

2026 Water & Sewer Rate Study

Prepared For:

City of Corning, AR

Corning Water & Sewer Utilities

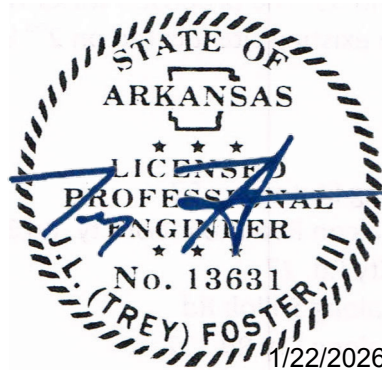
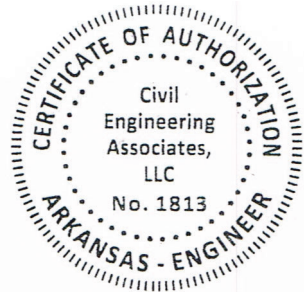
January 2026

Prepared By:



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Overview - What is Act 605 of 2021

In the 93rd General Assembly Regular Session of the Arkansas State Legislature a Bill was enacted that modified Arkansas Code Title 14, Chapter 234 to add Subchapter 8 - Oversight of Retail Water Providers. The purpose of this Bill is to amend the law concerning retail water providers and related service, and for other purposes (**See Appendix A for full text of Act 605 of 2021 & Amendment Act 545, April 2023**).

The Arkansas Department of Agriculture, Natural Resources Division (NRD) is responsible for compliance oversight implemented by Act 605 and have established the following categories of rules to be adhered to (**See Appendix B for text of Rules Implementing Act 605**);

1. Requirement to establish Refurbishment and Replacement Account(s)
2. Requirements of Rate Studies for Retail Water Providers
3. Determination of Fiscal Distress
4. Miscellaneous
5. Requirements for Training

Background (Source - Arkansas Department of Agriculture, Natural Resources Division)

Act 605 of 2021 tasked retail water providers with additional responsibilities in managing and operating their water systems, with some exceptions. These responsibilities include preparation of a rate study every 5 years or before any major development project (Act 545 amended Act 605 to remove the major development requirement). Rates determined from the study are required to be implemented within one year of the completion of the study, or two years if the recommended rates increase the provider's rates by fifty percent or more. Failure to complete a rate study or implement the required rate increases will result in a determination that the water provider is in fiscal distress. Rate studies must be filed with the Arkansas Legislative Audit and the Arkansas Department of Agriculture's Natural Resources Division.

Additionally, when a municipal water system has 20 percent or more of its customer base outside of the municipal boundaries, the municipality must establish a non-voting advisory committee to advise the municipality on water system matters. This committee must represent the water users outside the municipal boundaries.

Also under the legislation, all members of a retail water provider governing board must complete eight hours of training. The training must be completed within one year of becoming a board member. A member with 10 years or more service on the governing board is exempt from training. The Act provides that the NRD will utilize an advisory board of water professionals to develop the curriculum for the training.

All rate studies performed by an approved rate study provider shall be an objective and unbiased review of the Water Service Provider's fiscal status. All submitted rate studies must include a certification by the approved rate study provider that the study complies with Act 605 of 2021 and the rules implementing the Act, as amended. The NRD may remove an approved rate study provider from its list of approved entities if it determines that an entity violated Arkansas law or Commission rules in performing a rate study.

Rate studies shall be based on the guidelines of the American Water Works Association and the Water Environment Federation.

Data Collection and Analytical Review

For the purpose of this Study, the Corning Water and Sewer Utilities provided information for analysis in compliance with the requirements of Act 605. Civil Engineering Associates, LLC (CEA) is an approved Rate Study provider and has been retained to perform an analytical review of the water and sewer rates for the purpose of ensuring compliance with the rules and regulations of Act 605. The conclusion of the review will result in a report that meets all requirements and is suitable for submission to the Arkansas Legislative Audit and NRD, including a recommended rate structure to be implemented.

Required Information to be Provided for Complete Rate Study

The following shall be incorporated into Rate Study Analysis for compliance with Act 605

1. Reports containing the following information for the current year and projections for the next five (5) years:
 - A. A comprehensive cost analysis, including:
 - i. Operations and maintenance (O&M) expenses;
 - ii. Financing expenses, including but not limited to, debt service payments, bond issuance costs, and commercial paper fees, if applicable;
 - iii. Any required cash reserves unavailable to pay for expenses, including but not limited to the annual refurbishment and replacement account deposit requirement as set out in Ark. Code Ann. § 14-234-802(e);
 - iv. Depreciation expenses;
 - v. Future capital expenses;
 - vi. Expenses required for an annual audit or agreed-upon procedures and compilation report;
 - vii. Expenses required for rate studies required under Ark. Code Ann. § 14-234-802; and
 - viii. Any other expenses not accounted for in paragraphs (i) through (vii).
 - B. A comprehensive revenue earnings analysis, including:
 - i. Available Cash balance;
 - ii. Non-rate revenue;
 - iii. Rate revenue without recommended increases;
 - iv. For the five projected years, recommended rate increases and the projected additional revenue derived therefrom;
 - v. Debt Service Coverage Ratios;
 - vi. The number of days that the available cash balance could cover O&M expenses without additional revenue;
 - vii. Annualized revenue requirement.

2. The provider's asset management plan, including:
 - A. An inventory of essential assets. For each essential asset, the provider shall provide the following information:
 - i. Asset type;
 - a. Annual maintenance costs;
 - b. Year installed;
 - c. Vendor-specified useful life, if available;
 - d. Anticipated date of replacement;
 - e. Installation or replacement cost estimate; and
 - f. Projected consequence of failure.
 - B. The provider's plan for replacement of essential assets.
3. An explanation of the provider's chosen rate design.
4. Recommendations for any changes to the provider's operations, including a plan on how the changes should be implemented.
5. Certification by the entity performing the rate study that such study complies with Ark. Code Ann. § 14-234-801 et. seq. and the Rules.

Financial Sustainability

Providers of public water and sewer systems are required to establish rate structures that consistently generate sufficient revenues to pay all debt service obligations, operate and maintain the system(s) within regulatory compliance, and maintain reserve accounts for repairs and replacements within the system(s). In order to maintain revenues in excess of expenses, Providers should periodically review their rates to ensure an adequate revenue stream that keeps up with the rising costs associated with operating and maintaining a system. Should a Provider not be proactive in keeping up with rising costs, they tend to defer maintenance obligations and deplete reserve accounts. Neither of these would be considered good management practices and could lead to a system being found as distressed and/or non-compliant with regulatory agencies.

Periodic evaluation of system costs should be evaluated in order to maintain financial sustainability. The primary indicator of financial sustainability is the Debt Service Coverage Ratio (DSCR). This ratio is the comparison of system expenses and revenues and is calculated by dividing total revenues less expense by the total debt payments for the system being evaluated. The rules developed by the NRD state that the minimum DSCR is 1.05, but the recommended minimum DSCR is between 1.10 & 1.25. However, higher ratios may be warranted depending on circumstances within the system. One indicator that warrants a higher DSCR ratio is the Median Affordability Ratio. This ratio is calculated using the customer cost of 4,000-gallons of water (or sewer, depending on the system being evaluated) and multiplying the cost by 12-months, then dividing by the Median Household Income of the system, then multiplying by 100 for a percentage. If this ratio is 1.25 (for entities with LMI > 51%) or 1.5 (for entities with LMI < 51%), or higher, this value indicates that rates are sufficiently high without causing undue financial

hardship on rate payers. Systems that maintain a Median Affordability Ratio that meets the criteria can be deemed a disadvantaged community; therefore, potentially qualifying for grant funds for capital improvement projects from certain state/federal lenders.

Comprehensive Cost Analysis

CEA has completed a comprehensive cost analysis based on information provided by Corning Water & Sewer Utilities. For the purpose of this analysis, both water and sewer financials were calculated independently so that recommendations can be made for each system. The results of this analysis are as follows;

Water & Sewer Department			
FY2025 Revenue & Expenses			
Revenues	FY2025 (Jan-Oct 2025)	FY2025 Budget	FY2025 Year End Total (Estimated)
<u>Water Department</u>			
Total Water Revenues:	\$ 1,009,089.64	\$ 1,143,294.00	\$ 1,201,994.19
<u>Sewer Department</u>			
Total Sewer Revenues:	\$ 295,085.70	\$ 351,000.00	\$ 354,102.84
Total System Revenues:	\$ 1,304,175.34	\$ 1,494,294.00	\$ 1,556,097.03
Expenses			
<u>Water Department</u>			
Total Water Expenses:	\$ 917,322.19	\$ 1,012,500.00	\$ 1,100,786.63
<u>Sewer Department</u>			
Total Sewer Expenses:	\$ 290,437.03	\$ 150,500.00	\$ 348,524.44
Total System Expenses:	\$ 1,207,759.22	\$ 1,163,000.00	\$ 1,449,311.06
<u>Depreciation</u>			
W&S Depreciation	\$ 422,388.00	\$ 422,388.00	\$ 422,388.00
Sub-total Depreciation Expense:	\$ 422,388.00	\$ 422,388.00	\$ 422,388.00
Total Expenses:	\$ 1,630,147.22	\$ 1,585,388.00	\$ 1,871,699.06
Total Revenue less Expense:			\$ (315,602.03)
		Net Profit/(Loss):	\$ (270,619.10)

The review of financial information provided shows that the Corning Water & Sewer Utilities will end FY-2025 with a deficit, taking into account depreciation, for the water and sewer systems, resulting in a system that will operate in the "Red" for 2025. Operation of the systems is expected to remain in the "Red" throughout the evaluation period based on planned improvements to the systems and expected equipment replacements.

Water & Sewer Department - Water Department							
Debt Service Coverage Ratio (DSCR)							
5-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure)							
Revenues	2025	2026	2027	2028	2029	2030	2031
Total Revenues:	\$1,228,209.17	\$1,316,796.95	\$1,339,913.29	\$1,363,922.10	\$1,388,854.61	\$1,414,743.16	\$1,441,621.21
Expenses	2025	2026	2027	2028	2029	2030	2031
Total Expenses:	\$1,304,654.63	\$1,378,424.66	\$1,409,184.15	\$1,451,370.56	\$1,495,032.02	\$1,562,723.31	\$1,586,995.44
Revenue/Expense Ratio:	0.94	0.96	0.95	0.94	0.93	0.91	0.91
DSCR (Current Rates):	0.63	0.70	0.66	0.57	0.48	0.27	0.29

Water & Sewer Department - Sewer Department							
Debt Service Coverage Ratio (DSCR)							
5-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure)							
Revenues	2025	2026	2027	2028	2029	2030	2031
Total Revenues:	\$ 354,102.84	\$ 346,456.16	\$ 345,189.05	\$ 343,921.94	\$ 342,654.83	\$ 341,387.72	\$ 340,120.61
Expenses	2025	2026	2027	2028	2029	2030	2031
Total Expenses:	\$ 430,508.44	\$ 438,012.25	\$ 478,394.65	\$ 533,219.99	\$ 546,259.22	\$ 559,755.79	\$ 583,725.73
Revenue/Expense Ratio:	0.82	0.79	0.72	0.64	0.63	0.61	0.58
DSCR (Current Rates):	0.07	-0.12	-0.21	-0.24	-0.34	-0.43	-0.60

The above projections are based on a continued decline in population based on available information developed by the Institute for Economic Advancement, Arkansas Census State Data Center coupled with historical customer count data within the systems. As can be seen, the DSCR for both water and sewer are below the minimum of 1.05. Based on this calculation, if the systems continue to operate in this manner, the systems could be designated as fiscally distressed and be subjected to more stringent oversight by regulatory agencies.

For a full summary of the Financial Sustainability, **see Appendix C for Water and Sewer.**

Rate Structure

Corning Water & Sewer Utilities uses a Single Block or Uniform Rate Structure and has established rates based on customer type and whether customer is located inside or outside city limits. This type of rate structure is common throughout Arkansas and charges customers a flat rate for service availability coupled with a constant rate based on usage. The current rate structures are as follows;

Water & Sewer Department - Water			
<u>Existing Rate Structure (2025)</u>			
Customer Type	Base Rate (1st 1000-Gal-W)	Uniform Rate Next 2000-Gal-W (per 1000)	Uniform Rate Next 3000-Gal-W (per 1000)
Water			
Res/Com	\$ 7.00	\$ 8.50	\$ 7.50

Water & Sewer Department - Sewer			
<u>Existing Rate Structure (2025)</u>			
Customer Type	Base Rate (1st 2000-Gal-W)	Uniform Rate 1000-Gal-W (per 1000)	Surcharge
Sewer			
Res/Com	\$ 6.00	\$ 1.50	\$ 11.50

The rate structures shown above coincide with the tables from the Comprehensive Cost Analysis. Based on these rates, Corning Water & Sewer Utilities will continue to operate in a net deficit between the water and sewer systems over the 7-year evaluation period. This is in part due to an estimated decline in customer base but also can be attributed to rising costs associated with operating and maintaining the systems.

Financial Analysis

The purpose of the financial analysis is to determine whether Corning Water & Sewer Utilities is properly positioned to sustain both the water and sewer systems under its control and determine whether required revenues meet the requirements of the systems. This analysis must include consideration for revenues needed to adequately fund all aspects of the systems, including but not limited to, principal and interest payments for existing debt, estimated operating expenses, funding reserves for equipment replacement, and new debt associated with planned and/or emergency capital improvements. Depreciation of existing system assets is not included in the analysis but is considered when determining total reserves requirements. This need for sufficient revenue can be summarized as Asset Management and is a requirement to be in full compliance with Act 605.

Currently, the outstanding debt associated with the water and sewer systems includes one (1) bond for the water system and three (3) bonds for the sewer system. The private issue bonds were issued to finance capital improvements to both the water and sewer systems and are paid equally from revenues generated by the current rate structures for water and sewer. Payment schedules for all bonds are as follows;

Debt Service Requirements

Water & Sewer Department		
Assets & Long-Term Liabilities		
<u>Long-Term Liabilities</u>		
Account Type	Annual Payment	Est Payoff Year
Industrial Fund Loan - Sewer	\$ 48,000.00	2026
USDA - 92-17 - Sewer	33,984.00	2027
ANRC - 02323-CW-L - Sewer	152,424.00	2047
USDA - 91-12 - Water	203,868.00	2050
Total:	438,276.00	

All loans associated with the water and sewer systems are current and it appears that all reserve requirements are being met.

Revenues v. Expenses

In order to estimate revenues and expenses through 2031, CEA utilized current budget information from both the Water and Sewer Departments, average usage data per customer type, estimated population trends, and minimal non-rate revenue. All calculations disregarded existing cash-on-hand and strictly reviewed what it would take to sustain the systems with the estimated revenue stream. Calculating in this manner is a conservative approach and allows for any cash reserves to be utilized according to their specified intent. The table below was produced as described and is based on the recommended rate structures for the water and sewer systems.

Water & Sewer Department - Water Department							
5-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)							
Revenues	2025	2026	2027	2028	2029	2030	2031
Total Revenues:	#####	\$ 1,411,201.70	\$ 1,452,689.37	\$ 1,495,383.78	\$ 1,539,323.96	\$ 1,584,550.23	\$ 1,630,189.88
Expenses	2025	2026	2027	2028	2029	2030	2031
Total Expenses:	#####	\$ 1,386,981.58	\$ 1,417,664.50	\$ 1,459,758.17	\$ 1,525,814.96	\$ 1,558,383.39	\$ 1,617,474.12

Water & Sewer Department - Sewer Department							
5-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)							
Revenues	2025	2026	2027	2028	2029	2030	2031
Total Revenues:	\$ 354,102.84	\$ 465,362.81	\$ 498,112.37	\$ 562,080.76	\$ 594,205.43	\$ 606,069.22	\$ 617,998.36
Expenses	2025	2026	2027	2028	2029	2030	2031
Total Expenses:	\$ 430,508.44	\$ 441,757.33	\$ 483,766.98	\$ 541,325.62	\$ 578,462.90	\$ 570,093.31	\$ 607,200.16

Compliance with Act 605 requires minimum annual reserve deposits totaling 5% of gross system revenue. The above calculations account for these deposits. **For a complete listing of the revenues and expenses, see Appendix C for Water and Sewer.**

Debt Service Coverage Ratio (DSCR)

As previously mentioned, the rules implementing Act 605 will require a minimum DSCR 1.05. Existing and proposed DSCR is shown in the table below through 2031;

Water & Sewer Department - Water Department							
Debt Service Coverage Ratio (DSCR)							
5-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)							
	2025	2026	2027	2028	2029	2030	2031
DSCR (Current Rates):	0.63	0.70	0.66	0.57	0.48	0.27	0.29
DSCR (Proposed Rates):	0.63	1.12	1.17	1.17	1.07	1.13	1.06

Water & Sewer Department - Sewer Department							
Debt Service Coverage Ratio (DSCR)							
5-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure)							
	2025	2026	2027	2028	2029	2030	2031
DSCR (Current Rates):	0.07	-0.12	-0.21	-0.24	-0.34	-0.43	-0.60
DSCR (Proposed Rates):	0.07	1.29	1.13	1.14	1.10	1.24	1.07

The target DSCR should be between 1.10 and 1.25, but higher percentages can be warranted.

Median Affordability

When evaluating the financial sustainability of a water and/or sewer system, careful consideration of rate payer affordability is vital. Affordability ratios are based on the cost of 4000-gallons of usage and the median household income for the area served by the Provider. Below is a table showing the estimated current and proposed affordability ratio through 2031;

Water & Sewer Department							
Median Affordability							
Median Affordability as a Percentage of MHI (Current Rate Structure & Yearly Increase)							
	Current MHI %	2026 MHI %	2027 MHI %	2028 MHI %	2029 MHI %	2030 MHI %	2031 MHI %
Corning - Water	0.95	1.10	1.13	1.16	1.19	1.22	1.25
Corning - Sewer	0.62	0.83	0.89	1.00	1.06	1.08	1.11

The target median affordability ratio for communities with a low-moderate income (LMI) percentage of 51% or greater is 1.25, and 1.5 for communities with a low-moderate income percentage less than 51%. Communities that implement rates that increase the median affordability ratio to the specified percentages can be classified as disadvantaged, meaning the rates charged for 4000-gallons of usage have increased to a point in which they could be considered a hardship on rate payers. Only residential rates are used in this calculation. Typically, if a community is classified as disadvantaged, additional grant funding may be made available for certain capital improvement projects. For a detailed summary of how median affordability ratio is calculated, **see Appendix C for Water and Sewer.**

Conclusions and Recommendations

Debt Service: Corning Water & Sewer Utilities maintains four (4) outstanding bond issues. In order to maintain an adequate debt service coverage ratio, both the water and sewer systems will need to increase their revenues through a rate increase. It is recommended that each department adopt the rate structure proposed in **Appendix C (Pgs. 10-11 & 13-14)**. Adopting the recommended rates for the water and sewer systems is expected to generate a DSCR that is compliant with Act 605 beginning in 2025 for both the water and sewer systems.

Operating/Depreciation Reserve: Corning Water & Sewer Utilities has maintained sufficient reserves for both the water and sewer systems. It is recommended that 5% of gross revenues from both the water and sewer systems continue to be deposited into an unrestricted account for the purpose of replacement and refurbishment of infrastructure related to each system. This recommendation will comply with the minimum requirements of Act 605, specific to reserve fund requirements.

Capital Improvement Plan: Corning Water & Sewer Utilities have developed a capital improvement plan that addresses the major components of both the water and sewer systems. It is recommended that this plan be reviewed on an annual basis and updated as needed.

Budget & Rate Reviews: Corning Water & Sewer Utilities has implemented a process to review rates based on required revenues and expenses. Development of a comprehensive Rate Study for compliance with Act 605 is an additional check to ensure that the rate structures being implemented for both the water and sewer systems. It is recommended that the incremental increasing rate structure proposed in **Appendix C (Pgs. 10-11 & 13-14)** be adopted by the City Council, and be reviewed every five (5) years, at a minimum to remain compliant with Act 605.

Any future reviews of rate structures should be mindful of maintaining a DSCR above the required minimums.

Affordability: It is recommended that Corning Water & Sewer Utilities strive to adopt rate structures that generate revenues necessary to properly operate and maintain the water and sewer systems, while being mindful of implementing rates that are excessive and create undue hardships on rate payers. A good measure of affordability is to maintain a median affordability ratio as a percentage of median household income at 1.25 (inside City limits) and 1.5 (outside City limits) and this ratio should be based on residential rates.

Water & Sewer Rates: Corning Water & Sewer Utilities is expected to be non-compliant with the minimum DSCR of 1.05 specified in Act 605 should the existing rate structures for the water and sewer systems remain in-place. This non-compliance may result in Corning Water & Sewer Utilities being designated as fiscally distressed and result in more stringent regulatory oversight, including but not limited to, fines and penalties imposed by the State of Arkansas. It is recommended that the City Council of Corning, Arkansas pass a rate ordinance adopting the proposed rate structures included with this report. **See Appendix C (Pgs. 10-11 & 13-14).**

Asset Management Plan: Corning Water & Sewer Utilities has developed an Asset Management Plan in accordance with the requirements of Act 605. It is recommended that this plan be reviewed on an annual basis. A copy of the current plan included as **Appendix D.**

RATE STUDY CERTIFICATION

Civil Engineering Associates, LLC is a duly authorized Rate Study Provider and is listed as such on the approved provider list published by the Arkansas Department of Agriculture, Natural Resources Division. The undersigned representative of Civil Engineering Associates, LLC hereby certifies the following;

1. The Rate Study provided herein was provided at the request of Corning Water & Sewer Utilities and has been completed in an objective and unbiased manner of the Provider's fiscal status.
2. The Rate Study provided herein was completed in compliance with Act 605 of 2021, otherwise codified as Ark. Code Annotated §14-234-801 and the implementing rules adopted by the Arkansas Natural Resources Commission.

A handwritten signature in blue ink, appearing to read 'Trey Foster', is written over a horizontal line.

Trey Foster, P.E.
Member/Principal
Civil Engineering Associates, LLC

APPENDIX A

**ACT 605 OF 2021
ACT 545, APRIL 2023**

1 State of Arkansas
2 93rd General Assembly
3 Regular Session, 2021
4

As Engrossed: H3/11/21

A Bill

SENATE BILL 386

5 By: Senator A. Clark
6 By: Representative Love
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING RETAIL WATER
10 PROVIDERS AND RELATED SERVICE; AND FOR OTHER
11 PURPOSES.
12
13

Subtitle

15 TO AMEND THE LAW CONCERNING RETAIL WATER
16 PROVIDERS AND RELATED SERVICE.
17
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code Title 14, Chapter 234, is amended to add an
22 additional subchapter to read as follows:

Subchapter 8 – Oversight of Retail Water Providers

14-234-801. Findings – Definitions.

(a) The General Assembly finds that:

27 (1) Oversight of providers in the state is primarily handled by
28 the Arkansas Natural Resources Commission and the Department of Health;

29 (2) The oversight of these providers is spread out and results
30 in the inability of a single state entity to monitor and help initiate
31 necessary changes in public access of water, rate structures, the
32 sustainability of the providers, and the protection of consumer rights;

33 (3) While local control is important, the current landscape of
34 providers has the potential to create inefficiencies in service and
35 instability in fiscal management;

36 (4) Combining smaller providers may be necessary in some areas



1 in order to guarantee dependable and plentiful provision of water and to
2 avoid unsustainable rate increases;

3 (5) Many providers have an aging workforce, and there is a need
4 for education of the governing bodies of these providers concerning the
5 importance of recruiting and retaining an expert workforce; and

6 (6) Training of local, state, and federal leaders on issues
7 surrounding provider personnel, finances, compliance, and environmental
8 factors is needed.

9 (b) As used in this subchapter:

10 (1) "Commission" means the Arkansas Natural Resources
11 Commission;

12 (2) "Provider" means any provider of retail water service; and

13 (3) "Provider board" means the governing body of a provider,
14 whether the governing body is organized as a board, commission, committee,
15 council, or other type of entity.

16
17 14-234-802. Fiscal distress – Improvement plans – Rates and rate
18 studies.

19 (a)(1) For the purposes of this section, a provider is in fiscal
20 distress if the provider:

21 (A) Fails to obtain a rate study as required under this
22 section;

23 (B) Fails to implement a completed rate study required
24 under this section; or

25 (C) Has been found by the commission to be in significant
26 noncompliance with rules of the commission because of inadequate funds for
27 operation and maintenance or inadequate compliance with rules of the
28 commission.

29 (2) A provider may be found by the commission to be subject to
30 this section if a member of the provider's board does not receive the
31 training required under § 14-234-805.

32 (b) The commission shall maintain and publish on the commission's
33 website a list of providers in fiscal distress.

34 (c)(1) A provider shall obtain a rate study on the following schedule:

35 (A) By July 1, 2024, and every five (5) years thereafter
36 for a provider that serves five hundred (500) or fewer customers;

1 (B) By July 1, 2025, and every five (5) years thereafter
2 for a provider that serves five hundred one (501) to one thousand (1,000)
3 customers; and

4 (C) By July 1, 2026, and every five (5) years thereafter
5 for a provider that serves more than one thousand (1,000) customers.

6 (2)(A) Rates shall adequately address costs for:

7 (i) Operation and maintenance;

8 (ii) Debt service;

9 (iii) Required reserves;

10 (iv) Depreciation;

11 (v) Future capital expenses;

12 (vi) An annual audit or agreed-upon procedures and
13 compilation report; and

14 (vii) Other expenses as necessary.

15 (B)(i) The rates recommended in the rate study that is
16 obtained and chosen by the provider shall be implemented by the provider in
17 the manner provided under the applicable law for modifying rates.

18 (ii) Except as provided in subdivision
19 (c)(2)(B)(iii) of this section, an increase in rates recommended in the rate
20 study shall be implemented within one (1) year of the receipt of the rate
21 study.

22 (iii) If recommended rates increase the provider's
23 rates by fifty percent (50%) or more from the fiscal year before the rate
24 study was completed, the provider may phase in the rate increase over a two-
25 year period.

26 (d)(1) The commission shall determine by rule the requirements of the
27 rate study, including without limitation a review of the provider's
28 refurbishment and replacement account and asset management plan.

29 (2)(A) The rate study shall use as its basis the guidelines of
30 the American Water Works Association and the Water Environment Federation.

31 (B) The commission shall determine by rule an appropriate
32 entity to provide guidelines for the rate study to use as its basis if
33 guidelines of the American Water Works Association and the Water Environment
34 Federation are unavailable.

35 (e) A provider shall deposit a minimum of five percent (5%) per annum
36 of gross revenues in a dedicated refurbishment and replacement account within

1 twelve (12) months of implementation of the rate, unless a different amount
2 is determined by a rate study.

3 (f)(1) The commission shall maintain an approved list of entities to
4 conduct rate studies required by this section, including without limitation
5 the Arkansas Rural Water Association, professional engineers, certified
6 public accountants, economists, and actuaries.

7 (2) If a provider chooses an entity to conduct the rate study
8 that is not on the approved list of entities, the entity is required to have
9 conducted at least one (1) rate study in the state in the previous five-year
10 period.

11 (g)(1) To ensure fiscal soundness, the commission shall consider and
12 approve a new provider with fewer than three hundred (300) customers within
13 the proposed service area only if:

14 (A) The commission determines that public health or the
15 environment is threatened without the approval of the new provider; or

16 (B) There is no other viable alternative.

17 (2) A new provider with fewer than three hundred (300) customers
18 seeking approval shall:

19 (A) Be organized through a political subdivision,
20 including without limitation an improvement district, a county, or a
21 municipality;

22 (B) Demonstrate the ability to remain fiscally
23 sustainable; and

24 (C) Complete a technical, financial, and managerial
25 capacity review conducted by the commission.

26 (h)(1) A provider that plans to undertake a major development project
27 shall obtain a rate study or amend the provider's existing rate study before
28 beginning the major development project to include consideration of the
29 financial impact of the major development project on the fiscal
30 sustainability of the provider.

31 (2) As used in this subsection, "major development project"
32 means a project that exceeds twenty percent (20%) of gross revenues of the
33 provider for the immediately preceding fiscal year.

34 (i) A provider shall file its most recent rate study annually with
35 Arkansas Legislative Audit at the same time the provider files its audit
36 report or agreed-upon procedures and compilation report as required under §

1 14-234-120.

2 (j)(1) The commission shall annually identify and notify a provider if
3 the provider is in fiscal distress.

4 (2) The provider may appeal the finding to the Pulaski County
5 Circuit Court.

6 (k)(1) A provider found to be in fiscal distress shall file an
7 improvement plan with the commission, including without limitation specific
8 action to be taken to correct financial, technical, and managerial
9 deficiencies, within ninety (90) days of the finding of fiscal distress.

10 (2)(A) Upon receipt of the improvement plan under this
11 subsection, the commission shall review the improvement plan and:

12 (i) Approve the improvement plan in whole or in
13 part;

14 (ii) Modify the improvement plan; or

15 (iii) Deny the improvement plan.

16 (B) At the time the commission determines that the
17 provider is no longer in fiscal distress, the commission shall remove the
18 fiscal distress designation and notify the provider.

19 (l) If a provider is found to be in fiscal distress, the provider
20 shall not receive state financial assistance for water operations until an
21 improvement plan that has been approved by the commission is in place, unless
22 the financial assistance is immediately necessary to ensure preservation of
23 the public peace, health, and safety, as determined by the commission.

24 (m) If the provider is found to be in fiscal distress, the provider
25 shall obtain written authorization from the commission to:

26 (1) Incur additional debt;

27 (2) Accept assistance for the refurbishment or replacement of
28 facilities or construction of facilities not within the provider's
29 improvement plan; or

30 (3) Transfer assets to another entity.

31
32 14-234-803. Workforce recruitment and retention – Education.

33 A provider shall:

34 (1) Work with the Association of Arkansas Counties and the
35 Arkansas Municipal League to develop training for leaders of the county or
36 municipality;

1 (2) Provide suitable compensation and incentives to encourage
2 individuals to consider a career with the provider; and

3 (3) Promote the recruitment, education, and licensing of
4 employees of the provider.

5
6 14-234-804. Municipal providers – Provision of water to nonresident
7 customers – Advisory committee.

8 (a)(1) If a municipal provider is unable or unwilling to provide
9 service to a nonresident property owner residing in the provider's service
10 area, the commission may require the municipal provider to release the
11 nonresident property owner to a willing provider.

12 (2) If required by the willing provider, a nonresident property
13 owner may be required to pay the costs of necessary extensions to connect to
14 the willing provider.

15 (3) A municipal provider shall not release a service area of the
16 municipal provider if the release would invalidate or encumber the issuance
17 or retirement of a bond, promissory note, or certificate of indebtedness
18 related to the service area.

19 (b)(1) A municipal provider that is willing to provide service to
20 areas outside the municipal boundaries and within its service area shall do
21 so through an application made by the affected property owner or through an
22 agreement executed by the municipal provider and the affected property owner.

23 (2) If the municipal provider has a prerequisite that the
24 affected property owner annex into the municipal boundaries before providing
25 service, the prerequisite shall be clearly defined in an application or
26 agreement.

27 (3) Failure to clearly define any annexation requirement within
28 the application or agreement prohibits the municipal provider from requiring
29 annexation in exchange for service for those areas without agreement from the
30 affected property owner.

31 (c)(1) If a municipal provider services customers outside the
32 municipal boundaries of the municipal provider and the number of those
33 customers outside the municipal boundaries and in unincorporated areas equals
34 or exceeds twenty percent (20%) of the total customer base of the municipal
35 provider, a nonvoting advisory committee to the municipal provider board
36 shall be created by the governing body of the municipality in which the

1 municipal provider is located.

2 (2) The makeup and duties of an advisory committee created under
3 subdivision (c)(1) of this section shall be determined by the governing body
4 of the municipality that creates the advisory committee.

5 (3) Two (2) nonresident customers from the area served outside
6 the municipal boundaries and in unincorporated areas shall serve on the
7 advisory committee.

8 (d) The commission shall intervene if a municipal provider:

9 (1) Is prohibited from providing water to potential customers
10 within the municipal provider's service area by the political subdivision
11 under which the municipal provider is organized;

12 (2) Practices business irresponsibly in relation to consumer
13 rights; or

14 (3) Is not following best management practices in providing
15 water service.

16 (e) Except as otherwise provided in this section, a consumer shall not
17 be denied access to service if suitable distribution and collection
18 infrastructure already exists or if the consumer is willing to pay for
19 suitable distribution and collection infrastructure, unless:

20 (1) A municipal provider has made the decision not to extend
21 service outside the municipal boundaries of the municipal provider;

22 (2) An engineering, capacity, physical feasibility, or fiscal
23 feasibility issue exists as determined by a professional engineer or
24 certified public accountant; or

25 (3) A consumer does not submit an application or enter into an
26 agreement under subsection (b) of this section.

27
28 14-234-805. Training.

29 (a)(1)(A) Within one (1) year of election or appointment, a majority
30 of the members of a provider board shall receive a minimum of eight (8) hours
31 of provider training as promulgated by rule of the commission.

32 (B) A member of a provider board as of January 1, 2021,
33 shall receive the training required under this section by December 31, 2022.

34 (2) If a majority of the members of a provider board do not
35 receive the training required under this section, the commission may find the
36 provider is subject to § 14-234-802.

1 (3) This section does not apply to a member of a provider board
2 who has served on the provider board for ten (10) years or more.

3 (b) The commission shall consult with an advisory training board for
4 the development of the training required under this section, whose members
5 shall include without limitation:

6 (1) The Secretary of the Department of Health or his or her
7 designee;

8 (2) The Director of the Arkansas Natural Resources Commission or
9 his or her designee;

10 (3) The State Director of the United States Department of
11 Agriculture Rural Development in Arkansas or his or her designee;

12 (4) The Chief Executive Officer of the Arkansas Rural Water
13 Association or his or her designee;

14 (5) The Executive Director of the Association of Arkansas
15 Counties or his or her designee;

16 (6) The Executive Director of the Arkansas Municipal League or
17 his or her designee;

18 (7) The Chief Executive Officer of Central Arkansas Water or his
19 or her designee;

20 (8) The Chair of the Board of Directors of Communities
21 Unlimited, Inc. or his or her designee;

22 (9) The Chair of the Arkansas Water Works and Water Environment
23 Association, Inc. or his or her designee;

24 (10) The Director of the Arkansas Environmental Training Academy
25 or his or her designee;

26 (11) The Chair of the House Committee on City, County, and Local
27 Affairs;

28 (12) The Vice Chair of the House Committee on City, County, and
29 Local Affairs;

30 (13) The Chair of the Senate Committee on City, County, and
31 Local Affairs;

32 (14) The Vice Chair of the Senate Committee on City, County, and
33 Local Affairs; and

34 (15) The President of the Arkansas Water and Wastewater Managers
35 Association.

36

14-234-806. Rules.

The commission shall promulgate rules necessary to implement this subchapter.

14-234-807. Applicability.

This subchapter does not apply to:

(1) A water system regulated by the Arkansas Public Service Commission as a public utility under § 23-1-101(9);

(2) A municipal utility system owned or operated by a municipality that provides electric service to retail customers in addition to water service, including an electric system:

(A) Managed or operated by a nonprofit corporation under § 14-199-701 et seq.; or

(B) Owned or operated by a municipality or by a consolidated utility district under the General Consolidated Public Utility System Improvement District Law, § 14-217-101 et seq.;

(3) A privately owned provider that supplies the majority of its retail water service to nonresidential customers; or

(4) A water system operated jointly between two (2) municipalities in which each municipality is located in a different state.

SECTION 2. TEMPORARY LANGUAGE. DO NOT CODIFY. Rules.

(a) When adopting the initial rules to implement this act, the commission shall file the final rules with the Secretary of State for adoption under § 25-15-204(f):

(1) On or before January 1, 2022; or

(2) If approval under § 10-3-309 has not occurred by January 1, 2022, as soon as practicable after approval under § 10-3-309.

(b) The commission shall file the proposed rules with the Legislative Council under § 10-3-309(c) sufficiently in advance of January 1, 2022, so that the Legislative Council may consider the rules for approval before January 1, 2022.

/s/A. Clark

APPROVED: 4/5/21

1 State of Arkansas
2 94th General Assembly
3 Regular Session, 2023
4

As Engrossed: H3/13/23

A Bill

HOUSE BILL 1515

5 By: Representative Maddox
6 By: Senator Rice
7

For An Act To Be Entitled

9 AN ACT TO AMEND THE LAW CONCERNING RETAIL WATER
10 PROVIDERS AND RELATED SERVICE; AND FOR OTHER
11 PURPOSES.
12
13

Subtitle

14 TO AMEND THE LAW CONCERNING RETAIL WATER
15 PROVIDERS AND RELATED SERVICE.
16
17
18

19 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:
20

21 SECTION 1. Arkansas Code § 14-234-802(c), concerning the schedule that
22 a provider is required to use to obtain a rate study and the rate changes
23 following a rate study, is amended to read as follows:

24 (c)(1) A provider shall obtain a rate study on the following schedule:

25 (A) By July 1, 2024, and every five (5) years thereafter
26 for a provider that serves five hundred (500) or fewer customers;

27 (B) By July 1, 2025, and every five (5) years thereafter
28 for a provider that serves five hundred one (501) to one thousand (1,000)
29 customers; and

30 (C) By July 1, 2026, and every five (5) years thereafter
31 for a provider that serves more than one thousand (1,000) customers.

32 (2)(A) Rates and other revenue dedicated to the support of the
33 provider's water system shall adequately address costs for:

34 (i) Operation and maintenance;

35 (ii) Debt service;

36 (iii) Required reserves;



- 1 (iv) Depreciation;
- 2 (v) Future capital expenses;
- 3 (vi) ~~A~~ Preparation of an annual audit or agreed-upon
- 4 procedures and compilation report as required by law; and
- 5 (vii) Other expenses as necessary.

6 (B)(i) The rates recommended in the rate study that is
 7 obtained and chosen by the provider shall be implemented by the provider in
 8 the manner provided under the applicable law for modifying rates.

9 (ii) Except as provided in subdivision (c)(2)(B)(iii)
 10 of this section, an increase in rates recommended in the rate study shall be
 11 implemented within one (1) year of the receipt of the rate study.

12 (iii) If recommended rates increase the provider's
 13 rates by fifty percent (50%) or more from the fiscal year before the rate
 14 study was completed, the provider may phase in the rate increase over a two-
 15 year period.

16 (iv) If through the rate study it is recommended
 17 that a series of rate increases be implemented over a period of time that
 18 exceeds the periods of time required in subdivision (c)(2)(B)(ii) and (iii)
 19 of this section, the provider may implement the series of rate increases
 20 without regard to the limitations of subdivisions (c)(2)(B)(ii) and (iii) of
 21 this section, provided that the series of rate increases conform with the
 22 recommendations of the rate study.

23
 24 SECTION 2. Arkansas Code § 14-234-802(e), concerning the deposit of
 25 gross revenues required by a provider, is amended to read as follows:

26 (e)(1) A Each provider shall deposit a minimum of five percent (5%)
 27 per annum of gross revenues in a dedicated refurbishment and replacement
 28 account ~~within twelve (12) months of implementation of the rate, unless a~~
 29 ~~different amount is determined by a rate study.~~

30 (2) The provider may spend any amount of the provider's cash
 31 savings referenced in subdivision (e)(1) of this section at any time for
 32 refurbishment and replacement of the provider's water system facilities and
 33 other real property.

34 (3) If a different amount is determined by a rate study, then
 35 the amount determined by the rate study shall be deposited into a dedicated
 36 refurbishment and replacement account.

1
2 SECTION 3. Arkansas Code § 14-234-802(h), concerning the requirement
3 for a provider to obtain a rate study or amend a rate study before beginning
4 a major development project, is repealed.

5 ~~(h)(1) A provider that plans to undertake a major development project~~
6 ~~shall obtain a rate study or amend the provider's existing rate study before~~
7 ~~beginning the major development project to include consideration of the~~
8 ~~financial impact of the major development project on the fiscal~~
9 ~~sustainability of the provider.~~

10 ~~(2) As used in this subsection, "major development project"~~
11 ~~means a project that exceeds twenty percent (20%) of gross revenues of the~~
12 ~~provider for the immediately preceding fiscal year.~~

13
14 SECTION 4. Arkansas Code § 14-234-805(a)(1)(B), concerning the
15 training required for members of a provider board, is amended to read as
16 follows:

17 (B) A member of a provider board ~~as of January 1, 2021,~~
18 shall receive the training required under this section by the later of the
19 member's first anniversary of service or December 31, 2022 2023.

20
21 SECTION 5. Arkansas Code § 14-234-807 is amended to read as follows:
22 14-234-807. Applicability.

23 This subchapter does not apply to:

24 (1) A water system regulated by the Arkansas Public Service
25 Commission as a public utility under § 23-1-101;

26 (2) A municipal utility system owned or operated by a
27 municipality that provides electric service to retail customers in addition
28 to water service, including an electric system:

29 (A) Managed or operated by a nonprofit corporation under §
30 14-199-701 et seq.; or

31 (B) Owned or operated by a municipality or by a
32 consolidated utility district under the General Consolidated Public Utility
33 System Improvement District Law, § 14-217-101 et seq.;

34 (3) A privately owned provider that supplies the majority of its
35 retail water service to nonresidential customers; ~~or~~

36 (4) A water system operated jointly between two (2)

1 municipalities in which each municipality is located in a different state; or
2 (5) A provider during the time that the provider is subject to a
3 federal court decree or judgment for remediation efforts related to the
4 provider's water system, wastewater system, or water and wastewater systems
5 for the purpose of compliance with federal law.

6
7 /s/Maddox

8
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10 **APPROVED: 4/11/23**
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APPENDIX B

RULES IMPLEMENTING ACT 605

Rules Implementing Act 605 of 2021

I. Purpose

1. The purpose of these rules is to:
 - a. Implement Ark. Code Ann. § 14-234-801 et. seq.;
 - b. Provide oversight of retail water providers to promote efficiency in service and stability in fiscal management;
 - c. Provide training and education to governing bodies of retail water providers; and
 - d. Provide training of local, state, and federal leaders on the issues surrounding provider personnel, finances, compliance, and environmental factors.
2. The rules shall be read in conjunction with Ark. Code Ann. § 14-234-801 et. seq.

II. Definitions

The following definitions are supplemental to the definitions in Ark. Code Ann. § 14-234-801 et. seq.:

1. “Annualized Revenue Requirement” means the projected revenue if the recommended increase, as well as all previous recommended increases, is in effect for the full 12-month period.
2. “Commission” means the Arkansas Natural Resources Commission.
3. “Debt Service Coverage Ratio” (“DSCR”) means Net Operating Income divided by Total Debt Service.
4. “Department” means the Arkansas Department of Agriculture, including the Natural Resources Division thereof.
5. “Future Capital Expenses” means the design and construction of new and replacement infrastructure, including any associated labor and fees.
6. “Major Development Project” means a project that exceeds twenty percent (20%) of gross revenues of the provider for the immediately preceding fiscal year.
7. “Non-operating Revenue” means revenue derived from sources other than water use charges.
8. “Net Operating Income” means earnings before interest, tax, depreciation, and amortization (EBITDA) less capital expenditures.
9. “Provider board” as used herein shall have the definition provided in Ark. Code Ann. § 14-234-801(b)(3).
10. “System” means:
 - a. For a provider that provides water service only, the provider’s water system.
 - b. For a provider that provides water service and sewer service, but where the water system and the sewer system are not operated as a joint and integrated undertaking (i.e., when a separate audit is prepared for water and for sewer), the provider’s water system.

- c. For a provider that provides water service and sewer service, and the water facilities are operated as a joint and integrated undertaking (i.e., when water and sewer are combined in a single audit), the provider's joint and integrated water and sewer system.
11. "Total Debt Service" means current debt obligations, including but not limited to any interest, principal, sinking fund, and lease payments due in a given year.

III. Refurbishment and Replacement Account

1. Refurbishment and Replacement accounts, as required under Ark. Code Ann. § 14-234-802(e), shall only be used to make repairs or to replace ~~water system~~ System appurtenances.
2. Providers may designate existing depreciation or replacement accounts as the Refurbishment and Replacement Account required by Ark. Code Ann. § 14-234-802(e), so long as the amount deposited therein complies with the provisions of Ark. Code Ann. § 14-234-802(e).
3. The calculation of the amount required to be deposited into a Refurbishment and Replacement Account pursuant to these Rules and Ark. Code Ann. § 14-234-802(e) shall be based on the gross operating revenues of a System.
4. The funds shall not be used for routine repairs. Expenditures of \$1,000 or less shall be considered routine repairs.
5. Utilization of funds from the Refurbishment and Replacement account must be approved by the Provider Board prior to its use.

IV. Rate Studies for Retail Water Providers

1. Retail water providers shall obtain rate studies pursuant to the requirements in Ark. Code Ann. § 14-234-802.
2. A provider that plans to undertake a major development project, as defined above and in Ark. Code Ann. § 14-234-802(h)(2), shall obtain a rate study or amend the provider's existing rate study before beginning the major development project to include consideration of the financial impact of the major development project on the fiscal sustainability of the provider.
3. Rate studies shall be based on the guidelines of the American Water Works Association and the Water Environment Federation.
 - a. The rate studies shall include:
 - i. Reports containing the following information for the current year and projections for the next five years:
 1. A comprehensive cost analysis, including:
 - a. Operations and maintenance (O&M) expenses;
 - b. Financing expenses, including but not limited to debt service payments, bond issuance costs, and commercial paper fees, if applicable;
 - c. Any required cash reserves unavailable to pay for expenses, including but not limited to the annual refurbishment and replacement account deposit requirement as set out in Ark. Code Ann. § 14-234-802(e);
 - d. Depreciation expenses;
 - e. Future capital expenses;
 - f. Expenses required for an annual audit or agreed-upon procedures and compilation report;

- g. Expenses required for rate studies required under Ark. Code Ann. § 14-234-802; and
 - h. Any other expenses not accounted for in paragraphs (a) through (g).
- 2. A comprehensive revenue earnings analysis, including:
 - a. Available Cash balance;
 - b. Non-rate revenue;
 - c. Rate revenue without recommended increases;
- 3. For the five projected years, recommended rate increases and the projected additional revenue derived therefrom;
- 4. Debt Service Coverage Ratios;
- 5. The number of days that the available cash balance could cover O&M expenses without additional revenue;
- 6. Annualized revenue requirement.
- ii. The provider's asset management plan, including:
 - 1. inventory of essential assets and for each essential asset, without limitation, the following information:
 - a. Asset type;
 - b. Annual maintenance costs;
 - c. Year installed;
 - d. Vendor-specified useful life, if available;
 - e. Anticipated date of replacement;
 - f. Installation or replacement cost estimate; and
 - g. Projected consequence of failure.
 - 2. The provider's plan for replacement of essential assets.
- iii. Proposed changes in rates should be based on achieving and maintaining a Debt Service Coverage Ratio of 1.1 or higher.
- iv. An explanation of the provider's chosen rate design; and
- v. Recommendations for any changes to the provider's operations, including a plan on how the changes should be implemented.
- vi. Certification by the entity performing the rate study that such study complies with Ark. Code Ann. § 14-234-801 et. seq. and these Rules.
- b. Rate studies shall be provided to the Department at the time it is provided to Arkansas Legislative Audit under Ark. Code Ann. § 14-234-802(i).
- c. The Commission may request further information necessary to determine a provider's fiscal status, and providers shall cooperate with the Commission's requests.
- d. The Commission may waive any one or more requirement in Section IV(3)(a), above, upon written request.
- 4. Rate studies for providers that operate a joint and integrated water and sewer system shall analyze the total System.
- 5. Rate studies performed shall be an objective and unbiased review of the provider's fiscal status.
- 6. The Commission will maintain a list of approved entities to conduct rate studies as required under Ark. Code Ann. § 14-234-802(f)(1). The Commission may remove an approved entity from its list of approved entities if it determines that an entity violated Arkansas law or Commission rules in performing a rate study.

V. Determinations of Fiscal Distress

1. A Provider will be in Fiscal Distress if the Provider:
 - a. Fails to obtain a rate study as required;
 - b. Fails to implement the rates contained in the completed rate study required within one (1) or two (2) years as provided under ACA 14-234-802(c)(2)(B)(ii)-(iii); or
 - c. Fails to maintain a Debt Service Coverage Ratio of 1.05 or higher.
2. A Provider may be determined to be in fiscal distress if the Provider:
 - a. Does not comply with the training required by Ark. Code Ann. § 14-234-805 and Section VII, below;
 - b. Fails to file with Arkansas Legislative Audit an audit report or agreed-upon procedures and compilation report required by Ark. Code Ann. § 14-234-120;
 - c. Fails to maintain unincumbered cash or cash equivalents in an amount equal to one-twelfth of the total expenses from the most recent fiscal year;
 - d. Fails to adopt budget before the beginning of a new fiscal year providing for sufficient revenues to meet or exceed anticipated expenses during that fiscal year;
 - e. Fails to make all required payments due to the United States Treasury – Internal Revenue Service, Arkansas Department of Finance and Admission, or Arkansas Department of Health;
 - f. Fails to make any bond, loan, or lease payment; or
 - g. Fails to comply with an administrative order of the US Environmental Protection Agency, Arkansas Department of Health or Arkansas Division of Environmental Quality concerning operation and maintenance of the system.
3. Providers determined to be in fiscal distress shall submit to the Department an improvement plan as required in Ark. Code Ann. § 14-234-802(k) detailing in writing the provider’s plan to resolve the violation or violations of rule or law or the provider’s plan to resolve its fiscal insufficiency that caused it to be considered in fiscal distress.
4. A provider will be determined by the Commission to no longer be in fiscal distress if:
 - a. The provider resolves the violation of rule or law that caused it to be considered in fiscal distress and obtains written verification from the Commission that the violation has been resolved; or
 - b. The provider implements a change of rates that is shown by the study to resolve the provider’s fiscal insufficiency.

VI. Miscellaneous

1. A provider seeking approval from the Commission under Ark. Code Ann. § 14-234-802(g) shall demonstrate its fiscal sustainability by submitting to the Commission a business plan demonstrating its technical, financial, and managerial capacity.
2. Pursuant to provisions relating to Commission intervention under the conditions provided for in Ark. Code Ann. § 14-234-804(d), upon request of a municipal provider or a customer or unserved customer of a municipal provider, the Department will assist in the resolution of the issue or issues if the party or parties involved demonstrate that all parties involved made a good faith effort to resolve the issue or issues.

- a. Such intervention may include without limitation negotiation or mediation with the party or parties involved.
- b. If the Department determines that a party is not acting in good faith, the Department may end its intervention.

VII. Training

1. The Advisory Training Board created under Ark. Code Ann. § 14-234-805 shall develop the training protocol for provider board members, including training protocol for rate studies performed under the guidelines of the American Water Works Association and the Water Environment Federation.
2. By December 31, 2022, a majority of the members of provider boards shall receive a minimum of eight hours of provider training.
3. If a change in membership of a provider board causes the provider board to have less than a majority of members who have undergone provider training, enough members of the provider board shall receive provider training within one year of the change in membership such that a majority of the board has received training.
4. Each provider board shall report the following information annually, by January 31, to the Department:
 - a. the names and contact information of each member on the provider board;
 - b. an identification of which members have obtained eight hours of provider training; and
 - c. an identification of which members have served on the board for more than ten (10) years and are exempt from the training requirement pursuant to Ark. Code Ann. § 14-234-805(a)(3).

APPENDIX C

WATER AND SEWER SYSTEM FINANCIAL ANALYSIS

City of Corning, AR
Water & Sewer Department
FY2025 Revenue & Expenses

Revenues	FY2025 (Jan-Oct 2025)	FY2025 Budget	FY2025 Year End Total (Estimated)	Est (Over)/Under Budget
<u>Water Department</u>				
Connection Fee	\$ 11,009.40	\$ 12,000.00	\$ 13,211.28	\$ (1,211.28)
EPA Collected	4,339.21	5,000.00	5,207.05	(207.05)
Installations	200.00	3,000.00	240.00	2,760.00
Interest Income	1,964.30	1,500.00	2,357.16	(857.16)
Misc Income	1,118.00	-	1,118.00	(1,118.00)
Penalties	16,383.96	20,000.00	19,660.75	339.25
Reconnect Fees	4,650.00	3,500.00	5,580.00	(2,080.00)
Refuse Collected	99,805.39	118,279.00	119,766.47	(1,487.47)
Reimbursement	43,448.88	500.00	43,448.88	(42,948.88)
Residential Refuse Collected	206,701.97	244,515.00	248,042.36	(3,527.36)
Sale of Materials	153.95	500.00	184.74	315.26
Sales Tax	70,000.51	85,000.00	84,000.61	999.39
Sales Tax Turnback Income	110,856.69	116,000.00	133,028.03	(17,028.03)
Service Charge	761.08	3,000.00	913.30	2,086.70
Transfer Fees	780.00	500.00	936.00	(436.00)
Water Income	436,916.30	530,000.00	524,299.56	5,700.44
Total Water Revenues:	\$ 1,009,089.64	\$ 1,143,294.00	\$ 1,201,994.19	\$ (58,700.19)
<u>Sewer Department</u>				
Sewer Income	134,498.75	160,000.00	161,398.50	(1,398.50)
Sewer Surcharge	157,529.27	188,000.00	189,035.12	(1,035.12)
Sewer Surcharge Penalty	3,057.68	3,000.00	3,669.22	(669.22)
Total Sewer Revenues:	\$ 295,085.70	\$ 351,000.00	\$ 354,102.84	\$ (3,102.84)
Total System Revenues:	\$ 1,304,175.34	\$ 1,494,294.00	\$ 1,556,097.03	\$ (61,803.03)

City of Corning, AR
 Water & Sewer Department
 FY2025 Revenue & Expenses

Expenses	FY2025 (Jan-Jul 2025)	FY2025 Budget	FY2025 Year End Total (Estimated)	Est (Over)/Under Budget
<u>Water Department</u>				
Advertisements	\$ 1,053.62	\$ 300.00	\$ 1,264.34	\$ (964.34)
APERS	29,103.94	33,000.00	34,924.73	(1,924.73)
Building Improvements	-	500.00	-	500.00
Building/Grounds Maintenance	2,005.07	5,000.00	2,406.08	2,593.92
Chemicals	-	500.00	-	500.00
Clerks Expense	268.79	500.00	322.55	177.45
Commercial Insurance	22,962.40	20,000.00	27,554.88	(7,554.88)
Contract Labor	2,400.00	5,000.00	2,880.00	2,120.00
County Water	84,062.00	100,000.00	100,874.40	(874.40)
Data Processing	8,693.44	12,000.00	10,432.13	1,567.87
Drug Testing/Doc Visits	104.42	100.00	125.30	(25.30)
Dues/Subscriptions	14,431.39	18,000.00	17,317.67	682.33
EPA Charge Paid	-	4,000.00	-	4,000.00
Equipment	619.31	200.00	743.17	(543.17)
Equipment - O&M	10,637.85	30,000.00	12,765.42	17,234.58
Fuel Expense	11,056.83	15,000.00	13,268.20	1,731.80
Hauling	1,000.00	-	1,200.00	(1,200.00)
Health Insurance	59,989.42	70,000.00	71,987.30	(1,987.30)
Legal & Accounting	15,500.00	20,000.00	18,600.00	1,400.00
Miscellaneous Expense	51.25	1,000.00	61.50	938.50
Mowing	1,320.00	2,000.00	1,584.00	416.00
Office Expense	12,293.49	2,000.00	14,752.19	(12,752.19)
Operation/Maintenance	26,720.33	25,000.00	32,064.40	(7,064.40)
Payroll Taxes	14,628.47	16,000.00	17,554.16	(1,554.16)
Petty Cash	-	200.00	-	200.00
Postage	-	4,000.00	-	4,000.00
Refuse Paid	99,663.49	119,000.00	119,596.19	(596.19)
Reimbursement	7,808.00	100.00	9,369.60	(9,269.60)
Residential Refuse Paid	206,762.39	245,000.00	248,114.87	(3,114.87)

City of Corning, AR
Water & Sewer Department
FY2025 Revenue & Expenses

Salaries	185,702.07	196,000.00	222,842.48	(26,842.48)
Salaries - Overtime	7,269.75	10,000.00	8,723.70	1,276.30
Sales Tax Expense	15,242.00	5,000.00	18,290.40	(13,290.40)
Shop Expense	324.00	500.00	388.80	111.20
Supplies	60.89	1,000.00	73.07	926.93
Telephone	5,169.32	9,500.00	6,203.18	3,296.82
Testing	5,184.00	5,000.00	6,220.80	(1,220.80)
Transfer to W-S Depreciation Fund	-	-	-	-
Transfer to WP Debt Reserve Fund	500.00	-	600.00	(600.00)
Transfer to WP Depreciation Fund	30,327.77	-	36,393.32	(36,393.32)
Travel/Training	1,557.28	2,000.00	1,868.74	131.26
Uniform Allowance	1,400.76	3,000.00	1,680.91	1,319.09
Utilities	26,716.87	25,000.00	32,060.24	(7,060.24)
Vehicle Expense	4,731.58	7,000.00	5,677.90	1,322.10
Water Reimbursement	-	100.00	-	100.00
Total Water Expenses:	\$ 917,322.19	\$ 1,012,500.00	\$ 1,100,786.63	\$ (88,286.63)

Sewer Department

Advertising	\$ -	\$ 1,000.00	\$ -	\$ 1,000.00
Chemicals	-	1,500.00	-	1,500.00
Commercial Insurance	4,019.70	3,000.00	4,823.64	(1,823.64)
Contract Labor	-	2,000.00	-	2,000.00
Equipment - O&M	53,353.30	9,000.00	64,023.96	(55,023.96)
Mowing	1,760.00	2,000.00	2,112.00	(112.00)
Operation/Maintenance	115,000.00	7,000.00	138,000.00	(131,000.00)
Reimbursement	77.37	-	92.84	(92.84)
Sewer Analysis	1,126.00	2,500.00	1,351.20	1,148.80
Sewer Project Debt Reserve	18,582.00	24,000.00	22,298.40	1,701.60
Sewer Short Lived Assets	66,000.00	72,000.00	79,200.00	(7,200.00)

City of Corning, AR
Water & Sewer Department
FY2025 Revenue & Expenses

Shop Expense	-	1,000.00	-	1,000.00
Supplies	-	500.00	-	500.00
Utilities	25,231.83	25,000.00	30,278.20	(5,278.20)
WW Collection Rehab (Interest)	5,286.83	-	6,344.20	(6,344.20)
	<hr/>			
Total Sewer Expenses:	\$ 290,437.03	\$ 150,500.00	\$ 348,524.44	\$ (198,024.44)
Total System Expenses:	\$ 1,207,759.22	\$ 1,163,000.00	\$ 1,449,311.06	\$ 106,785.97

Depreciation

W&S Depreciation	\$ 422,388.00	\$ 422,388.00	\$ 422,388.00	\$ -
	<hr/>			
Sub-total Depreciation Expense:	\$ 422,388.00	\$ 422,388.00	\$ 422,388.00	\$ -

Total Expenses: \$ 1,630,147.22 \$ 1,585,388.00 \$ 1,871,699.06 \$ (286,311.06)

Total Revenue less Expense:

	\$	\$	\$	\$
		(315,602.03)	\$	44,982.94
		Net Profit/(Loss):	\$	(270,619.10)
		Net Profit/Loss w/o Depreciation:	\$	106,785.97

City of Corning, AR
 Water & Sewer Department
 Assets & Long-Term Liabilities

Assets

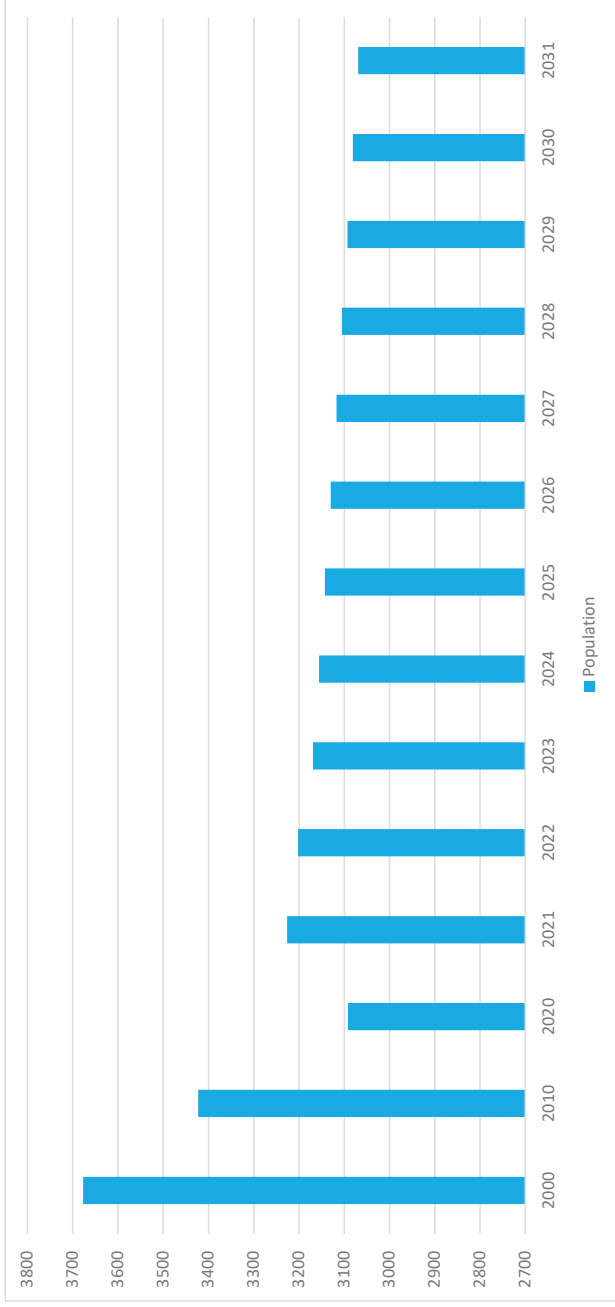
Account Type	Restricted	Non-Restricted	Current Balance (Oct-25)
W&S Depreciation Acct	X		\$ 1,586.34
Meter Deposit - CD	X		67,924.55
W&S O&M Fund		X	156,553.57
Water O&M - CD		X	212,109.80
W&S Reserve Acct	X		1,587.86
Sewer SLA - CD	X		111,478.61
W&S - CD		X	14,996.39
Water Debt Reserve	X		2,497.90
Water Depreciation Reserve	X		1,702.66
Total:	\$ 186,777.92	\$ 383,659.76	\$ 570,437.68

Long-Term Liabilities

Account Type	Annual Payment	Est Payoff Year
Industrial Fund Loan - Sewer	\$ 48,000.00	2026
USDA - 92-17 - Sewer	33,984.00	2027
ANRC - 02323-CW-L - Sewer	152,424.00	2047
USDA - 91-12 - Water	203,868.00	2050
Total:	438,276.00	

City of Corning, AR
Water & Sewer Department
Population Trends

	Estimated													
	2000	2010	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Population	3677	3423	3092	3226	3202	3169	3156	3143	3130	3117	3105	3093	3081	3069



Note:
Population estimates are based on average percent change per year extrapolated to the end of the study period

City of Corning, AR
Water & Sewer Department - Water
Estimated Revenues Per Rate Structure

<u>Existing Rate Structure (2025)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1487	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 590,633.29	
									Total Avg Rev:	\$ 590,633.29

<u>Existing Rate Structure (2026)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1481	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 588,250.50	
									Total Avg Rev:	\$ 588,250.50

<u>Existing Rate Structure (2027)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1475	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 585,867.72	
									Total Avg Rev:	\$ 585,867.72

<u>Existing Rate Structure (2028)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1469	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 583,484.93	
									Total Avg Rev:	\$ 583,484.93

City of Corning, AR
Water & Sewer Department - Water
Estimated Revenues Per Rate Structure

Existing Rate Structure (2029)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1463	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 581,102.14
Total Avg Rev: \$ 581,102.14									

Existing Rate Structure (2030)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1457	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 578,719.36
Total Avg Rev: \$ 578,719.36									

Existing Rate Structure (2031)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1451	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 576,336.57
Total Avg Rev: \$ 576,336.57									

City of Corning, AR
Water & Sewer Department - Water Department
Debt Service Coverage Ratio (DSCR)

5-Yr Projection of Revenue v. Expenses
(Based on Current Rate Structure)

Revenues	2025	2026	2027	2028	2029	2030	2031
Connection Fee	\$ 13,211.28	\$ 13,673.67	\$ 14,152.25	\$ 14,647.58	\$ 15,160.25	\$ 15,690.86	\$ 16,240.04
EPA Collected	5,207.05	5,389.30	5,577.92	5,773.15	5,975.21	6,184.34	6,400.80
Installations	240.00	248.40	257.09	266.09	275.41	285.04	295.02
Interest Income	2,357.16	2,439.66	2,525.05	2,613.43	2,704.90	2,799.57	2,897.55
Misc Income	1,118.00	1,157.13	1,197.63	1,239.55	1,282.93	1,327.83	1,374.31
Penalties	19,660.75	20,348.88	21,061.09	21,798.23	22,561.17	23,350.81	24,168.08
Reconnect Fees	5,580.00	5,775.30	5,977.44	6,186.65	6,403.18	6,627.29	6,859.24
Refuse Collected	119,766.47	123,958.29	128,296.83	132,787.22	137,434.78	142,244.99	147,223.57
Reimbursement	43,448.88	44,969.59	46,543.53	48,172.55	49,858.59	51,603.64	53,409.77
Residential Refuse Collected	248,042.36	256,723.85	265,709.18	275,009.00	284,634.32	294,596.52	304,907.40
Sale of Materials	184.74	191.21	197.90	204.82	211.99	219.41	227.09
Sales Tax	84,000.61	86,940.63	89,983.56	93,132.98	96,392.63	99,766.38	103,258.20
Sales Tax Turnback Income	133,028.03	137,684.01	142,502.95	147,490.55	152,652.72	157,995.57	163,525.41
Service Charge	913.30	945.26	978.35	1,012.59	1,048.03	1,084.71	1,122.67
Transfer Fees	936.00	968.76	1,002.67	1,037.76	1,074.08	1,111.67	1,150.58
Water Income	524,299.56	588,250.50	585,867.72	583,484.93	581,102.14	578,719.36	576,336.57
Water Depreciation Reserve (5%)	26,214.98	27,132.50	28,082.14	29,065.01	30,082.29	31,135.17	32,224.90
Total Revenues:	\$ 1,228,209.17	\$ 1,316,796.95	\$ 1,339,913.29	\$ 1,363,922.10	\$ 1,388,854.61	\$ 1,414,743.16	\$ 1,441,621.21

Expenses	2025	2026	2027	2028	2029	2030	2031
Water Department	\$ 1,100,786.63	\$ 1,083,424.16	\$ 1,121,344.01	\$ 1,160,591.05	\$ 1,201,211.73	\$ 1,243,254.14	\$ 1,286,768.04
Existing Loan Payments	203,868.00	203,868.00	203,868.00	203,868.00	203,868.00	203,868.00	203,868.00
Water Depreciation Reserve	-	27,132.50	28,082.14	29,065.01	30,082.29	31,135.17	32,224.90
Asset Management - Maintenance	-	54,000.00	55,890.00	57,846.50	59,870.00	84,466.00	64,134.50
Asset Management - Self-Funded	-	10,000.00	-	-	-	-	-
Asset Management - Bond-Funded	-	-	-	-	-	-	-
Total Expenses:	\$ 1,304,654.63	\$ 1,378,424.66	\$ 1,409,184.15	\$ 1,451,370.56	\$ 1,495,032.02	\$ 1,562,723.31	\$ 1,586,995.44

Revenue/Expense Ratio: 0.94 0.96 0.95 0.94 0.93 0.91 0.91

DSCR (Current Rates): 0.63 0.70 0.66 0.57 0.48 0.27 0.29

City of Corning, AR
Water & Sewer Department - Water
Estimated Revenues Per Rate Structure

<u>Existing Rate Structure (2025)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1487	100.00%	\$ 7.00	\$ 8.50	\$ 7.50	4,213	\$ 33.09	0%	\$ 590,633.29	
										Total Avg Rev: \$ 590,633.29

<u>Proposed Rate Structure (2026)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1481	100.00%	\$ 7.50	\$ 9.95	\$ 8.78	4,213	\$ 38.03	15%	\$ 675,988.34	
										Total Avg Rev: \$ 675,988.34

<u>Proposed Rate Structure (2027)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1475	100.00%	\$ 7.65	\$ 10.24	\$ 9.04	4,213	\$ 39.10	3%	\$ 692,119.94	
										Total Avg Rev: \$ 692,119.94

<u>Proposed Rate Structure (2028)</u>										
Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev	
Water	1469	100.00%	\$ 7.80	\$ 10.55	\$ 9.31	4,213	\$ 40.19	3%	\$ 708,582.50	
										Total Avg Rev: \$ 708,582.50

City of Corning, AR
Water & Sewer Department - Water
Estimated Revenues Per Rate Structure

Proposed Rate Structure (2029)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1463	100.00%	\$ 7.95	\$ 10.87	\$ 9.59	4,213	\$ 41.31	3%	\$ 725,384.56
									Total Avg Rev: \$ 725,384.56

Proposed Rate Structure (2030)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1457	100.00%	\$ 8.10	\$ 11.19	\$ 9.88	4,213	\$ 42.46	3%	\$ 742,534.85
									Total Avg Rev: \$ 742,534.85

Proposed Rate Structure (2031)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 1000-Gal - W)	Uniform Rate Next 2000-Gal -W (per 1000)	Uniform Rate Next 3000-Gal -W (per 1000)	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1451	100.00%	\$ 8.20	\$ 11.53	\$ 10.17	4,213	\$ 43.59	3%	\$ 759,171.56
									Total Avg Rev: \$ 759,171.56

City of Corning, AR
Water & Sewer Department - Water Department
Debt Service Coverage Ratio (DSCR)

5-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)

Revenues	2025	2026	2027	2028	2029	2030	2031
Connection Fee	\$ 13,211.28	\$ 13,673.67	\$ 14,152.25	\$ 14,647.58	\$ 15,160.25	\$ 15,690.86	\$ 16,240.04
EPA Collected	5,207.05	5,389.30	5,577.92	5,773.15	5,975.21	6,184.34	6,400.80
Installations	240.00	248.40	257.09	266.09	275.41	285.04	295.02
Interest Income	2,357.16	2,439.66	2,525.05	2,613.43	2,704.90	2,799.57	2,897.55
Misc Income	1,118.00	1,157.13	1,197.63	1,239.55	1,282.93	1,327.83	1,374.31
Penalties	19,660.75	20,348.88	21,061.09	21,798.23	22,561.17	23,350.81	24,168.08
Reconnect Fees	5,580.00	5,775.30	5,977.44	6,186.65	6,403.18	6,627.29	6,859.24
Refuse Collected	119,766.47	123,958.29	128,296.83	132,787.22	137,434.78	142,244.99	147,223.57
Reimbursement	43,448.88	44,969.59	46,543.53	48,172.55	49,858.59	51,603.64	53,409.77
Residential Refuse Collected	248,042.36	256,723.85	265,709.18	275,009.00	284,634.32	294,596.52	304,907.40
Sale of Materials	184.74	191.21	197.90	204.82	211.99	219.41	227.09
Sales Tax	84,000.61	86,940.63	89,983.56	93,132.98	96,392.63	99,766.38	103,258.20
Sales Tax Turnback Income	133,028.03	137,684.01	142,502.95	147,490.55	152,652.72	157,995.57	163,525.41
Service Charge	913.30	945.26	978.35	1,012.59	1,048.03	1,084.71	1,122.67
Transfer Fees	936.00	968.76	1,002.67	1,037.76	1,074.08	1,111.67	1,150.58
Water Income	524,299.56	675,988.34	692,119.94	708,582.50	725,384.56	742,534.85	759,171.56
Water Depreciation Reserve (5%)	26,214.98	33,799.42	34,606.00	35,429.12	36,269.23	37,126.74	37,958.58
Total Revenues:	\$ 1,228,209.17	\$ 1,411,201.70	\$ 1,452,689.37	\$ 1,495,383.78	\$ 1,539,323.96	\$ 1,584,550.23	\$ 1,630,189.88

Expenses	2025	2026	2027	2028	2029	2030	2031
Water Department	\$ 1,100,786.63	\$ 1,083,424.16	\$ 1,121,344.01	\$ 1,160,591.05	\$ 1,201,211.73	\$ 1,243,254.14	\$ 1,286,768.04
Existing Loan Payments	203,868.00	203,868.00	203,868.00	203,868.00	203,868.00	203,868.00	203,868.00
Water Depreciation Reserve	-	33,799.42	34,606.00	35,429.12	36,269.23	37,126.74	37,958.58
Asset Management - Maintenance	-	55,890.00	57,846.50	59,870.00	84,466.00	64,134.50	88,879.50
Asset Management - Self-Funded	-	10,000.00	-	-	-	10,000.00	-
Asset Management - Bond-Funded	-	-	-	-	-	-	-
Total Expenses:	\$ 1,304,654.63	\$ 1,386,981.58	\$ 1,417,664.50	\$ 1,459,758.17	\$ 1,525,814.96	\$ 1,558,383.39	\$ 1,617,474.12

Revenue/Expense Ratio: 0.94 1.02 1.02 1.02 1.01 1.02 1.01

DSCR (Current Rates): 0.63 1.12 1.17 1.17 1.07 1.13 1.06

City of Corning, AR
Water & Sewer Department - Sewer
Estimated Revenues Per Rate Structure

Existing Rate Structure (2025)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1347	100.00%	\$ 6.00	\$ 1.50	\$ 11.50	4,213	\$ 20.82	0%	\$ 336,521.49
Res/Com	1347								\$ 336,521.49
									Total Avg Rev: \$

Existing Rate Structure (2026)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1342	100.00%	\$ 6.00	\$ 1.50	\$ 11.50	4,213	\$ 20.82	0%	\$ 335,272.34
Res/Com	1342								\$ 335,272.34
									Total Avg Rev: \$

Existing Rate Structure (2027)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1337	100.00%	\$ 6.00	\$ 1.50	\$ 11.50	4,213	\$ 20.82	0%	\$ 334,023.19
Res/Com	1337								\$ 334,023.19
									Total Avg Rev: \$

Existing Rate Structure (2028)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1332	100.00%	\$ 6.00	\$ 1.50	\$ 11.50	4,213	\$ 20.82	0%	\$ 332,774.04
Res/Com	1332								\$ 332,774.04
									Total Avg Rev: \$

City of Corning, AR
Water & Sewer Department - Sewer
Estimated Revenues Per Rate Structure

Existing Rate Structure (2029)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1327	100.00%	6.00 \$	1.50 \$	11.50	4,213	20.82	0%	331,524.88
Res/Com									\$ 331,524.88
1327									Total Avg Rev: \$ 331,524.88

Existing Rate Structure (2030)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1322	100.00%	6.00 \$	1.50 \$	11.50	4,213	20.82	0%	330,275.73
Res/Com									\$ 330,275.73
1322									Total Avg Rev: \$ 330,275.73

Existing Rate Structure (2031)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1317	100.00%	6.00 \$	1.50 \$	11.50	4,213	20.82	0%	329,026.58
Res/Com									\$ 329,026.58
1317									Total Avg Rev: \$ 329,026.58

City of Corning, AR
Water & Sewer Department - Sewer Department
Debt Service Coverage Ratio (DSCR)

5-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure)

Revenues	2025	2026	2027	2028	2029	2030	2031
Sewer Income	\$ 161,398.50	\$ 150,076.34	\$ 149,517.19	\$ 148,958.04	\$ 148,398.88	\$ 147,839.73	\$ 147,280.58
Sewer Surcharge	189,035.12	185,196.00	184,506.00	183,816.00	183,126.00	182,436.00	181,746.00
Sewer Surcharge Penalty	3,669.22	3,680.00	3,690.00	3,700.00	3,710.00	3,720.00	3,730.00
Sewer Depreciation Reserve (5%)	-	7,503.82	7,475.86	7,447.90	7,419.94	7,391.99	7,364.03
Total Revenues:	\$ 354,102.84	\$ 346,456.16	\$ 345,189.05	\$ 343,921.94	\$ 342,654.83	\$ 341,387.72	\$ 340,120.61
Expenses	2025	2026	2027	2028	2029	2030	2031
Sewer Department	\$ 348,524.44	\$ 269,346.44	\$ 278,773.56	\$ 288,530.64	\$ 298,629.21	\$ 309,081.23	\$ 319,899.07
Existing Loan Payments	81,984.00	81,984.00	110,196.00	152,424.00	152,424.00	152,424.00	152,424.00
Sewer Depreciation Reserve	-	7,503.82	7,475.86	7,447.90	7,419.94	7,391.99	7,364.03
Asset Management - Maintenance	-	79,178.00	81,949.23	84,817.45	87,786.06	90,858.58	94,038.63
Asset Management - Self-Funded	-	-	-	-	-	-	10,000.00
Asset Management - Bond-Funded	-	-	-	-	-	-	-
Total Expenses:	\$ 430,508.44	\$ 438,012.25	\$ 478,394.65	\$ 533,219.99	\$ 546,259.22	\$ 559,755.79	\$ 583,725.73

Revenue/Expense Ratio: 0.82 0.79 0.72 0.64 0.63 0.61 0.58

DSCR (Current Rates): 0.07 -0.12 -0.21 -0.24 -0.34 -0.43 -0.60

City of Corning, AR
Water & Sewer Department - Sewer
Estimated Revenues Per Rate Structure

Existing Rate Structure (2025)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1347	100.00%	\$ 6.00	\$ 1.50	\$ 11.50	4,213	\$ 20.82	0%	\$ 336,521.49
									Total Avg Rev: \$ 336,521.49

Proposed Rate Structure (2026)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1342	100.00%	\$ 7.00	\$ 3.15	\$ 14.00	4,213	\$ 27.97	34%	\$ 450,433.91
									Total Avg Rev: \$ 450,433.91

Proposed Rate Structure (2027)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1337	100.00%	\$ 8.00	\$ 3.62	\$ 14.00	4,213	\$ 30.02	7%	\$ 481,574.45
									Total Avg Rev: \$ 481,574.45

Proposed Rate Structure (2028)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1332	100.00%	\$ 9.00	\$ 4.73	\$ 14.50	4,213	\$ 33.96	13%	\$ 542,827.77
									Total Avg Rev: \$ 542,827.77

City of Corning, AR
Water & Sewer Department - Sewer
Estimated Revenues Per Rate Structure

Proposed Rate Structure (2029)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1327	100.00%	\$ 10.00	\$ 5.20	14.50	4,213	\$ 36.01	6%	\$ 573,371.74
Total Avg Rev:									\$ 573,371.74

Proposed Rate Structure (2030)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1322	100.00%	\$ 10.50	\$ 5.36	14.50	4,213	\$ 36.85	2%	\$ 584,619.64
Total Avg Rev:									\$ 584,619.64

Proposed Rate Structure (2031)

Customer Type	# Customer (Average)	% of Total Customer Base	Base Rate (1st 2000-Gal - W)	Uniform Rate 1000-Gal -W (per 1000)	Surcharge	Avg Monthly Usage per Customer	Average Revenue	% Change from Previous Year	Avg Yearly Rev
Water	1317	100.00%	\$ 11.00	\$ 5.52	14.50	4,213	\$ 37.71	2%	\$ 595,929.77
Total Avg Rev:									\$ 595,929.77

City of Corning, AR
 Water & Sewer Department - Sewer Department
 Debt Service Coverage Ratio (DSCR)

5-Yr Projection of Revenue v. Expenses
 (Based on Proposed Rate Structure)

Revenues	2025	2026	2027	2028	2029	2030	2031
Sewer Income	\$ 161,398.50	\$ 224,977.91	\$ 256,958.45	\$ 311,059.77	\$ 342,473.74	\$ 354,591.64	\$ 366,771.77
Sewer Surcharge	189,035.12	225,456.00	224,616.00	231,768.00	230,898.00	230,028.00	229,158.00
Sewer Surcharge Penalty	3,669.22	3,680.00	3,690.00	3,700.00	3,710.00	3,720.00	3,730.00
Sewer Depreciation Reserve (5%)	-	11,248.90	12,847.92	15,552.99	17,123.69	17,729.58	18,338.59
Total Revenues:	\$ 354,102.84	\$ 465,362.81	\$ 498,112.37	\$ 562,080.76	\$ 594,205.43	\$ 606,069.22	\$ 617,998.36
Expenses	2025	2026	2027	2028	2029	2030	2031
Sewer Department	\$ 348,524.44	\$ 269,346.44	\$ 278,773.56	\$ 288,530.64	\$ 298,629.21	\$ 309,081.23	\$ 319,899.07
Existing Loan Payments	81,984.00	81,984.00	110,196.00	152,424.00	152,424.00	152,424.00	152,424.00
Sewer Depreciation Reserve	-	11,248.90	12,847.92	15,552.99	17,123.69	17,729.58	18,338.59
Asset Management - Maintenance	-	79,178.00	81,949.50	84,818.00	110,286.00	90,858.50	116,538.50
Asset Management - Self-Funded	-	-	-	-	-	-	-
Asset Management - Bond-Funded	-	-	-	-	-	-	-
Total Expenses:	\$ 430,508.44	\$ 441,757.33	\$ 483,766.98	\$ 541,325.62	\$ 578,462.90	\$ 570,093.31	\$ 607,200.16

Revenue/Expense Ratio:

0.82 1.05 1.03 1.04 1.03 1.06 1.02

DSCR (Current Rates):

0.07 1.29 1.13 1.14 1.10 1.24 1.07

City of Corning, AR
Water & Sewer Department
Median Affordability

City of Corning Median Household Income (MHI)

2021 MHI	2022 MHI	2023 MHI	3-Yr MHI Average
\$ 33,068.00	\$ 41,607.00	\$ 44,197.00	\$ 39,624.00

Clay County Median Household Income (MHI)

2021 MHI	2022 MHI	2023 MHI	3-Yr MHI Average
\$ 39,817.00	\$ 44,685.00	\$ 48,500.00	\$ 44,334.00

Arkansas Median Household Income

2021 MHI	2022 MHI	2023 MHI	3-Yr MHI Average
\$ 52,123.00	\$ 56,335.00	\$ 58,773.00	\$ 55,743.67

Calculation: Median Affordability as a Percentage of MHI

$[(4000\text{-Gal Water Bill} \times 12\text{-Mo}) / \text{MHI}] \times (100)$

Corning - Water \$ 31.50 Current Rate
Corning - Sewer \$ 20.50 Structure

Result: If < 1.25 => Non-Disadvantaged Community, If 1.25 or > => Disadvantaged Community (For Communities with LMI 51% or >)
Corning LMI = 48.40%

Clay County LMI = 44.70% (1.5 or > for Communities with LMI < 51%)

Median Affordability as a Percentage of MHI (Current Rate Structure & Yearly Increase)

	Current MHI %	2026 MHI %	2027 MHI %	2028 MHI %	2029 MHI %	2030 MHI %	2031 MHI %
Corning - Water	0.95	1.10	1.13	1.16	1.19	1.22	1.25
Corning - Sewer	0.62	0.83	0.89	1.00	1.06	1.08	1.11

Note:

MHI Data Source: Arkansas Economic Development Institute (arstatedatacenter.youraedi.com)

APPENDIX D

ASSET MANAGEMENT PLAN

City of Corning, AR
Water System
Asset Management Plan

Water Treatment / Storage Facilities						
Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Water Treatment Plant & Shop						
1972/1985	50	Unk	\$ 15,500.00	\$ 3,000,000.00	2053 Based on Existing Conditions	The City of Corning would not be able to produce safe drinking water within the distribution system
Wynn Park 100k-Gal Storage Tank						
Unk	50	2009	\$ 500.00	\$ 1,150,000.00	2059 Based on Existing Conditions	The City of Corning would not be able to provide fire protection or maintain minimum pressures within the distribution system
WTP 250k-Gal Storage Tank						
1990	50	2009	\$ 500.00	\$ 2,875,000.00	2059 Based on Existing Conditions	The City of Corning would not be able to provide fire protection or maintain minimum pressures within the distribution system
Lee Drive 400k-Gal Water Storage Tank						
1990	50	2009	\$ 500.00	\$ 4,025,000.00	2059 Based on Existing Conditions	The City of Corning would not be able to provide fire protection or maintain minimum pressures within the distribution system
5-Yr Capital Improvement Needs						
Description of Need			Date	Cost	Method of Financing	
Inspections of Water Storage Tanks			2026 & 2031	\$ 10,000.00	Self-Funded	

City of Corning, AR
Water System
Asset Management Plan

Water Distribution Facilities						
Asset	Service Date	Useful Life (Yrs)	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Water Mains	Unk	75	\$ 21,000.00	\$ 6,000,000.00	2040's Based on Existing Conditions	Inability to provide safe drinking water or provide fire protection to the system area
Water Meters	Various	20	\$ 5,000.00	\$ 850,000.00	As Needed	Inability to accurately meter water usage to generate revenue for the system
5-Yr Capital Improvement Needs						
Description of Need			Date	Cost	Method of Financing	
None			TBD	TBD	TBD	

City of Corning, AR
Water System
Asset Management Plan

Water - Heavy Equipment							
Asset	Service Date	Useful Life (Yrs)	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure	
2002 Chevy Silverado	2019	10	\$ 2,000.00	\$ 45,000.00	2029	Increased cost to maintain facilities and down time	
2008 Chevy Silverado	2021	10	\$ 2,000.00	\$ 45,000.00	2031	Increased cost to maintain facilities and down time	
2009 Ford F-150	2022	10	\$ 1,500.00	\$ 45,000.00	2032	Increased cost to maintain facilities and down time	
2013 Ford F-150	2023	10	\$ 1,000.00	\$ 45,000.00	2033	Increased cost to maintain facilities and down time	
2013 Ford F-150	2023	10	\$ 1,000.00	\$ 45,000.00	2033	Increased cost to maintain facilities and down time	
1994 Ford Flatbed	Unk	30	\$ 2,500.00	\$ 50,000.00	TBD	Increased cost to maintain facilities and down time	
1996 Int Dumptruck	Unk	30	\$ 4,000.00	\$ 75,000.00	TBD	Increased cost to maintain facilities and down time	
2001 Case Backhoe	Unk	30	\$ 5,000.00	\$ 125,000.00	TBD	Increased cost to maintain facilities and down time	
2011 Net Retco Flatbead	Unk	30	\$ 2,000.00	\$ 75,000.00	TBD	Increased cost to maintain facilities and down time	
6" 40Hp Pump	Unk	20	\$ 500.00	\$ 150,000.00	TBD	Increased cost to maintain facilities and down time	
8" 70Hp Pump	Unk	20	\$ 500.00	\$ 175,000.00	TBD	Increased cost to maintain facilities and down time	
5-Yr Capital Improvement Needs							
Description of Need		Date	Cost	Method of Financing			
Replace 2002 Chevy Silverado		2029	\$ 22,500.00	Self-funded (1/2 Water / 1/2 Sewer)			
Replace 2008 Chevy Silverado		2031	\$ 22,500.00	Self-funded (1/2 Water / 1/2 Sewer)			

City of Corning, AR
Sewer System
Asset Management Plan

WW Treatment Facility						
Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
1940's	75	Unk	\$ 500.00	\$ 2,000,000.00	TBD Based on Existing Conditions	Biological, health and human safety hazards by releasing untreated wastewater directly into the environment. Non-compliance with NPDES Permt
5-Yr Capital Improvement Needs						
Description of Need			Date	Cost	Method of Financing	
None			TBD	TBD	TBD	

City of Corning, AR
Sewer System
Asset Management Plan

Pumping Facilities						
Service Date	Useful Life (Yrs)	Last Major Upgrade	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Pump Stations 1 - 16						
Various	50	2020's	\$ 5,000.00	\$ 1,600,000.00	TBD	Biological, health and human safety hazards by releasing untreated wastewater directly into the environment. Non-compliance with NPDES Permt
5-Yr Capital Improvement Needs						
Description of Need			Date	Cost	Method of Financing	
None			TBD	TBD	TBD	

City of Corning, AR
Sewer System
Asset Management Plan

Wastewater Collection Facilities						
Asset	Service Date	Useful Life (Yrs)	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure
Sewer Mains	1940's	100	\$ 50,000.00	\$ 15,000,000.00	TBD	Biological, health and human safety hazards by releasing untreated wastewater directly into the environment. Non-compliance with NPDES Permit
Manholes	1940's	100	\$ 10,000.00	\$ 3,000,000.00	TBD	Biological, health and human safety hazards by releasing untreated wastewater directly into the environment. Non-compliance with NPDES Permit
5-Yr Capital Improvement Needs						
Description of Need			Date	Cost	Method of Financing	
WW Collection Rehab Phase III			2027	\$ 2,000,000.00	DRA - Grant	

City of Corning, AR
Sewer System
Asset Management Plan

Sewer - Heavy Equipment							
Asset	Service Date	Useful Life (Yrs)	Annual Maintenance	Estimated Replacement Cost	Estimated Replacement Date	Consequence of Failure	
2002 Chevy Silverado	2019	10	\$ 2,000.00	\$ 45,000.00	2029	Increased cost to maintain facilities and down time	
2008 Chevy Silverado	2021	10	\$ 2,000.00	\$ 45,000.00	2031	Increased cost to maintain facilities and down time	
2009 Ford F-150	2022	10	\$ 1,500.00	\$ 45,000.00	2032	Increased cost to maintain facilities and down time	
2013 Ford F-150	2023	10	\$ 1,000.00	\$ 45,000.00	2033	Increased cost to maintain facilities and down time	
2013 Ford F-150	2023	10	\$ 1,000.00	\$ 45,000.00	2033	Increased cost to maintain facilities and down time	
1994 Ford Flatbed	Unk	30	\$ 2,500.00	\$ 50,000.00	TBD	Increased cost to maintain facilities and down time	
1996 Int Dumptruck	Unk	30	\$ 4,000.00	\$ 75,000.00	TBD	Increased cost to maintain facilities and down time	
2001 Case Backhoe	Unk	30	\$ 5,000.00	\$ 125,000.00	TBD	Increased cost to maintain facilities and down time	
2011 Net Retco Flatbead	Unk	30	\$ 2,000.00	\$ 75,000.00	TBD	Increased cost to maintain facilities and down time	
6" 40Hp Pump	Unk	20	\$ 500.00	\$ 150,000.00	TBD	Increased cost to maintain facilities and down time	
8" 70Hp Pump	Unk	20	\$ 500.00	\$ 175,000.00	TBD	Increased cost to maintain facilities and down time	
5-Yr Capital Improvement Needs							
Description of Need				Date	Cost	Method of Financing	
Replace 2002 Chevy Silverado				2029	\$ 22,500.00	Self-funded (1/2 Water / 1/2 Sewer)	
Replace 2008 Chevy Silverado				2031	\$ 22,500.00	Self-funded (1/2 Water / 1/2 Sewer)	