

Oklahoma

Water
News

MONTHLY NEWSLETTER OF THE OKLAHOMA WATER RESOURCES BOARD

New Options on Interest Rates Turn on the Tap for Loans

\$1.9 million approved in new variable-rate loans; \$8 million in grants enables \$26 million in projects

Despite providing much-needed financial help to many Oklahoma cities and towns, the OWRB's Financial Assistance Program has been under fire lately. This surprising criticism has put OWRB Planning and Development Division Chief Walid Maher on the frontline of the innovative program's defense.

"Ironically, the same economic conditions which initially made the program attractive to financially strapped communities have also hampered its effectiveness," Maher pointed out. "We weren't able to look into a crystal ball and foresee plummeting interest rates or the state's depressed economy. But despite all the obstacles, the Board has never stopped searching for ways to bring affordable water resources financing to those in need of help.

In 1982, the State Legislature enacted a series of laws which granted the OWRB authority to issue investment certificates (bonds) as a means of acquiring money to make loans to local governments for a wide variety of water and sewer projects. Twenty-five million dollars was appropriated from surplus state funds to create the Statewide Water Development Revolving Fund which serves as additional security for the bonds. Loan

monies are generated through bond sale proceeds, while emergency grant funds are created through interest earned on the Revolving Fund.

"The program was specifically designed so that rural communities could avoid having to issue bonds on their own and bypass some of the costs. Also, many of these communities can't get the rating necessary to market their

own bonds," Maher said.

In 1985, the Board accepted a low bid of 8.68 percent on its AAA-rated \$50 million State Loan Program Revenue Bonds. This allowed the Board to offer loans to eligible communities at a competitive interest rate of 8.94 percent which includes all costs involved with the bond issuance.

"Interest rates began to climb almost immediately following delivery of the bonds," Maher said. "The Board's timing appeared to be excellent."

But then, the program's first setback occurred. Just four months after the

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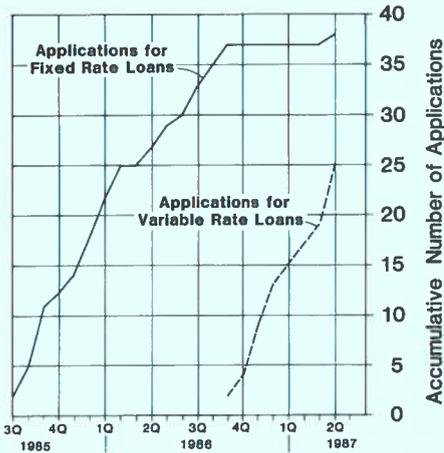


In the background, Morris' new water storage tank enabled by a \$100,000 grant from the Board's Financial Assistance Program. It replaces the storage tank destroyed by a tornado in the spring of 1984. A \$165,000 loan approved at the April Board meeting will share in costs of renovating the old sewer system and extending service to new areas.

Interest, continued from page 1

bonds were sold, market rates had dropped well below the FAP rate. And they have continued to plummet.

In a May 1986 effort to reduce the loan rate for FAP monies, the OWRB sought to refinance its 1985 bonds. Interest rates had stabilized; unfortunately, by the time the competitive bid process had run, the market took a sudden upward jump. As a result, the Board opted to reject all bids.



Other avenues were explored to make the program more competitive. Persistence finally paid off in August 1986 when the Board successfully completed the sale of \$41.65 million in variable rate revenue bonds. This allowed the Board to offer loans at 5.525 percent interest for the initial six months with subsequent interest rates

dictated by market conditions. The variable rate now stands at 4.676 percent, Maher said.

"The variable rate issue has been a real winner; it has given the loan program so much more flexibility. Now the borrower has the option of obtaining money at a fixed interest rate, at a variable rate or any combination of the two. Since January 1987, \$1,930,000 in variable rate loans have been approved by the Board."

Despite the variable rate issuance, the market merry-go-round has continued to impair the attractiveness of the fixed rate bond issue. Of this issue (completed in July 1985) only six loans for about \$3.88 million have been approved. Maher said he had hoped that as much as half of the original \$50 million fixed rate bond issue could be loaned out by now.

Falling interest rates have not only been a problem for the OWRB, but they have forced many other bond issuers to refinance as well. Last year's refunding total threatens to surpass 1985's record of \$57.8 billion.

One bright spot has continued to shine for the FAP, according to Maher. While fluctuating interest rates temporarily put the fixed interest loan program on the back burner, the grant program stepped in to provide financing for many ailing water and sewer systems.

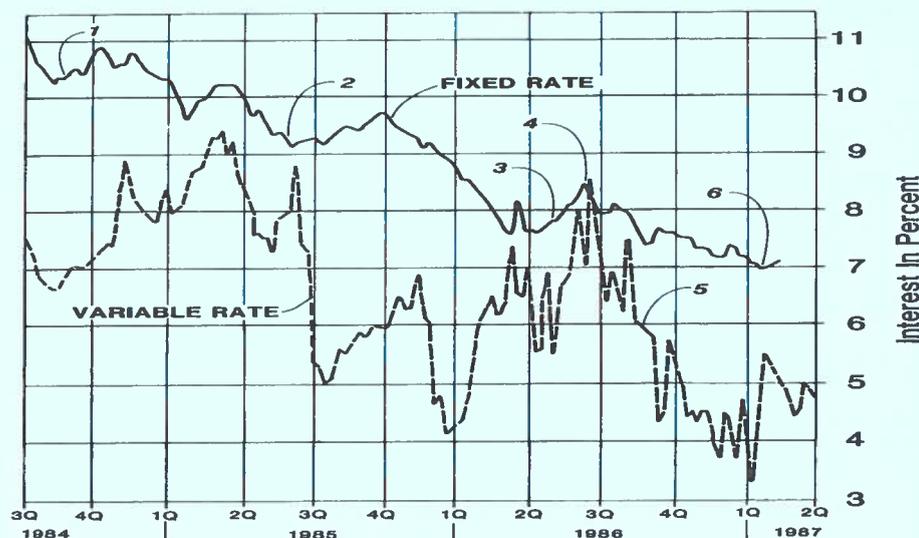
"The grant program has been a real boon to rural Oklahoma," he said.

To date, 108 grant applications—all from rural communities—have been approved for almost \$8 million; 95 projects have been funded for about \$6.8 million. (The largest community to receive a grant was Pawhuska with a population of about 5,000; the smallest was the town of Meridian in Logan County with a population of only 78.) Much of this grant money has been combined with funds from other sources. The total cost of projects for which Board grants have been used amounts to almost \$26 million. An emergency grant priority system rates applicants according to need, median income, local contributions and other factors.

Board staff are again in the process of attempting to refinance the 1985 bonds, Maher said.

"Long-term interest rates are currently at an all-time low, so we are watching the market intensely for an opportunity to refinance those bonds. Hopefully, we will be able to offer a lower fixed interest rate of 7 to 7.5 percent.

"We have had our fair share of hurdles to jump with the FAP, but if we can just get our refinancing done, the program should be set to provide more help to Oklahoma communities than ever before," Maher added.



(1) August 1984; Voters approve State Question 581 removing all legal obstacles to the Board issuing revenue bonds. (2) May 1985; OWRB receives low bid of 8.68 percent on \$50 Million Revenue Bond Issue. (3) May 1986; OWRB authorizes refinancing of 1985 bond issue. (4) June 1986; OWRB rejects low bid of 8.20 percent to refinance 1985 issue. (5) August 1986; OWRB completes sale of \$41.65 million in variable rate revenue bonds. (6) January 1987; Record low rate occurs at 6.92 percent.



Standards Now State Law

After years of stream studies, staff review and public input and hearings, the 1985 Oklahoma Water Quality Standards have officially become state law. Revisions to state standards—a result of EPA, state, local and citizen recommendations—successfully completed their 30 legislative day trek through the State Capitol on April 8.

"The revisions are now under scrutiny by the State Attorney General to verify that state law was properly followed," Barnett said.

He pointed out that only two EPA changes were not addressed in the recent approval: an amendment to stan-

dards on the Arkansas River near Tulsa, now before the Legislature; and standards concerning Crutcho Creek, in Oklahoma County, which are still under consideration by OWRB staff.

Once standards are approved by the nine-member Board, they undergo Legislative review and certification by the Office of the Attorney General. Lastly, they are reviewed by EPA as to their acceptability under the Federal Clean Water Act.

OWRB Halts Certification Bid

Citing a violation of Oklahoma Water Quality Standards, the OWRB has denied a request for water quality certification from the City of Fort Smith, Arkansas. The certification try was the latest attempt in an effort to begin Phase I impoundment of Lee Creek in eastern Oklahoma.

For years, Fort Smith has sought ways to dam the interstate stream for a two-phase water supply project to satisfy the city's future growth needs. The proposed dam, water treatment plant and hydroelectric power facility on Lee Creek (much of which is a designated scenic river) would back up water into Oklahoma—a potential violation of the Clean Water Act and state law, including Oklahoma Water Quality Standards.

The OWRB denied the request after reviewing an environmental impact statement (EIS) required for the proposed project. According to OWRB Executive Director James Barnett, the certification was refused primarily because the EIS—sponsored by the Federal Regulatory Commission—showed that the project would have a negative impact on water quality in Lee Creek.

"The State Attorney General ruled that Oklahoma Statutes do not allow the lowering of quality in state waters. Also, we believe the impoundment would cause degradation of Lee Creek and violate the Standard's Anti-degradation Policy."

The Anti-degradation Policy requires that existing beneficial uses of state waters be maintained and protected. The policy also prohibits water quality degradation which interferes with the attainment or maintenance of

designated beneficial uses.

Lee Creek—considered by some to be the most scenic watercourse in the state—is protected in its entirety by the Standard's little 'a' designation (all streams and bodies of water designated as little 'a' in the Oklahoma Water Quality Standards are protected from the establishment or addition of a point source discharge which increases the waters' pollutant loading).

The proposed impoundment on Lee Creek has led to numerous clashes—both in and out of court—between environmentalists and government officials. At the center of the controversy is the river's horseshoe-shaped course through both Arkansas and Oklahoma, creating a political tug-of-war between conflicting state and federal laws. Fort Smith's hydropower permit application to the Federal Energy Regulatory Commission brought that agency into the case while the proposed dam's impact on the small-mouth bass population in Lee Creek has attracted attention from the Environmental Protection Agency. EPA has also pointed out that the EIS deals only with Phase I of the impoundment

and fails to address environmental impacts of the project's second phase. Both the EPA and FERC have been meeting in an attempt to resolve the many-faceted controversy.

Refuge Seeks to Attract Eagles

With help from Florida wildlife officials, biologists from Bartlesville's George Miksch Sutton Avian Research Center are attempting to establish a breeding ground in Oklahoma for the endangered bald eagle. Eggs from the raptors are being transported from Florida to Oklahoma where they are incubated, hatched and later released at the Sequoyah National Wildlife Refuge.

Researchers are hoping to induce the eaglets to establish a breeding ground on the 20,000-acre refuge surrounding Kerr Reservoir.

Only four bald eagles have been hatched in Oklahoma in the last 20 years. Wildlife officials hope to increase their breeding populations here as in Florida where 86 percent of the nation's southern sub-species of eagles reside.

New Mexico Violates Compact, Say Oklahoma and Texas

In an effort to resolve a five-year dispute over Canadian River water rights, the states of Oklahoma and Texas filed a complaint in U.S. Supreme Court on April 16. The suit seeks to force New Mexico to eliminate some 42,000 acre-feet of excess conservation storage capacity in the recently enlarged Ute Reservoir on the Canadian River near Logan, New Mexico.

According to Bob Johnson, Oklahoma Commissioner to the Canadian River Compact, New Mexico now has the capacity to impound at least 42,000 acre-feet more than the amount of water allowed under the Compact.

"This excess storage capacity is causing substantial harm to citizens from both Oklahoma and Texas," he pointed out. "The primary purpose for

which those states entered into the compact—that is, to obtain their fair share of the water in the Canadian River—has essentially been negated."

The Canadian River Compact was created in 1950 to equitably apportion Canadian River waters between Oklahoma, Texas and New Mexico. The Canadian River Commission administers and enforces the Compact.

Continual efforts by Texas and Oklahoma to bring New Mexico into compliance with Compact terms have been unsuccessful. According to Jim Barnett, executive director of the OWRB, New Mexico asserts that much of its present reservoir storage capacity below Conchas Dam is not conservation storage since it has been allocated for recreation and fish and wildlife uses.

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Compact, continued from page 3

"The New Mexico stand clearly undermines the Compact," Barnett said. "Under this interpretation, they could retain all the waters of the Canadian River. They would only need to designate any additional storage capacities

as being for recreation, fish and wildlife uses, or any other purpose not expressly defined in the Compact as conservation storage."

According to Commissioner Johnson, the New Mexico violation is particularly harmful to western Oklaho-

ma. Due to the construction and enlargement of two Canadian River impoundments, Ute Reservoir and Texas' Lake Meredith, annual flows into Oklahoma have declined drastically over the last several years.

**ACTIVE CONSERVATION STORAGE IN SELECTED OKLAHOMA LAKES AND RESERVOIRS
AS OF APRIL 20, 1987**

| PLANNING REGION LAKE/RESERVOIR | CONSERVATION STORAGE (AF) | PERCENT OF CAPACITY | PLANNING REGION LAKE/RESERVOIR | CONSERVATION STORAGE (AF) | PERCENT OF CAPACITY |
|-----------------------------------|------------------------------|------------------------|-----------------------------------|------------------------------|-------------------------|
| SOUTHEAST | | | NORTHEAST | | |
| Atoka | 123,475 | 99.4 | Eucha | 79,567 | 100.0 |
| Broken Bow | 877,115 | 95.0 | Grand | 1,455,920 | 97.6 |
| Pine Creek | 77,700 | 100.0 | Oologah | 544,240 | 100.0 |
| Hugo | 157,600 | 100.0 | Hulah | 30,594 | 100.0 |
| CENTRAL | | | Fort Gibson | 362,956 | 99.0 |
| Thunderbird | 105,925 | 100.0 | Heyburn | 6,600 | 100.0 |
| Hefner | 75,099 | 99.6 | Birch | 18,839 | 98.0 |
| Overholser | 13,871 | 87.2 | Hudson | 200,300 | 100.0 |
| Draper | 84,595 | 84.5 | Spavinaw | 30,000 | 100.0 |
| SOUTH CENTRAL | | | Copan | 42,225 | 97.0 |
| Arbuckle | 62,571 | 100.0 | Skiatook | 295,530 | 99.9 |
| Texoma | 2,637,700 | 100.0 | NORTH CENTRAL | | |
| Waurika | 203,100 | 100.0 | Kaw | 428,600 | 100.0 |
| SOUTHWEST | | | Keystone | 616,000 | 100.0 |
| Altus | 132,886 | 100.0 | NORTHWEST | | |
| Fort Cobb | 78,423 | 100.0 | Canton | 97,500 | 100.0 |
| Foss | 181,745 | 74.0 ¹ | Optima | 3,000 | 1 |
| Tom Steed | 87,442 | 98.0 | Fort Supply | 13,068 | 94.0 |
| EAST CENTRAL | | | Great Salt Plains | 31,400 | 100.0 |
| Eufaula | 2,329,700 | 100.0 | STATE TOTALS | | |
| Tenkiller | 627,500 | 100.0 | | 12,439,119 | 96.2³ |
| Wister | 27,100 | 100.0 | | | |
| Sardis | 302,233 | 99.9 | | | |

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

1. In initial filling stage
2. Temporarily lowered for maintenance
3. Conservation storage for Lake Optima not included in state total

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MARY E. WHITLOW, Editor

BRIAN VANCE, Writer

BARRY FOGERTY, Photographer

MARIE WELTZHEIMER, Design

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Oklahoma Water Resources Board
1000 N.E. Tenth, P.O. Box 53585
Oklahoma City, Okla. 73152

Gerald E. Borelli, Chairman
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