



District Refunds Water Revenue Bonds; Savings Exceeds \$1 Million

In a special meeting on July 28th, Beaver Water District's Board of Directors unanimously voted to pass a resolution to refinance the District's outstanding Series 2003 Water Revenue Bonds. The refunding of the \$49,010,000 Series 2003 Water Revenue Bonds was initially expected to be no cost/no benefit, yet produced a savings of more than \$1 million. The 2010 bonds will fully mature in 2022.

"While this will lengthen the life of the bond issue by four years, the savings over the life of the Series 2010 will be in excess of \$1 million," said David Short of Bentonville, President of the Beaver Water District's board. "There's no question that this is a very wise move to make, and we commend Crews & Associates and Bob Wright for working hard to come up with a creative way for us to manage this debt. We not only will save money in the long-term; we also will have more operating funds at our disposal on a day-to-day basis since there's no longer a requirement for a reserve fund.

"The District was seeking to reduce its annual bond payments to improve cash flow, and this helps us keep rate increases to a minimum," Short added. "It's similar to refinancing a home. What we've done is refinanced the remaining balance of the outstanding bonds, extended the length of the bonds by four years to 2022, and taken advantage of lower interest rates in the current bond market."

The refunding means annual bond payments will be reduced by approximately \$2.6 million, explained Alan D. Fortenberry P.E., CEO of the District.



"While this refunding will lengthen the life of the bond issue by four years, the savings over the life of the Series 2010 will be in excess of 1 million."

David Short, President, Beaver Water District Board of Directors

"What that means is that over the life of the bonds — lowering interest rates from 4.99 percent currently to 2.87 percent, more favorable bond terms, and no debt service reserve requirement — the total

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savings to the District will be in excess of \$1.1 million," he said.

It's interesting to note that the District recently received a very high bond rating from the S&P in New York. The higher bond rating is partly due to the District's strong cash reserve position, long term financial planning, asset management plan, historical growth of the District and region, and overall strength of the District's customer cities.

"The AA+ rating from S&P allowed the District to market the bonds without purchasing bond insurance, and improved the demand for the bonds in the market," said Bob Wright, Senior Managing Director for Crews & Associates. "While the bond refinancing could have proceeded without the change in the rating, the costs to the District - such as bond insurance and higher interest rates — would have reduced the savings over the life of the issue."

The original bonds were issued in April 2003 in the amount of \$57,390,000.

That bond issue was for 15 years, with a final maturity scheduled for 2018. The original bond issue helped finance the 2002 Expansion Project whereby the District expanded its treatment capacity from 80 to 140 million gallons a day. The balance of the approximately \$104 million project was financed with cash from the District's Expansion Reserve Fund.

Beaver Water District, with offices near Lowell, supplies drinking water to more than 250,000 people and industries in Fayetteville, Springdale, Rogers, Bentonville and surrounding areas. These cities then resell the water to surrounding towns and communities. The District's mission is to serve customers in the Benton and Washington County area by providing high quality drinking water that meets or exceeds all federal and state regulatory requirements in such quantities as meets their demands and is economically priced consistent with our quality standards. For more information, visit www.bwdh2o.org

Beaver Water District Receives Three Awards

Associated Builders and Contractors (ABC) of Arkansas announced on April 24th that Crossland Heavy Contractors' work on Beaver Water District's Joe M. Steele Water Treatment Plant Improvements earned first place in the Infrastructure Heavy category of ABC's Excellence in Construction awards.

In addition, Oil Capital Electric took top honors for its work in the electrical industrial, \$4 million to \$6 million category, also on the Steele Water Treatment Plant. The architect/engineer for the project was Montgomery Watson Harza of Broomfield, Colo., with local consultant McGoodwin, Williams and Yates of Fayetteville serving on the design team.

In other news, the Arkansas Irrigation



Association presented Beaver Water District with the 2010 Stewardship Award for Excellence in Water Management at its June 14 meeting.

The Value of Water - Part 3

"High quality water is more than the dream of the conservationists, more than a political slogan; high quality water, in the right quantity at the right place at the right time, is essential to health, recreation, and economic growth."

- Edmund S. Muskie, U.S. Senator

In the first article in this series, we discussed the health impacts of a safe, reliable water supply. These benefits, to borrow a phrase from a popular commercial, are "priceless." The second article focused on the economic benefits to the Northwest Arkansas region provided by an adequate water supply. All of the

citizens of the region benefit in some way from the growth and development in the area which could not have occurred without our water supply. In this final article, we will examine the actual cost of water, what goes into those costs, and compare the cost of water with other typical family expenses.

Read Dates	Days	Previous	Current	Consumption
7/21/10 8/23/10	33	138500	142200	3700

Current Bill:

WATER	10.17
WATER TAX	.94
SEWER	9.42
SOLIDWASTE	13.35
WTR SVC CH	4.50
SWR SVC CH	12.80
SAFE WATER	.30
SWASTE TAX	1.24

Total Current: 52.72

BILLING DATE: 8/31/10

Please Remit To:

CITY OF FAYETTEVILLE
113 WEST MOUNTAIN
FAYETTEVILLE, ARKANSAS 72701

Above is a bill from a residence in Fayetteville, which used 3700 gallons of water from July 21 through Aug. 23. The total monthly "drinking" water or tap water charge is \$15.91. To arrive at that figure, you add up the following items WATER, WATER TAX, WTR SVC CH, and SAFE WATER.

The other charges are for wastewater (\$22.22) and solid waste service \$(14.59).

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If you asked the average "man on the street" what is his monthly water bill, a typical response might be somewhere in the range of \$50 to \$75. The residential customers of Beaver Water District's wholesale customer cities (Fayetteville, Springdale, Rogers, and Bentonville) receive "water" bills from their respective municipal utilities, bills which may also include charges for wastewater and solid waste disposal. In Northwest Arkansas, it is not unusual for the wastewater charges to be greater than the potable water costs. When the wastewater and solid waste disposal charges are subtracted from the total bill, the drinking water portion drops to between \$15 and \$30. From a recent survey of the four cities, the average residential water bill is approximately \$19. Obviously, those homeowners with larger families, extensive landscapes, or other large water demands, such as swimming pools, may have larger monthly bills, particularly in the summer months. However, for the purposes of this analysis, we will focus on the average residential user. So, what exactly makes up the cost components of the water delivered to your home?

First of all, based on Beaver Water District's current wholesale rate of \$1.22 per 1,000 gallons of ready-to-drink water, the portion of the average residential bill related to the cost of making that water safe to drink would be approximately \$7 per month. BWD costs include the actual costs of treating the water (chemicals, personnel, power costs for pumping, etc.), payment to the U.S. Army Corps of Engineers for the storage rights in Beaver Lake, debt payments on the financing of the expansion of the treatment facilities, and funding of reserves for replacing aging infrastructure and financing future capital needs. The balance of the monthly residential water bill (about \$12) reflects costs

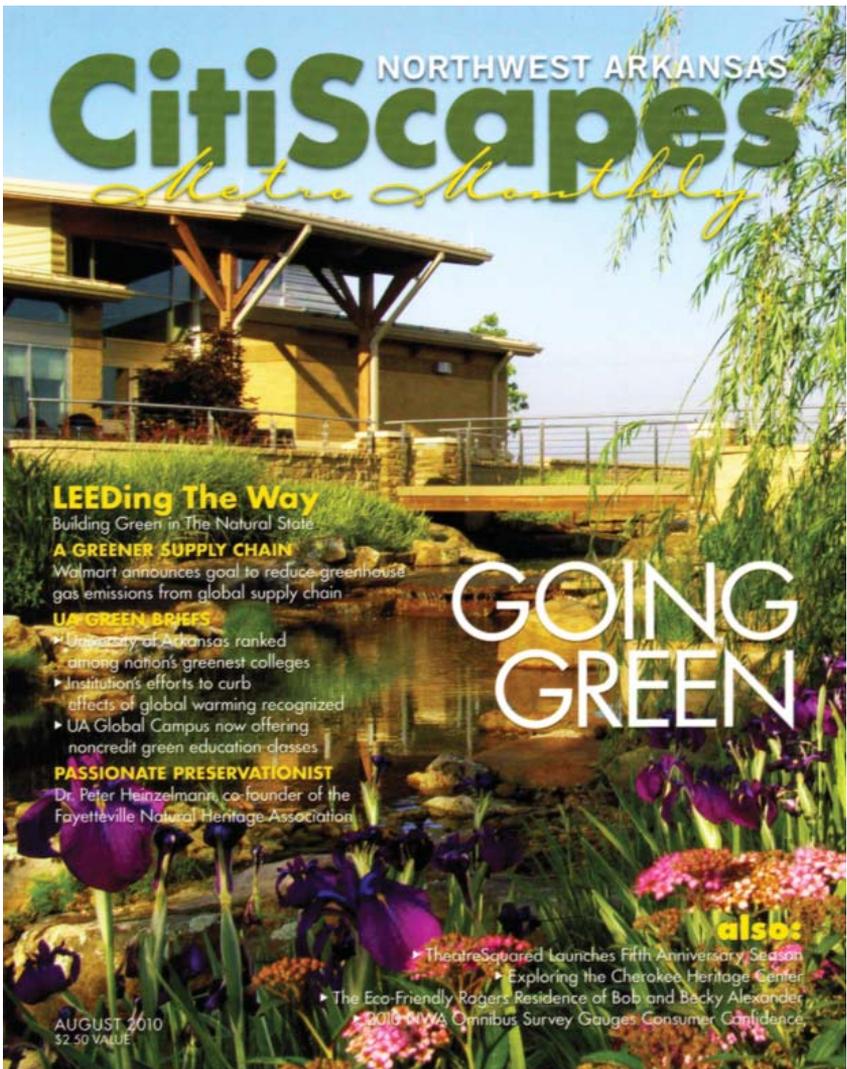
incurred by the local water utility (your city, for example) to transmit the water from BWD to their respective water systems, and then distribute the water to individual customers. These costs include the capital costs of installing pipes, storage tanks, valves, fire hydrants and meters, along with the operational costs of personnel for maintaining the system, reading meters, collecting water bills and other associated utility costs. Now that the various components of a typical residential water bill have been examined, how does the cost of water compare with other typical family expenses in Northwest Arkansas?

The cost of water on a volume basis (i.e. by the gallon) is frequently compared with other liquids purchased by a typical family. Obviously, gasoline at \$2.50 to \$3.00 per gallon is significantly more expensive than water at a fraction of a penny per gallon; however, the typical American family does not buy several thousand gallons of gasoline per month while they do purchase that much water. Therefore, a better comparison may be the average monthly cost of water versus other monthly bills. Recent statistics from the wireless communications industry show that 91% of the U.S. population owns a cell phone! Over 74% of the population subscribes to an internet service, and approximately 60% pays for cable television. Monthly bills for these services range from \$25 to \$100 (or more) per month, with the average cell phone bill now at \$73/month. Despite the very effective marketing that has convinced consumers that these services are a "must," the fact is that we do not have to have these services. In fact, anyone over the age of 40 can remember not having any of them. Since the majority of American families now have all three, the typical family budget

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District LEEDer in Design:

Beaver Water District's Administration Center was featured on the cover of the August 2010 "Going Green" issue of CitiScapes, a regional metro monthly magazine headquartered in Fayetteville. The District was one of a handful of projects recognized in the article and the only LEED Gold certified building featured. In addition, District staff provided an interview and walk-around tour of the Administration Center's environmental features and green building practices for an Ozarks at Large radio feature on the KUAF NPR affiliate during August.



Water Board Authorizes Rate Increase

On May 20, the Beaver Water District's board of directors held its monthly board meeting at the Administration Center at Beaver Water District, 101 N. Primrose Road, Lowell, Ark. The Board of Directors approved the following motions:

- To adopt the 2010 Revised Financial Plan;
- To authorize management to begin negotiations to refinance the 2003 Series bonds; and
- To approve a 2 cent increase per 1000 gallons of water to be implemented in 2011.

The board also discussed when to implement the increase and agreed the increase should be put into place at the beginning of the District's fiscal year, which is Oct. 1, 2010. This is the second year in a row that the District has cut its operating and management budget, which helps to offset the amount of the rate increase that's needed to continue to operate efficiently.

said Bill Watkins of Rogers, one of three elected board members from Benton County who serves as Vice President. "It makes sense to raise rates a little at a time rather than continuing to defer increases. It's also wise to do this based on the District's fiscal year."

Chris Weiser of Springdale, one of three elected board members from Washington County, agreed. "It's better to raise rates a little at a time. I know that from experience from my service on the Springdale Water & Sewer Commission. People are more receptive to small increases on a year-to-year basis than on one big increase every few years."

In other news, on July 15th, the Board approved the fiscal year 2011 compensation budget and on Aug. 19th, the Board approved the 2011 Operations and Maintenance budget of approximately \$10 million.

Beaver Water District, the oldest regional water district in the state of Arkansas, is celebrating its 50th anniversary this year. The population of Northwest Arkansas has grown significantly during that time. For example, in 1960 there were fewer than 100,000 people living in Washington and Benton counties. Today, there are more than 400,000. Much of that growth has occurred within the boundaries of Fayetteville, Springdale, Rogers, and Bentonville. In 1973, the average demand for water from the four cities was about 15 million gallons per day (mgd). Today, demand is more than 42 mgd on an average day and can surpass 76 mgd in the summer months.



"It makes sense to raise rates a little at a time rather than continuing to defer increases. It's also wise to do this based on the District's fiscal year."

Bill Watkins, Vice President, Beaver Water District Board of Directors

"This is in line with the level of increase that was recommended previously and that was deferred last year,"

District Staff Grapple with "the Perfect Storm"



Jon Rogers (L), Electrical Department Supervisor, and Dave Johnson (R), Electrician, close in a knife switch on the Overhead Lake Line in Switching Station 1.

The week of Aug. 9th brought with it a myriad of problems. The perfect storm started with birds and possums. Birds and possums don't mix well with electrical substations and switching stations, and they also complicate the use of back-up diesel generators. Before it was all over, power was out for a few hours at Beaver Water District. But you'd never know it. That's because service to retail customers was not disrupted.

"No one ever knew we were knocked off line. We kept the drinking water flowing to the cities," said Stacy Cheevers, Plant Manager for Beaver Water District. "However, we did notify Bentonville and Rogers to have them pump their ground tanks. All that's to say we are prepared to deal with this sort of interruption. And our customer cities always work well with us during these types of emergencies.

We've had lots of practice in the past few years, not only with critters wandering into places they shouldn't go, but also with the ice storms we've had."

In addition to a highly trained staff that is well prepared to deal with emergencies, the District's plant site incorporates a lot of built-in redundancy, he said. The redundant systems went into place after 1985, when an electrical fire led to rationing of water to customers. While service was restored in record time, the management and the Board of Directors for the District decided it was time to make some changes. Electrical systems were upgraded and the design for a back-up diesel generator system began.

"The design of the equipment makes a big difference," Cheevers said. "By 2000, we had added three 2 megawatt

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has increased by \$100 to \$200 (or more) per month for these luxury items. While these industries do provide services in the area of communications, entertainment, and education, they nevertheless are not a necessity (despite what your kids may think). An adequate supply of safe drinking water is however a necessity.

Water industries across the United States are faced with significant infrastructure needs in the coming decades as systems built 50 to 100 years ago reach

the end of their economic life. The estimated replacement cost for these aging assets is staggering. In the face of these budget pressures, many utilities will be addressing the issue of the true value of water with their customers. As the discussion on this issue begins to occupy a more prominent position in the national dialogue, we hope that this series will be of benefit to you as you frame your response to the question: "What is the real value of water?"

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The District supplies drinking water to more than 250,000 people and industries in the four cities, which in turn sell water to towns and communities in the surrounding areas. The District's mission is to serve our customers in the Benton and Washington County area by providing high quality drinking water that meets or exceeds all federal and state regulatory requirements in such quantities as meets their demands and is economically priced consistent with our quality standards.

Beaver Water District is governed by a six-member elected Board of Directors, with three members from Washington County and three from Benton County. Board members serve six-year terms, staggered by two years in each county. The District's Board meets the third Thursday of each month at noon. For more information about Beaver Water District, visit www.bwdh2o.org.

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generators and an underground feed in addition to the overhead line to the raw water intake, so we could increase reliability and insure the water would keep flowing in times of stress," Cheevers said. "Then, in 2004 Carroll Electric Cooperative built a dedicated electrical substation for Beaver Water District on the corner of District property."

More improvements followed, with a second underground electrical feed and a new raw water intake and an additional

water line in 2005, reconfigured generators in 2006, and a second 69 kilovolt line added to the Beaver substation in 2008, which completed the loop.

"We have very reliable system now," he added. "It's also complicated and takes a high skill level to operate and maintain. Our staff enjoys the challenge and we provide them with the training and practice to meet any challenge that comes our way, so that no matter what, we are prepared to stay up and running."