

**Minutes of the  
ARKANSAS NATURAL RESOURCES COMMISSION**

**September 17, 2014**

The regular meeting of the Arkansas Natural Resources Commission was held Wednesday, September 17, 2014, at 9:30 a.m., at the office of the Arkansas Natural Resources Commission, 101 East Capitol, Suite 350, Little Rock, Arkansas.

Commissioners participating were Chairman Corbet Lamkin; Vice-Chairman David Feilke; Fred Fowlkes; Mike Carter; Don Richardson; Neal Anderson, Sloan Hampton, and Jerry Hunton.

Staff members participating included: Randy Young, Executive Director; Crystal Phelps, General Counsel; Adrian Baber, Chief, Conservation Division; Edward Swaim, Chief, Water Resources Management Division; Mark Bennett, Chief, Water Development Division; Cynthia Bearden, Agency Controller; Dave Fenter, Marketing Management; Todd Fugitt, Senior Geologist; Darla Brooks, Financial Programs Manager; Blake Walters, Land Resource Specialist; Lori Scott-Nakai, Public Affairs; Deanna Ray, Associate General Counsel; and Pat Smith, Executive Assistant.

Chairman Lamkin called the meeting of the Arkansas Natural Resources Commission to order.

A list of guests is attached.

**APPROVAL OF MINUTES; JULY 16 AND JULY 31, 2014**

Upon motion by Mr. Fowlkes, second by Mr. Richardson, the Commission approved the minutes of the July 16, 2014, regular meeting, and the July 31, 2014, special telephonic meeting.

**REPORT OF THE EXECUTIVE DIRECTOR**

**Arkansas-Oklahoma Arkansas River Compact Commission Meeting** – Mr. Young announced that the annual meeting of the Arkansas-Oklahoma Arkansas River Compact Commission will be held in Rogers, Arkansas on October 29-30, 2014, and invited the Commissioners to attend.

**STATUS OF FINANCIAL ASSISTANCE PROGRAMS**

Mrs. Cynthia Bearden presented the financial assistance report dated August 31, 2014. (Copy of report attached to the minutes).

Mrs. Bearden stated that over 80 water and sewer systems have been selected for review this fall by staff and interns. The depreciation fund information will be documented and then compiled into a report and presented at the December meeting.

Mr. Carter requested future projects brought before the Commission have a depreciation fund report accompanying the recommendation. Mrs. Bearden advised that a report is included for each of the projects to be approved today. Prior to today's meeting, a letter was sent to every borrower, along with a form requesting that they provide fund balances in each of their bank accounts. She stated that approximately twenty forms have been returned.

Mr. Carter requested that the financial report show the projected balance versus the actual balance in the depreciation fund account. Mrs. Bearden stated that if she knows the percentage rate that it would not be a problem to calculate.

Mr. Young suggested having an additional column in the report showing activity in the depreciation account. Mrs. Bearden said they plan to review bank statements over the past fiscal year and that information can easily be included in the report.

Mr. Young also suggested reviewing those contracts to see if the project was approved contingent upon establishing and maintaining a depreciation reserve fund.

### **APPLICATIONS FOR FINANCIAL ASSISTANCE**

Mr. Bennett presented staff recommendations for the referenced projects below requesting financial assistance from the Water Development Fund (WDF), the Drinking Water State Revolving Fund (DWSRF); the Water, Sewer and Solid Waste Fund (WSSW); and the Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Program (CGO).

Upon motion by Mr. Anderson, second by Mr. Hampton, the Commission approved the following recommendations:

#### **SARDIS (PULASKI COUNTY) (DWSRF)**

**Up to \$1,500,000.00**

*PURPOSE OF FUNDS: A new 500,000 gallon water storage standpipe and large diameter lines to connect the tank to the system.*

The Commission approved loan funds in an amount up to **\$1,500,000.00** for the Sardis Water Association Public Water Authority from the Arkansas Drinking Water State Revolving Loan Fund in accordance with the established funding priorities. The loan repayment schedule will not exceed twenty (20) years. The combined rate will be established by the Executive Director at the time of loan closing. Approval is contingent upon the authority establishing and maintaining a depreciation reserve fund.

Mr. Carter asked if there was a contingency percentage rate for the depreciation reserve fund for Sardis. Mr. Bennett stated that Sardis is a very well maintained system and they currently have a reserve. Chairman Lamkin asked what problems Mr. Bennett foresaw with the 3% rule. Mr. Bennett stated that we would probably no longer be competitive and that entities would go elsewhere for financial assistance. He suggested that the Commission allow the Director to establish a fixed amount based upon the entity's financial condition.

Mr. Anderson stated that the Commission needed a standard rule. Mr. Carter asked staff to determine a number that is fair. Mr. Bennett stated that he will consult with other financial cooperators. Mr. Young added that staff will present a recommendation at the December Commission meeting.

#### **WALDO (COLUMBIA COUNTY) (DWSRF)**

**Up to \$600,000.00**

*PURPOSE OF FUNDS: Replace portions of the water distribution system to reduce water loss of approximately 40% and other ancillary improvements.*

The Commission approved loan funds in an amount up to **\$600,000.00** for the City of Waldo from the Arkansas Drinking Water State Revolving Loan Fund in accordance with the established funding priorities. The loan repayment schedule will not exceed twenty (20) years. The combined rate will be established by the Executive Director at the time of loan closing. Approval is contingent upon the city establishing and maintaining a depreciation reserve fund.

#### **WALDO (COLUMBIA COUNTY) (DWSRF)**

**Up to \$2,600,000.00**

*PURPOSE OF FUNDS: Replace portions of the water distribution system to reduce water loss of approximately 40% and other ancillary improvements.*

The Commission approved funds in an amount up to **\$2,600,000.00** of which the total amount will be in the form of a loan with principal forgiveness for the City of Waldo from the Arkansas Drinking Water State Revolving Loan Fund in accordance with the established funding priorities. Approval is contingent upon the city establishing and maintaining a depreciation reserve fund.

**OSCEOLA (MISSISSIPPI COUNTY) (WSSW)**

**Up to \$360,500.00**

*PURPOSE OF FUNDS: Lining of existing sewer collection system to reduce inflow and infiltration.*

The Commission approved a loan for Osceola in an amount up to **\$360,500.00** from the Water, Sewer and Solid Waste Fund. This loan is for up to thirty (30) years at the applicable rate of interest. An administrative fee in an amount up to \$10,500.00 is to be retained by the Commission. Approval is contingent upon the city establishing and maintaining a depreciation reserve fund.

**SPARKMAN (DALLAS COUNTY) (WSSW)**

**Up to \$16,480.00**

*PURPOSE OF FUNDS: Rehab and upgrades to sewer pump stations.*

The Commission approved a loan for Sparkman in an amount up to **\$16,480.00** from the Water, Sewer and Solid Waste Fund. This loan is for twenty (20) years at three and nine tenths percent (3.9%) interest. An administrative fee in an amount up to \$480.00 is to be retained by the Commission. Approval is contingent upon the city establishing and maintaining a depreciation reserve fund.

**CONWAY (FAULKNER COUNTY) (WDF)**

**Up to \$51,324.90**

*PURPOSE OF FUNDS: Drainage control and stabilization between the terminal and corporate hangar area of the new airport being built in Lollie Bottoms.*

The Commission approved a grant in an amount up to **\$51,324.90** from the Water Development Fund. An administrative fee in an amount up to \$1,494.90 is to be retained by the Commission. Approval is contingent upon the city establishing and maintaining a depreciation reserve fund, and upon these grant funds being the last funds used for the project.

**STATE REVOLVING FUND MATCH (CGO)**

**Up to \$2,400,000.00**

*PURPOSE OF FUNDS: To provide matching funds for the USEPA grants for the Clean Water Revolving Loan Fund and Drinking Water Revolving Loan Fund.*

The Commission approved a grant from the Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Program in the amount listed above to the Arkansas Natural Resources Commission for the State's matching funds for the Clean Water Revolving Loan Fund and Drinking Water Revolving Loan Fund. The Executive Director is authorized to transfer grant funds to the Arkansas Development Finance Authority as he determines necessary.

**CHANGE IN TERMS**

Mr. Bennett introduced Ms. Carol Parker, Chairperson for the Sweet Home Sewer Board, and Ms. Travena Jefferson with the Community Resource Group, to speak on behalf of the project.

**SWEET HOME FACILITIES BOARD (PULASKI COUNTY) (00166-WSSW-D) (Additional deferral period).**

**\$257,500.00**

First payment was due June of 2014. Phase II of the project has been delayed but should be under construction in early 2015. Upon motion by Mr. Anderson, second by Mr. Hunton, the

Commission approved deferring interest until June 1, 2017, with the first payment due on June 1, 2018, with a repayment period of twenty (20) years.

### **ADDITIONAL FUNDS**

Mr. Bennett reported that the Executive Director, pursuant to the Commission regulations, increased funding for the following projects:

**WARREN (BRADLEY COUNTY) 00828-WSSW-L (ADDITIONAL)**                      **Up to \$175,100.00**

Upon motion by Mr. Anderson, second by Mr. Hampton, the Commission approved the following recommendations:

### **CONSERVATION DIVISION**

### **APPOINTMENTS AND REAPPOINTMENTS TO CONSERVATION DISTRICT BOARDS**

Upon motion by Mr. Anderson, second by Mr. Feilke, the Commission approved the following appointments:

#### **APPOINTMENTS**

<i>Ashley County CD</i>	<i>Sam Shakelford</i>
<i>Mississippi County CD</i>	<i>Becton Bell</i>
	<i>Russ Thomason</i>

For the record, Mr. Richardson recused himself from the vote. Upon motion by Mr. Anderson, second by Mr. Fowlkes, the Commission approved the following reappointments:

#### **REAPPOINTMENTS**

<i>Garland County CD</i>	<i>Melvin Daniel</i>
<i>Mississippi County CD</i>	<i>Allen Donner</i>
<i>Sharp County CD</i>	<i>Jim Baxter</i>
<i>Van Buren County CD</i>	<i>Don Richardson</i>
	<i>Charles E. Stagg</i>

**CONSERVATION DISTRICT ACTIVITY REPORT** – Mr. Blake Walters introduced Mr. Mike Parkinson with the Crooked Creek Conservation District. Mr. Parkinson gave an overview of the many activities of the district. One activity is the submission of a weekly news article for the local newspaper with subjects that address soil and water conservation practices.

### **WATER RESOURCES DEVELOPMENT DIVISION**

**Report on Arkansas Water Plan** – Mr. Swaim invited the Commissioners to attend a public meeting today being held at the Central Arkansas Library in Little Rock. A presentation will be made and questions fielded on information contained in the draft Executive Summary. The last of the public meetings will be held Friday in Fayetteville at the Whittaker Center. There have been well above 100 presentations made at public meetings, and to organizations and groups over the state. Mr. Ken Brazil will make a presentation next week at the Interstate Council on Water Policy meeting in South Carolina that includes representatives from all over the nation.

Mr. Swaim highlighted two issues that have drawn a lot of attention at the public meetings. The first is the word 'condemnation' that appears in the recommendation regarding well metering. Voluntary incentive-based metering has been welcomed by most of the public. The second has to

do with the perennial issue of 'excess surface water'. This is the most difficult concept in the water plan to be understood by the public.

Mr. Swaim was happy to announce that the water plan update will be completed on schedule and approximately 20% under budget.

Mr. Young asked for the timeframe for final approval by the Commission. Mr. Swaim stated that final public comments are due on the 24<sup>th</sup> of October, at which time those comments will be forwarded to the Commissioners in the form of a final draft in early November. That final draft will be presented for approval at the Commission's December meeting.

**Report on Proposed Interstate Transfers: Mississippi River to Texas and Lake Erling to Louisiana** – Mr. Swaim stated that a consulting firm in Texas had contacted ANRC to explore the potential for two non-traditional interstate transfers of water originating in Arkansas. The firm would like to withdraw water from the Mississippi River in southeast Arkansas and pipe it across southern Arkansas into impoundments in Texas. Once impounded, it would be sold and distributed to cities requesting the water. The consultant is exploring this concept for private investors.

Mr. Swaim suggested that the proponents of the project perform the engineering and present their quantification of available 'excess surface water' for the Commission's review. This entity wouldn't be strictly subject to the water plan compliance review, but it would be treated as such because the Commission has to take action on the proposal before sending it to the General Assembly during a regular session. The General Assembly and the Commission would have to consider what the benefit to the state would be to approve the interstate transfer.

The other project of interest is Lake Erling. It was constructed by the US Army Corps of Engineers and was transferred to International Paper Company (IPC). IPC used the lake as storage for its paper plant in Springhill, Louisiana. The plant is no longer functioning, so IPC transferred ownership to a non-profit that was created for the purpose of managing the lake. They are looking for ways to generate revenue to maintain the structure and to pay the annual operation permit fee of \$10,000 for the dam. They plan to submit an application for a non-riparian permit and interstate transfer to ANRC to release water to users in Louisiana. Mr. Swaim believes this is the first of many requests because of the water needs in that region.

Mr. Young asked if one of the charges of this Commission is to recommend to the General Assembly a price for the sale of water. Mr. Swaim confirmed that to be true.

### **ACTIVITY REPORTS**

Informational activity reports were presented by the following: Charles Glover, President, AACD; and Jaysson Funkhouser, USGS, Water Science Center.

Of special interest, Mr. Funkhouser announced that personnel and organizational changes are being made at the Water Science Center in Little Rock. USGS recently entered into a two-year agreement with ANRC to operate approximately 175 stream gages, over 100 rain gages, 125 water quality stations, and 30 real-time ground water monitors. New to the program this year are water use monitors on wells in eastern Arkansas. He added that over the last 50 years, except for two stations, stream flow has increased across the entire state, even in the three critical ground water areas. The entire state has seen a significant upward trend in precipitation, specifically the northwest part of the state.

Mr. Hunton asked if USGS had checked the water table in northwest Arkansas. Mr. Funkhouser replied that there were only a few monitoring wells in the area and that the water table had not been checked.

Mr. Young stated that since Mr. Funkhouser was working with the Red River Compact Commission's engineering committee, did he know if USGS was getting any closer in how to compute the weekly runoff in southeast Arkansas. Mr. Funkhouser advised that a method that was developed by the research branch in Reston, Virginia is being used. The method has been tested across the country and they are using data in Arkansas and surrounding states to see how well it will work in the southern part of the state.

#### **COMMISSION TRAVEL EXPENSE REIMBURSEMENT**

**Approval of Travel Reimbursement** – Upon motion by Mr. Fowkes, second by Mr. Feilke, the Commission approved reimbursable expenses for the Chairman or his designated representative to attend the following:

- (1) Arkansas-Oklahoma Arkansas River Compact Commission's Annual Meeting,  
October 29-30, 2014, Rogers, Arkansas

#### **OTHER BUSINESS**

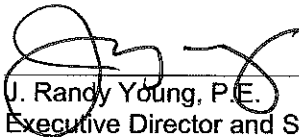
**Selection of Nomination Committee for 2015 Officers** – Chairman Lamkin appointed Commissioner Anderson to chair the Nomination Committee comprised of Commissioners Richardson and Hampton.

**Telephonic Meeting** – Mr. Bennett stated that the Director had authorized the sale of \$30 million of tax exempt bonds. He asked that a special telephonic meeting be called for October 23, 2014 at 10:00 a.m. Chairman Lamkin advised Commissioners to note date on their calendars.

Chairman Lamkin also noted that the December 9, 2014, meeting will be held at 1:00 p.m. rather than 2:00 p.m. as originally scheduled. The meeting will be held in the office of Arkansas Natural Resources Commission.

#### **ADJOURN**

There being no further business, the meeting was adjourned.

  
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J. Randy Young, P.E.  
Executive Director and Secretary

10-27-14  
Date