

**MINUTES**  
**ARKANSAS NATURAL RESOURCES COMMISSION**  
**September 18, 2019**

The regular meeting of the Arkansas Natural Resources Commission was held Wednesday, September 18, 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, Vice Chairman Bill Poynter, Bruce Leggitt, Roy Reaves, Ann Cash, and Will Brewer. Commissioners Fred Fowlkes, Neal Anderson, and Troy Gaston were unable to attend.

Staff members in attendance included: Bruce Holland, Director; Ryan Benefield, Deputy Director; Debby Dickson, Program Fiscal Manager; Cynthia Bearden, Agency Controller; Crystal Phelps, General Counsel; Amanda Owens, Legal Services Specialist; Kaetlynn Hudson, Director of Marketing; Bill Ruck, Engineer Supervisor; Alex Avlos, Project Administrator; Jonathan Britton, Engineer; Darla Brooks, Program Fiscal Manager; Micah Barton and Bob Fowler, Land Resource Specialist; Whit Montague, State NFIP Coordinator/State Climatologist; Lori Scott-Nakai, Public Information Specialist; 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: July 17, 2019, and August 14, 2019**

*Upon motion by Mr. Will Brewer, seconded by Mrs. Ann Cash, the commission unanimously approved the minutes of the meetings on July 17, 2019, and August 14, 2019.*

**REPORT OF THE EXECUTIVE DIRECTOR** – Director Holland stated the city of Carthage is still working with well drillers on finding a solution for building a well. He also stated that the ANRC is working on transformation into the Agriculture Department; HR and fiscal has already begun to merge. Furthermore, the Levee Task Force is still working on finding a solution to secure the levees in Arkansas.

**FINANCIAL ASSISTANCE REPORT** - Mrs. Cynthia Bearden, Agency Controller, presented the financial assistance report dated August 31, 2019 (a copy of the report, Attachment "A", is attached to the minutes). Additionally, Mrs. Bearden announced she has interviews scheduled for the student interns who will be assisting with the conservation district audits beginning in October.

**EMERGENCY LEVEE FUNDING** – Deputy Director Benefield spoke about the \$10 million in levee funding the governor released to Arkansas Department of Emergency Management (ADEM). Through a Memorandum of Agreement with ADEM, ANRC will review the projects and allocate funds working with them. Applications will be brought before the commission for approval; application deadline is November 1, 2019.

**WATER RESOURCES DEVELOPMENT DIVISION**

**FINANCIAL ASSISTANCE:**

Mrs. Debby Dickson presented staff recommendations for the referenced projects below requesting financial assistance from the Arkansas Drinking Water State Revolving Fund (DWSRF), the Arkansas Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bond Fund (CGO), and the Water Development Fund (WDF).

*Upon motion by Mrs. Ann Cash, seconded by Mr. Will Brewer, the commission unanimously approved the following applications for financial assistance:*

**City of Arkadelphia/Gum Springs  
Clark County**

**Project: Gum Springs Regionalization**

**Project Description**

Gum Springs and Arkadelphia have agreed that Arkadelphia will assume operation of the Gum Springs Water System. The Gum Springs Water System improvements identified are needed to help reduce water loss and provide major repairs to both the elevated water storage tank and the water booster and chlorination station. With Gum Springs becoming part to the Arkadelphia system, operation and maintenance costs will be reduced and the quality of water will be better maintained to meet state and EPA standards

**Project Financial Information (based on the City of Gum Springs)**

The current average monthly water bill for the City of Gum Springs is \$48.75 based on 4,000 gallons of usage. No rate increase is required. The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for the City of Gum Springs is \$28,865. The City of Gum Springs listed the customer base for this project at 384.

The City of Gum Springs currently has one loan with ANRC and is current.

**Estimated Project Costs**

Construction:	\$2,223,700
Contingencies	222,400
Engineering – Planning, Design & Construction	177,900
Engineering – Inspection	88,900
Legal Fees	30,000
Administrative	10,000
Capitalized Interest during Construction	14,000
Issuance fee (3%)	0
Other: Cultural Resources Survey	0
Other – Permitting	0
<hr/> Total Estimated Capital Cost:	<hr/> \$2,766,900



### **Executive Director's Recommendation**

The Staff recommends that the Commission approve an amount up to \$2,000,000 in a loan to the City of Arkadelphia from the Arkansas Drinking Water State Revolving Fund and \$766,900 in Principal Forgiveness and forgiveness of the current loan #00956-WDF with a balance of approximately \$24,000. The repayment schedule will not exceed thirty (30) 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 to establish and maintain a depreciation reserve fund.

### **South Sheridan Water Association Grant County**

**Purpose: Construct a new 12" Water Relief Main**

### **Project Description**

Construct a large diameter water line to remove a pump station from the system and to eliminate low pressures seen in the system in the areas south and west of Sheridan. Little Creek Water has asked them to increase the line size for better service and growth in their system. Little Creek has pledged an amount to the project that will pay for the increased line size.

### **Project Financial Information**

The Commission approved an amount up to \$422,300 for this project at the May 2019 meeting from Arkansas Drinking Water State Revolving Loan Fund. However, the Association has elected to request the funding source changed to the General Obligation Bond program.

The current monthly water bill for South Sheridan Water Association, based on 4,000 gallons of usage, is \$24.25. South Sheridan Water Association will not be required to raise rates to service the proposed loan, including 110% loan coverage. The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for the city of Sheridan is \$45,835. The current average bill of \$24.25 is 0.63% of the current average MHI. South Sheridan Water Association will be required to set aside 3% of gross revenues in a depreciation reserve fund for this loan.

South Sheridan Water Association, Inc is current with ANRC on all loan payments and audit submission requirements.

In order to change the funding to General Obligation Bond Program for an amount of \$434,969 (includes the ANRC 3% issuance fee), the proposed term will not exceed 20 years, with a proposed rate of 3.9% per annum, an increase of 1.40% per annum.

### Estimated Project Costs

Construction:	\$415,740
Contingencies	38,003
Engineering – Planning, Design & Construction	49,720
Engineering – Inspection	16,630
Legal Fees	10,000
Less- Local Contribution	<b>(107,793)</b>
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Total Estimated Capital Cost:	\$422,300
Issuance fee 3%	12,669
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Total Estimated Project Cost	\$434,969

### Executive Director’s Recommendation

The Staff recommends that the Commission de-obligate \$422,300 which was approved May 15, 2019 from the Arkansas Drinking Water State Revolving Loan Fund and approve a loan in an amount up to \$434,969 (includes 3% issuance fee) for the South Sheridan Public Water Association from the Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Fund. The repayment schedule will not exceed twenty (20) years or the life of the project.

If approved, the Executive Director will establish the rate of interest and additional loan terms and conditions including the requirement to establish and maintain a depreciation reserve fund.

### **Arkansas Natural Resources Commission**

#### **Project: EPA Capitalization Grants State Match - Clean Water or Drinking Water**

#### Project Description

Staff submitted applications for the FFY 2019 Clean Water & Drinking Water Capitalization Grants on July 26, 2019. As a required by 40 CFR 35.3550(g) the State of Arkansas agrees to deposit into the Fund an amount from State monies that equals at least 20 percent of each capitalization grant payment. The federal funds are expected to be awarded and available in October 2019. As a result, the state match is required to be deposited on or before October 1, 2019.

#### Funding Information

In March the commission approved the issuance of \$30 million of taxable Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. Of the \$30 million issued, \$10 million was estimated for SRF match costs. By funding this match, the Commission will provide an estimated \$55 million in funds to eligible SRF water and sewer projects.



**State Match Costs**

FFY 2019 Cap Grant Match:	
Clean Water SRF	2,078,800
Drinking Water SRF	3,311,000
FFY 2020 Cap Grant Match	
Clean Water SRF ( <i>estimate</i> )	2,500,000
Drinking Water SRF ( <i>estimate</i> )	3,800,000
<hr/> Total Estimated State Match:	<hr/> \$11,689,800

**Executive Director's Recommendation**

The Staff recommends that the Commission approve an amount up to \$10,000,000 for the Clean Water or Drinking Water State Match as a grant to the Arkansas Natural Resources Commission from the Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Fund.

**Grand Prairie Regional Water Distribution District  
Arkansas County**

**Project:        Planning Study for Regionalization**

**Project Description**

The Grand Prairie Regional Water Distribution District (GPRWDD) has demonstrated over 30 years of operation as a well-managed system, operated and financed as a large rural water system servicing the area between the Arkansas River, White River and South of Interstate 40.

This system currently encompasses an area that is approximately 75 miles (north-south) by 40 miles (east-west). The original system was constructed in 1986 purchasing water from Stuttgart and DeWitt later adding a water treatment plant near Lonoke and a well field southwest of DeWitt. The 3,300 original customers have now grown to 6,000 and the system now operates nine elevated water tanks. This continuously well managed system is in good financial condition.

This study is proposed to determine the potential and improvements necessary to expand GPRWDD to other areas in the region, when and if regionalization is needed.

The first step is to complete a hydraulic study of GPRWDD's system in order to determine improvements needed, individually or collectively, for each of these smaller systems to be considered for inclusion. GPRWDD's system has over 1,500 miles of water line, nine elevated tanks and two water sources. GPRWDD was designed as a rural system and this hydraulic study will determine the scope of potential regionalization and what role GPRWDD could play as a regional water system. The estimated cost of this hydraulic study is \$41,000.00.

The second step is limited to a thorough review of all the sanitary surveys prepared by the Arkansas Department of Health to determine existing conditions within each of the smaller systems to be considered for regionalization with GPRWDD. The estimated cost of the sanitary surveys is \$6,000.00.

List of water systems located in close proximity to GPRWDD

Allport	DeWitt	St. Charles
Almyra	England	Stuttgart
Alzheimer	Hazen	Tucker Prison
Carlisle	Humnoke	Wabaseka
Central Arkansas Water	Humphrey	Wright-Pastoria Water
Coy	Keo	Association (Tucker)
DeValls Bluff	Lonoke	

While each of these systems have the potential to connect or benefit from regionalization, several of them are well run systems and have dependable water supplies and may not need the assistance available with regionalization.

On the other hand, some of these systems have already contacted GPRWDD about the possibility of regionalization. However, extensive distribution system improvements may be necessary prior to being merged with GPRWDD. This study will determine what level of improvements are required by both GPRWDD and the individual water systems.

**Project Financial Information**

The Grand Prairie Regional Water Distribution District has two outstanding loans with ANRC and is current.

**Estimated Project Costs**

Construction:	\$	0
Contingencies		0
Engineering – Hydraulic Study,		41,000
Engineering – Sanitary Survey Reviews		6,000
Legal Fees		0
Issuance fee (3%)		0
<hr/> Total Estimated Capital Cost:		<hr/> \$47,000

**Executive Director’s Recommendation**

The Staff recommends that the Commission approve an amount up to \$47,000 in a grant to the Grand Prairie Regional Water Distribution District from the Arkansas Water Development Fund.

If approved, the Executive Director will establish any additional grant terms and conditions including the requirement to establish and maintain a depreciation reserve fund.



**Northern Ohio Water District  
Lafayette County/Crittendon**

**Project: New Water Meters and Emergency Repairs for Water Leaks throughout the System**

**Project Description**

Northern Ohio Water District hired a new financial manager and service operator in January 2019. Since taking over the operation, the true financial status of the association has been revealed. The current 275 customers, up from the billable 240 from previous operator records, use about 1,000,000 gallons of water. Of the 275 active customers, 70 have meter readings of 0 usage every month and 25 meters read less than 1,000 gallons used a month. Northern Ohio Water District buys water from Marked Tree, Arkansas at the rate of \$2.20 per thousand. The total amount of water bought is between 2,500,000 and 3,000,000, resulting in approximately 70% water loss. The current amount owed to Marked Tree for this water is over \$19,000. New meters are a must to start recovering the water loss, and resulting revenue loss, incurred every month. This project also estimates an addition 25 customers will be added to the system. A total of 300 customers are projected once repairs are made and additional connections installed.

The current service operator has repaired numerous large leaks throughout the system that were repaired by the previous operator. This has increased the debt owed on the system due to the needed maintenance and repairs along with supplies needed to perform the repairs. In addition, Northern Ohio has a water line that is still exposed on top of the ground that required emergency replacement, which they are unable to bury due to lack of funds. The current outstanding debt to the service operator and supply companies is over \$25,000. The financial manager is behind on pay and start-up cost of \$2,450. A request for Emergency Funds is being submitted to help with the current debt owed and to buy new meters to start recovering water loss and additional breaks in the lines are found and incurred.

**Project Financial Information**

The current 4,000-gallon water usage bill for Northern Ohio Water District is \$35.50. Northern Ohio Water District will be required to raise rates to \$43.50 for 4,000 gallons of usage, an increase of \$8.00, in order to service the proposed loan, including 110% loan coverage. The current three-year (2015-2017) average Median Household Income (MHI) provided by UALR for Northern Ohio Water District is \$35,240. Northern Ohio Water District listed the projected customer base for this project at 300.

Northern Ohio Water District will be required to set aside 3% of annual gross revenues in a depreciation reserve fund for this loan.

Northern Ohio Water District does not have loans with ANRC.

**Estimated Project Costs**

Construction:	37,500
Contingencies	3,750
Engineering – Planning, Design & Construction	0
Engineering – Inspection	0
Admin – Emergency Repairs	24,875
Other – 300 new meters	95,922
Other – 300 new boxes	8,400
Issuance Fee (3% of \$170,447)	5,113
<hr/> Total Estimated Capital Cost:	<hr/> \$175,560

**Executive Director’s Recommendation**

The Staff recommends that the Commission approve an amount up to \$175,560 (includes 3% issuance fee) in a loan from the Arkansas Water Development Fund. The repayment schedule will not exceed ten (10) 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 to establish and maintain a depreciation reserve fund.

**DEOBLIGATION OF FUNDS:**

Mrs. Debby Dickson presented staff recommendations for the below referenced funds to be deobligated from the Arkansas 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 Fund (CGO).

*Upon motion by Mr. Will Brewer, seconded by Mr. Roy Reaves, the commission unanimously approved the following deobligations:*

**McCrory (01205-DWSRF-L) \$415,000.00**

Deobligate funds in the amount of \$415,000.00 that were approved in November 2018 from the Drinking Water State Revolving Fund. Entity unable to use funds.

**Baxter-Marion (01211-WSSW-L) \$93,000.00**

Deobligate funds in the amount of \$93,000.00 that were approved in November 2018 from the Water, Sewer and Solid Waste Fund. Entity was unable to use funds.

**Sardis (01160-CGO-L) \$2,060,000.00**

Deobligate funds in the amount of \$2,060,000.00 that were approved in May 2018 from the Drinking Water State Revolving Fund. Entity selected alternate funding from the market.



## ARKANSAS NATURAL RESOURCES COMMISSION

Daniel Allen with Raymond James & Associates spoke to the commission about the current market and a refinancing opportunity related to previously issued bonds 2012A and 2012B. Mr. Allen stated Resolutions 2019-04 and 2019-05 are being presented today for consideration of refinancing opportunity. After brief discussion Director Holland agreed that refinancing should only happen if considerable savings could be realized, and with that assurance, *upon motion by Mr. Roy Reaves, seconded by Mr. Bruce Leggitt, the commission unanimously approved Resolutions 2019-04 and 2019-05.*

**Project:** Refunding of Series 2012A and Series 2012B State of Arkansas GO Bonds

### Project Description

The Commission issued the Series 2012A Bonds to refund several previous bonds issued in 2002. The Commission issued its 2012B Bonds in order to provide financing for new projects. The current interest rate environment may allow the Commission to refund Series 2012 A&B and produce present value savings of approximately \$1.9 million. A summary of the indicative refunding results for taxable, fixed rate refundings of the Commission's Series 2012A and Series 2012B Bonds, is shown below.

**Security:** General revenues of the State

**Rating:** Moody's: Aa1  
Standard & Poor's: AA

**Rates:** Taxable general market rates as of  
09/06/2019

**Savings Structure:** Uniform annual savings

**Maturities Refunded:** 2012A: all outstanding  
2012B: 2028 - 2047

**Escrow:** 2012A: bonds are called at closing  
2012B: funds are escrowed to the first  
optional call date, escrow invested in SLGS





**FLOOD PLAIN RISK MANAGEMENT** – Whit Montague, State National Flood Insurance Program (NFIP) Coordinator/State Climatologist, spoke to the commission about how the ANRC floodplain management section works with the local government to help identify flood hazards and help them manage risks. Some of the topics Mrs. Montague touched on were explaining the role of local administration within counties and cities, the meaning of a 100- or 500-year flood, NFIP training, flood insurance, and examples of mapping used to determine flooding. Furthermore, Mrs. Montague stated her section is also working on an Arkansas multi-agency drought network.

**ACTIVITY REPORTS**

Activity reports were presented by Amanda Mathis, USDA Natural Resources Conservation Service (NRCS); Debbie Moreland, Arkansas Association Conservation Districts (AACD); Mike Daniels, U of A Cooperative Extension Service; and Drew Westerman, U.S. Geological Survey (USGS).

**OTHER BUSINESS**

Chairman Hampton announced that Commissioner Brewer will chair the nominating committee of the commission for election of chair and vice chair for the year 2020. These elections will be announced at the November 2019 meeting.

**ADJOURN**

There being no further business, meeting was adjourned.



Bruce Holland  
Director



Date

