

OKLAHOMA WATER RESOURCES BOARD
OFFICIAL MINUTES
September 18, 2012

1. Call to Order

The regular monthly meeting of the Oklahoma Water Resources Board was called to order by Chairman F. Ford Drummond at 9:30 a.m., on September 18, 2012, at the Oklahoma Water Resources Board, 3800 N. Classen Boulevard, Oklahoma City, Oklahoma.

The meeting was conducted pursuant to the Oklahoma Open Meeting Law with due and proper notice provided pursuant to Sections 303 and 311 thereof. The agenda was posted on September 11, 2012, at 4:45 p.m., at the Oklahoma Water Resources Board's offices.

A. Roll Call

Board Members Present

Ford Drummond, Chairman
Linda Lambert, Vice Chairman
Tom Buchanan, Secretary
Bob Drake
Ed Fite
Rudy Herrmann
Jason Hitch
Richard Sevenoaks

Board Members Absent

Marilyn Feaver

Staff Members Present

J.D. Strong, Executive Director
Dean Couch, General Counsel
Joe Freeman, Chief, Financial Assistance Division
Julie Cunningham, Chief, Planning and Management Division
Derek Smithee, Chief, Water Quality Programs Division
Amanda Storck, Chief, Administrative Services Division
Josh McClintock, Director of Government and Public Affairs
Mary Schooley, Executive Secretary

Others Present

Mark Walker, representing Merritt Farms, Oklahoma City, OK
Mary K. Berta, Sun City West, Arizona
Jean M. Casey, Merritt Farms, Hennessey, OK
Tiffany Tillman, Town of Hennessey, OK
Curtis Turner, Town of Hennessey, OK
Peter Seikel, City of Perkins, OK
Virginia Autry, Merritt Farms, Hennessey, OK
Charlie Swinton, BancFirst, Oklahoma City, OK
Anne Burger Entrekin, San Antonio, TX
Jim Barnett, Doerner Saunders Daniels Anderson; Town of Hennessey,
Oklahoma City, OK
Patty Thompson, Department of Environmental Quality, Oklahoma City, OK
Leslie Smith, Department of Environmental Quality, Oklahoma City, OK
Vicki Reed, Department of Environmental Quality, Oklahoma City, OK
Michael Taylor, Department of Environmental Quality, Oklahoma City, OK
John R. Gritz, Town of Hennessey, OK
Mike Shaw, Town of Hennessey, OK
Ron Gooch, Sayre, OK
Michael Langston, Oklahoma Water Resources Research Institute, Stillwater, OK
Darrel Clark, Lone Chimney, OK
Paul Kinder, Lone Chimney, OK
Angela Thompson, Wells Nelson & Associates, Oklahoma City, OK
Mike Mathis, Chesapeake Energy, Oklahoma City, OK
Steve Thompson, American Farmers & Ranchers, Oklahoma City, OK
Jason Walker, Myers Engineering, Oklahoma City, OK
Tom Lay, Kerr Irvine Rhodes Ables, Oklahoma City, OK
Christy Harper, PFLG, Oklahoma City, OK
Michael Bugh, PFLG, Oklahoma City, OK
Dwayne Elan, Wagoner Public Works Authority, Wagoner, OK
Greg Carr, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Senator A.J. Griffin, Hennessey, OK
Phillip Humble, Chattanooga, OK
Helen Cline, Hennessey, OK
Jorge Hammons, Cherokee County Rural Water District #3, Tahlequah, OK
David Pyle, Lone Grove, OK
Chris Young, City of Lone Grove, OK
Ian O'Neal, City of Lone Grove, OK
Kirk Henderson, City of Tonkawa, OK
Jared Davidson, PFLG, Oklahoma City, OK

B. APPROVAL OF MINUTES

Chairman Drummond said the draft minutes of the August 21, 2012, Regular Meeting had been distributed, and he asked if there were corrections to the minutes. There were none, and he stated he would entertain a motion to approve the minutes.

Mr. Herrmann moved to approve the minutes of the August 21, 2012 meeting, and Mr. Drake seconded.

AYE: Buchanan, Hitch, Sevenoaks, Herrmann, Drake, Fite, Drummond
NAY: None
ABSTAIN: Lambert
ABSENT: Feaver

C. EXECUTIVE DIRECTOR'S REPORT

Executive Director J.D. Strong began his report stating there was no news legislatively from the State Capitol, and only elections going on in Washington, D.C. Congress did pass a six-month resolution to keep government funded past the election. He said the Governor's Water Conference is coming together, registration will be online within a few weeks, the San Antonio Water System President will be speaking about their reuse/recycle program, and there will be a preview of the Dust Bowl documentary being released on PBS. He said the first day will be dedicated to water conservation, efficiency and reuse issues, and the second day will be devoted to the other Water Plan recommendations regarding monitoring and water financing; following the election the week prior, discussions will be on whether the state question passed or failed and the State's response. Roundtable discussions are planned on the topics of regional planning and environmental flows. Congressional scheduling may preclude Senator Inhofe from attending.

Mr. Strong mentioned the status of the Arbuckle Simpson study saying it was very complex as was the hearing process—expert testimony, data and research—and there were several technical questions by the hearing examiner that needed to be answered by the researchers which is taking longer than anticipated. He hoped the final proposed order will be forthcoming soon, but it is unknown when the Board will review the proposed order.

Mr. Strong reported on other matters and meetings he has been involved in: Litigation and mediation with the Chickasaws and Choctaws is ongoing; he spoke at the Red River Valley Association; the OWRB Management Retreat was conducted to update the agency strategic plan; Mr. Strong and Mr. McClintock attended a US Army Corps of Engineers Tri-State meeting in Topeka and toured the John Redmond reservoir which has significant siltation problems; he kicked off the continuing education series on water at Southwestern Oklahoma State University; attended the Arbuckle Master Conservancy District 50-year mortgage early payoff celebration; and spoke to the ORWA fall convention at Western Hills. Upcoming meetings include the State Chamber of Commerce to gather feedback on the groundwater monitoring program in response to legislative funding; the Arkansas-Oklahoma Arkansas River Compact Commission is in Rogers, AR, September 27; the Lake Texoma Advisory Committee is Oct. 2; and the Western State Water Council quarterly meeting will be in San Antonio October 10-12.

Mr. Strong stated the official rulemaking process has kicked off first with the Water Quality Standards meeting on September 14. A quick overview will be presented at the October Board meeting. There will be a number of rule changes this year as there were none last year, including SB 597 and pit water, as well as well drillers, dam safety, and financial assistance. The notice of rulemaking intent is due in October, followed by public hearings in the November/December timeframe.

Mr. Strong concluded his report congratulating Mrs. Feaver and her husband on his induction to the Oklahoma Higher Education Hall of Fame on October 9. He announced the next meeting will be held in Oklahoma City on October 16, and the November meeting will be held in conjunction with the Governor's Water Conference on November 14 in the afternoon following the conference conclusion.

D. 1. Monthly Budget Report

Ms. Amanda Storck addressed the members and noted the distributed report is to the end of August. She said there is 90% of funding available with 83% percent of the fiscal year remaining. She said that staff is working on the FY2014 budget request.

Mr. Fite said the Budget Committee will meet following the October meeting to wrap up discussions from the meeting held in August. He anticipated a presentation at the November meeting.

Ms. Storck added that the agency would not be requesting additional funding, but asking to maintain the current level of funding; however, there is a lot of information that has to be submitted to the Governor and Legislature regarding agency programs.

Chairman Drummond commented about the incoming Oklahoma Speaker who has asked state agencies to look at state budgets without federal funding. Ms. Storck responded the OWRB operating budget includes \$3.5 million in federal funds which would be a significant reduction. Staff is working to provide that information to the Speaker.

2. Discussion of and Possible Action on FY 2014 Annual Budget Request.

There was no discussion or action on the annual budget request.

There were no further questions by members.

2. FINANCIAL ASSISTANCE DIVISION

Chairman Drummond asked Mr. Freeman to speak to the previously distributed memorandum to the Board regarding the drought grant process.

Mr. Freeman addressed the members and stated staff issued press releases across the state notifying citizens that drought grants were available once the Governor declared a "State of Emergency Due to Drought;" information was available on the agency website, as well as through meetings. The grants are funded through the Emergency Drought Grant Fund. As a result, seven applications were received, Board procedures were followed in evaluation of the grants, and five grant applications will be presented today.

Ms. Lambert asked about the selection of the five applicants; Mr. Freeman answered that the applications are evaluated on a point system, much like the emergency and REAP grants, based upon population, need, agricultural consumption; how many people are affected/helped; what type is the drought according to the Palmer Drought Index; the current rates being paid by the citizens and how much debt in keeping the system in good shape; the requirement of a 15% match with additional points for more local funds contributed; and the ability to finance the project without receiving the grant. The procedures are set out in Chapters 1 and Chapter 50 of the Board Rules. Ms. Lambert stated then the five recipients met the criteria in a way the other

two did not, and Mr. Freeman said that is correct, and if there was more money available, staff would be glad to fund them.

Mr. Herrmann noted the four categories and asked if these applications were all for human consumption, and he wondered why farmers had not applied for agriculture and farm supply assistance. Mr. Freeman said he suspected staff would not get through the human consumption applications to consider agriculture and farm supply; the uses are listed in priority order, human consumption needs are met first. With approval of the applications, the grant fund will be depleted, and Mr. Freeman anticipated it would take some time before funds are available. He said the source of funding is interest earnings from the State Revenue Bond Loan Program Reserve Funds and he will visit with Board later in the agenda about the current investments with very low yield, but expected 1 ½-2 years, if the Board maintains its policy to keep one-half million in the emergency grant account.

A. Consideration of and Possible Action on a Proposed Order Approving Drought Grant for Rural Water District #3, Cherokee County. Recommended for Approval. Mr. Freeman presented the first drought grant application by Cherokee County Rural Water District #3 in the amount of \$26,870.00. He said the District is requesting the funding to provide water to eight homes which have depended on natural spring water which has dried up as a result of drought conditions. The District will install 3,950 feet of 4-inch water line in order to connect these homes. The project will be funded by \$26,870.00 ORWB drought grant funds, and \$11,515.00 in local funds. Staff recommended approval.

Mr. Jerry Hammons, District Chairman, was present in support of the grant application. He said the project was in place, but ran out of funding; the grant funds will assist in completing the project.

Ms. Lambert moved to approve the drought grant application to the Cherokee RWD #3, and Mr. Drake seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Drummond
NAY: None
ABSTAIN: Fite
ABSENT: Feaver

B. Consideration of and Possible Action on a Proposed Order Approving Drought Grant for Perkins Public Works Authority, Payne County. Recommended for Approval. Mr. Freeman said this application is for \$60,186.00 in drought funds by the Perkins Public Works Authority. He said as a result of drought conditions in the Perkins area, all of the town's wells are running continuously and if a well fails, the town will have difficulty meeting the water needs of the community. He said Perkins proposed to drill an additional well at an estimated cost of \$120,373.00. One half of the project will be funded with local funds, and the remainder funded with \$60,186.50 from the OWRB drought emergency grant. Staff recommended approval.

Mr. Pete Seikel, City Manager, was present in support of the grant application. Mr. Hitch asked why Perkins did not build storage rather than more wells. Mr. Seikel responded there is 180,000 gallons of storage, but the wells are not producing adequately at the moment.

Mr. Drake moved to approve the application for drought grant funds to the Perkins Public Works Authority, and Mr. Sevenoaks seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond
NAY: None
ABSTAIN: None
ABSENT: Feaver

C. Consideration of and Possible Action on a Proposed Order Approving Drought Grant for Chattanooga Public Works Authority, Comanche County. Recommended for Approval. Mr. Freeman stated that this \$43,498.00 drought grant request is from the Chattanooga Public Works Authority in Comanche County. He said Chattanooga's water source is two wells with an original capacity of 145,000 gallons which has dropped by over one-third due to severe drought conditions of the area. To meet the communities' water needs, they have drilled a third well and are seeking assistance to install the well pump, construct a well house, piping, buried electrical line and control wiring. It is estimated the total cost of the remaining project is \$51,175.00 which will be funded with \$43,498.00 OWRB drought grant funds, and local funds of \$7,677.00. Staff recommended approval.

Mayor Phil Humble was present in support of the grant application.

Mr. Buchanan moved to approve the drought grant application to the Chattanooga Public Works Authority, and Ms. Lambert seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond
NAY: None
ABSTAIN: None
ABSENT: Feaver

D. Consideration of and Possible Action on a Proposed Order Approving Drought Grant for City of Tonkawa, Kay County. Recommended for Approval. Mr. Freeman stated to the members that this \$71,942.68 drought grant request is by the City of Tonkawa in Kay County. He said sixteen wells are the source to Tonkawa's water, and have been pumping nonstop as a result of the drought conditions in the area. He said currently the wells are pumping at 50% capacity which is affecting the City's ability to provide water for its citizens. Water use restrictions have been imposed on all residents, and in an effort to increase pumping, the City has acidized and replaced pumps and motors of nine wells; the project will be used to acidize and replace pumps and motors on the remaining seven wells. Staff recommended approval.

Mr. Kirk Henderson, City Manager; and Nancy Skipper, City Clerk, were present in support of the drought grant application.

Chairman Drummond asked if the restrictions were mandatory; Mr. Henderson said they were temporary mandatory until the rehabilitation could be performed on the wells. Mr. Hitch asked if they were acidizing or power washing; Mr. Henderson said acidizing, power washing and replacing pumps.

There were no other questions, and Chairman Drummond asked for a motion. Ms. Lambert moved to approve the drought grant to the City of Tonkawa, and Mr. Hitch seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond
NAY: None

ABSTAIN: None
ABSENT: Feaver

E. Consideration of and Possible Action on a Proposed Order Approving Drought Grant for Sayre Public Works Authority, Beckham County. Recommended for Approval. Mr. Freeman said this item is for the consideration of a \$88,293.50 drought grant for the Sayre Public Works Authority located in Beckham County. He said Sayre's 17 water wells have been pumping continuously as a result of drought conditions. In an effort to increase capacity and provide the town water, they propose to drill two new wells and install high efficiency, submersible pumps. With the drilling of the wells, they should be able to increase capacity and adequately serve water to the residents. Mr. Freeman stated the project is expected to cost about \$176,587.00 and funding will be provided by the OWRB drought grant, and \$88,293.50 in local funds. Staff recommended approval.

Mr. Ron Gooch, Engineer, was present in support of the grant application. The City Manager was unable to attend.

Mr. Hitch asked why they wanted to drill more wells rather than add more storage. Mr. Gooch responded storage is available for about a day's worth of supply; the problem is there is not enough water to put in the tower.

There were no other questions, and Mr. Herrmann moved to approve the grant request to the Sayre Public Works Authority, and Mr. Buchanan seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond

NAY: None

ABSTAIN: None

ABSENT: Feaver

As Chairman of the Drought Committee, Mr. Drake commented the Committee sincerely regretted not being able to fund all the applicants as the others are certainly in need, as well as many others that are unknown. He said the Committee used the funding as judiciously as possible.

F. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for Wagoner Public Works Authority, Wagoner County. Recommended for Approval. Mr. Freeman stated this item is for the consideration of a \$1,000,000.00 loan request from the Wagoner Public Works Authority. He said the Authority is requesting the loan to fund the installation of an automated meter reading system throughout the city. The loan will be funded through the Drinking Water State Revolving Fund Loan program; he noted provisions of the loan agreement. He said that Wagoner currently has two outstanding loans with the Board with a combined balance of approximately \$5 million. Wagoner's population has increased about 9% over the past 20 years, and its debt coverage ratio stands at approximately 3.4-times. Staff recommended approval of the loan application.

Mr. James Jennings, Mayor and Chairman; and Mr. Dwayne Elam, Public Works Director, were present in support of the loan request.

Ms. Lambert asked about whether Wagoner had coordinated with other communities to learn about which systems are efficient and provide the most cost savings. Mayor Jennings responded there had been a pre-bid meeting where there were many contractors and different

type of meters available, and many questions were asked about the different types of systems and meter operations. He said once the bids are opened at the end of the month they will be meeting with those contractors individually with the city council to make a final bid selection. He said they had taken many references from communities in the area, and he believed they would be able to make a quality recommendation to the city council.

Mr. Fite moved to approve the Drinking Water SFR loan to the Wagoner Public Works Authority, and Mr. Herrmann seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond

NAY: None

ABSTAIN: None

ABSENT: Feaver

G. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for The Hennessey Utilities Authority, Kingfisher County. Recommended for Approval. Mr. Freeman stated to the members that this item is for the consideration of a \$1.8 million Clean Water State Revolving Loan Fund request by the Hennessey Utilities Authority located in Kingfisher County. He said the Authority is requesting the loan to construct two lagoons, install a parshall flume with flow meter, a microstrainer bar screen with concrete bypass channel, and floating aerators. In addition, the loan will fund a new irrigation system consisting of floating pumps, piping and valves, and travel gun type irrigation reel. Mr. Freeman noted provisions of the loan agreement; he said the water and sewer connections have increased over 5% over the past ten years. Hennessey has one outstanding loan with the Board with a balance of \$25,000; the debt coverage ratio stands at approximately 1.8-times.

Mr. Bert Gritz, Vice Chairman of the Authority; Tiffany Tillman, Town Administrator ; and Curtis Turner, Public Works Director were present in support of the loan application.

Mr. Strong introduced Senator A.J. Griffin who was also present to support the application.

Mr. Herrmann asked if this project will resolve the consent order. Ms. Tillman stated they believed that it would. Previously, the town had been under a consent order for the water plant.

There were no other questions, and Mr. Herrmann moved to approve the CWSRF loan to the Hennessey Utilities Authority, and Ms. Lambert seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond

NAY: None

ABSTAIN: None

ABSENT: Feaver

H. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for Salina Public Works Authority, Mayes County. Recommended for Approval. Mr. Freeman stated that this item is a request for \$3,210,000.00 Drinking Water State Revolving Fund Loan by the Salina Public Works Authority in Mayes County. He said Salina is requesting the loan to construct 9.5 miles of 10-inch waterline to connect to the Oklahoma Ordnance Works Authority for the town's water source, make improvements to a water storage tank, upgrade the SCADA system, and clean out an existing sludge lagoon. Mr. Freeman noted

provisions of the loan agreement. He said that Salina's population has increased approximately 10% over the past ten years, and the debt coverage rate is approximately 1.9-times. Staff recommended approval.

Mr. Daryl Blalock, Mayor and B.J. Tate, Board Secretary, were present in support of the application.

Mr. Herrmann asked the population the system serves, and Mayor Blalock said there are approximately 1,400.

Mr. Fite moved to approve the DWSRF loan to the Salina Public Works Authority, and Mr. Buchanan seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond

NAY: None

ABSTAIN: None

ABSENT: Feaver

Mr. Sevenoaks asked the Mayor about regionalization of the services in the area and the various sources of water supply and expressed the Board's support for regionalization. Mayor Blalock said they had contacted a rural water company but it was already in the process of expanding its plant.

Mr. Drake commented about the population size and the loan amount, and Mr. Freeman responded Salina is a prior borrower and staff was comfortable with the loan.

I. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for Lone Chimney Water Association, Pawnee County. Recommended for Approval. Mr. Freeman said this item is for the consideration of a \$3,355,000.00 Drinking Water SRF loan request for the Loan Chimney Water Association. The loan is being requested to construct approximately 11.5 miles of 12-inch water line to Stillwater to purchase treated water. He noted provisions of the loan agreement. The Association has approximately 125 individual customers; its main purpose is to provide water to seven different water districts, as well as the towns of Yale, Pawnee, Glencoe, Morrison and Cleveland. He said the Association currently has one outstanding loan with the Board with the principal balance of \$2,585,000.00 and the debt coverage ratio stands at 1.42-times. Staff recommended approval.

Mr. Darrell Clark, Chairman of the Association, was present in support of the loan application. Mr. Paul Kinder, Plant Manager, was also present. Mr. Clark estimated the system would be out of water by April or May of 2012.

Mr. Fite asked if the system was using the floating pump the Board funded previously, and Mr. Clark said it would be in use very soon, the water level was not yet below the intake structure. Mr. Herrmann added that Lone Chimney had been before the Board on two other occasions when there was a crisis, and this seemed to be a solution, and a positive example of regionalization and people working together. Mr. Clark agreed; they process about 2MGD, and will be able to serve about one-third of the system with the Stillwater water.

Ms. Lambert moved to approve the DWSRF loan to the Lone Chimney Water Association, and Mr. Herrmann seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond

NAY: None

ABSTAIN: None
ABSENT: Feaver

Mr. Sevenoaks commented about the difference in size of the systems for the same amount of dollars considered with the past two items. He asked if there is a way to encourage the communities toward the regionalization concept as part of the conditions to loaning money. Mr. Freeman responded that in working with DEQ, regionalization has been strongly encouraged but there is no “hammer” to enforce it.

J. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for The Town of Lone Grove Oklahoma Water and Sewerage Trust Authority, Carter County. Recommended for Approval. Mr. Freeman stated that this item is for consideration of a request by the Lone Grove Water and Sewerage Trust Authority located in Carter County for a Clean Water SRF loan in the amount of \$11,755,000.00. Lone Grove is requesting the loan to go along with \$2 million in local funds to construct a new extended aeration activated sludge plant, a new influent lift station, an aerobic digestion system, a sludge dewatering system, an UV disinfection system, and collection system improvements. Mr. Freeman noted provisions of the loan agreement; the Authority has no other outstanding debt. The Authority’s water connections have increased by 7% and the sewer connections have increased by 10% over the past ten years. Lone Grove’s debt coverage ratio stands at approximately 1.6-times. Staff recommended approval.

Mayor Chris Young, City Manager Ian O’Neal, and City Attorney David Pyle were present in support of the application.

Mr. Herrmann asked the population; Mayor Young answered the population is 5,000, and there are 1,300 water customers and 607 sewer customers. This project will increase those connections. Mr. Herrmann asked about the bond counsel fees, and Mr. Freeman said those fees are being paid by local funds.

Mr. Drake said this has been a long and painful process, he is very familiar with the situation, and he complimented the Mayor and others involved in getting it done. He said it is a vibrant community that is growing rapidly.

Mr. Drake moved to approve the CWSRF loan to the Lone Grove Water and Sewerage Trust Authority, and Mr. Buchanan seconded. There were no other questions, and Chairman Drummond called for the vote.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond
NAY: None
ABSTAIN: None
ABSENT: Feaver

K. Resolution Authorizing the Issuance of Oklahoma Water Resources Board Revolving Fund Revenue Bonds, Series 2012B in the Aggregate Principal Amount not to Exceed \$115,000,000.00; Approving and Authorizing Execution of a Bond Indenture Providing for the Issuance of the Bonds; Providing for the Sale and Delivery of the Bonds and Authorizing a Certificate of Determination; Waiving Competitive Bidding on the Bonds and Authorizing the Sale Thereof by Negotiation Pursuant to the Terms of a Contract of Purchase Pertaining Thereto; Approving a Preliminary Official Statement with Respect to

the Bonds; Authorizing Execution of such Other and Further Instruments, Certificates and Documents as may be Required for the Issuance of the Bonds; Directing Payment of Costs of Issuance and Containing Other Provisions Relating to the Issuance of the Bonds. Recommended for Approval. Mr. Freeman said this item is for the authorization of the Board's Series 2012B State Revolving Fund bond issuance for the Clean Water State Revolving Fund loan program. He said staff began working on the issuance following last month's meeting and are targeting pricing the bonds the week of October 22 and closing the issue on November 7. The bond issue is for reimbursing cash funds for completion of construction projects which are underway, and for state matching funds. Mr. Freeman explained that the resolution authorizes the following specific items: issuance of bonds not to exceed \$115,000,000.00, for Clean Water SRF loans and for state match, authorizing execution of a bond indenture for the issuance, authorizing the issuance to be on a negotiated basis, approving preliminary official statement, authorizing execution of other documents necessary for the issuance of the bonds, and directing payment of the costs of issuance. He said staff recommended approval of the resolution.

Mr. Herrmann asked if this is the standard format the Board has been using-- cross-collateralized between the Drinking Water SRF and the Clean Water SRF. Mr. Freeman answered that it is the same model used as in the past issuances—a cash flow model-- and to be in compliance with TIPRA, the program is at 38% reimbursement.

Mr. Herrmann moved to approve the resolution authorizing the issuance of bonds, and Mr. Buchanan seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite, Drummond
NAY: None
ABSTAIN: None
ABSENT: Feaver

L. Report on Recent Presentation and Discussions with the Board Finance Committee. Mr. Freeman began the report stating that the Board's Finance Committee, composed of Mr. Herrmann, Ms. Feaver, Ms. Lambert and Mr. Fite, met last month and as a result staff was requested to review and update the Board on several items. Ms. Anne Berger Entrekina, the Board's Financial Advisor with First Southwest, is also present for discussions.

Mr. Freeman said that in regard to standby bond purchasing agreements, the Board has bond purchasing agreements on outstanding variable rate debt, six bond issues have approximately \$25 million in variable rate debt associated with them, and the Board's current quarterly bond variable rate is .35%. He distributed a report on investment strategies and refinancing opportunities regarding the State Revenue Bond Loan Program, and said the issues that have variable rate outstanding each have a bond purchasing agreement with State Street of Boston and the termination date is April 2013 and is at 10 basis points. Staff rebid on other bonds and entered an agreement that terminates in May 2014 and is at 42 basis point. He said that normally at this time staff would begin the process for requesting proposals for the agreement that matures in April, but the problem is that the variable rates are still large amounts on the bond market they are very small and in discussion with BOSCA—the remarketing agent—Ms. Entrekina and the State bond Advisor, the Board is not going to get bids based upon the dollar amount outstanding. Mr. Freeman said the staff will be calling State Street in Boston about

negotiating to re-wrap these into one deal; there are not many variable rate deals in the market and the 10-42 basis points are a large spread.

Mr. Sevenoaks asked if a fixed rate deal could be done, and Mr. Freeman said yes, but the bonds are tied to variable rate loans and the Board has converted many variable rate loans to fixed rate loans, and interest rates are going to go lower; conversion is left to the individual borrower to decide. Mr. Freeman said staff is advising to not go through the usual request for proposals but to meet with State Street. Mr. Drake asked about the timing on whether to convert to fixed rate loans, and Mr. Freeman said the borrowers have variable loans tied to the variable rate bonds and it is the borrowers' decisions to stay in a variable rate mode or refinance to a fixed rate, and staff has approached the borrowers about whether to convert but they are actually better off to stay with variable rate right now.

Mr. Freeman and Ms. Entrekin visited with the Board about investment strategies and refinancing opportunities. Authorized investments are outlined in the bond indenture and are very conservative and showing low yields. Mr. Freeman distributed a listing of the current investments with the State Revenue Bond Loan Program reserve fund, and he explained the \$18.8 million which were in now matured investments and worked with First Southwest and BancFirst to have tiered certificate of deposits in 72 banks across the country keeping the amount up to \$250,000 to remain insured, and he noted the two guaranteed investment agreements with AEGON Transamerica Life Insurance Company that total \$99 million and mature in April 2025 and 2027, paying 4.8% and 4.6%.

Mr. Sevenoaks asked if the fees associated with making the investments were greater than the yield on the investment, and Mr. Freeman said the fees are included in the agreement with the Trustee Bank.

Ms. Anne Berger Entrekin, the Board's Financial Advisor, addressed the members and discussed the current condition of the economy, the Federal Reserve launch of QE3 with no defined end date, the Fed holding low interest rates until 2015 making now is a good time to be investing and to consider investment structures. She highlighted priorities from an investment perspective, and reviewed investment options within legal guidelines and from a rating agency guideline perspective. Mr. Sevenoaks asked if there is a state guideline for investing, and Mr. Freeman said the guidelines are in the bond indentures for both programs. Ms. Entrekin added the rating agencies have provided guidelines but need to make sure what is allowable for the SRF program to maintain the AAA. She said by moving from a reserve fund model to a cash fund model you are reinvesting in the borrower loans and investment yield exceeds what is possible through the Treasury. Chairman Drummond asked if the \$122 million invested would diminish if moved to a cash flow model, and Ms. Entrekin answered by speaking to the issue of refinancing opportunities for the 2003 and 2004 series Drinking Water and State Match, and Drinking Water, Clean Water and State Match. In response to Mr. Sevenoaks' question, Ms. Entrekin said that if the bonds are refinanced, then the repurchase agreement goes away, but she believed from an EPA perspective a reserve fund structure would still be required which would mean is if that is terminated, we would be looking to agencies for funding the reserve fund. EPA provides guidelines because of the Capitalization Grants which was the funding for the reserve, and she explained. Ms. Entrekin also discussed TIPRA requirements, even though not in place in 2003 and 2004 and the restrictions now impacting the program and refinancing. She discussed yield compression, focus on the call date—October 2013 and 2014, escrow funding the principal and interest and resulting negative arbitrage, which will convert to savings. She said staff suggests that in the Spring of 2013 the Board begin refunding the 2003 bonds and hold off

on the 2004 bonds until closer to that 2014 call date. She said this can be affected at any time, but they will continue to monitor conditions, and come back to the Board.

Mr. Herrmann said the Finance Committee agreed with the approach when it met in August, this is a dynamic environment, QE3 creates uncertainty, and the Board needs to be informed and be ready when it is prudent to respond. There was general conversation by the Board regarding the finance community, current conditions of the market and the Board being educated and ready to respond with a 90-120 day turnaround time schedule.

3. SUMMARY DISPOSITION AGENDA ITEMS

Any item listed under this Summary Disposition Agenda may, at the requested of any member of the Board, the Board's staff, or any other person attending this meeting, may be transferred to the Special Consideration Agenda. Under the Special Consideration Agenda, separate discussion and vote or other action may be taken on any items already listed under that agenda or items transferred to that agenda from this Summary Disposition Agenda.

A. Requests to Transfer Items from Summary Disposition Agenda to the Special Consideration Agenda, and Action on Whether to Transfer Such Items.

There were no requests to transfer items from the Summary Disposition Agenda to the Special Consideration Agenda.

B. Discussion, Questions, and Responses Pertaining to Any Items Remaining on Summary Disposition Agenda and Action on Items and Approval of Items listed.

Chairman Drummond asked if there were any questions regarding the Summary Disposition Agenda items. There were no changes to the Summary Disposition Agenda; however, Chairman Drummond asked that the Supplemental Agenda items be approved along with the Summary Disposition Agenda.

Mr. Sevenoaks asked about items 3.D.2.,3., and 4. Mr. Strong explained that the drafting work is wrap-up work on the Update of the Comprehensive Water Plan, not a new project. Items 3. and 4. are implementation for the stream allocation modeling. AMEC has done several allocation models and are specialized. Mr. Hitch asked about bidding competitively and Ms. Cunningham said this is a highly minimized field and with engineering companies competitive bidding is not required. Mr. Buchanan asked about for instance, the loan to Sayre and whether there will be an application for a new or amended permit, and Mr. Couch answered that Financial Assistance Division and Planning and Management Division coordinates at the front end of an application on water rights – surface water or groundwater--and the plans and requirements to do that, that a loan is not closed and utilized without the activity being authorized. Ms. Cunningham said there is a formal process that all funding agencies utilize.

There were no other requests, comments, or questions about items on the Summary Disposition Agenda. Chairman Drummond said he would entertain a motion to approve the Summary Disposition Agenda items and Supplemental Agenda items.

Mr. Herrmann moved to approve agenda items, and Mr. Hitch seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond

NAY: None

ABSTAIN: None
ABSENT: Feaver

The following items were approved:

C. Financial Assistance Division Items:

1. Rural Economic Action Plan (REAP) Grant Applications:

<u>Item No.</u>	<u>Application No.</u>	<u>Entity Name</u>	<u>County</u>	<u>Amount Recommended</u>
None				

D. Consideration of and Possible Action on Contracts and Agreements, Recommended for Approval:

1. Joint Funding Agreement with U.S. Geological Survey for the Stream-Flow Monitoring of Seven Stream-Flow Sites and One Lake in the Upper Washita River and Cobb Creek Basins.
2. Professional Services Contract with James D. Leewright for drafting services related to the Update of the Oklahoma Comprehensive Water Plan as well as other drafting projects.
3. Contract with AMEC Earth & Environmental for Professional Engineering Services for Allocation Modeling of a Portion of Canadian River System.
4. Contract with AMEC Earth & Environmental for Professional Engineering Services for Allocation Modeling of a Portion of Red River System.
5. Second Agreement Amendment with the Office of the Secretary of the Environment for the Clean Water Act FY 2011 § 106 Water Pollution Control Program – Monitoring, CA# I-00F43201.
6. Agreement with the Office of the Secretary of the Environment for the Clean Water Act FY 2012-13 § 106 Water Pollution Control Program Monitoring, CA# I-00F53301.
7. Agreement with the Office of the Secretary of the Environment for the Clean Water Act FY 2012 § 604(b) Water Quality Management Planning Program, CA# C6-40000050.
8. Amended Operating Agreement for the Clean Water State Revolving Fund with the U. S. Environmental Protection Agency.

E. Applications for Temporary Permits to Use Groundwater:

1. John M. & Cecilia M. Massey, Kingfisher County, #2012-625

F. Applications to Amend Temporary Permits to Use Groundwater:

1. Randy & Donna Mefford, Harmon County, #1975-758

2. Johnston County RWD No. 3, Johnston County, #1985-648
 3. Kim R. & Vicki L. Sullivan, Comanche County, #2004-574
 4. Robert L. & Vickie B. Whitener, Grady County, #2010-550
- G. Applications for Regular Permits to Use Groundwater:
1. L. Bruce Tindell, Beckham County, #2012-616
- H. Applications to Amend Regular Permits to Use Groundwater:
1. Overta Lea Smylie Revocable Trust, Beaver County, #1975-525
 2. Fry Land & Cattle Company, Cimarron County, #1986-564
 3. Tyler & Dodie McIntyre, Beckham County, #2003-559
 4. Earnest Barnes Revocable Trust, Texas County, #2003-584
 5. Floyd R. Towner Living Trust, Texas County, #2010-566
- I. Applications to Amend Prior Rights to Use Groundwater:
None
- J. Applications for Regular Permits to Use Stream Water:
1. James & Michah Staires, Rogers County, #2012-031
 2. Lisa & Mike Childress and Owen & Betty Riley, Atoka County, #2012-037
 3. The Ray Vermillion & Cecilia D. Vermillion Revocable Living Trust, LeFlore County, #2012-038
- K. Well Driller and Pump Installer Licensing:
1. New Operators, Licensee Name Change, and/or Activities for Existing Licenses:
 - a. Licensee: Hinderliter Geotechnical Engineering, LLC DPC-0754
 1. Operator: Thomas C. Lindrud OP-1932
 - Activities: Monitoring wells and geotechnical borings
 - b. Licensee: High Cedar Pump DPC-0876
 1. Operator: Billy Ingraham OP-1933
 - Activities: Pump installation
 - c. Licensee: Pinnergy, Ltd. DPC-0878
 1. Operator: Tim Fetterman OP-1934
 - Activities: Groundwater wells, groundwater test holes and observation wells
Monitoring wells and geotechnical borings
Pump installation
 - d. Licensee: David Brent Whitaker DPC-0880
 1. Operator: David B. Whitaker OP-1935
 - Activities: Groundwater wells, groundwater test holes and observation wells
- L. Dam and Reservoir Construction:
1. Valley Timbers Dam #2, Atoka County, #OK30407
- M. Permit Applications for Proposed Development on State Owned or Operated Property within Floodplain Areas:
1. Oklahoma Department of Transportation, Washita County, #FP-12-15
 2. Oklahoma Department of Transportation, Osage County, #FP-12-16

- N. Applications for Accreditation of Floodplain Administrators:
Names of floodplain administrators to be accredited and their associated communities are Individually set out in the September 18, 2012 packet of Board materials.

4. QUESTIONS AND DISCUSSION ABOUT AGENCY MATTERS AND OTHER ITEMS OF INTEREST.

- A. No items.
There were no items of agency matters for presentation to the Board.

5. SPECIAL CONSIDERATION

For INDIVIDUAL PROCEEDINGS, a majority of a quorum of Board members, in a recorded vote, may call for closed deliberations for the purpose of engaging in formal deliberations leading to an intermediate or final decision in an individual proceeding under the legal authority of the Oklahoma Open Meeting Act, 25 O.S. 2001, Section 307 (B)(8) and the Administrative Procedures Act, 75 O.S. 2001, Section 309 and following.

A majority vote of a quorum of Board members present, in a recorded vote, may authorize an executive session for the purposes of CONFIDENTIAL COMMUNICATIONS between the public body and its attorney concerning a pending investigation, claim, or action if the public body, with the advice of its attorney, determines that disclosure will seriously impair the ability of the public body to process the claim or conduct the pending investigation, litigation, or proceeding in the public interest, under the legal authority of the Oklahoma Open Meetings Act, 25 O.S. 2001, Section 307(B)(4).

- A. Application for Amendment to Temporary Groundwater Permit No. 2009-541, Hennessey Utilities Authority, Kingfisher County [matter tabled at August 21st meeting]

Chairman Drummond stated this item was tabled from the August Board meeting.

1. Summary – Ms. Julie Cunningham, Chief of the Planning and Management Division, stated to the members that she understood the parties have agreed to some conditions. She introduced the matter saying this application is a request for an amendment to temporary groundwater permit #2009-541 by the Hennessey Utilities Authority located in Kingfisher County. Temporary permit means there has been no study on the basin and the default is to two acre-feet per acre of land dedicated. The application is to add 96.9 acre-feet of groundwater per year and 48.45 acres of dedicated land, and to change the name of the permit to the Hennessey Utilities Authority from the Town of Hennessey. The review of the application by the hearing examiner determined the applicant had met the four points of law and the recommendation was for approval of the application. There was substantial evidence; however, that indicated from both parties that there would be significant adverse impact if the full amount of water was used by the parties so the hearing examiner placed a condition on the permit which restricted pumping to a rate of 49 gallons per minute in the months of July, August and September which is the irrigation season for the protestants who have a well and irrigate pecans during that time frame. There was discussion on the amounts of water used, the full amount not being used by either

party on any given year and after discussion the Board tabled the matter to gather more information and requested that staff prepare a summary of water rights and water use information from both parties, and also asked Mr. Couch to provide a memorandum regarding legal issues surrounding reasonable/unreasonable impacts and the Board's authority to impose conditions.

Meanwhile, Mr. Strong spoke with the parties about an agreement on conditions that would allow both parties sharing the resource, and the parties have come to agreement on actual conditions. She noted Mr. Strong's memorandum to the Board, and said the second page the parties had agreed that instead of a 49 gpm pumping rate, to allow a 20-acre feet minimum rate for the three-month period equivalent to the gallon per minute rate, allowing more water at a single time to be removed. Ms. Cunningham stated it is her understanding that both parties have agreed to these conditions, and staff would recommend approval of the permit with the conditions as presented in Mr. Strong's September 14, 2012 memo, paragraphs 3. and 4.

2. Discussion and presentation by parties. Mr. James Barnett, representing the applicant, spoke to the members and said he was very pleased Executive Director Strong was able to propose revised language that his client can live with and he would encourage the Board to approve the order as presented. He added he had not seen Mr. Couch's memorandum, but wanted the Board to know that his client voluntarily agreeing to the conditions does not mean they have any intention of recognizing the Board has the "fifth point of law."

Mr. Mark Walker, presenting the protestants (Merritt sisters), spoke to the members and thanked Mr. Strong for bringing together the compromise. He said it is a good compromise in that it was talked about at the last meeting that the 49 gpm pumping rate was a problem for the Town because the pumps are not able to pump at that low rate and this gives them flexibility and gives the protection his clients wanted. He asked the Board to approve the order.

3. Possible executive session – the Board did not vote to enter executive session.

Chairman Drummond thanked the parties for working out the matter as that is the Board's goal that the parties can resolve issues themselves, and he appreciated the spirit of cooperation. He said if there were no other questions, he would entertain a motion.

4. Vote on whether to approve the proposed order as presented or as may be amended, or vote on any other action or decision relating to the proposed order.

Mr. Drake moved to approve the proposed order as presented and complimented Mr. Strong, staff and the parties. Ms. Lambert seconded the motion and also echoed Mr. Drake's comments.

There was no other discussion, and Chairman Drummond called for the vote.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite,
Drummond

NAY: None

ABSTAIN: None

ABSENT: Feaver

B. Items transferred from Summary Disposition Agenda, if any.

There were no items transferred from the Summary Disposition Agenda.

6. CONSIDERATION OF SUPPLEMENTAL AGENDA ITEMS, IF ANY

The Supplemental Agenda items were considered under the Summary Disposition Agenda.

7. PROPOSED EXECUTIVE SESSION

Chairman Drummond

As authorized by the Oklahoma Open Meeting Act in Section 307(B)(4) of Title 25 of the Oklahoma Statutes, an executive session may be held for the purpose of confidential communications between a public body and its attorney concerning a pending investigation, claim, or action if the public body, with the advice of its attorney, determines that disclosure will seriously impair the ability of the public body to process the claim or conduct a pending investigation, litigation or proceeding in the public interest.

Chairman Drummond read the purpose of the proposed executive session as listed on the agenda:

Pursuant to this provision, the Board proposes to hold an executive session for the purpose of discussing *Chickasaw Nation and Choctaw Nation v. Fallin, et al., Oklahoma Water Resources Board v. United States on behalf of the Choctaw Nation et al.* and *Tarrant Regional Water District v. Herrmann, et al.*

Statement by legal counsel advising on whether disclosure of the discussion of the litigation will seriously impair the ability of the Board and State to conduct the present and proposed litigation in the public interest.

General Counsel Dean Couch advised that disclosure of the discussion would seriously impair the ability of the Board and State to conduct the litigation in the public interest.

A. Vote on whether to hold Executive Session upon determination that disclosure of the discussion of the litigation will seriously impair the ability of the Board and State to conduct the present and proposed litigation in the public interest. Before it can be held, the Executive Session must be authorized by a majority vote of a quorum of members present and such vote must be recorded.

Mr. Buchanan moved the Board enter Executive Session for purposes as read by the Chairman, and Mr. Hitch seconded.

AYE: Buchanan, Hitch, Lambert, Sevenoaks, Herrmann, Drake, Fite, Drummond

NAY: None

ABSTAIN: None

ABSENT: Feaver

B. Designation of person to keep written minutes of Executive Session, if authorized.
Chairman Drummond designated Executive Secretary Mary Schooley to keep written minutes of the executive session.

C. Executive Session, if authorized.
The Board entered Executive Session at 11:18 a.m. on Tuesday, September 18, 2012.

Return to open meeting and possible vote or action on any matter discussed in the Executive Session.

Mr. Drake moved the Board return to Regular Session, and Mr. Sevenoaks seconded.

AYE: Buchanan, Lambert, Sevenoaks, Herrmann, Drake, Fite, Drummond

NAY: None

ABSTAIN: None

ABSENT: Feaver, Hitch

Chairman Drummond declared the adjournment of the Executive Session and the Board returned to Regular Session at 12:05 p.m.

8. VOTE(S) ON POSSIBLE ACTION(S), IF ANY, RELATING TO MATTERS DISCUSSED IN EXECUTIVE SESSION IF AUTHORIZED.

There was no action by the Board on matters discussed in Executive Session.

9. NEW BUSINESS

Under the Open Meeting Act, this agenda item is authorized only for matters not known about or which could not have been reasonably foreseen prior to the time of posting the agenda or any revised agenda.

There were no New Business items; however, Mr. Drake discussed the need to get information to rural areas about the Board actions, as well as the citizens of southeastern Oklahoma wanting to have representation on the Board.

Mr. Buchanan asked about the status of the Instream Flow Workgroup, and Mr. Strong said we are waiting on the U.S. Army Corps of Engineers grant award to support the Water for 2060 Advisory Committee which the Legislature authorized, as well as the instream flow workgroup deliberations. Mr. Buchanan also talked about the emergency grants and the Board's responsibility to assist communities in becoming more efficient. Mr. Strong said as with encouraging regionalization, that would need to be done through the Board's rules and procedures in evaluating the grant applications, and he suggested that could begin with the Finance Committee review and recommendations for rule changes. The members discussed several aspects of being efficient and ways to incentivize communities.

10. ADJOURNMENT

There being no further business, Chairman Drummond adjourned the meeting of the Oklahoma Water Resources Board at 12:15 p.m. on Tuesday, September 18, 2012.

OKLAHOMA WATER RESOURCES BOARD

_____/s/_____
F. Ford Drummond, Chairman

_____/Absent_____
Linda P. Lambert, Vice Chairman

_____/s/_____
Edward H. Fite

_____/s/_____
Rudolf J. Herrmann

_____/s/_____
Marilyn Feaver

_____/s/_____
Richard Sevenoaks

_____/Absent_____
Bob Drake

_____/s/_____
Jason W. Hitch

ATTEST:

_____/s/_____
Tom Buchanan
(SEAL)