

**SUMMARY OF MINUTES
BOARD OF DIRECTORS
MUSKINGUM WATERSHED CONSERVANCY DISTRICT
Held at New Philadelphia City Council Chambers
June 30, 2011, 9:00 a.m.**

A special meeting of the Board of Directors of the Muskingum Watershed Conservancy District was held at the New Philadelphia City Council Chambers, John Knisely Building, 150 East High Avenue, New Philadelphia, Ohio, on Thursday, June 30, 2011, at 9:00 a.m., pursuant to notice duly given all Directors, and the general public in accordance with law.

1. ROLL CALL

Directors present were: Mr. Boyle, Mr. Horstman, Mr. Kokovich, Mr. Parham, and Mr. Pryce.

Present from MWCD staff were James Cugliari, John Hoopingarner, Darrin Lautenschleger, Karen Miller, John Olivier, and Boris Slogar.

Mr. Kokovich, President of the Board of Directors, presided.

2. INTRODUCTION OF VISITORS AND PUBLIC COMMENT

Also in attendance for all or portions of this meeting were: Jim Pringle (*MWCD Legal Counsel*); John Meeske and Mark Wibel (*TREC Atwood*); Fred Dudley (*Sherrodsville resident*); Gary Spahr and Brian Valot (*Atwood marinas*); and Kelly Rager (*Super Fitness/Atwood*).

Mr. Reip addressed the Board with an inquiry regarding mineral rights. He mentioned recent media focus on oil and gas exploration for Marcellus and Utica formations. Mr. Reip inquired about the amount of MWCD acreage available for lease for these rights as well as the estimated value of said leasing. Mr. Hoopingarner responded that MWCD is currently in negotiations for lease of approximately 7,000 acres at Clendening Reservoir. There are approximately 30,000 additional acres throughout the District that could potentially be available for lease. He suggested that Mr. Reip could either submit a formal records request or make an appointment with the appropriate MWCD staff to discuss this issue. Mr. Reip responded that he does not intend to submit a formal request or meet with staff, but instead would request that general information be made available to the media. Mr. Hoopingarner responded that information will be released as appropriate.

3. BUSINESS

3.01 BOLIVAR PROJECT PARTNERSHIP AGREEMENT

The proposed Project Partnership Agreement (PPA) between The Department of the Army and MWCD for construction of the Bolivar Dam Major Rehabilitation Project was presented for approval. Also presented was a request from the U.S. Army Corps of Engineers for a check in the amount of \$3,201,779.00 as the local cost share for this project. The total projected cost of this project, according to the PPA, is \$165,006,000, of which the Non-Federal sponsor's contribution of funds is projected to be \$37,951,380. The Bolivar Dam project is projected to be complete by FY 2016.

On motion by Mr. Parham, seconded by Mr. Horstman, the PPA and check request were approved and execution by the proper officers of the MWCD authorized.

3.02 BUDGET REVISION

On motion by Mr. Parham, seconded by Mr. Horstman, a proposed budget revision resulting from the approval of the Bolivar PPA with the U.S. Army Corps of Engineers, as recommended and set forth in the above memorandum, was approved.

3.03 ATWOOD LAKE RESORT AND CONFERENCE CENTER

This Board of Directors adopted the following goal for 2011:

To reduce the negative financial liability of the Atwood Lake Resort and Conference Center so that it is no longer a material factor in the overall operations of MWCD. This goal will identify the options for the Resort property, reduce expenditures and develop a plan for the future of the Resort property in light of the MWCD mission to provide recreational opportunities to the residents of the watershed and beyond.

This special meeting of the Board of Directors will focus on this goal. It is important that the Board consider its options and gives direction to the staff and provides information to the public, for the following reasons:

- 1) MWCD is incurring on-going maintenance costs while the property sits idle. Approximately \$50,000 per month is expended on utilities, insurance, taxes, general maintenance and security.
- 2) MWCD is incurring on-going administrative and management costs. Although difficult to quantify, much of the time of the Executive Director, Chief Financial Officer, Development Coordinator, Atwood Park Manager, and support staff is being devoted to this subject.
- 3) The facility is losing value. The longer the buildings and grounds sit idle, the less valuable they are to a potential purchaser, donor, operator, or to the MWCD. Deterioration is occurring to the building, grounds, paved areas, and golf courses.
- 4) Potential parties, buyers and the public are awaiting a decision. If Kent State University Tuscarawas (KSUT) is to be involved, \$750,000 in USDA and Ohio Department of Development (ODOD) grants will evaporate within the next three months. The decision to develop a broadband fiber connection in the Atwood area is dependent on KSUT involvement in keeping the Resort open. An \$800,000 EPA grant for construction of a new water treatment plant must be acted upon in the next 3 months and may require the Resort to be open. Real estate sales professionals advise that the optimum time for sale of any part of the property is before the Labor Day holiday. Carroll and Tuscarawas County officials, township trustees, civic leaders, and residents need a decision in order to plan for the future of the area.
- 5) Impact of 2012 MWCD budget. We are in the process of developing the 2012 budget and the future of the Resort property will have a significant impact.

Therefore, we submit for consideration of the Board of Directors the following options, each of which is developed in greater detail in this memo:

- 1) Donate the Resort to a public entity
- 2) Engage a broker to sell the Resort
- 3) Retain ownership and reinvest and redevelop the Resort

A decision of the Board of Directors will necessarily involve consideration of the impact of the revenue to be realized from development of oil and gas resources both District-wide and on the land within the Resort footprint.

The development of these resources at Clendening Reservoir will provide an immediate cash infusion of \$15 million and may eventually produce royalties valued in the multiple millions over the life of any wells produced. In addition to Clendening Reservoir, MWCD has the opportunity to develop its oil and gas resources on more than 21,000 acres, including 500 acres of Atwood Lake Resort land. According to our petroleum engineer, the Atwood acreage alone could have a value of approximately \$1 million at the time of signing any lease and a royalty value of between \$9-14 million over the life of any wells produced.

One of the first priorities of the MWCD must be to retire the existing debt relative to the Resort which is approximately \$3.7 million.

Following are further details regarding the three options for consideration.

OPTION 1: DONATE THE RESORT TO A PUBLIC ENTITY
TERMS

- Donate buildings, furnishings, fixtures and equipment (\pm 350 acres) as set forth in Attachment A to KSUT.
- MWCD retains 50% of mineral rights. The mineral rights donated to KSUT may only be used as collateral to finance projects at the Resort or to be invested directly in Resort projects. MWCD would commit its 50% of the mineral rights retained to be used for projects in the Atwood area.
- MWCD retains ownership and control of the peninsula and vacation cabins. MWCD may grant KSUT the right to operate, maintain and receive revenues from the existing vacation cabins on terms to be negotiated. Further, MWCD and KSUT may jointly develop the peninsula on terms to be negotiated.
- MWCD will assume costs associated with operation, maintenance and upgrades to the water treatment plant, and will provide water to KSUT at reasonable industry rates.
- MWCD will provide KSUT with waterfront access to Atwood Lake.
- KSUT must accept this donation by August 1, 2011. See letter of interest from Dean Gregg Andrews, Attachment B.
- KSUT plans to enter into an agreement with John Meeske for the operation and development of the Resort property.

ADVANTAGES / OPPORTUNITIES

- Sheds MWCD of the management and financial responsibilities of both the hotel and golf course.
- KSUT is a known and successful entity.
- Liquor license would be available to KSUT as a public entity.
- KSUT involvement keeps \$750,000 in USDA and ODOD grants in place for technology, conference, and meeting room updates, and secures Atwood as the recommended location for “Connecting Appalachia” broadband, with significant benefits to MWCD. See letter from Carroll County Commissioners, Attachment C, and “Connecting Appalachia (CA) Fiber Optic Initiative,” Attachment D.
- Eliminates grant paybacks of \$315,000, and building demolition costs of approximately \$310,000.
- Both parties have to agree to any oil and gas leasing that occurs.
- MWCD retains approximately 150 undeveloped acres for potential use.
- MWCD retains \$800,000 grant for water plant development.
- No MWCD financial involvement in redeveloping facilities.

DISADVANTAGES / CHALLENGES

- Loss of control of development of the \pm 350 acres of property.
- Loss of 50% of mineral rights, though they would be designated for use only at Atwood.

- New water treatment plant may be required, at a cost of approximately \$4 million (\$800,000 in grants currently available). Plant would be built in Atwood Lake Park, serving both the Park and Resort, and meeting current EPA requirements concerning both of the existing plants at the Park and the Resort. NOTE: This cost may be incurred by MWCD regardless of whether or not the Resort is served.

OPTION 2: ENGAGE BROKER TO SELL THE RESORT
TERMS

- Determine what parcels are to be sold
 - Set reserve values
 - Inclusion of mineral rights increases value; retention of mineral rights reduces value but increase MWCD control.
- Marketing fee of \$25,000 paid up front to Broker.
- Commission costs are paid by purchaser as an additional fee.
- Broker to be The Chartwell Group, see Attachment E for information.

ADVANTAGES / OPPORTUNITIES

- Revenue would be realized from sale.
- Could “carve out” hotel area for sale.
- Can accept or reject offers.
- Could require new owner to provide water, instead of MWCD.
- Eliminates demolition cost (\$310,000).
- Potentially quick sale (2-3 months).
- Retain Peninsula for future development.

DISADVANTAGES / CHALLENGES

- Lose control of property sold.
- MWCD would have potential grant paybacks of \$315,000.
- Liquor license will not transfer to non-governmental entity.
- Loss of \$750,000 in KSUT grants.
- Potential loss of \$800,000 grant for water plant.
- Atwood would be lost as the recommended site for “Connecting Appalachia” broadband.
- Potential low sale price.
- Continued maintenance costs during sales and marketing period.

OPTION 3: RETAIN OWNERSHIP AND REINVEST AND REDEVELOP THE RESORT (THIS OPTION HAS 4 ALTERNATIVE SCENARIOS).

OPTION 3, ALTERNATIVE A – DEMOLITION

TERMS

- Demolish hotel and related structures.
- Liquidate furniture and equipment.
- Abandon operation of 18-hole golf course, allow land to revert naturally.
- Develop a plan for future use of the site.
 - Peninsula to be developed as residential cottage sites.
 - Develop “park model” resort/campground on existing Resort property.

ADVANTAGES / OPPORTUNITIES

- Stops losses related to hotel and golf course operation.
 - Reduces/eliminates utility costs.
 - Property tax reduction.
 - Insurance costs reduced.

- Creates revenue from sale/lease of cottage sites on peninsula.
- Opens a variety of development opportunities.

DISADVANTAGES / CHALLENGES

- Demolition costs of over \$300,000.
- MWCD would have potential grant paybacks of \$315,000.
- Future development costs.
- Potential loss of \$800,000 grant for water plant.
- Loss of broadband fiber connection in Atwood area.
- Public perception.
 - KSUT not involved, loss of \$750,000 in grants.
 - Public officials opposition.

OPTION 3, ALTERNATIVE B – MODIFY RESORT, DEVELOP FOR RECREATION

TERMS

- Modify or reduce size of hotel building to serve as center for development of campground and cottage sites.
- Develop “park model” resort/campground on existing Resort property.
- Develop cottage sites on peninsula.
- Consider golf course operation.

ADVANTAGES / OPPORTUNITIES

- Reduced costs of operation with smaller building.
- Eliminates potential MWCD grant paybacks of \$315,000.
- Retains \$800,000 grant for water plant.
- Takes advantage of an existing asset.
- Possible KSUT involvement.

DISADVANTAGES / CHALLENGES

- Costs involved with modifications, improvements, provision of water, and potential losses.
- With no KSUT involvement, \$750,000 in grants would be lost that would have provided the technology upgrades necessary to attract conferences and meetings.
- If KSUT is not involved, Atwood would be lost as the recommended site for “Connecting Appalachia” broadband.
- Developing a new “center” may be a better option than modifying the existing facility.
- Potential losses in golf course operation and maintenance.

OPTION 3, ALTERNATIVE C – RE-OPEN HOTEL AND GOLF COURSE

TERMS

- MWCD uses oil and gas funds to upgrade hotel and golf courses.
- Possible contract with a management company.
- Re-open hotel and golf courses in spring 2012.
- Possible involvement with KSUT.

ADVANTAGES / OPPORTUNITIES

- Satisfies local residents and public officials/economic impact.
- Eliminates grant paybacks and demolition costs.
- Retains \$800,000 grant for water plant.
- Potential to retain some level of KSUT involvement.

DISADVANTAGES / CHALLENGES

- Same business model with historic record of losses
- MWCD staff time and cost involved with improvements, administration, and operations.
- Costs of renovations and improvements (estimated by Prospera in 2010 to be \$3,075,000).
- If KSUT is not involved, \$750,000 in grants lost for technology upgrades needed for conferences and meetings, and Atwood no longer the recommended location for “Connecting Appalachia” broadband.

OPTION 3, ALTERNATIVE D – DEVELOP PUBLIC/PRIVATE PARTNERSHIP WITH KSUT AND TREC ATWOOD, LLC, TO REDEVELOP THE RESORT

TERMS

- MWCD retains ownership of Resort property.
- KSUT leases a part of the property for its Small Business Development and Education Center.
- TREC Atwood, LLC, leases hotel and restaurant and provides oversight of a “Resort Business Model” for the development of the property, see Attachment F.
- MWCD could escrow capital sufficient to secure loans to fund improvements (approximately \$4 million).

ADVANTAGES / OPPORTUNITIES

- KSUT involvement keeps \$750,000 in USDA and ODOB grants in place for technology, conference, and meeting room upgrades, and secures Atwood as the recommended location for “Connecting Appalachia” broadband with benefits to MWCD.
- Eliminates grant paybacks and demolition costs.
- Retains \$800,000 grant for water plant, with water to be supplied to lessees at reasonable rates.
- TREC Atwood has put together an experienced and successful redevelopment team with business model and financing strategies. See synopsis of business model attached.
- Opportunity for MWCD to receive revenues from resort operations. Though not required, MWCD would have the option to receive a larger percentage of resort revenues if agreeable to providing collateral for bank financing. *See note below.

DISADVANTAGES / CHALLENGES

- Risks associated with KSUT and/or TREC Atwood’s failure to perform.
- MWCD staff time in administration of agreements.
- Cost to provide water.
- Restrictions on use of oil and gas revenues.

**Note: Though not required, the funding of an escrow account by MWCD as collateral facilitates the business model primarily by lowering risk and thereby the cost of debt, streamlines the lending process typical of bank loans in the current market, and unites the overall partnership under one vision with participation from all parties. See Attachment G, letter from First Merit Bank.*

This matter was discussed in executive session.

In open session, Mr. Parham moved approval of terms of option 3C, reopen the hotel and golf course, as outlined in the above referenced memo, with the added provision that Kent State University Tuscarawas be involved, seconded by Mr. Horstman. On roll call: Mr. Boyle-no; Mr. Horstman-yes; Mr. Kokovich-no; Mr. Parham-yes; and Mr. Pryce-no. Motion failed.

Mr. Pryce made a motion, seconded by Mr. Boyle, for approval of option 3A as outlined in the above referenced memo, demolition of the Resort.

Mr. Parham made a motion, seconded by Mr. Horstman, to amend the above motion to delete reference to abandonment of the 18-hole golf course. On roll call: Mr. Boyle-no; Mr. Horstman-yes; Mr. Kokovich-no; Mr. Parham-yes; and Mr. Pryce-no. Motion for the amendment failed.

Mr. Pryce made a motion, seconded by Mr. Boyle, to amend his original motion, eliminating two “sub-bullets” from the terms of option 3A, (peninsula to be developed as residential cottage sites; and develop “park model” resort/campground on existing Resort property. During discussion, it was determined that there would be no intent to demolish the existing vacation cabins, two residences located on the peninsula, or the “Chalet.” The golf pro shop would be demolished along with the main hotel building. On roll call: Mr. Boyle-yes; Mr. Horstman-no; Mr. Kokovich-yes; Mr. Parham-no; and Mr. Pryce-yes.

On roll call for Mr. Pryce’s original motion as amended: Mr. Boyle-yes; Mr. Horstman-no; Mr. Kokovich-yes; Mr. Parham-no; and Mr. Pryce-yes.

EXECUTIVE SESSION

On motion by Mr. Horstman, seconded by Mr. Parham, the Board of Directors entered into executive session at 9:19 a.m. to discuss matters related to ORC §121.22 (G) (2). On roll call: Mr. Boyle-yes; Mr. Horstman-yes; Mr. Kokovich-yes; Mr. Parham-yes; and Mr. Pryce-yes. The executive session ended at 12:05 p.m.

4. ADJOURN

There being no further business, on motion by Mr. Boyle, seconded by Mr. Horstman, the meeting of the Board of Directors was adjourned. The next regularly scheduled meeting is Friday, July 22, 2011, at 9:00 a.m. at Kent State University Tuscarawas in New Philadelphia, Ohio.

06/30/2011

Approved 07/22/2011