

OKLAHOMA WATER RESOURCES BOARD
OFFICIAL MINUTES
April 18, 2017

1. CALL TO ORDER

The regular monthly meeting of the Oklahoma Water Resources Board was called to order by Chairman Linda Lambert at 9:35 a.m., on April 18, 2017, at the Oklahoma Water Resources Board, 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 April 14, 2017, at 4:30 p.m. at the Oklahoma Water Resources Board's offices at 3800 N. Classen Boulevard, Oklahoma City, Oklahoma, and provided on the agency's website.

Chairman Lambert welcomed everyone to the regular meeting of the Oklahoma Water Resources Board, and asked for the roll call of members.

A.1. Roll Call

Board Members Present

Linda Lambert, Chairman
Ford Drummond, Vice Chairman
Jason Hitch, Secretary
Stephen Allen
Tom Buchanan
Charles Darby
Bob Drake
Marilyn Feaver
Ed Fite

Board Members Absent

None

Staff Members Present

Julie Cunningham, Executive Director
Robert Singletary, General Counsel
Cleve Pierce, Chief, Administrative Services Division
Joe Freeman, Chief, Financial Assistance Division
Kent Wilkins, Chief, Planning and Management Division
Bill Cauthron, Chief, Water Quality Programs Division
Mary Schooley, Executive Secretary

Others Present

Rob Stallings, Envirotech Engineering and Consulting, Enid, OK
Mike Steward, Muskogee Municipal Authority, Muskogee, OK
P.A. Engle, Flint Ridge, Kansas, OK
Keith Morgan, South Delaware County Regional Water Authority, West Siloam Springs, OK
Mike Mathis, Continental Resources, Oklahoma City, OK
Ben Oglesby, Municipal Finance Services, Edmond, OK
Patty Thompson, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Terry Woods, South Delaware County Regional Water Authority, Kansas, OK
Steven Hoffman, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Kelly Schwarz, Arledge & Associates, P.C., Edmond, OK
Justin Hodge, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Bud Ground, Environmental Federation of Oklahoma, Oklahoma City, OK
Chris Chandler, Oklahomans for Responsible Water Policy, Broken Bow, OK
Carlos E. Johnson, BKA LLP, Oklahoma City, OK
Marla Peek, Oklahoma Farm Bureau, Oklahoma City, OK
Ashton Carmichael, Office of Management and Enterprise Services, Oklahoma City, OK
Doug McClearly, Corn, OK

Mr. Hitch joined the meeting at 9:37 a.m.

A.2. Presentation of Resolution of Appreciation to Marilyn Feaver. Chairman Lambert stated that today the Board would say, “thank you” to Marilyn Feaver who has served faithfully for the past seven years. She read the Resolution of Appreciation from the OWRB Board Members and Staff, and following, Ms. Feaver received applause and a standing ovation from the meeting attendees. Chairman Lambert introduced Oklahoma Secretary of Energy and Environment Michael Teague who presented a Governor’s Commendation by Governor Mary Fallin to Ms. Feaver, recognizing her seven years of service to the State of Oklahoma.

Ms. Feaver spoke to the members, staff and audience, and said she had served in the field of economic development the better part of the last two decades. She knows from personal experience how important it is to have reliable access to quality water. A few years ago, the southwest Oklahoma economic community interviewed 600 businesses to learn of their major concerns and barriers to growth and opportunity to growth. It was discovered that while quantity and quality of the workforce was the number one issue, reliable access to quality water was among the top concerns – not only a concern of southwest Oklahoma and Oklahoma or the United States, but around the world. Water and jobs are inexplicably connected, not only in terms of economic issues, environmental issues, or social issues; there will not be jobs without water; water and jobs transform to people’s lives. Ms. Feaver expressed her appreciation to the Board and Staff, and said she enjoyed the opportunity to work with such a fine group of people.

B. Discussion, Amendments, and Vote to Approve Official Minutes of the March 21, 2017, Regular Meeting.

Chairman Lambert asked if there were any corrections to the minutes of the March 21, 2017, regular meeting. There were no changes, and Mr. Hitch moved to approve the minutes, and Mr. Darby seconded.

Chairman Lambert called for the vote.

AYE: Darby, Buchanan, Fite, Drake, Feaver, Hitch, Allen, Lambert

NAY: None

ABSTAIN: Drummond
ABSENT: None

C. Executive Director's Report

Ms. Julie Cunningham, OWRB Executive Director, welcomed the members and thanked Ms. Feaver for her outstanding service to the Board. She announced that effective April 1, she had named Mr. Bill Cauthron as Chief of the Water Quality Programs Division, and Mr. Kent Wilkins as Chief of the Planning and Management Division, and expressed her confidence in moving the agency forward. Ms. Cunningham provided an update on drought conditions as a result of recent rainfall and increased reservoir levels. She noted the meetings she attended including legislative budget committees and educating legislators on the important services provided by the agency. She spoke to Leadership Oklahoma on April 8 about state water issues and House Speaker Pro Tempore Harold Wright was a participant. At invitation of Secretary Jim Reese, she spoke to an agricultural commodities industry group – Cattlemen's Association, American Farmers and Ranchers, Pork Council, Noble Foundation, Livestock Marketing, and the VET MED Association. The OWRB Dam Safety staff hosted a technical training for modeling and mapping which garnered national recognition for the OWRB as there were many attendees from across the country. Last week, Ms. Cunningham attended the Western States Water Council quarterly meetings at Nebraska City, Nebraska, working on several positions papers and the National Drought Resiliency Partnership announced by President Obama that encouraged federal agencies to "plug in" to projects around the States. Former OWRB director J.D. Strong initiated involvement between the NDRP and the Southwest Water Plan Group and a discussion was led at the WSWC meeting by former OWRB director Duane Smith. Western States Water Council sponsors the WestFAST Team of 12 federal agencies and Oklahoma is leading the charge in organizing the federal funds funneled to the OCWP and water planning projects across the state. She also spoke about the Oklahoma Water Settlement and others spoke to other settlements across the country; the WSWC will sponsor a seminar this summer on Tribal water settlements and water rights. Nebraska's Governor spoke to the WSWC about the impacts of the depressed corn market and the economic value of irrigation for crop production, the economic value of water, streamlining permitting processes to expedite business startup, and funding water conservation districts.

Ms. Cunningham referred to the state and federal legislative reports provided, and said that staff is watching a few water bills regarding ownership of produced water and the discharge primacy for the State/Department of Environmental Quality being able to regulate any discharge. Next deadline is April 27 for third reading. Chairman Lambert commented that some small oil and gas producers are working on a couple of Senate bills that will restore the Gross Production Tax to 7-cents for all oil and gas producers which if successful will have a direct impact on the income to this agency. Regarding Federal activities, Ms. Cunningham had a call with Senator Langford and she will be meeting with Oklahoma Congressional members next week in Washington, D.C. with federal agency leadership (USGS, USCOE, NOAA) and the Interstate Council on Water Policy Board members. She noted H.R. 353 by Congressman Lucas authorizing enhanced programs for weather forecasting and alerts at the National Oceanic and Atmospheric Administration; there is much interest in legislation regarding forecasting and drought. A Senate Appropriations Committee hearing will be held regarding water hazards and vulnerability, improved forecasting and mitigation, considering funding for the NFIP allowing better response by agencies. Funding for the Federal Government expires on April 28.

Continuing, Ms. Cunningham noted the 60th Anniversary logo designed by OWRB Staffer Kylee Wilson, and said there will be recognition of the anniversary at this year's water conference. Ms. Cunningham was featured in a recent issue of the Irrigation Leader magazine, along with highlights of the cities of Oklahoma City, Norman, and Enid. Lastly, Ms. Cunningham recognized the 22nd anniversary of the Murrah Building bombing is April 19 and staff will conduct its annual tree

ribbon service, and there are several employees running in the Memorial Marathon on April 30. There were no questions, and Ms. Cunningham concluded her report.

Chairman Lambert spoke to the issue of the members being well-informed when attending and voting at meetings on issues that affect fellow citizens' lives and livelihood. She and Ms. Cunningham have discussed engaging more fully the Board's committees on the early end of the decision-making process, and she distributed information regarding the committees, and said with new members there could be changes. She said another aspect of being fully engaged and informed regarded ongoing Board education. She referred to the distributed list of topics of the many different aspects of the life and work of the agency and asked the members to review the list and prioritize the three-to-five areas members would like staff to review this next year when time is available on a meeting agenda periodically for the sole purpose of learning more about the agency. She said an email would be sent to the Board Members' government email addresses and asked members to respond by the next Board meeting.

Ms. Cunningham added in regard to the committees she expressed her desire that, i.e., the Rules Committee be engaged in front of the process as in the next few months when the rulemaking process is being planned for 2017-2018. There will be revisions to the Water Quality Standards and the Standards Review, as well as Aquifer Storage and Recovery, and it is her vision that the Committee participates in the process. Chairman Lambert added if there are other items of interest not listed the Board wanted to hear about, that could be added to the list of education topics.

Mr. Drummond commented about a quorum of members on the Legislative Committee, and Chairman Lambert said there will be only four members as Ms. Feaver will be "retiring." He also commented the budget issue is one of the Board's primary concerns, both on the state and federal levels, reminding legislators that water=jobs=economic development is a good way to support our projects and our agency. There were no further questions, comments or feedback from members.

D. Financial Update

1. Budget Report. Mr. Cleve Pierce addressed the members and stated the budget report regards financial information for the month ending March 2017. During this reporting period, the agency has expended 71% of the appropriated budget, 29% from general revenue, has expended 45% of the revolving fund budget, and expended 50-50% split of federal dollars. Overall, the total budget remaining is 49%, with 25% of the fiscal year remaining. He said compared to last year, the agency had spent 50%. Mr. Pierce stated that due to the revenue failure last spring, the agency was impacted by \$27,453 which breaks out as: Water Quality - \$16,000; Administrative Services - \$9,000, and Planning and Management - \$2,000, all realized through personnel savings due to vacancies.

Mr. Pierce thanked Mr. Hitch for taking the time to meet early this morning with the Office of Management and Enterprise Services, and it was beneficial to both him and the agency. Chairman Lambert stated Mr. Hitch will comment about the meeting during consideration of the Summary Disposition Agenda.

There were no questions by the members, and Mr. Pierce concluded his report.

2. **FINANCIAL ASSISTANCE DIVISION**

A. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for South Delaware County Regional Water Authority, Delaware County. Recommended for Approval. Mr. Joe Freeman, Chief, Financial Assistance Division, stated to the members that this item is for the consideration is \$3 million loan request by the South Delaware County Regional Water Authority. The Authority has been organizing in excess of ten years, and is requesting the loan for a 2

MGD water treatment plant to expand the raw water intake capacity and construct and purchase water lines, construct two storage tanks, three pump stations, and a master meter. The Authority will serve the existing customers of the Flint Ridge Rural Water District, and wholesale water to West Siloam Springs, Kansas, Colcord and Delaware County Rural Water District #11. Mr. Freeman stated the project will be co-funded with a \$6,749,000.00 Rural Development Loan, a \$3,886,000.00 Rural Development Grant, a \$1,629,000.00 Indian Health Services Grant, a \$347,400.00 grant from the Cherokee Nation, and \$90,000.00 in local funds. The loan will be funded through the Drinking Water State Revolving Fund loan program, and Mr. Freeman noted provisions of the loan agreement, and said the District's projected debt coverage ratio following completion of the project is 1.325-times. Staff recommended approval of the loan application.

Representing the District in support of the project were Mr. Keith Morgan, Board Trustee and Secretary, and West Siloam Springs Public Works Director; Mr. P.A. Engle, Accountant; Mr. Terry Woods, System Operator; and Mr. Jay Updike, Engineer. Mr. Morgan spoke to the members about the benefit of the project to the area towns to serve 1,800 people.

Mr. Hitch asked how many taps are included in the project. Mr. Morgan answered about 1,800, and more will be added as he anticipated other users coming on line.

There were no other comments or questions, and Mr. Fite moved to approve the DWSRF loan to the SDCRWA, and Ms. Feaver seconded.

AYE: Drummond, Darby, Buchanan, Fite, Drake, Feaver, Hitch, Allen, Lambert
NAY: None
ABSTAIN: None
ABSENT: None

B. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Muskogee Municipal Authority, Muskogee County. Recommended for Approval. Mr. Freeman said this item is a \$27,360,000.00 loan request from the Muskogee Municipal Authority which is requesting the loan for waste water treatment plant improvements, repair of various lift stations, upgrade waste water collection lines, address storm water drainage issues, and acquire telescopic hydrologic excavators, and vacuum truck. He said the loan will be funded through the Clean Water SRF loan program, and he noted provisions of the loan agreement. Mr. Freeman said that Muskogee has been a long-time, good loan customer of the Board's and have five outstanding loans with the Board with a combined principal balance of \$20.2 million; the debt coverage ratio stands at approximately 2.3-times. Staff recommended approval of the loan application

Representing Muskogee was Mr. Mike Stewart, Assistant City Manager, and Greg Riley, Public Works Director. Mr. Stewart spoke to the members expressing appreciation for the Board's support for the project.

Mr. Hitch asked about the drainage of the Civitan Basin, and Mr. Stewart answered the basin drains to the Arkansas River from the east side of Muskogee, the largest drainage issue in the area. He said the Board had assisted the City with loan forgiveness.

Mr. Drummond asked about the Clean Water fund capacity, and Mr. Freeman answered the capacity was recently reviewed, and right now there is over \$70 million of cash and funds on hand and \$177 million in loans closed and draws outstanding. He explained there is the capacity to issue \$200-\$300 million dollars of loans.

Chairman Lambert said if there were no comments or questions, she would entertain a motion to approve the loan request.

Mr. Fite moved to approve the Clean Water SRF application to the Muskogee MA, and Mr. Darby seconded. Chairman Lambert called for the vote.

AYE: Drummond, Darby, Buchanan, Fite, Drake, Feaver, Hitch, Allen, Lambert
NAY: None

ABSTAIN: None

ABSENT: None

C. Report of the Board Audit Committee Regarding Oklahoma Water Resources Board State Loan Program Revenue Bonds and Clean Water State Revolving Fund Program (CWSRF) Financial Statements as of June 30, 2016 and 2015, Audits of the CWSRF Administrative Fund and the Drinking Water Treatment Loan Administrative Fund as of June 30, 2016 and 2015. Mr. Freeman said the Board's Annual Audit Committee meeting was held following the February Board meeting. He said that members of the Board's Audit Committee are, Mr. Hitch, Mr. Fite, Mr. Drummond, and Mr. Sevenoaks was also a member. The Committee reviewed the following items: auditor's management letter, status of the Environmental Protection Agency evaluation of the SRF loan program, debt coverage report, discussed the reports submitted to the National Securities Repository, the three bond rating agencies, and the liquidity facilities provider. He said the Committee reviewed the loan documentation exception report, the policies and balances of the debt service reserve funds, and reviewed the Board's current investment portfolio. He said the Committee also reviewed the Standby Bond Purchase Agreement with State Street Bank of Boston and the most recent bond rating report by Standard and Poor's, Moody's, and Fitch. At the 2016 fiscal year-end, the Board's combined loan programs totaled assets stood at \$1,531,000,000.00, an increase of approximately \$130 million over FY2015. He said the total outstanding loans stood at \$1,144,000,000.00 which is a decrease of approximately \$20 million as a result of the defeasance of the bond issue that year; the net position increased by approximately \$32 million dollars. Mr. Freeman introduced Mr. Kelly Schwarz, Auditor, Arledge and Associates, who presented the audit results.

Mr. Schwarz distributed the Audit Results Summary to the Board and reviewed the report. He said the audit engagement performed by the firm during 2016, covered the bond series program, the Clean Water State Revolving Loan Fund program, including the single audit aspect as well as the Administrative Funds audit of the Administrative Program. He said the only item that changed in reporting requirements related to the Fair Value investments standard, no. 72, changing footnote disclosures and no effect on financial statements. Specific results of the audits, item 3.A. (page two) received an unmodified, clean auditor's report, and the Compliance Report noted no violations or control issues. The Supplemental Combining Statement is in the back of the document. Mr. Schwarz reviewed the Bond Series Program Audit Summary for FY2016 and compared to FY 2015, noting the total assets of \$324,000,914, total liabilities of \$294,119,703, and total net position of \$29,881,211. He also noted the interest income of \$12,343,444, total interest expense of \$11,109,564, and other operating expenses of \$710,891; transfer out from the grant program of \$56,117, for an increase in net position of \$466,872.

On page 4 of the report, item 3.B., Mr. Schwarz explained the State Revolving Fund Clean Water SRF unmodified auditor's report noting there were no law and regulations violations and no internal control findings. Reviewing the Uniform Guidance Single Audit aspects regarding whether those dollars were used appropriately, there were no violations or compliance requirements, nor findings on internal control issues on compliance resulting in a clean opinion on the single audit aspect regarding the Cap Grant monies from EPA. He reviewed the financial highlights of the year compared to the previous year, noting the total assets of \$683,399,889, total liabilities and deferred inflows of \$325,920,121 for a total net position of \$357,479,768. The total interest income of \$10,942,507, total federal grants of \$10,328,961, federal grant principal forgiveness of \$250,000, total interest expense of \$8,622,685, other operating expenses of \$749,813, a gain on investments of \$1,774, 540, transfer in from administrative fund of \$26,315, for a total increase in net position of \$13,449,825.

Mr. Schwarz said the final two items to review are the CWSRF and DWSRF Loan Administrative Fund Audits (page 5) which both received an unmodified report, and the compliance report noted no laws or regulations violations and no internal control findings. He reviewed the total

assets of the CWSRF of \$3,411,054, total liabilities of \$322,956 for a total net position of \$3,088,098; fee revenue of \$2,367,117, interest income of \$37,248, operating expenses of \$2,105,694 and transfer out to CWSRF resulted in an increase in net position of \$272,356. Regarding the DWSRF, total assets were \$7,669,966, total liabilities \$74,546, and total net position of \$7,595,420. Total fee revenue of \$2,285,693, total interest income of \$117,384, other operating expenses of \$574,076, and transfer of \$2,799,590 resulted in an increase in net position of \$970,589.

Summarizing, Mr. Schwarz stated once again there were clean opinions on all the financial statements of the various entities, no law or regulations violation or internal control findings. Mr. Drummond stated the meeting was uneventful, and not only a clean audit from the auditors, but also audited by federal agencies, including EPA which received high marks, and he complimented staff. Mr. Buchanan asked about the emergency grant audit, and Mr. Freeman responded the statement of a half million was included. No approval is required by the Board. Chairman Lambert thanked Mr. Freeman.

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 Summary Disposition Agenda.

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

Chairman Lambert stated she would ask Mr. Hitch to comment on the Office of Management and Enterprise Services (OMES) agreement. She said item 3.M.2. (Well Driller license) has been requested to be withdrawn.

Chairman Lambert stated that in February there was an item between the OWRB and the OMES and she questioned what the agreement was for, what the amount was for, and the statement, "in perpetuity." She met with Mr. Singletary and Mr. Pierce, who have been working to understand the details of the contract which had concerned IT services, and she asked Mr. Hitch to get involved in the "weeds" of the purpose and viability of the amount and how to change "in perpetuity" so the Board would have some control. Mr. Hitch said the Board has no control, other than being able to choose the level of plans of service and support, and that at this point it is a "one size fits all." He said there is a uniformity requirement because some agencies accept federal monies, and to the extent we have a clean shop but other agencies were not keeping up with IT, we all pay the same thing. He said OMES will provide reporting on what we actually use, how we progress, and Mr. Pierce will review application costs and data base systems which may be changeable. Regarding cost conversion, you need to be able to look at the long picture but in the current state budget that may not be possible at this time. He said once the reports are received, staff can generate data into actual information about what we use, what we can abandon or change to a different category. He said there are opportunities, and OMES will be able to track spending, man hours used and applications used, etc. Chairman Lambert thanked Mr. Hitch for his time, and said the term was modified on page two, II. "This agreement shall remain in effect for perpetuity. An appendix hereto may be modified or terminated if allowed by law

but giving 60 days' notice to the appropriate OMES contact.” Mr. Hitch added OMES staff was very open and honest and it was a good meeting which he appreciated their time, and it is more difficult to generate data when the agency is not “on board.” The cost structure can be changed any time, but not the overarching contract except for once a year or every few years. There were no questions or other comments about the OMES agreement.

Chairman Lambert asked if there any other questions or comments regarding items on the Summary Disposition Agenda; there were none. Chairman Lambert asked for a motion to approve the Summary Disposition Agenda as amended.

Mr. Drummond moved to approve the Summary Disposition Agenda as amended, and Ms. Feaver seconded. Chairman Lambert called for the vote.

AYE: Drummond, Darby, Buchanan, Fite, Drake, Feaver, Hitch, Allen, Lambert
 NAY: None
 ABSTAIN: None
 ABSENT: None

The following items were approved:

C. Consideration of and Possible Action on 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>
KEDDO				
a.	FAP-14-0044-R	Kiowa Public Works Authority	Pittsburg	\$99,999.00
SODA				
b.	FAP-17-0040-R	Stonewall Public Works Authority	Pontotoc	99,999.00
SWODA				
c.	FAP-17-0009-R	Town of Corn	Washita	99,590.29

D. Consideration of and Possible Action on Contracts and Agreements:

1. Interagency Agreement with the Department of Environmental Quality ("DEQ") for shared office spaces located in McAlester and Woodward.
2. Agreement between OWRB and the Oklahoma Office of Management and Enterprise Services to share services to provide OWRB with information technology services.

E. Consideration of and Possible Action on Applications for Temporary Permits to Use Groundwater:
None

F. Consideration of and Possible Action on Applications to Amend Temporary Permits to Use Groundwater:
None

G. Consideration of and Possible Action on Applications for Regular Permits to Use Groundwater:
None

H. Consideration of and Possible Action on Applications to Amend Regular Permits to Use Groundwater:
None

6. 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 the Board’s consideration.

7. ADJOURNMENT

There being no further business, Chairman Lambert adjourned the meeting of the Oklahoma Water Resources Board at 10:30 a.m. on April 18, 2017.

OKLAHOMA WATER RESOURCES BOARD

_____/s/_____
Linda P. Lambert, Chairman

_____Absent_____
F. Ford Drummond, Vice Chairman

_____Absent_____
Stephen B. Allen

_____/s/_____
Tom Buchanan

_____/s/_____
Charles Darby

_____/s/_____
Bob Drake

_____/s/_____
Robert L. Melton, Sr.

_____/s/_____
Robert Stallings

ATTEST:

_____/s/_____
Jason W. Hitch, Secretary (SEAL)