

# 2025 Water & Sewer Rate Study

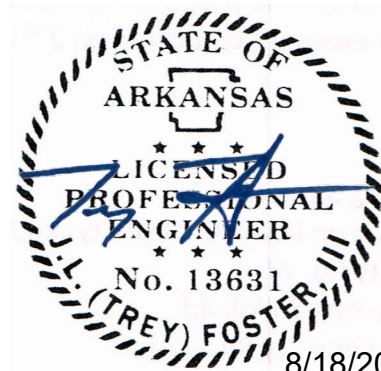
Prepared For:

**City of Hardy, AR**

**Hardy Water & Sewer Utilities**

August 2025

Prepared By:



8/18/2025

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## **Overview - What is Act 605 of 2021**

In the 93rd General Assembly Regular Session of the Arkansas State Legislature a Bill was enacted that modified Arkansas Code Title 14, Chapter 234 to add Subchapter 8 - Oversight of Retail Water Providers. The purpose of this Bill is to amend the law concerning retail water providers and related service, and for other purposes **(See Appendix A for full text of Act 605 of 2021 & Amendment Act 545, April 2023).**

The Arkansas Department of Agriculture, Natural Resources Division (NRD) is responsible for compliance oversight implemented by Act 605 and have established the following categories of rules to be adhered to **(See Appendix B for text of Rules Implementing Act 605);**

1. Requirement to establish Refurbishment and Replacement Account(s)
2. Requirements of Rate Studies for Retail Water Providers
3. Determination of Fiscal Distress
4. Miscellaneous
5. Requirements for Training

### **Background** (Source - Arkansas Department of Agriculture, Natural Resources Division)

Act 605 of 2021 tasked retail water providers with additional responsibilities in managing and operating their water systems, with some exceptions. These responsibilities include preparation of a rate study every 5 years or before any major development project (Act 545 amended Act 605 to remove the major development requirement). Rates determined from the study are required to be implemented within one year of the completion of the study, or two years if the recommended rates increase the provider's rates by fifty percent or more. Failure to complete a rate study or implement the required rate increases will result in a determination that the water provider is in fiscal distress. Rate studies must be filed with the Arkansas Legislative Audit and the Arkansas Department of Agriculture's Natural Resources Division.

Additionally, when a municipal water system has 20 percent or more of its customer base outside of the municipal boundaries, the municipality must establish a non-voting advisory committee to advise the municipality in water system matters. This committee must represent the water users outside the municipal boundaries.

Also under the legislation, all members of a retail water provider governing board must complete eight hours of training. The training must be completed within one year of becoming a board member. A member with 10 years or more service on the governing board is exempt from training. The Act provides that the NRD will utilize an advisory board of water professionals to develop the curriculum for the training.

All rate studies performed by an approved rate study provider shall be an objective and unbiased review of the Water Service Provider's fiscal status. All submitted rate studies must include a certification by the approved rate study provider that the study complies with Act 605 of 2021 and the rules implementing the Act, as amended. The NRD may remove an approved rate study provider from its list of approved entities if it determines that an entity violated Arkansas law or Commission rules in performing a rate study.

Rate studies shall be based on the guidelines of the American Water Works Association and the Water Environment Federation.

### **Data Collection and Analytical Review**

For the purpose of this Study, the Hardy Water and Sewer Utilities provided information for analysis in compliance with the requirements of Act 605. Civil Engineering Associates, LLC (CEA) is an approved Rate Study provider and has been retained to perform an analytical review of the water and sewer rates for the purpose of ensuring compliance with the rules and regulations of Act 605. The conclusion of the review will result in a report that meets all requirements and is suitable for submission to the Arkansas Legislative Audit and NRD, including a recommended rate structure to be implemented.

### **Required Information to be Provided for Complete Rate Study**

The following shall be incorporated into Rate Study Analysis for compliance with Act 605

1. Reports containing the following information for the current year and projections for the next five (5) years:
  - A. A comprehensive cost analysis, including:
    - i. Operations and maintenance (O&M) expenses;
    - ii. Financing expenses, including but not limited to, debt service payments, bond issuance costs, and commercial paper fees, if applicable;
    - iii. Any required cash reserves unavailable to pay for expenses, including but not limited to the annual refurbishment and replacement account deposit requirement as set out in Ark. Code Ann. § 14-234-802(e);
    - iv. Depreciation expenses;
    - v. Future capital expenses;
    - vi. Expenses required for an annual audit or agreed-upon procedures and compilation report;
    - vii. Expenses required for rate studies required under Ark. Code Ann. § 14-234-802; and
    - viii. Any other expenses not accounted for in paragraphs (i) through (vii).
  - B. A comprehensive revenue earnings analysis, including:
    - i. Available Cash balance;
    - ii. Non-rate revenue;
    - iii. Rate revenue without recommended increases;
    - iv. For the five projected years, recommended rate increases and the projected additional revenue derived therefrom;
    - v. Debt Service Coverage Ratios;
    - vi. The number of days that the available cash balance could cover O&M expenses without additional revenue;
    - vii. Annualized revenue requirement.

2. The provider's asset management plan, including:
  - A. An inventory of essential assets. For each essential asset, the provider shall provide the following information:
    - i. Asset type;
      - a. Annual maintenance costs;
      - b. Year installed;
      - c. Vendor-specified useful life, if available;
      - d. Anticipated date of replacement;
      - e. Installation or replacement cost estimate; and
      - f. Projected consequence of failure.
  - B. The provider's plan for replacement of essential assets.
3. An explanation of the provider's chosen rate design.
4. Recommendations for any changes to the provider's operations, including a plan on how the changes should be implemented.
5. Certification by the entity performing the rate study that such study complies with Ark. Code Ann. § 14-234-801 et. seq. and the Rules.

### **Financial Sustainability**

Providers of public water and sewer systems are required to establish rate structures that consistently generate sufficient revenues to pay all debt service obligations, operate and maintain the system(s) within regulatory compliance, and maintain reserve accounts for repairs and replacements within the system(s). In order to maintain revenues in excess of expenses, Providers should periodically review their rates to ensure an adequate revenue stream that keeps up with the rising costs associated with operating and maintaining a system. Should a Provider not be proactive in keeping up with rising costs, they tend to defer maintenance obligations and deplete reserve accounts. Neither of these would be considered good management practices and could lead to a system being found as distressed and/or non-compliant with regulatory agencies.

Periodic evaluation of system costs should be evaluated in order to maintain financial sustainability. The primary indicator of financial sustainability is the Debt Service Coverage Ratio (DSCR). This ratio is the comparison of system expenses and revenues and is calculated by dividing the total revenues by the total expenses of the system. The rules developed by the NRD state that the minimum DSCR is 1.05, but the recommended minimum DSCR is between 1.10 & 1.25. However, higher ratios may be warranted depending on circumstances within the system. One indicator that warrants a higher DSCR ratio is the Median Affordability Ratio. This ratio is calculated using the customer cost of 4,000-gallons of water (or sewer, depending on the system being evaluated) and multiplying the cost by 12-months, then dividing by the Median Household Income of the system, then multiplying by 100 for a percentage. If this ratio is 1.25 (for entities with LMI > 51%) or 1.5 (for entities with LMI < 51%), or higher, this value indicates that rates are sufficiently high without causing undue financial hardship on rate payers. Systems that maintain

a Median Affordability Ratio that meets the criteria can be deemed a disadvantaged community; therefore, potentially qualifying for grant funds for capital improvement projects from certain state/federal lenders.

### Comprehensive Cost Analysis

CEA has completed a comprehensive cost analysis based on information provided by Hardy Water & Sewer Utilities. For the purpose of this analysis, both water and sewer financials were calculated separately so that recommendations can be made for each system. The results of this analysis are as follows;

| Water Department            |                      |                    |                                       |
|-----------------------------|----------------------|--------------------|---------------------------------------|
| 2024 Revenue & Expenses     |                      |                    |                                       |
| Revenues                    | 2024 YTD<br>(Dec-31) | 2024 Budget        | 2024 Year End<br>Total<br>(Estimated) |
| Total Revenues:             | \$ 595,722.95        | \$ 546,399.01      | \$ 595,722.95                         |
| Expenses                    |                      |                    |                                       |
| Sub-total Expenses:         | \$ 514,234.48        | \$ 492,149.01      | \$ 514,234.48                         |
| <u>Depreciation Reserve</u> |                      |                    |                                       |
| Sub-total Expenses:         | \$ 62,388.00         | \$ 62,388.00       | \$ 62,388.00                          |
| Total Expenses:             | \$ 576,622.48        | \$ 554,537.01      | \$ 576,622.48                         |
| Total Revenue less Expense: |                      |                    | \$ 19,100.47                          |
|                             |                      | Net Profit/(Loss): | \$ 46,338.94                          |

| Sewer Department            |                      |                    |                                       |
|-----------------------------|----------------------|--------------------|---------------------------------------|
| 2024 Revenue & Expenses     |                      |                    |                                       |
| Revenues                    | 2024 YTD<br>(Dec-31) | 2024 Budget        | 2024 Year End<br>Total<br>(Estimated) |
| Total Revenues:             | \$ 201,358.06        | \$ 192,966.01      | \$ 201,358.06                         |
| Expenses                    |                      |                    |                                       |
| Sub-total Expenses:         | \$ 238,115.25        | \$ 178,716.01      | \$ 238,115.25                         |
| <u>Depreciation</u>         |                      |                    |                                       |
| Sub-total Expenses:         | \$ -                 | \$ -               | \$ -                                  |
| Total Expenses:             | \$ 238,115.25        | \$ 178,716.01      | \$ 238,115.25                         |
| Total Revenue less Expense: |                      |                    | \$ (36,757.19)                        |
|                             |                      | Net Profit/(Loss): | \$ (87,764.38)                        |

The review of financial information provided shows that the Hardy Water & Sewer Utilities will end FY-2024 with a surplus on the water side, but a deficit on the sewer side for a total system

that will operate in the "Red" for 2024. Operation of the systems is expected to remain in the "Red" throughout the evaluation period based on planned improvements to the systems and expected equipment replacements.

| Water Department<br>Debt Service Coverage Ratio (DSCR)                   |               |               |               |               |               |               |               |
|--------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 7-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure) |               |               |               |               |               |               |               |
| Revenues                                                                 | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Total Revenues:                                                          | \$ 237,238.06 | \$ 225,996.95 | \$ 224,427.77 | \$ 222,860.49 | \$ 221,295.11 | \$ 219,731.60 | \$ 218,169.96 |
| Expenses                                                                 | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Total Expenses:                                                          | \$ 280,396.61 | \$ 301,235.82 | \$ 307,716.92 | \$ 319,514.97 | \$ 326,640.40 | \$ 339,107.05 | \$ 346,924.08 |
| Revenue/Expense Ratio:                                                   | 0.85          | 0.75          | 0.73          | 0.70          | 0.68          | 0.65          | 0.63          |
| DSCR (Current Rates):                                                    | -0.41         | -1.46         | -1.72         | -2.16         | -2.44         | -2.90         | -3.20         |

| Sewer Department<br>Debt Service Coverage Ratio (DSCR)                   |               |               |               |               |               |               |               |
|--------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 7-Yr Projection of Revenue v. Expenses (Based on Current Rate Structure) |               |               |               |               |               |               |               |
| Revenues                                                                 | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Total Revenues:                                                          | \$ 155,291.06 | \$ 155,697.02 | \$ 156,155.29 | \$ 156,667.69 | \$ 157,236.12 | \$ 157,862.55 | \$ 158,548.99 |
| Expenses                                                                 | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Total Expenses:                                                          | \$ 315,039.96 | \$ 335,026.94 | \$ 357,892.21 | \$ 381,127.67 | \$ 392,574.77 | \$ 404,422.36 | \$ 416,680.72 |
| Revenue/Expense Ratio:                                                   | 0.49          | 0.46          | 0.44          | 0.41          | 0.40          | 0.39          | 0.38          |
| DSCR Ratio (Current Rates):                                              | -5.56         | -6.37         | -4.53         | -3.61         | -3.83         | -4.06         | -4.30         |

The above projections are based on a continued decline in population based on available information developed by the Institute for Economic Advancement, Arkansas Census State Data Center coupled with historical customer count data within the systems. As can be seen, the DSCR for both water and sewer are below the minimum of 1.05. Based on this calculation, if the systems continue to operate in this manner, the systems could be designated as fiscally distressed and be subjected to more stringent oversight by regulatory agencies.

For a full summary of the Financial Sustainability, **see Appendix C for Water and Appendix D for Sewer.**

## Rate Structure

Hardy Water & Sewer Utilities uses a Single Block or Uniform Rate Structure and has established rates based on customer type and whether customer is located inside or outside city limits. This type of rate structure is common throughout Arkansas and charges customers a flat rate for service availability coupled with a constant rate based on usage. The current rate structures are as follows;

| Water Department                              |                      |                          |                                                    |                                                                |
|-----------------------------------------------|----------------------|--------------------------|----------------------------------------------------|----------------------------------------------------------------|
| Estimated Revenues Per Current Rate Structure |                      |                          |                                                    |                                                                |
| <u>Rate Structure (2024)</u>                  |                      |                          |                                                    |                                                                |
| Customer Type                                 | # Customer (Average) | % of Total Customer Base | Base Rate (1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate Over 1000-Gal - I<br>Over 1000-Gal - O (per 1000) |
| Residential                                   | 362                  | 79.26%                   | \$ 16.12                                           | \$ 5.45                                                        |
| Business                                      | 94                   | 20.52%                   | 16.12                                              | 5.45                                                           |
| Commercial                                    | 1                    | 0.22%                    | 25.00                                              | 5.45                                                           |

| Sewer Department                              |                      |                          |                          |                              |
|-----------------------------------------------|----------------------|--------------------------|--------------------------|------------------------------|
| Estimated Revenues Per Current Rate Structure |                      |                          |                          |                              |
| <u>Rate Structure (2024)</u>                  |                      |                          |                          |                              |
| Customer Type                                 | # Customer (Average) | % of Total Customer Base | Base Rate (1st 1000-Gal) | Uniform Rate (Over 1000-Gal) |
| Residential                                   | 365                  | 82.72%                   | \$ 13.70                 | \$ 3.25                      |
| Business                                      | 76                   | 17.28%                   | 14.70                    | 3.40                         |

The rate structures shown above coincide with the tables from the Comprehensive Cost Analysis. Based on these rates, Hardy Water & Sewer Utilities will continue to operate in a net deficit between the water and sewer systems over the 7-year evaluation period. This is in-part due to an estimated decline in customer base, but also can be attributed to rising costs associated with operating and maintaining the systems.

### Financial Analysis

The purpose of the financial analysis is to determine whether the Hardy Water & Sewer Utilities is properly positioned to sustain both the water and sewer systems under its control and determine whether required revenues meet the requirements of the systems. This analysis must include consideration for revenues needed to adequately fund all aspects of the systems, including but not limited to, principal and interest payments for existing debt, estimated operating expenses, funding reserves for equipment replacement, and new debt associated with planned and/or emergency capital improvements. Depreciation of existing system assets is not included in the analysis, but is considered when determining total reserves requirements. This need for sufficient revenues can be summarized as Asset Management and is a requirement to be in full compliance with Act 605.

Currently, the outstanding debt associated with the water and sewer systems includes four (4) bonds for the water system and one (1) bond for the sewer system. The private issue bonds were issued to finance capital improvements to both the water and sewer systems and are paid equally from revenues generated by the current rate structures for water and sewer. Payment schedules for all bonds are as follows;

#### Debt Service Requirements

| Water Department               |                |                 |
|--------------------------------|----------------|-----------------|
| Assets & Long-Term Liabilities |                |                 |
|                                |                |                 |
| <u>Long-Term Liabilities</u>   |                |                 |
| Account Type                   | Annual Payment | Est Payoff Year |
| ANRC                           | \$ 8,265.00    | 2031            |
| USDA 91-05                     | 13,032.00      | 2041            |
| USDA 93-04                     | 12,588.00      | 2041            |
| ANRC - 24                      | 4,999.92       | 2044            |
|                                |                |                 |
| Total:                         | 38,884.92      |                 |

| Sewer Department               |                |                 |
|--------------------------------|----------------|-----------------|
| Assets & Long-Term Liabilities |                |                 |
|                                |                |                 |
| <u>Long-Term Liabilities</u>   |                |                 |
| Account Type                   | Annual Payment | Est Payoff Year |
| USDA 93-01                     | \$ 24,336.00   | 2040            |
|                                |                |                 |
| Total:                         | 24,336.00      |                 |

All loans associated with the water and sewer systems are current and it appears that all reserve requirements are being met.

#### Revenues v. Expenses

In order to estimate revenues and expenses through 2031, CEA utilized current budget information from both the Water and Sewer Departments, average usage data per customer type, estimated population trends, and minimal non-rate revenue. All calculations disregarded existing cash-on-hand and strictly reviewed what it would take to sustain the systems with the estimated revenue stream. Calculating in this manner is a conservative approach and allows for any cash reserves to be utilized according to their specified intent. The table below was produced as described and is based on the recommended rate structures for the water and sewer systems.

#### Water Department

##### 7-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)

| Revenues        | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Revenues: | \$ 237,238.06 | \$ 306,022.07 | \$ 317,508.99 | \$ 329,492.14 | \$ 341,990.59 | \$ 355,025.12 | \$ 368,618.29 |

| Expenses        | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Expenses: | \$ 280,396.61 | \$ 303,568.82 | \$ 309,588.62 | \$ 320,879.77 | \$ 327,449.40 | \$ 339,307.75 | \$ 346,464.38 |

#### Sewer Department

##### 7-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)

| Revenues        | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Revenues: | \$ 155,291.06 | \$ 350,829.15 | \$ 379,746.85 | \$ 394,590.79 | \$ 409,980.04 | \$ 425,932.40 | \$ 442,466.07 |

| Expenses        | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Total Expenses: | \$ 315,040.41 | \$ 344,267.39 | \$ 368,435.66 | \$ 392,299.87 | \$ 404,396.04 | \$ 416,923.58 | \$ 429,882.30 |

Compliance with Act 605 requires minimum annual reserve deposits totaling 5% of gross system revenue. The above calculations account for these deposits. **For a complete listing of the revenues and expenses, see Appendix C for water and Appendix D for sewer.**

#### Debt Service Coverage Ratio (DSCR)

As previously mentioned, the rules implementing Act 605 will require a minimum DSCR 1.05. Existing and proposed DSCR is shown in the table below through 2031;

#### Water Department

##### Debt Service Coverage Ratio (DSCR)

##### 7-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)

|                        | 2025  | 2026  | 2027  | 2028  | 2029  | 2030  | 2031  |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| DSCR (Current Rates):  | -0.41 | -1.46 | -1.72 | -2.16 | -2.44 | -2.90 | -2.82 |
| DSCR (Proposed Rates): | -0.41 | 1.08  | 1.26  | 1.28  | 1.47  | 1.51  | 1.72  |

#### Sewer Department

##### Debt Service Coverage Ratio (DSCR)

##### 7-Yr Projection of Revenue v. Expenses (Based on Proposed Rate Structure)

|                        | 2025  | 2026  | 2027  | 2028  | 2029  | 2030  | 2031  |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| DSCR (Current Rates):  | -5.56 | -6.37 | -4.53 | -3.61 | -3.83 | -4.06 | -4.06 |
| DSCR (Proposed Rates): | -5.56 | 1.27  | 1.31  | 1.05  | 1.11  | 1.19  | 1.26  |

The target DSCR should be between 1.10 and 1.25, but higher percentages can be warranted.

#### Median Affordability

When evaluating the financial sustainability of a water and/or sewer system, careful consideration of rate payer affordability is vital. Affordability ratios are based on the cost of

4000-gallons of usage and the median household income for the area served by the Provider. Below is a table showing the estimated current and proposed affordability ratio through 2031;

Water Department  
Median Affordability

| Median Affordability as a Percentage of MHI (Current Rate Structure & Proposed One-Time Increase) |               |            |            |            |            |            |            |            |
|---------------------------------------------------------------------------------------------------|---------------|------------|------------|------------|------------|------------|------------|------------|
|                                                                                                   | Current MHI % | 2025 MHI % | 2026 MHI % | 2027 MHI % | 2028 MHI % | 2029 MHI % | 2030 MHI % | 2031 MHI % |
| Residential                                                                                       | 1.16          | 1.16       | 1.45       | 1.52       | 1.60       | 1.68       | 1.76       | 1.85       |

Sewer Department  
Median Affordability

| Median Affordability as a Percentage of MHI (Current Rate Structure & Yearly Increase) |               |            |            |            |            |            |            |            |
|----------------------------------------------------------------------------------------|---------------|------------|------------|------------|------------|------------|------------|------------|
|                                                                                        | Current MHI % | 2025 MHI % | 2026 MHI % | 2027 MHI % | 2028 MHI % | 2029 MHI % | 2030 MHI % | 2031 MHI % |
| Residential                                                                            | 0.84          | 0.84       | 2.31       | 2.54       | 2.66       | 2.80       | 2.94       | 3.08       |

The target median affordability ratio for communities with a low-moderate income (LMI) percentage of 51% or greater is 1.25, and 1.5 for communities with a low-moderate income percentage less than 51%. Communities that implement rates that increase the median affordability ratio to the specified percentages can be classified as disadvantaged, meaning the rates charged for 4000-gallons of usage have increased to a point in which they could be considered a hardship on rate payers. Only residential rates are used in this calculation. Typically, if a community is classified as disadvantaged, additional grant funding may be made available for certain capital improvement projects. For a detailed summary of how median affordability ratio is calculated, **see Appendix C for water and Appendix D for sewer.**

## Conclusions and Recommendations

**Debt Service:** Hardy Water & Sewer Utilities maintains five (5) outstanding bond issues. In order to maintain an adequate debt service coverage ratio, both the water and sewer systems will need to increase their revenues through a rate increase. It is recommended that each department adopt the rate structure proposed in **Appendix C (Pgs. 7-8) and Appendix D (Pgs. 7-8)**. Adopting the recommended rates for the water and sewer systems is expected to generate a DSCR that is compliant with Act 605 beginning in 2025 for both the water and sewer systems.

**Operating/Depreciation Reserve:** Hardy Water & Sewer Utilities has maintained sufficient reserves for both the water and sewer systems. It is recommended that 5% of gross revenues from both the water and sewer systems continue to be deposited into an unrestricted account for the purpose of replacement and refurbishment of infrastructure related to each system. This recommendation will comply with the minimum requirements of Act 605, specific to reserve fund requirements.

**Capital Improvement Plan:** Hardy Water & Sewer Utilities has developed a capital improvement plan that addresses the major components of both the water and sewer systems. It is recommended that this plan be reviewed on an annual basis and updated as needed.

Budget & Rate Reviews: Hardy Water & Sewer Utilities has implemented a process to review rates based on required revenues and expenses. Development of a comprehensive Rate Study for compliance with Act 605 is an additional check to ensure that the rate structures being implemented for both the water and sewer systems. It is recommended that the incremental increasing rate structure proposed in **Appendix C (Pgs. 7-8) and Appendix D (Pgs. 7-8)** be adopted by the City Council, and be reviewed every five (5) years, at a minimum to remain compliant with Act 605. Any future reviews of rate structures should be mindful of maintaining a DSCR above the required minimums.

Affordability: It is recommended that Hardy Water & Sewer Utilities strive to adopt rate structures that generate revenues necessary to properly operate and maintain the water and sewer systems, while being mindful of implementing rates that are excessive and create undue hardships on rate payers. A good measure of affordability is to maintain a median affordability ratio as a percentage of median household income at 1.25 (inside City limits) and 1.5 (outside City limits) and this ratio should be based on residential rates.

Water & Sewer Rates: Hardy Water & Sewer Utilities is expected to be non-compliant with the minimum DSCR of 1.05 specified in Act 605 should the existing rate structures for the water and sewer systems remain in-place. This non-compliance may result in Hardy Water & Sewer Utilities being designated as fiscally distressed and result in more stringent regulatory oversight, including but not limited to, fines and penalties imposed by the State of Arkansas. It is recommended that the City Council of Hardy, Arkansas pass a rate ordinance adopting the proposed rate structures included with this report. **See Appendix C (Pgs. 7-8) and Appendix D (Pgs. 7-8).**

Asset Management Plan: Hardy Water & Sewer Utilities has developed an Asset Management Plan in accordance with the requirements of Act 605. It is recommended that this plan be reviewed on an annual basis. A copy of the current plan included as **Appendix E.**

## RATE STUDY CERTIFICATION

Civil Engineering Associates, LLC is a duly authorized Rate Study Provider and is listed as such on the approved provider list published by the Arkansas Department of Agriculture, Natural Resources Division. The undersigned representative of Civil Engineering Associates, LLC hereby certifies the following;

1. The Rate Study provided herein was provided at the request of Hardy Water & Sewer Utilities and has been completed in an objective and unbiased manner of the Provider's fiscal status.
2. The Rate Study provided herein was completed in compliance with Act 605 of 2021, otherwise codified as Ark. Code Annotated §14-234-801 and the implementing rules adopted by the Arkansas Natural Resources Commission.

A handwritten signature in blue ink, appearing to read 'Trey Foster', is written over a horizontal line.

Trey Foster, P.E.  
Member/Principal  
Civil Engineering Associates, LLC

## **APPENDIX A**

**ACT 605 OF 2021  
ACT 545, APRIL 2023**

State of Arkansas

As Engrossed: H3/11/21

93rd General Assembly

# A Bill

Regular Session, 2021

SENATE BILL 386

By: Senator A. Clark

By: Representative Love

## For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING RETAIL WATER  
PROVIDERS AND RELATED SERVICE; AND FOR OTHER  
PURPOSES.

## Subtitle

TO AMEND THE LAW CONCERNING RETAIL WATER  
PROVIDERS AND RELATED SERVICE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code Title 14, Chapter 234, is amended to add an  
additional subchapter to read as follows:

### Subchapter 8 – Oversight of Retail Water Providers

#### 14-234-801. Findings – Definitions.

##### (a) The General Assembly finds that:

(1) Oversight of providers in the state is primarily handled by  
the Arkansas Natural Resources Commission and the Department of Health;

(2) The oversight of these providers is spread out and results  
in the inability of a single state entity to monitor and help initiate  
necessary changes in public access of water, rate structures, the  
sustainability of the providers, and the protection of consumer rights;

(3) While local control is important, the current landscape of  
providers has the potential to create inefficiencies in service and  
instability in fiscal management;

(4) Combining smaller providers may be necessary in some areas



1 in order to guarantee dependable and plentiful provision of water and to  
2 avoid unsustainable rate increases;

3 (5) Many providers have an aging workforce, and there is a need  
4 for education of the governing bodies of these providers concerning the  
5 importance of recruiting and retaining an expert workforce; and

6 (6) Training of local, state, and federal leaders on issues  
7 surrounding provider personnel, finances, compliance, and environmental  
8 factors is needed.

9 (b) As used in this subchapter:

10 (1) "Commission" means the Arkansas Natural Resources  
11 Commission;

12 (2) "Provider" means any provider of retail water service; and

13 (3) "Provider board" means the governing body of a provider,  
14 whether the governing body is organized as a board, commission, committee,  
15 council, or other type of entity.

16  
17 14-234-802. Fiscal distress – Improvement plans – Rates and rate  
18 studies.

19 (a)(1) For the purposes of this section, a provider is in fiscal  
20 distress if the provider:

21 (A) Fails to obtain a rate study as required under this  
22 section;

23 (B) Fails to implement a completed rate study required  
24 under this section; or

25 (C) Has been found by the commission to be in significant  
26 noncompliance with rules of the commission because of inadequate funds for  
27 operation and maintenance or inadequate compliance with rules of the  
28 commission.

29 (2) A provider may be found by the commission to be subject to  
30 this section if a member of the provider's board does not receive the  
31 training required under § 14-234-805.

32 (b) The commission shall maintain and publish on the commission's  
33 website a list of providers in fiscal distress.

34 (c)(1) A provider shall obtain a rate study on the following schedule:

35 (A) By July 1, 2024, and every five (5) years thereafter  
36 for a provider that serves five hundred (500) or fewer customers;

1 (B) By July 1, 2025, and every five (5) years thereafter  
2 for a provider that serves five hundred one (501) to one thousand (1,000)  
3 customers; and

4 (C) By July 1, 2026, and every five (5) years thereafter  
5 for a provider that serves more than one thousand (1,000) customers.

6 (2)(A) Rates shall adequately address costs for:

7 (i) Operation and maintenance;

8 (ii) Debt service;

9 (iii) Required reserves;

10 (iv) Depreciation;

11 (v) Future capital expenses;

12 (vi) An annual audit or agreed-upon procedures and  
13 compilation report; and

14 (vii) Other expenses as necessary.

15 (B)(i) The rates recommended in the rate study that is  
16 obtained and chosen by the provider shall be implemented by the provider in  
17 the manner provided under the applicable law for modifying rates.

18 (ii) Except as provided in subdivision  
19 (c)(2)(B)(iii) of this section, an increase in rates recommended in the rate  
20 study shall be implemented within one (1) year of the receipt of the rate  
21 study.

22 (iii) If recommended rates increase the provider's  
23 rates by fifty percent (50%) or more from the fiscal year before the rate  
24 study was completed, the provider may phase in the rate increase over a two-  
25 year period.

26 (d)(1) The commission shall determine by rule the requirements of the  
27 rate study, including without limitation a review of the provider's  
28 refurbishment and replacement account and asset management plan.

29 (2)(A) The rate study shall use as its basis the guidelines of  
30 the American Water Works Association and the Water Environment Federation.

31 (B) The commission shall determine by rule an appropriate  
32 entity to provide guidelines for the rate study to use as its basis if  
33 guidelines of the American Water Works Association and the Water Environment  
34 Federation are unavailable.

35 (e) A provider shall deposit a minimum of five percent (5%) per annum  
36 of gross revenues in a dedicated refurbishment and replacement account within

1 twelve (12) months of implementation of the rate, unless a different amount  
2 is determined by a rate study.

3 (f)(1) The commission shall maintain an approved list of entities to  
4 conduct rate studies required by this section, including without limitation  
5 the Arkansas Rural Water Association, professional engineers, certified  
6 public accountants, economists, and actuaries.

7 (2) If a provider chooses an entity to conduct the rate study  
8 that is not on the approved list of entities, the entity is required to have  
9 conducted at least one (1) rate study in the state in the previous five-year  
10 period.

11 (g)(1) To ensure fiscal soundness, the commission shall consider and  
12 approve a new provider with fewer than three hundred (300) customers within  
13 the proposed service area only if:

14 (A) The commission determines that public health or the  
15 environment is threatened without the approval of the new provider; or

16 (B) There is no other viable alternative.

17 (2) A new provider with fewer than three hundred (300) customers  
18 seeking approval shall:

19 (A) Be organized through a political subdivision,  
20 including without limitation an improvement district, a county, or a  
21 municipality;

22 (B) Demonstrate the ability to remain fiscally  
23 sustainable; and

24 (C) Complete a technical, financial, and managerial  
25 capacity review conducted by the commission.

26 (h)(1) A provider that plans to undertake a major development project  
27 shall obtain a rate study or amend the provider's existing rate study before  
28 beginning the major development project to include consideration of the  
29 financial impact of the major development project on the fiscal  
30 sustainability of the provider.

31 (2) As used in this subsection, "major development project"  
32 means a project that exceeds twenty percent (20%) of gross revenues of the  
33 provider for the immediately preceding fiscal year.

34 (i) A provider shall file its most recent rate study annually with  
35 Arkansas Legislative Audit at the same time the provider files its audit  
36 report or agreed-upon procedures and compilation report as required under §

1 14-234-120.

2 (j)(1) The commission shall annually identify and notify a provider if  
3 the provider is in fiscal distress.

4 (2) The provider may appeal the finding to the Pulaski County  
5 Circuit Court.

6 (k)(1) A provider found to be in fiscal distress shall file an  
7 improvement plan with the commission, including without limitation specific  
8 action to be taken to correct financial, technical, and managerial  
9 deficiencies, within ninety (90) days of the finding of fiscal distress.

10 (2)(A) Upon receipt of the improvement plan under this  
11 subsection, the commission shall review the improvement plan and:

12 (i) Approve the improvement plan in whole or in  
13 part;

14 (ii) Modify the improvement plan; or

15 (iii) Deny the improvement plan.

16 (B) At the time the commission determines that the  
17 provider is no longer in fiscal distress, the commission shall remove the  
18 fiscal distress designation and notify the provider.

19 (l) If a provider is found to be in fiscal distress, the provider  
20 shall not receive state financial assistance for water operations until an  
21 improvement plan that has been approved by the commission is in place, unless  
22 the financial assistance is immediately necessary to ensure preservation of  
23 the public peace, health, and safety, as determined by the commission.

24 (m) If the provider is found to be in fiscal distress, the provider  
25 shall obtain written authorization from the commission to:

26 (1) Incur additional debt;

27 (2) Accept assistance for the refurbishment or replacement of  
28 facilities or construction of facilities not within the provider's  
29 improvement plan; or

30 (3) Transfer assets to another entity.

31  
32 14-234-803. Workforce recruitment and retention – Education.

33 A provider shall:

34 (1) Work with the Association of Arkansas Counties and the  
35 Arkansas Municipal League to develop training for leaders of the county or  
36 municipality;

1           (2) Provide suitable compensation and incentives to encourage  
2 individuals to consider a career with the provider; and

3           (3) Promote the recruitment, education, and licensing of  
4 employees of the provider.

5  
6           14-234-804. Municipal providers – Provision of water to nonresident  
7 customers – Advisory committee.

8           (a)(1) If a municipal provider is unable or unwilling to provide  
9 service to a nonresident property owner residing in the provider's service  
10 area, the commission may require the municipal provider to release the  
11 nonresident property owner to a willing provider.

12           (2) If required by the willing provider, a nonresident property  
13 owner may be required to pay the costs of necessary extensions to connect to  
14 the willing provider.

15           (3) A municipal provider shall not release a service area of the  
16 municipal provider if the release would invalidate or encumber the issuance  
17 or retirement of a bond, promissory note, or certificate of indebtedness  
18 related to the service area.

19           (b)(1) A municipal provider that is willing to provide service to  
20 areas outside the municipal boundaries and within its service area shall do  
21 so through an application made by the affected property owner or through an  
22 agreement executed by the municipal provider and the affected property owner.

23           (2) If the municipal provider has a prerequisite that the  
24 affected property owner annex into the municipal boundaries before providing  
25 service, the prerequisite shall be clearly defined in an application or  
26 agreement.

27           (3) Failure to clearly define any annexation requirement within  
28 the application or agreement prohibits the municipal provider from requiring  
29 annexation in exchange for service for those areas without agreement from the  
30 affected property owner.

31           (c)(1) If a municipal provider services customers outside the  
32 municipal boundaries of the municipal provider and the number of those  
33 customers outside the municipal boundaries and in unincorporated areas equals  
34 or exceeds twenty percent (20%) of the total customer base of the municipal  
35 provider, a nonvoting advisory committee to the municipal provider board  
36 shall be created by the governing body of the municipality in which the

1 municipal provider is located.

2 (2) The makeup and duties of an advisory committee created under  
3 subdivision (c)(1) of this section shall be determined by the governing body  
4 of the municipality that creates the advisory committee.

5 (3) Two (2) nonresident customers from the area served outside  
6 the municipal boundaries and in unincorporated areas shall serve on the  
7 advisory committee.

8 (d) The commission shall intervene if a municipal provider:

9 (1) Is prohibited from providing water to potential customers  
10 within the municipal provider's service area by the political subdivision  
11 under which the municipal provider is organized;

12 (2) Practices business irresponsibly in relation to consumer  
13 rights; or

14 (3) Is not following best management practices in providing  
15 water service.

16 (e) Except as otherwise provided in this section, a consumer shall not  
17 be denied access to service if suitable distribution and collection  
18 infrastructure already exists or if the consumer is willing to pay for  
19 suitable distribution and collection infrastructure, unless:

20 (1) A municipal provider has made the decision not to extend  
21 service outside the municipal boundaries of the municipal provider;

22 (2) An engineering, capacity, physical feasibility, or fiscal  
23 feasibility issue exists as determined by a professional engineer or  
24 certified public accountant; or

25 (3) A consumer does not submit an application or enter into an  
26 agreement under subsection (b) of this section.

27  
28 14-234-805. Training.

29 (a)(1)(A) Within one (1) year of election or appointment, a majority  
30 of the members of a provider board shall receive a minimum of eight (8) hours  
31 of provider training as promulgated by rule of the commission.

32 (B) A member of a provider board as of January 1, 2021,  
33 shall receive the training required under this section by December 31, 2022.

34 (2) If a majority of the members of a provider board do not  
35 receive the training required under this section, the commission may find the  
36 provider is subject to § 14-234-802.

1           (3) This section does not apply to a member of a provider board  
2 who has served on the provider board for ten (10) years or more.

3           (b) The commission shall consult with an advisory training board for  
4 the development of the training required under this section, whose members  
5 shall include without limitation:

6           (1) The Secretary of the Department of Health or his or her  
7 designee;

8           (2) The Director of the Arkansas Natural Resources Commission or  
9 his or her designee;

10           (3) The State Director of the United States Department of  
11 Agriculture Rural Development in Arkansas or his or her designee;

12           (4) The Chief Executive Officer of the Arkansas Rural Water  
13 Association or his or her designee;

14           (5) The Executive Director of the Association of Arkansas  
15 Counties or his or her designee;

16           (6) The Executive Director of the Arkansas Municipal League or  
17 his or her designee;

18           (7) The Chief Executive Officer of Central Arkansas Water or his  
19 or her designee;

20           (8) The Chair of the Board of Directors of Communities  
21 Unlimited, Inc. or his or her designee;

22           (9) The Chair of the Arkansas Water Works and Water Environment  
23 Association, Inc. or his or her designee;

24           (10) The Director of the Arkansas Environmental Training Academy  
25 or his or her designee;

26           (11) The Chair of the House Committee on City, County, and Local  
27 Affairs;

28           (12) The Vice Chair of the House Committee on City, County, and  
29 Local Affairs;

30           (13) The Chair of the Senate Committee on City, County, and  
31 Local Affairs;

32           (14) The Vice Chair of the Senate Committee on City, County, and  
33 Local Affairs; and

34           (15) The President of the Arkansas Water and Wastewater Managers  
35 Association.

36

14-234-806. Rules.

The commission shall promulgate rules necessary to implement this subchapter.

14-234-807. Applicability.

This subchapter does not apply to:

(1) A water system regulated by the Arkansas Public Service Commission as a public utility under § 23-1-101(9);

(2) A municipal utility system owned or operated by a municipality that provides electric service to retail customers in addition to water service, including an electric system:

(A) Managed or operated by a nonprofit corporation under § 14-199-701 et seq.; or

(B) Owned or operated by a municipality or by a consolidated utility district under the General Consolidated Public Utility System Improvement District Law, § 14-217-101 et seq.;

(3) A privately owned provider that supplies the majority of its retail water service to nonresidential customers; or

(4) A water system operated jointly between two (2) municipalities in which each municipality is located in a different state.

SECTION 2. TEMPORARY LANGUAGE. DO NOT CODIFY. Rules.

(a) When adopting the initial rules to implement this act, the commission shall file the final rules with the Secretary of State for adoption under § 25-15-204(f):

(1) On or before January 1, 2022; or

(2) If approval under § 10-3-309 has not occurred by January 1, 2022, as soon as practicable after approval under § 10-3-309.

(b) The commission shall file the proposed rules with the Legislative Council under § 10-3-309(c) sufficiently in advance of January 1, 2022, so that the Legislative Council may consider the rules for approval before January 1, 2022.

*/s/A. Clark*

**APPROVED: 4/5/21**

State of Arkansas

As Engrossed: H3/13/23

94th General Assembly

# A Bill

Regular Session, 2023

HOUSE BILL 1515

By: Representative Maddox

By: Senator Rice

## For An Act To Be Entitled

AN ACT TO AMEND THE LAW CONCERNING RETAIL WATER  
PROVIDERS AND RELATED SERVICE; AND FOR OTHER  
PURPOSES.

## Subtitle

TO AMEND THE LAW CONCERNING RETAIL WATER  
PROVIDERS AND RELATED SERVICE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

SECTION 1. Arkansas Code § 14-234-802(c), concerning the schedule that  
a provider is required to use to obtain a rate study and the rate changes  
following a rate study, is amended to read as follows:

(c)(1) A provider shall obtain a rate study on the following schedule:

(A) By July 1, 2024, and every five (5) years thereafter  
for a provider that serves five hundred (500) or fewer customers;

(B) By July 1, 2025, and every five (5) years thereafter  
for a provider that serves five hundred one (501) to one thousand (1,000)  
customers; and

(C) By July 1, 2026, and every five (5) years thereafter  
for a provider that serves more than one thousand (1,000) customers.

(2)(A) Rates and other revenue dedicated to the support of the  
provider's water system shall adequately address costs for:

(i) Operation and maintenance;

(ii) Debt service;

(iii) Required reserves;



- 1 (iv) Depreciation;  
2 (v) Future capital expenses;  
3 (vi) ~~An~~ Preparation of an annual audit or agreed-upon  
4 procedures and compilation report as required by law; and  
5 (vii) Other expenses as necessary.

6 (B)(i) The rates recommended in the rate study that is  
7 obtained and chosen by the provider shall be implemented by the provider in  
8 the manner provided under the applicable law for modifying rates.

9 (ii) Except as provided in subdivision (c)(2)(B)(iii)  
10 of this section, an increase in rates recommended in the rate study shall be  
11 implemented within one (1) year of the receipt of the rate study.

12 (iii) If recommended rates increase the provider's  
13 rates by fifty percent (50%) or more from the fiscal year before the rate  
14 study was completed, the provider may phase in the rate increase over a two-  
15 year period.

16 (iv) If through the rate study it is recommended  
17 that a series of rate increases be implemented over a period of time that  
18 exceeds the periods of time required in subdivision (c)(2)(B)(ii) and (iii)  
19 of this section, the provider may implement the series of rate increases  
20 without regard to the limitations of subdivisions (c)(2)(B)(ii) and (iii) of  
21 this section, provided that the series of rate increases conform with the  
22 recommendations of the rate study.

23  
24 SECTION 2. Arkansas Code § 14-234-802(e), concerning the deposit of  
25 gross revenues required by a provider, is amended to read as follows:

26 (e)(1) A Each provider shall deposit a minimum of five percent (5%)  
27 per annum of gross revenues in a dedicated refurbishment and replacement  
28 ~~account within twelve (12) months of implementation of the rate, unless a~~  
29 ~~different amount is determined by a rate study.~~

30 (2) The provider may spend any amount of the provider's cash  
31 savings referenced in subdivision (e)(1) of this section at any time for  
32 refurbishment and replacement of the provider's water system facilities and  
33 other real property.

34 (3) If a different amount is determined by a rate study, then  
35 the amount determined by the rate study shall be deposited into a dedicated  
36 refurbishment and replacement account.

1  
2 SECTION 3. Arkansas Code § 14-234-802(h), concerning the requirement  
3 for a provider to obtain a rate study or amend a rate study before beginning  
4 a major development project, is repealed.

5 ~~(h)(1) A provider that plans to undertake a major development project~~  
6 ~~shall obtain a rate study or amend the provider's existing rate study before~~  
7 ~~beginning the major development project to include consideration of the~~  
8 ~~financial impact of the major development project on the fiscal~~  
9 ~~sustainability of the provider.~~

10 ~~(2) As used in this subsection, "major development project"~~  
11 ~~means a project that exceeds twenty percent (20%) of gross revenues of the~~  
12 ~~provider for the immediately preceding fiscal year.~~  
13

14 SECTION 4. Arkansas Code § 14-234-805(a)(1)(B), concerning the  
15 training required for members of a provider board, is amended to read as  
16 follows:

17 (B) A member of a provider board ~~as of January 1, 2021,~~  
18 shall receive the training required under this section by the later of the  
19 member's first anniversary of service or December 31, 2022 2023.  
20

21 SECTION 5. Arkansas Code § 14-234-807 is amended to read as follows:  
22 14-234-807. Applicability.

23 This subchapter does not apply to:

24 (1) A water system regulated by the Arkansas Public Service  
25 Commission as a public utility under § 23-1-101;

26 (2) A municipal utility system owned or operated by a  
27 municipality that provides electric service to retail customers in addition  
28 to water service, including an electric system:

29 (A) Managed or operated by a nonprofit corporation under §  
30 14-199-701 et seq.; or

31 (B) Owned or operated by a municipality or by a  
32 consolidated utility district under the General Consolidated Public Utility  
33 System Improvement District Law, § 14-217-101 et seq.;

34 (3) A privately owned provider that supplies the majority of its  
35 retail water service to nonresidential customers; ~~or~~

36 (4) A water system operated jointly between two (2)

1 municipalities in which each municipality is located in a different state; or  
2 (5) A provider during the time that the provider is subject to a  
3 federal court decree or judgment for remediation efforts related to the  
4 provider's water system, wastewater system, or water and wastewater systems  
5 for the purpose of compliance with federal law.

6  
7 /s/Maddox

8  
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10 APPROVED: 4/11/23  
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## **APPENDIX B**

### **RULES IMPLEMENTING ACT 605**

**Rules Implementing Act 605 of 2021**

**I. Purpose**

1. The purpose of these rules is to:
  - a. Implement Ark. Code Ann. § 14-234-801 et. seq.;
  - b. Provide oversight of retail water providers to promote efficiency in service and stability in fiscal management;
  - c. Provide training and education to governing bodies of retail water providers; and
  - d. Provide training of local, state, and federal leaders on the issues surrounding provider personnel, finances, compliance, and environmental factors.
2. The rules shall be read in conjunction with Ark. Code Ann. § 14-234-801 et. seq.

**II. Definitions**

The following definitions are supplemental to the definitions in Ark. Code Ann. § 14-234-801 et. seq.:

1. “Annualized Revenue Requirement” means the projected revenue if the recommended increase, as well as all previous recommended increases, is in effect for the full 12-month period.
2. “Commission” means the Arkansas Natural Resources Commission.
3. “Debt Service Coverage Ratio” (“DSCR”) means Net Operating Income divided by Total Debt Service.
4. “Department” means the Arkansas Department of Agriculture, including the Natural Resources Division thereof.
5. “Future Capital Expenses” means the design and construction of new and replacement infrastructure, including any associated labor and fees.
6. “Major Development Project” means a project that exceeds twenty percent (20%) of gross revenues of the provider for the immediately preceding fiscal year.
7. “Non-operating Revenue” means revenue derived from sources other than water use charges.
8. “Net Operating Income” means earnings before interest, tax, depreciation, and amortization (EBITDA) less capital expenditures.
9. “Provider board” as used herein shall have the definition provided in Ark. Code Ann. § 14-234-801(b)(3).
10. “System” means:
  - a. For a provider that provides water service only, the provider’s water system.
  - b. For a provider that provides water service and sewer service, but where the water system and the sewer system are not operated as a joint and integrated undertaking (i.e., when a separate audit is prepared for water and for sewer), the provider’s water system.

- c. For a provider that provides water service and sewer service, and the water facilities are operated as a joint and integrated undertaking (i.e., when water and sewer are combined in a single audit), the provider's joint and integrated water and sewer system.
- 11. "Total Debt Service" means current debt obligations, including but not limited to any interest, principal, sinking fund, and lease payments due in a given year.

### **III. Refurbishment and Replacement Account**

- 1. Refurbishment and Replacement accounts, as required under Ark. Code Ann. § 14-234-802(e), shall only be used to make repairs or to replace ~~water system~~ System appurtenances.
- 2. Providers may designate existing depreciation or replacement accounts as the Refurbishment and Replacement Account required by Ark. Code Ann. § 14-234-802(e), so long as the amount deposited therein complies with the provisions of Ark. Code Ann. § 14-234-802(e).
- 3. The calculation of the amount required to be deposited into a Refurbishment and Replacement Account pursuant to these Rules and Ark. Code Ann. § 14-234-802(e) shall be based on the gross operating revenues of a System.
- 4. The funds shall not be used for routine repairs. Expenditures of \$1,000 or less shall be considered routine repairs.
- 5. Utilization of funds from the Refurbishment and Replacement account must be approved by the Provider Board prior to its use.

### **IV. Rate Studies for Retail Water Providers**

- 1. Retail water providers shall obtain rate studies pursuant to the requirements in Ark. Code Ann. § 14-234-802.
- 2. A provider that plans to undertake a major development project, as defined above and in Ark. Code Ann. § 14-234-802(h)(2), shall obtain a rate study or amend the provider's existing rate study before beginning the major development project to include consideration of the financial impact of the major development project on the fiscal sustainability of the provider.
- 3. Rate studies shall be based on the guidelines of the American Water Works Association and the Water Environment Federation.
  - a. The rate studies shall include:
    - i. Reports containing the following information for the current year and projections for the next five years:
      - 1. A comprehensive cost analysis, including:
        - a. Operations and maintenance (O&M) expenses;
        - b. Financing expenses, including but not limited to debt service payments, bond issuance costs, and commercial paper fees, if applicable;
        - c. Any required cash reserves unavailable to pay for expenses, including but not limited to the annual refurbishment and replacement account deposit requirement as set out in Ark. Code Ann. § 14-234-802(e);
        - d. Depreciation expenses;
        - e. Future capital expenses;
        - f. Expenses required for an annual audit or agreed-upon procedures and compilation report;

- g. Expenses required for rate studies required under Ark. Code Ann. § 14-234-802; and
  - h. Any other expenses not accounted for in paragraphs (a) through (g).
- 2. A comprehensive revenue earnings analysis, including:
  - a. Available Cash balance;
  - b. Non-rate revenue;
  - c. Rate revenue without recommended increases;
- 3. For the five projected years, recommended rate increases and the projected additional revenue derived therefrom;
- 4. Debt Service Coverage Ratios;
- 5. The number of days that the available cash balance could cover O&M expenses without additional revenue;
- 6. Annualized revenue requirement.
- ii. The provider's asset management plan, including:
  - 1. inventory of essential assets and for each essential asset, without limitation, the following information:
    - a. Asset type;
    - b. Annual maintenance costs;
    - c. Year installed;
    - d. Vendor-specified useful life, if available;
    - e. Anticipated date of replacement;
    - f. Installation or replacement cost estimate; and
    - g. Projected consequence of failure.
  - 2. The provider's plan for replacement of essential assets.
- iii. Proposed changes in rates should be based on achieving and maintaining a Debt Service Coverage Ratio of 1.1 or higher.
- iv. An explanation of the provider's chosen rate design; and
- v. Recommendations for any changes to the provider's operations, including a plan on how the changes should be implemented.
- vi. Certification by the entity performing the rate study that such study complies with Ark. Code Ann. § 14-234-801 et. seq. and these Rules.
- b. Rate studies shall be provided to the Department at the time it is provided to Arkansas Legislative Audit under Ark. Code Ann. § 14-234-802(i).
- c. The Commission may request further information necessary to determine a provider's fiscal status, and providers shall cooperate with the Commission's requests.
- d. The Commission may waive any one or more requirement in Section IV(3)(a), above, upon written request.
- 4. Rate studies for providers that operate a joint and integrated water and sewer system shall analyze the total System.
- 5. Rate studies performed shall be an objective and unbiased review of the provider's fiscal status.
- 6. The Commission will maintain a list of approved entities to conduct rate studies as required under Ark. Code Ann. § 14-234-802(f)(1). The Commission may remove an approved entity from its list of approved entities if it determines that an entity violated Arkansas law or Commission rules in performing a rate study.

## **V. Determinations of Fiscal Distress**

1. A Provider will be in Fiscal Distress if the Provider:
  - a. Fails to obtain a rate study as required;
  - b. Fails to implement the rates contained in the completed rate study required within one (1) or two (2) years as provided under ACA 14-234-802(c)(2)(B)(ii)-(iii); or
  - c. Fails to maintain a Debt Service Coverage Ratio of 1.05 or higher.
2. A Provider may be determined to be in fiscal distress if the Provider:
  - a. Does not comply with the training required by Ark. Code Ann. § 14-234-805 and Section VII, below;
  - b. Fails to file with Arkansas Legislative Audit an audit report or agreed-upon procedures and compilation report required by Ark. Code Ann. § 14-234-120;
  - c. Fails to maintain unincumbered cash or cash equivalents in an amount equal to one-twelfth of the total expenses from the most recent fiscal year;
  - d. Fails to adopt budget before the beginning of a new fiscal year providing for sufficient revenues to meet or exceed anticipated expenses during that fiscal year;
  - e. Fails to make all required payments due to the United States Treasury – Internal Revenue Service, Arkansas Department of Finance and Admission, or Arkansas Department of Health;
  - f. Fails to make any bond, loan, or lease payment; or
  - g. Fails to comply with an administrative order of the US Environmental Protection Agency, Arkansas Department of Health or Arkansas Division of Environmental Quality concerning operation and maintenance of the system.
3. Providers determined to be in fiscal distress shall submit to the Department an improvement plan as required in Ark. Code Ann. § 14-234-802(k) detailing in writing the provider's plan to resolve the violation or violations of rule or law or the provider's plan to resolve its fiscal insufficiency that caused it to be considered in fiscal distress.
4. A provider will be determined by the Commission to no longer be in fiscal distress if:
  - a. The provider resolves the violation of rule or law that caused it to be considered in fiscal distress and obtains written verification from the Commission that the violation has been resolved; or
  - b. The provider implements a change of rates that is shown by the study to resolve the provider's fiscal insufficiency.

## **VI. Miscellaneous**

1. A provider seeking approval from the Commission under Ark. Code Ann. § 14-234-802(g) shall demonstrate its fiscal sustainability by submitting to the Commission a business plan demonstrating its technical, financial, and managerial capacity.
2. Pursuant to provisions relating to Commission intervention under the conditions provided for in Ark. Code Ann. § 14-234-804(d), upon request of a municipal provider or a customer or unserved customer of a municipal provider, the Department will assist in the resolution of the issue or issues if the party or parties involved demonstrate that all parties involved made a good faith effort to resolve the issue or issues.

- a. Such intervention may include without limitation negotiation or mediation with the party or parties involved.
- b. If the Department determines that a party is not acting in good faith, the Department may end its intervention.

**VII. Training**

1. The Advisory Training Board created under Ark. Code Ann. § 14-234-805 shall develop the training protocol for provider board members, including training protocol for rate studies performed under the guidelines of the American Water Works Association and the Water Environment Federation.
2. By December 31, 2022, a majority of the members of provider boards shall receive a minimum of eight hours of provider training.
3. If a change in membership of a provider board causes the provider board to have less than a majority of members who have undergone provider training, enough members of the provider board shall receive provider training within one year of the change in membership such that a majority of the board has received training.
4. Each provider board shall report the following information annually, by January 31, to the Department:
  - a. the names and contact information of each member on the provider board;
  - b. an identification of which members have obtained eight hours of provider training; and
  - c. an identification of which members have served on the board for more than ten (10) years and are exempt from the training requirement pursuant to Ark. Code Ann. § 14-234-805(a)(3).

**APPENDIX C**

**WATER SYSTEM  
FINANCIAL ANALYSIS**

City of Hardy, AR  
Water Department  
2024 Revenue & Expenses

| Revenues                     | 2024 YTD<br>(Dec-31) | 2024 Budget   | 2024 Year End Total<br>(Estimated) | Est (Over)/Under<br>Budget |
|------------------------------|----------------------|---------------|------------------------------------|----------------------------|
| Excise Taxes Collected       | \$ 21,065.52         | \$ 19,000.00  | \$ 21,065.52                       | \$ (2,065.52)              |
| Grant - ACEDP - Water Line   | 340,030.30           | 281,768.00    | 340,030.30                         | (58,262.30)                |
| Interest Income              | 2,056.07             | 1,800.00      | 2,056.07                           | (256.07)                   |
| Misc. Receipts               | 50.00                | 100.00        | 50.00                              | 50.00                      |
| Safe Water ACT               | 2,241.75             | 2,300.00      | 2,241.75                           | 58.25                      |
| Water Meter Deposit Receipts | 2,075.00             | 4,500.00      | 2,075.00                           | 2,425.00                   |
| Carry Over Prior Year(s)     | 6,931.01             | 6,931.01      | 6,931.01                           | -                          |
| Water Revenue                | 221,273.30           | 230,000.00    | 221,273.30                         | 8,726.70                   |
| Total Revenues:              | \$ 595,722.95        | \$ 546,399.01 | \$ 595,722.95                      | \$ (49,323.94)             |

| Expenses                               | 2024 YTD<br>(Nov-30) | 2024 Budget | 2024 Year End Total<br>(Estimated) | Est (Over)/Under<br>Budget |
|----------------------------------------|----------------------|-------------|------------------------------------|----------------------------|
| <u>Public Works - Water Department</u> |                      |             |                                    |                            |
| Accounting Program Fees                | \$ 1,180.00          | \$ 1,200.00 | \$ 1,180.00                        | \$ 20.00                   |
| ADEQ/Dues/Publications                 | 3,038.28             | 5,000.00    | 3,038.28                           | 1,961.72                   |
| ANRC Loan Payment                      | 9,514.99             | 8,265.00    | 9,514.99                           | (1,249.99)                 |
| Audit for Water Dept.                  | -                    | 2,000.00    | -                                  | 2,000.00                   |
| Chargeback on Bad Check                | 260.11               | 100.00      | 260.11                             | (160.11)                   |
| Computer Maint. & Supplies             | -                    | 300.00      | -                                  | 300.00                     |
| Contract Services                      | 6,090.00             | 6,000.00    | 6,090.00                           | (90.00)                    |
| Credit Card Process Fee                | 1,029.78             | 2,500.00    | 1,029.78                           | 1,470.22                   |
| Excise Sales Tax Out                   | 12,897.16            | 19,000.00   | 12,897.16                          | 6,102.84                   |
| Forfeited Deposits                     | 75.00                | 1,000.00    | 75.00                              | 925.00                     |
| Fuel Expense                           | 10,609.29            | 10,000.00   | 10,609.29                          | (609.29)                   |
| Insurance - Property                   | -                    | 250.00      | -                                  | 250.00                     |
| Insurance - Vehicle                    | 2,437.09             | 2,500.00    | 2,437.09                           | 62.91                      |
| Licenses, Fees, and Dues               | 258.01               | 750.00      | 258.01                             | 491.99                     |
| New Construction or Updates            | 332,894.82           | 281,768.00  | 332,894.82                         | (51,126.82)                |
| Office Supplies & Expense              | 379.59               | 1,500.00    | 379.59                             | 1,120.41                   |
| Payroll - Apers Retirement             | 8,802.74             | 7,664.47    | 8,802.74                           | (1,138.27)                 |

City of Hardy, AR  
Water Department  
2024 Revenue & Expenses

|                                |               |               |               |                |
|--------------------------------|---------------|---------------|---------------|----------------|
| Payroll - Emer Med Flight Ins  | 60.00         | 120.00        | 60.00         | 60.00          |
| Payroll - Insurance - Health   | 5,542.70      | 2,796.18      | 5,542.70      | (2,746.52)     |
| Payroll - Salaries             | 54,222.50     | 52,564.20     | 54,222.50     | (1,658.30)     |
| Payroll - Workers Compensation | 1,126.00      | 1,500.00      | 1,126.00      | 374.00         |
| Payroll Taxes - Federal        | 4,131.85      | 4,021.16      | 4,131.85      | (110.69)       |
| Payroll Taxes - Unemployment   | 31.23         | 300.00        | 31.23         | 268.77         |
| Postage Expense                | 3,790.16      | 3,500.00      | 3,790.16      | (290.16)       |
| Publications & Subscriptions   | -             | 1,000.00      | -             | 1,000.00       |
| Purchases - Equipment          | 9,168.11      | 9,250.00      | 9,168.11      | 81.89          |
| Refunded Deposits              | 941.37        | 1,000.00      | 941.37        | 58.63          |
| Refund on Account              | 379.18        | 500.00        | 379.18        | 120.82         |
| Repair & Maintenance Exp       | 14,676.51     | 12,000.00     | 14,676.51     | (2,676.51)     |
| Supplies                       | 7,028.04      | 18,000.00     | 7,028.04      | 10,971.96      |
| Telephone - Internet           | 1,901.51      | 2,500.00      | 1,901.51      | 598.49         |
| Travel & Training              | 662.16        | 1,500.00      | 662.16        | 837.84         |
| Uniforms                       | 2,844.13      | 1,500.00      | 2,844.13      | (1,344.13)     |
| Utilities - Electricity        | 17,940.03     | 30,000.00     | 17,940.03     | 12,059.97      |
| Utilities - Water              | 322.14        | 300.00        | 322.14        | (22.14)        |
| Sub-total Expenses:            | \$ 514,234.48 | \$ 492,149.01 | \$ 514,234.48 | \$ (22,085.47) |

Depreciation Reserve

|                     |              |              |              |      |
|---------------------|--------------|--------------|--------------|------|
| Water Depreciation  | \$ 62,388.00 | \$ 62,388.00 | \$ 62,388.00 | \$ - |
| Sub-total Expenses: | \$ 62,388.00 | \$ 62,388.00 | \$ 62,388.00 | \$ - |

Total Expenses: \$ 576,622.48 \$ 554,537.01 \$ 576,622.48 \$ (22,085.47)

Total Revenue less Expense: \$ 19,100.47 \$ (27,238.47)

Net Profit/(Loss): \$ 46,338.94

City of Hardy, AR  
Water Department  
Assets & Long-Term Liabilities

Assets

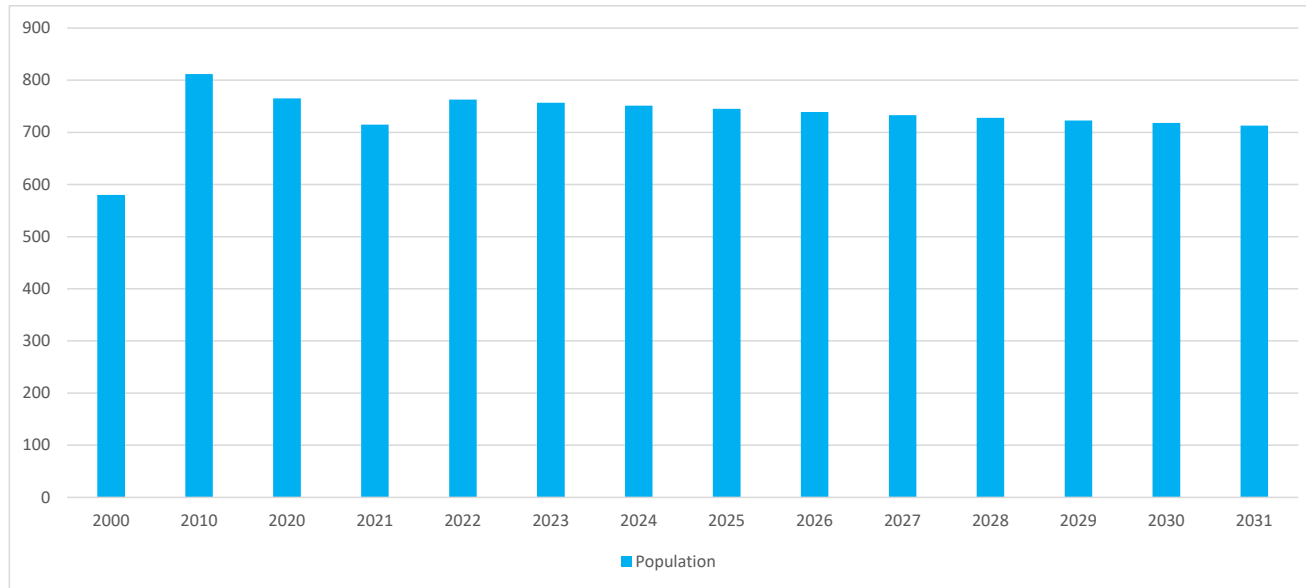
| Account Type            | Restricted   | Non-Restricted | Current Balance<br>(Jun-24) |
|-------------------------|--------------|----------------|-----------------------------|
| Water Revenue - Acct    |              | X              | \$ 55,770.42                |
| Water Meter Fund - Acct | X            |                | 52,709.08                   |
| Total:                  | \$ 52,709.08 | \$ 55,770.42   | \$ 108,479.50               |

Long-Term Liabilities

| Account Type | Annual Payment | Est Payoff Year |
|--------------|----------------|-----------------|
| ANRC         | \$ 8,265.00    | 2031            |
| USDA 91-05   | 13,032.00      | 2041            |
| USDA 93-04   | 12,588.00      | 2041            |
| ANRC - 24    | 4,999.92       | 2044            |
| Total:       | 38,884.92      |                 |

City of Hardy, AR  
Water Department  
Population Trends

|            | 2000 | 2010 | 2020 | 2021 | 2022 | 2023 | Estimated |     |     |     |     |     |     |     |
|------------|------|------|------|------|------|------|-----------|-----|-----|-----|-----|-----|-----|-----|
| Population | 580  | 812  | 765  | 715  | 763  | 757  | 751       | 745 | 739 | 733 | 728 | 723 | 718 | 713 |



Note:  
Population estimates are based on average percent change per year extrapolated to the end of the study period

City of Hardy, AR  
Water Department  
Estimated Revenues Per Current Rate Structure

Rate Structure (2024)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 362                     | 79.26%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 101,222.60  |
| Business      | 94                      | 20.52%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 44,552.45      |
| Commercial    | 1                       | 0.22%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,084.34           | 0%                             | 49,012.10      |
|               | 457                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 194,787.15  |

Current (2025)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 359                     | 79.30%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 100,383.35  |
| Business      | 93                      | 20.48%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 44,076.80      |
| Commercial    | 1                       | 0.22%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 453                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 193,406.85  |

Current (2026)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 356                     | 79.34%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 99,544.10   |
| Business      | 92                      | 20.44%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 43,601.16      |
| Commercial    | 1                       | 0.22%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 449                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 192,091.96  |

Current (2027)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 353                     | 79.38%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 98,704.85   |
| Business      | 91                      | 20.40%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 43,125.51      |
| Commercial    | 1                       | 0.22%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 445                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 190,777.06  |

City of Hardy, AR  
Water Department  
Estimated Revenues Per Current Rate Structure

Current (2028)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 350                     | 79.42%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 97,865.61   |
| Business      | 90                      | 20.36%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 42,649.86      |
| Commercial    | 1                       | 0.23%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 441                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 189,462.16  |

Current (2029)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 347                     | 79.46%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 97,026.36   |
| Business      | 89                      | 20.31%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 42,174.21      |
| Commercial    | 1                       | 0.23%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 437                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 188,147.27  |

Current (2030)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 344                     | 79.50%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 96,187.11   |
| Business      | 88                      | 20.27%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 41,698.56      |
| Commercial    | 1                       | 0.23%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 433                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 186,832.37  |

Current (2031)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 341                     | 79.54%                      | \$ 16.12                                              | \$ 5.45                                                              | 2320                              | \$ 23.31           | 0%                             | \$ 95,347.86   |
| Business      | 87                      | 20.23%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 41,222.91      |
| Commercial    | 1                       | 0.23%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 429                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 185,517.47  |

City of Hardy, AR  
Water Department  
Estimated Revenues Per Proposed Rate Structure

Rate Structure (2025)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 359                     | 79.30%                      | \$ 16.12                                              | \$ 5.45                                                              | 2,320                             | \$ 23.31           | 0%                             | \$ 100,383.35  |
| Business      | 93                      | 20.48%                      | 16.12                                                 | 5.45                                                                 | 5,315                             | 39.64              | 0%                             | 44,076.80      |
| Commercial    | 1                       | 0.22%                       | 25.00                                                 | 5.45                                                                 | 744,833                           | 4,078.89           | 0%                             | 48,946.70      |
|               | 453                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 193,406.85  |

Proposed (2026)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 356                     | 78.64%                      | \$ 20.15                                              | \$ 6.81                                                              | 2,320                             | \$ 29.14           | 25%                            | \$ 124,430.13  |
| Business      | 92                      | 20.26%                      | 21.76                                                 | 7.36                                                                 | 5,315                             | 53.51              | 35%                            | 58,861.56      |
| Commercial    | 1                       | 0.22%                       | 38.75                                                 | 8.45                                                                 | 744,833                           | 6,322.28           | 55%                            | 75,867.39      |
|               | 449                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 259,159.07  |

Proposed (2027)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 353                     | 77.97%                      | \$ 21.16                                              | \$ 7.15                                                              | 2,320                             | 30.60              | 5%                             | 129,550.12     |
| Business      | 91                      | 20.04%                      | 22.85                                                 | 7.73                                                                 | 5,315                             | 56.19              | 5%                             | 61,130.41      |
| Commercial    | 1                       | 0.22%                       | 40.69                                                 | 8.87                                                                 | 744,833                           | 6,638.40           | 5%                             | 79,660.75      |
|               | 445                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 270,341.28  |

City of Hardy, AR  
Water Department  
Estimated Revenues Per Proposed Rate Structure

Proposed (2028)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 350                     | 77.31%                      | \$ 22.22                                              | \$ 7.51                                                              | 2,320                             | 32.13              | 5%                             | 134,871.04     |
| Business      | 90                      | 19.82%                      | 23.99                                                 | 8.11                                                                 | 5,315                             | 59.00              | 5%                             | 63,478.98      |
| Commercial    | 1                       | 0.22%                       | 42.72                                                 | 9.31                                                                 | 744,833                           | 6,970.32           | 5%                             | 83,643.79      |
|               | 441                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 281,993.81  |

Proposed (2029)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 347                     | 76.65%                      | \$ 23.33                                              | \$ 7.89                                                              | 2,320                             | 33.73              | 5%                             | 140,400.17     |
| Business      | 89                      | 19.59%                      | 25.19                                                 | 8.52                                                                 | 5,315                             | 61.95              | 5%                             | 65,909.59      |
| Commercial    | 1                       | 0.22%                       | 44.86                                                 | 9.78                                                                 | 744,833                           | 7,318.83           | 5%                             | 87,825.98      |
|               | 437                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 294,135.74  |

Proposed (2030)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 344                     | 75.99%                      | \$ 24.49                                              | \$ 8.28                                                              | 2,320                             | 35.42              | 5%                             | 146,145.04     |
| Business      | 88                      | 19.37%                      | 26.45                                                 | 8.94                                                                 | 5,315                             | 65.04              | 5%                             | 68,424.56      |
| Commercial    | 1                       | 0.22%                       | 47.10                                                 | 10.27                                                                | 744,833                           | 7,684.77           | 5%                             | 92,217.28      |
|               | 433                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 306,786.89  |

Proposed (2031)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal - I)<br>(1st 1000-Gal - O) | Uniform Rate<br>Over 1000-Gal - I<br>Over 1000-Gal - O<br>(per 1000) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-------------------------------------------------------|----------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 341                     | 75.32%                      | \$ 25.72                                              | \$ 8.69                                                              | 2,320                             | 37.19              | 5%                             | 152,113.40     |
| Business      | 87                      | 19.15%                      | 27.77                                                 | 9.39                                                                 | 5,315                             | 68.29              | 5%                             | 71,026.26      |
| Commercial    | 1                       | 0.22%                       | 49.46                                                 | 10.78                                                                | 744,833                           | 8,069.01           | 5%                             | 96,828.14      |
|               | 429                     |                             |                                                       |                                                                      |                                   |                    | Total Avg Rev:                 | \$ 319,967.80  |

City of Hardy, AR  
Water Department  
Asset Management Plan  
Inflation Factor 3.5%

| <u>Short-Lived Assets/Maintenance</u> | 2025         | 2026         | 2027         | 2028         | 2029         | 2030         | 2031         |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| WTP Yearly Maintenance                | \$ 5,000.00  | \$ 5,175.00  | \$ 5,356.00  | \$ 5,543.00  | \$ 5,737.00  | \$ 5,938.00  | \$ 6,146.00  |
| Distribution Yearly Maintenance       | 24,000.00    | 24,840.00    | 25,709.00    | 26,609.00    | 27,540.00    | 28,504.00    | 29,502.00    |
| Meter Replacement                     | 500.00       | 518.00       | 536.00       | 555.00       | 574.00       | 594.00       | 615.00       |
| Vehicle Replacement/Maint             | 2,250.00     | 2,329.00     | 2,410.00     | 2,494.00     | 2,581.00     | 2,671.00     | 2,764.00     |
| Heavy Equipment Replacement/Maint     | 4,350.00     | 4,502.00     | 4,660.00     | 4,823.00     | 4,992.00     | 5,167.00     | 5,348.00     |
| Total Maintenance:                    | \$ 36,100.00 | \$ 37,364.00 | \$ 38,671.00 | \$ 40,024.00 | \$ 41,424.00 | \$ 42,874.00 | \$ 44,375.00 |

| <u>Self-Funded Capital Improvements</u> | 2025 | 2026        | 2027 | 2028        | 2029 | 2030        | 2031 |
|-----------------------------------------|------|-------------|------|-------------|------|-------------|------|
| Tank #1 Inspection                      | \$ - | \$ -        | \$ - | \$ -        | \$ - | \$ 2,500.00 | \$ - |
| Tank #2 Inspection                      | -    | -           | -    | 2,500.00    | -    | -           | -    |
| Tank #3 Inspection                      | -    | 2,500.00    | -    | -           | -    | -           | -    |
| Total Improvements:                     | \$ - | \$ 2,500.00 | \$ - | \$ 2,500.00 | \$ - | \$ 2,500.00 | \$ - |

| <u>Bond-Funded Capital Improvements</u> | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|-----------------------------------------|------|------|------|------|------|------|------|
| Razorback Addition WL Extension         | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Improvements:                     | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

|                    |           |           |           |           |           |           |           |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Yearly Cost: | 36,100.00 | 39,864.00 | 38,671.00 | 42,524.00 | 41,424.00 | 45,374.00 | 44,375.00 |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

City of Hardy, AR  
Water Department  
Debt Service Coverage Ratio (DSCR)

7-Yr Projection of Revenue v. Expenses  
(Based on Current Rate Structure)

| Revenues                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Excise Taxes Collected                  | \$ 20,907.53  | \$ 20,750.72  | \$ 20,595.09  | \$ 20,440.63  | \$ 20,287.32  | \$ 20,135.17  | \$ 19,984.16  |
| Grant - ACEDP - Water Line              | -             | -             | -             | -             | -             | -             | -             |
| Interest Income                         | 2,040.65      | 2,025.34      | 2,010.15      | 1,995.08      | 1,980.12      | 1,965.26      | 1,950.52      |
| Misc. Receipts                          | 49.63         | 49.25         | 48.88         | 48.52         | 48.15         | 47.79         | 47.43         |
| Safe Water ACT                          | 2,224.94      | 2,208.25      | 2,191.69      | 2,175.25      | 2,158.94      | 2,142.74      | 2,126.67      |
| Water Meter Deposit Receipts            | 2,059.44      | 2,043.99      | 2,028.66      | 2,013.45      | 1,998.35      | 1,983.36      | 1,968.48      |
| Carry Over Prior Year(s)                | 6,879.03      | 6,827.43      | 6,776.23      | 6,725.41      | 6,674.97      | 6,624.90      | 6,575.22      |
| Water Revenue                           | 193,406.85    | 192,091.96    | 190,777.06    | 189,462.16    | 188,147.27    | 186,832.37    | 185,517.47    |
| Depreciation Reserve - Water Department | 9,670.00      | 9,605.00      | 9,539.00      | 9,473.00      | 9,407.00      | 9,342.00      | 9,276.00      |
| Total Revenues:                         | \$ 237,238.06 | \$ 225,996.95 | \$ 224,427.77 | \$ 222,860.49 | \$ 221,295.11 | \$ 219,731.60 | \$ 218,169.96 |
|                                         |               |               |               |               |               |               |               |
| Expenses                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Public Works - Water Department         | \$ 204,006.69 | \$ 211,146.90 | \$ 218,537.00 | \$ 226,185.80 | \$ 234,102.30 | \$ 242,295.90 | \$ 250,776.30 |
| Existing Bonds (P&I)                    | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     |
| Add'l Part-Time Employee                |               | 10,000.00     | 10,350.00     | 10,712.25     | 11,087.18     | 11,475.23     | 11,876.86     |
| Depreciation Reserve - Water Department | 9,670.00      | 9,605.00      | 9,539.00      | 9,473.00      | 9,407.00      | 9,342.00      | 9,276.00      |
| Asset Management - Maintenance          | 36,100.00     | 37,364.00     | 38,671.00     | 40,024.00     | 41,424.00     | 42,874.00     | 44,375.00     |
| Asset Management - Self-Funded          | -             | 2,500.00      | -             | 2,500.00      | -             | 2,500.00      | -             |
| Asset Management - Bond-Funded          | -             | -             | -             | -             | -             | -             | -             |
| Total Expenses:                         | \$ 280,396.61 | \$ 301,235.82 | \$ 307,716.92 | \$ 319,514.97 | \$ 326,640.40 | \$ 339,107.05 | \$ 346,924.08 |

|                        |       |       |       |       |       |       |       |
|------------------------|-------|-------|-------|-------|-------|-------|-------|
| Revenue/Expense Ratio: | 0.85  | 0.75  | 0.73  | 0.70  | 0.68  | 0.65  | 0.63  |
| DSCR (Current Rates):  | -0.41 | -1.46 | -1.72 | -2.16 | -2.44 | -2.90 | -3.20 |

City of Hardy, AR  
Water Department  
Debt Service Coverage Ratio (DSCR)

7-Yr Projection of Revenue v. Expenses  
(Based on Proposed Rate Structure)

| Revenues                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Excise Taxes Collected                  | \$ 20,907.53  | \$ 20,750.72  | \$ 20,595.09  | \$ 20,440.63  | \$ 20,287.32  | \$ 20,135.17  | \$ 19,984.16  |
| Grant - ACEDP - Water Line              | -             | -             | -             | -             | -             | -             | -             |
| Interest Income                         | 2,040.65      | 2,025.34      | 2,010.15      | 1,995.08      | 1,980.12      | 1,965.26      | 1,950.52      |
| Misc. Receipts                          | 49.63         | 49.25         | 48.88         | 48.52         | 48.15         | 47.79         | 47.43         |
| Safe Water ACT                          | 2,224.94      | 2,208.25      | 2,191.69      | 2,175.25      | 2,158.94      | 2,142.74      | 2,126.67      |
| Water Meter Deposit Receipts            | 2,059.44      | 2,043.99      | 2,028.66      | 2,013.45      | 1,998.35      | 1,983.36      | 1,968.48      |
| Carry Over Prior Year(s)                | 6,879.03      | 6,827.43      | 6,776.23      | 6,725.41      | 6,674.97      | 6,624.90      | 6,575.22      |
| Water Revenue                           | 193,406.85    | 259,159.07    | 270,341.28    | 281,993.81    | 294,135.74    | 306,786.89    | 319,967.80    |
| Depreciation Reserve - Water Department | 9,670.00      | 12,958.00     | 13,517.00     | 14,100.00     | 14,707.00     | 15,339.00     | 15,998.00     |
| Total Revenues:                         | \$ 237,238.06 | \$ 306,022.07 | \$ 317,508.99 | \$ 329,492.14 | \$ 341,990.59 | \$ 355,025.12 | \$ 368,618.29 |
|                                         |               |               |               |               |               |               |               |
| Expenses                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Public Works - Water Department         | \$ 204,006.69 | \$ 210,126.90 | \$ 216,430.70 | \$ 222,923.60 | \$ 229,611.30 | \$ 236,499.60 | \$ 243,594.60 |
| Existing Bonds (P&I)                    | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     | 30,619.92     |
| Add'l Part-Time Employee                |               | 10,000.00     | 10,350.00     | 10,712.25     | 11,087.18     | 11,475.23     | 11,876.86     |
| Depreciation Reserve - Water Department | 9,670.00      | 12,958.00     | 13,517.00     | 14,100.00     | 14,707.00     | 15,339.00     | 15,998.00     |
| Asset Management - Maintenance          | 36,100.00     | 37,364.00     | 38,671.00     | 40,024.00     | 41,424.00     | 42,874.00     | 44,375.00     |
| Asset Management - Self-Funded          | -             | 2,500.00      | -             | 2,500.00      | -             | 2,500.00      | -             |
| Asset Management - Bond-Funded          | -             | -             | -             | -             | -             | -             | -             |
| Total Expenses:                         | \$ 280,396.61 | \$ 303,568.82 | \$ 309,588.62 | \$ 320,879.77 | \$ 327,449.40 | \$ 339,307.75 | \$ 346,464.38 |

|                        |       |      |      |      |      |      |      |
|------------------------|-------|------|------|------|------|------|------|
| Revenue/Expense Ratio: | 0.85  | 1.01 | 1.03 | 1.03 | 1.04 | 1.05 | 1.06 |
| DSCR (Proposed Rates): | -0.41 | 1.08 | 1.26 | 1.28 | 1.47 | 1.51 | 1.72 |

City of Hardy, AR  
Water Department  
Median Affordability

City of Hardy Median Household Income (MHI)

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 33,173.00 | \$ 33,984.00 | \$ 33,500.00 | \$ 33,552.33     |

Sharp County Median Household Income (MHI)

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 37,361.00 | \$ 43,332.00 | \$ 42,950.00 | \$ 41,214.33     |

Fulton County Median Household Income (MHI)

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 36,950.00 | \$ 38,917.00 | \$ 38,941.00 | \$ 38,269.33     |

Arkansas Median Household Income

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 52,123.00 | \$ 56,335.00 | \$ 58,773.00 | \$ 55,743.67     |

Calculation: Median Affordability as a Percentage of MHI

$[(4000\text{-Gal Water Bill} \times 12\text{-Mo}) / \text{MHI}] \times (100)$

Residential      \$              32.47      Current Rate  
Structure

Result: If < 1.25 => Non-Disadvantaged Community, If 1.25 or > => Disadvantaged Community (For Communities with LMI 51% or >)

Hardy LMI = 41.80%

Sharp County LMI = 49.00% (1.5 or > for Communities with LMI < 51%)

Fulton County LMI = 47.70% (1.5 or > for Communities with LMI < 51%)

Median Affordability as a Percentage of MHI (Current Rate Structure & Yearly Increase)

|             | Current MHI % | 2025 MHI % | 2026 MHI % | 2027 MHI % | 2028 MHI % | 2029 MHI % | 2030 MHI % | 2031 MHI % |
|-------------|---------------|------------|------------|------------|------------|------------|------------|------------|
| Residential | 1.16          | 1.16       | 1.45       | 1.52       | 1.60       | 1.68       | 1.76       | 1.85       |

Note:

MHI Data Source: Arkansas Economic Development Institute ([arstatedatacenter.youraedi.com](http://arstatedatacenter.youraedi.com))

**APPENDIX D**

**SEWER SYSTEM  
FINANCIAL ANALYSIS**

City of Hardy, AR  
Sewer Department  
2024 Revenue & Expenses

| Revenues                 | 2024 YTD<br>(Dec-31) | 2024 Budget   | 2024 Year End Total<br>(Estimated) | Est (Over)/Under<br>Budget |
|--------------------------|----------------------|---------------|------------------------------------|----------------------------|
| Interest Income          | \$ 10,023.75         | \$ 7,800.00   | \$ 10,023.75                       | \$ (2,223.75)              |
| Pump Maint. Income       | 31,230.84            | 31,000.00     | 31,230.84                          | (230.84)                   |
| Misc. Receipts           | -                    | 100.00        | -                                  | 100.00                     |
| Carry Over Prior Year(s) | 24,066.01            | 24,066.01     | 24,066.01                          | -                          |
| Wastewater Receipts      | 136,037.46           | 130,000.00    | 136,037.46                         | (6,037.46)                 |
| Total Revenues:          | \$ 201,358.06        | \$ 192,966.01 | \$ 201,358.06                      | \$ (8,392.05)              |

| Expenses                               | 2024 YTD<br>(Dec-31) | 2024 Budget | 2024 Year End Total<br>(Estimated) | Est (Over)/Under<br>Budget |
|----------------------------------------|----------------------|-------------|------------------------------------|----------------------------|
| <u>Public Works - Sewer Department</u> |                      |             |                                    |                            |
| ADEQ/Dues/Publications                 | \$ 1,180.00          | \$ 2,000.00 | \$ 1,180.00                        | \$ 820.00                  |
| Audit for Wastewater Dept.             | -                    | 2,000.00    | -                                  | 2,000.00                   |
| Fuel Expense                           | 5,092.60             | 4,500.00    | 5,092.60                           | (592.60)                   |
| Licenses, Fees, & Dues                 | -                    | 600.00      | -                                  | 600.00                     |
| New Construction or Updates            | 46,061.05            | -           | 46,061.05                          | (46,061.05)                |
| Payroll - Apers Retirement             | 7,713.08             | 7,664.47    | 7,713.08                           | (48.61)                    |
| Payroll - Emer Med Flight Ins          | 60.00                | 120.00      | 60.00                              | 60.00                      |
| Payroll - Insurance - Health           | 6,008.74             | 2,796.18    | 6,008.74                           | (3,212.56)                 |
| Payroll - Salaries                     | 54,222.34            | 52,564.20   | 54,222.34                          | (1,658.14)                 |
| Payroll - Workers Compensation         | 568.00               | 1,500.00    | 568.00                             | 932.00                     |
| Payroll Taxes - Federal                | 4,131.77             | 4,021.16    | 4,131.77                           | (110.61)                   |
| Payroll Taxes - Unemployment           | 31.21                | 300.00      | 31.21                              | 268.79                     |
| Purchases - Equipment                  | 7,153.33             | 9,250.00    | 7,153.33                           | 2,096.67                   |
| Pump Repair & Maint Expense            | 46,514.50            | 20,000.00   | 46,514.50                          | (26,514.50)                |
| Repair & Maintenance Exp               | 8,184.01             | 15,000.00   | 8,184.01                           | 6,815.99                   |

City of Hardy, AR  
Sewer Department  
2024 Revenue & Expenses

|                         |               |               |               |                |
|-------------------------|---------------|---------------|---------------|----------------|
| Supplies                | 4,445.17      | 12,000.00     | 4,445.17      | 7,554.83       |
| Telephone - Internet    | 3,819.58      | 3,600.00      | 3,819.58      | (219.58)       |
| Travel & Training       | -             | 800.00        | -             | 800.00         |
| Utilities - Electricity | 38,300.87     | 35,000.00     | 38,300.87     | (3,300.87)     |
| Wastewater Testing Fees | 4,629.00      | 5,000.00      | 4,629.00      | 371.00         |
| Sub-total Expenses:     | \$ 238,115.25 | \$ 178,716.01 | \$ 238,115.25 | \$ (59,399.24) |

Depreciation

|                     |      |      |      |      |
|---------------------|------|------|------|------|
| Sewer Depreciation  | \$ - | \$ - | \$ - | \$ - |
| Sub-total Expenses: | \$ - | \$ - | \$ - | \$ - |

Total Expenses: \$ 238,115.25 \$ 178,716.01 \$ 238,115.25 \$ (59,399.24)

Total Revenue less Expense: \$ (36,757.19) \$ (51,007.19)  
Net Profit/(Loss): \$ (87,764.38)

City of Hardy, AR  
Sewer Department  
Assets & Long-Term Liabilities

Assets

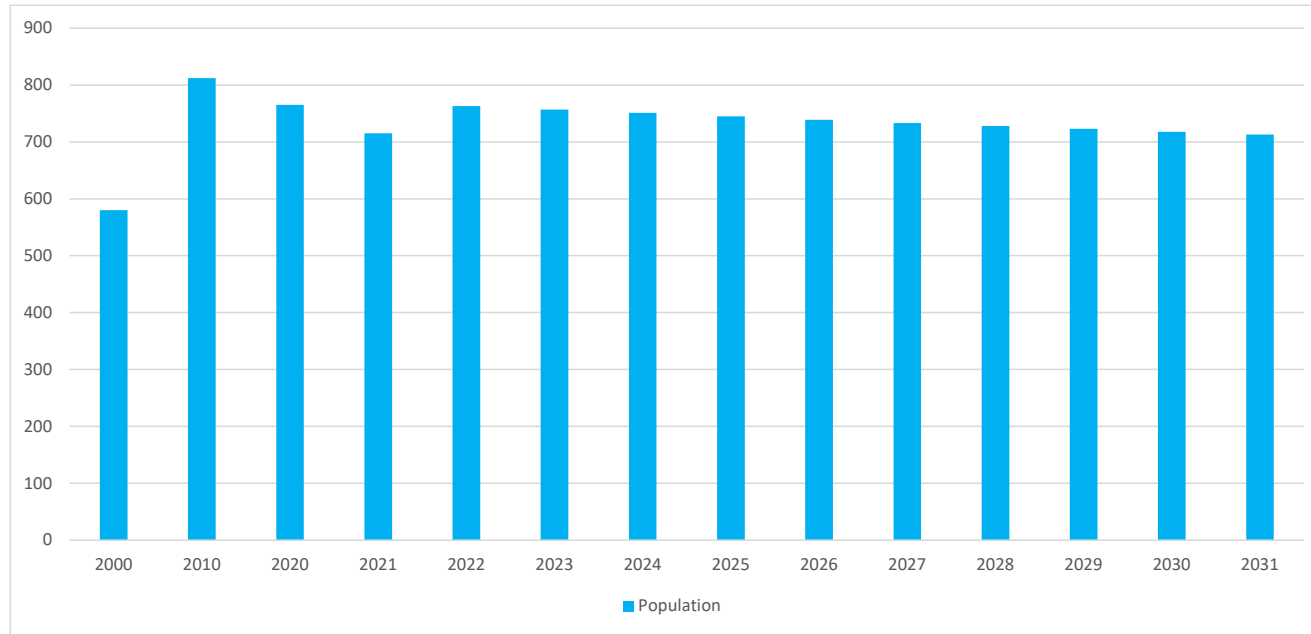
| Account Type              | Restricted    | Non-Restricted | Current Balance<br>(May-24) |
|---------------------------|---------------|----------------|-----------------------------|
| Sewer Pump Maint. - Acct  |               | X              | 106,013.97                  |
| Sewer Bond Reserve - Acct | X             |                | 207,730.69                  |
| Sewer Reserve - Acct      | X             |                | 68,152.30                   |
| Total:                    | \$ 275,882.99 | \$ 106,013.97  | \$ 381,896.96               |

Long-Term Liabilities

| Account Type | Annual Payment | Est Payoff Year |
|--------------|----------------|-----------------|
| USDA 93-01   | \$ 24,336.00   | 2040            |
| Total:       | 24,336.00      |                 |

City of Hardy, AR  
Sewer Department  
Population Trends

|            | 2000 | 2010 | 2020 | 2021 | 2022 | 2023 | Estimated |     |     |     |     |     |     |     |
|------------|------|------|------|------|------|------|-----------|-----|-----|-----|-----|-----|-----|-----|
| Population | 580  | 812  | 765  | 715  | 763  | 757  | 751       | 745 | 739 | 733 | 728 | 723 | 718 | 713 |



Note:  
Population estimates are based on average percent change per year extrapolated to the end of the study period

City of Hardy, AR  
Sewer Department  
Estimated Revenues Per Current Rate Structure

Rate Structure (2024)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 365                     | 82.72%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 78,522.59   |
| Business      | 76                      | 17.28%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 29,745.08      |
|               | 441                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 108,267.67  |

Current (2025)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 362                     | 82.79%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 77,876.46   |
| Business      | 75                      | 17.21%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 29,354.55      |
|               | 437                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 107,231.01  |

Current (2026)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 359                     | 82.86%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 77,230.33   |
| Business      | 74                      | 17.14%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 28,964.03      |
|               | 433                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 106,194.36  |

Current (2027)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 356                     | 82.93%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 76,584.20   |
| Business      | 73                      | 17.07%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 28,573.50      |
|               | 429                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 105,157.70  |

City of Hardy, AR  
Sewer Department  
Estimated Revenues Per Current Rate Structure

Current (2028)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 353                     | 83.01%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 75,938.07   |
| Business      | 72                      | 16.99%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 28,182.97      |
|               | 425                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 104,121.05  |

Current (2029)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 350                     | 83.09%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 75,291.94   |
| Business      | 71                      | 16.91%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 27,792.45      |
|               | 421                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 103,084.39  |

Current (2030)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 347                     | 83.16%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 74,645.81   |
| Business      | 70                      | 16.84%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 27,401.92      |
|               | 417                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 102,047.74  |

Current (2031)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 344                     | 83.24%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 73,999.69   |
| Business      | 69                      | 16.76%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 27,011.40      |
|               | 413                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 101,011.08  |

City of Hardy, AR  
Sewer Department  
Estimated Revenues Per Proposed Rate Structure

Rate Structure (2025)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 362                     | 82.79%                      | \$ 13.70                    | \$ 3.25                         | 2,307                             | \$ 17.95           | 0%                             | \$ 77,876.46   |
| Business      | 75                      | 17.21%                      | 14.70                       | 3.40                            | 6,248                             | 32.54              | 0%                             | 29,354.55      |
|               | 437                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 107,231.01  |

Proposed (2026)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 359                     | 82.86%                      | \$ 37.68                    | \$ 8.94                         | 2,307                             | \$ 49.36           | 175%                           | \$ 212,383.40  |
| Business      | 74                      | 17.14%                      | 40.43                       | 9.35                            | 6,248                             | 89.50              | 175%                           | 79,651.08      |
|               | 433                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 292,034.48  |

Proposed (2027)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 356                     | 82.93%                      | \$ 41.44                    | \$ 9.83                         | 2,307                             | \$ 54.29           | 10%                            | \$ 231,667.20  |
| Business      | 73                      | 17.07%                      | 44.47                       | 10.29                           | 6,248                             | 98.45              | 10%                            | 86,434.84      |
|               | 429                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 318,102.05  |

City of Hardy, AR  
Sewer Department  
Estimated Revenues Per Proposed Rate Structure

Proposed (2028)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 353                     | 83.01%                      | \$ 43.51                    | \$ 10.32                        | 2,307                             | \$ 57.01           | 5%                             | \$ 241,198.30  |
| Business      | 72                      | 16.99%                      | 46.69                       | 10.80                           | 6,248                             | 103.37             | 5%                             | 89,516.17      |
|               | 425                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 330,714.47  |

Proposed (2029)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 350                     | 83.09%                      | \$ 45.69                    | \$ 10.84                        | 2,307                             | \$ 59.86           | 5%                             | \$ 251,103.33  |
| Business      | 71                      | 16.91%                      | 49.03                       | 11.34                           | 6,248                             | 108.54             | 5%                             | 92,689.55      |
|               | 421                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 343,792.89  |

Proposed (2030)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 347                     | 83.16%                      | \$ 47.97                    | \$ 11.38                        | 2,307                             | \$ 62.85           | 5%                             | \$ 261,395.88  |
| Business      | 70                      | 16.84%                      | 51.48                       | 11.91                           | 6,248                             | 113.96             | 5%                             | 95,956.48      |
|               | 417                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 357,352.36  |

Proposed (2031)

| Customer Type | # Customer<br>(Average) | % of Total<br>Customer Base | Base Rate<br>(1st 1000-Gal) | Uniform Rate<br>(Over 1000-Gal) | Avg Monthly Usage<br>per Customer | Average<br>Revenue | % Change from<br>Previous Year | Avg Yearly Rev |
|---------------|-------------------------|-----------------------------|-----------------------------|---------------------------------|-----------------------------------|--------------------|--------------------------------|----------------|
| Residential   | 344                     | 83.24%                      | \$ 50.37                    | \$ 11.95                        | 2,307                             | \$ 65.99           | 5%                             | \$ 272,089.92  |
| Business      | 69                      | 16.76%                      | 54.05                       | 12.50                           | 6,248                             | 119.66             | 5%                             | 99,318.38      |
|               | 413                     |                             |                             |                                 |                                   |                    | Total Avg Rev:                 | \$ 371,408.29  |

City of Hardy, AR  
Sewer Department  
Asset Management Plan  
Inflation Factor 3.5%

| Short-Lived Assets/Maintenance    | 2025         | 2026         | 2027         | 2028         | 2029         | 2030         | 2031         |
|-----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| WTP Yearly Maintenance            | \$ 13,528.00 | \$ 14,001.00 | \$ 14,491.00 | \$ 14,998.00 | \$ 15,523.00 | \$ 16,066.00 | \$ 16,628.00 |
| Pump Yearly Maintenance           | 20,000.00    | 20,700.00    | 21,425.00    | 22,175.00    | 22,951.00    | 23,754.00    | 24,585.00    |
| Vehicle Replacement/Maint         | 1,164.00     | 1,205.00     | 1,250.00     | 1,294.00     | 1,339.00     | 1,386.00     | 1,430.00     |
| Heavy Equipment Replacement/Maint | 2,251.00     | 2,330.00     | 2,412.00     | 2,496.00     | 2,583.00     | 2,673.00     | 2,767.00     |
| Total Maintenance:                | \$ 36,943.00 | \$ 38,236.00 | \$ 39,578.00 | \$ 40,963.00 | \$ 42,396.00 | \$ 43,879.00 | \$ 45,410.00 |

| Self-Funded Capital Improvements | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 | 2031 |
|----------------------------------|------|------|------|------|------|------|------|
|                                  | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Total Improvements:              | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| Bond-Funded Capital Improvements | 2025 | 2026 | 2027         | 2028         | 2029         | 2030         | 2031         |
|----------------------------------|------|------|--------------|--------------|--------------|--------------|--------------|
| WWTF Rehabilitation              | \$ - | \$ - | \$ 12,175.00 | \$ 24,350.00 | \$ 24,350.00 | \$ 24,350.00 | \$ 24,350.00 |
|                                  |      |      |              |              |              |              |              |
| Total Improvements:              | \$ - | \$ - | \$ 12,175.00 | \$ 24,350.00 | \$ 24,350.00 | \$ 24,350.00 | \$ 24,350.00 |

|                    |           |           |           |           |           |           |           |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Total Yearly Cost: | 36,943.00 | 38,236.00 | 51,753.00 | 65,313.00 | 66,746.00 | 68,229.00 | 69,760.00 |
|--------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|

City of Hardy, AR  
Sewer Department  
Debt Service Coverage Ratio (DSCR)

7-Yr Projection of Revenue v. Expenses  
(Based on Current Rate Structure)

| Revenues                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income                         | \$ 10,374.58  | \$ 10,737.69  | \$ 11,113.51  | \$ 11,502.48  | \$ 11,905.07  | \$ 12,321.75  | \$ 12,753.01  |
| Pump Maint. Income                      | 32,323.92     | 33,455.26     | 34,626.19     | 35,838.11     | 37,092.44     | 38,390.68     | 39,734.35     |
| Misc. Receipts                          | -             | -             | -             | -             | -             | -             | -             |
| Wastewater Receipts                     | 107,231.01    | 106,194.36    | 105,157.70    | 104,121.05    | 103,084.39    | 102,047.74    | 101,011.08    |
| Depreciation Reserve - Sewer Department | 5,361.55      | 5,309.72      | 5,257.89      | 5,206.05      | 5,154.22      | 5,102.39      | 5,050.55      |
| Total Revenues:                         | \$ 155,291.06 | \$ 155,697.02 | \$ 156,155.29 | \$ 156,667.69 | \$ 157,236.12 | \$ 157,862.55 | \$ 158,548.99 |
|                                         |               |               |               |               |               |               |               |
| Expenses                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Public Works - Sewer Department         | \$ 248,399.41 | \$ 257,093.39 | \$ 266,091.66 | \$ 275,404.87 | \$ 285,044.04 | \$ 295,020.58 | \$ 305,346.30 |
| Existing Bonds (P&I)                    | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     |
| Add'l Part-Time Employee                |               | 10,000.00     | 10,350.00     | 10,712.25     | 11,087.18     | 11,475.23     | 11,876.86     |
| Depreciation Reserve - Sewer Department | 5,361.55      | 5,361.55      | 5,361.55      | 5,361.55      | 5,361.55      | 5,361.55      | 5,361.55      |
| Asset Management - Maintenance          | 36,943.00     | 38,236.00     | 39,578.00     | 40,963.00     | 42,396.00     | 43,879.00     | 45,410.00     |
| Asset Management - Self-Funded          | -             | -             | -             | -             | -             | -             | -             |
| Asset Management - Bond-Funded          | -             | -             | 12,175.00     | 24,350.00     | 24,350.00     | 24,350.00     | 24,350.00     |
| Total Expenses:                         | \$ 315,039.96 | \$ 335,026.94 | \$ 357,892.21 | \$ 381,127.67 | \$ 392,574.77 | \$ 404,422.36 | \$ 416,680.72 |
|                                         |               |               |               |               |               |               |               |
| Revenue/Expense Ratio:                  | 0.49          | 0.46          | 0.44          | 0.41          | 0.40          | 0.39          | 0.38          |
| DSCR Ratio (Current Rates):             | -5.56         | -6.37         | -4.53         | -3.61         | -3.83         | -4.06         | -4.30         |

City of Hardy, AR  
Sewer Department  
Debt Service Coverage Ratio (DSCR)

7-Yr Projection of Revenue v. Expenses  
(Based on Proposed Rate Structure)

| Revenues                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
|-----------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Interest Income                         | \$ 10,374.58  | \$ 10,737.69  | \$ 11,113.51  | \$ 11,502.48  | \$ 11,905.07  | \$ 12,321.75  | \$ 12,753.01  |
| Pump Maint. Income                      | 32,323.92     | 33,455.26     | 34,626.19     | 35,838.11     | 37,092.44     | 38,390.68     | 39,734.35     |
| Misc. Receipts                          | -             | -             | -             | -             | -             | -             | -             |
| Wastewater Receipts                     | 107,231.01    | 292,034.48    | 318,102.05    | 330,714.47    | 343,792.89    | 357,352.36    | 371,408.29    |
| Depreciation Reserve - Sewer Department | 5,361.55      | 14,601.72     | 15,905.10     | 16,535.72     | 17,189.64     | 17,867.62     | 18,570.41     |
| Total Revenues:                         | \$ 155,291.06 | \$ 350,829.15 | \$ 379,746.85 | \$ 394,590.79 | \$ 409,980.04 | \$ 425,932.40 | \$ 442,466.07 |
|                                         |               |               |               |               |               |               |               |
| Expenses                                | 2025          | 2026          | 2027          | 2028          | 2029          | 2030          | 2031          |
| Public Works - Sewer Department         | \$ 248,399.41 | \$ 257,093.39 | \$ 266,091.66 | \$ 275,404.87 | \$ 285,044.04 | \$ 295,020.58 | \$ 305,346.30 |
| Existing Bonds (P&I)                    | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     | 24,336.00     |
| Add' Employee w/Benefits                |               | 10,000.00     | 10,350.00     | 10,710.00     | 11,080.00     | 11,470.00     | 11,870.00     |
| Depreciation Reserve - Sewer Department | 5,362.00      | 14,602.00     | 15,905.00     | 16,536.00     | 17,190.00     | 17,868.00     | 18,570.00     |
| Asset Management - Maintenance          | 36,943.00     | 38,236.00     | 39,578.00     | 40,963.00     | 42,396.00     | 43,879.00     | 45,410.00     |
| Asset Management - Self-Funded          | -             | -             | -             | -             | -             | -             | -             |
| Asset Management - Bond-Funded          | -             | -             | 12,175.00     | 24,350.00     | 24,350.00     | 24,350.00     | 24,350.00     |
| Total Expenses:                         | \$ 315,040.41 | \$ 344,267.39 | \$ 368,435.66 | \$ 392,299.87 | \$ 404,396.04 | \$ 416,923.58 | \$ 429,882.30 |

|                              |       |      |      |      |      |      |      |
|------------------------------|-------|------|------|------|------|------|------|
| Revenue/Expense Ratio:       | 0.49  | 1.02 | 1.03 | 1.01 | 1.01 | 1.02 | 1.03 |
| DSCR Ratio (Proposed Rates): | -5.56 | 1.27 | 1.31 | 1.05 | 1.11 | 1.19 | 1.26 |

City of Hardy, AR  
Sewer Department  
Median Affordability

City of Hardy Median Household Income (MHI)

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 33,173.00 | \$ 33,984.00 | \$ 33,500.00 | \$ 33,552.33     |

Sharp County Median Household Income (MHI)

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 37,361.00 | \$ 43,332.00 | \$ 42,950.00 | \$ 41,214.33     |

Fulton County Median Household Income (MHI)

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 36,950.00 | \$ 38,917.00 | \$ 38,941.00 | \$ 38,269.33     |

Arkansas Median Household Income

| 2021 MHI     | 2022 MHI     | 2023 MHI     | 3-Yr MHI Average |
|--------------|--------------|--------------|------------------|
| \$ 52,123.00 | \$ 56,335.00 | \$ 58,773.00 | \$ 55,743.67     |

Calculation: Median Affordability as a Percentage of MHI

$[(4000\text{-Gal Water Bill} \times 12\text{-Mo}) / \text{MHI}] \times (100)$

Residential \$ 23.45 Current Rate  
Structure

Result: If < 1.25 => Non-Disadvantaged Community, If 1.25 or > => Disadvantaged Community (For Communities with LMI 51% or >)

Hardy LMI = 41.80%

Sharp County LMI = 49.00% (1.5 or > for Communities with LMI < 51%)

Fulton County LMI = 47.70% (1.5 or > for Communities with LMI < 51%)

Median Affordability as a Percentage of MHI (Current Rate Structure & Yearly Increase)

|             | Current MHI % | 2024 MHI % | 2025 MHI % | 2026 MHI % | 2027 MHI % | 2028 MHI % | 2029 MHI % | 2030 MHI % | 2031 MHI % |
|-------------|---------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Residential | 0.84          | 0.84       | 0.84       | 2.31       | 2.54       | 2.66       | 2.80       | 2.94       | 3.08       |

Note:

MHI Data Source: Arkansas Economic Development Institute (arstatedatacenter.youraedi.com)

## **APPENDIX E**

### **ASSET MANAGEMENT PLAN**

City of Hardy, AR  
Water System  
Asset Management Plan

| Water Treatment Facilities     |                   |                    |                    |                            |                                     |                                                                                                                              |
|--------------------------------|-------------------|--------------------|--------------------|----------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Service Date                   | Useful Life (Yrs) | Last Major Upgrade | Annual Maintenance | Estimated Replacement Cost | Estimated Replacement Date          | Consequence of Failure                                                                                                       |
| Well #1 (300 gpm)              |                   |                    |                    |                            |                                     |                                                                                                                              |
| 1993                           | 75                | Unk                | \$ 2,500.00        | \$ 1,200,000.00            | 2055<br>Based on Existing Condition | The City of Hardy would not be able to produce safe drinking water or provide fire protection within the distribution system |
| Well #2 (300 gpm)              |                   |                    |                    |                            |                                     |                                                                                                                              |
| 1993                           | 75                | Unk                | \$ 2,500.00        | \$ 1,200,000.00            | 2055<br>Based on Existing Condition | The City of Hardy would not be able to produce safe drinking water or provide fire protection within the distribution system |
| 5-Yr Capital Improvement Needs |                   |                    |                    |                            |                                     |                                                                                                                              |
| Description of Need            |                   |                    |                    | Date                       | Cost                                | Method of Financing                                                                                                          |
| None                           |                   |                    |                    | TBD                        |                                     | TBD                                                                                                                          |

City of Hardy, AR  
Water System  
Asset Management Plan

| Water Storage Facilities       |                   |                    |                    |                            |                                     |                                                                                           |
|--------------------------------|-------------------|--------------------|--------------------|----------------------------|-------------------------------------|-------------------------------------------------------------------------------------------|
| Service Date                   | Useful Life (Yrs) | Last Major Upgrade | Annual Maintenance | Estimated Replacement Cost | Estimated Replacement Date          | Consequence of Failure                                                                    |
| Tank #1 (200k Gal)             |                   |                    |                    |                            |                                     |                                                                                           |
| 1964                           | 75                | 2019               | \$ 500.00          | \$ 1,000,000.00            | 2059<br>Based on Existing Condition | Non-compliance with minimum pressure, volume, fire protection requirements in area served |
| Tank #3 (42k Gal)              |                   |                    |                    |                            |                                     |                                                                                           |
| 2001                           | 75                | Unk                | \$ 500.00          | \$ 900,000.00              | 2076<br>Based on Existing Condition | Non-compliance with minimum pressure, volume, fire protection requirements in area served |
| 5-Yr Capital Improvement Needs |                   |                    |                    |                            |                                     |                                                                                           |
| Description of Need            |                   |                    |                    | Date                       | Cost                                | Method of Financing                                                                       |
| Tank #1 Inspection             |                   |                    |                    | 2026                       | \$ 2,500.00                         | Self-Funded                                                                               |
| Tank #3 Inspection             |                   |                    |                    | 2028                       | \$ 2,500.00                         | Self-Funded                                                                               |

City of Hardy, AR  
Water System  
Asset Management Plan

| Water Distribution Facilities  |              |                   |                    |                            |                                              |                                                                                           |
|--------------------------------|--------------|-------------------|--------------------|----------------------------|----------------------------------------------|-------------------------------------------------------------------------------------------|
| Asset                          | Service Date | Useful Life (Yrs) | Annual Maintenance | Estimated Replacement Cost | Estimated Replacement Date                   | Consequence of Failure                                                                    |
| Water Mains                    | 2021         | 100               | \$ 20,000.00       | \$ 5,000,000.00            | 2121<br>Based on Existing & Planned Upgrades | Inability to provide safe drinking water or provide fire protection to the system area    |
| Water Meters                   | Unk          | 25                | \$ 500.00          | \$ 2,000,000.00            | As Needed                                    | Inability to accurately meter water useage to generate revenue for the system             |
| Booster Pump #1                | Unk          | 30                | \$ 1,250.00        | \$ 40,000.00               | 2040 Based on Existing Condition             | Non-compliance with minimum pressure, volume, fire protection requirements in area served |
| Booster Pump #2                | 2002         | 30                | \$ 1,250.00        | \$ 10,000.00               | 2035<br>Based on Existing Condition          | Non-compliance with minimum pressure, volume, fire protection requirements in area served |
| 5-Yr Capital Improvement Needs |              |                   |                    |                            |                                              |                                                                                           |
| Description of Need            |              |                   |                    | Date                       | Cost                                         | Method of Financing                                                                       |
| Razorback Edition WL Extension |              |                   |                    | TBD                        | \$ 1,500,000.00                              | Grant (75%) / Loan (25%)                                                                  |

City of Hardy, AR  
Water System  
Asset Management Plan

| Water - Heavy Equipment        |              |                   |                    |                            |                            |                                                     |
|--------------------------------|--------------|-------------------|--------------------|----------------------------|----------------------------|-----------------------------------------------------|
| Asset                          | Service Date | Useful Life (Yrs) | Annual Maintenance | Estimated Replacement Cost | Estimated Replacement Date | Consequence of Failure                              |
| 1500 Dodge Ram Pickup          | 2019         | 15                | \$ 750.00          | \$ 45,000.00               | 2034                       | Increased cost to maintain facilities and down time |
| Ford Truck                     | 2015         | 15                | \$ 750.00          | \$ 45,000.00               | 2031                       | Increased cost to maintain facilities and down time |
| Chevy Silverado                | 2006         | 15                | \$ 750.00          | \$ 40,000.00               | 2021                       | Increased cost to maintain facilities and down time |
| Case Backhoe                   | 2003         | 35                | \$ 2,000.00        | \$ 135,000.00              | 2038                       | Increased cost to maintain facilities and down time |
| R&W RT SS16                    | 2008         | 30                | \$ 100.00          | \$ 5,000.00                | 2038                       | Increased cost to maintain facilities and down time |
| Kawasaki Mule                  | 2007         | 20                | \$ 250.00          | \$ 9,000.00                | TBD                        | Increased cost to maintain facilities and down time |
| Case Trackhoe                  | 2007         | 30                | \$ 2,000.00        | \$ 150,000.00              | 2037                       | Increased cost to maintain facilities and down time |
| 5-Yr Capital Improvement Needs |              |                   |                    |                            |                            |                                                     |
| Description of Need            |              |                   |                    | Date                       | Cost                       | Method of Financing                                 |
| Replace Chevy Silverado        |              |                   |                    | TBD                        | TBD                        | Self-Funded                                         |
| Replace Ford Truck             |              |                   |                    | TBD                        | TBD                        | Self-Funded                                         |

City of Hardy, AR  
Sewer Department  
Asset Management Plan

| Wastewater Treatment Facilities |                   |                    |                    |                            |                                       |                                                                               |
|---------------------------------|-------------------|--------------------|--------------------|----------------------------|---------------------------------------|-------------------------------------------------------------------------------|
| Service Date                    | Useful Life (Yrs) | Last Major Upgrade | Annual Maintenance | Estimated Replacement Cost | Estimated Replacement Date            | Consequence of Failure                                                        |
| 1980's                          | 50                | 2024               | \$ 19,780.00       | \$ 3,500,000.00            | 2074<br>Based on Ex. Cond. & Upgrades | Non-compliance with NPDES permitting and contamination of fresh water streams |
| 5-Yr Capital Improvement Needs  |                   |                    |                    |                            |                                       |                                                                               |
| Description of Need             |                   |                    |                    | Date                       | Cost                                  | Method of Financing                                                           |
| WWTF Rehabilitation             |                   |                    |                    | 2027                       | \$ 1,339,000.00                       | Grant (75%) / Loan (25%) Funded                                               |

City of Hardy, AR  
Sewer Department  
Asset Management Plan

| Collection System              |                   |                    |                    |                            |                                       |                                                                               |
|--------------------------------|-------------------|--------------------|--------------------|----------------------------|---------------------------------------|-------------------------------------------------------------------------------|
| Service Date                   | Useful Life (Yrs) | Last Major Upgrade | Annual Maintenance | Estimated Replacement Cost | Estimated Replacement Date            | Consequence of Failure                                                        |
| 1960's                         | 100               | 2001               | \$ 12,300.00       | \$ 11,500,000.00           | 2080<br>Based on Ex. Cond. & Upgrades | Non-compliance with NPDES permitting and contamination of fresh water streams |
| S. Spring St. Lift Station     |                   |                    |                    |                            |                                       |                                                                               |
| 1960's                         | 30                | 2023               | \$ 10,000.00       | \$ 250,000.00              | 2054<br>Based on Ex. Cond. & Upgrades | Non-compliance with NPDES permitting and contamination of fresh water streams |
| N. Spring St. Lift Station     |                   |                    |                    |                            |                                       |                                                                               |
| 1960's                         | 30                | 2023               | \$ 10,000.00       | \$ 200,000.00              | 2054<br>New Construction              | Non-compliance with NPDES permitting and contamination of fresh water streams |
| Woodland Hills Lift Station    |                   |                    |                    |                            |                                       |                                                                               |
| 1960's                         | 30                | Unk                | \$ 10,000.00       | \$ 200,000.00              | 2055<br>New Construction              | Non-compliance with NPDES permitting and contamination of fresh water streams |
| 5-Yr Capital Improvement Needs |                   |                    |                    |                            |                                       |                                                                               |
| Description of Need            |                   |                    |                    | Date                       | Cost                                  | Method of Financing                                                           |
|                                |                   |                    |                    |                            |                                       |                                                                               |
|                                |                   |                    |                    |                            |                                       |                                                                               |

City of Hardy, AR  
Sewer Department  
Asset Management Plan

| Wastewater - Heavy Equipment   |              |                   |                    |                            |                            |                                                     |
|--------------------------------|--------------|-------------------|--------------------|----------------------------|----------------------------|-----------------------------------------------------|
| Asset                          | Service Date | Useful Life (Yrs) | Annual Maintenance | Estimated Replacement Cost | Estimated Replacement Date | Consequence of Failure                              |
| 1500 Dodge Ram Pickup          | 2019         | 15                | \$ 750.00          | \$ 45,000.00               | 2034                       | Increased cost to maintain facilities and down time |
| Ford Truck                     | 2015         | 15                | \$ 750.00          | \$ 45,000.00               | 2030                       | Increased cost to maintain facilities and down time |
| Chevy Silverado                | 2006         | 15                | \$ 750.00          | \$ 40,000.00               | 2021                       | Increased cost to maintain facilities and down time |
| Case Backhoe                   | 2003         | 35                | \$ 2,000.00        | \$ 135,000.00              | 2038                       | Increased cost to maintain facilities and down time |
| R&W RT SS16                    | 2008         | 30                | \$ 100.00          | \$ 5,000.00                | 2038                       | Increased cost to maintain facilities and down time |
| Kawasaki Mule                  | 2007         | 20                | \$ 250.00          | \$ 9,000.00                | TBD                        | Increased cost to maintain facilities and down time |
| Case Trackhoe                  | 2007         | 30                | \$ 2,000.00        | \$ 150,000.00              | 2037                       | Increased cost to maintain facilities and down time |
| 5-Yr Capital Improvement Needs |              |                   |                    |                            |                            |                                                     |
| Description of Need            |              |                   |                    | Date                       | Cost                       | Method of Financing                                 |
| Replace Chevy Silverado        |              |                   |                    | TBD                        | TBD                        | Self-Funded                                         |
| Replace Ford Truck             |              |                   |                    | TBD                        | TBD                        | Self-Funded                                         |