



# Arkansas Rural Water Association

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## **ARWA Mission Statement:**

To provide Arkansas Rural Water Utilities the highest level of Training & Technical Services in order to obtain a Quality Water at the lowest possible cost.

**Date: 10/14/2025**

**To: Van Buren Co. Public Water Authority**

**From: Arkansas Rural Water Association**

**Re: Water Rate Study Based on 2024 Financials – Meeting Rules of Act 605 of 2021**

Thank you for trusting Arkansas Rural Water Association to review your financial status to determine an adequate rate for your system's customers based on your system's operation over the past twelve months.

In determining water or sewer rates Water Providers (all public water utilities) must use one of Arkansas Natural Resource Division (ANRD) approved rate study providers. Rate study companies must start performing rate studies that conform with Act 605 of 2021, and the rules adopted by the Arkansas Natural Resource Division Commissioners/Arkansas Department of Agriculture.

I have attached a copy of Act 605 and the ANRD rules adopted by the commission for your review as well as the rate study findings. The results of your rate study findings will state that this rate study was done in accordance with the rules pertaining to Act 605 of 2021. Your system is required to meet the new requirements and rules of Act 605 of 2021 by either July 1, 2024, July 1, 2025, or July 1, 2026, based on the number of connections on your system.

Rate Studies are required to comply with the rules of Act 605 which require each water provider to meet a 1.1 Debt Service Coverage Ratio (DSCR). As well as the provider shall deposit a minimum of 5% per annum of gross revenues into a dedicated "Refurbishment and Replacement Account" or "Depreciation Account" within twelve months of the implementation of the rate unless a different amount is determined by the rate study.

**Rules: III. Refurbishment & Replacement Account**

**Refurbishment & Replacement Account  
Calculation Page**

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 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.

The Refurbishment & Replacement Account will be based on the gross operating revenues of a system.

Gross Operating Revenue: : \$1,333,815

Minimum of five percent (5) of gross operating revenue: : \$66,690

**Rules: IV Rate Studies for Retail Providers**

1. Retail water providers shall obtain rate studies pursuant to the requirements in Ark. Code Ann. 14-234-802: **This rate study performed by Arkansas Rural Water Association (ARWA) complies with the above Ark. code.**
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.

Is the Water Provider requesting this rate study to comply with requirements of section Ark. Code Ann. § 14-234-802(h)(2) referring to a major development project? **YES**

3.
  - a. **Rate Study Needed Information:**

**Yearly Payment of Loan(s):** (Indicate the total yearly amount paid to meet any loan(s) principle regarding water and/or sewer debts. This should include the total of all loans, if any, relative to each).

**: 199,963**

**Total Amount of Gallons of Water Sold Per / Year or (For Sewer) Show 80 Percent of the Total Amount of Gallons of Water Pumped (Next Field):** Enter the total amount based on usage only. Show in figure in 1,000's. Example: 9,765,000 gallons would be shown as 9,765 in the blank.

**: 56,981**

**Total Amount of Gallons of Water Pumped Per Year:** (Show the total gallons of water pumped by the facility in the last year, in 1,000's).

**: 134,738**

**Total Number of Active Customers:** (List the total number of active customers served by the facility.)

**: 1,452**

**Total Revenue from Metered Sales:** (Show the total monetary amount taken in by the facility through metered sales. Do not include bulk non-metered sales, deposits, etc.)

**Metered Sales \$1,236,381 + Non Rate Revenue \$60,000=**

**: \$1,266,381**

**Total Operating Expenses Per Year:** (List all costs for Water and/or Sewer that are expended to operate the system for a one-year period): These may include salaries, insurance, utility costs, maintenance and other repairs costs, capital costs, chemical costs, rent, equipment costs, taxes, purchases of water, office supplies costs, miscellaneous, engineering, legal and audit or agreed upon procedure fees, etc.)

**: \$1,070,480**

**Payment To Reserve and SLA Account Per Year:** (Show the yearly amount invested into a reserve account, each year, that is required by any loan documentation. If the required minimum level has been attained, and the facility no longer funds such account, leave this field blank).

**: 0**

**Payment To Refurbishment & Replacement/Depreciation Account Per Year:** (This yearly amount shall deposit a minimum of five percent (5) per annum of gross revenues in a dedicated refurbishment and replacement account within twelve months of implementation of the rate unless a different amount is determined by the rate study.)

: 63,522

**Rules: IV Rate Studies for Retail Providers**

**Water Provider & Sewer Provider  
Rate Study Form Results Page**

**Calculated Total Yearly Cash Requirement:** (This figure represents the total cash needed to just meet the financial obligations of the water and/or sewer utility for a one-year period, based on information supplied by the facility personnel.)

: \$1,333,965

**Calculated Debt Service Per Customer Per Month:** (This figure represents an equal debt obligation per customer and can be used as monthly "User's Fee".)

: \$11.48

**Calculated Operating Cost Per 1000 Gallons Funding Depreciation:** (This figure represents the lowest amount needed for each 1000 gallons above minimum.)

: \$19.90

**Calculated Shortage of Revenue:** (Indicates the shortage of money, if any, that is needed to cover all costs / A negative figure indicates a positive surplus.)

: \$37,584

**Calculated Average Bill Per Customer Per Month:** (This figure indicates an average amount needed per customer to meet all debt service and operational expenses.)

: \$76.56

**Calculated Minimum Rate Allowing 1000 Gallons and Funding Refurbishment & Replacement Account:** (This figure can be used as a "Minimum Charge" per customer for the first 1000 gallons each month.)

: \$31.38

**Calculated Yearly Average Percent of Water Loss:** (System water loss is excessive, if above 15 percent. Calculation will indicate the amount NOT accounted for in total gallons of water pumped a year.)

: 57.71%

## Debt Service Cover Ratio Calculation Page

Debt Service Coverage Ratio = Net Operating Income/Annual Debt  
Calculations For Net Operating Income = Revenue – Operating Expense = Net Operating Income

### Current Rate DSCR Calculation:

1,266,381 Revenue – 1,070,480 Operating Expense = 195,901 Net Operating income

195,901 Net Operating Income / 199,963 Annual Debt = .97 Debt Service Coverage Ratio

|                                 |              |
|---------------------------------|--------------|
| Current Revenue (Meter + Other) | \$ 1,266,381 |
| Total Operating Expenses =      | \$ 1,070,480 |
| Net Operating Income =          | \$ 195,901   |
| Debt (principal and interest) = | \$ 199,963   |
| Current DSCR Calculations =     | .97          |

ANRC Rules require at least a 1.1 DSCR

This shows Water Provider has an inadequate amount of revenue.

### New Rate DSCR Calculation:

1,333,815 Revenue – 1,070,480 Operating Expense = 263,335 Net Operating income

263,335 Net Operating Income / 199,963 Annual Debt = 1.31 Debt Service Coverage Ratio

|                                     |              |
|-------------------------------------|--------------|
| Current Revenue (Meter + Other)     | \$ 1,333,815 |
| Replacement & Refurbishment account | \$ 66,690    |
| Total Operating Expenses =          | \$ 1,070,480 |
| Net Operating Income =              | \$ 263,335   |
| Debt (principal and interest) =     | \$ 199,963   |
| New DSCR Calculations =             | 1.31         |

**Summary of Rate Study:**

**Minimum Bill & Rates Per 1,000 Gallon**

Present Rates:

| <b>Rate Structure (Uniform)</b> | <b>Residential</b>              |
|---------------------------------|---------------------------------|
| Minimum W/ 1,000 gallons        | \$39.16+ \$3.00 Maintenance Fee |
| All over 1,000 gallons          | \$13.51                         |

Note: Van Buren Co. Public Water Authority increased rates in February 2025

Van Buren Co. PWA purchased 134,738,513 Gallons of water for the year.

Van Buren Co. PWA sold 56,981,098 Gallons of Water to their customers for the year.

Water Loss for the system showed to be 77,787,415 Gallons Loss or 57.71%.

Van Buren Co. PWA reported that they had 1,452 customers for the year 2024.

56,981,098 Gallons of Water / 1452 customers = 39,243 Gallons/Year/Customer Average  
39,243 Gallons/Year/Customer / 12 Months/Year = 3,270 Gallons/Month Average Water  
Usage/Customer

**Existing Rate Calculations: Based on 02/2025 Increase**

Minimums Collected:

1452 Customers x \$42.16 x 12= \$ 734,595

**Total Minimum = \$734,595**

**1452 Customers used an average of 3,270 gallons per month**

1452 x 13.51 x 2.270 x 12= \$534,354

**Total per thousand = \$534,354**

**Total = \$1,268,949 approximate Metered Revenue**

**New Minimum Recommended Water Rate Based on Rate Study Findings:**

| <b>Rate Structure</b>    | <b>Residential</b> |
|--------------------------|--------------------|
| Minimum W/ 1,000 gallons | \$42.16            |
| All usage after 1,000    | \$15.15            |

Minimums Collected:

1452 Customers x \$42.16 x 12= \$ 734,595

**Total Minimum = \$734,595**

1452 x 15.15 x 2.270 x 12= \$599,220

**Total per thousand = \$599,220**

**Total = \$1,333,815 approximate Metered Revenue**



**Water Rate Break-Even Recommendation:**

**Minimum Bill = \$42.16/ 1,000 gallons**

**All gallons = \$15.15/1,000 gallons**

**Five Year Projection of Revenue & Expenses:**

(Based on 3% Increase/Year)

|                    | Year 1      | Year 2      | Year 3      | Year 4      | Year 5      |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| Revenue            | \$1,333,815 | \$1,373,829 | \$1,415,043 | \$1,457,494 | \$1,501,218 |
| R & R Account (5%) | \$66,690    | \$68,691    | \$70,752    | \$72,874    | \$75,060    |
| Expenses           | \$1,070,480 | \$1,102,594 | \$1,135,671 | \$1,169,741 | \$1,204,833 |
| Debt & Interest    | \$199,963   | \$199,963   | \$199,963   | \$199,963   | \$199,963   |
| DSCR               | 1.31        | 1.35        | 1.39        | 1.44        | 1.48        |

**(R&R Account = Refurbishment & Replacement Account)**

**Non-Rate Revenue:** Revenue consists of dis-connects, reconnects, taxes and sampling fees.

**Cash Balances at the end of June 30, 2025: \$764,044**

**Number of days cash balances could cover O&M:**

\$764,044 /\$2,933 Average Daily Operational Expenses: **260 Days**

## **Rate Study Findings and Recommendations:**

**1<sup>st</sup> Recommendation:** The Minimum bill is for fixed costs such as Debt principal and Interest payments, Required Reserves, and Capitalized O&M Expenses. System needs to leave the current minimum where it is currently at \$42.16 bills and adjust the water rate structure to \$15.15 for all water after minimum bill.

**2<sup>nd</sup> Recommendation:** It is also recommended that going forward Van Buren Co. PWA Water adjust rates annually to cover cost of service increases (3-5%).

**3<sup>rd</sup> Recommendation:** Does the system have reconnection fees for customers that you must shut off. If the answer is yes, is the service fee covering fuel costs and employee costs to have you employee travel to and from customer meter location to reinstall or turn on meter? Adjust fees as prices of fuel and manhour costs have continued to increase.

**4<sup>th</sup> Recommendation:** All Water Provider's goals should be to try to reduce water loss to an acceptable level of 15% or less approximately. In 2024 Van Buren Co. PWA's water loss was at 57.71%, that is a significant water loss. The new meters may help in lowering un-accounted for water, but a continuous effort will have to remain to achieve a goal of 15% or less. Arkansas Rural Water can assist in leak detection, but it is up to Van Buren Co. PWA to continually make an effort to improve their loss.

**Asset Management Plan:** The Van Buren Co. PWA Water Department will attach an asset management plan.

**Rate Study Findings:** Based on the figures your system provided shows water rates would need to be adjusted to meet Rules pertaining to Act 605 of 2021.

Prepared By:



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Arkansas Rural Water Association

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## **ARWA Mission Statement:**

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## RATE STUDY CERTIFICATE

The undersigned representative of Arkansas Rural Water Association (the "Rate Analyst") hereby certifies as follows:

1. That the Rate Analyst, at the request of the Van Buren Co. Public Water Authority in Clinton, Arkansas (the "Water Provider"), and in conjunction with Act 605 of 2021, conducted a study of the current water rates (the "Rate Study").
2. That, based on the Rate Study Van Buren Co. PWA's current water rates do need to be increased.
3. That the undersigned is familiar with (a) Act 605 of 2021, codified at Title 14, Chapter 234, Subchapter 8 of the Arkansas Code of 1987 Annotated (the "Legislation") and (b) the rules implementing the Legislation which have been adopted by the Arkansas Natural Resources Commission (the "Rules").
4. That the Rate Study complies with the Legislation and the Rules.

This 14th day of October 2025.

By: *Chris Harris*

Arkansas Rural Water  
Executive Director