

**SUMMARY OF MINUTES
BOARD OF DIRECTORS
MUSKINGUM WATERSHED CONSERVANCY DISTRICT
Held at the Salt Fork Lodge and Conference Center
July 26, 2012, 9:00 a.m.**

A meeting of the Board of Directors of the Muskingum Watershed Conservancy District was held at the Salt Fork Lodge and Conference Center, Route 22 East, Cambridge, Ohio, on Thursday, July 26, 2012, 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, John Hoopingarner, Darrin Lautenschleger, Sean Logan, Karen Miller, John Olivier, Mike Rekstis, Boris Slogar, and Mark Swiger.

Mr. Boyle, 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: Craig Butler (*Office of Governor John Kasich, Assistant Policy Director, Office of Environment, Energy, and Agriculture*); Thomas C. Underwood (*Laborers-Employers Cooperation and Education Trust, Newton Falls*); Shawn Bennett (*Energy in Depth*); Andrew Grant (*Vice-President Power Engineering & Projects, GreenHunter Energy, Inc.*); Kate Grant and Zach Wasser (*GreenHunter Energy*); Anthony Adornetto (*Field Representative/Caseworker, office of U.S. Representative Bill Johnson*); Brad Janssen, Jon Filbert, and Arthur Zwierlein (*Chesapeake Energy*); Brent Winslow (*North Canton resident*); Zack Space (*VORYS Advisors, LLC*); John Lowe (*Daily Jeffersonian*); Rich Milleson (*Village of Cadiz and member of the MWCD Development Advisory Committee*); Jeff Heacock (*MWCD Development Advisory Committee*); and DeeAnn Horstman.

Mr. Milleson addressed the Board concerning sale of water by the Village of Cadiz. *“My name is Rich Milleson and I am the economic development coordinator of the Village of Cadiz, a small business owner, a resident of Piedmont Lake, and a member of the Muskingum Watershed Conservancy District Development Advisory Committee.*

“Firstly, I’m here today to revisit talks with the Muskingum Watershed Conservancy District related to the sale of raw water to the village of Cadiz on a temporary basis. I want to be sure that you, the Board, understand how important this temporary water-sale agreement is to our small village, both from a perspective of expanded regional economic development opportunities, as well as being able to fund much needed (and EPA required) upgrades to the village water sewer systems to protect human health and the environment. I would also like to share with you dialogue I’ve had with other political subdivisions about the sale of water.

“According to the minutes of the MWCD meeting held on May 18th, 2012, the MWCD Board asked that the Harrison County Commissioners be briefed on the potential sale and that the possible agreement be presented again at the July board meeting for consideration. In that May 18th meeting MWCD Chief of Conservation Sean Logan pledged to the board that he personally would brief the Harrison County Commissioners as to the status of the water sale request. Chief Logan and I met with Commissioners Host, Pincola and Bethel and informed them of the water agreement request immediately.

“On June 2nd 2012 at the Conservancy Court annual meeting held in New Philadelphia, Ohio, several environmental groups spoke out against water sales from MWCD owned reservoirs. Some in attendance suggested the district should not sell public resources because the end-user of the water is not adequately regulated. These raised concerns have caused the district to slow down the process of managing water sales requests. This was communicated in your June 7th press release. Consequently, all talks with the Village of Cadiz

have ceased.

“Over the course of the last two months, a great deal of public debate has taken place about the sale of water, the end use of water, and also the consumptive use of the water. The pressure from the oil and gas development demands that caution is taken in seeing that our water resources are not negatively impacted over the long term.

“We would like applaud the board for taking this possible decision to sell water from MWCD reservoirs seriously and seeking additional unbiased and professional information on this topic and for reaching out to the USGS and asking for the comprehensive water withdrawal study on the Atwood, Clendening, and Leesville Reservoirs to discover the effects themselves of potentially selling water to Cadiz and others to support the development of the horizontal oil and gas industry in Eastern Ohio. I also would encourage a similar study for Piedmont, Tappan, and Senecaville because they too also sit squarely in the middle of Utica Shale development area.

“The concern I raise today is not that MWCD should be careful and protective of the resources entrusted to its care, but the concern is that no water sales will be provided from your reservoirs in the short term until the studies are completed. This will put a number of different scenarios into motion:

- *The practice of random, uncontrolled, and unmeasured withdrawal of water from creeks and streams will undoubtedly increase. This will negatively affect aquatic life and wildlife, particularly now when Ohio is suffering drought-like conditions across much of the state. In addition, it will pit landowner vs. landowner over riparian rights.*
- *Large water impounds will be built to store water.*
- *Truck traffic to haul water from multiple locations will increase exponentially.*

“Your staff had already presented the ‘water to infrastructure model’ to various state agencies and associations before the decision was made on June 7th to slow down the management of water sales requests. The idea was embraced as a protective, environmentally sound plan to utilize an abundant recurring natural resource - water- and maximize its ability to assist with desperately needed water and waste water infrastructure improvements, thereby improving quality of water and creating expansion opportunities in the region.

“I also believe the February 2011 US Army Corp of Engineers STELLA report that is attached to my remarks gives the district and it’s professional staff the confidence to enter into short term water sale agreements with your neighboring political subdivisions which are eager to partner with you. During discussions with the village it was indicated by your professional staff that if certain volumes of water were withdrawn it would not pose an impact to the resource.

“The proposed model also means local jobs for local people. Private companies have expressed great interest through public-private partnerships to quickly make water convenient, measured, and dependable.

“What I am encouraging today is that the district revisits this issue with its political subdivision neighbors. For example, Carroll County and its Leesville Reservoir, Guernsey County and Seneca Reservoir, and Belmont and Harrison Counties with the Piedmont Reservoir. Let’s discuss how we can move ahead with BOTH small scale, short term water sales, AND the overall possible impacts of future water sales on the MWCD’s reservoirs. Let’s learn from the temporary agreements and make improvements to the projects that are being proposed. Let’s build other withdrawal systems that can be utilized.

“We are being provided a great opportunity to improve our quality of water, and to not only improve, but build municipal and regional waste water systems. This is our chance to extend raw water infrastructure across the region for use by forming regional water districts. It is also a chance to support this region’s goals to provide economic development opportunities to our local citizens, and to do it safely and be protective of our

valuable resources. To me, and I hope you agree, this can or should be a WIN-WIN-WIN for this region, the MWCD, and this industry which many of us support.

“This district has shown leadership and support for this industry by leasing its’ minerals for the exploration of oil and gas. We encourage you to show that same leadership and willingness to partner with your neighbors through the sale of water.

“I have attached some supporting documents to this text for your review. I’m willing to answer any questions you may have to the best of my ability. Thank you for your time.”

Mr. Bennett addressed the Board stating that *“as the Muskingum Watershed Conservancy District (MWCD) is awaiting the results on an independent water availability study, it’s important we share a better understanding of the history, facts and science on water availability in the MWCD. There have been a lot of folks going around the state drumming up fear in regards to Utica Shale development, and they are using water usage as one of their main talking points. The problem is they are using uninformed opinions to persuade people with fear and innuendo.*

“The MWCD was created in 1933 for flood control and conservation. Throughout the years, the MWCD has built 14 dams for the purpose of flood control, conservation and recreation. The reason being – our area of the state has plenty of water.

“It takes 5 million gallons of water to hydraulic fracture a well...That is a minuscule amount of water considering Ohioan’s uses 11,700 million gallons of water per day (MGD) for various purposes.

“But this serves as a good example as the Susquehanna River Basin is where almost all of Marcellus development has taken place in Pennsylvania. Since 2008 the natural gas industry has used a total of 5.6 billion gallons of water. The total average daily flow of the Susquehanna River, by comparison, is 20 billion gallons. 5 million gallons sounds like a lot, but the truth is it’s a rather small amount of water in the Muskingum River watershed. If we look at the flow rate of the Muskingum River, it produces 1,500 cubic feet of water a second or almost a billion gallons per day (per USGS).

“That is after we service all of our agricultural, recreation, public water supply and power generation needs. So in 6 days, the Muskingum River produces more water than the total amount of water used in the hydraulic fracturing process over the past 5 years in Pennsylvania.

“But let’s extrapolate on that further. If, over the next five years, we develop over 2,500 wells in the conservancy district, at an average of 5 million gallons, and we take the flow rate of the Muskingum River over 5 years at 1.7 trillion gallons, we can assume Utica Shale development will use roughly .7 percent of excess water in the MWCD.

“Natural Gas Use Increases Water in the Water Cycle

“Evaporation can come from many sources. It can come from lakes, ponds, rivers and even power plants. When it occurs it adds water to the water cycle.

“Due to shale development natural gas is becoming a more sought after fuel for our electrical generation needs. For the first time since the Energy Information Administration (EIA) began collecting data, generation from natural gas-fired plants is virtually equal to generation from coal-fired plants, with each providing 32% of total electric generation.

“As these utilities switch over to natural gas, we will continue to see more and more water returning to the water table via evaporation. Per a report on waste heat by the Department of Energy, we found that when one molecule of methane is burned, it produces two molecules of water vapor. When the moles are converted to

pound/mole, we find that every pound of methane fuel combusted produces 2.25 lb. of water vapor.

“If a well produces only one billion cubic feet of methane, and a billion cubic feet of methane is approximately 41,620,000 pounds, then we can assume the well will yield 93,644,000 pounds of water. A gallon of water weighs roughly weighs 8 pounds. So in the end one billion cubic feet of methane will yield 11,242,000 gallons of water back into our atmosphere as water vapor.

“Most Utica Shale wells have only been online for a short time, but we can assume most of these wells will average in their lifetime more than double the 1 billion mcf production we have calculated. This means we can more than double the amount of water put back into the atmosphere as was used to hydraulically fracture the well.

“Taking this into account, it seems time that we go about focusing on putting Ohioan’s back to work and gaining needed revenues for our public government districts, who can use the financial help.” (NOTE: Mr. Bennett’s remarks are posted on www.eidohio.org)

3. APPROVAL OF MINUTES

On motion by Mr. Kokovich, seconded by Mr. Horstman, the minutes of the May 18, 2012, meeting of the Board of Directors were approved.

3.01 CORRECTION TO APRIL 20, 2012, MINUTES

At the April 20, 2012, meeting, the Board took action relative to a lease for mineral rights at Leesville Reservoir with Chesapeake Exploration.

The recommendation outlined in the memo (copy attached) read as follows:

It is recommended that the MWCD enter into a lease with Chesapeake Exploration for all lands in the Leesville Lake area at the agreed upon rate of \$5,800 per acre and 20% royalty on gross revenues produced from the shared wells. The initial lease payment is to be paid in three equal installments over a period of 100 days, beginning 30 days from the date of execution of the lease.

The Board took action to approve entering into the lease as recommended. However, the minutes which were approved at the May 18, 2012 meeting incorrectly read as follows:

On motion by Mr. Parham, seconded by Mr. Pryce, staff was authorized to continue negotiations with Chesapeake Exploration for lease of mineral rights at Leesville Reservoir.

It is recommended that the Board approve a correction to the April 20, 2012, meeting minutes to accurately action taken and that the minutes be revised to read as follows:

On motion by Mr. Parham, seconded by Mr. Pryce, staff was authorized to enter into a lease with Chesapeake Exploration for mineral rights at Leesville Reservoir.

On motion by Mr. Parham, seconded by Mr. Horstman, a correction to the April 20, 2012, minutes of the Board of Directors, as recommended and set forth in the above memorandum, was approved.

4. FINANCIAL

Mr. Cugliari presented the financial report for the period ending June 30, 2012. The total operating revenue is \$6,872,184.00 with expenses of \$6,155,828.00, resulting in an excess of revenue over expenses of \$716,356.00.

Conservation Fund

- Total revenues are 30.40% of budget.
- Total expenses are 63.50% of budget.
- Farm Operations/Sharecrops is 97.70% of budget and will be an item for discussion during the meeting – material costs have escalated significantly from past years.

Recreation Fund-Parks

- Total revenues are 75.69% of budget and compares to 73.90% of budget in 2011.
- Vacation Cabin revenues are 77.03% of budget and in line with 2011 revenue.
- Park Camping revenues are 83.40% of budget compared to 80.58% of budget in 2011. Year-to-date actual revenue is about 5% ahead of 2011 year-to-date actual revenue.
- General Park revenues are 43.96% of budget compared to 28.49% in 2011.
- Total expenses are 44% of budget compared to 42% of budget in 2011. Overall, we are on pace with budget expectations in the parks.

Recreation Fund-Non Park

- Total revenues are 59.13% of budget, which compares to 55.92% in 2011.
- The leased Marina Operations are performing at 69% of budget and ahead of last year's pace.
- Piedmont Marina revenue is 63.41% of budget and running ahead of last year. Piedmont Camping has exceeded revenue budget and last year's revenue.
- Seneca Marina Operations revenues are 32% of budget. We are experiencing some reporting problems which should be resolved by the end of July.
- Multiple Docks has met budget and, for the most part, has wrapped for the year.
- Total expenses are 34.75% of budget and in line with budget.

Recreation Improvement Fund

- Total expenses are 13.29% of budget.
- As part of the overall initial budget and critical projects budget, we continue to make improvements to facilities while upgrading equipment and vehicles.

Maintenance Assessment Fund

- Total expenses are 44.32% of budget and in line with budget.
- The second half settlements are beginning to come in from the counties in July.

Overall, the Conservancy District is having an exceptional recreation season. We continue to monitor operating expenses and keep things in line with budget.

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

5. PAYMENT OF BILLS

On motion by Mr. Pryce, seconded by Mr. Horstman, a report of the payment of bills for the periods ending May 31, 2012, and June 30, 2012, was approved as presented.

6. BUSINESS

6.01a LEASE TRANSACTIONS

On motion by Mr. Parham, seconded by Mr. Kokovich, 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 MARKWEST PIPELINE - CLENDENING

On motion by Mr. Parham, seconded by Mr. Pryce, a right-of-way access agreement with MarkWest at Clendening Reservoir, as recommended and set forth in the above memorandum, was approved, contingent upon review and approval of the Board of Appraisers.

6.01c ENERVEST PIPELINE – BOLIVAR

On motion by Mr. Parham, seconded by Mr. Horstman, a right-of-way agreement with EnerVest at Bolivar Reservoir, as recommended and set forth in the above memorandum, was approved, contingent upon review and approval of the Board of Appraisers.

6.01d CHESAPEAKE EXPLORATION – LEASE AMENDMENTS

On motion by Mr. Kokovich, seconded by Mr. Parham, amendments to leases with Chesapeake Exploration for acreage at Leesville Reservoir, as recommended and set forth in the above memorandum, were approved.

6.01e DEVON ENERGY – LEASE AMENDMENT

On motion by Mr. Pryce, seconded by Mr. Parham, lease amendment for acreage at Mohawk Reservoir with Devon Energy, as recommended and set forth in the above memorandum, was approved.

6.01f GLOBAL GEOPHYSICAL - PIEDMONT

On motion by Mr. Parham, seconded by Mr. Horstman, an agreement with Global Geophysical Services for a geophysical survey at Piedmont Reservoir, as recommended and set forth in the above memorandum., was approved.

6.01g EARTHSCOPE SEISMIC MONITORING

On motion by Mr. Kokovich, seconded by Mr. Horstman, an agreement with EarthScope USArray to facilitate their work relative to the San Andreas Fault, as recommended and set forth in the above memorandum., was approved.

6.02a BUDGET REVISIONS

On motion by Mr. Horstman, seconded by Mr. Parham, proposed budget revisions, as recommended and set forth in the above memorandum, were authorized.

6.02b BUDGET ADJUSTMENTS

On motion by Mr. Parham, seconded by Mr. Kokovich, budget adjustments made during the months of May and June, 2012, as recommended and set forth in the above memorandum, were approved.

6.02c BUDGET REVISION

On motion by Mr. Pryce, seconded by Mr. Horstman, a proposed budget revision for agricultural expense, as recommended and set forth in the above memorandum, was authorized.

6.02d PARK AND MARINA AUDITS

On motion by Mr. Parham, seconded by Mr. Kokovich, audit reports for the 5 park facilities and 2 marinas operated by MWCD as performed by Melissa Tylke and Jim Crandall, as recommended and set forth in the above memorandum, were accepted as presented.

6.03a HUMAN RESOURCES SUMMARY

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

6.03b REVISION TO CONSERVATION GROUP REORGANIZATION

On motion by Mr. Pryce, seconded by Mr. Parham, proposed revisions to the Renewal Resources Administrator position description with a title change to Natural Resources Manager, as recommended and set forth in the above memorandum, was approved and filling of the position authorized.

6.03c PERSONNEL POLICY REVISION – TRAVEL

On motion by Mr. Pryce, seconded by Mr. Kokovich, revisions to the personnel policy entitled “Travel,” as recommended and set forth in the above memorandum, were adopted.

6.04a PURCHASE OF KUBOTA EQUIPMENT

On motion by Mr. Horstman, seconded by Mr. Parham, purchase of equipment for maintenance of the Pleasant Hill equestrian trail, along with the associated budget revision, as recommended and set forth in the above memorandum, was approved.

6.04b ATWOOD LAKE WATER TREATMENT PLANT PROJECT

On motion by Mr. Parham, seconded by Mr. Horstman, a contract for the Atwood Lake water treatment plant with Beaver Excavating Company in the amount of \$4,497,420.00, as recommended and set forth in the above memorandum, was approved.

6.04c SENECA PARK WELCOME CENTER – ARCHITECTURAL CONTRACT

On motion by Mr. Horstman, seconded by Mr. Kokovich, an additional amount of \$22,330 for architectural services for the Seneca Park welcome center project, as recommended and set forth in the above memorandum, was approved.

6.04d PREFABRICATED RESTROOM/SHOWER BUILDINGS – ADVERTISEMENT FOR BIDS

On motion by Mr. Pryce, seconded by Mr. Horstman, advertisement for bids for prefabricated structures proposed at Pleasant Hill, Clendening, and Seneca, as recommended and set forth in the above memorandum, was authorized.

6.04e SENECA MARINA – ARCHITECTURAL SERVICES

On motion by Mr. Kokovich, seconded by Mr. Pryce, an agreement with Brandstetter-Carroll, Inc., in an amount not to exceed \$40,000.00 for architectural services for work at Seneca Marina, as recommended and set forth in the above memorandum, was authorized.

6.05 DEVELOPMENT ADVISORY COMMITTEE APPOINTMENT

On motion by Mr. Horstman, seconded by Mr. Parham, the appointment of Douglas E. McLarnan to the MWCD Development Advisory Committee, as recommended and set forth in the above memorandum, was approved.

6.06 OTHER BUSINESS

Item 1 AQUA OHIO WATER SERVICE AGREEMENT – SITES LAKE WATER SYSTEM

On motion by Mr. Parham, seconded by Mr. Kokovich, an agreement with Aqua Ohio regarding ownership and operation of the Sites Lake Cottage Area water supply system, as recommended and set forth in the above memorandum, was approved.

Item 2 THE NATURE CONSERVANCY LETTER

Members of the Board received a copy of a July 13, 2012, letter from John Stark, Ohio Freshwater Conservation Director of The Nature Conservancy (*copy on file*). In the letter, The Nature Conservancy in Ohio wrote “to express our support for the Muskingum Water Conservancy District’s (MWCD) temporary water sales to shale gas exploration firms. We believe that an interim policy of a few water withdrawals carefully considered on a case by case basis from MWCD reservoirs are preferable to contractors removing these same volumes of water from many of the MWCD’s streams and the surrounding area particularly, during the low flow period of late August and September.”

7. REPORTS

7.01 SUMMARY OF MARINA OPERATIONS

Board members received a copy of the Summary of Marina Operations report through June 30, 2012. No action required.

7.02 PARKS REPORT

A report of the gross receipts for MWCD parks/campgrounds for the period ending July 15, 2012, was presented. No action required.

7.03 RECAP OF VEHICLE PURCHASES

The following are the results of vehicle bids that were awarded as directed by the Board in the March 2012.

Date	Year/Model	Location	Cost	Total Price
March 29	2012 Ford F250	Seneca Marina	State purchasing from Germain Ford, 3-year annual lease of \$7,807.84	\$23,423.52
March 29	2012 Ford F250	Seneca Marina	State purchasing from Germain Ford, 3-year annual lease of \$7,843.29	\$23,529.87
May 8	2012 Ford F150 XLT	Conservation	Loudon Motors, outright purchase	\$27,342.22

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May 29	2012 Peterbilt Dump Truck	Engineering	Allstate Peterbilt of Eastern Ohio, 4-year annual lease of \$42,000.00	\$147,000.00
May 29	2012 Ford F450 Super Duty with Utility Bed	Engineering	Pallotta Ford, 4-year annual lease of \$14,325.41	\$57,301.64
May 29	2013 Ford F150 XL 4WD	Seneca Park	Loudon Motors, 3-year annual lease of \$8,096.50	\$24,289.50
May 29	2013 Ford Escape	Recreation/Parks	Humphries Auto City, 3-year annual lease of \$7,036.73	\$21,110.19
June 18	2013 Ford Interceptor SUV	Charles Mill	Pallotta Ford, outright purchase	\$27,093.50

Funds are included in the 2012 budget for all of the above purchases. No action is required.

**7.04 COST SHARE COOPERATIVE WORK AGREEMENT –
ODNR, DSWR – PROJECTS UPDATE**

Mr. Logan reported on the cover crops (aerial seeding) operations in Holmes, Tuscarawas and Carroll counties. Signups are ongoing in Tuscarawas and Carroll counties. Holmes County has 2,000 acres committed to the program. The fly-over date is projected to occur during the week of August 20.

Fencing projects were completed in Morgan, Muskingum, Coshocton and Holmes counties. There are more interested landowners that need their potential projects reviewed.

Holmes County has started gathering information to write the nutrient trading plans for the rest of the Muskingum plans in conjunction with a Toolbox Grant that was received.

EPRI is finalizing their plans for the pilot nutrient trading for power plants. There are a couple of locations in Ohio and there is a potential for a site in the Muskingum Basin in 2013.

7.05 USACE PROJECTS STATUS REPORT

Mr. Slogar reported that he and Mr. Hoopingarner attended the Change of Command ceremony in Huntington, West Virginia, on July 20, 2012. The new Commander, Huntington District, U.S. Army Corps of Engineers (USACE), is Colonel Steven T. McGugan. He has an extensive military background, having served in Iraq and various other locations. Colonel Peterson is moving to Cincinnati to become the Deputy Commander of the regional USACE office.

Phase I of the Dover Dam rehabilitations is ahead of schedule and Phase II has begun. Plans are being finalized for the Bolivar Dam project and preparations are underway to advertise the project.

The recent partnering meeting with the USACE, MWCD was requested to partner with Ohio Department of Natural Resources to draw on their expertise relative to acid mine drainage issues.

Mr. Slogar informed the Board that he and Mr. Cugliari will be attending a planning associates conference in Fort Worth, Texas. This is a worldwide conference and the USACE has invited MWCD to make a presentation at the event.

7.06 ATWOOD REGIONAL WATER AND SEWER DISTRICT UPDATE

Mr. Parham, who serves as the MWCD representative on the Atwood Regional Water and Sewer District (ARWSD) Board of Trustees, reported that the Village of Dellroy recently appointed Joe Mabie, a member of their village council, to the Board. The Village of Sherrodsville has a seat on the Board that has been open for more than a year.

The major issue that ARWSD will need to address in the near future is rate structure. Mr. Parham reminded the Board of Directors that following the closing of Atwood Resort, ARWSD reduced the MWCD billing for services to the Resort and consequently increased the ARWSD customer monthly billings by \$3.00. With the recent announcement of the re-opening of the Resort, ARWSD customers are now seeking the removal of the \$3.00 increase. The current monthly rate for residential customers is \$43.00, which, as Mr. Parham pointed out, is less than fees charged in similar systems.

7.07 IMMEDIATE OR PENDING LITIGATION

No report at this time.

8. LEGISLATIVE REVIEW

8.01 CURRENT LEGISLATIVE ACTIVITIES

No report at this time.

9. SUBDISTRICTS

9.01 CHIPPEWA SUBDISTRICT PROJECT COORDINATOR

On motion by Mr. Parham, seconded by Mr. Pryce, changes to the position description of the Chippewa Subdistrict Watershed Coordinator, along with a title change to Chippewa Subdistrict Project Coordinator, as recommended and set forth in the above memorandum, were approved.

RETREAT SESSION

COTTAGE SITE LEASE ISSUES: COTTAGE SITE ROADS

Mr. Borland addressed the Board. With the receipt of oil and gas revenues currently underway, staff has, for the past year, been working on developing proposed capital improvement projects as well as deferred maintenance projects in an effort to plan for investing a portion of these gas and oil revenues back into existing MWCD programs. These programs include recreation programs, which over the years have been unable to keep up with infrastructure maintenance, let alone capital upgrades to enhance the public's desirability to use our facilities. It is anticipated that by enhancing our facilities with infrastructure upgrades and select capital improvement projects, the result will be an increase in use that will increase the revenue stream and increase the self-sustainability of the programs.

The cottage site leasing program is a recreation area that we are looking at with respect to investing in infrastructure and deferred maintenance. The cottage site leasing program is also relatively a "low-maintenance" program with a revenue/expense ratio of almost 4 to 1.

The cottage site leasing program was launched by MWCD in the 1940s. The program, by design, was intended to become and provide a consistent and stable revenue stream for the Conservancy District's land and recreation program. The program has served its purpose over the years, helping to subsidize the operations required to keep the Conservancy District viable.

One aspect of the leasing program that has allowed it to be a stable revenue stream goes back to early lease itself. By design, the Conservancy District provided a gravel-type roadway surface to serve the cottage area. Any improvement that a lessee wanted beyond gravel required a polling of all lessees within the area and a 51% majority agreement by the lessees for the improvement. Upon agreement, the Conservancy District would see the improvement through to completion and lessees were responsible monetarily for their pro-rata share of the total

improvement cost. This share became a road improvement assessment that was payable by the lessee in, dependent of total cost, up to three (3) annual installments. The described program remains in place today.

A significant drawback of the program has been requirement that the Conservancy District needed to pay for the project upon its completion and then recollect the outlay over time. Over the years, many roadway improvement projects have been cut from the annual budget due to the amount of the project and cash flow issues, even though it was a reimbursable expense. This resulted in even further deterioration of the road surface area and increases in labor and material costs, which ultimately are paid for by frustrated lessees that question our ability to manage as well as wonder “what do I get for my lease payment?” We are also often criticized on the quality of work that we had done (usually by lowest bid) on their behalf, which they pay for. They often express concerns of an inferior result (whether true or not) for the amount they are charged. This has created ongoing ill will and mistrust issues throughout the years. Also, once a roadway has been improved, it has been policy that it will remain improved with no additional polling or vote by the lessees. The Conservancy District has ultimate authority in determining when the roadway surface needs major repair and/or replacement with said costs to be passed along to the lessees on the aforementioned pro-rata basis.

With the gas and oil revenues currently making their way into the Conservancy District, we may have an opportunity to help alleviate the roadway maintenance issues in our cottage site lease areas.

In an effort to invest in the MWCD cottage site lease program infrastructure and deferred maintenance concerns, we would like to discuss a proposal to remedy cottage area roadway concerns by utilizing approximately \$500,000 as seed money to a cottage area roadway improvement fund. Once initiated, the concept would be to annually retain approximately \$375,000 of recreation lease revenue into an expense account for cottage area roadway improvement.

There are two main questions for discussion:

- 1) Is it feasible to invest \$500,000 from oil and gas receipts into the cottage site lease program to put us in the “driver’s seat” of the roadway maintenance/improvement program and alleviate our lessees’ direct individual investment?
- 2) With the anticipated royalty payments to follow, could we afford to retain \$375,000 cottage site lease revenue annually from the general revenue fund in order to establish a self-sustaining cottage area roadway program?

Mr. Rekstis presented slides illustrating the conditions on existing roadways. In addition, cost analysis for construction and maintenance of cottage area roadways was distributed and discussed.

Mr. Rekstis presented some photographs of examples of the condition of MWCD cottage site roads.

Based on discussion and questions by Board members, staff will develop a plan for cottage site roads, based on the above information, for consideration of the Board at a future meeting.

COTTAGE SITE LEASE ISSUES: LEASE RATE INCREASES/APPRaisal

Mr. Hoopingarner reported that Atwood Lessees, Inc. has submitted a request that MWCD not increase cottage site lease rates pending completion of a new appraisal of cottage site lease rates.

Mr. Borland that staff has discussed an update of the cottage lease rate appraisal performed by Charles G. Snyder Appraisers in approximately 2000.

OIL AND GAS DEVELOPMENT

Staff and Board discussed current developments regarding oil and gas exploration on MWCD property – leasing, easements, and water sales.

Mr. Logan presented photos of the activities during the withdrawal of water by Gulfport Energy from Clendening Reservoir. A temporary water agreement (per O.R.C. 6101.53) was signed April 20, 2012.

MARINAS

Mr. Olivier presented a report of the current conditions of the marina operations throughout the MWCD.

COMMUNICATIONS/PUBLIC RELATIONS

Mr. Lautenschleger reported on the recent activities and concerns for effective communications and public relations. He has been working on some issues with a public relations firm and it may be necessary to formalize that working relationship in the future.

He also provided an update on the ID branding efforts and reported that he anticipates that a formal presentation could be made as early as the August meeting.

STRATEGIC PLAN

Staff review and discussed the Strategic Plan with members of the Board focusing on the high priority initiatives component of the plan:

- Branding Plan
- Surveying Program (Customer/Stakeholder Input)
- Benchmarking Program
- Cottage Area Roadways
- Dedicate Income in a Financially Responsible Way
- Optimize Mineral Resource Revenue
- Address Impacts of Mineral Resource Revenue
- Meet USACE Local Cost Share Obligations
- Shoreline Stabilization
- Reservoir Dredging
- Address Sedimentation/Erosion in Reservoir Watersheds
- Water Quality Monitoring – USACE
- Water Quality Monitoring – USGS NOWCAST
- Water Quality Monitoring – OLMS
- Water Quality Monitoring – USACE/H2S
- Water Quality – Conservation Practices
- Mineral Resource Stewardship – Development Plan
- Capital Investment – Develop Park Master Plan
- Capital Investment – Implement Deferred Maintenance Plan
- Capital Investment – Develop General Evaluation of Marina Operations

ID BRANDING

Mr. Lautenschleger provided an update on the efforts of ID branding.

10. ADJOURN

There being no further business, on motion by Mr. Kokovich, seconded by Mr. Pryce, the meeting of the Board of Directors was adjourned on Friday, July 27, 2012. The next regularly scheduled meeting is Friday, August 24, 2012, at 9:00 a.m. at the Pleasant Hill Park Activity Center.

07.27.2012, km
Approved 08/24/2012