OKLAHOMA WATER RESOURCES BOARD
OFFICIAL MINUTES
May 21, 2013

1. Call to Order

The regular monthly meeting of the Oklahoma Water Resources Board was called to order by Chairman Ford Drummond at 9:35 a.m., on May 21, 2013, in the Second Floor Board Room of the Oklahoma Water Resources Board Offices, located at 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 May 17, 2013, at 3:40 p.m., at the Oklahoma Water Resources Board's offices.

Prior to the Roll Call, Chairman Drummond noted the recent storm events and asked that the communities impacted be in everyone's thoughts and prayers.

A. Roll Call

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

Board Members Absent
None

Staff Members Present
J.D. Strong, Executive Director
Jerry Barnett, Acting 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 External Affairs
Mary Schooley, Executive Secretary

Others Present
Tom Liu, Bank of America Merrill Lynch, New York, NY
Anne Burger Entrekin, First Southwest, San Antonio, TX
Alvin Jung, Comanche County Rural Water District No. 2, Lawton, OK
Ken F. Taft, Grove Municipal Services Authority, Grove, OK
Jim Ford, Grove Municipal Services Authority, Grove, OK
Kelly Schwartz, Arledge and Associates, CPA, Edmond, OK
Michael Taylor, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Eddie Rhandour, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Chris Gander, BOCS, Inc., Oklahoma City, OK
Steve Thompson, American Farmers & Ranchers, Oklahoma City, OK
Tom Lay, Kerr Irvine Rhodes Ables, Oklahoma City, OK
Joel Taylor, City of Antlers, OK
Mike Burrage, City of Antlers, OK
Chris Cochran, BOSC, Dallas, TX
Jim Barnett, Comanche County Rural Water District No. 2; Oklahoma City, OK
Charles Swinton, BancFirst, Oklahoma City, OK
Bodie Bachelor, Centennial Law, Duncan, OK

B. APPROVAL OF MINUTES

Chairman Drummond said the draft minutes of the April 16, 2013 Regular Meeting had been distributed, and asked if there were corrections to the minutes. There were none, and Mr. Drummond stated he would entertain a motion to approve the minutes.

Mr. Herrmann moved to approve the minutes of the April 16, 2013, meeting and Ms. Lambert seconded.

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

C. EXECUTIVE DIRECTOR'S REPORT

Mr. Strong began his report stating that many associate water directors from other states contacted him about the OWRB family being affected by the storms; no OWRB employees sustained a direct hit, and are blessed to have gotten through it. He, too, asked for thoughts and prayers for victims and support for the relief effort; some State offices located in downtown OKC were affected by low water pressure.

Mr. Josh McClintock presented the legislative report. He said that there are seven water-related bills remaining and he provided a status on each: HB 1922 relating to rules; HB 1923 regards the drought relief commission; HB 2193 implementing SQ 764; SB 641 language change; SB 965 regarding the OWRB membership; and SCR 3 regarding an MOU between DEQ and OWRB. Mr. Sevenoaks asked about status and timeframe for SB 965. Mr. McClintock said the bill received mixed result, and essentially the Legislature intends to adjourn this week, or four days. He said that in the budget bill, the OWRB budget is basically flat for next year, and Ms. Storck and Mr. Strong can address that bill. Regarding federal activities, Mr. McClintock stated that there was much work being done on the 350-page Water Resources Development Act

bill, of which he provided a written and oral summary. Ms. Lambert asked about the voting on the WRDA, and Mr. McClintock explained amendments are usually voted on by "blocks" and some do not come out of committee, but OWRB staff will keep working with Congressman Mullin (author) as well as Congressional staff along with neighboring states; it is not an up-or-down vote, and he explained the process and said he would provide more detailed information. Mr. Strong added that he has scheduled to go to Washington, D.C. June 3-5, along with his counterparts from Kansas and Texas, to work on joint WRDA proposals.

In other matters, Mr. Strong mentioned the Board had received a copy of the petition for rehearing/clarification in the Arbuckle Simpson/Federation of Oklahoma matter; the Auditor and Inspector issued the OWRB audit on the Oklahoma Comprehensive Water Plan, with a clean bill of health and a total of $13,376,796.00 spent on the 5-year update (there were comments about payroll processes which are being addressed); there will be time in the executive session to update on the Choctaw/Chickasaw case and he noted the distributed published state brief on the Tarrant County case; he made several Congressional visits while in Washington for the Supreme Court hearing; and the Red River Compact Commission met in New Orleans on April 23, but was an uneventful meeting. Mr. Strong noted he spoke at several local meetings including the Ag Leadership Conference, Oklahoma Water and Environment Association, and Oklahoma Water Law Seminar. The Instream Flow Advisory Group met for a second time on May 16; Public Service Week was recognized by the Chiefs providing breakfast for the OWRB employees; Mr. Phil Moershel's retirement reception will be held on May 30; and the next Board meeting will be held on June 18 in Oklahoma City when he will provide an update on the Oklahoma Comprehensive Water Plan. Mr. Strong concluded his report.

Mr. Herrmann asked for a report on the tracking of the OCWP and the audit. Mr. Drake asked about the appointments to Water for 2060 Advisory Council, and Mr. Strong and Mr. McClintock explained that those appointments are almost complete, they are waiting on confirmation of the Pro Tempore's final appointment and it is anticipated that will be completed this week.

D. Monthly Budget Report

Ms. Amanda Storck presented the budget report as prepared and distributed, stating there is 44% of the total expenditures available with 17% of the fiscal year remaining. She said the agency will continue to pay bills for FY2013 into July and August, and she should have the carryover information by October to budget for FY2014. Ms. Storck updated the members on the status of the Phase 2 PeopleSoft project, saying that May 7 was the deadline (met May 10) for FY2012 collections; all partners have been billed for FY 2012, but all those funds have not been received. She said regarding FY2013, billings have begun for the 32 contracts and grants which should be completed by the end of the month, and the agency should begin receiving those funds in July and August. She said progress is somewhat slower than anticipated because the billing has been done so much later than the work was done, and some increased documentation was needed in some instances. Mr. Sevenoaks asked if she was happy with the progress, and Ms. Storck said that she is. Mr. Buchanan asked about the payments to local governments category and Ms. Storck responded this also involves money to other agencies; she said some of that has not been billed to the agency, but she emphasized the agency has been able to pay its bills, but not able to bill our partners.

Ms. Lambert asked how the OWRB flat budget compared with other agencies, and Ms. Storck said that most agencies received flat funding, and overall the Natural Resources Agencies all received flat budgets, except for the Drought Relief Fund which may show up in the OWRB budget depending upon how the Commission – OWRB, ODAFF, and OCC - decides to

administer the fund, which she and Mr. Strong explained, is similar to other pass-through funds. Mr. Strong is on the Commission. Mr. Herrmann stated that a flat budget is good and continues funding for the Water Plan, and Mr. Strong agreed. Mr. Sevenoaks asked about funding to pay legal bills and Mr. Strong answered that the Legislature appropriated funding last year ($5 million) to the Attorney General's office to cover legal bills associated with pending lawsuits. Mr. Sevenoaks also noted that the Board members that attended the Supreme Court hearing paid their own way.

Ms. Storck concluded her report commending the agency IT employees that were transferred to OMES and have been doing a great job meeting responsibilities at the OWRB as well as at OMES, and the agency is pleased with the relationship.

2. FINANCIAL ASSISTANCE DIVISION

A. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Salina Public Works Authority, Mayes County. Recommended for Approval. Mr. Joe Freeman, Chief, Financial Assistance Division, stated to the members that this first item for their consideration is a $1,485,000.00 loan request by the Salina Public Works Authority located in Mayes County. He said Salina has requested the loan to refinance two loans that were for the construction of an extended aeration activated sludge wastewater treatment plant. The loan will be funded through the Clean Water State Revolving Fund loan program, and he noted provisions of the loan agreement. Salina currently has one outstanding loan with the Board and by consolidating Salina's finances, the Board will be able to enhance its collateral position by the addition of sewer revenue and an increase in sales tax. The new overall debt coverage ratio stands at 1.83-times. Staff recommended approval.

Mr. Alan Brooks, Public Law Finance, and bond counsel for Salina, was present in support of the loan application.

Mr. Herrmann asked about the interest rate on the Rural Development loan. Mr. Brooks responded there are two loans, one with an interest rate of 4.375% and one at 2.75%, so the total new loan interest rate will be a blended rate of approximately 3.56% which will drop to about 2.3%. There were no other questions.

Ms. Lambert moved to approve the CWSRF loan to the Salina Public Works Authority, and Mr. Sevenoaks seconded. There were no other questions, and Chairman Drummond called for the vote.

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

B. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Antlers Public Works Authority, Pushmataha County. Recommended for Approval. Mr. Freeman state that this item is a $2,365,000.00 loan request by the Antlers Public Works Authority located in Pushmataha County. He said they are requesting the loan to refinances three loans which were for substantial rehabilitation of a wastewater treatment plant and sewer collection system improvements. He said the loan will be funded through the Clean Water State Revolving Fund loan program, and he noted provisions of the loan agreement. He said that over the past ten years, the sales tax collection has increased by 36% and the debt coverage ratio stands at 1.26-times. Staff recommended approval of the loan application.

Antlers Mayor Mike Burrage, City Manager Joel Taylor, and Ms. Robin Byrum, City Clerk and Treasurer, were present in support of the loan request.

Ms. Lambert asked why no bond counsel or administrative fee is listed, and Mr. Freeman said those expenses will not be paid by the loan proceeds, and therefore are not listed. Chairman Drummond asked if there were any capacity issues with CWSRF funding for refinancing, and Mr. Freeman responded there are no issues.

Mr. Drake moved to approve the application for a CWSRF loan by Antlers PWA, and Mr. Buchanan seconded. There were no other questions, and Chairman Drummond called for the vote.

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

C. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Broken Bow Public Works Authority, McCurtain County. Recommended for Approval. Mr. Freeman stated that this item is a $4,560,000.00 loan for the Broken Bow Public Works Authority located in McCurtain County. Mr. Freeman said the loan is for refinancing debt for wastewater treatment plant collection system improvements. The loan will be funded through the Clean Water State Revolving Fund loan program. He noted provisions of the loan agreement, and said the Board would be able to improve its collateral position by being able to use sewer system revenues. Over the past ten years, Broken Bow's sales tax revenues have increased by 18%; in addition, Broken Bow is an excellent loan customer of the Board's, and its debt coverage ratio stands at approximately 1.58-times. Staff recommended approval.

Mr. Chris Gander, BOSC and Broken Bow financial advisor was present in support of the loan application.

Mr. Fite moved to approve the CWSRF loan to Broken Bow PWA, and Mr. Sevenoaks seconded. There were no other questions, and Chairman Drummond called for the vote.

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

D. Consideration of and Possible Action on a Proposed Order Approving Increase in Obligation of Drinking Water Funds for Grove Municipal Services Authority, Delaware County. Recommended for Approval. Mr. Freeman said to the members that this request by the Grove Municipal Services Authority is for an increase in loan funds from $7,050,000.00 to $8,765,000.00 because bids have been coming in higher than the engineer's estimate. He said the Authority had received five bids ranging from $7,858,000,00 to $9,308,700.00. The loan is for expanding the existing wastewater treatment plant in order to meet growing demand. All other terms of the loan remain the same as approved by the Board at the March 2013 Board meeting. Mr. Freeman noted provisions of the loan agreement; he said that over the last ten years, the water connections have increased by 16% and wastewater connections have increased over 20%; the debt coverage ratio stands at approximately 4.4-times. Staff recommended approval.

Mr. Jim Ford, Authority Chairman and Mr. Ken Fitch, Authority Vice Chairman were present in support of the increased in obligation of funds for the Grove Municipal Services.

Ms. Lambert asked if the engineer that made the first estimate is doing the additional work, and Mr. Ford answered, yes. Mr. Freeman added it is the same engineering firm, the five bids were by reputable contractors that are very familiar with these projects; he felt the engineer just mis-calculated rather than the bids coming in higher.

There were no other questions.

Mr. Fite moved to approve the increase in obligation of funds to the Grove Municipal Services, and Mr. Hitch seconded. There being no other discussion, Chairman Drummond called for the vote.

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

Before continuing, Mr. Buchanan noted these items concerned refinancing, and he asked what fund the Board was no longer approving refinancing requests, and Mr. Freeman answered that was the Drinking Water State Revolving Loan Program Fund. Mr. Buchanan asked if staff is comfortable and confident that the future demand will not be impacted by allowing refinancing. Mr. Freeman responded that staff conducts at least annually with First Southwest, the Board's Financial Advisor, and reviews the Board's capacity into the future. At this time, he did not anticipate many more refinancing through the CWSRF, and looking at the Board's situation, at this time staff is comfortable. Regarding the FAP program and the new bond issuance (next on the agenda), there will be loans of the same type next month. He said he did look at these loans with smaller communities where the Board already has exposure; staff looked at loans that would enhance the Board's collateral position, lower the communities' debt service, and increasing the debt coverage ratio on two of these three loans today. On Antler's situation, the FAP loan will be considered next month will actually increase the debt coverage ratio, improve the Board's collateral position, and financial position.

Mr. Herrmann said that Rural Development tends to loan to communities that would not meet the Board's financial criteria. He asked if the refinancing process to reduce interest rates coupled with other things, will bring the communities up to the level they are able to do OWRB financing, and Mr. Freeman said that is correct. He added that communities will finance from both sources and he anticipated more of those communities coming to the Board because Rural Development's funding is being reduced by 50 percent. He said as a lender, he is looking at getting the communities ready to borrow from the Board in the future by improving the Board's collateral position and increasing their debt coverage ability; million dollar savings to communities gives them the ability to finance in the future.

Mr. Hitch asked how the collateral position is changed, and Mr. Freeman said the Board is adding collateral. For example, the OWRB may have a lien on water and Rural Development a lien on sewer, so the Board is able to refinance and take all the cash flow, and for one loan also added sales tax.

D. <u>Resolution Authorizing the Issuance of Oklahoma Water Resources Board State Loan Program Revenue Bonds in Aggregate Principal Amount not to Exceed $25,000,000; Approving And Authorizing Execution of a Twenty-Fifth Supplemental Bond Resolution; Providing for the Issuance of Said Bonds; Waiving Competitive Bidding on the Bonds and Authorizing the Sale Thereof by Negotiation and at a Discount Pursuant to the Terms of a Contract of Purchase</u>

Pertaining Thereto; Approving a Preliminary Official Statement with Respect to Said Bonds; Directing Deposit of Proceeds Derived From the Issuance of the Bonds in the State Treasury and Requesting the State Treasurer to Remit Such Proceeds to the Bond Trustee; Ratifying and Approving the Form of Promissory Note and Loan Agreement to be Executed by Borrowers in the State Loan Program; 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 explained that this item is for the approval of new Financial Assistance Program bond issue which is proposed to be used to fund loans for Antlers, Atoka, Stephens County Rural Water District No. 5, Okmulgee County Rural Water District No. 4, and McClain County Rural Water District No. 8. He said staff intended to bring these loans to the Board at the June Board meeting. The bond issue will be presented to the Oklahoma Bond Oversight Council at its May 30th meeting, with pricing on June 19 and proposed closing on June 27. The resolution is authorizing an issuance of bonds in an amount not to exceed $25 million dollars, authorizing execution of a 25th supplemental bond resolution for the issuance of the bonds, authorizing issuance to be on a negotiated basis, directing deposit of proceeds in the State Treasury for remittance to BancFirst as the Board's Trustee Bank, approving the form of promissory note and loan agreement, directing payment of the costs of issuance, and authorizing other documents necessary to close the issuance. Staff recommended approval of the resolution.

Mr. Chris Cochran, BOSC, Senior Underwriter for the transaction, and Mr. Jacob Bachelor, Bond Counsel, are present to address the Board's questions, if any.

There were no questions, nor discussion by members, and Chairman Drummond stated he would entertain a motion.

Mr. Buchanan move to approve the resolution authorizing the issuance of state loan program revenue bonds, and Ms. Lambert seconded. Chairman Drummond called for the vote.

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

F. Report by Board Audit Committee and Report of and Possible Action on Audits of Oklahoma Water Resources Board State Loan Program Revenue Bonds and Clean Water State Revolving Fund Program (CWSRF) Financial Statements as of June 30, 2012 and 2011, Audits of the CWSRF Administrative Fund and the Drinking Water Treatment Loan Administrative Fund as of June 30, 2012 and 2011. Mr. Freeman stated the Board's Ad Hoc Audit Committee, comprised of Mr. Drummond as Chair, Mr. Sevenoaks, Mr. Hitch, and Mr. Buchanan met following the April Board meeting. During the meeting, the Committee members present reviewed the following items: the Auditor's Management letter, EPA's annual evaluation of the Board's operation of the SRF programs; the Board's most recent arbitrage rebate reports were reviewed and discussed prior to being filed with the National Repository, the three bond rating agencies, and State Street Bank of Boston--the Board's Standby Bond Purchase Agreement provider. The Committee reviewed the loan documentation exception reports and the Board's operating procedures, the Board's policies regarding and balances pertaining to the Board's debt service reserve funds, current investment portfolio, and the standby bond purchasing agreement with State Street Bank of Boston. At the end of the last fiscal year, it is reported the Board's total assets stand at $1,381,966,000.00 and total outstanding loans stand at $1,073, 301,000.00.

Mr. Freeman introduced Mr. Kelly Schwartz, John Arledge & Associates, who reviewed the audits with the Board.

Mr. Schwartz addressed the members and distributed a written report noting the audit performed by FY-2012: Bond issues outstanding (17), Clean Water State Revolving Fund (Financial, Yellow-Book, and OMB Circular A-133 Single Audit Compliance, and Administrative Funds (CWSRF and DWSRF, Financial and Yellow Book Compliance). He noted there were no changes in the financial reporting requirements for FY 2012, and the result of the audits on all Bond issues (a separate report for each outstanding issue) were unqualified or "clean opinion" auditor's report, the "Yellow-Book" compliance noted no laws or regulations violations and no internal control findings on all Bond issues. Mr. Schwartz highlighted the summary of all Bond issue financial changes—total assets, total liabilities, total net assets, and total interest income, total interest expense, other operating expenses, gross production tax transfer and increase/decrease in net assets. Ms. Lambert asked why there was no transfer for the Gross Production Tax, and Mr. Freeman explained there was no transfer in 2012; it has been transferred this year and has been put into the reserve fund. Mr. Herrmann asked if that is an ongoing source of funding and Mr. Freeman stated it is, until is expires in 2016; it has been used as a cash reserve for the FAP program.

Mr. Schwartz stated the State Revolving Fund (CWSRF) received an unqualified auditor's report, the "Yellow-Book" compliance noted no laws or regulations violations and no internal control findings, and the OMB Circular A-133 or Single Audit report noted no violations of compliance requirements applicable to the major program and no finding on internal control over compliance. He highlighted the summary of the SRF financial changes for FY 2012 – total assets, total liabilities, total net assets, total interest income, total federal grants, federal grant principal forgiveness, total interest expense, other operating expenses, gain/loss on investments, transfer in from Administrative funds, transfer out of DW Revenue loan program, and increase/decrease in net assets. Mr. Herrmann asked if the transfer out to the DW revenue loan program was part of the cross-collateralization process, and Mr. Freeman answered the Board is allowed to transfer 33% and there was a greater demand on the Drinking Water side. Mr. Herrmann asked who conducts the audit on the DWSRF since that is at the Department of Environmental Quality and Mr. Freeman and Mr. Schwartz answered that Arledge & Associates conducts the actual audit at DEQ, but the information is included for the Board's Audit books since the Board is involved in the program. He added Mr. Schwartz is reporting today on the audits with which he has an engagement with the Board. Chairman Drummond asked Mr. Freeman to comment on the gain/loss in investments. Mr. Freeman explained that a loan with Lawton involved a pledge of an ad valorem tax and the Board actually bought bonds, and the market-to-market value of the bonds. Mr. Schwartz said there was a timing issue on the collection of the principal in 2011 on the first repayment of the bonds, the receivable was late from the paying agent and that receivable was not recorded so what is shown is the timing difference in the gain/loss in the two years.

Lastly, Mr. Schwartz presented the results of the audits and financial highlights for the CWSRF and DWSRF loan Administrative Funds which was an unqualified Auditor's report on both entities and the "Yellow-Book" Compliance report noted no laws or regulations violations and no internal control findings on the CWSRF and DWSRF Administrative Funds. For both programs he reviewed the financial changes for FY-2012 including the total assets, total liabilities, total net assets, total administrative fee revenue, total interest income, other operating expense, transfer out of DWSRF and increase/decrease in net assets. Mr. Sevenoaks asked about the assets of $2.7 million and transfer out of $4.2 million and Mr. Freeman explained that the Board had a loan on non-accrual and charged it again the fund and moved it off the books of the DWSRF (Delaware County Rural Water District #10).

Mr. Schwartz concluded his report stating the final item of the required communications letter was provided to the Board and discussed at the Audit Committee meeting which included the adjusted entries and no other changes in accounting reporting financial issues or issues in management conduct; no issues with service providers were reported in finalizing the audit for 2012. There were no questions.

Chairman Drummond commented the committee reviewed a large notebook of materials, and commended staff for preparing and reviewing the information.

G. Report on Recent Presentations and Discussions with the Board Finance Committee Regarding Proposed 2013 Drinking Water State Revolving Fund Bond Issue and Proposed Refunding of Series 2003 Drinking Water State Revolving Fund Bonds, and Consideration of and Possible Action on Allocation of Interest Savings between Board and Local Borrowers Potentially Affected by Interest Savings Generated by Proposed Refunding of Series 2003 Drinking Water State Revolving Fund Bonds. Mr. Freeman stated this item regards the proposed refunding of the Board's $122.9 million Series 2003 Drinking Water SRF bond issue which was approved by the Board at the April 2013 Board meeting. He said the Board's Finance Committee met by conference call May 16th to discuss possible considerations associated with the projected savings resulting from the refunding. The Committee discussed with staff the current market conditions, total savings the Board should anticipate obtaining, additional lending capacity the Board should be able to expect and the financial enhancement we can provide to our borrowers associated with the 2003 bond issue. He said based upon staff's work with the Board's Finance Advisors from First Southwest, along with discussions and advice of the Finance Committee, staff recommends that the savings allocation from the refunding be based on 70% to the Board and 30% to the borrowers, which should result in a projected net present value savings of approximately 3% for the borrowers while at the same time providing about $19 million in additional lending capacity for the DWSRF loan program. Mr. Freeman invited Finance Committee Chairman Mr. Rudy Herrmann to make further comment.

Mr. Herrmann stated the Committee was challenged to sort out the recommended split about how much to share with the borrowers versus how much to retain for increased capacity. He said the Committee looked at a 30/70 split, 60/40 split, and 50/50 split--as well as no split--and the conclusion was, and the recommendation is, the 30/70 split provides a good, financial incentive to the local borrowers, comparable to what they would be able to retain if they refinanced on their own, and would also provide additional capacity over time to the revolving fund to enhance the Board's capacity--approximately $18 million over the ten year period. He said the Committee felt that an appropriate balance providing good incentive to the communities in sharing the reward of lower interest rate to the borrower and enhanced capacity of the SRF. He said the Committee also talked about alignment of the Financial Assistance Division with Water for 2060 which Mr. Strong will report on at the next meeting.

Mr. Herrmann moved to approve the staff recommendation as outlined on the agenda. Ms. Lambert seconded the motion.

Mr. Sevenoaks asked what the current split is. Mr. Herrmann responded this is about sharing the savings on a refinancing and he asked if there was a precedent. Mr. Freeman said the last refunding was in 1994, and at that time the Board did a tax-exempt refunding and kept all of the savings. He had commented to the Committee that he would not recommend that action again because there were several repercussions as that transaction locked-in the local entities at a higher interest rate because of the tax law. He said staff felt this (recommendation) is a good balance of savings to the local communities and at the same time increasing the Board's capacity.

Chairman Drummond said it is a good balance, the 3% is incentive to the communities, and he asked if there are additional costs to communities for refinancing. Mr. Freeman answered it would depend upon what mode the communities take, there will not be additional proceeds to pay expenses for the borrowers and most of it will be modifications to the Board's books. Mr. Strong emphasized the proceeds kept by the Board—unlike a local bank--is not profit to the Board, it is money that revolves back out, it increases the capacity of the loan program which is why staff recommends, and review of the Finance Committee is, this is the appropriate balance getting a net present value savings of roughly 3% for the borrower and the rest going back out for other needs. Ms. Lambert said this allows the borrowers to continue to do business with the OWRB instead of going out into the open market. Mr. Freeman said that it correct, this will keep entities that are very well rated and could do a refunding on their own, from leaving the OWRB program and therefore leaving the Board program with nonrated or BBB rated entities in the program, hurting the overall strength of the program (he used Broken Arrow as an example). Mr. Drake said he understood communities are in agreement with the recommendation, and Mr. Freeman said he had been in communication with communities that had expressed desire to receive savings, and he had not received opposition to the 30%. He said Lawton had collected sales tax and desired to pay off one of its loan; he wasn't concerned Lawton would leave—Lawton has been under continuous construction for 17 years, and he was confident it would continue to borrow from the Board as there is still has a lot of work to do.

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

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

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 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 stated there were no amendments to the Summary Disposition Agenda, and he would entertain a motion on the Summary Disposition Agenda.

Mr. Sevenoaks moved to approve the Summary Disposition items, and Ms. Lambert seconded.

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

ABSTAIN: None
ABSENT: None

The following items were approved:

C. Financial Assistance Division Items:

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

Item No.	Application No.	Entity Name	County	Amount Recommended
ACOG				
a.	FAP-12-0017-R	Rural Water and Sewer District #5	Canadian	$ 99,999.00
ASCOG				
b.	FAP-12-0030-R	Chattanooga Public Works Authority	Comanche	99,650.00
SWODA				
c.	FAP-12-0005-R	Frontier Development Authority	Custer	99,850.00
d.	FAP-11-0016-R	Rural Water, Sewer & Solid Waste Management District #3	Roger Mills	99,124.00

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

1. Lease Agreement Renewal with Burgess & Burgess, Inc. for the OWRB Lawton office.
2. Professional Services Agreement with Sparks Write, Inc. to perform assignments which assist the Board in implementing the Board's responsibilities under the Comprehensive State Water Planning Program.
3. Amendment of Joint Funding Agreement with U.S. Geological Survey for the project “Garber-Wellington Aquifer Management, Central Oklahoma”.
4. Memorandum of Agreement with Oklahoma 4-H Foundation, Inc. for 4-H Speech Contest and Recognition Program.
5. Interagency Agreement with the Oklahoma Department of Environmental Quality regarding the Drinking Water State Revolving Fund.
6. Interagency Agreement with Grand River Dam Authority for Dissolved Oxygen Monitoring Project for FY 2014.
7. Easement and Agreement with Robert R. Sauer and Lorene R. Sauer for Groundwater Level Monitoring in Custer County.
8. Interagency Agreement with Oklahoma Department of Wildlife Conservation for vegetated wetland project at Fort Cobb Lake.
9. Professional Services Contract with Records Solutions, Inc. to perform assignments to assist the Board in implementing various projects to improve management of the Board's electronic and paper records.
10. Extension and Amendment Agreement with The City of Ardmore to perform certain mapping and analysis services needed and requested by the City for the City's lakes.
11. Lease Agreement with Mori White for OWRB Woodward office lease.
12. Extension and Amendment Agreement with AMEC Environment and Infrastructure, Inc. for Professional Engineering Services for Allocation Modeling of a Portion of Red River System.
13. Lease Agreement with ELF Properties LLC for OWRB McAlester office lease.

E. Applications for Temporary Permits to Use Groundwater:

1. Bryan Family Land & Cattle, LLC, Kingfisher & Garfield Counties, #2012-684
2. Pete & Mary Nell Mileta, Caddo & Washita Counties, #2012-691
3. H. J. Rickabaugh, Grant County, #2013-511
4. Bobby & Beverly Jackson, Caddo County, #2013-528
5. Enid Municipal Authority, Woods County, #2013-530
6. Dale & Neva Taff, Caddo County, #2013-531
7. Matt & Autumn Steinert and Steinert Land, L.P., Logan County, #2013-533
8. David & Paula Harman, Canadian County, #2013-543

F. Applications to Amend Temporary Permits to Use Groundwater:

None

G. Applications for Regular Permits to Use Groundwater:

None

H. Applications to Amend Regular Permits to Use Groundwater:

1. American Fidelity Investments Co., Garvin County, #1998-581

I. Applications for Regular Permits to Use Stream Water:

1. Blake Ventures, Kingfisher County, #2012-072
2. Earl A. Pierce, Garfield County, #2013-001

J. Applications to Amend Regular Permits to Use Stream Water:

1. Daniel B. & Cyanne R. Williams, Haskell County, #2002-056

K. Well Driller and Pump Installer Licensing:

1. New Licenses, Accompanying Operator Certificates and Activities:

a. Licensee: North Fork Drilling DPC-0877
1. Operator: Matthew T. Schnitzler OP-1973
Activities: Groundwater wells, groundwater test holes and observation wells

b. Licensee: Ryan's Water Well Drilling, L.L.C. DPC-0879
1. Operator: Ryan Poeling OP-1974
Activities: Groundwater wells, groundwater test holes and observation wells

c. Licensee: Best Drilling Services, Inc. DPC-0883
1. Operator: Ali Firouzbakht OP-1977
Activities: Monitoring wells and geotechnical borings
2. Operator: Lloyd Bruce Milton OP-1978
Activities: Monitoring wells and geotechnical borings

2. New Operators, Licensee Name Change, and/or Activities for Existing Licenses:

a. Licensee: Smith Pump & Supply DPC-0287
1. Operator: Brian Smith OP-0534
Activities: Groundwater wells, groundwater test holes and observation wells (currently licensed in water well pumps)

b. Licensee: Mohawk Drilling, Inc. DPC-0563
1. Operator: Billy Lee Guinn, II OP-1976
Activities: Monitoring wells and geotechnical borings

c. Licensee: Fugro Consultants, Inc. DPC-0795
1. Operator: Sheldon Collins OP-1975

Activities: Monitoring wells and geotechnical borings

L. Dam and Reservoir Construction:

1. Seaboard Foods, Texas County, #OK30449

M. Permit Applications for Proposed Development on State Owned or Operated Property within Floodplain Areas:

1. Oklahoma Department of Transportation, Woodward County, #FP-13-01
2. Oklahoma Department of Transportation, Woodward County, #FP-13-02
3. Oklahoma Department of Transportation, Payne County, #FP-13-03
4. Oklahoma Department of Transportation, Payne County, #FP-13-04
5. Oklahoma Department of Transportation, Stephens County, #FP-13-07
6. Oklahoma Department of Transportation, Hughes County, #FP-13-08
7. Cameron University, Comanche County, #FP-13-10

N. Applications for Accreditation of Floodplain Administrators:
Names of floodplain administrators to be accredited and their associated communities are individually set out in the May 21, 2013 packet of Board materials.

4. QUESTIONS AND DISCUSSION ABOUT WORK AND OTHER ITEMS OF INTEREST

A. There were no items for the Board's consideration.

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 Temporary Groundwater Permit No. 2012-587, Comanche County Rural Water District No. 2., Comanche County.

1. Summary – Ms. Julie Cunningham, Chief, Planning and Management Division, stated to the members the applicant's attorney, Mr. Jim Barnett, and the engineer are present, but the protestant is not in attendance. She stated this item is a temporary permit to use groundwater by Comanche County Rural Water District No. 2. The District requested the permit to withdraw 640 acre-feet of groundwater for rural water supply purposes from two wells located on 320 acres of dedicated land in Comanche County. The record showed the four points of law have

been met: there is a legal deed; the land overlies the Rush Springs/Marlow/El Reno Group groundwater basin for which there is no maximum annual yield and equal proportionate share therefore, each land owner is entitled to two acre-feet per acre; rural water supply is a beneficial use; and waste will not occur.

Ms. Cunningham stated one protestant did attend the hearing and expressed concern the District's withdrawal of the water would cause a depletion of their domestic well. The District hired a civil engineer that conducted zone of influence testing and pump tests and determined the placement of the wells would not cause interference. She said the Applicant proposed to drill the wells to 700 feet and seal to a depth of 400 feet below surface, and pump at a rate of 200 gpm.

Ms. Cunningham stated the record shows that the Comanche County Rural Water District No. 2 has passed the requirements of law and is entitled to its equal proportionate share. Staff recommended approval of the proposed findings of fact, conclusions of law, and Board order.

2. Discussion and presentation by parties – Mr. Jim Barnett, representing the Applicant, stated to the members that he is well pleased with the staff recommendation. He introduced Mr. Al Young, engineer, to address questions.

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

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.

Chairman Drummond asked if there were any questions.

Mr. Fite moved to approve temporary groundwater permit 2012-587, and Ms. Lambert seconded.

Mr. Sevenoaks asked if the protestant was represented by counsel; he was concerned that they may not have been able to get to the meeting (due to the storms). Ms. Cunningham answered staff has not heard from the Protestant since the hearing, and she was not aware of representation by an attorney. Mr. Hitch asked if the well is sealed to 400 feet, would the cone of influence not have an effect in the same aquifer. Ms. Cunningham said the water will be withdrawn 300 feet deeper than the Protestant's well, and Mr. Strong added most likely in completely different zones than the dairy farm.

There were no other questions, and Chairman Drummond called for the vote.

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

Mr. Buchanan asked setback requirements. Mr. Jerry Barnett, Acting General Counsel, responded the Board's rule in place distinguishes between whether it is a regular permit application, regular basin—MAY/EPS has been determined—and if it has, there are two tests: (1) for bedrock aquifers (660ft), and for alluvium terrace deposits (1320ft). A temporary situation is when the study has not determined the maximum annual yield, spacing does not apply. Mr. Strong said in this case, it us unstudied and there is no spacing requirement.

Mr. Buchanan asked when it has been studied, is the setback from a property line or an existing well. Mr. Barnett responded the rule is worded that no new well can be located within the spacing distance from an authorized well—a well permitted by the OWRB—and includes a domestic well which does not require a permit but is authorized by the law, or an existing well. Mr. Buchanan asked if there is a provision allowing exemptions when a well can be closer, and Mr. Barnett answered the rule specifies four exceptions the applicant may seek in order to come closer to that existing well, which are listed as examples and cover a wide range of scenarios. He said in his experience, he was not aware of any situation where an applicant could not meet one

of those exceptions. Ms. Cunningham said that one exception is the land does not allow an applicant to get that distance away, and in that case there may be some influence, but as a private property issue that applicant has a right and is allowed. Mr. Hitch described conditions in the Panhandle that because of requirements by one agency for application of effluent, pesticides, and fertilizer, new wells cannot be drilled within the center pivot—pushing the well locations outside the circle and many times the wells are closer and exceptions are then sought.

B. Items transferred from Summary Disposition Agenda, if any. There were no items transferred from the Summary Disposition Agenda to the Special Consideration Agenda for the Board's consideration.

6. 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.

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.

Chairman Drummond read the statement above regarding the purpose of the Board's proposed executive session.

Acting General Counsel Jerry Barnett stated that it is his advice that disclosure of the discussion of the litigation as listed on the agenda will seriously impair the ability of the Board and State to conduct the litigation in the present and proposed 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.

Ms. Lambert move that the Board enter into Executive Session, and Mr. Drake seconded.

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

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 11:05 a.m. on Tuesday, May 21, 2013.

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

Mr. Sevenoaks moved to return to Regular Session, and Mr. Herrmann seconded.

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

The Board returned to Regular Session at 11:35 a.m. on Tuesday, May 21, 2013.

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

The Board did not vote on any matter discussed in Executive Session.

8. 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 for consideration. Chairman Drummond reminded members the next meeting will be June 18, 2013.

9. ADJOURNMENT

There being no further business, Chairman Drummond adjourned the meeting of the Oklahoma Water Resources Board at 11:36 a.m. on Tuesday, May 21, 2013.

OKLAHOMA WATER RESOURCES BOARD

_____/s/_____	_____Absent_____
F. Ford Drummond, Chairman	Linda P. Lambert, Vice Chairman

_____/s/_____
Edward H. Fite

_____/s/_____
Rudolf J. Herrmann

_____/s/_____
Marilyn Feaver

_____/s/_____
Richard Sevenoaks

_____/s/_____
Bob Drake

_____/s/_____
Jason W. Hitch

ATTEST:

_____Absent_____
Tom Buchanan, Secretary
(SEAL)