

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

---

## **Central Arkansas Utility Set to Issue 'Green Bonds'**

### **Funds earmarked for environmentally friendly projects**

A clarifier, used to remove particles and solids from water, is shown in this July 2019 file photo. Central Arkansas Water will be the first-ever municipal water utility to issue bonds that meet Climate Bonds Initiative standards, which dictate the funds must be used for conservation and environmentally friendly projects.

Bonds are loans made to large organizations, such as local governments in the case of municipal bonds. Cities and governmental organizations, including Central Arkansas Water, often use debt financing to fund capital projects and ongoing infrastructure needs.

Central Arkansas Water commissioners last week approved the issuance of about \$31 million in “green bonds,” which meet standards set by the Climate Bonds Initiative, an international nonprofit organization that seeks to harness the \$100 trillion global bond market to create solutions to climate change, according to its website.

According to the initiative’s standards, proceeds from “green bonds” are to be specifically directed to pay the costs of design, construction, property acquisition and other related expenses necessary for eligible projects.

Central Arkansas Water estimated that 35% of the proceeds from the bond issue will be allocated to purchase land around the Lake Maumelle watershed. The utility routinely acquires parcels of land in the watershed in an effort to protect drinking water from contaminants.

The other 65% is set to go toward infrastructure that the utility says will help improve its ability to transport and deliver water and prevent water waste, including installing high-efficiency water treatment equipment and replacing and rehabilitating pipelines to prevent leakage and overflow.

Jeff Mascagni, chief financial officer for the utility, said meeting the criteria would expand the group of people who could be interested in buying those bonds, as well as make Central Arkansas Water an industry leader among municipal water utilities.

“It’s an innovative deal. We’re going to be the first one that’s issued this kind of bond under these criteria, so we’re really proud of that,” Mascagni said at last week’s regular board meeting.

The “green bonds” were part of a \$60 million bond package the utility’s board of commissioners approved Thursday.

Central Arkansas Water worked with the World Resources Institute, a Washington-based think tank that works on environmental and economic issues, and Encourage Capital, a financial services firm in New York City, to prepare the issuance of the bonds and certification under the Climate Bonds Initiative’s criteria for water infrastructure.

“This bond is special because it will help secure clean drinking water for the residents of central

Arkansas by both financing state-of-the-art infrastructure and also protecting our rich forestland and other natural ecosystems,” Central Arkansas Water Chief Executive Officer Tad Bohannon said in a news release from the World Resources Institute.

Central Arkansas Water received certification from the Climate Bonds Initiative on Tuesday.

The bonds are set to be posted today.

Central Arkansas Water provides water for a population of nearly 500,000 in the seven counties that make up its service area.

**arkansasonline.com**

by Rachel Herzog | Today at 7:20 a.m

Copyright © 2024 Bond Case Briefs | [bondcasebriefs.com](https://bondcasebriefs.com)