

OKLAHOMA WATER RESOURCES BOARD

OFFICIAL MINUTES

May 15, 2018

1. CALL TO ORDER

The regular monthly meeting of the Oklahoma Water Resources Board was called to order by Chairman F. Ford Drummond at 9:35 a.m., on May 15, 2018, 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 May 11, 2018, at 3:30 p.m., at the Oklahoma Water Resources Board's offices at 3800 N. Classen Boulevard, Oklahoma City, Oklahoma, and provided on the agency's website.

Chairman Drummond welcomed everyone to the May meeting of the Oklahoma Water Resources Board. He said that two new Board members are joining us today, and we are saying goodbye to another.

A. 1. Recognition of Retiring Board Members. Chairman Drummond stated the Board would like to recognize the service of Linda Lambert. He read the resolution of appreciation which included statements of her term of service, Board committee work, and agency accomplishments during her eleven-year tenure. Executive Director Julie Cunningham read Governor Mary Fallin's Commendation of Service.

Ms. Lambert spoke to the Board expressing her thoughts on the victories of the Board, particularly during the past five years, including the legislative approval of the OWRB's 50-year water plan, the Tribal Settlement passed by Congress and signed by President Obama, the Tarrant County case won 9-to-0 at the U.S. Supreme Court, and aquifer storage and recovery now included in administrative rules. She said the Board has welcomed two new executive directors, two new legal counsels, three new administrative chiefs, and even as funding has been decreasing, through the leadership of the Financial Assistance Division the agency been able to continue funding for water and wastewater projects across the state to all communities large and small. She said that what we do is one thing, how we do it is something else, and with whom we do it is even more important and she could not say her deepest gratitude to all staff at the OWRB which has achieved year after year recognition of one of the best places to work in the State of Oklahoma, and unequivocally, is the best agency in the State of Oklahoma. She has always felt that everyone that works at the OWRB sees it not as a job, but as a calling and is something greater than themselves. She said this is unique within any organization, and she expressed her gratefulness for the support and work from each person. Looking to the future, Ms. Lambert stated the goals of the Water for 2060 Act will not happen through the edicts of legislation alone but through the action of each and every individual conserving water -- passing legislation and rules are easy compared to changing the hearts of minds of citizens. She said water has always been more valuable than oil but we haven't paid for it at the faucet as we have at the pump and she hoped that within the next few years the OWRB will continue to make conservation of water a high priority and find funding for a statewide campaign to raise awareness -- the agency has had to squeeze every dollar and it is time to squeeze every drop. Ms. Lambert stated that while everyone has different life

experiences, perspectives, and opinions, the Board has not let that interfere with making decisions that will affect the good of all Oklahomans, which is an exceptional accomplishment. She concluded her comments stating her interest and investment in the Board would not waiver and she would be watching closely the continued good work of the OWRB.

Chairman Drummond stated we are also saying goodbye to another Board member, Tom Buchanan, who could not be present today. He asked that thoughts and prayers be with Mr. Buchanan and his wife.

2. Introduction of New Board Members. Chairman Drummond introduced the Board's new members, Ms. Jennifer Castillo of Oklahoma City, and Mr. Matt Muller of Altus. He asked each of them to introduce themselves. Jennifer Castillo is an in-house attorney with Oklahoma Gas and Electric and she stated her enthusiasm in starting the journey of serving the great State of Oklahoma. Mr. Muller is a lifelong farmer from southwest Oklahoma and represents an industry that is the largest user of fresh water in this state. He said while it is important to open the water tap and get a drink of quality water, it is also important to open your refrigerator and get food that can be grown domestically, and is important to our national security. He looked forward to serving on the Board as a public servant and doing what is important for the entire state.

B. Roll Call. Chairman Drummond asked for the roll call of members.

Board Members Present

Ford Drummond, Chairman
Jason Hitch, Vice Chairman
Stephen Allen, Secretary
Jennifer Castillo
Charles Darby
Bob Drake
Robert L. Melton
Matt Muller
Robert Stallings

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

Jack Ferguson, Cornish, OK/Ringling, OK
Tony Leddy, Cornish, OK/Edmond, OK

(Others continued)

David Gleason, LaDonna Meanders Trust & Janet Wehrenberg, Oklahoma City, OK
Tom Elkins, Cherokee Nation, Tahlequah, OK
Eddie Rhandour, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Justin Hodge, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Tom Liu, Bank of America Merrill Lynch, New York City, NY
Dallas Strimple, Citizens for the Protection of the Arbuckle Simpson Aquifer, Sasaskwa, OK
Charlie Swinton, BancFirst, Oklahoma City, OK
Bud Ground, Environmental Federation of Oklahoma, Oklahoma City, OK
Mike Mathis, Continental Resources, Oklahoma City, OK
Carlos E. Johnson, BKA, LLP, Oklahoma City, OK
Jered Davidson, Public Finance Law Firm, Oklahoma City, OK
Jimmy E. Seago, Oklahoma Rural Water Association, Oklahoma City, OK
Jeff Everett, OGE, Oklahoma City, OK
Anthony Mackey, M&M Natural Resources Management, LLC, Norman, OK
Lynda Williamson, Office of the Secretary of Energy & Environment, Oklahoma City, OK
Kinsey Money, TPF, Jones, OK

C. Discussion, Amendments, and Vote to Approve Official Minutes of the April 17, 2018, Regular Meeting.

Chairman Drummond stated the draft minutes of the Board's last meeting, April 17, 2018, had been distributed and he asked if there were any changes. There were no changes, and Chairman Drummond asked for a motion to approve the minutes. Mr. Hitch moved to approve the minutes of the April 17, 2018, meeting, and Mr. Darby seconded.

Chairman Drummond called for the vote.

AYE: Drake, Hitch, Melton, Darby, Allen, Muller, Stallings, Drummond
NAY: None
ABSTAIN: Castillo
ABSENT: None

D. Executive Director's Report

Ms. Julie Cunningham, OWRB Executive Director, welcomed everyone in attendance and the new members. She began her report updating the members stating 46% of the state is in moderate drought conditions, or worse. May is Flood Awareness Month and the OWRB staff works with the Oklahoma Floodplain Administrators Association to prepare a Governor's Proclamation and March was Flood Insurance Month. She informed the new members that the May issue of the Water Resources Bulletin is available on the Drought Portal accessible through the OWRB website; as drought conditions increase, reporting increases.

Ms. Cunningham noted meetings and events she has participated in the past month, including on April 20 the 100th Anniversary of the Lake Overholser in Oklahoma City, one of the oldest lakes in the state. Oklahoma City and State Dignitaries discussed the history of the lake, the vision of the project and water planning, and the conflicts with landowners, some similar as today, including controversy over the bond issue to pay for the lake which was \$1.6 million, and the New York construction firm that built the much-needed water supply reservoir and held the design rights to the dam mechanism.

The 2018 annual meeting of Oklahoma, Arkansas, Texas, and Louisiana for the Red River Compact Commission was held in Hot Springs, Arkansas, April 24. On April 25 the Dam Safety group sponsored workshops for dam owners which was well attended; and on May 3, Ms. Cunningham attended a round table discussion sponsored by the Association of Environmental Industries with

Congressman Steve Russell with discussions about the importance raising the profile of infrastructure and of rebuilding the Nation's infrastructure including water are also taking place on the Hill in Washington, D.C., which is supported by Congressman Russell. On May 7-9 training was provided for the Water Well Drillers and Groundwater Association; bids for the Governor's Water Conference has closed and the date will be selected soon; Public Service Recognition Day was May 9 and staff will have a lunch on June 14.

Regarding the State legislative report, Ms. Cunningham stated the State Legislature adjourned three weeks early and water had a successful year. She reviewed the session and thanked staff for keeping track of the legislation and language, committee meetings and requests by legislators, and she highlighted the measures pertinent to the OWRB. House Bill 3405 regarded marginal water and is significant toward advancement of Water for 2060 goals by using marginal water in place of fresh water. The bill expands the use of marginal water for beneficial use, and directs the Board to promulgate rulemaking for well construction to protect freshwater which is defined as 0-5,000 ppm dissolved oxygen-- this bill raised it to 10,000 ppm; well drillers now are required to cap a well when water of 5,000 ppm is encountered. Use will be largely by the oil and gas industries with some use by agriculture. The agency will be working with the USGS to map the supplies. Other legislation included HB 1515 correcting an audit finding allowing the OWRB to pay bills from a certain revolving fund without preapproval from the Board; and, SB 1294 concerning maximum annual yield (MAY) determinations. This MAY implementation bill allows the OWRB to phase in a MAY over time based on the development of the basin—currently the agency changes water use permits depending upon the determination. This bill also adds well spacing requirements for all existing wells and was a request by an Enid group. The bills are effective November 1 following the Governor's approval; HB 1515 is in effect now with the emergency clause.

Regarding a federal update, Ms. Cunningham stated the House Appropriations Committee met and May 7 to begin markup of the Energy and Water Development related agencies appropriations. Staff is watching the Corps of Engineers funding for Planning Assistance to the States program, flood control, and the INCARN navigation system. Currently, there is an increase in the appropriation by \$451 million to \$7.28 billion. The Senate Committee on Energy and Environment held its meeting on the America's Water Infrastructure Act for 2018 and staff has been working with Chairman Inhofe to include appropriation for technical assistance to small and medium publicly owned treatment works.

Ms. Cunningham concluded her report introducing the most recent recipient of the Employee Excellence Award, Mr. Justin Wright of the OWRB Water Quality Programs Division.

E. Financial Update

1. Budget Report. Mr. Cleve Pierce, Administrative Services Division Chief, addressed the members and stated the budget report is for the time period ending in April. He said the numbers do not vary from last year-- the agency has spent 76% of the appropriated budget with 24% remaining; has spent 57% of the revolving funds with 43% remaining, and has spent 55% of federal budgeted dollars with 45% remaining. The overall budget remaining is 39%, with 17% of the year remaining, a 3% difference from last year. He said after the end of the fiscal year, there will be obligations to pay from the remaining budget. He commended staff and Division Chiefs for planning for budget restrictions and looking for new money.

2. Audit Report. Mr. Pierce updated the members regarding the audit and said 95% of the audit response is completed. He is finalizing standard operating procedures and completing the inventory. He noted that SB 1515 passed and the Board will not need to preapprove the expenditures from the 240 fund—Water Resources Board Fee Revolving Fund—and he thanked Kent Wilkins for his work with the legislature on this measure.

Mr. Pierce concluded his report stating staff is working on the 2019 budget with an agency deadline to have budgets in by the end of the month with finalizing and adjustments through June. House Bill 2014 approved the pay raise and the OWRB's estimated costs to be slightly more than what was received in appropriations over last year's base. Chairman Drummond asked the difference in the appropriation and the costs, and Mr. Pierce said approximately \$16,000.

2. FINANCIAL ASSISTANCE DIVISION

A. Consideration of and Possible Action on a Proposed Order Approving Emergency Grant for Cornish Public Works Authority, Jefferson County. Recommended for Approval. Mr. Joe Freeman, Chief, Financial Assistance Division, stated to the members this item is an emergency grant request for the Cornish Public Works Authority located in Jefferson County. He said the Authority operates by the water and wastewater system that serving the communities' 160 residents. He said the wastewater lift station pump became inoperable causing sewage backups in the town. Currently, on a daily basis the lift station is operated manually, and to correct the problem the Authority proposes to install new pumps, a float system and a control panel. The project will cost \$80,900.00 and will be funded with the requested OWRB grant of \$68,765.00 and \$12,135.00 in local funds. Staff recommended approval of the emergency grant request.

Representing the Cornish PWA was Jack Ferguson, Mayor, and Mr. Tony Leddy. Mayor Ferguson stated he had been mayor for 20 years, and has operated the lift station during that time. He said the station is well over 50 years old, only one pump works and for two years he has operated the bypass system manually twice a day. He thanked the Board for consideration of the grant request.

Mr. Hitch asked if it is adding a maintenance problem by adding the automation. Mr. Freeman answered it would not; the project adds a lift station with a control panel. Mayor Ferguson said there are usually two pumps in a well which automatically alternate but these pumps do not properly operate now.

Mr. Drake moved to approve the grant request to the Cornish Public Works Authority, and Mr. Allen seconded. There were no other questions, and Chairman Drummond called for the vote.

AYE: Drake, Hitch, Castillo, Melton, Darby, Allen, Muller, Stallings, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

B. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for Jay Utilities Authority, Delaware County. Recommended for Approval. Mr. Freeman stated this item is a \$1,031,000.00 loan request from the Jay Utilities Authority located in Delaware County. He said the loan is being requested to rehabilitate the clarifier at the water treatment plant, construct a new water storage tank, and to sand blast and paint three existing water storage tanks. The loan will be funded through the Drinking Water State Revolving Fund loan program, and he noted provisions of the loan agreement. Jay has been a long time loan customer of the Board's and currently has one outstanding loan with the Board with a balance of \$754,000.00 which matures in March of 2021. The water and sewer connections have increased about 16% over that past ten years and the debt coverage ratio stands at 2.18-times. Staff recommended approval of the loan request.

Representing the Jay Utilities Authority was Mr. Darin Cook, City Attorney, who expressed his appreciation to the Board for its consideration of the loan request.

There were no questions by the Board, and Chairman Drummond stated he would entertain a motion. Mr. Stallings moved to approve the Drinking Water SRF loan to the Jay Utilities Authority, and Mr. Darby seconded. Chairman Drummond called for the vote.

AYE: Drake, Hitch, Castillo, Melton, Darby, Allen, Muller, Stallings, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

C. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Sapulpa Municipal Authority, Creek County. Recommended for Approval. Mr.

Freeman stated the next item is a \$7,850,000.00 loan application by the Sapulpa Municipal Authority. He said Sapulpa is requesting the loan for a new sewer line, lift station, force main, upgrades to the wastewater treatment plant, and for sewer pipeline television equipment. The loan will be funded through the Clean Water State Revolving loan fund, and he noted provisions of the loan agreement. Mr. Freeman stated Sapulpa's population has increased by approximately 7% over the past ten years, and the debt coverage ratio stands at approximately 2.1-times. This will be Sapulpa's first loan from the OWRB, and staff recommended approval of the loan request.

Representing Sapulpa is Ms. Joan Riley, City Manager and Mr. David Widows, City Attorney. Ms. Riley stated the city is facing for the first time in 20 years the potential for growth with the return of an industrial commercial business which will generate increased housing development. The increased capacity of the sewer plant is needed in order to accommodate the potential growth. Mr. Widows also expressed his appreciation to the Board.

There were no questions, and Mr. Allen moved to approve the Clean Water SRF loan application to Sapulpa Municipal Authority. Mr. Stallings seconded. Chairman Drummond called for the vote.

AYE: Drake, Hitch, Castillo, Melton, Darby, Allen, Muller, Stallings, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

D. Consideration of and Possible Action on a Proposed Order Approving Drinking Water Funding Application for Edmond Public Works Authority, Oklahoma County. Recommended for Approval. Mr.

Freeman stated this item is for a \$19,000,000.00 loan by the Edmond Public Works Authority located in Oklahoma County. The loan is being requested to construct a two million gallon elevated storage tank, and construct a water system control building for hub operations at the Arcadia water treatment plant. He said the loan will be funded through the Board's Drinking Water SRF loan program, and he noted provisions of the loan agreement. He said Edmond's population has increased over 19% the past ten years and water and sewer connections have increased by approximately 17%. Edmond has one outstanding loan with the Board, with a balance of \$1.24 million dollars, and its debt coverage ratio stands at 2.5-times. Staff recommended approval of the loan request.

Mr. Steve Lawrence, Public Works Engineering Services Supervisor, was present representing the City of Edmond, and said that with this loan the city is able to minimize the cost impact to the citizens. He thanked the Board for its continued partnership with Edmond.

There were no questions by the Board members, and Mr. Darby moved to approve the Drinking Water SRF loan to the Edmond Public Works Authority. Mr. Drake seconded, and Chairman Drummond called for the vote.

AYE: Drake, Hitch, Castillo, Melton, Darby, Allen, Muller, Stallings, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

3. SUMMARY DISPOSITION AGENDA ITEMS

Any item listed under this Summary Disposition Agenda may, at the requested of any member of the Board, the Board's staff, or any other person attending this meeting, may be transferred to the Special Consideration Agenda. Under the Special Consideration Agenda, separate discussion and vote or other action may be taken on any items already listed under that agenda or items transferred to that agenda from this Summary Disposition Agenda.

A. Requests to Transfer Items from Summary Disposition Agenda to the Special Consideration Agenda, and Action on Whether to Transfer Such Items. Chairman Drummond stated items 3.D.3, agreement with OKC Utilities Trust, and 3.L.1., Richard Grellner #OK30552, are withdrawn from consideration on the Summary Disposition Agenda. Also, item 3.P. will be moved to the Special Consideration 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 or questions regarding the remaining items on the Summary Disposition Agenda.

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

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

AYE: Drake, Hitch, Castillo, Melton, Darby, Allen, Muller, Stallings, Drummond

NAY: None

ABSTAIN: Stallings on item 3.M.2.C.

ABSENT: None

The following items were approved:

C. Consideration of and Possible Action on Financial Assistance Division Items:

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

<u>Item No.</u>	<u>Application No.</u>	<u>Entity Name</u>	<u>County</u>	<u>Amount Recommended</u>
None				

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

1. Addendum to Joint Funding Agreement between OWRB and USGS related to the Hydrologic Investigation and Groundwater Flow Model of the Salt Fork Red River Alluvial Aquifer in Southwestern Oklahoma.

2. Joint Funding Agreement between OWRB and USGS for Continuation of the Data Collection and Water Monitoring Program FY19.

3. *Agreement between OWRB and the Oklahoma City Water Utilities Trust to improve water quality at Lake Stanley Draper through the Vegetated Wetland Project by strategically implementing and maintaining planting sites. Item withdrawn.*

4. Interagency Agreement with the Department of Environmental Quality ("DEQ") for payment of shared office space located in Woodward, OK.

5. Intergovernmental Agreement between OWRB, Oklahoma Department of Wildlife Conservation (ODWC), and Oklahoma Department of Environmental Quality (DEQ) related to joint employment of a Principal Assistant to interact with and provide information to the Oklahoma Congressional Delegation on behalf of the agencies.

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

1. Sasakwa Water District of the Seminole Nation of Oklahoma, Inc., Seminole County, #2015-610
2. Patricia Hagee Robison, June Hagee Chaney “Brown” and Ina Hagee Osborne, Oklahoma County, #2017-527
3. Michael Phan and Anthu Nguyen, Delaware County, #2017-576

F. Consideration of and Possible Action on Applications to Amend Temporary Permits to Use Groundwater:

None

G. Consideration of and Possible Action on Applications for Regular Permits to Use Groundwater:

None

H. Consideration of and Possible Action on Applications to Amend Regular Permits to Use Groundwater:

None

I. Consideration of and Possible Action on Applications for Regular Permits to Use Stream Water:

1. The 1995 Revocable Trust of LaDonna Meinders and the Ruth Evelyn Seideman Revocable Trust, Kingfisher County #2017-005
2. Janet Wehrenberg, Kingfisher County, #2017-006
3. Oklahoma Energy Acquisitions, L.P., Kingfisher County, #2017-053

J. Consideration of and Possible Action on Applications to Amend Regular Permits to Use Stream Water:

1. Justin W. McCrary, Blaine County, #2017-065

K. Consideration of and Possible Action on Applications for Seasonal Permits to Use Stream Water:

1. Harvey R. Fifer, III, Washington County, #2017-076

L. Consideration of and Possible Action on Dam and Reservoir Construction:

1. Richard Grellner – RJG Holdings, LLC, Kingfisher County, #OK30552 Item withdrawn.

M. Consideration of and Possible Action on Well Driller and Pump Installer Licensing:

1. New Licenses, Accompanying Operator Certificates and Activities:
 - a. Licensee: S & L Windmill SVC, LLC DPC-0964
Operator: Shane Brown OP-2236
 - b. Licensee: Luke’s Electric DPC-0966
Operator: Larry Schoelen OP-2238
Operator: John Mercer OP-2239
 - c. Licensee: CFCS, LP DPC-0968
Operator: Eric Hutton OP-2240
 - d. Licensee: Associated Well Services, Inc. DPC-0970
Operator: Colton Aardal OP-2242
Operator: Russell Langford OP-2243
Operator: Paul Taylor OP-2244
Operator: Brian Knoll OP-2245
Operator: Patton Shipman OP-2246

- e. Licensee: Whitson Water Well Drilling
and Service DPC-0972
Operator: Brock Whitson OP-2247
- 2. New Operators, Licensee Name Change, and/or Activities for Existing Licenses
 - a. Licensee: Grubbs, Hoskyn, Barton & Watt
Engineers DPC-0353
Operator: Adam Tyler OP-2237
 - b. Licensee: Dunlap Drilling DPC-0925
Operator: Jody Birch OP-2241
 - c. Licensee: Envirotech Engineering &
Consulting, Inc. DPC-0283
Operator: Tony Horner OP-1190

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, Atoka County, #FP-17-63
- 2. Oklahoma Department of Transportation, Delaware County, #FP-17-64
- 3. Oklahoma Department of Transportation, Washita County, #FP-17-65
- 4. Oklahoma Department of Transportation, Pottawatomie County, #FP-17-66
- 5. Oklahoma Department of Transportation, Marshall County, #FP-17-67
- 6. Oklahoma Department of Transportation, Marshall County, #FP-17-68
- 7. Oklahoma Department of Transportation, Ottawa County, #FP-17-69
- 8. Oklahoma Turnpike Authority, Canadian & Oklahoma Counties, #FP-17-94

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

- 1. James P. Lollar, Rogers County, #FPA-754

P. *Consideration of and Possible Action on Proposed Consent Order No. 2018-02 between the Oklahoma Water Resources Board and Jennings Stone Co., Inc., regarding the taking, use, or disposal of pit water by a mining operation overlying a sensitive sole-source groundwater basin. Moved to 5.B. for Special Consideration.*

Chairman Drummond stated item 4., regarding the Board’s education series, would be heard following consideration of item 5. Special Consideration Agenda.

5. SPECIAL CONSIDERATION

Chairman Drummond stated Summary Disposition Agenda item 3.P., is Consideration of and Possible Action on Proposed Consent Order No. 2018-02 between the Oklahoma Water Resources Board and Jennings Stone Co., Inc., regarding the taking, use, or disposal of pit water by a mining operation overlying a sensitive sole-source groundwater basin. He said this is a consent order between the Board and an entity, there was no hearing and there is no challenge. He will allow the representative from the Citizens for the Protection of the Arbuckle Simpson Aquifer (CPASA) to speak to the Board as a courtesy. Chairman Drummond asked Mr. Wilkins to introduce the Special Consideration items.

A. Consideration of and Possible Action on Resolution No 2018-01, regarding the approval of well driller licenses and certifications.

1. Summary. Mr. Kent Wilkins stated the resolution allows the nine-member Board to delegate to the Executive Director the authority to approve certain licenses under certain circumstances. He said the OWRB licenses water well drillers, monitoring well drillers, geotechnical boring drillers, pump installers, and heat exchange well drillers. The primary purpose behind the resolution is that if

there are only nine Board meetings a year that could create a hardship for some drillers when they need to get a license in a timely manner and have met all the requirements but possibly have to wait 60 days before coming before the Board. Mr. Wilkins proposed that the director approve administratively, and the licenses and certifications would still come before the Board at the next Board meeting.

Chairman Drummond stated this is to help out so that wells could be drilled between meetings when a meeting is cancelled. Mr. Wilkins stated that an incident did arise when the Board did not meet in March and the driller had everything in order. Citizens wished him to drill wells and needed water and he was the only driller in that area but had to wait until the April meeting for approval. He had passed his test and there were no issues yet he had to wait 60 days to get the license and it was a hardship on the landowners.

Mr. Allen asked what would happen in the unlikely event the Board did not approve a license that had been pre-approved by the director. Interim General Counsel Sara Gibson answered the license would be revoked. Chairman Drummond stated the well drillers are self-policing, and Mr. Wilkins stated the license applications are presented to the Well Drillers Council prior to the Board meetings and will alert staff to issues they may be aware of since they are in the field. Ms. Cunningham added and Mr. Wilkins clarified that once a driller passes the testing, an operator must have one year's experience and the firm representative must have at least two years verifiable experience and the Board requires letters of reference as documentation, There are a number of requirements, as well as review by the Advisory Council which is established by statute.

Mr. Hitch, acting as Devil's advocate, stated that at times it doesn't seem drillers are regulated and asked why licensing is needed. Mr. Wilkins responded saying there are two staff people and the agency is hiring a new field inspector, but staff is somewhat limited. More recent legislation allowed the agency to turn situations over to the Attorney General's office if the Board is unable to complete an investigation. He said staff responds on a day-to-day basis and is doing the best possible at this time. Mr. Hitch referred to previous matters before the Board involving the City of Enid and City of Vici, and Mr. Wilkins clarified those instances involved licensed well drillers, but the cities did not have a water use permit. The drillers can drill test wells, and did file reports on those wells.

Ms. Castillo asked if someone were licensed in the absence of a Board meeting and something happened where a member of the public was harmed in some way, are there protections in place for the citizens. Mr. Wilkins answered that from a construction or environment perspective there is the Well Drillers and Pump Installers Indemnity Fund, so if there is a pollution issue or well construction issue the Board can use the fund to repair or plug those wells in an emergency situation. The Board will then seek reimbursement from the driller; he said the action will be protective of the groundwater, not necessarily for consumer protection.

Chairman Drummond stated the Board has created this situation because it is not actually required to approve an entity—the agency can approve on its own—but it has been the practice of the Board to approve the drillers. Mr. Wilkins stated that to change from that practice, the Board would need to direct staff.

2. Vote on whether to approve or as may be amended, or vote on any other action or decision related to the resolution.

Mr. Hitch moved to approve resolution no 2018-01, and Mr. Stallings seconded. There were no other questions or comments, and Chairman Drummond called for the vote.

AYE: Drake, Hitch, Castillo, Melton, Darby, Allen, Muller, Stallings, Drummond
NAY: None
ABSTAIN: None
ABSENT: None

B. Consideration of and Possible Action on Items Transferred from Summary Disposition Agenda, if any.

Consideration of and Possible Action on Proposed Consent Order No. 2018-02 between the Oklahoma Water Resources Board and Jennings Stone Co., Inc., regarding the taking, use, or disposal of pit water by a mining operation overlying a sensitive sole-source groundwater basin. Mr. Wilkins stated that item 3.P. is a consent order, no. 2018-02, in the name of Jennings Stone, which is a mining facility near Fittstown, Oklahoma, that has been in operation for over 30 years. The operation could have been exempt from mine requirements that are available in the water statutes but it did not file the necessary paperwork to meet the deadline, and lost its non-exempt status. A citizen inquiry arose in June 2017, a field investigation conducted, and Mr. Randy Jennings agreed to begin the process to come into compliance with the OWRB rules regarding pit water, and the company was given until March 29, 2018, to provide documentation of its findings. Jennings Stone did submit a report to the Board on the date, and showed the facility used less than five acre-feet of water per year which is a diminimus amount by definition, and would exempt it from the other requirements in the Board's pit water regulations.

On April 2, 2018, Board staff contacted Jennings in the form of a letter stating the report did not contain sufficient information and required it to demonstration to the satisfaction of the Board it was using less than five acre-feet of water per year. Mr. Wilkins stated that at this time, Jennings Stone has agreed to the consent order agreement to file quarterly and annual monitoring reports such as it would if the diminimus exemption is not received, and the company will remain in the consent order agreement two years after reaching compliance. The Board and Jennings Stone are in agreement at this time to work toward compliance.

Chairman Drummond invited the CPASA representative to speak to the Board, reminding the Board this is not a hearing, and the representative is not a party to the matter. He said this is a courtesy and he would allow a statement to the Board.

Mr. Donald Strimple, attorney in Tulsa and representing CPASA, applauded the Board for the consent order as CPASAS was a large participant of the pit water rulemaking and hearings. He said that with Jennings Stone losing its exempt status, it is treated as a new mine under the rules and the first mine to have that status, that CPASA sees as appearing to have new ground. He said the purpose of the comments today is to request CPASA the opportunity to have input in the discussions to voice the concerns of the public and to have Jennings Stone in compliance as soon as possible.

Mr. Anthony Mackey, with M&M Natural Resources and representing Jennings Stone on behalf of Jeff Cante and C&C Environment, stated to the Board Jennings Stone is fully agreeable with the consent order and will do what the Board asks to ensure it is compliant as a non-exempt mine or meet the five-acre feet exemption in an exempt mine. A field meeting with OWRB staff is scheduled, and Jennings Stone will fully cooperate with the Board.

Chairman Drummond entertained questions from the Board. Mr. Muller asked Mr. Wilkins if he had any doubt the company is consuming more than five acre-feet of water. Mr. Wilkins answered there is slight doubt, it is a complex situation, the company feels it is above the main portion of the aquifer and what rain falls on the surface can saturate and leach out and potentially be considered not surface water. There is a stream and other issues which is the purpose of continuing the consent order for two years following compliance. Staff believes the company needs the opportunity to work through the issues.

There were no other questions, and Chairman Drummond stated he would entertain a motion to accept the consent order as presented. Mr. Drake applauded staff for its work on the issue and moved to approve staff recommendation. Mr. Allen seconded.

AYE: Drake, Hitch, Castillo, Melton, Darby, Allen, Muller, Stallings, Drummond
NAY: None

ABSTAIN: None
ABSENT: None

Chairman Drummond said the Board would return to item 4.A., and asked Mr. Freeman to present the Board Education Series on Financial Assistance Programs to the Board.

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

A. Presentation and Discussion on Board Education Series, "Financial Assistance Division Programs." Mr. Joe Freeman, Chief, Financial Assistance Division, stated to the members he would be speaking about the different funding programs at the OWRB and an overview of the State Revolving Fund strategy, and the Board's Financial Advisor, Ms. Ann Burger Entekin with Hilltop Securities, would review with the Board the most recent bond issue under the Drinking Water State Revolving Fund in regard to the interest rate, market performance, recent Tax Act changes and refunding changes, as well as timing in the market. Mr. Freeman said he would also visit potential education series for future presentations by staff about the financing programs at the OWRB.

Mr. Freeman began stating the program total financing is more than \$4 billion dollars; the first \$3 billion in projects was financed from 1983-2013, but only the past five years to reach \$4 billion level. He mentioned the 2011 Water Plan Update recognized that \$82 billion in water and wastewater projects had been identified, and that has been illustrated through funding \$1 billion in projects in the last five years. He said by utilizing the various mechanisms in financing, the OWRB has saved Oklahoma rate payers \$1.3 billion dollars in interest expense, and maintains 65% funding of all water and wastewater projects in the State of Oklahoma on an annual basis. His power point presentation noted the breakdown of the various program funding totals in rural water districts and communities in all 77 counties of the state, with the largest amounts in Tulsa, Oklahoma, and Cleveland Counties: Clean Water Loans \$1.55 billion, FAP Loans \$1.05 billion, Drinking Water Loans \$1.23 billion, REAP Grants \$60.0 million, Emergency Grants \$34.2, million, Drought Grants \$ 0.4 million, and Special Purpose Grants \$ 2.6 million. Mr. Freeman explained the emergency grant program which would fund projects that pose a potential health issue to residents, and the other grant programs that utilize a point system to rank projects including the type of emergency, rate structure, debt per connection, local contribution, median household income, whether rates were raised, amount of the request, and if the entity has received a grant from the OWRB within the last ten years. The funding for the emergency grant program comes from interest earning on the reserve fund from the State Revenue Bond Loan Program, also referred to as the FAP Loan Program, and to date there has been over \$34 million dollars in interest earnings.

Mr. Freeman spoke about the Rural Economic Action Plan Grant Program which began in 1996 created by the Legislature and geared to assist communities based upon population. The program is administered the same as other grant programs using a point system except for emergency criteria, and aiding communities with less than 7,000 residents with preference to communities with less than 1,750 residents; to date, the Board has not awarded a grant to an entity over 1,750 population because the statute requires the needs of all communities under 1,750 must be met first, which hasn't been done. In 1996, the Board received about \$4.5 million appropriation and through the years and funding cuts the program now receives approximately \$1.2 million. This is the only program for which the agency receives appropriated dollars. The point system is the same as the emergency grant program, with the addition of points added if the entity is under a consent order by the Department of Environmental Quality.

The Financial Assistance Loan Program is the Board's oldest loan program, Mr. Freeman stated, which was created by the Legislature in 1979 with loans beginning in 1985; two bond issues were done in the early 1980s that were not successful. The first bond issue in 1985 was a fixed rate, blind pool issue and the market turned and only four loans were closed and the issue collapsed. The Board then created the 1986 bond resolution which the Board utilized for 30 years; a blind pool program that made 28 bond issues for over \$1 billion dollars, 370 loans, and to date there is \$281 million in outstanding bonds with associated loans and \$18.7 million in reserve funds.

Mr. Freeman said tax laws continued to change affecting the programs, and he spoke to the 2012 State Question 764 that would meet the Water for 2060 goal of funding 65% of projects in the state, that could not be done based upon the reserve fund and Capitalization Grant received by the State. The state question created a \$300 million dollar water infrastructure credit enhancement reserve fund used to back up the State Revenue Bond Loan Program. If the OWRB were ever to default, the OWRB would have the ability to issue \$300 million dollars in General Obligation bonds to pay back bond holders: all reserve funds, borrower reserve funds, and surety policies utilized prior to using the WICERF bonds. The program acts as "same as cash" and increased the program rating from AA+ to AAA. In 2016, a new bond resolution was written and updated to current standards and changed to local debt reserve requirement for local borrowers eliminating the requirement of a cash reserve if it maintains a 1.4-times debt coverage ratio, has a recent rating acquired on its own within 18 months in the A category, or provides a surety policy or cash reserve. Mr. Freeman said the program has an AAA rating from Stand and Poor's and he named the financial team for the FAP program of BOK Financial Securities, Stifel, Centennial Law Group, and BancFirst serves as the Board's Trustee.

Mr. Freeman continued speaking about the Clean Water State Revolving Fund CWSRF) created in 1990 using EPA Capitalization Grants requiring 20% state matching funds originally funded through state appropriations but now funded through loans repaid by the OWRB since 1990s. Borrowers may borrow up to 60% of AAA market interest rate. December 2015 was the last bond issue under this program, but it continues to operate using cash proceeds and cash flow. The current finance team is Hilltop Securities, Bank of America Merrill Lynch, BOK Financial Securities, Stifel, Morgan Stanley, McCall, Parkhurst & Horton LLP, and BancFirst as Trustee. Borrowers may borrow at an interest rate at 60% of AAA market rate. The program is for all types of waste water construction projects, which he described.

The Drinking Clean Water State Revolving Fund (DWSRF) – co-administered with ODEQ, and borrowers may borrow at 70% of AAA market rate. Mr. Freeman explained both the CWSRF and DWSRF are rated by all three rating agencies and both programs are rated AAA by all agencies. The Board has funded \$1.2 billion dollars in projects and the OWRB administers all the financing and bonding and lending portion of the program, and the ODEQ maintains the priority list, applies for the Capitalization Grant, and administers the environmental and engineering portion of the program.

Mr. Freeman introduced Ms. Entrekin who spoke to the members about leveraging and the three models: reserve, hybrid, and cash flow, and she reviewed the actual sales of the bonds on the last issue and how the staff tracks interest rates to ensure the OWRB borrowers receive the lowest rate possible.

Ms. Entrekin, Hilltop Securities, Financial Advisor to the Board, addressed the members and introduced Mr. Rick Fox who will be conducting staff training today, and Mr. Tom Liu, Managing Director with Bank of America Merrill Lynch, who is Senior Managing Underwriter on the latest OWRB transaction. Ms. Entrekin spoke to the members about timing regarding leveraging which she said is a mathematical equation involving whether funding equals or exceeds demand and if you are able to leverage, which is a policy decision. Not all states have an FAP program, and 27 have DWSRF and CWSRF programs which sometimes need to de-leverage when funding is greater than demand. When the SRF programs began 30 years ago, there were two models -- cash flow model and reserve fund model, which she explained that 80% of the capitalization comes from EPA and is used most fundamentally to fund the subsidies these programs provide (40% on OWRB CWSRF, 30% on OWRB

DWSRF) but is most valuable from a credit perspective. Ms. Entrekin explained how the SRF programs utilize the capitalization grants in the cash flow model and the reserve fund model, and said they are both excellent models but are in different interest rate environments and yield curves. She said after a number of years, SRF programs began to utilize a hybrid model that pulled the best of both models providing maximum flexibility. In 2003, the OWRB had the vision to put into place a new indenture that was a hybrid model which had been utilizing the reserve fund structure and became extremely helpful in 2008 when the total market dislocated and yields dropped significantly. The hybrid model allowed the OWRB to pivot quickly to go from a reserve fund structure to a cash flow structure.

Ms. Entrekin focused her remarks on the transaction details of the last Drinking Water SRF bond issue which closed on March 22, and is AAA by all three rating agencies and she explained how the agencies stress the issue. She named the Financial Team entity members and explained the TIPRA requirements and the reimbursement tool that helped the Board achieve compliance. She discussed the ratings, security, use of funds (make loans, reimburse previously funded amounts, finance State Match, and pay cost of issuance), structure, terms, and redemption, as well as the principle amount and proceeds, use of proceeds (monetary breakout), true interest costs, priority of orders--definition of retail, liability and spread analysis, MMD, and investor distribution analysis.

In summary, Ms. Entrekin stated that the transaction was well received in the market, the OWRB benefitted from the Tax Reform passage that created an acceleration of transactions in December, resulting in an overall lack of supply the first quarter of the year, and the spreads to MMD were tighter than comparable credits and prior OWRB transactions. She said there was significant demand with coverage ranging from 1.0X to 6.0X, averaging 3.3X on the transaction, allowing for a re-price with lower yields from 2 to 5 basis points on 9 maturities, and 66% of investors were Oklahoma retail, both individual and professional. As a result of the low TIC of 3.17% and conservative assumptions utilized in the capacity model, the OWRB was able to issue 50% more in proceeds, while overall debt service increased by only 35%.

Mr. Melton asked about the definition of blind pool, and Mr. Freeman explained the Board does not utilize blind pool but rather identified pool, currently. He asked the Board to provide input regarding future training the staff could provide, and he described some of the activities that staff is undertaking in regard to current public service initiatives and improving service. Chairman Drummond asked about using a cash flow structure and whether the Board would return to a reserve fund model. Ms. Entrekin responded there is currently positive arbitrage on the reserve fund dollars, and they will monitor for any better opportunity to maximize capacity; if there is opportunity the team would make that recommendation to the Board. Mr. Freeman commented the staff has worked diligently with Mr. Fox on the DWSRF capacity and anticipating demand.

Chairman Drummond asked for questions from the Board members. He said that when people think of the OWRB, they think of lakes and streams and groundwater, and not financing but this is a very successful program, saving dollars for citizens. He asked if the Board provides 65% of financing in the state, who are the other providers. Mr. Freeman said Rural Development who finances communities that cannot qualify for loans from the Board, and short term financing through traditional banks.

Ms. Cunningham congratulated Mr. Freeman and the Finance Team on the AAA rating, which translates into lower interest rates and is achieved because the management of the program is extremely important. She mentioned non-traditional funding as a future training possibility. There were no other questions, and Chairman Drummond thanked the staff for its work.

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. The next meeting of the Oklahoma Water Resources Board will be June 19, 2018, in Oklahoma City at 9:30 a.m. Chairman Drummond noted at the June meeting the Board will conduct its annual election of officers.

7. ADJOURNMENT

There being no further business, Chairman Drummond adjourned the meeting of the Oklahoma Water Resources Board at 11:20 a.m. on May 15, 2018.

OKLAHOMA WATER RESOURCES BOARD

_____/s/_____
F. Ford Drummond, Chairman

_____/s/_____
Jason Hitch, Vice Chairman

_____/s/_____
Charles Darby

_____/s/_____
Bob Drake

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

_____/s/_____
Robert Stallings

_____/s/_____
Jennifer Castillo

_____/s/_____
Matt Muller

ATTEST:

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