



# 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 December 12, 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 December 12, 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  
Robert Wellington, Legal Counsel  
Robin Hamelin, Fire Prevention Chief, CAL FIRE  
Dennis Carreiro, Operations Chief, CAL FIRE  
John Tormey, Pebble Beach resident  
John Ryan, Pebble Beach resident  
Vinod Badani, Vice President, E2 Consulting Engineers  
Mark Stilwell, Executive Vice President, Pebble Beach Company ("PBCo")  
Mark Verbonich, Vice President Community Affairs, PBCo  
Robert Kohn, Director, Carmel Area Wastewater District ("CAWD")  
Laura Dadiw, Board Clerk, Dadiw Associates

### **APPEARANCES AND ORDER OF BUSINESS**

There were no requests for changes to the agenda. Resident John Tormey announced the day as his 89<sup>th</sup> birthday.

## **MINUTES**

### **MOTION 08-12-01**

**Moved by Director Verhasselt, seconded by Director Hornbuckle, and unanimously carried, to approve the minutes of the regular Board meeting held October 31, 2008.**

## **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 2008. Deputy General Manager/CFO, Suha Kilic stated that reimbursements for fire department staff time and equipment responses to other incidents come in the form of a check to the District. The status on property tax revenues by the end of December; delinquencies are estimated to be approximately 5% this year. Delinquencies and reductions in property taxes that may occur during a fiscal year are allocated to all tax-receiving agencies based on county-wide percentages in that year. After the initial year, reductions in property taxes impact only those jurisdictions where the reduction occurred. Mr. Kilic gave a summary of the impact of the current financial situation on District investments: The District currently has approximately \$5 million of its funds in the County treasury pool with interest revenues for the year anticipated to be lower than originally estimated; however no further losses due to defaults occurred since last quarter. The District also has \$7 million invested in a 6-month treasury bill maturing on March 19, 2009, with a yield of 0.8% – a significantly higher rate than the current treasury bills. The third District investment is in the employees' defined benefit pension plan which is maintained to finance employees' pension benefits accrued up to June 30, 2004. In spite of the very significant downturn on the equity and the bond markets, the pension plan portfolio is down by only 9% since July 1, 2008 due to Trustees Laska and McKee moving 70% of the portfolio investments into money market funds earlier in the year. When the 6% annual earnings assumption made by the actuary is added to the 9% loss, it is determined that the current funding level of the plan is 15% behind the target set for June 30, 2009. Such underfunded position equates to approximately \$300,000 – a relatively minor loss considering the current crisis. Mr. Kilic said the Board may have to consider a policy in the near future as to whether the underfunded amount be financed all at once, amortized, or deferred to the future. A lump-sum payment by the District while navigating a recovery period would provide safe harbor for the funds from the State. In addition, if plan assets exceed the actuarially calculated obligations in future years, the District contributions to the plan could be reduced. It was the consensus of the Board

to make the decision in the next few months based on the funding level of the plan at that time.

The Board received the *Check Register* for October 2008. General Manager, Mike Niccum stated that CAWD was in the process of replacing the influent flow meter that had been measuring artificially high over past months. Once the meter is operational, the District and CAWD will meet to determine

equitable numbers. Historically, inflow from the District is 30-35% of the total flow to the CAWD treatment plant.

### **MOTION 08-12-02**

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

### **FIRE PROTECTION**

#### **Fire Chief's Monthly Report**

The Board received and reviewed the monthly fire department activity report for October 15 – December 1, 2008. Operations Chief, Dennis Carreiro added to the report that CAL FIRE had moved into winter preparedness mode – seasonal firefighters had been released for the year, normal staffing was in place, and helicopters were available.

Fire Prevention Chief, Robin Hamelin reported that the Community Emergency Response Team (“CERT”) program was going strong. Significant interest was generated with the recent District newsletter article on “Knox Boxes” installed as a way for emergency personnel to gain entry to a locked house.

Mark Verbonich, PBCo, stated that 37,500 tickets would be available for the U.S. Open through a national lottery primarily on-line and historically the event sells out immediately. The 50,000 per day estimate of attendees include spectators, staff, volunteers, and participants. A 10-day event is anticipated with CSUMB to be used for parking and shuttle service provided to significantly limit additional traffic within the Forest. Community support is as strong as it was for the last U.S. Open event in 2000. Corporation sponsorship may be down due to the current economy.

#### **Fire Safe Garden**

Fire Prevention Chief Hamelin reviewed the submitted report and site plan for the Fire Safe Garden. It was agreed the official title would be the Pebble Beach Fire Safe Demonstration Garden. Director Froke explained the concentric landscape

pattern of plantings from more maintenance intensive toward more native outward from structures. Mr. Niccum thanked Director Froke for his efforts in creating a workable plan to the benefit of the community.

## **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 10/23/08 – 12/3/08* prepared by Associate

Engineer, J.T. Rethke. Mr. Niccum noted that the reservoir was filling and, when full, Phase II of the Reclamation Project would be complete and the associated contracts would become effective.

### **PBCSD Capital Improvement Projects**

Mr. Niccum reviewed the monthly status of Capital Improvement Program projects, stating that the Spruance Water Tank Project was within the original easement received from PBCo and surrounding natural area would not be disturbed. The District is considering Steve Staub for forestry services and Vern Yadon for biological services.

### **CAWD Board Meeting**

There was no CAWD Board meeting scheduled in November. Directors Verbanec and Hornbuckle would be attending the December 18<sup>th</sup> and January 22<sup>nd</sup> CAWD board meetings. Mark Stilwell, PBCo stated there had been one event at the new treatment facility whereby a staff member had unintentionally left a hose running that flooded electrical equipment and damaged pumps.

## **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 November 21<sup>st</sup>. Director Laska noted the District is considering a new contract to sell renewable power produced from landfill gases to PG &E that could increase revenue to the District by \$1 million. Mr. Stilwell reported on the success of event-related recycling programs coordinated with PBCo.

## **GENERAL GOVERNMENT**

### **District Policy for Employer Paid Contributions to CalPERS**

The Board received and reviewed the deputy general manager's report on compliance with a recent Internal Revenue Service ruling which requires validation of the District policies regarding employee contributions by a resolution.

**MOTION 08-12-03**

**Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried, to adopt *Resolution 08-16* restating District policy regarding employer paid contributions to California Public Employees Retirement System.**

**Election of Independent Special District Alternate Member to LAFCO**

**MOTION 08-12-04**

**Moved by Director Laska, seconded by Director Verhasselt, and unanimously carried, to cast a ballot for Tom Moore as Independent Special District Alternate Member to the Local Agency Formation Commission.**

**Election of District Board Officers**

**MOTION 08-12-05**

**Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried, to adopt *Resolution No. 08-17* electing officers and designating their terms of office.**

**Director Jeffrey B. Froke – 2009 President  
Director Gerald F. Verhasselt – 2009 Vice President  
General Manager Michael Niccum – 2009 Secretary  
Deputy General Manager/CFO Suha Kilic – 2009 Secretary  
Pro-tem and Treasurer**

**MISCELLANEOUS INFORMATION AND COMMUNICATIONS**

**Oral reports from General Manager**

Mr. Niccum reported that the invoice from the vendor which disposed the material collected at the Household Hazardous Waste Event held in September was significantly higher than the estimate used as the basis for the requested budget adjustment at the last board meeting. Discussions with the vendor are underway to confirm the quantity and cost of disposal. An additional budget adjustment may be required in the future.

Mr. Niccum reported he had been in contact with the resident adjacent to the Samson residence at 1470 Cypress Drive who is beginning the process for

upgrading a seawall located next the District sewer main line. Discussions so far have not involved any funding requirements from the District other than the repair of the sewer main line.

**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**

Mr. Mark Stilwell, PBCo, gave an update of the Cease and Desist Order proceeding against California American Water Company ("Cal-Am") as it related to Pebble Beach Company intervention to ensure that the State Water Resources Control Board ("SWRCB") continued to recognize the validity of the water entitlements sold to the residential property owners. No one has opposed the PBCo position including the SWRCB.

California American Water Company ("Cal-Am") is currently involved in regulatory proceedings regarding its triennial application to the Public Utilities Commission ("PUC") for a rate increase. Parties involved in the Reclamation Project originally agreed that the price for recycled water would be equal to the price of potable water. The Independent Recycled Water Users Group ("IRWUG") – which includes Monterey Peninsula Country Club, Cypress Point and Poppy Hills Golf Courses – contends that the price of potable water has been increasing far more than anticipated. Mr. Stilwell read from a filing by IRWUG before the PUC which PBCo had disagreed with because it disregarded the fact that the PUC has no authority to amend contracts related to the Reclamation Project. PBCo had already amended the Reclamation Project contracts two years ago allowing IRWUG exemption from 2/3 of the surcharge levied by Cal-Am for the Coastal Water Project from the price of recycled water. The current price of potable water is approximately \$2,000 per acre-foot. Cal-Am has applied for an increase of 120% over the next three years. Potable water rates are to be determined probably by early next year and applied retroactive to January 1, 2009.

PBCo continues to work with a different arm of the SWRCB regarding the Storm Water Plan for runoff. The requirements by the SWRCB under the plan are a "whole state" approach to pollution control and local parties are working toward a resolution tailored to the local area, taking into consideration the degree of benefit of any of the requirements to the Monterey Bay. PBCo and the District are coordinating a project to divert summer season storm water runoff to the wastewater collection system.

Golf course superintendents are pleased with the water quality being provided from the new treatment plant.

PBCo has laid off 24 employees due to the recent downturn in the economy and although the Company is financially sound, 2009 will be a tough year.

Mr. Niccum stated that a Reclamation Management Committee meeting is tentatively scheduled for January 16, 2009 at 9:30 a.m. (This meeting was changed to February 6<sup>th</sup>.)

### **CLOSED SESSION**

At 11:28 a.m. a closed session of the Board was held to conduct the Board's annual performance evaluation of the General Manager and District Legal Counsel. The Board came back to open session at 12:27 p.m. and Legal Counsel Wellington announced that the Board had taken up in closed session the two performance evaluations as listed on the meeting agenda (that of the General Manager and the Legal Counsel), had concluded the performance evaluations, and no other action was taken. President Verbanec noted the Board's satisfaction with the performance of both the General Manager and Legal Counsel.

The Board then considered the matter of the General Manager's compensation.

### **MOTION 08-12-06**

**A motion was made, seconded and unanimously passed to increase the General Manager's compensation by five percent (5%), retroactive to July 1, 2008.**

### **ADJOURNMENT**

There being no further business, the President adjourned the meeting at 12:30 p.m.

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

**M/S/C (unanimous) to adjourn to the next regular Board meeting to be held on Friday, January 30, 2009 at 9:30 a.m. in the District Board Room at 3101 Forest Lake Road.**