

***MINUTES OF A REGULAR MEETING OF
BIG BEAR MUNICIPAL WATER DISTRICT
HELD ON THURSDAY, MAY 17, 2012***

CALL TO ORDER

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

DISCUSSION AND ACTION ON CLOSED SESSION ITEM

District Counsel Wayne Lemieux reported that at the closed session on May 3rd employee compensation matters were discussed with a labor negotiator who was given instructions on how to proceed.

REPORTS

General Manager, Scott Heule reported that although the end of the ACWA conference was rather unusual, the meetings prior to Friday morning were interesting and worthwhile. He listed some of the meetings that they attended including: "Employment Litigation, Limiting Liability Through Governance" which really was about the roles and responsibilities of the Board of Directors individually and collectively vs. their employee and General Manager and his staff, "The Public Records Act: What Is Private These Days and What Isn't" explaining that this was eye opening and will generate some changes in how we handle these matters at the District, "A Case Study On Retirement Benefit Restructuring" by the Irvine Ranch Water District. He explained that they paid two consultants to perform an analysis of their retirement benefit alternatives with one objective to provide, with both District and Employee funding, replacement income at age 65 or an ability to retire sooner with a supplemental benefit. Mr. Heule reported that he attended a SAWPA (Santa Ana Watershed Project Authority) OWOW (One Water One Watershed) Forest First meeting yesterday. He explained that, in addition to other USFS employees, the Forest Supervisor Jodie Noran made an interesting presentation about the history of the San Bernardino National Forest and emphasized the value of healthy forest, chaparral, and wet meadows for water supply. He added the during the meeting a comment was made that the current forest practice grows unneeded trees, hazardous forests due to fire danger that are all irrigated by downstream water agencies. He explained that the point is that a thinner timber stand, chaparral instead of grass, and wet meadows, store ground water that is released slowly over the year. He added that dense forests suck up the water, grassy hillsides easily erode, and deeply eroded meadow areas drain ground water rather than store it. He explained that the San Bernardino National Forest and SAWPA have signed a MOU that is intended to collaborate by cost sharing restoration measures that will increase the water yield of the forest for downstream water districts. Mr. Heule reported that there is still no word from Caltrans regarding the work at the dam.

Lake Manager, Mike Stephenson reported that we received warm water fish this week (bass and bluegill) adding that they gave us some very nice extras. He commented that the May Trout Classic trout were delivered yesterday adding that they look good. Mr. Stephenson commented that he is nervous about the warm lake temperatures reporting that in 2010 the lake temperature at the east end was 58.2° and 54.5° at the west end, in 2011 it was 56° at east end and 53° at the west end, and today it is 62.7° at the east end and 58.8° at the west end. He added that this year's temperatures are warmer than he could find for this date anytime before and the warmest spring since 1895 explaining that this warm water is ideal for seasonal weed growth.

President Eminger reported that the ACWA Conference was very informative.

APPROVAL OF CONSENT CALENDAR

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

- Minutes of a Regular Meeting of May 3, 2012
- Warrant List Dated May 10, 2012 for \$77,807.49
- Approval of a Resolution of the Board of Directors of Big Bear Municipal Water District Requesting the Board of Supervisors of the County of San Bernardino to permit the Registrar-Recorder/County Clerk to render election services for a General District Election to be held on November 6, 2012

CONSIDER AUTHORIZING STAFF TO SOLICIT BIDS FOR DAM STRUT PAINTING

Mr. Heule explained that prior to the removal of the old highway bridge from the dam, Staff asked MWH to prepare bid documents and specifications for painting the metal struts on the dam. He reported that MWH estimates that preparation and painting of the exposed metal struts on the dam will cost about \$68,000. He added that the work is considered maintenance of an existing facility. He commented that as long as all debris from sandblasting and painting is contained, and prevented from falling into Bear Creek below, the project can be categorically exempt from CEQA. Mr. Heule stated that Staff would like to get approval from the Board to solicit bids for the work in hopes of awarding the work for completion while the weather is warm. He explained that the bidding process and oversight during the work will require some additional effort by MWH. He reported that Staff estimates this cost not to exceed \$8,000. Director Smith asked if MWH has a list of contractors to contact commenting that this is not an average painting job. Mr. Heule stated that MWH will review the bid documents and assist with the bid process.

Director Smith moved approval of authorizing staff to solicit bids for dam strut painting.
Director Fashempour seconded the motion and it was unanimously approved.

PROVIDE DIRECTION TO STAFF REGARDING IN-LIEU PROGRAM ENHANCEMENTS AFTER PRESENTATION BY DISTRICT ENGINEER DON EVENSON, MWH

Mr. Heule introduced Don Evenson, MWH, who made a PowerPoint presentation on In-Lieu Water Delivery History from 1977 – 2012 (see attached). Mr. Evenson discussed in-lieu averages including Mutual lake releases, fishery lake releases, and in-lieu deliveries. He explained the 1977 judgment and the SWRCB order number 95-4 that directed the District and Mutual to release water from Big Bear Lake to maintain the fishery in Bear Creek below Bear Valley Dam. He explained that 1999 Memorandum of Understanding that modified the in-lieu agreement for two years to provide assurances the SBVMVB could meet their high elevation in-lieu obligations while their Greenspot Pipeline was under repair. Mr. Evenson reported on the 2006 flood control release policy that adopted a policy to maintain lake levels one foot below full between December 31 and March 31. He reported on the in-lieu concept discussions in 2010 to determine if the in-lieu agreement could be modified to increase water levels in Big Bear Lake during the summer recreation season and provide SBVMWD water storage in Big Bear Lake for emergency purposes adding that discussions were put on hold before any detailed discussions or evaluations on the limitations of storage and releases were held. Director Smith stated that he would like to pursue ways of getting credit for water releases. President Eminger asked if most of the water used by Mutual was for irrigation. Mr. Evenson stated that it was used for irrigation but explained that is changing from irrigation to drinking water. Mr. Heule stated that the value to SBVMWD would be Lake storage creating the opportunity to possibly save some money on the in-lieu agreement. Director Smith commented on lake releases stating that releasing water and

not being able to use it is a waste. Mr. Heule asked Mr. Evenson what the next step should be. Mr. Evenson explained that he would have to work out a scope of alternatives and work out a cost sharing agreement proposal. Mr. Heule asked what type of scenarios would we need to come up with. Mr. Evenson said we would need to look at flood control needs and releases and where we can use the water instead of sending it to 7 Oaks Dam. Director Smith stated that it is definitely worth looking at if they (SBVMWD) want to share costs for the study. He commented that keeping the level high during recreational periods and Mutual gets water that doesn't have to be spread or pumped is a definite benefit and very valuable. Director Fashempour asked if there was a sense of what the savings will be. Mr. Evenson stated if they get permanent storage and have complete control of use of the storage it would be very valuable. Director Smith asked if Mr. Evenson is representing the District or Watermaster. Mr. Heule explained that Mr. Evenson is working as the District's representative. Director Smith stated that he feels it would be good to pursue this right away since Mike Huffstutler, Bear Valley Mutual, has been talking about retiring. Mr. Evenson stated that he and the District both have a good relationship with Muni and Mutual and it would be good to pursue this as soon as possible. Director Smith thanked Mr. Evenson for a very good thorough breakdown and presentation.

It was the consensus of the Board that Don Evenson should consider options regarding the In-Lieu Agreement and come up with a proposal.

PUBLIC FORUM

No comments were made

ANNOUNCEMENTS

Mr. Heule reported that he and his wife Jackie would be traveling to North Carolina to visit his mother and brother for a few days after Memorial Day. He stated that Directors should be looking in their boxes next week for an advance copy of the proposed FY 2012-13 Budget. He explained that it will be the topic of full Board discussion on June 7th. He advised that before we meet again he will be celebrating 5 years with the District on June 1st. He thanked the Directors for this chance to work here at the BBMWD.

DIRECTOR COMMENTS

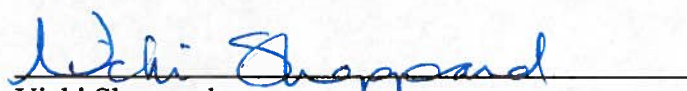
No comments were made

ADJOURNMENT

There being no further business, the meeting was adjourned at 2:18 P.M.

NEXT MEETING

Open Session at 1:00 P.M.
Thursday, June 7, 2012
Big Bear Municipal Water District
40524 Lakeview Drive, Big Bear Lake, CA



Vicki Sheppard
Secretary to the Board
Big Bear Municipal Water District

(SEAL)

In-Lieu Water Delivery History

1977 - 2012

Big Bear MWD Board Meeting
May 17, 2012

1977 – 2011 In-Lieu Averages

- Mutual's demands averaged 4,176 AF/year
- They were met by:
 - Mutual Lake Releases 421 AF/year
 - Fishery Lake Releases 157 AF/year
 - In-Lieu Deliveries 3,598 AF/year
 - Total Deliveries 4,176 AF/year

Three Important In-Lieu Periods Since The 1977 Judgment was Signed.

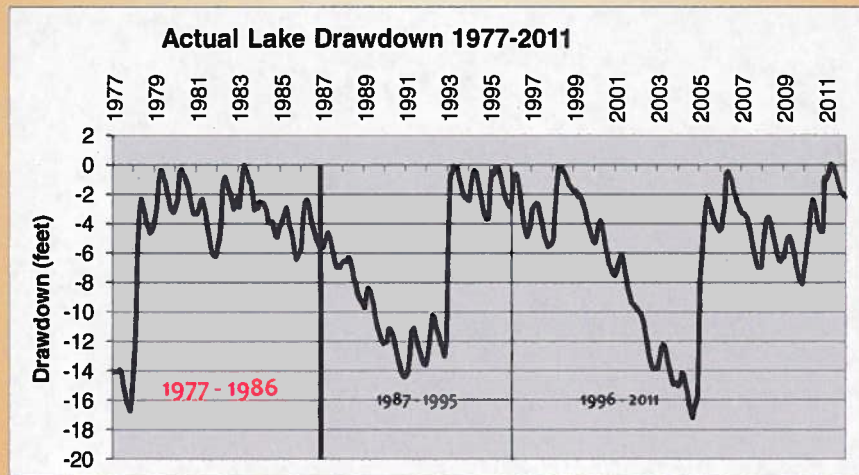
- 1977 – 1986. The years after the Judgment was signed and before BBMWD adopted the Mutual Lake Release Policy.
- 1987 – 1995. The years after BBMWD adopted the Mutual Lake Release Policy and before the In-Lieu Agreement with SBVMWD was signed.
- 1996 – 2012. The years since the In-Lieu Agreement with SBVMWD was signed.

In-Lieu History 1977 - 1986

- 1977 – The Judgment was signed and it authorized deliveries of water to Mutual “in-lieu” of lake releases.
- Mutual’s demands averaged 2,060 AF/year
- They were met by

▪ Lake Releases	930 AF/year
▪ In-Lieu Deliveries	<u>1,130 AF/year</u>
▪ Total Deliveries	2,060 AF/year
- Lake levels were mostly in the top four feet and it was a “wet” period.

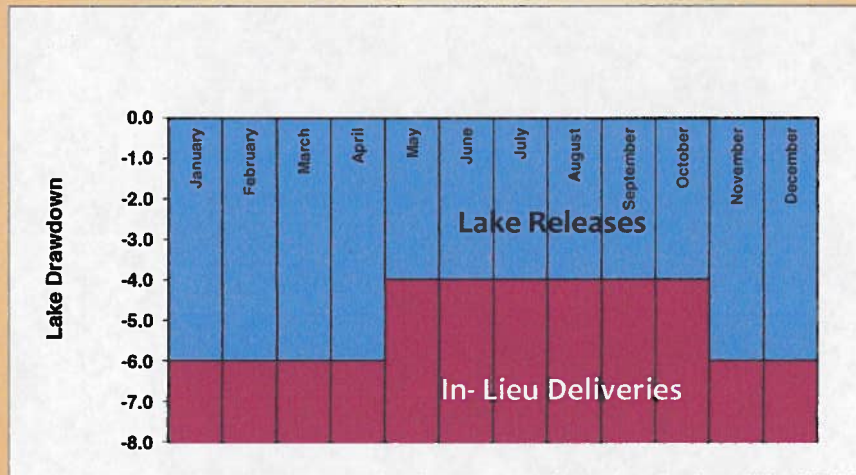
Historical Lake Levels



In-Lieu History 1987 - 1995

- 1987 – BBMWD adopted a Mutual Lake Release Policy which defined when In-lieu deliveries to Mutual would be made and when Lake releases would be made depending on the Lake level.

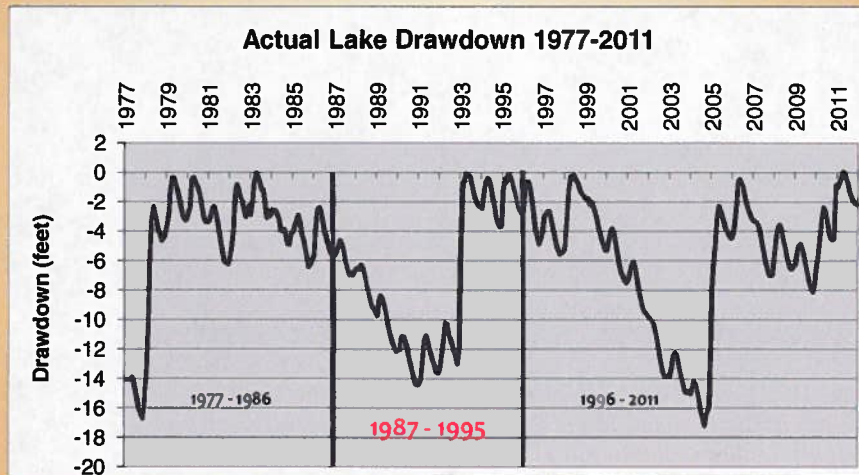
1987 Mutual Lake Release Policy



In-Lieu History 1987 - 1995

- Mutual's demands averaged 3,933 AF/year
- They were met by:
 - Lake Releases 145 AF/year
 - In-Lieu Deliveries 3,788 AF/year
 - Total Deliveries 3,933 AF/year
- Lake levels were below six feet down for much of this period but it ended with a "wet" period.

In-Lieu History 1987 - 1995



1995 SWRCB Order No. 95-4

- The SWRCB directed BBMWD and Mutual to release water from Big Bear Lake to maintain the fishery in Bear Creek below Bear Valley Dam.
- The Order required a minimum daily average flow of 0.30 cfs 300 feet below the Dam.
- The Order required a minimum daily average flow of 1.00 cfs 500 feet below the confluence of Bear Creek with West Cub Creek.

1995 SWRCB Order No. 95-4

- In 1998, BBMWD completed construction of the required flow monitoring equipment to measure compliance with the Order.
- The Big Bear Watermaster adopted accounting procedures to determine how much of the lake releases for “fishery protection” could be beneficially used by Mutual.
- Monitoring of fishery releases and Mutual’s use of the releases began in 1999.

1996 In-Lieu Agreement

- 1996 – BBMWD and SBVMWD entered into an In-Lieu Agreement for SBVMWD to deliver In-lieu water to Mutual beginning in FY 1996-97.
- The “base cost” of the In-Lieu Agreement was \$834,000 a year for ten fiscal years.
- Beginning in FY 2006-07 the “base cost” was adjusted for changes in AV relative to FY 2004-05
- The annual In-Lieu cost reached a maximum in FY 2009-10 at \$1,281,000

1996 In-Lieu Agreement

- The current (FY 2011-12) annual In-Lieu cost is \$1,204,000.
- Beginning in FY 2017-18 there will be an increase in the “base cost” from \$834,000 to \$895,000 that could increase the annual In-Lieu cost an additional \$80,000 to \$100,000 per year depending on the AV at the time.

1999 Memorandum of Understanding

- 1999 – BBMWD and SBVMWD entered into a Memorandum of Understanding that modified the In-Lieu Agreement for two years to provide assurances that SBVMWD could meet their high elevation In-Lieu obligations while their Greenspot Pipeline was under repair.
- 2001 – The MOU was extended for two years, until the end of 2002.

1999 Memorandum of Understanding

- MOU allowed SBVMWD to deliver In-Lieu Water when the lake level was high enough that lake releases would normally be made.
- MOU allowed an equivalent amount of water to be stored in Big Bear Lake in the event SBVMWD needed it to meet their “high elevation” In-Lieu obligations in the following years.
- Unused water would be returned to BBMWD.

1999 Memorandum of Understanding

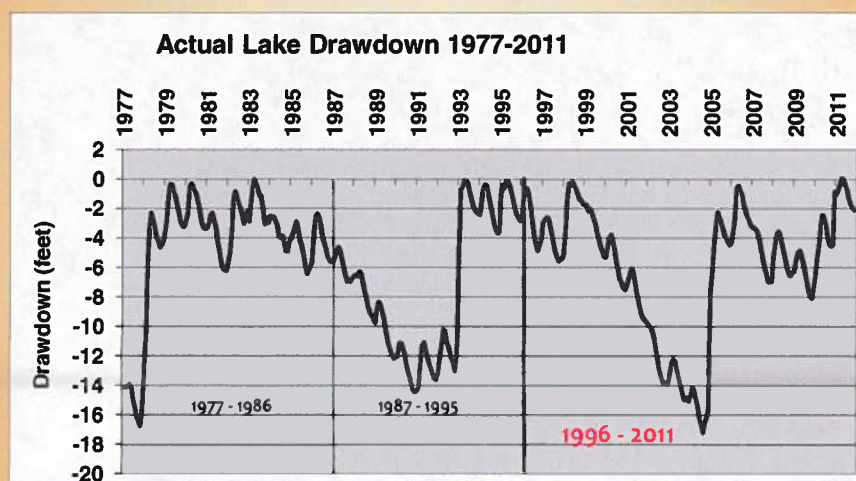
- In 1999 SBVMWD delivered an extra 3,501 AF of In-Lieu water to Mutual, which increased lake levels about 1.2 feet.
- During the four years of the MOU, SBVMWD did not need any of the water stored in the lake for “high elevation” In-Lieu requirements.
- Increased evaporation from the lake over the four years of the MOU was estimated to be 893 AF.
- BBMWD got the balance of 2,608 AF at the end of 2002 and the MOU was terminated.

1996 In-Lieu Agreement

- For the 16 years under the In-Lieu Agreement:
- Mutual's demands averaged 5,636 AF/year.
- They were met by:

▪ Mutual Lake Releases	257 AF/year
▪ Fishery Lake Releases	344 AF/year
▪ In-Lieu Deliveries	<u>5,035 AF/year</u>
▪ Total Deliveries	5,636 AF/year
- Lake levels declined to a record low and recovered.

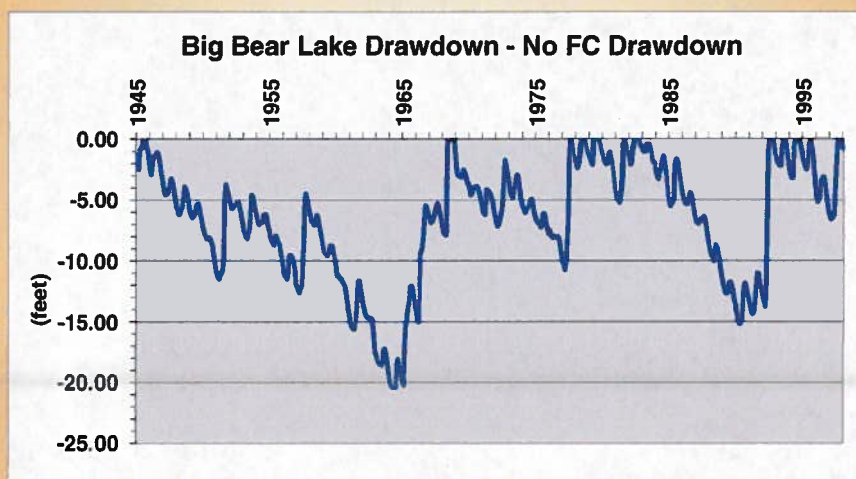
1996 In-Lieu Agreement



2003-04 In-Lieu Studies

- To better analyze in-lieu needs, BBMWD, SBVMWD and Mutual jointly conducted a Lake Management Study.
- They agreed to use a 52-year period that included three wet and dry cycles with the lake full at the beginning and end of the 52-year period.
- The period selected was between 1947 and 1998.
- The period was later modified to use 53 water years between October 1945 and September 1998.

Lake Drawdown Under In-Lieu Agreement



Mutual's Demands and In-Lieu Deliveries

- Average values for this 53-year period were estimated to be:

- Mutual's Demands 3,626 AF/year

- Met by:

▪ Mutual Lake Releases	661	AF/year
▪ Fishery Lake Releases	150	AF/year
▪ In-Lieu Deliveries	<u>2,815</u>	<u>AF/year</u>
▪ Total Deliveries	3,626	AF/year

2006 Flood Control Release Policy

- 2006 – BBMWD adopted a flood control release policy to maintain lake levels one foot below full between December 31 and March 31.

- The estimated impact on Mutual Deliveries

▪ Lake Releases	578	AF/year
▪ Fishery Releases	153	AF/year
▪ In-Lieu Deliveries	<u>2,895</u>	<u>AF/Year</u>
▪ Total Deliveries	3,626	AF/year

2006 Flood Control Release Policy

- Estimated long-term average lake releases for Mutual were reduced from 661 to 578 AF/year, a decrease of 83 AF/year.
- Estimated long-term average In-Lieu Deliveries increased from 2,815 to 2,895 AF/year, an increase of 80 AF/year.
- The cost of In-Lieu Water was priced at \$150/AF.
- The increase in the “base cost” of the In-lieu Agreement was \$12,000 per year.

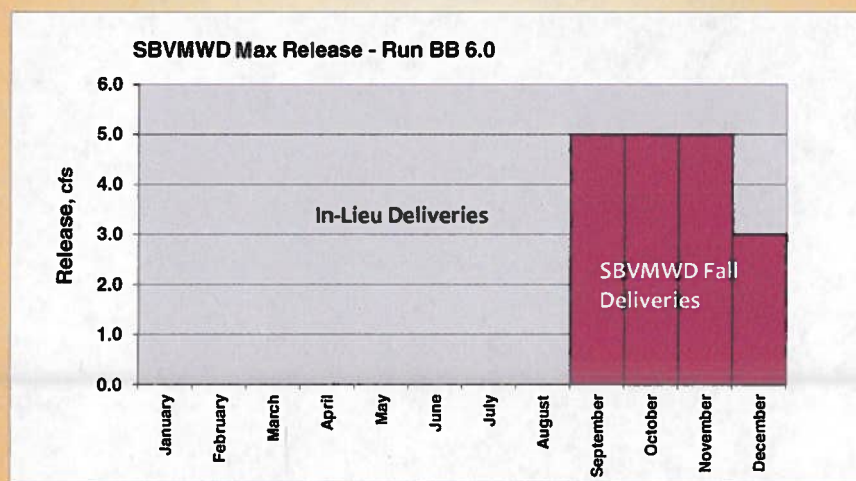
2010 In-Lieu Concept Discussions

- BBMWD and SBVMWD held further discussions to determine if the In-Lieu Agreement could be modified to:
 - Increase water levels in Big Bear Lake during the summer recreation season (between Memorial Day and Labor Day), and
 - Provide SBVMWD water in storage in Big Bear Lake for “emergency” purposes

2010 In-Lieu Concept Discussions

- BBMWD would continue to release water for fishery protection (SWRCB Order 95-4).
- SBVMWD would meet Mutual's needs for lake water, increasing their In-Lieu deliveries.
- BBMWD would release water to SBVMWD in the fall months, after Labor Day, when the lake is in the top 6 feet, to make-up for increases in In-Lieu deliveries.
- When fall lake releases are insufficient to "make-up" for In-Lieu increases, SBVMWD could draw upon the additional water stored in the lake.

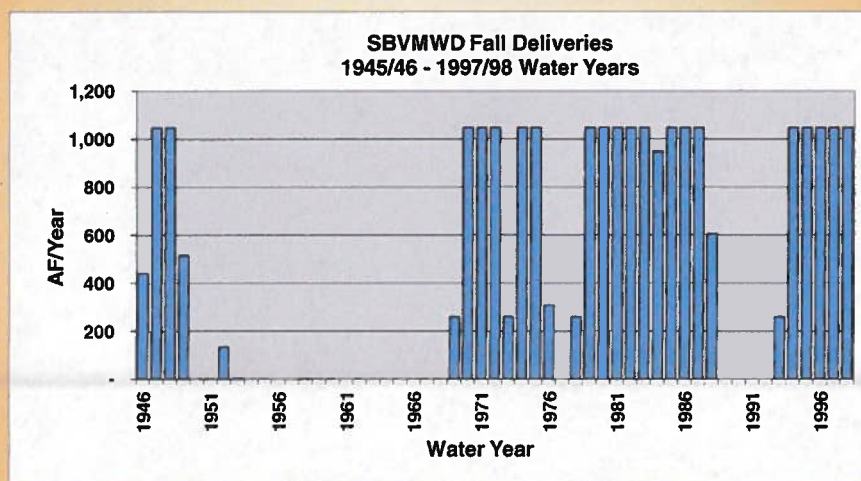
2010 In-Lieu Concept Discussions



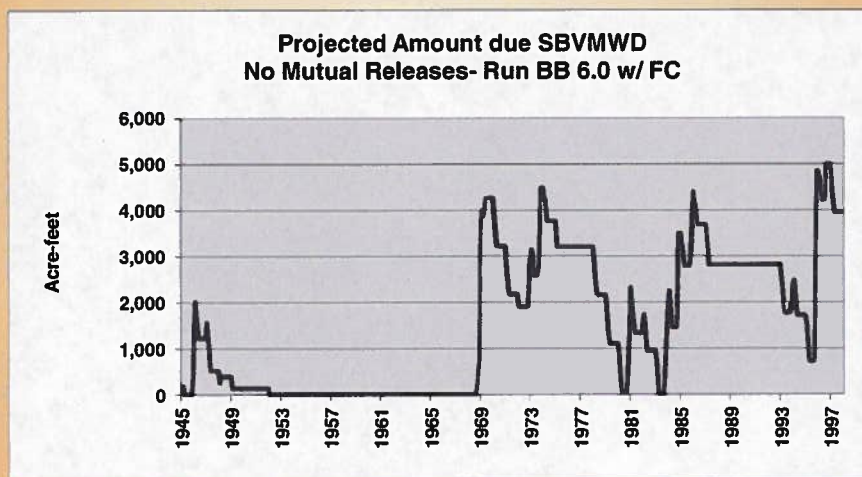
2010 In-Lieu Concept Discussions

- Impacts on Mutual Deliveries:
 - Mutual Lake Releases 0 AF/year
 - Fishery Lake Releases 191 AF/year
 - In-Lieu Deliveries 3,435 AF/Year
 - Total Deliveries 3,626 AF/year
- The increase in In-Lieu Deliveries over existing agreement was estimated to be 540 AF/year
- Fall deliveries to SBVMWD were estimated to average 470 AF/year

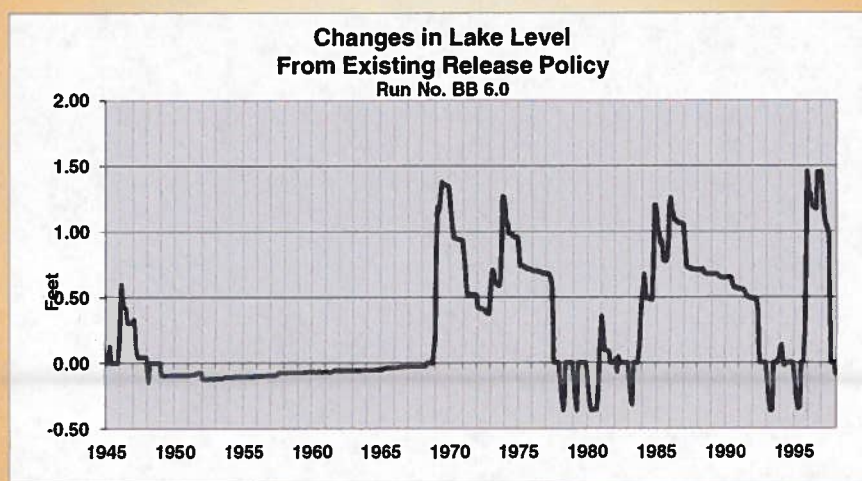
2010 In-Lieu Concept Discussion



2010 In-Lieu Concept Discussions



2010 In-Lieu Concept Discussions



2010 In-Lieu Concept Discussions

- The idea was to develop a working operational plan that would be beneficial to both agencies and would not change the existing cost of the In-Lieu Agreement.
- The discussions were put on hold before any detailed discussions or evaluations on the limitations of storage and releases were held.

2012 Discussions/Concepts

- SBVMWD expressed interest in resuming the 2010 discussions on the In-Lieu Agreement.
- SBVMWD has an interest in water storage in Big Bear Lake, improving on the 1999 MOU experience.
- A concept that would eliminate summer lake releases for Mutual, better manage fall deliveries to SBVMWD, provide storage opportunities for SBVMWD and reduce In-Lieu costs could be developed and evaluated.