



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 April 24, 2009 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 April 24, 2009. Board President Jeffrey B. Froke called the meeting to order at 9:34 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
Nancy Johnson, Senior Accountant, PBCSD
J.T. Rethke, Associate Engineer, PBCSD
Christina Baca, Assistant Engineer, PBCSD
Robert Wellington, Legal Counsel
George Haines, Fire Chief, CAL FIRE San Benito-Monterey Unit
Robin Hamelin, Fire Prevention Chief, CAL FIRE
Dennis Carreiro, Operations Chief, CAL FIRE
John Tormey, Pebble Beach resident
Mark Verbonich, Vice President Community Affairs, Pebble Beach Company ("PBCo")
Charlotte Townsend, Director, Carmel Area Wastewater District ("CAWD")
Spencer Thompson, Traffic and Safety Committee, Del Monte Forest Property Owners
Sgt. Ray Faulk, California Highway Patrol ("CHP")
Peter McKee, District Retirement Plans Trustee
Ralph DeSimone, District Retirement Plans Third Party Administrator
Laura Dadiw, Board Clerk, Dadiw Associates

APPEARANCES AND ORDER OF BUSINESS

Mr. Tormey recounted his experience with the District medical fire crew's response to his wife's emergency situation and commended the responding

crew's professionalism and teamwork. There were no requested changes to the agenda.

MINUTES

MOTION 09-4-01

Moved by Director Verhasselt, seconded by Director Hornbuckle, and unanimously carried, to approve the minutes of the regular Board meeting held on March 27, 2009.

FINANCIAL MATTERS

Statement of Receipts and Disbursements

The Board received and reviewed the *Statement of Receipts and Disbursements* for March 2009. Deputy General Manager/CFO provided highlights of the report.

The Board received the *Check Register* for March 2009. Director Hornbuckle inquired as to the check issued for the Forest Lake elevation baseline survey. Assistant Engineer, Christina Baca responded that the recent construction at the reservoir to reduce the freeboard required the exact overflow elevation be determined. General Manager, Mike Niccum added that the services also included the annual survey of the monuments located around the crest of the reservoir required as a condition of the California Division of Safety of Dams operating permit.

MOTION 09-4-02

Moved by Director Hornbuckle, seconded by Director Laska, and unanimously carried, to approve the *Check Register* for March 2009.

Third Quarter Budget Report for 2008/09

The Board received and reviewed the *Third Quarter Budget Report for Fiscal Year 2008/09*. Deputy General Manager/CFO Suha Kilic gave a background of the annual budget process. The third quarter report presents amendments made to the budget during the fiscal year and recommendations for new amendments as well as the financial impact of changes.

MOTION 09-4-03

Moved by Director Laska, seconded by Director Verbanec, and unanimously carried, to approve the budget amendments subject to the decisions on two of the capital projects that will be made later during the meeting.

Update of the District Long Term Capital Program and Financial Plan

The Board received and reviewed the updated *PBCSD Long-Term Capital Outlay Program ("COP")* and the updated *PBCSD Long-Term Financial Plan*. Assistant Engineer Baca gave a presentation on the Long-Term COP. She stated that along with those departments listed as having collaborated on the update, the finance staff should be recognized for its important role. Mr. Kilic stated that the capital outlays in the Long-term COP are presented based on the estimated current costs, yet the COP is updated and the costs are adjusted annually. He said the approval of Long-Term COP does not provide a spending authority for the next 15-year period it covers; the spending authority is provided by adoption of annual budgets; and any project in excess of \$25,000 is brought before the Board for approval, even if it is included in the budget.

Mr. Kilic presented the update to the *PBCSD Long-Term Financial Plan* noting that it will also provide a reference for the upcoming strategic planning meeting scheduled for May 1, 2009. In response to a question from Director Verhasselt, Mr. Kilic said the O&M reserve fund has been used one time in the past and the rate stabilization fund has never been used. The Board discussed assumptions of the plan, State and County budget issues, threats to District property tax revenue; and the impact of potential future inflation and current real estate downturn on District revenues and expenses.

MOTION 09-4-04

Moved by Director Verhasselt, seconded by Director Verbanec, and unanimously carried, to approve the update to the *PBCSD Long-Term Capital Outlay Program* and the update to the *PBCSD Long-Term Financial Plan*.

FIRE PROTECTION

Fire Chief's Monthly Report

The Board received and reviewed the monthly fire department activity report for March 16, 2009 – April 14, 2009. Battalion Chief, Dennis Carreiro reviewed highlights of the operational portion of the report, noting the thank you to the fire department received

from the Ketcham family in the form of an original Ketcham cartoon depicting the PBCSD fire crew and Dennis the Menace for response to a kitchen fire at their home on Susan Way.

Fire Prevention Chief, Robin Hamelin gave highlights on the fire prevention section of the monthly report.

The District Fire Department annual Fire Safety Open House and Barbeque is scheduled for June 20th from 10 a.m. to 2 p.m. at the District. This year's theme emphasizes green living and green construction. Fire Prevention Captain, Jerry Agenbroad is the point of contact for vendors and agencies interested in presenting at the open house.

Fire Chief, George Haines stated that fuel moisture indicators show that the fire hazard level is currently at the same level as this time last year. Cal-Fire has requested that an increase in staffing be accelerated from the standard June 15th date to June 1st with primary areas of concern in Southern California and the Bay Area.

GENERAL GOVERNMENT

Law Enforcement Program Status Update

The Board received and reviewed the *Deputy General Manager/CFO's Report* regarding the supplemental law enforcement program status update. California Highway Patrol, Sgt. Ray Faulk stated that the number of traffic collisions appear to be trending downward: he recalled that the average number of collisions this year was in the mid-40s, in the previous two years the average had been over 50, and prior to that the average was 65 collisions per year. Mr. Kilic stated that since inception of the supplemental law enforcement program no fatal accidents had occurred. Sgt. Faulk stated in his opinion that the maximum safe speed on 17 Mile Drive near Bird Rock Road is 35mph. Directors noted that CHP presence may deter incidents of vandalism, and the possibility of heightened County Sheriff's patrol would be discussed at the upcoming strategic planning session.

MAINTENANCE, ENGINEERING, AND CONSTRUCTION

Wastewater Collection, Treatment and Disposal System

The Board received and reviewed the *Engineering Report of Utilities Operations and Maintenance for 3/20/09 – 4/17/09* prepared by Associate Engineer, J.T. Rethke. Mr. Niccum stated that irrigation demand by golf courses is starting to pick up.

PBCSD Capital Improvement Projects

Mr. Niccum reviewed the monthly status of *Capital Improvement Program* projects prepared by Assistant Engineer Christina Baca. There were no questions.

Increase in Budget for 2008 Sewer Line Replacement Project

The Board received and reviewed the *Engineering Report* recommending an increase in budget for the 2008 Sewer Line Replacement Project.

MOTION 09-4-05

Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried, to authorize the General Manager to execute a contract with Pavex Construction to pave Sloat Road at 17 Mile Drive intersection for a cost of \$31,000, and thereby increase the 2008 Sewer Line Replacement Project budget to \$631,000.

Construction Improvements for Pump Station P-7 Generator Project

The Board received and reviewed the *Associate Engineer's Report* regarding the Pump Station P-7 Generator Project. The new generator is AB 32 compliant to meet new air quality standards. Counsel Wellington stated that retention of the services of Day Electric for this rehabilitation project work followed the District purchasing policy as opposed to the requirement for new public works type projects to be competitively bid.

MOTION 09-4-06

Moved by Director Verbanec, seconded by Director Laska, and unanimously carried, to adopt *Resolution 09-04* authorizing the General Manager to execute a time and materials construction contract with Day Electric within a budget of \$65,000 without competitive bidding; and increase the budget from \$100,000 to \$170,000 for the Pump Station P-7 Emergency Generator Improvement Project.

CAWD Board Meeting

Director Verhasselt attended the April 23, 2009 CAWD board meeting and submitted a written report. Director Laska was at the meeting representing the Monterey Regional Waste Management District ("MRWMD") and stated his disappointment that the CAWD board decided not to deliver biosolids waste to MRWMD, although he respected its decision. MRWMD was hopeful that during the course of the CAWD's

three year agreement with Liberty Composting, negotiations would continue with CAWD to achieve local disposal of biosolids in the future.

Mr. Niccum added that the CAWD general manager reported on the quarterly general managers meeting where it was discussed how agencies could best assist each other in reducing costs. In the meeting, the possibility of contracting for services to achieve more efficiency for districts and cities and other local agencies was discussed, a topic he and Mr. Kilic had been involved with since the District does more contracting for services than other agencies. There is also an effort to look at consolidation of services, particularly fire protection, an area that Chief Haines would be contacted for input.

SOLID WASTE MANAGEMENT

Monterey Regional Waste Management District Board Meeting

The Board received and reviewed the report from Director Laska on the highlights of the meeting of the MRWMD held on April 17, 2009. Director Laska noted that Director Gary Bales was recognized for 40 years of continuous service on the board. There were no questions from directors.

GENERAL GOVERNMENT

General District Election on November 3, 2009

The Board received and reviewed the *General Manager's Report* regarding the upcoming election. Directors Froke and Verhasselt would be completing their terms at the end of the year. Candidate statements had been limited to 400 words in the past.

MOTION 09-4-07

Moved by Director Laska, seconded by Director Hornbuckle, and unanimously carried, to adopt *Resolution No 09-05* calling for a general district election within PBCSD on November 3, 2009 to elect two Directors to four-year terms of office; and to approve that the length of candidate statements to be included on the ballot remain at 400 words and for the District to pay for the statements.

Revisions to District Retirement Plan and Trust Agreements

The Board received and reviewed the *Deputy General Manager/CFO Report* regarding revisions to the District's Retirement Plan and Trust Agreements, including changing the investment platform from ING to Charles Schwab and Co., Inc. ("Schwab") and allowing Trustees to retain investment advisors. Director Verhasselt stated he was uncomfortable with moving the District platform without

looking at California Public Employees Retirement System ("CalPERS") conditions and considering other investment platforms. He felt the change was of a magnitude that the District should research further before taking action to change platforms and retention of an investment advisor may be costly. Mr. Kilic stated that the change of platform to Schwab will provide more investment options and security for the employees and the District; and will result in a reduction of fees. He said that retention of an advisor lessens the risk to the trustees and investments since the trustees are not expected to be investment professionals. Mr. Kilic said Schwab does not charge for the services of an investment advisor. He had also conferred with the registered investment advisor to the CAWD Pension Plan Investment Committee who stated he could provide the PBCSD Trustees and the employees investment advisory services based on an hourly fee arrangement. Mr. McKee stated that ING charged 60 to 75 basis points across the board, in addition to fees charged by mutual funds. Those savings would be sufficient to offset any fees that may have to be paid to an advisor. Mr. Kilic stated that the changes had been presented to all employees and all were in support. Director Laska, District trustee, stated he and trustee McKee and Mr. Kilic had been carefully studying investment options for the last two months and felt that the changes were prudent during the current economic climate. The proposed changes would not be irreversible; changes could be made in the future. Mr. Niccum stated that the concerns raised by Director Verhasselt regarding CalPERS conditions are serious and the District will address them in the future; yet the proposed changes are distinct from CalPERS issues. Mr. DeSimone stated that a letter would be sent to formerly terminated participants for them to decide within 60 days how their funds were to be distributed. Counsel Wellington stated that CAWD had received excellent investment advisor services from Hayashi and Wayland. Mr. Kilic pointed out that the selection of an investment advisor has yet to be made by the Trustees.

MOTION 09-4-08

Moved by Director Verbanec, seconded by Director Laska, and carried, with Director Verhasselt voting no, to:

- A. Adopt *Resolution No 09-06* amending the PBCSD Defined Benefit Pension Plan and Trust Agreement; Changing the Plan Investment Platform; and Authorizing and Indemnifying the Trustees,**
- B. Adopt *Resolution 09-07* Amending the PBCSD Supplemental Retirement Plan and Trust Agreement; Eliminating Life Insurance Provisions; Changing the Plan Investment Platform; and Abolishing the Plan Investment Committee,**

C. Adopt Resolution 09-08 Approving Amended and Restated PBCSD Deferred Compensation Plan; Appointing, Authorizing and Indemnifying the Trustees and Changing the Plan Investment Platform.

Special District Association of Monterey County

Director Verbanec reported on the meeting held April 21, 2009 stating that there was a presentation from County Supervisor Jane Parker and the City of Greenfield mayor.

Update on District Contribution for LAFCO Proposed 2009/10 Budget

The Board received the *General Managers Report* as informational.

Review and Update of the District Strategic Plan

The Board received and reviewed the *General Manager's Report* of topics and related background information for the District's Strategic Plan planning session scheduled for May 1, 2009 at 9:00 a.m. in the training room with lunch to be provided. Mr. Niccum requested that he be notified of any item not on the list of topics that anyone would like to add. Director Hornbuckle requested that detailed historic information on each topic be provided to directors via e-mail. Director Laska requested that governance issues related to undergrounding of utilities be provided. Director Verbanec requested that information on the applicability of any potential latent powers associated with any of the topics as well as a list of the latent powers also be provided.

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

Mr. Kilic would provide the board at its next meeting an agenda item for action with associated comparative costs for the purchase of computers for directors to use for viewing the digital board packet materials during board meetings.

Oral reports or announcements from Board President, directors or staff

There were no oral reports or announcements from the President, directors or staff.

CLOSED SESSION

It was determined that no closed session was in order.

ADJOURNMENT

There being no further business at 12:02 p.m. a motion was made to adjourn.

MOTION 09-3-09

M/S/C (unanimous) to adjourn to the next special Board meeting to be held on Friday, May 1, 2009 at 9:00 a.m. in the District Training Room at 3101 Forest Lake Road.