

***MINUTES OF A SPECIAL MEETING WORKSHOP OF
BIG BEAR MUNICIPAL WATER DISTRICT
HELD ON WEDNESDAY, JANUARY 16, 2013***

The Open Session workshop began at 9:00 AM. Those in attendance included President Smith, Director Murphy, Director Lewis, Director Suhay, Director Eminger, General Manager Scott Heule, Lake Manager Mike Stephenson, and Board Secretary Vicki Sheppard.

Big Bear Municipal Water District Workshop to discuss Succession Planning, District Reserve Funds Plan, Trout Pond, Lake and Launch Ramp Use Fees

Mr. Heule made a PowerPoint presentation covering the above subjects.

Succession Planning

Mr. Heule reported that loss of organizational memory and core expertise will likely occur as half the District employees retire within the next five to six years. He showed a slide explaining how it will actually save money (see attached). Director Eminger asked if there were employees in line to take over for retiring employees. Mr. Heule explained that no specific employees were in line. Director Murphy stated that we need to look at employees we currently have and their skill sets as well as outside possibilities. Director Suhay stated that if Lake Manager Mike Stephenson retires we would have to plan well ahead and be able to replace him with someone who had the certificates and connections that he has. Mr. Heule reported that we want to look at job sharing and cross training. It was the consensus that Succession Planning should look for:

- Job sharing, cross training for potential in-house candidates
- Specialty training and certifications
- Include candidates at conferences/meetings
- Continuing education reimbursement
- Let seasonal employees know there is potential opportunity for advancement

Reserve Funds

Mr. Heule reported on Reserve Funds and Ending Reserve Fund Balances (see attached). He stated that the Budget & Finance Committee wants to investigate opportunities to diversify District reserve funds from LAIF into federally insured certificates of deposit with similar return rates of 0.35%, which is what the District is getting today. He explained that Crowell, Weedon & Company, here in Big Bear Lake, has options for purchase of CD's that are federally insured and maturities range from 3 months to five years or more. Compared to our current rate it appears the District can secure similar return on our investments if the money is invested in a ladder type maturity distribution of CD's. The Committee does not want to encumber future Boards of Directors with any investment longer than about 18 months because it ties the money up too long and would hamper plans a future Board might have concerning the use of District funds. President Smith explained that bonds are not insured so they are looking at CD's. The consensus was that:

- The Budget & Finance Committee report back to the full Board
- Ladder investment in CD's
- Not encumber future Boards or Board Members

Trout Pond

Mr. Heule reported that there are two extreme options for the Trout Pond. He explained the Active Management and the Passive Management options (see attached). He stated that we might want to sell the entire property if we could get an appraisal of the value. President Smith stated that he does not feel the District has any business running a Trout Pond business. He added that he tends toward the passive side explaining that the pond is to stop run-off and we should turn it over to someone else to run as a business. He reported that the sediment basin was the reason we wanted to buy it in the fires place. He stated that we could talk to Park & Rec. or the Discovery Center explaining that the District does not have enough employees to run a trout pond business. Mr. Jim Hart, Big Bear Lake resident, stated that we could run a business in partnership with another organization in the Valley like the City of Big Bear Lake or Park & Rec. and still maintain control. Mr. Jack Williams, Big Bear Lake resident, commented that it is now a "water feature" and not really a trout pond. Mr. Heule reported that we might want to have a "pow-wow" with other valley agencies to look at other joint options. The consensus was that the District should:

- Choose the Passive Management option
- Retain rights for excavation of "water feature"
- Estimate the real estate value of the entire property
- Back to Administrative Committee
- Springtime pow wow

Operations Budget

Mr. Heule reported that the Budget and Finance Committee has estimated that recreational operations revenue falls short by about \$150,000 annually compared to its expense (see attached). He explained that in an effort to recoup operational expenses from users of the Lake and launch ramps a proposal has been developed for an annual boat launch access pass (BLAP). He stated that the pass could be purchased for \$25 and would allow unlimited launching at either the West or East Boat Launch ramps. He added that regular users of the District launch ramps would therefore pay their share of the expenses associated with staffing, maintenance and operation of the ramps. Mr. Heule reported that boat owners that have private docks do not impact the ramps as much because they would be launching and retrieving their boats just at the beginning and end of the season. He explained that for these boat owners a proposal for a single use boat launch pass is proposed. He added that boaters renting slip space at a private marina would not need to purchase a BLAP because they would be launching from a private marina. Mr. Heule reported that assuming similar lake permit sales as occurred during 2012, the sale of BLAPs, increases in the Quagga surcharge and daily permit fees, the District accounting department has estimated that 2013 revenue would increase by about \$126,000. He explained that Staff has pointed out that implementation of a program that requires more pieces for seasonal ramp attendants to sell and account for, the explanations and confrontation that will be required and educating dock owners and marina slip holders will be very difficult. He added that Staff suggests that fees for Quagga and the Lake permit price be increased sufficiently to fund the shortfall in operations expenses. He reported that this approach would not allocate expenses evenly for boater's impacts at the ramps but it maintains the current approach to permit sales and would avoid the need for lengthy conversations, reduce angry customer exchanges when boaters attempt to launch without a BLAP or single use launch pass and ease the educational burden necessary to implement a new approach to Lake use. Mike Stephenson suggested that we include a cost of living increase each year so we never have to address this again. Mr. Heule reported that in response to a request from the Operations Committee Staff have prepared three alternative fee schedules to recover or help to recover the shortfall in recreational operations expenses. He

explained that the first alternative includes an unlimited use boat launch access pass and single use boat launch pass that is projected to generate about \$126,000 in new revenue. The second and third alternatives only propose increases in permit and Quagga fees without a change to the method of collection and they are projected to generate \$154,000 and \$127,000 respectively. Director Murphy stated that he feels the BLAP option is the only really fair option. Director Suhay stated that the BLAP is logistically very difficult. Alan Sharp, Big Bear Marina, agreed that the BLAP is logistically very difficult and would be difficult for the Marina's also. Jack Williams stated that he feels the BLAP is a fair option. The consensus was that a decision would be made at tomorrow's meeting to approve one of three options (a new boat launch fee and or increase lake use fees).

Mr. Jack Williams commented on the first item, Succession Planning. He stated that formal and informal job descriptions need to be addressed. Mr. Heule explained that skills and interpersonal relationships (people skills) needed to be considered.

President Smith thanked the public for coming and for their input.

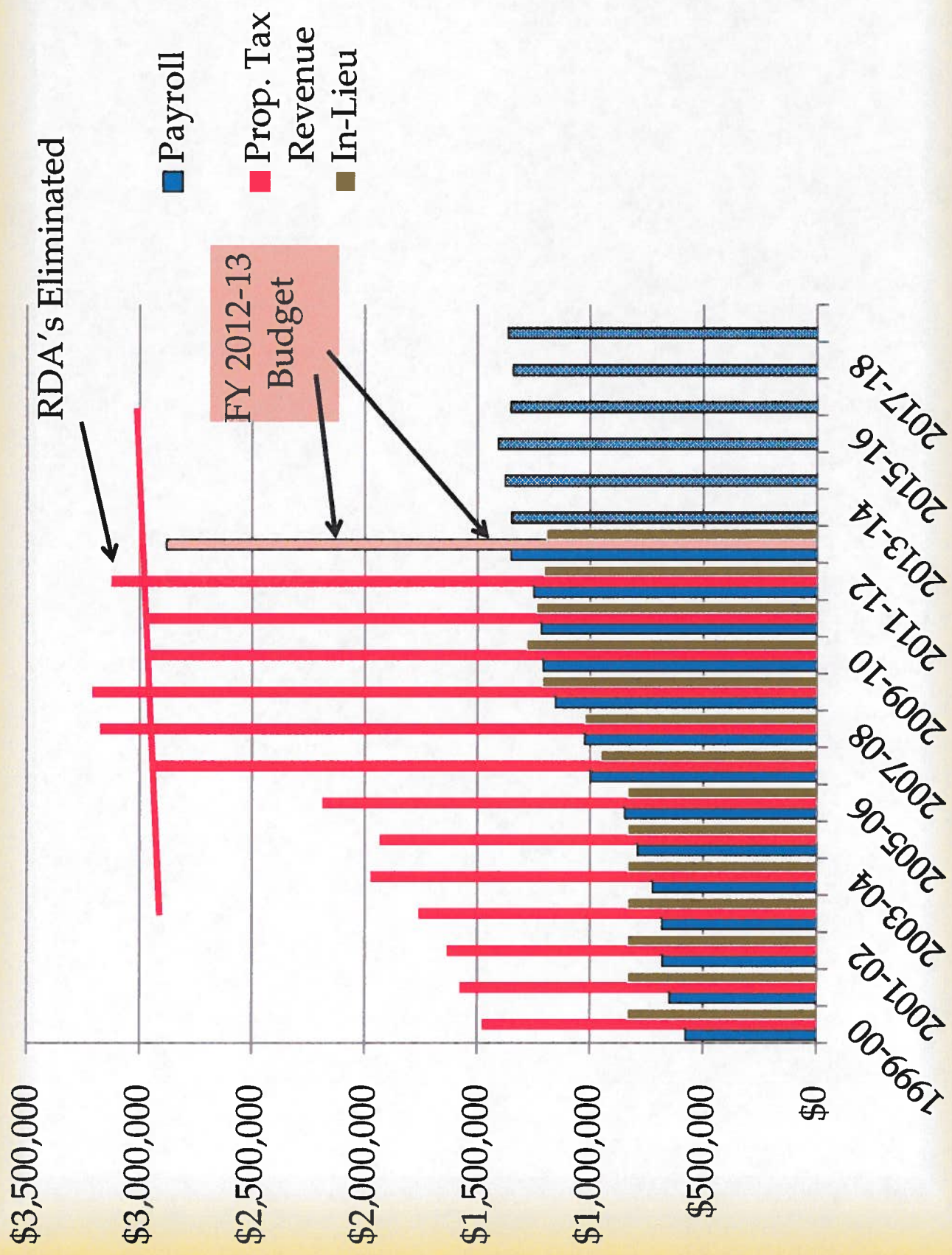
ADJOURNMENT

There being no further business, the workshop was adjourned at 11:57 AM.



Vicki Sheppard
Secretary to the Board
Big Bear Municipal Water District

(SEAL)



Reserve Funds



- ⌘ Administrative code limits LAIF deposits to \$5M
- ⌘ District investment policy is in the recently adopted Administrative Code (Ch. 5 Article 6)
- ⌘ Reserves Policy Principals
 - ⌘ Designated, obligated (encumbered), restricted
 - ⌘ Clearly defined purpose, strategic goals/plans
 - ⌘ Goal for minimum and maximum amounts
 - ⌘ How funded
 - ⌘ Triggers for drawing down

Ending Reserve Fund Balances June 30, 2012

œ In-Lieu	\$2,528,000
œ Genl. Reserves	\$ 600,000
œ Dam Repair	\$1,040,000
œ Lake Improvement	\$ 490,000
œ Rathbun	\$ 639,000
œ Capital	\$ 559,000
œ COP Construction Fund	\$ 499,000

Reserve Funds



- ∞ Designated
 - ∞ Earmarked for special purposes
 - ∞ Capital facilities and construction
 - ∞ Repair and refurbishment of facilities
 - ∞ Operating reserves
 - ∞ Vehicle / vessel replacement

Reserve Funds



- œ Obligated or encumbered
- œ Contractually committed for services not yet fulfilled
- œ Set aside for purchases taking place in the future

Reserve Funds



- ❧ Restricted (district has no discretion for use)
- ❧ Requirements of creditors
- ❧ Bond requirements
- ❧ Capital improvement fees
- ❧ Invasive species portion of dock fees
- ❧ Pension plan obligations

Options for the Trout Pond

Two Extremes

- ❧ Ongoing obligations for regular operations and maintenance expenditures
 - ❧ Fish rearing
 - ❧ Outdoor education
 - ❧ Public park
 - ❧ Landlord for house rental
 - ❧ Sediment basin
 - ❧ Regional trail system
- ❧ No ongoing obligations for regular operations and maintenance expenditures
 - ❧ Sediment basin
 - ❧ Regional trail system
 - ❧ Sell house and lease property
 - ❧ Sell property retain easement for trails and sediment basin

Options for the Trout Pond

Two Extremes



- œ Active management – programs or business
 - œ Own operate a business
 - œ Programs and activities
 - œ Staff and financial resources
- œ Passive management
 - œ Sediment basin
 - œ Trail easement
 - œ Lease/sell property
 - œ Rent/sell house
- œ Hire a planning consultant to design

Operations Budget



œFY 2012-13 Budget Figures

œOperations expenses = \$1,064,000

œOperations revenue = \$ 910,000

œShortfall = \$ 154,000