

**PEBBLE BEACH COMMUNITY SERVICES DISTRICT  
BOARD OF DIRECTORS  
Regular Meeting of December 7, 2007  
MINUTES**

**CALL TO ORDER**

A regular meeting of the Board of Directors of the Pebble Beach Community Services District ("PBCSD") was held in the District Boardroom on December 7, 2007. Board President Richard D. Verbanec called the meeting to order at 9:33 a.m.

**ROLL CALL**

**Present:** Directors Jeffrey B. Froke, Gary D. Hornbuckle, Leo M. Laska  
Richard D. Verbanec, and Gerald F. Verhasselt

**Absent:** None

**Others Present**

Craig Anthony, General Manager  
Laura Dadiw, Board Clerk, Dadiw Associates  
Robert Wellington, Legal Counsel  
Suha Kilic, Chief Financial Officer  
Michael Niccum, District Engineer  
George Haines, Fire Chief, CAL FIRE, San Benito-Monterey Unit  
Dennis Carreiro, Fire Prevention Battalion Chief, CAL FIRE  
Charlotte Townsend, Director, Carmel Area Wastewater District ("CAWD")  
Nancy Johnson, District Accountant  
Marianna Escareno, District Accounting Technician  
Mike Briley, Partner, Hayashi & Wayland, LLP  
Autumn Rossi, Audit Manager, Hayashi & Wayland, LLP  
Al Budris, Director, Del Monte Forest Property Owners ("DMFPO")  
John Tormey, Pebble Beach resident  
Marie France de Sibert, Pebble Beach resident  
Cheryl Burrell, Project Manager, Pebble Beach Company  
George Wortham, SAVE Pebble Beach Wildlife  
Hanan Shawar, SAVE Pebble Beach Wildlife  
David Dilworth, Executive Director, Helping Our Peninsula's Environment ("HOPE")

**APPEARANCES AND ORDER OF BUSINESS**

General Manager, Craig Anthony advised the Board that public comments regarding agenda item 8 have been received for directors consideration. He indicated that the District received letters from Janice O'Brien, resident and

retired PBCSD Board member, David Dilworth, Executive Director, Helping Our Peninsula's Environment ("HOPE"), and a memorandum from District Legal Counsel. A letter was also received from George Wortham, SAVE Pebble Beach Wildlife, addressing the District's proposed Fire-safe Garden to be forwarded to Battalion Chief, Dennis Carreiro for reference at the next Fire-safe Garden Committee meeting. There were no changes to the agenda.

## **MINUTES**

### **MOTION 12-07-01**

**Moved by Director Verhasselt, seconded by Director Froke and unanimously carried to approve the minutes of the regular Board meeting held October 26, 2007.**

## **FINANCIAL MATTERS**

### **Statement of Receipts and Disbursements**

The Board received and reviewed the *Statement of Receipts and Disbursements* and the *Cash Basis Budget Report* for October 2007. In response to Director Verbanec, Mr. Anthony explained that California American Water ("Cal-Am"), although not responsible for maintaining potable water flow for firefighting, did, in a spirit of cooperation, agree to reimburse the District for the cost of fire hydrants replaced during the Fire Protection Water Pipeline Replacement Project. CFO Kilic commented on the Cash Basis Budget Report structure currently being presented, stating that the budget is prepared on accrual basis similar to the annual audited financial statements. On the other hand, actual revenues and expenditures are reported to the Board monthly on cash basis which is the District's basis of accounting. He stated that in the future the staff plans to convert the budget to cash basis and include charts to make the monthly budget-to-actual reports more meaningful.

### **Check Register**

The Board received the *Check Register* for October 2007 and Mr. Kilic commented on payments made for start-up costs of the paramedic program noting that 62.5% of expenses were to be reimbursed by Cypress and Carmel Highlands Fire Protection Districts. In response to Director Laska's question, Mr. Kilic said health insurance premiums are negotiated between the Association of Water Agencies Health Benefits Authority and the Blue Cross. For budgeting, 7%-8% is added to the District's previous years' premium costs.

**MOTION 12-07-02**

**Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried, to approve the *Check Register* for October 2007.**

**Monterey County Treasurer's Quarterly Investment Report**

CFO Kilic stated that rate of return of the County Treasury Pooled Portfolio for the quarter ending September 30, 2007 was 5.38%, nine basis points higher than the previous quarter and twenty-three basis points higher than the State Local Agency Investment Fund. Interest revenues for the period were \$195,000. The District had approximately \$13.1 million in the County pool at the end of the quarter. Mr. Tormey, Pebble Beach resident, inquired as to why the Treasury Oversight Committee was dissolved. Mr. Kilic stated that the committee was formed initially per State law after Orange County's bankruptcy. About two years ago, State law changed giving counties the option of sustaining the committee or not. Mr. Kilic is comfortable with the dissolution of the committee since the State Law became much more restrictive as to type and duration of the instruments which the Treasurer can invest in and the District tracks the management of the investments closely.

**Annual Financial Statements and Independent Audit Report**

Mike Briley, Hayashi and Wayland LLP, addressed the Board and gave an overview of the audit process for the District. Two adjustments were addressed in the auditor's Board communication letter: a restatement to 1) remove the fire protection water system improvements funded by the District from District assets; and 2) include contributions made by the District for CAWD Treatment Plant capital outlays over the past ten years as an intangible District asset (District has been including those over the past four years). Potable water pump stations and lines belonging to Cal-Am are not District assets and now, with the noted restatement, improvements are regarded as expenses. Mr. Briley and Mr. Kilic clarified the difference between the "reserves" reported in the audited annual financial statements and as they relate to SB 135. Mr. Kilic said "restricted net assets" and "reserves" reported in the audited financial statements can include only those restricted by external sources, law, grants or creditors. District funds don't have these external restrictions. Internally, Board reserve fund designations are governed by Board policy and reported as "Unrestricted" and "Unreserved/Designated" in the financial statements. Mr. Briley and Mr. Kilic responded to other questions from the Board.

Mr. Briley stated that the District is the only Hayashi & Wayland client that prepares its own financial statements and emphasized to the Board this

significant achievement of District staff. Autumn Rossi, Hayashi & Wayland Audit Manager, gave a brief overview of the structure of the financial statements including the auditor's opinion that gave the highest rating to the District for conformity with generally accepted accounting principles.

CFO Kilic presented overhead slides commenting on significant positive financial results and the District's financial position at the end of fiscal year 2006-07. He also reported that the District's private pension plan, which is maintained to fund those benefits accrued by employees hired prior to July 2004, was \$297,000 over-funded as of 6/30/2007. He said a 15% return on investments was achieved in the past fiscal year and the credit for this goes to the District trustees, Director Laska and Mr. Peter McKee.

Mr. Kilic thanked the District finance and accounting team members Nancy Johnson and Marianna Escareno for their hard work, and General Manager Anthony for his support. Director Verhasselt spoke for the Board in commending the staff for their exemplary work.

#### **MOTION 12-07-03**

**Moved by Director Verhasselt, seconded by Director Froke, and unanimously carried, to receive the Financial Statements and Independent Auditor's Report for fiscal year ending June 30, 2007.**

#### **TIMED BUSINESS**

**Negative Declaration and Proposed Ordinance No. 25 adopting the California Fire Code (2007 Edition), prescribing regulations concerning conditions hazardous to life and property from fire and explosion, and issuance of permits**

District Counsel Wellington stated that the public hearing related to the Pebble Beach Community Services District Ordinance No. 25 that adopts the County California Fire Code 2007 Edition ("Code"). The District, as the fire authority for the Del Monte Forest area, adopts or updates a uniform fire code approximately every two-three years. At this time, all of the fire jurisdictions in the County are moving to adopt the California Fire Code 2007 Edition, a move from the former Uniform Fire Code to the International Fire Code. Additionally, the hearing related to a proposed adoption of a negative declaration for Ordinance No. 25. Public comments were received during the public hearing held at the Board's last meeting on October 26, 2007. A typographical error was pointed out at that time in the proposed Code, so the matter was

continued and now is once more before the Board at this meeting for consideration.

Battalion Chief Carreiro addressed the Board regarding the significant typographical error made by the countywide group that worked to develop the proposed Code. He provided the Board an edited copy listing all changes to the previous version of the code. He stated that changes to section M109.1 in this and the previous reading of the ordinance do not change anything being enforced at present or anything that has been enforced in past code editions where standard defensible space requirements were quantified in the wording. New wording under section M109.1 includes language for the management of combustible vegetation and is consistent with the California Public Resources Code 4291, relative to which no local code can be less restrictive.

***President Verbanec opened the Public Hearing at 11:05 a.m. to receive comments, allowing three minutes per speaker.***

David Dilworth, HOPE Representative, submitted two letters and addressed the Board stating his interpretation of section M109.1 as proposing increases in defensible space that would affect an undetermined area of the Forest and that this should, in his opinion, make the proposed code subject to the preparation of an environmental impact report ("EIR") under the California Environmental Quality Act ("CEQA"). He urged the District to consult with Monterey County Planning and the California Coastal Commission on the requirements of CEQA prior to adoption of the Code. Mr. Dilworth stated that HOPE embraces and favors all other aspects of the Code except section M109.1.

George Wortham, resident and SAVE Pebble Beach Wildlife representative, addressed the Board with concerns relating to the possibility of power and water outages during a major fire event and the proposed Code not requiring the use of the newest technological methods of fire suppression by individual homeowners as an alternative to scheduled lot inspections and vegetative management requirements under the current and proposed codes. He submitted to the Board a written copy of his comments.

Mr. John Tormey, Pebble Beach resident, addressed the board, stating his full support of what he termed a fine document and requested it be approved forthwith. He directed members to page 6 of 21 of the edited version: The change from "remove" to "manage" was appropriate as the sense of the document is the *management* of the removal of vegetation, not indiscriminate *removal*. The international designation is the highest level of fire protection

coding and he expressed his admiration for those that work together to prepare these documents.

In response to Mr. Dilworth's reference to CEQA requirements, District Counsel Wellington stated that a number of other local jurisdictions had not even considered adopting a negative declaration upon making the determination that the issue did not rise to the level of a "project" under CEQA. Five other local jurisdictions determined that, even with an initial review under CEQA, a negative declaration was appropriate under CEQA because there was no potential for any significant affect upon the environment related to the adoption of a fire code.

***President Verbanec closed the public hearing at 10:59 A.M.***

Director Froke requested clarification whether section M109.1 required the removal of all vegetation within 100' of structures. Chief Carreiro stated that the section does not require the removal of all vegetation, that management of dead debris or piles of debris is what was targeted to prevent a "ladder fuel" effect. Chief Carreiro pointed out the last sentence of section M109.1 that states "Environmentally sensitive areas may require alternative fire protection, to be determined by the fire code official and other jurisdictional authorities." Past practice by the District has been to allow environmentally sensitive habitat to remain undisturbed and has not been to promote leveling vegetation to mineral soil. The track record of cooperative management of fire fuel between the District, County Planning Department, Coastal Commission, Open Space Advisory Committee and all other agencies involved has been exemplary throughout time in balancing environmental concerns and fire protection.

Mr. Wellington inquired of Chief Carreiro whether the adoption of the proposed ordinance changes any existing law under which the fire department acts or the practice on the ground under which the department presently acts, to which Chief Carreiro responded in the negative. Chief Haines clarified that Public Resources Code 4291 was adopted and amended by the legislature in 2005 for an additional 70' of clearance beyond the previous 30' requirement for a total of 100' of clearance and that the District had been enforcing this requirement since January 1, 2005; that would not change if the proposed fire code were not adopted by PBCSD.

**MOTION 12-07-04**

**Moved by Director Froke, seconded by Director Verhasselt,  
and unanimously carried, to adopt *Resolution No. 07-26*  
adopting a Negative Declaration for the Ordinance No.25**

**adopting the California Fire Code (2007 Edition) and prescribing regulations concerning conditions hazardous to life and property from fire and explosion and for providing for the issuance of permits.**

**MOTION 12-07-05**

**Moved by Director Verhasselt, seconded by Director Hornbuckle, and unanimously carried to adopt the first reading of the *Ordinance No. 25* adopting the 2007 Edition of the California Fire Code, including local amendments; prescribing regulations governing conditions hazardous to life and property from fire, hazardous materials or explosion; providing for the issuance of permits and collection of fees therefore; and repealing Ordinance No. 22.**

**ROLL CALL VOTE:**

Director Froke	Aye
Director Hornbuckle	Aye
Director Laska	Aye
Director Verbanec	Aye
Director Verhasselt	Aye

**MOTION 12-07-06**

**Moved by Director Verhasselt, seconded by Director Laska, and unanimously carried to schedule a second and final reading of *Ordinance No. 25* on January 25, 2008, at 10:00 a.m.**

**END OF TIMED BUSINESS**

**FIRE PROTECTION**

**Fire Chief's Monthly Report**

The Board received and reviewed the monthly fire department operations report for October 2007. In addition Chief Carreiro reported that he responded to an ocean rescue attempt. He said the rescue attempt was a joint effort by many agencies and commended the Pebble Beach fire staff for its service. Director Verhasselt requested a report on detailed trends over three years of all fire response to determine activity levels over time. Chief Haines updated the Board on the status of fires in Southern California and a potential reduction in District staffing as the fire season wanes. Chief Carreiro advised that at the scheduled December 11, 2007 Fire-safe Garden meeting the designer would be delivering sketches of garden concepts to Captains Valdez and Aganbroad.

## **MAINTENANCE, ENGINEERING, AND CONSTRUCTION**

### **Wastewater Collection, Treatment and Disposal System**

The Board received and reviewed the *District Engineer's Report of Utilities Operations and Maintenance for 10/19/07 – 11/28/07*. Director Verhasselt commended the sewer line replacement project staff for their conscientious, professional work in his neighborhood.

### **PBCSD Capital Improvement Projects**

Mr. Niccum reviewed the monthly status report and Capital Projects Summary Schedule on capital improvement projects and gave a visual overhead presentation of the Spanish Bay Pump Station P-8 Rehabilitation Project.

### **Seal Rock P-3 Pump Station Force Main Replacement Project**

The Board received and reviewed the District Engineer's Memorandum regarding the Force Main Replacement Project. Mr. Niccum and Mr. Wellington responded to questions from the Board.

### **MOTION 12-07-07**

**Moved by Director Verhasselt, seconded by Director Laska, and unanimously carried to adopt *Resolution No. 07-27* declaring the bid from Earthworks Paving Contractors, Inc. as the lowest responsible bid and authorize award of a contract in the amount of \$634,000 for the construction of the Seal Rock P-3 Pump Station Force Main Project.**

### **Emergency Sewer Line Repair at 1470 Cypress Drive**

The Board received and reviewed the District Engineer's Memorandum regarding 1470 Cypress Drive. Mr. Niccum stated that site access issues increased the cost of the project.

### **MOTION 12-07-08**

**Moved by Director Laska, seconded by Director Verhasselt, and unanimously carried to approve an increase in the project budget for the emergency sewer line repair at 1470 Cypress Drive from \$400,000 to \$500,000 and authorize the General Manager to increase the value of the construction contract with Sunstone Construction Inc. by \$60,000 to \$410,000.**

### **CAWD Board Meeting**

Director Verhasselt and/or General Manager is scheduled to attend the December 11, 2007 CAWD Board of Directors meeting.

## **SOLID WASTE MANAGEMENT**

Director Laska summarized the submitted written report on the highlights of the meeting of the Monterey Regional Waste Management District ("MRWMD") held on November 16, 2007 and the letter to General Manager Anthony from MRWMD General Manager William Merry regarding the MRWMD hearing scheduled for January 18, 2008 proposing an increase miscellaneous waste handling fees and minimum charges. The increase in ancillary fees is intended as an alternative to further tipping fee increases beyond the \$2.00 increase scheduled for January 1, 2008.

## **GENERAL GOVERNMENT**

### **District Legal Counsel Services**

#### **MOTION 12-07-09**

**Moved by Director Hornbuckle, seconded by Director Verhasselt, and unanimously carried to approve the Amended and Restated contract for District Legal Counsel Services.**

### **Selection of Board Officers**

Director Verhasselt suggested that in the spirit of the original resolution in this matter the position of president and vice president rotate on an annual basis. Director Laska pointed out that historically the appointees had served two-year terms.

#### **MOTION 12-07-10**

**Moved by Director Laska, seconded by Director Hornbuckle, and carried to adopt *Resolution No. 07-28* nominating and electing Richard Verbanec as President of the Board, Jeffrey Froke as Vice President, Craig Anthony as Secretary, and Suha Kilic as Board Secretary Pro-tem and Treasurer, with Director Verhasselt voting no in regards to the election for a second term of Rick Verbanec as President and Jeffrey Froke as Vice President.**

### **Selection of Representatives to Monterey Regional Waste Management Authority Board**

#### **MOTION 12-07-11**

**Moved by Director Hornbuckle, seconded by Director Froke, and unanimously carried to adopt *Resolution No. 07-29* appointing Director Laska as Representative to serve on the Board of Directors of the Monterey Regional Waste**

**Management Authority, with Director Verhasselt abstaining from the vote.**

**Selection of Representatives to Monterey County Special Districts Association**

**MOTION 12-07-12**

**Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried to adopt *Resolution No. 07-30* appointing Director Verbanec as Representative and Director Verhasselt as Alternate Representative to the Monterey County Special Districts Association.**

**MISCELLANEOUS INFORMATION AND COMMUNICATIONS**

**Oral reports from General Manager**

Mr. Anthony had no report.

**Questions from Directors or staff seeking clarification of matters within the purview of the District**

Director Froke inquired whether dual meeting stipends were received by District directors in the case of an appointed representative serving as an officer of the other agency's board. Mr. Anthony stated he would review the District policy on meeting stipends and would bring the matter back to the Board if there were any conflict with what is being practiced.

**Oral reports or announcements from Board President, directors or staff**

Mr. Anthony announced that Pebble Beach Company and CAWD would be giving presentations on the progress of the Advanced Treatment Project on Monday night at the Water Management District Board meeting.

**CLOSED SESSION**

At about 12:31 p.m., President Verbanec announced the Board would meet in closed session on item 17 of the agenda, a personnel matter: Public Employee Performance Evaluation of the General Manager and Legal Counsel; and to conference with District negotiators regarding unrepresented employees: General Manager and Legal Counsel.

At about 1:30 p.m. the Board reconvened to open session and reported that the District is pleased with the performance of Legal Counsel Robert Wellington as witnessed by the approval by the Board of the Amended and Restated Contract under agenda item 16 earlier.

**MOTION 12-07-13**

**It was moved by Director Laska, seconded by Director Verhasselt and unanimously carried to adjust the General Manager compensation package by:**

- 1) Allowing a month by month extension of medical coverage upon severance with the District, not to extend past age 65 (i.e., for every month worked, one month of medical coverage will be provided upon departure until age 65);**
- 2) Raising the annual management leave from 5 days to 10 days per year;**
- 3) Increasing the base salary from \$12,500 per month to \$14,000 per month.**

**ADJOURNMENT**

There being no further business at 1:33 p.m. a motion was made to adjourn.

**MOTION 12-07-14**

**M/S/C (unanimous) to adjourn to the next regular Board meeting to be held on Friday, January 25, 2008 at 9:30 a.m. in the District Board Room at Forest Lake and Lopez Roads.**