

OKLAHOMA WATER NEWS

Bimonthly Newsletter of the Oklahoma Water Resources Board

Who Will Solve the Problem Of Unfunded Federal Mandates? *Governor Walters Tells Conference It's You and Us!*



*from
the desk
of the
Director...*

I am very pleased to report that the OWRB has another \$50 million available to be loaned at very low interest rates to cities, towns and rural water districts for water and wastewater projects. This \$50 million is the result of the fifth revenue bond issue sold by the Board since the Financial Assistance Program was created by the legislature and approved by the people in 1984. The new bonds will allow more communities to receive the help they need to finance improvements to their water and sewer infrastructure.

From the beginning, the FAP has enjoyed tremendous success. The Board has approved 151 loans totaling over \$235 million and grants totaling over \$18 million to meet the critical infrastructure needs of our state.

At OWRB we work very hard to ensure that this financing program is unique. The staff is actively involved in each project from the time the application is submitted, reviewing engineering plans and specs, working with local officials to review all financing options and securing supplemental financing when necessary. Our engineers track progress during construction with regular inspections, and when projects are completed, our financial analysts continue to work

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They came to the Governor's Water Conference from the four corners of the state to deal with Unfunded Mandates, a problem that picks the pocket of every city and town in the nation.

The Fourteenth Annual Governor's Water Conference in Oklahoma City on November 17 heard Governor David Walters blame unfunded mandates for draining critically needed revenues from state and local budgets. As a possible remedy for Oklahoma's problems in funding education, infrastructure, highways and other necessities, Gov. Walters encouraged adoption of a state lottery, an issue now being examined by the Oklahoma Supreme Court.

"If the lottery issue passes, it is mandated to be up and running in six months," Gov. Walters said. "It is not too early for you who seek state money to match EPA funds for wastewater treatment facilities to begin talking to your legislators about getting part of those recurring lottery proceeds." Walters estimated that proceeds set aside for "general government" could amount to about \$4.5 million.

Gov. Walters also recommended that local governments ask legislators for access to more taxable programs; that rural water districts and wastewater districts consolidate; that some towns consider privatizing water systems; and local governments consider protection of entire watersheds instead of the more costly task of cleaning up pollution after it happens.

"We need to recognize who is going

to solve this problem of unfunded federal mandates," said Gov. Walters. "It is you and us. WE are going to solve the problem. THEY (the federal government) are broke."

Tulsa Mayor Susan Savage told conferees federal mandates allow the feds to set local priorities. "More than 75 new federal mandates have been imposed on Tulsa between 1988 and 1991," she said. "Tulsa spends 95 percent of its wastewater capital dollars to implement federal mandates. The EPA required more than \$350 million in wastewater improvements; \$125



Robbie Roberts, South Dakota Secretary of Environment and Natural Resources, describes the plight of small towns.

million of that must be funded in the next five years." Savage pointed out that the city has identified \$1.6 billion

Continued on page 2

Director, continued from page 1

closely with each borrower.

By providing careful oversight, communities are assured the finest facilities at the lowest possible cost to the citizens and that the Water Board's perfect credit history is maintained.

The experience and expertise of the Board and staff have contributed to a program unique in the nation. Ours is the only blind pool bond program to which Standard and Poor's has given a stand-alone AA bond rating.

If you think your community would benefit from our Financial Assistance Program, or if you are interested in learning more about it, please call (405) 231-2500. We're here to help.



OWRB Updating Water Plan

Update of the "Oklahoma Comprehensive Water Plan" has shifted into high gear with creation of a Citizen Advisory Committee that will help develop a strategy and scope of work. The committee held its first meeting January 31.

The original Water Plan, which serves as Oklahoma's long-range strategy for managing and protecting the state's waters, was published in 1980. HB 2036, passed in 1992 directs the OWRB to update the document every 10 years, with completion of the first update by September 1995.

Approximately 20 Advisory Committee members have been selected to represent all interests of water users.

Court Settles River Dispute

On December 13, the U.S. Supreme Court approved an agreement to solve the long-standing dispute between Oklahoma, Texas and New Mexico concerning apportionment of the waters of the Canadian River. Oklahoma and Texas had charged that New Mexico's enlargement of Ute Reservoir violated terms of the Canadian River Compact signed in 1980.

The settlement sets out a schedule of operation for Ute Reservoir and orders payments of \$200,000 each to Texas and Oklahoma.

Conference, continued from page 1

in other capital improvement needs over the next five years -- over half of it in streets and expressways; \$250 million for an international airport.

"The present system wastes taxpayer dollars on regulations that are unnecessary, obsolete, irrelevant or inconsistent," Savage said. "However, I see some light at the end of the tunnel. We need legislation to put a limit on federal mandates. Then we need to work smarter by forming partnerships with state and local government. We can do more for less and we can find alternatives that make sense for our communities. We can phase in the financial impact of those requirements with those of our communities in a way that allows us to continue to address other priority needs as well."

Savage asked for flexibility in defining a mandate and flexibility in applying it to individual communities. "We must have more local control in the process because our cities are not all the same." Savage emphasized that "cities and towns should not have a 'one-size-fits-all' approach to regulating environmental quality and implementing mandates."

That theme carried over to the luncheon address by Robbie Roberts, South Dakota Secretary of Environment and Natural Resources, who emphasized the plight of America's small communities. "It is easy to forget that America is a nation of small towns and rural areas," Roberts said. "Eighty-six percent of the 35,000 total governments in the U.S. contain fewer than 10,000 people. Ninety million live in jurisdictions under 10,000 population; 74 million live in jurisdictions under 2,500," he pointed out. "Ninety-seven percent of the land mass of the United States is classified as rural."

Roberts told conferees South Dakota is as rural as it is possible to be in America today. "We have 310 municipalities; 297 have fewer than 5,000 people," he said. "We have two fulltime mayors in the state and four fulltime city commissioners. Now I want to explain the problems faced by the mayor of Buffalo Gap, South Dakota, population 173; a town larger than 110 other towns in South Dakota."

What are the main duties of the mayors of all the Buffalo Gaps in America,

he asked. "The main duties are probably to run a landfill and to participate in running a rural drinking water system. He might also run a wastewater system and provide some police or volunteer fire services which would include an underground storage tank of gasoline," said Roberts.

"In environmental bureaucratic terms, that means he is a member of the regulated community under the Clean Water Act, the Safe Drinking Water Act, and at least two parts of the Resource Conservation and Recovery Act. Changes in any of these acts -- requirements adding new testing parameters, liner standards, and so on -- could not impact the town of Buffalo Gap more if we had drawn a circle around the town and targeted it with a smart bomb," Roberts emphasized.

As part of a solution, Roberts suggested that state and local governments must have the authority to do a kind of "triage" on environmental requirements. He explained that the triage officer is the combat medical officer who determines which patients can wait, which patients must be treated now, and which patients represent a waste of limited resources. "In a similar manner, state and local governments must have the authority to do first the things that must be done, to do second the things that should be done, and not to do all the things that waste resources -- not because some problems are hopeless, but because some 'problems' are not problems," Roberts said.

Another highlight of the luncheon session was the presentation of Oklahoma Water Pioneer Awards to Larry D. Wornom, Chandler banker and conservationist; J.D. Fleming of Oklahoma City, retired Director of Legislative Services for the Oklahoma Farmers Union; and Paul Miller, longtime Broken Arrow newspaperman and water development activist. The awards were presented by Robert S. Kerr, Jr., chairman of the Oklahoma Water Resources Board and Duane Smith, OWRB assistant director.

The ceremony was initiated in 1985 to honor Oklahomans who have made outstanding contributions to the development, conservation, and protection of the state's water resources.



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A. Duane Smith, OWRB assistant director, presents Water Pioneer award to J.D. Fleming, retired Director of Legislative Services for the Oklahoma Farmers Union.

B. Tulsa Mayor Susan Savage said Tulsa labors under 75 new federal mandates.

C. Ken Crawford, Director of the Oklahoma Climatological Survey, demonstrates weather forecasting equipment to Gov. David Walters.

D. More than 325 Oklahomans attended the Fourteenth Annual Governor's Water Conference.

E. Shon Simpson, Sen. Paul Muegge and Duane Smith visit during the coffee break.

F. The conference also honored soil conservationist Larry Wornom of Chandler, shown here receiving the Oklahoma Water Pioneer award from Duane Smith.

G. Phyllis Robertson and Mike McGaugh of the OWRB assist with registration.

H. Paul Miller, Broken Arrow newspaperman and water development proponent, looks at his name on the plaque that honors Oklahoma Water Pioneers.



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FAP NEWS

AN UPDATE ON THE OWRB
FINANCIAL ASSISTANCE
PROGRAM



Financial Assistance Division members Brenda Maxey, Laura Oak, Shelly Bacon, Paul Hodge
Second Row: Brent Riley, Division Chief Joe Freeman, Reese Daugherty, Jack Smid, Marc Hullinger. Back: Tiger Feng, Michael McCowan and Nader Sous. Not shown: Stan Halley and Kathy Carroll. The Division has assisted hundreds of communities and rural water districts with more than \$151 million in FAP loans, nearly \$86 million in SRF loans and \$17.8 million in grants to construct or replace water and wastewater facilities.

Board's SRF Loan Program Helps Small Systems to Comply

A speaker at the Water Conference last month emphasized that the United States is a nation of small towns, with 90 million Americans living in towns with populations under 10,000. These are the communities for whom compliance with the Clean Water Act and other state and federal mandates is most difficult.

In Oklahoma, these are the communities targeted by the Board's SRF Small Community Program.

Scores of communities looked for financing options for the construction of wastewater improvements, but until now, the Board did not have a strategy to help them. First-round federal funds from the SRF involved certain federal cross-cutting laws and authorities which discouraged small communities from participating.

One of the goals of the SRF program is to assist small communities with wastewater treatment and collection systems to come into compliance with state and federal compliance orders by providing lower than market rate loans from second-round SRF funds.

According to Paul Hodge, who oversees the SRF program administered by the Financial Assistance Division, approximately \$12.2 million in second-round funds are available. Second-round funds are those funds received by the SRF from principal and interest payments on interim construction loans and principal payments from long-term SRF loans.

Second-round funds are available for the construction in the following wastewater categories:

- Secondary treatment
- Advanced treatment
- Inflow/infiltration correction
- Sewer replacement/rehabilitation
- New collector sewers
- New interceptor sewers
- Elimination of combined sewer

Hodge pointed out that the program defines "small community system" as any publicly owned treatment works or subsurface sewage disposal system that serves 10,000 or fewer people. He said requirements include:

- Projects must be listed on the SRF

Priority List and Intended Use Plan;

- Engineering report as required by the Oklahoma Department of Environmental Quality wastewater design standards;

- Sufficient economic and environmental information for the OWRB to issue an environmental decision regarding project impacts and;

- Public participation including a local public hearing.

Hodge said small community projects will be exempt from many Clean Water Act Title II requirements and federal cross-cutting laws and authorities including federal Davis-Bacon requirements.

The following financing terms will apply to loans less than \$500,000:

Direct loan

- 60% of market rate (fixed or variable)
- 0.50% administration fee
- 20-year maximum payback period
- 6-month minimum payback period
- 1.25 rate covenant factor
- Calculation for current variable rate is $(3.572 \times .60) + .50\% = 2.64\%$ (Average variable rate since 1986 is 5.319%)
- No reserve requirements

Continued on page 5

Board Closes Bond Sale Jan. 20

Joe Freeman, Financial Assistance Division chief, announced the closing of over \$124 million in bonds on January 20 to support water and wastewater improvements throughout the state. According to Freeman, the new issue will refinance all of the Board's outstanding variable rate bonds from its 1986, 1989 and 1992 issues and a portion of the fixed rate bonds from the 1989 issue. It also makes available \$50 million in new funds for the OWRB State Financial Assistance Program (FAP). The FAP provides loans and grants to communities to fund water and sewer projects in Oklahoma.

The bond sale followed on the heels of the Board's selection of the Swiss Bank Corporation of New York as the liquidity provider for existing bonds and the issuance of new bonds. As liquidity provider, the institution promises to buy the bonds that are not sold in case remarketing of the bonds is not completed and agreed to take all participation risk.

"The greatest feature of the Swiss Bank's participation is the removal of restrictions on the number of non-investment grade loans. Swiss Bank simply encourages the Board to maintain the exceptional AA rating awarded to the program by Standard and Poor's," said Freeman. "It allows the Board to consider the loan applications of small communities that cannot go to the market and issue debt on the strength of their own financial position," he pointed out. He expects 25 percent to 35 percent of the money to be available to these

non-investment grade borrowers.

The OWRB "blind pool" bond issue, where investors purchase the bonds without knowing the identity of communities participating in the loan program, is the first in the nation to receive Standard & Poor's AA stand-alone rating. The rating relieves the Board of the need to insure the issue at a cost of \$800,000 to \$1 million. Instead, the rating agency accepts the Board and borrowing communities to stand behind the bond issue.

Bob Cochran, Stifel Nicolaus executive vice-president who serves as the Board's senior underwriter, said the Swiss Bank's own AAA credit rating -- and the subsequent lower interest rate obtained as a result of the high rating -- saved the Board significant money in selling the bonds. It also allowed lower fees during the OWRB's term of agreement with the Swiss Bank.

"The high credit rating, low cost and flexibility enabled by this bond sale are goals we've been striving to achieve for 20 years," Cochran said.

Board Chairman Robert S. Kerr emphasized that the Board is pleased with the AA rating assigned by Standard & Poor's. "Their willingness to extend an even higher rating to the program is a tremendous compliment to the Board and the FAP staff," he said. "The excellent reputation of the loan program is a result of the division's hard work and perseverance." Kerr pointed out that the FAP staff conduct extremely thorough reviews of applicants, and the program has never experienced default by a borrower.

SRF, continued from page 4

The following financing terms will apply to loans over \$500,000:

Short-term construction loans

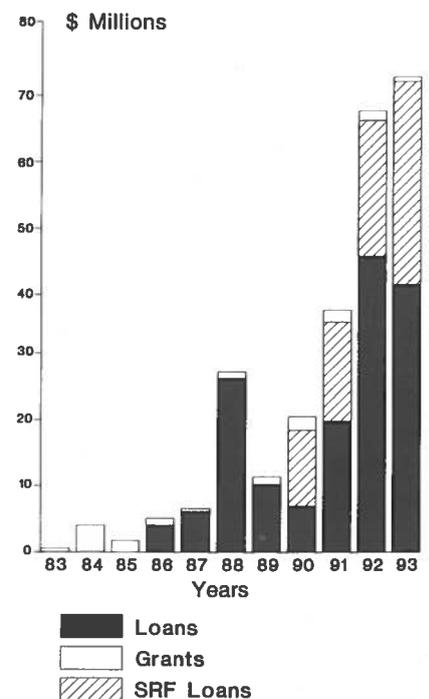
- 4.25% interest rate (charged as costs are incurred)
- .050% administration fee on unpaid balance
- Mature after completion of construction
- 1.25 rate covenant factor

Long-term loans

- 60% of market rate (fixed or variable)
- 0.50% administration fee
- 20-year maximum payback period
- 6-month minimum payback period
- 1.25 rate covenant factor

Market variable rate will be determined from market interest on current OWRB loans. The long-term fixed market rate will be determined by using the current rate of interest on like fixed rate loan/bonds or another index determined by the Board.

Grants and Loans Approved*



*Calendar Year Totals

FINANCIAL ASSISTANCE PROGRAM UPDATE

Approved at November, December, January Board Meetings

Loans

(3.572%; 30-year maximum term)

Union City MA	\$	300,000
Stilwell	\$	2,000,000
Creek Co. RWD #1	\$	2,255,000

SRF Loans

Duncan PUA	\$	9,400,000
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Grants

Pittsburg Co. RWD #15	\$	75,000
Chouteau	\$	75,000
Wagoner Co. RWD #13	\$	75,000
Calumet PWA	\$	25,000
Pittsburg Co. PWA	\$	50,000
Osage Co. RWD #11	\$	25,000
Langston	\$	35,000

Totals as of 1/13/94

	FAP LOANS	FAP GRANTS	SRF LOANS
APPROVED AMOUNT	135	312	16
FUNDED AMOUNT	\$151,115,000	\$17,865,279.00	\$85,956,029.03
	123	284	15
AMOUNT	\$139,530,000	\$16,343,355.15	\$81,558,329.03

**STORAGE IN SELECTED OKLAHOMA LAKES & RESERVOIRS
AS OF JANUARY 7, 1994**

PLANNING REGION LAKE/RESERVOIR	CONSERVATION STORAGE (acre-feet)	PRESENT STORAGE (acre-feet)	PERCENT OF STORAGE		PLANNING REGION LAKE/RESERVOIR	CONSERVATION STORAGE (acre-feet)	PRESENT STORAGE (acre-feet)	PERCENT OF STORAGE	
			conservation	flood				conservation	flood
SOUTHEAST					EAST CENTRAL				
Atoka	124,100	119,987	96.7	N/A	Eufaula	2,314,600	2,312,525	99.9	0.0
Broken Bow	918,070	916,794	99.9	0.0	Tenkiller	654,100	652,790	99.8	0.0
Hugo ¹	187,603	187,603	100.0	0.2	Wister ¹	58,601	52,411	89.4	0.0
McGee Creek	113,930	113,688	99.8	0.0	NORTHEAST				
Pine Creek ¹	73,346	73,164	99.8	0.0	Birch	19,200	16,345	85.1	0.0
Sardis	274,330	274,330	100.0	0.2	Copan	43,400	43,400	100.0	0.2
CENTRAL					Eucha	79,600	79,600	100.0	N/A
Arcadia	27,520	27,396	99.6	0.0	Fort Gibson	365,200	352,110	96.4	0.0
Hefner	75,400	58,568	77.7	N/A	Grand	1,672,000	1,544,040	92.4	0.0
Overholser	15,900	13,185	82.9	N/A	Heyburn	7,105	7,105	100.0	0.2
Stanley Draper	100,000	91,033	91.0	N/A	Hudson	200,300	200,300	100.0	1.2
Thunderbird	119,600	117,260	98.0	0.0	Hulah	31,160	31,160	100.0	0.2
SOUTH CENTRAL					Oologah	553,400	553,400	100.0	0.3
Arbuckle	72,400	72,400	100.0	0.0	Skiatook	322,700	295,421	91.6	0.0
Texoma ¹	2,740,000	2,740,000	100.0	0.7	Spavinaw	30,590	30,590	100.0	N/A
Waurika	203,100	192,742	94.9	0.0	NORTH CENTRAL				
SOUTHWEST					Kaw	428,600	428,600	100.0	0.8
Altus	132,830	79,210	59.6	0.0	Keystone	557,600	554,589	99.5	0.0
Ellsworth	72,490	55,915	77.1	N/A	NORTHWEST				
Fort Cobb	80,010	80,010	100.0	0.7	Canton	111,310	97,769	87.8	0.0
Foss	178,410	158,813	89.0	0.0	Fort Supply	13,900	13,900	100.0	0.4
Lawtonka	58,327	46,254	79.3	N/A	Great Salt Plains	31,420	31,420	100.0	1.2
Tom Steed	88,970	71,559	80.4	0.0	STATE TOTALS	13,151,122	12,787,386	97.2	0.2

¹Seasonal pool operation

N/A -- not applicable; no flood storage allocation.

Data courtesy of the U.S. Army Corps of Engineers, Bureau of Reclamation, Oklahoma City Water Resources Department, City of Tulsa Water Superintendent's Office and City of Lawton.

Mary E. Whitlow, Editor

Barry Fogerty, Photographer

Brad Nesom, Typography and Layout

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