

NOTE: If you wish to address the MWD Board of Directors during discussion of an agenda item, or during the PUBLIC FORUM, please complete a Speaker Request card (blue in color) and give it to the Board Secretary. Unless a detailed presentation of an agenda item is required by the Board of Directors, it is requested that each speaker limit comments to FIVE MINUTES. All testimony given before the Board of Directors is tape recorded.

A G E N D A
BIG BEAR MUNICIPAL WATER DISTRICT

BOARD OF DIRECTORS
Regular Meeting
May 5, 2011

PLACE: Big Bear Municipal Water District
40524 Lakeview Drive, Big Bear Lake, CA 92315

Next Resolution Number: 2011-03

OPEN SESSION: 1:00 P.M.

- 1. CALL TO ORDER**
- 2. PLEDGE OF ALLEGIANCE**
- 3. DISCUSSION AND ACTION ON CLOSED SESSION ITEMS**
- 4. REPORTS**
 - A. General Manager
 - B. Lake Manager
 - C. Legal
 - D. Committee
 - E. Other
- 5. CONSENT CALENDAR**
 - A. Minutes of a Regular Meeting of April 21, 2011
 - B. Minutes of a Special Meeting Workshop of April 25, 2011
 - C. Warrant List Dated April 29, 2011 for \$44,075.50
- 6. BUSINESS**
 - A. Receive DWP Acquisition Issues Report from Staff and Provide Direction

7. PUBLIC FORUM

(The Board will receive comments from the public on items not on the agenda; no action is permitted on these items. Time set aside not to exceed 30 minutes total by all participants)

8. ANNOUNCEMENTS

9. DIRECTOR COMMENTS

10. ADJOURNMENT

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

***MINUTES OF A REGULAR MEETING OF
BIG BEAR MUNICIPAL WATER DISTRICT
HELD ON THURSDAY, APRIL 21, 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.

President Suhay asked that everyone take a moment to remember Travis Carroll who died last Thursday in a traffic accident.

REPORTS

General Manager, Scott Heule stated that all of us at the MWD are extremely saddened by news of the loss of Travis Carroll in a traffic collision last Thursday. He explained that Travis was more than an employee he was a long time friend and colleague of many here at the District and was appreciated for the job he performed. He reported that Travis was hired in 1996 as a Lake Patrol Trainee/Ramp attendant and served many years as a Lake Patrol Officer and was promoted to the year round position of Lake Operations Supervisor in 2007. Mr. Heule reported that much of his time has been devoted recently to gathering information and organizing opportunities for everyone to learn more about the DWP and its operations. He added that the next installment will occur during the meeting today. He stated that he asked the DWP senior management to attend and provide more details concerning budgets, grants, capital improvements and ground water resources adding that a wealth of information and experience is represented by these individuals. Mr. Heule introduced Interim General Manager Dani McGee, Water Resource Manager Bill La Haye, Water Superintendent Steve Wilson, Chairman Steve Foulkes, Commissioner Don Smith, and Commissioner Fred Miller. Mr. Heule reported that he and Mr. Stephenson are working closely with Tom Dodson and Associates to be sure all the "i's" are dotted and "t's" are crossed as Marina Point works toward securing their permits to open the marina at Cluster Pines and finish the dredging that was halted years ago by court order. He explained that Mike Stephenson and Tom Dodson & Associates staff will be meeting with the California Department of Fish and Game and the project developers next Friday to discuss potential additional environmental analysis and reporting requirements along with District regulations for shorezone alteration permits. Mr. Heule reported that at the Marina Task Force meeting yesterday, the owners gave high praise for how the District has been handling lake level management over the past months. He added that they recognize that the hassles associated with high lake levels now are temporary explaining that a full lake today will pay dividends years from now when the lake is fuller than it would have been if we were not being so careful managing it the way we have been. He explained that the maintenance/repair building at Pleasure Point is underwater, part of the cul-de-sac at the bottom of Pine Knot is flooded, illegal horse shoe pits and barbeques built on lake-bottom are underwater, and the northwest side of Stanfield is eroding because of the prevailing westerly winds and resulting waves. He added that we also have acres of additional lake surface for boating and fishing this summer. He reported

that one additional issue related to high lake levels is that the debris that has been high and dry around the shoreline for years started floating around the lake. He stated that Mr. Stephenson and his crew have collected tons of material already explaining that it will be a continuous effort throughout the summer.

Lake Manager, Mike Stephenson reported that the water release total to date is at 8,141 acre feet. He added that the release is currently at 100 CFS. He explained that Seven Oaks Dam is upset because our releases are filling them up and they are limited in what they can release at this time because of the Santa Ana Sucker Fish adding that they are trying to keep the water at 3,000 acre feet. Director Eminger asked how the water clarity of Seven Oaks Dam is at this time. Mr. Stephenson reported that it is not good explaining that there are lots of nutrients that cause algae problems. He reported that the District has been nominated to participate in a new herbicide trial that is milfoil specific. He reported that we might participate on a trial basis treating 5 to 50 acre parcels. He explained that we were nominated because our lake is cooler and deeper than some others. Director Murphy asked how many pounds of the new herbicide we might use and is it liquid or granular. Mr. Stephenson reported that we would use 14.8 pounds per acre and it is granular, not liquid. Director Fashempour asked if participation in the test program is free. Mr. Stephenson explained that the product, application, and the monitoring are 100% free to the District.

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 7, 2011
- Warrant List Dated April 15, 2011 for \$212,343.05
- Approval of a Concession Permit to Ruth Faley for Big Kahuna Hot Dog concession at the East Ramp

CONSIDER AUTHORIZING STAFF TO ENGAGE IN DISCUSSIONS WITH THE DEPARTMENT OF WATER AND POWER, CITY OF BIG BEAR LAKE (DWP) REGARDING THE POSSIBLE ACQUISITION OF THE DWP BY THE MWD

Mr. Heule began by making a PowerPoint presentation (see attached). He quoted a phrase from Tom Hanks "Cast Away" movie, "tomorrow the sun will rise, and you never know what the tide will bring". He went over some actions to date including some exploratory conversations with MWD and DWP, closed session wages and benefit discussions, the DWP system tour and discussions with senior staff, and the meeting on April 15th when the Acquisition AD HOC Committee met with representatives from the DWP and Local Agency Formation Commission staff in San Bernardino. He explained that according to LAFCO Executive Director Kathleen Rollings-McDonald the only action required of her agency as it relates to possible acquisition of the DWP by MWD is to clarify the Districts' Water Power to include retail water sales. He stated that in addition to Water, available District Functions include Parks and Recreation, Sewer and Fire Protection. He reported that she also thought that, although not required, it would be appropriate for the District to establish an Improvement District, which footprint would consist of the existing DWP water service area plus the North Shore from Fawnskin to Stanfield Cutoff. Mr. Heule added that during the discussion the DWP Rim Forest service area was discussed. He reported that DWP indicated that there have been ongoing discussions with Lake Arrowhead

CSD about their desire to acquire the system but that no formal action has been taken on the matter. He added that the timing of an MWD acquisition of the DWP was also discussed. Mr. Heule explained that the City charter requires an election to dispose of the DWP and the earliest that election could take place would be in November. He stated that based on that timetable the earliest an acquisition could be completed would probably be January 2012. He reported that staff will be exploring other options that might provide for an earlier completion of the acquisition process. Mr. Heule explained the benefits to the acquisition: eliminates a layer of Government, valley wide elected representation, MWD's water powers, no need for CSA 53C in Fawnskin, administrative cost savings, one GM and one Board instead of two, eliminated DWP property tax burden, and eliminates unusual governance of DWP. He went over the reasons that it is being addressed now. He explained that the Directors feel there are several conditions that would have to be met in order to finalize the acquisition and he went over those conditions: significant cost savings, creates efficiencies of scale, does no harm to Lake Management operations, does no harm to water supply operations, and positive or neutral affect on employees. He introduced Dani McGee who went over the administrative portion of the existing DWP organization chart (see attached). She explained that a new position will be added before July 1 that is an Executive Assistant with strength in HR. She added that some of the DWP staff has put in over 19 years of service. Mr. Heule then introduced Bill La Haye who went over the operations portion of the chart. He also went over the Capital Expansion and Rehabilitation projects. He explained the Water Use Efficiency Conservation chart on page 7 of the PowerPoint presentation. He reported that they have just added a new position as public information/conservation. He explained that this person will also upgrade their website and they will have a higher profile in the community. He added that they will also be adding a seasonal conservation person who will assist with homeowner landscaping conservation. President Suhay asked how they have added and kept personnel with less cash coming in. Mr. La Haye explained that they have been very efficient. He then introduced Steve Wilson who went over the field operations portion. Director Smith asked what other tasks they use seasonal employees for. Mr. Wilson explained that they use them for weed abatement, leaks, painting buildings, and so on. Ms. McGee went over the financial pages explaining that they had a rate increase but with less consumption it affects income. She covered grants, bonds and loans. Director Eminger asked how much the meter installation fee was. Ms. McGee explained that it depends on several factors such as location but it averages around \$1000. She stated that operating costs are under control explaining that they are down from last year. She added that there is a new water operations category this year that includes uniforms. Director Murphy asked about the debt service portion of a customer's bill. She explained that it is reflected in the bill but not shown as an individual item on the bill adding that customers may call and find out what that individual amount is if they wish. Ms. McGee distributed a financial handout covering debt service and debt source which she went over (see attached). Mr. La Haye went over "Rehabilitation Projects Fiscal Year 2011-12" (page 7 of the PowerPoint) explaining the various grants and loans adding that they experienced a big leap forward with their capital improvement plan. Director Smith asked about the restrictions on what grant money can be used for. Mr. La Haye explained that an Engineer's Report on what they plan to accomplish is completed when a project is planned and when it is approved it is pretty much what the USDA contract states (it can't be used for any other projects). Director Smith stated that it seems to be performance driven. Mr. La Haye stated "that is true" adding that they can't use the funds for other than the approved project. Mr. La Haye went over

pages 5 and 6 of the PowerPoint explaining the various grants and capital expansion projects for 2010-11 and 2011-12. Director Smith asked if there was a direct correlation between population and water use. Mr. La Haye stated that is hard to track adding that even if a customer doesn't use much water they still have to have their water connected. Ms. McGee stated that it is hard to track it house by house. President Suhay asked if water quality changed in high water (rainy) years. Mr. Wilson stated that is hard to say but could affect it adding that they keep a close eye on the mineral and contaminants in the water. Mr. LaHaye went over New Water Supply Development (page 8). Mr. Heule went over the various challenges to the acquisition consideration (page 8). Director Murphy stated that he believes the retirement plans could be kept separate. Mr. Heule stated that if an election is necessary it would prolong the process until at least the first of the year. District Counsel Wayne Lemieux explained that an election is required by City Charter but not by MWD. He explained the steps involved for condemnation/ eminent domain acquisition of the DWP by the MWD adding that could speed up the process greatly. Director Murphy asked what an election could cost the City. Mr. Lemieux explained that an election would cost more because it would not be a shared election adding that it could cost twice as much. Director Smith asked how you condemn something that is working. Mr. Lemieux stated you can condemn anything except money and you would not want to do it unless it was a cooperative effort (if you can make a deal it would happen faster). Director Smith asked how many of the DWP employees are members of the union. Ms. McGee stated that everyone except supervisors and seasonal employees are members. Mr. Heule explained that based on the numerous meetings, tours of DWP facilities by the Board and conversations with DWP Senior Management, the Acquisition Ad Hoc Committee recommends that the Board authorize Staff to engage in discussions with the DWP regarding the possible acquisition of the DWP by the MWD.

Director Smith moved approval of authorizing staff to engage in further discussions with the Department of Water and Power, City of Big Bear Lake (DWP) regarding the possible acquisition of the DWP by the MWD. Director Murphy seconded the motion and it was unanimously approved.

PUBLIC FORUM

No comments were made

ANNOUNCEMENTS

Mr. Heule announced that next Wednesday he and President Suhay, Director Smith, and Director Eminger will be attending the Santa Ana River Conference in Riverside. He added that next Thursday and Friday he will be attending General Manager training. He reminded everyone about the Special Board Meeting being held at the City of Big Bear Lake scheduled for next Monday at 9:00 am adding that if anyone wishes more information to contact him.

DIRECTOR COMMENTS

Director Smith asked why Seven Oaks Dam can't channel the water through the Edison Plant. Mr. Stephenson explained that it is all the same channel and Edison can't get to their plant because the water is too high explaining that it is flooded. Director Eminger commented about the Trout Pond stating that we are going to have a workshop next month. Director Murphy stated that the LA Times had a front page article about the high water levels in Big Bear Lake.

ADJOURNMENT TO CLOSED SESSION

The meeting was adjourned to Closed Session at 2:30 P.M to:
Conference with Legal Counsel Government Code Section 54956.8 concerning
acquisition of Department of Water and Power, City of Big Bear Lake.

RECONVENE TO OPEN SESSION

The meeting was reconvened to Open Session at 3:06 P.M.
No reportable action.

ADJOURNMENT

There being no further business, the meeting was adjourned at 3:07 P.M.

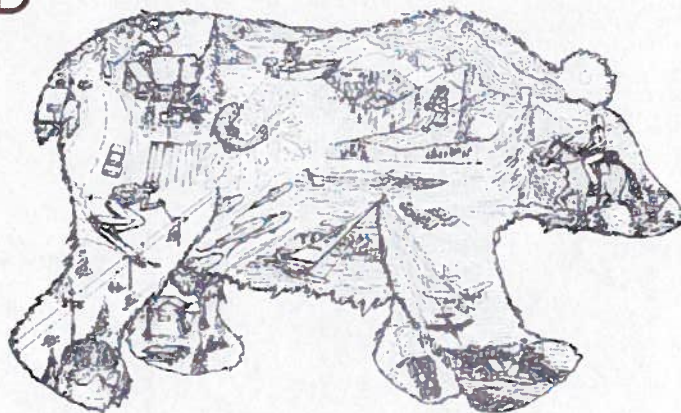
NEXT MEETING

Open Session at 1:00 P.M.
Thursday, May 5, 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)

Consider Acquisition of DWP by MWD



Big Bear Municipal Water District
Board Meeting, April 21, 2011

Tom Hanks, "Cast Away."

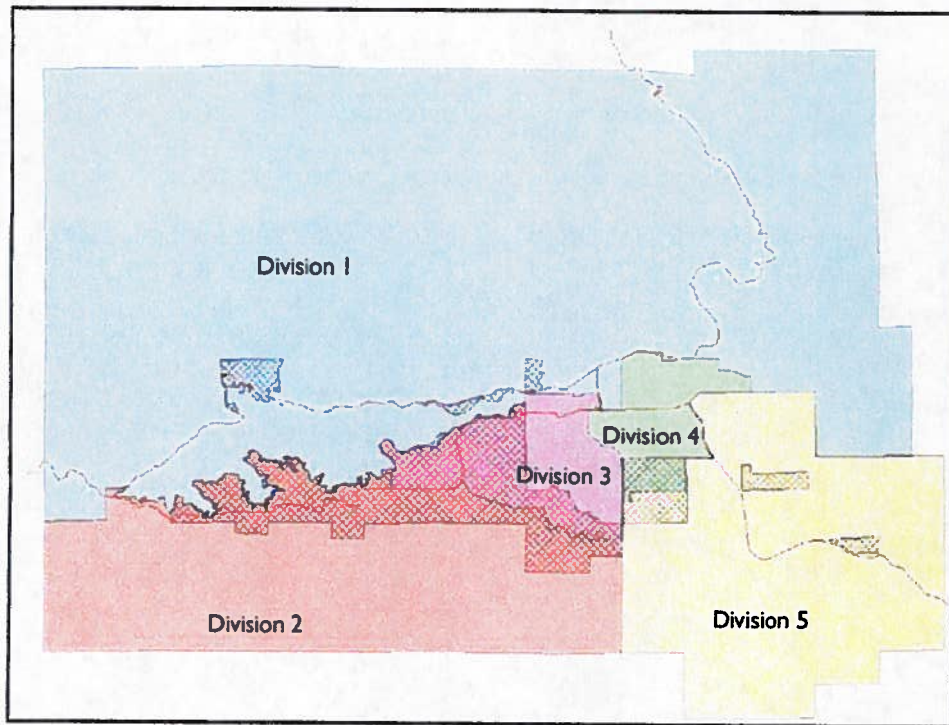
*"... tomorrow the sun will rise,
and you never know what the
tide will bring."*

Actions Taken to Date

- March
 - Exploratory conversations, MWD and DWP GM's
 - 28th Closed session wages and benefits discussion, MWD unrepresented employees/DWP represented employees
- April
 - 13th & 14th DWP system tour & discuss with MWD & DWP Senior Staff
 - 15th Acquisition Committee at LAFCO

Why?

- Eliminates layer of Government
- Valley wide elected representation
- MWD's water powers
- No need for CSA 53C in Fawnskin
- Administrative cost savings (\$200,000?)
- One GM and One Board instead of two
- Eliminates DWP property tax burden
- Eliminates unusual governance of DWP



Why Now?

- DWP GM Joel Dickson leaving
- DWP Board willing to seriously discuss
- MWD Board willing to seriously discuss
- City Council apparently willing to seriously discuss
- DWP admin. transition from City
- MWD GM experience at DWP

Conditions to Satisfy

- Significant cost savings
- Creates efficiencies of scale
- Does no harm to Lake Management Operations
- Does no harm to Water Supply operations
- Positive or neutral on employees

DWP Background

- Organization Chart
- Budget: Revenue and Inflows
- Budget: Expenditures
- Debt
- Cash Balances

Funding Applications for Infrastructure Replacement

- Grants Awarded:
 - 2008 - \$ 956,000 State Tribal Assistance Grant by EPA
 - 2009 - \$ 485,000 State Tribal Assistance Grant by EPA
 - 2010 - \$ 727,000 State Tribal Assistance Grant by EPA
 - 2010 - \$1,603,200 USDA – Rural Development Grant
- Bonds Issued:
 - 2010 - \$3,628,000 USDA – Rural Development Bond
 - 40 Years, 2.375%
- Funding 2011 applications pending:
 - Spring 2011 - \$6,000,000 USDA Application #1
 - Proposed \$5 Million Low-Interest Loan, 40 Years, 3.375%
 - Proposed \$1 Million Grant

Capital Expansion Projects 2010/11

Project	FY 2010/11 Budgeted Costs
USDA Application #1 – Magnolia Well, Cherokee Well, Erwin Lake Mains (partial)	\$1,584,908
East Valley & Lake William Wells	554,000
Infrastructure & Urban Water Mgmt. Plans	90,000
Direct Labor	114,511
Meters, Meter Boxes & Telemetry	44,800
Road Patch (project-related)	15,600
Knickerbocker Ridge	3,222
Overhead	129,444
Total Capital Projects	\$ 2,536,485

Capital Expansion Projects 2011/12

Project	FY 2011/12 Budgeted Costs
Equip Magnolia Well	\$ 684,205
East Valley Test Holes	508,292
Other Miscellaneous	91,300
Total Capital Projects	\$ 1,283,797

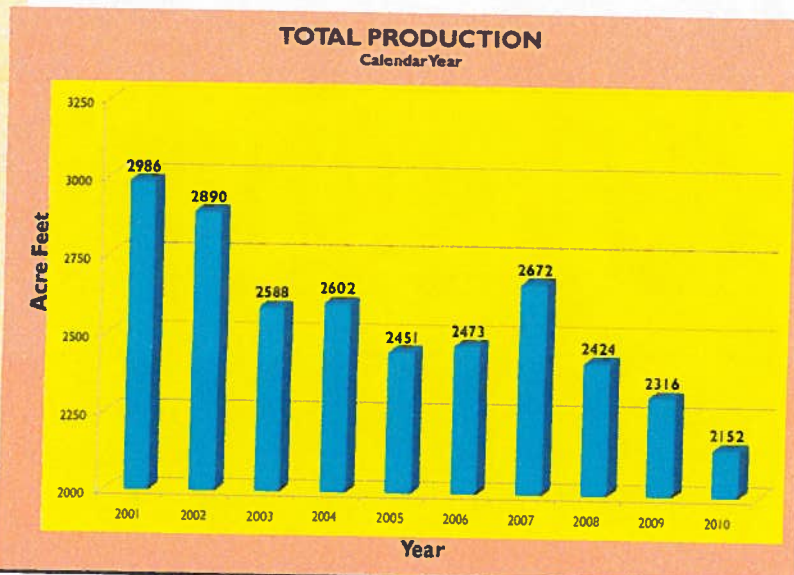
Rehabilitation Projects Fiscal Year 2010/11

Project	FY 2010/11 Budgeted Costs
USDA Application #1 - Lakeplant #6 Well, Seminole Well, Mainlines	\$ 3,557,942
Reservoirs- Recoat, Inspect & Clean	175,000
Well Rehab- Bow Cyn, Pennsylvania, Replace Well Meters, Boosters, Chlorine Stations	148,675
Direct Labor	136,829
Expand Radio-Read Meter Program	95,575
Replace Meters, Meter Boxes, ECRs	77,600
Add Telemetry - New Wells	60,000
Road Patch - Project-related	36,400
Division #2 Blending Line	25,000
Hydrant Replacement	11,000
Overhead	235,888
Total Rehabilitation Projects	\$4,559,909

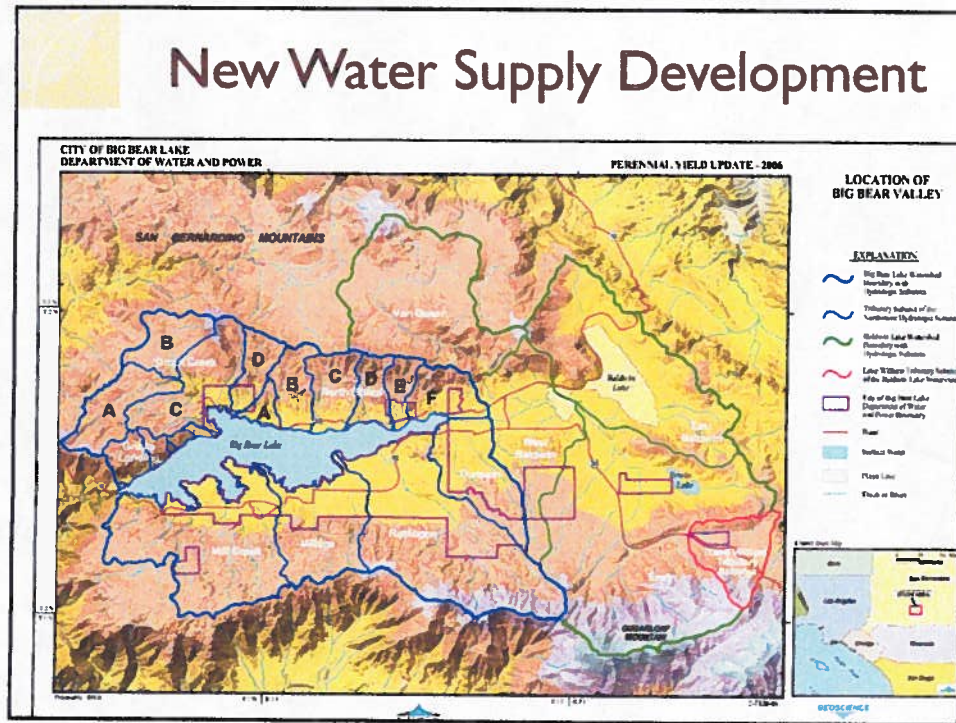
Rehabilitation Projects Fiscal Year 2011/12

Project	FY 2011/12 Budgeted Costs
USDA Contract #4 Main Replacement	\$2,646,612
USDA Contract #5 Main Replacement	2,589,223
USDA Contract #6 Well Equipping	1,971,287
USDA Contract #1 Pipeline Additional Scope	1,796,162
Reservoirs- Recoat, Inspect & Clean	178,472
Division #2 Blending line	178,472
Grout Creek Main Replacement	115,482
General Professional Services	106,193
Infrastructure Replacement Plan	104,984
Expand Radio-Read Meter Program	83,987
Replace Meters, Meter Boxes, ECRs	81,572
Misc. Well/Booster Rehabilitation/Telemetry	43,091
Road Patch - Project-related	26,246
CSD Blending Line - Engineering	15,748
Other Miscellaneous	118,403
Total Rehabilitation Projects	\$10,055,934

Water Use Efficiency/Conservation



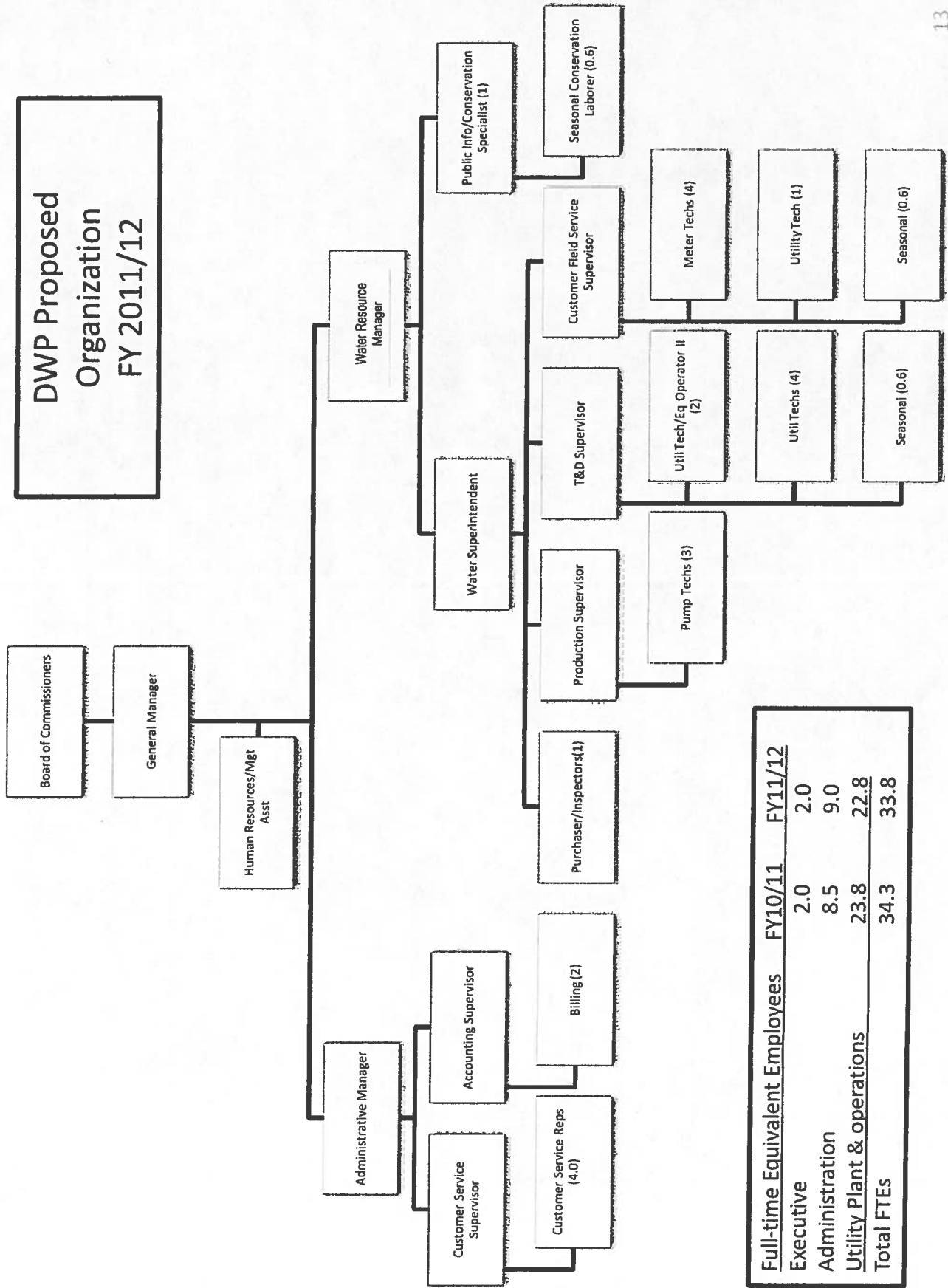
New Water Supply Development



Challenges

- Two employee retirement systems
 - MWD CalPERS
 - DWP SBCERA
- MWD Social Security
- DWP no Social Security
- Non-union and union shops
- Some differences in employee benefits
- With election long time line to complete

DWP Proposed Organization FY 2011/12



Full-time Equivalent Employees	FY10/11	FY11/12
Executive	2.0	2.0
Administration	8.5	9.0
Utility Plant & operations	23.8	22.8
Total FTEs	34.3	33.8

BIG BEAR LAKE DEPARTMENT OF WATER AND POWER

2011-12 SCHEDULE OF REVENUES/INFLOWS BY FUND & CATEGORY

Projected FY 2010-11 Proposed FY 2011-12 Budget

REVENUE FUND

Capacity Charges	\$ 573,008	\$ 152,119
Water Meter Installation Fee	20,000	18,224
Use of Money & Property	12,000	10,000
Service Charges & Usage Fees	9,264,977	10,037,495
Miscellaneous Fees and Charges	374,468	350,254
Total Revenue Fund	\$ 10,244,453	\$ 10,568,092

DEBT SERVICE FUND

Use of Money & Property	\$ 1,500	\$ 1,250
Total Debt Service Fund	\$ 1,500	\$ 1,250

SYSTEM REHABILITATION

Subventions & Grants	1,736,459	10,077,634
Total System Rehabilitation	\$ 1,736,459	\$ 10,077,634

CAPITAL FACILITIES

Subventions & Grants	1,347,341	889,542
Total Capital Facilities	\$ 1,347,341	\$ 889,542

Grand Total

\$ 13,329,753 \$ 21,536,518

Transfers (to) from Undesignated Reserves Reserves

1,529,271 (655,412)

Transfers to Vehicle/Equipment Reserve

(55,000)

Adjusted Total

\$ 14,859,024 \$ 20,806,106

BIG BEAR LAKE DEPARTMENT OF WATER AND POWER
2011-12 SCHEDULE OF EXPENDITURES BY FUND & CATEGORY

	FY 2010-11 Projected	Proposed 2011-12 Budget
Operations & Maintenance		
Source of Supply & Pump	\$ 1,226,998	\$ 1,227,718
Conservation	117,567	135,553
Transmission & Distribution	786,800	802,798
Customer Account Division	920,764	831,093
Customer Field Service	522,749	546,105
Water Operations	-	455,751
General & Administrative Division	1,890,717	1,147,457
Public Information	-	82,956
Property Taxes	116,220	120,000
Total Operations & Maintenance Fund	\$ 5,681,816	\$ 5,349,432
Debt Service		
Debt Service	\$ 3,891,395	\$ 4,116,943
Total Debt Service Fund	\$ 3,891,395	\$ 4,116,943
System Rehabilitation		
Source of Supply & Pump	\$ 1,676,367	\$ 2,493,055
Transmission & Distribution	1,811,901	7,562,879
Total System Rehabilitation Fund	\$ 3,488,268	\$ 10,055,934
Capital Facilities		
Source of Supply & Pump	\$ 1,462,857	\$ 1,271,229
Transmission & Distribution	434,689	12,568
Total Capital Facilities Fund	\$ 1,897,546	\$ 1,283,797
Grand Total	\$ 14,859,024	\$ 20,806,106

Debt

Debt Source	Principal Balance 6/30/11 (or upon full funding)
1996 Revenue Bonds (Matures 2022)	\$ 26,855,000
DWR Low-interest Loan (Matures 2015)	1,361,355
USDA 2010 Bond (upon full funding) (Matures 2049)	3,628,000
USDA 2011 Bond (upon full funding) (Matures 2050)	5,000,000
Totals	\$ 36,844,355

Debt Service	Current
1996 Revenue Bonds	\$ 3,408,600
DWR Low-interest Loan	325,324
USDA 2010 Bond	141,500
USDA 2011 Bond	229,617
Annual Debt Service	\$ 4,105,041

Cash Balances

Projected General Fund Cash Balance 6/30/11	\$2,299,425
Projected Debt Service Cash Balance 6/30/11	4,667,700
Projected Total Cash 6/30/11	\$6,967,125

Less:

2-Months Operations & Maintenance	\$ 935,000
Capital Projects and Asset Replacement Reserves	1,800,000
Vehicle and Equipment Reserves	317,400
Short-lived Asset Reserve (USDA-required)	26,400
Debt Service Reserves	4,108,467
Total Restricted and Assigned Cash	\$7,187,267
Projected FY 2011/12 Surplus (Deficit)	712,261
Projected Cash Available for future projects 6/30/12	\$ 492,119

Debt Service	
96 Bonds	\$ 3,409,000
\$5M Loan (parity)	325,324
USDA 2010 Bond	144,526
USDA 2011 Bond (projected)	229,617
Total Debt Annual Service	\$ 4,108,467

120% test	Fiscal Year 2011/12 Budget
Gross Revenue	10,569,342
Less:	
1) Necessary & Reasonable Maintenance & Operations Costs (Includes O&M costs; excludes depreciation, interest & amortization):	
Operations & Maintenance	(5,349,432)
	(5,349,432)
2) Excess Investment Earnings (excess of actual earnings over bond yield) Yield = 5-6%	
	-
Net Revenues	<u>\$ 5,219,911</u>
Debt Service Requirement	120% <u>\$ 4,930,161</u>
Net Revenues Excess/(Shortfall) 120% Test	<u>\$ 289,750</u>
Coverage Ratio	127%

100% Test	Using 10/11 Budget
Gross Revenue less connection fees	\$ 10,398,999
Less:	
1) Necessary & Reasonable Maintenance & Operations Costs (Includes O&M costs; excludes depreciation, interest & amortization):	
Operations & Maintenance	(5,349,432)
	(5,349,432)
2) Excess Investment Earnings (excess of actual earnings over bond yield)	
	-
Net Revenues (without connection fees)	<u>\$ 5,049,568</u>
100% Debt Service Requirement	<u>\$ 4,108,467</u>
Net Revenues Excess/(Shortfall) 100% Test	<u>\$ 941,101</u>
Coverage Ratio	123%

Conclusion: Net revenues (as defined) are adequate to meet 1996 Indenture Agreement requirements

Debt Source	Principal Balance 6/30/11	Interest to Maturity	Totals	Rate	Maturity
1996 Revenue Bonds	\$ 26,855,000	\$ 10,595,400	\$ 37,450,400	6.0%	2022
DWR Low-interest Loan	1,361,355	102,532	1,463,887	2.99%	2015
USDA 2010 Bond	3,628,000	2,031,999	5,659,999	2.375%	2049
USDA 2011 Bond	5,000,000	4,184,689	9,184,689	3.375%	2050
Totals	\$ 36,844,355	\$ 16,914,621	\$ 53,758,976		

Debt Service	Annual
1996 Revenue Bonds	\$ 3,408,600
DWR Low-interest Loan	325,324
USDA 2010 Bond	141,500
USDA 2011 Bond	229,617
Annual Debt Service	\$ 4,105,041

***MINUTES OF A SPECIAL MEETING WORKSHOP OF
BIG BEAR MUNICIPAL WATER DISTRICT
HELD ON MONDAY, APRIL 25, 2011***

The Open Session workshop began at 9:00 am. Those in attendance included President Suhay, Director Eminger, Director Murphy, Director Smith, Director Fashempour, General Manager Scott Heule, Lake Manager Mike Stephenson, Senior Accountant Carrie Shirreffs, and District Counsel Wayne Lemieux.

BIG BEAR LAKE CITY COUNCIL WORKSHOP CONSIDERING POSSIBLE ACQUISITION OF DWP BY MWD

The Board attended a joint workshop of the City of Big Bear Lake City Council, Department of Water & Power Board of Commissioners, and Big Bear Municipal Water District Board of Directors held at the City of Big Bear Lake that included a general discussion of the possible acquisition of the DWP by MWD.

ADJOURNMENT

There being no further business, the workshop was adjourned at 10:15 AM.

Scott Heule
General Manager
Big Bear Municipal Water District

(SEAL)

**Big Bear Municipal Water District
 Computer & Manual Check Register
 Current and History Files, 04/15/11 to 04/28/11
 Account 10010-00-001, Sessions 000000 to 002289**

**Active Sessions (Not Included in Report)
 002197**

Check	Payment / Vendor Information	Ck Date	Prty	Invoice	Session	Reference	Amount
Checking Account: 10010-00-001							
149209	HEULE / Scott Heule	04/21/11	2	REIMBURSE	002283	DWPAQUIS	346.54
HEULE Subtotal :							346.54
149210	ALLPRO / All Protection Alarm Co.	04/25/11	2	144145	002286	FACILMAINT	37.00
149210		04/25/11	2	144155	002286	DAMMAINT	129.00
149210		04/25/11	2	144380	002286	FACILMAINT	12.00
149210		04/25/11	2	144460	002286	FACILMAINT	33.00
149210		04/25/11	2	144530	002286	SHOPMAINT	63.00
149210		04/25/11	2	144646	002286	FACILMAINT	175.00
ALLPRO Subtotal :							449.00
149211	ATLANT / Atlantic-Meeco	04/25/11	2	IVC013526	002286	WESTDOCK	26726.40
ATLANT Subtotal :							26726.40
149212	BMARIN / Big Bear Marina	04/25/11	2	10311130	002286	PETRO-BOAT	559.30
149212		04/25/11	2	10311131	002286	PETRO-BOAT	532.79
BMARIN Subtotal :							1092.09
149213	BRP / BRP US INC.	04/25/11	2	1798169	002286	BOATMAINT	33.84
BRP Subtotal :							33.84
149214	BUTCHR / Butcher's Block & Building Materi	04/25/11	2	63048	002286	EASTMAINT	278.54
149214		04/25/11	2	63052	002286	EASTMAINT	-144.43
149214		04/25/11	2	63079	002286	WORKBOAT	27.72
149214		04/25/11	2	63134	002286	SHOPMAINT	6.93
149214		04/25/11	2	63211	002286	EASTMAINT	20.21
149214		04/25/11	2	63239	002286	PATROLBOAT	6.25
149214		04/25/11	2	63758	002286	SMTTOOLS	14.03
149214		04/25/11	2	64206	002286	EASTMAINT	44.30
149214		04/25/11	2	64344	002286	WESTMAINT	156.11
149214		04/25/11	2	64540	002286	SHOPMAINT	23.10
BUTCHR Subtotal :							432.76
149215	BVHOSP / Bear Valley Community Hospital	04/25/11	2	06397158	002286	PHYSICALOP	141.00
BVHOSP Subtotal :							141.00
149216	BVPRIN / Bear Valley Printing	04/25/11	2	80685	002286	QUAGGAPRIN	54.38
BVPRIN Subtotal :							54.38
149217	CALJUN / Cal-June Incorporated	04/25/11	2	0437540IN	002286	FACILMAINT	51.21

**Big Bear Municipal Water District
 Computer & Manual Check Register
 Current and History Files, 04/15/11 to 04/28/11
 Account 10010-00-001, Sessions 000000 to 002289**

**Active Sessions (Not Included in Report)
 002197**

<u>Check</u>	<u>Payment / Vendor Information</u>	<u>Ck Date</u>	<u>Prty</u>	<u>Invoice</u>	<u>Session</u>	<u>Reference</u>	<u>Amount</u>
						CALJUN Subtotal :	51.21
149218	CASH / Victoria Moore /Petty Cash	04/25/11	2	04182011	002286	PETTYCASH	305.72
						CASH Subtotal :	305.72
149219	DIVERS / Diversified Products, Inc.	04/25/11	2	11281636	002286	BOATMAINT	38.19
						DIVERS Subtotal :	38.19
149220	HAVASU / HAVASU EMBROIDERY INC	04/25/11	2	14801	002286	UNIFORMS	962.40
149220		04/25/11	2	14804	002286	UNIFORMS	1545.50
149220		04/25/11	2	14826	002286	UNIFORMS	672.50
						HAVASU Subtotal :	3180.40
149221	LABCHE / LABCHEM INC.	04/25/11	2	760957	002286	WATRMSTR	79.02
						LABCHE Subtotal :	79.02
149222	LABSAF / Lab Safety Supply, Inc.	04/25/11	2	1017142435	002286	WATRMSTR	135.83
						LABSAF Subtotal :	135.83
149223	MCMSTR / McMaster-Carr Supply Co.	04/25/11	2	82096366	002286	EASTMAINT	1193.42
149223		04/25/11	2	82311918	002286	EASTMAINT	224.00
149223		04/25/11	2	82424577	002286	PATROLMAIN	54.28
149223		04/25/11	2	82481418	002286	EASTMAINT	-224.00
						MCMSTR Subtotal :	1247.70
149224	MERITO / Merit Oil Company	04/25/11	2	133523	002286	QUAGGAKERO	329.15
						MERITO Subtotal :	329.15
149225	ORION / Orion Radiology	04/25/11	2	4374639536	002286	PHYSICAL	34.00
						ORION Subtotal :	34.00
149226	PITNY / PITNEY BOWES (RENTAL)	04/25/11	2	1098706A11	002286	POSTAGE	121.00
						PITNY Subtotal :	121.00
149227	QUILL / Quill Corporation	04/25/11	2	3603659	002286	OFFICSUPPL	334.51
						QUILL Subtotal :	334.51
149228	RUUD / RUUD LIGHTING	04/25/11	2	16164	002286	EASTMAINT	1956.04
						RUUD Subtotal :	1956.04
149229	SCAQMD / SOUTH COAST	04/25/11	2	2309057	002286	SCAQMD	293.21

**Big Bear Municipal Water District
 Computer & Manual Check Register
 Current and History Files, 04/15/11 to 04/28/11
 Account 10010-00-001, Sessions 000000 to 002289**

**Active Sessions (Not Included in Report)
 002197**

Check	Payment / Vendor Information	Ck Date	Prty	Invoice	Session	Reference	Amount
	A.Q.M.D.						
						SCAQMD Subtotal :	293.21
149230		04/25/11	2	2310370	002286	SCAQMD	109.00
						SCAQMD Subtotal :	109.00
149231	SWSTGS / Southwest Gas Corp	04/25/11	2	04182011A	002286	UTIL-MAIN	359.16
149231		04/25/11	2	04182011B	002286	UTIL-RV	39.19
						SWSTGS Subtotal :	398.35
149232	TRICNT / Tri-County Fire Equipment Co.	04/25/11	2	76296	002286		468.20
						TRICNT Subtotal :	468.20
149233	TUTTLE / John Tuttle	04/25/11	2	APRIL	002286	PHONE-CELL	50.00
						TUTTLE Subtotal :	50.00
149234	UPS / UPS	04/25/11	2	F33Y11151	002286	SHIPWATER	16.00
						UPS Subtotal :	16.00
149235	VAC / VALVE AUTOMATION CONTROLS	04/25/11	2	1225962	002286	DAMMAINT	2734.35
						VAC Subtotal :	2734.35
149236	VALERO / Valero Marketing and Supply Co.	04/25/11	2	04202011	002286	PETRO-AUTO	1126.22
						VALERO Subtotal :	1126.22
149237	VERIZO / Verizon California	04/25/11	2	04132011	002286	PHONE-MAIN	47.25
						VERIZO Subtotal :	47.25
149238	VERWIR / VERIZON WIRELESS	04/25/11	2	966796606	002286	PHONE-CELL	1392.23
						VERWIR Subtotal :	1392.23
149239	WASTE / Solid Waste Management	04/25/11	2	3966	002286	FACILMAINT	261.91
						WASTE Subtotal :	261.91
149240	BESTOV / BEST OVERNIGHT EXPRESS	04/26/11	2	04212011	002289	PATROLMAIN	90.00
						BESTOV Subtotal :	90.00
						Total For Check Account: 10010-00-001	44075.50
						Check Register Total :	44075.50

**BIG BEAR MUNICIPAL WATER DISTRICT
REPORT TO BOARD OF DIRECTORS**

MEETING DATE: *May 5, 2011*

AGENDA ITEM: *6A*

SUBJECT:

RECEIVE DWP ACQUISITION ISSUES REPORT FROM STAFF AND PROVIDE DIRECTION

RECOMMENDATION:

1. Discuss and identify any other broad "conditions" that the Board considers must be satisfied in order for the District to acquire the DWP.
2. Provide direction to staff regarding the process moving forward.
 - a. Utilization of Committees
 - b. Reports to the full Board
 - c. Eminent domain action
 - d. Other

DISCUSSION/FINDINGS:

Board members have shared their ideas and concerns related to the DWP acquisition with District Staff. One Board member suggested that 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

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. Eminent domain might also allow the District to refinance the existing DWP revenue bonds. This could potentially save more than one million dollars annually in debt service. 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. District counsel Wayne Lemieux can provide additional information on this matter.

Evaluation of the potential impacts on employees begins with a comparison of benefits between the two organizations. The accompanying spreadsheet summarizes and compares employee benefits for each organization. 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%.

With the exception of the forgoing, benefits of union participation do not appear to have secured DWP employees more than MWD employees already enjoy. This includes compensation rates. The retirement systems have reciprocal agreements with each other. Changing from one retirement system to another will not have a significant impact on employee retirement payments. 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.

There are many special districts in California that conduct multiple functions in the communities they serve. Their work is done in this way in order to avoid duplicative administrative and governing board expenses. 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. 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.

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. This change will create ripple effects farther down the organizational chart. 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.

OTHER AGENCY INVOLVEMENT: None

FINANCING: There are no financial impacts at this time

Submitted by: Scott Heule, General Manager

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 6-9 years service = 15 days 10 or more years service = 20 days 30 days carry over max per calendar year No policy to buy out unused vacation	6 mos - 5 years = 10 days 6-10 years service = 15 days over 10 years service = 20 days (Exempt employees receive 40 hrs Admin. Leave annually. Leave annually. Can buy out up to 40 hrs. unused annually.)	20 days max. accrual 30 days max. accrual 40 days max. accrual
Sick Leave	8 hours per month 1/2 of time can be used to buy service time in PERS	3,385 hours per pay period (7.33 hrs per month) Pay off of 25% of unused sick leave on termination after 5 yrs Pay off of 30% to 50% 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	
Life Insurance	District paid policy for employee	DWP paid for employee	\$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 Auto COLA if CPI less than 5% 5% wage premium after 3 years at top step	Five steps Defined by MOU 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	