

**Carmel Area Wastewater District/Pebble Beach Community Services District
Pebble Beach Company**

**WASTEWATER RECLAMATION PROJECT
MANAGEMENT COMMITTEE**

MINUTES

**Meeting of April 18, 2008
Pebble Beach Community Services District Boardroom
3101 Forest Lake Road, Pebble Beach, CA**

1. Call to Order

Ray von Dohren, CAWD General Manager, serving as facilitator, called the meeting to order at 9:42 a.m. Members or alternates present were: Charlotte Townsend and Ken White, Carmel Area Wastewater District Board of Directors (CAWD); Gary D. Hornbuckle and Richard Verbanec, Pebble Beach Community Services District Board of Directors (PBCSD); and Mark Stilwell, Executive Vice President, Pebble Beach Company (PBCo).

Others in attendance:

Mike Niccum, General Manager, PBCSD
George Thacher, Legal Counsel, CAWD/PBCSD
J.T. Rethke, Assistant Engineer, PBCSD
Brent Reitz, Capital Services Project Manager, Pebble Beach Company
Barbara Buikema, Accountant/Controller, CAWD
Michael Magretto, Operations Supervisor, California American Water
Laura Dadiw, Dadiw Associates, Clerk

2. Period for welcoming visitors, receiving public comment regarding matters not listed or considering changes to the agenda:

PBCSD General Manager Mike Niccum introduced PBCSD Assistant Engineer, J.T. Rethke to the committee. Mr. Niccum also relayed a message from MPWMD General Manager Darby Fuerst that he would attempt to attend the next RMC meeting when scheduled. No requests were received to change the content or order of the agenda.

3. Minutes:

It was moved by Member Townsend, seconded by Member Hornbuckle, abstention by Members White and Stilwell due to absence at the last meeting, and carried, to approve the minutes of the Committee meeting of November 2, 2007.

4. Receive and consider reports relating to operations and maintenance (“O & M”) of Project:

4-A-1. Presentation of Annual Audit

Barbara Buikema reported no issues encountered in the audit process and no significant variations from the reported monthly financial reports. There was a restatement of net assets involving Forest Lake Reservoir that was not posted until the audit, which is not unusual.

Member Hornbuckle requested clarification on the asset ownership of water resale rights as Monterey Peninsula Water Management District or the Project. Mr. von Dohren stated he would confirm if MPWMD owned the water resale rights and notify Member Hornbuckle. Member Stilwell stated that the resale rights are collateral for the certificates of participation. Member White noted that there were no suggestions resulting from the auditor for strengthening financial policies or procedures.

It was moved by Member Verbanec, seconded by Member Stilwell, and unanimously carried, to accept the Project Annual Financial Statements and Independent Audit Report for the fiscal year ended June 30, 2007 prepared by the audit firm Porter and Co. as meeting project requirements for an annual independent financial audit.

4-A-2. Consolidated Financial Statements from July 2007 through February 2008

Barbara Buikema reviewed the financial statements for the period from July 2007 through February 2008. She noted that the statements now contain a full year of Forest Lake Reservoir being operational. Member Stilwell gave a historic overview and current trend of Pebble Beach Company water sales. He requested that project financials break out clearly the original Pebble Beach Company non-reimbursable project subsidy from future water sales subsidies that are essentially a loan to be repaid to Pebble Beach Company. The original subsidy covers payments of principal and interest on the bonds and any operational expenditure shortfalls, which have not occurred to date. When the MF/RO facility comes on-line, there may be operations and maintenance fund shortfalls, most likely in the initial years.

Mr. von Dohren stated that consideration of use of ratepayer dollars to recharge the Carmel lagoon would be submitted to the Committee when the \$75,000 balance of State Parks funding is depleted.

The O & M Financial Statements for the period were received for information and no action was required or taken by the Committee.

4-A-3. Approve Budget – 2008-09

Barbara Buikema reviewed the project budget for the fiscal year 2008-09 and noted it being conservative regarding advanced treatment due to no experience with operations and maintenance of such a facility. Some budgeted advanced treatment items, such as laboratory, training, and emergency costs in the labor portion of the budget most likely will not be seen in subsequent budgets. Mr. Stilwell noted that the budgeted amount of approximately \$3 million in revenue contributions by Pebble Beach Company for operations and maintenance of the project would not be paid back. Conversely, the \$10 million in Phase II construction subsidies furnished by Pebble Beach Company would be paid back.

Mr. von Dohren noted one change to the presented budget: On page 38 under Capital Purchases, the Dechlor Analyzer budgeted at \$11,800 in 08/09 has failed presently and replacement parts are no longer available. The equipment is essential in treating water applied directly to golf courses and will be replaced as soon as possible in this fiscal year.

Ms. Buikema noted that insurance costs are increased due to \$22 million in additional property acquired. Per Mr. Stilwell, the MPWMD surcharge of 8.325% shown on page 32 has historically been 7.25%. Mr. Stilwell will check on the specific provision related to the fee in Financing Implementation Agreement of 1992 and discuss with MPWMD CFO Rick Dickhaut.

Ms. Buikema agreed to create a separate line item for the advanced treatment capital improvements including \$78,000 for project drawings, \$30,000 for a spare feed pump as suggested to be included in 08/09 by PBCSD General Manager Niccum, \$75,000 for Forest Lake Reservoir modifications to increase storage, \$50,000 for pipeline cathodic protection, and any other improvements capitalized under Phase II that are an enhancement (not maintenance) of the original project – all part of the \$10 million subsidy by Pebble Beach Company to be paid back.

It was moved by Member Hornbuckle, seconded by Member Stilwell, and unanimously carried, to approve the CAWD/PBCSD Reclamation Project Budget for the fiscal year 2008-09 revised to include: a breakout of Phase II expenses; an adjustment to the purchase period of the Dechlor Analyzer from fiscal year 08/09 to 07/08; the addition of the \$30,000 purchase of a spare feeder pump; and verification of the MPWMD surcharge fee.

4-A-4. Budget Amendment, Carollo Consulting Agreement Services

Mr. von Dohren stated that the request for a \$28,000 increase in Carollo Engineer's budget for contingencies as stated in the Staff Report to the Committee dated today from Mr. Sanford Veile is withdrawn and a budget increase of \$22,064 is being recommended for approval to cover Carollo revising 22 drawings.

It was moved by Member Verbanec, seconded by Member Hornbuckle, and carried, to authorize the CAWD General Manager to recommend to the CAWD Board of Directors to increase the existing Carollo consulting services agreement budget by \$22,064 to reflect a change in scope and possible overrun, as requested by CAWD staff.

4-B-1. Treatment Plant O & M

The Committee received a written status report from CAWD Treatment Plant Superintendent, Mark Scheiter regarding treatment plant operations for February/March 2008. Mr. von Dohren stated that microfiltration testing was underway and reverse osmosis testing was scheduled to begin May 1st with the first MF/RO water to be produced sometime in May.

There being no further questions or comments, the written and oral reports regarding Treatment Plant O & M were received as informational and no action was required or taken by the committee.

4-C-1. Distribution System O & M; reclaimed and potable water use

Mr. Niccum, reviewed the Distribution System Operations Report prepared by PBCSD Assistant Engineer, J.T. Rethke, There were no questions.

The Distribution System O & M Report was received for information and no action was required or taken by the Committee.

5. Receive status reports concerning Main Components Phase II (Expanded)

Reclamation Project:

5-A. Advanced Treatment Project

Mr. von Dohren encouraged members to tour the facility by calling the CAWD office to make arrangements. No organized tours are being given yet however up to ten people at a time are welcome.

5-B. Forest Lake Reservoir Construction Project

Mr. Niccum reviewed his submitted report regarding the Forest Lake Reservoir Project. Revisions to the outlet structure are planned for the winter to reduce the freeboard from 8 feet to 6 feet and allow 11 million gallons of additional storage as approved for the Department of Safety of Dams.

The Forest Lake Reservoir Construction Project Report was received for information and no action was required or taken by the Committee.

6. Receive Miscellaneous Information or Announcements from Members, Staff or Visitors:

Mark Stilwell, Executive Vice President, PBCo, reported that the Company had filed for an exception to the storm water discharge requirements of the State Water Resources Control Board. The agency indicated it will review the Ocean Plan for allowing clean storm water to continue to flow to the bay.

There were no further reports or announcements from Committee members, staff or visitors.

7. Closed Session

The Committee did not meet in a closed session.

8. Adjournment & Next Meeting Date:

There being no further business at 11:10 a.m., it was moved and seconded, and determined by consensus of the members, that the Reclamation Management Committee adjourn to its next regular meeting, not yet scheduled.

Respectfully submitted:

Laura Dadiw

Clerk

Pebble Beach Community Services District/Dadiw Associates