

***MINUTES OF A REGULAR MEETING OF
BIG BEAR MUNICIPAL WATER DISTRICT
HELD ON THURSDAY, OCTOBER 15, 2009***

CALL TO ORDER

President Murphy called the Open Session to order at 1:00 PM. Those in attendance included Director Eminger, Director Suhay, Director Smith, Director Fashempour, District Counsel Wayne Lemieux, General Manager Scott Heule, and Board Secretary Vicki Sheppard.

REPORTS

Mr. Heule reported that at the most recent staff meeting he had asked everyone to list five things that the District is doing right or well. He explained that this generated a considerable amount of positive commentary and the results were really encouraging to him. He commented that nearly every list mentioned the District's Quagga Initiative and the staff felt that the initiative taken by the District to develop a proactive response at the outset was something they were very proud of. He explained that another program that several felt was going very well was the District's approach to fisheries enhancement with the trout rearing program and carp reduction. Mr. Heule reported that last week he along with Directors Murphy and Fashempour attended ACWA Regions 8, 9 and 10 conference entitled California's Water Solutions: Are we There yet?." He stated that the conference included some very good speakers and topics concerning changing CEQA requirements, Delta issues and effective methods for setting water rates. He added that one of the highlights for him was hearing from Assembly Member Kevin Jefferies. He explained that Mr. Jefferies discussed some of the difficulties working in a very partisan legislative process including his concern regarding the ability of legislators to have time to read proposed legislation before having to vote on the bill. He added that the last event during the conference was a tour of Lake Elsinore explaining that this was the first time he had been on the lake and it was a valuable educational experience to see how our operations differ from theirs. He commented that for instance, other than posting notices at launch ramps they are doing little to nothing to respond to the Quagga mussel threat explaining that they think that the lake might be too saline for the mussels. He reported that they have commissioned a study by Alex Horn and his students to give them more information. He added that they have no docks or commercial marina operations on the lake saying that water levels fluctuate too much for them to be viable operations. Mr. Heule reported that he met with Caltrans again yesterday to discuss the replacement bridge on the dam. He stated that their environmental group expects to process the work as a minor change to their environmental document by springtime 2010, however the amendment will assume the replacement bridge is for maintenance traffic and not for pedestrians. He explained that means that another CEQA or NEPA document may be necessary at a later date to address the District's proposed use of the replacement bridge. He added that our contact remains hopeful that the work can be accomplished as a contract change order by Flatiron Construction. Mr. Heule explained that this will assure that the bridge is actually constructed immediately after the old bridge is removed. He stated that a Facilities Committee meeting will be set up in the short term to discuss these and other issues. Mr. Heule reported that El Nino predictions suggest we have a chance for an above normal precipitation winter but not necessarily a huge, wet winter. He reported that Mike Stephenson is in North Lake Tahoe at the California Lake Management Society conference.

APPROVAL OF CONSENT CALENDAR

Upon a motion by Director Eminger, seconded by Director Fashempour, the following consent items were unanimously approved:

- Minutes of a Regular Meeting of October 1, 2009
- Warrant List Dated October 8, 2009 for \$57,376.89
- Approval of a Resolution of the Board of Directors of Big Bear Municipal Water District amending the District's Deferred Compensation Plan

CONSIDER APPROVAL OF NO CHANGE TO THE LEASE PAYMENT CPI AGREEMENT WITH BIG BEAR MARINA

Mr. Heule reported that the lease payment Big Bear Marina has with the District is scheduled for consumer price index (CPI) increases at regular intervals during the life of the lease. He explained that the most recent amendment to the lease, April 2007, provides for a lease payment adjustment effective April 5, 2009 in an amount equal to the "average monthly CPI for the calendar year prior to the adjustment stating and that each CPI shall not exceed 10%." He added that the lease payment cannot be reduced based on a negative CPI. Mr. Heule reported that the Budget and Finance Committee reviewed the CPI figures for Los Angeles, Riverside, and Orange County California, for the 12 months prior to April 2009 finding that the CPI registered a value of -1.3%. He commented that based on these results, the lease payment for the marina will remain at \$3,750 per month until the next CPI adjustment scheduled for April 5, 2014.

Director Fashempour moved approval of no change to the lease payment CPI agreement with Big Bear Marina. Director Eminger seconded the motion and it was unanimously approved.

CONSIDER APPROVAL OF A RESOLUTION OF THE BOARD OF DIRECTORS OF BIG BEAR MUNICIPAL WATER DISTRICT APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A PURCHASE AND SALE AGREEMENT AND RELATED DOCUMENTS WITH RESPECT TO THE SALE OF THE SELLER'S PROPOSITION 1A RECEIVABLE FROM THE STATE; AND DIRECTING AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

Mr. Heule reported on Proposition 1A Suspension explaining that Proposition 1A was passed by California voters in 2004 to ensure local property tax and sales tax revenues remain with local government thereby safeguarding funding for public safety, health, libraries, parks, and other local services. He added that provisions can only be suspended if the Governor declares a fiscal necessity and two-thirds of the Legislature concur. He explained that the emergency suspension of Proposition 1A was passed by the Legislature and signed by the Governor as ABX4 14 and ABX4 15 as part of the 2009-10 budget package on July 28, 2009. He added that under the provision, the State will borrow 8% of the amount of property tax revenue apportioned to cities, counties and special districts and the state will be required to repay those obligations plus interest by June 30, 2013. Mr. Heule reported that the legislature is currently reviewing a clean-up bill, SB67 which would provide for a few critical changes to the enacted legislation, including but not limited to providing for: financing to occur in November; county auditor certification of amount of Prop 1A receivable; tax-exempt structure; California Communities as the only issuer; more flexibility on bond structure (interest payments, state payment date and redemption features); sales among local agencies; and revision to the hardship mechanism. Mr. Heule reported that while SB 67 has not yet been passed and signed into law, California Communities expects that to

occur prior to funding the Program. He explained that if for any reason SB 67 is not enacted and the bonds cannot be sold by December 31, 2009, all approved documents placed in escrow with Transaction counsel will be of no force and effect and will be destroyed. Mr. Heule explained the program: Authorized under ABX4 14 and ABX4 15, the Proposition 1A Securitization Program was instituted by California Communities to enable Local Agencies to sell their respective Proposition 1A Receivables to California Communities; currently, SB67 is being considered to clarify specific aspects of ABX4 14 and ABX4 15; under the Securitization Program, California Communities will simultaneously purchase the Proposition 1A Receivables, issue bonds ("Prop 1A Bonds") and provide each local agency with the cash proceeds in two equal installments, on January 15, 2010 and May 3, 2010 (to coincide with the dates that the State will be shifting property tax from local agencies); the purchase price paid to the local agencies will equal 100% of the amount of the property tax reduction; all transaction costs of issuance and interest will be paid by the State of California; and participating local agencies will have no obligation on the bonds and no credit exposure to the State. Mr. Heule explained that if the District sells its Proposition 1A Receivable under the Proposition 1A Securitization Program, California Communities will pledge the District's Proposition 1A Receivable to secure the repayment of a corresponding amount of the Prop 1A Bonds. He added that the District's sale of its Proposition 1A Receivable will be irrevocable and bondholders will have no recourse to the District if the State does not make the Proposition 1A Repayment. Mr. Heule explained that the Proposition 1A Program Sponsor, California Statewide Communities Development Authority ("California Communities") is a joint powers authority sponsored by the California State Association of Counties and the League of California Cities. He added that the member agencies of California Communities include approximately 230 cities and 54 counties throughout California. He noted that the District does not need to be a member of California Communities to participate. Mr. Heule explained the benefits to the District of participation in the Proposition 1A Securitization Program include:

- Immediate cash relief – the sale of the District's Proposition 1A Receivable will provide the District with 100% of its Proposition 1A Receivable in two equal installments, on January 15, 2010 and May 3, 2010.
- Mitigates impact of 8% property tax withholding in January and May – Per ABX4 14 and ABX4 15 and the proposed clean-up legislation SB 67, the State will withhold 8% of property tax receivables due to Cities, Counties, and Special Districts under Proposition 1A. The financing outlines bond proceeds to be distributed to coincide with the dates that the State will be shifting property tax from local agencies.
- All costs of financing borne by the State of California. The District will not have to pay any interest cost or costs of issuance in connection with its participation.
- No obligation on Bonds. The District has no obligation with respect to the payment of the bonds, nor any reporting, disclosure or other compliance obligations associated with the bonds.

Mr. Heule explained the proceeds of the Sale of the District's Proposition 1A Receivable, that upon delivery of the Proposition 1A Bonds, California Communities will make available to the District its fixed purchase price, which will equal 100% of the local agency's Proposition 1A Receivable. He reported that these funds may be used for any lawful purpose of the District and are not restricted by the program. He added that the proposed Proposition 1A Receivables Sale Resolution is as follows:

- (1) Authorizes the sale of the District's Proposition 1A Receivable to California Communities for 100% of its receivable;

- (2) Approves the form, and directs the execution and delivery, of the Purchase and Sale Agreement with California Communities and related documents;
- (3) Authorizes and directs any Authorized Officer to send, or to cause to be sent, an irrevocable written instruction required by statute to the State Controller notifying the State of the sale of the Proposition 1A Receivable and instructing the disbursement of the Proposition 1A Receivable to the Proposition 1A Bond Trustee;
- (4) Appoints certain District officers and officials as Authorized Officers for purposes of signing documents; and
- (5) Authorizes miscellaneous related actions and makes certain ratifications, findings and determinations required by law.

Mr. Heule reported that the proposed Purchase and Sale Agreement is as follows:

- (1) Provides for the sale of the Proposition 1A Receivable to California Communities;
- (2) Contains representations and warranties of the District to assure California Communities that the Proposition 1A Receivable has not been previously sold, is not encumbered, that no litigation or other actions is pending or threatened to disrupt the transaction and the this is an arm's length "true sale" of the Proposition 1A Receivable.
- (3) Provides mechanics for payment of the Purchase Price
- (4) Contains other miscellaneous provisions.

Mr. Heule explained the proposed Proposition 1A Purchase and Sale Agreement Exhibits:

- (B1) Opinion of Counsel: This is an opinion of the counsel to the local agency (which may be an in-house counsel or an outside counsel) covering basic approval of the documents, litigation, and enforceability of the document against the Seller. It will be dated as of the Pricing date of the bonds (currently expected to be November 10, 2009).
- (B2) Bringdown Opinion: This simply "brings down" the opinions to the closing date (currently expected to be November 19, 2009).
- (C1) Certificate of the Clerk of the Local Agency: A certificate of the Clerk confirming that the resolution was duly adopted and is in full force and effect.
- (C2) Seller Certificate: A certification of the Seller dated as of the Pricing Date confirming that the representations and warranties of the Seller are true as of the Pricing Date, confirming authority to sign, confirming due approval of the resolution and providing payment instructions.
- (C3) Bill of Sale and Bringdown Certificate: Certificate that brings the certifications of C2 down to the Closing Date and confirms the sale of the Proposition 1A Receivable as of the Closing Date.
- (D) Irrevocable Instructions to the Controller: Required in order to let the State Controller know that the Proposition 1A Receivable has been sold and directing the State to make payment of the receivable to the Trustee on behalf of the Purchaser.
- (E) Escrow Instruction Letter: Instructs Transaction Counsel (Orrick) to hold all documents in escrow until closing, and if closing does not occur by December 31, 2009 for any reason, to destroy all documents.

Director Suhay moved approval of a Resolution of the Board of Directors of Big Bear Municipal Water District approving the form of and authorizing the execution and delivery of a purchase and sale agreement and related documents with respect to the sale of the seller's Proposition 1A receivable from the state and directing and authorizing certain other actions in connection therewith. Director Smith seconded the motion and it was unanimously approved.

PUBLIC FORUM

No comments were made

ANNOUNCEMENTS

Mr. Heule stated that he was going to CEQA training in Oakland next week. He reported that he, along with President Murphy and Director Suhay, would be attending the ACWA conference the first week in December. He stated that if any other Directors wished to attend the conference to let him know.

DIRECTOR COMMENTS


Director Fashempour commented that she appreciated the experience of going to the conference in Lake Elsinore. President Murphy agreed but added that he was happy to be back in Big Bear.

ADJOURNMENT

There being no further business, the meeting was adjourned at 1:19 P.M.

NEXT MEETING

Open Session at 1:00 P.M.
Thursday, November 5, 2009
Big Bear Municipal Water District
40524 Lakeview Drive, Big Bear Lake, CA



Vicki Sheppard
Secretary to the Board
Big Bear Municipal Water District

(SEAL)

