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MEMORANDUM

TO: Little Rock Mayor Frank Scott Jr., North Little Rock Mayor Joe Smith

FROM: C. Tad Bohannon, Chief Executive Officer

SUBJECT: Central Arkansas Water enters Green Bond Market and issues debt without impacting rates

DATE: November 13, 2020



Central Arkansas Water (CAW) recently issued bonds resulting in \$35.1 million in new project funds without impacting rates. This is the result of restructuring debt and achieving lower interest rates in the process. The bonds were issued in three series, two with a 21-year final maturity and one with a 22-year final maturity. The three series were issued with a true interest cost of 2.11%, 2.13%, and 2.25%, refunding bonds with a true interest cost of 2.57%, 2.63%, and 3.94%, respectfully.

CAW included new project funds totaling \$27.1 million in a green bond, certified under the Climate Bonds Initiative's water infrastructure criteria, becoming the first of its kind in the world to acquire and protect forests specifically to support clean drinking water.

This bond will finance a combination of "green" and "gray" infrastructure projects to protect clean drinking water for the nearly 500,000 customers served by CAW, reduce waste, and increase efficiencies in water delivery.

Climate Bonds Initiative wrote about the significance of CAW's venture into green bonds to protect drinking water.

This bond posting signals a recognition of the importance of valuing, protecting and enhancing ecosystem service functions alongside built infrastructure to increase resilience in the delivery of essential services, such as clean drinking water," the organization said. "In a time of diminishing municipal budgets, CAW is showcasing how medium-sized municipalities can be leaders in meeting sustainable development goals by safeguarding natural assets.

"CAW is showing a lot of leadership with this innovation, and we expect to see other cities follow suit," said Todd Gartner, Director of the Cities4Forests and Natural Infrastructure Initiative at World Resources Institute.

FILED _____ A.M. 12 P.M.

BY email

DATE 11-12-20
 Diane Whitbey, City Clerk and Collector
 North Little Rock, Arkansas
 RECEIVED by _____

The initiative will contribute to the \$6 billion forest products industry in Arkansas. Thirty-five percent (35%) of the green bond proceeds are earmarked for green infrastructure and will support the acquisition of approximately 4,500 acres of forested land, building on the 11,458 acres of conserved forested buffer surrounding Lake Maumelle and its tributaries. This acquisition will result in 45% of the Lake Maumelle watershed being conserved as forest land. Keeping critical stream areas in forest cover enhances the natural ability of the land to provide filtration services for clean drinking water.

In addition to helping to meet regulatory provisions under the U.S. Safe Drinking Water and Clean Water Acts, the proposed green infrastructure projects will also protect the viewshed of the Ouachita National Recreational Trail, Pinnacle Mountain State Park (Arkansas's most visited park), and Rattlesnake Ridge Natural Area, as well as protect the habitat for 11 species of conservation concern. Property acquired in the future could also provide additional lands for public hunting and other recreational opportunities. The bond will also finance the storage of tens of thousands of tons of forest carbon.

The gray infrastructure projects focus on improvements to pipelines and delivery systems to reduce leakage and repairs, increase water efficiency, and built infrastructure improvements to increase the resiliency of CAW's ability to deliver clean, quality drinking water.