

OKLAHOMA WATER RESOURCES BOARD
OFFICIAL MINUTES
December 19, 2017

1. CALL TO ORDER

The regular monthly meeting of the Oklahoma Water Resources Board was called to order by Chairman F. Ford Drummond at 9:32 a.m., on December 19, 2017, at the offices of the Oklahoma Water Resources Board, 3800 N. Classen Boulevard, Oklahoma City, Oklahoma.

The meeting was conducted pursuant to the Oklahoma Open Meeting Law with due and proper notice provided pursuant to Sections 303 and 311 thereof. The agenda was posted on December 15, 2017, at 3:45 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 Drummond welcomed everyone to the December meeting of the Oklahoma Water Resources Board, and asked for the roll call of members.

A. Roll Call

Board Members Present

Ford Drummond, Chairman
Jason Hitch, Vice Chairman
Stephen Allen, Secretary
Tom Buchanan
Charles Darby
Bob Drake
Linda Lambert
Robert L. Melton
Robert Stallings

(Mr. Hitch joined the meeting at 9:55 a.m.)

Board Members Absent

None

Staff Members Present

Julie Cunningham, Executive Director
Sara Gibson, Interim 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

Bill Myers, Alva/Myers Engineering, Oklahoma City, OK
Joe Don Dunham, Alva Utilities, Alva, OK
Treyner Tevebaugh, T2Land & Cattle, Woodward, OK
Zack Robinson, BOK Financial Services, Oklahoma City, OK
Kaylee Maddy, Enid/DSDA, Oklahoma City, OK
Bud Ground, Environmental Federation of Oklahoma, Oklahoma City, OK
Saba Tahmassebi, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Crysta Watson, ISG/Wilburton, OK
Dale Burke, ISG/Wilburton, OK
Charlie Swinton, BancFirst, Oklahoma City, OK
Carlos E. Johnson, BKA, LLP, Oklahoma City, OK
Marla Peek, OK Farm Bureau, Oklahoma City, OK
Adam Schilde, Self, Kingfisher County, OK
Nathan Madenwald, Oklahoma City Water Utilities Trust, Oklahoma City, OK
Billy Little, Oklahoma City Water Utilities Trust, Oklahoma City, OK
Sam Samandi, Oklahoma City Water Utilities Trust, Oklahoma City, OK
Justin Hodge, Department of Environmental Quality, Oklahoma City, OK
Patty Thompson, Department of Environmental Quality, Oklahoma City, OK
Candy Thompson, Department of Environmental Quality, Oklahoma City, OK
Dirk Spoons, Citigroup, Dallas, TX
Vicki Reed, Department of Environmental Quality, Oklahoma City, OK
David Floyd, Floyd Law Firm, P.L., Norman, OK
Tom Liu, Bank of America Merrill Lynch, New York, NY
Eric Cowan, Bank of America Merrill Lynch, New York, NY
Kenny Sullivan, Goldsby; Norman, OK
Jeff Everett, OG&E, Oklahoma City, OK

B. Discussion, Amendments, and Vote to Approve Official Minutes of the November 1, 2017, Regular Meeting.

Chairman Drummond asked if there were any corrections to the minutes of the November 1, 2017, regular meeting. Ms. Linda Lambert stated that, as a clarification, she would request the minutes reflect the two conditions presented by Mr. Harris as written in the Board's Vici order (page 14). She said this is not a change, but clarification that the Board's order and the minutes are accurate.

There were no other changes, and Chairman Drummond asked for a motion to approve the November meeting minutes as so clarified. Ms. Lambert moved to approve the minutes of the November 1, 2017, meeting, and Mr. Stallings seconded.

Chairman Drummond called for the vote.

AYE: Lambert, Melton, Drake, Buchanan, Darby, Stallings, Drummond
NAY: None
ABSTAIN: Allen
ABSENT: Hitch

C. Executive Director's Report

Ms. Julie Cunningham, OWRB Executive Director, welcomed everyone in attendance and began her report with an update on statewide drought conditions, and particularly that "flash droughts" followed by flash flooding events are becoming more frequent. For example, she said Dr. Kloesel, Director of the Oklahoma Climatological Survey, provided information that the Panhandle is

experiencing the 10th wettest year on record while simultaneously experiencing its second-driest 60-day period on record. There is a similar situation with overnight and day-time temperatures coupled with dry conditions and lack of rainfall effect winter crops in the state; conditions are similar in the southeast parts of the state as well.

Ms. Cunningham stated she had received much positive feedback about the Governor's Water Conference and thanked those who participated and supported the conference and she had received congratulations on the 60th anniversary celebration from former employees and directors. She was pleased to have debuted the Water for 2060 Excellence Awards which had been recommended by the Water for 2060 Advisory Council, created by the Water for 2060 Act. It was relatively inexpensive and the criteria and selection process was developed by staff, as well as awards designed and printed by the agency. She also complimented staff and Board on being the recipient of recognition as "Top Work Places" for the fifth year in a row, the OWRB was the only state agency recognized. Chairman Drummond echoed other congratulatory comments by members adding that to employees this is more than just a job, but is a calling. He quoted the news article citing an OWRB employee answer, "I love my job because I am helping citizens of the state," which is a simple, yet profound message exhibited by everyone who works for the OWRB.

Ms. Cunningham complimented and recognized the Board members for their volunteer contributions to the agency's mission and successes; she thanked them for their work, and noted the education series implemented for members as well as a program for training employees on various agency programs. She distributed summary information regarding 2017 accomplishments (also provided to the Legislature each year) and highlighting the importance of agency's various programs. She also distributed a status report summarizing program achievements which is provided to the Legislative Appropriations Committees.

Ms. Cunningham noted the schedule of 2018 meetings and asked the members to notify staff regarding absences. She explained the schedule for the public hearing of the new and proposed rules at the January Board meeting, consideration of any amended draft rules at the February meeting, and required submittal by April 1. The proposed rules language, notices, and impact statements are available on the agency website. The Oklahoma City permit and compliance with the tribal agreement requirements are on track, the permit has been issued and the hydrologic model completed; one remaining provision is the amendment to the storage contract (OWRB, OKC, and COE). Ms. Gibson stated some of the protestants to the water right application filed a petition for judicial review in Pushmataha County, a motion to dismiss has been filed by Oklahoma City and the OWRB, and the hearing has been set for January 4, 2018. The matter will be heard in the District Court in Pushmataha County. The petition for review regarded the permit but all the parties were not named which is the basis for the motion to dismiss.

There will be another legislative special session, and Ms. Cunningham stated requests have been made of the agency to provide budget information and funding impacts. December 8 was deadline for draft legislation, and the 28th for substantive language; January 18 bill introduction deadline. Staff has been in contact with Legislative Leadership regarding topics for bill requests, as well as a response for language to address an audit finding. She said Mr. Drake is chair of the Board's Legislative Committee and will call a meeting/conference call of the committee soon.

A state coordination of outreach programs has been initiated with the OWRB, Oklahoma City, City of Edmond, OSU and OU Water Centers, Conservation Commission and Department of Environmental Quality to explore opportunities for funding leveraging and outreach opportunities to move forward on other recommendations of the Water for 2060 Advisory Council. The Water for 2060 Produced Water Working Group has reported on two uses of produced water: forced evaporation and a transfer pipeline from the Mississippi Lime to the Scoop/Stack. The group toured the Poseidon forced water evaporation facility, and will conduct two workshops in January.

Ms. Cunningham concluded her report noting the federal report that is included in the Board's meeting materials. She noted staff is watching funding for the NFIP, and Congress convenes January 3. There were no questions or comments from members.

D. Financial Update

Chairman Drummond stated the Financial Update will be presented later in the meeting as a representative of the State Auditor's Office may be able to attend.

2. FINANCIAL ASSISTANCE DIVISION

A. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Wilburton Public Works Authority, Latimer County. Recommended for Approval. Mr. Joe Freeman, Chief, Financial Assistance Division, stated to the members that this item is a \$204,760.00 loan request by the Wilburton Public Works Authority located in Latimer County. He said the loan is being requested to go along with \$195,000.00 in local funds for lift station improvements, replace 3,400 feet of sewer line, and replace 13 manholes. Mr. Freeman noted provisions of the loan agreement, and said the loan will be funded through the loan forgiveness portion of the 2017 Clean Water SRF Capitalization Grant. Wilburton has two outstanding loans with the Board with a combined balance of approximately \$9.3 million dollars, and the debt coverage ratio stands at 1.3-times. Staff recommended approval of the loan application.

Representing the Wilburton Public Works Authority was Crista Watson, Engineer.

There were no questions by the members.

Ms. Lambert moved to approve the Clean Water funding to the Wilburton Public Works Authority, and Mr. Darby seconded. Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond

NAY: None

ABSTAIN: None

ABSENT: None

B. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Broken Arrow Municipal Authority, Tulsa County. Recommended for Approval. Mr. Freeman stated to the members that the Broken Arrow Municipal Authority located in Tulsa County had made an application for Clean Water SRF loan funding in the amount of \$2,100,000.00. He said the Authority is requesting the loan to continue to convert the water metering system to an automatic meter reading system, and are adding approximately 9,000 AMRs to its system. Mr. Freeman explained the provisions of the loan agreement and said Broken Arrow currently has 15 loans with the Board for a combined principal balance of \$110 million dollars and a debt coverage ratio of 2.25-times. Staff recommended approval of the application.

Representing Broken Arrow today was Kenny Schwab, Assistant City Manager and Robin Tai, Budget Officer. Mr. Schwab explained there are 38,000 water customers and new customers will have an AMR. Mr. Buchanan asked if there were customers who did not want an AMR, and Mr. Schwab said there were not, but they are explaining the increase in the water bills. Chairman Drummond asked if leaks have found and Mr. Schwab said it was discovered there were dead meters. Ms. Lambert asked the challenges of the automated meter reading, and Mr. Schwab answered there are actually fewer challenges for staff, but educating the public is a challenge.

Mr. Stallings moved to approve the Clean Water funding to the Broken Arrow Municipal Authority, and Mr. Allen seconded. Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond

NAY: None
ABSTAIN: None
ABSENT: None

C. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for Alva Utility Authority, Woods County. Recommended for Approval. Mr. Freeman stated this item is a loan request from the Alva Utility Authority located in Woods County. Alva is requesting the loan to construct a \$1.5 million gallon water storage tank and booster station along with demolishing two existing storage tanks. Mr. Freeman noted provisions of the loan agreement, stating Alva's water and sewer connections have increase by about 8% over the last ten years. This is Alva's first loan with the Board and its debt coverage ratio stands at 8.8-times. Staff recommended approval of the loan application.

Representing Alva was City Manager Joe Don Dunham who explained Alva's project and customer needs. Mr. Stallings asked the number of customers, and Mr. Dunham said there are 3,200 meters. Ms. Lambert asked how the project had been funded in the past, and Mr. Dunham said they were self-funded. Mr. Drummond asked about the increased activity due to the Mississippi Lime production and Mr. Dunham said Alva had seen a boom and bust, and is now stabilized.

Mr. Drake moved to approve the \$1.5 million Drinking Water loan to the Alva Utility Authority, and Mr. Stallings seconded. Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

D. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for Goldsby Water Authority, McClain County. Recommended for Approval. Mr. Freeman stated this application by the Goldsby Water Authority in McClain County is for \$5.5 million. The Authority is requesting the loan to go along with approximately \$617,000 in local funds to rehabilitate and expand the water treatment plant from an approximately 350,000 gallon per day plant to a two million gallon a day plant, as well as constructing two lagoons. Mr. Freeman noted provisions of the loan agreement and stated over the past ten years, Goldsby's population and water connections have increased by approximately 50% and its debt coverage ratio is 1.25-times. Staff recommended approval of the request.

Representing Goldsby was Mr. David Floyd, Bond Counsel who stated the chairman was unable to attend. Mr. Kenny Sullivan, Engineer, was also present. Chairman Drummond stated the 1.25-times debt coverage ratio is the minimum.

There were no other questions, and Chairman Drummond said he would entertain a motion.

Mr. Darby moved to approve the Drinking Water loan application to the Goldsby Water Authority, and Mr. Hitch seconded.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

E. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Oklahoma City Water Utilities Trust, Oklahoma County. Recommended for Approval. Mr. Freeman stated to the members that this item is for consideration of a \$68.8 million Clean Water SRF loan request from the Oklahoma City Water Utilities Trust. He said that approximately \$34 million will be used for Atoka Reservoir spillway and chute improvements, \$8 million for upgrades at the

City's Chisholm Creek Wastewater Treatment Plant, \$10 million for sewer main assessment and rehabilitation, \$750,000 for the Deer Creek and Chisholm Creek Wastewater Treatment Plant master plan, \$500,000 for the West Oklahoma City wastewater master plan, and funds for refinancing a previous OWRB Clean Water SRF Loan. Mr. Freeman noted provisions of the loan agreement and stated Oklahoma City currently has eight loans with the Board with an outstanding principal balance of approximately \$145 million dollars. He said that over the last ten years, the City's water and sewer connections have increased by over 17% and the Trust's debt coverage ratio stands at 2.6-times. Staff recommends approval of the loan application.

Representing the Oklahoma City Water Utilities Trust was Mr. Billy Little, Financial Operations Manager, Mr. Sam Samandi, Engineering Manager, and Mr. Nathan Madenwald, Engineer. Mr. Samandi spoke to the members about the construction projects. Mr. Buchanan asked if the project plans were completed at Atoka, and Mr. Samandi answered the plans are done but will not be ready until about March or April to begin construction. The time frame is approximately 16 months.

Ms. Lambert asked about the loan fund capacity, and Mr. Freeman said the capacity is very good, staff reviews how to help other communities, and Oklahoma City. The next items regard bond counsel and underwriters for the loan programs. Ms. Cunningham asked if funding master planning was a new item, and Mr. Freeman said it was not.

Mr. Buchanan moved to approve the \$68 million Clean Water funding application to the Oklahoma City Water Utilities Trust, and Ms. Lambert seconded.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

Chairman Drummond commented this is the largest loan by the Board.

Mr. Freeman stated that the next four agenda items are for the selection of Bond Counsel and Underwriters for the Board's State Revenue Bond Loan Program also known as the FAP Loan Program, and for the Drinking Water and Clean Water State Revolving Fund Loan Programs. He said staff had reviewed the proposals and consulted with the Board's Financial Advisor Anne Berger Entrekin with First Southwest regarding the proposals. The Board's Finance Committee, comprised of Mr. Buchanan, Chairman, Mr. Allen, Mr. Melton, and Mr. Stallings, held a conference call on December 4, 2017. Mr. Freeman said Mr. Buchanan would address the Board. Mr. Buchanan stated the committee had good discussion and agreed with the recommendations by Mr. Freeman and staff, and he asked Mr. Freeman to respond to questions by the Board.

F. Consideration of and Possible Action on Selection of Bond Counsel in Connection with the Issuance of One or More Obligations to Provide Funding for the State Loan Program. Recommended for Approval. Mr. Freeman stated this item is a resolution approving the selection of Bond Counsel for the FAP Loan Program. Staff distributed 27 requests for proposals and received proposals from the Dinsmore Law Firm of Ohio and from the Centennial Law Group of Oklahoma. Staff reviewed the proposals based on new money revenue bond experience, Oklahoma state and local bond experience, experience of the assigned attorneys, and the proposed fees. Mr. Freeman stated after review with the Committee, staff recommended the selection of the Centennial Law Group as Bond Counsel for the FAP Loan Program bond issues.

Mr. Buchanan move the selection of the Centennial Law Group as Bond Counsel for the FAP Loan Program, and Mr. Stallings seconded. There were no comments or questions and Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond

NAY: None
ABSTAIN: None
ABSENT: None

(Mr. Freeman presented and the Board voted on item G. prior to voting on item F.)

G. Consideration of and Possible Action on Selection of Investment Banker(s) in Connection with the Issuance of One or More Obligations to Provide Funding for the State Loan Program. Recommended for Approval. Mr. Freeman stated this item is for the selection of Investment Bankers for the FAP Loan Program. He said staff distributed 35 requests for proposals and received seven proposals. He said proposals for Senior Manager were from Citigroup, Wells Fargo, BOK Financial Securities, Stifel Nicolaus, and Stephens. Two proposals were submitted for consideration as co-manager only from Academy Securities and Fidelity. Mr. Freeman stated the proposals were reviewed based on each firm's relevant bond experience, the assigned personnel's relevant bond experience, marketing capabilities, distribution capabilities, quality of the proposal, and fees. Staff recommended the selection of BOK Financial Securities as Senior Manager for the FAP Loan Program, and for the FAP Bond obligations greater than \$10 million the addition of Stifel Nicolaus Company as Co-Manager.

Mr. Buchanan moved to approve the recommendation of staff for selection of investment bankers in connection with the State Loan Program, and Mr. Stallings seconded. Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

H. Consideration of and Possible Action on Selection of Bond Counsel in Connection with the Issuance of One or More Obligations to Provide Funding for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund Loan Programs. Recommended for Approval. Mr. Freeman stated this item is for the selection of Bond Counsel for the Clean Water and Drinking Water State Revolving Fund Loan Programs. Staff requested proposals from 27 firms and received proposals from Norton Rose and Fulbright, McCall Parkhurst and Horton, the Centennial Law Group, and the Dinsmore Law Firm. The proposals were reviewed on SRF bond issue experience, other bond issue experience, Oklahoma state and local bond issue experience, experience of the assigned attorneys, and fees. Mr. Freeman stated staff recommended the selection of the firm McCall Parkhurst and Horton as Bond Counsel for the SRF Loan Program bond issues.

Mr. Buchanan moved to accept the recommendation by staff for the selection of Bond Counsel in connection with the Clean Water and Drinking Water SRF, and Mr. Stallings seconded. Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

I. Consideration of and Possible Action on Selection of Investment Banker(s) in Connection with the Issuance of Obligations to Provide Funding for the Clean Water State Revolving Fund and Drinking Water State Revolving Fund Loan Programs. Recommended for Approval. Mr. Freeman stated this last item is for the selection of investment bankers for the Clean Water and Drinking Water SRF Loan Programs. He said staff requested proposals from 35 firms and received proposals for Senior Manager

from Morgan Stanley, Citigroup, JP Morgan, Bank of America Merrill Lynch, and Wells Fargo. Proposals received for Co-Managers only were from BOK Financial Securities, Stephens, UMB, Stifel Nicolaus, Fidelity, and Academy Securities. Proposals were reviewed based on the firm's relevant experience, marketing capabilities, distribution capabilities, and the quality of the proposed financing plan. Staff recommended the selection of Bank of America Merrill Lynch as Senior Manager and as Co-Managers BOK Financial Securities, Morgan Stanley and Stifel Nicolaus Company.

Mr. Buchanan moved to approve the recommendation of staff for selection of Investment Bankers in connection with the Clean Water and Drinking Water SRF, and Mr. Stallings seconded. There were no questions or discussion and Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

Chairman Drummond thanked the members of the Board's Finance Committee for their vetting of the firms.

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 Drummond asked if there were actions regarding items on the Summary Disposition Agenda. Mr. Buchanan asked about the agreement with FEMA for \$160,000, item 3.D.2. Ms. Cunningham explained that is a cooperative technical program and is a pass through from FEMA to an engineering firm that works with the local community. In this particular case, FEMA has identified certain watersheds to perform mitigation for flood issues. One engineering firm conducts the engineering work and another engineering firm conducts the program management. Mr. Kent Wilkins said that FEMA had requested there be two firms. Ms. Cunningham said staff identifies the 25% local match, which is Tulsa. The OWRB does not know what the funding level will be as it fluctuates, but there has been much work done in Oklahoma. Mr. Wilkins added staff works with FEMA on identifying issues. Mr. Buchanan commented rural areas may not have matching opportunities and could the FAP program assist in those cases. Mr. Wilkins explained that smaller communities have been able to participate and all partners are able to participate in the decision-making process. Ms. Cunningham said in order to receive funding from the OWRB Financial Assistance, it would have to be an eligible entity. The Freese and Nichols firm is very experienced in the cooperative program.

Mr. Hitch asked about the agreement with the Gold Systems, item 3.D.5., and Mr. Bill Cauthron answered it is a software system that manages the monitoring system data base. Mr. Hitch asked and Mr. Cauthron explained that EPA is not involved in groundwater, what is noted in the agreement is a

module in the data base; the program is based on surface water.

There were no changes or other questions by members, and Chairman Drummond asked for a motion to approve the Summary Disposition Agenda.

Mr. Buchanan moved to approve the Summary Disposition Agenda, and Mr. Hitch seconded. Chairman Drummond called for the vote.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
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:

Item No.	Application No.	Entity Name	County	Amount Recommended
None				

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

1. Amended Joint Funding Agreement between OWRB and the U.S. Geological Survey to do groundwater hydrological survey on Section (Reach) 1 of the Washita River Alluvium and Terrace Groundwater Basin to extend time frame of the originally signed 2015 agreement.
2. Professional Engineering Services Agreement between OWRB and Freese and Nichols, Inc., to implement the FEMA Cooperative Technical Partner Program in Oklahoma by creating accurate flood hazard data for OWRB.
3. Intergovernmental Agreement between OWRB and City of Tulsa, Oklahoma to assist in the completion of the FEMA Cooperative Technical Partner Program for flood hazard data for portions of Cooley Creek in the Bird Creek Watershed.
4. Agreement between OWRB and Aquatic Informatics, Inc., to provide electronic reporting tools for water data management compliance and provide secure cloud service while using and or accessing Aquatic's software system.
5. Professional Services Agreement between OWRB and Gold Systems, Inc., to provide ambient water quality data that is reported to EPA for total maximum daily load tracking.
6. Professional Services Agreement between OWRB and J. Gavin Brady Consulting, LLC., for floodplain management assistance to the Planning and Management Division.
7. Professional Services Agreement between OWRB and Tarigma Corporation for support service for the computer loan and grant tracking software used by the Financial Assistance Division.
8. Amendment to Agreement for Professional Engineering Services Agreement between OWRB and Lynker Technologies, LLC to complete stream water allocation model for the North Fork of the Red River.
9. Amendment to the Contract between OWRB and Department of Environmental Quality to revise the fee structure for laboratory services for implementation of water quality monitoring.

E. Consideration of and Possible Action on Applications for Temporary Permits to Use Groundwater:

1. Enid Municipal Authority, Major County, #2016-576
2. Enid Municipal Authority, Major County, #2017-508

3. Enid Municipal Authority, Major County, #2017-520
 4. Ryan Cinnamon, Garfield County, #2017-531
 5. Justin & Marisa Endersby, Woodward County, #2017-539
- F. Consideration of and Possible Action on Applications to Amend Temporary Permits to Use Groundwater:
1. City of Enid/Enid Municipal Authority, Major County, #1980-718
 2. Lazy E Arena, LLC, Logan County, #1984-576
 3. Harold Mason, Grady County, #2001-563A
- G. Consideration of and Possible Action on Applications for Regular Permits to Use Groundwater:
1. T Squared Land & Cattle, LLC, Woodward County, #2017-523
 2. Cimarex Energy Company, Canadian County, #2017-533
 3. Oklahoma Sand, LLC, Love County, #2017-543
 4. Corey and Greg Barnes, Texas County, #2017-552
- H. Consideration of and Possible Action on Applications to Amend Regular Permits to Use Groundwater:
1. Terry E. DeMoss Family Trust, Blaine County, #1987-506
- I. Consideration of and Possible Action on Applications to Amend Prior Rights to Use Groundwater:
None
- J. Consideration of and Possible Action on Applications for Regular Permits to Use Stream Water:
1. Gregory Winter, Blaine County, #2016-038
 2. Chris Sylte Real Estate Limited Partnership and Jason Sylte Real Estate Limited Partnership, McCurtain County, #2017-002
 3. Dunkin Families, LLC, Wagoner County, #2017-023
 4. Thomas B. Feagins, Kingfisher County, #2017-049
 5. Ryan & Dara Sullivan, Comanche County, #2017-050
- K. Consideration of and Possible Action on Applications to Amend Permits to Use Stream Water:
1. Buckhorn Sportsman Club, LLC, Murray County, #1949-043
 2. Dee Max & Kimmie Corbin, Custer County, #2014-004
- L. Consideration of and Possible Action on Dam and Reservoir Construction:
1. Hefner Lake Dam, Oklahoma County, #OK02535
 2. Omega Lake, Kingfisher County, #OK30522
 3. Didier Lake, Blaine County, #OK30523
 4. Crain Farm Dam #3, Caddo County, #OK30525
- M. Consideration of and Possible Action on Well Driller and Pump Installer Licensing:
1. New Licenses and Operators:
 - a. Licensee: Corpro Companies, Inc. DPC-1001
 1. Operator: Dennis Coldiron OP-2140
 2. Operator: Justin Brittain OP-2049
 - b. Licensee: Aimright Testing & Engineering, LLC DPC-0997
 1. Operator: Brandon Parks OP-2183
 - c. Licensee: Tierra Corrosion Control, Inc. DPC-0999
 1. Operator: Johnny Kerr OP-2219
 - d. Licensee: Hummel Water Well Service DPC-0995
 1. Operator: Garret Gum OP-2217
 - e. Licensee: Randall Drilling, LLC DPC-1003
 1. Operator: Jason Randall OP-2208

2. New Operators, Licensee Name Change, and/or Activities for Existing Licenses:
 - a. Licensee: Major Drilling DPC-0993
 1. Operator: Zane Plumlee OP-2214
 2. Operator: William Templeton OP-2215
 - b. Licensee: Talon/LPE DPC-0619
 1. Operator: Kent Wilkerson OP-2216

N. Consideration of and Possible Action on Permit Applications for Proposed Development on State Owned or Operated Property within Floodplain Areas:

1. Oklahoma Department of Transportation, Sequoyah County, #FP-17-39
2. Oklahoma Department of Transportation, Craig County, #FP-17-42
3. Oklahoma Department of Transportation, Stephens County, #FP-17-44
4. Oklahoma Department of Transportation, Seminole County, #FP-17-45
5. Oklahoma Department of Transportation, Osage County, #FP-17-46
6. Oklahoma Department of Transportation, Bryan County, #FP-17-47
7. Oklahoma Department of Transportation, Grady County, #FP-17-48
8. Oklahoma Department of Transportation, Lincoln County, #FP-17-49
9. Oklahoma Turnpike Authority, Creek and Tulsa Counties, #FP-17-77

O. Consideration of and Possible Action on Applications for Accreditation of Floodplain Administrators:

1. Albert A. Walkup, City of Durant, #FPA-729
2. Jimmy J. Tramel, CFM, City of Pryor Creek, #FPA-730

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

A. Presentation and Discussion of Board Education Series, “Water Law 101.”

Interim General Counsel Sara Gibson addressed the members and presented the second in a series of education topics for the Board members. She referred to the prepared presentation which was included in the members’ meeting materials and discussed topics beginning with the Right to Use Water (60 O.S. § 60) based on the Territorial Statutes of 1890 regarding property and water, and includes the use of groundwater and stream water (water running in a definite stream), but not diffused water which is water that runs across land until it reaches a stream or pond; and she explained the definitions in the law as well as reviewing the statutes and regulations governing the use of water in Oklahoma which is divided into the two categories: Stream Water (public domain) 82 O.S. §§ 105.1-105.32, OAC 785:20; and Groundwater 82. O.S. §§ 1020.1-1020.22, OAC 785:30; 27A refers to the responsibilities of the state’s 10 environmental agencies—including SRF program and water quality, planning and interstate stream compacts. The OWRB is responsible for the appropriation, allocation, conservation and management of water. She said that the law refers to stream water and groundwater in two different places and is treated separately, with the exception of the Arbuckle Simpson groundwater basin and compacts. She noted that any use, other than domestic use, requires an OWRB permit, which definition she explained, and provided examples of such use adding that large scale irrigation operations or selling of water would require a permit.

Ms. Gibson discussed domestic use as defined in the Board’s rules as it applies to stream water and groundwater and that no permits are required under either water classification. She discussed the two fundamental concepts for issuing stream water permits including: the applicant has a present or future need for the water and the use is a beneficial use, and there is priority in time for prior rights—whoever applies for a permit first--junior rights yield to senior rights. Oklahoma Stream Water Law includes water inside a natural channel, within cut bed and banks, and includes ponds and lakes.

Stream water is publicly-owned and subject to appropriation by the OWRB, there is seniority by water right date, but no priority of use type. Stream water permits are subject to use-it-or-lose-it provisions, and the OWRB is charged with determining if unappropriated water is available prior to permit issuance, that the proposed use does not interfere with domestic or existing appropriative uses, and considers basin of origin protection. Regarding Groundwater Law, Ms. Gibson explained groundwater is defined as fresh water under the surface, outside the cut banks of a definite stream, ownership is tied to overlying land, and is subject to reasonable regulation determined by temporary permit maximum; maximum annual yield (MAY) determination and equal proportionate share (EPS) determination is based on 20-year life of a basin, and well spacing requirements. She explained groundwater allocation based upon studies and unstudied basins and how those MAY determinations are made based upon provisions in the statutes, and she discussed the two types of waste: by depletion and by pollution, which regards well construction standards. The OWRB shall approve an application for groundwater use based on four points of law: the lands are owned/leased by the applicant, the lands overlie a fresh groundwater basin, the water is put to beneficial use, and waste by pollution or depletion will not occur. In the case of both stream water and groundwater, if the applicant has met the requirements of the law, the Board shall grant the permit.

There was discussion by the members regarding diffused water reaching farm ponds constructed under the Conservation Act and the Board's responsibility regarding water quantity and other agencies' authorities regarding water quality regulations and implementation of the Water Quality Standards. Ms. Lambert asked and Ms. Cunningham responded about the Arbuckle Simpson Aquifer is the only aquifer that recognizes conjunctive use following passage of Senate Bill 288 and requirements regarding a sole source drinking water aquifer, the aquifer study and maximum annual yield determination approved by the Board, and permitting criteria regarding natural flows, spacing requirements and limits around certain streams. Oklahoma does not recognize conjunctive use; however, the western United States operate differently and recognize the withdrawal of groundwater impacts surface water in their regulatory scheme. Some other interstate stream compacts recognize conjunctive use as well. Flow models gather good data regarding stream bed interaction/connection with groundwater and studies are important as geology is learned, but the law does not consider conjunctive use in Oklahoma. Regarding stream water use-it-or-lose-it provisions, periodically staff reviews basin-by-basin whether a permit has been put to use and a formal process is utilized by the Board to administratively reduce or cancel stream water right permits. Water use reporting is required by law, and zero use would be taken into consideration. Ms. Cunningham explained staff conducts a lot of work before going to notice on water use permits and explained determining unavailable stream water is considered on an average annual basis through the period of record; there is no guarantee that water will be available, and in times of drought seniority is a consideration. There was discussion of Colorado and Texas practices for permitting as well as situations in Oklahoma when the Board needed to referee between users, requests to release water from reservoirs and review of 90-day permits interfering with permitted uses. The 20-year life of a basin contemplates that every acre above the aquifer is fully developed and most are at about 10% use. There was also discussion the groundwater law only regulates fresh groundwater, or water of 5,000 ppm TDS, and "other water" is saltwater, and is not regulated by the OWRB. There is legislation regarding the use of filtered and recycled saltwater and well construction standards; staff has met with legislative leadership, and with the Scoop/Stack Technical Advisory Group to regarding use of marginal waters while also protecting other water zones. Gross Production funds supported the planning efforts and for the completion of basin studies. Chairman Drummond stated there are several studies completed, and staff will be making recommendations to the Board regarding best practices by other states, projecting further than 20 years into the future, uses in the basin, and ways to be more practical and flexible when issuing permits.

5. SPECIAL CONSIDERATION

A. Consideration of and Possible Action on Proposed Findings of Fact, Conclusions of Law and Board Order on Application for Temporary Permit to Use Groundwater No. 2017-502, Adam & Kelli Schilde, Kingfisher County:

1. Summary – Mr. Kent Wilkins, Chief, Planning and Management Division, stated to the members this application by Adam and Kelli Schilde of Kingfisher County was filed January 18, 2017, requesting a temporary permit to use 160 acre-feet of groundwater from two proposed wells located on dedicated lands in Kingfisher County, for the purposes of oil and gas, agricultural, and commercial uses. The Applicants have 80 acres of land in Kingfisher County and will use the water in Kingfisher County, and gave notice of the application by certified mail to each surface owner within 1320 feet of the outside boundary of the tract of land containing the wells. Notice was also given in a newspaper of general circulation as required. The Applicant submitted an affidavit to the Board on March 28, 2017, certifying that all landowners had been notified; however, on April 11 the Board received notice not all adjacent property owners were notified. On May 5, the Applicant submitted a revised affidavit to correct those deficiencies. The Board received a protest letter from Mr. Glen Perdue on May 15, 2017, and also on May 11, 2017, the Board received a motion from Mr. Jerry Fent on behalf of himself and others.

A hearing was held on September 6; Mr. Schilde represented himself and Kelli Schilde, Mr. Tom Perdue represented Mr. Glen Perdue, and evidence and argument was received. The Hearing Examiner deemed the evidence and protest by Mr. Fent withdrawn due to nonappearance at the hearing. The Protestants, whose well is .5 mile from the Applicant's property, expressed concern about the groundwater supply in the area and that the Applicant's use of groundwater could adversely affect future domestic use for their cattle operation. Mr. Wilkins stated the Board acknowledges the Protestant's concern that could potentially affect neighboring use of groundwater; however, the evidence in the record did not support this claim, or that the Applicant's use will be impermissible or unlawful. The evidence at the hearing demonstrated the Applicant will exercise reasonable and intelligent application of the groundwater for lawful purposes. He said based on the findings and conclusions of law found in the order, the Hearing Examiner concludes that Adam Schilde and Kelli Schilde have satisfied the elements for approval of groundwater application 2017-502. The record showed the Applicant owns and has sufficient interest in 80 acres of land, the land overlies the groundwater basin of the Alluvium and Terrace Deposits of the Cimarron River, for which the maximum annual yield has not been determined; therefore, each landowner is entitled to two acre-feet of groundwater per acre of land dedicated per year; the water use is for beneficial uses, and the Hearing Examiner determined waste by pollution and waste by depletion will not occur. The record showed the Applicant has met the four points of law, and staff recommended approval of the proposed findings of fact, conclusions of law, and Board order as presented.

2. Discussion and presentation by parties. There were no representatives of the Protestants in attendance. Mr. Adam Schilde was present. Mr. Hitch asked if the drilling activity in the area was the impetus for the application, and Mr. Schilde answered that is correct, adding 25% of the property has standing water so there is no issue of running out of water. Mr. Hitch asked how the application was originally filed since there was a change that was made to the application, and Mr. Schilde said the original application was in his name only and was amended to add his wife's name that is also on the deed. The amended notice included all adjacent landowners; there were multiple landowners on one piece of property.

3. Possible Executive Session; and 4. Return to open meeting and possible vote or action on any matter discussed in the Executive Session, if authorized. The Board did not vote to enter Executive Session.

5. Vote on whether to approve the Proposed Order as presented or as may be amended, or vote on any other action or decision relating to the Proposed Order.

Mr. Allen moved to approve temporary groundwater permit no. 2017-502, and Mr. Drake seconded. Chairman Drummond asked for the vote if there were no questions; there were none.

AYE: Lambert, Melton, Allen, Drake, Buchanan, Darby, Stallings, Hitch, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

B. Consideration of and Possible Action on Items Transferred from Summary Disposition Agenda, if any. There were no items transferred from the Summary Disposition Agenda.

Chairman Drummond asked Mr. Cleve Pierce to present the Financial Update and review of the State Auditor's Report.

1. D. Financial Update

1. Budget Report. Mr. Cleve Pierce, Administrative Services Division Chief, addressed the members and stated he would first present the budget report. He said that for the time period, the agency spent 39% of its appropriated budget, 25% of the revolving fund budget, and 20% of the federal dollars budgeted. Overall, the total budget remaining is 72% with 58% of the year remaining, and this time last year there was 73% remaining. He said that he and the Financial Manager review also the report looking at where the funds are spent.

Mr. Buchanan asked about the line item regarding insurance, and Mr. Pierce explained that item regards employee insurance, not risk management, for example.

There were no other questions by the members.

2. Audit Report. Mr. Pierce stated to the Board the audit was for the time period of July 1, 2014 through December 31, 2016, and is standard when there is a change in leadership at the Executive Director level, but there had also been changes in leadership of the Administrative Services Division, Planning and Management Division, and Water Quality Programs Division. There were five findings, and he reviewed findings 1. and 3. as being the most pertinent. (Copies of the Operational Audit report was provided to the members)

Finding 1. Revenues at Risk due to inadequate segregation of duties contained three components and regarded the receipt of and handling of checks through the current process of opening the mail. He explained the Auditor's concerns about management segregation of duties and implementing reviews necessary in order to ensure that all revenues received are logged and reconciled with the deposit. Payments/checks will need to be logged in by the receptionist, the Administration Chief (or other) should be responsible for deposit preparation and input, and the finance manager should only be concerned with transfer and reconciliation. Mr. Pierce explained the staffing needs/changes that are needed in order to accomplish these recommendations, which he said is manageable. Mr. Buchanan asked what payments are received on a daily basis, and Mr. Pierce said well drillers fees, license renewals, water rights applications, water use reports file maintenance fee twice annually (small payments), so there is concern about the high volume times of year that will take more manpower.

Finding 2. Regarded unauthorized payments may occur due to inadequate segregation of duties regarding documented review of expenditures. This has been now been addressed and in practice by the Administrative Services Chief by documenting non-payroll claims; spot checks are sufficient as a control. A standard operating procedure will be written.

Finding 3. Inventory risk due to lack of counts which Mr. Pierce explained regarded maintaining an up-to-date inventory of agency-owned property which is performed annually. The agency is required to list non-IT assets over \$2,500 and IT assets over \$500. The employee who previously maintained the list is now gone. The consolidation of equipment to OMES will make this its responsibility, and an excel inventory sheet will be used to address the audit recommendations. Mr. Pierce stated staff began reviewing the state system such as what is used by the Oklahoma Corporation Commission, and in the meantime, a physical account of assets will be made by the end of April 2018 by each division. Conversion to the new system could take up to a year, and a standard operating procedure will be written. He said the agency has about \$1.8 million in assets with boats and vehicles being the largest items.

Finding 4. regards the transfer of funds from the Well Driller's Idemnity Fund, which is easily addressed. Finding 5. regards approval of spending by the Board from Well Driller's Fund for expenditures. He has reviewed the statute which contains the unusual approval for low dollar value of expenditures and the matter has been sent to the Interim General Counsel for review. The agency has visited with legislative leadership to support the proposal of a language change to the statute. If the language does not get changed, there will need to be a mechanism in place to comply with the statute.

Mr. Pierce concluded his report stating he had shared the audit results previously with Mr. Hitch (Audit Committee Chair), and that he believed the audit was good considering the change in leadership in the agency. He said staff supports the recommendations which are tools the agency can use.

Mr. Hitch stated he had visited with Mr. Pierce; he believed there is opportunity to improve processes and look at other solutions that might reduce labor needs. Ms. Cunningham stated the State Auditor's office representatives had been invited but were unable to attend the meeting today, but are willing to speak to the Board and answer questions. The audit was finalized last week.

Ms. Lambert stated she would appreciate an executive summary of the findings of the audit, how staff will mitigate those findings, and timeline for addressing the findings. Mr. Hitch responded there are quick fixes for the present time, but there may be better, long-term solutions that are on the horizon rather than an immediate solution. Chairman Drummond referred the members to the report, and expressed his support of Mr. Pierce's responses.

There were no other questions by the members.

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.

Chairman Drummond stated the next meeting will be January 16, 2018, and will be concerning the rules which are available on the website; there is a fee increase proposal and he asked members to review the proposals. Chairman Drummond stated he will be absent and Vice Chairman Hitch will chair the meeting.

7. ADJOURNMENT

There being no further business, Chairman Drummond adjourned the meeting of the Oklahoma Water Resources Board at 11:35 a.m. on December 19, 2017.

OKLAHOMA WATER RESOURCES BOARD

_____/Absent_____
F. Ford Drummond, Chairman

_____/s/_____
Jason Hitch, Vice Chairman

_____/Absent_____
Linda P. Lambert

_____/s/_____
Tom Buchanan

_____/s/_____
Charles Darby

_____/s/_____
Bob Drake

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

_____/s/_____
Robert Stallings

ATTEST:

_____/s/_____
Stephen B. Allen, Secretary (SEAL)