

Introduction



Little Rock
Wastewater

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How to Make the Most of this Document

This budget book is intended to provide a clear, understandable financial plan that can be used by the rate paying residents of Little Rock Wastewater. Inside is a guide for the operating activities for Fiscal Year 2012 (January 1, 2012 to December 31, 2012) as well as a cash flow summary of all capital improvement projects, broken down as follows:

Introduction:	a message from the CEO
Community & Utility Profile:	a summary of Little Rock Wastewater's service area and system
Strategic Plan:	a summary of Little Rock Wastewater's guiding plans
Financial Policies:	a summary of Little Rock Wastewater's financial policies
Financial Plan:	a fiscal year 2012 budget overview
Capital Improvements:	a summary and project-by-project description of all design, planning, and construction projects intended to create, maintain, or improve LRW assets
Operating Budget Detail:	an explicit presentation of each departments FY 2012 budget, major accomplishments from the previous fiscal year, objectives FY 2012, and quantifiable performance measures to ensure these goals and objectives are being met
Statistical:	a ten year summary of selected financial data

For any additional information about Little Rock Wastewater you may contact us at (501) 688-1449 or:

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Little Rock, Arkansas 72214

Or visit us on the World Wide Web at www.lrwu.com.

November 29, 2011

To Little Rock Sanitary Sewer Committee
 Little Rock City Board of Directors, and
 Little Rock Wastewater Customers

Submitted for your approval is the Fiscal Year 2012 Wastewater combined operating and capital budget plus debt service total \$62.1 million. The details of this budget have been presented to you for your input, review, and guidance over a series of utility and sub-committee workshops held over the past several months. The detailed operating and capital budgets are contained in this submittal. I will address some of the major impacts on the revenue, operating, and capital budgets in the following paragraphs and charts.

LRW is requesting a 20% rate increase in 2012 in order to issue new debt for sewer improvements and maintain current operations. It is the hope of LWU that the Little Rock Board of Directors will pass this increase by April 1.

FY 2012 will show a significant increase in operating expenses in order to maintain the sewer system. Detailed explanation for each category can be found in the Financial Plan section. Major impacts on the operating budget compared to 2010 Projected Expense are summarized in the following table:

**Operating and Maintenance Budget FY 2012
 Major Changes from Projected FY 2011**

Description	\$ +/-	Cumulative % Increase / Decrease
Projected 2011 Operating Expense	\$21,410,331	
Budgeted FY2012		
+ Increase in Salaries	507,584	4.89%
+ Increase in Benefits	594,161	17.37%
+ Increase in Supplies	107,370	4.94%
+ Increase in Contract Services	355,755	14.29%
- Decrease in Vehicle Expense	(85,262)	(19.25%)
+ Increase in Utilities	578,649	36.28%
+ Increase in Training and Administration	210,735	27.16%
+ Increase in Other Accounts	41,387	30.10%
Net Change to FY 2012	2,310,379	10.79%
Total FY 2012 Operating and Maintenance Budget	\$23,720,710	

The capital budget for FY 2012 is \$11.6 million with the expenditures associated with improvements to the wastewater collection, transmission, and treatment driven by the System Evaluation and Capacity Assurance Plan (SECAP). LRW has plans to issue a 2012 Sewer Revenue Bond in the amount of \$35.9 million.

Future Planning:

LRW is still on track to meet the provision set in the Consent Administrative Order (CAO) and Sierra Club Settlement Agreement. The seven-year plan contained in the 2012 budget represents the capital expenditures required to meet the goals of the SECAP plan from both the study completed in 2002 and the updated study performed in 2010 by December 31, 2018.

The SECAP plan along with the SECAP update identified over \$400 million in construction projects to meet the goals of the CAO. Of that amount \$200 million is forecasted over the next 5 years to complete the capital requirements for the CAO and the lawsuit in eliminating capacity sanitary sewer overflows (SSO's) for the designated design storm events.

The Little Rock Sanitary Sewer Committee and Little Rock Wastewater staff will continue to work with City of Little Rock Board of Directors and customers on the best course of action to complete these projects and maintain LRW's existing facilities. LRW is anticipating rate increases of 20% in 2012, 4% in 2013, 3% in 2014, 13.5% in 2015, and 12% in 2016 to complete the five-year plan, meet bond debt service coverage for issuing bonds and maintain the needed cash flow for the operating and capital budget.

In order for LRW to continue on the arranged timetable for construction projects, there are six projected state revolving loans or bond issues included in the five-year capital outlook:

1. A Revenue bond issue in 2012 to cover the construction cost for the Cantrell Road Pump Station, Cantrell Road Force Main and Land Purchase/Design of Rock Creek, Adams Field, and Mabelvale Pike Storage Structures, Fourche Plant Upgrades, and Pipe Maintenance. The estimated construction improvements are estimated at \$35,886,000, that also includes debt service requirements, and bond expense.
2. A State Revolving Loan Fund issue in 2013 to cover the cost of Collection System Rehabilitation – Phase Seven. The cost of this improvement is estimated at \$37,211,000 for construction costs, debt service requirements, and bond expense.
3. A Revenue bond issue in 2015 to cover the construction cost for the Adams Field and Mabelvale Pike Inline Storage Facilities. The estimated

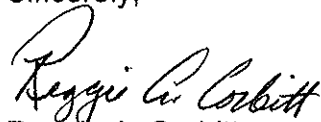
construction improvements are estimated at \$80,400,000, that also includes debt service requirements, and bond expense.

4. A State Revolving Loan Fund issue in 2015 to cover the cost of Collection System Rehabilitation – Phase Eight. The estimated construction improvements are estimated at \$34,192,000 that also includes debt service requirements, and bond expense.
5. A Revenue bond issue in 2016 to cover the construction cost for the Jamison Road Pump Station Upgrade, Fourche Creek Upgrade, Phase III, and Cantrell Road Inline Storage Structure. The estimated construction improvements are estimated at \$50,380,000, that also includes debt service requirements, and bond expense.
6. A State Revolving Loan Fund issue in 2016 to cover the cost of Collection System Rehabilitation – Phase Nine. The estimated construction improvements are estimated at \$56,363,300 that also includes debt service requirements, and bond expense.

It is imperative that both LRSSC and members of LRW continue to work on passing the proposed rate increase while also finding ways to reduce costs, use new technology or advanced processes to meet the needs of both the residential and business users of the Little Rock Wastewater System while maintaining cost as best as possible.

In summary, approving the FY 2012 budget will allow LRW to continue operations in meeting the wastewater needs of the community while working with city leaders in preparing for future requirements. The proposed budget is balanced and consistent with LRSSC's adopted strategic plan and financial policies. It provides for adequate funding to meet the LRW's goals and objectives.

Sincerely,



Reggie A. Corbitt
Chief Executive Officer



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**Little Rock Wastewater
Arkansas**

For the Fiscal Year Beginning

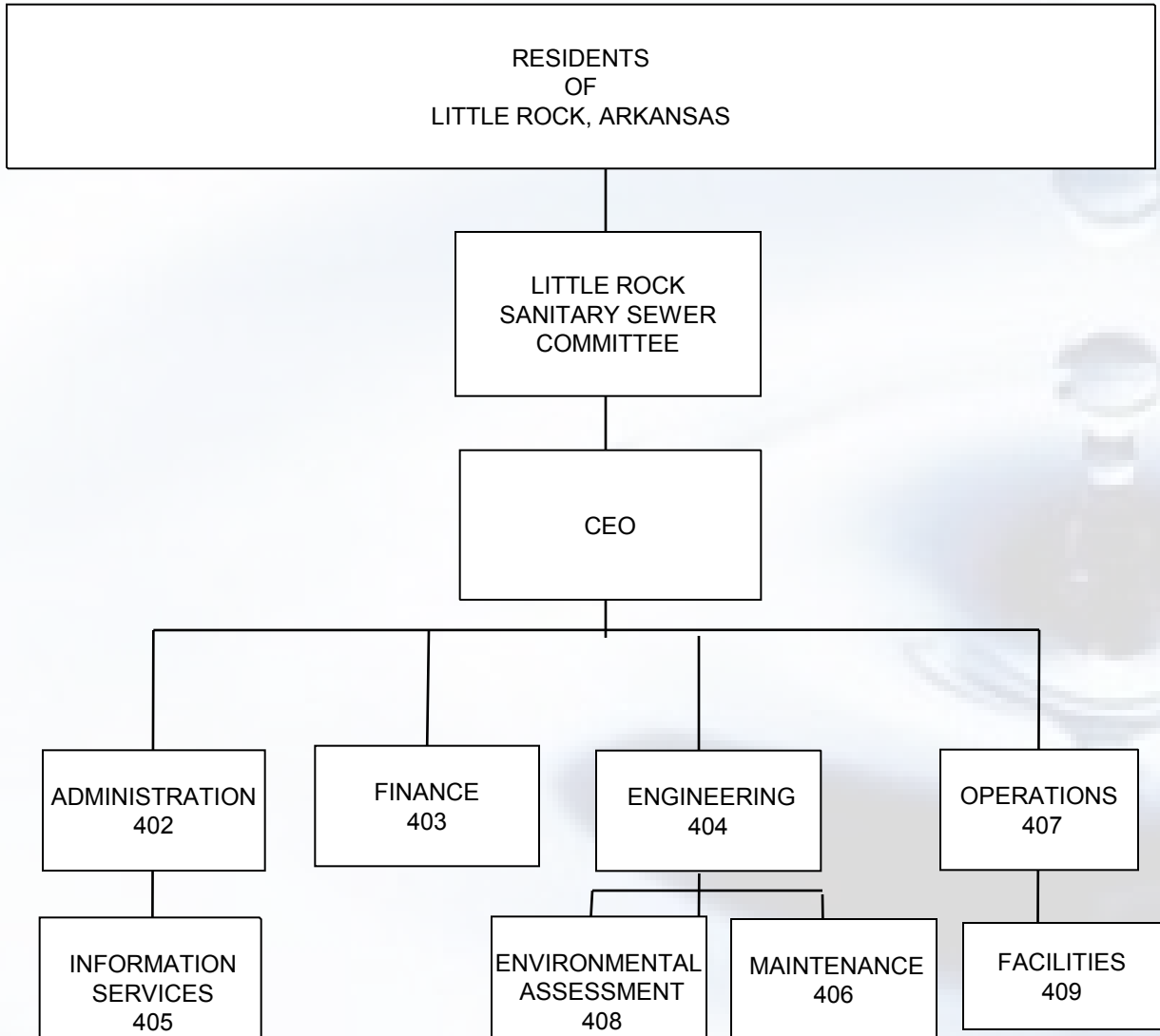
January 1, 2011

Linda C. Davidson Jeffrey R. Egan

President

Executive Director

LITTLE ROCK WASTEWATER



217 Full-time Positions
1 Part-time Position
218 Total Positions for 2012