05	54.30	55.90	57.60
Quantity Charge – ($/1,000 gallons)						
First 2,000 gallons	$3.00	$3.07	$3.14	$5.57	$5.74	$5.91
All Over 2,000 gallons	4.00	4.10	4.18	5.57	5.74	5.91

The proposed residential sewer rate uses a two-block approach. This is similar to the residential water rate structure in that it has a first block or "lifeline" block which is priced at 25% below cost. The balance or difference is made up in the second block. In this case, there is no third block. A sewer utility does not have an "outdoor" component or inefficient use. Given that, an inverted block rate structure with three blocks was not needed.



The outside Fayetteville rate applies to all outside City residential customers, with the exception of Farmington and Elkins. This rate has been simplified to include all residential and non-residential customers (no distinction is made for billing purposes).

4.3.6 Proposed Non-Residential Sewer Rate

The proposed non-residential rate is very similar to the existing rate. The major difference is that the customer group has now been clearly segregated as a customer class of service. The proposed non-residential sewer rate is shown below in Table 4-13.

Table 4-13
Proposed Inside and Outside Fayetteville Non-Residential Sewer Rate

	Inside Fayetteville			Outside Fayetteville		
Rate Components	**2009**	**2010**	**2011**	**2009**	**2010**	**2011**
Service Charge – ($/Month)						
5/8" x 3/4"	$12.45	$12.80	$13.20	$12.40	$12.80	$13.20
1"	16.20	16.65	17.15	23.10	23.80	24.50
1-1/2"	26.45	27.15	28.00	41.10	42.30	43.60
2"	37.80	38.85	40.05	54.30	55.90	57.60
3"	87.75	90.20	93.00	125.50	129.25	133.10
4"	144.50	148.60	153.25	206.60	212.80	219.20
6"	286.45	294.50	303.70	409.60	421.88	434.50
8"	428.40	440.45	454.20	612.60	631.00	650.00
Quantity Charge – ($/1,000 gallons)						
All Usage	$3.02	$3.10	$3.18	$5.57	$5.74	$5.91

The Outside Fayetteville rate does not include the City of Farmington or Elkins. These two customers have their own unique contract and resulting sewer rate.

4.3.7 Proposed Major Industrial Sewer Rate

The Major Industrial class is similar to that developed for the water utility. The definition of this customer group is the same as the water utility. In this particular case, there are no outside Fayetteville customers, so rates have only been developed for the Inside Fayetteville customers. Presented below in Table 4-14 is a summary of the proposed Major Industrial User rate.

Table 4-14
Proposed Major Industrial Sewer Rate

	Inside Fayetteville		
Rate Components	**2009**	**2010**	**2011**
Service Charge – ($/Month)			
5/8" x 3/4"	$12.45	$12.80	$13.20
1"	16.20	16.65	17.15
1-1/2"	26.45	27.15	28.00
2"	37.80	38.85	40.05
3"	87.75	90.20	93.00
4"	144.50	148.60	153.25
6"	286.45	294.50	303.70
8"	428.40	440.45	454.20
Quantity Charge – ($/1,000 gallons)			
All Usage	$3.03	$3.21	$3.40

A detailed bill comparison for this proposed rate schedule is included within the Technical Appendices.

4.3.8 Proposed City of Farmington Sewer Rate

The City of Farmington has a separate contractual rate with the City. The contract is unique and thus requires the development of a specific rate for Farmington. Provided below in Table 4-15 is the proposed City of Farmington sewer rate.

Table 4-15
Proposed City of Farmington Sewer Rate

Rate Components	Present Rate	2009	2010	2011
Service Charge – ($/Month)				
5/8" x 3/4"	$10.35	$11.40	$11.70	$12.10
1"	19.35	21.30	21.90	22.60
1-1/2"	34.33	37.80	38.90	40.10
2"	49.32	50.00	51.90	53.05
Quantity Charge – ($/1,000 gallons)				
All Usage	$4.66	$5.13	$5.28	$5.44

The adjustment shown in 2009 is a 10.0% adjustment over and above the existing Farmington sewer rate. This level of adjustment is based upon the previously reviewed sewer cost of service results. In that study, Farmington was treated as a separate customer class of service. The adjustments in 2010 and 2011 are escalation adjustments of 3.0%, which follow the overall sewer utility adjustments.

4.3.9 Proposed City of Elkins Sewer Rate

The City of Elkins also has a separate contractual rate with the City. The contract with the City of Elkins is slightly different than the City of Farmington's contract and therefore requires a separate and distinct rate. Provided below in Table 4-16 is the proposed City of Farmington sewer rate.

Table 4-16
Proposed City of Elkins Sewer Rate

Rate Components	Present Rate	2009	2010	2011
Quantity Charge – ($/1,000 gallons)				
Sewer Rate [1]	$2.81	$3.28	$3.39	$3.50
Impact Fee Charges[2]	0.25	0.25	0.25	0.25
Total Rate	$3.06	$3.53	$3.64	$3.75

[1] – Sewer rate for Elkins was analyzed as a part of this study.
[2] – Impact fee is a separate fee (See 51.13 (F)(2) and was not analyzed as a part of this study.

The level of the Elkins adjustment is based upon the results of the cost of service study. The adjustments in 2010 and 2011 are escalation adjustments of 3.0%, which follow the overall sewer utility adjustments.

4.4 Summary of the Sewer Rate Study

This section of the report presents the development and results of the sewer utility rate study. The results of the sewer rate study indicated that sewer rates are deficient for the projected time period reviewed. The sewer rates, as proposed herein, are cost-based and were developed using generally accepted rate-making methods and principles. The implementation of rate adjustments, as shown in the rate transition plan through 2011, should move the City closer to cost-based rates for all customers.

APPENDIX A
WATER TECHNICAL ANALYSES

The City of Fayetteville
Summary of the Water Revenue Requirement
Exhibit 1

	Budget	Projected			
Sources of Funds	**2006**	**2007**	**2008**	**2009**	**2010**
Fayetteville Rate Revenue	$9,888,198	$10,146,719	$10,412,995	$10,687,259	$10,969,752
Outside City Rate Revenue	1,983,458	2,042,962	2,104,250	2,167,378	2,232,399
Wholesales Revenue	315,032	321,736	331,388	341,330	351,570
Miscellaneous Revenue	1,395,360	1,436,485	1,454,300	1,497,929	1,542,867
Safe Water Act Fee/Sales Tax	811,585	854,900	880,700	903,400	927,600
Total Sources of Funds	$14,393,632	$14,802,801	$15,183,634	$15,597,297	$16,024,189
Application of Funds					
Operation and Maintenance					
Water Portion of Joint Expenses	$2,818,953	$2,923,470	$3,035,002	$3,151,426	$3,273,009
Direct Water Expenditures	8,059,526	8,311,567	8,573,464	8,844,083	9,123,755
Service Level Plan	0	0	0	0	0
Total Operation and Maintenance	$10,878,479	$11,235,037	$11,608,467	$11,995,509	$12,396,764
Taxes and Transfers	$1,320,485	$1,379,067	$1,420,592	$1,459,489	$1,500,371
Net Debt Service	$1,030,387	$1,337,444	$1,948,116	$1,949,116	$3,484,265
CIP Funded Through Rates	$1,269,200	$1,900,000	$2,000,000	$2,100,000	$2,200,000
Change In Working Capital	$0	$0	$0	$0	$0
Total Revenue Requirements	**$14,498,551**	**$15,851,548**	**$16,977,175**	**$17,504,114**	**$19,581,401**
Balance (Deficiency) of Funds	**($104,918)**	**($1,048,747)**	**($1,793,541)**	**($1,906,817)**	**($3,557,213)**
Bal./(Deficiency) of Funds as a % of Rates	**0.9%**	**8.4%**	**14.0%**	**14.4%**	**26.2%**
Proposed Rate Adjustment	**0.0%**	**0.0%**	**8.0%**	**6.0%**	**0.0%**
Additional Revenue from Adjustment	**$0**	**$0**	**$1,027,891**	**$1,910,776**	**$1,962,579**
Total Balance (Deficiency) of Funds	**($104,918)**	**($1,048,747)**	**($765,650)**	**$3,959**	**($1,594,634)**
Additional Rate Increase Needed	**0.9%**	**8.6%**	**6.1%**	**0.0%**	**12.1%**
Debt Service Coverage Ratio					
Before Rate Adjustment	3.41	2.67	1.84	1.85	1.04
After RR Rate Adjustment	3.51	3.45	2.76	2.83	2.06
After Proposed Rate Adjustment	3.41	2.67	2.36	2.83	1.60

City of Fayetteville Water Utility
Water Exhibit 2
Escalation Factors

	Budget	Projected				
	2006	2007	2008	2009	2010	Notes
ESCALATION FACTORS						
Revenues						
System/Growth	Calculated	3.0%	3.0%	3.0%	3.0%	
Residential Rate Revenues	Calculated	3.0%	3.0%	3.0%	3.0%	
Commercial Rate Revenues	Calculated	3.0%	3.0%	3.0%	3.0%	
Industrial Rate Revenues	Calculated	0.0%	0.0%	0.0%	0.0%	
Government Rate Revenues	Calculated	3.0%	3.0%	3.0%	3.0%	
Irrigation Rate Revenues	Calculated	3.0%	3.0%	3.0%	3.0%	
Other Revenues	Budget	3.0%	3.0%	3.0%	3.0%	
Interest Earnings (Rate)	3.0%	3.0%	3.0%	3.0%	3.0%	
Expenses						
Labor	Budget	4.0%	4.0%	4.0%	4.0%	
Benefits - Medical	Budget	8.0%	10.0%	10.0%	10.0%	
Benefits - Other	Budget	3.0%	3.0%	3.0%	3.0%	
Repair & Maintenance	Budget	3.0%	3.0%	3.0%	3.0%	
Purchase of Water	Budget	3.0%	4.7%	4.7%	4.7%	1.7% increase for BWD + 3% Growth
Utilities	Budget	4.0%	4.0%	4.0%	4.0%	
Miscellaneous	Budget	3.0%	3.0%	3.0%	3.0%	
Chemical Supplies	Budget	3.0%	3.0%	3.0%	3.0%	
New Debt Service						
Revenue Bond						
Term in Years	20	20	20	20	20	
Rate	5.0%	5.0%	5.0%	5.0%	5.0%	
Low Interest Loan (State Revolving Loan Fund)						
Term in Years	20	20	20	20	20	
Rate	3.5%	3.5%	3.5%	3.5%	3.5%	
Impact Fee Funds						
Equivalent Residential Unit (ERU)	1,254	1,290	1,330	1,370	1,410	
Impact Fee per ERU	$308	$308	$308	$308	$308	
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Total Impact Fee Revenue	$386,232	$397,320	$409,640	$421,960	$434,280	

City of Fayetteville Water Utility
Exhibit 3
Development of the Revenue Requirement

	Budget	Projected				
	2006	2007	2008	2009	2010	Notes
Revenues						
Rate Revenues						
Inside Fayetteville						
Residential	$5,910,639	$6,087,958	$6,270,597	$6,458,714	$6,652,476	As Residential Rate Revenues
Commercial	1,350,143	1,390,648	1,432,367	1,475,338	1,519,598	As Commercial Rate Revenues
Industrial	1,270,840	1,270,840	1,270,840	1,270,840	1,270,840	As Industrial Rate Revenues
Government	584,622	602,161	620,226	638,833	657,998	As Government Rate Revenues
Irrigation	771,953	795,112	818,965	843,534	868,840	As Irrigation Rate Revenues
Total Fayetteville	$9,888,198	$10,146,719	$10,412,995	$10,687,259	$10,969,752	
Outside Fayetteville						
White River	$343,055	$353,346	$363,947	$374,865	$386,111	As Other Revenues
Farmington	465,158	479,113	493,486	508,291	523,540	As Other Revenues
Greenland	123,013	126,704	130,505	134,420	138,452	As Other Revenues
Growth Area	844,307	869,636	895,725	922,597	950,275	As Other Revenues
Johnson	114,060	117,482	121,007	124,637	128,376	As Other Revenues
Wheeler	93,865	96,681	99,581	102,569	105,646	As Other Revenues
Total Outside Fayetteville	$1,983,458	$2,042,962	$2,104,250	$2,167,378	$2,232,399	
Wholesale						
Elkins	$92,480	$95,255	$98,112	$101,056	$104,087	As Other Revenues
Mount Olive	72,114	74,278	76,506	78,801	81,165	As Other Revenues
West Fork	147,771	152,204	156,770	161,473	166,317	As Other Revenues
RDA/WWA (Washington Water Authority)	2,666	0	0	0	0	No longer a revenue source
Total Wholesale	$315,032	$321,736	$331,388	$341,330	$351,570	
Total Rate Revenues	$12,186,687	$12,511,416	$12,848,634	$13,195,968	$13,553,721	
Miscellaneous Revenues						
Wheeler System Fees	8,800	9,064	9,336	9,616	9,904	As Other Revenues
Water Tap Fees	94,460	97,294	100,213	103,219	106,316	As Other Revenues
Rural Water Taps	12,600	12,978	13,367	13,768	14,181	As Other Revenues
Fire Protection	470,458	484,571	499,108	514,082	529,504	As Other Revenues
Fire Hydrant	24,542	24,542	0	0	0	Discontinued in 2008
Billed Service	115,000	118,450	122,004	125,664	129,434	As Other Revenues
Convenience Fees	700	721	743	765	788	As Other Revenues
Convenience Fees Telework	3,200	3,296	3,395	3,497	3,602	As Other Revenues
Interest on Working Capital Fund	622,700	641,381	660,622	680,441	700,854	As Interest Earnings (Rate)
Rent	36,000	37,080	38,192	39,338	40,518	As Other Revenues
Contract Services	6,100	6,283	6,471	6,666	6,866	As Other Revenues
Miscellaneous	800	824	849	874	900	As Other Revenues
Total Miscellaneous Revenues	$1,395,360	$1,436,485	$1,454,300	$1,497,929	$1,542,867	
Safe Water Act Fee	$88,497	$92,500	$96,900	$97,900	$98,800	
Sales Tax	723,088	762,400	783,800	805,500	828,800	
Safe Water Act Fee/Sales Tax	$811,585	$854,900	$880,700	$903,400	$927,600	
Total Sources of Funds	**$14,393,632**	**$14,802,801**	**$15,183,634**	**$15,597,297**	**$16,024,189**	

City of Fayetteville Water Utility
Exhibit 3
Development of the Revenue Requirement

	Budget 2006	Projected 2007	2008	2009	2010	Notes
Application of Funds						
Water Director						
Personnel						
Salary/Overtime	$57,098	$59,382	$61,757	$64,227	$66,797	As Labor
Health Insurance	3,326	3,592	3,951	4,346	4,780	As Benefits - Medical
Payroll taxes and insurance	11,369	11,710	12,061	12,423	12,796	As Benefits - Other
Total Personnel	$71,793	$74,684	$77,769	$80,996	$84,373	
Material/Supplies						
Materials/Supplies	$2,250	$2,318	$2,387	$2,459	$2,532	As Miscellaneous
Total Material/Supplies	$2,250	$2,318	$2,387	$2,459	$2,532	
Services & Charges						
Publications/Dues/Training/Expenses	$2,375	$2,446	$2,520	$2,595	$2,673	As Miscellaneous
Telephone Expenses	485	504	525	546	567	As Utilities
Engineering Services	536	552	569	586	603	As Miscellaneous
Cost Allocation	11,268	11,606	11,954	12,313	12,682	As Miscellaneous
Total Services & Charges	$14,664	$15,109	$15,567	$16,039	$16,526	
Total Water Director	**$88,707**	**$92,110**	**$95,723**	**$99,494**	**$103,431**	
Billing & Collections						
Personnel						
Salary/Overtime	$299,072	$311,035	$323,477	$336,416	$349,872	As Labor
Health Insurance	31,281	33,783	37,161	40,878	44,965	As Benefits - Medical
Payroll Taxes and Insurance	52,901	54,488	56,123	57,807	59,541	As Benefits - Other
Total Personnel	$383,254	$399,307	$416,761	$435,100	$454,379	
Material/Supplies						
Materials/Supplies	$28,750	$29,613	$30,501	$31,416	$32,358	As Miscellaneous
Total Material/Supplies	$28,750	$29,613	$30,501	$31,416	$32,358	
Services & Charges						
Public Notification/Publications & Dues	$1,250	$1,288	$1,326	$1,366	$1,407	As Miscellaneous
Postage	93,000	95,790	98,664	101,624	104,672	As Miscellaneous
Telephone Expenses	2,000	2,080	2,163	2,250	2,340	As Utilities
Professional Services	23,000	23,690	24,401	25,133	25,887	As Miscellaneous
Bad Debt Expenses	63,700	65,611	67,579	69,607	71,695	As Miscellaneous
Disputed Pmts/Coll. Related Expense	9,600	9,888	10,185	10,490	10,805	As Miscellaneous
Cost Allocation	(38,760)	(39,923)	(41,120)	(42,354)	(43,625)	As Miscellaneous
Total Services & Charges	$153,790	$158,424	$163,197	$168,115	$173,181	
Maintenance						
Maintenance	$4,523	$4,658	$4,798	$4,942	$5,090	As Repair & Maintenance
Total Maintenance	$4,523	$4,658	$4,798	$4,942	$5,090	
Total Billing & Collections	**$570,317**	**$592,001**	**$615,257**	**$639,572**	**$665,008**	
Meter Operations Program						
Personnel						
Salary/Overtime	$394,133	$409,898	$426,294	$443,345	$461,079	As Labor
Health Insurance	49,883	53,873	59,260	65,186	71,705	As Benefits - Medical
Payroll Tax and Insurance	83,744	86,256	88,843	91,509	94,254	As Benefits - Other
Total Personnel	$527,759	$550,027	$574,398	$600,041	$627,038	
Material/Supplies						
Material/Supplies	$39,422	$40,605	$41,823	$43,078	$44,370	As Miscellaneous
Total Material/Supplies	$39,422	$40,605	$41,823	$43,078	$44,370	

	Budget 2006	Projected 2007	2008	2009	2010	Notes
Services & Charges						
Miscellaneous Services and Charges	$30,320	$31,230	$32,167	$33,132	$34,126	As Miscellaneous
Postage	225	232	239	246	253	As Miscellaneous
Telephone Expenses	3,599	3,743	3,893	4,049	4,211	As Utilities
Property Insurance	5,580	5,747	5,920	6,097	6,280	As Miscellaneous
Replacement Charges	34,583	35,621	36,689	37,790	38,924	As Miscellaneous
Cost Allocation	50,895	52,422	53,995	55,614	57,283	As Miscellaneous
Total Services & Charges	$125,203	$128,995	$132,902	$136,928	$141,076	
Maintenance						
Maintenance and Supplies	$5,026	$5,177	$5,332	$5,492	$5,657	As Repair & Maintenance
Total Maintenance	$5,026	$5,177	$5,332	$5,492	$5,657	
Total Meter Operations Program	$697,409	$724,803	$754,455	$785,538	$818,141	
Meter Maintenance & Backflow Prevention						
Personnel						
Salary/Overtime	$192,354	$200,048	$208,050	$216,372	$225,027	As Labor
Health Insurance	17,692	19,107	21,018	23,120	25,432	As Benefits - Medical
Payroll Tax and Insurance	43,271	44,569	45,906	47,284	48,702	As Benefits - Other
Total Personnel	$253,317	$263,725	$274,974	$286,775	$299,161	
Material/Supplies						
Material/Supplies	$9,416	$9,699	$9,990	$10,289	$10,598	As Miscellaneous
Construction Materials	36,080	37,163	38,278	39,426	40,609	As Miscellaneous
Total Material/Supplies	$45,497	$46,861	$48,267	$49,715	$51,207	
Services & Charges						
Uniforms/Personal Equipment	$37,168	$38,283	$39,431	$40,614	$41,833	As Miscellaneous
Postage	1,050	1,082	1,114	1,147	1,182	As Miscellaneous
Telephone Expenses	675	702	730	759	790	As Utilities
Property Insurance	1,875	1,931	1,989	2,049	2,110	As Miscellaneous
Total Services & Charges	$40,768	$41,998	$43,264	$44,570	$45,914	
Maintenance						
Maintenance	$1,808	$1,862	$1,918	$1,975	$2,034	As Repair & Maintenance
Total Maintenance	$1,808	$1,862	$1,918	$1,975	$2,034	
Total Meter Maint. & Backflow Prevention	$341,389	$354,445	$368,424	$383,035	$398,316	
Operations and Administration Program						
Personnel						
Salary/Overtime	$294,221	$305,990	$318,229	$330,959	$344,197	As Labor
Health Insurance	28,407	30,680	33,748	37,122	40,834	As Benefits - Medical
Payroll Tax and Insurance	84,236	86,763	89,366	92,047	94,808	As Benefits - Other
Total Personnel	$406,864	$423,432	$441,343	$460,128	$479,840	
Material/Supplies						
Material/Supplies	$28,192	$29,037	$29,908	$30,806	$31,730	As Miscellaneous
Minor Equipment	48,091	49,533	51,019	52,550	54,126	As Miscellaneous
Total Material/Supplies	$76,282	$78,570	$80,928	$83,355	$85,856	
Services & Charges						
Public Notification	$123,244	$126,941	$130,749	$134,672	$138,712	As Miscellaneous
Postage	600	618	637	656	675	As Miscellaneous
Utilities	86,094	89,538	93,119	96,844	100,718	As Utilities
Telephone Expenses	12,172	12,659	13,165	13,692	14,240	As Utilities
Insurance - Vehicles/Buildings	9,923	10,221	10,527	10,843	11,168	As Miscellaneous
Cost Allocation	367,446	378,469	389,823	401,518	413,564	As Miscellaneous
Total Services & Charges	$599,479	$618,446	$638,021	$658,224	$679,077	
Maintenance						
Maintanence	$38,507	$39,662	$40,852	$42,078	$43,340	As Repair & Maintenance
Total Maintenance	$38,507	$39,662	$40,852	$42,078	$43,340	
Total Operations and Admin. Program	$1,121,132	$1,160,111	$1,201,144	$1,243,785	$1,288,112	
Total Water Portion of Joint Expenditures	$2,818,953	$2,923,470	$3,035,002	$3,151,426	$3,273,009	

City of Fayetteville Water Utility
Exhibit 3
Development of the Revenue Requirement

	Budget	Projected				
	2006	2007	2008	2009	2010	Notes
Water Purchased Program						
Services & Charges						
Purchased Water	$6,300,000	$6,489,000	$6,683,670	$6,884,180	$7,090,706	As Purchase of Water
Total Services & Charges	$6,300,000	$6,489,000	$6,683,670	$6,884,180	$7,090,706	
Total Water Purchased Program	$6,300,000	$6,489,000	$6,683,670	$6,884,180	$7,090,706	
Water Distribution Maintenance Program						
Personnel						
Salary & Wages	$490,721	$510,350	$530,764	$551,994	$574,074	As Labor
Overtime	25,260	26,270	27,321	28,414	29,551	As Labor
FICA Taxes	39,471	40,655	41,875	43,131	44,425	As Benefits - Other
Life Insurance	1,991	2,051	2,112	2,176	2,241	As Benefits - Other
Health Insurance	69,003	74,523	81,976	90,173	99,190	As Benefits - Medical
LTD Insurance	1,531	1,577	1,624	1,673	1,723	As Benefits - Other
ADD Insurance	258	266	274	282	290	As Benefits - Other
Retirement Savings Plan	50,605	52,123	53,687	55,297	56,956	As Benefits - Other
Total Personnel	$678,840	$707,815	$739,632	$773,141	$808,451	
Material/Supplies						
Fuel	$46,800	$48,204	$49,650	$51,140	$52,674	As Miscellaneous
Construction Materials	469,000	483,070	497,562	512,489	527,864	As Miscellaneous
Total Material/Supplies	$515,800	$531,274	$547,212	$563,629	$580,537	
Services & Charges						
Equipment Rental	$20,000	$20,600	$21,218	$21,855	$22,510	As Miscellaneous
Ins. - Self - Non Vehicular Damage	4,000	4,120	4,244	4,371	4,502	As Miscellaneous
Contract Services	1,000	1,030	1,061	1,093	1,126	As Miscellaneous
Contract Services - St Cuts	77,000	79,310	81,689	84,140	86,664	As Miscellaneous
Motor Pool Charges	54,690	56,331	58,021	59,761	61,554	As Miscellaneous
Replacement Charges	110,169	113,474	116,878	120,385	123,996	As Miscellaneous
Shop Overhead Charges	13,602	14,010	14,430	14,863	15,309	As Miscellaneous
Cost Allocation	64,548	66,484	68,479	70,533	72,649	As Miscellaneous
Total Services & Charges	$345,009	$355,359	$366,020	$377,001	$388,311	
Maintenance						
Vehicles & Machine Maintenance	$3,325	$3,425	$3,527	$3,633	$3,742	As Repair & Maintenance
Total Maintenance	$3,325	$3,425	$3,527	$3,633	$3,742	
Total Water Distribution Maint. Program	$1,542,974	$1,597,873	$1,656,392	$1,717,403	$1,781,041	

	Budget 2006	Projected 2007	2008	2009	2010	Notes
Water Storage & Pumping Maint. Program						
Personnel						
Salary & Wages	$102,500	$106,600	$110,864	$115,299	$119,911	As Labor
Overtime	7,619	7,924	8,241	8,570	8,913	As Labor
FICA Taxes	8,425	8,678	8,938	9,206	9,482	As Benefits - Other
Life Insurance	395	407	419	432	445	As Benefits - Other
Health Insurance	10,878	11,748	12,923	14,215	15,637	As Benefits - Medical
LTD Insurance	304	313	323	332	342	As Benefits - Other
ADD Insurance	36	37	38	39	41	As Benefits - Other
Retirement Savings Plan	13,214	13,610	14,019	14,439	14,872	As Benefits - Other
Total Personnel	$143,371	$149,317	$155,764	$162,533	$169,643	
Material/Supplies						
Minor Equipment	$885	$912	$939	$967	$996	As Miscellaneous
Fuel	4,300	4,429	4,562	4,699	4,840	As Miscellaneous
Construction Materials	28,915	29,782	30,676	31,596	32,544	As Miscellaneous
Total Material/Supplies	$34,100	$35,123	$36,177	$37,262	$38,380	
Services & Charges						
Contract Services	$16,000	$16,480	$16,974	$17,484	$18,008	As Miscellaneous
Motor Pool Charges	3,696	3,807	3,921	4,039	4,160	As Miscellaneous
Replacement Charges	9,230	9,507	9,792	10,086	10,388	As Miscellaneous
Shop Overhead Charges	815	839	865	891	917	As Miscellaneous
Cost Allocation	9,240	9,517	9,803	10,097	10,400	As Miscellaneous
Total Services & Charges	$38,981	$40,150	$41,355	$42,596	$43,873	
Maintenance						
Vehicles & Machine Maintenance	$100	$103	$106	$109	$113	As Repair & Maintenance
Total Maintenance	$100	$103	$106	$109	$113	
Total Water Storage & Pumping Maint.	**$216,552**	**$224,694**	**$233,402**	**$242,500**	**$252,009**	
Total Direct Water Expenditures	**$8,059,526**	**$8,311,567**	**$8,573,464**	**$8,844,083**	**$9,123,755**	
Service Level Plan						
Additional Employees	$0	$0	$0	$0	$0	
Additional Operational Expenses	0	0	0	0	0	
Total Service Level Plan	$0	$0	$0	$0	$0	
Total Water Operations & Maintenance	**$10,878,479**	**$11,235,037**	**$11,608,467**	**$11,995,509**	**$12,396,764**	

City of Fayetteville Water Utility
Exhibit 3
Development of the Revenue Requirement

	Budget 2006	Projected 2007	2008	2009	2010	Notes
Taxes and Transfers						
Water Franchise Fees	$508,900	$524,167	$539,892	$556,089	$572,771	As Miscellaneous
Safe Water Act Fee	88,497	92,500	96,900	97,900	98,800	
Sales Tax	723,088	762,400	783,800	805,500	828,800	
Total Taxes and Transfers	**$1,320,485**	**$1,379,067**	**$1,420,592**	**$1,459,489**	**$1,500,371**	
Debt Service						
Revenue Bond Series 2002 A	$139,811	$145,698	$151,585	$157,472	$163,358	Debt Schedule
Interest 2002 A	95,556	90,523	84,840	78,701	72,166	Debt Schedule
Revenue Bond Series 2004	595,000	615,000	635,000	655,000	670,000	Debt Schedule
Interest 2004	174,520	159,645	141,195	122,145	103,805	Debt Schedule
Trustee & Pay Agent Fees	6,000	6,000	6,000	6,000	6,000	As Flat
Other Fees - Bonds	10,000	10,000	10,000	10,000	10,000	As Flat
Bank Service Charges	9,500	9,785	10,079	10,381	10,692	As Miscellaneous
Assumed New Debt	0	300,794	909,417	909,417	2,448,243	
Total Debt Service	**$1,030,387**	**$1,337,444**	**$1,948,116**	**$1,949,116**	**$3,484,265**	
Less: Impact Fees	**$0**	**$0**	**$0**	**$0**	**$0**	
Net Debt Service	**$1,030,387**	**$1,337,444**	**$1,948,116**	**$1,949,116**	**$3,484,265**	
CIP Funded Through Rates	**$1,269,200**	**$1,900,000**	**$2,000,000**	**$2,100,000**	**$2,200,000**	Target Depr. 1.8 mil
Change in Working Capital (+,-)						
Water Working Capital Fund	$0	$0	$0	$0	$0	
Water Impact Fee Fund	0	0	0	0	0	
Total Change in Working Capital	**$0**	**$0**	**$0**	**$0**	**$0**	
Total Revenue Requirements	**$14,498,551**	**$15,851,548**	**$16,977,175**	**$17,504,114**	**$19,581,401**	
Balance Deficiency of Funds	**($104,918)**	**($1,048,747)**	**($1,793,541)**	**($1,906,817)**	**($3,557,213)**	
Bal./(Deficiency) as a % of Rate Revenues	**0.9%**	**8.4%**	**14.0%**	**14.4%**	**26.2%**	Excludes state and Federal taxes
Proposed Rate Adjustment	**0.0%**	**0.0%**	**8.0%**	**6.0%**	**0.0%**	
Additional Revenue from Adjustment	**$0**	**$0**	**$1,027,891**	**$1,910,776**	**$1,962,579**	
Total Balance/(Deficiency) of Funds	**($104,918)**	**($1,048,747)**	**($765,650)**	**$3,959**	**($1,594,634)**	
Additional Rate Increase Needed	**0.9%**	**8.4%**	**6.0%**	**0.0%**	**11.6%**	
Residential Monthly Average Rate	$19.55					
After Required Rate Adjustment	19.72	21.19	22.28	22.38	24.68	
After Proposed Rate Adjustment	19.55	19.55	21.12	22.38	22.38	
Annual $ Change	0.00	0.00	1.56	1.27	0.00	
Cumulative Change in Rate	0.00	0.00	1.56	2.83	2.83	
Debt Service Coverage Ratio						
Before Rate Adjustment	3.41	2.67	1.84	1.85	1.04	
After RR Rate Adjustment	3.51	3.45	2.76	2.83	2.06	
After Proposed Rate Adjustment	3.41	2.67	2.36	2.83	1.60	
Water Working Capital Fund						
Beginning Balance	$12,364,922	$4,553,689	$4,552,639	$4,536,383	$2,197,174	Joint fund allocated 50% to water
Plus: To Operating Reserves	0	0	0	0	0	
Plus: Additions to Capital Reserves	0	0	0	0	0	
Less: Capital Expenditures	7,811,233	1,050	16,256	2,339,209	0	
Less: Uses of Funds	0	0	0	0	0	
Ending Balance	$4,553,689	$4,552,639	$4,536,383	$2,197,174	$2,197,174	
45 days O&M Expense	1,341,182	1,385,142	1,431,181	1,478,898	1,528,368	
Water Impact Fee Fund						
Beginning Balance	$1,716,973	$1,295,050	$1,730,733	$2,185,846	$1,645,692	
Plus: Water Impact Fees	386,232	397,320	409,640	421,960	434,280	
Plus: Rural Tap Fees	12,600	$12,978	$13,367	$13,768	$14,181	As Residential Rate Revenues
Plus: Interest	23,091	25,386	32,106	24,117	31,200	Escalated as Interest
Less: Uses of Funds	0	0	0	1,000,000	0	Input From CIP
Ending Balance	$1,295,050	$1,730,733	$2,185,846	$1,645,692	$2,125,353	

City of Fayetteville
Water Utility
Currently Scheduled Capital Improvements
Exhibit 4

	2006	2007	2008	2009	2010	2011	Deferred
Water & Sewer Improvements							
Water and Sewer Cost sharing	$81,000	$81,000	$81,000	$81,000	$81,000	$81,000	$0
24" Water Line Replacement	143,000	0	0	0	0	0	0
Water Line Projects as Needed	0	143,000	143,000	143,000	34,000	34,000	0
Water Replace -N. College, Rolling Hills Township	0	0	0	0	143,000	143,000	0
Total Water & Sewer Improvements	$224,000	$224,000	$224,000	$224,000	$258,000	$258,000	$0
Water & Sewer Service Improvements							
Backflow Prevention Assemblies	$12,000	$12,000	$12,000	$12,000	$12,000	$12,001	$0
Water Meters	121,500	137,000	140,500	148,000	155,500	155,500	0
Meter and Equipment Parts Cleaning Machine	12,000	0	0	0	0	0	0
Utility Rate Review Analysis	37,500	0	0	0	0	0	0
Water and Sewer Operations Study	0	0	63,000	0	0	0	0
Total Water & Sewer Service Improvements	$183,000	$149,000	$215,500	$160,000	$167,500	$167,501	$0
Budgeted Capital Projects							
Meter Capital Expenditures	$629,630	$0	$0	$0	$0	$0	$0
Capital Expenditure Program	80,750	0	0	0	0	0	0
Capital Water Mains Program	9,660,278	0	0	0	0	0	0
Water Connections Program	265,583	273,550	281,756	290,209	298,915	307,883	0
Total Budgeted Capital Projects	$10,636,240	$273,550	$281,756	$290,209	$298,915	$307,883	$0
Total Funded Capital Projects	$11,043,240	$646,550	$721,256	$674,209	$724,415	$733,384	$0
Unfunded Capital Projects							
Water Improvements							
W/S Relocate - Crossover, Mission to City Limits	$0	$0	$994,500	$3,315,000	$0	$0	$0
W/S Relocate- Razorback, 6th-to Maple	0	0	0	0	0	0	1,080,000
Mt Sequoyah Area W/S System Upgrade	250,000	0	0	0	0	0	0
W/S Relocate - Wedington, Rupple West	315,000	0	0	0	0	0	1,260,000
W/S Relocate-Mission, North St, to City Limits	0	0	0	0	0	0	3,481,000
W/S Relocate- Old Wire, Township to Mission	0	0	0	0	0	0	2,323,000
W/S Relocate- Township from Gregg to College	0	128,500	575,500	0	0	0	0
W/S Relocate- Block, Dickson to Square	0	0	0	0	0	0	294,000
W/S Relocate- 6th, School to Wood	0	0	0	0	0	0	735,000
W/S Installation on Shiloh, North of Dorothy Jeanne	0	0	0	0	0	0	114,500
36 Inch Water Line Replacement	0	1,672,000	6,067,000	0	0	0	0
Mt Sequoyah Pressure Plane Improvements	0	0	1,936,000	0	0	0	0
Benson Mtn. Pressure Plane Upgrade	140,000	0	0	0	0	0	0
Water Replace- Highway 16E White River Bridge	0	453,000	0	0	0	0	0
Water Replace- Huntsville Road, Mill to Crossover	0	0	372,000	1,450,000	0	0	0
Water Replace-Huntsville, crossover- VanHoose	0	2,454,000	0	0	0	0	0
Water Replace-School, Skelton- Sunrise Mtn	0	0	0	0	252,000	0	0
Replace Meter Vault, U of A Farms East on Garland	40,000	0	0	0	0	0	0
Water Replace-Rolling Hills, College-Old Missouri	0	0	0	0	1,299,000	0	0
Water Replace - 6th st. One Mile RD to Barbara	0	0	0	0	2,055,000	0	0
Paint Baxter Water tanks	0	0	0	0	560,000	0	0
Water Replace- Lafayette, West -College	0	0	0	0	439,000	0	0
Water Loop, Holland Dr (Farmington)	0	0	0	0	441,000	0	0
Water Replace-N College, Sycamore - Township	0	0	0	0	2,876,000	0	0
Water Replace - Gregg, Township- Sycamore	0	0	0	0	1,002,000	0	0
Water Replace-Dinsmore Trail	0	0	0	0	983,000	0	0
Water Replace - Holly and Sang Area	0	0	0	0	1,243,000	0	0
Water Replace- Overcrest and Mockingbird Area	0	0	0	0	1,026,000	0	0
Water Relocate- Maple, Razorback-Garland	0	0	0	0	0	0	314,000
South Mountain Water Pump Station Repair & Replace	0	0	0	0	180,000	0	0
Water Replace, Jackson, King, Columbus	165,000	822,000	0	0	0	0	0
Water Replace- N. College, Rolling Hills-Township	0	0	0	0	2,842,000	0	0
Water Replace-College, Millsap to Rolling Hills	0	0	0	0	2,548,000	0	0
Water and Sewer Improvements Defined by Study	0	0	0	0	5,600,000	0	0
Water Line Projects as Needed	143,000	0	0	0	0	0	0
Hillcrest/ North St Water System Upgrade	0	0	0	0	0	0	2,718,000
Water Line Loop- I-540 from Shiloh to Fair Park	0	0	0	0	0	0	135,000
Total Unfunded Capital Projects	$1,053,000	$5,529,500	$9,945,000	$4,765,000	$23,346,000	$0	$12,454,500
Total Capital Improvement Projects	$12,096,240	$6,176,050	$10,666,256	$5,439,209	$24,070,415	$733,384	$12,454,500

City of Fayetteville
Water Utility
Currently Scheduled Capital Improvements
Exhibit 4

	2006	2007	2008	2009	2010	2011	Deferred
Total Capital Improvement Projects	$12,096,240	$6,176,050	$10,666,256	$5,439,209	$24,070,415	$733,384	$12,454,500
Additions to Capital Reserves	$0	$0	$0	$0	$0	$0	$0
Net Capital Improvements	$12,096,240	$6,176,050	$10,666,256	$5,439,209	$24,070,415	$733,384	$12,454,500
Less Other Sources of Funds							
Water Impact Fees	$0	$0	$0	$1,000,000	$0	$1	$0
Use of Working Capital Fund	7,811,233	1,050	16,256	2,339,209	0	1	0
Federal Grants-Capital	770,850	0	0	0	0	0	0
State Cost Share	595,080	0	0	0	0	0	0
Capital Fund	0	0	0	0	0	0	0
Customer Contribution	0	0	0	0	0		0
Low Interest Loan (RLF)	0	0	0	0	0		0
New Debt Issues	0	4,275,000	8,650,000	0	21,870,415	(1,566,618)	0
Total Other Sources of Funds	$9,177,163	$4,276,050	$8,666,256	$3,339,209	$21,870,415	(1,566,618)	$0
Total CIP From Rates	$2,919,078	$1,900,000	$2,000,000	$2,100,000	$2,200,000	$2,300,002	$12,454,500

The City of Fayetteville Water Utility
Water Exhibit 5
Development of the Base
Allocation Factor

	2005 Base Consumption in 1,000 Gal	22% Unmetered [2]	Net Water Delivered (Flow + Losses)	Base Consumption (MGD) [1]	All % of Total	Retail only % of Total
Inside City						
Residential	1,785,630	392,839	2,178,469	5.97	41.9%	43.7%
Commercial	499,134	109,810	608,944	1.67	11.7%	12.2%
Industrial	737,733	162,301	900,034	2.47	17.3%	18.0%
Government	256,974	56,534	313,508	0.86	6.0%	6.3%
Irrigation	298,418	65,652	364,070	1.00	7.0%	7.3%
Outside City	509,803	112,157	621,960	1.70	12.0%	12.5%
Wholesale	171,104	37,643	208,747	0.57	4.0%	0.0%
Total Consumption	4,258,797		5,195,732	14.23	100.0%	100.0%
7/2005-6/2006 Beaver Water Invoices =			5,413,451	14.83		
Allocation Factor					(BASE-1)	(BASE-2)

NOTES: [1] = Consumption/365/1,000 average day demand (average day draw)
[2] = Page 12, 2005 Fayetteville Operations Study

The City of Fayetteville Water Utility
Water Exhibit 6
Development of Extra Capacity
Allocation Factor

	Average Day Use (MGD)	Peaking Factors [1]	Peak Day Use (MGD)	Total Extra Capacity (MGD)	All % of Total	Retail only % of Total
Inside City						
Residential	5.97	1.60	9.55	3.58	42.01%	43.77%
Commercial	1.67	1.45	2.42	0.75	8.81%	9.18%
Industrial	2.47	1.40	3.45	0.99	11.57%	12.06%
Government	0.86	1.65	1.42	0.56	6.55%	6.82%
Irrigation	1.00	2.20	2.19	1.20	14.04%	14.63%
Outside City	1.70	1.65	2.81	1.11	12.99%	13.54%
Wholesale	0.57	1.60	0.92	0.34	4.03%	0.00%
Total	14.23		22.76	8.52	100.0%	100.0%
2002 Peak Day High from Draft Water Master Plan			23.63			
Allocation Factor					(X-CAP All)	(X-CAP Retail)

NOTES: [1] Estimated based on calculated on peak month to average month consumption.

The City of Fayetteville Water Utility
Water Exhibit 7
Development of Customer
Allocation Factor

	Actual Customer		Customer Service & Accounting			Meters & Services		
	Number of Meters	% of Total	Weighting Factor	Weighted Customer	% of Total	Weighting Factor [1]	Weighted Customer	% of Total
Inside City								
Residential[2]	25,192	74.78%	1.00	25,192	35.38%	$71	$1,800,233	71.58%
Commercial	2,237	6.64%	2.50	5,593	7.85%	94	209,876	8.34%
Industrial	27	0.08%	2.50	68	0.10%	365	9,948	0.40%
Government	250	0.74%	2.50	625	0.88%	200	49,971	1.99%
Irrigation	937	2.78%	2.00	1,874	2.63%	81	75,891	3.02%
Outside City	5,036	14.95%	7.50	37,773	53.05%	72	360,434	14.33%
Wholesale	8	0.02%	10.00	80	0.11%	1,095	8,761	0.35%
Total	33,687	100.0%		71,204	100.0%		$2,515,113	100.0%
Allocation Factor		(AC)			(WCA)			(WCMS)

NOTES: [1] Based on Replacement value of existing meters (Weighted average cost for the class)
[2] Residential class includes multi-family. Multi-family units are counted by meter.

The City of Fayetteville Water Utility
Water Exhibit 8
Development of Public Fire Protection
Allocation Factor

	Number of Meters	Fire Prot. Requirements (gals/min) [1]	Duration (minutes)	Total FP Requirements (1,000 g/min)	% of Total
Inside City					
Residential[2]	25,192	1,500	120	4,534,500	71.40%
Commercial	2,237	2,000	180	805,380	12.68%
Industrial	27	3,000	180	14,715	0.23%
Government	250	2,000	180	89,970	1.42%
Irrigation	937	0	0	0	0.00%
Outside City	5,036	1,500	120	906,555	14.27%
Wholesale	8	0	0	0	0.00%
Total	33,687			6,351,120	100.0%
Allocation Factor					(FP)

NOTES: [1] Fayetteville Master Plan Study Water & Distribution Draft Page 7.0-2, Table 7.3.1
[2] Residential class includes multi-family. Multi-family units are counted by meter.

The City of Fayetteville Water Utility
Water Exhibit 9
Development of Revenue
Related Allocation Factor

	Projected 2006 Revenue	% of Total
Inside City		
Residential	$6,270,597	48.8%
Commercial	1,432,367	11.1%
Industrial	1,270,840	9.9%
Government	620,226	4.8%
Irrigation	818,965	6.4%
Outside City	2,104,250	16.4%
Wholesale	331,388	2.6%
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Total Rate Revenues	$12,848,634	100.0%
Allocation Factor		(RR)

the City of Fayetteville Water Utility
Water Exhibit 10
Functionalization and Classification
of Rate Base

	Total Plant 12/31/2005	Base: Base (BASE-All)	Base: Retail Only (BASE-Retail)	Extra Capacity: All (X-CAP All)	Extra Capacity: Retail Only (X-CAP Retail)	Customer Related: Actual Customer (AC)	Customer Related, Weighted for: Cust. Acctg. (WCA)	Customer Related, Weighted for: Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	*Basis of Classification*
Source of Supply												
Beaver Supply Lines	$604,094	$380,579	$0	$223,515	$0	$0	$0	$0	$0	$0	$0	63.0% BASE; 37.0% X-CAP
Total - Source of Supply	$604,094	$380,579	$0	$223,515	$0	$0	$0	$0	$0	$0	$0	
Storage												
Reservoir	$2,324,237	$0	$1,464,269	$0	$859,968	$0	$0	$0	$0	$0	$0	63.0% BASE-Retail; 37.0% X-CAP Retail
Total - Storage	$2,324,237	$0	$1,464,269	$0	$859,968	$0	$0	$0	$0	$0	$0	
Water Distribution/Transmission												BASE All / BASE-Retail / X-CAP All / X-CAP Retail / AC
Transmission (33% of Mains)	$25,244,779	$7,825,881	$0	$16,156,658	$0	$1,262,239	$0	$0	$0	$0	$0	31.0% / 0.0% / 64.0% / 0.0% / 5.0%
Distribution (67% of Mains)	51,254,551	0	15,888,911	0	32,802,912	2,562,728	0	0	0	0	0	0.0% / 31.0% / 0.0% / 64.0% / 5.0%
Meters [1]	4,612,557	0	0	0	0	0	0	4,612,557	0	0	0	100.0% WCMS
Connections	3,608,446	0	0	0	0	0	0	3,608,446	0	0	0	100.0% WCMS
Fire Hydrants	1,350,000	0	0	0	0	0	0	0	1,350,000	0	0	100.0% FP
Fire Protection	0	0	0	0	0	0	0	0	0	0	0	100.0% FP
Total Dist./Trans.	$86,070,332	$7,825,881	$15,888,911	$16,156,658	$32,802,912	$3,824,966	$0	$8,221,003	$1,350,000	$0	$0	
Plant Before General Plant	$88,998,662	$8,206,461	$17,353,180	$16,380,173	$33,662,880	$3,824,966	$0	$8,221,003	$1,350,000	$0	$0	
% Plant Before General Plant	100.00%	9.22%	19.50%	18.40%	37.82%	4.30%	0.00%	9.24%	1.52%	0.00%	0.00%	Factor PBG
General Plant												
Land	$1,604,587	$147,957	$312,866	$295,324	$606,919	$68,962	$0	$148,219	$24,340	$0	$0	As Factor PBG
Buildings	4,550,826	419,626	887,331	837,578	1,721,306	195,584	0	420,370	69,030	0	0	As Factor PBG
Office Equipment	119,354	11,005	23,272	21,967	45,144	5,130	0	11,025	1,810	0	0	As Factor PBG
Equipment	431,776	39,814	84,189	79,469	163,316	18,557	0	39,884	6,550	0	0	As Factor PBG
Total General Plant	$6,706,545	$618,403	$1,307,659	$1,234,337	$2,536,686	$288,233	$0	$619,498	$101,730	$0	$0	
TOTAL PLANT IN SERVICE	$95,705,207	$8,824,863	$18,660,838	$17,614,510	$36,199,565	$4,113,199	$0	$8,840,501	$1,451,730	$0	$0	
Less: Accumulated Depreciation												
Buildings	$3,103,835	$286,201	$605,193	$571,260	$1,173,995	$133,396	$0	$286,708	$47,081	$0	$0	As Buildings
Other Improvements	26,528,248	2,446,138	5,172,544	4,882,515	10,034,052	1,140,126	0	2,450,473	402,401	0	0	As Factor PBG
Mach, Equip and Vehicles	6,304,965	581,373	1,229,358	1,160,427	2,384,792	270,974	0	582,403	95,639	0	0	As Equipment
Total Accumulated Depr.	$35,937,048	$3,313,712	$7,007,095	$6,614,201	$13,592,840	$1,544,495	$0	$3,319,584	$545,121	$0	$0	
Plus: Working Capital												
Inventory	$363,285	$33,498	$70,834	$66,862	$137,409	$15,613	$0	$33,557	$5,511	$0	$0	As Factor PBG
90 Days O&M Expense	1,359,810	125,386	265,139	250,273	514,335	58,442	0	125,609	20,627	0	0	As Factor PBG
Construction in Progress	0	0	0	0	0	0	0	0	0	0	0	As Factor PBG
Total Working Capital	$1,723,094	$158,884	$335,973	$317,135	$651,744	$74,055	$0	$159,166	$26,137	$0	$0	
Less: Contributed Capital	$27,456,696	$0	$8,511,576	$0	$17,572,285	$1,372,835	$0	$0	$0	$0	$0	As Distribution Mains
TOTAL RATE BASE	$34,034,557	$5,670,035	$3,478,141	$11,317,444	$5,686,184	$1,269,924	$0	$5,680,083	$932,747	$0	$0	

[1] Meter Asset Values were allocated 75% to the Water Utility and 25% to the Sewer Utility
[2] Transmission/Distribution split derived by assuming all mains greater than 12" are distribution & all 12" and less are transmission. The value was based on replacement costs provided by the City.

the City of Fayetteville Water Utility
Water Exhibit 11
Allocation of Rate Base

Class Component	Total Plant 12/31/2005	Inside Fayetteville Residential	Commercial	Industrial	Government	Irrigation	Outside Fayetteville	Wholesale	Notes:
Base-All	$5,670,035	$2,377,335	$664,533	$982,195	$342,127	$397,305	$678,737	$227,803	(BASE-All)
Base-Retail	3,478,141	1,519,360	424,704	627,723	218,654	253,918	433,782	0	(BASE-Retail)
Extra Capacity All	11,317,444	4,754,537	996,771	1,309,557	741,255	1,589,175	1,470,555	455,594	(X-CAP All)
Extra Capacity Retail	5,686,184	2,489,003	521,810	685,554	388,047	831,934	769,836	0	(X-CAP Retail)
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	$26,151,804	$11,140,234	$2,607,818	$3,605,028	$1,690,083	$3,072,333	$3,352,911	$683,397	
Customer Related									
- Actual Customer	$1,269,924	$949,660	$84,335	$1,027	$9,421	$35,319	$189,860	$302	(AC)
- Customer Accounting	0	0	0	0	0	0	0	0	(WCA)
- Meters & Services	5,680,083	4,065,611	473,979	22,466	112,852	171,390	813,998	19,786	(WCMS)
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Total Customer Related	$6,950,006	$5,015,270	$558,314	$23,493	$122,274	$206,710	$1,003,858	$20,087	
Fire Protection Related	$932,747	$665,952	$118,281	$2,161	$13,213	$0	$133,140	$0	(FP)
Revenue Related	$0	$0	$0	$0	$0	$0	$0	$0	(RR)
Direct Assignment	$0	$0	$0	$0	$0	$0	$0	$0	(DA)
Total Rate Base	$34,034,557	$16,821,456	$3,284,413	$3,630,683	$1,825,570	$3,279,043	$4,489,908	$703,484	

the City of Fayetteville Water Utility
Water Exhibit 12
Functionalization and Classification
of Depreciation Expense

	Total	Base		Extra Capacity		Customer Related						
							Weighted for:					
	Plant 12/31/2005	Base (BASE-All)	Retail Base (BASE-Retail)	All (X-CAP All)	Retail (X-CAP Retail)	Actual Customer (AC)	Cust. Acctg. (WCA)	Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	*Basis of Classification*
Source of Supply												
Beaver Supply Lines	$6,810	$4,290	$0	$2,520	$0	$0	$0	$0	$0	$0	$0	As Beaver Supply Lines
Total - Source of Supply	$6,810	$4,290	$0	$2,520	$0	$0	$0	$0	$0	$0	$0	
Storage												
Reservoir	$42,017	$0	$26,470	$0	$15,546	$0	$0	$0	$0	$0	$0	As Reservoir
Total - Storage	$42,017	$0	$26,470	$0	$15,546	$0	$0	$0	$0	$0	$0	
Water Distribution/Transmission												
Transmission (33% of Mains)	$363,261	$112,611	$0	$232,487	$0	$18,163	$0	$0	$0	$0	$0	As Transmission Mains
Distribution (67% of Mains)	737,529	0	228,634	0	472,019	36,876	0	0	0	0	0	As Distribution Mains
Meters	36,343	0	0	0	0	0	0	36,343	0	0	0	As Meters
Connections	75,392	0	0	0	0	0	0	75,392	0	0	0	As Connections
Fire Protection	0	0	0	0	0	0	0	0	0	0	0	As Fire Protection
Total Dist./Tran.	$1,212,526	$112,611	$228,634	$232,487	$472,019	$55,040	$0	$111,736	$0	$0	$0	
Plant Before General Plant	$1,261,352	$116,901	$255,105	$235,007	$487,565	$55,040	$0	$111,736	$0	$0	$0	
% Plant Before General Plant	100.00%	9.27%	20.22%	18.63%	38.65%	4.36%	0.00%	8.86%	0.00%	0.00%	0.00%	
General Plant												
Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Land
Buildings	149,187	13,756	29,089	27,458	56,429	6,412	0	13,781	2,263	0	0	As Buildings
Office Equipment	8,336	769	1,625	1,534	3,153	358	0	770	126	0	0	As Office Equipment
Equipment	8,067	744	1,573	1,485	3,051	347	0	745	122	0	0	As Equipment
Total General Plant	$165,590	$15,269	$32,287	$30,477	$62,633	$7,117	$0	$15,296	$2,512	$0	$0	
Total Depreciation Expense	$1,426,942	$132,170	$287,392	$265,483	$550,198	$62,156	$0	$127,031	$2,512	$0	$0	

The City of Fayetteville Water Utility
Water Exhibit 13
Functionalization and Classification of Revenue Requirements

	Total Expenses 2008	Retail: Base All (BASE-All)	Retail: Retail Only (BASE-Retail)	Extra Capacity: All (X-CAP All)	Extra Capacity: Retail Only (X-CAP Retail)	Customer Related: Actual Customer (AC)	Customer Related, Weighted for: Cust. Acctg. (WCA)	Customer Related, Weighted for: Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	*Basis of Classification*	
APPLICATIONS OF FUNDS													
Water Director													
Personnel													
Salary/Overtime	$61,757	$24,469	$3,087	$17,076	$4,926	$690	$3,246	$7,947	$316	$0	$0	As Other O&M	
Health Insurance	3,951	1,565	198	1,092	315	44	208	508	20	0	0	As Other O&M	
Payroll taxes and Insurance	12,061	4,779	603	3,335	962	135	634	1,552	62	0	0	As Other O&M	
Total Personnel	$77,769	$30,813	$3,888	$21,503	$6,203	$869	$4,087	$10,008	$398	$0	$0		
Material/Supplies													
Materials/Supplies	$2,387	$946	$119	$660	$190	$27	$125	$307	$12	$0	$0	As Other O&M	
Total Material/Supplies	$2,387	$946	$119	$660	$190	$27	$125	$307	$12	$0	$0		
Services & Charges													
Publications/Dues/Training/Expenses	$2,520	$998	$126	$697	$201	$28	$132	$324	$13	$0	$0	As Other O&M	
Telephone Expenses	525	208	26	145	42	6	28	68	3	0	0	As Other O&M	
Engineering Services	569	225	28	157	45	6	30	73	3	0	0	As Other O&M	
Cost Allocation	11,954	4,736	598	3,305	954	134	628	1,538	61	0	0	As Other O&M	
Total Services & Charges	$15,567	$6,168	$778	$4,304	$1,242	$174	$818	$2,003	$80	$0	$0		
Total Water Director	$95,723	$37,926	$4,786	$26,468	$7,635	$1,069	$5,031	$12,318	$490	$0	$0		
Billing & Collections													
Personnel													
Salary/Overtime	$323,477	$0	$0	$0	$0	$0	$323,477	$0	$0	$0	$0	WCA	100%
Health Insurance	37,161	0	0	0	0	0	37,161	0	0	0	0	WCA	100%
Payroll Taxes and Insurance	56,123	0	0	0	0	0	56,123	0	0	0	0	WCA	100%
Total Personnel	$416,761	$0	$0	$0	$0	$0	$416,761	$0	$0	$0	$0		
Material/Supplies													
Materials/Supplies	$30,501	$0	$0	$0	$0	$0	$30,501	$0	$0	$0	$0	WCA	100%
Total Material/Supplies	$30,501	$0	$0	$0	$0	$0	$30,501	$0	$0	$0	$0		
Services & Charges													
Public Notification/Publications & Dues	$1,326	$0	$0	$0	$0	$0	$1,326	$0	$0	$0	$0	WCA	100%
Postage	98,664	0	0	0	0	0	98,664	0	0	0	0	WCA	100%
Telephone Expenses	2,163	0	0	0	0	0	2,163	0	0	0	0	WCA	100%
Professional Services	24,401	0	0	0	0	0	24,401	0	0	0	0	WCA	100%
Bad Debt Expenses	67,579	0	0	0	0	0	67,579	0	0	0	0	WCA	100%
Disputed Pmts/Coll. Related Expense	10,185	0	0	0	0	10,185	0	0	0	0	0	AC	100%
Cost Allocation	(41,120)	0	0	0	0	0	(41,120)	0	0	0	0	WCA	100%
Total Services & Charges	$163,197	$0	$0	$0	$0	$10,185	$153,013	$0	$0	$0	$0		
Maintenance													
Maintenance	$4,798	$0	$0	$0	$0	$0	$4,798	$0	$0	$0	$0	WCA	100%
Total Maintenance	$4,798	$0	$0	$0	$0	$0	$4,798	$0	$0	$0	$0		
Total Billing & Collections	$615,257	$0	$0	$0	$0	$10,185	$605,072	$0	$0	$0	$0		

The City of Fayetteville Water Utility
Water Exhibit 13
Functionalization and Classification of Revenue Requirements

	Total Expenses 2008	Retail: Base All (BASE-All)	Retail: Retail Only (BASE-Retail)	Extra Capacity: All (X-CAP All)	Extra Capacity: Retail Only (X-CAP Retail)	Customer Related: Actual Customer (AC)	Customer Related, Weighted for: Cust. Acctg. (WCA)	Customer Related, Weighted for: Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	Basis of Classification	
Meter Operations Program													
Personnel													
Salary/Overtime	$426,294	$0	$0	$0	$0	$0	$0	$426,294	$0	$0	$0	WCMS	100%
Health Insurance	59,260	0	0	0	0	0	0	59,260	0	0	0	WCMS	100%
Payroll Tax and Insurance	88,843	0	0	0	0	0	0	88,843	0	0	0	WCMS	100%
Total Personnel	$574,398	$0	$0	$0	$0	$0	$0	$574,398	$0	$0	$0		
Material/Supplies													
Material/Supplies	$41,823	$0	$0	$0	$0	$0	$0	$41,823	$0	$0	$0	WCMS	100%
Total Material/Supplies	$41,823	$0	$0	$0	$0	$0	$0	$41,823	$0	$0	$0		
Services & Charges													
Miscellaneous Services and Charges	$32,167	$0	$0	$0	$0	$0	$0	$32,167	$0	$0	$0	WCMS	100%
Postage	239	0	0	0	0	0	0	239	0	0	0	WCMS	100%
Telephone Expenses	3,893	0	0	0	0	0	0	3,893	0	0	0	WCMS	100%
Property Insurance	5,920	0	0	0	0	0	0	5,920	0	0	0	WCMS	100%
Replacement Charges	36,689	0	0	0	0	0	0	36,689	0	0	0	WCMS	100%
Cost Allocation	53,995	0	0	0	0	0	0	53,995	0	0	0	WCMS	100%
Total Services & Charges	$132,902	$0	$0	$0	$0	$0	$0	$132,902	$0	$0	$0		
Maintenance													
Maintenance and Supplies	$5,332	$0	$0	$0	$0	$0	$0	$5,332	$0	$0	$0	WCMS	100%
Total Maintenance	$5,332	$0	$0	$0	$0	$0	$0	$5,332	$0	$0	$0		
Total Meter Operations Program	**$754,455**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$754,455**	**$0**	**$0**	**$0**		
Meter Maintenance & Backflow Prevention													
Personnel													
Salary/Overtime	$208,050	$0	$0	$0	$0	$0	$0	$208,050	$0	$0	$0	WCMS	100%
Health Insurance	21,018	0	0	0	0	0	0	21,018	0	0	0	WCMS	100%
Payroll Tax and Insurance	45,906	0	0	0	0	0	0	45,906	0	0	0	WCMS	100%
Total Personnel	$274,974	$0	$0	$0	$0	$0	$0	$274,974	$0	$0	$0		
Material/Supplies													
Material/Supplies	$9,990	$0	$0	$0	$0	$0	$0	$9,990	$0	$0	$0	WCMS	100%
Construction Materials	38,278	0	0	0	0	0	0	38,278	0	0	0	WCMS	100%
Total Material/Supplies	$48,267	$0	$0	$0	$0	$0	$0	$48,267	$0	$0	$0		
Services & Charges													
Uniforms/Personal Equipment	$39,431	$0	$0	$0	$0	$0	$0	$39,431	$0	$0	$0	WCMS	100%
Postage	1,114	0	0	0	0	0	0	1,114	0	0	0	WCMS	100%
Telephone Expenses	730	0	0	0	0	0	0	730	0	0	0	WCMS	100%
Property Insurance	1,989	0	0	0	0	0	0	1,989	0	0	0	WCMS	100%
Total Services & Charges	$43,264	$0	$0	$0	$0	$0	$0	$43,264	$0	$0	$0		

The City of Fayetteville Water Utility
Water Exhibit 13
Functionalization and Classification of Revenue Requirements

	Total Expenses 2008	Retail: Base All (BASE-All)	Retail: Retail Only (BASE-Retail)	Extra Capacity: All (X-CAP All)	Extra Capacity: Retail Only (X-CAP Retail)	Customer Related: Actual Customer (AC)	Customer Related, Weighted for: Cust. Acctg. (WCA)	Customer Related, Weighted for: Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	*Basis of Classification*	
Maintenance													
Maintenance	$1,918	$0	$0	$0	$0	$0	$0	$1,918	$0	$0	$0	WCMS	100%
Total Maintenance	$1,918	$0	$0	$0	$0	$0	$0	$1,918	$0	$0	$0		
Total Meter Maint. & Backflow Prevention	**$368,424**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$368,424**	**$0**	**$0**	**$0**		
Operations and Administration Program													
Personnel													
Salary/Overtime	$318,229	$53,016	$32,521	$105,820	$53,167	$11,874	$0	$53,110	$8,721	$0	$0	Total Rate Base	
Health Insurance	33,748	5,622	3,449	11,222	5,638	1,259	0	5,632	925	0	0	Total Rate Base	
Payroll Tax and Insurance	89,366	14,888	9,133	29,717	14,930	3,334	0	14,914	2,449	0	0	Total Rate Base	
Total Personnel	$441,343	$73,526	$45,103	$146,759	$73,736	$16,468	$0	$73,656	$12,095	$0	$0		
Material/Supplies													
Material/Supplies	$29,908	$4,983	$3,056	$9,945	$4,997	$1,116	$0	$4,991	$820	$0	$0	Total Rate Base	
Minor Equipment	51,019	8,500	5,214	16,965	8,524	1,904	0	8,515	1,398	0	0	Total Rate Base	
Total Material/Supplies	$80,928	$13,482	$8,270	$26,911	$13,521	$3,020	$0	$13,506	$2,218	$0	$0		
Services & Charges													
Public Notification	$130,749	$21,782	$13,362	$43,478	$21,844	$4,879	$0	$21,821	$3,583	$0	$0	Total Rate Base	
Postage	637	106	65	212	106	24	0	106	17	0	0	Total Rate Base	
Utilities	93,119	15,513	9,516	30,965	15,558	3,475	0	15,541	2,552	0	0	Total Rate Base	
Telephone Expenses	13,165	2,193	1,345	4,378	2,200	491	0	2,197	361	0	0	Total Rate Base	
Insurance - Vehicles/Buildings	10,527	1,754	1,076	3,501	1,759	393	0	1,757	289	0	0	Total Rate Base	
Cost Allocation	389,823	64,943	39,838	129,627	65,128	14,545	0	65,058	10,683	0	0	Total Rate Base	
Total Services & Charges	$638,021	$106,292	$65,202	$212,160	$106,595	$23,806	$0	$106,480	$17,486	$0	$0		
Maintenance													
Maintanence	$40,852	$6,806	$4,175	$13,584	$6,825	$1,524	$0	$6,818	$1,120	$0	$0	Total Rate Base	
Total Maintenance	$40,852	$6,806	$4,175	$13,584	$6,825	$1,524	$0	$6,818	$1,120	$0	$0		
Total Operations and Admin. Program	**$1,201,144**	**$200,106**	**$122,750**	**$399,414**	**$200,676**	**$44,818**	**$0**	**$200,461**	**$32,918**	**$0**	**$0**		

The City of Fayetteville Water Utility
Water Exhibit 13
Functionalization and Classification of Revenue Requirements

	Total Expenses 2008	Retail: Base All (BASE-All)	Retail: Retail Only (BASE-Retail)	Extra Capacity: All (X-CAP All)	Extra Capacity: Retail Only (X-CAP Retail)	Customer Related: Actual Customer (AC)	Customer Related, Weighted for: Cust. Acctg. (WCA)	Customer Related, Weighted for: Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	*Basis of Classification*		
Total Water Portion of Joint Expenditures	$3,035,002	$238,032	$127,536	$425,882	$208,312	$56,072	$610,103	$1,335,657	$33,408	$0	$0			
Water Purchased Program														
Services & Charges														
Purchased Water	$6,683,670	$4,210,712	$0	$2,472,958	$0	$0	$0	$0	$0	$0	$0	BASE	63% X-CAP All	37%
Total Services & Charges	$6,683,670	$4,210,712	$0	$2,472,958	$0	$0	$0	$0	$0	$0	$0			
Total Water Purchased Program	$6,683,670	$4,210,712	$0	$2,472,958	$0	$0	$0	$0	$0	$0	$0			
Water Distribution Maintenance Program														
Personnel														
Salary & Wages	$530,764	$48,259	$97,981	$99,632	$202,283	$23,587	$0	$50,696	$8,325	$0	$0	As Total Distribution /Transmission		
Overtime	27,321	2,484	5,044	5,129	10,413	1,214	0	2,610	429	0	0	As Total Distribution /Transmission		
FICA Taxes	41,875	3,807	7,730	7,861	15,959	1,861	0	4,000	657	0	0	As Total Distribution /Transmission		
Life Insurance	2,112	192	390	397	805	94	0	202	33	0	0	As Total Distribution /Transmission		
Health Insurance	81,976	7,454	15,133	15,388	31,242	3,643	0	7,830	1,286	0	0	As Total Distribution /Transmission		
LTD Insurance	1,624	148	300	305	619	72	0	155	25	0	0	As Total Distribution /Transmission		
ADD Insurance	274	25	51	51	104	12	0	26	4	0	0	As Total Distribution /Transmission		
Retirement Savings Plan	53,687	4,881	9,911	10,078	20,461	2,386	0	5,128	842	0	0	As Total Distribution /Transmission		
Total Personnel	$739,632	$67,251	$136,539	$138,840	$281,887	$32,869	$0	$70,646	$11,601	$0	$0			
Material/Supplies														
Fuel	$49,650	$4,514	$9,166	$9,320	$18,923	$2,206	$0	$4,742	$779	$0	$0	As Total Distribution /Transmission		
Construction Materials	497,562	45,240	91,852	93,400	189,630	22,112	0	47,525	7,804	0	0	As Total Distribution /Transmission		
Total Material/Supplies	$547,212	$49,755	$101,017	$102,720	$208,552	$24,318	$0	$52,267	$8,583	$0	$0			
Services & Charges														
Equipment Rental	$21,218	$1,929	$3,917	$3,983	$8,087	$943	$0	$2,027	$333	$0	$0	As Total Distribution /Transmission		
Ins. - Self - Non Vehicular Damage	4,244	386	783	797	1,617	189	0	405	67	0	0	As Total Distribution /Transmission		
Contract Services	1,061	96	196	199	404	47	0	101	17	0	0	As Total Distribution /Transmission		
Contract Services - St Cuts	81,689	7,428	15,080	15,334	31,133	3,630	0	7,803	1,281	0	0	As Total Distribution /Transmission		
Motor Pool Charges	58,021	5,275	10,711	10,891	22,113	2,578	0	5,542	910	0	0	As Total Distribution /Transmission		
Replacement Charges	116,878	10,627	21,576	21,940	44,544	5,194	0	11,164	1,833	0	0	As Total Distribution /Transmission		
Shop Overhead Charges	14,430	1,312	2,664	2,709	5,500	641	0	1,378	226	0	0	As Total Distribution /Transmission		
Cost Allocation	68,479	6,226	12,641	12,855	26,099	3,043	0	6,541	1,074	0	0	As Total Distribution /Transmission		
Total Services & Charges	$366,020	$33,280	$67,569	$68,707	$139,497	$16,266	$0	$34,960	$5,741	$0	$0			
Maintenance														
Vehicles & Machine Maintenance	$3,527	$321	$651	$662	$1,344	$157	$0	$337	$55	$0	$0	As Total Distribution /Transmission		
Total Maintenance	$3,527	$321	$651	$662	$1,344	$157	$0	$337	$55	$0	$0			
Total Water Distribution Maint. Program	$1,656,392	$150,606	$305,776	$310,929	$631,280	$73,610	$0	$158,210	$25,980	$0	$0			

The City of Fayetteville Water Utility
Water Exhibit 13
Functionalization and Classification of Revenue Requirements

	Total Expenses 2008	Retail: Base All (BASE-All)	Retail: Retail Only (BASE-Retail)	Extra Capacity: All (X-CAP All)	Extra Capacity: Retail Only (X-CAP Retail)	Customer Related: Actual Customer (AC)	Customer Related, Weighted for: Cust. Acctg. (WCA)	Customer Related, Weighted for: Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	*Basis of Classification*
Water Storage & Pumping Maint. Program												
Personnel												
Salary & Wages	$110,864	$0	$69,844	$0	$41,020	$0	$0	$0	$0	$0	$0	As Reservoir
Overtime	8,241	0	5,192	0	3,049	0	0	0	0	0	0	As Reservoir
FICA Taxes	8,938	0	5,631	0	3,307	0	0	0	0	0	0	As Reservoir
Life Insurance	419	0	264	0	155	0	0	0	0	0	0	As Reservoir
Health Insurance	12,923	0	8,142	0	4,782	0	0	0	0	0	0	As Reservoir
LTD Insurance	323	0	203	0	119	0	0	0	0	0	0	As Reservoir
ADD Insurance	38	0	24	0	14	0	0	0	0	0	0	As Reservoir
Retirement Savings Plan	14,019	0	8,832	0	5,187	0	0	0	0	0	0	As Reservoir
Total Personnel	$155,764	$0	$98,132	$0	$57,633	$0	$0	$0	$0	$0	$0	
Material/Supplies												
Minor Equipment	$939	$0	$592	$0	$347	$0	$0	$0	$0	$0	$0	As Reservoir
Fuel	4,562	0	2,874	0	1,688	0	0	0	0	0	0	As Reservoir
Construction Materials	30,676	0	19,326	0	11,350	0	0	0	0	0	0	As Reservoir
Total Material/Supplies	$36,177	$0	$22,791	$0	$13,385	$0	$0	$0	$0	$0	$0	
Services & Charges												
Contract Services	$16,974	$0	$10,694	$0	$6,281	$0	$0	$0	$0	$0	$0	As Reservoir
Motor Pool Charges	3,921	0	2,470	0	1,451	0	0	0	0	0	0	As Reservoir
Replacement Charges	9,792	0	6,169	0	3,623	0	0	0	0	0	0	As Reservoir
Shop Overhead Charges	865	0	545	0	320	0	0	0	0	0	0	As Reservoir
Cost Allocation	9,803	0	6,176	0	3,627	0	0	0	0	0	0	As Reservoir
Total Services & Charges	$41,355	$0	$26,054	$0	$15,301	$0	$0	$0	$0	$0	$0	
Maintenance												
Vehicles & Machine Maintenance	$106	$0	$67	$0	$39	$0	$0	$0	$0	$0	$0	As Reservoir
Total Maintenance	$106	$0	$67	$0	$39	$0	$0	$0	$0	$0	$0	
Total Water Storage & Pumping Maint.	$233,402	$0	$147,043	$0	$86,359	$0	$0	$0	$0	$0	$0	
Total Direct Water Expenditures	$8,573,464	$4,361,318	$452,820	$2,783,887	$717,639	$73,610	$0	$158,210	$25,980	$0	$0	
Service Level Plan												
Additional Employees	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	Total Rate Base
Additional Operational Expenses	0	0	0	0	0	0	0	0	0	0	0	Total Rate Base
Total Service Level Plan	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Total Water Operations & Maintenance	$11,608,467	$4,599,351	$580,355	$3,209,769	$925,950	$129,682	$610,103	$1,493,868	$59,388	$0	$0	

The City of Fayetteville Water Utility
Water Exhibit 13
Functionalization and Classification of Revenue Requirements

	Total Expenses 2008	Retail: Base All (BASE-All)	Retail: Retail Only (BASE-Retail)	Extra Capacity: All (X-CAP All)	Extra Capacity: Retail Only (X-CAP Retail)	Customer Related: Actual Customer (AC)	Customer Related, Weighted for: Cust. Acctg. (WCA)	Customer Related, Weighted for: Meters & Services (WCMS)	Public Fire Protection (FP)	Revenue Related (RR)	Direct Assign. (DA)	*Basis of Classification*
Taxes and Transfers												
Water Franchise Fees	$539,892	$89,944	$55,174	$179,529	$90,200	$20,145	$0	$90,103	$14,796	$0	$0	Total Rate Base
Safe Water Act Fee	96,900	0	0	0	0	96,900	0	0	0	0	0	AC 100%
Sales Tax	783,800	0	0	0	0	0	0	0	0	783,800	0	RR 100%
Total Taxes and Transfers	**$1,420,592**	**$89,944**	**$55,174**	**$179,529**	**$90,200**	**$117,045**	**$0**	**$90,103**	**$14,796**	**$783,800**	**$0**	
Change in Working Capital (+,-)												
Water Working Capital Fund	$6,471	$1,078	$661	$2,152	$1,081	$241	$0	$1,080	$177	$0	$0	Total Rate Base
Water Impact Fee Fund	0	0	0	0	0	0	0	0	0	0	0	Total Rate Base
Total Change In Working Capital	**$6,471**	$1,078	$661	$2,152	$1,081	$241	$0	$1,080	$177	$0	$0	
Total Revenue Requirements	**$13,035,530**	**$4,690,373**	**$636,191**	**$3,391,450**	**$1,017,232**	**$246,968**	**$610,103**	**$1,585,051**	**$74,362**	**$783,800**	**$0**	
Less: Miscellaneous Revenues												
Wheeler System Fees	$9,336	$9,336	$0	$0	$0	$0	$0	$0	$0	$0	$0	BASE 100%
Water Tap Fees	100,213	16,695	10,241	33,324	16,743	3,739	0	16,725	2,746	0	0	Total Rate Base
Rural Water Taps	13,367	2,227	1,366	4,445	2,233	499	0	2,231	366	0	0	Total Rate Base
Fire Protection	499,108	0	0	0	0	0	0	0	0	499,108	0	RR 100%
Fire Hydrant	0	0	0	0	0	0	0	0	0	0	0	FP 100%
Billed Service	122,004	0	0	0	0	0	122,004	0	0	0	0	WCA 100%
Convenience Fees	743	0	0	0	0	0	743	0	0	0	0	WCA 100%
Convenience Fees Telework	3,395	0	0	0	0	0	3,395	0	0	0	0	WCA 100%
Interest on Working Capital Fund	660,622	660,622	0	0	0	0	0	0	0	0	0	BASE 100%
Rent	38,192	38,192	0	0	0	0	0	0	0	0	0	BASE 100%
Contract Services	6,471	6,471	0	0	0	0	0	0	0	0	0	BASE 100%
Miscellaneous	849	849	0	0	0	0	0	0	0	0	0	BASE 100%
												BASE 100%
Total Miscellaneous Revenues	$1,454,300	$734,393	$11,607	$37,769	$18,976	$4,238	$126,141	$18,956	$3,113	$499,108	$0	
Safe Water Act Fee	$96,900	$0	$0	$0	$0	$96,900	$0	$0	$0	$0	$0	AC 100%
Sales Tax	783,800	0	0	0	0	0	0	0	0	783,800	0	RR 100%
												BASE 100%
Safe Water Act Fee/Sales Tax	$880,700	$0	$0	$0	$0	$96,900	$0	$0	$0	$783,800	$0	
Net Revenue Requirements	**$10,700,530**	**$3,955,980**	**$624,583**	**$3,353,681**	**$998,256**	**$145,830**	**$483,962**	**$1,566,096**	**$71,249**	**($499,108)**	**$0**	

The City of Fayetteville Water Utility
Water Exhibit 14
Allocation of O&M

Classification Components	Net Revenue Requirement	Inside Fayetteville					Outside Fayetteville	Wholesale	*Basis of Allocation*
		Residential	Commercial	Industrial	Government	Irrigation			
Base Related									
All Customers	$3,955,980	$1,658,665	$463,644	$685,277	$238,702	$277,199	$473,554	$158,938	(BASE-All)
Retail Only	624,583	272,837	76,266	112,723	39,265	45,597	77,896	0	(BASE-Retail)
Total Base Related	$4,580,563	$1,931,503	$539,910	$798,000	$277,966	$322,797	$551,450	$158,938	
Extra Capacity Related									
All Customers	$3,353,681	$1,408,905	$295,372	$388,059	$219,655	$470,918	$435,767	$135,005	(X-CAP All)
Retail Only	998,256	436,965	91,608	120,355	68,125	146,053	135,151	0	(X-CAP Retail)
Total Extra Capacity Related	$4,351,937	$1,845,869	$386,980	$508,414	$287,780	$616,971	$570,918	$135,005	
Customer Related									
Actual Customer	$145,830	$109,053	$9,685	$118	$1,082	$4,056	$21,802	$35	(AC)
Weighted for Cust. Acctg.	483,962	171,223	38,014	463	4,247	12,736	256,736	544	(WCA)
Weighted for Meters & Services	1,566,096	1,120,958	130,684	6,194	31,115	47,255	224,433	5,455	(WCMS)
Total Customer Related	$2,195,888	$1,401,234	$178,383	$6,775	$36,444	$64,047	$502,972	$6,034	
Public Fire Protection Related	$71,249	$50,870	$9,035	$165	$1,009	$0	$10,170	$0	(FP)
Revenue Related	($499,108)	($243,583)	($55,641)	($49,366)	($24,093)	($31,813)	($81,740)	($12,873)	(RR)
Direct Assignment	$0	$0	$0	$0	$0	$0	$0	$0	(DA)
Total Allocated O&M	**$10,700,530**	**$4,985,893**	**$1,058,666**	**$1,263,987**	**$579,107**	**$972,002**	**$1,553,770**	**$287,104**	

The City of Fayetteville Water Utility
Water Exhibit 15
Allocation of Depreciation

Classification Components	Net Revenue Requirement	Inside Fayetteville Residential	Commercial	Industrial	Government	Irrigation	Outside Fayetteville	Wholesale	*Basis of Allocation*
Base Related									
All Customers	$132,170	$55,416	$15,490	$22,895	$7,975	$9,261	$15,822	$5,310	(BASE-All)
Retail Only	287,392	125,542	35,092	51,867	18,067	20,981	35,843	0	(BASE-Retail)
Total Base Related	$419,561	$180,958	$50,583	$74,763	$26,042	$30,242	$51,664	$5,310	
Extra Capacity Related									
All Customers	$265,483	$111,531	$23,382	$30,719	$17,388	$37,279	$34,496	$10,687	(X-CAP All)
Retail Only	550,198	240,837	50,491	66,334	37,548	80,498	74,490	0	(X-CAP Retail)
Total Extra Capacity Related	$815,681	$352,368	$73,873	$97,054	$54,936	$117,777	$108,986	$10,687	
Customer Related									
Actual Customer	$62,156	$46,481	$4,128	$50	$461	$1,729	$9,293	$15	(AC)
Weighted for Cust. Acctg.	0	0	0	0	0	0	0	0	(WCA)
Weighted for Meters & Services	127,031	90,925	10,600	502	2,524	3,833	18,205	442	(WCMS)
Total Customer Related	$189,188	$137,406	$14,728	$553	$2,985	$5,562	$27,497	$457	
Public Fire Protection Related	$2,512	$1,793	$319	$6	$36	$0	$359	$0	(FP)
Revenue Related	$0	$0	$0	$0	$0	$0	$0	$0	(RR)
Direct Assignment	$0	$0	$0	$0	$0	$0	$0	$0	(DA)
Total Allocated Depreciation	$1,426,942	$672,525	$139,502	$172,375	$83,998	$153,581	$188,506	$16,455	

The City of Fayetteville Water Utility
Water Exhibit 16a
Summary of the Cost of Service Analysis

	Total for 2008	Inside Fayetteville						
		Residential	Commercial	Industrial	Government	Irrigation	Outside Fayetteville	Wholesale
Revenues at Present Rates	$12,848,634	$6,270,597	$1,432,367	$1,270,840	$620,226	$818,965	$2,104,250	$331,388
Less: O&M Expense	$10,700,530	$4,985,893	$1,058,666	$1,263,987	$579,107	$972,002	$1,553,770	$287,104
Less: Allocated Depreciation Expense	1,426,942	672,525	139,502	172,375	83,998	153,581	188,506	16,455
Total O&M and Depreciation Expense	$12,127,471	$5,658,418	$1,198,168	$1,436,362	$663,105	$1,125,582	$1,742,276	$303,559
Net Income/(Loss)	$721,162	$612,178	$234,199	($165,522)	($42,879)	($306,617)	$361,974	$27,829
Rate Base	$34,034,557	$16,821,456	$3,284,413	$3,630,683	$1,825,570	$3,279,043	$4,489,908	$703,484
Present Return on Rate Base	2.1%	3.6%	7.1%	-4.6%	-2.3%	-9.4%	8.1%	4.0%
Proposed Return Component	$2,514,703	$1,239,511	$242,016	$267,532	$134,520	$241,620	$336,743	$52,761
Proposed Rate of Return [1]	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%	7.5%	7.5%
Proposed Rate Revenues	$14,642,174	$6,897,929	$1,440,185	$1,703,894	$797,624	$1,367,203	$2,079,019	$356,320
Required $ Change in Rates	**$1,793,541**	**$627,332**	**$7,818**	**$433,054**	**$177,399**	**$548,237**	**($25,231)**	**$24,932**
Required % Change in Rates	**14.0%**	**10.0%**	**0.5%**	**34.1%**	**28.6%**	**66.9%**	**-1.2%**	**7.5%**

[1] Wholesale and outside city customer's rate of return calculated by summing the cost of debt for the water utility and a 3% premium

The City of Fayetteville Water Utility
Water Exhibit 17
Average Unit Costs

	Total	Inside Fayetteville					Outside Fayetteville	Wholesale
		Residential	Commercial	Industrial	Government	Irrigation		
Base $/1,000 gal.	$1.17	$1.18	$1.18	$1.18	$1.18	$1.18	$1.18	$0.96
Extra Capacity $/1,000 gal.	$1.21	$1.23	$0.92	$0.82	$1.33	$2.46	$1.33	$0.85
Fire/Revenue/Direct $/1,000 gal.	($0.10)	($0.11)	($0.09)	($0.07)	($0.09)	($0.11)	($0.14)	($0.08)
Allocated Return $/1,000 gal.	$0.59	$0.69	$0.48	$0.36	$0.52	$0.81	$0.66	$0.31
Total $/1,000 gal.	$2.88	$3.00	$2.50	$2.30	$2.95	$4.35	$3.04	$2.04
Customer Costs - $/account/month	$5.90	$5.09	$7.19	$22.41	$13.15	$6.19	$8.78	$67.61
Existing $/1.000 gal.	$3.02	$3.51	$2.87	$1.72	$2.41	$2.74	$4.13	$1.94
Average Total Cost $/1,000 gal.	$3.44	$3.86	$2.89	$2.31	$3.10	$4.58	$4.08	$2.08
Basic Data:								
Annual Water Consumption(/1,000 gal.)	4,258,797	1,785,630	499,134	737,733	256,974	298,418	509,803	171,104
Number of Accounts	33,687	25,192	2,237	27	250	937	5,036	8

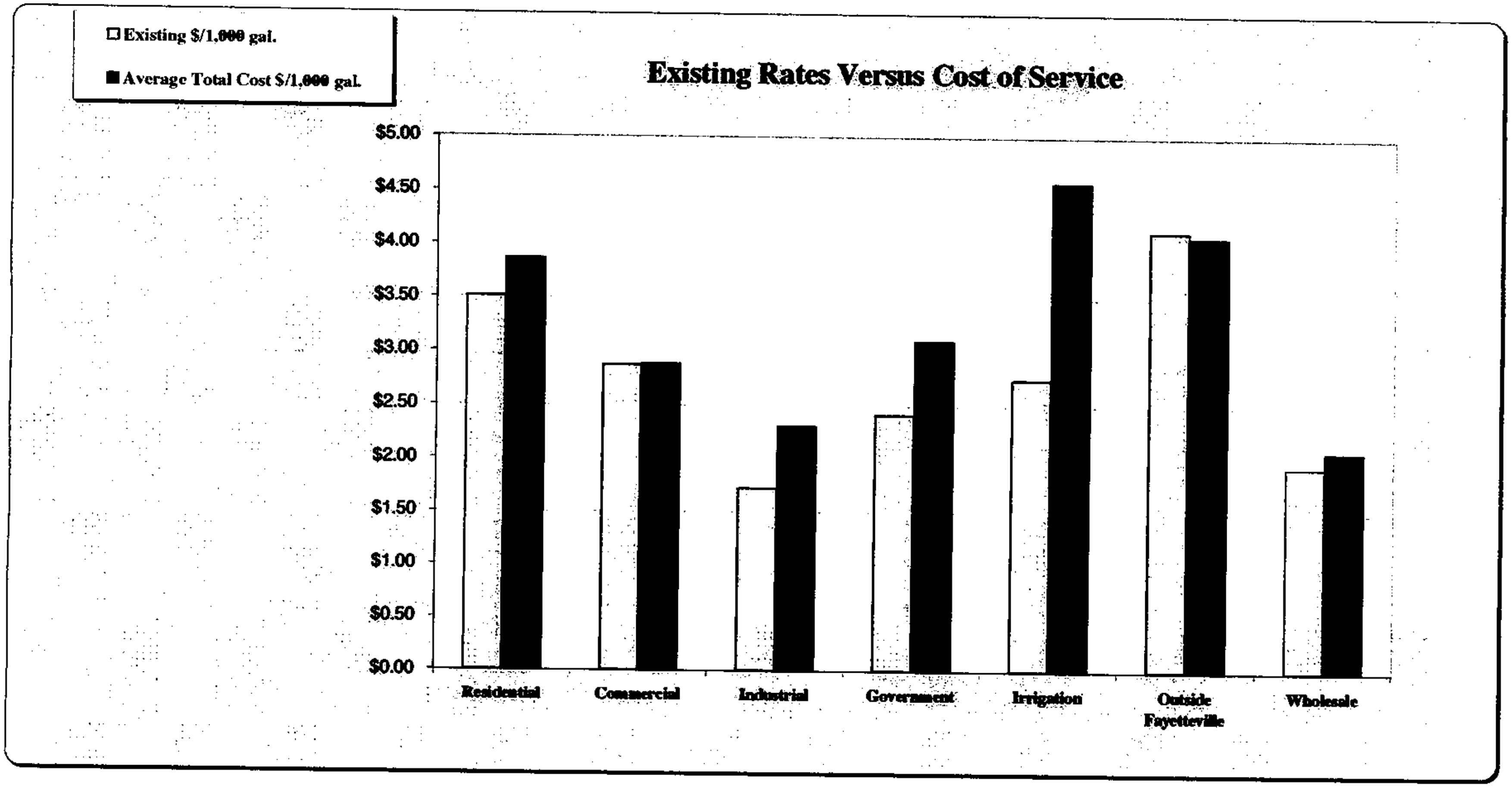
The City of Fayetteville Water Utility
Water Exhibit 18
Summary of the Cost of Service Analysis

	Total for 2008	Inside Fayetteville	Outside Fayetteville	Wholesale
Revenues at Present Rates	$12,848,634	$10,412,995	$2,104,250	$331,388
Less: O&M Expense	$10,700,530	$8,859,655	$1,553,770	$287,104
Less: Allocated Depreciation Expense	1,426,942	1,221,982	188,506	16,455
Total O&M and Depreciation Expense	$12,127,471	$10,081,636	$1,742,276	$303,559
Net Income/(Loss)	$721,162	$331,359	$361,974	$27,829
Rate Base	$34,034,557	$28,841,165	$4,489,908	$703,484
Present Return on Rate Base	2.1%	1.1%	8.1%	4.0%
Proposed Return Component	$2,514,703	$2,125,199	$336,743	$52,761
Proposed Rate of Return [1]	7.4%	7.4%	7.5%	7.5%
Proposed Rate Revenues	$14,642,174	$12,206,835	$2,079,019	$356,320
Required $ Change in Rates	**$1,793,541**	**$1,793,840**	**($25,231)**	**$24,932**
Required % Change in Rates	**14.0%**	**17.2%**	**-1.2%**	**7.5%**

The City of Fayetteville Water Utility
Water Exhibit 19
Average Unit Costs

	Total	Inside Fayetteville	Outside Fayetteville	Wholesale
Base $/1,000 gal.	$1.17	$1.18	$1.18	$0.96
Extra Capacity $/1,000 gal.	$1.21	$1.21	$1.33	$0.85
Fire/Revenue/Direct $/1,000 gal.	($0.10)	($0.10)	($0.14)	($0.08)
Allocated Return $/1,000 gal.	$0.59	$0.59	$0.66	$0.31
Total $/1,000 gal.	$2.88	$2.90	$3.04	$2.04
Customer Costs - $/account/month	$5.90	$5.38	$8.78	$67.61
Existing $/1,000 gal.	$3.02	$2.91	$4.13	$1.94
Average Total Cost $/1,000 gal.	$3.44	$3.41	$4.08	$2.08
Basic Data:				
Annual Water Consumption(/1,000 gal.)	4,258,797	3,577,889	509,803	171,104
Number of Accounts	33,687	28,643	5,036	8

The City of Fayetteville Water Utility
Water Exhibit 20
Chart of Revenue versus Costs



Existing $/1,000 gal.	$3.51	$2.87	$1.72	$2.41	$2.74	$4.13	$1.94
Average Total Cost $/1,000 gal.	**3.86**	**2.89**	**2.31**	**3.10**	**4.58**	**4.08**	**2.08**

APPENDIX B
SEWER TECHNICAL ANALYSES

City of Fayetteville
Summary of the Wastewater Revenue Requirement
Exhibit 1

	Budget	Projected			
Sources of Funds	**2006**	**2007**	**2008**	**2009**	**2010**
Fayetteville Rate Revenue	$11,769,062	$12,048,105	$12,335,520	$12,631,558	$12,936,476
Outside City Rate Revenue	871,872	898,029	924,969	952,718	981,300
Wholesales Revenue	136,622	140,720	144,942	149,290	153,769
Miscellaneous Revenue	492,431	542,266	550,946	473,482	475,513
Total Sources of Funds	$13,269,987	$13,629,121	$13,956,378	$14,207,048	$14,547,058
Application of Funds					
Operation and Maintenance					
Sewer Portion of Joint Expenses	$2,288,487	$2,368,138	$2,451,302	$2,537,576	$2,627,092
Direct Sewer Expenditures	6,821,124	7,039,668	8,767,652	10,503,595	10,837,825
Service Level Plan	0	0	0	50,000	100,000
Total O&M Expense	**$9,109,611**	**$9,407,806**	**$11,218,954**	**$13,091,171**	**$13,564,917**
Taxes and Transfers	$478,300	$492,649	$507,428	$522,651	$538,331
Net Debt Service	$602,682	$605,880	$607,557	$608,174	$1,100,407
CIP Funded Through Rates	$3,183,211	$2,700,000	$2,700,000	$2,720,000	$2,900,000
Change In Working Capital	$0	$0	$0	$0	$0
Total Revenue Requirements	**$13,373,804**	**$13,206,336**	**$15,033,940**	**$16,941,996**	**$18,103,655**
Balance (Deficiency) of Funds	**($103,817)**	**$422,785**	**($1,077,563)**	**($2,734,948)**	**($3,556,596)**
Bal./(Defic.) of Funds as a % of Rates	**0.8%**	**-3.2%**	**8.0%**	**19.9%**	**25.3%**
Proposed Rate Adjustment	**0.0%**	**0.0%**	**0.0%**	**20.0%**	**0.0%**
Additional Revenue from Adjustment	**$0**	**$0**	**$0**	**$2,746,713**	**$2,814,309**
Total Balance (Deficiency) of Funds	**($103,817)**	**$422,785**	**($1,077,563)**	**$11,765**	**($742,287)**
Additional Rate Increase Needed	**0.8%**	**-3.2%**	**8.0%**	**-0.1%**	**5.3%**
Debt Service Coverage Ratio					
Before Rate Adjustment	6.90	3.36	2.18	0.89	0.89
After RR Rate Adjustment	7.08	3.02	3.03	3.06	4.12
After Proposed Rate Adjustment	6.90	3.36	2.18	3.07	3.45

City of Fayetteville Wastewater Utility
Wastewater Exhibit 2
Escalation Factors

	Budget	Projected				
	2006	**2007**	**2008**	**2009**	**2010**	**Notes**
Escalation Factors						
Revenues						
System/Growth	Calculated	3.0%	3.0%	3.0%	3.0%	
Residential Rate Revenues	Calculated	3.0%	3.0%	3.0%	3.0%	
Commercial Rate Revenues	Calculated	3.0%	3.0%	3.0%	3.0%	
Industrial Rate Revenues	Calculated	0.0%	0.0%	0.0%	0.0%	
Government Rate Revenues	Calculated	3.0%	3.0%	3.0%	3.0%	
Other Revenues	Budget	3.0%	3.0%	3.0%	3.0%	
Interest Earnings (Rate)	3.0%	3.0%	3.0%	3.0%	3.0%	
Expenses						
1 Labor	Budget	4.0%	4.0%	4.0%	4.0%	
2 Benefits - Medical	Budget	8.0%	10.0%	10.0%	10.0%	
3 Benefits - Other	Budget	3.0%	3.0%	3.0%	3.0%	
4 Repair & Maintenance	Budget	3.0%	3.0%	3.0%	3.0%	
5 Operations Management Inc. (OMI)	Budget	3.0%	3.0%	3.0%	3.0%	
6 Utilities	Budget	4.0%	4.0%	4.0%	4.0%	
7 Miscellaneous	Budget	3.0%	3.0%	3.0%	3.0%	
8 Chemical Supplies	Budget	3.0%	3.0%	3.0%	3.0%	
New Debt Service						
Revenue Bond						
Term in Years	20	20	20	20	20	
Rate	5.0%	5.0%	5.0%	5.0%	5.0%	
Low Interest Loan (State Revolving Fund)						
Term in Years	20	20	20	20	20	
Rate	3.5%	3.5%	3.5%	3.5%	3.5%	
Impact Fee Funds						
Equivalent Residential Unit (ERU)	897	925	955	985	1,015	
Impact Fee per ERU	$835	$835	$835	$835	$835	
Total Impact Fee Revenue	$748,995	$772,375	$797,425	$822,475	$847,525	

City of Fayetteville Wastewater Utility
Exhibit 3
Development of the Revenue Requirement

	Budget	Projected				
	2006	2007	2008	2009	2010	Notes
Sources of Funds						
Rate Revenues						
Inside Fayetteville						
Residential	$6,597,638	$6,795,567	$6,999,434	$7,209,417	$7,425,699	As Residential Rate Revenues
Commercial	1,900,229	1,957,236	2,015,953	2,076,432	2,138,725	As Commercial Rate Revenues
Industrial	2,467,607	2,467,607	2,467,607	2,467,607	2,467,607	As Industrial Rate Revenues
Government	803,588	827,695	852,526	878,102	904,445	As Government Rate Revenues
Total Fayetteville	$11,769,062	$12,048,105	$12,335,520	$12,631,558	$12,936,476	
Outside Fayetteville						
Farmington	$636,156	$655,240	$674,897	$695,144	$715,999	As Other Revenues
Greenland	174,582	179,819	185,214	190,770	196,493	As Other Revenues
Johnson	52,405	53,977	55,596	57,264	58,982	As Other Revenues
Growth Area	8,730	8,992	9,262	9,540	9,826	As Other Revenues
Total Outside City	$871,872	$898,029	$924,969	$952,718	$981,300	
Wholesale						
Elkins	$136,622	$140,720	$144,942	$149,290	$153,769	As Other Revenues
Total Wholesale	$136,622	$140,720	$144,942	$149,290	$153,769	
Total Rate Revenues	$12,777,556	$13,086,854	$13,405,432	$13,733,566	$14,071,545	
Miscellaneous Revenues						
Sewer Sales not on Computer	$16,500	$16,995	$17,505	$18,030	$18,571	As System/Growth
Sewer Tap Fees	68,521	105,000	105,000	105,000	105,000	
Billed Service	115,000	118,450	122,004	125,664	129,434	As System/Growth
Convenience Fees	700	721	743	765	788	As System/Growth
Convenience Fees Telework	3,200	3,296	3,395	3,497	3,602	As System/Growth
Interest on Working Capital Fund	143,010	147,939	147,939	61,535	54,358	As Interest Earnings (Rate)
Rent	36,000	37,080	38,192	39,338	40,518	As System/Growth
Contract Services	6,100	6,283	6,471	6,666	6,866	As System/Growth
Hay Sales	102,600	105,678	108,848	112,114	115,477	As System/Growth
Miscellaneous	800	824	849	874	900	As System/Growth
Total Miscellaneous Revenues	$492,431	$542,266	$550,946	$473,482	$475,513	
Total Sources of Funds	$13,269,987	$13,629,121	$13,956,378	$14,207,048	$14,547,058	

	Budget 2006	Projected 2007	2008	2009	2010	Notes
Application of Funds						
Wastewater Director						
Personnel						
Salary/Overtime	$57,098	$59,382	$61,757	$64,227	$66,797	As Labor
Health Insurance	3,326	3,592	3,951	4,346	4,780	As Benefits - Medical
Payroll taxes and Insurance	11,369	11,710	12,061	12,423	12,796	As Benefits - Other
Total Personnel	$71,793	$74,684	$77,769	$80,996	$84,373	
Material/Supplies						
Materials/Supplies	$2,250	$2,318	$2,387	$2,459	$2,532	As Miscellaneous
Total Material/Supplies	$2,250	$2,318	$2,387	$2,459	$2,532	
Services & Charges						
Publications/Dues/Training/Expenses	$2,375	$2,446	$2,520	$2,595	$2,673	As Miscellaneous
Telephone Expenses	485	504	525	546	567	As Utilities
Engineering Services	536	552	569	586	603	As Miscellaneous
Cost Allocation	11,268	11,606	11,954	12,313	12,682	As Miscellaneous
Total Services & Charges	$14,664	$15,109	$15,567	$16,039	$16,526	
Total Water & Wastewater Director	**$88,707**	**$92,110**	**$95,723**	**$99,494**	**$103,431**	
Billing & Collections						
Personnel						
Salary/Overtime	$244,696	$254,483	$264,663	$275,249	$286,259	As Labor
Health Insurance	25,593	27,641	30,405	33,445	36,790	As Benefits - Medical
Payroll Taxes and Insurance	43,283	44,581	45,919	47,296	48,715	As Benefits - Other
Total Personnel	$313,572	$326,705	$340,986	$355,991	$371,764	
Material/Supplies						
Materials/Supplies	$28,750	$29,613	$30,501	$31,416	$32,358	As Miscellaneous
Total Material/Supplies	$28,750	$29,613	$30,501	$31,416	$32,358	
Services & Charges						
Public Notification/Publications & Dues	$1,250	$1,288	$1,326	$1,366	$1,407	As Miscellaneous
Postage	93,000	95,790	98,664	101,624	104,672	As Miscellaneous
Telephone Expenses	2,000	2,060	2,122	2,185	2,251	As Miscellaneous
Professional Services	23,000	23,690	24,401	25,133	25,887	As Miscellaneous
Bad Debt Expenses	66,300	68,289	70,338	72,448	74,621	As Miscellaneous
Disputed Payments/Collection Related Exp.	9,600	9,888	10,185	10,490	10,805	As Miscellaneous
Cost Allocation	(38,760)	(39,923)	(41,120)	(42,354)	(43,625)	As Miscellaneous
Total Services & Charges	$156,390	$161,082	$165,914	$170,892	$176,018	
Maintenance						
Maintenance	$4,523	$4,658	$4,798	$4,942	$5,090	As Repair & Maintenance
Total Maintenance	$4,523	$4,658	$4,798	$4,942	$5,090	
Total Billing & Collections	**$503,234**	**$522,058**	**$542,199**	**$563,240**	**$585,231**	
Meter Operations Program						
Personnel						
Salary/Overtime	$131,378	$136,633	$142,098	$147,782	$153,693	As Labor
Health Insurance	16,628	17,293	17,984	18,704	19,452	As Labor
Payroll Tax and Insurance	27,915	29,031	30,192	31,400	32,656	As Labor
Total Personnel	$175,920	$182,956	$190,275	$197,886	$205,801	
Material/Supplies						
Material/Supplies	$13,141	$13,535	$13,941	$14,359	$14,790	As Miscellaneous
Total Material/Supplies	$13,141	$13,535	$13,941	$14,359	$14,790	
Services & Charges						
Miscellaneous Services and Charges	$10,107	$10,410	$10,722	$11,044	$11,375	As Miscellaneous
Postage	75	77	80	82	84	As Miscellaneous
Telephone Expenses	1,200	1,236	1,273	1,311	1,350	As Miscellaneous
Property Insurance	1,860	1,916	1,973	2,032	2,093	As Miscellaneous
Replacement Charges	11,528	11,874	12,230	12,597	12,975	As Miscellaneous
Cost Allocation	16,965	17,474	17,998	18,538	19,094	As Miscellaneous
Total Services & Charges	$41,734	$42,986	$44,276	$45,604	$46,972	

	Budget	Projected				
	2006	2007	2008	2009	2010	Notes
Maintenance						
Maintenance and Supplies	$1,675	$1,726	$1,777	$1,831	$1,886	As Repair & Maintenance
Total Maintenance	$1,675	$1,726	$1,777	$1,831	$1,886	
Total Meter Operations Program	**$232,470**	**$241,203**	**$250,269**	**$259,679**	**$269,449**	
Meter Maintenance & Backflow Prev.						
Personnel						
Salary/Overtime	$64,118	$66,683	$69,350	$72,124	$75,009	As Labor
Health Insurance	5,897	6,133	6,378	6,634	6,899	As Labor
Payroll Tax and Insurance	14,424	14,856	15,302	15,761	16,234	As Benefits - Other
Total Personnel	$84,439	$87,672	$91,031	$94,519	$98,142	
Material/Supplies						
Material/Supplies	$3,139	$3,233	$3,330	$3,430	$3,533	As Miscellaneous
Construction Materials	12,027	12,388	12,759	13,142	13,536	As Miscellaneous
Total Material/Supplies	$15,166	$15,620	$16,089	$16,572	$17,069	
Services & Charges						
Uniforms/Personal Equipment	$12,389	$12,761	$13,144	$13,538	$13,944	As Miscellaneous
Postage	350	361	371	382	394	As Miscellaneous
Telephone Expenses	225	232	239	246	253	As Miscellaneous
Property Insurance	625	644	663	683	703	As Miscellaneous
Total Services & Charges	$13,589	$13,997	$14,417	$14,849	$15,295	
Maintenance						
Maintenance	$603	$621	$639	$658	$678	As Repair & Maintenance
Total Maintenance	$603	$621	$639	$658	$678	
Total Meter Maint. & Backflow Prev.	**$113,798**	**$117,910**	**$122,176**	**$126,598**	**$131,184**	
Operations and Administration Program						
Personnel						
Salary/Overtime	$294,221	$305,990	$318,229	$330,959	$344,197	As Labor
Health Insurance	28,407	29,543	30,725	31,954	33,232	As Labor
Payroll Tax and Insurance	84,236	87,605	91,110	94,754	98,544	As Labor
Total Personnel	$406,864	$423,139	$440,064	$457,667	$475,973	
Material/Supplies						
Material/Supplies	$28,192	$29,037	$29,908	$30,806	$31,730	As Miscellaneous
Minor Equipment	48,091	49,533	51,019	52,550	54,126	As Miscellaneous
Total Material/Supplies	$76,282	$78,570	$80,928	$83,355	$85,856	
Services & Charges						
Public Notification	$123,244	$126,941	$130,749	$134,672	$138,712	As Miscellaneous
Postage	600	618	637	656	675	As Miscellaneous
Utilities	305,243	314,400	323,832	333,547	343,554	As Miscellaneous
Telephone Expenses	12,172	12,537	12,913	13,301	13,700	As Miscellaneous
Insurance - Vehicles/Buildings	9,923	10,221	10,527	10,843	11,168	As Miscellaneous
Cost Allocation	367,446	378,469	389,823	401,518	413,564	As Miscellaneous
Total Services & Charges	$818,627	$843,186	$868,482	$894,536	$921,372	
Maintenance						
Maintanence	$48,507	$49,962	$51,461	$53,005	$54,595	As Repair & Maintenance
Total Maintenance	$48,507	$49,962	$51,461	$53,005	$54,595	
Total Ops and Admin. Program	**$1,350,280**	**$1,394,857**	**$1,440,935**	**$1,488,563**	**$1,537,797**	
Total Sewer Joint Expenditures	**$2,288,487**	**$2,368,138**	**$2,451,302**	**$2,537,576**	**$2,627,092**	

	Budget	Projected				
	2006	2007	2008	2009	2010	Notes
Sewer Mains Maintenance Program						
Personnel						
Salary & Wages	$703,150	$731,276	$760,527	$790,948	$822,586	As Labor
Extra Services	0	0	0	0	0	As Labor
Overtime	34,777	36,168	37,615	39,119	40,684	As Labor
FICA Taxes	56,450	58,144	59,888	61,684	63,535	As Benefits - Other
Life Insurance	2,879	2,965	3,054	3,146	3,240	As Benefits - Other
Health Insurance	98,622	106,512	117,163	128,879	141,767	As Benefits - Medical
LTD Insurance	2,211	2,277	2,346	2,416	2,488	As Benefits - Other
ADD Insurance	366	377	388	400	412	As Benefits - Other
Retirement Savings Plan	85,671	88,241	90,888	93,615	96,423	As Benefits - Other
Personnel Service - Contract	0	0	0	0	0	As Benefits - Other
Total Personnel	$984,126	$1,025,960	$1,071,869	$1,120,208	$1,171,137	
Material/Supplies						
Chemicals	$4,000	$4,120	$4,244	$4,371	$4,502	As Chemical Supplies
Fuel	32,443	33,416	34,419	35,451	36,515	As Miscellaneous
Construction Materials	161,000	165,830	170,805	175,929	181,207	As Miscellaneous
Total Material/Supplies	$197,443	$203,366	$209,467	$215,751	$222,224	
Services & Charges						
Travel & Training	$0	$0	$0	$0	$0	As Miscellaneous
Travel/Training Advances	0	0	0	0	0	As Miscellaneous
Equipment Rental	22,000	22,660	23,340	24,040	24,761	As Miscellaneous
Insurance - Self - City Vehicles	0	0	0	0	0	As Miscellaneous
Insurance - Self - Non Vehicular Damage	18,000	18,540	19,096	19,669	20,259	As Miscellaneous
Contract Services	6,000	6,180	6,365	6,556	6,753	As Miscellaneous
Contract Services - St Cuts	54,000	55,620	57,289	59,007	60,777	As Miscellaneous
Recording Fees	0	0	0	0	0	As Miscellaneous
Motor Pool Charges	58,594	60,352	62,162	64,027	65,948	As Miscellaneous
Replacement Charges	199,270	205,248	211,406	217,748	224,280	As Miscellaneous
Shop Overhead Charges	21,421	22,064	22,726	23,407	24,110	As Miscellaneous
Motor Pool - Contract	0	0	0	0	0	As Miscellaneous
Cost Allocation	74,148	76,372	78,664	81,024	83,454	As Miscellaneous
Total Services & Charges	$453,433	$467,036	$481,047	$495,478	$510,343	

	Budget 2006	Projected 2007	2008	2009	2010	Notes
Maintenance						
Vehicles & Machine Maintenance	$682	$702	$724	$745	$768	As Repair & Maintenance
Small Equipment Maintenance	0	0	0	0	0	As Repair & Maintenance
Software Maintenance	0	0	0	0	0	As Repair & Maintenance
Total Maintenance	$682	$702	$724	$745	$768	
Total Sewer Mains Maint. Program	**$1,635,684**	**$1,697,065**	**$1,763,107**	**$1,832,183**	**$1,904,471**	
Wastewater Treatment Plant Program						
Services & Charges						
Public Notification	$0	$0	$0	$0	$0	As Miscellaneous
Utilities	160,000	166,400	173,056	179,978	187,177	As Utilities
Insurance - Vehicles/Buildings	59,536	61,322	63,162	65,057	67,008	As Miscellaneous
Insurance - Self - City Vehicles	0	0	0	0	0	As Miscellaneous
PCP Operations Contract	4,661,854	4,801,710	4,945,761	5,094,134	5,246,958	As Operations Management Inc. (OMI)
Direct Purchases	124,329	128,059	131,901	135,858	139,933	As Miscellaneous
Motor Pool Charges	0	0	0	0	0	As Miscellaneous
Replacement Charges	0	0	0	0	0	As Miscellaneous
Shop Overhead Charges	140,226	144,433	148,766	153,229	157,826	As Miscellaneous
Motor Pool - Contract	0	0	0	0	0	As Miscellaneous
Special Assessments	3,735	3,847	3,962	4,081	4,204	As Miscellaneous
Cost Allocation	33,468	34,472	35,506	36,571	37,669	As Miscellaneous
Total Services & Charges	$5,183,148	$5,340,242	$5,502,114	$5,668,908	$5,840,775	
Maintenance						
Building & Grounds Maintenance	$0	$0	$0	$0	$0	As Repair & Maintenance
Radio Maintenance	1,621	1,670	1,720	1,771	1,824	As Repair & Maintenance
Vehicles & Machine Maintenance	671	691	712	733	755	As Repair & Maintenance
Plant Equipment Maintenance	0	0	0	0	0	As Repair & Maintenance
Landscape Maintenance	0	0	0	0	0	As Repair & Maintenance
Total Maintenance	$2,292	$2,361	$2,432	$2,505	$2,580	
Total WWTP Program	**$5,185,440**	**$5,342,603**	**$5,504,545**	**$5,671,412**	**$5,843,354**	
Future WWTP						
West Waste Water Treatment Plant	$0	$0	$1,500,000	$3,000,000	$3,090,000	As Operations Management Inc. (OMI)
Total Future WWTP	$0	$0	$1,500,000	$3,000,000	$3,090,000	
Total Sewer Program	**$6,821,124**	**$7,039,668**	**$8,767,652**	**$10,503,595**	**$10,837,825**	
Service Level Plan						
Additional Employees	$0	$0	$0	$50,000	$100,000	
Additional Operational Expenses	0	0	0	0	0	
Total Service Level Plan	$0	$0	$0	$50,000	$100,000	
Total Sewer Operations & Maintenance	**$9,109,611**	**$9,407,806**	**$11,218,954**	**$13,091,171**	**$13,564,917**	
Franchise Fees						
Sewer Franchise Fees	$478,300	$492,649	$507,428	$522,651	$538,331	As Miscellaneous
Total Franchise Fees	**$478,300**	**$492,649**	**$507,428**	**$522,651**	**$538,331**	
Debt Service						
Revenue Bond Series 2002 B	$335,189	$349,302	$363,415	$377,528	$391,642	Debt Schedule
Interest 2002 B	229,089	217,022	203,400	188,681	173,014	Debt Schedule
Bond Anticipation Note Payment (BAN)	0	650,000	650,000	650,000	0	$13 million @ 5% Interest Only
Trustee & Pay Agent Fees	6,000	6,180	6,365	6,556	6,753	As Miscellaneous
Other Fees - Bonds	10,000	10,300	10,609	10,927	11,255	As Miscellaneous
Interest Expenses	12,904	13,291	13,690	14,101	14,524	As Miscellaneous
Bank Service Charges	9,500	9,785	10,079	10,381	10,692	As Miscellaneous
Assumed New Debt	0	0	0	0	492,528	
Total Rate Funded Debt Service	**$602,682**	**$1,255,880**	**$1,257,557**	**$1,258,174**	**$1,100,407**	
Less BAN Repayment from WSIP	**$0**	**$650,000**	**$650,000**	**$650,000**	**$0**	
Less Impact Fees	**$0**	**$0**	**$0**	**$0**	**$0**	
Net Debt Service	**$602,682**	**$605,880**	**$607,557**	**$608,174**	**$1,100,407**	
CIP Funded Through Rates	**$3,183,211**	**$2,700,000**	**$2,700,000**	**$2,720,000**	**$2,900,000**	Target Depr. 2.7 mil

	Budget 2006	Projected 2007	2008	2009	2010	Notes
Change in Working Capital						
Water and Sewer Working Capital Fund	$0	$0	$0	$0	$0	
Wastewater System Improv. Project Fund	0	0	0	0	0	
Total Change in Working Capital	**$0**	**$0**	**$0**	**$0**	**$0**	
Total Revenue Requirements	**$13,373,804**	**$13,206,336**	**$15,033,940**	**$16,941,996**	**$18,103,655**	
Balance Deficiency of Funds	**($103,817)**	**$422,785**	**($1,077,563)**	**($2,734,948)**	**($3,556,596)**	
Bal. /(Deficiency) as a % of Rate Revenues	**0.8%**	**-3.2%**	**8.0%**	**19.9%**	**25.3%**	
Proposed Rate Adjustment	**0.0%**	**0.0%**	**0.0%**	**20.0%**	**0.0%**	
Additional Revenue from Adjustment	**$0**	**$0**	**$0**	**$2,746,713**	**$2,814,309**	
Total Balance/(Deficiency) of Funds	**($103,817)**	**$422,785**	**($1,077,563)**	**$11,765**	**($742,287)**	
Additional Rate Increase Needed	**0.8%**	**-3.2%**	**8.0%**	**-0.1%**	**5.3%**	
Residential Monthly Average Rate	$21.25					
After Required Rate Adjustment	21.42	20.56	22.96	25.48	26.62	
After Proposed Rate Adjustment	21.25	21.25	21.25	25.50	25.50	
Annual $ Change	0.00	0.00	0.00	4.25	0.00	
Cumulative Change in Rate	0.00	0.00	0.00	4.25	4.25	
Debt Service Coverage Ratio (Rate Funded Only)						
Before Rate Adjustment	6.90	3.36	2.18	0.89	0.89	
After RR Rate Adjustment	7.08	3.02	3.03	3.06	4.12	
After Proposed Rate Adjustment	6.90	3.36	2.18	3.07	3.45	
Water and Sewer Working Capital Fund						
Beginning Balance	$12,364,922	$4,767,015	$4,931,310	$4,931,310	$2,051,159	Joint fund allocated 50% to sewer
Plus: To Operating Reserves	0	0	0	0	0	
Plus: Additions to Capital Reserves	213,326	164,295	0	0	0	
Less: Capital Expenditures	7,811,233	0	0	2,880,151	239,235	
Less: Uses of Funds	0	0	0	0	0	
Ending Balance	$4,767,015	$4,931,310	$4,931,310	$2,051,159	$1,811,924	
45 days of O&M Expense	1,123,103	1,159,867	1,383,159	1,613,980	1,672,387	
W/WW Impact Fee Fund						
Beginning Balance	$1,260,223	$639,658	$1,433,213	$889,645	$1,737,802	
Plus: Wastewater Impact Fees	748,995	772,375	797,425	822,475	847,525	Calculated based on Projected ERUs
Plus: Interest	12,371	21,180	13,147	25,682	38,780	
Less: Uses of Funds	0	0	1,354,141	0	0	Input From CIP
Ending Balance	$498,857	$1,433,213	$889,645	$1,737,802	$2,624,107	
Wastewater System Improv. Project Fund						
Beginning Balance	$63,651	$1,051,451	$1,051,451	$1,051,451	$1,051,451	100% Allocated to Sewer
Plus: Investment Earnings	0	0	0	0	0	Escalated as System Growth
Plus: Changes in Working Capital	0	0	0	0	0	Input
Less: Improvement Projects	0	0	0	0	0	Escalated as System Growth
Less: Use of Funds	0	0	0	0	0	Input
Ending Balance	$63,651	$1,051,451	$1,051,451	$1,051,451	$1,051,451	

City of Fayetteville
Sewer Utility
Currently Scheduled Capital Improvements
Exhibit 4

	2006	2007	2008	2009	2010	2011	Deferred
Wastewater Treatment Improvements							
Upgrade/Replace lift Stations	$58,000	$61,000	$62,000	$50,000	$50,000	$50,001	$0
Plant Pumps and Equipment	90,000	90,000	94,000	117,000	82,000	82,000	0
Testing Equipment	5,000	6,000	6,000	6,000	54,000	54,000	0
WWTP Building Improvements	21,000	21,000	21,000	21,000	16,000	16,000	0
Computer System Upgrades	6,000	7,000	7,000	6,000	8,000	8,000	0
Total Wastewater Treatment Improvements	$180,000	$185,000	$190,000	$200,000	$210,000	$210,001	$0
Water & Sewer Improvements							
Sanitary Sewer Rehabilitation	$1,500,000	$1,500,000	$1,500,000	$1,590,000	$1,650,000	$1,650,001	$0
Water and Sewer Cost sharing	69,000	69,000	69,000	69,000	69,000	69,000	0
24" Water Line Replacement	0	0	0	0	0	0	0
Water Line Projects as Needed	0	0	0	0	0	0	0
Water Replace -N. College, Rolling Hills Township	0	0	0	0	0	0	0
Total Water & Sewer Improvements	$1,569,000	$1,569,000	$1,569,000	$1,659,000	$1,719,000	$1,719,001	$0
Water & Sewer Services Improvement							
Backflow Prevention Assemblies	$0	$0	$0	$0	$0	$0	$0
Water Meters	121,500	137,000	140,500	148,000	155,500	155,500	0
Meter and Equipment Parts Cleaning Machine	12,000	0	0	0	0	0	0
Utility Rate Review Analysis	37,500	0	0	0	0	0	0
Water and Sewer Operations Study	0	0	63,000	0	0	0	0
Total Water & Sewer Service Improvments	$171,000	$137,000	$203,500	$148,000	$155,500	$155,500	$0
Budgeted Capital Projects							
Meter Capital Expenditures	$209,877	$0	$0	$0	$0	$0	$0
Capital Expenditure Program	80,750	0	0	0	0	0	0
Sewer Mains Cosntruction Program	8,147,702	0	0	0	0	0	0
Wastewater Treatment Plant Capital Program	289,879	0	0	0	0	0	0
Sewer Connections Program	78,840	81,205	83,641	86,151	88,735	88,735	0
Sanitary Sewer Rehabilitation	0	50,000	75,000	10,000	0	0	0
Total Budgeted Capital Projects	$8,807,048	$131,205	$158,641	$96,151	$88,735	$88,735	$0
Total Funded Capital Projects	**$10,727,048**	**$2,022,205**	**$2,121,141**	**$2,103,151**	**$2,173,235**	**$2,173,237**	**$0**
Unfunded Capital Projects							
Wastewater Treatment Improvments							
Upgrade /Replace Lift / Stations - WWTP	$5,000	$11,000	$20,000	$13,000	$17,000	$0	$0
Plant Pumps and Equipment - WWTP	6,000	12,000	13,000	22,000	28,000	0	0
Standby Generators for Lift Stations	224,000	233,000	192,000	0	0	0	0
Inrigation Reels - WWTP	120,000	127,000	135,000	143,000	152,000	0	0
WWTP Building Improvements	0	2,000	3,000	4,000	0	0	0
Total Wastewater Treatment Improvements	$355,000	$385,000	$363,000	$182,000	$197,000	$0	$0
Sewer Improvments							
Sewer Collection System Model	$500,000	$0	$0	$0	$0	$0	$0
Sewer Replace- Crossover, Cliffs to 36" Transmission	0	0	0	0	1,497,000	0	0
Sewer Replace- Happy Hollow, 4th to 36" Transmission	0	0	0	0	1,263,000	0	0
Sewer Replacement - Elkins Outfall line	0	0	0	0	1,515,000	0	0
Sewer Instal-Cato-Sprgs, Greenland - 15th	0	0	0	0	0		1,252,000
Sewer Replace- Minisystem 18, Dickson-15th	0	0	0	0	3,494,000	0	0
W/S Relocate - Crossover, Mission to City Limits	0	0	994,500	3,315,000	0	0	0
W/S Relocate- Razorback, 6th-to Maple	0	0	0	0	0	0	1,080,000
Mt Sequoyah Area W/S System Upgrade	250,000	0	0	0	0	0	0
W/S Relocate - Wedington, Rupple West	315,000	0	0	0	0	0	1,260,000
W/S Relocate-Mission, North St, to City Limits	0	0	0	0	0	0	3,481,000
W/S Relocate- Old Wire, Township to Mission	0	0	0	0	0	0	2,323,000
W/S Relocate- Township from Gregg to College	0	128,500	575,500	0	0	0	0
W/S Relocate- Block, Dickson to Square	0	0	0	0	0	0	294,000
W/S Relocate- 6th, School to Wood	0	0	0	0	0	0	735,000
W/S Installation on Shiloh, North of Dorothy Jeanne	0	0	0	0	0	0	114,500
Total Sewer Improvements	$1,065,000	$128,500	$1,570,000	$3,315,000	$7,769,000	$0	$10,539,500
Total Unfunded Projects	**$1,420,000**	**$513,500**	**$1,933,000**	**$3,497,000**	**$7,966,000**	**$0**	**$10,539,500**
Total Capital Projects	**$12,147,048**	**$2,535,705**	**$4,054,141**	**$5,600,151**	**$10,139,235**	**$2,173,237**	**$10,539,500**

City of Fayetteville
Sewer Utility
Currently Scheduled Capital Improvements
Exhibit 4

	2006	2007	2008	2009	2010	2011	Deferred
Total Capital Projects	$12,147,048	$2,535,705	$4,054,141	$5,600,151	$10,139,235	$2,173,237	$10,539,500
Deferred Capital	$0	$0	$0	$0	$0	$0	$0
Additions to Capital Reserves	$213,326	$164,295	$0	$0	$0	$0	$0
Net Capital Projects	$12,360,374	$2,700,000	$4,054,141	$5,600,151	$10,139,235	$2,173,237	$10,539,500
Less Other Sources of Funds							
Sewer Impact Fees	$0	$0	$1,354,141	$0	$0		$0
Use of Working Capital Fund	7,811,233	0	0	2,880,151	239,235		0
Wastewater System Improvement Fund	0	0	0	0	0		0
Federal Grants-Capital	770,850	0	0	0	0	0	0
State Cost Share	595,080	0	0	0	0	0	0
Capital Fund	0	0	0	0	0	0	0
Customer Contribution	0	0	0	0	0		0
Low Interest Loan (RLF)	0	0	0	0	0		0
New Debt Issues	0	0	0	0	7,000,000	(826,763)	0
Total Other Sources of Funds	$9,177,163	$0	$1,354,141	$2,880,151	$7,239,235	(826,763)	$0
Total CIP From Rates	$3,183,211	$2,700,000	$2,700,000	$2,720,000	$2,900,000	$3,000,000	$10,539,500

The City Of Fayetteville Wastewater Utility
Wastewater Exhibit 5
Development of Volume
Allocation Factor

	Allocated to All					W/O Farmington		Retail			
	2005 Annual flow (000's)	34% Inflow and Infiltration[3]	Total Annual Flow at Plant	Avg. Daily Flow At Plant (MGD)	All % of Total	Avg. Daily Flow At Plant (MGD)	% of Total	Avg. Daily Flow At Plant (MGD)	Retail Only % of Total	Avg. Daily W/O Farmington Flow At Plant (MGD)	% of Total
Inside Fayetteville											
Residential [2]	1,493,659	658,888	2,152,548	5.90	49.9%	5.90	51.5%	5.90	50.4%	5.90	52.0%
Commercial	512,671	146,981	659,652	1.81	15.3%	1.81	15.8%	1.81	15.4%	1.81	15.9%
Industrial	791,587	184,992	976,579	2.68	22.6%	2.68	23.4%	2.68	22.9%	2.68	23.6%
Government	238,901	58,202	297,103	0.81	6.9%	0.81	7.1%	0.81	7.0%	0.81	7.2%
Farmington	93,629	42,445	136,074	0.37	3.2%	0.00	0.0%	0.37	3.2%	0.00	0.0%
Outside Fayetteville	34,475	15,664	50,138	0.14	1.2%	0.14	1.2%	0.14	1.2%	0.14	1.2%
Elkins (Wholesale)[4]	44,648	0	44,648	0.12	1.0%	0.12	1.1%	0.00	0.0%	0.00	0.0%
Total	3,209,569	1,107,172	4,316,742	11.83	100.0%	11.45	100.0%	11.70	100.0%	11.33	100.0%
Allocation Factor		[1]	4,327,171	11.86	(VOL-1)		(VOL-2)		(VOL-3)		(VOL-4)

NOTES: [1] Flow data based on Influent monthly averages supplied by city
[2] Residential Volume based on December through February metered water sales.
[3] Volume 1 is based on actual flows 2/3 on Customer and 1/3 on Volume
[4] Elkins not Allocated I&I. Volume Calculated based on 85% of metered water sales.

(VOL-1) Allocation based on all Consumption
(VOL-2) Allocation based on Consumption minus Farmington
(VOL-3) Allocation based on Retail Consumption Only
(VOL-4) Allocation based on Retail Consumption minus Farmington

City of Fayetteville Wastewater Utility
Wastewater Exhibit 6
Development of Customer
Allocation Factors

	Actual Customer		Customer Service & Accounting		
	Number of Connections	% of Total	Weighting Factor	Weighted Customer	% of Total
Inside Fayetteville					
Residential[1]	23,822	84.2%	1.00	23,822	67.4%
Commercial	2,101	7.4%	2.50	5,252	14.9%
Industrial	24	0.1%	2.50	60	0.2%
Government	189	0.7%	2.50	473	1.3%
Farmington	1,581	5.6%	2.50	3,953	11.2%
Outside Fayetteville	585	2.1%	3.00	1,755	5.0%
Elkins (Wholesale)	1	0.0%	5.00	5	0.0%
Total	28,303	100.0%		35,319	100.0%
Allocation Factor		(AC)			(WCA)

NOTES: [1] Residential includes multi-family connections based number of meters

City of Fayetteville Wastewater Utility
Wastewater Exhibit 7
Development of Strength
Allocation Factors

		Biological Oxygen Demand					Total Suspended Solids				
		All BOD			BOD Without Farmington		All			W/O Farmington	
	Annual Flow (000's)[3]	Avg. Factor (mg/l)	Calculated Pounds [1]	% of Total	Calculated Pounds [1]	% of Total	Avg. Factor (mg/l)	Calculated Pounds [1]	% of Total	Calculated Pounds [1]	% of Total
Inside Fayetteville											
Residential	2,152,548	210	3,772,232	45.9%	3,772	47.3%	180	3,233,342	45.7%	3,233	47.1%
Commercial	659,652	260	1,431,247	17.4%	1,431	17.9%	225	1,238,579	17.5%	1,239	18.0%
Industrial	976,579	260	2,118,883	25.8%	2,119	26.6%	225	1,833,649	25.9%	1,834	26.7%
Government	297,103	210	520,658	6.3%	521	6.5%	180	446,278	6.3%	446	6.5%
Farmington	136,074	210	238,463	2.9%	0	0.0%	180	204,397	2.9%	0	0.0%
Outside Fayetteville	50,138	210	87,865	1.1%	88	1.1%	180	75,313	1.1%	75	1.1%
Elkins (Wholesale)	44,648	120	44,710	0.54%	45	0.6%	115	42,847	0.61%	43	0.6%
Total	4,316,742		8,214,059	100.0%	7,976	100.0%		7,074,405	100.0%	6,870	100.0%
Allocation Factor		230 [2]		(BOD-1)		(BOD-2)	199 [2]		(SS-1)		(SS-2)

NOTES: [1] Calculated Pounds = Annual Flow * Strength Factor * (8.345 lbs/One thousand gallons)
[2] City Supplied BOD and TSS Values
[3] Annual Flow not including Inflow and Infiltration

City of Fayetteville Wastewater Utility
Wastewater Exhibit 8
Development of Revenue Related Allocation Factor

	Total Rate Revenues	% of Total
Inside Fayetteville		
Residential	$7,209,417	52.5%
Commercial	2,076,432	15.1%
Industrial	2,467,607	18.0%
Government	878,102	6.4%
Farmington	695,144	5.1%
Outside Fayetteville	257,574	1.9%
Elkins (Wholesale)	149,290	1.1%
	---------------	---------------
Total	$13,733,566	100.0%
Allocation Factor		(RR)

City of Fayetteville Wastewater Utility
Wastewater Exhibit 9
Functionalization and Classification
of Total Plant in Service

Account Name	As of 2008	ALL Volume: Total Volume (VOL-All)	ALL Volume: W/O Farmington Volume (VOL-w/o Farm)	Retail Only: Volume (VOL-Retail)	Retail Only: W/O Farmington (VOL-Rtl w/o Farm)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Bio-oxygen W/O Farmington (BOD-w/o Farm)	Strength Related: Suspended Solids (SS)	Suspended W/O Farmington (SS-w/o Farm)	Weighted for: Actual Customer (AC)	Weighted for: Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Collection															
Interceptors (36% of Mains)	$22,877,500	$22,877,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	100% (VOL)
Collectors (64% of Mains)	40,671,111	0	0	40,671,111	0	0	0	0	0	0	0	0	0	0	100% (VOL)
Connections	1,626,844	0	0	0	0	0	0	0	0	0	0	0	0	1,626,844	100% (DA-Fay)
Meters [1]	1,537,519	0	0	0	0	0	0	0	0	0	1,537,519	0	0	0	100% (WCA)
Lift Stations	6,284,327	6,284,327	0	0	0	0	0	0	0	0	0	0	0	0	100% (VOL)
Total Collection	$72,997,301	$29,161,827	$0	$40,671,111	$0	$0	$0	$0	$0	$0	$1,537,519	$0	$0	$1,626,844	
Treatment															
Noland Treatment Plant	$34,201,187	$0	$13,680,475	$0	$0	$0	$10,260,356	$0	$10,260,356	$0	$0	$0	$0	$0	40% (VOL) 30% (BOD) 30% (SS)
Water System Improvement Plan															
West Treatment Plant [2]	$70,183,620	$0	$25,771,425	$0	$0	$0	$19,328,569	$0	$19,328,569	$0	$0	$0	$5,755,057	$0	40% (VOL) 30% (BOD) 30% (SS)
West Treatment Plant Engineering [2]	8,787,970	0	3,219,599	0	0	0	2,414,699	0	2,414,699	0	0	0	718,974	0	40% (VOL) 30% (BOD) 30% (SS)
West Lift Stations [3]	2,887,700	0	2,887,700	0	0	0	0	0	0	0	0	0	0	0	100% (VOL)
Noland Treatment Plant Renovation	17,276,880	0	6,910,752	0	0	0	5,183,064	0	5,183,064	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Noland Treatment Plant Engineering	3,841,200	0	1,536,480	0	0	0	1,152,360	0	1,152,360	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Noland Lift Stations	577,500	0	231,000	0	0	0	173,250	0	173,250	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
West TrunkLine	29,100,902	0	11,640,361	0	0	0	8,730,271	0	8,730,271	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
West Trunkline Engineering	4,186,597	0	1,674,639	0	0	0	1,255,979	0	1,255,979	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Owl Creek Lift Station/Force Main	1,320,000	0	0	0	0	0	0	0	0	0	0	0	0	1,320,000	100% (DA Fay)
East Trunkline	23,452,580	0	9,381,032	0	0	0	7,035,774	0	7,035,774	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
East Trunkline Engineering	2,761,743	0	1,104,697	0	0	0	828,523	0	828,523	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
General Engineering	3,816,726	1,526,690	0	0	0	1,145,018	0	1,145,018	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Easments	1,795,000	0	718,000	0	0	0	538,500	0	538,500	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
All Other Treatment	3,206,584	0	1,282,634	0	0	0	961,975	0	961,975	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Total Treatment	$207,376,189	$1,526,690	$80,038,793	$0	$0	$1,145,018	$57,863,320	$1,145,018	$57,863,320	$0	$0	$0	$6,474,030	$1,320,000	
Total Plant Before Gen. Plant	$280,373,490	$30,688,518	$80,038,793	$40,671,111	$0	$1,145,018	$57,863,320	$1,145,018	$57,863,320	$0	$1,537,519	$0	$6,474,030	$2,946,844	
General Plant															
Land	$2,499,802	$273,618	$713,624	$362,622	$0	$10,209	$515,908	$10,209	$515,908	$0	$13,708	$0	$57,722	$26,274	As Plant Before General Plant
Buildings	2,749,728	300,974	784,970	398,877	0	11,230	567,487	11,230	567,487	0	15,079	0	63,493	28,901	As Plant Before General Plant
Office Equipment	318,576	34,870	90,944	46,213	0	1,301	65,747	1,301	65,747	0	1,747	0	7,356	3,348	As Plant Before General Plant
Equipment	2,903,807	317,839	828,956	421,228	0	11,859	599,286	11,859	599,286	0	15,924	0	67,051	30,520	As Plant Before General Plant
Total General Plant	$8,471,912	$927,300	$2,418,494	$1,228,940	$0	$34,598	$1,748,428	$34,598	$1,748,428	$0	$46,458	$0	$195,623	$89,043	
Total Plant in Service	$288,845,403	$31,615,818	$82,457,287	$41,900,051	$0	$1,179,616	$59,611,748	$1,179,616	$59,611,748	$0	$1,583,977	$0	$6,669,653	$3,035,887	
Less: Accumulated Depreciation															
Buildings	$3,793,576	$415,229	$1,082,960	$550,298	$0	$15,493	$782,916	$15,493	$782,916	$0	$20,803	$0	$87,596	$39,872	As Net Plant in Service
Other Improvements	32,423,415	3,548,932	9,255,978	4,703,356	0	132,414	6,691,526	132,414	6,691,526	0	177,804	0	748,681	340,784	As Net Plant in Service
Mech, Equip and Vehicles	7,706,068	843,474	2,199,867	1,117,846	0	31,471	1,590,374	31,471	1,590,374	0	42,259	0	177,939	80,994	As Net Plant in Service
Total Accumulated Depr.	$43,923,059	$4,807,636	$12,538,805	$6,371,500	$0	$179,377	$9,064,816	$179,377	$9,064,816	$0	$240,866	$0	$1,014,216	$461,650	
Plus: Working Capital															
Inventory	$545,744	$59,735	$155,795	$79,166	$0	$2,229	$112,630	$2,229	$112,630	$0	$2,993	$0	$12,602	$5,736	As Net Plant in Service
90 Days O&M Expense	1,138,701	124,638	325,067	165,181	0	4,650	235,005	4,650	235,005	0	6,244	0	26,293	11,968	As Net Plant in Service
Construction in Progress	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Net Plant in Service
Total Working Capital	$1,684,445	$184,372	$480,862	$244,346	$0	$6,879	$347,635	$6,879	$347,635	$0	$9,237	$0	$38,895	$17,704	
Less Contributed Capital															
Collection System	$25,398,492	$2,780,013	$7,250,559	$3,684,317	$0	$103,725	$5,241,726	$103,725	$5,241,726	$0	$139,281	$0	$586,470	$266,949	As Net Plant in Service
Farmington Lift Station	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As West Lift Stations
Noland Plant	10,000,000	0	4,000,000	0	0	0	3,000,000	0	3,000,000	0	0	0	0	0	As Noland Plant
Total Contributed Capital	$35,398,492	$2,780,013	$11,250,559	$3,684,317	$0	$103,725	$8,241,726	$103,725	$8,241,726	$0	$139,281	$0	$586,470	$266,949	
Total Rate Base	$211,208,296	$24,212,541	$59,148,784	$32,088,580	$0	$903,393	$42,652,841	$903,393	$42,652,841	$0	$1,213,067	$0	$5,107,862	$2,324,993	

[1] Meter Asset Values were allocated 75% to the Water Utility and 25% to the Sewer Utility
[2] Farmingtion is directly assigned 8.2% of Total Plant Cost (capacity)
[3] Total cost of West Lift Station is $8,087,700 of which Farmington will directly finance $5,200,000

City of Fayetteville Wastewater Utility
Wastewater Exhibit 10
Functionalization and Classification
Plant in Service less Sales and Use Tax Purchased Assets

		ALL Volume		Retail Only		Strength Related				Weighted for:					
Account Name	As of 2006 [3]	Total Volume (VOL-All)	W/O Farmington Volume (VOL-w/o Farm)	Volume (VOL-Retail)	W/O Farmington (VOL-Rtl w/o Farm)	Bio-oxygen Demand (BOD)	Bio-oxygen W/O Farmington (BOD-w/o Farm)	Suspended Solids (SS)	Suspended W/O Farmington (SS-w/o Farm)	Actual Customer (AC)	Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Collection															
Interceptors (36% of Mains)	$22,877,500	$22,877,500	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	100% (VOL)
Collectors (64% of Mains)	40,671,111	0	0	40,671,111	0	0	0	0	0	0	0	0	0	0	100% (VOL)
Connections	1,626,844	0	0	0	0	0	0	0	0	0	0	0	0	1,626,844	100% (DA-Fay)
Meters [1]	1,537,519		0	0	0	0	0	0	0	0	1,537,519	0	0	0	100% (WCA)
Lift Stations	6,284,327	6,284,327	0	0	0	0	0	0	0	0	0	0	0	0	100% (VOL)
Total Collection	$72,997,301	$29,161,827	$0	$40,671,111	$0	$0	$0	$0	$0	$0	$1,537,519	$0	$0	$1,626,844	
Treatment															
Noland Treatment Plant	$34,201,187	$0	$13,680,475	$0	$0	$0	$10,260,356	$0	$10,260,356	$0	$0	$0	$0	$0	40% (VOL) 30% (BOD) 30% (SS)
Water System Improvement Plan															
West Treatment Plant [2]	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	40% (VOL) 30% (BOD) 30% (SS)
West Treatment Plant Engineering [2]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
West Lift Stations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100% (DA-Farm)
Noland Treatment Plant Renovation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Noland Treatment Plant Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Noland Lift Stations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
West TrunkLine	29,100,902	0	11,640,361	0	0	0	8,730,271	0	8,730,271	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
West Trunkline Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Owl Creek Lift Station/Force Main	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100% (DA Fay)
East Trunkline	23,452,580	0	9,381,032	0	0	0	7,035,774	0	7,035,774	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
East Trunkline Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
General Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Esments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
All Other Treatment	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Less: Tax funded Capital [2]	0	0	0	0	0	0	0	0	0	0	0	0	0	0	40% (VOL) 30% (BOD) 30% (SS)
Net Treatment Plant	$86,754,669	$0	$34,701,868	$0	$0	$0	$26,026,401	$0	$26,026,401	$0	$0	$0	$0	$0	
Net Plant Before General	$159,751,970	$29,161,827	$34,701,868	$40,671,111	$0	$0	$26,026,401	$0	$26,026,401	$0	$1,537,519	$0	$0	$1,626,844	
General Plant															
Land	$2,499,802	$456,325	$543,016	$636,422	$0	$0	$407,262	$0	$407,262	$0	$24,059	$0	$0	$25,457	As Plant Before General Plant
Buildings	2,749,728	501,947	597,305	700,051	0	0	447,979	0	447,979	0	26,465	0	0	28,002	As Plant Before General Plant
Office Equipment	318,576	58,154	69,202	81,108	0	0	51,902	0	51,902	0	3,066	0	0	3,244	As Plant Before General Plant
Equipment	2,903,807	530,074	630,775	739,278	0	0	473,081	0	473,081	0	27,947	0	0	29,571	As Plant Before General Plant
Total General Plant	$8,471,912	$1,546,500	$1,840,298	$2,156,857	$0	$0	$1,380,223	$0	$1,380,223	$0	$81,537	$0	$0	$86,274	
Net Plant in Service	$168,223,683	$30,708,327	$36,542,165	$42,827,968	$0	$0	$27,406,624	$0	$27,406,624	$0	$1,619,056	$0	$0	$1,713,118	
Less: Accumulated Depreciation															
Buildings	$3,793,576	$692,496	$824,054	$965,803	$0	$0	$618,040	$0	$618,040	$0	$36,511	$0	$0	$38,632	As Net Plant in Service
Other Improvements	32,423,415	5,918,713	7,043,125	8,254,648	0	0	5,282,344	0	5,282,344	0	312,056	0	0	330,186	As Net Plant in Service
Mach, Equip and Vehicles	7,706,068	1,406,700	1,673,938	1,961,881	0	0	1,255,454	0	1,255,454	0	74,166	0	0	78,475	As Net Plant in Service
Total Accumulated Depr.	$43,923,059	$8,017,908	$9,541,117	$11,182,332	$0	$0	$7,155,837	$0	$7,155,837	$0	$422,734	$0	$0	$447,293	
Plus: Working Capital															
Inventory	$363,285	$66,316	$78,914	$92,488	$0	$0	$59,185	$0	$59,185	$0	$3,496	$0	$0	$3,700	As Net Plant in Service
90 Days O&M Expense	1,138,701	207,864	247,353	289,901	0	0	185,514	0	185,514	0	10,959	0	0	11,596	As Net Plant in Service
Construction in Progress	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Net Plant in Service
Total Working Capital	$1,501,986	$274,179	$326,266	$382,389	$0	$0	$244,700	$0	$244,700	$0	$14,456	$0	$0	$15,296	
Less Contributed Capital															
Collection System	$25,398,492	$4,636,352	$5,517,147	$6,466,179	$0	$0	$4,137,860	$0	$4,137,860	$0	$244,446	$0	$0	$258,647	As Net Plant in Service
Farmington Lift Station	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As West Lift Stations
Noland Plant	10,000,000	0	4,000,000	0	0	0	3,000,000	0	3,000,000	0	0	0	0	0	As Noland Plant
Total Contributed Capital	$35,398,492	$4,636,352	$9,517,147	$6,466,179	$0	$0	$7,137,860	$0	$7,137,860	$0	$244,446	$0	$0	$258,647	
Net Rate Base	$90,404,317	$18,328,246	$17,810,168	$25,561,845	$0	$0	$13,357,626	$0	$13,357,626	$0	$966,333	$0	$0	$1,022,473	

[1] Farmington is directly assigned 8.2% of Total Plant Cost (capacity)
[2] Provided by City - Amount funded by Sales Tax
[3] Exhibit 9 gross plant in service less all facilities fund by sales and use tax

City of Fayetteville Wastewater Utility
Wastewater Exhibit 11
Allocation of Net Rate Base

Class. Component	Total Plant 2008	Inside Fayetteville				Outside Fayetteville		Elkins	Notes:
		Residential	Commercial	Industrial	Government	Farmington	Other	(Wholesale)	
Volume Related									
-VOL-All	$18,328,246	$9,139,398	$2,800,785	$4,146,409	$1,261,455	$577,751	$212,880	$189,567	(VOL)
-VOL-W/O Farmington	17,810,168	9,170,123	2,810,201	4,160,348	1,265,696	0	213,596	190,204	(VOL-w/o Farm)
-VOL-Retail Only	25,561,845	12,879,652	3,946,993	5,843,307	1,777,700	814,193	300,000	0	(VOL-Retail)
-VOL-Retail W/O Farm.	0	0	0	0	0	0	0	0	(VOL-Rtl w/o Farm)
Total Volume	$61,700,259	$31,189,172	$9,557,979	$14,150,064	$4,304,851	$1,391,944	$726,476	$379,772	
Strength Related									
- BOD All	$0	$0	$0	$0	$0	$0	$0	$0	(BOD)
- BOD-W/O Farmington	13,357,626	6,317,781	2,397,071	3,548,732	872,005	0	147,157	74,881	(BOD-w/o Farm)
- SS-All	0	0	0	0	0	0	0	0	(SS)
- SS-W/O Farmington	13,357,626	6,286,713	2,408,218	3,565,235	867,717	0	146,434	83,309	(SS-w/o Farm)
Total Strength	$26,715,252	$12,604,493	$4,805,289	$7,113,967	$1,739,721	$0	$293,591	$158,191	
Customer Related									
- Actual Customer	$0	$0	$0	$0	$0	$0	$0	$0	(AC)
- Weighted Customer	966,333	651,763	143,691	1,653	12,945	108,140	48,003	137	(WCA)
Total Customer Related	$966,333	$651,763	$143,691	$1,653	$12,945	$108,140	$48,003	$137	
Revenue Related	$0	$0	$0	$0	$0	$0	$0	$0	(RR)
Direct Assignment Farm.	$0	$0	$0	$0	$0	$0	$0	$0	(DA-Farm)
Direct Assignment Fay.	$1,022,473	$502,904	$172,613	$266,521	$80,436	$0	$0	$0	(DA-Fay)
Total Rate Base	$90,404,317	$44,948,333	$14,679,572	$21,532,205	$6,137,953	$1,500,085	$1,068,071	$538,099	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 12
Functionalization and Classification
of Depreciation Expense

Account Name	As of 12/31/05	ALL Volume: Total Volume (VOL-All)	ALL Volume: W/O Farmington Volume (VOL-w/o Farm)	Retail Only: Volume (VOL-Retail)	Retail Only: W/O Farmington (VOL-Rtl w/o Farm)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Bio-oxygen W/O Farmington (BOD-w/o Farm)	Strength Related: Suspended Solids (SS)	Strength Related: Suspended W/O Farmington (SS-w/o Farm)	Weighted for: Actual Customer (AC)	Weighted for: Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Collection															
Interceptors (36% of Mains)	$318,356	$318,356	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Trunklines
Collectors (64% of Mains)	565,965	0	0	565,965	0	0	0	0	0	0	0	0	0	0	As Laterals
Connections	54,228	0	0	0	0	0	0	0	0	0	0	0	0	54,228	As Owl Creek Force Mains
Meters [1]	27,409	0	0	0	0	0	0	0	0	0	27,409	0	0	0	As Connections
Lift Stations	36,343	36,343	0	0	0	0	0	0	0	0	0	0	0	0	As Meters
Total Collection	$1,002,301	$354,699	$0	$565,965	$0	$0	$0	$0	$0	$0	$27,409	$0	$0	$54,228	
Treatment															
Noland Treatment Plant	$614,835	$0	$245,934	$0	$0	$0	$184,451	$0	$184,451	$0	$0	$0	$0	$0	As Noland Plant
Water System Improvement Plan															
West Treatment Plant	$2,339,454	$0	$859,048	$0	$0	$0	$644,286	$0	$644,286	$0	$0	$0	$191,835	$0	As West Treatment Plant
West Treatment Plant Engineering	292,266	0	107,320	0	0	0	80,490	0	80,490	0	0	0	23,966	0	As West Treatment Plant Engineering
West Lift Stations	96,257	0	96,257	0	0	0	0	0	0	0	0	0	0	0	As West Lift Stations
Noland Treatment Plant Renovation	575,896	0	230,358	0	0	0	172,769	0	172,769	0	0	0	0	0	As Noland Treatment Plant Renovation
Noland Treatment Plant Engineering	128,040	0	51,216	0	0	0	38,412	0	38,412	0	0	0	0	0	As Noland Treatment Plant Engineering
Noland Lift Stations	19,250	0	7,700	0	0	0	5,775	0	5,775	0	0	0	0	0	As Noland Lift Stations
West TrunkLine	970,030	0	388,012	0	0	0	291,009	0	291,009	0	0	0	0	0	As West TrunkLine
West Trunkline Engineering	139,553	0	55,821	0	0	0	41,866	0	41,866	0	0	0	0	0	As West Trunkline Engineering
Owl Creek Lift Station/Force Main	44,000	0	0	0	0	0	0	0	0	0	0	0	0	44,000	As Owl Creek Lift Station/Force Main
East Trunkline	781,753	0	312,701	0	0	0	234,526	0	234,526	0	0	0	0	0	As East Trunkline
East Trunkline Engineering	92,058	0	36,823	0	0	0	27,617	0	27,617	0	0	0	0	0	As East Trunkline Engineering
General Engineering	127,224	50,890	0	0	0	38,167	0	38,167	0	0	0	0	0	0	As General Engineering
Easments	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Easments
All Other Treatment	106,886	0	42,754	0	0	0	32,066	0	32,066	0	0	0	0	0	As All Other Treatment
Total Treatment	$6,327,502	$50,890	$2,433,945	$0	$0	$38,167	$1,753,266	$38,167	$1,753,266	$0	$0	$0	$215,801	$44,000	
Total Plant Before General Plant	$7,329,803	$405,588	$2,433,945	$565,965	$0	$38,167	$1,753,266	$38,167	$1,753,266	$0	$27,409	$0	$215,801	$98,228	
General Plant															
Land	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Land
Buildings	43,877	4,803	12,526	6,365	0	179	9,055	179	9,055	0	241	0	1,013	461	As Buildings
Office Equipment	29,892	3,272	8,533	4,336	0	122	6,169	122	6,169	0	164	0	690	314	As Office Equipment
Equipment	127,570	13,963	36,418	18,505	0	521	26,328	521	26,328	0	700	0	2,946	1,341	As Equipment
Total General Plant	$201,339	$22,038	$57,477	$29,206	$0	$822	$41,552	$822	$41,552	$0	$1,104	$0	$4,649	$2,116	
Total Depreciation Expense	$7,531,142	$427,626	$2,491,421	$595,172	$0	$38,990	$1,794,818	$38,990	$1,794,818	$0	$28,513	$0	$220,450	$100,344	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 13
Functionalization and Classification
of Revenue Requirement

	Test Year 2009	ALL Volume: Total Volume (VOL-All)	ALL Volume: W/O Farmington Volume (VOL-w/o Farm)	Retail Only: Volume (VOL-Retail)	Retail Only: W/O Farmington (VOL-Rtl w/o Farm)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Bio-oxygen W/O Farmington (BOD-w/o Farm)	Strength Related: Suspended Solids (SS)	Strength Related: Suspended W/O Farmington (SS-w/o Farm)	Actual Customer (AC)	Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Application of Funds															
Wastewater Director															
Personnel															
Salary/Overtime	$64,227	$4,692	$18,835	$6,488	$0	$30	$14,069	$30	$14,069	$1,845	$2,484	$0	$1,391	$294	As Other O&M
Health Insurance	4,346	317	1,274	439	0	2	952	2	952	125	168	0	94	20	As Other O&M
Payroll taxes and Insurance	12,423	908	3,643	1,255	0	6	2,721	6	2,721	357	480	0	269	57	As Other O&M
Total Personnel	$80,996	$5,917	$23,752	$8,182	$0	$38	$17,742	$38	$17,742	$2,327	$3,133	$0	$1,755	$371	
Material/Supplies															
Materials/Supplies	$2,459	$180	$721	$248	$0	$1	$539	$1	$539	$71	$95	$0	$53	$11	As Other O&M
Total Material/Supplies	$2,459	$180	$721	$248	$0	$1	$539	$1	$539	$71	$95	$0	$53	$11	
Services & Charges															
Publications/Dues/Training/Expenses	$2,595	$190	$761	$262	$0	$1	$568	$1	$568	$75	$100	$0	$56	$12	As Other O&M
Telephone Expenses	548	40	160	55	0	0	120	0	120	16	21	0	12	2	As Other O&M
Engineering Services	588	43	172	59	0	0	128	0	128	17	23	0	13	3	As Other O&M
Cost Allocation	12,313	900	3,611	1,244	0	6	2,697	6	2,697	354	476	0	267	56	As Other O&M
Total Services & Charges	$16,039	$1,172	$4,703	$1,620	$0	$8	$3,513	$8	$3,513	$461	$620	$0	$347	$73	
Total Water & Wastewater Director	$99,494	$7,289	$29,178	$10,050	$0	$47	$21,794	$47	$21,794	$2,858	$3,848	$0	$2,155	$456	
Billing & Collections															
Personnel															
Salary/Overtime	$275,249	$0	$0	$0	$0	$0	$0	$0	$0	$0	$275,249	$0	$0	$0	100% As WCS
Health Insurance	33,445	0	0	0	0	0	0	0	0	0	33,445	0	0	0	100% As WCS
Payroll Taxes and Insurance	47,296	0	0	0	0	0	0	0	0	0	47,296	0	0	0	100% As WCS
Total Personnel	$355,991	$0	$0	$0	$0	$0	$0	$0	$0	$0	$355,991	$0	$0	$0	
Material/Supplies															
Materials/Supplies	$31,416	$0	$0	$0	$0	$0	$0	$0	$0	$0	$31,416	$0	$0	$0	100% As WCS
Total Material/Supplies	$31,416	$0	$0	$0	$0	$0	$0	$0	$0	$0	$31,416	$0	$0	$0	
Services & Charges															
Public Notification/Publications & Dues	$1,366	$0	$0	$0	$0	$0	$0	$0	$0	$0	$1,366	$0	$0	$0	100% As WCS
Postage	101,624	0	0	0	0	0	0	0	0	101,624	0	0	0	0	100% As AC
Telephone Expenses	2,185	0	0	0	0	0	0	0	0	0	2,185	0	0	0	100% As WCS
Professional Services	25,133	0	0	0	0	0	0	0	0	0	25,133	0	0	0	100% As WCS
Bad Debt Expenses	72,448	0	0	0	0	0	0	0	0	0	72,448	0	0	0	100% As WCS
Disputed Payments/Collection Related Exp	10,490	0	0	0	0	0	0	0	0	10,490	0	0	0	0	100% As AC
Cost Allocation	(42,354)	0	0	0	0	0	0	0	0	0	(42,354)	0	0	0	100% As WCS
Total Services & Charges	$170,892	$0	$0	$0	$0	$0	$0	$0	$0	$112,114	$58,778	$0	$0	$0	
Maintenance															
Maintenance	$4,942	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,942	$0	$0	$0	100% As WCS
Total Maintenance	$4,942	$0	$0	$0	$0	$0	$0	$0	$0	$0	$4,942	$0	$0	$0	
Total Billing & Collections	$563,240	$0	$0	$0	$0	$0	$0	$0	$0	$112,114	$451,126	$0	$0	$0	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 13
Functionalization and Classification
of Revenue Requirement

		ALL Volume		Retail Only		Strength Related									
	Test Year 2009	Total Volume (VOL-All)	W/O Farmington Volume (VOL-w/o Farm)	Volume (VOL-Retail)	W/O Farmington (VOL-Rtl w/o Farm)	Bio-oxygen Demand (BOD)	Bio-oxygen W/O Farmington (BOD-w/o Farm)	Suspended Solids (SS)	Suspended W/O Farmington (SS-w/o Farm)	Actual Customer (AC)	Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Meter Operations Program															
Personnel															
Salary/Overtime	$147,782	$0	$0	$0	$0	$0	$0	$0	$0	$147,782	$0	$0	$0	$0	100% As AC
Health Insurance	18,704	0	0	0	0	0	0	0	0	18,704	0	0	0	0	100% As AC
Payroll Tax and Insurance	31,400	0	0	0	0	0	0	0	0	31,400	0	0	0	0	100% As AC
Total Personnel	$197,886	$0	$0	$0	$0	$0	$0	$0	$0	$197,886	$0	$0	$0	$0	
Material/Supplies															
Material/Supplies	$14,359	$0	$0	$0	$0	$0	$0	$0	$0	$14,359	$0	$0	$0	$0	100% As AC
Total Material/Supplies	$14,359	$0	$0	$0	$0	$0	$0	$0	$0	$14,359	$0	$0	$0	$0	
Services & Charges															
Miscellaneous Services and Charges	$11,044	$0	$0	$0	$0	$0	$0	$0	$0	$11,044	$0	$0	$0	$0	100% As AC
Postage	82	0	0	0	0	0	0	0	0	82	0	0	0	0	100% As AC
Telephone Expenses	1,311	0	0	0	0	0	0	0	0	1,311	0	0	0	0	100% As AC
Property Insurance	2,032	0	0	0	0	0	0	0	0	2,032	0	0	0	0	100% As AC
Replacement Charges	12,597	0	0	0	0	0	0	0	0	12,597	0	0	0	0	100% As AC
Cost Allocation	18,538	0	0	0	0	0	0	0	0	18,538	0	0	0	0	100% As AC
Total Services & Charges	$45,604	$0	$0	$0	$0	$0	$0	$0	$0	$45,604	$0	$0	$0	$0	
Maintenance															
Maintenance and Supplies	$1,831	$0	$0	$0	$0	$0	$0	$0	$0	$1,831	$0	$0	$0	$0	100% As AC
Total Maintenance	$1,831	$0	$0	$0	$0	$0	$0	$0	$0	$1,831	$0	$0	$0	$0	
Total Meter Operations Program	**$259,679**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$259,679**	**$0**	**$0**	**$0**	**$0**	
Meter Maintenance & Backflow Prev															
Personnel															
Salary/Overtime	$72,124	$28,813	$0	$40,165	$0	$0	$0	$0	$0	$0	$1,519	$0	$0	$1,607	As Collection
Health Insurance	6,634	2,650	0	3,696	0	0	0	0	0	0	140	0	0	148	As Collection
Payroll Tax and Insurance	15,761	6,296	0	8,782	0	0	0	0	0	0	332	0	0	351	As Collection
Total Personnel	$94,519	$37,760	$0	$52,662	$0	$0	$0	$0	$0	$0	$1,991	$0	$0	$2,106	
Material/Supplies															
Material/Supplies	$3,430	$1,370	$0	$1,911	$0	$0	$0	$0	$0	$0	$72	$0	$0	$76	As Collection
Construction Materials	13,142	5,250	0	7,322	0	0	0	0	0	0	277	0	0	293	As Collection
Total Material/Supplies	$16,572	$6,620	$0	$9,233	$0	$0	$0	$0	$0	$0	$349	$0	$0	$369	
Services & Charges															
Uniforms/Personal Equipment	$13,538	$5,408	$0	$7,543	$0	$0	$0	$0	$0	$0	$285	$0	$0	$302	As Collection
Postage	382	153	0	213	0	0	0	0	0	0	8	0	0	9	As Collection
Telephone Expenses	246	98	0	137	0	0	0	0	0	0	5	0	0	5	As Collection
Property Insurance	683	273	0	381	0	0	0	0	0	0	14	0	0	15	As Collection
Total Services & Charges	$14,849	$5,932	$0	$8,273	$0	$0	$0	$0	$0	$0	$313	$0	$0	$331	
Maintenance															
Maintenance	$658	$263	$0	$367	$0	$0	$0	$0	$0	$0	$14	$0	$0	$15	As Collection
Total Maintenance	$658	$263	$0	$367	$0	$0	$0	$0	$0	$0	$14	$0	$0	$15	
Total Meter Maint. & Backflow Prev.	**$126,598**	**$50,575**	**$0**	**$70,535**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2,667**	**$0**	**$0**	**$2,821**	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 13
Functionalization and Classification of Revenue Requirement

	Test Year 2009	ALL Volume: Total Volume (VOL-All)	ALL Volume: W/O Farmington Volume (VOL-w/o Farm)	Retail Only: Volume (VOL-Retail)	Retail Only: W/O Farmington (VOL-Rtl w/o Farm)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Bio-oxygen W/O Farmington (BOD-w/o Farm)	Strength Related: Suspended Solids (SS)	Strength Related: Suspended W/O Farmington (SS-w/o Farm)	Actual Customer (AC)	Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Operations and Administration Program															
Personnel															
Salary/Overtime	$330,959	$36,225	$94,479	$48,009	$0	$1,352	$68,303	$1,352	$68,303	$0	$1,815	$0	$7,642	$3,479	As Total Plant In Service
Health Insurance	31,954	3,498	9,122	4,635	0	130	6,595	130	6,595	0	175	0	738	338	As Total Plant In Service
Payroll Tax and Insurance	94,754	10,371	27,050	13,745	0	387	19,555	387	19,555	0	520	0	2,188	998	As Total Plant In Service
Total Personnel	$457,667	$50,094	$130,651	$66,389	$0	$1,869	$94,453	$1,869	$94,453	$0	$2,510	$0	$10,568	$4,810	
Material/Supplies															
Material/Supplies	$30,808	$3,372	$8,794	$4,469	$0	$126	$6,358	$126	$6,358	$0	$169	$0	$711	$324	As Total Plant In Service
Minor Equipment	52,550	5,752	15,001	7,623	0	215	10,845	215	10,845	0	288	0	1,213	552	As Total Plant In Service
Total Material/Supplies	$83,355	$9,124	$23,796	$12,092	$0	$340	$17,203	$340	$17,203	$0	$457	$0	$1,925	$876	
Services & Charges															
Public Notification	$134,672	$14,741	$38,445	$19,536	$0	$550	$27,793	$550	$27,793	$0	$739	$0	$3,110	$1,415	As Total Plant In Service
Postage	656	72	187	95	0	3	135	3	135	0	4	0	15	7	As Total Plant In Service
Utilities	333,547	36,509	95,218	48,385	0	1,362	68,837	1,362	68,837	0	1,829	0	7,702	3,506	As Total Plant In Service
Telephone Expenses	13,301	1,456	3,797	1,929	0	54	2,745	54	2,745	0	73	0	307	140	As Total Plant In Service
Insurance - Vehicles/Buildings	10,843	1,187	3,095	1,573	0	44	2,238	44	2,238	0	59	0	250	114	As Total Plant In Service
Cost Allocation	401,518	43,949	114,622	58,244	0	1,640	82,865	1,640	82,865	0	2,202	0	9,271	4,220	As Total Plant In Service
Total Services & Charges	$894,536	$97,912	$255,365	$129,762	$0	$3,653	$184,614	$3,653	$184,614	$0	$4,905	$0	$20,656	$9,402	
Maintenance															
Maintenance	$53,005	5,802	15,131	7,689	0	216	10,939	216	10,939	0	291	0	1,224	557	As Total Plant In Service
Total Maintenance	$53,005	$5,802	$15,131	$7,689	$0	$216	$10,939	$216	$10,939	$0	$291	$0	$1,224	$557	
Total Ops and Admin. Program	$1,488,563	$162,932	$424,943	$215,932	$0	$6,079	$307,209	$6,079	$307,209	$0	$8,163	$0	$34,372	$15,645	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 13
Functionalization and Classification of Revenue Requirement

		ALL Volume		Retail Only		Strength Related									
	Test Year 2009	Total Volume (VOL-All)	W/O Farmington Volume (VOL-w/o Farm)	Volume (VOL-Retail)	W/O Farmington (VOL-Rtl w/o Farm)	Bio-oxygen Demand (BOD)	Bio-oxygen W/O Farmington (BOD-w/o Farm)	Suspended Solids (SS)	Suspended W/O Farmington (SS-w/o Farm)	Actual Customer (AC)	Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Total Sewer Joint Expenditures	$2,537,576	$220,775	$454,120	$296,517	$0	$6,126	$329,003	$6,126	$329,003	$374,652	$465,804	$0	$36,527	$18,923	
Sewer Mains Maintenance Program															
Personnel															
Salary & Wages	$790,948	$315,977	$0	$440,684	$0	$0	$0	$0	$0	$0	$16,659	$0	$0	$17,627	As Collecton
Extra Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Overtime	39,119	15,628	0	21,796	0	0	0	0	0	0	824	0	0	872	As Collecton
FICA Taxes	61,684	24,642	0	34,368	0	0	0	0	0	0	1,299	0	0	1,375	As Collecton
Life Insurance	3,146	1,257	0	1,753	0	0	0	0	0	0	66	0	0	70	As Collecton
Health Insurance	128,879	51,486	0	71,806	0	0	0	0	0	0	2,715	0	0	2,872	As Collecton
LTD Insurance	2,416	965	0	1,346	0	0	0	0	0	0	51	0	0	54	As Collecton
ADD Insurance	400	160	0	223	0	0	0	0	0	0	8	0	0	9	As Collecton
Retirement Savings Plan	93,615	37,398	0	52,158	0	0	0	0	0	0	1,972	0	0	2,086	As Collecton
Personnel Service - Contract	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Total Personnel	$1,120,208	$447,514	$0	$624,134	$0	$0	$0	$0	$0	$0	$23,595	$0	$0	$24,965	
Material/Supplies															
Chemicals	$4,371	$1,746	$0	$2,435	$0	$0	$0	$0	$0	$0	$92	$0	$0	$97	As Collecton
Fuel	35,451	14,163	0	19,752	0	0	0	0	0	0	747	0	0	790	As Collecton
Construction Materials	175,929	70,282	0	98,020	0	0	0	0	0	0	3,706	0	0	3,921	As Collecton
Total Material/Supplies	$215,761	$86,191	$0	$120,208	$0	$0	$0	$0	$0	$0	$4,544	$0	$0	$4,808	
Services & Charges															
Travel & Training	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Collecton
Travel/Training Advances	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Equipment Rental	24,040	9,604	0	13,394	0	0	0	0	0	0	506	0	0	536	As Collecton
Insurance - Self - City Vehicles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Insurance - Self - Non Vehicular Damage	19,669	7,858	0	10,959	0	0	0	0	0	0	414	0	0	438	As Collecton
Contract Services	6,556	2,619	0	3,653	0	0	0	0	0	0	138	0	0	146	As Collecton
Contract Services - St Cuts	59,007	23,573	0	32,876	0	0	0	0	0	0	1,243	0	0	1,315	As Collecton
Recording Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Motor Pool Charges	64,027	25,578	0	35,673	0	0	0	0	0	0	1,349	0	0	1,427	As Collecton
Replacement Charges	217,748	86,988	0	121,320	0	0	0	0	0	0	4,586	0	0	4,853	As Collecton
Shop Overhead Charges	23,407	9,351	0	13,042	0	0	0	0	0	0	493	0	0	522	As Collecton
Motor Pool - Contract	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Cost Allocation	81,024	32,368	0	45,143	0	0	0	0	0	0	1,707	0	0	1,806	As Collecton
Total Services & Charges	$495,478	$197,940	$0	$276,060	$0	$0	$0	$0	$0	$0	$10,436	$0	$0	$11,042	
Maintenance															
Vehicles & Machine Maintenance	$745	$298	$0	$415	$0	$0	$0	$0	$0	$0	$16	$0	$0	$17	As Collecton
Small Equipment Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Software Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collecton
Total Maintenance	$745	$298	$0	$415	$0	$0	$0	$0	$0	$0	$16	$0	$0	$17	
Total Sewer Mains Maint. Program	$1,832,183	$731,942	$0	$1,020,819	$0	$0	$0	$0	$0	$0	$38,591	$0	$0	$40,833	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 13
Functionalization and Classification
of Revenue Requirement

	Test Year 2009	ALL Volume: Total Volume (VOL-All)	ALL Volume: W/O Farmington Volume (VOL-w/o Farm)	Retail Only: Volume (VOL-Retail)	Retail Only: W/O Farmington (VOL-Rtl w/o Farm)	Strength Related: Bio-oxygen Demand (BOD)	Strength Related: Bio-oxygen W/O Farmington (BOD-w/o Farm)	Strength Related: Suspended Solids (SS)	Strength Related: Suspended W/O Farmington (SS-w/o Farm)	Actual Customer (AC)	Customer Acct/Svcs (WCA)	Revenue (RR)	Farmington Direct (DA-Farm)	Fayetteville Direct (DA-Fay)	Basis of Classification
Wastewater Treatment Plant Program															
Services & Charges															
Public Notification	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Noland Treatment Plant
Utilities	179,978	0	71,991	0	0	0	53,993	0	53,993	0	0	0	0	0	As Noland Treatment Plant
Insurance - Vehicles/Buildings	65,057	0	26,023	0	0	0	19,517	0	19,517	0	0	0	0	0	As Noland Treatment Plant
Insurance - Self - City Vehicles	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Noland Treatment Plant
PCP Operations Contract	5,094,134	0	2,037,653	0	0	0	1,528,240	0	1,528,240	0	0	0	0	0	As Noland Treatment Plant
Direct Purchases	135,858	0	54,343	0	0	0	40,757	0	40,757	0	0	0	0	0	As Noland Treatment Plant
Motor Pool Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Noland Treatment Plant
Replacement Charges	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Noland Treatment Plant
Shop Overhead Charges	153,229	0	61,291	0	0	0	45,969	0	45,969	0	0	0	0	0	As Noland Treatment Plant
Motor Pool - Contract	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Noland Treatment Plant
Special Assessments	4,081	0	1,633	0	0	0	1,224	0	1,224	0	0	0	0	0	As Noland Treatment Plant
Cost Allocation	36,671	0	14,629	0	0	0	10,971	0	10,971	0	0	0	0	0	As Noland Treatment Plant
Total Services & Charges	$5,668,908	$0	$2,287,563	$0	$0	$0	$1,700,672	$0	$1,700,672	$0	$0	$0	$0	$0	
Maintenance															
Building & Grounds Maintenance	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Noland Treatment Plant
Radio Maintenance	1,771	0	709	0	0	0	531	0	531	0	0	0	0	0	As Noland Treatment Plant
Vehicles & Machine Maintenance	733	0	293	0	0	0	220	0	220	0	0	0	0	0	As Noland Treatment Plant
Plant Equipment Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Noland Treatment Plant
Landscape Maintenance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Noland Treatment Plant
Total Maintenance	$2,505	$0	$1,002	$0	$0	$0	$751	$0	$751	$0	$0	$0	$0	$0	
Total WWTP Program	$5,671,412	$0	$2,288,565	$0	$0	$0	$1,701,424	$0	$1,701,424	$0	$0	$0	$0	$0	
Future WWTP															
West Waste Water Treatment Plant	$3,000,000	$0	$1,101,600	$0	$0	$0	$826,200	$0	$826,200	$0	$0	$0	$246,000	$0	As West Treatment Plant
Total Future WWTP	$3,000,000	$0	$1,101,600	$0	$0	$0	$826,200	$0	$826,200	$0	$0	$0	$246,000	$0	
Total Sewer Program	$10,503,595	$731,942	$3,370,165	$1,020,818	$0	$0	$2,527,624	$0	$2,527,624	$0	$38,591	$0	$246,000	$40,833	
Service Level Plan															
Additional Employees	$50,000	$0	$18,360	$0	$0	$0	$13,770	$0	$13,770	$0	$0	$0	$4,100	$0	As West Treatment Plant
Additional Operational Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As West Treatment Plant
Total Service Level Plan	$50,000	$0	$18,360	$0	$0	$0	$13,770	$0	$13,770	$0	$0	$0	$4,100	$0	
Total Sewer Operations & Maintenance	$13,091,171	$952,718	$3,842,845	$1,317,335	$0	$6,126	$2,870,396	$6,126	$2,870,396	$374,652	$504,395	$0	$286,627	$59,755	
Change in Working Capital															
Water and Sewer Working Capital Fund	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	As Total O&M
Wastewater System Improv. Project Fund	0	0	0	0	0	0	0	0	0	0	0	0	0	0	As Collection
Total Change in Working Capital	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Total Revenue Requirements	$13,091,171	$952,718	$3,842,845	$1,317,335	$0	$6,126	$2,870,396	$6,126	$2,870,396	$374,652	$504,395	$0	$286,627	$59,755	
Less: Miscellaneous Revenue															
Sewer Sales not on Computer	$18,030	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$18,030	$0	$0	100% RR
Sewer Tap Fees	$105,000	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$105,000	$0	$0	100% RR
Billed Service	125,664	0	0	0	0	0	0	0	0	125,664	0	0	0	0	100% As AC
Convenience Fees	765	0	0	0	0	0	0	0	0	765	0	0	0	0	100% As AC
Convenience Fees Telework	3,497	0	0	0	0	0	0	0	0	3,497	0	0	0	0	100% As AC
Interest on Working Capital Fund	61,535	6,735	17,566	8,926	0	251	12,700	251	12,700	0	337	0	1,421	647	As Total Plant In Service
Rent	39,338	4,306	11,230	5,706	0	161	8,119	161	8,119	0	216	0	908	413	As Total Plant In Service
Contract Services	6,666	730	1,903	967	0	27	1,376	27	1,376	0	37	0	154	70	As Total Plant In Service
Hay Sales	112,114	825	43,271	0	0	619	31,283	619	31,283	0	0	0	3,500	714	As Treatment Plant
Miscellaneous	874	96	250	127	0	4	180	4	180	0	5	0	20	9	As Total Plant In Service
Total Miscellaneous Revenues	$473,482	$12,692	$74,220	$15,726	$0	$1,062	$53,657	$1,062	$53,657	$129,925	$595	$123,030	$6,003	$1,853	
Net Revenue Requirement	$12,617,689	$940,026	$3,768,424	$1,301,608	$0	$5,064	$2,816,740	$5,064	$2,816,740	$244,726	$503,800	($123,030)	$280,624	$57,902	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 14
Allocation of Operations and Maintenance

Classification Components	2009 Expenses	Inside Fayetteville Residential	Commercial	Industrial	Government	Outside Fayetteville Farmington	Outside City	Elkins (Wholesale)	*Basis of Allocation*
Volume Related									
-VOL-All	$940,026	$468,745	$143,648	$212,663	$64,698	$29,632	$10,918	$9,723	(VOL)
-VOL-W/O Farmington	3,768,424	1,940,291	594,606	880,281	267,807	0	45,194	40,245	(VOL-w/o Farm)
-VOL-Retail Only	1,301,609	655,832	200,981	297,541	90,520	41,459	15,276	0	(VOL-Retail)
-VOL-Retail W/O Farmington	0	0	0	0	0	0	0	0	(VOL-Rtl w/o Farm)
Total Volume Related	$6,010,059	$3,064,868	$939,234	$1,390,485	$423,025	$71,091	$71,389	$49,968	
Strength Related									
- BOD All	$5,064	$2,326	$882	$1,306	$321	$147	$54	$28	(BOD)
- BOD-W/O Farmington	2,816,740	1,332,238	505,473	748,326	183,881	0	31,031	15,790	(BOD-w/o Farm)
- SS-All	5,064	2,315	887	1,313	319	146	54	31	(SS)
- SS-W/O Farmington	2,816,740	1,325,687	507,824	751,806	182,976	0	30,879	17,568	(SS-w/o Farm)
Total Strength Related	$5,643,607	$2,662,566	$1,015,066	$1,502,750	$367,498	$293	$62,018	$33,416	
Customer Related									
- Actual Customer	$244,726	$205,980	$18,165	$209	$1,636	$13,670	$5,057	$9	(AC)
- Weighted Customer	503,800	339,799	74,914	862	6,749	56,379	25,027	71	(WCA)
Total Customer Related	$748,527	$545,779	$93,079	$1,071	$8,385	$70,050	$30,083	$80	
-Revenue Related	($123,030)	($64,584)	($18,601)	($22,106)	($7,866)	($6,227)	($2,307)	($1,337)	(RR)
-Farmington Direct Assignment DA	$280,624	$0	$0	$0	$0	$280,624	$0	$0	(DA-Farm)
- Fayetteville Direct Assignment DA	57,902	28,479	9,775	15,093	4,555	0	0	0	(DA-Fay)
Revenue Requirements Before Return	**$12,617,689**	**$6,237,107**	**$2,038,553**	**$2,887,293**	**$795,596**	**$415,831**	**$161,183**	**$82,126**	

City of Fayetteville Wastewater Utility
Wastewater Exhibit 15
Allocation of Annual Depreciation

Classification Components	2009 Expenses	Inside Fayetteville Residential	Inside Fayetteville Commercial	Inside Fayetteville Industrial	Government	Outside Fayetteville Farmington	Outside Fayetteville Outside City	Elkins (Wholesale)	*Basis of Allocation*
Volume Related									
-VOL-All	$427,626	$213,236	$65,347	$96,742	$29,432	$13,480	$4,967	$4,423	(VOL)
-VOL-W/O Farmington	2,491,421	1,282,786	393,112	581,981	177,055	0	29,879	26,607	(VOL-w/o Farm)
-VOL-Retail Only	595,172	299,885	91,900	136,053	41,391	18,957	6,985	0	(VOL-Retail)
-VOL-Retail W/O Farmington	0	0	0	0	0	0	0	0	(VOL-Rtl w/o Farm)
Total Volume Related	$3,514,219	$1,795,907	$550,359	$814,776	$247,878	$32,437	$41,831	$31,030	
Strength Related									
- BOD All	$38,990	$17,906	$6,794	$10,058	$2,471	$1,132	$417	$212	(BOD)
- BOD-W/O Farmington	1,794,818	848,898	322,086	476,831	117,168	0	19,773	10,062	(BOD-w/o Farm)
- SS-All	38,990	17,820	6,826	10,106	2,460	1,127	415	236	(SS)
- SS-W/O Farmington	1,794,818	844,724	323,584	479,048	116,592	0	19,676	11,194	(SS-w/o Farm)
Total Strength Related	$3,667,616	$1,729,348	$659,290	$976,043	$238,691	$2,258	$40,281	$21,704	
Customer Related									
- Actual Customer	$0	$0	$0	$0	$0	$0	$0	$0	(AC)
- Weighted Customer	28,513	19,231	4,240	49	382	3,191	1,416	4	(WCA)
Total Customer Related	$28,513	$19,231	$4,240	$49	$382	$3,191	$1,416	$4	
-Revenue Related	$0	$0	$0	$0	$0	$0	$0	$0	(RR)
-Farmington Direct Assignment DA	$220,450	$0	$0	$0	$0	$220,450	$0	$0	(DA-Farm)
- Fayetteville Direct Assignment DA [1]	100,344	49,354	16,940	26,156	7,894	0	0	0	(DA-Fay)
Total Annual Depreciation	$7,531,142	$3,593,841	$1,230,829	$1,817,024	$494,845	$258,336	$83,529	$52,738	

[1] Direct Assignment Allocated to Fayetteville base on Customer Volume

City of Fayetteville Wastewater Utility
Wastewater Exhibit 16
Summary of Cost Of Service Analysis

		Inside Fayetteville				Outside Fayetteville		Elkins
	Total	Residential	Commercial	Industrial	Government	Farmington	Outside Other	(Wholesale)
Revenues at Present Rates	$13,733,566	$7,209,417	$2,076,432	$2,467,607	$878,102	$695,144	$257,574	$149,290
Less: Allocated O&M	$12,617,689	$6,237,107	$2,038,553	$2,887,293	$795,596	$415,831	$161,183	$82,126
Less: Allocated Depreciation Expense	7,531,142	3,593,841	1,230,829	1,817,024	494,845	258,336	83,529	52,738
Total Allocated Expenses	$20,148,831	$9,830,948	$3,269,382	$4,704,317	$1,290,442	$674,167	$244,711	$134,864
Net Income/(Loss)	($6,415,265)	($2,621,531)	($1,192,950)	($2,236,710)	($412,340)	$20,977	$12,863	$14,426
Rate Base	$90,404,317	$44,948,333	$14,679,572	$21,532,205	$6,137,953	$1,500,085	$1,068,071	$538,099
Present Return on Rate Base	-7.1%	-5.8%	-8.1%	-10.4%	-6.7%	1.4%	1.2%	2.7%
Proposed Return Component	($3,680,317)	($1,994,202)	($651,282)	($955,309)	($272,320)	$90,455	$64,405	$37,936
Proposed Rate of Return [1]	-4.1%	-4.4%	-4.4%	-4.4%	-4.4%	6.0%	6.0%	7.1%
Proposed Rate Revenues	$16,468,514	$7,836,746	$2,618,100	$3,749,008	$1,018,122	$764,622	$309,116	$172,800
Required $ Change in Rates	($2,734,948)	($627,329)	($541,668)	($1,281,401)	($140,020)	($69,478)	($51,542)	($23,510)
Required % Change in Rates	19.9%	8.7%	26.1%	51.9%	15.9%	10.0%	20.0%	15.7%

[1] Farmington's Rate of Return is determined by Contract Between Fayetteville and Farmington through Resolution No. 61-07
This agreement states the rate of return is calculated by summing interest rates on water/sewer bonds and a 1.5% premium

Outside Fayetteville Customers were assumed to have the same rate of return as Farmington

Elkin's Rate of Return is determined by Contract Between Fayetteville and Elkin's through Resolution No. 252-05
This agreement states the rate of return is calculated by summing average bond coupon on outstanding debt and a 2.0% premium

City of Fayetteville Wastewater Utility
Wastewater Exhibit 17
Average Unit Costs

	System Average	Inside Fayetteville				Outside Fayetteville		Elkins
		Residential	Commercial	Industrial	Government	Farmington	Outside Other	(Wholesale)
Volume Costs - $/1,000 gals	$2.97	$3.25	$2.91	$2.79	$2.81	$1.11	$3.28	$1.81
Strength Costs - $/1,000 gals	$2.90	$2.94	$3.27	$3.13	$2.54	$0.03	$2.97	$1.23
Revenue/Direct/Other - $/1,000 gals	$0.17	$0.01	$0.02	$0.02	$0.02	$5.29	($0.07)	($0.03)
Return	($1.15)	($1.34)	($1.27)	($1.21)	($1.14)	$0.97	$1.87	$0.85
Total $/1,000 gals	$4.89	$4.87	$4.92	$4.73	$4.22	$7.38	$8.05	$3.87
Customer Costs - $/Customer Month	$2.29	$1.98	$3.86	$3.86	$3.86	$3.86	$4.49	$7.00
Total Cost $/Customer/month	$48.49	$27.41	$103.86	$12,927.61	$448.31	$40.30	$44.05	$14,400.02
Existing $/1,000 gal.	$4.28	$4.83	$4.05	$3.12	$3.68	$7.42	$7.47	$3.34
Total Average Cost/1,000 gallons	$5.13	$5.25	$5.11	$4.74	$4.26	$8.17	$8.97	$3.87
Basic Data:								
Annual Flow - (1,000 gals)	3,209,569	1,493,659	512,671	791,587	238,901	93,629	34,475	44,648
Number of Customers	28,303	23,822	2,101	24	189	1,581	585	1

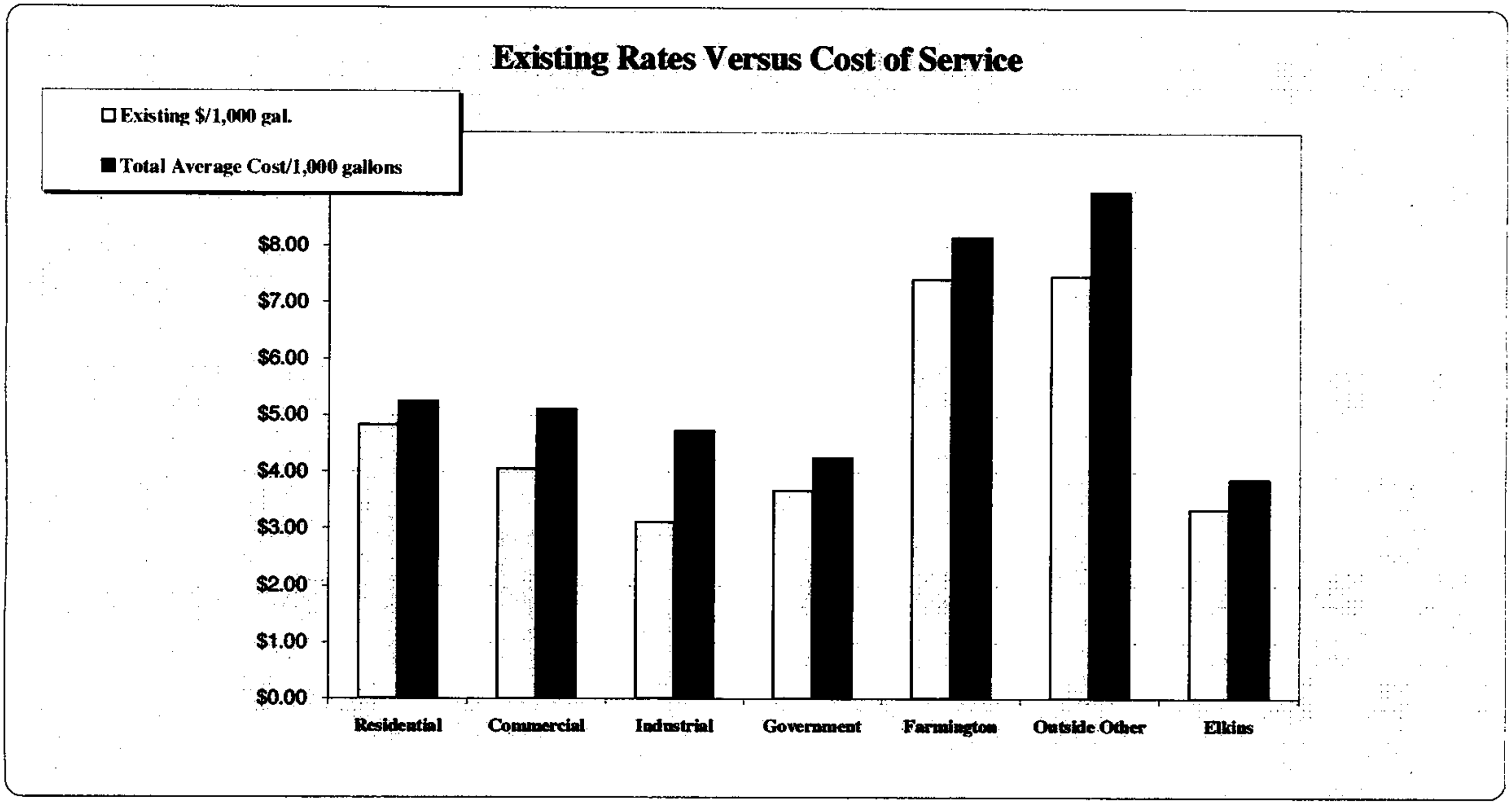
City of Fayetteville Wastewater Utility
Wastewater Exhibit 18
Summary of Cost Of Service Analysis

	Total	Inside Fayetteville	Outside Fayetteville		Elkins (Wholesale)
			Farmington	Outside Other	
Revenues at Present Rates	$13,733,566	$12,631,558	$695,144	$257,574	$149,290
Less: Allocated O&M	$12,617,689	$11,958,550	$415,831	$161,183	$82,126
Less: Allocated Depreciation Expense	7,531,142	$7,136,539	$258,336	$83,529	$52,738
	$20,148,831	$19,095,088	$674,167	$244,711	$134,864
Net Income/(Loss)	($6,415,265)	($6,463,531)	$20,977	$12,863	$14,426
Rate Base	$90,404,317	$87,298,062	$1,500,085	$1,068,071	$538,099
Present Return on Rate Base	-7.1%	-7.4%	1.4%	1.2%	2.7%
Proposed Return Component	($3,680,317)	($3,873,112)	$90,455	$64,405	$37,936
Proposed Rate of Return	-4.1%	-4.4%	6.0%	6.0%	7.1%
Proposed Rate Revenues	$16,468,514	$15,221,976	$764,622	$309,116	$172,800
Required $ Change in Rates	($2,734,948)	($2,590,418)	($69,478)	($51,542)	($23,510)
Required % Change in Rates	19.9%	20.5%	10.0%	20.0%	15.7%

City of Fayetteville Wastewater Utility
Wastewater Exhibit 19
Average Unit Costs

	System Average	Inside Fayetteville	Outside Fayetteville		Elkins (Wholesale)
			Farmington	Outside Other	
Volume Costs - $/1,000 gals	$2.97	$3.04	$1.11	$3.28	$1.81
Strength Costs - $/1,000 gals	$2.90	$3.01	$0.03	$2.97	$1.23
Revenue/Direct/Other - $/1,000 gals	$0.17	$0.01	$5.29	($0.07)	($0.03)
Return	($1.15)	($1.28)	$0.97	$1.87	$0.85
Total $/1,000 gals	$4.89	$4.79	$7.38	$8.05	$3.87
Customer Costs - $/Customer Month	$2.29	$2.14	$3.86	$4.49	$7.00
Total Cost $/Customer/month	$48.49	$48.53	$40.30	$44.05	$14,400.02
Existing $/1,000 gal.	$4.28	$4.16	$7.42	$7.47	$3.34
Total Average Cost/1,000 gallons	$5.13	$5.01	$8.17	$8.97	$3.87
Basic Data:					
Annual Flow - (1,000 gals)	3,209,569	3,036,818	93,629	34,475	44,648
Number of Customers	28,303	26,136	1,581	585	1

The City of Fayetteville Water Utility
Wastewater Exhibit 20
Chart of Revenue versus Costs



Existing $/1,000 gal.	$4.83	$4.05	$3.12	$3.68	$7.42	$7.47	$3.34
Total Average Cost/1,000 gallons	**$5.25**	**5.11**	**4.74**	**4.26**	**8.17**	**8.97**	**3.87**

APPENDIX C
DRAFT WATER AND SEWER RATE ORDINANCES

51.136 Monthly Water Rates

Effective as of the first billing statements issued after April 30, 2008, the following monthly rates shall be fixed as rates to be charged for water furnished by the waterworks system of the city, which rates the City Council finds and declares to be reasonable and necessary minimum rates to be charged. All non-emergency water uses shall be billed to the user, to include but not limited to water used for: use within structures; business; manufacturing; irrigation; retail by another water utility; City uses; educational purposes; medical purposes; water system routine non-emergency uses; wastewater system routine non-emergency uses; non-profit uses; fire department non-emergency uses to include training and equipment calibration; construction of new water mains; street cleaning; and wet down of construction sites and materials. Emergency water use that does not pass through a water system meter shall not be billed, including fire fighting, water leaks, water leak repair, and emergency water line flushing. The volumes used for these emergency purposes should be estimated and submitted monthly to the Business Office Manager and the Water/Sewer Operations Manager.

(A) *Monthly water rates.*

(1) The water usage of each customer shall be determined each month by meter measurement and the amount per 1,000 gallons to be paid for water usage by each customer shall be computed on the basis of the following schedule of rates. The minimum billing shall be 1,000 gallons per month.

Table A-1
Monthly Water Rates After April 30, 2008
Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.11	$2.43
	Next 13,000	2.81	3.23
	Over 15,000	3.98	4.58
Non-Residential	First 300,000	2.55	2.93
	Over 300,000	1.95	2.24
Major Industrial	All Usage	1.77	2.04
Irrigation	First 300,000	2.81	3.23
	Over 300,000	1.84	2.11
Wholesale	Reduced Peak Demand	1.84	1.84
	Peak Demand	2.04	2.04

Table A-2
Monthly Water Rates After December 31, 2008
Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.25	$2.59
	Next 13,000	2.99	3.44
	Over 15,000	4.24	4.88
Non-Residential	First 300,000	2.61	3.00
	Over 300,000	2.11	2.43
Major Industrial	All Usage	1.89	2.17
Irrigation	First 300,000	3.09	3.55
	Over 300,000	2.16	2.48
Wholesale	Reduced Peak Demand	1.95	1.95
	Peak Demand	2.16	2.16

Table A-3
Monthly Water Rates After December 31, 2009 Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.39	$2.75
	Next 13,000	3.17	3.64
	Over 15,000	4.49	5.16
Non-Residential	First 300,000	2.68	3.08
	Over 300,000	2.28	2.62
Major Industrial	All Usage	2.01	2.31
Irrigation	First 300,000	3.37	3.88
	Over 300,000	2.70	3.11
Wholesale	Reduced Peak Demand	2.01	2.01
	Peak Demand	2.23	2.23

Table A-4
Monthly Water Rates After December 31, 2010 Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.53	$2.91
	Next 13,000	3.36	3.86
	Over 15,000	4.75	5.46
Non-Residential	First 300,000	2.75	3.16
	Over 300,000	2.45	2.82
Major Industrial	All Usage	2.14	2.46
Irrigation	First 300,000	3.64	4.19
	Over 300,000	3.28	3.77

Wholesale	Reduced Peak Demand	2.07	2.07
	Peak Demand	2.30	2.30

(2) Beginning January 1, 2012, all monthly water rates shall be increased by 3% per year.

(3) All bills under such schedules shall be computed by adding the applicable meter service charge prescribed by subsection (B) to the amount determined to be due for water usage under this schedule. Applicable sales tax and franchise fees shall be added to the bill so computed.

(4) When a common facility/building is served by multiple water meters and the water usage is for the same purpose, customers may petition the Water & Wastewater Director and/or the Finance & Internal Services Director to have the water consumption aggregated and have the tiered rates apply to the aggregated quantity.

(5) Water used for flushing and sampling of newly constructed water lines, fire department training and equipment calibration, and other similar uses requiring a large volume and/or high velocity of water movement shall employ a fire hydrant meter of the appropriate size for the use. If a fire hydrant meter cannot be used due to high flow or volume requirements, then the volume of water used shall be measured by using a pitot gauge to determine the gallons per minute and by timing the flow of water to be able to calculate total volume. In the cases of fire department training and equipment calibration, sewer line washing, street sweeping, and other uses where the equipment employed has a built-in water meter, these built in water meters may be used. All such meters other than those on fire trucks must be evaluated by the Meter Superintendent. These water uses shall be billed at the same rates as non-residential customers.

(6) Monthly wholesale treated water rates outside city limits are based on Cost of Service Methodology.

(B) *Monthly water service charge.*

(1) In addition to the above, each customer shall pay a monthly water service charge in accordance with the following schedule:

Table B-1
Monthly Water Service Charge After April 30, 2008

Meter Size	Inside City	Outside City	Wholesale
5/8 x ¾"	$4.00	$4.60	$5.00
1 inch	5.55	6.38	7.00
1 ½ inch	9.70	11.16	12.15
2 inch	14.10	16.22	17.70
3 inch	32.90	37.84	41.30
4 inch	54.45	62.62	68.30
6 inch	108.85	125.18	136.70
8 inch	163.30	187.80	205.00

Table B-2
Monthly Water Service Charge After December 31, 2008

Meter Size	Inside City	Outside City	Wholesale
5/8" x ¾"	$4.25	$4.89	$5.30
1 inch	5.90	6.79	7.40
1 ½ inch	10.30	11.85	12.85
2 inch	15.00	17.25	18.75
3 inch	34.95	40.19	43.80
4 inch	57.85	66.53	72.25
6 inch	115.65	133.00	144.90
8 inch	173.50	199.53	216.90

Table B-3
Monthly Water Service Charge After December 31, 2009

Meter Size	Inside City	Outside City	Wholesale
5/8" x ¾"	$4.50	$5.18	$5.60
1 inch	6.25	7.19	7.80
1 ½ inch	10.90	12.54	13.55
2 inch	15.90	18.29	19.75
3 inch	37.00	42.55	45.10
4 inch	61.25	70.44	76.10
6 inch	122.45	140.82	149.20
8 inch	183.70	211.26	228.40

Table B-4 Monthly Water Service Charge After December 31, 2010			
Meter Size	Inside City	Outside City	Wholesale
5/8" x ¾"	$4.75	$5.46	$6.00
1 inch	6.60	7.59	8.30
1 ½ inch	11.50	13.23	14.45
2 inch	16.75	19.26	21.00
3 inch	39.05	44.91	46.50
4 inch	64.65	74.35	81.10
6 inch	129.30	148.70	153.70
8 inch	193.90	222.99	240.50

(2) Beginning January 1, 2012, all monthly water service charges shall be increased by 3% per year.

(3) The monthly treated water rates and the monthly meter service charge rates prescribed by subsections (A) and (B) of this section shall commence as of the first billing statements issued after April 30, 2008.

(4) Customers served through the White River Rural Water System will pay the outside city rate plus an additional $5.94 per month for all bills issued prior to January 1, 2012. This additional amount will not be charged on any bills issued after December 31, 2011.

(5) The State of Arkansas mandated Safe Drinking Water Act fee shall be added to the monthly water utility bill.

(C) *Monthly standby fire protection service charge.*

(1) Charges for unmetered service connections for standby fire protection and fire hydrants shall be:

Table C-1 Monthly Standby Fire Protection Service Charge After April 30, 2008		
Line Size	Inside City	Outside City
2 inch	$ 6.84	$ 7.86
3 inch	20.51	23.59
4 inch	41.03	47.18
6 inch	113.96	131.05
8 inch	239.32	275.21
10 inch	410.26	471.79

Table C-2 Monthly Standby Fire Protection Service Charge After December 31, 2008		
Line Size	Inside City	Outside City
2 inch	$ 7.23	$ 8.32
3 inch	21.70	24.96
4 inch	43.41	49.92
6 inch	120.57	138.66
8 inch	253.20	291.18
10 inch	434.05	499.16

Table C-3 Monthly Standby Fire Protection Service Charge After December 31, 2009		
Line Size	Inside City	Outside City
2 inch	$ 7.62	$ 8.76
3 inch	22.85	26.28
4 inch	45.71	52.56
6 inch	126.96	146.00
8 inch	266.62	306.61
10 inch	457.06	525.61

Table C-4 Monthly Standby Fire Protection Service Charge After December 31, 2010		
Line Size	Inside City	Outside City
2 inch	$ 8.02	$ 9.22
3 inch	24.06	27.67
4 inch	48.13	55.35
6 inch	133.69	153.74
8 inch	280.75	322.86
10 inch	481.28	553.47

(2) Monthly Standby Fire Protection Service Charge After December 31, 2011. Starting the day after December 31, 2011, the monthly standby fire protection service charge shall be increased by 3% per year.

(3) Fire protection lines shall not be connected to the water system downstream from a meter.

(Code 1965, '21-25; Ord. No. 1165, 4-18-58; Ord. No. 2144, 9-2-75; Ord. No. 2594, 2-5-80; Ord. No. 3197, 7-1-86; Ord. No. 3409, 2-21-89; Ord. No. 3431, 6-6-89; Ord. No. 3491, 7-17-90; Ord. No. 3513, 9-18-90; Ord. No. 3519, 11-20-90; Ord. No. 4059, '1, 10-7-97; Ord. No. 4223, 2-15-00; Code 1991, §51.136; Ord. No. 4530 12-02-02; Ord. No. 4540, 02-03-04)

51.137 Monthly Sewer Rates

(A) *Monthly sewer rates.*

(1) All monthly sewer charges shall be calculated from the customer's monthly water usage. The following monthly rates are hereby fixed as rates to be charged for sewer services:

Table D-1
Monthly Sewer Rates Per 1,000 Gallons Before January 1, 2009

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.10
	Greater than 2,000 gallons	3.10
Non-Residential	All Usage	2.42
Major Industrial	All Usage	2.42
Farmington	All Usage	4.66
Outside city	All Usage	4.66
Elkins	85% of metered water usage	2.81
	Usage above 85% of metered water usage	1.98

Table D-2
Monthly Sewer Rates Per 1,000 Gallons After December 31, 2008

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.00
	Greater than 2,000 gallons	4.00
Non-Residential	All Usage	3.02
Major Industrial	All Usage	3.03
Farmington	All Usage	5.13
Outside city	All Usage	5.57
Elkins	85% of metered water usage	3.53
	Usage above 85% of metered water usage	1.85

Table D-3
Monthly Sewer Rates Per 1,000 Gallons After December 31, 2009

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.07
	Greater than 2,000 gallons	4.10
Non-Residential	All Usage	3.10
Major Industrial	All Usage	3.21
Farmington	All Usage	5.28
Outside city	All Usage	5.74
Elkins	85% of metered water usage	3.64
	Usage above 85% of metered water usage	1.91

Table D-4
Monthly Sewer Rates Per 1,000 Gallons After December 31, 2010

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.14
	Greater than 2,000 gallons	4.18
Non-Residential	All Usage	3.18
Major Industrial	All Usage	3.40
Farmington	All Usage	5.44
Outside city	All Usage	5.91
Elkins	85% of metered water usage	3.75
	Usage above 85% of metered water usage	1.96

(2) Beginning January 1, 2012, all monthly sewer quantity charge- usage rates per 1,000 gallons shall be increased by 3% per year.

(3) Sewer related fees levied by the Cities of Farmington or Greenland shall be added to the wastewater utility bill at the request of Farmington or Greenland. These fees may be calculated on a per-thousand volumetric usage or a per month basis.

(B) *Monthly sewer service charge.*

(1) In addition to the above, each customer shall pay a monthly sewer service charge in accordance with the following schedule:

Table E-1 Monthly Sewer Service Charge Prior to January 1, 2009			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 10.36	$ 10.35	$ 10.35
1 inch	13.47	19.35	19.35
1½ inch	21.99	34.33	34.33
2 inch	31.44	49.32	49.32
3 inch	73.01	104.40	104.40
4 inch	120.26	171.97	171.97
6 inch	238.37	340.87	340.87
8 inch	356.48	509.76	509.76

Table E-2 Monthly Sewer Service Charge After December 31, 2008			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 12.45	$ 12.40	$ 11.40
1 inch	16.20	23.10	21.30
1½ inch	26.45	41.10	37.80
2 inch	37.80	54.30	50.00
3 inch	87.75	125.50	115.30
4 inch	144.50	206.60	189.85
6 inch	286.45	409.60	376.40
8 inch	428.40	612.60	563.00

Table E-3 Monthly Sewer Service Charge After December 31, 2009			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 12.80	$ 12.80	$ 11.70
1 inch	16.65	23.80	21.90
1½ inch	27.15	42.30	38.90
2 inch	38.85	55.90	51.50
3 inch	90.20	129.25	118.75
4 inch	148.60	212.80	195.55
6 inch	294.50	421.88	387.70
8 inch	440.45	631.00	579.90

Table E-4 Monthly Sewer Service Charge After December 31, 2010			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 13.20	$ 13.20	$ 12.10
1 inch	17.15	24.50	22.60
1½ inch	28.00	43.60	40.10
2 inch	40.05	57.60	53.05
3 inch	93.00	133.10	122.30
4 inch	153.25	219.20	201.50
6 inch	303.70	434.50	400.00
8 inch	454.20	650.00	597.30

†Cost of Service Methodology required by contract.

(2) Beginning January 1, 2012, all monthly sewer service charges shall be increased by 3% per year.

(C) *Determination of sewer quantity charge for residential customers.*

(1) In the case of residential customers residing in a single family home, duplex, triplex, and/or fourplex, the average monthly water consumption for the preceding months of December, January, and February shall be computed separately for each customer, and a uniform monthly charge for each customer shall be determined by applying the schedule of rates set out in subsection (A) of this section to such average monthly water consumption. In the case of a residential user for whom a uniform monthly charge has been established and who moves to a new location the same uniform monthly charge shall apply at the new location. In the case of new residential customers, sewer averages shall be established based on the number of individuals residing within the dwelling unit, at a rate of 2,100 gallons per customer per month. This methodology of sewer averaging shall not apply to multi-family structures containing five (5) or more units in a contiguous building.

(2) In the case of sewer customers who do not have a water meter provided by a public water utility, the sewer usage volume billed shall be the average volume of all users in the sewer system in like dwellings from the most recent system-wide sewer average calculation.

(D) *Determination of charge for non-residential and major industrial customers.* In the case of non-residential and/or major industrial customers, the monthly sewer charge shall be determined by applying the schedule of rates prescribed in subsection (A) of this section to the monthly water usage of such customers. In the event that a non-residential or major industrial customer discharging waste into the city's sanitary sewer system produces evidence to the Water and Wastewater Director demonstrating that a substantial portion of the total amount of water from all sources used for all purposes does not reach the sanitary sewer which is in excess of the factors used in establishing the rates in subsection (A) of this section, an estimated percentage of total water consumption to be used in computing charges may be established by the Water and Wastewater Director. The factors used in establishing said rates are on file in the office of the Water and Wastewater Director and are incorporated herein by reference thereto. Any rate so adjusted by the Water and Wastewater Director shall be effective for a 12-month period beginning with the billing for the month when rates adjudged hereby go into effect.

(E) *Extra Strength Surcharge.*

(1) For all commercial and industrial customers whose wastewater discharge is greater than 300 mg/l of BOD_5 and/or TSS, the City shall levy an Extra Strength Surcharge for each parameter in accordance with the following unit charges:

Table F3 Extra Strength Surcharges

	Before 1/1/08	After 12/31/08	After 12/31/09	After 12/31/10
Extra Strength BOD_5	$0.2669 per pound	$0.3336 per pound	$0.4170 per pound	$0.4421 per pound
Extra Strength TSS	$0.1334 per pound	$0.1668 per pound	$0.2084 per pound	$0.2209 per pound

(2) Extra Strength Surcharges shall be billed monthly and shall be computed on the basis of water meter reading (wastewater discharge volume).

(3) Starting after December 31, 2011, Extra Strength Surcharges shall be increased by 3% per year.

(4) Computation of extra strength surcharges shall be based on the following formula:

(a) Extra strength surcharge:

S = V x 8.34 x [BOD Unit Charge (BOD - 300) + SS Unit Charge (SS - 300)]

(b) Where:

S = Surcharge in dollars

V = Sewer volume in million gallons

8.34 = Pounds per gallon of water

BOD unit charge = Unit charge for BOD in dollars per pound

BOD = BOD strength index in parts per million

300 = Allowed BOD strength in parts per million

SS unit charge = Unit charge for suspended solids in dollars per pound

SS = Suspended solids strength index in parts per million by weight

300 = Allowed SS Strength in parts per million by weight

(F) *Elkins sewer charges.*

(1) Elkins' payment for wastewater treatment shall be based on 85% of the metered water purchased. The volume of wastewater received by Fayetteville at the "Point of Connection" shall be measured by the installed wastewater meter. Volumes of wastewater below or above the agreed upon percentage (85%) of metered water, as measured by the wastewater meter, shall be recorded on a monthly basis, with a reconciliation of the net difference to occur semiannually in June and December. If the reconciliation volume is over the agreed upon percentage, this amount shall be billed to Elkins in June and December at the actual computed cost of wastewater collection to and treatment at the Noland Wastewater Treatment Plant, not including the calculated rate of return and not including depreciation charges, but including any capacity surcharge, based on the most recent rate as determined in paragraph B of this Contract. If the reconciliation volume is below the agreed upon percentage, the actual amount billed for the difference shall be refunded to Elkins in June and December

(2) Elkins impact fee charges. The City of Elkins shall pay an additional $0.25 per 1,000 gallons of wastewater, for all wastewater volume charges including both the 85% of metered water volume and for wastewater in excess of the 85% of the metered water purchased billed volume.

51.138 Definitions Pertaining to Water and Sewer Rates

For the purpose of the sections pertaining to water and sewer rates, the following definitions shall apply unless the context clearly indicates or requires a different meaning:

(A) *City of Farmington customer.* Customer whose structure being served for water and/or wastewater is physically located within the incorporated limits of the City of Farmington, Arkansas, who is served by the City of Fayetteville for water and/or sewer service.

(B) *Inside City customer.* Customer whose structure being served for water and/or wastewater is physically located inside the incorporated limits of the City of Fayetteville, AR.

(C) *Infiltration/inflow.* The total quantity of water other than wastewater from both infiltration and inflow without distinguishing the source from defective pipes, pipe joints, connections, manholes, roof down spouts, cellar drains, yard drains, area drains, foundation drains, drains from springs and swampy areas, storm sewer cross connections, catch basins, cooling towers, storm waters, surface runoffs, street wash water, or drainage. Infiltration and inflow are specifically prohibited from being intentionally allowed into the sanitary sewer system.

(D) *Irrigation users.* Irrigation users include meters installed which serve primarily landscape irrigation systems and include city-owned meters which directly connect to the city water system (water only) or privately owned meters located downstream of a city-owned meter (exempt meters). Meters which serve park properties, golf courses, commercial nurseries and/or land agricultural uses shall be classified as irrigation except for meters at these locations which serve exclusively non-irrigation uses. Exempt meters which serve uses other than landscape irrigation systems shall also be considered irrigation and shall not be considered commercial.

(E) *Major industrial user.* An industrial customer who uses an average of 5,000,000 gallons or more of metered water per month in the previous calendar year for non-irrigation use at a common facility/building. This does not apply to combined or consolidated sets of bills for non-irrigation use at separate facilities/buildings.

(F) *Municipality.* A city, town, county, parish, district, association, or other public body (including an inter-municipal agency of two or more of the foregoing entities) created under state law having jurisdiction over disposal of sewage, industrial waste or other waste. The definition includes special districts such as water, sewer, sanitary, utility, drainage, transport, or disposal of liquid waste of the general public in a particular geographic area.

(G) *Non-residential customer or user.* All customers that do not meet the specific definitions of residential customers, irrigation users, or major industrial users. Non-residential customers include but are not limited to retail establishments, restaurants, office buildings, laundries, governmental, educational, social, charitable, religious, medical, penal institutions, poultry houses, other private business and service establishments. It also includes industrial users using less than an average of 5,000,000 gallons per month in the previous calendar year.

(H) *Operation and maintenance.* Those functions that result in expenditures during the useful life of the treatment works for materials, labor, utilities, and other items which are necessary for managing and for which such works were designed and constructed. The term "operation and maintenance" includes replacement.

(I) *Replacement.* Expenditures for obtaining and installing components, equipment and appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed.

(J) *Residential customer or user.* Any contributor of wastewater to the city's treatment works whose dwelling in a single family home, duplex, triplex, fourplex and/or any individually metered dwelling unit that is used for domestic dwelling purposes only.

(K) *Treatment works.* Any devices and systems for the storage, treatment, recycling, and reclamation of municipal sewage, domestic sewage, or liquid industrial wastes. These include intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment and their appurtenances; extensions improvement; remodeling, additions, and alterations thereof; elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process or is used for ultimate disposal of residues resulting from such treatment (including land for composting sludge, temporary storage of such compost, and land used for the storage of treated wastewater in land treatment systems before land application); or any other method or system for preventing, abating, reducing, storing, treating, separating, or disposing of municipal waste or industrial waste, including waste in combined storm water and sanitary sewer systems.

(L) *Useful life.* The estimated period during which a treatment works will be operated.

(M) *User charge.* That portion of the total wastewater service charge which is levied in a proportional and adequate manner for the cost of operation, maintenance and replacement of the wastewater treatment works.

(N) *Water meter.* A water volume measuring and recording device, furnished and installed by the water department of the city. In some bulk water cases, primarily for construction uses where a standard water meter cannot be used due to large volume or water velocity requirements, the water shall be measured using a pitot gauge and a timer.

51.139 Reviews of Water and Sewer Rates, Notification to User

(A) *Periodic review by city; revision of rates.* The city shall review the charges periodically and revise the rates as necessary to ensure that adequate revenues are generated to pay the cost of operation, maintenance, and replacement, and that the system continues to provide for the proportional distribution of operation, maintenance, and replacement costs among users and user classes.

(B) *Notification of user.* The city shall notify each user at least annually, in conjunction with a regular bill, of the rates being charged for operation, maintenance and replacement of the wastewater treatment works.

(Code 1965, '21-26; Ord. No. 1165, 4-18-58; Ord. No. 3197, 7-1-86; Ord. No. 3285, 8-4-87; Ord. No. 3398, 1-3-89; Ord. No. 3491, 7-17-90; Ord. No. 3637, ' '1, 2, 8-18-92; Ord. No. 4059, '2, 10-7-97; Code 1991, §51.137; Ord. No. 4530, 12-02-03; Ord. No. 4803, 12-20-05; Ord. 4998, 4-3-07)

51.144 Filling Water Tanks On Commercial Trucks; Rates

(A) Water rates for consumers that purchase water for the purpose of filling water tanks on commercial trucks shall be as follows:

Table I
Water Rates for Commercial Water Trucks

Volume	Rate
First 1,000 gallons	A minimum of $9.00 ($5.00 labor plus $4.00 water/tax).
Greater than 1,000 gallons	$4.00 per 1,000 gallons

(B) Rates are charged on a per-trip basis. The initial labor charge shall be paid upon each arrival at the fill site.

(Ord. No. 3478, 4-3-90; Ord. No. 3491, 7-17-90; Ord. No. 4059, '4, 10-7-97; Code 1991, §51.144)

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Aldermen

Ward 1 Position 1 – Adella Gray
Ward 1 Position 2 – Brenda Thiel
Ward 2 Position 1 – Kyle B. Cook
Ward 2 Position 2 – Nancy Allen
Ward 3 Position 1 – Robert K. Rhoads
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 – Shirley Lucas
Ward 4 Position 2 – Lioneld Jordan

Tentative Agenda
City of Fayetteville Arkansas
City Council Meeting
April 01, 2008

A meeting of the Fayetteville City Council will be held on April 01, 2008 at 6:00 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order

Roll Call

Pledge of Allegiance

Agenda Session Presentations:

1. Web Streaming Demonstration – IT Division

Mayor's Announcements, Proclamations and Recognitions:

Presentations, Reports and Discussion Items:

Agenda Additions:

A. Consent:

1. Approval of the March 18, 2008 City Council meeting minutes.
2. **Bid # 08-25 Golden Circle Ford:** A resolution to award Bid # 08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4X4 regular cab pickup truck for use by the Fire Department.

3. **Bid # 08-37 Landers McLarty Ford:** A resolution awarding Bid # 08-37 and approving the purchase of one (1) crew cab chassis with reading utility body from Landers McLarty Ford in the amount of $42,493.73 for use by the Transportation Division.

B. Unfinished Business:

1. **Hiring Freeze:** Hiring Freeze Appeals:

2. **ADM 07-2712 Amend Chapters 151, 159, 161, 162, 163 and 164:** An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 159: Fees, Chapter 161: Zoning Regulations, Chapter 162: Use Units, Chapter 163: Use Conditions and Chapter 164: Supplementary District Regulations in order to make accessory dwelling units a permitted use in all residential zoning districts contingent upon Planning Division administrative approval. ***This ordinance was left on the First Reading at the March 18, 2008 City Council meeting.***

C. Public Hearing:

1. **Public Hearing for Monthly Sewer Rate Ordinance.**

D. New Business:

1. **WG Land Company LTD:** A resolution approving a Memorandum of Understanding concerning annexation and zoning of certain real property with WG Land Company LTD Partnership.

2. **RZN 07-2889 (Cooper):** An ordinance amending ordinance number 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance located at the southwest corner of North College Avenue and East Cleburn Street.

3. **VAC 08-2930 (Wilmoth/Wellsley Place):** An ordinance approving VAC 08-2930 submitted by Dave Jorgensen for property located at 1609 Wellsley Place to vacate a portion of the utility and drainage easements on the subject property, containing a total of 643 square feet.

4. **ADM 08-2941 (Hoskins Parkland Variance):** Submitted by Tracy Hoskins, requesting a variance from the parkland dedication contribution formula, relative to the land trade between Hoskins and the City Council as referred to in Resolution No. 149-06.

5. **Amend Chapters 151, 152 and 166:** An ordinance amending Title XV: Unified Development Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit or regulate decentralized sewer systems within the city limits.

6. **Repealing and Replacing § 51.136:** An ordinance repealing and replacing § 51.136, Monthly Water Rates, of the Fayetteville Code of Ordinances.

7. **Repealing and Replacing § 51.137:** An ordinance repealing and replacing § 51.137, Monthly Sewer Rates, of the Fayetteville Code of Ordinances.

8. **Repealing and Replacing § 51.138:** An ordinance repealing and replacing § 51.138, Definitions pertaining to Water and Sewer Rates, of the Fayetteville Code of Ordinances.

9. **Repealing and Replacing § 51.139:** An ordinance repealing and replacing § 51.139, Users Outside City Limits with a new § 51.139, Reviews of Water and Sewer Rates, Notification to User of the Fayetteville Code of Ordinances.

10. **Repealing and Replacing § 51.144:** An ordinance repealing and replacing § 51.144, Filling Water Tanks on Commercial Trucks; Rates, of the Fayetteville Code of Ordinances.

Announcements:

1. **City Council Tour: March 31, 2008**

Adjournment:

City of Fayetteville Staff Review Form

City Council Agenda Items
and
Contracts, Leases or Agreements

4/1/2008
City Council Meeting Date
Agenda Items Only

David Bragg	Fleet Operations	Operations
Submitted By	**Division**	**Department**

Action Required:

A resolution awarding Bid #08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593 for the purchase of one heavy duty regular cab 4x4 pickup truck for use by Fire Department.

$ 26,593.00	$ 462,000.00	Light/Medium Duty Trucks
Cost of this request	Category / Project Budget	Program Category / Project Name
9700.1920.5802.00	$ 183,721.00	Vehicles and Equipment
Account Number	Funds Used to Date	Program / Project Category Name
02078.2008	$ 278,279.00	Shop
Project Number	Remaining Balance	Fund Name

Budgeted Item [X] **Budget Adjustment Attached** [ ]

Department Director — Date: 3.17.08

City Attorney — Date: 3-18-08

Paul A. Becker
Finance and Internal Service Director — Date: 3-18-08

Dan Coody
Mayor — Date: 3/19/08

Previous Ordinance or Resolution # ______

Original Contract Date: ______

Original Contract Number: ______

Received in City Clerk's Office — ENTERED 3/17/08 aw

Received in Mayor's Office — ENTERED 3/19/08

Comments:

Revised April 16, 2007

Fayetteville
ARKANSAS

FLEET OPERATIONS
1525 S. Happy Hollow Road
Fayetteville, AR 72701
(479) 444-3495 FAX (479) 444-3425

100 BEST FLEETS

Interdepartmental Correspondence

TO: **MAYOR/CITY COUNCIL**

THRU: **GARY DUMAS, DIRECTOR OF OPERATIONS**

FROM: **DAVID BRAGG, FLEET OPERATIONS SUPT.**

DATE: **March 17, 2008**

SUBJECT: **Purchase of one Heavy Duty pickup truck**

RECOMMENDATION: That City Council approve the purchase of one Heavy Duty regular cab 4x4 pickup truck in the amount of $26,593 for assignment to the Fire Department.

BACKGROUND: **Bid #08-25** was opened on February 12, 2008 for one heavy duty regular cab 4 x4 pickup truck. Two bid responses were received. A detailed tabulation sheet is attached.

The lowest bid from Golden Circle Ford of Jackson, TN meets all specifications.

I recommend acceptance of the bid from Golden Circle Ford in the amount of $26,593.00.

This unit is a replacement for unit #1052, a 1999 Ford Explorer. The replacement unit is capable of towing firehouse training trailer and better supporting the training mission than the Explorer. The Explorer will be reassigned to another low utilization mission within the fleet.

Funds are available for this purchase in Fleet Replacement Special Project 02078 – Light Trucks.

The purchase of this truck will be presented to the Equipment Committee at the meeting on March 25, 2008. If purchase of this truck is approved, the order must be placed by April 7, 2008.

RESOLUTION NO. ______

A RESOLUTION TO AWARD BID #08-25 TO GOLDEN CIRCLE FORD OF JACKSON, TN IN THE AMOUNT OF $26,593.00 TO PURCHASE A HEAVY-DUTY, 4X4 REGULAR CAB PICKUP TRUCK FOR USE BY THE FIRE DEPARTMENT

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas, hereby awards Bid #08-25 to the low bidder, Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4x4 regular cab pickup truck for use by the Fayetteville Fire Department.

PASSED and **APPROVED** this the 1st day of April, 2008.

APPROVED:	ATTEST:
By: ______________________	By: ______________________
DAN COODY, Mayor	**SONDRA E. SMITH**, City Clerk/Treasurer

BID: 08-25
2/12/2008
2:00 PM
CITY OF FAYETTEVILLE

Fayetteville
ARKANSAS

Bid 08-25, HD 4x4 Pickup Truck

	BIDDER	Manufacturer	Model	Total Price
1	**Golden Circle Ford**	Ford	F250	**$26,593.00**
2	**Landers McLarty Ford Jeep**	Ford	F250 4x4	**$27,930.89**

***NOTICE: Bid award is contingent upon vendor meeting minimum specifications and formal authorization by City officials.**

CERTIFIED: P Vice

P. VICE PURCH MGR

WITNESS

2/22/08

DATE

City Of Fayetteville
(Not a Purchase Order)

Requisition No.:
Date: **3/17/2008**
P.O Number:
Expected Delivery Date:

Vendor #: **16664**
Vendor Name: **GOLDEN CIRCLE FORD**
Mail Yes:___ No: XX
Address:
Fob Point:
Taxable Yes:___ No: XX
City:
State:
Zip Code:
Ship to code: **050**
Divison Head Approval:
Quotes Attached Yes:_____ No:_____
Requester: **Barbara Olsen**
Requester's Employee #: **1940**
Extension: **485**

Item	Description	Quantity	Unit of Issue	Unit Cost	Extended Cost	Account Numbers	Project/Subproject #	Inventory #	Fixed Asset #
1	2008 FORD F250 HEAVY DUTY	1	EA	$26,593.00	$26,593.00	9700.1920.5802.00	02078.2008		
2	REGULAR CAB 4X4 PICKUP PER		EA		$0.00				
3	BID 08-25, TO BE UNIT #2129,		EA		$0.00				
4	F.A. 702129		EA		$0.00				
5			EA		$0.00				
6			EA		$0.00				
7			EA		$0.00				
8			EA		$0.00				
9			EA		$0.00				
10			EA		$0.00				
	Shipping/Handling		Lot		$0.00				

Special Instructions: ______________________________

Subtotal: ______ 26,593.00
Tax: ______ EXEMPT
Total: ______ 26,593.00

Approvals:

Mayor: ____________________
Department Director: ____________________
Purchasing Manager: ____________________
Finance & Internal Services Director: ____________________
Budget Manager: ____________________
IT Manager: ____________________
Dispatch Manager: ____________________
Utilities Manager: ____________________

City of Fayetteville Staff Review Form

City Council Agenda Items
and
Contracts, Leases or Agreements

4/1/2008
City Council Meeting Date
Agenda Items Only

David Bragg	Fleet Operations	Operations
Submitted By	**Division**	**Department**

Action Required:

A resolution awarding Bid #08-37 to Lander's McLarty Ford of Bentonville, AR in the amount of $42,493.73 for the purchase of one crew cab chassis with Reading Utility Body for assignment to Transportation Division.

$ 42,494.00	$ 462,000.00	Light/Medium Duty Trucks
Cost of this request	Category / Project Budget	Program Category / Project Name
9700.1920.5802.00	$ 210,314.00	Vehicles and Equipment
Account Number	Funds Used to Date	Program / Project Category Name
02078.2008	$ 251,686.00	Shop
Project Number	Remaining Balance	Fund Name

Budgeted Item [X] **Budget Adjustment Attached** [ ]

Department Director — Date 3.19.08

City Attorney — Date 3/19/08

Finance and Internal Service Director — Date 3-19-08

Mayor — Date 3/19/08

Previous Ordinance or Resolution #

Original Contract Date:

Original Contract Number:

Received in City Clerk's Office 3/19/08 ENTERED

Received in Mayor's Office ENTERED 3/19/08

Comments:

Revised April 16, 2007

Fayetteville
ARKANSAS

FLEET OPERATIONS
1525 S. Happy Hollow Road
Fayetteville, AR 72701
(479) 444-3495 FAX (479) 444-3425

100 BEST FLEETS

Interdepartmental Correspondence

TO: **MAYOR/CITY COUNCIL**

THRU: **GARY DUMAS, DIRECTOR OF OPERATIONS**

FROM: **DAVID BRAGG, FLEET OPERATIONS SUPT.**

DATE: **March 17, 2008**

SUBJECT: **Purchase of one crew cab utility body truck**

RECOMMENDATION: That City Council approve the purchase of one crew cab utility body truck in the amount of $42,493.73 for assignment to the Transportation Division.

BACKGROUND: **Bid #08-37** was opened on March 7, 2008 for one crew cab chassis with utility body for assignment to the Transportation Division. Two bid responses were received. A detailed tabulation sheet is attached. If purchase of this truck is approved, the order must be placed by April 7, 2008.

The lower bid from Golden Circle does not meet specifications for "Reading utility body or approved equal".

Fleet staff has done extensive research on durability of various manufacturers of utility bodies and determined that the quality and durability of Reading bodies is superior to any other in the mid price range. Reading bodies are available to all truck dealers from numerous sources. The Omaha Standard body bid by Golden Circle lists numerous exceptions and is not approved as equal to the body specified.

The bid from Landers-McLarty Ford of Bentonville meets all specifications.

I recommend acceptance of the bid from Landers-McLarty Ford in the amount of $42,493.73.

This unit is a replacement for unit #323, a 1999 Ford F-350 dump truck with 100,000 miles that is no longer dependable for daily service. The crew cab with utility body is more suitable for moving work crews and equipment to and from job sites than the current dump truck.

Funds are available for this purchase in Fleet Replacement Special Project 02078 – Light Trucks.

The purchase of this truck will be presented to the Equipment Committee at the meeting on March 25, 2008.

RESOLUTION NO. ______

A RESOLUTION AWARDING BID #08-37 AND APPROVING THE PURCHASE OF ONE (1) CREW CAB CHASSIS WITH READING UTILITY BODY FROM LANDERS McLARTY FORD IN THE AMOUNT OF $42,493.73 FOR USE BY THE TRANSPORTATION DIVISION.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby awards Bid #08-37 and approves the purchase of one (1) crew cab chassis with Reading Utility Body from Landers McLarty Ford in the amount of $42,493.73 for use by the Transportation Division.

PASSED and **APPROVED** this 1st day of April, 2008.

APPROVED: ATTEST:

By: ____________________________
DAN COODY, Mayor

By: ____________________________
SONDRA E. SMITH, City Clerk/Treasurer

BID: 08-37
3/7/2008
2:00 PM
CITY OF FAYETTEVILLE

Fayetteville
ARKANSAS

Bid 08-37, Crew Cab Utility Truck

BIDDER	Manufacturer	Model	Total Price
1 Golden Circle Ford			
Item 1	Ford	F550	**$34,202.00**
Item 2	Omaha Standard	108D54V	**$7,390.00**
			$41,592.00
2 Landers McLarty Ford			
Item 1	Ford	2008 F550	**$34,916.73**
Item 2	Reading	ULP108ADW	**$7,577.00**
			$42,493.73

***NOTICE: Bid award is contingent upon vendor meeting minimum specifications and formal authorization by City officials.**

CERTIFIED: PVice

P. VICE PURCH MGR

WITNESS

3/7/08
DATE

City Of Fayetteville

(Not a Purchase Order)

Requisition No.:

Date: 3/17/2008

P.O Number:

Expected Delivery Date:

Vendor #: 14257

Vendor Name: LANDERS MCLARTY FORD

Mail Yes:___ No: XX

Address:

Fob Point:

Taxable Yes:___ No: XX

City:

State:

Zip Code:

Ship to code: 050

Divison Head Approval:

Quotes Attached Yes:_____ No:_____

Requester: Barbara Olsen

Requester's Employee #: 1940

Extension: 485

Item	Description	Quantity	Unit of Issue	Unit Cost	Extended Cost	Account Numbers	Project/Subproject #	Inventory #	Fixed Asset #
1	2008 FORD F550 CREW CAB	1	EA	$42,493.73	$42,493.73	9700.1920.5802.00	02078.2008		
2	CHASSIS WITH READING UTILITY		EA		$0.00				
3	BODY, PER BID 08-37. TO BE		EA		$0.00				
4	UNIT 367, F.A. 700367		EA		$0.00				
5			EA		$0.00				
6			EA		$0.00				
7			EA		$0.00				
8			EA		$0.00				
9			EA		$0.00				
10			EA		$0.00				
	Shipping/Handling		Lot		$0.00				

Special Instructions:

Subtotal: 42,493.73

Tax: EXEMPT

Total: 42,493.73

Approvals:

Mayor: __________

Department Director: __________

Purchasing Manager: __________

Finance & Internal Services Director: __________

Budget Manager: __________

IT Manager: __________

Dispatch Manager: __________

Utilities Manager: __________

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

18-Mar-08
City Council Meeting Date

Leif Olson	Long Range Planning	Operations
Submitted By	Division	Department

Action Required:

ADM 07-2712: Approval of an ordinance amending the Unified Development Code to allow Accessory Dwelling Units as a use by right with administrative approval in all single family zoning districts.

$0.00	n/a	n/a
Cost of this request	Category/Project Budget	Program Category / Project Name
n/a	n/a	n/a
Account Number	Funds Used to Date	Program / Project Category Name
n/a	n/a $ -	n/a
Project Number	Remaining Balance	Fund Name

Budgeted Item ☐ Budget Adjustment Attached ☐

2-29-08
Department Director Date

2-29-08
City Attorney

Paul A. Becker 3-3-08
Finance and Internal Service Director Date

Dan Coody 3/4/08
Mayor Date

Previous Ordinance or Resolution # n/a

Original Contract Date: n/a

Original Contract Number: n/a

Received in City Clerk's Office ENTERED 2/29/08

Received in Mayor's Office ENTERED 2/29/08

Comments:

Left on the first reading 3/18/08

City Council Meeting of March 18, 2008
Agenda Item Number

CITY COUNCIL AGENDA MEMO

To: Mayor and City Council

Thru: Gary Dumas, Director of Operations
Tim Conklin, Planning and Development Management Director

From: Leif Olson, Long Range Planner

Date: February 1, 2008

Subject: The request is to approve the proposed amendments to the Unified Development Code allowing Accessory Dwelling Units as a use-by-right in all residential zoning districts with administrative approval.

RECOMMENDATION

Planning Staff recommends approving the proposed Accessory Dwelling Unit Ordinance by the City Council.

BACKGROUND

The City Council has adopted a policy of addressing attainable housing as one of its top priorities. Planning Staff drafted a Housing White Paper in 2005 which outlined a series of policy alternatives that the City could implement in order to diversify the housing stock in terms of size and price points. One of the policy recommendations discussed in the white paper was to allow existing homeowners to construct accessory dwelling units on their property with administrative review and approval.

Accessory Dwelling Units (ADUs) are currently permitted by conditional use in residential districts of the City. The Conditional Use Permit process by its very nature can discourage residents from proposing ADUs. The current structure of the ordinance gives very little design guidance to the property owner and the public. The public hearing process can also have the undesired consequence of creating a reactionary response by the public and results in projects being re-designed by adjoining neighbors and appointed and elected officials. This is often a result because there are few guiding rules for the applicant, the public, Planning Staff or the appointed and elected officials to follow.

Planning Staff believes that a prescriptive ADU ordinance which addresses site design, bulk and area considerations, building heights, setbacks and architectural compatibility will ensure that new ADUs are appropriate in scale and design and that they will contribute to the community and neighborhood.

Planning Staff is bringing this ordinance forward at this time in order to advance three of the six goals adopted by the City Council's passage of City Plan 2025. Allowing ADUs by right is a benchmark in City Plan 2025 for the Fall 2006 – Summer 2007 schedule. Specifically, this ordinance is designed to address:

Goal 1: We will make appropriate infill and revitalization our highest priority,
Goal 2: We will discourage suburban sprawl, and
Goal 6: We will create attainable housing.

Administrative approval of ADUs will advance Goals 1 and 2 by encouraging the creation of dwelling units on property that has already been developed within the City. Low-density single-use residential property has the infrastructure already in place to allow for these infill opportunities. The larger lot sizes associated with low density zoning are prime locations for ADUs and will discourage sprawl by allowing appropriate and compatible small-scale residential uses to existing neighborhoods. ADUs by right are the very definition of infill and revitalization.

ADUs can create attainable housing in a number of ways. They are often designed as a housing alternative for members of the family who may have special needs or life circumstances, for instance the traditional role of an ADU as a "granny unit' for the mother-in-law. Families with college age children may choose to construct an ADU rather than pay rent for a dorm room or off-campus apartment. ADUs can be a very effective housing solution for a variety of familial circumstances that evolve over time. Additionally, ADUs as rental units can provide the necessary income needed for a family to meet their monthly mortgage obligations. There is an abundance of literature that can be found on the internet regarding the social and economic advantages of ADUs. Here is a brief list of links about ADU ordinances in other municipalities:

http://rainier.wa.us/Publications/adu30.pdf
http://www.ci.santa-cruz.ca.us/pl/hcd/ADU/adu.html
http://cosweb.ci.shoreline.wa.us/uploads/attachments/pds/handouts/ADU.pdf

DISCUSSION

The Planning Commission forwarded this item to the Ordinance Review Committee with a unanimous vote of 6-0. A concern brought up by the Planning Commission was that 600 sq. ft. would allow too large of a unit and perhaps 400 sq. ft. would be more appropriate. Staff has looked at the advantages and disadvantages of reducing the allowable square footage and is in favor of leaving it at 600 sq. ft. The downside of reducing the square footage is that you can reduce it to the point where it will in effect prescribe an efficiency type unit without a separate bedroom. An efficiency unit may be appropriate for younger people and students but most adults would not find it very practical. Staff believes that reducing the square footage will significantly limit the potential for a broad cross-section of the community to take advantage of this form of attainable housing.

The City Council Ordinance Review Committee forwarded this item to the full City Council with a unanimous 3-0 vote in favor of the proposed ordinance.

Planning Staff has met internally and with the Council of Neighborhoods in February to discuss the Accessory Dwelling Unit Ordinance and to make any additional changes that would create a stronger "by right" ordinance. Therefore, Planning Staff has made the following changes to the ordinance in order to address some of the concerns brought up during these meetings;

- Requirement of impact fees for all accessory dwelling units.
- Requirement for separate water and sewer taps for the accessory dwelling unit.
- Proof of occupancy of the owner of the residence with a registration requirement annually.
- Requirement of site plan review by the Urban Forester with mitigation requirements for the removal of significant trees on the building site.
- The maximum building heights have been amended in order to mirror the way building height is determined for single family development.
- Requirement for the removal of cooking facilities when the owner no longer resides in either the principal or accessory dwelling unit.

BUDGET IMPACT

None

ORDINANCE NO. ________

AN ORDINANCE AMENDING TITLE XV: UNIFIED DEVELOPMENT CODE OF THE CODE OF FAYETTEVILLE TO AMEND CHAPTER 151: DEFINITIONS, CHAPTER 159: FEES, CHAPTER 161: ZONING REGULATIONS, CHAPTER 162: USE UNITS, CHAPTER 163: USE CONDITIONS AND CHAPTER 164 SUPPLEMENTARY DISTRICT REGULATIONS IN ORDER TO MAKE ACCESSORY DWELLING UNITS A PERMITTED USE IN ALL RESIDENTIAL ZONING DISTRICTS CONTINGENT UPON PLANNING DIVISION ADMINISTRATIVE APPROVAL.

WHEREAS, the City of Fayetteville recognizes that accessory dwelling units provide an additional housing choice for many residents of the City such as students and senior citizens; and

WHEREAS, the City of Fayetteville has identified the need for increased housing options and variations in the existing housing market; and

WHEREAS, the City of Fayetteville has determined that accessory dwelling units are appropriate in residential zoning districts; and

WHEREAS, the City of Fayetteville recognizes that strict design guidelines will minimize cited concerns about appearance, mass and scale; and

WHEREAS, the City of Fayetteville recognizes that an administrative approval process will streamline the development process and encourage the construction of additional accessory dwelling units; and

WHEREAS, Accessory dwelling units that exceed the maximum standards prescribed in the proposed ordinance may request a variance from specific standards to the Planning Commission;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That Chapter 151: Definitions is amended by adding Accessory Dwelling Unit and Principal Dwelling Unit to §151.01, a copy of which marked Exhibit "A" is attached hereto and made a part hereof.

Section 2. That Chapter 159: Fees is amended by adding Accessory Dwelling Unit $100.00 to §159.01(B)(6).

Section 3. That Chapter 161: Zoning Regulations is amended by adding Use Unit 41: Accessory Dwelling Units in §161.03 (B)(1), §161.04 (B)(1), §161.05 (C), §161.06 (C), §161.07 (B)(1), §161.08 (B)(1), §161.09 (B)(1), and §161.23 (B)(1).

Section 4. That Chapter 162: Use Units is amended by adding Accessory Dwelling Units as Use Unit 41in §162.01

Section 5. That Chapter 163: Use Conditions is amended by removing Detached Second Dwelling Units (granny units) from §163.0l: Listing, and removing all of §163.07: Detached Second Dwelling Units (Granny Units) and re-numbering the remainder of Chapter 163: Use Conditions accordingly.

Section 6. That Chapter 164: Supplementary District Regulations is amended by adding the proposed language in §164.19, a copy of which is marked Exhibit "B" attached hereto and made a part hereof.

PASSED and **APPROVED** this the ____ day of ____, 2008.

APPROVED:

By: ________________________________
DAN COODY, Mayor

ATTEST:

By: ________________________________
SONDRA SMITH, City Clerk

EXHIBIT "A"

Chapter 151: Definitions is amended by adding Accessory Dwelling Unit and Principal Dwelling Unit to §151.01:

Accessory Dwelling Unit. (Zoning) An Accessory Dwelling Unit is a separate dwelling unit from the principal dwelling unit, located on a single family zoned lot. The owner of the lot shall permanently reside in either the principal dwelling unit or the accessory dwelling unit located on the property.

Principal Dwelling Unit. (Zoning) A Principal Dwelling Unit is the primary and larger of two dwelling units located on a single lot.

EXHIBIT "B"

Chapter 164: Supplementary District Regulations is amended by adding the following section §164.19: Accessory Dwelling Units:

164.19 Accessory Dwelling Units (ADU)

(A) *Purpose.* The purpose of the accessory dwelling unit ordinance is to authorize accessory dwelling units in certain zoning districts on lots already developed or that will be developed concurrently with single-family dwellings.

(B) *Intent.* Planning Staff shall evaluate the following criteria for the review and approval of an accessory dwelling unit application:

(1) Exterior design of the accessory dwelling unit should be compatible with the principal dwelling unit through architectural use of building forms, height, construction materials, and colors.

(2) The property shall have infrastructure (water, sewer, gas, electric, etc.) that meets City standards to serve the accessory dwelling unit.

(3) The location and design of the accessory dwelling unit shall meet the required setbacks of the zoning district.

(4) A two-story accessory dwelling unit should generally limit the major access stairs, decks, entry doors, and major windows to the walls facing the principal dwelling, or to the alley if applicable. Windows that impact the privacy of the neighboring side or rear yard should be minimized. The design of the accessory unit should relate to the design of the principal residence and not visually dominate it or the surrounding properties.

(5) The orientation and location of buildings, structures, open spaces and other features of the site should protect and maintain natural resources including significant trees and shrubs to the extent feasible and minimize alteration of natural land forms. Building profiles, location and orientation should relate to natural land forms.

(6) The site plan should incorporate low impact storm water mitigation techniques, such as cisterns, rain barrels, permeable pavers, rain gardens, indigenous plants and landscape berms.

(C) *Permitted Zoning Districts:* Accessory dwelling units shall be exempt from the density requirements of the underlying zoning district and shall be permitted by-right on lots containing 5,000 square feet or more in the following Zoning districts:

(1) R-A Residential Agricultural

(2) RSF – 0.5 Residential Single Family – One Half Unit per Acre

(3) RSF – 1 Residential Single Family – One Unit per Acre

(4) RSF – 2 Residential Single Family – Two Units per Acre

(5) RSF – 4 Residential Single Family – Four Units per Acre

(6) RSF – 7 Residential Single Family – Seven Units per Acre

(7) RSF – 8 Residential Single Family – Eight Units per Acre

(8) NC Neighborhood Conservation

(D) *Administrative Design Review and Approval.* All accessory dwelling units shall meet the following standards for administrative approval by the Zoning and Development Administrator. Prior to approval of an accessory dwelling unit, the Zoning and Development Administrator shall find that:

(1) *Maximum Square Feet and Number of Bedrooms.* The accessory dwelling unit shall not be greater than 600 square feet of habitable space with a maximum of one bedroom. Detached accessory dwelling units located above garage space shall be permitted so long as they meet the height requirement herein.

(2) *Zoning.* The accessory dwelling unit shall comply with all underlying zoning requirements including but not limited to building area, bulk and area, and setbacks with the exception of density.

(3) *Parking.* One parking space shall be provided on-site for each accessory dwelling unit. Required parking for the accessory dwelling unit is in addition to the required parking for the principal dwelling unit. On-street parking may be counted towards the total parking requirement where it is allowed in the public right-of-way adjacent to the subject property.

(4) *Existing Development on Lot.* A single-family dwelling shall exist on the lot or shall be constructed in conjunction with the accessory dwelling unit. No building permit shall be issued until this requirement is satisfied.

(5) *Maximum Number of Accessory Dwelling Units Per Lot.* A maximum of one accessory dwelling unit shall be permitted for each lot.

(6) *Other Code Requirements.* The accessory dwelling unit shall comply with the requirements of the City of Fayetteville Uniform Building Code.

(7) *Water and Sewer.* Water and sewer service for the accessory dwelling unit shall be connected directly to the pubic water and sewer system, where reasonably accessible in accordance with all applicable regulations, and shall be metered separately from the principal residence.

(8) *Impact Fees.* All impact fees for an accessory dwelling unit shall be paid in accordance with the regulations of Ch. 159 of the Unified Development Code, for a single family dwelling.

(9) *Occupancy.* The property owner must permanently occupy either the principal or accessory dwelling unit.

(10) *Maximum Occupancy of the Accessory Dwelling Unit.* A maximum of two persons shall reside in an accessory dwelling unit.

(11) *Registration of Dwelling Units.* The principal and accessory dwelling unit shall be registered on an annual basis, from the date of approval, with the Planning Division to verify occupancy requirements.

(12) *Tree Preservation.* To protect existing tree canopy to the greatest extent possible, prior to application for an accessory dwelling unit, the applicant shall consult with the Urban Forester, to prepare a site plan illustrating the location of all significant trees. All significant trees on the property shall be adequately protected during construction. Any proposed removal of significant trees on the site will require the following of the property owner:

(a) The applicant must show that the removal of a significant tree or trees is necessary in order to locate the accessory dwelling unit on the lot and also meet all contributing location requirements such as building setbacks, utility or drainage easements, topography, etc.

(b) For every significant tree removed the property owner shall replace said tree with a total of two (2) two-inch caliper large species shade trees from the list of approved tree species in a location deemed appropriate by the Urban Forester.

(c) Should the Urban Forester find justifiable cause to determine a significant tree or trees were removed in an attempt to thwart the intent of this ordinance prior to application for an accessory dwelling unit, the application shall not be approved administratively.

(13) *Building Height and Stories.*

(a) A one-story detached accessory dwelling unit shall be a maximum of 20 feet in height to the roof peak measured from the existing adjacent grade.

(b) A detached accessory dwelling unit above one story shall be a maximum of 25 feet in height to the roof peak measured from the existing adjacent grade.

(c) An attached accessory dwelling unit may occupy a first or second story of a principal dwelling unit and shall not in any instance be taller than the roof line of the principal dwelling unit.

(14) *Building Design.* The architectural design of the accessory dwelling unit shall relate to the design of the principal dwelling by the use of similar exterior wall materials, window types, door and window trims, roofing materials and roof pitch. The following materials must be submitted for review of an application:

(a) A material sample board indicating type of materials and colors to be used on the exterior of the building.

(b) An architectural elevation drawing of all sides of the proposed structure.

(c) Images or architectural elevations of the principal dwelling unit.

(E) *Site Plan Requirements.* Three sets of detailed site plans are required with the following information:

(1) Scale no smaller than 1" = 30' (one inch equals thirty feet)

(2) A north arrow

(3) Property lines

(4) Locations and dimensions of all rights-of-way, utility, drainage and tree preservation easements, and building setbacks

(5) All existing and proposed structures with accompanying uses

(6) Size of parcel in square feet or acres.

(7) Size of all existing and proposed structures in square feet

(8) Name of the applicant or property owner, plan preparer, project name and project address in a title block

(9) Pertinent special features such as drainage features, berms, fences, and retaining walls

(10) Parking areas, including driveways, with paving materials and dimensions

(11) A landscape plan showing the location of all proposed landscaping, size of plant materials and species

(12) Tree protection plan including all significant trees and protection measures

(F) Deed Restrictions. Before obtaining a building permit for an accessory dwelling unit the property owner shall file with the Washington County Clerk's Office a declaration of restrictions containing a reference to the deed under which the property was acquired by the present owner and stating that:

(1) The accessory dwelling unit shall not be sold separately from the principal residence.

(2) The accessory unit is restricted to the approved size.

(3) The property owner shall at all times reside on the property.

(4) The above restrictions are binding upon any successor in ownership of the property and shall run with the property.

(G) *Planning Commission Approval.* An applicant may request approval from the Planning Commission of a variance from the maximum requirements for size (square feet), height, and materials for an accessory dwelling unit, where unique circumstances exist and the effect will not adversely affect adjoining or neighboring property owners. The applicant shall provide notification to adjacent property owners prior to the date of the meeting.

(H) *Existing Detached Second (Accessory) Dwelling Units.*

(1) Conforming Units. Existing detached second dwelling units approved by the Planning Commission by conditional use and constructed shall be considered a legal conforming accessory dwelling on the property. Property owners shall register the principal and accessory dwelling on an annual basis with the Planning Division.

(2) Nonconforming Units. Existing detached second dwelling units that were not approved by the Planning Commission shall be considered nonconforming. An application for administrative approval may be made to convert an existing nonconforming detached second dwelling unit to a conforming legal detached second dwelling unit, where the existing unit can meet the requirements herein. Where an existing nonconforming second dwelling unit exists as of the date of the adoption of

this ordinance that can not meet the requirements herein, the applicant may apply for a variance of the requirements stated.

(I) *Non-Conforming Structures.* Non-conforming structures may not be converted into an accessory dwelling unit unless a variance has been granted by the Board of Adjustment.

(J) *Removal of kitchen and cooking facilities.* The accessory dwelling unit shall be converted from a dwelling unit by the removal of kitchen and cooking facilities if the owner of the property no longer wishes to reside in either structure.

(K) *Violation.* Violation of the requirements herein shall be prosecuted to the maximum extent of the law.

ADM 07-2712: (ACCESSORY DWELLING UNITS): An ordinance amending the Unified Development Code to allow Accessory Dwelling Units by right in Residential Zoning Districts.

Tim Conklin, Planning and Development Management Director, explained that the accessory dwelling unit ordinance was one of the benchmarks adopted by the City Council. The proposed ordinance was drafted to allow existing homeowners to construct accessory dwelling units. He explained that accessory dwelling units also known as detached second dwelling units are currently permitted by conditional use. Planning staff was bringing forward a prescriptive ordinance that addresses site design, bulk and area, building height, setback, and architectural compatibility. The ordinance advances three of the six goals adopted in City Plan 2025: Allowing accessory dwelling units meets Goal 1, Appropriate Infill, discouraging suburban sprawl meets Goal 2, and creating attainable housing meets Goal 6. He suggested the Commissioners review what was adopted by other communities in Washington, Wisconsin, and California. A PowerPoint presentation was shown that discussed the benefits of the ordinance and how it relates specifically to Fayetteville.

Conklin asked that if the Commissioners had any additional requirements or suggestions above and beyond those discussed, that he be notified. Each exhibit was presented and summarized.

Commissioner Anthes asked if it will modify approved PZDs.

Conklin stated that no, it's too complicated to do so with all Residential PZDs. Instead, Use Unit 41, Accessory Dwelling Units, will be added to the UDC and could be used to amend an existing PZD through the City Council process.

Public Comment was received:

Joann Kvamme, neighbor, stated she is concerned about small lot sizes. She stated that the amount of coverage on a lot be considered by the amount of impervious surface. She expressed drainage concerns and how the additional units would change the flavor of neighborhood. She expressed that ADU's should be looked at on a case by case basis. She thought this proposed ordinance was too risky for the City to blanket approval ADU's. She understood PZDs won't change, but once a person buys the property, they could change it after it is built. She also expressed concern that off-street parking won't be enough to serve the ADU.

Dan Conner stated the main reason they haven't been approved is the whole neighborhood comes out and fights it. He suggested they keep ADU's as a conditional use permit.

Conklin stated that the City does have lot coverage standards, but they don't have them for actual paving. With regard to previous ones, they typically aren't a problem if they are done correctly. If this is something we want to encourage, as affordable housing, or if there needs to be additional requirements to make it more prescriptive, please let staff know your ideas.

Commissioner Anthes asked if development in PZDs can change.

Conklin stated that no, the PZD ordinance goes with the Land.

Commissioner Ostner asked about R-O zoning and ADU's.

Conklin stated they tried to stay with just single-family, because they currently only allow one single family dwelling.

Commissioner Ostner asked if there was an impact fee for an additional unit.

Conklin confirmed that impact fees would apply to each new unit.

Commissioner Ostner asked if there were separate water/sewer taps, or together?

Conklin stated that he has seen it done both ways.

Commissioner Ostner stated it can get expensive to build an ADU. He questioned trash pick up and how that would be handled. He stated that Mr. Conner had a good point that people fight these requested-for ADU's. He stated that there were no parameters in previous applications – no specific rules and that they probably should have been fought. He stated he thought 600 square feet was too big. He thought 400-500 s.f. would be more appropriate. He would like to see the ordinance say 400 s.f., instead. He stated that he lived in 420 s.f. with a roommate. He thought the Ordinance is terrific, to set up rules to promote ADU's. He stated that density is what is going to save this town. You can get more shops, and keep Dickson alive. This is a great way to do density right.

Commissioner Winston asked about the size of the dwelling unit on the right in the slideshow.

Conklin stated that he did not know but would find out.

Commissioner Ostner stated he hopes that the entire property, both ADU and primary dwelling don't becomes rent houses. And that you could have six people living in these houses.

Commissioner Anthes asked about a deed restriction on the property that requires owner occupancy for one of the units.

Commissioner Ostner asked about the potential problem of an unscrupulous owner who doesn't occupy one of the units.

Commissioner Bryant asked how the deed restriction worked and how it would be enforced. She asked what stops them from renting both out.

Pate stated that if there is a violation of UDC, it will be prosecuted.

Commissioner Cabe asked about the amount of buildable area, and how this ordinance would impact existing second dwelling units that did not go through CUP. He also asked about grandfathered units.

Motion:

Commissioner Myres made a motion to forward the request to ordinance review.

Commissioner Cabe seconded the motion.

Commissioner Anthes stated she appreciates staff's work on research to produce a predictable outcome with this process. She discussed the benefits of this ordinance with helping to create additional income to allow citizens afford housing, the downsizing of families, and being able to stay in neighborhood. She stated that she supported this ordinance.

Upon roll call the motion passed with a vote of 6-0-0.

Page Break

City of Fayetteville Staff Review Form

City Council Agenda Items
and
Contracts, Leases or Agreements

4/1/2008

City Council Meeting Date
Agenda Items Only

Gary Dumas		Operations
Submitted By	**Division**	**Department**

Action Required:

Approve Resolution Accepting the Memo of Understanding with the WG Land Company LTD. Partnership Regarding the Van Asche Blvd. Extension

$ -	$ -	
Cost of this request	Category / Project Budget	Program Category / Project Name
	$ -	
Account Number	Funds Used to Date	Program / Project Category Name
	$ -	
Project Number	Remaining Balance	Fund Name

Budgeted Item ☐ **Budget Adjustment Attached** ☐

Gary Dumas	3/19/2008	Previous Ordinance or Resolution #
Department Director	Date	Original Contract Date:
	3/19/2008	Original Contract Number:
City Attorney	Date	Received in City Clerk's Office ENTERED 3/19/08
Paul a. Becker	3-19-2008	
Finance and Internal Service Director	Date	
Dan Coody	3/19/08	Received in Mayor's Office
Mayor	Date	

Comments:

Fayetteville
ARKANSAS

OPERATIONS DIRECTOR

To: City Council
From: Gary Dumas
Date: March 19, 2008
RE: Memo of Understanding with the WG Land Company LTD. Partnership Regarding the Van Asche Blvd. Extension

Background

On March 18th the City Council approved the reallocation of bond resources in order to fund the extension of Van Asche Blvd. with the stipulation that the property owner annex into the City of Fayetteville. The property owner had requested that the property be permitted to be zoned consistent with currently surrounding industrial uses and consistent with the type of commercial development contemplated for this property. The area north, east, and west of the proposed Van Asche extension is primarily industrial. The area south of the Van Asche extension is currently used agriculturally.

This area is anticipated to be the extension of the intense development that has occurred in the mall area.

Discussion

The area north of the Van Asche extension is primarily riddled with caverns created during past mining activities. These caverns limit the potential for some uses but also open the realm of possibilities for others. The current primary use of cavern space is for storage, warehousing, and other industrial activities. Using the land above the caverns will require engineering and coordination and agreement from owners and users of other adjacent and nearby caverns. The likely most immediate use of cavern space will be in uses similar to those current in the area, which is underground storage. This would require a zoning of I-1, Light Indusrial.

The area south of the extension of Van Asche should be encouraged to develop as densely as possible. This area will develop similarly to the nearby commercial and health related activities. Every effort should be made to promote a dense compact development style, not a highway commercial style development. For this reason the most logical zoning is C-3.

Attached is a Memo of Understanding outlining the zoning classifications that will be granted upon the annexation of this property into Fayetteville.

Recommendation

Adopt resolution agreeing to the attached Memo of Understanding.

113 West Mountain
Fayetteville, Arkansas 72701
Office phone - 479-575-8330
Fax - 479-575-8257
E-mail - gdumas@ci.fayetteville.ar.us

March 4, 2008

Mr. Gary Dumas
Director of Operations
City of Fayetteville
Fayetteville, Arkansas 72701

Re: Van Asche Rd. Extension

Dear Mr. Dumas:

Please be advised that our family has agreed to Annex all property north of Van Asche Rd. Extension to the City of Fayetteville subject to the commitment to build this road ASAP. Once this road is funded and scheduled for construction, we will start the de-annexation process thru the City of Johnson.

As a consideration, we only ask that the City of Fayetteville bring in the northern most acreage (hilltop) which covers the underground cavern at an Industrial Zoning Classification suitable for warehousing and cold storage. We will assume that the other acreage will be brought in as Commercial. It should be futher understood that there will be no change whatsoever in the current Farmland Zoning Classification up and until, actual development and construction of improvements is undertaken.

Thank you for your assistance in this matter. We will look forward to being notified when the road will be funded and constructed and as result, we will start the de-annexation process accordingly.

Cordially yours,

WG LAND COMPANY LTD. PARTNERSHIP

Robert G. Whitfield

Robert G. Whitfield

RESOLUTION NO. ______

A RESOLUTION APPROVING A MEMORANDUM OF UNDERSTANDING CONCERNING ANNEXATION AND ZONING OF CERTAIN REAL PROPERTY WITH WG LAND COMPANY LTD. PARTNERSHIP.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby approves a Memorandum of Understanding concerning annexation and zoning of certain real property with WG Land Company Ltd. Partnership. A copy of the Memorandum, marked Exhibit A is attached hereto and made a part hereof.

PASSED and **APPROVED** this 1st day of April, 2008.

APPROVED: ATTEST:

By: ______________________________
DAN COODY, Mayor

By: ______________________________
SONDRA E. SMITH, City Clerk/Treasurer

Memorandum of Understanding

This Memorandum of Understanding, made and entered into this ______ day of April, 2008, by and between the City of Fayetteville, Arkansas, a municipal corporation, 113 W. Mountain, Fayetteville, Arkansas, and WG Land Company Ltd. Partnership, 3535 North College Avenue, Fayetteville, Arkansas

WG Land Company Ltd. Partnership agrees to seek de-annexation of its real property abutting the proposed Van Asche Boulevard Extension from the City of Johnson once the proposed street extension is funded and scheduled for construction by the City of Fayetteville.

In return, the City of Fayetteville agrees to annex the real property adjacent to the proposed Van Asche Boulevard Extension with the following understandings:

- That the property will be annexed into the City of Fayetteville as an R/A Zoning District, and will remain so until actual development and construction of future improvements is commenced;
- That as the property is brought into development, the portion of the property north of the proposed Van Asche Boulevard Extension shall be re-zoned to an Industrial Zoning District consistent with its use for warehousing and cold storage; and,
- That as the property is brought into development, the portion of the property south of the proposed Van Asche Boulevard Extension shall be re-zoned to a Commercial Zoning District.

CITY OF FAYETTEVILLE:

By:______________________________
DAN COODY, Mayor

ATTEST:

By:______________________________
SONDRA E.SMITH, City Clerk/Treasurer

WG LAND COMPANY LTD. PARTNERSHIP

By:______________________________
ROBERT G. WHITFIELD, General Partner

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

Jeremy Pate	Planning	Operations
Submitted By	Division	Department

Action Required:

RZN 07-2889: (Cooper, 445): An ordinance amending Ordinance No. 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance on March 4, 2008, located at the southwest corner of North College Avenue and East Cleburn Street.

$0.00	n/a	n/a
Cost of this request	Category/Project Budget	Program Category / Project Name
n/a	n/a	n/a
Account Number	Funds Used to Date	Program / Project Category Name
n/a	n/a $ -	n/a
Project Number	Remaining Balance	Fund Name

Budgeted Item ☐ Budget Adjustment Attached ☐

Department Director	3.13.08 Date
City Attorney	3-14-08
Paul A. Becker Finance and Internal Service Director	3-14-08 Date
Mayor	3/17/08 Date

Previous Ordinance or Resolution # n/a

Original Contract Date: n/a

Original Contract Number: n/a

Received in City Clerk's Office
ENTERED 3/13/08

Received in Mayor's Office
ENTERED 3/14/08

Comments:

CITY COUNCIL AGENDA MEMO

To: Mayor and City Council

Thru: Gary Dumas, Director of Operations

From: Jeremy C. Pate, Director of Current Planning

Date: March 12, 2008

Subject: (Cooper RZN 07-2889) Ordinance Amendment

RECOMMENDATION

Staff recommends an ordinance amending Ordinance No. 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance on March 4, 2008, located at the southwest corner of North College Avenue and East Cleburn Street.

BACKGROUND

The legal description approved as part of Ordinance No. 5114 included right-of-way, which had been previously dedicated as part of the Beacon Flats PZD. The attached Exhibit "B" has been corrected as necessary to accurately described the subject property.

DISCUSSION

The rezoning request was approved by the Fayetteville City Council on March 4, 2008 as Ordinance No. 5114.

BUDGET IMPACT

None.

ORDINANCE NO.

AN ORDINANCE AMENDING ORDINANCE NUMBER 5114 TO CORRECT THE LEGAL DESCRIPTION FOR THE 0.64 ACRE PARCEL REZONED BY SAID ORDINANCE LOCATED AT THE SOUTHWEST CORNER OF NORTH COLLEGE AVENUE AND EAST CLEBURN STREET.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That Exhibit "B" to Ordinance No. 5114 is hereby amended to read as set out in Exhibit "B" attached hereto and made a part hereof:

PASSED and **APPROVED** this day of , 2008.

APPROVED:

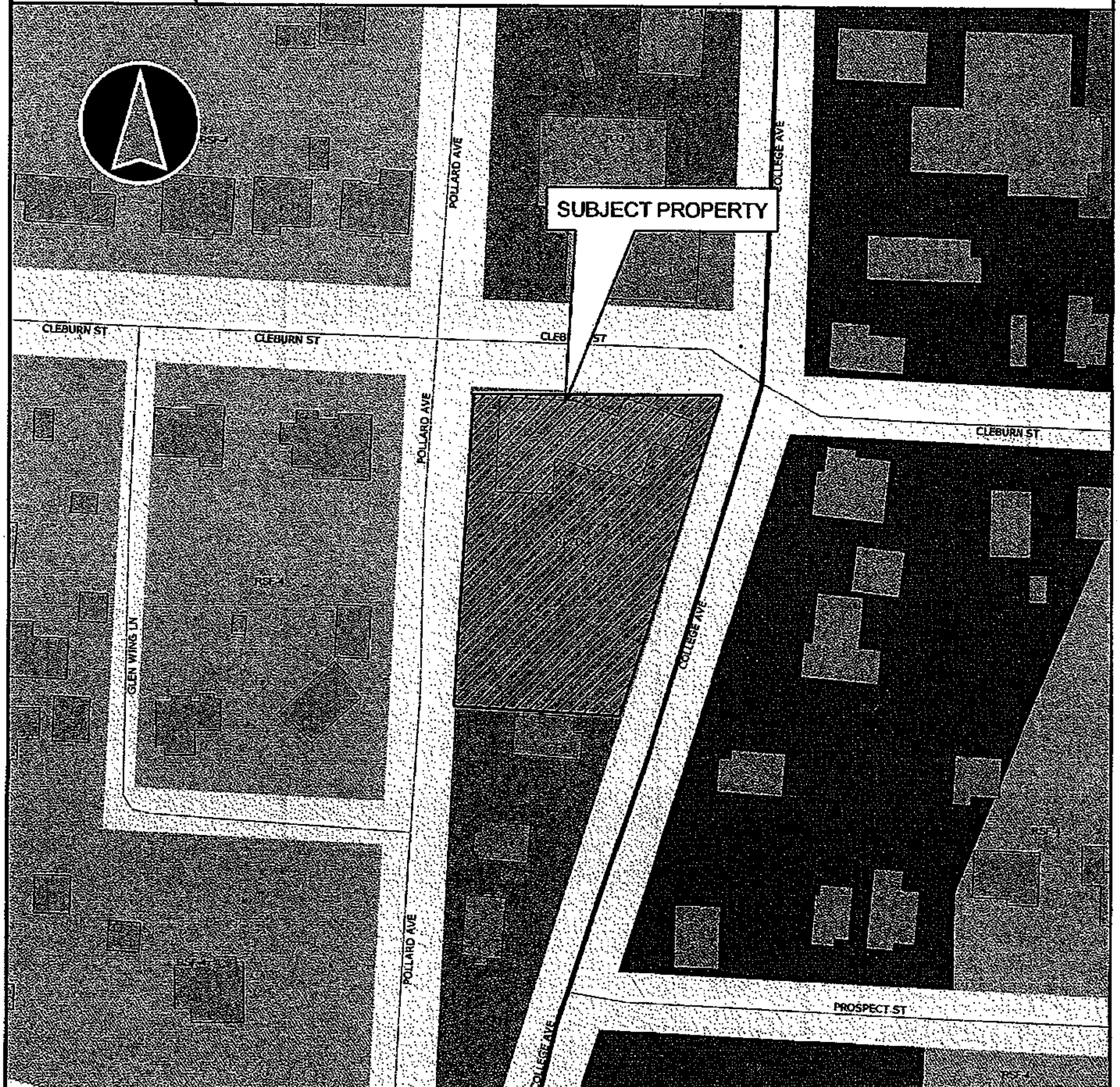
By: ______________________________
DAN COODY, Mayor

ATTEST:

By: ______________________________
SONDRA SMITH, City Clerk/Treasurer

EXHIBIT "A"

RZN07-2889	COOPER
Close Up View	

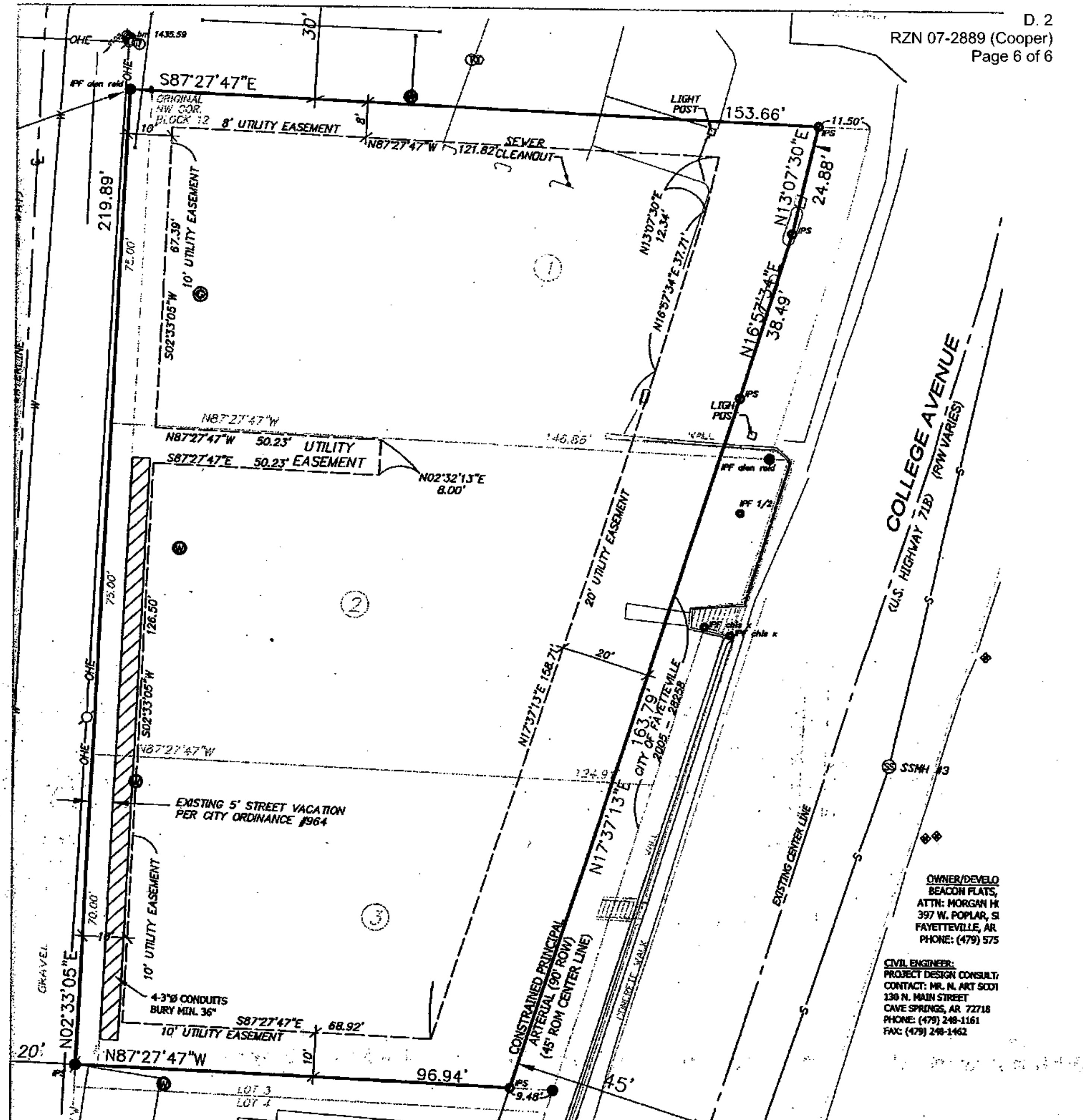


Overview

EXHIBIT "B"
RZN 07-2889

A PART OF LOT NUMBERED ONE (1), A PART OF LOT NUMBERED TWO (2) AND A PART OF LOT NUMBERED (3), ALL IN BLOCK NUMBERED TWELVE (12) OF A.L. TRENT'S REVISED PLAT OF CITY PARK ADDITION TO THE CITY OF FAYETTEVILLE, ARKANSAS, AS PER PLAT OF SAID ADDITION ON FILE IN THE OFFICE OF THE CIRCUIT CLERK AND EX-OFFICIO RECORDEDER OF WASHINGTON COUNTY, ARKANSAS, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT A FOUND IRON PIN AT THE ADJUSTED NORTHWEST CORNER OF SAID LOT ONE (1), SAID POINT BEING N87°27'47"W 5.00 FEET FROM THE ORIGINAL NORTHWEST CORNER OF SAID LOT ONE (1); THENCE S87°27'47"E ALONG THE NORTH LINE OF SAID LOT ONE (1) 153.66 FEET TO A POINT ON THE WESTERLY RIGHT-OF-WAY OF COLLEGE AVENUE; THENCE ALONG SAID RIGHT-OF-WAY, THE FOLLOWING THREE COURSES: THENCE S13°07'30"W 24.88 FEET; THENCE S16°57'34"W 38.49 FEET; THENCE S17°37'13"W 163.79 FEET TO A POINT WHICH IS 5.00 FEET NORTH OF THE SOUTH LINE OF SAID LOT THREE (3); THENCE DEPARTING SAID RIGHT-OF WAY N87°27'47"W 96.94 FEET TO THE ADJUSTED WEST LINE OF SAID LOT THREE (3), SAID POINT BEING 5.00 FEET WEST OF THE ORIGINAL WEST LINE OF SAID LOT THREE (3); THENCE N02°33'05"E 219.89 FEET TO THE POINT OF BEGINNING. CONTAINING 0.64 ACRES, MORE OR LESS. SUBJECT TO ANY EASEMENTS, COVENANTS OR RESTRICTIONS OF RECORD OR FACT.



TILITY EASEMENTS:

TILITY EASEMENTS PLATTED IN THIS DEVELOPMENT WERE APPROVED BY THE UNDERSIGNED UTILITIES OF ANSAS.

ELECTRIC

GAS SERVICE

TELEPHONE

CABLE TELEVISION

CITY OF FAYETTEVILLE

TREE PRESERVATION AND RECREATIONAL AREA:

THE TREE PRESERVATION AND RECREATIONAL AREA AS INDICATED ON THIS EASEMENT PLAT CONSTITUTES A COVENANT RUNNING WITH THE TITLE OF THE SUBJECT PROPERTY AND IS DENOTED FOR THE PROPERTY OWNERS AND THEIR FUTURE SUCCESSORS, ASSIGNEES OR TRANSFEREES TO PRESERVE, PROTECT AND MAINTAIN EXISTING TREE CANOPY AND ALLOW FOR PASSIVE RECREATION BY THE PUBLIC. NO TREE REMOVAL OR LAND DISTURBANCE AS DEFINED WITHIN THE CITY OF FAYETTEVILLE UNIFIED DEVELOPMENT CODE MAY OCCUR WITHIN THE TREE PRESERVATION AND RECREATIONAL AREA UNLESS APPROVED BY THE CITY OF FAYETTEVILLE. PERSONS SEEKING REMOVAL OF SUCH TREE PRESERVATION AND RECREATIONAL AREAS, OR REQUESTING TO MODIFY THE PROPERTY IN SUCH A WAY AS THE EFFECT THE CANOPY WITHIN, MUST SEEK APPROVAL FROM THE CITY COUNCIL TROUGH A REQUEST MADE BY THE LANDSCAPE ADMINISTRATOR OF THE CITY OF FAYETTEVILLE.

Approved by ______________________ City of Fayetteville Landscape Administrator ________ Date

CERTIFICATE OF OWNERSHIP & DEDICATION:

WE THE UNDERSIGNED OWNERS, REPRESENTING ONE HUNDRED PERCENT (100 OWNERSHIP OF THE REAL ESTATE SHOWN AND DESCRIBED HEREIN DO HEREBY DEDICATE FOR PUBLIC OWNERSHIP ALL STREETS AND ALLEYS AS SHOWN ON T FOR PUBLIC BENEFIT AS PRESCRIBED BY LAW. THE OWNERS ALSO DEDICATE T CITY OF FAYETTEVILLE AND TO THE PUBLIC UTILITY COMPANIES (INCLUDING A TELEVISION COMPANY HOLDING A FRANCHISE GRANTED BY THE CITY OF FAYE THE EASEMENTS AS SHOWN ON THIS PLAT FOR THE PURPOSE OF INSTALLATIO FACILITIES AND THE REPAIR OF EXISTING FACILITIES. ALSO ESTABLISHED HE THE RIGHT OF INGRESS AND EGRESS TO SAID EASEMENTS, THE RIGHT TO PRO ERECTION OF BUILDINGS, STRUCTURES, OR FENCES WITHIN SAID EASEMENTS, RIGHT TO REMOVE OR TRIM TREES WITHIN SAID EASEMENTS.

DATE ______________ OWNER

	B	C	D	E	F

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

Jeremy Pate	Planning	Operations
Submitted By	**Division**	**Department**

Action Required:

VAC 08-2930: (Wilmoth/Wellsley Place, 409): Submitted by Dave Jorgensen for property located at 1609 Wellsley Place. The request is to vacate a portion of the utility and drainage easements on the subject property.

$0.00	n/a	n/a
Cost of this request	Category/Project Budget	Program Category / Project Name
n/a	n/a	n/a
Account Number	Funds Used to Date	Program / Project Category Name
n/a	n/a	n/a
	$ -	
Project Number	Remaining Balance	Fund Name

Budgeted Item ☐   Budget Adjustment Attached ☐

Previous Ordinance or Resolution #	n/a
Original Contract Date:	n/a
Original Contract Number:	n/a

Department Director — Date: 3-12-08

City Attorney — 3-14-08

Paul A. Becker
Finance and Internal Service Director — Date: 3-14-08

Mayor — Date: 3/17/08

Received in City Clerk's Office ENTERED 3/12/08

Received in Mayor's Office ENTERED 3/14/08 BRP

Comments:

CITY COUNCIL AGENDA MEMO

To: Mayor and City Council

Thru: Gary Dumas, Director of Operations

From: Jeremy C. Pate, Director of Current Planning

Date: March 12, 2008

Subject: Easement Vacation for Wilmoth (VAC 08-2930)

RECOMMENDATION

Planning Staff recommends approval of an ordinance vacating a portion of a utility easement and drainage easement on the subject property containing approximately 643 square feet.

BACKGROUND

The subject property is located at 1609 Wellsely Place, northwest of Mission Boulevard and is zoned RSF-4. There is an existing 25' utility easement and setback located at the front of the subject property, adjacent to Wellsley Place and a 10' drainage and access easement located along the west property line. Currently, the structure encroaches 10' into the front setback and utility easement and 3' into a portion of the drainage easement.

A building permit was issued in June 2003 for a single family house and garage, containing 1,932 square feet, with a front setback of 25', a rear setback of 20', and two side setbacks of 8'. However, the house was constructed 15 feet from the public right-of-way with a wood deck located at the rear of the structure for a total of 2,196 square feet. Evidently, after approval of the building permit, a deck was added to the rear of the house, thereby pushing the house forward into the front setback and utility easement. The applicant purchased the subject property in 2004 without knowing that the structure was nonconforming.

The applicant is requesting to vacate 10 feet of a utility easement along the north side of the property and 5 feet of a drainage easement from the public right-of-way south 30 feet, for a total area of 643 square feet to be vacated, in order to bring the existing structure into conformance with City code.

DISCUSSION

Notification was provided to all appropriate utility representatives and to the City with no objections to the requested drain easement and utility easement vacation. This item was heard at the regular Planning Commission meeting on March 10, 2008 and forwarded by vote of 6-0-0 on the consent agenda to recommend this vacation request to the City Council.

BUDGET IMPACT

None.

ORDINANCE NO.

AN ORDINANCE APPROVING VAC 08-2930 SUBMITTED BY DAVE JORGENSEN FOR PROPERTY LOCATED AT 1609 WELLSLEY PLACE TO VACATE A PORTION OF THE UTILITY AND DRAINAGE EASEMENTS ON THE SUBJECT PROPERTY, CONTAINING A TOTAL OF 643 SQUARE FEET.

WHEREAS, the City Council has the authority under A.C.A. § 14-54-104 to vacate public grounds or portions thereof which are not required for corporate purposes; and

WHEREAS, the City Council has determined that the following described portion of the platted utility and drainage easements are not required for corporate purposes;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby vacates and abandons the following described utility and drainage easements:

See Exhibit "B" attached hereto and made a part hereof.

Section 2: That a copy of this Ordinance duly certified by the City Clerk along with the map attached hereto and labeled Exhibit "A" shall be filed in the office of the Recorder of the County and recorded in the Deed Records of the County.

Section 3: That this vacation approval is subject to the Conditions of Approval as follows, and shall not be in effect until all conditions are met herein.

1. Any redevelopment or improvements to the property shall comply with all zoning development regulations including building setbacks from the property lines and Master Street Plan right-of-way, height restrictions, and so forth.

PASSED and **APPROVED** this day of , 2008.

APPROVED: ATTEST:

By: ______________________________
DAN COODY, Mayor

By: ______________________________
SONDRA SMITH, City Clerk/Treasurer

EXHIBIT "A"

LEGEND

- ● FOUND IRON PIN
- ○ SET IRON PIN
- ▫ UTILITY PEDESTAL
- ● WATER METER
- ⊙ GAS METER
- SEWER CLEAN OUT
- CENTERLINE STREET
- BUILDING SETBACK & U.E.
- CURB & GUTTER
- SIDE & REAR BUILDING SETBACK
- EXISTING WOOD FENCE
- GAS LINE
- TELEPHONE LINE
- WATER SERVICE LINE
- ELECTRIC LINE

THIS IS TO CERTIFY THAT THE ABOVE SURVEY WAS PERFORMED UNDER MY SUPERVISION AND ALL CORNERS WERE SET AS SHOWN ON THE PLAT AND TO THE BEST OF MY KNOWLEDGE ARE CORRECT.

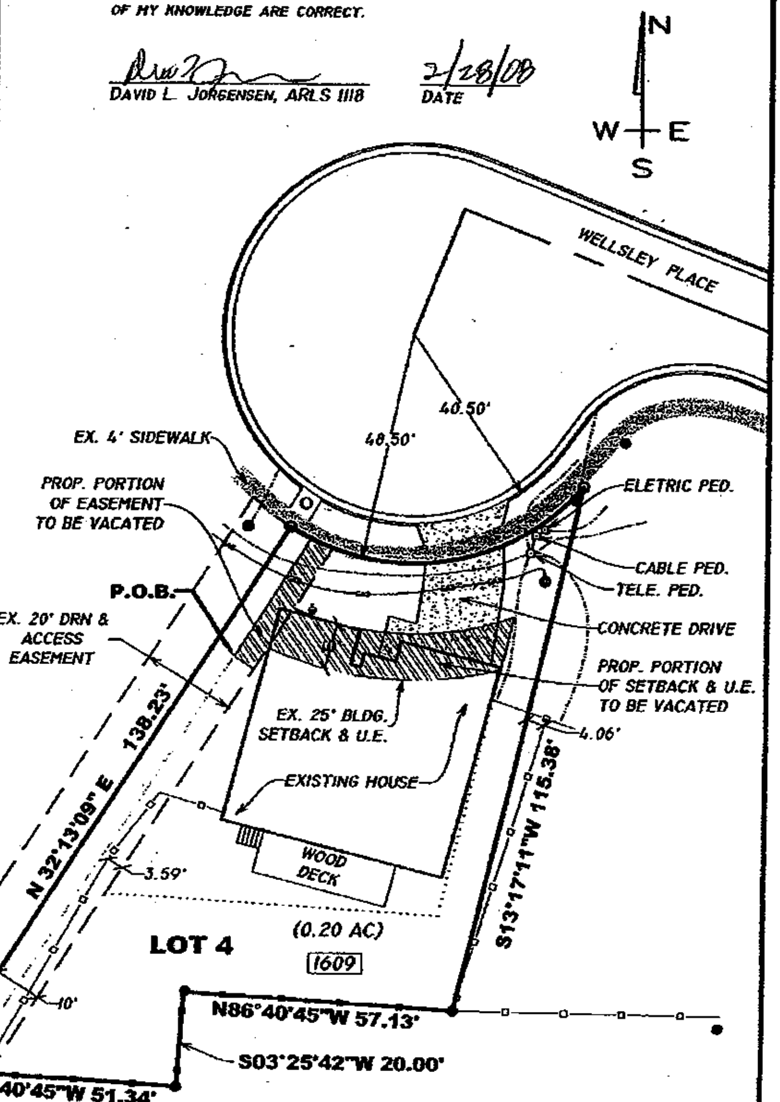
DAVID L. JORGENSEN, ARLS 1118 — DATE 2/28/08

FLOOD NOTE:

THIS PROPERTY IS NOT AFFECTED BY THE 100 YEAR FLOOD PLAIN AS PER FIRM 05143C0084D DATED 7/21/99.

LEGAL DESCRIPTION:

LOT 4 OF MISSION PLACE SUBDIVISION IN FAYETTEVILLE, ARKANSAS AS PER PLAT OF SAID SUBDIVISION RECORDED IN THE OFFICE OF THE CIRCUIT CLERK AND EX-OFFICIO RECORDER OF WASHINGTON COUNTY, ARKANSAS.



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REGISTERED STATE OF ARKANSAS NO. 1118 SIGNATURE DAVID L. JORGENSEN PROFESSIONAL LAND SURVEYOR

JORGENSEN & ASSOCIATES
CIVIL ENGINEERS • SURVEYORS

124 WEST SUNBRIDGE, SUITE 5 • FAYETTEVILLE, ARKANSAS 72703 • (479) 442-9127 • FAX (479) 582-4807

SCALE: 1"=30'	DATE REVISED	CHECKED BY:	DRAWN BY: JCN
DATE: 25JAN08	28FEB08	DLJ	J:\LOTS\2007096\MALEA

PROPERTY SURVEY FOR
RICHARD & NORMAJANE WILMOTH

EXHIBIT "B"
VAC 08-2930

PART OF LOT 4 OF MISSION PLACE SUBDIVISION IN FAYETTEVILLE, ARKANSAS AS PER PLAT OF SAID SUBDIVISION RECORDED IN THE OFFICE OF THE CIRCUIT CLERK AND EX-OFFICIO RECORDER OF WASHINGTON COUNTY, ARKANSAS, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS; COMMENCING AT THE SW CORNER OF SAID LOT 4 THENCE S86°40'45"E 5.71 FEET, THENCE N32°13'09"E 105.73 FEET TO THE P.O.B., THENCE N32°13'09"E 30.00 FEET, THENCE ALONG A CURVE TO THE LEFT 5.06 FEET, SAID CURVE HAVING A CHORD BEARING OF S66°41'15"E 5.06 FEET AND A RADIUS OF 48.50 FEET, THENCE S32°13'09"W 15.25 FEET, THENCE ALONG A CURVE TO THE LEFT 47.80 FEET, SAID CURVE HAVING A CHORD BEARING OF S88°24'17"E 46.68 FEET AND A RADIUS OF 63.50 FEET, THENCE S13°17'11"W 11.63 FEET, THENCE ALONG A CURVE TO THE RIGHT 50.53 FEET, SAID CURVE HAVING A CHORD BEARING OF N85°17'46"W 49.54 FEET AND A RADIUS OF 73.50 FEET, THENCE S32°13'09"W 5.42 FEET, THENCE N57°46'51"W 5.00 FEET TO THE P.O.B.; CONTAINING 643 SQUARE FEET MORE OF LESS.

Fayetteville ARKANSAS

PC Meeting of March 10, 2008

THE CITY OF FAYETTEVILLE, ARKANSAS

125 W. Mountain St.
Fayetteville, AR 72701
Telephone: (479) 575-8267

PLANNING DIVISION CORRESPONDENCE

TO:	Fayetteville Planning Commission
FROM:	Dara Sanders, Current Planner
	Matt Casey, Assistant City Engineer
THRU:	Jeremy Pate, Director of Current Planning
DATE:	March 5, 2008

VAC 08-2930: (WILMOTH / WELLSLEY PLACE, 409): Submitted by DAVE JORGENSEN for property located at 1609 WELLSLEY PLACE. The property is zoned RSF-4, SINGLE FAMILY - 4 UNITS/ACRE and contains approximately 0.20 acres. The request is to vacate a portion of the utility easements on the subject property.

Planner: Dara Sanders

Findings:

Property Description and Background: The subject property is located on a cul-de-sac, Wellsley Place, northwest of Mission Boulevard. There is an existing 25' utility easement and setback located at the front of the subject property, adjacent to Wellsley Place and a 10' drainage and access easement located along the west property line. Currently, the structure encroaches 10' into the front setback and utility easement and 3' into a portion of the drainage easement. Board of Adjustment approval of a variance from the front setback requirements of the RSF-4 zoning district is required, in order to create a conforming structure.

A building permit was issued in June 2003 for a single family house and garage, containing 1,932 square feet, with a front setback of 25', a rear setback of 20', and two side setbacks of 8'. However, the house was constructed 15 feet from the public right-of-way with a wood deck located at the rear of the structure for a total of 2,196 square feet. Evidently, after approval of the building permit, a deck was added to the rear of the house, thereby pushing the house forward into the front setback and utility easement. The applicant purchased the subject property in 2004 without knowing that the structure was nonconforming.

Request: The applicant is requesting to vacate 10 feet of a utility easement along the north side of the property and 5 feet of a drainage easement from the public right-of-way south 30 feet, for a total area of 643 square feet to be vacated, in order to bring the existing structure into conformance with City code. The applicant has submitted the required notification forms to the utility companies and to the City with the result summarized below.

UTILITIES	RESPONSE
Ozarks Electric	No Objection
Cox Communications	No Objection
Southwestern Electric Power Company	No Objection
Arkansas Western Gas	No Objection
AT&T Arkansas	No Objection

CITY OF FAYETTEVILLE:	RESPONSE
Water/Sewer	No Objection
Transportation	No Objection
Solid Waste	No Objection

Public Comment: Staff has not received public comment.

Recommendation: Finding that the current location of the structure has not adversely affected the surrounding properties since its construction in 2003, based on no history of complaints filed and a site visit conducted, staff recommends forwarding **VAC 08-2930** to the City Council with a recommendation of approval with the following conditions of approval:

1. Any redevelopment or improvements to the property shall comply with all zoning development regulations including building setbacks from the property lines and Master Street Plan right-of-way, height restrictions, and so forth.

CITY COUNCIL ACTION: Required
PLANNING COMMISSION ACTION: Required

Planning Commission Action: ☐ Forwarded ☐ Denied ☐ Tabled
Date: March 10, 2008
Motion:
Second:
Vote:

LEGEND

- FOUND IRON PIN
- SET IRON PIN
- UTILITY PEDESTAL
- WATER METER
- GAS METER
- SEWER CLEAN OUT
- CENTERLINE STREET
- BUILDING SETBACK & U.E.
- CURB & GUTTER
- SIDE & REAR BUILDING SETBACK
- EXISTING WOOD FENCE
- GAS LINE
- TELEPHONE LINE
- WATER SERVICE LINE
- ELECTRIC LINE

THIS IS TO CERTIFY THAT THE ABOVE SURVEY WAS PERFORMED UNDER MY SUPERVISION AND ALL CORNERS WERE SET AS SHOWN ON THE PLAT AND TO THE BEST OF MY KNOWLEDGE ARE CORRECT.

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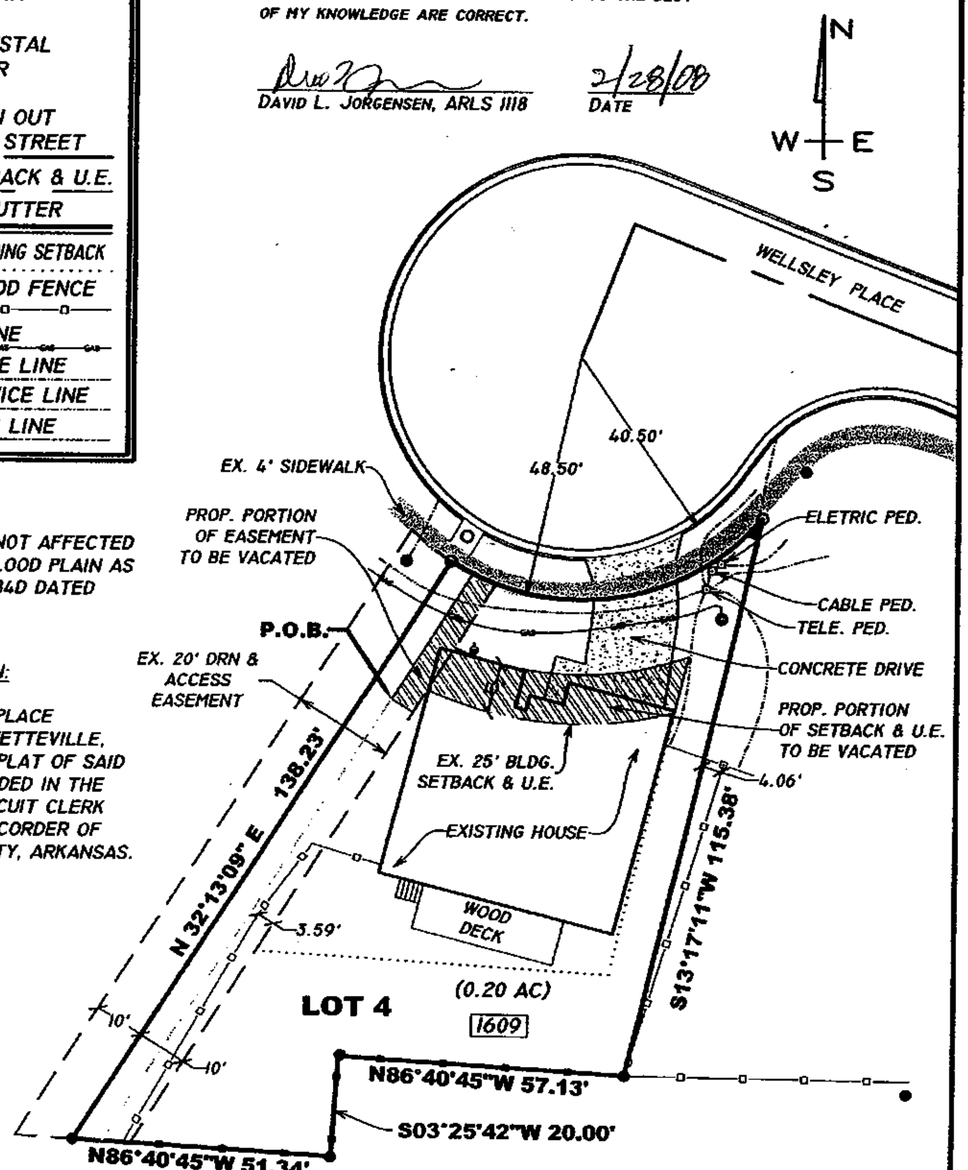

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CIVIL ENGINEERS • SURVEYORS

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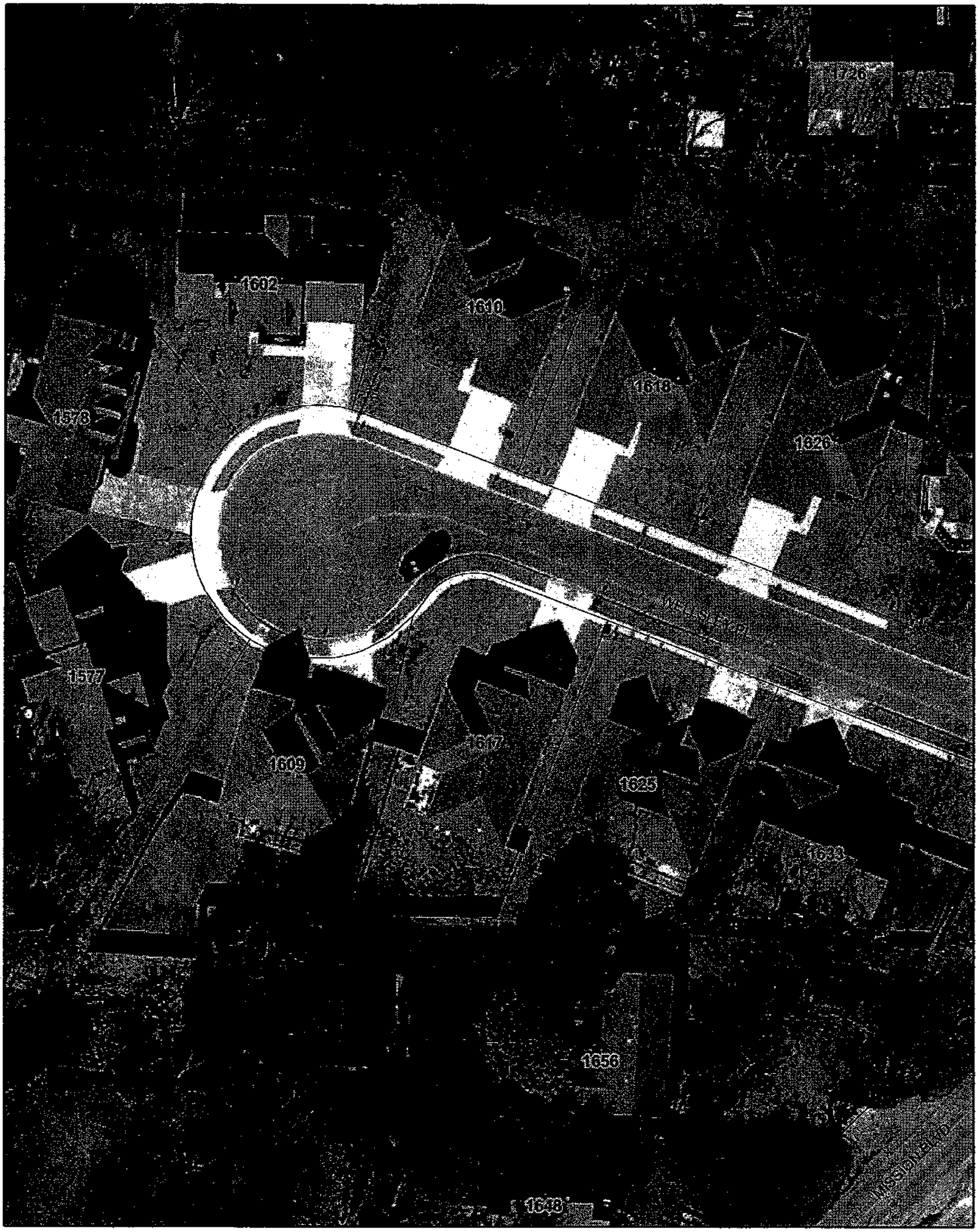
SCALE: 1"=30'	DATE REVISED	CHECKED BY:	DRAWN BY: JCN
DATE: 25JAN08	28FEB08	DLJ	J:\LOTS\2007096\MALEA

PROPERTY SURVEY FOR
RICHARD & NORMAJANE WILMOTH

VAC 08-2930 (Wilmoth)



JORGENSEN & ASSOCIATES
CIVIL ENGINEERS • SURVEYORS

124 WEST SUNBRIDGE, SUITE 5 • FAYETTEVILLE, ARKANSAS 72703 • (479) 442-9127 • FAX (479) 582-4807
DAVID L. JORGENSEN, P.E., P.L.S.

November 26, 2007

City of Fayetteville
113 West Mountain Street
Fayetteville, AR 72701

Attn: Planning Commission

Re: Request for variance & easement vacation on parcel #765-22915-000

Dear Sir/Madam;

Please find herewith a variance application, check, and a copy of a current survey depicting the subject property and proposed variance for shown setbacks and easements. The current structure has been built within the drainage easement to the west, and within the front building setback & utility easement to the north of the structure. The owners of the property are requesting to have the setback and easement requirements reduced to accommodate the existing structure.

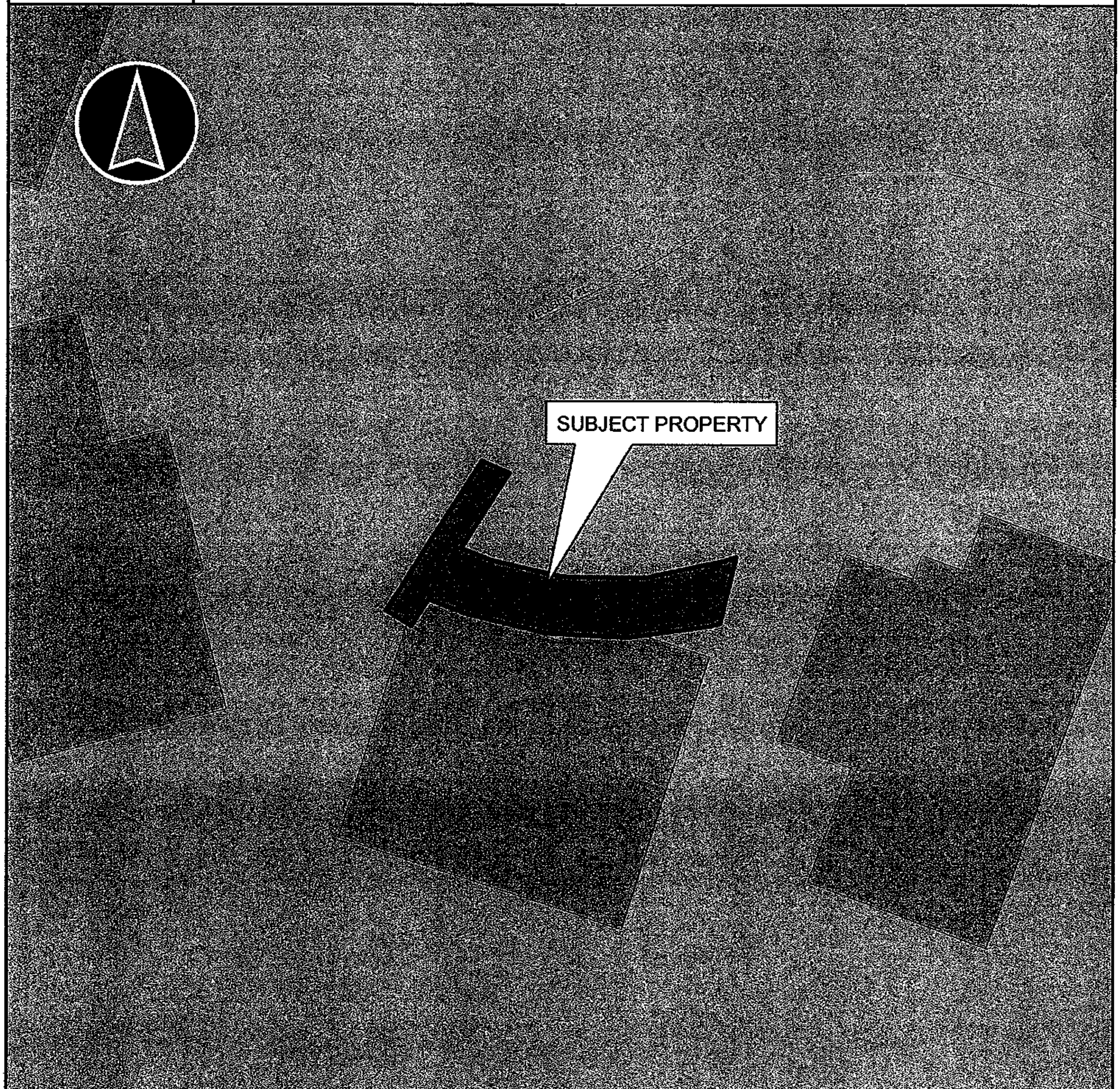
Please call concerning any questions you may have.

Sincerely;

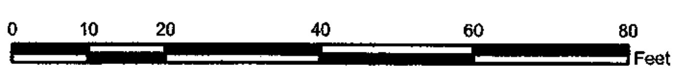
Jared Nichols, E.I.

RECEIVED
FEB 12 2008
ENGINEERING DIV.

VAC08-2930	WILMOTH/WELLSLEY PLACE
Close Up View	



Overview

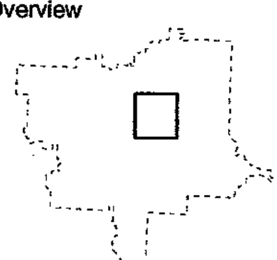


VAC08-2930

One Mile View

WILMOTH/WELLSLEY PLACE

Overview



Legend

Subject Property

VAC08-2930

Boundary

Planning Area

Overlay District

Outside City

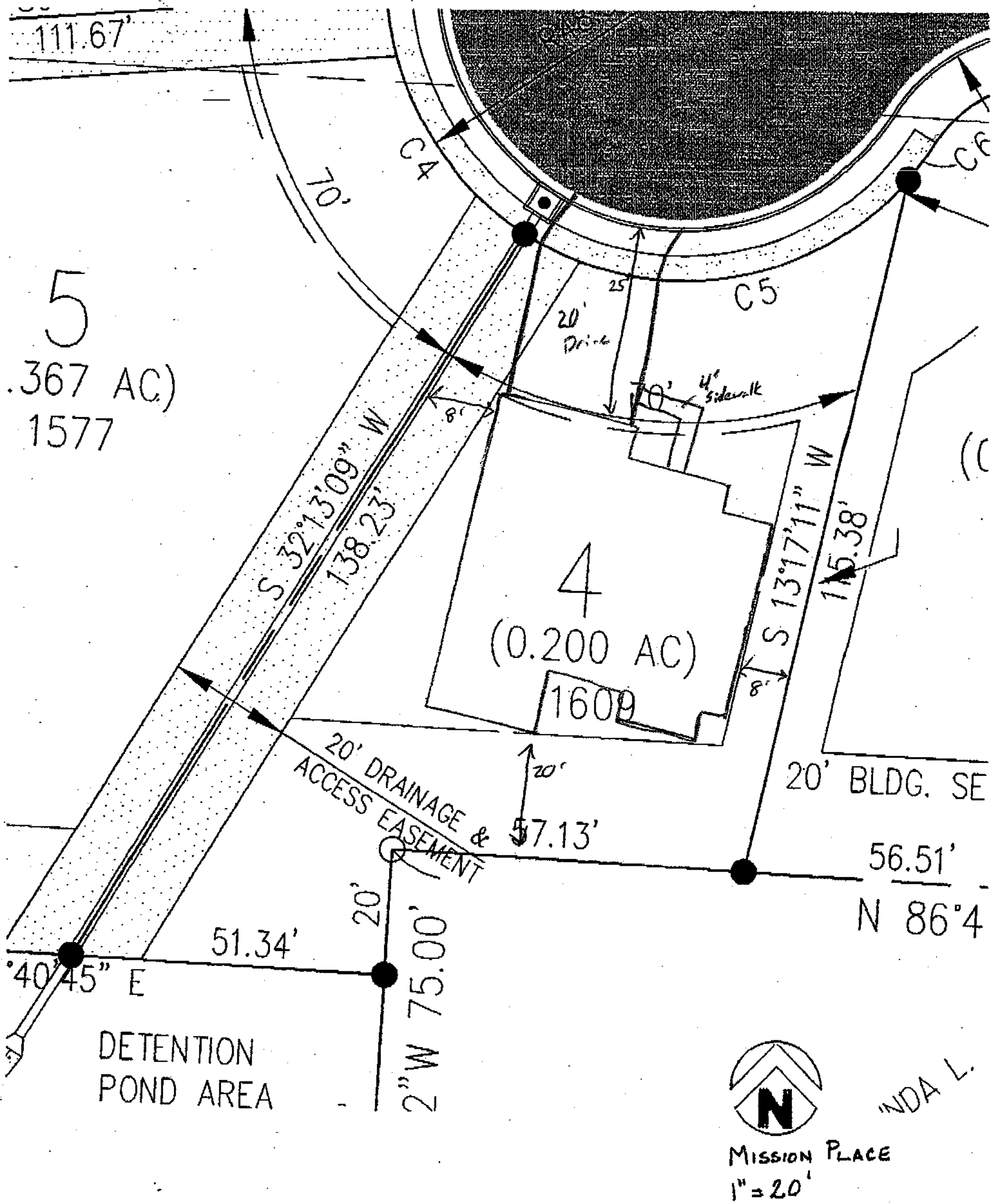
Legend

Hillside-Hilltop Overlay District

0 0.25 0.5 1

Miles

PERMITTED SITE PLAN.



BUILDING PERMIT APPLICATION

City of Fayetteville Inspection Division
113 West Mountain Street
Fayetteville, AR 72701
Phone: 479-575-8233 Fax: 479-575-8316

Office Use Only
Review Routing & Approval

DIVISION	COPY TO:	/S/ = OK	APPROVAL DATE
Planning			
Engineering			
Landscape			
SW/Trails			
Solid Waste			
Fire			
Inspections			

Date Submitted: 6/13/03 Permit #: ____

SITE ADDRESS: 1609 Wellsley Pl.
Zone: R-1 Lot: 4 Block: ____ Subdivision: Mission Place
Sec-Twn-Rng: ____ Plat: ____ Par #: ____

Owner: CTC VENTURES, LTD, Mailing Address: 1747 N. College Zip: 72703 Phone: 521-1950

Architect/Engineer: ____ Mailing Address: ____ Zip: ____ Phone: ____

Contractor: GY/YORK CONST. Mailing Address: 1747 N. COLLEGE Zip: 72703 Phone: 966-1275

Review Contact: Scott McMurtrey Phone: 435-1872 Fax: 443-2252 Cell: 435-1872 State Contractor's License Number: 0098630503 Expires: ____

Number of Residential Permits Applied for in the State of Arkansas this year? ____ Residential: ____

Work: ✓ NEW ____ ADDITION ____ ALTERATION ____ REPAIR ____ MOVING ____ DEMOLITION
____ FOOTING ONLY ____ EXTERIOR ONLY ____ TENANT FINISH ____ DESIGN/BUILD ____ OTHER

Residential: ✓ Single Family ____ Multifamily, Condo's (No. of units: ____) ____ Townhouse w/zero lot line ____ Other

Valuation of Work		Building Information			
Building:	$25,000	# of Stories:	1	Sum Total Area	1932 sq. ft
Electrical:	$25,000	Height:	18'	Total Heated/Cooled:	1405 sq. ft
Plumbing:	$25,000	Length:	49'	Total Unheated:	459 sq. ft
Mechanical:	$20,000	Width:	46'	Add./Alt. Area:	105 sq. ft
Misc.:	$25,000	Slab Floor:	✓ Y ____ N	Basement:	— sq. ft.
Total:	$120,000	Structure:	Wood ✓ Metal ____ Masonry ____ Foam Form ____ Other		

Building will comply with Arkansas Energy Code Requirements (Yes/NA): Y Wall Insulation Type: Batt ✓ Cellulose ____
Is a retaining wall to be constructed? (Yes/No): N Engineering Approval: ____
Is slope of site greater than 15%? (Yes/No): N Engineering Approval: ____
Flood Plain? (Yes/No): N ;Base Flood Elevation: ____ ;Lowest Finished Floor: ____ Planning Approval: ____
Public Sewer: ✓ Y ____ N AR. Plbg. Approval #: ____ Wash. Co. Septic Approval #: ____

DESCRIPTION OF WORK: NEW - RESIDENTIAL SINGLE FAMILY - 1600 sq ft

Use of Building: ____ Previous Use: ____

OFFICE USE FOR PLAN REVIEWERS ONLY:
Construction Type: ____ Occupancy Group: ____
Max. Occupancy Load: ____ Fire Zone: ____
Protection (hours): ____ Sprinklered: Y: ____ N: ____

NOTICE

SEPARATE PERMITS ARE REQUIRED FOR ELECTRICAL, PLUMBING, GAS, MECHANICAL, AND SIGNS. THIS PERMIT BECOMES NULL AND VOID IF WORK/CONSTRUCTION AUTHORIZED IS NOT COMMENCED WITHIN 6 MONTHS, OR IF WORK/CONSTRUCTION IS SUSPENDED OR ABANDONED FOR A PERIOD OF 6 MONTH.

I hereby certify that I have read and examined this application and know the same to be true and correct. All provisions of law and ordinances governing this type of work will be complied with whether specified herein or not. The granting of a permit does not presume to give authority to violate or cancel the provisions of any other state or local law regulating construction or the performance of construction.

signature of owner/contractor/authorized agent ____ (date) 5/1/03

Note: Inspection of permitted work may reveal code violations not discovered during plan review.

APPLICATI( ) FOR CERTIFICATE OF ZONI) COMPLIANCE 2003-0672

The applicant must provide a site plan, drawn to scale, showing setbacks and measurements from overhangs on all proposed structures, existing structures, utility easements, off-street parking, driveways, landscaping and other proposed permanent improvements like pools, hot tubs, heating or a.c. units, decks, carports, etc. The distance from any proposed structure to property lines must be clearly indicated. Floor plans may be required for certain uses to verify zoning compliance. *NOTE: Property lines can be accurately determined only by survey. The street is not the front property line.*

SECTION (A) ZONING REQUIREMENTS:

•PROPERTY ZONED: R-1 SITE ADDRESS: 1609 Wellsley PL
•PROPERTY OWNER: CTC Ventures PHONE: 521-1950
•PROPERTY OWNER'S ADDRESS: 1747 N. College CITY: F'ville STATE: AR ZIP: 72703
•NUMBER OF DWELLING UNITS: 1 • IS THIS PROPERTY SUBJECT TO RESTRICTIVE COVENANTS? YES ✓ NO ____
•IF YES, HAS THE APPROPRIATE REVIEW BOARD APPROVED THIS PROJECT? YES ✓ NO ____
•*NOTE: THE CITY DOES NOT ENFORCE RESTRICTIVE COVENANTS. THIS INFORMATION IS FOR NOTIFICATION PURPOSES ONLY.*

THOSE NOT APPLYING FOR A BUILDING PERMIT, PLEASE CONTINUE TO SECTION (C) OTHERWISE COMPLETE ENTIRE APPLICATION

SECTION (B) BUILDING SETBACKS:

•SCALE USED FOR SITE PLAN: 20
•PROPOSED BUILDING HEIGHT: 18
•ARE THERE OTHER STRUCTURES EXISTING ON THE LOT?
YES (NO) If yes, please describe: ____

•SETBACKS:	PROPOSED:	FOR OFFICIAL USE ONLY: MINIMUM:	COMMENT:
NORTH:	25	25	
SOUTH:	20	20	20' U.E.
EAST:	8	8	
WEST:	8	8	

SECTION (C) PUBLIC REQUIREMENTS:

•PUBLIC SIDEWALK: A sidewalk is required along Wellsley Pl. street(s) and constructed in accordance to specifications in the City's Street and Sidewalk Ordinance.
•ADDRESS NUMBERS: No permanent water meter will be set until permanent address numbers (visible from the street and at least 4" high) are installed on the structure. House numbers may not be changed without approval from the Water Department.
•DRIVEWAYS: Driveways must be paved with hot mix asphalt or concrete and must be surfaced for a minimum of 12 ½ feet into the property.
•OFF-STREET PARKING: The parking area(s) must be striped into a minimum of ____ spaces of ____ size, of these spaces, ____ shall be ADA accessible including for van accessibility, and shall include accessible ramps where needed. You must also provide curbs, bumper guards or wheel stops so that no part of a parked vehicle extends beyond the boundary of the parking lot.
•SPACES REQUIRED: ____ •SPACES PROVIDED: ____
•DO YOU SHARE PARKING WITH ANY OTHER BUSINESS? YES (NO) If yes, please explain in writing.

SECTION (D) ADDITIONAL REVIEWS & APPROVAL DATES:

BOARD OF ADJUSTMENTS: ____ LARGE SCALE DEVELOPMENT: ____
PLANNING COMMISSION: ____ LOT SPLIT: ____

SECTION (E) NON-RESIDENTIAL REQUIREMENTS:

•BUSINESS NAME: ____ BUSINESS PHONE: ____
•NAME ON LEASE: ____ HOME PHONE: ____
•HOME ADDRESS: ____ CITY: ____ STATE: ____ ZIP: ____
•INTENDED USE OF STRUCTURE: ____ PREVIOUS USE OF STRUCTURE: ____
•IS THE STRUCTURE VACANT? YES NO If yes, how long has the structure been vacant? ____
•IS THE BUSINESS A HOME OCCUPATION? YES NO If yes, provide: permit ID #: ____ PC approval date: ____
•DOES THE USE REQUIRE AN AIR PERMIT FROM THE ARKANSAS DEPARTMENT OF ENVIRONMENT QUALITY? YES NO
If yes, please provide a copy of the permit.
•DOES THE USE PRODUCE AN ODOR? YES NO If yes, please describe the odor: ____
•NUMBER OF EMPLOYEES: ____
•OUTDOOR STORAGE OF MATERIAL AND/OR EQUIPMENT? YES NO If yes, please describe: ____
•SQ. FT. OF TOTAL BUILDING: ____ SQ. FT. OF YOUR BUSINESS: ____ SQ. FT. OF EXPANSION: ____

FOR OFFICIAL USE ONLY: CERTIFICATE NUMBER: ____

PROPERTY ZONED: R-1 PARCEL NUMBER: N/A S-T-R: 2-16-30
PLAT PAGE: 370-409 LOT: ____ BLOCK: ____ PHASE: ____ SUBDIVISION: Mission Place
USE UNIT: 26 INCLUDED USE(S): SFR
§161.02 CERTIFICATE OF ZONING COMPLIANCE NONCONFORMING SECTIONS: ____
NOTES:

[signature] 4080 6-14-03

CITY PLANNER DATE

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

Jeremy Pate	Planning	Operations
Submitted By	Division	Department

Action Required:

ADM 08-2941: (Hoskins Parkland Variance): Submitted by Tracy Hoskins, requesting a variance from the parkland dedication contribution formula, relative to the land trade between Hoskins and the City Council as referred to in Resolution No. 149-06.

$0.00	n/a	n/a
Cost of this request	Category/Project Budget	Program Category / Project Name
n/a	n/a	n/a
Account Number	Funds Used to Date	Program / Project Category Name
n/a	n/a $	n/a
Project Number	Remaining Balance	Fund Name

Budgeted Item ☐ Budget Adjustment Attached ☐

Department Director 3-12-08 Date

City Attorney 3-14-08

Finance and Internal Service Director 3-14-08 Date

Mayor 3/17/08 Date

Previous Ordinance or Resolution # n/a

Original Contract Date: n/a

Original Contract Number: n/a

Received in City Clerk's Office ENTERED 3/12/08

Received in Mayor's Office ENTERED

Comments:

CITY COUNCIL AGENDA MEMO

To: Mayor and City Council

Thru: Gary Dumas, Director of Operations

From: Jeremy C. Pate, Director of Current Planning

Date: March 12, 2008

Subject: ADM 08-2941 Hoskins Parkland Variance request

RECOMMENDATION

Staff recommends denial of a request to grant a variance to the parkland dedication ordinance, as requested by the applicant.

BACKGROUND

The applicant requests clarification of an agreement with the City Council as outlined in Resolution No. 149-06 (attached), relative to the banking of parkland for future use. In 2006, the City Council and Mr. Hoskins entered into an agreement for a land trade between properties located on Joyce Blvd. and Scull Creek. Staff initially contacted Mr. Hoskins to acquire a trail easement across his property and an offer to purchase a part of the 7.39 acres for Scull Creek Trail on property owned by Mr. Hoskins, north of Shiloh Road, east of Gregg Avenue. Mr. Hoskins countered the offer with an offer to trade his 7.39 acres for 1.23 acres of properties the City owned along Joyce Blvd, within the City of Johnson plus other considerations; these properties were originally purchased for the extension of Joyce Blvd. to Gregg Avenue. The results of the trade are as follows:

- The City agreed to trade the 1.23 acres along Joyce Blvd. for 3.6 acres along Scull Creek
- The City agreed to purchase 2.25 acres along Scull Creek for $90,000 plus $5,500 surveying costs
- The City accepted "banking of the remaining acres of the 7.39 acre parcel as parkland for Tracy Hoskins subsequent residential obligation within this park quadrant pursuant to U.D.C. § 166.03 (K)(1)(i).

The remaining acreage left to bank for future use was 1.5 acres.

At this time, the applicant has requested to utilize the banked land for parkland requirements for Oakbrooke PZD. Oakbrooke PZD was approved, with Mr. Hoskins, the developer, to pay money-in-lieu of land dedication in the amount of $59,940 for the 108 new residential units. Had land been required, the dedication would have been 2.59 acres. Upon his request to utilize banked land for this subdivision, staff informed Mr. Hoskins that the 1.5 acres of banked land along Scull Creek would not meet all of the requirements, as 2.59 acres was required. The difference could be made up with fees. Mr. Hoskins stated that his understanding of the land trade agreement was that he could utilize the <u>value</u> of the parkland that was banked, instead of the area of the parkland that was banked, at $40,000 per acre. The result of Mr. Hoskins' interpretation of the agreement would be a land value of $60,400 (1.5 acres x $40,000 per acre), thereby meeting the requirements for Oakbrooke PZD.

Staff has evaluated the Unified Development Code regarding parkland dedication. The current ordinance does not permit the banking of a value of parkland, only the actual parkland area itself, in acres. Therefore the request could not be approved. The code does permit an applicant to request a variance from the established parkland dedication formulas, by submitting to the Parks and Recreation Board, Planning Commission and City Council for a final decision.

Dedication formulas are set by ordinance every two years; for land dedication, 0.024 acre per dwelling is utilized, which is based on US Census data (2.4 persons per dwelling, 10 acres of parkland per 1000 people). The land dedication does not change that often, as the US Census data has been relatively stable regarding family size. However, fees have changed significantly over the years, as land values increase. Fees are utilized to acquire land and improve parks, thus they need to be kept updated relative to the cost of land in the city. When Oakbrooke was approved, the land value was set at $23,125 per acre, or $555 per dwelling unit. Now, it is set at $40,000 per acre, or $960 per acre.

In staff's review of the request, the Resolution passed by the City Council does speak to a purchase of land (2.25 acres) for $40,000 per acre, resulting in a payment by the City to Mr. Hoskins of $90,000. However, staff has been unable to locate any documentation or discussion regarding the banking of the 1.5 acres at any established land value whatsoever. It is very clearly stated in staff's memo to the Council and within the Resolution that a land bank would be accepted for the land left over after the trade and purchase, pursuant to City Codes. City Codes only allow land banks, and not banking of a value of land. Moreover, staff finds the request to allow this particular variance to be inconsistent with the application of the parkland dedication ordinance, and would result in a net loss for the City, relative to fees-in-lieu of parkland.

Should the Council agree to grant the variance, staff requests clarification on the Oakbrooke PZD Phase II that has already been signed and recorded with the County, and which utilized the land bank, not value of land. Please see the attached documents for more information.

DISCUSSION

The Parks and Recreation Board unanimously recommended denial of the request for a variance. The Planning Commission voted 3-3 to deny the request, and subsequently voted 5-1 to forward the request to the City Council without a specific recommendation, but to consider the comments and questions posed in the meeting. The overriding factor for both boards, in staff's opinion, was that they were neither present nor involved with the City Council's original decision for this parkland dedication, therefore it was very difficult to interpret the Council's actions. Minutes from both boards are included within the attached documents.

BUDGET IMPACT

None.

Fayetteville
ARKANSAS
THE CITY OF FAYETTEVILLE, ARKANSAS

PC Meeting of March 10, 2008

125 W. Mountain St.
Fayetteville, AR 72701
Telephone: (479) 575-8267

PLANNING DIVISION CORRESPONDENCE

TO:	Planning Commission Members
FROM:	Jeremy Pate, Director of Current Planning
DATE:	March 05, 2008

ADM 08-2941: (HOSKINS PARKLAND VARIANCE): Submitted by Tracy Hoskins, requesting a variance from the parkland dedication contribution formula, pursuant to Ch. 156.03, Variances. Planner: Jeremy Pate

Request:
Pursuant to the Unified Development Code Chapter 156.03, Variances, the applicant is requesting a variance of the parkland dedication contribution formula set forth in Ch. 166.03(k).

Requirement:
Chapter 166.03(k) *Park land dedication,* states that for a proposed subdivision, "...the developer shall be required to make a reasonable dedication of land for public park facilities or to make a reasonable equivalent contribution in lieu of dedication of land." The ratio of land to be dedicated and the contribution of fees-in-lieu of dedication of land are also set out by ordinance, as follows:

- Land dedication ratio: 0.024 acre of land for each single family dwelling unit
- Fee-in-lieu formula: $960.00 for each single family unit

The land dedication ratio is reflective of U.S. Census data that has published the average household size at 2.4 persons per dwelling. Adopted by ordinance, the City Council has determined the appropriate percentage and amount of land needed as 10 acres per 1,000 population, thus the 0.024 acres per dwelling unit. This value can change, but has not been significantly altered in many years.

The fee-in-lieu formula, however, is more dynamic. By ordinance, every two years the City is required to re-evaluate the contribution formula and make recommendations to the City Council. The fluctuation of land cost over time can translate into rather dramatic fee changes, at times. Fees-in-lieu are specifically set aside for the acquisition and development of parkland, therefore the contribution cost must be kept relative to the land cost within the City. The $960 per dwelling unit fee is derived from an average cost of $40,000 per acre of land that the City Council adopted as the parkland dedication contribution formula: $40,000 x 0.024 = $960. This latest update to the contribution formula occurred in May of 2006.

If a developer wishes to dedicate land in excess of these requirements, a credit equivalent to the excess may be granted. This credit for the land banked shall be applied toward the developer's obligation for any subsequent development located in the same park quadrant. This process is often called "land banking." Banking fees is not permitted.

Procedure:
The Unified Development Code Chapter 156, *Variances* contains a subsection that permits an applicant to petition for a variance from the land dedication ratios and contribution formulas as described above. Any variation of these requirements requires a recommendation by both the Parks and Recreation Board and Planning Commission before a final decision is made by the City Council. The City is required to determine "...that enforcement of these requirements would cause unnecessary hardship, or that the problems or merits of the development reflect unique circumstances."

Background:
In accordance with the outlined variance procedure, the applicant has submitted a request for a variance of the parkland dedication ordinance, associated with Oakbrooke Planned Zoning District. This project was reviewed in 2005 by the Parks and Recreation Board (PRAB), which recommended contribution of money-in-lieu of land dedication for 102 dwelling units. At the time of the recommendation and project approval, the fees-in-lieu formula was based on a land dedication ratio of 0.024 acre per dwelling unit (the same as today) and an average cost of land of \$23,125, or \$555 per dwelling unit. The project was eventually approved by the Planning Commission and City Council with 108 new dwelling units, and with the requirement that the developer contribute \$59,940 (108 units x \$555 = \$59,940).

In 2006, after approval of Oakbrooke PZD, the applicant and City entered into an agreement to sell and trade land (see attached Resolution). Approximately 1.23 acres of land owned by the City along Joyce Boulevard, in Johnson city limits, was deeded to Mr. Hoskins. In exchange (in addition to other considerations), approximately 7.39 acres of land owned by the applicant along Scull Creek was deeded to the City of Fayetteville, for future use as a greenway and trail corridor. This property is currently not buildable, as the entire property lies within easements and/or floodway, however a trail and park can be located on the property. As stated in the Resolution, the City agreed that the difference in land exchange could be banked for future development in the same park quadrant – in accordance with current City ordinances. This banked land amounted to a total of 1.51 acres.

At the time of final plat approval of Oakbrooke PZD, the applicant was informed of the parkland contribution fees. At the request of the applicant, staff agreed to allow use of the banked land to meet the requirements for the parkland dedication ordinance, as the Oakbrooke PZD is within the same parks quadrant. However, the applicant contested the contribution formula, and instead stated that the agreement with the City Council allowed him to bank the <u>value</u> of the land at \$40,000, as opposed the land <u>area</u> of 1.51 acres. City ordinances very clearly allow banking of excess of land, but not the value of land. Mr. Hoskins has thus requested a variance from this ordinance, stating that the value of 1.51 acres at \$40,000 per acre allows him to utilize \$60,400 in parks fees in this quadrant for future development.

Recommendation:
Based on the current ordinance in place, land dedicated in excess of the requirement – or banked land – is permitted. Banked land is calculated in a value of area – that is, square feet or acreage. It is not calculated in terms of land value. This is, in part, due to the dynamic change that is associated with land value, as mentioned previously. Contribution formulas are reviewed every two years, and can sometimes change dramatically, as indicated by the most recent change from $555 per single family dwelling unit to $960. This alone would place the City at a disadvantage, for the parks fees generated would not be sufficient for "acquisition and development of park land" at a relative cost to the demanded use by the residents. The acreage ratio is directly related to population and is a relatively constant number set in place to adequately serve the residents of the community. If a developer was to bank 8 acres of land today, for instance, and requested to utilize that banked land 10 years from now, the area of land needed to serve residents would likely be the same, and thus provide adequate recreational opportunity for the citizens. If the value of 8 acres of land banked today was utilized 10 years from now, though, the value could be much different then than it is now, and would be disadvantageous to the residents served.

Staff is recommending denial of the variance request, finding that utilizing the value of banked land is not an appropriate application of the parkland dedication ordinance. In addition, staff can not determine "that enforcement of these requirements would cause unnecessary hardship, or that the problems or merits of the development reflect unique circumstances," as required by ordinance. With reference to the agreement made by the applicant and City Council, it seems quite clear in both the staff memo to the Council and the wording of the Resolution that was approved (reference Section 3) that the banking of land, not value of land, was the clear stated intent of the exchange.

As Mr. Hoskins mentioned to the PRAB, perhaps the parkland dedication ordinance should be reviewed to determine if a fair way to bank park land value could be achieved. It is staff's opinion that this could potentially occur, but any value of land banked would have to be based on the same value as the subdivision needs, at the time of development. Using a $40,000 per acre of land value for a subdivision that was approved at $23,125 per acre of land value to meet parks requirements is obviously not a fair or equitable application of the law.

Staff continues to support the use of the remaining land bank, in terms of the area of land, to meet parkland dedication requirements within this quadrant, and to honor the original parkland dedication fee formula of $555 per dwelling unit, as opposed to the current formula of $960 per dwelling unit.

To date, the applicant has utilized 0.96 acres of land to meet the requirements for Phase II of Oakbrooke, which consists of 40 new single family dwelling units (40 dwelling units x 0.024 = 0.96 acres). Oakbrooke I, 68 new single family dwelling units, requires 1.63 acres (68 dwelling units x 0.024 = 1.63 acres) or $37,740 (68 dwelling units x $555 = $37,740). Staff also supports a combination of the two, to meet the ordinance land dedication ratio and/or the contribution formula.

Parks and Recreation Board Recommendation:
The PRAB voted unanimously (7-0-0) to accept staff's recommendation to follow the existing ordinance, and not grant a variance. See attached minutes.

Attached hereto is the letter of request from the applicant, minutes from the PRAB meeting, the approved Resolution and other supporting documents.

PLANNING COMMISSION ACTION: Required <u>YES</u>

☐ Approved ☐ Tabled ☐ Denied

Date: ______
Motion: ______
Second: ______
Vote: ______

FORWARDED TO CITY COUNCIL, WITH COMMENTS AS NOTED IN MINUTES.

PLANNING COMMISSION MINUTES

10 March 2008

ADM 08-2941: (HOSKINS PARKLAND VARIANCE): Submitted by TRACY HOSKINS, requesting a variance from the parkland dedication contribution formula, pursuant to Ch. 156.03, Variances.

Jeremy Pate, Director of Current Planning, gave the staff report, describing the request, recommending denial based on the findings within the report.

Tracy Hoskins, applicant, stated he was requesting the variance because that was what he was told to do. He is not wanting to lower any fees, he is just wanting to use the value of his land at $40,000 per acre. It was not disclosed to him at the time of the trade that the land bank was only in land. The original agreement did not go before PRAB or Planning Commission, it was only through the City Council. The only thing he is asking for is giving him 100% of 1.51 acres at full consideration.

There was no public comment.

Commissioner Anthes stated that before us is an interpretation of a deal made between Hoskins and the City Council. It is difficult or impossible to know all of the nuances of that agreement. However, in the Resolution, based on all of the information presented, it clearly states land, not money or value of land.

Commissioner Lack stated that reading through the agreement, nothing tells him that it is obviously a trade value of land. He discussed concerns with the request. Based on his evaluation of the issue, there is no good reasoning to recommend the change. He also read the dedication in the excess verbiage, it is clear there that it is a land for land transaction, in land mass. He stated he can't find reason to find in favor.

Commissioner Ostner stated he tends to agree with the previous perspective. This tends to be a slippery slope on the public side of the transaction. Value of land banked is not a fair trade for actual amount of land. He discussed problems with value changing over time. It simply does not seem fair.

Hoskins discussed 2.5 acres vs. 2.25 acres – the resolution was amended to show 2.25, not 2.5. That calculation shows the trade was at $40,000/acre. The check the City wrote for 2.25 acres shows this value was discussed.

Commissioner Winston stated he would like to forward with a recommendation to City Council to consider, as opposed to making a final decision.

Commissioner Anthes stated she was thinking of the same. She asked for staff whether the item would have to be appealed if it were denied.

Pate stated that with this particular variance, it goes through the Parks Board and Planning Commission, and automatically goes to the City Council, regardless of the recommendation.

Kit Williams, City Attorney, stated if you don't feel like you can make a recommendation, you do not have to do so. The Council would take the comments made and consider them in their decision. This would follow the procedure to go to City Council.

Commissioner Ostner stated that this is a City Council agreement. The horse trade didn't happen here, but this parks dedication is related to development, and the Planning Commission and Parks Board should be weighing in. We should give them a thoughtful consideration.

<u>Motion:</u>

Commissioner Ostner made a motion to deny the request. **Commissioner Cabe** seconded the motion.

Commissioner Lack stated it would be easier to be non-committal, but our job is to implement the ordinance. He stated he can't find teeth to support this request in the ordinance. Land is currency in this ordinance. There may be value to look at an option for this in the ordinance, but it doesn't include it now. It may need to be reviewed in the future.

Commissioner Anthes stated it is not easier to be non-committal here. She stated she does not feel qualified to do make a decision in this particular case.

Upon roll call, the motion to deny tied with a vote of 3-3-0, with Commissioners Winston, Bryant and Anthes voting no.

<u>Motion:</u>

Commissioner Anthes made a motion to forward the request to City Council with minutes, concerns, and comments, but with no recommendation. **Commissioner Winston** seconded the motion. **Upon roll call the motion passed with a vote of 5-1-0, with Commissioner Cabe voting no.**

<u>Nominating Committee:</u>
The nominating Committee of the Planning Commission presented the slate of officers for 2008. Nominated for office were:

Chair: Commissioner Trumbo
Vice Chair: Commissioner Lack
Secretary: Commissioner Bryant

All business being concluded, the meeting was adjourned at 7:10 PM.

PARKS BOARD MINUTES

03 March 2008

PRAB MINUTES 03_ _08

8.Oakbrooke Park Land Dedication Alison Jumper, Park Planner

Project History:

The Oakbrooke development was first reviewed by PRAB on March 7, 2005 with 78 single family units. Additional land and units were added to development and the project was reviewed by PRAB again in April with 102 single family units. Both times PRAB recommended accepting money in lieu of land. At the time of Planning Commission approval, the average cost per unit was $23,125 and land requirement was determined at .024 acres per single dwelling unit.

The City and the developer made a transaction in August 2006, leaving the developer approximately 1.51 acres of banked land in the northwest quadrant. At this point in time, the average cost per acre was raised to $40,000 and the land requirement remained at the .024 acres per single family dwelling unit. The land requirement was not changed because the U.S. Census determined that the number of persons living in a single family dwelling was 2.4 people. The City's standard of the number of acres needed per 100 people remained at 10 acres per 1,000 population.

The developer is requesting to use the value of the 1.51 acres at $40,000 per acre ($60,400) of banked land to meet the park land dedication requirements for Oakbrooke.

"Ch. 166.03 (K) Park land dedication.
(1) Subdivision.
(f) Dedication ratios. Land shall be dedicated at a ratio of .024 acre of land for each single-family dwelling unit and .017 acre of land for each multi-family dwelling unit.
(h) Dedication in excess. If a developer wishes to dedicate park land which exceeds the requirement of this subsection, the developer shall make a written request to the Planning Commission who may grant the developer a credit equivalent to said excess. Said credit shall be applied toward the developer's obligation under this subsection for any subsequent development located in the same park quadrant."

The ordinance, as referenced above in subsection (h) allows a developer to dedicate land in excess for credit toward obligations in the same park quadrant. The developer's request to use the value of the land requires a variance from the ordinance with regard to banking land.

"Ch. 156.03 Development
Certain variances of the development regulations may be applied for as follows:

(B) Consideration by the City Council - park land dedication. Any variation in the land dedication ratios or contribution formulas set forth in §166.03(K) shall be considered a variance and requires approval of the City Council. Upon recommendation of the Planning Commission after consultation by the commission with the Parks and Recreation Advisory Board, the City Council, upon determination that enforcement of §166.03(K) would cause unnecessary hardship, or that the problems or merits of the development reflect unique circumstances, may grant a variance of the requirements, provided:

(1) Consistent with parks plan. Any dedication of land or contribution in lieu of land or combination thereof shall adequately provide for the park and recreational needs of the proposed development and be consistent with the Fayetteville Parks Plan.

(2) Contributions of services, facilities, etc. If the developer proposes to contribute services, facilities, or equipment in lieu of a cash contribution, such a contribution shall not be accepted by the city unless the Parks and Recreation Advisory Board has been consulted and provides a recommendation as to the appropriateness and safety of such contribution."

As outlined above, the developer must submit a variance request to the City Council after consulting with PRAB and Planning Commission.

Oakbrooke was broken into two phases for development, Phase I includes 68 single family units, Phase II includes 40 single family units. Oakbrooke Phase II has been filed for final plat utilizing 0.96 acres of the 1.51 acres of banked land.

As stated in the developer's letter, Phase I cannot be filed until the remaining requirement for 68 single family units has been met. The developer has 0.55 acres of banked land remaining to be used toward the requirements of a development in the northwest quadrant.

Banked land is calculated in acres, not the value of the land, to ensure that adequate acreage is being dedicated to meet the needs of a development. The acreage ratio is directly related population, and is a constant number set in place to adequately serve residents of the community. If a developer was to bank the value of 8 acres of land today, for instance, and requested to use that banked value 10 years from now, the value could be much different, however, the acreage would not, and would still be providing adequate recreational opportunity for the citizens.

Staff recommendation: The developer has 0.55 acres of banked land remaining to use toward the requirement of Oakbrooke Phase I. The requirement for Phase I (68 single family units) is 1.63 acres or $37,740. If the 0.55 acres is utilized, 1.08 acres or $24,975 must be dedicated to meet the remaining requirement.
1.63 acres - 0.55 acres = 1.08 acres
1.08 x $23,125 = $24,975

Jumper explained the variance request and that this was the first step in the process for Tracy to process the request.

Tracy Hoskins attended the PRAB meeting representing Oakbrooke. He stated that he was not at this meeting to ask for a variance, and not arguing about what was owed for the land. He wanted to talk about the value associated with the trade with the City, The documents from the agreement with the City of Fayetteville say that the trade agreement was based on the values of the land. When he tried to use the value to pay for the Oakbrooke final plat, he was denied the value of the land, because only land can be banked, not the value.

Hatfield stated that the ordinance was set up for park land. Only land can be banked.

Colwell said the amount of the land is a constant.

Hoskins said that they were not told that at the trade.

Hatfield said he didn't believe that PRAB has ever banked value of land - just the land itself.

Hoskins replied that there should be a provision for the value of land. Maybe the ordinance needs to be revised.

Mauritson asked if PRAB was being asked to request a variance. He said he didn't understand what was being talked about.

Colwell said that Parks paid market value at the time. That is different than park land value, which is lower.

Hoskins said that he doesn't think it's inappropriate to expect $40,000 for the land. Planning told him that he needs a variance. He is asking to get the value for the land.

Bitler asked if Hoskins agreed with the Phase 2 calculations.

Hoskins replied no. He explained the subdivision was finished in June. They added things to the subdivision to make it better. Now, because of this problem, they are six to eight months behind for the final plat.

Bitler asked if Hoskins owes $24,975 for Phase I.

Jumper said yes and explained that a portion of the banked land from the trade agreement was used to meet the requirements for Phase II.

Bitler asked if there was a variance in the recommendation.

Jumper replied no.

Edmonston said that Hoskins is looking at the value of the land, not the acreage.

Hatfield then said that if PRAB accepts Staff recommendation, then he can go to Planning.

Mauritson then asked Hoskins how long he had been in business. He said that Hoskins should already know all of this, and that ignorance was no excuse.

Biendara then asked that if PRAB votes yes, then he can proceed through the channels.

Bitler said that if PRAB supports what Staff recommends, then Hoskins can petition the City Council.

Hatfield commented that he understands the circumstances, but PRAB has to follow the normal order of things. The Board thinks in terms of land, not dollars. The ordinance is what it is, and has to be followed.

Hoskins said that he understood completely.

PRAB Motion: Hatfield motioned to accept the Staff recommendation, and Biendara seconded it. Motion passed by voice vote 7-0-0.

Tracy K. Hoskins

3155 N. College, Suite 201
Fayetteville, AR 72703

February 26, 2008

Connie Edmonston
City of Fayetteville Parks and Recreation

Mrs. Connie,
After speaking with Gary Dumas about our recent disagreement over my banked parkland and the value thereof, it has become apparent that my trade agreement will need to go back before the city council for further interpretation as to the intent of the trade.

In 2006, the City of Fayetteville and I entered into an agreement whereby I conveyed 7.39 acres of property to Parks for the Scull Creek trail; and the City conveyed unto me particular considerations that would benefit my development along Joyce Boulevard. Via the trade, I banked 1.51 acres of parkland credit to be used at my disposal.

Documents clearly illustrate that the trade agreement was based on "values" of land, or "price per acre". The trade which yielded just over 1.5 acres of banked parkland was valued at the current acreage price of $40,000 per acre, for a total value of $60,400.00. When attempting to withdraw $59,960.00 of the amount for parks fees upon final plat of Oakbrooke, I was denied the appropriate value on the basis that only land can be banked, not the value of that land. I maintain that it was not disclosed that only "land area" can be banked, and that the value of that land (again, on which the trade with the city was based) could potentially become a moving target.

Parks fees in lieu for Oakbrooke project were calculated and approved prior to the increase in the per-acre value of parkland, or approximately $23,150 per acre. With 108 single family homes, the land dedication for Oakbrooke would be 2.59 acres *if indeed* land were to be dedicated; which the Parks Board and subsequently the City Council chose to accept fees, not land.

Per the above, one can fairly easily calculate where the dilemma lies. I have 1.51 acres banked at a total trade value of $60,400. The fees in lieu for Oakbrooke total $59,960. Therefore, one would think I have enough banked credit to cover all Oakbrooke fees and have a few bucks to spare. However, I've now been advised that this isn't the case due to the provisions of the UDC.

As per Chapter 166.03 (K) Park land dedication.
(1) Subdivision.

> (f) Dedication ratios. Land shall be dedicated at a ratio of .024 acre of land for each single-family dwelling unit.
> (h) Dedication in excess. If a developer wishes to dedicate park land which exceeds the requirement of this subsection, the developer shall make a written request to the Planning Commission who may grant the developer a credit equivalent to said excess. Said credit shall be applied toward the developer's obligation under this subsection for any subsequent development located in the same park quadrant.

Subsection "h" refers to the allowance I have to "bank" parkland for developments within the same park quadrant. Because the UDC only allows banking of 'land', not banking a 'valuation' of land, I have been advised a variance request is necessary.

Under the former 'value' of parkland acreage, I would be required to dedicate 2.59 acres, or 1.08 acres more than I have credit; *ASSUMING* land were to be dedicated as opposed to fees in lieu. This is problematic. On one hand, land dedication for Oakbrooke was calculated at .024 acres per SF home, or at $23,150 per acre. Via the trade agreement, land value was considered at $40,000 per acre, which in turn yielded a 1.51-acre bank. Yet *after* the trade with the city had been consummated, upon attempting to utilize the bank, the only consideration is land area (acreage) banked without regard to the value at which the 1.51 acres was banked. As written, due to the language of the ordinance, only acreage of land may be banked, and not necessarily the value of that land. I do understand this was an unforeseen circumstance, but not considering the value and to only consider the geographical size of banked land seems to be an oversight within the provisions of the ordinance.

Therefore, until such time the ordinance can be reviewed and possibly amended, it is my understanding that the City Council must review the intent of the trade agreement and grant me a waiver so that I might receive the actual benefit of the trade agreement.

As per Chapter 156.03 Development
Certain variances of the development regulations may be applied for as follows:
(B) Consideration by the City Council – park land dedication. Any variation in the land dedication ratios or contribution formulas set forth in §166.03(K) shall be considered a variance and requires approval of the City Council. Upon recommendation of the Planning Commission after consultation by the commission with the Parks and Recreation Advisory Board, the City Council, upon determination that enforcement of §166.03(K) would cause unnecessary hardship, or that the problems or merits of the development reflect unique circumstances, may grant a variance of the requirements, provided:

(1) Consistent with parks plan. Any dedication of land or contribution in lieu of land or combination thereof shall adequately provide for the park and recreational needs of the proposed development and be consistent with the Fayetteville Parks Plan.

(2) Contributions of services, facilities, etc. If the developer proposes to contribute services, facilities, or equipment in lieu of a cash contribution, such a contribution shall not be accepted by the city unless the Parks and Recreation Advisory Board has been consulted and provides a recommendation as to the appropriateness and safety of such contribution."

I feel it is appropriate that the Parks Board and City Council grant me the entire benefit of my trade with the City of Fayetteville. This request is consistent with 156.03 (1) above, as I feel assured that Parks and the City both will find that allowing the full value of $40,000 per acre as reflected in the trade agreement is not only fair, but in keeping with current standard protocol. As per 156.03 (2) above, the city received the full benefit of a 7.39 acre park AND trail corridor they would have otherwise most likely had to purchase, nearing $300,000.00, as described via the discussions and written proposal made to the Council, from which the trade was ultimately made.

With the above, I am hereby requesting a variance of Chapter 166.03, Park Land Dedication. I can not/will not be granted final plat for all of Oakbrooke until this matter is resolved, as all parks fees must be paid prior to final plat. Further, this single outstanding issue is creating a great amount of unwarranted expense against the Oakbrooke project. I respectfully request that this matter be placed on the next Parks Board agenda so that it may be heard by City Council as soon as possible; so I may get Oakbrooke final platted in full.

This Please notify me if you have any questions or concerns.

Thank you,

Tracy K. Hoskins

Paradigm

RESOLUTION NO. 149-06
(Corrected)

A RESOLUTION TO APPROVE A TRADE AND PURCHASE OF LAND, A BUDGET ADJUSTMENT OF $95,500.00 AND THE BANKING OF APPROXIMATELY ONE AND ONE-HALF ACRES FOR FUTURE PARKLAND DEDICATION REQUIREMENTS

WHEREAS, the City of Fayetteville owns a swath of property totaling approximately 1.2 acres along the north side of Joyce Boulevard in Johnson, Arkansas that was acquired for the Joyce Boulevard extension, but is excess now and not needed for corporate purposes; and

WHEREAS, Tracy Hoskins owns a 7.39 acre parcel along Scull Creek that would be useful to the city for the connection of the Scull Creek Trail and for park purposes; and

WHEREAS, Tracy Hoskins owns parcels of land on the north side of the excess City of Fayetteville property along Joyce Boulevard and desires to trade portions of his property along Scull Creek for this excess City property adjoining his property and then sell or bank the remainder of the 7.39 acres as parkland.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby agrees to trade the approximately 1.2 acres of excess City Property along the north side of Joyce Boulevard adjoining Tracy Hoskins' parcels (shown on Exhibit A) at a three to one trade for approximately 3.6 acres out of the 7.39 acre parcel owned by Mr. Tracy Hoskins along Scull Creek (shown on exhibit B).

Section 2: That the City Council of the City of Fayetteville, Arkansas hereby agrees to purchase 2.25 acres of the 7.39 acre parcel owned by Mr. Hoskins for $90,000.00, plus survey and closing costs for a total of about $95,500.00, and agrees to the Budget Adjustment in the amount of $95,500.00 attached as Exhibit C.

Section 3: That the City Council of the City of Fayetteville, Arkansas hereby accepts the banking of the remaining acres of the 7.39 acre parcel as parkland for Tracy Hoskins' subsequent residential development obligation within this park quadrant pursuant to U.D.C. §166.03 (K)(1)(i).

Section 4: That the City Council of the City of Fayetteville, Arkansas hereby agrees to allow Tracy Hoskins access to the City sewer system at Mr. Hoskins' expense for the parcels of land owned by Tracy Hoskins north of Joyce Boulevard and a single access across the median in Joyce Boulevard at a location approved by the City Engineer, on the condition of Mr. Tracy Hoskins' agreement through his offered Bill of Assurance (attached as Exhibit D) to develop his land pursuant to all development regulations of the Unified Development Code to be approved by the Fayetteville Zoning and Development Administrator and/or City Engineer.

PASSED and **APPROVED** this 5th day of September, 2006.

APPROVED:

By: Dan Coody

DAN COODY, Mayor

CITY CLERK/TREASURER CITY OF FAYETTEVILLE ARKANSAS WASHINGTON COUNTY

ATTEST:

By: Sondra Smith

SONDRA SMITH, City Clerk

RESOLUTION NO. 149-06

A RESOLUTION TO APPROVE A TRADE AND PURCHASE OF LAND, A BUDGET ADJUSTMENT OF $95,500.00 AND THE BANKING OF APPROXIMATELY ONE AND ONE-HALF ACRES FOR FUTURE PARKLAND DEDICATION REQUIREMENTS

WHEREAS, the City of Fayetteville owns a swath of property totaling approximately 1.2 acres along the north side of Joyce Boulevard in Johnson, Arkansas that was acquired for the Joyce Boulevard extension, but is excess now and not needed for corporate purposes; and

WHEREAS, Tracy Hoskins owns a 7.39 acre parcel along Scull Creek that would be useful to the city for the connection of the Scull Creek Trail and for park purposes; and

WHEREAS, Tracy Hoskins owns parcels of land on the north side of the excess City of Fayetteville property along Joyce Boulevard and desires to trade portions of his property along Scull Creek for this excess City property adjoining his property and then sell or bank the remainder of the 7.39 acres as parkland.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby agrees to trade the approximately 1.2 acres of excess City Property along the north side of Joyce Boulevard adjoining Tracy Hoskins' parcels (shown on Exhibit A) at a three to one trade for approximately 3.6 acres out of the 7.39 acre parcel owned by Mr. Tracy Hoskins along Scull Creek (shown on exhibit B).

Should be 2.25

Section 2: That the City Council of the City of Fayetteville, Arkansas hereby agrees to purchase 2.5 acres of the 7.39 acre parcel owned by Mr. Hoskins for $90,000.00, plus survey and closing costs for a total of about $95,500.00, and agrees to the Budget Adjustment in the amount of $95,500.00 attached as Exhibit C.

Section 3: That the City Council of the City of Fayetteville, Arkansas hereby accepts the banking of the remaining acres of the 7.39 acre parcel as parkland for Tracy Hoskins' subsequent residential development obligation within this park quadrant pursuant to U.D.C. § 166.03 (K)(1)(i).

Section 4: That the City Council of the City of Fayetteville, Arkansas hereby agrees to allow Tracy Hoskins access to the City sewer system at Mr. Hoskins' expense for the parcels of land owned by Tracy Hoskins north of Joyce Boulevard and a single access across the median in Joyce Boulevard at a location approved by the City Engineer, on the condition of Mr. Tracy Hoskins' agreement through his offered Bill of Assurance (attached as Exhibit D) to develop his land pursuant to all development regulations of the Unified Development Code to be approved by the Fayetteville Zoning and Development Administrator and/or City Engineer.

PASSED and **APPROVED** this 5th day of September, 2006.

APPROVED:

By: Dan Coody
DAN COODY, Mayor

ATTEST:

By: Sondra Smith
SONDRA SMITH, City Clerk

CITY CLERK/TREASURER CITY OF FAYETTEVILLE ARKANSAS WASHINGTON COUNTY

Res
9/5/06
149
Hoskins Land Trade & Purchase

Fayetteville
ARKANSAS

OPERATIONS DIRECTOR

To: City Council
From: Gary Dumas
Date: August 22, 2006
Re: Hoskins/Joyce Land Trade

Recommendation

Approval of a trade for a 7.39 acre parcel to become park land and trail corridor for Scull Creek Trail owned by Tracy Hoskins for 1.23 acres less the reserve for a future street widening, purchase of 2.25 acres for $90,000, parkland bank of 1.51 acres, access through the median in Joyce Avenue, access to Fayetteville Public Sewer, and closing costs.

BACKGROUND

A similar item was considered by the City Council on August 1st, 2006, and approved with amendments. Mr. Hoskins did not concur with the amendments and asked that further discussions occur. The staff and Administration concurred that this was an issue in which further negotiation could prove successful.

Mr. Hoskins owns 7.39 acres adjacent to Scull Creek north of Shiloh, immediately north of the section of Scull Creek Trail recently paved on the Washington Regional Medical Center property.

The City of Fayetteville owns five parcels of land north of Joyce Blvd. and east of Gregg Ave., which were acquired for the construction of Joyce Blvd. The city has no use for this property as it consist of mostly steep slope, is narrow and unbuildable. Additionally, when the right-of-way for the Joyce extension was acquired, additional land was necessary along the south side of the new Joyce Street. The width of this land along the south side of Joyce varies from 17 feet to 75 feet (please refer to the attached Map #1).

Scull Creek Trail is identified on the Fayetteville Alternative Transportation and Trails Master Plan and is currently the highest priority trail for the City of Fayetteville. A 0.6 mile section is under construction from the South side of Fulbright Expressway under Appleby Street and south to Gordon Long Park. In the future, this 12' wide multi-use trail will continue south along Scull Creek to the Walton Arts Center parking lot where it will connect to the recently completed section of Frisco Trail.

To the north, Scull Creek Trail is planned to pass under Fulbright Expressway through an existing box culvert and continue north along Scull Creek (on the 7.39 acres owned by Mr. Hoskins) and then though the land of others connecting to the existing Mud Creek Trail at Steel Boulevard.

113 West Mountain
Fayetteville, Arkansas 72701
Office phone - 479-575-8330
Fax - 479-575-8257
E-mail - gdumas@ci.fayetteville.ar.us

In order to make this connection, access must be obtained from Mr. Hoskins. If some mutually acceptable agreement cannot be reached, the costs of acquisition through other means to obtain the land necessary for the trail corridor only, may exceed the costs being discussed in this memo to obtain the entire 7.39 acres.

Staff initially contracted Mr. Hoskins concerning an easement across his property and an offer to purchase a part or all of the 7.39 acres. Mr. Hoskins countered with an offer to trade his 7.39 acres for 1.23 acres the City of Fayetteville owns plus other consideration.

In an effort to acquire this important corridor, staff proposed a combination land trade and banking of park land. Mr. Hoskins countered with a land trade, park land bank and purchase of 2.5 acres.

This item was considered by the City Council who amended the staff recommendation. Subsequently Mr. Hoskins rejected the amended offer but requested that negotiations on the issue continue

After a series of discussions this proposal is acceptable to Mr. Hoskins.

The only value for the property along the north line of Joyce is to the adjoining property to the north. Mr. Hoskins is purchasing the adjacent property to the north and would like to trade his 7.39 acres for the narrow 1.21 acre strip (excluding area for future turn land) owned by the City plus other consideration.

Mr. Hoskins is requesting

1. A trade of 3.63 acres,
2. Purchase of 2.25 acres for $90,000,
3. A parkland bank of 1.51 acres,
4. The City allow access through the median in Joyce Blvd. at Mr. Hoskins expense,
5. The City allow the developer access to Fayetteville Public Sewer so that Mr. Hoskins can extend public sewer to his property.

Regarding item number 4, the access through the median in Joyce Blvd. The Engineering Division requests only that appropriate sight lines be maintained over crest of the small hill. The sight line issue does not appear to be a problem, but will have to be addressed by Mr. Hoskins when the opening is made.

Regarding item number 5, access to Fayetteville Public Sewer. This issue was not included in the previous discussion by City Council. The reason being, that Fayetteville Sewer and Water service is currently provided to property within the Johnson City Limits immediately south of this property across Joyce Blvd. and water service is provided adjacent to the north and northwest (See Warranty Deed attached regarding easements obtained for water and sewer extensions). Records indicate that a water line currently exists within the property currently under Mr. Hoskins' control (See Attached Utility Map). Development within Fayetteville, adjacent to the east has Fayetteville Public Sewer and Water. While City Council approval is required for sewer service and such approval is subject to conditions unique to each property, this tract has Fayetteville Public Utilities adjacent on more than three quarters of its perimeter. Approval of the right to gain access to the adjacent sewer was not initially viewed as being an issue. Denial of the right to connect to Fayetteville utilities would not seem appropriate. Also, from the attached Utility Map, notice that Clear Creek is just to the north of the property under Mr.

Hoskins' control. The Springdale utility serves the area north of Clear Creek. Denial of the right to connect to the Fayetteville Utilities, given the adjacency of those utilities could be problematic.

DISCUSSION

Access through Mr. Hoskins' property for Scull Creek Trail is essential to completing the connection from existing Mud Creek Trail south to the first section of Scull Creek Trail currently under construction. The 1.21 acres of land along Joyce Boulevard was left over from the process of acquiring land for extending Joyce Blvd. to Gregg St. and has no use for the City of Fayetteville or its citizens. The trade of this unneeded land along Joyce Blvd. will provide a much needed trail corridor and adjacent green space for recreation and alternative transportation.

This proposal is consistent with the ideas from the City Plan 2025 of providing enduring green networks within the City of Fayetteville. In addition to insuring land for Scull Creek Trail, this proposal will also provide needed park land for the residents of this rapidly developing area. Currently there are no parks within ½ mile of this property. Additionally this land will provide space for trail parking and trail head amenities including informational kiosks, picnic tables, and benches.

With this proposal the City of Fayetteville has the opportunity to acquire 7.39 acres of potential park land in a rapidly developing area for $95,500 or $12,923 an acre.

Acreage from City owned Parcels along Joyce Blvd less the retainage necessary for a future widening of Joyce Blvd. at a 3 to 1 trade	1.21* Acres X 3
	3.63* Acres
Purchase of 2.25 acres	2.25 Acres
Parkland Bank of 1.51 acres	1.51 Acres
	7.39 Acres Total

*Final acreages will be based on the results of a boundary survey

BUDGET IMPACT

Cash –	$90,000
- Survey	$4,000
- Closing Cost and cost of transfer of property	$1,500
	Total = $95,500

113 West Mountain
Fayetteville, Arkansas 72701
Office phone - 479-575-8330
Fax - 479-575-8257
E-mail - gdumas@ci.fayetteville.ar.us

RESOLUTION NO. ______

A RESOLUTION TO APPROVE A TRADE AND PURCHASE OF LAND, A BUDGET ADJUSTMENT OF $95,500.00 AND THE BANKING OF APPROXIMATELY ONE AND ONE-HALF ACRES FOR FUTURE PARKLAND DEDICATION REQUIREMENTS

WHEREAS, the City of Fayetteville owns a swath of property totaling approximately 1.2 acres along the north side of Joyce Boulevard in Johnson, Arkansas that was acquired for the Joyce Boulevard extension, but is excess now and not needed for corporate purposes; and

WHEREAS, Tracy Hoskins owns a 7.39 acre parcel along Scull Creek that would be useful to the city for the connection of the Scull Creek Trail and for park purposes; and

WHEREAS, Tracy Hoskins owns parcels of land on the north side of the excess City of Fayetteville property along Joyce Boulevard and desires to trade portions of his property along Scull Creek for this excess City property adjoining his property and then sell or bank the remainder of the 7.39 acres as parkland.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1: That the City Council of the City of Fayetteville, Arkansas hereby agrees to trade the approximately 1.2 acres of excess City Property along the north side of Joyce Boulevard adjoining Tracy Hoskins' parcels (shown on Exhibit A) at a three to one trade for approximately 3.6 acres out of the 7.39 acre parcel owned by Mr. Tracy Hoskins along Scull Creek (shown on exhibit B).

Section 2: That the City Council of the City of Fayetteville, Arkansas hereby agrees to purchase 2.5 acres of the 7.39 acre parcel owned by Mr. Hoskins for $90,000.00, plus survey and closing costs for a total of about $95,500.00, and agrees to the Budget Adjustment in the amount of $95,500.00 attached as Exhibit C.

Section 3: That the City Council of the City of Fayetteville, Arkansas hereby accepts the banking of the remaining acres of the 7.39 acre parcel as parkland for Tracy Hoskins' subsequent residential development obligation within this park quadrant pursuant to U.D.C. §166.03 (K)(1)(i).

Section 4: That the City Council of the City of Fayetteville, Arkansas hereby agrees to allow Tracy Hoskins access to the City sewer system at Mr. Hoskins' expense for the parcels of land owned by Tracy Hoskins north of Joyce Boulevard and a single access across the median in Joyce Boulevard at a location approved by the City Engineer, on the condition of Mr. Tracy Hoskins' agreement through his offered Bill of Assurance (attached as Exhibit D) to develop his land pursuant to all development regulations of the Unified Development Code to be approved by the Fayetteville Zoning and Development Administrator and/or City Engineer.

PASSED and **APPROVED** this 5th day of September, 2006.

APPROVED:

By: ______________________________
DAN COODY, Mayor

ATTEST:

By: ______________________________
SONDRA SMITH, City Clerk

City of Fayetteville, Arkansas
Budget Adjustment Form

Budget Year	Department: General Government Division: Miscellaneous Program: Miscellaneous	Date Requested	Adjustment Number
2006		9/5/2006	

Project or Item Added/Increased:
$95,500 is requested in the Land acquisition account in the Scull Creek Trail Corridor project.

Project or Item Deleted/Reduced:
None. This adjustment is to recognize $95,500 in the Greenspace Fees NW revenue account.

Justification of this Increase:
Funding will be used for the purchase of land to become park land and trail corridor for Scull Creek Trail.

Justification of this Decrease:
This is an administrative budget adjustment.

An unencumbered balance of $214,541 currently remains in NW green space escrow.

Increase Expense Budget (Decrease Revenue Budget)

Account Name	Account Number				Amount	Project Number	
Land acquisition	1010	6600	5805	00	95,500	05039	1

Decrease Expense Budget (Increase Revenue Budget)

Account Name	Account Number				Amount	Project Number	
Greenspace Fees NW	1010	0001	4419	00	95,500	05039	1

Approval Signatures

John Nelson — 7/18/2006
Requested By — Date

Budget Manager — Date

Department Director — Date

Finance & Internal Services Director — Date

Mayor — Date

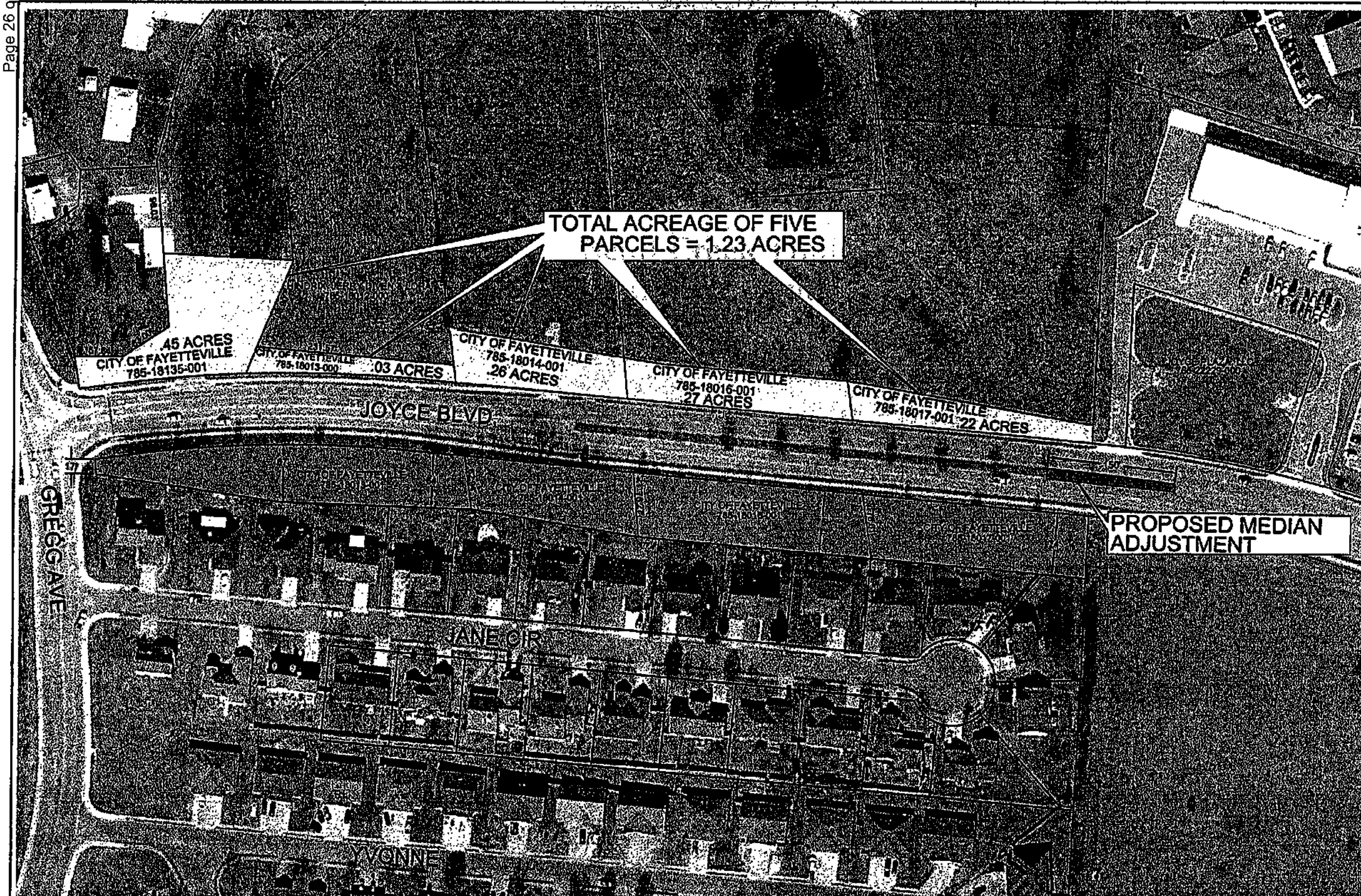
Budget Office Use Only

Type: A B C D E

Posted to General Ledger — Initial — Date

Posted to Project Accounting — Initial — Date

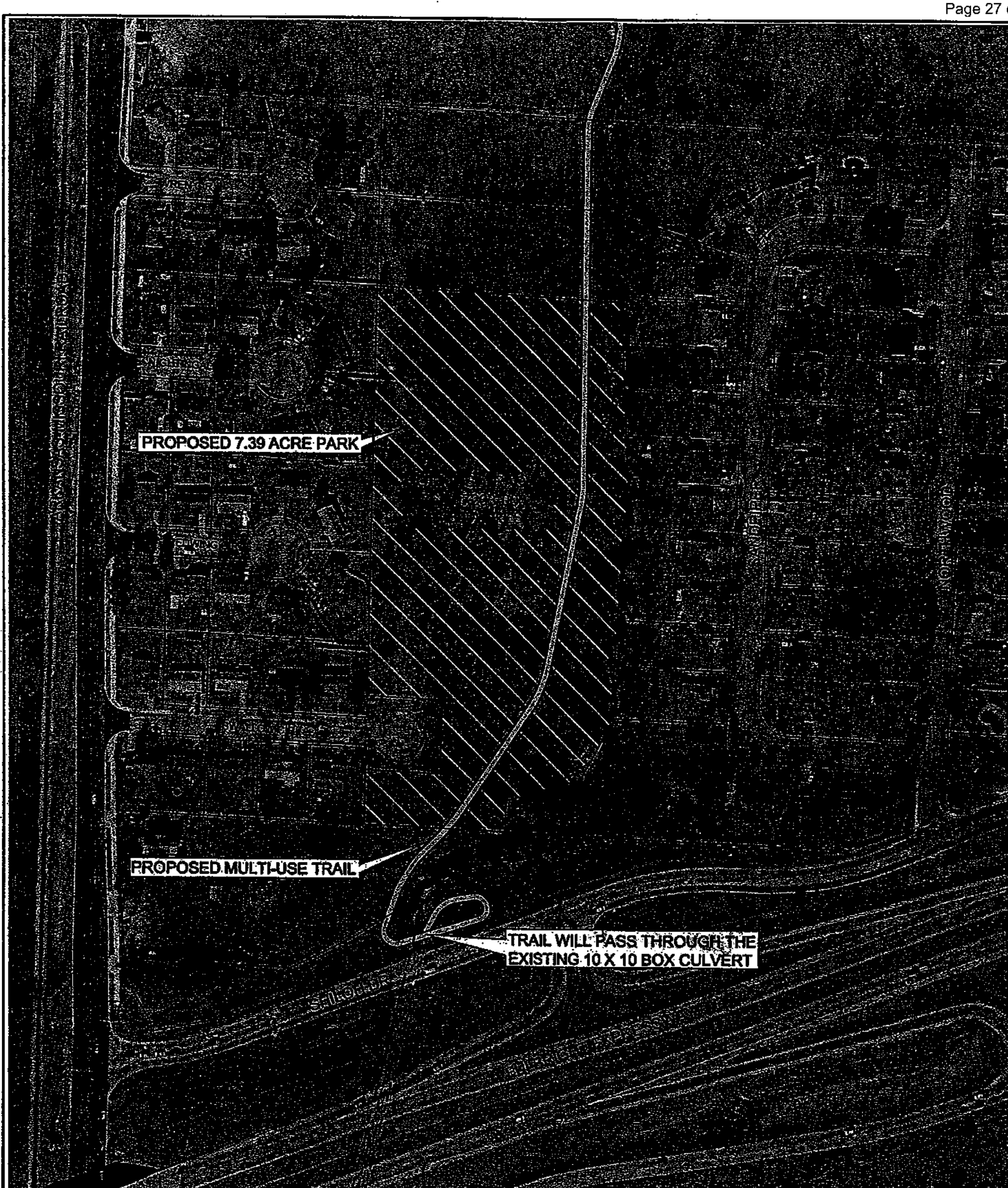
Entered in Category Log — Initial — Date



Scull Creek Trail
Hoskins Agreement

0 150 300

Sheet 1 of 2



Scull Creek Trail
Hoskins Agreement

Sheet 2 of 2

Tracy K. Hoskins

3155 N. College, Suite 201
Fayetteville, AR 72703

September 1, 2006

Gary Dumas – City of Fayetteville

Re: Development – adjacent to and north of Joyce Blvd, City of Johnson, Washington County Arkansas

Dear Gary:

After having spoken with Kit Williams today, I was made aware there may potentially be some concerns in regard to development that may occur on the Johnson property adjacent to the Fayetteville City limits.

I am complete agreement with regard to keeping this area attractive and free from offensive businesses that may wish to locate on such a highly visible tract of land. Though no plans are written in stone at this time, it is my intention to develop this site as a mixed use environment, which is about the only type of development Paradigm focuses on now. I anticipate it being much like my approved Park West project on highway 112, though I see this project leaning more toward residential than commercial.

Though located in Johnson, it is our intention to develop this project to the standards that Paradigm and the City of Fayetteville insists on; and we feel those standards traditionally meet or exceed those currently outlined in the U.D.C. of either municipality; especially when it comes to architectural design and presentation, or "curb appeal", of the project.

As we are always concerned with how our projects are received by the public; in effort to maintain the highest economic value and viability of the development, and in consideration of our personal convictions, you will find an attached Bill of Assurance listing particular "use units" taken directly from the U.D.C. of the City of Fayetteville. I wish to offer this Bill of Assurance to the City of Fayetteville which represents particular uses that will specifically be prohibited.

Please forward this letter to whomever you feel is necessary.

Sincerely,

Tracy K. Hoskins - president

Paradigm
COMPANIES

3155 N. College Ave, Suite 201, Fayetteville, Arkansas 72703
(479) 521-7007 office (479) 236-6636 cell

BILL OF ASSURANCE
FOR THE CITY OF FAYETTEVILLE, ARKANSAS

I, Tracy K. Hoskins (hereinafter "Petitioners"), do hereby voluntarily offer this **Bill of Assurance** and enter into this binding agreement and contract with the City of Fayetteville, Arkansas.

The Petitioners expressly grant to the City of Fayetteville the right to enforce any and all of the terms of this Bill of Assurance in the Chancery/Circuit Court of Washington County and agrees that if Petitioners violate any term of this Bill of Assurance, substantial irreparable damage justifying injunctive relief has been done to the citizens and City of Fayetteville, Arkansas. The Petitioners acknowledge that the Fayetteville City Council will reasonably rely upon all of the terms and conditions within this Bill of Assurance in considering whether to approve Petitioners' land trade agreement with the City of Fayetteville; specifically including, but not limited to, the proposed Joyce Blvd curb cut and/or curb removal, and the provision of sewer service by the City of Fayetteville to Petitioners' property located within what is currently known as Hendrix Heights Subdivision, Johnson Arkansas.

Petitioners hereby voluntarily offer assurances that Petitioners and Petitioners' property shall be restricted as follows *IF* Petitioners' land trade agreement with the City of Fayetteville; specifically including, but not limited to, the proposed Joyce Blvd curb cut and/or curb removal, and the provision of public sewer service by the City of Fayetteville to Petitioners' property located within what is currently known as Hendrix Heights Subdivision, Johnson Arkansas is approved by the Fayetteville City Council.

1. The use(s) of Petitioners' property described in Exhibit "A" attached hereto shall include the Use Units described in the City of Fayetteville Unified Development Code. However, the following Use Units are specifically prohibited;

- Unit 6 – Agriculture
- Unit 7 – Animal husbandry
- Unit 11 – Manufactured home park
- Unit 22 – Manufacturing
- Unit 21 - Warehousing
- Unit 23 – Heavy Industrial
- Unit 27 – Wholesale bulk petroleum storage facilities with underground storage tanks
- Unit 28 – Center for collecting recyclable materials
- Unit 30 - Extractions
- Unit 31 – Facilities emitting odors and facilities handling explosives
- Unit 32 – Sexually oriented business
- Unit 33 – Live Adult Entertainment
- Unit 37 – Manufactured Homes
- Unit 38 – Mini Storage
- Unit 39 – Auto Salvage and Junkyards

2. Petitioners agree to abide by City of Fayetteville development regulations as described in the City of Fayetteville Unified Development Code. These development standards shall include but are not limited to;

- Commercial Design Standards
- Landscape Regulations
- Grading and Drainage Regulations

2. (continued)

- Building Set Backs
- Screening

3. Petitioners specifically agree that all such restrictions and terms shall run with the land and bind all future owners unless and until specifically released by Resolution of the Fayetteville City Council. This Bill of Assurance shall be filed for record in the Washington County Circuit Clerk's Office.

IN WITNESS WHEREOF and in agreement with all the terms and conditions stated above, I, Tracy K. Hoskins, as the owner, developer or buyer (Petitioners) voluntarily offer all such assurances and sign my name below.

Printed Name;
Tracy K. Hoskins

Date;
August 31, 2006

Address;
3155 N. College Ave, Suite 201
Fayetteville, Arkansas 72703

Signature;

NOTARY OATH

STATE OF ARKANSAS }
COUNTY OF WASHINGTON }

And now on this the 31 day of August, 2006, appeared before me, Tracy Hoskins and after being placed upon his/her oath swore or affirmed that he agreed with the terms of the above Bill of Assurance and signed his name above.

Winfield S Bronson

NOTARY PUBLIC

My Commission Expires: ______

Official Seal
WINFIELD S. BRONSON, JR.
Notary Public-Arkansas
WASHINGTON COUNTY
My Commission Expires 06-18-2012

EXHIBIT "A"

Property Description

That property located in the City of Johnson Arkansas, along the north side of Joyce Blvd and east of Wilkerson Street; west of, and adjacent to the city limits of Fayetteville Arkansas.

Joyce Boulevard
Part Parcel No. 765-18135-555

FILED FOR RECORD
'96 MAR 12 PM 2 13
WASHINGTON CO AR
K. HARNESS

WATER/SEWER EASEMENT

STATE OF ARKANSAS)
) BE IT KNOWN BY THESE PRESENTS:
COUNTY OF WASHINGTON)

THAT the undersigned, being owners of undivided interest in the following property, hereinafter collectively referred to as GRANTORS, for and in consideration of the sum of One Dollar ($1.00) and other good and valuable consideration, the receipt of which is hereby acknowledged, do hereby GRANT, SELL AND CONVEY unto the City of Fayetteville, Arkansas, a municipal corporation, hereinafter called GRANTEE, its successors and assigns, the right of way and easement to construct, lay, remove, relay, enlarge and operate a water and/or sewer pipe line or lines, and appurtenances thereto, on, over, across, and under the following described real estate, to-wit:

PROPERTY DESCRIPTION:

A strip of land located in the Southeast Quarter (SE¼) of Section Twenty-two (22), Township Seventeen (17) North, Range Thirty (30) West, Washington County, Arkansas, also commonly known as the Park/Playground and Recreation Area adjacent to Hendrix Heights Subdivision in the City of Johnson, Arkansas, the plat of said subdivision being filed in Book 6 at Page 645 in the office of the Circuit Clerk and Ex-Officio Recorder of Washington County, Arkansas, said land being more particularly described as follows, to-wit: Commencing at the Southwest corner of Lot 1 of said Hendrix Heights Subdivision and running North 05° 30' West 39.00 feet to the Northwest corner of said Lot 1 as the Point of Beginning; thence North 79° 15' East 164.93 feet; thence North 19° 30' East 201.42 feet; thence North 07° 27' West 200.00 feet; thence North 45° 30' East 200.00 feet; thence South 81° 15' East 276.90 feet; thence South 37° 46' East 249.50 feet; thence North 83° 51' East 150.20 feet; thence North 09° 04' West 199.00 feet; thence North 63° 01' West 200.68 feet; thence North 83° 13' West 249.31 feet; thence North 87° 42' West 150.03 feet; thence South 56° 21' West 200.20 feet; thence South 34° 53' West 92.44 feet; thence South 12° 01' West 142.00 feet; thence South 07° 14' West 197.24 feet; thence South 54° 47' West 63.00 feet; thence South 87° 11' West 57.64 feet; thence North 58° 08' West 42.35 feet; thence South 23° 59' East 133.55 feet to the Point of Beginning and containing 4.28 acres, more or less.

PERMANENT EASEMENT DESCRIPTION:

A thirty (30) foot wide permanent easement, located in the above described property, and more particularly described as follows, to-wit: Commencing at the Southwest corner of Lot 1 of Hendrix Heights Subdivision and running thence North 05° 30' 00" West 39.00 feet to the Northwest corner of said Lot 1; thence North 79° 15' 00" East 164.93 feet; thence North 19° 30' 00" East 183.00 feet; thence North 88° 29' 18" West 111.74 feet to the Point of Beginning; thence North 07° 14' 00" West 126.77 feet; thence North 12° 01' 00" East 130.84 feet; thence North 34° 53' 00" East 80.69 feet; thence North 56° 21' 00" East 164.78 feet; thence South 87° 42' 00" East 139.12 feet; thence South 83° 13' 00" East 96.03 feet; thence South 00° 00' 00" East 84.96 feet; thence South 83° 13' 00" East 30.35 feet; thence North 00° 00' 00" East 86.01 feet; thence South 83° 13' 00" East 116.55 feet; thence South 63° 01' 00" East 180.07 feet; thence South 09° 04' 00" East 152.16 feet; thence South 83° 51' 00" West 137.10 feet; thence South 37° 46' 00" East 35.23 feet; thence North 83° 51' 00" East 150.20 feet; thence North 09° 04' 00" West 199.00 feet; thence North 63° 00' 00" West 200.68 feet; thence North 83° 13' 00" West 249.31 feet; thence North 87° 42' 00" West 150.03 feet; thence South 56° 21' 00" West 200.20 feet; thence South 34° 53' 00" West 92.44 feet; thence South 12° 01' 00" West 142.00 feet; thence South 07° 14' 00" East 127.24 feet; thence South 88° 29' 18" East 30.35 feet to the Point of Beginning and containing 1.05 acres, more or less.

TO HAVE AND TO HOLD unto said Grantee, its successors and assigns, so long as such pipe line or lines, manholes and/or appurtenances thereto shall be maintained, with ingress to and egress from the real estate first hereinabove described for the purpose of constructing, inspecting, maintaining and repairing said lines, manholes and appurtenances of Grantee above described, and for the purposes of the removal, renewal and enlargement of such at will, in whole or in part.

The said Grantors are to fully use and enjoy the said premises except for the purposes hereinbefore granted to the said Grantee, which hereby agrees to bury all pipes, where feasible, to a sufficient depth so as not to interfere with cultivation of soil, and that manholes will be constructed flush with the surface of the ground except in bottom lands where they shall be at a height above high water, and to pay any damages which may arise to growing crops or fences from the construction, maintenance and operation as determined by three disinterested persons, one thereof to be appointed by the said Grantors; one by the said Grantee; and the third by the two so appointed as [illegible]

(Page 2 of 4)

WATER/SEWER EASEMENT

Permission is hereby granted to the Grantee, by the undersigned Grantors, their successors and assigns, for Grantee's employees and agents to enter Grantor's specifically owned property(ies) for the sole purpose of installing a new, single service (yard) line from the established new water line meter to the residence, if, and only if a residence currently exists on the property. Said new, single service (yard) line shall be installed by the Grantee only to existing residences with an existing piped water service line at the time of the signing of this document. This specific service (yard) line will be installed at no cost to said Grantor(s). It is expressly understood that following completion of the installation of said new service line, said service (yard) line shall become the property of the individual said Grantor or said Grantor's successors and assigns and all future repair, maintenance and replacement of such line, or parts thereof, shall be the responsibility of said Grantor or Grantor's successors and assigns.

The consideration first above recited as being paid to Grantors by Grantee is in full satisfaction of every right hereby granted. All covenants and agreements herein contained shall extend to and be binding upon the respective heirs, legal representatives, successors and assigns of the parties hereto.

It is hereby understood and agreed that the party securing this grant in behalf of the Grantee is without authority to make any covenant or agreement not herein expressed.

WITNESS the execution hereof this the 17th day of February, 1996.

PLEASE SEE SUBSEQUENT DOCUMENTS FOR REMAINING SIGNATURES.

Raymond Diven Hendrix — Lot 1	Margie B. Hendrix — Lot 1
Jeffrey B. Dowden — Lot 2-A	Mary Denise Dowden — Lot 2-A
Ken H. Colvin — Lots 2-B, 2-C and 3	Gloria Kay Colvin — Lots 2-B, 2-C and 3
Leonard Guy Hendrix — Lot 7	Mary Elizabeth Hendrix — Lot 7
George A. Hendrix, Jr. — Lot 9	Martha E. Hendrix — Lot 9
John Wilson Hendrix — Lot 10	Bobbie H. Hendrix — Lot 10

ACKNOWLEDGMENT

STATE OF ARKANSAS)
) ss.
COUNTY OF WASHINGTON)

BE IT REMEMBERED, that on this date, before me, a Notary Public within and for said County and State, duly commissioned and acting, personally appeared Raymond Diven Hendrix, a/k/a Diven Hendrix and Margie B. Hendrix, a/k/a Margie Brella Hendrix, a/k/a Margie Brellia Hendrix, husband and wife, to me well known as the persons who executed the foregoing document, and stated that they had executed the same for the consideration and purposes therein mentioned and set forth.

WITNESS my hand and seal on this ______ day of ______________, 1996.

MY COMMISSION EXPIRES: ____________________ Notary Public

96014620

(Page 3 of 4)

WATER/SEWER EASEMENT

ACKNOWLEDGMENT

STATE OF ARKANSAS)
) ss.
COUNTY OF WASHINGTON)

BE IT REMEMBERED, that on this date, before me, a Notary Public within and for said County and State, duly commissioned and acting, personally appeared Jeffrey B. Dowden and Mary Denise Dowden, husband and wife, to me well known as the persons who executed the foregoing document, and stated that they had executed the same for the consideration and purposes therein mentioned and set forth.

WITNESS my hand and seal on this 17th day of February, 1996.

MY COMMISSION EXPIRES:

KITTY G. DYE
NOTARY PUBLIC
WASHINGTON COUNTY, ARKANSAS
MY COMMISSION EXPIRES MAY 16, 2003

Notary Public.

ACKNOWLEDGMENT

STATE OF ARKANSAS)
) ss.
COUNTY OF WASHINGTON)

BE IT REMEMBERED, that on this date, before me, a Notary Public within and for said County and State, duly commissioned and acting, personally appeared Ken H. Colvin, a/k/a Kenneth H. Colvin, and Gloria Kay Colvin, husband and wife, to me well known as the persons who executed the foregoing document, and stated that they had executed the same for the consideration and purposes therein mentioned and set forth.

WITNESS my hand and seal on this 16th day of February, 1996.

MY COMMISSION EXPIRES:

KITTY G. DYE
NOTARY PUBLIC
WASHINGTON COUNTY, ARKANSAS
MY COMMISSION EXPIRES MAY 16, 2003

ACKNOWLEDGMENT

STATE OF ARKANSAS)
) ss.
COUNTY OF WASHINGTON)

BE IT REMEMBERED, that on this date, before me, a Notary Public within and for said County and State, duly commissioned and acting, personally appeared Leonard Guy Hendrix and Mary Elizabeth Hendrix, husband and wife, to me well known as the persons who executed the foregoing document, and stated that they had executed the same for the consideration and purposes therein mentioned and set forth.

WITNESS my hand and seal on this 23rd day of February, 1996.

(Page 4 of 4)

WATER/SEWER EASEMENT

ACKNOWLEDGMENT

STATE OF ARKANSAS)
) ss.
COUNTY OF WASHINGTON)

BE IT REMEMBERED, that on this date, before me, a Notary Public within and for said County and State, personally appeared George A. Hendrix, Jr., a/k/a G. A. Hendrix and Martha E. Hendrix, husband and wife, to me well known as the persons who executed the foregoing document, and stated that they had executed the same for the consideration and purpose therein mentioned and set forth.

WITNESS my hand and seal on this 23rd day of January, 1996.

Edward D. Connell

MY COMMISSION EXPIRES:

05-01-2000

Notary Public

ACKNOWLEDGMENT

STATE OF ARKANSAS)
) ss.
COUNTY OF WASHINGTON)

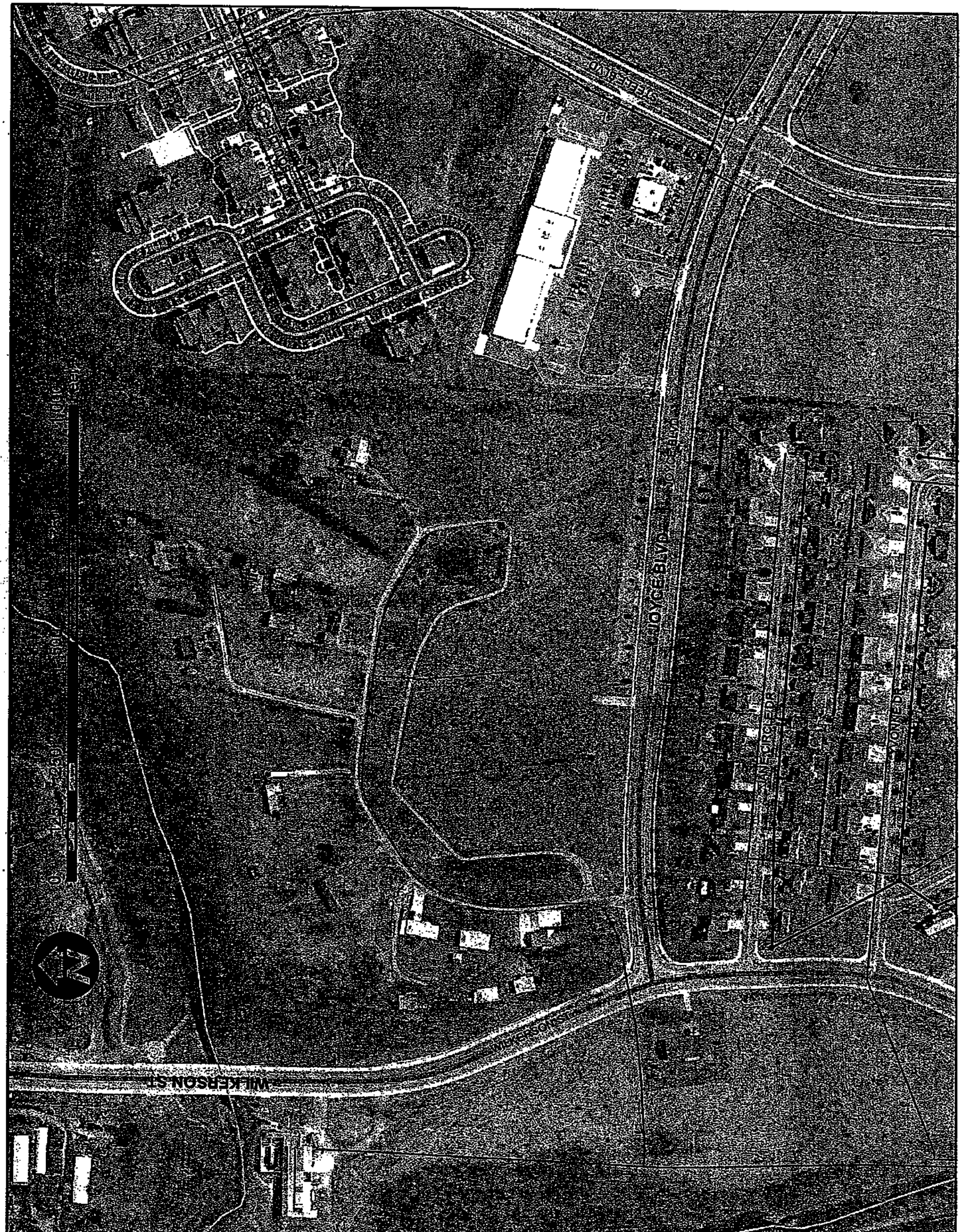
BE IT REMEMBERED, that on this date, before me, a Notary Public within and for said County and State, personally appeared John Wilson Hendrix, a/k/a Wilson Hendrix, a/k/a John W. Hendrix and Bobbie H. Hendrix, husband and wife, to me well known as the persons who executed the foregoing document, and stated that they had executed the same for the consideration and purpose therein mentioned and set forth.

WITNESS my hand and seal on this 17th day of January, 1996.

MY COMMISSION EXPIRES:
KITTY G. DYE
NOTARY PUBLIC
WASHINGTON COUNTY, ARKANSAS
MY COMMISSION EXPIRES MAY 15, 2003

Kitty Dye, Notary Public

96014622


JOYCE BLVD
WILKERSON ST

September 5, 2006

To: City of Fayetteville Administration
Fayetteville, Arkansas

Re: Land trade agreement with Tracy Hoskins and Paradigm Development

Adjacent property;
Lot 1; county parcel number 785-18013-000 and 785-18012-000,
Located within the Hendrix Heights Subdivision, Johnson Arkansas,

Dear Sir or Madam:

We have been advised of the pending land trade agreement with, Tracy K. Hoskins of Paradigm Development that is currently being considered by the City of Fayetteville. As the property owner(s) of the above referenced properties, I (we) wish to convey that I (we) have no issue with the proposed trade and fully support the continuation of the Skull Creek Trail system and the proposed associated park this trade will provide for the area.

Sincerely,

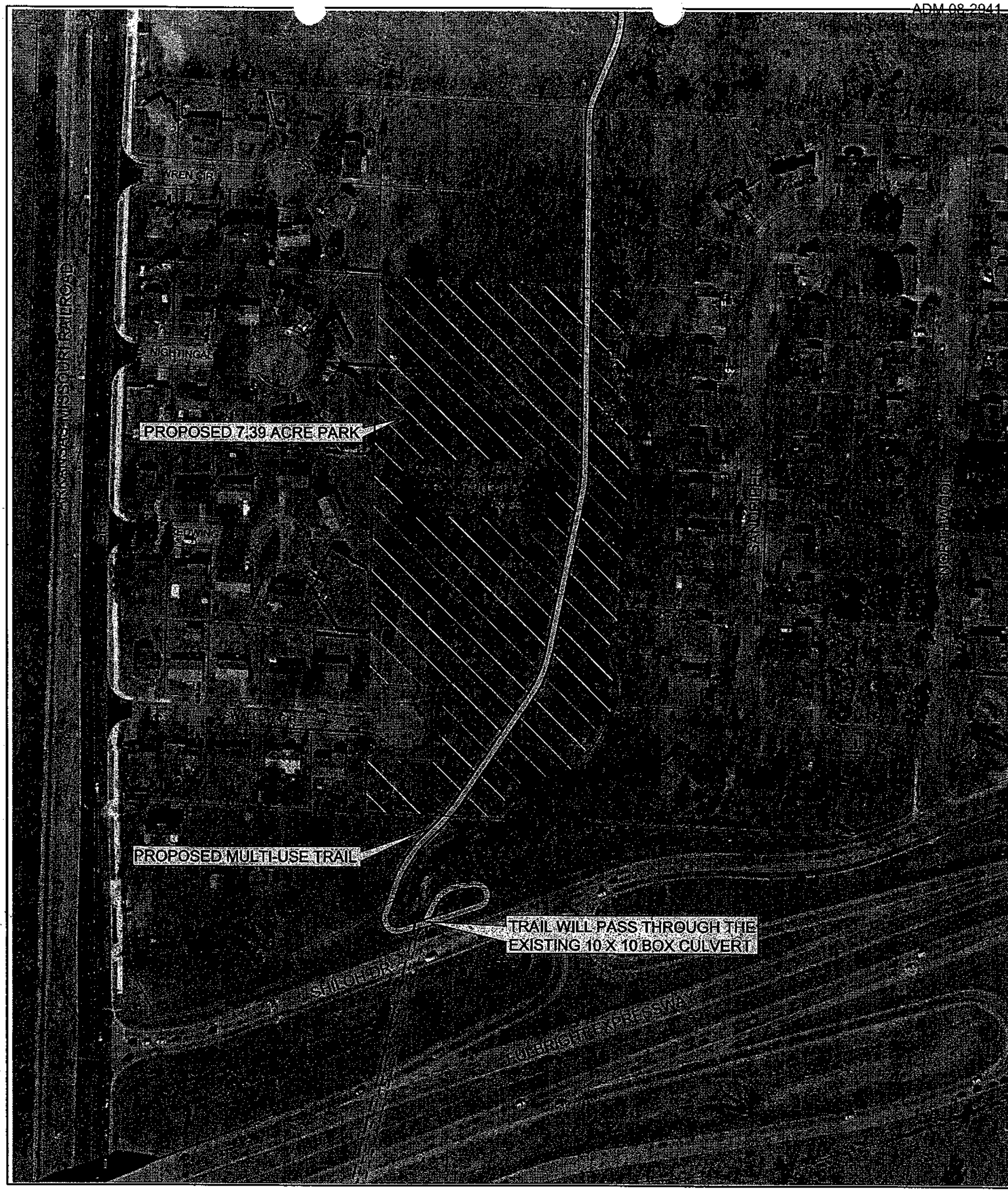
Jerry Hendrix and the Jerry Hendrix Revocable Trust

Jerry Hendrix 9-5-06

From: Clarice Pearman
To: Dumas, Gary
Date: 9.12.06 5:09PM
Subject: Res. 149-06

Gary,
Attached is a copy of the resolution passed by City Council, September 5, 2006 regarding the land/purchase/trade with Tracy Hoskins. If anything else is needed please let me know.
Thanks.
Clarice

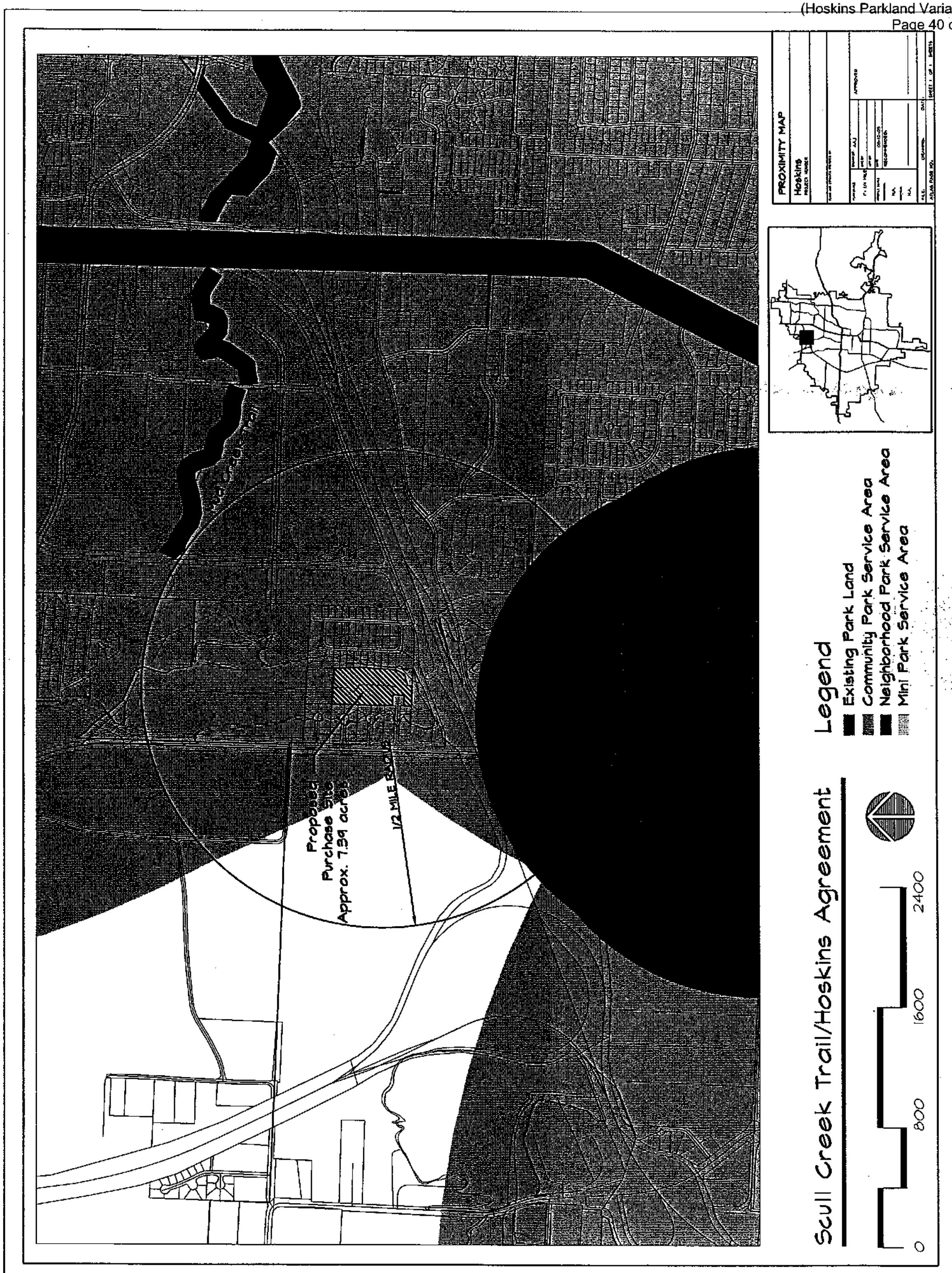
CC: Audit

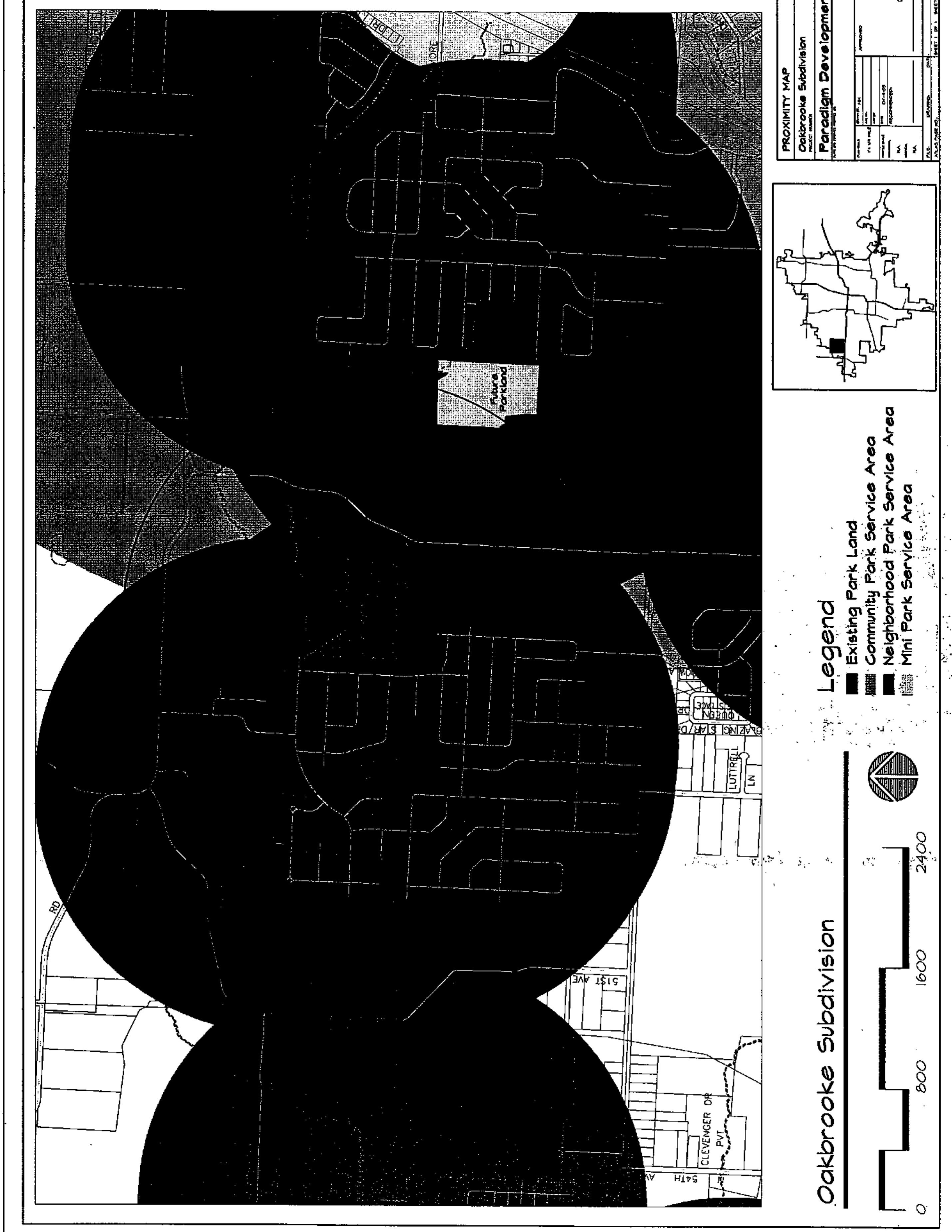


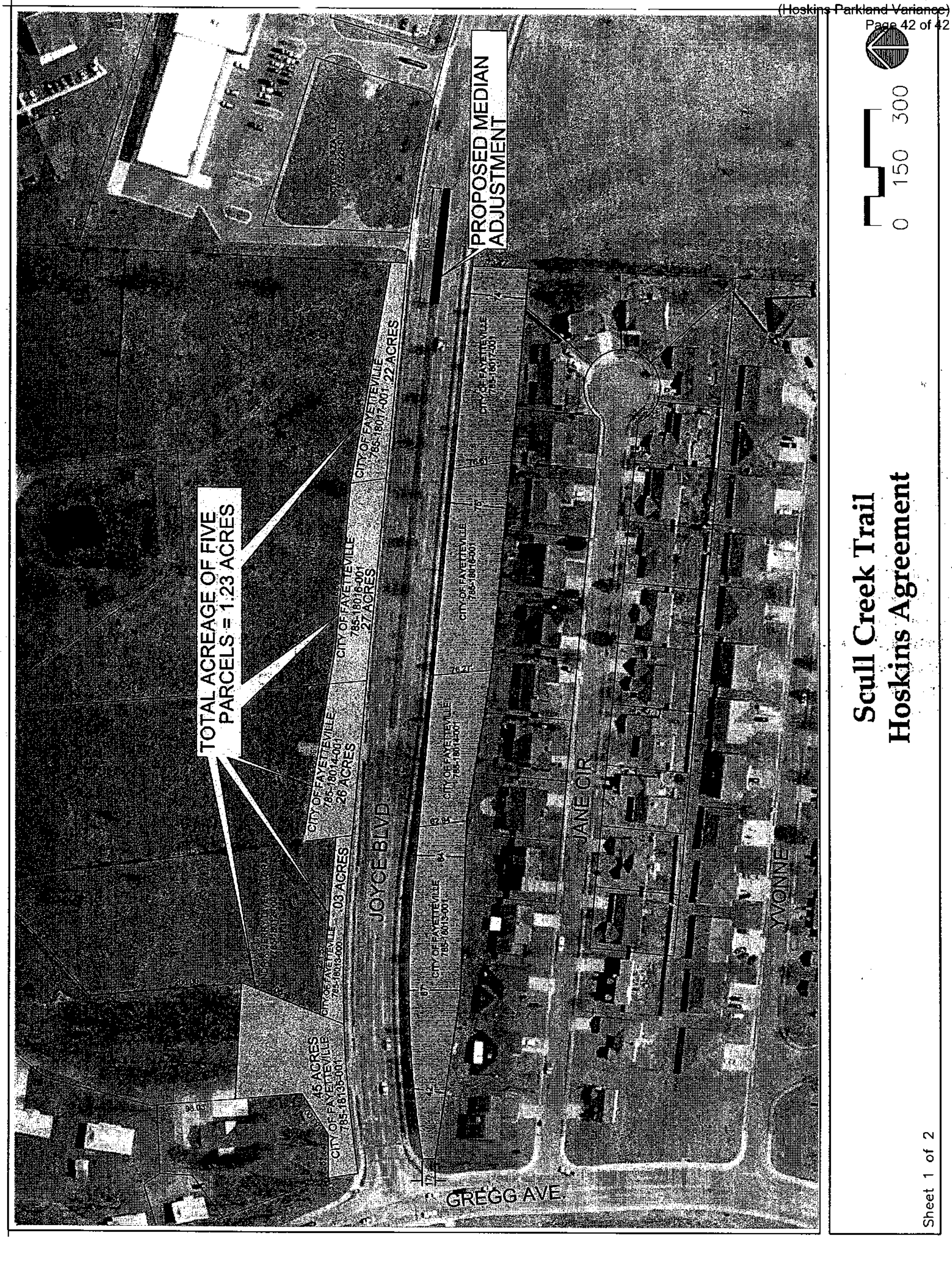
Scull Creek Trail
Hoskins Agreement

0 100 200

Sheet 2 of 2


PROXIMITY MAP
Hoskins
Scull Creek Trail
Proposed
Purchase Site
Approx. 7.39 acres
1/2 MILE RADIUS
Scull Creek Trail/Hoskins Agreement
Legend
Existing Park Land
Community Park Service Area
Neighborhood Park Service Area
Mini Park Service Area
0
800
1600
2400


Oakbrooke Subdivision
Legend
Existing Park Land
Community Park Service Area
Neighborhood Park Service Area
Mini Park Service Area
0
800
1600
2400
PROXIMITY MAP
Oakbrooke Subdivision
Paradigm Development
Future Parkland
51ST AVE
54TH AV
CLEVENGER DR PVT
LUTTRELL LN
RD


TOTAL ACREAGE OF FIVE PARCELS = 1.23 ACRES
PROPOSED MEDIAN ADJUSTMENT
CITY OF FAYETTEVILLE 785-18017-001 .22 ACRES
CITY OF FAYETTEVILLE 785-18016-001 .27 ACRES
CITY OF FAYETTEVILLE 785-18014-001 .26 ACRES
.03 ACRES
.45 ACRES CITY OF FAYETTEVILLE 785-18135-001
JOYCE BLVD
JANE CIR
YVONNE
GREGG AVE.
Scull Creek Trail
Hoskins Agreement
0 150 300
Sheet 1 of 2

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

Karen Minkel	Long Range Planning	Operations
Submitted By	Division	Department

Action Required:

An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit decentralized sewer systems within the City limits.

$0.00	n/a	n/a
Cost of this request	Category/Project Budget	Program Category / Project Name
n/a	n/a	n/a
Account Number	Funds Used to Date	Program / Project Category Name
n/a	n/a $ -	n/a
Project Number	Remaining Balance	Fund Name

Budgeted Item [ ] Budget Adjustment Attached [ ]

Department Director — 14 MAR 08 Date

City Attorney — 3-18-08

Paul A. Becker — Finance and Internal Service Director — 3-18-08 Date

Dan Coody — Mayor — 3/19/08 Date

Previous Ordinance or Resolution # n/a

Original Contract Date: n/a

Original Contract Number: n/a

Received in City Clerk's Office — ENTERED 3/14/08

Received in Mayor's Office — ENTERED 3/18/08

Comments:

City Council Meeting of April 1, 2008
Agenda Item Number

CITY COUNCIL AGENDA MEMO

To: Mayor and City Council

Thru: Gary Dumas, Director of Operations
Tim Conklin, Planning and Development Management Director
David Jurgens, Water and Wastewater Director
Ron Petrie, City Engineer

From: Karen Minkel, Senior Long Range Planner

Date: November 27, 2007

Subject: An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit or regulate decentralized sewer systems within the city limits

RECOMMENDATION

Planning Staff recommends approving an ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit or regulate decentralized sewer systems within the city limits.

BACKGROUND

City Council approved an ordinance to attach and incorporate 1,419.30 acres into the City of Fayetteville after a majority of citizens voted in favor of annexing the property during a special election held on October 10, 2006. Through this annexation, the City inherited two decentralized sewer systems, one that was already under construction and one that had yet to be constructed but had been approved by Washington County. This prompted collaboration among water and sewer, engineering and planning staff to generate a policy that would address decentralized sewer systems within the City boundaries and within the City's Planning Area.

The following policy recommendations provide a sensible solution for minimizing the costs of management and potential environmental damage within the City boundaries and for accommodating systems that are annexed into the City. The revised ordinance in Chapter 166.03, which addresses the sanitary sewer system, prohibits community sewage systems within the City boundaries. The ordinance further specifies the design of unconstructed systems that have been approved by the County and subsequently annexed into the City. Constructed systems in the County that have been annexed must connect to the City sanitary sewer system when a City sewer main is within 300 feet at the expense of the owner of the decentralized sewer system. Staff also proposes removing language in Sections 166.03 and 166.04 that is outdated or irrelevant.

Further amendments include adding a community sewage system definition to Chapter 151 and stating that the City Engineer is the administrator for water and sewer systems in Chapter 152.

The amendments were reviewed by the Water and Sewer Committee on February 27, 2007, and the committee agreed to forward the amendments to the City Council with a recommendation for approval.

BUDGET IMPACT

None.

ORDINANCE NO.

AN ORDINANCE AMENDING TITLE XV: UNIFIED DEVELOPMENT CODE OF THE CODE OF FAYETTEVILLE TO AMEND CHAPTER 151: DEFINITIONS, CHAPTER 152: ADMINISTRATION AND CHAPTER 166: DEVELOPMENT IN ORDER TO PROHIBIT OR REGULATE DECENTRALIZED SEWER SYSTEMS WITHIN THE CITY LIMITS

WHEREAS, the City Council has the authority under A.C.A. § 14-236-01 to regulate the disposal of waste and wastewater; and

WHEREAS, the City of Fayetteville provides a community sewer system that efficiently and safely disposes of water and wastewater; and

WHEREAS, the Community sewage systems or decentralized sewer systems pose potential environmental and management concerns.

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE ARKANSAS:

Section 1: The City Council of the City of Fayetteville, Arkansas hereby amends §151.01 **Definitions** of the UDC by adding the definition of *Community sewage system* as shown below:

> "*Community sewage system.* (Development) Any non-publicly owned system serving two (2) or more individual houses, housing units, apartments or other occupied structures for the collection and disposal of domestic, non-residential or industrial wastewater of a liquid nature, including various devices for the collection, conveyance and treatment of the treated wastewater effluent and the monitoring of the affected groundwater quality and the management of the associated solid waste by-products (septage and sludge). (Also known as decentralized sewer systems)"

Section 2: The City Council of the City of Fayetteville, Arkansas hereby amends §152.02 of the UDC by enacting an new subsection 152.02 (U) as follows:

"(U) *Water and Sewer Systems: City Engineer.*"

Section 3: The City Council of the City of Fayetteville, Arkansas, hereby repeals §166.03 (I) *Public sanitary sewer not accessible* in its entirety and enacts a new §166.03 (I) *Public sanitary sewer not accessible* as shown on Exhibit "A" attached.

Section 4: The City Council of the City of Fayetteville, Arkansas hereby repeals §166.04 (A)(10)(b) *Public sanitary sewer system not accessible* and enacts a replacement §166.04 (A)(10)(b) *Public sanitary sewer system not accessible* as shown on Exhibit "B" attached.

PASSED and **APPROVED** this 18th day of December, 2007.

APPROVED:

By: ______________________________
DAN COODY, Mayor

ATTEST:

By: ______________________________
SONDRA E. SMITH, City Clerk/Treasurer

EXHIBIT "A"

To be inserted at Chapter 166: Development:

166.03 (I)

(2) *Public sanitary sewer not accessible.* Where a subdivision is proposed so that each lot has a minimum gross area of one and one-half acres, an individual sewage disposal system for each lot may be used; for lots having a gross area of less than one and one-half acres, an individual sewage disposal system may be used for each individual lot when a permit for a septic system is granted by the Arkansas Department of Health. A copy of the Arkansas Department of Health permit granted for each lot shall be provided at the time the application is submitted for subdivision or lot split approval for all lots less than one and one-half acres. Existing septic systems, sewage disposal fields (leach fields), alternate disposal fields required by state law and water wells on-site or off-site within 100 feet shall be shown on all proposed subdivisions and lot splits.

(3) *Community sewage systems.* The construction of community sewage systems or decentralized sewer systems shall be prohibited within the City.

(4) *Annexation of community sewage systems.* Where a community sewage system is annexed into the City, then the following shall apply:

(a) *Unconstructed systems.* The wastewater system shall be designed such that the entire collection system is a traditional-style gravity sewer system that carries all wastewater flow to centralized treatment facilities and shall meet City standards for design construction. The system must also be designed such that there is one single point of connection from which a future gravity connection can be made to the City sanitary sewer system when the latter becomes available. This connection shall be made at the expense of the owner of the decentralized wastewater system.

(b) *Constructed systems.* Systems constructed prior to annexation into the City must tie to the City sanitary sewer system when a City sanitary sewer main is constructed within 300 feet of the community sewage system and such main is reasonably available to the community sewage system. This connection shall be made at the expense of the owner of the decentralized wastewater system.

State law reference(s)--"Arkansas Sewage Disposal Systems Act," A.C.A. §14-236-101 et seq.

EXHIBIT "B"

To be inserted at Chapter 166: Development:

166.04 (A)(10)

(b) *Public sanitary sewer not accessible.* Where a subdivision is proposed so that each lot has a minimum gross area of one and one-half acres, an individual sewage disposal system for each lot may be used; for lots having a gross area of less than one and one-half acres, an individual sewage disposal system may be used for each individual lot when a permit for a septic system is granted by the Arkansas Department of Health. A copy of the Arkansas Department of Health permit granted for each lot shall be provided at the time the application is submitted for subdivision or lot split approval for all lots less than one and one-half acres. Existing septic systems, sewage disposal fields (leach fields), alternate disposal fields required by state law and water wells on-site or off-site within 100 feet shall be shown on all proposed subdivisions and lot splits.

(Code 1965, App. C., Art. III, § A(2), (3); Ord. No. 1979, 2-5-74; Ord. No. 2353, 7-5-77; Ord. No. 2755, 9-1-81; Code 1991, §§ 159.31, 159.32; Ord. No. 4100, § 2 (Ex. A), 6-16-98; Ord. No. 4263, 8-1-00; Ord. 4660, 12-21-04) additional fire hydrants shall be required.

(I) *Sanitary sewer system.*

(1) *Public sanitary sewer accessible.* Where a public sanitary sewer is reasonably accessible, the subdivider shall connect with such sewer, and each lot within the subdivision shall be provided with a connection thereto. All connections shall be subject to the approval of the City Engineer. Individual service lines shall be installed, and individual connections shall be made prior to the paving of the street, if possible.

(2) *Public sanitary sewer not accessible.* Where ~~a public sanitary sewer is not reasonably accessible, the subdivider shall be required to install a community sewage system, as defined by Act 402 of the 1977 Arkansas General Assembly, in compliance with state health department's standards and regulation; provided, if a community sewage system is not reasonably available or economically feasible, and~~ a subdivision is proposed so that each lot has a minimum gross area of one and one-half acres, an individual sewage disposal system for each lot may be used; for lots having a gross area of less than one and one-half acres, an individual sewage disposal system may be used for each individual lot when a permit for a septic system is granted by the Arkansas Department of Health. **A copy of the Arkansas Department of Health permit granted for each lot shall be provided at the time the application is submitted for subdivision or lot split approval for all lots less than one and one-half acres. Existing septic systems, sewage disposal fields (leach fields), alternate disposal fields required by state law and water wells on-site or off-site within 100 feet shall be shown on all proposed subdivisions and lot splits.** ~~Individual service lines and connections shall be installed prior to the paving of the street, if possible. The minimum gross area requirement prescribed hereby for an individual sewage disposal system shall not apply to any subdivision for which an approved plat has been filed of record prior to July 5, 1977.~~

(3) *Community sewage systems.* The construction of community sewage systems or decentralized sewer systems shall be prohibited within the City.

(4) *Annexation of community sewage systems.* Where a community sewage system is annexed into the City, then the following shall apply:

(a) *Unconstructed systems.* The wastewater system shall be designed such that the entire collection system is a traditional-style gravity sewer system that carries all wastewater flow to centralized treatment facilities and shall meet City standards for design construction. The system must also be designed such that there is one single point of connection from which a future gravity connection can be made to the City sanitary sewer system when the latter becomes available. This connection shall be made at the expense of the owner of the decentralized wastewater system.

(b) *Constructed systems.* Systems constructed prior to annexation into the City must tie to the City sanitary sewer system when a City sanitary sewer main is constructed within 300 feet of the community sewage system and such main is reasonably available to the community sewage system. This connection shall be made at the expense of the owner of the decentralized wastewater system.

State law reference(s)--"Arkansas Sewage Disposal Systems Act," A.C.A. §14-236-101 et seq.

166.04 Required On-Site Improvements – Subdivisions In Planning Area

(A) *Requirements.* Before the Planning Commission may grant final plat approval for a subdivision located within the city's designated planning area, the subdivider shall have installed, or shall have made a guarantee of in lieu of installation, as provided by Chapter 158, either at his expense or in accordance with the existing policy of the city, the following improvements:

(1) *Monuments.* Reinforced concrete monuments 4 inches x 4 inches x 30 inches at quarter section corners and subdivision corners.

(2) *Lot stakes.* Metal stakes 1/2 inch x 30 inches at all lot corners, points of tangency, points of curvature and angles in property lines or easements.

(3) Streets.

(a) *Within One Mile of City Limits.* Street grading, base, and paving according to existing city standards and specifications as adopted by the City Council.

(b) *Beyond One Mile of City Limits.* Streets shall meet Washington County Standards.

(4) Curbs and gutters.

(a) Within One Mile of City Limits. Curbs and gutters according to existing city standards and specifications as adopted by the City Council.

(b) Beyond One Mile of City Limits. Curbs and gutters shall meet Washington County Standards.

(5) Sidewalks. Sidewalks shall be installed, within one mile of City Limits, according to existing city standards and specifications as adopted by the City Council. The construction of all sidewalks shall be inspected by the City Engineer or his designee to ensure compliance with city specifications. The developer shall guarantee the sidewalk installation according to §158.01.

(6) Streetlights. Standard 8,000 lumen streetlights shall be installed at each intersection or cul-de-sac and along one side of each street or cul-de-sac within one mile of the City Limits at intervals of no more than 300 feet; provided, streetlights of higher intensity may be required at intersections with collector streets or arterial streets.

(7) *Grading and storm drainage system.*

(a) The subdivider shall install storm drainage facilities, including drains, sewers, catch basins, and culverts necessary for the proper drainage of all surface water.

(b) All drainage facilities shall be so designed to serve the entire drainage area.

(c) All surface water drainage shall be transported to existing storm sewers, drainage facilities, or natural drainage ditches approved by the City Engineer.

(d) The City Engineer shall approve all drainage features.

(8) *Culverts and bridges.* Culverts and bridges shall be installed where needed in accordance with existing Arkansas State Highway Department standards and specifications.

(9) *Water supply.*

(a) *Accessible public water supply.* When an approved public water supply is reasonably accessible, the subdivider shall install a system of water mains and shall connect to such supply so that each lot within the subdivision shall be provided with a connection to said public water supply. All connections shall be approved by the City Engineer. Individual service lines shall be installed, and individual connections shall be made prior to the paving of the street, if possible.

(b) *Nonaccessible public water supply.* Where an approved public water supply is not reasonably accessible, any private water supply system proposed by the subdivider must be approved by the county sanitarian and the City Engineer in order to assure that the private water supply system will provide an adequate supply of potable water to every lot in the subdivision. Individual service lines shall be installed, and individual connections shall be made prior to the paving of the street, if possible.

(10) *Sanitary sewer system.*

(a) *Public sanitary sewer accessible.* Where a public sanitary sewer is reasonably accessible, the subdivider shall connect with such sewer, and each lot within the subdivision shall be provided with a connection thereto. All connections shall be subject to the approval of the City Engineer. Individual service lines shall be installed, and individual connections shall be made prior to the paving of the street if possible.

(b) *Public sanitary sewer not accessible.* Where ~~a public sanitary sewer is not reasonably accessible, the subdivider shall be required to install a community sewage system, as defined by Act 402 of the 1977 Arkansas General Assembly, in compliance with State Health Department standards and regulations; provided, if a community sewage system is not reasonably available or economically feasible, and~~ a subdivision is proposed so that each lot has a minimum gross area of one and one-half acres, an individual sewage disposal system for each lot may be used; for lots having a gross area of less than one and one-half acres, an individual sewage disposal system may be used for each individual lot when a permit for a septic system is granted by the Arkansas Department of Health. A copy of the Arkansas Department of Health permit granted for each lot shall be provided at the time the application is submitted for subdivision or lot split approval for all lots less than one and one-half acres. Existing septic systems, sewage disposal fields (leach fields), alternate disposal fields required by state law and water wells on-site or off-site within 100 feet shall be shown on all proposed subdivisions and lot splits. ~~Individual service lines and connections shall be installed prior to the paving of the street, if possible. The minimum gross area requirement prescribed hereby for an individual sewage disposal system shall not apply to any subdivision for which an approved plat has been filed on record prior to July 5, 1977.~~

(Code 1965, App. C., Art. III, § A(2), (3); Ord. No. 1979, 2-5-74; Ord. No. 2353, 7-5-77; Ord. No. 2755, 9-1-81; Code 1991, §§ 159.31, 159.32; Ord. No. 4100, § 2 (Ex. A), 6-16-98; Ord. No. 4263, 8-1-00; Ord. 4660, 12-21-04)

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

David Jurgens	Water/Wastewater	Water/Wastewater
Submitted By	Division	Department

Action Required:

Approval of an ordinance changing the water rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing Section 51.136 of the Fayetteville Code of Ordinances.

$0.00	$0.00	Water and Wastewater
Cost of this request	Category / Project Budget	Program Category / Project Name
N/A	$ -	Water and Wastewater
Account Number	Funds Used to Date	Program / Project Category Name
N/A	$0.00	Water/Sewer
Project Number	Remaining Balance	Fund Name

Budgeted Item: XX   Budget Adjustment Attached:

Department Director — Date: 14 Mar 08

City Attorney — Date: 3/19/08

Finance and Internal Service Director — Date

Mayor — Date

Previous Ordinance or Resolution #: 49-08

Original Resolution Date: 4-Mar-08

Original Contract Number: N/A

Received in City Clerk's Office: ENTERED 3/14/08 aw

Received in Mayor's Office

Comments:

City Council Meeting of April 1, 2008

CITY COUNCIL AGENDA MEMO

To: Fayetteville City Council

Thru: Mayor Dan Coody

From: David Jurgens, Water and Wastewater Director
Fayetteville Sewer Committee

Date: 14 March 2008

Subject: Approval of an ordinance changing water rates

RECOMMENDATION

City Administration recommends approval of an ordinance changing the water rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing Section 51.136 of the Fayetteville Code of Ordinances.

BACKGROUND

HDR, with input from City staff, has finalized the water and sewer rate study. The fundamental information was first presented to the City Council Water and Sewer Committee by Tom Gould, HDR, on July 27, 2007, and to the City Council on March 4, 2008.

DISCUSSION

The rate study reflects the following policy guidelines, as adopted by the Council on March 4, 2008:

1. The City shall adopt a cost of service rate schedule based on customer class.
2. The City shall use volumetric blocks within selected rate classes as appropriate:
   - Residential shall have an increasing block to reduce the cost burden of life critical water uses, encourage conservation, and capture system costs of irrigation through residential meters;
   - Non-residential shall have a declining block to match the reduced volumetric cost of service for larger non-residential users;
   - Industrial shall use a declining block to match the reduced volumetric cost of service for major users.
3. Rates shall be phased to true cost of service over several years.
4. A 3% annual increase shall be used thereafter to offset inflation.
5. All legitimate non-emergency water consumption shall be metered and billed at an appropriate rate.

BUDGET IMPACT

This rate change will increase the Water and Sewer Utility's revenues to match projected needs.

ORDINANCE #_________

AN ORDINANCE REPEALING AND REPLACING §51.136, MONTHLY WATER RATES, OF THE FAYETTEVILLE CODE OF ORDINANCES.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby repeals §51.136, Monthly Water Rates, of the Fayetteville Code of Ordinances, and adopts an amended version of §51.136, Monthly Water Rates, as set forth in Exhibit A, attached hereto, and incorporate herein by reference as if set forth word-for-word in its entirety.

PASSED and **APPROVED** this 1st day of April, 2008.

APPROVED:

By: __________________________
DAN COODY, Mayor

ATTEST:

By: __________________________
SONDRA E. SMITH, City Clerk/Treasurer

EXHIBIT A

51.136 Monthly Water Rates

Effective as of the first billing statements issued after April 30, 2008, the following monthly rates shall be fixed as rates to be charged for water furnished by the waterworks system of the city, which rates the City Council finds and declares to be reasonable and necessary minimum rates to be charged. All non-emergency water uses shall be billed to the user, to include but not limited to water used for: use within structures; business; manufacturing; irrigation; retail by another water utility; City uses; educational purposes; medical purposes; water system routine non-emergency uses; wastewater system routine non-emergency uses; non-profit uses; fire department non-emergency uses to include training and equipment calibration; construction of new water mains; street cleaning; and wet down of construction sites and materials. Emergency water use that does not pass through a water system meter shall not be billed, including fire fighting, water leaks, water leak repair, and emergency water line flushing. The volumes used for these emergency purposes should be estimated and submitted monthly to the Business Office Manager and the Water/Sewer Operations Manager.

(A) *Monthly water rates.*
(1) The water usage of each customer shall be determined each month by meter measurement and the amount per 1,000 gallons to be paid for water usage by each customer shall be computed on the basis of the following schedule of rates. The minimum billing shall be 1,000 gallons per month.

Table A-1
Monthly Water Rates After April 30, 2008
Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.11	$2.43
	Next 13,000	2.81	3.23
	Over 15,000	3.98	4.58
Non-Residential	First 300,000	2.55	2.93
	Over 300,000	1.95	2.24
Major Industrial	All Usage	1.77	2.04
Irrigation	First 300,000	2.81	3.23
	Over 300,000	1.84	2.11
Wholesale	Reduced Peak Demand	1.84	1.84
	Peak Demand	2.04	2.04

Table A-2
Monthly Water Rates After December 31, 2008
Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.25	$2.59
	Next 13,000	2.99	3.44
	Over 15,000	4.24	4.88
Non-Residential	First 300,000	2.61	3.00
	Over 300,000	2.11	2.43
Major Industrial	All Usage	1.89	2.17
Irrigation	First 300,000	3.09	3.55
	Over 300,000	2.16	2.48
Wholesale	Reduced Peak Demand	1.95	1.95
	Peak Demand	2.16	2.16

Table A-3
Monthly Water Rates After December 31, 2009
Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.39	$2.75
	Next 13,000	3.17	3.64
	Over 15,000	4.49	5.16
Non-Residential	First 300,000	2.68	3.08
	Over 300,000	2.28	2.62
Major Industrial	All Usage	2.01	2.31
Irrigation	First 300,000	3.37	3.88
	Over 300,000	2.70	3.11
Wholesale	Reduced Peak Demand	2.01	2.01
	Peak Demand	2.23	2.23

Table A-4
Monthly Water Rates After December 31, 2010
Cost per 1,000 gallons

Class	Usage Rate (In Gallons)	Inside City	Outside City
Residential	First 2,000	$2.53	$2.91
	Next 13,000	3.36	3.86
	Over 15,000	4.75	5.46
Non-Residential	First 300,000	2.75	3.16
	Over 300,000	2.45	2.82
Major Industrial	All Usage	2.14	2.46
Irrigation	First 300,000	3.64	4.19
	Over 300,000	3.28	3.77

EXHIBIT A

Wholesale	Reduced Peak Demand	2.07	2.07
	Peak Demand	2.30	2.30

(2) Beginning January 1, 2012, all monthly water rates shall be increased by 3% per year.

(3) All bills under such schedules shall be computed by adding the applicable meter service charge prescribed by subsection (B) to the amount determined to be due for water usage under this schedule. Applicable sales tax and franchise fees shall be added to the bill so computed.

(4) When a common facility/building is served by multiple water meters and the water usage is for the same purpose, customers may petition the Water & Wastewater Director and/or the Finance & Internal Services Director to have the water consumption aggregated and have the tiered rates apply to the aggregated quantity.

(5) Water used for flushing and sampling of newly constructed water lines, fire department training and equipment calibration, and other similar uses requiring a large volume and/or high velocity of water movement shall employ a fire hydrant meter of the appropriate size for the use. If a fire hydrant meter cannot be used due to high flow or volume requirements, then the volume of water used shall be measured by using a pitot gauge to determine the gallons per minute and by timing the flow of water to be able to calculate total volume. In the cases of fire department training and equipment calibration, sewer line washing, street sweeping, and other uses where the equipment employed has a built-in water meter, these built in water meters may be used. All such meters other than those on fire trucks must be evaluated by the Meter Superintendent. These water uses shall be billed at the same rates as non-residential customers.

(6) Monthly wholesale treated water rates outside city limits are based on Cost of Service Methodology.

(B) *Monthly water service charge.*

(1) In addition to the above, each customer shall pay a monthly water service charge in accordance with the following schedule:

Table B-1
Monthly Water Service Charge After April 30, 2008

Meter Size	Inside City	Outside City	Wholesale
5/8 x ¾"	$4.00	$4.60	$5.00
1 inch	5.55	6.38	7.00
1 ½ inch	9.70	11.16	12.15
2 inch	14.10	16.22	17.70
3 inch	32.90	37.84	41.30
4 inch	54.45	62.62	68.30
6 inch	108.85	125.18	136.70
8 inch	163.30	187.80	205.00

Table B-2
Monthly Water Service Charge After December 31, 2008

Meter Size	Inside City	Outside City	Wholesale
5/8" x ¾"	$4.25	$4.89	$5.30
1 inch	5.90	6.79	7.40
1 ½ inch	10.30	11.85	12.85
2 inch	15.00	17.25	18.75
3 inch	34.95	40.19	43.80
4 inch	57.85	66.53	72.25
6 inch	115.65	133.00	144.90
8 inch	173.50	199.53	216.90

Table B-3
Monthly Water Service Charge After December 31, 2009

Meter Size	Inside City	Outside City	Wholesale
5/8" x ¾"	$4.50	$5.18	$5.60
1 inch	6.25	7.19	7.80
1 ½ inch	10.90	12.54	13.55
2 inch	15.90	18.29	19.75
3 inch	37.00	42.55	45.10
4 inch	61.25	70.44	76.10
6 inch	122.45	140.82	149.20
8 inch	183.70	211.26	228.40

Table B-4
Monthly Water Service Charge After December 31, 2010

Meter Size	Inside City	Outside City	Wholesale

EXHIBIT A

5/8" x ¾"	$4.75	$5.46	$6.00
1 inch	6.60	7.59	8.30
1 ½ inch	11.50	13.23	14.45
2 inch	16.75	19.26	21.00
3 inch	39.05	44.91	46.50
4 inch	64.65	74.35	81.10
6 inch	129.30	148.70	153.70
8 inch	193.90	222.99	240.50

(2) Beginning January 1, 2012, all monthly water service charges shall be increased by 3% per year.

(3) The monthly treated water rates and the monthly meter service charge rates prescribed by subsections (A) and (B) of this section shall commence as of the first billing statements issued after April 30, 2008.

(4) Customers served through the White River Rural Water System will pay the outside city rate plus an additional $5.94 per month for all bills issued prior to January 1, 2012. This additional amount will not be charged on any bills issued after December 31, 2011.

(5) The State of Arkansas mandated Safe Drinking Water Act fee shall be added to the monthly water utility bill.

(C) *Monthly standby fire protection service charge.*

(1) Charges for unmetered service connections for standby fire protection and fire hydrants shall be:

Table C-1
Monthly Standby Fire Protection Service Charge After April 30, 2008

Line Size	Inside City	Outside City
2 inch	$ 6.84	$ 7.86
3 inch	20.51	23.59
4 inch	41.03	47.18
6 inch	113.96	131.05
8 inch	239.32	275.21
10 inch	410.26	471.79

Table C-2
Monthly Standby Fire Protection Service Charge After December 31, 2008

Line Size	Inside City	Outside City
2 inch	$ 7.23	$ 8.32
3 inch	21.70	24.96
4 inch	43.41	49.92
6 inch	120.57	138.66
8 inch	253.20	291.18
10 inch	434.05	499.16

Table C-3
Monthly Standby Fire Protection Service Charge After December 31, 2009

Line Size	Inside City	Outside City
2 inch	$ 7.62	$ 8.76
3 inch	22.85	26.28
4 inch	45.71	52.56
6 inch	126.96	146.00
8 inch	266.62	306.61
10 inch	457.06	525.61

Table C-4
Monthly Standby Fire Protection Service Charge After December 31, 2010

Line Size	Inside City	Outside City
2 inch	$ 8.02	$ 9.22
3 inch	24.06	27.67
4 inch	48.13	55.35
6 inch	133.69	153.74
8 inch	280.75	322.86
10 inch	481.28	553.47

(2) Monthly Standby Fire Protection Service Charge After December 31, 2011. Starting the day after December 31, 2011, the monthly standby fire protection service charge shall be increased by 3% per year.

(3) Fire protection lines shall not be connected to the water system downstream from a meter.

(Code 1965, •21-25; Ord. No. 1165, 4-18-58; Ord. No. 2144, 9-2-75; Ord. No. 2594, 2-5-80; Ord. No. 3197, 7-1-86; Ord. No. 3409, 2-21-89; Ord. No. 3431, 6-6-89; Ord. No. 3491, 7-17-90; Ord. No. 3513, 9-18-90; Ord. No. 3519, 11-20-90; Ord. No. 4059, •1, 10-7-97; Ord. No. 4223, 2-15-00; Code 1991, §51.136; Ord. No. 4530 12-02-02; Ord. No. 4540, 02-03-04)

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

David Jurgens	Water/Wastewater	Water/Wastewater
Submitted By	Division	Department

Action Required:

Approval of an ordinance changing the sewer rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing section 51.137 of the Fayetteville Code of Ordinances, and hold a public hearing.

$0.00	$0.00	Water and Wastewater
Cost of this request	Category / Project Budget	Program Category / Project Name
N/A	$ -	Water and Wastewater
Account Number	Funds Used to Date	Program / Project Category Name
N/A	$0.00	Water/Sewer
Project Number	Remaining Balance	Fund Name

Budgeted Item [XX] Budget Adjustment Attached [ ]

Department Director — 14 MAR 08 Date

City Attorney — 3/19/08 Date

Paul A. Becker
Finance and Internal Service Director — 3-19-08 Date

Dan Coody
Mayor — 3/19/08 Date

Previous Ordinance or Resolution # 49-08

Original Resolution Date: 4-Mar-08

Original Contract Number: N/A

Received in City Clerk's Office — ENTERED 3/19/08

Received in Mayor's Office — ENTERED 3/19/08

Comments:

CITY COUNCIL AGENDA MEMO

To: Fayetteville City Council

Thru: Mayor Dan Coody

From: David Jurgens, Water and Wastewater Director
Fayetteville Sewer Committee

Date: 14 March 2008

Subject: Approval of an ordinance changing the sewer rates, and holding of a public hearing discussing these rate changes on 1 April, 2008 during the City Council meeting.

RECOMMENDATION

City Administration recommends approval of an ordinance changing the sewer rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing section 51.137 of the Fayetteville Code of Ordinances.

BACKGROUND

HDR, with input from City staff, has finalized the water and sewer rate study. The fundamental information was first presented to the City Council Water and Sewer Committee by Tom Gould, HDR, on July 27, 2007, and to the City Council on March 4, 2008.

State codes dictate a schedule and sequence of events for any change in sewer rates. These require that the rate change ordinance be read, a public hearing be scheduled and announced, the ordinance be published, and the public hearing take place at least ten days after the initial reading and publication of the ordinance. The rate ordinance can be approved any time after the public hearing.

DISCUSSION

The rate study reflects the following policy guidelines, as adopted by the Council on March 4, 2008:

1. The City shall adopt a cost of service rate schedule based on customer class.
2. The City shall use volumetric blocks within selected rate classes as appropriate:
   - Residential shall have an increasing block to reduce the cost burden of life critical water uses, encourage conservation, and capture system costs of irrigation through residential meters;
   - Non-residential shall have a declining block to match the reduced volumetric cost of service for larger non-residential users;
   - Industrial shall use a declining block to match the reduced volumetric cost of service for major users.
3. Rates shall be phased to true cost of service over several years.
4. A 3% annual increase shall be used thereafter to offset inflation.
5. All legitimate non-emergency water consumption shall be metered and billed at an appropriate rate.

BUDGET IMPACT

This rate change will increase the Water and Sewer Utility's revenues to match projected needs.

ORDINANCE #________

AN ORDINANCE REPEALING AND REPLACING §51.137, MONTHLY SEWER RATES, OF THE FAYETTEVILLE CODE OF ORDINANCES.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby repeals §51.137, Monthly Sewer Rates, of the Fayetteville Code of Ordinances, and adopts an amended version of §51.137, Monthly Sewer Rates, as set forth in Exhibit A, attached hereto, and incorporate herein by reference as if set forth word-for-word in its entirety.

PASSED and **APPROVED** this _____ day of April, 2008.

APPROVED:

By: ______________________________
DAN COODY, Mayor

ATTEST:

By: ______________________________
SONDRA E. SMITH, City Clerk/Treasurer

EXHIBIT A

51.137 Monthly Sewer Rates

(A) *Monthly sewer rates.*

(1) All monthly sewer charges shall be calculated from the customer's monthly water usage. The following monthly rates are hereby fixed as rates to be charged for sewer services:

Table D-1
Monthly Sewer Rates Per 1,000 Gallons Before January 1, 2009

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.10
	Greater than 2,000 gallons	3.10
Non-Residential	All Usage	2.42
Major Industrial	All Usage	2.42
Farmington	All Usage	4.66
Outside city	All Usage	4.66
Elkins	85% of metered water usage	2.81
	Usage above 85% of metered water usage	1.98

Table D-2
Monthly Sewer Rates Per 1,000 Gallons After December 31, 2008

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.00
	Greater than 2,000 gallons	4.00
Non-Residential	All Usage	3.02
Major Industrial	All Usage	3.03
Farmington	All Usage	5.13
Outside city	All Usage	5.57
Elkins	85% of metered water usage	3.53
	Usage above 85% of metered water usage	1.85

Table D-3
Monthly Sewer Rates Per 1,000 Gallons After December 31, 2009

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.07
	Greater than 2,000 gallons	4.10
Non-Residential	All Usage	3.10
Major Industrial	All Usage	3.21
Farmington	All Usage	5.28
Outside city	All Usage	5.74
Elkins	85% of metered water usage	3.64
	Usage above 85% of metered water usage	1.91

Table D-4
Monthly Sewer Rates Per 1,000 Gallons After December 31, 2010

Class	Usage Rate (In Gallons)	Cost per 1,000 gallons
Residential	First 2,000 gallons	$3.14
	Greater than 2,000 gallons	4.18
Non-Residential	All Usage	3.18
Major Industrial	All Usage	3.40
Farmington	All Usage	5.44
Outside city	All Usage	5.91
Elkins	85% of metered water usage	3.75
	Usage above 85% of metered water usage	1.96

(2) Beginning January 1, 2012, all monthly sewer quantity charge- usage rates per 1,000 gallons shall be increased by 3% per year.

(3) Sewer related fees levied by the Cities of Farmington or Greenland shall be added to the wastewater utility bill at the request of Farmington or Greenland. These fees may be calculated on a per-thousand volumetric usage or a per month basis.

(B) *Monthly sewer service charge.*

(1) In addition to the above, each customer shall pay a monthly sewer service charge in accordance with the following schedule:

EXHIBIT A

Table E-1 Monthly Sewer Service Charge Prior to January 1, 2009			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 10.36	$ 10.35	$ 10.35
1 inch	13.47	19.35	19.35
1½ inch	21.99	34.33	34.33
2 inch	31.44	49.32	49.32
3 inch	73.01	104.40	104.40
4 inch	120.26	171.97	171.97
6 inch	238.37	340.87	340.87
8 inch	356.48	509.76	509.76

Table E-2 Monthly Sewer Service Charge After December 31, 2008			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 12.45	$ 12.40	$ 11.40
1 inch	16.20	23.10	21.30
1½ inch	26.45	41.10	37.80
2 inch	37.80	54.30	50.00
3 inch	87.75	125.50	115.30
4 inch	144.50	206.60	189.85
6 inch	286.45	409.60	376.40
8 inch	428.40	612.60	563.00

Table E-3 Monthly Sewer Service Charge After December 31, 2009			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 12.80	$ 12.80	$ 11.70
1 inch	16.65	23.80	21.90
1½ inch	27.15	42.30	38.90
2 inch	38.85	55.90	51.50
3 inch	90.20	129.25	118.75
4 inch	148.60	212.80	195.55
6 inch	294.50	421.88	387.70
8 inch	440.45	631.00	579.90

Table E-4 Monthly Sewer Service Charge After December 31, 2010			
Meter Size	Inside City	Outside City†	Farmington†
5/8" x ¾"	$ 13.20	$ 13.20	$ 12.10
1 inch	17.15	24.50	22.60
1½ inch	28.00	43.60	40.10
2 inch	40.05	57.60	53.05
3 inch	93.00	133.10	122.30
4 inch	153.25	219.20	201.50
6 inch	303.70	434.50	400.00
8 inch	454.20	650.00	597.30

†Cost of Service Methodology required by contract.

(2) Beginning January 1, 2012, all monthly sewer service charges shall be increased by 3% per year.

(C) *Determination of sewer quantity charge for residential customers.*

(1) In the case of residential customers residing in a single family home, duplex, triplex, and/or fourplex, the average monthly water consumption for the preceding months of December, January, and February shall be computed separately for each customer, and a uniform monthly charge for each customer shall be determined by applying the schedule of rates set out in subsection (A) of this section to such average monthly water consumption. In the case of a residential user for whom a uniform monthly charge has been established and who moves to a new location the same uniform monthly charge shall apply at the new location. In the case of new residential customers, sewer averages shall be established based on the number of individuals residing within the dwelling unit, at a rate of 2,100 gallons per customer per month. This methodology of sewer averaging shall not apply to multi-family structures containing five (5) or more units in a contiguous building.

(2) In the case of sewer customers who do not have a water meter provided by a public water utility, the sewer usage volume billed shall be the average volume of all users in the sewer system in like dwellings from the most recent system-wide sewer average calculation.

(D) *Determination of charge for non-residential and major industrial customers.* In the case of non-residential and/or major industrial customers, the monthly sewer charge shall be determined by applying the schedule of rates prescribed in subsection (A) of this section to the monthly water usage of such customers. In the event that a non-residential or major industrial customer discharging waste into the city's sanitary sewer system produces evidence to the Water and Wastewater Director demonstrating that a substantial portion of

EXHIBIT A

the total amount of water from all sources used for all purposes does not reach the sanitary sewer which is in excess of the factors used in establishing the rates in subsection (A) of this section, an estimated percentage of total water consumption to be used in computing charges may be established by the Water and Wastewater Director. The factors used in establishing said rates are on file in the office of the Water and Wastewater Director and are incorporated herein by reference thereto. Any rate so adjusted by the Water and Wastewater Director shall be effective for a 12-month period beginning with the billing for the month when rates adjudged hereby go into effect.

(E) *Extra Strength Surcharge.*

(1) For all commercial and industrial customers whose wastewater discharge is greater than 300 mg/l of BOD_5 and/or TSS, the City shall levy an Extra Strength Surcharge for each parameter in accordance with the following unit charges:

Table F3 Extra Strength Surcharges

	Before 1/1/08	After 12/31/08	After 12/31/09	After 12/31/10
Extra Strength BOD_5	$0.2669 per pound	$0.3336 per pound	$0.4170 per pound	$0.4421 per pound
Extra Strength TSS	$0.1334 per pound	$0.1668 per pound	$0.2084 per pound	$0.2209 per pound

(2) Extra Strength Surcharges shall be billed monthly and shall be computed on the basis of water meter reading (wastewater discharge volume).

(3) Starting after December 31, 2011, Extra Strength Surcharges shall be increased by 3% per year.

(4) Computation of extra strength surcharges shall be based on the following formula:

(a) Extra strength surcharge:

S = V x 8.34 x [BOD Unit Charge (BOD - 300) + SS Unit Charge (SS - 300)]

(b) Where:

S = Surcharge in dollars

V = Sewer volume in million gallons

8.34 = Pounds per gallon of water

BOD unit charge = Unit charge for BOD in dollars per pound

BOD = BOD strength index in parts per million

300 = Allowed BOD strength in parts per million

SS unit charge = Unit charge for suspended solids in dollars per pound

SS = Suspended solids strength index in parts per million by weight

300 = Allowed SS Strength in parts per million by weight

(F) *Elkins sewer charges.*

(1) Elkins' payment for wastewater treatment shall be based on 85% of the metered water purchased. The volume of wastewater received by Fayetteville at the "Point of Connection" shall be measured by the installed wastewater meter. Volumes of wastewater below or above the agreed upon percentage (85%) of metered water, as measured by the wastewater meter, shall be recorded on a monthly basis, with a reconciliation of the net difference to occur semiannually in June and December. If the reconciliation volume is over the agreed upon percentage, this amount shall be billed to Elkins in June and December at the actual computed cost of wastewater collection to and treatment at the Noland Wastewater Treatment Plant, not including the calculated rate of return and not including depreciation charges, but including any capacity surcharge, based on the most recent rate as determined in paragraph B of this Contract. If the reconciliation volume is below the agreed upon percentage, the actual amount billed for the difference shall be refunded to Elkins in June and December

(2) Elkins impact fee charges. The City of Elkins shall pay an additional $0.25 per 1,000 gallons of wastewater, for all wastewater volume charges including both the 85% of metered water volume and for wastewater in excess of the 85% of the metered water purchased billed volume.

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

David Jurgens	Water/Wastewater	Water/Wastewater
Submitted By	Division	Department

Action Required:

Approval of an ordinance changing the definitions pertaining to water and sewer rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing section 51.138 of the Fayetteville Code of Ordinances.

$0.00	$0.00	Water and Wastewater
Cost of this request	Category / Project Budget	Program Category / Project Name
N/A	$ -	Water and Wastewater
Account Number	Funds Used to Date	Program / Project Category Name
N/A	$0.00	Water/Sewer
Project Number	Remaining Balance	Fund Name

Budgeted Item [XX] Budget Adjustment Attached [ ]

Department Director — 14 Mar 08 Date

City Attorney — 3/19/08 Date

Paul A. Becker
Finance and Internal Service Director — 3-19-08 Date

Mayor — 3/19/08 Date

Previous Ordinance or Resolution # 49-08

Original Resolution Date: 4-Mar-08

Original Contract Number: N/A

Received in City Clerk's Office ENTERED 3/19/08 aw

Received in Mayor's Office ENTERED 3/19/08

Comments:

City Council Meeting of April 1, 2008

CITY COUNCIL AGENDA MEMO

To: Fayetteville City Council

Thru: Mayor Dan Coody

From: David Jurgens, Water and Wastewater Director
Fayetteville Sewer Committee

Date: 14 March 2008

Subject: Approval of an ordinance changing definitions pertaining to water and sewer rates

RECOMMENDATION

City Administration recommends approval of an ordinance changing the definitions pertaining to water and sewer rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing section 51.138 of the Fayetteville Code of Ordinances.

BACKGROUND

HDR, with input from City staff, has finalized the water and sewer rate study. The fundamental information was first presented to the City Council Water and Sewer Committee by Tom Gould, HDR, on July 27, 2007, and to the City Council on March 4, 2008.

DISCUSSION

The rate study reflects the following policy guidelines, as adopted by the Council on March 4, 2008:

1. The City shall adopt a cost of service rate schedule based on customer class.
2. The City shall use volumetric blocks within selected rate classes as appropriate:
   - Residential shall have an increasing block to reduce the cost burden of life critical water uses, encourage conservation, and capture system costs of irrigation through residential meters;
   - Non-residential shall have a declining block to match the reduced volumetric cost of service for larger non-residential users;
   - Industrial shall use a declining block to match the reduced volumetric cost of service for major users.
3. Rates shall be phased to true cost of service over several years.
4. A 3% annual increase shall be used thereafter to offset inflation.
5. All legitimate non-emergency water consumption shall be metered and billed at an appropriate rate.

These definitions have to be updated to reflect the above change in rate application to match the customer classes by which the rates are being applied.

BUDGET IMPACT

This rate change will increase the Water and Sewer Utility's revenues to match projected needs.

ORDINANCE #__________

AN ORDINANCE REPEALING AND REPLACING §51.138, DEFINITIONS PERTAINING TO WATER AND SEWER RATES, OF THE FAYETTEVILLE CODE OF ORDINANCES.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby repeals §51.138, Abnormal Sewage Discharge, of the Fayetteville Code of Ordinances, and adopts a new §51.138, Definitions Pertaining to Water and Sewer Rates, as set forth in Exhibit A, attached hereto, and incorporate herein by reference as if set forth word-for-word in its entirety.

PASSED and **APPROVED** this _____ day of April, 2008.

APPROVED:

By: ______________________________
DAN COODY, Mayor

ATTEST:

By: ____________________________________
SONDRA E. SMITH, City Clerk/Treasurer

EXHIBIT A

51.138 Definitions Pertaining to Water and Sewer Rates

For the purpose of the sections pertaining to water and sewer rates, the following definitions shall apply unless the context clearly indicates or requires a different meaning:

(A) *City of Farmington customer.* Customer whose structure being served for water and/or wastewater is physically located within the incorporated limits of the City of Farmington, Arkansas, who is served by the City of Fayetteville for water and/or sewer service.

(B) *Inside City customer.* Customer whose structure being served for water and/or wastewater is physically located inside the incorporated limits of the City of Fayetteville, AR.

(C) *Infiltration/inflow.* The total quantity of water other than wastewater from both infiltration and inflow without distinguishing the source from defective pipes, pipe joints, connections, manholes, roof down spouts, cellar drains, yard drains, area drains, foundation drains, drains from springs and swampy areas, storm sewer cross connections, catch basins, cooling towers, storm waters, surface runoffs, street wash water, or drainage. Infiltration and Inflow are specifically prohibited from being intentionally allowed into the sanitary sewer system.

(D) *Irrigation users.* Irrigation users include meters installed which serve primarily landscape irrigation systems and include city-owned meters which directly connect to the city water system (water only) or privately owned meters located downstream of a city-owned meter (exempt meters). Meters which serve park properties, golf courses, commercial nurseries and/or land agricultural uses shall be classified as irrigation except for meters at these locations which serve exclusively non-irrigation uses. Exempt meters which serve uses other than landscape irrigation systems shall also be considered irrigation and shall not be considered commercial.

(E) *Major industrial user.* An industrial customer who uses an average of 5,000,000 gallons or more of metered water per month in the previous calendar year for non-irrigation use at a common facility/building. This does not apply to combined or consolidated sets of bills for non-irrigation use at separate facilities/buildings.

(F) *Municipality.* A city, town, county, parish, district, association, or other public body (including an inter-municipal agency of two or more of the foregoing entities) created under state law having jurisdiction over disposal of sewage, industrial waste or other waste. The definition includes special districts such as water, sewer, sanitary, utility, drainage, transport, or disposal of liquid waste of the general public in a particular geographic area.

(G) *Non-residential customer or user.* All customers that do not meet the specific definitions of residential customers, irrigation users, or major industrial users. Non-residential customers include but are not limited to retail establishments, restaurants, office buildings, laundries, governmental, educational, social, charitable, religious, medical, penal institutions, poultry houses, other private business and service establishments. It also includes industrial users using less than an average of 5,000,000 gallons per month in the previous calendar year.

(H) *Operation and maintenance.* Those functions that result in expenditures during the useful life of the treatment works for materials, labor, utilities, and other items which are necessary for managing and for which such works were designed and constructed. The term "operation and maintenance" includes replacement.

(I) *Replacement.* Expenditures for obtaining and installing components, equipment and appurtenances which are necessary during the useful life of the treatment works to maintain the capacity and performance for which such works were designed and constructed.

(J) *Residential customer or user.* Any contributor of wastewater to the city's treatment works whose dwelling in a single family home, duplex, triplex, fourplex and/or any individually metered dwelling unit that is used for domestic dwelling purposes only.

(K) *Treatment works.* Any devices and systems for the storage, treatment, recycling, and reclamation of municipal sewage, domestic sewage, or liquid industrial wastes. These include intercepting sewers, outfall sewers, sewage collection systems, pumping, power, and other equipment and their appurtenances; extensions improvement; remodeling, additions, and alterations

EXHIBIT A

thereof; elements essential to provide a reliable recycled supply such as standby treatment units and clear well facilities; and any works, including site acquisition of the land that will be an integral part of the treatment process or is used for ultimate disposal of residues resulting from such treatment (including land for composting sludge, temporary storage of such compost, and land used for the storage of treated wastewater in land treatment systems before land application); or any other method or system for preventing, abating, reducing, storing, treating, separating, or disposing of municipal waste or industrial waste, including waste in combined storm water and sanitary sewer systems.

(L) *Useful life*. The estimated period during which a treatment works will be operated.

(M) *User charge*. That portion of the total wastewater service charge which is levied in a proportional and adequate manner for the cost of operation, maintenance and replacement of the wastewater treatment works.

(N) *Water meter*. A water volume measuring and recording device, furnished and installed by the water department of the city. In some bulk water cases, primarily for construction uses where a standard water meter cannot be used due to large volume or water velocity requirements, the water shall be measured using a pitot gauge and a timer.

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

David Jurgens	Water/Wastewater	Water/Wastewater
Submitted By	Division	Department

Action Required:

Approval of an ordinance updating the reviews of water and sewer rates and notification of users based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing Section 51.139 of the Fayetteville Code of Ordinances.

$0.00	$0.00	Water and Wastewater
Cost of this request	Category / Project Budget	Program Category / Project Name
N/A	$ -	Water and Wastewater
Account Number	Funds Used to Date	Program / Project Category Name
N/A	$0.00	Water/Sewer
Project Number	Remaining Balance	Fund Name

Budgeted Item [XX] Budget Adjustment Attached [ ]

Department Director — Date: 14 Mar 08

City Attorney — Date: 3/19/08

Finance and Internal Service Director — Date

Mayor — Date

Previous Ordinance or Resolution # 49-08

Original Resolution Date: 4-Mar-08

Original Contract Number: N/A

Received in City Clerk's Office
ENTERED 3/14/08 aw

Received in Mayor's Office

Comments:

CITY COUNCIL AGENDA MEMO

To: Fayetteville City Council

Thru: Mayor Dan Coody

From: David Jurgens, Water and Wastewater Director
Fayetteville Sewer Committee

Date: 14 March 2008

Subject: Approval of an ordinance updating the reviews of water and sewer rates and notification of users

RECOMMENDATION

City Administration recommends approval of an ordinance updating the reviews of water and sewer rates and notification of users based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescinding and replacing Section 51.139 of the Fayetteville Code of Ordinances.

BACKGROUND

HDR, with input from City staff, has finalized the water and sewer rate study. The fundamental information was first presented to the City Council Water and Sewer Committee by Tom Gould, HDR, on July 27, 2007, and to the City Council on March 4, 2008.

DISCUSSION

The rate study reflects the following policy guidelines, as adopted by the Council on March 4, 2008:

1. The City shall adopt a cost of service rate schedule based on customer class.
2. The City shall use volumetric blocks within selected rate classes as appropriate:
   - Residential shall have an increasing block to reduce the cost burden of life critical water uses, encourage conservation, and capture system costs of irrigation through residential meters;
   - Non-residential shall have a declining block to match the reduced volumetric cost of service for larger non-residential users;
   - Industrial shall use a declining block to match the reduced volumetric cost of service for major users.
3. Rates shall be phased to true cost of service over several years.
4. A 3% annual increase shall be used thereafter to offset inflation.
5. All legitimate non-emergency water consumption shall be metered and billed at an appropriate rate.

This section is required to be contained within the code of ordinances.

BUDGET IMPACT

This rate change will increase the Water and Sewer Utility's revenues to match projected needs.

ORDINANCE #_________

AN ORDINANCE REPEALING AND REPLACING §51.139, USERS OUTSIDE CITY LIMITS WITH A NEW §51.139, REVIEWS OF WATER AND SEWER RATES, NOTIFICATION TO USER OF THE FAYETTEVILLE CODE OF ORDINANCES.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby repeals §51.139, Users Outside City Limits, of the Fayetteville Code of Ordinances, and adopts a new §51.139, Reviews of Water and Sewer Rates, Notification to User, as set forth in Exhibit A, attached hereto, and incorporate herein by reference as if set forth word-for-word in its entirety.

PASSED and **APPROVED** this 1st day of April, 2008.

APPROVED:

By: ____________________________
DAN COODY, Mayor

ATTEST:

By: ____________________________
SONDRA E. SMITH, City Clerk/Treasurer

EXHIBIT A

51.139 Reviews of Water and Sewer Rates, Notification to User

(A) *Periodic review by city; revision of rates.* The city shall review the charges periodically and revise the rates as necessary to ensure that adequate revenues are generated to pay the cost of operation, maintenance, and replacement, and that the system continues to provide for the proportional distribution of operation, maintenance, and replacement costs among users and user classes.

(B) *Notification of user.* The city shall notify each user at least annually, in conjunction with a regular bill, of the rates being charged for operation, maintenance and replacement of the wastewater treatment works.

(Code 1965, •21-26; Ord. No. 1165, 4-18-58; Ord. No. 3197, 7-1-86; Ord. No. 3285, 8-4-87; Ord. No. 3398, 1-3-89; Ord. No. 3491, 7-17-90; Ord. No. 3637, ••1, 2, 8-18-92; Ord. No. 4059, •2, 10-7-97; Code 1991, §51.137; Ord. No. 4530, 12-02-03; Ord. No. 4803, 12-20-05; Ord. 4998, 4-3-07)

City of Fayetteville
Staff Review Form
City Council Agenda Items
or
Contracts

1-Apr-08
City Council Meeting Date

David Jurgens	Water/Wastewater	Water/Wastewater
Submitted By	Division	Department

Action Required:

Approval of an ordinance changing the bulk water rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescind and replace section 51.144 of the Fayetteville Code of Ordinances.

$0.00	$0.00	Water and Wastewater
Cost of this request	Category / Project Budget	Program Category / Project Name
N/A	$ -	Water and Wastewater
Account Number	Funds Used to Date	Program / Project Category Name
N/A	$0.00	Water/Sewer
Project Number	Remaining Balance	Fund Name

Budgeted Item [XX] Budget Adjustment Attached [ ]

DJurgens — 14 Mar 08
Department Director — Date

D. Whit — 3/19/08
City Attorney — Date

Finance and Internal Service Director — Date

Mayor — Date

Previous Ordinance or Resolution # 49-08
Original Resolution Date: 4-Mar-08
Original Contract Number: N/A

Received in City Clerk's Office
ENTERED 3/14/08 aw

Received in Mayor's Office

Comments:

City Council Meeting of April 1, 2008

CITY COUNCIL AGENDA MEMO

To: Fayetteville City Council

Thru: Mayor Dan Coody

From: David Jurgens, Water and Wastewater Director
Fayetteville Sewer Committee

Date: 14 March 2008

Subject: Approval of an ordinance changing the bulk water rates

RECOMMENDATION

City Administration recommends approval of an ordinance changing the bulk water rates based on the Cost of Service Study developed by HDR Engineering with input provided by the public, staff, Water/Sewer Committee, and City Council. Specifically, rescind and replace section 51.144 of the Fayetteville Code of Ordinances.

BACKGROUND

HDR, with input from City staff, has finalized the water and sewer rate study. The fundamental information was first presented to the City Council Water and Sewer Committee by Tom Gould, HDR, on July 27, 2007, and to the City Council on March 4, 2008.

DISCUSSION

The rate study reflects the following policy guidelines, as adopted by the Council on March 4, 2008:

1. The City shall adopt a cost of service rate schedule based on customer class.
2. The City shall use volumetric blocks within selected rate classes as appropriate:
   - Residential shall have an increasing block to reduce the cost burden of life critical water uses, encourage conservation, and capture system costs of irrigation through residential meters;
   - Non-residential shall have a declining block to match the reduced volumetric cost of service for larger non-residential users;
   - Industrial shall use a declining block to match the reduced volumetric cost of service for major users.
3. Rates shall be phased to true cost of service over several years.
4. A 3% annual increase shall be used thereafter to offset inflation.
5. All legitimate non-emergency water consumption shall be metered and billed at an appropriate rate.

This section of the ordinance only pertains to filling water tanks on commercial vehicles, which only occurs intermittently at the Water and Sewer Operations Center.

BUDGET IMPACT

This rate change will increase the Water and Sewer Utility's revenues to match projected needs.

ORDINANCE #_________

AN ORDINANCE REPEALING AND REPLACING §51.144, FILLING WATER TANKS ON COMMERCIAL TRUCKS; RATES, OF THE FAYETTEVILLE CODE OF ORDINANCES.

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby repeals §51.144, Filling Water Tanks On Commercial Trucks; Rates, of the Fayetteville Code of Ordinances, and adopts an amended version of §51.144, Filling Water Tanks On Commercial Trucks; Rates, as set forth in Exhibit A, attached hereto, and incorporate herein by reference as if set forth word-for-word in its entirety.

PASSED and **APPROVED** this 1st day of April, 2008.

APPROVED:	ATTEST:
By: ____________________	By: ____________________
DAN COODY, Mayor	**SONDRA E. SMITH**, City Clerk/Treasurer

EXHIBIT A

51.144 Filling Water Tanks On Commercial Trucks; Rates

(A) Water rates for consumers that purchase water for the purpose of filling water tanks on commercial trucks shall be as follows:

Table I
Water Rates for Commercial Water Trucks

Volume	Rate
First 1,000 gallons	A minimum of $9.00 ($5.00 labor plus $4.00 water/tax).
Greater than 1,000 gallons	$4.00 per 1,000 gallons

(B) Rates are charged on a per-trip basis. The initial labor charge shall be paid upon each arrival at the fill site.

(Ord. No. 3478, 4-3-90; Ord. No. 3491, 7-17-90; Ord. No. 4059, •4, 10-7-97; Code 1991, §51.144)

Agenda Session 3-25-08

Aldermen

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Ward 1 Position 1 – Adella Gray
Ward 1 Position 2 – Brenda Thiel
Ward 2 Position 1 – Kyle B. Cook
Ward 2 Position 2 – Nancy Allen
Ward 3 Position 1 – Robert K. Rhoads
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 – Shirley Lucas
Ward 4 Position 2 – Lioneld Jordan

Tentative Agenda
City of Fayetteville Arkansas
City Council Meeting
April 01, 2008

A meeting of the Fayetteville City Council will be held on April 01, 2008 at 6:00 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order

Roll Call

Pledge of Allegiance

Agenda Session Presentations:

1. Web Streaming Demonstration – IT Division

Mayor's Announcements, Proclamations and Recognitions:

Presentations, Reports and Discussion Items:

Agenda Additions:

A. Consent:

1. Approval of the March 18, 2008 City Council meeting minutes.

2. **Bid # 08-25 Golden Circle Ford:** A resolution to award Bid # 08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4X4 regular cab pickup truck for use by the Fire Department.

3. **Bid # 08-37 Landers McLarty Ford:** A resolution awarding Bid # 08-37 and approving the purchase of one (1) crew cab chassis with reading utility body from Landers McLarty Ford in the amount of $42,493.73 for use by the Transportation Division.

B. Unfinished Business:

1. **Hiring Freeze:** Hiring Freeze Appeals:

2. **ADM 07-2712 Amend Chapters 151, 159, 161, 162, 163 and 164:** An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 159: Fees, Chapter 161: Zoning Regulations, Chapter 162: Use Units, Chapter 163: Use Conditions and Chapter 164: Supplementary District Regulations in order to make accessory dwelling units a permitted use in all residential zoning districts contingent upon Planning Division administrative approval. ***This ordinance was left on the First Reading at the March 18, 2008 City Council meeting.***

C. Public Hearing:

1. **Public Hearing for Monthly Sewer Rate Ordinance.**

D. New Business:

1. **WG Land Company LTD:** A resolution approving a Memorandum of Understanding concerning annexation and zoning of certain real property with WG Land Company LTD Partnership.

2. **RZN 07-2889 (Cooper):** An ordinance amending ordinance number 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance located at the southwest corner of North College Avenue and East Cleburn Street.

3. **VAC 08-2930 (Wilmoth/Wellsley Place):** An ordinance approving VAC 08-2930 submitted by Dave Jorgensen for property located at 1609 Wellsley Place to vacate a portion of the utility and drainage easements on the subject property, containing a total of 643 square feet.

4. **ADM 08-2941 (Hoskins Parkland Variance):** Submitted by Tracy Hoskins, requesting a variance from the parkland dedication contribution formula, relative to the land trade between Hoskins and the City Council as referred to in Resolution No. 149-06.

Need New Ordinance and Exhibit from Tim Conklin

5. **Amend Chapters 151, 152 and 166:** An ordinance amending Title XV: Unified Development Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit or regulate decentralized sewer systems within the city limits.

6. **Repealing and Replacing § 51.136:** An ordinance repealing and replacing § 51.136, Monthly Water Rates, of the Fayetteville Code of Ordinances.

7. **Repealing and Replacing § 51.137:** An ordinance repealing and replacing § 51.137, Monthly Sewer Rates, of the Fayetteville Code of Ordinances.

8. **Repealing and Replacing § 51.138:** An ordinance repealing and replacing § 51.138, Definitions pertaining to Water and Sewer Rates, of the Fayetteville Code of Ordinances.

9. **Repealing and Replacing § 51.139:** An ordinance repealing and replacing § 51.139, Users Outside City Limits with a new § 51.139, Reviews of Water and Sewer Rates, Notification to User of the Fayetteville Code of Ordinances.

10. **Repealing and Replacing § 51.144:** An ordinance repealing and replacing § 51.144, Filling Water Tanks on Commercial Trucks; Rates, of the Fayetteville Code of Ordinances.

Announcements:

1. **City Council Tour: March 31, 2008**

Adjournment:

added:

D.11. Amend 157.05 – Vacations of Streets.

Pre Agenda Session 3/19/08

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Aldermen

Ward 1 Position 1 – Adella Gray
Ward 1 Position 2 – Brenda Thiel
Ward 2 Position 1 – Kyle B. Cook
Ward 2 Position 2 – Nancy Allen
Ward 3 Position 1 – Robert K. Rhoads
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 – Shirley Lucas
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Tentative Agenda
City of Fayetteville Arkansas
City Council Meeting
April 01, 2008

A meeting of the Fayetteville City Council will be held on April 01, 2008 at 6:00 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order

Roll Call

Pledge of Allegiance

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1. Web Streaming Demonstration – IT Division

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Agenda Additions:

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2. **Bid # 08-25 Golden Circle Ford:** A resolution to award Bid # 08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4X4 regular cab pickup truck for use by the Fire Department.

3. **Bid # 08-37 Landers McLarty Ford:**

pull

4. ~~**Arkansas Historic Preservation Certified Local Governmental Grant:** A resolution to enable Planning Staff to apply for a 2008-2009 Arkansas Historic Preservation Certified Local Government Grant for travel and training funds, signage and a White Hangar architectural assessment.~~

B. Unfinished Business:

1. **Hiring Freeze:** Hiring Freeze Appeals:

2. **ADM 07-2712 Amend Chapters 151, 159, 161, 162, 163 and 164:** An ordinance amending Title XV: Unified Development Code of the Code of Fayetteville to amend Chapter 151: Definitions, Chapter 159: Fees, Chapter 161: Zoning Regulations, Chapter 162: Use Units, Chapter 163: Use Conditions and Chapter 164: Supplementary District Regulations in order to make accessory dwelling units a permitted use in all residential zoning districts contingent upon Planning Division administrative approval. ***This ordinance was left on the First Reading at the March 18, 2008 City Council meeting.***

C. Public Hearing:

1. **Public Hearing for Monthly Sewer Rate Ordinance.**

D. New Business:

1. **RZN 07-2889 (Cooper):** An ordinance amending ordinance number 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance located at the southwest corner of North College Avenue and East Cleburn Street.

2. **VAC 08-2930 (Wilmoth/Wellsley Place):** An ordinance approving VAC 08-2930 submitted by Dave Jorgensen for property located at 1609 Wellsley Place to vacate a portion of the utility and drainage easements on in the subject property, containing a total of 643 square feet.

3. **ADM 08-2941 (Hoskins Parkland Variance):** Submitted by Tracy Hoskins, requesting a variance from the parkland dedication contribution formula, relative to the land trade between Hoskins and the City Council as referred to in Resolution No. 149-06.

4. **Amend Chapters 151, 152 and 166:** An ordinance amending Title XV: Unified Development Code of Fayetteville to amend Chapter 151: Definitions, Chapter 152: Administration and Chapter 166: Development in order to prohibit decentralized sewer systems within the city limits.

5. **Amend § 51.136 Monthly Water Rates:**

6. **Amend § 51.137 Monthly Sewer Rates:** An ordinance repealing and replacing §51.137, Monthly Sewer Rates, of the Fayetteville Code of Ordinances.

7. **Amend § 51.138 Abnormal Sewage Surcharge:** An ordinance repealing and replacing §51.138, Definitions pertaining to Water and Sewer Rates, of the Fayetteville Code of Ordinances.

8. **Amend § 51.139 Users Outside City Limits:**

9. **Amend § 51.144 Filling Water Tanks on Commercial Trucks; Rates:**

NB #1 10. **WG Land Company LTD:**

~~11. **Amend Chapter 168: Flood Damage Prevention Code:** moved off last two agendas at pre agenda session meeting. Ron Petrie item~~

+ **Economic Announcements:**

1. **City Council Tour: March 31, 2008**

Adjournment:

FAYETTEVILLE
THE CITY OF FAYETTEVILLE, ARKANSAS

KIT WILLIAMS, CITY ATTORNEY
DAVID WHITAKER, ASST. CITY ATTORNEY

DEPARTMENTAL CORRESPONDENCE **LEGAL DEPARTMENT**

TO: **Dan Coody**, Mayor

THRU: **Sondra Smith**, City Clerk

FROM: **Kit Williams**, City Attorney

DATE: **April 2, 2008**

RE: **Ordinances and Resolutions prepared by the City Attorney's Office and passed at the City Council meeting of April 1, 2008**

1. **Bid #08-25 Golden Circle Ford:** A resolution to award Bid #08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4x4 regular cab pickup truck for use by the Fire Department;

2. **Bid #08-37 Landers McLarty Ford:** A resolution awarding Bid #08-37 and approving the purchase of crew cab chassis with reading utility body from Landers McLarty Ford in the amount of $42,493.73.00 for use by the Transportation Division;

3. **WG Land Company LTD:** A resolution approving a Memorandum of Understanding concerning annexation and zoning of certain real property with WG Land Company LTS, Partnership;

4. **Repealing and Replacing §51.136:** An ordinance repealing and replacing §51.136, Monthly Water Rates, of the Fayetteville Code of Ordinances;

5. **Repealing and Replacing §51.138:** An ordinance repealing and replacing §51.138, Definitions pertaining to Water and Sewer Rates, of the Fayetteville Code of Ordinances;

6. **Repealing and Replacing §51.139:** An ordinance repealing and replacing §51.139, Users Outside City Limits with a new §51.139, Reviews of Water and Sewer rates, Notification to User of the Fayetteville Code of Ordinances;

7. **Repealing and Replacing §51.144:** An ordinance repealing and replacing §51.144, Filling Water Tanks on Commercial Trucks; Rates, of the Fayetteville Code of Ordinances;

8. **Amend §157.05 and §171.05:** An ordinance to amend §157.05 Vacations of Streets, Alleys, Rights-of-Way and Easements and §171.05 Procedure for Closing Utility Easements and Street Rights-of-Way.

Arkansas Democrat Gazette
NORTHWEST ARKANSAS EDITION
Northwest Arkansas Times
Benton County Daily Record
P. O. BOX 1607
FAYETTEVILLE, AR 72702
PHONE: 479-571-6421

AFFIDAVIT OF PUBLICATION

I, Cathy Wiles, do solemnly swear that I am Legal Clerk of the Arkansas Democrat Gazette newspaper. Printed and published in Benton County Arkansas, (Lowell) and that from my own personal knowledge and reference to the files of said publication, the advertisement of: City of Fayetteville- Final Agenda

March 31, 2008

Publication Charge: $152.98

Subscribed and sworn to before me
This 2 day of april , 2008.

Notary Public Sandra D. Bush

SANDRA D. BUSH
Notary Public – Arkansas
County of Washington
My Commission Exp. 01/08/2011

My Commission Expires: Jan 8, 2011

Do not pay from Affidavit, an invoice will be sent

RECEIVED
APR 04 2008
CITY OF FAYETTEVILLE
CITY CLERK'S OFFICE

FINAL AGENDA
CITY OF FAYETTEVILLE ARKANSAS
CITY COUNCIL MEETING
APRIL 01, 2008

Fayetteville ARKANSAS

A meeting of the Fayetteville City Council will be held on April 01, 2008 at 6:00 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order
Roll Call
Pledge of Allegiance

Mayor's Announcements, Proclamations and Recognitions:

Presentations, Reports and Discussion Items:

Agenda Additions:

A. Consent:
1. Approval of the March 18, 2008 City Council meeting minutes.
2. Bid # 08-25 Golden Circle Ford: A resolution to award Bid # 08-25 to Golden Circle Ford of Jackson, TN in the amount of $26,593.00 to purchase a heavy-duty, 4X4 regular cab pickup truck for use by the Fire Department.
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C. Public Hearing:
1. Public Hearing for Monthly Sewer Rate Ordinance.

D. New Business:
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2. RZN 07-2889 (Cooper): An ordinance amending ordinance number 5114 to correct the legal description for the 0.64 acre parcel rezoned by said ordinance located at the southwest corner of North College Avenue and East Cleburn Street.
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11. Amend §157.05 and §171.05: An ordinance to amend §157.05 Vacations of Streets, Alleys, Rights-of-Way and Easements and §171.05 Procedure for Closing Utility Easements and Street Rights-of-Way.

Announcements:
1. City Council Tour: NONE

Adjournment: