



PEBBLE BEACH COMMUNITY SERVICES DISTRICT

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PEBBLE BEACH COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS Regular Meeting of May 30, 2008 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 May 30, 2008. Board President Richard D. Verbanec called the meeting to order at 9:34 a.m.

ROLL CALL

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

Absent: Director Gary D. Hornbuckle

Others Present

Michael Niccum, General Manager/District Engineer
Suha Kilic, Deputy General Manager/CFO
Robert Wellington, Legal Counsel
George Haines, Fire Chief, CAL FIRE, San Benito-Monterey Unit
Dennis Carreiro, Fire Operations Battalion Chief, CAL FIRE
Mike Marlow, Fire Prevention Chief, CAL FIRE
John Tormey, Pebble Beach resident
Charlotte Townsend, Director, Carmel Area Wastewater District ("CAWD")
Mark Verbonich, Vice President Community Affairs, Pebble Beach Company ("PBCo")
Cheryl Burrell, PBCo
Laura Dadiw, Board Clerk, Dadiw Associates
Sharon Crino, CEO, Red Cross

APPEARANCES AND ORDER OF BUSINESS

Fire Chief, George Haines relayed greetings to the Board from past District director Hampton Stewart and noted he was doing well after relocating to Grass Valley.

Mr. John Tormey introduced the new CEO of the Carmel Chapter of Red Cross, Sharon Crino. The Chapter has a Board of 16 and substantial assets and seeks to join forces with the District on various efforts.

There were no requests for changes to the agenda.

MINUTES

MOTION 05-08-01

Moved by Director Verhasselt, seconded by Director Froke, and unanimously carried, to approve the minutes of the regular Board meeting held April 25, 2008.

FINANCIAL MATTERS

Statement of Receipts and Disbursements

The Board received and reviewed the *Statement of Receipts and Disbursements* for April 2008.

Check Register

The Board received the *Check Register* for April 2008. Director Verhasselt noted the \$20,559.45 expenditure to Day Electric for Forest Lake control valves wiring repair and replacement. General Manager Niccum stated that the Forest Lake Project contractor, Anderson Pacific, acknowledged some deficiencies in the control wire installation allowed damage caused by water in the conduits. Although contractor warranty had expired prior to the repair work, Anderson Pacific agreed to install drainage improvements in the area for approximately \$25,000 less than the estimated cost of \$50,000 for the work.

MOTION 05-08-02

Moved by Director Verhasselt, seconded by Director Laska, and unanimously carried, to approve the *Check Register* for April 2008.

Monterey County Treasurer's Investment Report

The Board received and reviewed the *Monterey County Treasurer's Investment Report for quarter ended March 31, 2008*. Mr. Kilic expected lower interest earnings in the fourth quarter but ultimately \$100,000 ahead of expectations for the entire fiscal year due to the high returns achieved in the first three quarters. In response to Director Laska's question, Mr. Kilic said the County purchased Washington Mutual and SLMA triple B rated investments prior to reductions in the ratings.

Preliminary Budget for Fiscal Year 2008-09

Mr. Kilic presented the proposed *PBCSD Preliminary Budget for fiscal year 2008-09*. District sewer service fees are lower than surrounding cities and the

county average, and considerably below the State average. The proposed 5% increase in garbage service fees includes three components: a cost-living-adjustment (COLA), a landfill disposal fee increase offset and, an extraordinary fuel price increase offset. Mr. Kilic said the latest audited financial statements of the franchise company, Carmel Marina Corporation (CMC), reported a net loss for Pebble Beach operations. The CMC originally requested a 9.3% rate increase which included a 4.3% fair rate of return adjustment. CMC and the District staff agreed to keep the adjustment at 5% in the current year. Upon a comprehensive review of the CMC financial statements by the District staff and clarification of various cost items, the fair rate of return issue will be revisited in the next fiscal year.

Mr. Kilic said the franchise waste hauler contract ends in the year 2015. Director Laska suggested the District could achieve an improved negotiating position for hauler services if contract renewal dates were consistent with the other jurisdictions serviced by the same franchise waste hauler.

Mr. Kilic reported that the annual Appropriations Limit establishes the maximum amount of property taxes that can be used to finance expenditures, excluding large capital outlays of over \$100,000.

Director Verhasselt questioned the Fire Protection Special Tax of \$51.20 per year imposed on improved properties. Proposition 218, he contended, called for the funding of fire protection and emergency medical service operations with property taxes. Mr. Kilic stated that in 1981 over two-thirds of the voters in Pebble Beach approved the special tax; historically District policy has been to charge half of the amount that was approved by voters. He said proceeds of the special tax can be used to finance fire operations and since no new tax or any increase above the maximum approved amount has been sought, there is no need for a confirming election. Counsel Wellington was requested to provide an analysis of District policy in the matter as it relates to Proposition 218 for presentation to the Board at the June 27th meeting.

Mr. Tormey commented on the proposed preliminary budget observing 1) an excellent report with a stable flow of revenue, 2) a strong reserve fund position, 3) sufficient margin for 5% contingencies and a history of under budget expenses, 4) every possible line item covered – with no hidden items, and 5) a first class organization and preliminary budget development effort. Mr. Tormey congratulated staff on a fantastic document.

Mr. Kilic acknowledged District Accountant, Nancy Johnson for her tireless effort, as well as Chiefs Carreiro and Marlow, Assistant Engineer Rethke, Maintenance Supervisor Drewien and Accounting Technician Marianna Escareno for their contributions.

MOTION 05-08-03

Moved by Director Laska, seconded by Director Verhasselt, and unanimously carried, to approve *Resolution No. 08-05* adopting the Preliminary Budget for FY 2008-09 and setting the Final Budget Hearing, including user fees, for July 25, 2008 at 9:40 a.m., with District Counsel to provide an analysis of the Fire Protection Special Tax as it relates to Proposition 218, and to approve *Resolution No. 08-06* establishing the Appropriations Limit for FY 2008-09 to be \$13,574,043.

FIRE PROTECTION

Fire Chief's Monthly Report

The Board received and reviewed the monthly fire department activity report for April 15th – May 14th, 2008. Chief Haines acknowledged Battalion Chief Marlow as a highly qualified and experienced professional to serve as the Fire Prevention Chief (a CAL FIRE Peninsula operation cost share position). Chief Haines expressed his concern regarding the May 14th fires at which Chief Carreiro was the incident commander, stating that investigation showed the fires to be human caused. Fire staff has been working overtime patrolling fire roads. Director Verbanec noted that June 6th is the last day of school in the area. Chief Haines requested total vigilance by everyone. He stated that Fire Captains carry out preliminary investigations on fires; CAL FIRE law enforcement responds automatically to all vegetation fires to handle the investigations. The County Sheriff's Office responds if requested by investigators. General Manager Niccum indicated the location for an ISO training meeting on Friday, June 6, 2008 9:00 a.m. had been moved to the PBCSD training room. Directors Verbanec, Verhasselt and Froke were interested in attending.

Fire Prevention Battalion Chief, Dennis Carreiro reported that the material brought to the District on May 29th and treated as hazardous was determined to be a non-hazardous personal hygiene product. Fire staffing at the Pebble Beach station is planned to increase from seven to eight during high-threat conditions.

The PBCSD Fire Department Open House is scheduled for June 21, 2008 10 a.m. to 2 p.m. and will be conducted the same as in the past; notices are scheduled for distribution around the first week of June.

MAINTENANCE, ENGINEERING, AND CONSTRUCTION

Wastewater Collection, Treatment and Disposal System

The Board received and reviewed the *Report of Utilities Operations and Maintenance for 4/18/08 – 5/22/08* prepared by Assistant Engineer, J.T. Rethke. General Manager/District Engineer Niccum stated that the schedule for potable water flushing cycles had been delayed to next week in an attempt to coordinate with the delivery of CAWD reverse osmosis (“RO”) water from the new advanced treatment plant.

PBCSD Capital Improvement Projects

Mr. Niccum reviewed the monthly status report and Capital Projects Summary Schedule on capital improvement projects and responded to questions.

1470 Cypress Drive Emergency Sewer Line Repair

Mr. Niccum showed slides of the repair work being performed. Mr. Niccum stated the estimated project budget for landscaping restoration did not take into consideration the high cost of the plants involved, a significant amount of drainage work and topsoil required for restoration, and the logistics of having to work with specialty equipment to fit through narrow access points. The Board concurred with the general manager’s suggestion that the property owner release the District from any additional restoration costs upon the District paying to her a lump sum of \$110,000, part of the recommended \$130,000 increase in the project budget.

MOTION 05-08-04

Moved by Director Froke, seconded by Director Verhasselt, and unanimously carried, to increase the amount budgeted for the emergency sewer line repair at 1470 Cypress Drive from \$500,000 to \$630,000 and authorize the general manager to increase the value of the construction contract with Sunstone Construction Inc. by \$40,000 to \$450,000.

CAWD Board Meeting

Director Verbanec attended the May 22, 2008 meeting and reported that CAWD will institute new internal financial controls. Dry weather storm water diversion project grants are being sought by CAWD regarding the use of some of the diverted storm water as a component of lagoon replenishment. PBCo is seeking grant funding for diverting storm water to the PBCSD sewer system. CAWD Board President, Charlotte Townsend stated that the operations supervisor is requesting time to try things out at the new plant prior to providing tours and could possibly be ready by July. CAWD General Manager, Ray von Dohren could be contacted for an impromptu tour before July. Mr. Tormey stated he had done so and was impressed by the operation. Ms. Townsend pointed out to the high technological expertise level required from the operations personnel.

SOLID WASTE MANAGEMENT

Director Laska submitted a report on highlights of the meeting of the Monterey Regional Waste Management District held on May 16, 2008, and a schedule of AB939 Recycling Rates as of May 7, 2008. Director Laska noted that the American Chemical Council is affiliated with entities involved in the production of polystyrene and has locally been pressing for jurisdictions not to pass the model ordinance drafted by MRWMD that bans use of food takeout products made of polystyrene foam plastic.

GENERAL GOVERNMENT

Retiree Health Care Plan

Mr. Kilic reviewed the submitted Deputy General Manager/CFO Report on a proposed retiree healthcare plan. The proposed plan would make it easier for employees to retire at age 55 by providing funds in individual private tax-free accounts that could be used to pay health insurance and other medical expenses. The benefit to the District is that employees would not continue working solely to keep health insurance benefits late in their career. Employee injuries reduce productivity, increase cost and create difficulty in operational management. No employee contributions were proposed and the defined contribution type plan would not include any promises or guarantees to employees for provision of health insurance coverage for certain number of years upon retirement. However per actuarial calculations, the proposed plan is estimated to cover, on average, 60% of the health insurance cost of a retired employee between the ages 55 and 65. The money deposited in individual accounts would grow tax-free, and the money withdrawn from the plan would also be tax-free if used for medical expenses, including insurance premiums. Director Verhasselt preferred a plan in which employees were contributing stakeholders. President Verbanec continued the item to the next Board meeting, directing staff to explore plan options with an employee contribution component to achieve the most mutually beneficial employee/employer partnership. Mr. Niccum stated he would meet with the employees to discuss the subject and report back to the Board at the next meeting.

California Highway Patrol Contract Amendment

MOTION 05-08-05

Moved by Director Laska, seconded by Director Froke, and unanimously carried, to adopt *Resolution No. 08-07* approving an amendment to the agreement with California Highway Patrol to extend the contract term for one year (July 1, 2008 through June 30, 2009).

District Staff Organization and Job Descriptions

MOTION 05-08-06

Moved by Director Laska, seconded by Director Verhasselt, and unanimously carried, to approve the revised District staff organization and the job descriptions for the Associate Engineer and Assistant Engineer positions.

Safety Committee Meeting Minutes

The Board received the Safety Committee meeting minutes from the meeting held April 30, 2008.

MISCELLANEOUS INFORMATION AND COMMUNICATIONS

Oral reports from General Manager

Mr. Niccum had nothing further to report.

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

There were no questions from Directors or Staff.

Oral reports or announcements from Board President, directors or staff

Director Verhasselt attended the ACWA spring conference May 6th – 9th, 2008 at the Monterey Conference Center. The main focus of ACWA/JPIA session was the reduction in workers compensation rates.

Staff attended Reverse 911[®] Emergency Notification System training in New Orleans. A written report by Fire Captain Jennifer Valdez was provided.

CLOSED SESSION

It was determined that no closed session was in order.

ADJOURNMENT

There being no further business at 12:29 a.m. a motion was made to adjourn.

MOTION 05-08-07

M/S/C (unanimous) to adjourn to the next regular Board meeting to be held on Friday, June 27, 2008 at 9:30 a.m. in the District Board Room at Forest Lake and Lopez Roads.