



Beaver **Water** District

News Release

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Beaver Water District Refunds Water Revenue Bonds; Savings To Exceed \$1 Million

In a special meeting at 10 a.m. today, Beaver Water District's Board of Directors unanimously voted to pass a resolution to refinance the District's outstanding Series 2003 Water Revenue Bonds. The refunding of the \$49,010,000 Series 2003 Water Revenue Bonds was initially expected to be no cost/no benefit, yet produced a savings of more than \$1 million. The 2010 bonds will fully mature in 2022.

"While this refunding will lengthen the life of the bond issue by four years, the savings over the life of the Series 2010 will be in excess of \$1 million," said David Short of Bentonville, President of the Beaver Water District's board. "There's no question that this is a very wise move to make, and we commend Crews & Associates and Bob Wright for working hard to come up with a creative way for us to manage this debt. We not only will save money in the

long-term; we also will have more operating funds at our disposal on a day-to-day basis since there's no longer a requirement for a reserve fund.

"The District was seeking to reduce its annual bond payments to improve cash flow, and this helps us keep rate increases to a minimum," Short added. "It's similar to refinancing a home. What we've done is refinanced the remaining balance of the outstanding bonds, extended the length of the bonds by four years to 2022, and taken advantage of lower interest rates in the current bond market."

The refunding means annual bond payments will be reduced by approximately \$2.6 million, explained Alan D. Fortenberry P.E., CEO of the District.

"What that means is that over the life of the bonds -- lowering interest rates from 4.99 percent currently to 2.87 percent, more favorable bond terms, and no debt service reserve requirement -- the total savings to the District will be in excess of \$1.1 million," he said.

It's interesting to note that the District recently received a very high bond rating from the S&P in New York. The higher bond rating is partly due to the District's strong cash reserve position, long term financial planning, asset management plan, historical growth of the District and region, and overall strength of the District's customer cities.

"The AA+ rating from S&P allowed the District to market the bonds without purchasing bond insurance, and improved the demand for the bonds in the market," said Bob Wright, Senior Managing Director for Crews & Associates. "While the bond refinancing could have proceeded without the change in the rating, the costs to the District -- such as bond insurance and higher interest rates -- would have reduced the savings over the life of the issue."

The original bonds were issued in April 2003 in the amount of \$57,390,000. That bond issue was for 15 years, with a final maturity scheduled for 2018. The original bond issue helped finance the 2002 Expansion Project whereby the District expanded its treatment capacity from 80 to 140 million gallons a day. The balance of the approximately \$104 million project was financed with cash from the District's Expansion Reserve Fund.

Beaver Water District, with offices near Lowell, supplies drinking water to more than 250,000 people and industries in Fayetteville, Springdale, Rogers, Bentonville and surrounding areas. These cities then resell the water to surrounding towns and communities. The District's

mission is to serve customers in the Benton and Washington County area by providing high quality drinking water that meets or exceeds all federal and state regulatory requirements in such quantities as meets their demands and is economically priced consistent with our quality standards. For more information, visit www.bwdh2o.org.