

**SUMMARY OF MINUTES
BOARD OF DIRECTORS
MUSKINGUM WATERSHED CONSERVANCY DISTRICT
Held at The Carlisle Inn at Walnut Creek
May 22-23, 2013**

A special meeting of the Board of Directors of the Muskingum Watershed Conservancy District was held at The Carlisle Inn at Walnut Creek, 4949 Walnut Street, Walnut Creek, Ohio, on Wednesday, May 22, 2013, at 9:00 a.m. through May 23, 2013, pursuant to notice duly given all Directors, and the general public in accordance with law.

ROLL CALL

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

Present from MWCD staff were Scott Barnhart, Jim Crandall, Jim Cugliari, John Hoopingarner, Darrin Lautenschleger, Sean Logan, Karen Miller, Jim Pringle, Boris Slogar, and Mark Swiger.

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

INTRODUCTION OF VISITORS AND PUBLIC COMMENT

Also in attendance for all or portions of this meeting were: Tom Tugend (*TGT & Associates, LLC*); Dave Fisher (*Freeport*); Doug McLarnan (*member of the MWCD Development Advisory Committee*); Andrew Pack, Bruce Rankin, and Jamie Dobrozsi (*Woolpert, Inc.*); Leon Younger and Michael Svez (*PROS Consulting*); and Bruce Lunde and Dan Williams (*Lunde Williams*).

BUSINESS

OVERVIEW OF CURRENT FINANCIAL CONDITION

Mr. Hoopingarner addressed the Board with an overview of the current financial condition of the MWCD.

Mr. Cugliari presented an overview of the current financial condition of the MWCD. Relative to the maintenance assessment, collection of \$11.2 million was certified in 2013 and \$11.1 million certified in 2012. Approximately 95-97% of those amounts are actually collected. After the fees charged by the various county auditors to the MWCD for their efforts in collection of the maintenance assessment funds, an average net of \$10.5 million is received by the MWCD. He also reminded the Board of the subsequent appraisal conducted recently and that the amount funds collected from the maintenance assessment should not fluctuate in the next few years.

When the maintenance assessment was implemented, there was some debt incurred through the Ohio Water Development Authority (OWDA). In addition, there is a continuing obligation to the U.S. Army Corps of Engineers for dam safety and dam safety assurance projects. In 2013, a little more than \$4 million has been expended to the Corps to date. The amount paid to the Corps will surely escalate over the next few years as projects are undertaken. The MWCD cost-share percentage for the Dover Dam Rehabilitation project is 3.45%. This is likely the only Corps project where the MWCD will experience this lower percentage; the remainder of the projects are anticipated to be performed under an approximate cost-share percentage of 24%.

Mr. Cugliari also stated that maintenance assessment funds have been allocated to other areas as outlined in the Amendment to the Official Plan. For example, a long-range plan for shoreline stabilization projects, sediment removal/dredging program, the Partners in Watershed Management Program, and cooperative work agreements with the ODNR Soil and Water Conservation District.

The maintenance assessment fund balance is currently \$14.5 million.

Mr. Cugliari recalled that the MWCD parks have enjoyed lucrative back-to-back recreation seasons, setting records in parking camping. Unfortunately, the operation of the Atwood Resort was subsidized for the past several years by the operations budget. There are projections of approximately \$80 million in capital improvements which are needed to update/upgrade the MWCD recreational facilities and infrastructure.

Mr. Cugliari reported that staff has done a good job of streamlining expenditures and assure efficiencies. MWCD now operates two marinas – Piedmont and Seneca. In the conservation area, forestry came through during difficult financial times – staff is now planning to implement an updated forest inventory in order to develop long-range plans.

Historically, oil and gas royalty revenues have traditionally been utilized for MWCD operations.

Mr. Hoopingarner informed the Board that the Muskingum Watershed Conservancy Foundation (MWCF), established in 1995, has grown steadily over the years and has become a source of support for the mission of the MWCD. The approximate MWCF fund balance is \$600,000. MWCF could be a potential opportunity for investment of funds by the MWCD.

One royalty check in an amount exceeding \$700,000 was received recently for two wells located at Clendening – the proceeds covered a 5-month period for one well and a 2-month period for the second well. Mr. Tugend and Mr. Swiger stated that it is very difficult to predict royalty income based upon the recent payment.

OIL AND GAS STEWARDSHIP

Mr. Swiger gave a brief history of the MWCD oil and gas program. When MWCD acquired property in the 1930s, there were existing mineral leases. In the 1950s, hydraulic fracturing came to Ohio and all District acreage became producible. At that time, the MWCD developed its own lease which included restrictions over and above a normal lease.

Mr. Swiger stated that there were 23 drilled in 1976 when he was hired. In 1980, MWCD contracted with Dr. Donald Norling to determine the future of oil and gas revenue for the District. The results of this study were very optimistic and predictions were high. However, within the next several years, the prices went down, wells were not drilled, and there was a general decline in producing wells. Then, in the next five years, more wells were plugged than drilled.

Mr. Hoopingarner added that parallel to the Dr. Norling report, the Board contracted with the Cleveland-based consulting firm of Behnke and Associates for park master planning. The activity centers at Atwood and Tappan parks were constructed at that time. However, much of the planning never came to fruition due to the decline in the oil and gas industry.

A few years ago, the initial offers for leasing MWCD acreage were for \$12 per acre and those offers gradually increased to \$750. At that point, Mr. Swiger discussed the matter with Mr. Hoopingarner and Mr. Cugliari. It was determined at that time that offers would only continue to increase. And they did.

Mr. Tugend distributed several graphs illustrating data relative to horizontal Utica/Point Pleasant permits issued and wells drilled within the MWCD areas. There are currently 30 rigs in operation in Ohio, with a steady increase if companies continue to hit oil and high natural gas. In his opinion, development of the Utica shale is in the infant stages and predictions of royalty revenue are difficult at this time. The State of Ohio will potentially require producers to report on a quarterly basis for the Utica wells, as opposed to annual reports. The

changes in the dynamics of reporting will enhance the ability to develop predictions. This is a dramatically changing industry.

Maps of Clendening Lake, Leesville Lake, and Seneca Lake were distributed for the purpose of well pads proposed and permitted Utica/Point Pleasant horizontal wells in those areas. Mr. Swiger and Mr. Logan discussed specifics about these maps.

Mr. Swiger provided information that future potential leasing for oil and gas will most likely occur at Tappan Reservoir where more than 7,000 acres are available for lease and at Piedmont Reservoir where more than 6,000 acres are available for lease.

Mr. Logan addressed the subject of providing water to the oil and gas industry. To date, there are two completed short-term water supply agreements in place. The Board adopted an operational policy at their meeting May 17, 2013, for Short-Term Water Supply. Mr. Logan provided an update of potential future requests for water from MWCD reservoirs.

As far revenue projections, Mr. Logan informed the Board that figures provided in late 2012 are now invalid. Mr. Swiger indicated that information provided by the producers is done so with much apprehension – as Mr. Tugend stated earlier in the meeting, the production of Utica/Point Pleasant is in the infant stages in this area. In light of the additional acreage available and that there is also acreage already under lease, it is not practical to predict any anticipated revenues.

USE OF OIL AND GAS REVENUE

The engineering department developed a list of over \$80 million in projects to bring facilities into ADA and EPA compliance. This project list will need to be modified with any areas identified by Woolpert in their ADA assessment, which is part of the park master planning process. The \$80 million projection could easily double with additional areas anticipated to be reported by Woolpert.

Mr. Slogar was recently contacted by the OEPA about the Seneca Chestnut Grove wastewater lagoon system. Specifically, OEPA is requiring further lagoon system improvements. He and other members of the MWCD engineering staff will be meeting with EPA officials within the next couple of weeks to discuss this matter. MWCD staff had previously begun the process of hiring a consultant to assist with designing plant modifications to meet OEPA requirements.

Capital improvements will be addressed in more detail during the discussion scheduled for Thursday relative to the park master plan. Other improvements needed are improvements to infrastructure – i.e. electrical upgrades in the campgrounds, the majority of the buildings and facilities within the park areas do not meet ADA requirements.

Mr. Cugliari stated his understanding that indications from the Board have been that signing bonus funds should be used for capital projects. Mr. Pryce and Mr. Boyle expressed their concern for utilization of royalty revenue for operations, especially in light that those revenues are not consistent. In clarification, Mr. Pryce stated his support of capital projects to bring outdated facilities into compliance and to building upon existing activities (i.e. camping); he did, however, express concern for undertaking any new ventures that may not be self-sufficient.

Regarding investment opportunities, Mr. Hoopingarner mentioned the MWCF whose funds are managed by the Stark Community Foundation and some investment opportunities that have been outlined by a financial advisor who has extensive experience with the management of public funds. By law, the MWCD is limited in the manner in which investments are handled.

Attorney Pringle offered information about the “power and authority” of the MWCD for investing funds. He further addressed the potential of investment of MWCD funds with the MWCF. There was some discussion about a potential amount that could be invested. Attorney Pringle suggested that it may be appropriate to request an Attorney General opinion on the matter. There were no conclusions reached.

MAINTENANCE ASSESSMENT

Mr. Hoopingarner stated that the question that is looming is whether there will be a suspension or reduction of the maintenance assessment. While maintenance assessment funds have a specific purpose, while operational funds can be used for maintenance assessment.

Prior to the maintenance assessment, general revenue funds were used as the local cost-share funding source for a Corps project at Beach City.

Mr. Fisher provided information relative to a reduction of the maintenance assessment. He and Brittany Converse, GIS Assessment Coordinator, reviewed the billing policies and how they would come into play in a potential reduction. Changing the amount of the maintenance assessment will necessitate revision to at least two of the billing policies as well as to the guidelines for the credits program.

The assessment certification is due in the county auditors’ offices by September 30, therefore, Mr. Fisher asked that any decision affecting the amount of the maintenance assessment be rendered by early July so that reduction information can be taken into consideration during quality assurance/quality control processes.

Attorney Pringle reviewed the legal measures necessary in order to reduction, eliminate, or suspend the maintenance assessment.

Mr. Slogar stated that reduction of the maintenance assessment may affect grant funding capabilities through the PWM Grant Program. The priority of disbursement for maintenance assessment dollars is local cost share for USACE dam projects followed by MWCD reservoir maintenance (shoreline stabilization and reservoir dredging) and finally the PWM Grant Program. He offered his opinion that should a reduction in the maintenance assessment also reduce the scope of the PWM Grant Program, local communities and partners may not favor an overall reduction. With over \$3 million in grant dollars disbursed or committed to date, the PWM Grant Program is continuing to grow throughout the district.

Mr. Pryce suggested that a formula should be developed to determine the amount of a potential reduction to be followed each year. He gave a brief outline of a concept for a formula – base any potential reduction of the maintenance assessment on a percentage of oil and gas royalties received annually and to limit reduction to no more than 50%. If such a formula were developed and implemented, the same criteria would be considered in determining the assessment each year.

The Board directed staff to draft a policy based on the concept as outlined by Mr. Pryce. The Conservancy Court will be informed that the Board is working on a formula by which to calculate a reduction but the Board generally agreed that there not be a reduction for the 2014 assessment amount.

At this time, the meeting was recessed until Thursday, May 23, at 9:30 a.m.

OVERVIEW OF PLANNING PROCESSES

Mr. Hoopingarner reviewed the strategic plan and the market branding process. Examples of the new landmark were displayed.

Park Master Plan

Present for this session were: representing Woolpert, Inc. – Andrew Pack (Project Manager), Bruce Rankin (Park Planner), and Jamie Dobrozsi (Architect); representing PROS Consulting – Leon Younger and Michael Svetz (Park Planning Consultants); and representing Lunde Williams – Bruce Lunde and Dan Williams (Marina Consultants)

Mr. Pack addressed the Board, beginning with an overview of the process, outlining the steps taken to date. Mr. Younger followed this presentation with a report of the general outcomes expected to be reported in the final delivery of the master plan.

Mr. Younger stated that the plan includes recommendations that include:

- Operate each park in an efficient and sustainable manner as possible
- Re-design key core amenities for stronger financial sustainability
- Create wider age segment appeal and services in operations
- Design to meet green infrastructure practices
- Modernize the system
- Meet current market demands and enhance standards
- Infrastructure needs to be balanced across the system and at individual parks
- Develop action work plans, with a step-by-step action / implementation plan
- Enhance operational standards across the system to make the parks more inviting, including standards for mowing, programs, facility and amenity design, marinas, campgrounds, concessions, marketing
- “Theme the parks” for 40 years
- Create destination facilities and parks
- Expand family and youth programming

A list of the top comments provided through customer feedback was presented, including the following:

- Infrastructure upgrades and improvements
- More full hook up campsites / separate seasonal and transient campers
- New / upgraded facilities (showers/restrooms/activity centers)
- Improve beaches, add amenities; geese are a program
- Wifi service for campers in parks and GPS for visitors to the parks
- Needs for courtesy docks / cluster docks
- Need more hiking and bike trails; get people outside
- Communication from District / marketing of the parks (programs activities, facilities)
- Need for improved, new policies / rules (inform/enforce)
- Provide more experiences, programs and activities for all ages (family parks)
- Safety in the parks (pedestrians/ vehicles conflicts, roads speeds and lighting)
- Shoreline protection

Mr. Younger presented a list of the “key recommendations” identified for each park in the master plan:

- Campgrounds, cabins and marinas are vital; core essential services – most need to be redesigned and redeveloped to serve existing and future users

- Modernize campsites, cabins, overnight cottage accommodations, marinas and park infrastructure
- Create new, fresh amenities that create wide age segment appeal and expanded different campground experiences are needed
- Update / replace / repurpose most buildings
- Marketing must be ramped up to support shoulder seasons for higher use (April, May, September, October)
- Develop a strategic approach to creating events, signature facilities and programs to support stronger financial sustainability
- Establish appropriate level of staffing to support customer needs
- Add programs, policies and standards
- Implement a business plan

Mr. Rankin reviewed the “Direction for ‘The Vision’” and outlined the suggested theme for each park area:

Atwood.....	Special Events/Entertainment
Charles Mill	Discovering Nature
Piedmont	Fish Camp/Fishing Retreat
Pleasant Hill.....	Land and Water Edge Sports
Seneca	Water Park
Tappan	Edge Sports

Mr. Williams and Mr. Lunde reviewed the process of development of recommendations for the Seneca and Piedmont marinas.

Atwood Peninsula

Mr. Rankin reviewed concepts developed for the Atwood Peninsula area.

ADJOURN

There being no further business, on motion by Mr. Horstman, seconded by Mr. Boyle, the meeting of the Board of Directors was adjourned. The next regularly scheduled meeting is Friday, July 19, 2013, at 9:00 a.m. at a location to be determined. The Conservancy Court will convene on Saturday, June 1, 2013, at 10:00 a.m. in the Tuscarawas County Courthouse.

05.17.2013, km
Approved 07.19.2013