

MINUTES
ARKANSAS NATURAL RESOURCES COMMISSION
March 18, 2020

The regular telephonic meeting of the Arkansas Natural Resources Commission was held Wednesday, March 18, 2020, at 9:30 a.m. at Arkansas Natural Resources Commission, 101 East Capitol, Suite 350, Little Rock, AR 72201.

Commissioners in attendance via conference call were Chairman Bill Poynter, Vice Chairman Bruce Leggitt, Roy Reaves, Ann Cash, William Anderson, Fred Fowlkes, and Neal Anderson. Commissioners Will Brewer and Troy Gaston were unable to call in.

Staff members in attendance included: Bruce Holland, Director; Ryan Benefield, Deputy Director; Debby Dickson, Program Fiscal Manager; Blake Forrest, Professional Geologist; and April Harris, Administrative Analyst.

A list of guests is attached to the minutes.

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

APPROVAL OF MINUTES: January 16, 2020

Upon motion by Mr. Roy Reaves, seconded by Mrs. Ann Cash, the commission unanimously approved the minutes of the meeting held on January 16, 2020.

REPORT OF THE DIRECTOR – Director Holland began by giving a brief update on agency operation due to the COVID-19 pandemic. Furthermore, the agenda for this meeting has been shortened to items requiring necessary discussion at this time which regards the Water Development section.

WATER RESOURCES DEVELOPMENT SECTION

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 Clean Water Revolving Loan Fund (CWRLF), the Arkansas Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bond Fund (CGO), and the Water Development Fund (WDF).

Upon motion by Mr. Bruce Leggitt, seconded by Mr. Fred Fowlkes, the commission unanimously approved the following staff recommendations:

TOWN OF BAUXITE

Project: Replace Water Meters and Boxes

Project Description

This project is for the replacement of water meters and boxes throughout the city limits due to age and loss of efficiency with the meters. The Town has begun a meter replacement program which has shown the meters that have been replaced are reading more accurately. The Town continues to replace meters when funds are available.

Project Financial Information

The current average monthly water bill for the Town of Bauxite is \$57.00 based on 4,000 gallons of usage. The Town of Bauxite will not be required to raise rates in order to service the proposed loan. However, this funding recommendation will be made under the condition that minimum monthly water and sewer rates are adjusted once Benton Utilities increase their wholesale rates to the Town of Bauxite. These rate adjustments will have prior approval by Natural Resources. The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for the Town of Bauxite is \$38,579. The Town of Bauxite listed the customer base for this project at 250.

The Town of Bauxite has two loans with ANRC. They are current on both loan payments and audit requirements.

Estimated Project Costs

Construction:	\$112,500
Contingencies	\$0
Engineering – Planning, Design & Construction	\$7,500
Engineering – Inspection	\$0
Legal Fees	\$0
Administrative	\$0
Capitalized Interest during Construction	\$0
Issuance fee (3%)	\$0
Other: Cultural Resources Survey	\$0
Other – Permitting	\$0
<hr/> Total Estimated Capital Cost:	<hr/> \$120,000

Executive Director’s Recommendation

Recommend the Commission approve an amount up to \$120,000 in a loan to the Town of Bauxite from the Drinking Water State Revolving Loan 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.

LAKESIDE WATER ASSOCIATION, INC.
Columbia County

Project: Purchase & Install new telemetry

Project Description

Lakeside Water Association, Inc. is a small rural water system that serves around 800 customers from the Bussey to the Lamartine area of Columbia County. The water system was organized in 1984 and went into operation in 1995. The Association is a non-profit with a volunteer board of directors and two employees. The system was originally financed by USDA and has an outstanding loan balance of approximately \$1.05 million.

Due to the age of the water system it is experiencing some failures. In the beginning of September, the Association replaced the main water line that comes from the distribution point. The Association purchases water from the Magnolia Water System. The replacement of this line cost close to \$171,000. Currently the telemetry system is failing and needs to be replaced. The telemetry system is original to the water system and the parts are almost obsolete. The Association has received two quotes to replace the telemetry system that range from \$25,000 to \$45,000.

The funding application submitted did not include amounts for contingency or engineer fees in the proposed project costs. Staff recommends an additional amount up to \$2,597 for contingency. In addition, staff recommends an amount up to \$3,000 for a consulting engineer to oversee the bidding and installing of the telemetry system, if it is determined to be required.

Project Financial Information

The current monthly water bill for the Lakeside Water Association, Inc is \$39.00 based on 4,000 gallons of usage. The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for Waldo City in Columbia County is \$21,816. The Lakeside Water Association, Inc listed the customer base for this project at 799.

The Lakeside Water Association, Inc does not have any loans with ANRC.

Estimated Project Costs

Construction:	25,973.96
Contingencies	2,597.04
Engineering – Planning, Design & Construction	3,000.00
Engineering – Inspection	0.00
Legal Fees	0.00
Administrative	0.00
Capitalized Interest during Construction	0.00
Issuance fee (3%)	947.00
Other: Cultural Resources Survey	0.00
Other – Permitting	0.00
Total Estimated Capital Cost:	\$32,518.00

Executive Director's Recommendation

Recommend that the Commission approve an amount up to \$32,518 in a grant to the Lakeside Water Association, Inc from the Water, Sewer & Solid Waste Fund.

NORTHWEST ARKANSAS CONSERVATION AUTHORITY

Benton County

Project: Sewer Line Replacement

Project Description

The Northwest Arkansas Conservation Authority (NACA) wastewater treatment plant was completed and placed into service in 2010. The NACA project also included sewer collection mains to the cities of Tontitown and Bentonville. The line to Bentonville (Little Osage Creek Sewer Line) consists of approximately 41,400 linear feet of 36-inch main and approximately 5,700 linear feet of 30-inch main. The 36-inch main was sized to serve the cities of Centerton and Cave Springs at some point in the future; however, the City of Bentonville has been the sole user/customer on the Little Osage Creek Sewer Line since NACA began providing service. This project includes removal and replacement of the entire Little Osage Creek Sewer Line.

In April of 2017, a section of the Little Osage Creek Sewer Line collapsed which created concerns regarding the integrity of the sewer main. NACA hired a contractor to perform a multi-sensor inspection of the line in 2018. That inspection revealed a high percentage of the line had excessive deflection and a couple locations actually have already cracked allowing heavy inflow into the pipe. As of the date of this application, over 2,000 linear feet of pipe has been replaced at a cost of over \$2,000,000. The line continues to fail and allow inflow that exceeds the NACA treatment plant's capacity. Additional collapses threaten the environment and larger collapses will certainly result in an environmental disaster. The Little Osage Creek Sewer Line follows Little Osage Creek which discharges into Osage Creek and then the Illinois River. The replacement of this sewer line is vital for the protection of the environment, public health and safety, and providing continuous service without additional inflow taxing the wastewater treatment plant.

Project Financial Information

The funding recommendation is contingent on Northwest Arkansas Conservation Authority making adequate rate adjustments to fund the additional debt service requirements. The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for the City of Bentonville is \$75,882. Northwest Arkansas Conservation Authority listed the customer base for this project at 4. However, the City of Bentonville has approximately 17,000 sewer customers with approximately 40% of those customers tied to NACA. The City of Tontitown has approximately 726, the City of Elm Springs has approximately 334, and the City of Bethel Heights has approximately 683. Only the City of Bentonville's customers are served by the line to be repaired with these funds.

Northwest Arkansas Conservation Authority has two loans with ANRC and is current on all payments and audit requirements.

Estimated Project Costs

Construction:	\$50,000,000
Contingencies	\$5,000,000
Engineering – Planning, Design & Construction	\$3,987,499
Engineering – Inspection	\$2,062,500
Legal Fees	\$20,000
Administrative	\$0
Capitalized Interest during Construction	\$0
Issuance fee (3%)	\$0
Other: Cultural Resources Survey	\$0
Other – Permitting	\$0
Total Estimated Capital Cost:	\$61,069,999

Executive Director’s Recommendation

Recommend that the Commission approve an amount up to \$61,069,999 in a loan to Northwest Arkansas Conservation Authority from the Clean Water State Revolving Fund. The repayment schedule will not exceed twenty (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.

TOWN OF REED, ARKANSAS
Desha County

Project: Replace and extend water mains, replace service lines and meters

Project Description

The Reed water system was installed in the 1970s using galvanized pipe in sizes 2 inch and less. The pipes have deteriorated creating leaks across the system. Reed purchases water from Tillar, and as a result, they are billed for water they cannot bill the customers. The Town cannot create the resources they need to cover existing operating expenses. The proposed project will replace the 2-inch water mains in the Town as well as replace all meters and service lines. The project will also extend a 6-inch water main to the west side of the Union Pacific Railroad. The 6-inch water main will provide adequate flow and pressure for the residents in that area.

Project Financial Information

The current monthly water bill for the Town of Reed is \$17.73 based on 4,000 gallons of usage. The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for the Town of Reed is \$14,222. The Town of Reed listed the customer base for this project at 87. The Town of Reed does not have any loans with ANRC.

The Town will be required to raise rates as outlined below:

<i>Current Bill for 4,000 gallons</i>	<i>\$17.73</i>	<i>New Bill for 4,000 gallons</i>	<i>\$23.05</i>
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Minimum bill for first 3,000 gallons	\$15.23	Minimum bill for first 3,000 gallons	\$19.80
Next 3,001 to 5,000 gallons	\$2.50	Next 3,001 to 5,000 gallons	\$3.25
Next 5,001 to 10,000 gallons	\$2.25	Next 5,001 to 10,000 gallons	\$2.93
Next 10,001 to 20,000 gallons	\$2.00	Next 10,001 to 20,000 gallons	\$2.60
Over 20,001 gallons	\$1.63	Over 20,001 gallons	\$2.12

TOTAL RATE INCREASE FOR 4,000 BILL PER MONTH = \$5.32

Estimated Project Costs

Construction:	\$623,966
Contingencies	62,397
Engineering – Planning, Design & Construction	59,277
Engineering – Inspection	50,811
Legal Fees	10,250
Administrative	0
Capitalized Interest during Construction	30,000
Issuance fee (3%)	0
Other: Health Department Review Fees	500
Other – Permitting	5,000
Total Estimated Capital Cost:	\$842,201

Executive Director’s Recommendation

Recommend that the Commission approve an amount up to \$842,201 in a loan with principal forgiveness to the Town of Reed from the Arkansas Safe Drinking Water Revolving Loan Fund contingent on raising rates and establishing a depreciation reserve fund.

WASHINGTON COUNTY POID No. 5

Project: Natural Resources Construction Project

Project Description

The Commission previously approved funding in an amount up to \$5,253,000 at the March & November 2018 meetings. Washington County POID No. 5 (District) has requested additional funding to complete this construction project which will connect the District to the City of Prairie Grove for wastewater treatment. Delays related to weather and easements have resulted in project completion postponements, adding an additional 100 days to the construction period

Currently all the wastewater is held in a storage lagoon and hauled to the City of Prairie Grove for treatment and disposal. Due to exceptional rainfall during this past year and the delayed construction period the District has incurred cost for an additional 100 days of hauling, at an average cost of \$2,000 per day.

The original project budget contingency line item has been exceeded by \$378,040. That amount includes hauling costs through October 22, 2019. The District has paid an additional \$84,000 in hauling costs from operating revenues and is prepared to pay the hauling costs through the end of the construction period, estimated at an additional \$185,000, from operating revenues.

Project Financial Information

The current average monthly water bill for Washington County POID No. 5 is \$80.00 based on 4,000 gallons of usage. The Washington County POID No. 5 will be required to raise rates to \$82.00 for 4,000 gallons of usage, an increase of \$2.00 per month 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 Washington County is \$42,515. The Washington County POID No. 5 listed the customer base for this project at 661.

Washington County POID No 5 has three loans with ANRC and is current with loan payments and audit requirements. As part of the additional funding, we are recommending consolidating these three loans into a single loan including the additional funding for a total new loan amount up to \$5,783,450.

Estimated Additional Project Costs

Construction:	\$174,460
Contingencies	17,446
Engineering – Planning, Design & Construction	210,396
Engineering – Inspection	105,198
Legal Fees	\$0
Administrative	0
Capitalized Interest during Construction	0
Issuance fee (3%)	15,450
Other: Easement Preparation	7,500
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Subtotal	\$530,450
Other – POID Hauling Expenses	269,000
Applicant Contribution	-269,000
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Total Estimated Capital Cost:	\$530,450

Total Project Funding

Funding	Commission Date	Amount (up to)
ANRC Loan #01157-CGO-L	3/21/18	3,605,000
ANRC Loan #01158-WSSW-D	3/21/18	1,030,000
ANRC Loan #01212-WSSW-D	11/14/18	618,000
Additional Financial Assistance (w/ 3% fee)	3/18/20	530,450
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Total New Loan Cost:		\$5,783,450

Executive Director’s Recommendation

Recommend the Commission approve consolidating the existing three loans and the additional funding (\$530,450, including \$15,450 fee) into one loan to the Washington County POID No. 5 from the General Obligation Bond Program in an amount up to \$5,783,450. 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.

INCREASE IN FINANCIAL ASSISTANCE:

CITY OF SILOAM SPRINGS

Benton County

Project: Improvements to existing water treatment facility

Project Description

At the January 16, 2020 Commission meeting funding in an amount up to \$30,100,000 was approved for the City of Siloam Springs. The funding was approved for a project to make improvements to the existing water treatment facility. Improvements include, but not limited to, addition of a redundant raw water line; replace mechanical and process equipment; update monitoring and controls equipment; filter improvements, conversion of disinfection system from gas chlorine to sodium hypochlorite.

The original application assumed state funds, which requires a 3% fee. However, funding was recommended, and approved, from the Drinking Water State Revolving Loan Fund (DWSRF), which does not require a 3% fee at loan closing. As a result, the recommendation was reduced by \$900,000.

This project is funded by a voter approved sales tax for an amount up to \$31,000,000. The City amended their funding application to allocate the full voter approved amount to the project when notified that the recommendation would be for DWSRF funds. As a result, the loan amount is recommended to increase by \$900,000.

Project Financial Information

The City of Siloam Springs voters passed an extension of the existing 5/8 cent sales tax to repay the debt associated with this project. Siloam Springs has averaged approximately \$650,000 in Sales & Use tax collected between Jan 2016 to Sept 2019. With consistent sales and use tax collections over the last three years, the 5/8 cent sales tax will, at a minimum, meet the debt service for this funding.

The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for the City of Siloam Springs is \$40,139. The City of Siloam Springs listed the customer base for this project at 7,429.

The City of Siloam Springs has other loans with ANRC, and they are current on these loans.

Estimated Project Costs

Construction:	\$24,250,000
Contingencies	\$2,425,000
Engineering – Planning, Design & Construction	\$3,805,000
Engineering – Inspection	\$500,000
Legal Fees	\$20,000
Administrative	\$0
Capitalized Interest during Construction	\$0
Issuance fee (3%)	\$0
Other:	\$0
Other:	\$0
Total Estimated Capital Cost:	\$31,000,000

Executive Director’s Recommendation

Recommend the Commission approve the additional fund of \$900,000 for a total loan amount up to \$31,000,000 for City of Siloam Springs loan from the Drinking Water State Revolving Loan Fund. The repayment schedule will not exceed twenty (20) 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.

REQUEST CHANGE IN TERMS:

**CITY OF HELENA – WEST HELENA
Phillips County**

Project: Change in Approved Funding Terms

Project Description

The Commission approved funding in an amount up to \$4,200,000 from the Drinking Water State Revolving Loan Fund (DWSRF) at the November 2018 meeting, #01174-DWSRF-L. The energy savings project funded by this loan is under budget. Additionally, the City of Helena-West Helena has streamlined its operations and no longer uses the building in which the HVAC energy efficiency was to be performed. Based on this, they have requested to remove the HVAC energy efficiency from the project scope.

The construction savings from the project paired with the HVAC scope deduct is enough to fund a new, energy efficient water booster station without increasing the loan amount.

Project Financial Information

The current average monthly water bill for the City of Helena – West Helena is \$22.71 based on 4,000 gallons of usage. The City of Helena – West Helena will not be required to raise rates 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 the City of Helena – West

Helena is \$21,792. The City of Helena – West Helena listed the customer base for this project at 4,591.

The City of Helena -West Helena has one loan with ANRC and is current on all payments and audits.

Estimated Project Costs

Construction:	\$3,908,853
Contingencies	\$36,807
Engineering – Planning, Design & Construction	\$0
Engineering – Inspection	\$0
Legal Fees	\$22,500
Administrative	\$0
Capitalized Interest during Construction	\$20,000
Issuance fee (3%)	\$0
Other: Remove HVAC	-\$71,666
Other – Add Pump Station	\$283,506
Total Estimated Capital Cost:	\$4,200,000

Executive Director’s Recommendation

Recommend the Commission approve a change in scope on loan #01174-DWSRF-L to remove the HAVAC and add the pump station. The approved funding up to \$4,200,000 to the City of Helena – West Helena from the Arkansas Drinking Water State Revolving Fund will remain the same. The repayment schedule will not exceed twenty (20) 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.

LITTLE RIVER COUNTY RURAL DEVELOPMENT AUTHORITY
Little River County

Project: Change in Terms Request

Project Description

Little River County RDA has two state funded loans, one of which is a 10-year deferral before repayments commence. The 10-year deferred loan’s first repayment due date was in 2019 and the Authority paid it on time. Even though the Authority paid the first payment on time, they have concerns about their future finances and debt service. Due to these circumstances; consolidating the two state loans (1092-WDF-L & 0580-WDF-D) into one new loan in the amount of \$591,526 for a term not to exceed 20 years from the Water Development Fund is recommended. Consolidation into a single loan is estimated to reduce the annual payments by \$10,700.

Loan #	Current Principal Balance	Current Annual Payment	Loan Closing Date	First Payment Date	Scheduled Payoff Date
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1092-WDF-L	\$92,101	\$7,512	12/15/2016	12/01/2017	12/01/2036
0580-WDF-D	\$499,425	\$41,325	06/01/2008	06/01/2019	06/01/2038
Total:	\$591,526	\$48,837			

The authority feels that the savings realized by the reduced debt service associated with the consolidation of these loans will improve the sustainability of the system.

Project Financial Information

The current average monthly water bill for Little River County RDA is \$52.34 based on 4,000 gallons of usage. Little River RDA will not be required to raise rates in order to service the proposed loan. The current three year (2015-2017) average Median Household Income (MHI) provided by UALR for Little River County is \$39,289. Little River County RDA listed the customer base for this project at 1,177.

Little River County RDA has three loans, including the two state loans referenced above, with ANRC and they are current on payments and audit requirements.

Executive Director’s Recommendation

Recommend the Commission approve to consolidate the two state funded loans (1092-WDF-L & 0580-WDF-D) in an amount up to \$591,526 in a loan to Little River County RDA from the Water Development Fund. The repayment schedule will not exceed twenty (20) 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.

GENERAL OBLIGATION BOND REFUNDING:

Daniel Allen with Raymond James & Associates spoke to the commission about the proposed refunding of Series 2012 A Bond (Resolution No. 2020-02) and Series 2012 B Bond (Resolution No. 2020-03). Mr. Allen recommended the commission approve the resolutions to authorize bond sale when liquidity returns to the market, nonetheless, bonds will not be sold before first consulting with the commission and getting their approval.

Upon motion by Mr. Roy Reaves, seconded by Mrs. Ann Cash, the commission unanimously approved Resolution No. 2020-02 and Resolution No. 2020-03.

DEOBLIGATION OF FUNDS:

Mrs. Debby Dickson reported on the below referenced funds to be deobligated from the Arkansas Clean Water Revolving Loan Fund (CWRLF), the Arkansas Drinking Water State Revolving Fund (DWSRF), and the Water Development Fund (WDF).

Conway (01013-CWRLF-L) \$94,209.00

Deobligate funds in the amount of \$94,209.00 that were approved in December 2014 from the

Clean Water Revolving Loan Fund. Entity has completed project with \$94,209.00 left-over.

Little Rock Water Reclamation Authority (LRWRA) (01225-CWRLF-L) \$8,000,000.00

Deobligate funds in the amount of \$8,000,000.00 that were approved in May 2019 from the Arkansas Clean Water Revolving Loan Fund. Entity no longer needs funding; entered a solar purchase agreement with Entegriy Energy partners.

Rison (01064-DWSRF-L) \$263.00

Deobligate funds in the amount of \$263.00 that were approved in March 2017 from the Arkansas Drinking Water State Revolving Fund. Entity completed project with \$263.00 left-over.

South Pike County Water (01098-DWSRF-PF) \$3,432.25

Deobligate funds in the amount of \$3,432.25 that were approved in November 2016 from the Arkansas Drinking Water State Revolving Fund. Entity completed project with \$3,432.25 left-over.

St. Charles (Loan) \$10,300.00

Deobligate funds in the amount of \$10,300.00 that were approved in July 2017. Entity is unable to obtain additional funding for the project.

St. Charles (Grant) \$10,300.00

Deobligate funds in the amount of \$10,300.00 that were approved in July 2017. Entity is unable to obtain additional funding for the project.

Stone County \$25,750.00

Deobligate funds in the amount of \$25,750.00 that were approved in July 2018. Entity is unable to proceed with project at this time; will reapply if/when fund project funding becomes available.

Western Grove (01220-WDF-L) \$120,000.00

Deobligate funds in the amount of \$120,000.00 that were approved in January 2019 from the Water Development Fund. Entity failed to comply based on failure to move forward with project or respond with a new schedule.

Wooster – Lines (01078-DWSRF-L) \$76,878.36

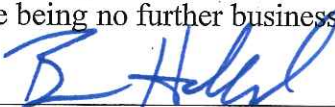
Deobligate funds in the amount of \$76,878.36 that were approved in July 2016 from the Arkansas Drinking Water State Revolving Fund. Entity completed project with \$76,878.36 left-over.

Wooster – Meters (01190-DWSRF-L) \$194.91

Deobligate funds in the amount of \$194.91 that were approved in September 2018 from the Arkansas Drinking Water State Revolving Fund. Entity completed project with \$194.91 left-over.

ADJOURN

There being no further business, meeting was adjourned.



Bruce Holland
Director


Date