



# 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 August 28, 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 August 28, 2009. Board President Jeffrey B. Froke 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  
Nancy Johnson, District Senior Accountant  
J.T. Rethke, Associate Engineer, PBCSD  
Christina Baca, Assistant Engineer, PBCSD  
Robert Rathie, Legal Counsel  
Robin Hamelin, Fire Prevention Chief, CAL FIRE San Benito-Monterey Unit  
John Tormey, Pebble Beach resident  
Mark Stilwell, Executive Vice President, Pebble Beach Company ("PBCo")  
Mark Verbonich, Vice President Community Affairs, PBCo  
Robert Siegfried, Director, Carmel Area Wastewater District ("CAWD")  
Ray von Dohren, CAWD General Manager  
Vinod Badani, Vice President, E2 Consulting Engineers  
Spencer Thompson, Traffic and Safety Committee, Del Monte Forest Property Owners  
Laura Dadiw, Board Clerk, Dadiw Associates

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

Mark Stilwell, PBCo, informed the Board that he had sent out 550 letters to Pebble Beach residents informing them that the State may require a moratorium that would prevent use of purchased water entitlements that are not yet connected. The State Water Resources Control Board ("SWRCB") has reneged

on its assurances 15 years ago that water entitlements PBCo sold to residents would be honored by the State. PBCo submitted a comment letter to the SWRCB regarding the Cease and Desist Order against California American Water company where the moratorium affecting Pebble Beach water entitlements is contained. Mr. Niccum stated the District had sent a comment letter to the SWRCB supporting the PBCo letter, and the Monterey Peninsula Water Management District comment letter to the SWRCB also supported the PBCo letter. Director Verbanec stated that comment letters have been posted at SWRCB web site.

## **MINUTES**

### **MOTION 09-8-01**

**Moved by Director Verbanec, seconded by Director Laska, and unanimously carried, to approve the minutes of the regular Board meeting held on June 26, 2009.**

## **FINANCIAL MATTERS**

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

The Board received and reviewed the *Statement of Receipts and Disbursements* for June and July 2009. Deputy General Manager/CFO Kilic noted that receipts for June were reported as negative \$151,885 due to the District writing off \$454,000 investment loss as a result of the defaulted Washington Mutual and Lehman Brothers bonds that were in the County pool in the last fiscal year. All participants in the County investment pool are bearing the loss based on 3.5% of average asset value that was in the pool during the quarter ending September 30, 2008. The District's \$7,000,000 custom investment has also been allocated a 3% loss because it was in the pool during the majority of the quarter. Mr. Kilic provided a letter to the Board that he had sent to the Auditor-Controller dated July 13, 2009 asking for reconsideration of the allocation methodology because at the time the District pulled \$7,000,000 out of the pool, the defaulted bonds were being traded at higher values in the market and also based on the information received from the Treasurer previously. Director Laska commented that because the County Auditor's office uses the same methodology in allocating interest revenues, i.e. average quarterly balance in the pool, it would be hard to get an exemption from current loss distribution. On a positive note, the County Treasurer informed Mr. Kilic yesterday that he was able to sell the Washington Mutual bond for twenty eight cents on the dollar. The sale proceeds will be distributed based on the same loss percentages and will be shown as additional investment earnings in the next quarter. The County also continues its efforts to recover more of the loss through litigation and remains hopeful that there may be some assistance from federal government.

The Board received the *Check Register* for June and July 2009.

**MOTION 09-8-02**

**Moved by Director Verhasselt, seconded by Director Verbanec, and unanimously carried, to approve the *Check Register* for June and July 2009.**

**District Defined Benefit Pension Plan Funding Status**

The Board received and reviewed the Deputy General Manager/CFO report recommending the District fully fund the shortfall that occurred in the fiscal year 2008-09. Mr. Kilic said if the plan assets exceed liabilities, the excess will belong to the District and can be drawn out for District use when the Plan is terminated or can be used to reduce future annual contributions. He said although it is not legally required, it may be prudent to fully cover the shortfall while the funds are available.

Director Verhasselt proposed an alternative to funding, suggesting that the shortfall be funded over a three year period, allowing time to observe future funding levels and market conditions. Director Verbanec felt, and Director Laska who serves as one of the plan trustees concurred, the shortfall represents an obligation of the District that needs to be paid whether now or in the future; plan assets may have the potential of earning more interest than the District's own funds; and that the Plan could offer protection from State take-away. Director Verhasselt noted that the plan was overfunded by \$26,000 last fiscal year; he did not approve of using the Plan as a savings account and felt that the funds would be invested at less of a risk in the current economic environment.

**MOTION 09-8-03**

**Moved by Director Hornbuckle, seconded by Director Laska, and carried, with Director Verhasselt voting no, to approve funding the \$262,805 current year shortfall of the PBCSD defined benefit pension plan in fiscal year 2008-09 and amend the budget accordingly.**

**Public Hearing Re: Proposed Services and Related Charges for FY 2008-09**

Deputy General Manager/CFO Kilic gave a presentation and reviewed the proposed PBCSD Final Budget for fiscal year 2009-10. The summary of user fees, special tax and the proposed budget were mailed to all property owners the first week in June and the budget hearing notice was published in the "Pine Cone."

Mr. Kilic reviewed changes from the preliminary budget presented at the May board meeting.

In response to Director Hornbuckle, Mr. Kilic stated that the District was looking into Proposition 1A securitization bonds that may be issued by the California Communities, a joint powers authority sponsored by the League of California Cities and California State Association of Counties. He would be reviewing the conditions of the bonds including the cost of issuance, and obligation and potential credit exposure for the District.

Director Verhasselt submitted two proposal/motions for the Board to consider on the issue of the Special Fire Service Tax and the Sewer User Fees. The Board discussed the issues. Staff was directed to place the sewer fee issue on the agenda for the September board meeting. Mr. Tormey felt the current fire tax was not controversial to him, however, expressed his appreciation to Director Verhasselt for bringing the issue up and to the Board for discussing and debating it.

### **TIMED BUSINESS**

President Froke opened the public hearing at 10:38 a.m.

Mr. John Tormey inquired as to whether the expenditures listed on page 20 of the proposed budget – forest management and undergrounding of utility lines – were considered projects. Mr. Niccum stated that forest management was a project continuing from the previous year and more would be spent this year than last year under fire department direction. Undergrounding of utility lines is also considered a project, although it is in the feasibility stage for the board to determine whether to seek District authority from the Local Agency Formation Commission to proceed.

Mr. Tormey appreciated the excellent presentation of the budget materials indicating that the District was a worthy and orderly custodian of public resources exhibiting conservative fiscal policy. Mr. Kilic thanked the administrative staff – Marianna Escareno, Richard Farfan, and Nancy Johnson – for their hard work and exemplary product, and thanked all staff for input and assistance. Director Verbanec echoed the expression of gratitude to staff.

President Froke closed the hearing at 10:45 a.m.

### **END OF TIMED BUSINESS**

**MOTION 09-8-04**

Moved by Director Laska and seconded by Director Hornbuckle to adopt *Resolution No. 09-16* approving service charges for garbage collection and disposal; sewer treatment and disposal services; and special tax for fire protection services for Fiscal Year 2009-10; *Resolution No. 09-17* certifying compliance with State law for levying general and special taxes, assessments, and property related fees and charges; *Resolution No. 09-18* adopting the Final Budget for FY 2009-10; *Resolution No. 09-19* approving positions, classifications and pay schedule for FY 2009-10; and *Resolution No. 09-20* approving sewer connection fee for FY 2009-10. (Motion 09-8-05 below amended this motion.)

**MOTION 09-8-05**

Moved by Director Laska, seconded by Director Verhasselt, and unanimously carried, to amend the previous motion to adopt *Resolution No. 09-16* approving service charges for garbage collection and disposal; sewer treatment and disposal services; and special tax for fire protection services for Fiscal Year 2009-10 separately from the other resolutions.

**MOTION 09-8-06**

Moved by Director Laska, seconded by Director Hornbuckle, and carried, with Director Verhasselt voting no, to adopt *Resolution No. 09-16* approving service charges for garbage collection and disposal; sewer treatment and disposal services; and special tax for fire protection services for Fiscal Year 2009-10.

**MOTION 09-8-07**

Moved by Director Laska, seconded by Director Verbanec, and unanimously carried to adopt *Resolution No. 09-17* certifying compliance with State law for levying general and special taxes, assessments, and property related fees and charges; *Resolution No. 09-18* adopting the Final Budget for FY 2009-10; *Resolution No. 09-19* approving positions, classifications and pay schedule for FY 2009-10; and *Resolution No. 09-20* approving sewer connection fee for FY 2009-10.

## **FIRE PROTECTION**

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

The Board received and reviewed the monthly fire department activity report for June 15 – August 14, 2009. Fire Prevention Chief, Robin Hamelin gave a brief overview of fires working throughout the State. Locally, several recent small fires in the Forest were not accidental and were being investigated. He reported that the goats would continue through next Thursday and have reduced overgrowth on approximately 30 acres so far. The cost for use of goats this year will be \$28,500. The goats would be brought in earlier in the spring next year to remove grasses that are dried out enough to be eaten without growing back before the summer.

Carl Holm, County Planning Department Coastal Team manager, gave permission to the District to proceed with the Haul Road shaded fuel break work and directed the District to submit an emergency Coastal Development Permit application required by the Coastal Commission. Clearance work was progressing well in the large, very densely overgrown area consisting of primarily PBCo owned land. There had been no complaints from residents regarding the thinning efforts so far within a one acre area requiring approximately 5 crew days at 5 hours per day to complete. PBCo supports the crew work with use of equipment. Fire department staff is considering use of a portion of the \$100,000 allocated in the District budget to purchase additional crew hours.

Chief Hamelin indicated that a workshop being held by the Monterey County Resource Conservation District is scheduled for tomorrow at 9:00 a.m. at PBCSD for property owners and businesses involved in fire clearance to receive information on insurance, methodologies for reducing fire fuels, touring the Fire-safe Demonstration Garden and the Los Altos treated and untreated areas.

### **District Fire Department annual Fire Safety Open House and Barbeque**

Next year's event is tentatively scheduled for June 26, 2010, one week after the close of the US Open.

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

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

The Board received and reviewed the *Engineering Report of Utilities Operations and Maintenance for 6/20/09 – 8/21/09* prepared by Assistant Engineer, J.T. Rethke. Mr. Niccum stated that three of the CAWD advanced treatment plant microfiltration units failed beginning in July. The manufacturer, Siemens, replaced the faulty units and had not yet determined the cause of the failures. Due to the decreased flow from CAWD to Forest Lake Reservoir caused by the failures, the District requested potable water from California American Water with the understanding that no potable water would be used during October

2009, the first month of the next water year. To assist, the golf courses cut water use and accepted higher salinity water processed only through the microfiltration units since additional treatment by reverse osmosis reduces water production by approximately 20%.

### **PBCSD Capital Improvement Projects**

Assistant Engineer Christina Baca highlighted her report on the monthly status of *Capital Improvement Program* projects. Director Verhasselt informed staff that Vermeer Company performs trenchless undergrounding of utilities.

### **5<sup>th</sup> Priority Water Project Additional Paving**

The Board received and reviewed the *Engineering Report* regarding the 5<sup>th</sup> Priority Water Project additional paving work.

### **MOTION 09-8-08**

**It was moved by Director Hornbuckle, seconded by Director Verhasselt, and unanimously carried, to authorize the General Manager to reimburse Pebble Beach Company up to \$60,000 for one-half the cost to repair asphalt, slurry seal and re-stripe a section of the 17-Mile Drive near the Lodge and Peter Hay Golf Course.**

### **Carmel Area Wastewater District Contract and Budget Review Process**

The Board received and reviewed the General Manager Report regarding the CAWD contract with PBCSD for wastewater treatment and disposal services and the CAWD budget review process. Mr. Niccum stated that the two districts have a close relationship; PBCSD has historically reviewed CAWD operations and budget and is comfortable with contract costs that have remained basically flat for the last five years. The administration fee paid by PBCSD is based on 7.5% of treatment plant operations costs; and any increase in CAWD administration budget does not affect the fee paid by PBCSD.

### **CAWD Board Meeting**

Director Froke attended the July 23, 2009 CAWD board meeting. Director Laska attended the August 27, 2009 meeting stating the failure of the microfiltration units was the focused topic.

### **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 Monterey Regional Waste Management District ("MRWMD") held on August 21, 2009.

### **Household Hazardous Waste Collection Event**

The Board received and reviewed the report from Deputy General Manager Kilic with the recommended date for the next event.

### **MOTION 09-8-09**

**It was moved by Director Laska, seconded by Director Verhasselt, and unanimously carried, to approve a household hazardous waste and electronics waste collection event on Saturday, September 26, 2009 between 9:00 a.m. and 2:00 p.m.**

### **GENERAL GOVERNMENT**

#### **Law Enforcement Program Status Update**

The Board received and reviewed the memorandum regarding the supplemental law enforcement program status update. Sgt. Ray Faulk, CHP, could not be present due to his assisting at one of the South Monterey County fires. Director Verhasselt informed Mr. Kilic that he had witnessed many speeding vehicles on 17 Mile Drive between Bird Rock Road and Point Joe as of late.

#### **Special District Association of Monterey County**

The Board received and reviewed the General Manager's Report regarding the meeting held on July 21, 2009. The group discussed development of a web site and requested information from special district directors for use on the web site.

#### **California Special District Association Election**

The Board received the mail ballot information for the 2009 election of a representative to the Board of Directors, Region 3, Seat A. The board concurred to direct the general manager to cast a ballot for Vincent Ferrante.

#### **Safety Committee Meeting Minutes**

The Board received for information the minutes of the safety committee meeting held on July 10, 2009.

### **MISCELLANEOUS INFORMATION AND COMMUNICATIONS**

#### **Oral reports from General Manager**

Mr. Niccum announced that Directors Froke and Verhasselt had been reelected to another term of office and that no election would be needed, saving the District the election costs.

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

Director Verhasselt inquired as to the process for addressing the Joint Powers Insurance Authority reduction of dam failure insurance from \$20 million to \$10 million. Mr. Niccum stated that staff and the Reclamation Management Committee would review and report back to the board..

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

Director Hornbuckle stated he would be absent from the next board meeting in September.

General Manager Niccum stated that the Reclamation Management Committee may convene prior to the scheduled November meeting once the cause of the microfiltration failure is determined.

Director Verhasselt would not be attending the Special District Association Meeting of Monterey County on October 20, 2009.

**CLOSED SESSION**

It was determined that no closed session was in order.

**ADJOURNMENT**

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

**MOTION 09-8-10**

**M/S/C (unanimous) to adjourn to the next regular Board meeting to be held on Friday, September 25, 2009 at 9:30 a.m. in the District Board Room at 3101 Forest Lake Road.**