

OKLAHOMA WATER RESOURCES BOARD OFFICIAL MINUTES

October 15, 2019

1. CALL TO ORDER

The regular monthly meeting of the Oklahoma Water Resources Board was called to order by Chairman Robert L. Stallings, Jr., at 9:30 a.m. on October 15, 2019, at the offices of the Oklahoma Water Resources Board, 3800 N. Classen Boulevard, Oklahoma City, Oklahoma, 73118. 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 October 11, 2019, 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.

A. Roll Call. Chairman Stallings asked for the roll call of members.

Board Members Present

Robert L. Stallings, Jr., Chairman
Stephen Allen, Vice Chairman
Bob Drake, Secretary
Ford Drummond
Jennifer Castillo
Charles Darby
Suzanne Landess
Robert L. Melton

Board Members Absent

Matt Muller

Staff Members Present

Julie Cunningham, Executive Director
Sara Gibson, 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

Arnold Kunze, Wagoner County Rural Water District #4, Wagoner, OK
Rick Lange, Wagoner County Rural Water District #4, Wagoner, OK
Bobby Allen, Geary, OK
Jeff Choate, Geary, OK
Eric Cowan, Bank of America Merrill Lynch, St. Louis, Mo
Bud Ground, Environmental Federation of Oklahoma, Oklahoma City, OK

Eddie Rhandour, Oklahoma Department of Environmental Quality, Oklahoma City, OK
Austin North, BOKF, Oklahoma City, OK
Charlie Swinton, BancFirst, Oklahoma City, OK

B. Discussion, Amendments, and Vote to Approve Official Minutes of the September 17, 2019, Regular Meeting. Chairman Stallings asked if there were any comments or proposed amendments to the minutes of the September 17, 2019, meeting minutes. There were no changes or discussion, and he accepted a motion to approve the minutes.

Mr. Allen moved to approve the minutes of the September 17, 2019, meeting, and Mr. Darby seconded. There was no discussion. Chairman Stallings called for the vote.

AYE: Melton, Drake, Allen, Castillo, Darby, Landess, Stallings

NAY: None

ABSTAIN: Drummond

ABSENT: Muller

C. Executive Director's Report

Ms. Julie Cunningham, Executive Director, welcomed everyone in attendance and noted the drought and rainfall conditions. She updated the members on the state's flood and drought conditions; a majority of the state is drought free but conditions are beginning to appear in the southwest part of the state. Staff participated in the 2019 Arkansas River Flood Event Interim Study by Representative Sims. Several speakers from the Tulsa area and Levee District, Webbers Falls, spoke to the flood issues and Trey Lam with the Oklahoma Conservation Commission spoke about the destruction of irrigated farm land. Ms. Cunningham met with Director Gower, Oklahoma Emergency Management Department, to discuss solutions and at the study committee talked about the Dam Safety and Floodplain Management programs, inconsistent regulations, lack of public awareness, aging infrastructure and lack of funding. She learned that the State of Texas is developing a "state flood plan" and is a model she is interested in, particularly creating an inventory.

The OWRB hosted the 92nd Annual meeting of the Association of Western State Engineers September 30-October 3 and Ms. Cunningham has served as President the past year. Representatives of the 17 western state engineers toured the Oklahoma City Riversport Area, Port of Catoosa, Tulsa Levee district and the Gathering Place. She also attended the Interstate Council on Water Policy meeting in Alabama in October where the group heard from the US Army Corps of Engineers and the US Geological Survey about NIDIS -- National Integrated Drought Information System that focuses on drought/flood weather extreme, developing tools and providing funding for state and local resiliency, creating partnerships for early warning. The Oka' Institute Sustainability conference was held October 8-9; a film Ms. Cunningham participated in on the history of the Arbuckle Simpson Aquifer was premiered.

The Governor's Water Conference is scheduled for December 4-5 at the Sheraton Midwest City Hotel at the Reed Conference Center, followed by the December Board meeting. The November meeting will be cancelled and combined with the December meeting.

Ms. Cunningham announced the Federal Emergency Management Agency notified the OWRB was selected to serve as one of five states on the Dam Safety Review Board, established under the National Dam Safety Program Act. The Board acts as an advisory board to FEMA regarding the safety of dams in the states, monitors state implementation of dam safety program and advises FEMA on the national dam safety policy. The agency will be represented by Mr. Yohanes Sugeng.

Representative Caldwell conducted an interim study on the Rural Economic Action Plan grant program to ensure funding for small communities -- population of 7,000 or less. Mr. Freeman and Ms. Jerri Hargis presented and the Representative cited the REAP Program as one of the best examples of a well-managed state program for rural Oklahoma. Ms. Hargis was recognized for her work with the communities, thorough program auditing, and responsible leadership.

Ms. Cunningham concluded her remarks updating the members on a FEMA grant for Lake Carl Blackwell and the City of Guthrie, and that the US COE has released a draft of the Tulsa West Tulsa Levee Feasibility Report. There were no questions by members.

Chairman Stallings commented it is amazing the amount different types of projects and organizations touched in a month's time the members hear about from Ms. Cunningham's reports, and the agency is fortunate to have talented employees.

D. Financial Update

1. Budget Report. Mr. Cleve Pierce, Administrative Services Division Chief, addressed the members and stated the agency has just begun the new fiscal year and the budget report is for the time period ending September 2019. He said for the time period, the agency has spent 21% of the appropriated budget, leaving 79%; has spent 16% of the revolving budget leaving 84%; and has spent 13% of federal dollars leaving 87%. The overall budget remaining stands at 75%, keeping within spending 2% spend rate for the agency, same as last year. He said the agency is working on the statutorily required budget document for FY2021, a document that explains the agency's programs, where the funding is spent, how the agency is funded, and what does the agency want to do in future.

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

2. FINANCIAL ASSISTANCE DIVISION

A. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Roland Utility Authority, Sequoyah County. Recommended for Approval. Mr. Freeman stated this item is a \$740,000.00 loan request by the Roland Utility Authority located in Sequoyah County. Mr. Freeman said the Authority is requesting the loan to install approximately 1,500 AMR water meters. The loan will be fund through the Clean Water State Revolving Fund Loan Program. Mr. Freeman noted provisions of the loan agreement; Roland currently has two outstanding loans with the Board with a combined balance of \$4.6 million, and the debt coverage ratio stands at 1.5-times. Staff recommended approval.

Mr. Rick Smith, Roland Utility Authority financial advisor, was present in support of the loan application.

Chairman Stallings asked if there were any questions for Mr. Smith; there were none.

Mr. Drummond moved to approve SRF loan request to the Roland Utility Authority, and Mr. Darby seconded. Chairman Stallings called for the vote.

AYE: Drummond, Melton, Drake, Allen, Castillo, Darby, Landess, Stallings

NAY: None

ABSTAIN: None

ABSENT: Muller

B. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Coweta Public Works Authority, Wagoner County. Recommended for Approval. Mr. Freeman stated this item is a \$11,373,000.00 loan request by the Coweta Public Works Authority located in Wagoner County. Coweta is requesting the loan to modify and upgrade the existing wastewater treatment plant--improvements include a new lift station, concrete lagoon, creating two aeration basins, construct two aerobic sludge digesters and one flow equalization basin, and sludge pump station, two secondary clarifiers and sludge drying beds along with modification to the disinfection basin. The loan will be funded through the Clean Water SRF Loan Program, and Mr. Freeman noted provisions of the loan agreement. The debt coverage ratio stands at approximately 2.44-times. Staff recommended approval of the loan request.

Coweta City Manager Roger Kolman was present in support of the loan request. Mr. Drummond asked the population of Coweta and Mr. Kohlman responded the population is 11,000 with the addition of

1,000 homes on the northern boundary. Mr. Allen asked how long it will take to complete the project, and Mr. Kohlman answered 1.5 years. Chairman Stallings asked if this is a new or existing facility, and Mr. Kolman answered there are some new parts, but most of the project is expanding the existing facility.

There were no other questions.

Mr. Allen moved to approve the Clean Water SRF loan to the Coweta Public Works Authority, and Ms. Castillo seconded. Chairman Stallings called for the vote.

AYE: Drummond, Melton, Drake, Allen, Castillo, Darby, Landess, Stallings

NAY: None

ABSTAIN: None

ABSENT: Muller

C. Consideration of and Possible Action on a Proposed Order Approving Clean Water Funding Application for Rural Water, Sewer, Gas and Solid Waste Management District No. 4, Wagoner County. Recommended for Approval. Mr. Freeman stated to the members that this item is a \$14,835,000.00 loan request from the Wagoner County Rural Water Sewer Gas and Solid Waste Management District No. 4. The District is requesting the loan to construct a new wastewater treatment facility, replace manholes, install two new lift stations, equalization basins, generators, along with odor and corrosion control. He said the loan will be funded through the Clean Water SRF Fund Loan Program, and he noted provisions of the loan agreement. Mr. Freeman stated the District has been a long-time, good customer of the Board's and currently have two loans outstanding with a combined principal balance of \$9 million dollars. Over the past ten years the District's water connections have increased by 16% and sewer connections have increased by 43%; the debt coverage ratio stands at 1.26-times. Staff recommended approval of the loan request.

Mr. Arnold Kunze, Chairman, and Mr. Rick Lange, Operations Manager, were present in support of the loan application.

There were no questions by members.

Mr. Drummond moved to approve the Clean Water SRF loan to the Wagoner County SGSWM District No. 4, and Mr. Drake seconded. Chairman Stallings called for the vote.

AYE: Drummond, Melton, Drake, Allen, Castillo, Darby, Landess, Stallings

NAY: None

ABSTAIN: None

ABSENT: Muller

D. Resolution Authorizing the Issuance of Oklahoma Water Resources Board Revolving Fund Revenue Refunding Bonds, in the Aggregate Principal Amount not to Exceed \$250,000,000; Approving and Authorizing Execution of a Master Trust Indenture Governing the Issuance of New Series Master Trust Bonds; Approving and Authorizing Execution of Bond Indenture Providing for the Issuance of the Bonds; Providing for the Sale and Delivery of the Bonds and Authorizing a Certificate of Determination; Waiving Competitive Bidding on the Bonds and Authorizing the Sale Thereof by Negotiation Pursuant to the Terms of a Contract of Purchase Pertaining Thereto; Approving a Preliminary Official Statement with Respect to the Bonds; Authorizing Execution of Such Other and Further Instruments, Certificates and Documents as may be Required for the Issuance of the Bonds; Directing Payment of Costs of Issuance and Containing other Provisions Relating to the Issuance of the Bonds. Recommended for Approval. Mr. Freeman stated that agenda item is a resolution authorizing an issuance of bonds not to exceed \$250,000,000.00 for refunding the Board's 2011A and 2012B Clean Water SRF bond issues, as well as the Board's 2011B and 2012A Drinking Water SRF bond issues. The resolution also authorizes a master trust indenture governing the issuance of a master trust bond. The Board's original SRF master trust agreement was developed in 2003 and as the programs have evolved over the past 16 years, the Board's finance team believed it is in the best interest of the Board and the SRF programs to develop a new master trust indenture. Mr. Freeman explained that the original SRF bond issues utilized the reserve fund model of debt issuance, and in 2008 and 2009 the program evolved into a cash flow model. Federal tax laws have changed effecting the program, particularly the Tax Increase and

Reconciliation Program Act of 2005. He said a new master trust indenture would utilize and reflect more effectively the program structure, and a significant advantage of the indenture is to streamline and simplify administration for both the accountant and the Board's trustee. The proposed refunding portion of the resolution may result in net present value savings for the Board of approximately \$20.2 million with a present value benefit of 9.71%. The refunding will need to be on a taxable basis since under the Tax Cuts and Jobs Act of 2017 a tax exempt advance refunding is no longer permitted.

Mr. Freeman stated the refunding bond issue is scheduled for consideration for approval by the State Bond Advisor on October 24; pricing the bonds for the first of December; and closing the refunding on December 19. He said the resolution authorizes execution of bond indentures providing for the issuance of the bonds, authorizing issuance to be on a negotiated basis, provides for approval of the official preliminary statement, directs payment of the cost of issuance, and authorizes other documents necessary to close the bond issue. Mr. Freeman added that staff will go into greater detail during the presentation later in the meeting about trust indenture and the proposed refunding. Staff recommended approval of the proposed resolution authorizing adoption of a master trust indenture. Ms. Ann Burger-Entrekin, OWRB Financial Advisor of Hilltop Securities, was also present.

Mr. Melton asked about the taxable transaction, and Mr. Freeman stated the maximum is \$250,000,000; the actual number is \$230 million, but the resolution states \$250 million in case needed. He said the major advantage is that the Board will save now about \$20 million in interest rates.

There were no other questions, and Mr. Drake moved to approve the proposed resolution, and Mr. Darby seconded. Chairman Stallings called for the vote.

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

E. Resolution Authorizing the Issuance of Oklahoma Water Resources Board Revolving Fund Revenue Bonds – Clean Water and Drinking Water Program (New Series Master Trust Bonds), in the Aggregate Principal Amount not to Exceed \$95,000,000; Approving and Authorizing Execution of a Master Trust Indenture Governing the Issuance of New Series Master Trust Bonds; Approving and Authorizing Execution of a Bond Indenture Providing for the Issuance of the Bonds; Providing for the Sale and Delivery of the Bonds and Authorizing a Certificate of Determination; Waiving Competitive Bidding on the Bonds and Authorizing the Sale Thereof by Negotiation Pursuant to the Terms of a Contract of Purchase Pertaining Thereto; Approving a Preliminary Official Statement with Respect to the Bonds; Authorizing Execution of Such Other and Further Instruments, Certificates and Documents as may be Required for the Issuance of the Bonds; Directing Payment of Costs of Issuance and Containing other Provisions Relating to the Issuance of the Bonds. Recommended for Approval. Mr. Freeman stated this final item is a resolution authorizing the issuance of new money state revolving bond issue for the Drinking Water SRF Program. He explained the Board currently has Drinking Water loans closed and have \$168.7 million in undisbursed draws; to fund the draws, there is \$13.9 million in cash and \$30 million that can be transferred from the Clean Water SRF to the Drinking Water SRF to assist in funding the Drinking Water draws. Therefore, the Board is in need of issuing the additional bonds as authorized by this resolution, and plans to take the issue to the October 24, 2019, meeting of the State Bond Oversight Council, the bonds will be priced and sold in February 2020. The resolution provides for the issuance not to exceed \$95,000,000.00, authorizes the execution of the bond indenture providing for the issuance of bonds, authorizing issuance be on a negotiated basis, provides for approval of preliminary official statement, directs payment for the cost of issuance, and authorizes other documents necessary to close the issue. Mr. Freeman stated that staff recommended approval of the resolution approving issuance of bonds.

Mr. Allen asked about the Board's flexibility on timing if interest rates motivated the Board to move more quickly than February, is that possible. Mr. Freeman stated yes, the key steps required are the Board's approval, by the Bond Oversight Council approval, and the Attorney General's Office approval. There are

certain things that cannot be moved faster, but staff would move as fast as possible if necessary. Mr. Freeman added that with the cash flow model, the Board has the \$13 million and \$30 million, but needs to close the issue to fund the \$168 million; the market is monitored closely by the financial team.

There were no other questions, and Chairman Stallings called for a motion to approve. Mr. Allen moved to approve the resolution authorizing issuance of bonds, and Mr. Melton seconded. Chairman Stallings called for the vote.

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

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 move items 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 Stallings asked if there were any items that needed to be moved or withdrawn, and Mr. Kent Wilkins, Chief, Planning and Management Division asked that item L.1.b., well drilling license DPC-1025/OP-2299 in the name of All Out Pump Service and Drilling be withdrawn.

Mr. Drummond asked about the loan forgiveness application and the source of IHS funds. Mr. Freeman and Ms. Cunningham responded the Indian Health Service has partnered with the Board previously, and is a member of the Funding Agency Coordinating Team.

Chairman Stallings asked for a motion; Mr. Drummond moved to approve the Summary Disposition Agenda, and Mr. Melton seconded.

There were no other questions or discussion, and Chairman Stallings called for the vote.

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

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				

2. DWSRF Principal Forgiveness Loan Applications:

<u>Item No.</u>	<u>Application No.</u>	<u>Entity Name</u>	<u>County</u>	<u>Amount Recommended</u>
a.	ORF-20-0017-DW	Geary Utilities Authority	Blaine	\$ 100,000.00

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

1. Information Sharing Access Agreement between OWRB and FEMA to share information to determine eligibility for benefits following flooding events or other disasters.
2. Amendment Agreement between OWRB and Meshek & Associates, LLC to provide professional engineering services in connection with the Cooperating Technical Partnership Program for the creation and maintenance of Flood Hazard Data.
3. Intergovernmental Agreement with Oklahoma State University – Oklahoma Water Resources Center to conduct a joint conference and symposium at the 2019 Oklahoma Governor’s Water Conference.

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

1. Estack, LLC, Kingfisher County, #2019-532
2. H2OK, LLC, Blaine and Canadian Counties, #2019-538

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:

1. Burkner Brothers, LLC, Cimarron County, #2019-533
2. Beverly Dodson, Garfield County, #2019-537
3. Cascade Land & Cattle, LLC, Ellis County, #2019-539
4. Mark & Diane Roark, Texas County, #2019-540

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

1. H & S Farms, Texas County, #2010-522
2. Bryan County RWS&SWM District No. 2, Bryan County, #2013-515

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. Joshua Goodsell, Pawnee County, #2019-022
2. Daryl & Kristy Dowd, Bryan County, #2019-032

K. Consideration of and Possible Action on Dam and Reservoir Construction:
None

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

1. New Licenses, Accompanying Operator Certificates and Activities:
 - a. Licensee: Dolese Bros. Co. DPC-1023
Operator: Josh Caldwell OP-2296
 - b. Licensee: All Out Pump Service and Drilling DPC-1025 *item withdrawn*
Operator: William Bischoff OP-2299

2. New Operators, Licensee Name Change, and/or Activities for Existing Licenses
 - a. Licensee: Dolese Bros. Co. DPC-1023
 1. Operator: Derek Miles OP-2297
 2. Operator: Adam Welk OP-2298

M. 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, Caddo County, #FP-19-19

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

1. Justin S. Dowd, Town of Kiefer, #FPA-816
2. Shannon R. Lee, Town of Lahoma, #FPA-817
3. Oliver L. Skimbo, City of McAlester, #FPA-818
4. Mary Catherine Oakley, Noble County, #FPA-819

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

A. Presentation and Discussion of Board Education Series, "Financial Assistance Division Programs."

Mr. Joe Freeman, Chief, Financial Assistance Division, introduced his presentation today as well as Ms. Anne Burger-Entrekin, Regional Managing Director with Hilltop Securities, member of the OWRB Financial Team. Mr. Freeman utilized a PowerPoint Presentation which available on the OWRB website.

Mr. Freeman began with the history of the OWRB Financial Assistance Program which was created in 1979 with an initial appropriation of \$25 million dollars, and he described each of the Board's loan programs, then discussed with detail the New Master Trust Indenture the Board approved, and the refunding opportunity before the Board that will save approximately \$20 million dollar, depending upon the market when the issue is closed. Mr. Freeman named the five funding programs: State Revenue Bond Loan Program aka FAP Program, Emergency Grant Program, Rural Economic Action Plan Grant Program, Clean Water State Revolving Fund Loan Program, and the Drinking Water State Revolving Fund Loan Program. He described the basis of the revenue bond loan program and its beginning in 1979, the election to change the state constitution in the 1980s to authorize the program. The Legislature passed the Statewide Water Development Revolving Fund appropriating \$25 million dollars and over \$17 million dollars are still in reserve for the FAD loan program. Overtime, the Legislature added funds including Gross Production Tax revenue of approximately \$9 million and also approved surety (insurance) policies as an alternative to obtaining cash, obtaining \$23.5 million. However, the market crashes of 2008 and 2009 -- the policies were provided by AMBAC -- and are still in effect, but not considered by the rating agencies. A significant step in 2012 was the passage of State Question 764 -- that created the Water Infrastructure Credit Enhancement Reserve Fund -- allowing the state to meet the demands set for in the Water for 2060 plan that authorized the OWRB to issue up to \$300,000,000.00 in General Obligation Bonds if there was a default on the state loan program. Therefore, under the State Bond Loan program, the \$17,000,000 would have to be utilized, \$9 million of Gross Production Tax funds, call on the surety bonds, and once all those sources are depleted, the Board could issue the GO bonds for defaults. He emphasized the Board has never experienced a default, and Standard & Poor's rating agency looks at the \$300 million as an equivalent of cash as long as the State meets its current bond rating, and the Board can maintain its AAA rating. The Board has viewed that if it could fund the \$82 billion demand in water and wastewater need identified in the Water for 2060 Plan, and still keep revolving \$300 billion (10 x \$ 300 million), the Board would be able to fund 60% of water and wastewater construction need in the state through the year 2060.

Mr. Freeman continued his presentation describing the State Revenue Bond Loan Program beginnings with the 1986 General Bond Indenture, TIPRA challenges in 2005, the 2016 General Bond Indenture updating the structure of the indenture to current standards and providing alternatives to

communities to meet obligations. He discussed the modified local reserve requirement of cash reserve, surety policy AA rating or higher, A-assigned or affirmed in the last 18-months, and 1.4 times debt coverage ratio, leading to the recent approval of a \$100 million dollar FAP bond issue. There are 393 FAP loans for a total of \$1,244,510,000. Mr. Freeman reviewed the OWRB FAP service providers BOF Financial Securities, Stifel Nicolaus, Centennial Law Group, BancFirst, and Standard & Poor's rating agency. Mr. Freeman continued discussing the operation of the Emergency Grant Program funding--interest earned from investments of the \$17 million + \$9 million described earlier--including guaranteed investment contracts, and the point based system, noting the agency has provided 588 emergency grants for a total of \$35,073,082. He also discussed the Rural Economic Action Plan (REAP) Grant program--the only program that receives appropriated dollars--the amount requested vs. the amount approved and "Need v. Seed," population point category, and that the funding is divided 11 ways among the Oklahoma Councils of State Government, 9 governments receiving 1/10th, and two governments (INGOC and ACOG) splitting 1/10th. He said the agency has issued 697 grants for a total of \$62,020,690, and reviewed the bar graph depicting the OWRB REAP grant appropriations vs. approved and funded grant (see chart). The agency is able to assist communities of very small population that are not eligible or capable of making loan payments. Mr. Freeman continued describing the foundation, functions, and funding of projects for communities under the Clean Water and Drinking Water (co-administered with the Oklahoma Department of Environmental Quality), that relies on the EPA Capitalization Grant and State Match for interim construction loans and long term takeout loans, and refinancing construction loans for below-market interest rates. He featured several traditional and also nontraditional community projects including, Bixby Public Works Authority, Oklahoma City Water Utilities Authority project at Atoka Dam, and Lake McMurtry project partnered with the Oklahoma Conservation Commission on 319 projects. He also spoke to the mechanics of the program in regard to the 2003 leveraged reserve fund model, due to the 2008-2009 financial crises the Board adopted the 2010 leveraged cash flow model, providing 60% of market rate for Clean Water loans, Drinking Water Capacity, as well as the challenges to the program, and he concluded by identifying the Financial Team players, noting the program is AAA from all three rating agencies. As of October 2019, the OWRB has approved 2,253 projects for a total of \$4,403,625,804, saving Oklahoma communities \$1,471,294,171, keeping water and sewer rates lower for the citizens in all 77 counties of the State.

Regarding the New Master Trust and SRF refunding, Mr. Freeman introduced Ms. Anne Burger-Entrekin who spoke to the members explained in detail the rationale for the New Master Trust Indenture (MTI) while complimenting the Board on the program developed since the original indenture in 2003 was drafted, which she described as being very forward thinking. She discussed the philosophy behind the decision to implement a new MTI rather than amending the current MTA, allowing more efficiency and flexibility in the future as markets evolve. She focused on the proposed changes to the program structure, providing a history of the two programs that evolved from the beginning utilizing a reserve fund structure, changes due to the passage of the TIPRA in 2005, effect of the market dislocation in 2008 and migration to a cash flow structure resulting in the OWRB utilizing Capitalization grants to fund loans for additional credit enhancement while funding loans on a FIFO (first in-first out) basis. Ms. Entrekin explained the focus regarding credit considerations and ensuring the AAA is not jeopardized, closing the prior MTA and closed loop programs, and the advantage of cross-collateralization provisions in federal legislation and consideration of the Clean Water program earlier creation than the Drinking Water program. Ms. Entrekin review the current flow of funds, the preliminary flow of funds for the new MTI, and the considerations and benefits of the new MTI, explaining the excess coverage and reserves from existing Clean Water and Drinking Water SRF MTI bonds allowing excess cash flows from the current agreement to the new agreement emphasizing that all loans will be parity and pledged to every bond issue, creating one loan account, one revenue account, and on a series by series basis only what is needed to pay the debt service of the bonds will be transferred. She continued explaining the operation of closing the MTA and opening the MTI, and that refunding is the opportunity to move funds from the old indenture to the new indenture, creating efficiencies and reduction in the number of accounts, the streamline of program administration and trustee services, and is consistent with the rating agency methodology incorporating forward thinking

provisions and flexibility will be built into the master trust. Regarding the refunding opportunity, Ms. Entrekin described the current municipal market, reviewing rates before 1990, currently rates are lower than the 1960s and she talked about negative yielding debt, inflationary expectations, the global economy, the rates reduced over the past year, credit spreads at historical lows, the 30-year treasury; the summary of bonds soon to be callable, as well as timing and other considerations, and federal tax law considerations. The OWRB team, after guidance from Tax Counsel, made modifications to the proposed funding structure resulting in the most savings being realized in the first two years, for a total estimated savings at \$20 million. In summary, Ms. Entrekin stated the OWRB has the opportunity to refund existing bonds on a taxable basis at lower interest rates resulting in projected debt service savings, and in addition to achieving debt service savings, the refunding bonds would be the first issuance under the new MTI, accelerating the transition from the existing MTA to the proposed new MTI.

Board members asked about whether there is breakage cost calculated into the call dates, whether there are tax law changes expected that will impact the new structure, what is the demand for taxable bonds v. tax exempt bonds, and whether similar transactions have occurred. Mr. Freeman concluded the report, stated his staff has been working closely with the State Bond Advisor's office and providing information. He said he believed it a matter of education for the Bond Oversight Council members.

5. SPECIAL CONSIDERATION

- A. No items. There were no Special Consideration items for the Board's consideration.
- B. Consideration of and Possible Action on Items Transferred from Summary Disposition Agenda, if any. There were no matters transferred from the Summary Disposition Agenda.

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.

There were no New Business items for the Board's consideration.

The Chairman reminded members the Board would not meet in November. The next regular meeting will be held in conjunction with the Governor's Water Conference and Research Symposium, on December 5, 2019.

7. ADJOURNMENT

There being no further business, Chairman Stallings adjourned the meeting of the Oklahoma Water Resources Board at 11:00 a.m. on October 15, 2019.

OKLAHOMA WATER RESOURCES BOARD

_____/s/_____
Robert L. Stallings, Jr., Chairman

_____Absent_____
Stephen B. Allen, Vice Chairman

_____/Absent_____
Charles Darby

_____/s/_____
F. Ford Drummond

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

_____/s/_____
Jennifer Castillo

_____/s/_____
Matt Muller

_____/s/_____
Suzanne V. Landess

ATTEST:

_____/s/_____
Bob Drake, Secretary

(SEAL)