

7



March 26, 2020

Via Certified Mail

The Honorable Frank Scott Jr.
Mayor, City of Little Rock
City Hall, Room 203
500 West Markham Street
Little Rock, AR 72201

The Honorable Joe Smith
Mayor, City of North Little Rock
North Little Rock City Hall
300 Main Street
North Little Rock, AR 72114

RE: PROPOSED ISSUANCE OF WATER REVENUE & REFUNDING BONDS IN 2020

Mayors Scott & Smith:

CENTRAL ARKANSAS WATER proposes to issue not more than Sixty Million Dollars (\$60,000,000) in CENTRAL ARKANSAS WATER Water Revenue and/or Refunding Bonds in calendar year 2020, but not prior to June 27, 2020. CENTRAL ARKANSAS WATER may issue the bonds through negotiated sale or on the public markets in one or more series and utilize the proceeds from the issuance of the bonds for restructuring and/or refunding any of its outstanding CENTRAL ARKANSAS WATER Water Revenue Bonds, as well as receive new funds to realize cash flow savings, replace aging infrastructure, to purchase property to encourage redevelopment, and turn under-utilized infrastructure into revenue producing infrastructure.

CENTRAL ARKANSAS WATER is providing this notice because current and future market conditions may create some advantageous opportunities for CENTRAL ARKANSAS WATER to refund or restructure its existing debt and issue new debt for needed capital projects at rates and costs that are favorable to ratepayers. CENTRAL ARKANSAS WATER has a few outstanding bond issues with long term maturities of 3.5% to 4.0%. While CENTRAL ARKANSAS WATER is prohibited under current law from advance refunding those bonds with tax-exempt debt, rate confluence may bring the tax-exempt and the taxable rates close enough to make a swap of tax-exempt debt for taxable debt possible.

CENTRAL ARKANSAS WATER does not have a definitive plan to issue the debt currently, but it is providing this notice to the cities to enable CENTRAL ARKANSAS WATER to move quickly in the event market conditions become favorable. Given the volatility in the market, the opportunity may be lost if CENTRAL ARKANSAS WATER must wait for the proper conditions to exist and then provide the required three-month notice before the issues of debt. Over the past several years, CENTRAL ARKANSAS WATER has realized over Nine Million Three Hundred Thousand Dollars (\$9,300,000) in interest payment savings by refunding outstanding debt.

March 26, 2020

Page 2

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CENTRAL ARKANSAS WATER will continue to examine its outstanding bond indebtedness and take available actions to lower costs whenever it is legally and fiscally possible to do so. Stephens Inc. is CENTRAL ARKANSAS WATER's financial advisor and Wright, Lindsey & Jennings LLP is CENTRAL ARKANSAS WATER's bond counsel for this potential transaction.

The Consolidation Agreement requires at least one public hearing on any proposed bond issuance and requires that the Commission give a three-month notice of its intention to issue bonds to the governing bodies of the two cities. CENTRAL ARKANSAS WATER has not set the date of the public hearing but will do so in the near future and will notify you. We respectfully ask that the Little Rock Board of Directors and the North Little Rock City Council accept this letter as CENTRAL ARKANSAS WATER's official notice of its intention to issue revenue bonds and accept that the three-month review period begins Friday, March 27, 2020. Any bonds approved by CAW will not be issued prior to June 27, 2020, and will be subject to the advice of the CAW's financial advisor and bond counsel as well as the existence of market conditions favorable to the sale of the bonds.

If you need any additional information about the refunding or have any questions about the specifics of the potential issuance of bonds, please contact me at 377-1345.

CENTRAL ARKANSAS WATER



C. Tad Bohannon
Chief Executive Officer

FILED _____ A.M. 3:45 P.M.
BY email
DATE 3-31-20
Diane Whitbey, City Clerk and Collector
North Little Rock, Arkansas
RECEIVED by 