

Request for Reconsideration of Moving Forward with Taking On of a Ultra-Violet (UV) Disinfection System Bond

Background:

In April 2022, the Arkansas Department of Environmental Quality through authorization by the U.S. Environmental Protection Agency renewed our sewer permit which sets forth the limitations on what can be discharged from our facility. When this permit was renewed, we received a new limitation on Total Residual Chlorine (TRC). The limit in the renewed permit calls for TRC 0.10 mg/L on an instantaneous max and the date to achieve this new limit was originally planned for 1 Apr 2025. It was determined that our chlorine gas system cannot reliably meet this new limit to disinfect the effluent prior to discharge into Table Rock Lake. After evaluating several disinfectant system options, the HISID BOC determined that replacement of our chlorination system with a UV disinfection system was the best option to meet the new TRC requirement.

On Nov 27th, 2023, the Holiday Island Suburban Improvement District (HISID) Board of Commissioners (BOC), “[moved to accept the Loan Offer from the Arkansas Natural Resource Commission \(ANRC\) in the amount of \\$838,704 for the UV Treatment System and File the necessary paperwork with the state.](#)”

On July 29th, 2024, the [BOC unanimously moved to contract with ESI in the amount of \\$88,313 for overseeing the installation of the UV system.](#)

On Jan 30th, 2025, the BOC unanimously [moved to accept the contractor bid of \\$597,880 from Seven Valley’s Concrete for the construction of the UV system.](#)

During this same meeting the BOC unanimously approved [REGULATION NO. 14, AMENDMENT NO. 10 \(Establishing the rates for services to be furnished by the sewer system\)](#), however a follow-on discussion was held concerning whether taking out another bond was the best option instead of paying for the UV project from one of more of HISID’s cash accounts (specifically the “Restricted - Major Projects” line item which at the time of the meeting was \$652,100.93 and perhaps another cash or CD account). The decision of the BOC was to continue to move forward with the bond process, however, continue researching questions raised during the meeting (i.e., verify bond interest rate discussed at 1.2%, determine whether the bond could be paid off early, and if, so what the prepayment penalty would be, consider paying a large portion of the UV project with cash on hand and take out a much smaller bond, etc.).

On May 15th, 2025 the BOC received the proposed bond terms for review in advance of the bond hearing that was scheduled for 27 May 2025.

On May 23rd, 2025 the bond hearing was postponed by court order.

Discussion Topics:

1. Having read the actual terms of the bond agreement (ref the ANRC Revolving Loan Program Term table in screenshot below), there are several assumptions that have proven to be inaccurate or outdated and therefore I propose that the current BOC schedule a meeting to discuss and determine whether taking on the UV Disinfection System Bond is still in the best interest of Holiday Island . For example,

- a. The lending rate is NOT 1.2%, but instead 4%,
- b. The Construction Cost line item is still based off the highest bid estimate prior to the selection of Seven Valley Concrete in Jan 2025, and therefore should be listed as \$579,880 versus \$714,725 (see ANRC Revolving Loan Program Term Table in screenshot below),
- c. There is no opportunity to pay off the 20-year bond any earlier than 10 years as described on page 3 of the ANRC Revolving Loan Fund Programs Term Sheet as referenced in the following screenshot:

9. Prepayment. The Borrower may prepay the Loan in whole but not in part at any time on or after October 1, 2035, at par and accrued interest and Servicing Fee by giving ADFA not less than 90 days prior written notice of such prepayment. Defeasance of the Loan shall not be permitted.

ANRC Revolving Loan Program Term Table

SRF – 0810 & RLF-139
(R-9/1/11)

ANRC REVOLVING LOAN FUND PROGRAMS Term Sheet

Borrower: Holiday Island Suburban Improvement District No. 1

ANRC Loan No.: 02420-CW-L

Loan Amount: \$838,704

EnAble Project Number: 23-165

Lending Rate: 4.00%

Primary Pledge: Sewer Revenues

Interest Rate: 3.00%

Servicing Fee: 1.00%

Disbursement Cut-Off Date: December 1, 2027

Repayment Period: 20 years

Local Contribution: None

Budget: Loan Amount of \$838,704

Capitalized Interest of: \$ 9,116

Debt Service Reserve of: \$0

Project Amount of: \$ 829,588

Including: Local Loan Expenses of: \$ 17,000

Engineering Services Cost of: \$ 98,313

Construction Costs of: \$714,725

2. If the BOC formally votes at a special meeting not to move forward with the UV Bond, the following will need to be considered and/or voted upon:

- a. Vote to utilize the Major Project fund (approx. \$650K which is comprised of the proceeds from the sale of the radio tower) to pay for the UV project which will pay for all but approximately \$36,000 of the total project cost.
- b. Discuss and vote on how to pay the remaining cost of the UV system (i.e., utilize one of the two CD's maturing in Oct 2025, or pay for out of a different account, etc.).

Note: If a maturing CD is used, it might (depending upon how much is pulled out) require a BOC vote to reduce the self-imposed restriction of not going below a 35% reserve balance.

HOLIDAY ISLAND SUBURBAN IMPROVEMENT DISTRICT INVESTMENTS									
CD BALANCES									
April-25									
<u>Date Purchased</u>	<u>Length of Maturity</u>	<u>Institution</u>	<u>Number</u>	<u>Maturity Date</u>	<u>Original Balance</u>	<u>Previous Balance</u>	<u>Interest Earned</u>	<u>Current Balance</u>	<u>Coupon Rate</u>
03/28/24	24 month	Cornerstone Bank	78551	3/28/2026	\$ 709,886.20	\$ 744,578.98		\$ 744,578.98	4.80%
10/26/24	12 month	Cornerstone Bank	79868	10/26/2025	\$ 535,674.29	\$ 541,858.17	\$ 6,119.29	\$ 547,977.46	4.58%
10/26/24	12 month	Cornerstone Bank	79869	10/26/2025	\$ 257,504.20	\$ 260,476.86	\$ 2,941.60	\$ 263,418.46	4.58%
03/04/25	24 month	Equity Bank	2525009381	3/4/2027	\$ 50,000.00	\$ 50,000.00	\$ 177.93	\$ 50,177.93	4.19%
TOTAL UNRESTRICTED INVESTMENTS:						\$ 1,596,914.01	\$ 9,238.82	\$ 1,606,152.83	
						JE		Bank Total	
Current Reserve % :				36.84%					

- c. Vote to revise REGULATION NO. 14, AMENDMENT NO. 10 (Establishing the rates for services to be furnished by the sewer system), to remove the “*Additional UV Debt Service Fee*” and refund money back to customers who have paid the fee since Feb 2025.

Section 4: Total User Charge

Beginning February 1, 2025:

Minimum Bill (1,500 gallons):

WWTP Debt Service Flat Fee + **Additional UV Debt Service Fee** + D/S Volume + OM&R (1500 gal)
= Total

Minimum Bill:

WWTP + UV+ D/S Volume + OM&R = Total

\$9.25 + \$2.38+ \$0.00 + \$19.67 = \$31.30

In closing, if we do not pursue the Bond, we can fund the entire project for \$686,193 (which is the construction bid for Seven Valley’s Concrete \$597,880 and ESI for \$88,313). The savings in interest alone over 20 years will be in the hundreds of thousands.