

MINUTES
ARKANSAS NATURAL RESOURCES COMMISSION
January 16, 2019

The regular meeting of the Arkansas Natural Resources Commission was held Wednesday, January 16, 2019, at 9:30 a.m. at Arkansas Natural Resources Commission, 101 East Capitol, Suite 350, Little Rock, AR 72201.

Commissioners in attendance were Chairman Sloan Hampton, Troy Gaston, Neal Anderson, Bruce Leggitt, Roy Reaves, Bill Poynter, Will Brewer, and Fred Fowlkes. Commissioner Ann Cash was unable to attend.

Staff members in attendance included: Bruce Holland, Executive Director; Ryan Benefield, Deputy Director; Edward Swaim, Water Resources Division Manager; Mark Bennett, Water Development Division Manager; Adrian Baber, Conservation Division Chief; Cynthia Bearden, Agency Controller; Crystal Phelps, General Counsel; Darla Brooks, Grants Manager; Joe Moore, Land Resource Specialist; Brooks Davis, Land Resource Specialist; Bill Ruck, Engineer Supervisor; Vicki Walden, Administrative Specialist III; Lori Scott-Nakai, Public Information Specialist; Gina Wilson, Construction Finance Analyst; Richard Dawson, Engineer Supervisor; Debby Dickson, Program Fiscal Manager; Jim Battreal, Geology Supervisor; Laura Brown, Administrative Specialist III; and April Harris, Administrative Analyst.

A list of guests is attached to the minutes.

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

APPROVAL OF MINUTES: November 14, 2018

Upon motion by Mr. Fred Fowlkes, seconded by Mr. Bill Poynter, the commission unanimously approved the minutes of the November 14, 2018 meeting.

REPORT OF THE EXECUTIVE DIRECTOR – Director Holland reported the legislative session is beginning this week. ANRC will be affected by the transformation bill during this session. The agriculture section of the transformation plan was released last week and, overall, the bill is as it said it would be; however, there a couple of small technical corrections we need to make. One highlight from this transformation is the Unpaved Roads Program will be coming back to ANRC (previously with Rural Development). ANRC's Nonpoint Source Program will be able to bring more money into the state for the Unpaved Roads Program. All bills will be released in pieces for review then will be put together as one large transformation bill for the legislature to vote on.

The Feral Hog Task Force is working on recommendations to present to the legislature possibly in early February.

Director Holland stated at the last commission meeting commissioners discussed ANRC holding an annual meeting with conservation districts. Since then, ANRC has visited with Natural Resources Conservation Service (NRCS) and Arkansas Association of Conservation Districts (AACD). Discussion was had about the roles each entity plays and how all can come back together to work together effectively for the conservation districts. Director Holland recommends ANRC revisit holding meetings with AACD versus holding its own.

Furthermore, Director Holland introduced and welcomed new commissioner, Troy Gaston.

FINANCIAL ASSISTANCE REPORT - Mrs. Cynthia Bearden, Agency Controller, presented the financial assistance report dated December 31, 2018 (a copy of the report, Attachment "A", is attached to the minutes).

LEGAL ISSUES - Mrs. Crystal Phelps addressed commissioner expense reimbursement and stipend payment for calendar year 2019.

Commissioner Stipend: *Upon motion by Mr. Neal Anderson, seconded by Mr. Bruce Leggitt, the commission, pursuant to Ark. Code Ann. §25-16-904, agreed to decline payment of \$85.00 per meeting stipend attended for members of the commission.*

Commissioner Expense Reimbursement: *Upon motion by Mr. Neal Anderson, seconded by Mr. Bruce Leggitt, the commission, pursuant to Ark. Code Ann. §25-16-902, authorized expense reimbursement for official business at the rate of state employees.*

Additionally, Mrs. Phelps reminded commission members to submit their Statement of Financial Interest form to the Secretary of State's Office by January 31, 2019.

WATER RESOURCES DEVELOPMENT DIVISION – Mr. Mark Bennett reported the commission staff is working to comply with the Commission's Post-Issuance Compliance Policy for the State of Arkansas' Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. The Little Rock firm of Thomas & Thomas LLP CPAs is preparing arbitrage rebate calculations required by the Internal Revenue Service. The Commission owes no rebate to the IRS.

All current spend down requirements have been met for ANRC's tax-exempt bonds.

The State of Arkansas Comprehensive Annual Financial Report (CAFR) has not been issued by the Department of Finance and Administration (DFA). When released by DFA, the ANRC Staff will file the CAFR with the Municipal Securities Rulemaking Board. With that filing, the Commission will be in full compliance with the terms of the Continuing Disclosure Agreement.

Current balances for the Series 2014B (taxable) is \$2,346,709.28 and Series 2017B (taxable) is \$12,800,511.90.

FINANCIAL ASSISTANCE:

Mr. Bennett presented staff recommendations for the referenced projects below requesting financial assistance from the Arkansas Drinking Water State Revolving Fund (DWSRF) and the Water Development Fund (WDF).

Upon motion by Mr. Will Brewer, seconded by Mr. Bill Poynter, the Commission unanimously approved the following applications:

MADISON COUNTY PUBLIC FACILITIES BOARD Madison County

**Purpose: Booster Pump Station and Standpipe Rehabilitation
 (Bohannon Mountain Area)**

Customer Base

Number of Water Customers: 3,807

Existing Conditions

Madison County PFB is a large regional water system that both wholesales water to two water retail water systems and services retail customers of their own. Constructed as an extension in 1993, the Bohannon service area provides water to the area via four booster pump stations and five standpipes. The service area is south of Huntsville and covers several miles of rural distribution lines. At this time the major components of the system have not been upgraded or repaired to "like new" services. Many components are failing and some have even caught fire from aging wiring.

Project Financial Information

The current monthly water bill for the Bohannon Mountain Service Area of Madison County WFB, based on 4,000 gallons of usage, is \$47.45. Madison County WFB has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for Madison County WFB is \$38,294. The average bill of \$47.45 is 1.53% of the current average MHI. Madison County WFB will be required to set aside 3% of gross revenues in a depreciation reserve fund for this loan.

Madison County WFB is current with ANRC on all loan payments and audit submission requirements.

Proposed Plan of Action

The system has looked at either replacing or upgrading the tanks and booster stations. New tanks and pump stations would be cost prohibitive and would provide no additional benefit to the system. No other alternative is reasonably available to the system. Each tank will be drained, washed, inspected then blasted and painted. Additionally, the tanks will be provided mixing units to prevent stagnation, secondary manways, and extensions to the overflow piping to bring the standpipes up to date. The pump stations

will be brought up to current standards as well. Pump Station rehabilitation will include but not be limited to: pump replacement, control valving, and electrical upgrades. The Water Wastewater Advisory Committee (WWAC) approved the project as presented on October 4, 2018. The system will not increase service area nor water use; therefore, the project is exempt from inclusion in the State's Water Plan.

Probable Costs

The Applicant's consulting Engineer estimated a probable overall project cost of \$1,255,969. Commission Staff reviewed the estimate provided and made the following modifications. The Consultant added a fee for Preliminary Reports that the Commission does not pay for separately, it is included in the standard fees and has been excluded from the cost estimate. The Consultant used eight percent of the estimated construction costs to establish their probable fees. The Agency has an established fee schedule that reduces the fee to seven and one-half percent. Based on the loan size the Applicant will be required to evidence the loan in the form of a revenue bond; as a result, a legal fee was added to the project estimate. The Staff is recommending a funding source, the Drinking Water State Revolving Fund (DWSRF), which will require additional work not required by State funded projects or originally anticipated by the Applicant's consulting engineer. Those fees were added and included as additional DWSRF costs.

Rehabilitation of Four Pump Stations	\$575,000
Rehabilitation of Five Tank Pressure Sustaining/Relief Valve	\$378,000
	\$50,000
Sub-Total	\$1,003,000
10% Contingency	\$100,300
Total Estimated Construction	\$1,103,300
Engineering (7.5%)	\$82,747
Observation (4%)	\$44,132
Additional DWSRF costs	\$54,121
Legal	\$15,700
Total	\$1,300,000

Total Requested Funding Amount: \$1,300,000

This project is eligible for funding under the Safe Drinking Water Act and is on the project priority list for Drinking Water State Revolving Loan Funds, as required by the Act.

Executive Director's Recommendation

The Staff recommends that the Commission approve a loan in an amount up to \$1,300,000 for the Madison County Public Facilities Board from the Arkansas Drinking Water State Revolving Fund. The repayment schedule will not exceed twenty years or the life of the project. If approved, the Executive Director will establish the combined

annual borrower rate and additional loan terms and conditions including the requirement that the Madison County Public Facilities Board establish and maintain a depreciation reserve fund of at least 3% of gross revenues.

METER REPLACEMENT PROJECTS

Applicants:

Danville, Frenchport Water Association, Jefferson Samples & Dexter Water Users Association, Mount Ida, Nashville, Alpine Water Authority, Western Grove

Existing Conditions

Aging water meters lose efficiency over time. When the efficiency or accuracy of a meter declines it will cause unaccounted for water to increase. Unaccounted for water is equivalent to loss in revenue.

Project Financial Information

See PROJECT FINANCIAL INFORMATION form attached for each systems financial review.

Proposed Plan of Action

Replacing meters should reduce revenue loss by accurately accounting for water sold and billed. Systems have the option to continue using standard read registers or upgrade to drive-by or fixed base systems. The latter two meter read systems will allow the systems to operate more efficiently and with less staff. Most new billing software can incorporate the electronically read meters and produce billing very quickly and efficiently.

These systems will not increase service area nor water use; therefore, these projects are exempt from inclusion in the State’s Water Plan.

Probable Costs

Entity	County	Customers	Meters	Amount
Danville	Yell	1132	1132	\$ 500,000
Frenchport Water Association	Ouachita	714	714	\$ 354,100
Jefferson Samples & Dexter Water Users Association, Inc.	Jefferson	1094	1094	\$ 368,000
Mount Ida	Montgomery	1297	1297	\$ 500,000
Nashville	Howard	2032	2032	\$ 411,000
Alpine Water Authority	Clark	310	310	\$ 75,000
Western Grove	Newton	359	359	\$ 120,000

Danville - DWSRF - \$500,000 Meters

The current monthly water bill in the City of Danville, based on 4,000 gallons of usage, is \$19.38. Danville has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for the City of Danville is \$36,305. The average water bill of \$19.38 is 0.61% of the current average MHI. Danville has Rural Development loans which require a reserve fund so no specific reserve fund is being required for this loan.

Frenchport Water Assoc - DWSRF \$354,100 Meters

The current monthly water bill in the Frenchport Water Association, based on 4,000 gallons of usage, is \$27.95. Frenchport Water Association has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for Louann Town, Smackover and Camden is \$31,357. The average water bill of \$27.95 is 1.14% of the current average MHI. Frenchport Water Association will be required to set aside 3% of gross revenues in a depreciation reserve fund for this loan.

Jefferson Samples Dexter WUA - DWSRF \$368,000 Meters

The current monthly water bill in the Jefferson Samples Dexter WUA, based on 4000 gallons of usage, is \$31.00. Jefferson Samples Dexter WUA has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for Jefferson County is \$36,641. The average water bill of \$31.00 is 0.92% of the current average MHI. Jefferson-Samples Dexter WUA will be required to set aside 3% of gross revenues in a depreciation reserve fund for this loan

Mount Ida - DWSRF \$500,000 Meters

The current monthly water bill in Mount Ida, based on 4,000 gallons of usage, is \$24.71. Mount Ida has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for Madison County WFB is \$36,488. The average water bill of \$24.71 is 0.90% of the current average MHI. Mount Ida will be required to set aside 3% of gross revenues in a depreciation reserve fund for this loan.

Nashville - DWSRF \$411,000 Meters

The current monthly water bill in the City of Nashville, based on 4,000 gallons of usage, is \$22.89. Nashville has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for the City of Nashville is \$29,536. The average water bill of \$22.89 is 0.97% of the current average MHI. Nashville has a Rural Development loan which requires a reserve fund so no specific reserve fund is being required for this loan.

Alpine Water Authority - WDF \$75,000 Meters

The current monthly water bill in Alpine, based on 4,000 gallons of usage, is \$40.75. Alpine Water Authority has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for Clark County is \$34,035. The average water bill of \$40.75 is 1.37% of the current average MHI. Alpine Water Authority has Rural Development loans which require a reserve fund so no specific reserve fund is being required for this loan.

Western Grove - WDF \$120,000 Meters

The current monthly water bill in Western Grove, based on 4,000 gallons of usage, is \$44.22. Western Grove has sufficient excess revenue to service the proposed loan including 110% loan coverage without raising existing water rates. The current three year (2014-2016) average Median Household Income (MHI) provided by UALR for Western Grove is \$35,938. The average water bill of \$44.22 is 1.48% of the current average MHI. Western Grove has Rural Development loans which require a reserve fund so no specific reserve fund is being required for this loan.

Executive Director’s Recommendation

Approve loans from the Drinking Water State Revolving Loan Fund for Danville, Frenchport Water Association, Jefferson Samples & Dexter Water Users Association, Inc., Mount Ida, and Nashville in the amounts listed above. The loan repayment period will not exceed ten (10) years with a combined interest rate of one-half (0.5) percent per year. Rule 1507.1 requirement that the applicant be a political sub-division of the state is waived for Frenchport Water Association and Jefferson Samples & Dexter Water Users Association, Inc. These loans will not significantly impact the ability to raise additional funds through issuance of SRF tax exempt bonds.

Approve loans from the Water Development Fund for Alpine Water Authority and Western Grove in the amounts listed above. An administrative fee will not be charged. The loan repayment period will not exceed ten (10) years with an interest rate of one-half (0.5) percent per year.

INCREASE IN FINANCIAL ASSISTANCE:

Upon motion by Mr. Fred Fowlkes, seconded by Mr. Bill Poynter, the Commission unanimously approved the following applications:

**Watson Chapel Water Association – Jefferson County (01189-DWSRF-L)
Up to \$60,000**

Additional project costs for Drinking Water State Revolving Fund (DWSRF) - \$715,000 was approved by the Commission in September of 2018 from the Arkansas Drinking Water State Revolving Loan Fund. Total funding under DWSRF will now be \$775,000.

Wooster – Faulkner County (01190-DWSRF-L) Up to \$100,000

Additional project costs for Drinking Water State Revolving Fund (DWSRF) - \$400,000 was approved by the Commission in September of 2018 from the Arkansas Drinking Water State Revolving Loan Fund. Total funding under DWSRF will now be \$500,000.

Executive Director's Recommendation

Approve additional loan funds from the Drinking Water State Revolving Loan Fund for Watson Chapel Water Association and Wooster in the amounts listed above. All other terms and conditions will remain the same.

CONSERVATION DIVISION – Mr. Adrian Baber presented the commission ANRC's proposal of hosting an annual meeting for conservation districts. Director Holland reiterated his suggestion of working together with AACD and other involved conservation parties for the annual meeting. Mr. Reaves stated he supports all parties working together; nonetheless, the commission should assume the legal obligated responsibility of director training as this will be key to success of local conservation districts. *Upon motion by Mr. Neal Anderson, seconded by Mr. Will Brewer, the commission unanimously approved holding the annual meeting for conservation districts by working in partnership with all parties involved versus ANRC holding its own annual meeting.*

District Director Emeritus – Mr. Baber reported to the commission there has been a recommendation from Garland County to appoint Gene Parker as a Conservation Director Emeritus. *Upon motion by Mr. Will Brewer, seconded by Mr. Fred Fowlkes, the commission unanimously approved staff recommendations for awarding Mr. Parker status of Director Emeritus.*

Mr. Baber also presented Conservation District Board appointments and reappointments to the commission.

Appointments to Conservation District Boards – *Upon motion by Mr. Fred Fowlkes, seconded by Mr. Neal Anderson, the commission unanimously approved the following appointments:*

Independence County	Charles Osborne
Jackson County	Sam Cunningham
Mine Creek Conservation District	Cliff Kroll
Stone County	Derek Littrell

Reappointments to Conservation District Boards - *Upon motion by Mr. Neal Anderson, seconded by Mr. Bruce Leggitt, the commission unanimously approved the following reappointments:*

Baxter County	Jim Turnbo
Clay County	Stephen Crancer
Cossatot Conservation District	Kenny Pickering
Cossatot Conservation District	Wayne Williamson

Crittenden County
Crooked Creek Conservation District
Dallas County
Dallas County
Faulkner County
Faulkner County
Independence County
L'Aigle Creek Conservation District
L'Aigle Creek Conservation District
Monroe County
Newton County
Newton County
Sebastian County

Woody Ray
Donald Austin
Ed Givens
Roy Johnson
Danny Mallet
Rocky Harrell
Julia Nail
Steve Parnell
Thomas Frazier
Wayne Beadles
Denver Smith
Waymon Villines
Conaly Bedell

Guest Speaker – Mr. Dustin Hudson, Irrigation Water Management Technician, spoke about the Grants-to-Districts program with the Cross County Conservation District. This program was previously approved by the commission and ANRC entered into a contribution agreement with NRCS to hire Irrigation Water Management Technicians in eastern Arkansas. Mr. Hudson presented data from the test study titled Cross County Soil Moisture Study and Field Demonstration Project (Grant GA2166). For the study he chose 40 or 80 acre fields from five different producers (five different soil types) and split the fields in half with Polypipe sets. The outcome of the test study shows positive results (less water is used with soil moisture sensors and bushels per acres are increased).

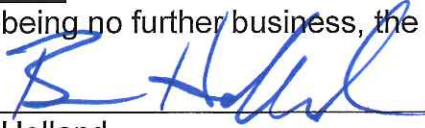
WATER RESOURCES MANAGEMENT DIVISION – Mr. Edward Swaim stated there are three critical ground water areas in Arkansas (Sparta Aquifer, Grand Prairie, and Cache) and explained why each is considered critical. Mr. Swaim reported Monroe County has requested to be added to the Cache Critical Ground Water Area due to reported groundwater problems there. A public hearing is scheduled through Monroe County Conservation District for this matter and after the public comment period has ended recommendations will be made before the commission for a decision on whether or not to add Monroe County to the Cache Critical Ground Water Area.

ACTIVITY REPORTS

Activity reports were presented by Mike Sullivan, USDA Natural Resources Conservation Service (NRCS); Martha Manley and Debbie Moreland, Arkansas Association Conservation Districts (AACD); Cynthia Edwards, Arkansas Agriculture Department (AAD); and Trevor Timberlake, US Army Corps of Engineers (USACE).

ADJOURN

There being no further business, the meeting was adjourned.



Bruce Holland
Executive Director and Secretary



Date

