

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

**WASTEWATER RECLAMATION PROJECT
MANAGEMENT COMMITTEE**

MINUTES

**Meeting of July 14, 2006
Pebble Beach Community Services District Boardroom
Forest Lake & Lopez Roads, Pebble Beach, CA**

1. Call to Order

Ray von Dohren, CAWD General Manager, serving as facilitator, called the meeting to order at 9:36 a.m. Members or alternates present were: Joyce Stevens and Charlotte F. Townsend, Carmel Area Wastewater District Board of Directors (CAWD); Gary D. Hornbuckle and Leo M. Laska, Pebble Beach Community Services District Board of Directors (PBCSD); and Mark Stilwell, Executive Vice President, Pebble Beach Company (PBCo).

Others in attendance:

Craig Anthony, General Manager, PBCSD
Michael Niccum, P.E., District Engineer, PBCSD
Brent Reitz, Capital Services Project Manager, Pebble Beach Company
Robert Wellington, Legal Counsel, CAWD/PBCSD
Barbara Buikema, Accountant/Controller, CAWD
Tom Peterson, Operations Superintendent, Monterey District, California
American Water (“Cal-Am”)
Charles Kemp, Operations Manager, California American Water (“Cal-Am”)
Michael Magretto, Operations Supervisor, Cal-Am
Mark Scheiter, Plant Superintendent, CAWD
David Berger, General Manager, Monterey Peninsula Water Management District
 (“MPWMD”)
Vinod Badani, Vice President, E2 Consulting Engineers
Laura Paxton, Temporary Clerk, PBCSD

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

Following introductions, there were no comments from visitors or Committee members regarding matters not listed on the agenda, and no requests were received to change the content or order of the agenda.

3. Minutes:

Regarding section 6-C, Joyce Stevens recalled that Mark Stilwell also mentioned the possibility of expanding water sales to the area outside of the District upon approval by MPWMD. Mr. Stilwell stated that surrounding agenciescommunities have expressed interest in the purchasing program. MPWMD General Manager, David Berger, and Mr. Stilwell agreed to discuss the issue at a separate meeting.

It was moved and seconded by Member Stilwell and Member Townsend, and carried, to approve the minutes of the Committee meeting of May 19, 2006. Members Hornbuckle and Laska, being absent from the last meeting, abstained from voting.

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

4-A. Treatment Plant O & M

The Committee received a written status report from CAWD Treatment Plant Superintendent, Mark Scheiter, regarding treatment plant operations. Mr. Niccum clarified that “in hand” under Tertiary Process 06/05/06 on page two of the report referred to one of the instrument components becoming inoperable for a period of time so the operators ran the feed system by hand. In reference to page 3 of the report under System History & Operational Parameters, Mr. von Dohren explained that Average “Operational” Daily Production is derived from actual daily amounts when the plant is operating; Average “Monthly” Daily Production is derived by taking the monthly total production and dividing by 30 days.

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-B. Distribution System O & M; reclaimed and potable water use

PBCSD District Engineer, Michael Niccum, reviewed his Distribution System Operations Report, dated July 14, 2006 and indicated that it had been a routine period.

Mr. Niccum reported that total irrigation water demand for the 2005-06 water year to date is 490 acre-feet, including 411 acre feet or 84% of recycled water. Total demand for the water year is 62 acre-feet, or 11%, below the 11-year average usage of 552 acre-feet for this point in the water year. Mr. Niccum reported that the June potable water-flushing cycle used 26 acre-feet, and approximately 73 acre-feet of potable water have been used in flushing cycles during the current water year. This accounts for 92% of the total potable water use of 79 acre-feet. Mr. Niccum responded to questions from members.

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

4-C. Consolidated Financial Statements from July 2005 through March y 2006

Barbara Buikema reviewed the financial statements for the period from July 2005 through May 2006.

Ms. Buikema indicated that the O & M cash balances total \$234,001. All quarterly 2005-06 funds have been received and O & M cash on hand as of July 10, 2006 is \$205,764. Phase II escrow account balance as of May 31 was \$8,852,916. She further reported that Cal-Am Water had made an error in the meter reading in November after payment had been made; the credit balance shows on the balance sheet as a prepaid expense and will be used by the end of the fiscal year. Ms. Buikema advised that receivable from CAWD for electrical use at the lab has been suspended due to repair of the meter. The repaired meter was received the end of May and there has been one partial reading to use as a basis for a best estimate adjustment in the next quarter.

\$ The Summary O & M Revenue and Expense Statement shows a net cash income through May 2006 of \$928,446, a positive variance of \$261,160. Ms. Buikema stated that the monthly budget percentage is based on prior year historical revenue and expense data in order to “even out” seasonal variations. She reported that water sales and purchase of potable water are both significantly over and under budget respectively.

Ms. Buikema gave O & M Statement detail as follows:

- Water sales through May 2006 are \$1,179,405 or 72% of budget.
- Total operating revenue is \$1,179,405 or 73.1% of budget.
- ⊖ Total plant operating expenses are 13.14% over YTD budget. Chemical expenses are 77% over budget - a small portion of that is a timing issue, however, the majority of it relates to turbidity issues at the plant.
- ⊖ Plant salaries 2.3% under budget, electrical is 2.3% over YTD budget (although an adjustment for lab electrical will be made at a later date).
- ⊖ Total distribution system expenses are 17.23% over YTD budget
- ⊖ Total CAWD admin expenses are 63.4% below YTD budget - in large measure because of the drop in the insurance premium for reclamation.
- ⊖ Water Entitlement income reflects net income (sales less fees charged byfor MPWMDescrow and legal services and County transfer taxes).

Ms. Buikema stated that she had no further comments to offer regarding the financial statements and would respond to any questions the Committee members had. Ms. Buikema directed Mark Stilwell to the line item at the bottom of page 9 of the financial statement for Phase II interest income earnings - \$441,956 through May 2006. Mr. Stilwell and Ms. Buikema will look at the detail of the water entitlement fees being charged; the only fees should be to the County for recording, to the title company for and to the escrow accountservices, and for legal services related to the Phase II financing plan.

The committee discussed the sizeable rate increase expected from Cal-Am, whether it would be retroactive back to January 1, 2006, or a one-time increase in the current fiscal year. Mr. Charles Kemp, Cal-Am Water, stated he did not know at this point how the increase to achieve reasonable rate of return would be conducted. The PUC has been delayed over four months in its actions, and the hearing process is unknown by Cal-Am at this point. The Company

budgeted an estimated 15% increase for the current fiscal year with nothing being accrued from last fiscal year.

Following questions and answers, the O & M Financial Statements for the period were 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. Planning and Design of Advanced treatment: micro-filtration/reverse osmosis facilities

CAWD General Manager, Ray von Dohren, reported that he had met with Pebble Beach Company Anne Rodriguez yesterday and made progress on moving the MF/RO project forward. Carollo Engineers responded positively to the progress made. A meeting is scheduled for July 18th to continue to come to a resolution as to how the project would be administered; the contract is to remain design/build with CAWD having authority. Notes of the meeting will be available for committee review. The timeline is ambitious to allow for the construction of a concrete foundationsurface to build on prior to the rainy season: a 14-month construction schedule and 3 months for start-up. No final costs have been developed; since the County reduced the elevation of the 100-year flood plain, design changes, primarily to the treatment structure, are being considered for cost savings.

Leo M. Laska inquired as to the anticipated percent of recovery from the MF/RO after project completion and would the difference in production have to be made up with potable water. General Manager von Dohren responded that the anticipated recovery rate through the MF/RO is 75%; 1.2 million gallons per day will go through the treatment process with 0.3 million gallons per day bypassing treatment. The current production rate is 1.8 million gallons per day; the anticipated rate is 1.5 million gallons per day. Normally the difference would not need to be made up with potable water as Forest Lake Reservoir is on-line to meet peak demand and can produce year-round. There is also allowed flexibility in salt content to treat or bypass wastewater to optimize production when necessary. The recovery rate will be further addressed as the project progresses.

5-B. Forest Lake Reservoir Construction Project

PBCSD District Engineer Mike Niccum, in addition to his written report, presented real-time security camera system video footage of the reservoir. The system consists of four cameras installed for a cost of approximately \$125,000 including fiber optic lines from the reservoir to the PBCSD administration building. PBCSD derives benefit from the fiber optic lines and paid for the system so paid for the system. Once the server is set up and video footage can be recorded, the system will be fully operational. Mr. Niccum stated that the reservoir maximum capacity is based on at 8-feet of freeboard; a request is going to be made to the Department of Safety of Dams to increase the capacity of the reservoir by reducing the freeboard to four feet of freeboard. Footage showed the east embankment French drain improvements where previously surface and groundwater had affected the area. Mr. Niccum noted that Cal-Am Water has been very

cooperative, allowing the use of a future Cal-Am water tank site for construction trailerspad and access roads during project construction. The final project walk-through is scheduled for next week and, after execution of change orders, a Notice of Final Completion will be issued.

Michael Niccum reported that it has been suggested that the Committee consider a formal dedication ceremony celebrating the completion of the Reservoir project. He suggested that a press release go out to the local and regional media, and a ceremony be conducted at the north end of the reservoir using a stage or podium. Ms. Townsend urged that media content stress the cooperation between public and private interests in project execution, and to focus on a theme to attract the attention of the general public, such as the amount of drinking water saved or the increase in property values as a result of project completion. PBCSD General Manager, Craig Anthony, suggested themes of either dependable water usage/reservoir level projections as a result of optimum operations of the reservoir by staff and administration, or the environmental benefit of the water made available to release into the Lagoon as a result of the reservoir project. MPWMD General Manager, David Berger, suggested sending out “save the date” notices for the event, and that MPWMD would be happy to help out in some capacity with the event.

It was moved and seconded by Member Townsend and Member Hornbuckle, and carried, to hold a formal dedication ceremony celebrating the completion of Forest Lake Reservoir project with the time and date to be determined by PBCSD and Company staff acting as lead for ceremony preparations.

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

Mark Stilwell inquired of David Berger what would be required to conduct water sales outside of the currently approved Del Monte Forest boundaries. Mr. Berger responded that it would require MPWMD to adopt another ordinance in that regard, and could require another environmental impact report. He suggested a letter be sent to MPWMD with the stated request to “trigger” the issue. The next step would be to determine the interest of areas outside of the Forest. It would need to be determined whether other agreements in place besides the water sales agreement would be affected by the request. Mr. Stilwell stated the MPWMD Ordinance allowed the purchase of 175 acre-feet leaving there are 245 65 acre-feet of water left for purchase beyond the 110 acre-feet already sold and the 10 acre-feet used by the Company, upon approval of MPWMD. He was optimistic that if sales were offered throughout the Cal-Am Water District service area, the additional acre-feet would sell in approximately within two a matter of months., primarily for remodeling of homes.

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 on Friday, September 15, 2006 at 9:30 a.m. in the PBCSD Boardroom at 3101 Forest Lake Road, Pebble Beach.

Respectfully submitted:

Laura Paxton
Temporary Clerk
Pebble Beach Community Services District/Paxton Ad Hoc