

**SUMMARY OF MINUTES
BOARD OF DIRECTORS
MUSKINGUM WATERSHED CONSERVANCY DISTRICT
Held at the New Philadelphia City Council Chambers
November 16, 2012, 9:00 a.m.**

A meeting of the Board of Directors of the Muskingum Watershed Conservancy District was held at the New Philadelphia City Council Chambers, 150 East High Avenue, New Philadelphia, Ohio, on Friday, November 16, 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, Mary Burley, Jim Crandall, Jim Cugliari, Tom Fisher, John Hoopingarner, Darrin Lautenschleger, Sean Logan, Kevin Lundholm, Tony Luther, Karen Miller, John Olivier, 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: Doug McLarnan and Joy Padgett (*MWCD Development Advisory Committee members*); Michael Svetz and Leon Younger (*PROS Consulting*); Andrew Pack (*Woolpert*); Matthew Ballsinger (*Ohio Environmental Council*); Bob Downing (*Akron Beacon Journal*); Barbara DeLuca (*Seneca Lake*); and Tim Vonville.

3. APPROVAL OF MINUTES

On motion by Mr. Kokovich, seconded by Mr. Parham, the minutes of the October 19, 2012, meeting of the Board of Directors were approved.

4. FINANCIAL

Mr. Cugliari presented the financial report for the period ending October 31, 2012. The total operating revenue is \$31,419,702.00 with expenses of \$11,033,417.00, resulting in an excess of revenues over expenses of \$20,386,285.00.

Maintenance Fund-General

- Total expenses are 70.09% of budget.
- There are three areas where expenses are up significantly from 2011: 1) Information Systems/Technology; 2) Safety; and 3) a new line item Health Insurance-Laser.

Conservation Fund

- Total revenues to date are \$22,359,289.00 with \$21,714,609.00 being upfront lease payments for the mineral exploration.
- Sharecrop revenue will be coming in during November with a good possibility that actual will exceed the budget of \$340,000.00.

Recreation Fund-Parks

- Total revenues are 99.65% of budget with most categories meeting or exceeding budget projections.
- Total expenses are 82.26% of budget and in line with budget.

Recreation Fund-Non Park

- Total revenues are 93.21% of budget.
- The leased marina operations line items have performed very well and have or will meet budget.
- Both Piedmont and Seneca marinas are performing well. Seneca is below budgeted revenue at this point, but considering the late start of operations, is holding its own.
- Cottage Sites, Clubs and Multiple Docks are all on pace with budget projections.
- Total expenses in this area are 66.01% of budget.

Maintenance Assessment Fund

- Total revenue from the collection of the assessment has met and exceeded budget.
- Expenses are nearly 57% of budget with a \$224,000.00 payment being made to the U.S. Army Corps of Engineers noted in the Dam Safety Upgrade line item.

Additional investments were made during October and are noted on page 5 of the financials.

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

5. PAYMENT OF BILLS

On motion by Mr. Kokovich, seconded by Mr. Parham, a report of the payment of bills for the period ending October 31, 2012, was approved as presented.

6. BUSINESS

6.01 LEASE TRANSACTIONS

On motion by Mr. Pryce, seconded by Mr. Parham, 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.

6.02a BUDGET ADJUSTMENTS

On motion by Mr. Parham, seconded by Mr. Horstman, budget adjustments made during the month of October 2012, as recommended and set forth in the above memorandum, were approved.

6.02b 2013 BUDGET

Members of the Board received copies of the proposed 2013 budget. Mr. Cugliari reviewed the budget narrative highlighting the following items:

Maintenance Fund-General: Safety

The safety expense budget is proposed to increase by nearly \$300,000.00 from 2012. The major expenses being proposed are as follows:

- District Wide Weather Stations\$84,000.00
- Three Crisis Response Trailers\$122,000.00
- Mass communication upgrade (WENS).....\$25,000.00
- Training\$47,000.00

Maintenance Fund-General: Information Systems/Technology (IS/IT)

IS/IT expense budget is proposed to increase by approximately \$350,000.00. The major areas being addressed are as follows:

- Computers for Patrol Cruisers (related to the new point of sale) (POS)\$48,000.00
- Broadband Equipment at Parks\$35,000.00
- Seventeen POS systems for Parks\$42,500.00
- Emergency Operation IT Response Kits\$20,000.00
- Computer Upgrades.....\$28,000.00
- Point of Sale System License Fee and Associated Costs\$21,000.00
- Allocation of Staff Time.....\$150,000.00

All other areas in this fund are keeping budget proposals with minimal increases.

Conservation Fund

The Conservation Fund revenues are increasing due mainly to the royalty payments on the Mineral Operations-Gas and Oil. The projected increase in this area is approximately \$6 million.

Expenses in the Conservation Fund are increasing by approximately \$350,000.00 and are identified as follows:

- Additional staffing levels\$175,000.00
- Mineral Operations: Gas and Oil.....\$88,000.00
- Forest Inventory\$40,000.00

Recreation Fund-Parks

Revenues are being kept at status quo for the most part, thus showing no increase in revenue.

The expense areas are increasing by approximately \$550,000.00. The areas of increase are as follows:

- Lake Patrol is increasing by approximately \$90,000.00. This is due primarily to adding additional seasonal staff at the lakes as well as addressing continued equipment needs totaling \$50,000.00
- Water and Sewer Maintenance expenses continue at a high level, \$573,721.00 as we continue to address these areas. This is comparable to what 2012 was but is an increase from a historical perspective.
- Park Camping and General Park areas are increasing by approximately \$450,000.00. The main items being addressed here are increased utility cost, increased maintenance in the park facilities and addressing some staffing levels.

Recreation Fund-Non-Park

Revenues in this fund are also staying at 2012 levels in general. Some of the fine tuning came in the areas of the marinas.

Marina Operations (both leased and MWCD operated) are increased in 2013 by approximately \$100,000.00. Most of this increase is in the self-operated areas and also recognizing our increased work dedicated to this area of operation.

Cottage Sites expenses are mainly increased due to the reappraisal of the cottage site area.

Recreation Improvement Fund

As was presented to the Board last month, the recreation improvement fund of \$11,141,765 reflects items taken from the deferred maintenance and critical projects list.

Maintenance Assessment Fund

Total collection of the assessment is projected at \$10,750,000.00, up 9% from 2012 as a result of the update of the appraisal record.

Total expenses are \$10,507,324.00, up 16% from 2012. There are five major areas where the District is utilizing funds in the assessment program. They are as follows:

- Dam Safety Upgrade (ACOE local cost share)\$4,495,000.00
- Shoreline Protection\$1,686,000.00
- Sediment Removal\$760,000.00
- PWM Projects.....\$795,000.00
- Watershed Management Programs.....\$240,200.00

Mr. Pryce expressed some concern about a substantial increase in expenses and the method of reporting of oil and gas revenues, including the utilization of those funds. Following discussion, on motion by Mr. Parham, seconded by Mr. Horstman, the Board approved the 2013 budget as presented. On roll call: Mr. Boyle-no; Mr. Horstman-yes; Mr. Kokovich-yes; Mr. Parham-yes; and Mr. Pryce-no.

In order to satisfy some of the concerns expressed by Mr. Pryce, Mr. Boyle instructed staff to prepare additional information for the December meeting which delineates continuing expenses separated from one-time expenditures.

6.02c PIEDMONT AND SENECA MARINAS – BUSINESS PLANS

Information was provided the members of the Board on the preparation of the 2013 budget. Mr. Crandall reviewed the business plans and provided some details on the operational revenues/expenses and outlined anticipated capital projects. The Board commended Mr. Crandall and the staff for the excellent work on preparation of the business plans. No action was requested at this time.

6.03 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.

6.04a EMPLOYMENT CONTRACT WITH CHIEF COUNSEL

On motion by Mr. Pryce, seconded by Mr. Kokovich, the employment contract with KPLD for the period of December 1, 2012, through November 30, 2013, as recommended and set forth in the above memorandum, was approved.

6.04b TRASH REMOVAL BIDS

On motion by Mr. Horstman, seconded by Mr. Kokovich, agreements with Kimble Companies for trash collection at Atwood, Tappan and Leesville, as recommended and set forth in the above memorandum, were approved.

6.04c RADIO SYSTEM

On motion by Mr. Pryce, seconded by Mr. Parham, subscription to MARCS and purchase of the associated radio equipment under state purchasing contract pricing, as recommended and set forth in the above memorandum, were authorized.

6.04d CHARLES MILL ACTIVITY BUILDING AND BEACH RESTROOM/CONCESSION

On motion by Mr. Kokovich, seconded by Mr. Parham, a request to advertise for bids for the construction of an activity building and renovations to a beach restroom/concession at Charles Mill, as recommended and set forth in the above memorandum, was granted.

6.04e SENECA MARINA BUILDING RENOVATION

On motion by Mr. Horstman, seconded by Mr. Parham, a request to advertise for bids and award a contract in an amount not to exceed \$595,000 for the Seneca Marina building renovation project, as recommended and set forth in the above memorandum, was granted.

6.04f 2012-2013 SHORELINE STABILIZATION PROJECTS

On motion by Mr. Pryce, seconded by Mr. Horstman, contracts for shoreline stabilization work, as recommended and set forth in the above memorandum, were approved.

6.05 MWCD SIGN SHOP

On motion by Mr. Horstman, seconded by Mr. Pryce, a proposal to establish a sign shop and authorization to post and fill a sign technician position, as recommended and set forth in the above memorandum, were approved.

6.06 SCHEDULE OF BOARD MEETINGS FOR 2013

On motion by Mr. Parham, seconded by Mr. Kokovich, the proposed schedule of meetings for 2013, as recommended and set forth in the above memorandum, was approved. The Board requested that locations for the meetings be presented at the December meeting.

6.07 OTHER BUSINESS

Mr. Parham inquired about findings and orders that were issued in November 2006 by the Ohio Environmental Protection Agency (OEPA) for conditions at the Owl's Nest area at Seneca Lake (private property). Mr. Slogar informed him that he has had meetings with the Noble County Engineer who is responsible for the remedial action necessary to meet the requirements of the Ohio EPA. There is a potential for a request from Noble County for funding from the MWCD's Partners in Watershed Management for this project.

Mr. Parham inquired about the letter dated October 10, 2012, from the Harrison County Commissioners requesting "MWCD to include Harrison County in its discussions in sale of 'draw down' water from Tappan, Piedmont and Clendening Lakes, with interest in possibly entering into an extended water sale agreement with revenues advancing water quality in the Muskingum Watershed Conservancy District." He commented that he had not seen any further correspondence relative to this issue. Mr. Hoopingartner reported that staff is in communication with the Harrison County Commissioners and that no formal response was sent to them. Mr. Logan met this last week with Commissioner Bethel. The Commissioners stand ready to work with MWCD.

Mr. Parham also commented on a recent news article regarding the Harrison County Commissioners and their approval of a deal with a Columbus company to help provide water for fracking purposes. According to

the article, there is a plan to work with Kokosing Construction to sell water to oil and gas companies as part of the mineral removal process. Mr. Lautenschleger pointed out that the matter referred to in the recent article concerns water from a Piedmont area aquifer and is not water from Piedmont Lake nor from MWCD property.

Mr. Horstman inquired about reported sale of water by the City of Cambridge. Mr. Hoopingarner explained that the City of Cambridge recently sold water to the Guernsey County Water Department. The MWCD has had a long-standing agreement with the City of Cambridge for purchase of water from Seneca Lake to meet emergency conditions for the city's municipal water supply. However this agreement never contemplated this type of situation where the City of Cambridge would in turn sell water to another entity. There is no apparent violation of the existing agreement, however, this situation will potentially be a factor considered when future agreements are negotiated.

7. REPORTS

7.01 SUMMARY OF MARINA OPERATIONS

Board members received a copy of the Summary of Marina Operations report through October 31, 2012. No action required.

7.02 UPDATE ON 2012 GOALS

Mr. Hoopingarner reviewed the 2012 goals with the Board.

- 1) Financial Management
- 2) Strategic Planning
- 3) Market Branding
- 4) Master Planning
- 5) Natural Resources
- 6) Marinas
- 7) Official Plan

7.03 PUBLIC INFORMATION AND INPUT – SENECA MEETING

The Muskingum Watershed Conservancy District (MWCD) hosted a public information and input session on the evening of October 17, 2012, in the Robert Secrest Senior Center at Senecaville. The purpose of the meeting was for MWCD staff members to provide details about the MWCD's plans to enter negotiations for leasing of MWCD-owned property at Seneca Lake for oil and gas development, as well as the expected requests for water from the lake by the oil and gas industry.

Prior to the meeting, more than 1,500 letters of invitation were sent out by the MWCD to users of Seneca Lake and nearby property owners with details about the meeting. This information also was distributed to the media and featured on the MWCD's website and social media outlets.

The meeting was attended by a total of 88 people, and those who were interested were provided with an opportunity to address the MWCD staff members and professionals who are assisting the MWCD. A stenographer was contracted by the MWCD to record complete comments and information to be included in the report on the meeting. In addition, the MWCD collected comments and information via e-mail through November 1.

A copy of the complete report from the session including, as well as all e-mail messages that have been received, was distributed to members of the Board. The report also will be available on the MWCD website.

No action is required.

7.04 STRATEGIC PLANNING

Members of the Board received copies of the Strategic Plan 2012 and Strategic Plan: High Priority Initiatives (July, 2012). Mr. Slogar mentioned he anticipates that there will be a proposal submitted for the reporting, measurement and progress module of the strategic plan as early as the December meeting.

7.05 ID BRANDING

Mr. Lautenschleger reported that a representative of LPK will attend the December Board meeting for a presentation about the ID branding. The sign shop concept which was approved by the Board in earlier action in this meeting is an important part of the ID branding implementation.

7.06 OIL AND GAS UPDATE

Mr. Swiger reported that the MWCD has received serious inquiries from 13 oil and gas producing companies with an interest in leasing all or portions of Seneca Lake acreage. Some of these are the large household names such as Shell, Chevron and Chesapeake, or companies with long term operations in Ohio such as Consol Energy or Atlas Energy. Others were previously unknown to MWCD due to the geographic location of their operations, but are sizable nonetheless.

As reported at the October Board of Director's meeting, Mr. Swiger made contact with each of the producers after the meeting and offered to meet when appropriate. The stipulation was that MWCD anticipated being able to enter into a lease that excludes the use of the surface of MWCD property with one or more producers who held valid leases with adjacent property owners. With this stipulation, only two companies wished to make a presentation: Antero Resources and Carrizo Oil and Gas.

A team was assembled that consisted of David Parham; Sean Logan; Seneca Park Manager Joe McClaughlin; Natural Resources Manager Dan Castellucci; former Deputy Chief over Mineral Resource Management, ODNR, Tom Tugend; and Mark Swiger. This team met with representatives from both Antero Resources and Carrizo Oil and Gas on November 7.

Carrizo Oil and Gas has an acreage position that is primarily on the NW side of the reservoir. Their proposal consisted of developing the property from 2 pads on private property and placing 3 wells on MWCD property midway on the reservoir and drilling both directions from the 3 MWCD pads. One of the private pads is property that is not yet held by Carrizo and the other is in an area that we are very reluctant to participate in due to the proximity to residential development. Due to lease restrictions on private property, even if we lease we cannot move the physical location of the well far enough to be beneficial. The proposed pads on MWCD property create concerns of their own with well pads, pipelines and access roads where we had not intended. After we once again reinforced the fact that staff and the Board were committed to a no surface use lease (excluding the use of the surface), Carrizo left a proposal to lease 2,133 acres at \$6,000 per acre and 20% royalty. (\$12.8 million).

Antero Resources has an acreage position that essentially surrounds the reservoir, with the exception of the Carrizo acreage in the NW. Antero has drilled 3 wells south of the MWCD acreage, and intends to begin permitting well pads around the MWCD acreage in the near future. They made it clear, in a proper businesslike manner, that they are moving forward with their plans to locate approximately 12 well pads around the reservoir. The pads will stand alone without MWCD acreage, and are not dependent upon MWCD acreage. If we intend to participate, to be part of the discussion of what occurs around the reservoir, this is our best opportunity, before the sites are permitted and locked in place. Antero has offered the opportunity to work with them on private lands in a similar way as we would work with them on MWCD lands.

Returning to Carrizo, they are a good company with strengths. They have drilled in very challenging locations successfully, such as the University of Texas Campus – 22 well from 1 pad, but like the other interested companies, their acreage position does not compare to Antero's. Their strongest asset, the pad adjacent to the District, is one we have concerns about.

Antero's team has been excellent to work with, totally professional and very receptive to our concerns for not only MWCD property but our adjacent neighbors as well. They have the acreage position and all other factors that would make them a good partner to move forward with.

The MWCD staff is not asking for formal approval to enter into a lease at this time, but it is the MWCD staff's intention to continue to work with Antero to finalize a lease that has the environmental and cultural safeguards to be acceptable to the MWCD; and to secure at the same time an appropriate market rate.

7.07 USACE PROJECTS STATUS REPORT

Mr. Slogar reported that work is progressing with no significant problems at the U.S. Army Corps of Engineers projects at Dover and Bolivar reservoirs.

7.08 ATWOOD REGIONAL WATER AND SEWER DISTRICT UPDATE

No report at this time.

7.09 IMMINEENT OR PENDING LITIGATION

These matters will be discussed in executive session.

8. SUBDISTRICTS

**8.01a BLACK FORK SUBDISTRICT
BUDGET AND APPROPRIATION RESOLUTION FOR 2013**

On motion by Mr. Pryce, seconded by Mr. Parham, the budget and appropriation resolution for 2013 for the Black Fork Subdistrict of the Muskingum Watershed Conservancy District, as recommended and set forth in the above memorandum, was approved.

**8.01b BUFFALO CREEK SUBDISTRICT
BUDGET AND APPROPRIATION RESOLUTION FOR 2013**

On motion by Mr. Pryce, seconded by Mr. Parham, the budget and appropriation resolution for 2013 for the Buffalo Creek Subdistrict of the Muskingum Watershed Conservancy District, as recommended and set forth in the above memorandum, was approved.

**8.01c CHIPPEWA SUBDISTRICT
BUDGET AND APPROPRIATION RESOLUTION FOR 2013**

On motion by Mr. Pryce, seconded by Mr. Parham, the budget and appropriation resolution for 2013 for the Chippewa Subdistrict of the Muskingum Watershed Conservancy District, as recommended and set forth in the above memorandum, was approved.

**8.01d DUCK CREEK SUBDISTRICT
BUDGET AND APPROPRIATION RESOLUTION FOR 2013**

On motion by Mr. Pryce, seconded by Mr. Parham, the budget and appropriation resolution for 2013 for the Duck Creek Subdistrict of the Muskingum Watershed Conservancy District, as recommended and set forth in the above memorandum, was approved.

PARKS MASTER PLANNING SESSION

A presentation on the progress of the parks master planning project was given by Andrew Pack of Woolpert; and Leon Younger and Michael Svez of PROS Consulting.

Many meetings have been held for the master planning which engaged both the public and MWCD staff. The top public NEED comments received (in no certain order) were listed:

- Infrastructure upgrades and improvements.
- More full hook up campsites/separate seasonal/transient campers.
- New/upgraded facilities (showers/restrooms/activity centers).
- Improve beaches, add amenities; geese are a problem.
- Wi-Fi connections for campers in parks and GPS for visitors to the parks.
- Need for courtesy docks/cluster docks.
- Need more hiking and bicycle trails. Get people outside.
- Communication from District/marketing of the parks (programs, activities, facilities).
- Need for improved, new policies/rules (inform/enforce).
- Provide more experience, programs and activities for all ages (family parks).
- Safety in the parks (pedestrians/vehicle conflicts, road speeds and lighting).
- Shoreline protection and environmental protection (water quality).

The scope of the master planning includes a condition assessment and sustainability audit; matching recreation needs with facility and amenity capability; and evaluation of ROI for existing program and facilities. In the process, several questions were considered:

- Who is MWCD?
- How does MWCD function?
- What exists today within MWCD?
- What do we need?
- What are our goals?
- How do we get there?

Mr. Pack and Mr. Younger reviewed some of the preliminary findings of their work to date and listed several potential varieties of the camping experience (i.e. primitive camping, tent pads, tent platforms, RV camping, tree-house or raised platform, chickees, shelters, yurts, cabins/beach huts, eco-village, hideaway huts, and bubble tents). Other items of interest that were reported were:

- New, fresh amenities are being identified. Parks customers are looking for more activities and experiences for all ages.
- Add and extend trails in parks, linked to regional systems.
- Some existing amenities need to be removed from lack of use.
- Campgrounds are vital; most need to be redesigned and redeveloped; reconfigured for large modern RV's. Campgrounds should be zoned for seasonal and weekend campers; by size and type of equipment. Add and upgrade shower/restroom buildings. Add common areas.
- Marinas and docks. Need to correct the dock access to meet industry standards. Improve dock organization.

Correct basin conditions to allow the docks to remain in place year round. Use industry standards to design and purchase docks. Separate public spaces from service areas for safety and image. Electrical utilities require significant upgrades. Continue to update fuel systems for code compliance.

- Most buildings are outdated, need replacement. Rethink function based on programs and customer needs. Rethink locations based on park design and program evolution. Remove structures from below spillway elevation. Elevate design to be timeless, nationally noteworthy (needs a fresh look) and color scheme.
- Marketing must be ramped up. Lack of marketing money to bring more revenue to the parks. Publicize what the parks offer. Research and respond to evolving market demands.
- Develop a strategic approach to events, signature facilities and program. Link each park to its community and market.

A timeline was presented for the coming months:

- January – citizen survey review
- February – coordination of strategic plan, branding plan and master plan efforts between each planning group to create synergy, consistency and cross coordination of priorities
- March – business plans rolled out by park with key recommendations and priority work plans
- April – capital improvement plans rolled out based on cost benefits and return on investment and timelines to complete
- May – draft report presentation with financial plan; and
- June – final report presentation.

9. EXECUTIVE SESSION

On motion by Mr. Pryce, seconded by Mr. Horstman, the Board of Directors entered into executive session at 11:47 a.m. to discuss matters related to ORC §121.22 (G) (1) [*employment/compensation*] and (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 1:05 p.m.

In open session, on motion by Mr. Parham, seconded by Mr. Horstman, an employment contract for Mark Swiger as Conservation Administrator, for a 3-year period, as recommended, was approved.

On motion by Mr. Horstman, seconded by Mr. Pryce, the Board of Directors entered into executive session at 2:07 p.m. to discuss matters related to ORC §121.22 (G) (1) [*employment/compensation*]. On roll call: Mr. Boyle-yes; Mr. Horstman-yes; Mr. Kokovich-yes; Mr. Parham-yes; and Mr. Pryce-yes. The executive session ended at 3:10 p.m.

10. ADJOURN

There being no further business, on motion by Mr. Kokovich, seconded by Mr. Horstman, the meeting of the Board of Directors was adjourned. The next regularly scheduled meeting is Friday, December 21, 2012, at 9:00 a.m. at the New Philadelphia City Council Chambers.