

**Central Arkansas Water  
Water Revenue Bonds  
Series 2010A, 2010C, 2011A, 2012A, 2014, 2016 (Maumelle Water Acquisition Project),  
2016 (Refunding), 2017A (Wilson Water Treatment Plant Project), 2018B, 2019A (Ozark  
Point Water Treatment Plant Project), 2020A (POWA Project), 2020B, 2020C (Green  
Bonds), and 2020D (Taxable)**

**Annual Report  
Year Ended December 31, 2020**

*Customers.* As of December 31, 2020 the Central Arkansas Water ("CAW") System served a total of 141,293 customer accounts. Such customers were classified as follows:

<u>Customer Type</u>	<u>Number of Accounts</u>
Residential	122,247
Commercial	12,460
Large Volume	49
Irrigation	4,199
Private Fire Service	2,326
Wholesale	9
Raw Water	3
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Total	<u><u>141,293</u></u>

*Addition or Deletion of Any Significant Group of Customers.* In January 2020, CAW entered into a consolidation agreement with the Paron-Owensville Water Authority (POWA). Effective June 1, 2020, POWA became part of the Central Arkansas Water service area. The merger added an additional 1,000 accounts covering 166 square miles to the CAW service area along with one water treatment plant, 701,000 miles of mains, five water storage tanks, three booster pump stations, and 102 fire hydrants. In June 2020, CAW issued a Water Revenue Bond (POWA Project), Series 2020A (the POWA bond) in the principal amount of \$6,050,000 for the purpose of acquiring the POWA system and funding needed capital improvements in that system. A debt surcharge levied on accounts in the POWA service area is pledged to the 2020 POWA bond and is junior and subordinate to CAW's other outstanding bond issues.

In contemplation of assuming ownership, control, and operation of the POWA system as of June 1, 2020, CAW adopted Resolution 2019-15 on December 12, 2019, as amended by Resolution 2020-09, adopted on June 11, 2020 which established a schedule of rates to be collected for water service within the POWA service area effective June 1, 2020. The schedule of rates is as follows:

Except for public and private fire services, all water used shall be measured through meters. The size of each meter shall be determined by CAW commensurate with its estimate of the amount of water to be used for the premises. POWA's existing meters and rates are expressed in 1,000 gallons and are billed accordingly. CAW's rates and meters are expressed in 100 cubic feet. As meters are replaced or new meters installed, a conversion ratio of one cubic foot of water to 7.48 gallons will be used.

The Minimum Monthly Charge for all customers includes payment for the first 1,000 gallons of water used.

METER SIZE (diameter)	MINIMUM MONTHLY CHARGE	
	Effective 6/1/2020	
5/8"	\$	24.34
3/4"		24.34
1 1/2"		27.83
2"		45.14

In addition to the Minimum Monthly Charge, the following table of rates shall apply to the amount of water used in excess of 1,000 gallons per month and a five percent (5%) "reserve fee" charged on the total cost of the Minimum Monthly Charge and the volumetric charge imposed on each 1,000 gallons above the first 1,000 gallons included in the Minimum Monthly Charge:

Per 1,000 GALLONS BEYOND the FIRST 1,000 GALLONS	\$	8.09
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OTHER FEES

CONNECTION FEES	
Meter Deposit	\$ 75.00*
Same Side Meter Service Line	1,200.00
Off-Side Meter Service Line	1,200.00 + \$25.00/ft road bore

\*Meter Deposit applies to 5/8" and 3/4" meters, CAW deposit guidelines will be applied to larger meter sizes.

In addition to the Minimum Monthly Charges and other rates set forth above, CAW shall also assess debt surcharges, not to exceed \$11.00 per month on each 5/8" or 3/4" meter within the service territory established by POWA, and as set forth below for larger meter size. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the POWA Consolidation Agreement, dated January 8, 2020. This debt surcharge will continue until the debt associated with the surcharge is repaid.

DEBT SURCHARGE	
effective 6/1/2020	effective 1/1/2022
\$ 5.50	\$ 11.00

This rate schedule is in addition to CAW's existing rates, as amended from time to time, creating a new rate class of customers and debt surcharges for customers within the service territory established by POWA. Unless specified, all other fees or ancillary charges assessed by CAW to its outside-city customers will apply to customers of POWA (using outside-city classifications, if applicable).

During 2020, CAW explored opportunities to expand its customer base, including mergers with existing water systems in central Arkansas and extensions of its water service into unserved areas in Pulaski County, Arkansas.

**City of Shannon Hills (Shannon Hills).** During 2019, CAW staff and consulting engineers worked to analyze the Shannon Hills water and wastewater systems to determine feasibility of merging the water system with CAW as

well as CAW assuming operation of the Shannon Hills wastewater system. In early 2020, the final preliminary engineering report (PER) for the project was completed. CAW staff held internal meetings as well as meetings with external stakeholders in the project to review the PER findings and potential financial impacts of the project. At this time, a merger is not anticipated in the immediate future.

**West Pulaski Public Water Authority (West Pulaski).** Throughout 2019, CAW staff worked with local, state, and federal stakeholders of the West Pulaski project to move this project through the planning phases. Staff submitted the required questionnaires for the EPA Drinking Water State Revolving Loan Fund (DWSRF) to the Arkansas Department of Health to have the West Pulaski project placed on the State's priority list. In October 2019, the CAW Board of Commissioners (The CAW Board) passed a resolution of official intent to issue bonds in an amount not to exceed \$18.5 million to build the water infrastructure necessary to connect to CAW's distribution system and deliver a safe and dependable source of potable water to residences and businesses in the West Pulaski project area. CAW staff has been coordinating a public education campaign in the project area and in late 2019 reached the necessary number of customer commitments for the project to be viable. In March 2020, the CAW Board passed a resolution of intent to provide water service in western Pulaski County, and in September 2020, CAW entered into a consolidation agreement with West Pulaski. At the end of 2020, design, timing, and funding details were in process.

**Ridgefield Estates Property Owners Association (Ridgefield Estates).** Pursuant to a July 22, 2009 resolution, Ridgefield Estates purchases potable water from CAW, and as of December 31, 2020, purchases all of its potable water from CAW. During 2020, CAW staff began negotiations with Ridgefield Estates to acquire its existing water system. At the end of 2020, timing of the acquisition, design of needed capital improvements, and funding terms were in process.

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The Water System's top ten customers, based upon revenues produced during the twelve months ended December 31, 2020, were as follows:

<u>Customer</u>	<u>2020 Revenues</u>	<u>Percentage of Total 2020 System Revenues</u>	<u>Customer Type</u>
Jacksonville Water Works	\$ 1,597,718	2.38%	Wholesale
Bryant Water and Sewer	1,222,584	1.82%	Wholesale
Salem Water Alliance	1,149,690	1.71%	Wholesale
University of Arkansas for Medical Sciences	244,406	0.36%	Retail
Cabot WaterWorks	235,725	0.35%	Wholesale
3-M Company	212,578	0.32%	Retail
Arkansas Department of Corrections	207,583	0.31%	Retail
Kimberly-Clark	197,784	0.29%	Retail
Shannon Hills Water Department	159,262	0.24%	Wholesale
Baptist Health System	154,046	0.23%	Retail

*Usage.* The following table shows the Water System's water usage statistics for the year ended December 31, 2020:

<u>Year</u>	<u>Average Daily Use in Million Gallons</u>	<u>Maximum Day's Use in Million Gallons</u>
2020	58.1 MG	90.7 MG

*Water Rates.* On December 20, 2018, CAW adopted Resolution 2018-13 which amended CAW's rate schedules as set forth in Resolution 2014-10 and Resolution 2015-20, respectively. Resolution 2018-13 established new water rate schedules effective June 1, 2019, January 1, 2020, January 1, 2021, and January 1, 2022. A summary of the rates in place effective January 1, 2020 through January 1, 2022 follows:

Except for internal uses, public and private fire services, all water used shall be measured through meters. The size of each meter shall be determined by CAW commensurate with its estimate of the amount of water to be used for the premises. One cubic foot of water is equal to 7.48 gallons weighing 62.5 pounds avoirdupois.

The following schedule of rates is established by Central Arkansas Water for Residential, Commercial, Large Volume, and Irrigation customer classes inside and outside the corporate limits of the City of Little Rock ("LR"), Arkansas and the City of North Little Rock ("NLR"), Arkansas and whose water service meters are located both south (LR) and north (NLR) of the Arkansas River.

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Minimum Monthly Charge

The Minimum Monthly Charge for all customers except public and private fire service.

METER SIZE	INSIDE CITY		
	MINIMUM MONTHLY CHARGE		
(diameter)	1/1/2020*	1/1/2021	1/1/2022
5/8"	\$ 7.85	\$ 7.85	\$ 7.85
3/4"	10.14	10.14	10.14
1"	14.41	14.41	14.41
1 1/2"	24.37	24.37	24.37
2"	39.52	39.52	39.52
3"	73.07	73.07	73.07
4"	118.85	118.85	118.85
6"	235.08	235.08	235.08
8"	397.64	397.64	397.64
10"	572.49	572.49	572.49
12"	1,042.65	1,042.65	1,042.65

\*Includes up to 200 cubic feet (CF)

METER SIZE	OUTSIDE CITY		
	MINIMUM MONTHLY CHARGE		
(diameter)	1/1/2020*	1/1/2021	1/1/2022
5/8"	\$ 10.28	\$ 10.28	\$ 10.28
3/4"	13.28	13.28	13.28
1"	18.87	18.87	18.87
1 1/2"	31.90	31.90	31.90
2"	51.73	51.73	51.73
3"	95.64	95.64	95.64
4"	155.58	155.58	155.58
6"	307.72	307.72	307.72
8"	520.51	520.51	520.51
10"	749.38	749.38	749.38
12"	1,364.83	1,364.83	1,364.83

\*Includes up to 200 CF

The CAW Board may, at any time by Resolution passed by a majority of the Board of Commissioners, elect to include up to 500 cubic feet of water in the Monthly Minimum Charge before the Volume Based Rates are applicable when adequate cash reserves and revenues are available to meet Central Arkansas Water's upcoming operating, maintenance, and capital expenditure requirements. On September 10, 2020, the CAW Board passed Resolution 2020-14 to include 100 cubic feet of water in the Monthly Minimum Charge beginning January 1, 2021.

Additional Monthly Charge

In addition to the Minimum Monthly Charge, the Table of Volume-Based Rates adopted by Resolution 2015-20 for calendar years 2019 and beyond (as set forth below) shall continue to apply to the amount of water (above the amount of water included in the Monthly Minimum Charge) delivered by Central Arkansas Water per month:

CUSTOMER CLASS	INSIDE CITY	INSIDE CITY	OUTSIDE CITY	OUTSIDE CITY
	\$ PER 100 CF 1 - 33	\$ PER 100 CF OVER 33	\$ PER 100 CF 1 - 33	\$ PER 100 CF OVER 33
RESIDENTIAL	\$ 1.71	\$ 2.22	\$ 2.73	\$ 3.57
COMMERCIAL	1.60	1.60	2.56	2.56
LARGE VOLUME	1.30	1.30	2.09	2.09
IRRIGATION	1.71	2.22	2.73	3.57

Nonresident Consumers

The term "outside city" used in the foregoing rates refers to any consumer receiving water service outside the municipal boundaries of LR and NLR, and to nonresident consumers and Wholesale-Metered Customers who purchase water within the municipal boundaries for transport to a point outside the municipal boundaries for use or resale.

Customer Classes

The customer classes described in the Additional Monthly Charge subsection above shall be defined as follows:

"Residential" shall mean all customers receiving water service at a single building or building unit that is owned, leased, or rented by one party, separately metered, and occupied as a residence.

"Commercial" shall mean all customers receiving water service at (i) a building containing two or more apartments or family units that are rented or leased to tenants as residences and are not separately metered; (ii) a building occupied by a retail or service business; (iii) a building owned or occupied by a public utility, a department of a municipality, or a state or federal governmental agency; or (iv) a non-residential customer that does not fit the definition of a Large Volume Class customer.

"Large Volume" shall mean any non-residential and non-sprinkler customer (i) who uses at least 1,500,000 CF of water per meter during the 12-month period from September 1 to August 31; or (ii) who agrees to take or pay for a minimum of 125,000 CF of water per meter per month on an annual basis. Customers who qualify for Large Volume water service described in (i) above shall be assigned to the Large Volume Class for the calendar year beginning the following January.

"Irrigation" shall mean all customers receiving separately metered water service used exclusively for irrigation sprinkler systems or other outdoor purposes.

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Debt Surcharges

Resolution 2015-15, as amended by Resolution 2016-06, established a debt surcharge levied on accounts in the former Maumelle Water Management (MWM) service area which is pledged to the 2016 Maumelle Bonds. The 2016 Maumelle Bonds are junior and subordinate to CAW’s other outstanding bond issues. The debt surcharges shall be in an amount sufficient to pay for the expenses identified in the Water Consolidation Agreement, dated as of October 13, 2015. Each debt surcharge will continue until the debt associated with the respective surcharge is repaid. Debt associated with the Short-Term Debt Surcharge was fully repaid and collection discontinued as of December 31, 2017. Debt Surcharges remaining in effect as of January 1, 2020 are as follows:

Meter Size (diameter)	Intermediate-Term Debt Surcharge	Long-Term Debt Surcharge
5/8”	\$ 4.92	\$ 15.67
3/4”	4.92	15.67
1”	25.09	79.92
1 1/2”	37.39	119.09
2”	50.18	159.83
3”	62.48	199.01
4”	75.28	239.75
6”	149.05	474.71
8”	251.89	802.25

Private Fire Service

Private fire service connections for private premises shall pay the following annual fire service charges:

	RATES	
	EFFECTIVE 1/1/2018	
	INSIDE	OUTSIDE
FIRE HYDRANTS	\$ 79.51	\$ 115.02
AUTOMATIC SPRINKLER SYSTEM MINIMUM CHARGE (1,000 HEADS)	92.20	133.38
ADDITIONAL HEADS, EACH	0.09	0.15
STANDPIPE 1 1/4" (OR SMALLER) DIAMETER, EACH	18.03	26.10
1 1/2" DIAMETER, EACH	28.07	40.59
2" DIAMETER, EACH	46.12	66.69
2 1/2" DIAMETER, EACH	92.20	133.38

Wholesale Customers

The following schedule of rates is established by Central Arkansas Water for Wholesale-Metered Customers, whether such Wholesale-Metered Customers are located within or without the political boundaries of any retail area served by Central Arkansas Water, whose rates are determined in accordance with nationally accepted cost of service rate setting standards for the water industry.

Such Wholesale-Metered Customers shall pay a Minimum Monthly Charge as noted above based on meter size and an additional amount determined by the following volume-based rates for all water delivered each month by Central Arkansas Water, effective as of January 1, 2019.

RATES FOR WHOLESALE-METERED CUSTOMERS	
TIME WATER IS TAKEN	EFFECTIVE 1/1/2019
	(\$ PER 100 CF)
ON PEAK Customers taking any water from 4:01 a.m. to 8:59 a.m. and/or 5:01 p.m. to 9:59 p.m.	\$ 1.65
OFF PEAK Customers taking all water from 10 p.m. to 4 a.m. and/or 9 a.m. to 5 p.m.	1.52

Raw Water Customers

All CAW customers purchasing raw water shall pay the Minimum Monthly Charge as noted above based on meter size and an additional amount determined by the following rate for all water, effective as of the date stated.

	RAW WATER RATES
	EFFECTIVE 1/1/2019
	(\$ PER 100 CF)
Raw Water Customer	\$ 0.66

Conservation Rate Discount

Inside City Residential accounts with a single house meter (no sprinkler meter) using 100, 200 or 300 cubic feet of monthly usage shall be given a Conservation Rate Discount of 15%. The discount shall not apply to zero consumption billings. Total discounts amounted to approximately \$350,000 in 2020.

Billing Fee

Commencing June 1, 2019, each bill sent by Central Arkansas Water to any customer shall include a "billing fee" of \$1.92 per bill per month. The billing fee shall be reduced to \$1.42 per month for those who agree to receive electronic, rather than paper bills. And, following the implementation of the new customer information systems (expected to be completed in second quarter 2021) and a change to the Paymentus payment system, the billing fee shall be reduced by up to an additional \$0.20 per month for those customers who agree to pay by recurring auto draft each month. The billing fee shall be reduced by \$0.87 per month when the debt issued in 2018 to pay for the new customer information system is retired.

Watershed Protection Fee

The Watershed Protection Fee is added to the monthly bills of all customers. This fee is accumulated in a fund to be used for watershed land purchases, to service the debt on larger land purchases, and/or fund the administration of the Watershed Protection Program. If debt is incurred for any of these purposes and the fee is pledged as collateral or a source of repayment for the debt, the fee will continue as necessary throughout the life of the debt to service debt repayment. The fee may be suspended should CAW deem it no longer necessary for the Watershed Protection Program. Fee charges totaled approximately \$1,869,000 in 2020.



On October 10, 2019, the Board of Commissioners passed Resolution 2019-09 which increased the Watershed Protection Fee to \$0.75 as of January 1, 2020 and \$0.90 per month per 5/8" or 3/4" equivalent meter effective January 1, 2021. The Watershed Protection Fees for all meter sizes are presented below:

METER SIZE (diameter)	WATERSHED PROTECTION FEE	
	1/1/2020	1/1/2021
5/8"	\$ 0.75	\$ 0.90
3/4"	0.75	0.90
1"	1.13	1.35
1 1/2"	1.88	2.25
2"	3.75	4.50
3"	6.00	7.20
4"	11.25	13.50
6"	18.75	22.50
8"	37.50	45.00
10"	60.00	72.00

The Watershed Protection Fee shall not apply to the Wholesale meters, but instead shall be passed through on the same basis of meter size to the individually metered customers of the Wholesaler as well as those of any subsequent Wholesaler. Wholesalers obtaining less than 100% of their total supply from CAW will pay only a proportional share of the fee based on the percentage supplied by CAW. Wholesalers shall report periodically the total metered consumption and number of active meters by size. Wholesalers may pass the fee through directly or include it in their rates.

*Rate Stabilization Account.* The Rate Stabilization Account was established to provide more stable retail water rates to customers and to assist CAW in its efforts to meet financial performance indicators and goals specified in bond covenants and monitored by various financial rating agencies. Deposits or withdrawals may be made up to and including the date ninety (90) days after the end of the fiscal year for which the deposit or withdrawal will be included in the net revenue calculation. A \$20,000,000 funding limit has been established on the account. On December 31, 2020, the account balance totaled approximately \$10,575,000.

*Billing Procedures, Penalties, Delinquency, and Uncollectible Accounts.* CAW's billing policy and procedures provide that bills for water services are rendered in the net amount due. Water bills, with the exception of private fire service, are due and payable monthly on or before the 20th day following the billing date stated on the water bill. Payments for private fire service are due in semi-annual installments in advance on the first (1st) day of January and July of each year. Any water bill not paid on or before the due date is considered delinquent and a penalty of 10% of the total current bill is assessed against the account. In the event that bills due for water service are not paid on or before the next billing date, a disconnect notice is sent with the following month's bill, stating that the previous balance must be paid by the due date of the accompanying bill to avoid service disruption. Should any delinquent bill remain unpaid, CAW issues a disconnect order two to three days following the due date of the second bill. The customer's deposit will be forfeited in an amount sufficient to cover the gross amount of the due bill. The forfeiture of the deposit will take place if the customer has not paid the delinquent bill plus all applicable service charges within seven days after disconnection. In such event, CAW may levy a reconnection charge to restore service. For Wholesale-Metered Customers, a penalty of ten percent (10%) shall be added to a Wholesale-Metered Customer bill not paid before the 20th day following the billing date. If a bill is not paid within 30 days after the billing date, service for the affected Wholesale-Metered Customer may be restricted, limited or even fully disconnected at CAW's discretion. In such event, CAW may levy a service charge for installation and removal of the device installed to restrict or limit flow or a reconnection charge in the case of disconnection.

The following table details account data for the Water System for the year ended December 31, 2020. An inactive account is written off after 90 days. When a customer with a written off balance returns to the Water System, any amount previously written off must be paid in full before service can be connected or reconnected.

<u>Year</u>	<u>System Revenues</u>	<u>Bad Debt Expense</u>	<u>Percentage</u>
2020	\$67,487,000	\$1,209,000	1.79%

*Projected Capital Expenditures.* CAW anticipates the cost of contemplated expansions and capital improvements to the Water System over the next five years to be as set forth in the following table. Said expansions and improvements are expected to be financed from a combination of sources, including (i) proceeds from Water Revenue Bonds Series 2018B; (ii) proceeds from Water Revenue Bonds Series 2019A (Ozark Point Water Treatment Plant Project); (iii) proceeds from Water Revenue Bond Series 2020A (POWA Project); (iv) proceeds from Capital Improvement and Refunding Water Revenue Bonds Series 2020B; (v) proceeds from Capital Improvement and Refunding Water Revenue Bonds Series 2020C; and (vi) cash funds generated by the Water System.

<u>Category of Improvement</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Totals</u>
Lake Maumelle Watershed Protection	\$ 1,330,000	\$ 3,610,000	\$ 3,900,000	\$ 1,005,000	\$ 940,000	\$ 10,785,000
Equipment and Services	6,539,800	5,108,750	5,024,500	4,304,250	4,431,000	25,408,300
Storage and Surge Tanks	50,000	645,000	1,375,000	825,000	505,000	3,400,000
Facilities Upgrades	19,296,000	10,362,500	15,177,500	6,302,500	497,500	51,636,000
Transmission Mains	9,447,297	10,550,000	8,605,000	—	—	28,602,297
Distribution Mains	<u>11,660,000</u>	<u>9,399,250</u>	<u>9,044,000</u>	<u>8,942,000</u>	<u>10,072,000</u>	<u>49,117,250</u>
Totals:	<u>\$48,323,097</u>	<u>\$39,675,500</u>	<u>\$43,126,000</u>	<u>\$21,378,750</u>	<u>\$16,445,500</u>	<u>\$168,948,847</u>

Annual Audit of Central Arkansas Water for Year Ended December 31, 2020. Attached is the annual audit of Central Arkansas Water for the years ended December 31, 2020 and 2019, as prepared by BKD, LLP, independent certified public accountants.