

**Minutes of the
ARKANSAS NATURAL RESOURCES COMMISSION**

March 21, 2012

The regular meeting of the Arkansas Natural Resources Commission was held Wednesday, March 21, 2012, at 9:30 a.m., at the office of the Arkansas Natural Resources Commission, 101 East Capitol, Suite 350, Little Rock, Arkansas.

Commissioners in attendance were Chairman Sloan Hampton, Vice-Chair Ann Cash, Neal Anderson, Don Richardson, Corbet Lamkin, Jerry Hunton, Fred Fowlkes, and David Feilke.

Staff members participating included: Randy Young, Executive Director; Jon Sweeney, Deputy Director/Chief Engineer; Crystal Phelps, General Counsel; Adrian Baber, Chief, Conservation Division; Mark Bennett, Chief, Water Development Division; Cynthia Bearden, Agency Controller; Tony Ramick, Supervisor; Darla Brooks, Financial Programs Manager; Dave Fenter, Marketing Manager; Deanna Dorrough, Associate General Counsel; Bob Fowler, Land Resource Specialist; Mike Core, Engineer; Marylen Smith, Program Coordinator; and Pat Smith, Executive Assistant.

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

A list of guests is attached to the minutes.

INTRODUCTION OF NEW COMMISSIONERS - Mr. Young introduced Mr. Jerry Hunton and welcomed him to the Commission. Mr. Hunton served in the Arkansas House of Representatives for four terms in the '90s and served as County Judge in Washington County.

Mr. Young introduced Mr. Fred Fowlkes and welcomed him to the Commission. Mr. Fowlkes has a degree from the University of Arkansas in Agricultural and Civil Engineering. He has worked for the Natural Resources Conservation Service and currently is self-employed. He also serves as the City Engineer for Vilonia.

APPROVAL OF MINUTES; JANUARY 18, 2012

Upon motion by Mr. Anderson, second by Mr. Richardson, the Commission approved the minutes of the January 18, 2012, regular meeting.

REPORT OF THE EXECUTIVE DIRECTOR

Proposed Location Change for July and September Commission Meetings Mr. Young stated that traditionally the Commission holds one meeting in the chairman's area of the state. The Arkansas Association of Conservation Districts will host a Discovery Farm Tour on September 18-20, near Chairman Hampton's farm. The target group for the tour is the House and Senate Ag Committee. Mr. Young asked the Commission to consider having the regular September meeting in conjunction with this tour in Arkansas County at Five Oaks Lodge. He invited the Commissioners to participate in any or all aspects of the tour.

Mr. Young also discussed having a Commission meeting at the Lodge at Mt. Magazine. He advised that the months available are May and July. Mr. Young spoke with the chairman prior to today's meeting and his preference is the month of July. The Commission unanimously agreed to have the July meeting at the Lodge at Mt. Magazine, and the September meeting in conjunction with the Discovery Farm Tour in Stuttgart.

Employee Recognition - Mr. Young presented a ten-year service certificate to Crystal Phelps for her service to the State of Arkansas.

STATUS OF FINANCIAL ASSISTANCE PROGRAMS

Mrs. Cynthia Bearden presented the financial assistance report. (Copy of report attached to the minutes).

LEGAL ISSUES

Proposed Revisions to Title 6, Rules Governing Water Development Project Compliance with the Arkansas Water Plan - Mrs. Phelps stated that the proposed revisions to Title 6 are due primarily to changes made by the 2011 General Assembly. The revisions will require proponents of wastewater projects to receive approval under the state's water plan before construction of those projects. She also highlighted other additions and changes to the rules. She requested the Commission's approval to begin the rulemaking process. Upon motion by Dr. Lamkin, second by Mrs. Cash, the Commission approved the revisions and initiation of the rulemaking process for Title 6.

Proposed Title 24, Rules for Appointing a Receiver to Inadequately Operated Water or Wastewater Systems - Mrs. Phelps advised that a draft of Title 24 rules were previously sent out to several state agencies for comment. She briefly highlighted the receivership process detailed in Title 24, and also advised of her conversations with staff in the State of Missouri concerning their receivership program.

Mr. Young added that if the Commissioners have comments, need more information, or would like a copy of the law to please notify Mrs. Phelps. The Commissioners requested a copy of the draft rules and Mrs. Phelps stated that she would send copies as well as a link to the Missouri website.

Commissioner Lamkin commented that the Commission needs to be proactive rather than reactive to financial distress of loans. He added that there needs to be trigger mechanisms in the law that would allow a certain body of people the authority to assist with the rate structures or implement some measure to improve the entity's finances before it gets to the level of extreme financial distress.

Commissioner Anderson stated that most of these entities go into distress because they don't keep O & M funds. He suggested structuring the loan with criteria that would make O & M a part of the initial loan and having the funds held in escrow.

Mr. Bennett stated that his observation has been that 'under' collection from the customer base rather than overspending has been the problem. He said that there is O & M loan funds and the agency monitors those funds for the first 18-24 months of the loan. Generally, O & M loans are made because the entities have no capital for such things as payroll at the time of the loan.

Appeal to Water Plan Compliance – Mrs. Phelps advised that the Commission received an appeal of the Executive Director's decision on the matter of Cabot. Cabot and Ward both have a territory they both wish to serve. The decision was for Ward to serve the area. She asked the Commission when they would like to hear the appeal. The Commission agreed to hear the appeal during the regularly scheduled meeting on May 16th. She also asked if it would be alright for the lawyers of both parties to draft briefs and submit them to the Commission. Dr. Lamkin stated that in the past that had been done. The Administrative Record will also be sent to the Commission for review of the decision. Chairman Hampton advised that the Commission meeting will begin at 8:30 a.m. to hear the appeal. The hearing officer will be Peggy Johnson, from the Attorney General's office.

FINANCIAL ASSISTANCE

CONSIDERATION OF RESOLUTION 2012-03 APPROVING A PROPOSAL TO ISSUE STATE OF ARKANSAS WATER, WASTE DISPOSAL AND POLLUTION ABATEMENT FACILITIES GENERAL OBLIGATION REFUNDING BONDS

Mr. Bennett stated that because rates are at historical lows this would be a good opportunity to make significant interest savings by refunding the bonds. Mr. Jim Fowler, with Morgan Keegan, updated the Commission by outlining the eight issues included in the resolution. The overall savings of seven issues is very high in terms of present value dollars. There is a 7.2% net present value savings which would reflect in a present value dollar benefit to the Commission of \$3.1 million. The eighth, added this morning, has just over a 5% present value savings.

Mr. Bennett stated that the amendment to the resolution adds 2002-H, and allows the Director or the Chairman to decide which bonds are to be refunded. Upon motion by Dr. Lamkin, second by Mr. Richardson, the Commission adopted Resolution 2012-03 as presented.

APPLICATIONS FOR FINANCIAL ASSISTANCE

Mr. Bennett presented staff recommendations for the referenced projects below requesting financial assistance from the Clean Water State Revolving Loan Fund (CWSRF); Drinking Water State Revolving Loan Fund (DWSRF); 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. Feilke, the Commission approved the following recommendations:

Mr. Bennett introduced Mr. Jimmy Alford and Mr. Aaron Burrows, representatives for the Westwood Village Sewer Facilities Board. Mr. Alford and Mr. Burrows gave a brief history of the project and upgrades immediately needed for the system before being in violation of ADEQ regulations.

WESTWOOD VILLAGE SEWER FACILITIES BOARD (Garland County) (WSSW) (Additional)

Up to \$180,250.00

PURPOSE OF FUNDS: *Replacement and repairs of the sewer collection system and repairs to the sewer treatment plant, including without limitation treatment plant media replacement.*

The Commission approved a grant for Westwood Village Sewer Facilities Board in an amount up to **\$180,250.00** from the Water, Sewer & Solid Waste Fund. At such time in time as the City of Hot Springs will accept Westwood's sewerage for treatment, Westwood must connect or the grant will be subject to repayment. An administrative fee in an amount up to \$5,250.00 is to be retained by the Commission. Approval is contingent upon the board establishing and maintaining a depreciation reserve fund. These funds shall be used with the funds approved on July 21, 2010 to accomplish the purposes set out above,

LINCOLN (Washington County) (CWSRF)

Up to \$2,300,000.00

PURPOSE OF FUNDS: *Improvements to the wastewater treatment plant, including without limitation improvements to remove phosphorous and nitrogen.*

The Commission approved loan funds for Lincoln in an amount up to **\$2,300,000.00** for Lincoln from the Arkansas Clean Water State Revolving Loan Fund in accordance with the established funding priorities. The loan repayment schedule will not exceed twenty (20) years. The Executive Director will set the combined annual borrower rate and loan terms.

NORTH LITTLE ROCK (Pulaski County) (CWSRF)

Up to \$21,000,000.00

PURPOSE OF FUNDS: *Improvements at the White Oak Wastewater Treatment Plant, Five Mile Creek Wastewater Treatment Plant, and Faulkner Lake Wastewater Treatment Plant. Upgrades and improvements at Shillcutt, Wilcox and Oakbrook Sewer Pump Stations, Sewer Collection System improvements and rehabilitation.*

The Commission approved loan funds for North Little Rock in an amount up to **\$21,000,000.00** for the city of North Little Rock from the Arkansas Clean Water State Revolving Loan Fund in accordance with the established funding priorities. The loan repayment schedule will not exceed twenty (20) years. The Executive Director will set the combined annual borrower rate and loan terms.

BRADLEY (Lafayette County) (DWSRF)

Up to \$1,700,000.00

PURPOSE OF FUNDS: *Water line replacement to reduce water loss, meter replacement and other improvements to improve efficiency of the water system.*

The Commission approved funds for Bradley in an amount up to **\$1,700,000.00** of which the total amount will be in the form of a loan with principal forgiveness for Bradley from the Arkansas Drinking Water State Revolving Loan Fund in accordance with the established funding priorities.

HERMITAGE (Bradley County) (WSSW)

Up to \$10,300.00

PURPOSE OF FUNDS: *New water chlorinator, water distribution and sewer collection lines to serve a new commercial user. This will create 6-10 new jobs.*

The Commission approved a grant for Hermitage in an amount up to **\$10,300.00** from the Water, Sewer & Solid Waste Fund. An administrative fee in an amount up to \$300.00 is to be retained by the Commission. Approval is contingent upon the city establishing and maintaining a depreciation reserve fund. Hermitage will provide \$5,000 in funds from other sources. ANRC funds are to be the last funds used.

LAFE (Greene County) (WSSW)

Up to \$8,755.00

PURPOSE OF FUNDS: *To replace the valve actuators in the wastewater treatment plant and upgrade or replace electrical system at the plant.*

The Commission approved a loan for Lafe in an amount up to **\$8,755.00** from the Water, Sewer & Solid Waste Fund. This loan is for thirty (30) years at five percent (5%) interest. An administrative fee in an amount up to \$255.00 is to be retained by the Commission. Approval is contingent upon the town establishing and maintaining a depreciation reserve fund.

TUCKERMAN (Jackson County) (WSSW)

Up to \$231,750.00

PURPOSE OF FUNDS: *To make repairs and improvements to the wastewater treatment plant, including but not limited to levee repairs.*

The Commission approved a loan for Tuckerman in an amount up to **\$231,750.00** from the Water, Sewer & Solid Waste Fund. This loan is for thirty (30) years at five percent (5%) interest. An administrative fee in an amount up to \$6,750.00 is to be retained by the Commission. Approval is contingent upon the town establishing and maintaining a depreciation reserve fund.

WARREN (Bradley County) (CGO) (Additional)

Up to \$453,200.00

PURPOSE OF FUNDS: *To provide matching funds for the EPA SAAP grant for improvements and betterments to the City's water and sewer system and to make other betterments and improvements in the system.*

The Commission approved additional loan funding for Warren from the Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Program in an amount not to exceed **\$453,200.00**. This will provide up to \$824,000.00 in general obligation bond loan funds for this project.

The project approved in this resolution is to be funded from the proceeds of the State of Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds (the "Bonds"). All documents evidencing the commitment for financing and completion of the project mentioned in this resolution shall be subject to modification, amendment for further conditions to comply with the rules and regulations (including all amendments thereto), which the Commission may adopt, from time to time in order to comply with the covenants concerning the Bonds.

The loan terms and interest rate are to be negotiated by the Executive Director with a repayment schedule of up to thirty (30) years.

Staff is hereby directed to negotiate a "Memorandum of Agreement" with the above named applicant as provided for in the Section 502.1 of Title V, Administrative Rules and Regulations for Financial Assistance, within 60 days.

Approval is contingent upon the availability of any other required funds and upon completion of all statutory and regulatory requirements within a period of 180 days. An administrative fee of three percent (3%) will be collected by the Commission at loan closing.

REQUEST FOR MATCHING FUNDS FOR PROPOSED DEMONSTRATION PROJECT ON OUACHITA RIVER BANK AT TATE'S BLUFF LOW-WATER BRIDGE BY OUACHITA COUNTY (WDF)

Up to \$128,750.00

Mr. Young requested Dr. Lamkin give an overview of the proposed project. Dr. Lamkin advised that the project is north of the confluence of the Little Missouri and Ouachita Rivers. In 2000, a flood washed out the bridge and Mr. Pearlie Reed, Chief, Natural Resources Conservation Service, provided funding to reconstruct the bridge. The bridge was built, but since construction the banks have experienced serious erosion.

Mr. Young advised that Mr. Ron Redman reviewed the plan for streambank stabilization and recommended that the project be funded through a Commission Demonstration Project. He further suggested that an expert with the Corps of Engineers at the Waterways Experimental Station review NRCS's design. Mr. Young stated that if the project is done through a Demonstration Project, students who participate in the actual work could use that time toward providing some of the match as required by the NRCS Emergency Watershed Project Program. Mr. Young has talked to Mr. Mike Sullivan, with NRCS, and he is interested in putting together a demonstration project. NRCS has committed \$562,000 in federal emergency watershed protection funds, and for the project to go forward, the money must remain in place.

Mr. Young recommended that the Commission approve up to **\$128,750.00** in grant funds from the Water Development Fund with the first priority being to work with NRCS and Ouachita County to structure this as a Demonstration Project. If that's not possible, then to approve the **\$128,750.00** as a

grant to Ouachita County. A fee of \$3,750 will be retained by the Commission. These funds will be the last funds used. The county agrees to provide other funds outlined in the application dated March 13, 2012. For the record, Dr. Lamkin recused himself. Upon motion by Mr. Richardson, second by Mrs. Cash, the Commission approved a grant in the amount of **\$128,750.00** as presented. The Director is further authorized to disburse these funds directly to NRCS if he determines that to be the most efficient use of funds.

REPORT ON WASTEWATER SYSTEMS NEAR FISHER, ARKANSAS

Mr. Bennett presented a recommendation that the Commission allow permission to work with Fisher to discuss connecting to Hickory Ridge. Mr. Dennis Sternberg, with the Arkansas Rural Water Association, stated that his association works with some of the problem systems discussed this morning. Fisher is unique in that it is declining in population, overdesign, and lack of maintenance.

There are only two options as far as connections to nearby utilities. One is Hickory Ridge and the other is Waldenburg. Waldenburg pumps its wastewater into another system. Fisher is under an Administrative Order of ADEQ. Mr. Sternberg recommended combining the systems which would provide more customer base. Dr. Lamkin thanked Mr. Bennett and staff for their work on the statistical chart indicating other nearby systems. Mr. Bennett stated that it is staff's recommendation to authorize the staff to work with Fisher, Hickory Ridge, or Waldenburg to reach an agreement. Upon motion by Dr. Lamkin, second by Mr. Anderson, the Commission accepted staff's recommendation as presented.

ORIENTATION FOR NEW COMMISSIONERS

Mr. Young stated that traditionally new Commissioners are given a special staff orientation. He and the chairman suggested making the orientation available for the entire Commission during the regular meetings. Rather than schedule as a 'stand-alone' event, it was suggested that each division chief introduce their staff and detail the programs that are administered and managed. The first orientation will be included on May's agenda.

CONSERVATION DIVISION

APPOINTMENTS/REAPPOINTMENTS TO CONSERVATION DISTRICT BOARDS

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

APPOINTMENTS

Mississippi County CD

Greene County CD

Crooked Creek CD

Logan County CD

Russ Thomason

David Pigue

Kevin Flippin

Walter Krafft

Brent Wooley

Upon motion by Mr. Anderson, second by Mrs. Cash, the Commission approved the following reappointments:

REAPPOINTMENTS

<i>Fulton County CD</i>	<i>Bruce Dietsche</i>
	<i>Luis Covas</i>
<i>Woodruff County CD</i>	<i>W.P. Daniel</i>
<i>Cross County CD</i>	<i>Robert Stacy</i>
	<i>Bryan Moery</i>
<i>Cleburne County CD</i>	<i>Darrell Logan</i>
<i>Pike County CD</i>	<i>Danny Maxey</i>
<i>Monroe County CD</i>	<i>David Lee</i>
<i>Jefferson County CD</i>	<i>Neal Ward</i>
<i>Cleveland County CD</i>	<i>Mike Stewart</i>
	<i>Mack Johnson</i>
<i>Greene County CD</i>	<i>Fred Gates</i>
<i>Arkansas County CD</i>	<i>Johnny Holzhauer</i>
<i>Boone County CD</i>	<i>Wayne Crunkleton</i>

CERTIFICATION OF 2012 ELECTION RESULTS – CONSERVATION DISTRICT BOARDS

Mr. Baber presented results of the Conservation District Boards of Directors election held March 6, 2012, for certification by the Commission. Mr. Young inquired about the Clay County election results. Mr. Baber pointed out that no votes were cast in that election and the land resource specialist was sent to investigate. Upon motion by Mr. Richardson, second by Dr. Lamkin, the Commission approved certification of the 2012 election results except for Clay County CD (a copy is attached to minutes).

The Commission requested Clay County CD to appear before the Commission at its next meeting in May. Clay County CD will be excluded from the certification until an official election is conducted.

CONSERVATION DISTRICT ACTIVITY REPORT – Mr. Bob Fowler introduced Mr. Troy Odom with the Lafayette County Conservation District and Dr. Mark Brian with the Columbia County Conservation District. Mr. Odom presented background information for the proposed Lake Erling Project. Lake Erling is currently owned by the International Paper Company (IPO). IPO is no longer interested in maintaining the lake and has discussed transferring ownership to the districts. The conservation districts would like to own and manage the lake to enhance the ability of the lake to provide for the needs of the future while minimally impacting existing users; to develop the lake for surface water; to continue to enhance the lake's status as a premier fish and wildlife habitat; and to promote recreation and tourism in the area. The districts believe that this joint partnership will be self-sufficient through revenue streams from potential sale of water, mineral leases, fees, and taxes.

Mr. Young advised that the agency's legal staff will be available to provide counsel if needed by both districts concerning legal issues.

Mr. Richardson and Dr. Lamkin commended the districts for their work.

WATER RESOURCES MANAGEMENT DIVISION

Update on State Water Plan - Mr. Tony Ramick gave an update on the water plan process in the absence of Edward Swaim. Interviews have been completed for engineering services. The staff, members of ADEQ, Arkansas Game & Fish Commission, and Arkansas Dept. of Health were involved in those interviews. CDM Smith was selected for the engineering services and they will be partnering with

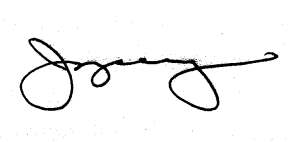
FTN & Associates. Contract negotiations will begin soon, and that contract will be subject to legislative review.

ACTIVITY REPORTS

Informational activity reports were presented by the following: Troy Odom, AACD; and Tom Riley, U of A Extension Service.

ADJOURN

There being no further business, the meeting was adjourned.



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

May 21, 2012

Date

CONSERVATION DISTRICTS BOARD OF DIRECTORS

2012 Certification of Election Results

Adopted: March 21, 2012

The following persons, having received the largest number of votes in the election held in their respective districts on March 6, 2012, are certified as Conservation District Directors-Elect with a term of office to begin on April 1.

Boone COUNTY:

- ❖ David Thompson
- ❖ Randy Williams
- ❖ Bill Burnes

Buffalo CD:

- ❖ Ricky D Reed
- ❖ Leon Redman
- ❖ Mary J. McEntire

Carroll COUNTY:

- ❖ Gary Grigg
- ❖ Coy Huff
- ❖ Pam Webb

Clark COUNTY

- ❖ Tom Calhoon
- ❖ Samuel Harris
- ❖ Timothy Daniels

Cleburne COUNTY

- ❖ Charles Green
- ❖ Don Cox
- ❖ Clarabel Davis

Cleveland COUNTY:

- ❖ Dean Steelman
- ❖ James E Atwood
- ❖ George Boyd

Columbia COUNTY:

- ❖ Bart Emerson
- ❖ Larry Ray
- ❖ Wayne Griffeth

Conway COUNTY:

- ❖ Margaret Hart
- ❖ John Trafford
- ❖ Neil A Granberry

Crawford COUNTY:

- ❖ Bill Neidecker
- ❖ James Arnold
- ❖ Randy Arnold

Cross COUNTY:

- ❖ Andy Boone
- ❖ Corbin Brown
- ❖ Jerry Boeckmann

Fulton COUNTY:

- ❖ John Hartrick
- ❖ Bill Reynolds
- ❖ Larry LaRue

Greene COUNTY:

- ❖ Joey Massey
- ❖ Derek Boling
- ❖ Cliff Carter

Jefferson COUNTY:

- ❖ Chad Pittillo
- ❖ Ronald McNulty
- ❖ Henry English

Little River COUNTY:

- ❖ Dwayne Raper
- ❖ Paul Hale
- ❖ Otto Cowling Jr.

Logan COUNTY:

- ❖ Josh Boersma
- ❖ Robert Strobel
- ❖ Jeff Ray

Lonoke COUNTY:

- ❖ Billy Bennett
- ❖ Bill Sandage
- ❖ Thomas W Fortner

Poinsett COUNTY:

- ❖ Brian Mack
- ❖ Charles Glover
- ❖ Darin Walton

Poteau River CD:

- ❖ Harrell Cabe
- ❖ Marilyn Huddleston
- ❖ David Byford

Rich Mountain CD:

- ❖ Mitch Sikes
- ❖ Duane Webb
- ❖ Mark Duggan

Saline COUNTY:

- ❖ Billy W Grace
- ❖ Eileen Helmich
- ❖ Stephen J Bourne

St. Francis COUNTY:

- ❖ Jim Hughs
- ❖ Brice Fletcher
- ❖ Caleb Jones

White COUNTY

- ❖ Vernon McFalls
- ❖ Diana Goad
- ❖ Trey Reaper

Woodruff County

- ❖ William A Holmes
- ❖ Bari Cain
- ❖ Rob Davis

Yell County

- ❖ Brad Wear
- ❖ Jeff Gillespie
- ❖ Frances Lofland