

**OKLAHOMA WATER RESOURCES BOARD
OFFICIAL MINUTES**

January 11, 2005

1. Call to Order

The regular monthly meeting of the Oklahoma Water Resources Board was called to order by Chairman Ervin Mitchell at 9:30 a.m., on January 11, 2005, in the meeting room of the Oklahoma Water Resources Board, located in offices of the OWRB 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.

A. Invocation

Member Harry Currie gave the invocation.

B. Roll Call

Board Members Present

Ervin Mitchell, Chairman
Lonnie Farmer, Vice Chairman
Bill Secrest, Secretary
Harry Currie
Jack Keeley
Mark Nichols
Richard Sevenoaks

Board Members Absent

Rudy Herrmann

Staff Members Present

Duane A. Smith, Executive Director
Dean Couch, General Counsel
Joe Freeman, Chief, Financial Assistance Division
Jim Schuelein, Chief, Administrative Services Division
Mike Mathis, Chief, Planning and Management Division
Derek Smithee, Water Quality Programs Division
Mary Lane Schooley, Executive Secretary

Others Present

Marilyn Baldwin, City of Tulsa, OK
Robert Shelton, City of Tulsa, OK
Greg Swartz, Piper Jaffrey, Phoenix, AZ
Robert Jones, Capitol West Securities, Oklahoma City, OK
Deena Suddath, BancFirst, Oklahoma City, OK
Jim Barnett, Kerr Irvine Rhodes Ables, Oklahoma City, OK
Shawn Geurin, City of Ardmore, OK
Blake Rudd, City of Ardmore
Chris Cochran, Capitol West Securities, Oklahoma City, OK
Cheryl Dorrance, Oklahoma Municipal League, Oklahoma City, OK
Allan Brooks, Fagin Firm, Oklahoma City, OK
Charlie Swinton, BancFirst, Oklahoma City, OK
Kelly Schwarz, John Aldrege & Associates, Oklahoma City, OK

C. APPROVAL OF MINUTES

Chairman Mitchell stated the draft minutes of the December 14, 2004, Regular Meeting have been distributed. He said he would entertain a motion to approve the minutes unless there were changes.

Mr. Secrest moved to approve the minutes of the December 14, 2004 Regular Meeting, and Mr. Farmer seconded.

AYE: Currie, Farmer, Keeley, Nichols, Secrest, Sevenoaks, Mitchell
NAY: None
ABSTAIN: None
ABSENT: Herrmann

D. EXECUTIVE DIRECTOR'S REPORT

Mr. Duane Smith, Executive Director, announced that the amount of water leaving the state through the Arkansas and Red river systems in five days is more water than Oklahoma will use in all groundwater and surface water for irrigation and municipal use for all of 2005. He said that one fact that can be found on the agency website is that one inch of water over one-quarter section of land over 160 acres is over four million gallons of water, and weighs 18,000 tons. He mentioned the figures because in discussion the withdrawal of water, it puts into perspective that one million gallons of water is not much water in the "big picture."

Mr. Smith said that Mr. William Cunningham of Altus, Oklahoma came by the office recently – his grandfather was W.C. Austin, known as the "Father of Water Reclamation in Oklahoma" and responsible for building the Lugert-Altus Irrigation District (or W.C. Austin project). Mr. Cunningham brought several documents to share with the Board, a signed watercolor photograph print of his grandfather, which is displayed in the foyer of the Executive offices. Mr. Smith read some of the facts included in the document regarding the water resources of southwestern Oklahoma, and quoted Senator Robert S. Kerr and other officials that participated in the dedication of the project in 1947. The District includes about 45,000 acres of cotton farming that contributes over \$250 million to the economy of Jackson County. He commended the people involved for their foresight into the need to plan and develop water resources for the future – not only the W.C. Austin project but also the many other reservoirs around the state totaling more than 14 million acre-feet of water in storage. He said it is our

turn, what will people say in 50 years; this year one of the biggest legislative proposals and an OWRB top priority is the Comprehensive Water Plan. How, now, are we going to get the water to Oklahomans and develop the state's water resources so that in the next 50 years people reflect and appreciate the efforts made. Mr. Smith said the second high-priority item is the Financial Assistance Program.

Mr. Smith stated he had met with Senator Jeff Rabon, Chairman of the Senate Natural Resources Subcommittee on Appropriations, and talked about the Higher Education bond issue. He said discussions include an amount of about \$500 million, and he is still optimistic that money for the financial assistance programs will be included as well as funding for the comprehensive water plan. The third high-priority item is the Arbuckle-Simpson study that garnered interest at the committee meeting. Mr. Smith reported the study is going well, and while the federal government has reduced its monetary contribution to the study for the next year, the study is on track.

Mr. Smith continued his discussion on the agency's high priority items noting the distribution of a status memorandum to the members on the second quarterly status report on the agency's strategic plan high priority items. He noted in particular additional funding by the Bureau of Reclamation for the Lugert-Altus project, funding for nonpoint source projects with the Oklahoma Conservation Commission, and continuing efforts in regard to water quality monitoring (groundwater and other aspects), water quality standards implementation, data management and dissemination, public information/education efforts, tribal water rights and water law review.

Mr. Mike Melton, Assistant to the Director, informed the members about the pre-session activity at the State Capitol. The 50th Legislative session will convene on February 7, and organization meetings have been held, committee work is being done as well as some bills being introduced.

Mr. Smith concluded his report.

2. FINANCIAL ASSISTANCE DIVISION

A. Consideration of and Possible Action on a Proposed Order Approving Loan for Tulsa Metropolitan Utility Authority, Tulsa County. Recommended for Approval. Mr. Joe Freeman, Chief, Financial Assistance Division, stated to the members that the Tulsa Metropolitan Utility Authority had made a request for a \$5,730,000.0 State Loan Program Revenue Bond Loan. The loan is requested in order for Tulsa to upgrade its northeast and southeast lift station, electrical work at the Southside wastewater treatment plant, increase the Coal Creek Area relief line, construct sewer line extensions at the Apache East Interceptor, and conduct an evaluation of Haikey Creek drainage basin collection system. Mr. Freeman noted provisions of the loan agreement; Tulsa's debt ratio coverage is 1.8-times, and Tulsa has \$101 million outstanding with 19 loans to the OWRB. Since the Board's first loan to Tulsa in 1990, the Board has held 32 loans with Tulsa in excess of \$260 million. He said that by borrowing from the Board, the TMUA would save approximately \$1.6 million. Staff recommended approval of the loan request.

Mr. Bob Shelton, engineer, and Marilyn Baldwin, financial services manager were present in support of the loan application.

Mr. Secret moved to approve the loan to the Tulsa Metropolitan Utility Authority, and Mr. Nichols seconded.

AYE: Currie, Farmer, Keeley, Nichols, Secret, Mitchell
NAY: None

ABSTAIN: Sevenoaks
ABSENT: Herrmann

B. Consideration of and Possible Action on a Proposed Order Approving Loan for Tulsa Metropolitan Utility Authority, Tulsa County. Recommended for Approval. Mr. Freeman stated the Tulsa Metropolitan Utility Authority has requested a Clean Water SRF Interim Construction Loan in the amount of \$7,900,000.00. He said the loan would be used for several improvements to its Northside, Southside, and Bird Creek wastewater treatment plants, as well as modification to three lift stations. Mr. Freeman noted provisions of the loan agreement, and stated the TMUA would realize a savings of \$1.2 million over the life of the loan. Staff recommended approval.

Mr. Bob Shelton, engineer, and Marilyn Baldwin, financial services manager were present in support of the loan application.

Mr. Sevenoaks stated that Tulsa has spent much time and money over the past ten years doing comprehensive plans. He said that sometimes what is found to be significant in a comprehensive plan is to correctly maintain the existing plant operations, to build the newer facility to current and future standards, all factors that were not recognized before going through the planning process. He said that when and if the Board develops a comprehensive plan for the state, it would be a surprise to discover the aspects that have been overlooked. He suggested that if the Board is not funded to facilitate development of a statewide plan, it might behoove the larger metropolitan areas to conduct planning within the region and anticipate future growth and not have to try to catch up later.

Mr. Secrest moved to approve the loan to the Tulsa Metropolitan Utility Authority, and Mr. Keeley seconded.

AYE: Currie, Farmer, Keeley, Nichols, Secrest, Mitchell
NAY: None
ABSTAIN: Sevenoaks
ABSENT: Herrmann

C. Consideration of and Possible Action on a Proposed Order Approving Loan for Ardmore Public Works Authority, Carter County. Recommended for Approval. Mr. Freeman said the Ardmore Public Works Authority had made a request for a \$17,000,000.00 for a Clean Water SRF Interim Construction Loan. The loan will be used to replace the current wastewater treatment facility with a new sequential batch reactor process and lift station rehabilitation. Mr. Freeman noted provisions of the loan agreement, and said the total loan amount for all of Ardmore water and wastewater projects will be \$40 million. Mr. Freeman said that Ardmore's debt-ratio is 1.36-times, and that the Authority will save \$2.5 million by borrowing from the Board. Staff recommended approval of the loan application.

Mr. Sean Geurin, Mr. Blake Rudd, and Mr. Rick Smith, financial advisor, were present in support of the loan application.

Mr. Nichols moved to approve the loan to the Ardmore Public Works Authority, and Mr. Currie seconded.

AYE: Currie, Farmer, Keeley, Nichols, Secrest, Sevenoaks, Mitchell
NAY: None
ABSTAIN: None
ABSENT: Herrmann

D. Consideration of and Possible Action on a proposed Order Approving Extension of Time for Obligation of Funds for Maysville Municipal Authority, Garvin County. Recommended for Approval. Mr. Freeman stated that the Maysville Municipal Authority had requested a 6-month

extension of time in obligation for funds. The Board originally approved the loan to Maysville on January 13, 2004, for the construction of a 260,000-gallon storage tank, 48 fire hydrants, replace 2,850 linear feet of 12-inch water line, 5,570 feet of 8-inch line, 41,860 feet of 6-inch line, and install gate valves. Maysville has requested the extension as a result of difficulty experienced in acquiring a site for the new storage tank. All other aspects of the Board's original order will remain in effect. Staff recommended approval.

Mr. Currie moved to approve the extension of time to the Maysville Public Works Authority, and Mr. Sevenoaks seconded.

AYE: Currie, Farmer, Keeley, Nichols, Secret, Sevenoaks, Mitchell
NAY: None
ABSTAIN: None
ABSENT: Herrmann

E. 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, 2004 and 2003, Audits of the CWSRF Administrative Fund and the Drinking Water Treatment Loan Administrative Fund as of June 30, 2004 and 2003. Mr. Freeman stated this item follows the Board's Audit and Compliance Committee's annual audit held in December. Mr. Lonnie Farmer chairs the committee and other members are Mr. Jack Keeley and Mr. Harry Currie. He reviewed the items/documents reviewed by the Committee, and representatives of the John M. Arledge company reviewed the annual audits of all of the Board's loan programs. He introduced Mr. Kelly Schwarz with the Arledge company who reviewed the audit reports with the Board members.

Mr. Schwarz distributed to the members and reviewed the material highlighting audit report summary information in regard to the audit reports for the State Revenue Loan bond issue program, Clean Water State Revolving Fund and Drinking Water State Revolving Fund programs. He reported there were Unqualified Auditor's report on all bond issues and both the Clean Water and Drinking Water SRF programs, the "Yellow Book" Compliance report noted no laws or regulations violations and no internal control findings were found on all the bond issues, the CWSRF and DWSRF Administrative Funds.

Following questions and discussion by the Board members, Mr. Sevenoaks asked for discussion on the letters signed by the Board in regard to compliance with the audit procedures. Mr. Farmer complemented staff for putting together the information for the audit, and for their fine job operating the program. All Committee members expressed positive comments about the results of the audits, as well as staff's performance.

3. SUMMARY DISPOSITION AGENDA

Chairman Mitchell stated that any item listed under this Summary Disposition Agenda may, at the request of any member of the Board, the Board's staff, or any other person attending this meeting, 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; however, Mr. Mike Mathis, Chief of the Planning and Management Division, asked that item 3.E.3, permit #2004-581 for Dolese Brothers Company, be withdrawn from the Board's consideration due to a protest.

B. Discussion, Questions, and Responses Pertaining to Any Items Remaining on Summary Disposition Agenda and Action on Items and Approval of Items 3.C. through 3.N.

There were no other questions pertaining to items on the Summary Disposition Agenda. Mr. Farmer moved to approve the Summary Disposition Agenda as amended, and Mr. Nichols seconded.

AYE: Currie, Farmer, Keeley, Nichols, Secrest, Sevenoaks, Mitchell
NAY: None
ABSTAIN: None
ABSENT: Herrmann

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

There were no items presented to the Board.

5. SPECIAL CONSIDERATION

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

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

A. Consideration of items transferred from the Summary Disposition Agenda, if any. There were no items transferred from the Summary Disposition Agenda.

6. PRESENTATION OF AGENCY BUDGET REPORT.

Mr. Jim Schuelein, Chief, Administrative Services Division, began his report responding to earlier questions about REAP funds. He said to date the State has received \$3.26 million, and \$50,000 directed to the OWRB funds from the Gross production Tax. He said the legislature has prioritized and of the total \$191,000.00 anticipated, \$91,000 will go to Grand Lake Study and \$100,000 to the North Fork of the Red study. He said the Department of Agriculture will receive \$1.348 million, the Conservation Commission will received \$500,00, the Corporation Commission will receive \$3 million – the legislature actually allocated about \$5.5 million; any funds received over and above that amount the Conservation Commission will received the next \$500,000, the DEQ Public Water Supply program received the next \$400,000, then the OWRB Arbuckle Simpson study will receive the next \$500,000. On an average, the Board is receiving about \$5,043.00 per month, but that amount fluctuates wildly. There was some discussion about the other agency's work with REAP grant funding, the original intent of the fund, and possible funding for the nonpoint source program in 2005.

Mr. Schuelein continued he report saying he had provided the monthly-to-budget actual report for expenditures and the agency is operating well within the limits set by the Legislature and the Governor. Mr. Smith stated that excluding "soft" funding for special projects, the agency's appropriation level has remained the same the past few years. He said the legislature has been working with the agencies on "zero-based budgeting" which is not truly zero-based budgeting, but a process for justifying programs and to weed out obsolete programs. He told the members that in the agency's Strategic Plan, the high priority programs are listed, and there is a constant movement of reallocating staff from the more-obsolete programs to the high priority programs. He said one problem is that some of the programs remain on the statute books, and it becomes a balancing act.

Mr. Sevenoaks mentioned a major player in the construction of New York City, in the 1940s-1970s and he used his example of using bond issue power from the financial assistance program to fund other initiatives of the Board, i.e. Arbuckle-Simpson study. Mr. Smith commented that the staff and service providers have had discussion about the administrative fee on the bond issues and the importance that the fees remain at a level where the rates will be competitive for the borrowers. The members discussed the administrative fees and the financial assistance program.

7. CONSIDERATION OF SUPPLEMENTAL AGENDA, IF ANY.

There was a Supplemental Agenda for the Board's consideration. Mr. Mike Mathis explained to the Board members that the first item is a driller who completed testing after the initial agenda was developed and posted, and also, it is time for the re-appointment of the Well Driller and Pump Installer Advisory Council members. He explained the function of the advisory council and the assistance it provides to staff in developing rules and regulations for the industry. Staff recommended approval of items 7.A. and 7.B.

Mr. Sevenoaks moved to approve the Supplemental Agenda items, and Mr. Currie seconded.

AYE:	Currie, Farmer, Keeley, Nichols, Secrest, Sevenoaks, Mitchell
NAY:	None
ABSTAIN:	None
ABSENT:	Herrmann

A. Well Driller and Pump Installer Licensing.

1. Licensee: Drilling Services of Oklahoma DPC-0402
a. Operator: Bradley W. Bettes OP-1423
Activities: Monitoring wells and geotechnical borings

B. Consideration and Approval of Order of Appointment for Water Well Driller And Pump Installers Advisory Council.

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 the Board's consideration. However, the members asked about the status of a new appointment to the Board and the Knight Lake project.

9. ADJOURNMENT

There being no further business, Chairman Mitchell adjourned the regular meeting of the Oklahoma Water Resources Board at 11:07 a.m. on Tuesday, January 11, 2005.

OKLAHOMA WATER RESOURCES BOARD

_____/s/_____
Ervin Mitchell, Chairman

_____/Absent_____
Lonnie Farmer, Vice Chairman

_____/s/_____
Harry Currie

_____/s/_____
Rudolf J. Herrmann

_____/s/_____
Jack W. Keeley

_____/s/_____
Jess Mark Nichols

_____/s/_____
Richard Sevenoaks

_____/s/_____
Edward H. Fite

ATTEST:

_____/s/_____
Bill Secrest, Secretary

(SEAL)