



PEBBLE BEACH COMMUNITY SERVICES DISTRICT

3101 FOREST LAKE ROAD • PEBBLE BEACH, CALIFORNIA 93953 • (831) 373-1274

PEBBLE BEACH COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS Regular Meeting of October 31, 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 October 31, 2008. Board President Richard D. Verbanec called the meeting to order at 9:30 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

Michael Niccum, General Manager/District Engineer
Suha Kilic, Deputy General Manager/CFO
George Thacher, Legal Counsel
George Haines, Fire Chief, CAL FIRE San Benito-Monterey Unit
Reno DiTullio, Division Chief, CAL FIRE
Robin Hamelin, Fire Prevention Chief, CAL FIRE
Buddy Bloxham, Battalion Chief, CAL FIRE
Dennis Carreiro, Operations Chief, CAL FIRE
Jennifer Valdez, Fire Captain, Disaster Planning, CAL FIRE
John Tormey, Pebble Beach resident
Vinod Badani, Vice President, E2 Consulting Engineers
Cheryl Burrell, Planning Manager, Pebble Beach Company ("PBCo")
Charlotte Townsend, Director, Carmel Area Wastewater District ("CAWD")
Sgt. Ray Faulk, California Highway Patrol
Christina Baca, District Assistant Engineer
Nancy Johnson, District Senior Accountant
Marianna Escareno, District Accounting Technician
Mike Briley, Auditor, Hayashi & Wayland
Mike Nolan, Auditor, Hayashi & Wayland
Peter McKee, District Trustee
Hampton Stewart, Former PBCSD Director
Laura Dadiw, Board Clerk, Dadiw Associates

APPEARANCES AND ORDER OF BUSINESS

There were no requests for changes to the agenda. General Manager, Mike Niccum introduced the new District Assistant Engineer, Christina Baca. Fire Captain Jennifer Valdez and Fire Chief George Haines presented the President's Volunteer Service Gold Award to the Pebble Beach Community Emergency Response Team ("CERT"). Each CERT member received a National Volunteer Service Award pin, congratulations letter and award certificate from President Bush and the President's Council on Service and Civic Participation. Those CERT members honored included: Jerry Verhasselt, Richard Verbanec, Jean Hope, Unal Matsu, David Jones, Heidi Jamison, Malcom Jamison, Aimee Hamabata, Kevin Hamabata, Richard Cassam, Brian Dadiw, Michael Paxton, Andrew Paxton, Thomas Paxton, Laura Dadiw, Jennifer Filzen, Dave & Rhonda Ramsey, Sandi Verbanec, Averil Nero, Eleanor & Ken White, Eric Love, David Goupil, Shawn Casey, Cathy Bargaquast, Twyla Thompson, Doris Nishimoto, David Deline, Dennis Connell, Wayne ONeil, Steve Williams, Caroline Wollny, and Christy Prado.

MINUTES

MOTION 08-10-01

Moved by Director Laska, seconded by Director Verhasselt, and carried, to approve the minutes of the regular Board meeting held September 26, 2008. Directors Hornbuckle and Froke had been absent at that meeting and abstained.

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 September 2008. Deputy General Manager/CFO, Suha Kilic responded to questions from the board.

Monterey County Treasurer's Report quarter ending September 30, 2008

Mr. Kilic highlighted the submitted report: The market value of investments on September 30, 2008 was approximately \$865 Million. Net investment yield for the quarter was 2.6%. The County holds \$400 million, or 46% of the portfolio, in overnight investments that are 100% liquid. Additional \$268 million, or 31%, is in short-term investments maturing in 90 days. District staff moved \$7 million of the District's funds outside the Treasurer's pooled portfolio as authorized previously by the Board, and invested in a six-month treasury bill as a safety measure. The yield on the Treasury bill is less than 1%, however, that amount will not be subject to sharing of the losses incurred by the pooled portfolio due to the default of two securities. Mr. Kilic said the budgeted

interest revenue will have to be adjusted later in the year as a result of the losses in the pooled portfolio and low interest rate on the Treasury bill.

The County Treasurer recommended the re-establishment of the Treasury Oversight Committee due to the current financial climate. President Verbanec stated that the County Treasurer, at the last Special District Association of Monterey County ("SDAMC") meeting, requested that special districts appoint a representative to the Treasury Oversight Committee. He said in the January meeting of SDAMC, he would propose appointment of Suha Kilic to the Committee to represent the special districts. The Board concurred that Mr. Kilic be a candidate for the Committee.

Director Hornbuckle suggested that Mr. Kilic review conditions of the securities that he felt were suspect for default even if they may be rated highly by outside rating firms. President Verbanec suggested the Board consider adjusting the cap limit of District funds that could be moved to other investments.

The Board received the *Check Register* for September 2008. Mr. Kilic stated he would provide more information to Director Hornbuckle for check 10410 regarding a laptop computer purchase. Mr. Kilic answered questions from the Board.

MOTION 08-10-02

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

Annual Financial Statements and Auditor's Report

Mr. Kilic stated that the annual financial statements for fiscal year ended June 30, 2008 were prepared by the District staff in accordance with the Generally Accepted Accounting Principles and Governmental Accounting Standards Board guidelines. He provided a summary of the financial statements and highlighted financial results of operations, including net assets, revenues, expenditures and Board designations of funds. Mr. Kilic introduced Mr. Peter McKee and credited Director Laska and Mr. McKee, District Trustees, for the private Defined Benefit Pension Plan being over-funded at year-end.

Mr. Mike Nolan, Hayashi and Wayland Accounting Firm, addressed the Board stating that the new professional auditing standards require an increased review of internal controls that were examined during the audit. District staff was very helpful and cooperative throughout the process. The unqualified opinion provided by the auditor is the highest level of assurance regarding the accuracy and reliability of the

District financial statements. Mr. Nolan commended the District in its excellent preparation of its financial statements; no audit adjustments were necessary and no control deficiencies were recognized or reported.

Mr. Kilic responded to questions from the Board and explained the composition and differences between “Net Assets” and “Fund Balances”, which represent the difference between assets and liabilities, in the “Government-wide” and “Fund” financial statements, respectively. Director Verhasselt noted that property taxes and fire service tax listed at the top of page 16 are in his opinion double taxation of the residents.

Mr. Kilic and the Board thanked District Senior Accountant Nancy Johnson and Accounting Technician Marianna Escareno for their hard work in producing the quality product presented, and the Administrative/Technical Support Specialist Richard Farfan for developing the artistic presentation of the reports. Pebble Beach resident, Mr. John Tormey congratulated the Board and staff on excellent financial statements and an impeccable audit.

GENERAL GOVERNMENT

Law Enforcement Program Status Report

Sgt. Ray Faulk, California Highway Patrol, stated that current scheduling has one officer 10 hours per day during the week days in the Forest. CHP presence may be responsible for decreased traffic accidents in recent months. A decrease in the number citations, issued primarily to residents and employees working within the Forest, may be due to the decrease in CHP presence during the summer months. General Manager Niccum stated that the District tracks the speed of vehicles at various locations and if speeds increase in a particular area, increased patrol is coordinated accordingly with CHP. Sgt. Faulk stated that parking ticket citation statistics could be obtained and provided. Director Froke reported indications of frustration with golf course maintenance vehicles increasingly obstructing traffic on the roadways when it appears golf cart paths could be used.

FIRE PROTECTION

Fire Chief’s Monthly Report

The Board received and reviewed the monthly fire department activity report for September 15th – October 14th, 2008. Operations Chief, Dennis Carreiro added to the report a structure fire on Costado Road on October 22. The incident response went well from an operational perspective and Chief Carreiro had sent an e-mail to brief District staff and the Board on the incident. Two late responses on other incidents during the reporting period were due to human error and technical error, both regarding mapping/navigation; the incidents had been investigated and addressed to avoid any repeat.

Fire Prevention Chief Hamelin reported the coordinated effort with Eric Love, Pebble Beach Company Forester, on addressing fire defense issues on Del Ciervo and at other locations. Cheryl Burrell, Program Manager for Pebble Beach Company, stated she would notify the District regarding the rescheduling of a special event meeting that had been cancelled. Chief Hamelin said he reviewed the Vegetative Management Plan component of the District Fire Defense Plan in determining the extent of Fire Defense Plan objectives; he would report back to District staff at the end of next week. Director Froke stated that the Fire-safe garden map plan for species area designation had been completed. December is planting month with some plants to be caged for the first six months.

Fire Defense Inspection Program

Fire Prevention Chief Hamelin reviewed the submitted memorandum regarding the Residential and Lot Inspection Program for 2008. The Board concurred with the fire department staff plan for hiring and equipping seasonal inspectors to assist with the annual Residential and Lot Inspection Program with the goal of inspecting 90% of the residential parcels and vacant lots. Director Verbanec stressed that areas of obvious high fuel reduction priority or concern should be included in the 90% that will be inspected.

Amendment for 5th Priority Water Project Engineering Services

General Manager Niccum reviewed the submitted memorandum regarding an amendment for the 5th Priority Water Project Engineering Services.

MOTION 08-10-03

Moved by Director Hornbuckle, seconded by Director Laska, and unanimously carried, to amend *Project Assignment Number 19* to the Master Agreement with E2 Consulting Engineers to provide additional construction management engineering services required for the Fire Protection Water System Improvement Fifth Priority Pipeline Replacement Project increasing the budget limit by \$83,000.

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 9/19/08 – 10/23/08* prepared by Associate Engineer, J.T. Rethke. Mr. Niccum noted that the CAWD advanced treatment facility is providing recycled water that is superior in quality, as far as sodium content, to the potable water delivered by California American Water Company (50ppm versus approximately 75ppm). Water samples will be tested to confirm whether there is a need to drain Forest Lake Reservoir completely to meet

water quality standards prior to filling with advanced treated water. Not draining the reservoir will allow beneficial organisms to remain in the water.

PBCSD Capital Improvement Projects

Mr. Niccum reviewed the monthly status of Capital Improvement Program projects.

2008 Sewer Line Replacement Project

Mr. Niccum reviewed the submitted memorandum regarding the 2008 Sewer Line Replacement Project. He suggested Optional Bid Items 14 and 15 be included in the contract. The price submitted by D'Arcy and Harty Construction Company on Optional Bid Item 16 was not competitive. District staff will attempt to negotiate a more competitive price and return for Board approval at a later date or include the work in the next project.

MOTION 08-10-04

Moved by Director Froke, seconded by Director Laska, and unanimously carried, to adopt *Resolution 08-14* declaring the bid from D'Arcy and Harty Construction, Inc. as the lowest responsible bid and authorize award of a contract in the amount of \$450,480 for the construction of the 2008 Sewer Line Replacement Project, including Optional Bid Items 14 & 15.

Forest Lake Outlet Structure Modifications

General Manager Niccum reviewed the submitted memorandum regarding the Forest Lake Outlet Structure Modifications.

MOTION 08-10-05

Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried, to adopt *Resolution 08-15* authorizing the general manager to execute a construction contract with Anderson Pacific Engineering Construction, Inc. to perform the Forest Lake Reservoir Outlet Structure Modifications Project on a time and materials basis within a budget limit of \$50,000.

CAWD Board Meeting

Director Verhasselt attended the October 23, 2008 CAWD board meeting and submitted a report to the Board. The meeting was primarily of an administrative nature with some discussion of advanced treatment operations and the goal of filling Forest Lake Reservoir 100%. A combination November/December CAWD

board meeting was scheduled for December 18, 2008 with Director Verbanec to attend.

SOLID WASTE MANAGEMENT

The Board received and reviewed a report from Director Laska on the highlights of the meeting of the Monterey Regional Waste Management District held on October 17, 2008, and Director Laska responded to questions from the Board.

Pilot Household Hazardous Waste Collection Event

The Board received and reviewed the deputy general manager's report regarding an overview of the household hazardous waste and e-waste collection event held in the District parking lot on Saturday, September 27, 2008. Attendance was significantly higher than anticipated with very positive feedback received. The Board concurred to hold another event at a date to be determined, possibly annually, and would consider the use of CERT members to assist. Director Verhasselt requested more advanced notice of future events in the District newsletter. Director Laska felt the trash bin notice hangers were especially helpful and effective in notifying residents of the event.

MOTION 08-10-06

Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried, to approve a budget amendment to include a \$40,000 line item under solid waste operations for the household hazardous waste and electronics waste collection event hosted by the District on September 27, 2008.

GENERAL GOVERNMENT

Safety Committee Meeting

The Board received and reviewed the District Safety Committee Meeting minutes for the meeting held on September 10, 2008.

MISCELLANEOUS INFORMATION AND COMMUNICATIONS

Oral reports from General Manager

Mr. Niccum reported that the District received election ballots for the alternate Local Agency Formation Commission representative at the California Special District Association meeting; the ballot is due December 19, 2008, and would be presented to the Board at the December 12, 2008 meeting. Two candidates for that election are being monitored for eligibility pending positions determined in November elections.

Mark Stilwell will be presenting an overview of the Recycled Water Project at the DMFPO semiannual meeting on November 16, 2008. The Fire Department will

make a presentation on fire protection improvements made over the past 21 years since the Morse Fire.

The annual review of District general manager and legal counsel will be scheduled for the December board meeting.

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 Verbanec reported that Monterey County Treasurer/Tax Collector, Lou Solton presented at the California Special Districts Association meeting on October 21, 2008 a financial state of the Nation and implications to special districts including defaults of two securities included in the Treasury pool for a total amount of \$30 million. The County assessor is scheduled to speak at the January 20, 2009 meeting regarding area property values.

Mr. Niccum reported that the next issue of the District newsletter is scheduled for delivery next week.

It is anticipated that the next Reclamation Management Committee meeting would be scheduled in January 2009.

CLOSED SESSION

It was determined that no closed session was in order.

ADJOURNMENT

There being no further business at 11:46 a.m. a motion was made to adjourn.

MOTION 08-10-07

M/S/C (unanimous) to adjourn to the next regular Board meeting to be held on Friday, December 12, 2008 at 9:30 a.m. in the District Board Room at 3101 Forest Lake Road.