

**SUMMARY OF MINUTES
BOARD OF DIRECTORS
MUSKINGUM WATERSHED CONSERVANCY DISTRICT
Held at the McDonald Marlite Conference Center
February 15, 2013, 9:00 a.m.**

A meeting of the Board of Directors of the Muskingum Watershed Conservancy District was held at the McDonald Marlite Conference Center, 141 McDonald Drive SW, New Philadelphia, Ohio, on Friday, February 15, 2013, 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 Scott Barnhart, Donnie Borland, Jim Cugliari, Skyler Dewey, John Hoopingarner, Darrin Lautenschleger, Sean Logan, Karen Miller, John Olivier, Jim Pringle, Boris Slogar, and Mark Swiger.

Mr. Parham, 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: Don Bethel and Dale Norris (*Harrison County Commissioners*); Bob Downing (*Akron Beacon Journal*); Arthur Zwiuelein (spelling?) (*Canton*); Lea Harper (*SEOSOW*); Bill DeLuca (*Salesville*); Greg Pace, Barb DeLuca and Steven Jansto (*Fresh Water Accountability Project*); Chris Trembl (*Antero Resources*); Brent Winslow (*Borton-Lawson*); Jason Sellers and Seth Rodriguez (*Consol Energy*); Luke Bates (*Chesapeake Energy*); Tim Vonville (*Turner Oil and Gas*); Dean Jameson (*Hess Corporation*); Brad Janssen (*Uniontown*); Joellen and Tim Hayes (*Cambridge*); and Annette McCormick (*Lucas*).

The following individuals addressed the Board: 1) Greg Pace pointed out the banner displayed by the opponents to hydraulic fracturing which read “Muskingum Watershed Conservancy District: Making Water Contaminated and Deadly”; 2) Commissioner Dale Norris stated the desire of the Harrison County officials to work with MWCD to discuss and work together on water issues in that county; 3) Lea Harper listed several letters and comments that have been submitted to the MWCD in opposition to hydraulic fracturing and then read from an email that she recently received; 4) Barb DeLuca quoted from a publication entitled “Wills Creek – Our Backyard Watershed”; and 5) Steve Jansto read a statement urging the Board not to proceed with the leasing of Seneca Reservoir for oil and gas.

The following written documents were submitted and are on file: 1) Mr. Jansto’s comments; 2) a statement and associated attachments from Paul Rubin, HydroQuest, entitled “Decision to Lease Seneca Lake to Antero for ‘Fracking’” submitted by Ms. Harper; 3) an email from Elaine Baer to Darrin Lautenschleger dated February 14, 2013; and 4) a letter from Timothy Ream and Terry J. Lodge dated February 14, 2013, addressed to the MWCD Board of Directors. Comments about the Seneca lease that were submitted via the email address provided through the MWCD’s website are also on file.

Mr. Parham expressed appreciation on behalf of the Board of Directors and MWCD staff to those who took time to submit comments relative to the potential lease of Seneca Reservoir for oil and gas exploration. They were read and considered.

3. APPROVAL OF MINUTES

On motion by Mr. Kokovich, seconded by Mr. Horstman, the minutes of the January 18, 2013, meeting of the Board of Directors were approved.

4. FINANCIAL

Mr. Cugliari presented the financial report for the period ending January 31, 2013. The total operating revenue is \$151,431.00 with operating expenses of \$707,107.00, resulting in an excess of expenses over revenues of \$555,676.00. The operational deficit does not include the expenses incurred in the Recreation Improvement Fund.

Maintenance Fund – General

- Expenses are 8.64% of budget and up from 2012.
- Administration-Operation line item is up from 2012 due in part to the payment of employees who retired. This amounted to approximately \$32,000.00.
- Health Insurance-Laser had a \$22,838.00 expense in 2013 with -0- in 2012.

Conservation Fund

- Revenue is 0.62% of budget with \$31,885.00 of Mineral Operations-Gas and Oil being generated so far in January.
- Expenses are 5% of budget and up from 2012.
- Farm Operations-Sharecrop incurred \$22,258.00 in expenses as we took advantage of an early payment discount.
- Mineral Operation-Gas and Oil expenses are up approximately \$20,000.00 from 2012.

Recreation Fund-Parks and Non-Park

- There is little revenue activity this time of year in the recreation areas.
- Expenses are up slightly from 2012 but in line with budget.

Maintenance Assessment Fund

- Expenses in this fund are 40.79% of budget due mainly to the payment to the U.S. Army Corps of Engineers on the Bolivar Dam project.

Overall, there is little activity from a revenue perspective for the first month of the year. We have incurred some major expenses as we continue working on several construction projects in 2013.

On motion by Mr. Pryce, seconded by Mr. Boyle, the financial report was accepted as presented.

5. PAYMENT OF BILLS

On motion by Mr. Horstman, seconded by Mr. Boyle, a report of the payment of bills for the period ending January 31, 2013, was approved as presented.

6. BUSINESS

6.01a LEASE TRANSACTIONS

On motion by Mr. Boyle, seconded by Mr. Horstman, the assignments, cancellations, new leases, farm leases, mortgage consent and agreement cancellations, and mortgage consent and agreements were approved and execution by the proper officers of the MWCD authorized.

6.01b TAPPAN RESTAURANT PURCHASE

On motion by Mr. Kokovich, seconded by Mr. Boyle, purchase of the restaurant building owned by Gary and Jayne Fisher at Tappan Reservoir across from the public boat launch ramp near the dam off State Route 250 and the necessary budget revision, as recommended and set forth in the above memorandum, were approved. Mr. Horstman requested that any future plans for this building, such as razing it or proposal for reuse of the building be brought back to the Board.

6.01c SENECA MARINA RESTAURANT CONCESSION AGREEMENT

On motion by Mr. Kokovich, seconded by Mr. Pryce, a concession agreement with PBU, Inc., for operation of the restaurant at Seneca Lake Marina, as recommended and set forth in the above memorandum, was approved.

There was some discussion of provisions in the agreement concerning the responsibility for utilities costs. Mr. Barnhart and Mr. Olivier pointed out that the second floor of the marina building, where the restaurant is located, is shared with functions operated by the MWCD (sales and offices), thus making it difficult to separate the utilities. Mr. Olivier also stated that the agreement is for a 3-year period and that utility costs, if they become an issue, can be addressed at the end of that 3-year period.

6.01d COTTAGE SITE LEASE RATE ADJUSTMENT FOR 2013

Upon consideration of the recommendation of the Board of Appraisers and as recommended by staff, the Board of Directors took no action to increase the cottage site lease rates over and above the annual Cost of Living Index (CPI) adjustment as set forth in the cottage site lease.

Mr. Parham noted that if the Board took no action, then the cottage site lease rates would increase pursuant to the terms of the leases. Mr. Parham then asked if any member of the Board of Directors who did not have a conflict of interest wished to entertain a motion to not increase the cottage site lease rates in accordance with the annual CPI adjustment as set forth in the cottage site lease. A discussion regarding the issues of conflict of interest and whether or not the CPI adjustment should not be applied occurred.

Attorney Pringle reviewed the fact that an opinion from the Ohio Ethics Commission prevents Board members who are cottage site lessees from participating in discussions or voting on rate adjustments to the cottage site lease.

Mr. Parham and Attorney Pringle discussed whether it was appropriate to submit the question to the Conservancy Court as to what restrictions there are on members of the Board of Directors who are cottage site lessees or related to a cottage site lessee and to clarify what issues they can vote upon and those from which they should abstain. Attorney Pringle suggested that he discuss the matter with the Tuscarawas County Prosecutor to determine whether an opinion from the Ohio Attorney General should be considered.

On motion by Mr. Kokovich, seconded by Mr. Pryce, the Board delayed the cost of living increase for 2013. On roll call: Mr. Boyle-abstain; Mr. Horstman-abstain; Mr. Kokovich-yes; Mr. Parham-abstain; and Mr. Pryce-yes.

6.01e ANTERO RESOURCES – SENECA LEASE

Mr. Logan and Mr. Lautenschleger commented on the public input process to date regarding the Seneca lease.

Mr. Swiger recalled that there were 13 oil and gas producers initially interested in leasing MWCD property in the Seneca area. MWCD staff met with representatives from Antero Resources approximately 10 months ago. Antero is the only company to meet MWCD requirements of not impacting the surface of MWCD property and agreed to restrictions on adjacent property.

In the proposed lease, if the MWCD shares in the well or the well is within ½ mile of MWCD property, the MWCD can view the site and erosion control and engineering plans. There are surface operation requirements, including specifications on the drilling operation, reclamation procedures, and light and sound control to reduce the impact to the community.

Mr. Swiger noted that there are companies other than Antero with plans to drill wells adjacent to MWCD property. MWCD will not have any jurisdiction in those cases. Just as Antero could produce adjacent acreage without MWCD participation, other companies plan to do so as well – both vertical and horizontal.

Since the January meeting, when the proposed lease was presented to the Board, staff has agreed to a signing bonus of \$6,200 per acre and a royalty rate of 20%. The exact acreage will be dependent upon the resolution of the status of historic leases in the area and mineral reservations when the property was acquired. The MWCD and Antero have worked together to verify that approximately 6,500 acres (6,553) are currently available to lease. Curative title work will continue, with the possibility of a second closing occurring on a few hundred additional acres that are under review.

Having heard and reviewed the public comments, and worked with a team of technical advisors, it is recommended that the MWCD enter into a lease with Antero Resources for the available acreage at Seneca at the negotiated rate of \$6,200 per acre and 20 % royalty on gross revenues produced from the shared wells.

On motion by Mr. Pryce, seconded by Mr. Boyle, entering into a lease for mineral rights with Antero Resources for acreage at Seneca Reservoir, as recommended and set forth in the above memorandum, was authorized.

6.01f DAWSON GEOPHYSICAL – SENECA

On motion by Mr. Horstman, seconded by Mr. Boyle, an agreement with Dawson Geophysical to conduct a 2-D geophysical survey on MWCD property at Seneca, as recommended and set forth in the above memorandum, was approved.

6.01g KRIZMAN ENTERPRISES ASSIGNMENT AND AMENDMENT

On motion by Mr. Boyle, seconded by Mr. Kokovich, an Amendment, Modification and Ratification agreement for an existing oil and gas lease in Lawrence Township, Tuscarawas County, to Atlas Noble, LLC, as recommended and set forth in the above memorandum, was authorized.

6.02a FUND TRANSFERS

On motion by Mr. Pryce, seconded by Mr. Horstman, fund transfers for the year 2012, as recommended and set forth in the above memorandum, were adopted and will be presented to the Conservancy Court at their session in June.

6.02b AUDIT OF DISTRICT RECORDS

In accordance with Ohio Revised Code Section 6101.66, the accounts and records of the district will be audited for fiscal years ending December 31, 2011, and December 31, 2012. The audit will be conducted by representatives of Rea & Associates, Inc. under a four-year contract awarded to them at the February 18, 2011, Board meeting.

The cost of the audit is \$20,880.00. Funds are included in the 2013 budget. No action is required.

6.02c MARINA AUDITS

On motion by Mr. Boyle, seconded by Mr. Pryce, a proposal for services to perform marina audits from Rea & Associates, as recommended and set forth in the above memorandum, was approved.

6.02d BUDGET REVISION – ID BRANDING

On motion by Mr. Pryce, seconded by Mr. Horstman, a budget revision for costs associated with implementation of the branding campaign, as recommended and set forth in the above memorandum, was approved with the provision that a long-term plan for complete implementation of ID branding be provided to the Board.

6.02e BOND OF TREASURER

At the December 21, 2012, meeting, the Board authorized the Chief Financial Officer/Treasurer to secure a bond in an amount which is 1% of the year end cash balance or a maximum of \$500,000.00.

A bond has been secured with Westfield Insurance Company in the amount of \$500,000.00. The bond will be renewed annually in conjunction with the appointment of the Treasurer by the Board. This is provided for information only and no action is required.

6.03 HUMAN RESOURCES SUMMARY

On motion by Mr. Boyle, seconded by Mr. Horstman, human resources activities, as recommended and set forth in the above memorandum, were approved.

6.04a VEHICLE REPLACEMENT

On motion by Mr. Pryce, seconded by Mr. Boyle, a proposed plan for purchase/replacement of vehicles during 2013, as recommended and set forth in the above memorandum, was approved. Mr. Pryce suggested that staff determine the viability of lease vs. purchase and that an outright purchase be considered where feasible. In addition, it was suggested that a vehicle replacement policy should be developed.

6.04b PARK MASTER PLANNING

On motion by Mr. Horstman, seconded by Mr. Boyle, a contract addendum between Woolpert, Inc. and MWCD for park master planning work, as recommended and set forth in the above memorandum, was approved.

6.04c EMERGENCY GENERATOR INSTALLATION PROJECT

On motion by Mr. Boyle, seconded by Mr. Pryce, a contract with Kramer Engineers to provide electrical design work for emergency generator installations at MWCD facilities, as recommended and set forth in the above memorandum, was approved.

6.04d CHARLES MILL ACTIVITY BUILDING AND BEACH RESTROOM/CONCESSION

On motion by Mr. Horstman, seconded by Mr. Pryce, award of a construction contract to Studer-Obringer in an amount not to exceed \$371,600.00 for construction of an activity building/shelter at Charles Mill including the purchase and installation of a backup generator, as recommended and set forth in the above memorandum, was authorized.

6.04e SENECA MARINA BUILDING RENOVATIONS

On motion by Mr. Pryce, seconded by Mr. Boyle, award of a construction contract to Hummel Construction Company in the amount of \$635,000.00 and a request to reject a bid submitted by Bud's, Inc., for the project, as recommended and set forth in the above memorandum, were approved.

6.04f PURCHASE OF BOAT DOCKS

On motion by Mr. Horstman, seconded by Mr. Boyle, purchase of boat docks for Seneca and Piedmont marinas from Merco, Inc., at a total cost of \$139,660.97, as recommended and set forth in the above memorandum, was approved.

6.05 PARK CAMPGROUND GUIDELINES - REVISIONS

On motion by Mr. Boyle, seconded by Mr. Kokovich, proposed revisions to the Park Campground Guidelines, as recommended and set forth in the above memorandum, were approved.

6.06 OTHER BUSINESS

PARTNERS IN WATERSHED MANAGEMENT

Mr. Slogar distributed information regarding the projects that were submitted for 2013 for the Partners in Watershed Management (PWM) program. Recommendations for award of funding for PWM projects will be presented to the Board at the March 15, 2013, meeting.

DREDGING PROGRAM

Mr. Slogar reported that URS Corporation will begin design work for the first dredging project to begin in 2014 at Tappan Reservoir. In addition, URS will create a dredging program plan for MWCD to review later this year. Over the next ten to fifteen years, approximately \$1 million will be expended annually for dredging.

BOARD OF APPRAISERS

Mr. Hoopingarner informed the Board that he and Darrin Lautenschleger met with a potential member of the MWCD Board of Appraisers, Brad Stubbs of Zanesville. A recommendation for his appointment is anticipated to be brought to the Board in March and then to the Conservancy Court at their session in June.

7. REPORTS

7.01 WATER SUPPLY

Members of the Board received a copy of the water study commissioned through CH2M Hill. Mr. Slogar reported that the water study performed by the U.S. Geological Survey (USGS) has been provided to the MWCD, however, the report, which is very technical in its content, is considered proprietary until officially released by USGS.

Mr. Slogar stated that he has reviewed the CH2M Hill and USGS reports, as well as a report produced for the U.S. Army Corps of Engineers by GKY Associates. Based on these three reports, it is his opinion that MWCD does have excess water available. However, there are times of the year when it would be more advisable than others to allow water to be withdrawn from MWCD reservoirs.

During the drawdown months (October through February) when approximately 20 billion gallons of water is released and recreational activities at the reservoirs are minimal, water availability would be considered at its lowest risk period. Mr. Slogar further stated that from February through mid-May (refill period following drawdown), it would be his recommendation that MWCD would not permit water withdrawal from its reservoirs. Generally, during the recreation season (Memorial Day through Labor Day), the lake levels must be maintained so as not to adversely affect recreational activities.

Mr. Slogar plans to work directly with USGS to gage the reservoir watersheds so that data can be made available to monitor water quality as well as provide a better understanding of the impacts of water withdrawals. A proposal is forthcoming from USGS to provide additional gauging stations. Mr. Slogar has been in discussion with State of Ohio officials to consider partnering in a region-wide gaging and water quality program.

Mr. Logan added that staff is continuing to add to the knowledge base so that sufficient information is available to assist in the decision-making process.

Mr. Slogar stated that, in his capacity as Chief Engineer for the MWCD, he is prepared to advise the Board on the issue of water withdrawals and that he will take a conservative approach with any recommendations.

7.02 UPDATE ON 2013 GOALS

Mr. Hoopingarner reviewed the 2013 goals with the Board.

- 1) Oil and Gas Development
- 2) Park Capital Improvements
- 3) Marina Operations
- 4) Fiscal Management

Members of staff, accompanied by Mr. Pryce, recently visited Broward County, Florida, to view facilities similar to those that will be recommended for MWCD by Woolpert.

Mr. Parham suggested that an additional goal could be considered relative to the disposition of the Atwood Peninsula area where 17 cabins, formerly operated by Atwood Resort, are located. Mr. Hoopingarner and Mr. Barnhart reported that the Atwood Peninsular area has been included in the overall park master planning along with the 5 MWCD parks and 2 marinas. There will be recommendations for that area and some initial concepts have been the topics of discussion between Woolpert and MWCD staff.

7.03 STRATEGIC PLANNING

Mr. Hoopingarner reported that as part of the recent visit to Broward County, Florida, he also met with representatives of the Loxahatchee National Wildlife Refuge. Jack Steele of Active Strategy, the consultant developing a strategic plan for MWCD, arranged the meeting. Active Strategy also developed a strategic plan for Loxahatchee and they have utilized the same measurement “dashboard” as will be used by MWCD.

Jack Steele will be spending a week with MWCD staff in March to develop department scorecards aligned with previously approved high-priority initiatives. Following that, a software expert from Active Strategy will spend time training MWCD staff in the use of the reporting system.

7.04 PARK MASTER PLANNING

Mr. Barnhart reported that staff recently met with Woolpert representatives and Leon Younger to discuss the park master planning. It was intended that a presentation would be given at this meeting, but some of the survey data was incomplete and that report will be presented at the March meeting. Work is on schedule for presentation of the final master plan report in July.

7.05 USACE PROJECTS STATUS REPORT

Mr. Slogar reported that work is on schedule for the Dover Dam project; and the USACE anticipates bidding the seepage cutoff wall phase of the Bolivar project in the near future.

7.06 ATWOOD REGIONAL WATER AND SEWER DISTRICT UPDATE

No report at this time.

7.07 IMMINENT OR PENDING LITIGATION

These matters will be discussed in executive session.

8. SUBDISTRICTS

Mr. Slogar reported that the Chippewa Subdistrict Project Advisory Committee will meet in the next few weeks. The annual Chippewa Subdistrict dam and channel inspections will be scheduled to occur sometime in April.

9. EXECUTIVE SESSION

On motion by Mr. Horstman, seconded by Mr. Boyle, the Board of Directors entered into executive session at 12:45 p.m. to discuss matters related to ORC §121.22 (G) (3). On roll call: Mr. Boyle-yes; Mr. Horstman-yes; Mr. Kokovich-yes; Mr. Parham-yes; and Mr. Pryce-yes. The executive session ended at 1:02 p.m.

10. ADJOURN

There being no further business, on motion by Mr. Boyle, seconded by Mr. Kokovich, the meeting of the Board of Directors was adjourned. The next regularly scheduled meeting is Friday, March 15, 2013, at 9:00 a.m. at The John McIntire Public Library, Zanesville, Ohio.

02.15.2013, km