

**Minutes of the
ARKANSAS NATURAL RESOURCES COMMISSION**

September 19, 2012

The regular meeting of the Arkansas Natural Resources Commission was held Wednesday, September 19, 2012, at 9:30 a.m., at the Five Oaks Duck Hunting Facility, 1895 Highway 152, Humphrey, Arkansas.

Commissioners in attendance were Chairman Sloan Hampton, Neal Anderson, Don Richardson, Corbet Lamkin, Jerry Hunton, Fred Fowlkes, David Feilke, and Mike Carter.

Staff members participating included: Randy Young, Executive Director; Crystal Phelps, General Counsel; Mark Bennett, Chief, Water Development Division; Cynthia Bearden, Agency Controller; Edward Swaim, Chief, Water Resources Management Division; Adrian Baber, Chief, Conservation Division; Clay Durham, Land Resource Specialist; Deanna Ray, Associate General Counsel; 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.

APPROVAL OF MINUTES; JULY 18, 2012

Upon motion by Dr. Lamkin, second by Mr. Fowlkes, the Commission approved the minutes of the July 18, 2012, regular meeting.

REPORT OF THE EXECUTIVE DIRECTOR

Resolution 2012-04 Recognizing the Honorable Robert S. Moore, Jr. - Mr. Young presented Resolution 2012-04 to the Commission for its consideration. Mr. Young stated that Speaker Moore provided leadership in the House during the last session that led to the appropriation of \$4 million to update the State Water Plan. Upon motion by Dr. Lamkin, second by Mr. Carter, the Commission adopted Resolution 2012-04 recognizing the Honorable Robert S. Moore, Jr. for his contributions to the State of Arkansas (copy of resolution attached to the minutes).

Mr. Young presented the resolution to Mr. Moore and thanked him for his dedication and untiring efforts during the 88th General Assembly to pass Act 249 of 2011 which appropriated \$4 million towards updating the State Water Plan and for his many other contributions to the State of Arkansas.

Mr. Moore thanked the Commission and stated that he was deeply honored to receive this recognition. He stated that he had two priorities for the legislative session; the state's highways and the long-term benefit of establishing the water plan. He acknowledged Rep. John Edwards' role and assistance in the passage of Act 249.

Mr. Young noted that Commissioner Ann Cash could not be present today, but that she made the motion at July's meeting to recognize Mr. Moore. Mr. Moore stated that she had been a great inspiration to him.

STATUS OF FINANCIAL ASSISTANCE PROGRAMS

Ms. Bearden presented a summary of the financial assistance report. (Copy of report attached to the minutes).

Update on Draft Conservation District Legislation – Mr. Young updated the Commission on the draft conservation district legislation. Commissioner Lamkin and three additional commissioners worked with four members of the AACD on the draft over several weeks.

A draft of the legislation has been sent to the 75 conservation districts for review. The Association's Executive Board has a meeting scheduled for next Tuesday and if a consensus of support can be reached at that time, the Commission will go forward with the legislation. If no consensus is

reached, then the Commission will abandon the proposed legislation. Mr. Young plans to meet with Governor Beebe and inform him of the outcome of the review process. Mr. Young did receive suggestions on language from area presidents and he is having the legal staff incorporate that language to address the districts in distress and to develop a recovery plan.

Mr. Young pointed out that there would never be an instance where a district could find itself a candidate for that designation without prior notification. Mrs. Phelps added that there will be obvious criteria that the districts would have to meet before being designated a distressed district.

Mr. Young hopes that the Association will make a decision at next week's Executive Board meeting.

LEGAL ISSUES

Legal Division Presentation – Ms. Phelps presented the third in a series of ANRC division presentations to the Commission. She gave an overview of activities conducted by the Legal Division which consist of drafting rules and legislation, conducting research for all ANRC divisions, and communication. General calls are received from the public to assist them in resolving legal issues.

Ms. Deanna Ray stated that the division also serves as legal counsel to the Arkansas Water Well Construction Commission. The division oversees the ANRC website and Facebook page. The Facebook page is being used as a tool to detail programs the Commission provides to the citizens of the state.

FINANCIAL ASSISTANCE

APPLICATIONS FOR FINANCIAL ASSISTANCE

Mr. Bennett presented staff recommendations for the referenced projects below requesting financial assistance from the Water Development Fund (WDF); Water, Sewer and Solid Waste Fund (WSSW); Arkansas Clean Water State Revolving Loan Fund (CWSRF); and Arkansas Drinking Water State Revolving Loan Fund (DWSRF).

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

FOURCHE LA FAVE WATERSHED IMPROVEMENT DISTRICT (PERRY, YELL, AND SALINE COUNTIES) (WDF)

Up to \$4,635.00

PURPOSE OF FUNDS: To make safety related repairs at two dams located on USDA Forest Service property required by the Forest Service. Remaining funds may be used to make similar repairs at the district's other dams.

The Commission approved a grant for Fourche La Fave Watershed Improvement District in an amount up to **\$4,635.00** from the Water Development Fund. An administrative fee in an amount up to \$135.00 is to be retained by the Commission. Approval is contingent upon the watershed improvement district establishing and maintaining a maintenance fund.

GARFIELD (BENTON COUNTY) (WDF)

Up to \$36,050.00

PURPOSE OF FUNDS: To replace waterlines along US Highway 62 necessitated by highway improvements.

The Commission approved a grant for Garfield in an amount up to **\$36,050.00** from the Water Development Fund. An administrative fee in an amount up to \$1,050.00 is to be retained by the Commission. These funds will be used to match locally provided funds on a 1:1 ratio. Approval is contingent upon the city establishing and maintaining a maintenance fund.

SOUTH PIKE COUNTY RURAL WATER AUTHORITY (WDF)

Up to \$412,000.00

PURPOSE OF FUNDS: To extend water lines along and near Factory and Old Cowhide Cove Roads in order to serve new water customers.

The Commission approved a grant for South Pike County Rural Water Authority in an amount up to **\$412,000.00** from the Water Development Fund. An administrative fee in an amount up to \$12,000.00 is to be retained by the Commission. Approval is contingent upon the authority establishing and maintaining a depreciation reserve fund.

WILLOW SLOUGH DRAINAGE DISTRICT (JACKSON COUNTY)_ (WDF)

Up to \$154,500.00

PURPOSE OF FUNDS: To remove debris blockage in the Cache River channel near Grubbs, Arkansas as contained in the Section 404 permit issued by the US Army Corps of Engineers.

The Commission approved a grant for Willow Slough Drainage District in an amount up to **\$154,500.00** from the Water Development Fund. An administrative fee in an amount up to \$4,500.00 is to be retained by the Commission. These funds will be used to match locally provided funds on a 1:1 ratio. Approval is contingent upon the drainage district establishing and maintaining a maintenance fund.

NORMAN (MONTGOMERY COUNTY) (WSSW)

Up to \$25,750.00

PURPOSE OF FUNDS: To make repairs at the sewer treatment plant, including without limitation, repairs or replacement of the ultraviolet disinfection system and treatment system aerators.

The Commission approved a deferred loan for Norman in an amount up to **\$25,750.00** from the Water, Sewer & Solid Waste Fund. This loan is for twelve (12) years with a repayment schedule of ten (10) years at two and one-half (2.5%) percent interest. Payment upon principal is to be deferred for two (2) years and interest is to be waived for two (2) years. An administrative fee in an amount up to \$750.00 is to be retained by the Commission. Approval is contingent upon the town establishing and maintaining a depreciation reserve fund.

LITTLE ROCK (PULASKI COUNTY) (CWSRF)

Up to \$36,000,000.00

PURPOSE OF FUNDS: Repairs or replacement of portions of the existing sewer collection system to reduce inflow or infiltration of groundwater into the system.

The Commission approved loan funds in an amount up to **\$36,000,000.00** for the City of 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. Approval is contingent upon the city establishing and maintaining a depreciation reserve fund.

BEEBE (WHITE COUNTY) (DWSRF)

Up to \$3,000,000.00

PURPOSE OF FUNDS: To replace cast iron and galvanized water lines in the existing system and to construct necessary improvements to obtain water from Lonoke White Public Water Authority.

The Commission approved loan funds in an amount up to **\$3,000,000.00** for the City of Beebe 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.

Approval is contingent upon the city establishing and maintaining a depreciation reserve fund.

STATE REVOLVING FUND MATCH (CGO)

Up to \$3,200,000.00

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.

DEOBLIGATION OF FUNDS BY EXECUTIVE DIRECTOR

Mr. Bennett reported that the Executive Director has deobligated funds for the following:

Bryant (Saline County) (DWSRF-L) **\$2,000,000.00**

UPDATE ON FISHER SEWER SYSTEM

Mr. Bennett stated that ANRC staff, along with staff from Arkansas Rural Water, visited with Fisher officials to discuss Hickory Ridge acquiring and operating the system. The requirement by Hickory Ridge would be for the Commission to forgive Fisher's remaining debt of \$141,000.00, as well as providing an additional grant of approximately \$550,000.00 for improvements to the system.

Dr. Lamkin questioned whether this amount would justify the amount of useful life left in the system before another failure. Mr. Bennett stated that both cities are declining in population. Dr. Lamkin asked if the Commission should be exploring another option that would incorporate as many cities as possible and to correct the problems for an extended 30-50 year timeframe. Mr. Bennett stated that the current request would probably be a ten-year solution to the sewer system.

Mr. Young said that this recommendation is the best solution at this time. Mr. Dennis Sternberg, with Arkansas Rural Water, stated that declining population in the area, and lack of maintenance and operating on a very tight budget has precipitated the problem. Waldenburg pumps its wastewater to Weiner. Hickory Ridge has a pond, and Fisher has a mechanically activated sludge pond. He suggested consolidation for the long-term solution for as many of these surrounding entities as possible.

Mr. Young asked if Fisher's connection to Hickory Ridge would forestall that system connecting with Waldenburg or Weiner in the future. Mr. Bennett stated that the reason for this plan as opposed to connecting with Weiner is that Hickory Ridge is willing to take over the system while Waldenburg is only willing to treat the sewage.

Mr. Carter asked if the rates would be increased so that the system would remain viable. Mr. Bennett stated that Fisher would be out of the treatment business and it will be exclusively Hickory Ridge's system and that the rates will be increased.

Mr. Bennett recommended that staff be allowed to contact the engineer to develop a plan for Fisher. Upon motion by Dr. Lamkin, second by Mr. Feilke, the Commission approved following staff recommendations to go forward with contacting the engineer to develop the plan for Fisher to connect to Hickory Ridge.

GENERAL BRIEFING ON WATER AND SEWER SYSTEMS IN ARKANSAS

Mr. Bennett briefed the Commission on the state's water and wastewater needs based on the systems' size. Dr. Lamkin asked what size a system should be in order to properly sustain itself or would it have to consolidate. Mr. Bennett stated that it would be difficult to mandate, and that the question will be addressed in the Water Plan update.

Mr. Anderson asked about the life of old systems that have less than 250 customers and should they consolidate before serious problems occur. Mr. Bennett stated that a number of the systems currently have problems. Mr. Sternberg added that aging infrastructure is a definite problem with utilities. Grants will be necessary for them to upgrade and improve the systems.

Mr. Anderson asked if any of the systems had considered consolidating. Mr. Sternberg stated that some of the utilities have not, but others have. Needed revenue will be lost by the cities if consolidation takes place and some hesitate because of that reason. He said that eventually EPA regulations will drive a lot of the utilities to consolidate.

Mr. Young added that those smaller systems could be identified for the Commission. Mr. Carter would like to see money invested in solving the problems for the long term.

Mr. Anderson directed staff to explore legal means for the Commission to require consolidation.

NEW RATE SETTING METHOD FOR CLEAN WATER AND DRINKING WATER LOANS

Mr. Bennett presented points related to different rate setting methodologies for Clean Water and Drinking Water Loans. This new methodology will result in significantly lower rates to ANRC borrowers.

PROJECTS BID AND PLANS REVIEWED SINCE JANUARY 2012

Mr. Bennett gave an overview of the projects.

CONSERVATION DIVISION

APPOINTMENTS/REAPPOINTMENTS TO CONSERVATION DISTRICT BOARDS

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

APPOINTMENTS

<i>Clark County CD</i>	<i>Mark E. Clark</i>
<i>Cossatot CD</i>	<i>Josh Walker</i>
<i>Little River</i>	<i>Chuck Davis</i>
<i>Montgomery County CD</i>	<i>Jon Allen Standridge</i>

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

REAPPOINTMENTS

<i>Benton County CD</i>	<i>Don Mayer</i>
<i>Craighead County CD</i>	<i>Danny Finch</i>
<i>Drew County CD</i>	<i>John McAlpine</i>
<i>Grant County CD</i>	<i>Peggy Thomas</i>
<i>Jackson County CD</i>	<i>Mark McGaughey</i>
<i>Lincoln County CD</i>	<i>Frances Harper</i>
<i>Mine Creek</i>	<i>Mark Millwood</i>
<i>Rich Mountain</i>	<i>James Watkins</i>
<i>St. Francis County CD</i>	<i>Joe Whittenton</i>
<i>Yell County CD</i>	<i>Johnny Foster</i>

REVIEW CRITERIA FOR CONSERVATION DISTRICT ANNUAL PLAN OF OPERATIONS AND DISTRICT DIRECTOR APPOINTMENT PROCESS – Mr. Baber and his staff is conducting a comprehensive review of conservation districts' Plan of Work and criteria for the annual operating plan. The staff is also reviewing the District Director appointment process so that the Commission is fully informed of the qualifications of the candidates. The districts' budgets will also be reviewed.

CONSERVATION DISTRICT ACTIVITY REPORT – Mr. Clay Durham introduced Mr. Sloan Hampton of the Arkansas County Conservation District to present the activity report. Mr. Hampton stated that most of the district's time has been working on proposals for the Mississippi River Basin Initiative projects. Three proposals were written, divided by watersheds, for Arkansas County. One of the three was approved. A lot of hard work and community effort was involved in the process.

Upon motion by Dr. Lamkin, second by Mr. Carter, the Commission approved expressing its appreciation to Chairman Hampton and the District staff for the fine hospitality shown during this two-day meeting.

WATER RESOURCES MANAGEMENT DIVISION

Update on Arkansas Water Plan - Mr. Edward Swaim stated that the contract with CDM Smith was approved by the legislature in September and work has begun under that contract. Meetings are being held bi-weekly with ANRC staff and other state agencies to review the tasks pending under the contract.

Currently, the USGS is conducting various studies for the agency that will give an assessment of available water use in Arkansas. The website that will house data will soon be available to the public.

CDM plans to attend future Commission meetings to report progress on their contract.

COMMISSION TRAVEL EXPENSE REIMBURSEMENT

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

- (1) Ouachita River Valley Association Conference, October 3-4, 2012, Monroe, Louisiana
- (2) AACD Annual Meeting, Wyndham Hotel – Riverfront, December 11-12, 2012, North Little Rock, Arkansas

OTHER BUSINESS

Selection of Nomination Committee for 2013 Officers – Mr. Hampton selected Mr. Anderson to chair the nomination committee, consisting of Commissioners Fowlkes and Feilke.

ADJOURN

There being no further business, the meeting was adjourned.



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

December 11, 2012
Date