

***MINUTES OF A REGULAR MEETING OF
BIG BEAR MUNICIPAL WATER DISTRICT
HELD ON THURSDAY, MAY 5, 2011***

CALL TO ORDER

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

REPORTS

General Manager, Scott Heule stated that one more piece of reporting and we should be done with documenting work in-kind to wrap up the A4 milestone of the ACOE environmental restoration feasibility study. He explained that over the next two weeks he will complete the reporting piece and draft a letter to the ACOE for President Suhay's signature advising that the District wants to suspend all work on the study. He stated that he is hopeful that we will actually get a summary document out of all our efforts. He reported that he has left phone messages twice with Mike Huffstutler at Bear Valley Mutual Water Company adding that Mr. Huffstutler returned his call just this morning. Mr. Huffstutler advised that he has no concerns at all with the proposed acquisition adding that he has followed the quotes in the newspaper and is satisfied that the MWD and others in Big Bear understand the water rights obligations for Mutual. Mr. Heule explained that Mr. Huffstutler agreed that the Watermaster Committee should now be better informed concerning domestic water issues in Big Bear because none of the information would be second hand. He reported that we have received one telephone complaint and threat of litigation from a lakeside homeowner wanting the District to lower the Lake level. He reported that the caller claims erosion caused by the high lake level is undermining his house foundation and wants us to backfill the soil and make any other necessary repairs. He commented that if this materializes into anything more substantial the Administrative Committee will be informed and appropriate defense action will be initiated. Mr. Heule reported that the venue for the annual Paddle Fest has been moved from Captain Johns Marina to swim beach. He added that the Operations Committee will be revisiting the special event permit for this event in the next two weeks. He reported that he previewed a documentary video for the History Show on Channel 6 on the Big Bear MWD. He explained that Rick Keppler wrote it and wanted his review prior to putting it on air. He added that Mr. Keppler has gotten comments from others as well and will do some rewriting. He reported that his most significant comment concerned the obligation that Muni has to meet our in-lieu requirements and barring some catastrophic event in the delta or aqueducts coming south Big Bear Lake's water is pretty well protected. He explained that the way it was written the documentary implied that we could lose our in-lieu water at any time and would have to release water for Mutual. He added that he hopes to screen version 2 before it airs. Mr. Heule reported that the tour/workshop at the Trout Pond on Tuesday was a great success. He explained that everyone got a good look around the property and realizes what a significant piece of real estate it really is. He added that although no specific mission for the Trout Pond was formulated, the Watershed Committee will take the input from the visit and bring some recommendations for Board consideration at the meeting on May 19. He reported that we have heard that Caltrans has a plan for grouting the left abutment of the dam and possibly a proposal for demolition of the old highway bridge. He added that he has not seen anything from them yet. He reported that Mike Stephenson and Bob Ludecke have been working closely

with them on routing the spillway gate and monitoring wiring through the new highway bridge and over to bays 7 and 10. He added that Mr. Stephenson met with Caltrans yesterday morning to identify a new alignment for storm drain outfalls that would pose less of a risk of causing erosion and boulder plucking downstream of the dam.

Lake Manager, Mike Stephenson reported that the water release total to date is at 9,000 acre feet. He added that the release is currently at 5 CFS. He explained that the lake will most likely be dropping from evaporation from this point on. He stated that the West Ramp will be opening on May 12th and the new docks for the West Ramp will be arriving shortly. He stated that lake clean-up is continuing. He reported that he noticed a small amount of weeds in some shallow areas of the lake explaining that the herbicide will be here this coming Monday. He added that staff will begin application next week. Mr. Stephenson reported that secchi readings are at 14.5'. He explained that this is very good for this time of year adding that the best secchi readings that he remembers for the first week in May was 12' and for the first week in June was 17.5'. He predicted it might hit 20'. He added that the Adopt-a-Shoreline Kick Off will be held this Saturday. He reported on a boater who had his lake permit pulled a few years ago for driving over the spike strips (to exit the parking area). He explained that the boater was asking to have his lake privileges restored. Mr. Stephenson reported that since the boater was not entering the lake at the time and agreed to participate in the Adopt-a-Shoreline program, he was allowed to purchase a seasonal permit. He stated that the full time patrol will start on May 12th. Mr. Stephenson reported that he has been working with CalTrans on the culvert pipe relocation and electrical at the dam. He explained that CalTrans will be working with what they call a "force account". He added that CalTrans will have to do grouting on the down-stream side as part of the agreement. He reported that he will be getting bids from others to clean up the trout pond so the District personnel will be free to do their other work. Director Murphy asked if we receive no more rain this season, what is the prediction for lake level by November 1st. Mr. Stephenson predicted it will be down 24" (2' plus or minus 1').

Director Eminger reported that the meeting at the Trout Pond was very interesting commenting that he hadn't realized the extent of the property until the tour.

APPROVAL OF CONSENT CALENDAR

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

- Minutes of a Regular Meeting of April 21, 2011
- Minutes of a Special Meeting Workshop of April 25, 2011
- Warrant List Dated April 29, 2011 for \$44,075.50

RECEIVE DWP ACQUISITION ISSUES REPORT FROM STAFF AND PROVIDE DIRECTION

Mr. Heule reported that Board members have shared their ideas and concerns related to the DWP acquisition with District Staff. He explained that one Board member suggested that the next steps towards acquisition of the DWP be based on the following conditions being satisfied:

1. There must be significant cost savings
2. Impacts on employees must be positive or neutral
3. Efficiencies of scale must be created
4. Lake Management operations cannot be harmed

He stated that based on information from District counsel it appears that making this acquisition an eminent domain action could be completed, without rushing, in about five to six months time. He added that eminent domain might also allow the District to refinance the existing DWP revenue bonds. He explained that this could potentially save more than one million dollars annually in debt service. He reported that Bond Counsel representing the DWP has indicated that the only way the DWP revenue bonds can be defeased and refinanced is through an eminent domain process initiated by the District. He added that District Counsel Wayne Lemieux can provide additional information on this matter later in the meeting. Mr. Heule explained that evaluation of the potential impacts on employees begins with a comparison of benefits between the two organizations. He stated that the accompanying spreadsheet (see attached) summarizes and compares employee benefits for each organization. He explained that some of the most significant considerations include:

- DWP employees are represented by an employee association (union) and MWD employees are not. A three year MOU (January 1, 2011 through December 31, 2013) between the DWP and their represented employees was approved on April 19, 2011.
- DWP employees participate in the San Bernardino County Employee Retirement Association (SBCERA) and the MWD employees participate in CalPERS. The retirement formula for both programs is 2% at 55 years old. The current average SCBCERA cost to the DWP is 23.75% and for the MWD with CalPERS it is 18.729%.
- DWP employees do not contribute to Social Security and MWD employees do. The District pays 6.2% of employee wages to social security and the employee currently contributes 4.2%.

Mr. Heule reported that with the exception of the forgoing, benefits of union participation do not appear to have secured DWP employees more than MWD employees already enjoy. He added that this includes compensation rates. He explained that the retirement systems have reciprocal agreements with each other and therefore changing from one retirement system to another will not have a significant impact on employee retirement payments. He added that there would be no loss in service time for vesting and retirement payments will be the same except there would be two checks instead of one. Mr. Heule reported that there are many special districts in California that conduct multiple functions in the communities they serve explaining that their work is done in this way in order to avoid duplicative administrative and governing board expenses. He added that if the District acquires the DWP cost sharing of expenses associated with the general manager, Board of Directors, financial services and human resources will be shared. Mr. Heule reported that the proposed acquisition will also eliminate the need to activate the retail water service function of County Service Area 53C in Fawnskin, which would otherwise add another layer of government in the valley. He explained that assuring that Lake Management operations are not adversely impacted by MWD's acquisition of the DWP will require redirecting certain duties typically performed by the General Manager to the Lake Manager and Administrative Assistant. He added that this change will create ripple effects farther down the organizational chart. He explained that changes to the organization chart are currently being evaluated by Senior Staff and will be discussed in detail with the Administrative Committee, which could bring a report to the full Board at the May 19 meeting. Directors Murphy and Smith asked questions regarding the value of refinancing the DWP bonds. Director Smith commented that if there are

no significant savings achieved by refinancing the bonds he doesn't see the value. District Counsel Wayne Lemieux explained that the District should solicit financial advice regarding the likely costs versus savings of extending the bonds from a bond advisor before proceeding. Director Smith stated that if we can improve the water system then it might be worth it but if we would just be extending the due date on the bonds then it doesn't work for him. He asked if there was any danger of litigation. He commented that if we exercise eminent domain are any bond buyers going to complain or try to sue. Mr. Lemieux stated that some bond owners could potentially get upset or complain that the City was trying to defease the bonds but he isn't really worried about that. Director Eminger stated that he feels we need to consult a financial advisor as soon as possible so we can decide how to proceed. President Suhay stated that he feels we need to seek the advice of a bond advisor and a financial advisor. Mr. Lemieux stated that he has relationships with several bond counsels recommending Douglas Brown for bond counsel. Mr. Heule suggested Fieldman, Rolapp & Associates for the financial and investment advisor.

Director Eminger moved approval of directing staff to obtain proposals from Douglas Brown and Fieldman, Rolapp & Associates. Director Murphy seconded the motion and it was unanimously approved.

Director Murphy suggested we do research regarding the legal issues regarding CalPERS and San Bernardino County Employees Retirement Association. Mr. Heule advised that he and Ms. McGee will need to proceed with discussions of detailed personnel issues at the same time that the bond issues are being discussed. He asked Ms. McGee if she needs time to arrange her schedule to allow the time for this discussion. Ms. McGee stated that she has made provisions for others to handle some of her work so she can have the time to handle this issue. Director Smith commented that if the benefits to employees are equal, but there are no cost savings to customers (if it doesn't seem we are moving forward) then why is this beneficial? President Suhay stated that if it is neutral or even close to even, than any cost savings would be beneficial. Mr. Smith stated that property taxes would cease for some but breaking even on the bonds is what he was talking about as far as savings. Director Eminger stated that if it doesn't hurt employees and brings the community together, he is for it. Mr. Heule stated that before this is finalized, the Board will be assured that Lake Management Operations will not be harmed and that we are fulfilling the MWD Mission Statement. He added that the Board will be provided with a plan showing how to keep Lake Management whole. He explained that the bond counsel and employee benefits work will have to be done before the plan can be presented. President Suhay asked what Mr. Heule was requesting today. Mr. Heule explained that what he is hoping for today is the authority and money to proceed with seeking proposals for bond counsel, financial advisor, and a personnel consultant. Mr. Lemieux advised that we should concentrate on potential "deal breakers" first and then go on with other issues. Director Murphy asked if DWP has hired the new HR person yet. Ms. McGee stated that she is reviewing applications but no one has been hired as yet. Director Smith stated that time is of the essence since the community seems to think it is a "done deal".

Director Murphy moved approval to instruct staff to negotiate on employee relations regarding benefits and salaries. Director Fashempour seconded the motion and it was unanimously approved.

Mr. Heule inquired how he should get back to the Board with the information. The consensus was the information should be presented to the Administrative Committee. Director Smith advised that any decision should address the benefit to DWP as far as rate holders and what affect it would have on MWD.

PUBLIC FORUM

No comments were made

ANNOUNCEMENTS

Mr. Heule announced that Travis Carroll's memorial service will be held Saturday May 14 at 1:00 PM at Community Church by the Lake. He added that donations in lieu of flowers can be made to the Snow Summit Junior Race Team. He reported that he will be making a presentation to the Rotary Club next Thursday night explaining that topics will include lake levels, releases, in-lieu agreement, highway bridge removal, etc. He stated that the DWP Technical Review Team will be meeting tomorrow at 9:00 AM explaining that they will be reviewing precipitation, water production, well water level graphs in order to make decisions concerning conservation stages and connection limitations. He added that they will also be discussing future well drilling, cooperative supplemental water supply projects and potential water use restrictions during upcoming holiday weekends. Mr. Heule reported that he will be taking this afternoon, Friday and next Monday off.

DIRECTOR COMMENTS

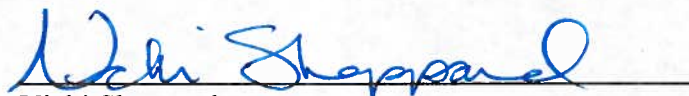
Director Smith asked what the feedback has been from DWP employees regarding the acquisition. Ms. McGee said they have many questions that can't be answered until they receive further information. President Suhay advised that the decision will not hurt either DWP or MWD employees. Director Fashempour stated that she would like more detailed information on the bonds and their cost.

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:11 P.M.

NEXT MEETING

Open Session at 1:00 P.M.
Thursday, May 19, 2011
Big Bear Municipal Water District
40524 Lakeview Drive, Big Bear Lake, CA



Vicki Sheppard
Secretary to the Board
Big Bear Municipal Water District

(SEAL)

BBMWd		DWP Represented	
Holidays	10 fixed plus 1 floating used at Christmas	12 fixed	
Personal Leave	None	Two days	
Vacation	1-5 years service = 10 days	6 mos - 5 years = 10 days	20 days max. accrual
	6-9 years service = 15 days	6-10 years service = 15 days	30 days max accrual
	10 or more years service = 20 days	over 10 years service = 20 days	40 days max accrual
	30 days carry over max per calendar year No policy to buy out unused vacation	(Exempt employees receive 40 hrs Admin. Leave annually. Can buy out up to 40 hrs. unused annually.)	
Sick Leave	8 hours per month float time can be used to buy service time in PERS	3,385 hours per pay period (7 3/33 hrs per month) Pay off of 25% of unused sick leave on termination after 5 yrs Pay off of 30% of unused sick leave after 10 yrs depending on leave balance Can cash out sick leave twice annually but must maintain at least 80 hours	
Medical Insurance	HMO for Employee and family	HMO for Employee and family w/Drs. in Big Bear Valley Pay the amt. of the premium of HMO for more costly plan Participants must pay \$10/month Can choose not to participate and receive \$200/month	Paid with cafeteria of \$1162/mo
Dental Insurance	Employee and family	Employee and family	
Vision	Not available	Employee pays premium DWP paid for employee	
Life Insurance	District paid policy for employee	twice annual earnings up to \$200,000	\$50,000
Social Security	Yes. District pays 6.2%, Emp. Currently pay 4.2%	Do not participate	
Retirement	CalPERS 2% at 55 District Pays	San Bernardino County Employees Retirement Association 2% at 55	DWP pays 15.75% plus up to 8% of employees portion
Wages/Salaries	Seven steps	Five steps	
	Auto COLA if CPI less than 5%	Defined by MOU	
	5% wage premium after 3 years at top step	Longevity pay	5 yrs service 1% of salary lump sum payment annually 10 yrs service 2% of salary lump sum payment annually 15 yrs service 2.5% wage increase 20 yrs service 5% wage increase
Compensatory Time Buy Out	No written policy on buy-out	Can buy-out up to 120 hrs annually	
Tuition Reimbursement	No Policy	For directly related departmental service	Up to \$2250/fiscal year
Uniforms for Field	Shirts, pants, and boots provided	Provided by DWP plus \$163 for work boots annually, plus \$25 for steel toe boots	Laundry service for field clothes
Clothing for Office	No policy but occasionally provide logo shirts or sweaters	DWP reimburse up to \$150/year for logo office wear	
Field and Office Certification	No policy	For Water Distribution I or Water Treatment I For each additional level of certification	When required for job = \$500/yr = \$400/yr when not required \$100/yr
Auto allowance	No policy	\$600/month for Water Superintendent and GM	