



# City of Bentonville

## Water Utilities

### 2025 Water Rate Study FAQs

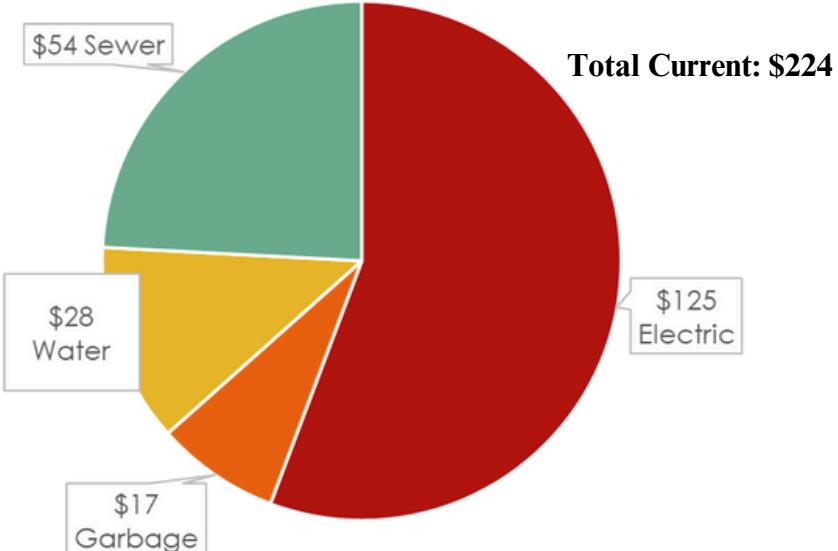
#### 1. What is the City proposing and why?

- Since the City's last rate adjustment in 2021, the cost of providing safe and reliable drinking water has increased due to inflation, rising wholesale water prices, and water loss within the City's system. A water rate increase is being proposed to address critical repairs, reduce water loss, and put the City in a position to finance future capital projects needed to support the growth in our community.

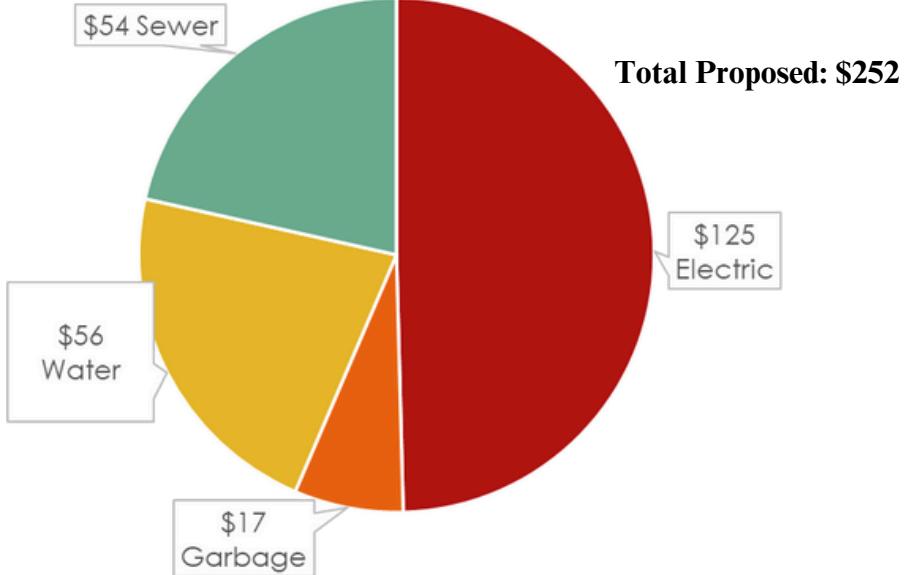
#### 2. What is the impact on a typical customer bill?

- The proposed change will result in a 12% increase in the average residential utility bill. To help illustrate this, please refer to the charts below:
  - Chart 2A: Displays a current residential utility bill before the proposed increase.
  - Chart 2B: Shows the projected residential utility bill after the proposed water rate adjustment.

2A - Current Residential Bill



2B - Proposed Residential Bill



We have received concerns that the 12% increase may be misleading, as we are proposing a 100% rate increase for water service.

That was not our intention. The 100% rate increase is based on our consultant's recommendation, considering operational and maintenance needs, reducing water loss, accounting for inflation, and funding debt for the capital improvement plan. Some were concerned that utility bills would double, but that is not the case. Based on our example, the average increase for a total utility bill is approximately 12% per the example that we have shown.

#### 3. How does the proposed increase compare to past rate increases adopted by the City?

- Historically, the City has adjusted rates infrequently, with adjustments occurring in 2005, 2009, 2010, 2011 and 2021. Since 2005, water rates have increased less than 1% per year. This is less than utility specific inflation (4.8%), as measured by the US Bureau of Labor Statistics.

#### 4. If the City had increased rates by inflation annually since 2005, what would they be today?

- The US Bureau of Labor Statistics produces a utility specific inflation measure annually. This measure tracks the average increase in utility costs for consumers over time. Since 2005, the utility specific consumer price index (CPI) has increased about 4.8 percent per year. If the City had increased water rates based on this measure annually they would be slightly more than the City is currently proposing.

#### 5. Why is a rate increase necessary now instead of implementing gradual increases over time?

- We have been trying to handle the increase in operations and maintenance associated with water loss with our current rates. Unfortunately, the leaks within our system are larger than anticipated. We have not been able to have an aggressive program to remedy this situation so we need a course correction now. We would rather do a gradual approach but it would not provide the resources needed to tackle the water loss effectively.

#### 6. What happens if we don't implement the proposed rate increase? What are the potential consequences?

- If the decision is to not adjust our rates as recommended, we will need to terminate the aggressive leak repairs that are being done by our third party contractors. This would drastically reduce our ability to address the water loss. It would also disqualify the City for any loans that are needed to start the projects that were identified in our water master plan and inhibit the City's ability to grow.

#### 7. What will the City's approach to rate adjustment be moving forward?

- The City will review rates annually to ensure they recover the cost to provide safe and reliable service, no more, no less. City staff will recommend rate adjustments, up or down, as needed to ensure the rates recover the cost to provide service.

## 8. How do Bentonville water rates compare to other cities in Northwest Arkansas?

- See Chart 8A, which compares water rates based 4,000-gallon usage across cities in Northwest Arkansas. This comparison highlights how our current and proposed water rates align with surrounding communities. It is important to note that rates and base charges vary by City.

8A: Northwest Arkansas Water Rates	4,000-gal Bill
Rogers	\$ 22.11
Bentonville - Current	\$ 23.19
Fayetteville	\$ 25.11
Springdale	\$ 26.31
Siloam Springs	\$ 28.81
Pea Ridge	\$ 40.50
Bentonville - Proposed	\$ 46.38
Centerton	\$ 46.62
Bella Vista	\$ 47.41
Highfill	\$ 57.75

## 9. What is water loss and how does it impact our rates?

- Water loss is water that is purchased from the City's provider Beaver Water District, but not ultimately sold to customers. Water loss includes physical losses (leaks) and non-physical losses (water meters under-recording usage). City staff believes that the vast majority of the City's water losses are physical losses (leaks) in the City's water mains and customer service lines. The financial impact is significant because the City must pay for each gallon lost, but is not receiving revenue to offset that expense. Accordingly, City staff is aggressively pursuing leak detection and repair to reduce the losses, and reduce the impact of the expense on water rates.

## 10. What percentage of the City has been tested for leaks so far? Additionally, where have leaks been identified, and what is the age of the pipes in those areas?

- The City currently has a leak detection company under contract to investigate the entire water distribution system. To date, the contractor has inspected approximately 129 miles of the 360 miles of distribution mains including associated services and other water infrastructure which is approximately 36% of the system. Investigation has been west of Walton Blvd at this point. This contract is scheduled to be complete in April. In addition, the City has a separate contractor to inspect the City's 48-inch transmission line that delivers water from Beaver Water District. This inspection is also scheduled to be completed in late April. The age of the pipe that we are finding leaks on varies as we are inspecting the entire system. However, it appears most leaks are on service lines installed between the late 90's and early 2000's with an emphasis on 2005-2010.

## 11. Can you provide more insight into the City's plans and timeline for addressing water leaks, as well a summary of how many leaks have been fixed since 2018?

- The timeline for fixing water leaks depends on the severity of the leak. However, due to the high number of service leaks, smaller leaks may take up to several months, as they are prioritized behind more severe issues. With the help of our third party contractors, our process has been expedited, allowing for the repair and upgrade of an additional 90+ service lines each month. Since 2018, the department has repaired or upgraded 3,340 service lines.

## 12. How many leaks are City crews repairing each month?

- In addition to our third party contractors, our dedicated staff is replacing an average of 40 service lines per month. The majority of these service lines are generally the more difficult and time-consuming services. In addition to repairing water leaks our staff is: installing new services, repairing main lines, repairing fire hydrants, valves, and other infrastructure, completing concrete/yard repairs associated with leak repairs, and responding to everyday emergencies.

## 13. What is the expected water loss from the system in a steady state? With the U.S. average at 14%, is that our target, or are we aiming for a lower loss? How long will it take to achieve a steady state?

- Loss varies, but 10-15% would be more typical. Some communities are less than 10%. Our research indicates that Bentonville has historically been comparable to our neighbors (around 15-20%). Factors that impact loss are primarily system age and density (customers per mile of pipe). Loss is never 0% and trying to get that low would be incredibly expensive. The time it takes to get down to 15% depends on what is driving the issue. The City is still investigating the drivers of the loss, but it increased from around 30% historically to more than 50% in a very short period. If this increase is driven by a few big problems in the City's system, the City may be able to address it quickly. If the issues are smaller and more spread out, it may take more time.

## 14. What changes will be made to strengthen construction codes to minimize water loss from future development?

- Bentonville Water Utilities has implemented several improvements to its standard specifications, focusing on reducing water loss. A key part of these updates was the introduction of more stringent requirements for service line materials and installation practices. In 2021, the City mandated that all new service lines installed under streets be placed in conduit. In 2022, staff also updated the specifications to include Crosslinked Polyethylene Pressure (PEX) tubing and began using this material for all service line replacements. The specifications were further revised in 2024 to prohibit the installation of regular poly tubing and to include specific fittings designed to minimize sharp angles and reduce the risk of line kinking. These updated specifications help simplify installation while extending the longevity of the materials.

## 15. What plans are in place to require more robust construction practices and holding developers accountable?

- Bentonville Water Utilities has implemented significant specification revisions further clarifying which materials are approved and which are prohibited based on alignment with industry standards. The Land Development Division of Bentonville Water Utilities Technical Services now oversees installations, working closely with developers and contractors to ensure that designs are not only optimal but also that infrastructure is installed correctly and meets all standards.

## 16. Would it be possible to implement charges or development fees on new construction projects to fund system expansion and growth, rather than increasing the rates for current users?

- The driver of the current shortfall is increased operating expenses due to water loss. Capacity fees cannot be used to cover operating costs. In the long term, capacity fees are a tool to reduce the impact of growth related capital improvements on water and sewer rates.

**17. How much money does the City need to budget to maintain the water system and prevent us from reaching a point where we are losing 50%-60% of the water?**

- The results of the leak detection investigations will drive the budgeting decisions regarding maintenance of the system. The data collected from these efforts will assist the City in creating an asset management program that prioritizes maintenance needs, replacement programs, and specification amendments. The City will need to continue system-wide leak detection investigations to monitor success, identify potential issues, and course correct maintenance focus.

**18. What financial support are we receiving from the state, including the low-interest loan and any other grants or assistance?**

- The City always pursues the least cost financing for water and sewer projects. Historically these have been loans from the State of Arkansas, which are available at below market interest rates. That said, the City cannot use loans to cover operating costs, which is the driver of the current shortfall for the water utility.

**19. Can we reduce spending on parks and trails, such as Gateway Park, and allocate some of those funds to address our water loss issues?**

- The construction of Gateway Park is funded by the 2021 sales tax bond issue, impact fees, and grant money designated specifically for the park. These funds are legally restricted and cannot be used for projects outside the Parks Department. Other parks and trails have primarily been built using private grants and impact fees.

**20. Can General Fund money be transferred to the Utility Fund to support infrastructure needs?**

- Yes, the General Fund can and has been investing in Utility Fund infrastructure for the past two years. This has been done using 20% of the capital penny, which is specifically designated for capital projects within the city.