



June 24, 2014

TO: LOCSD Board of Directors

FROM: Kathy A. Kivley, General Manager

SUBJECT: **Agenda Item 11G – 7/3/2014 Board Meeting**

Adopt Resolution Approving an Interfund Loan from the District's Water Fund to the Vita de Oro Fund Not to Exceed \$30,000

President
Craig V. Baltimore

Vice President
R. Michael Wright

Directors
Leonard A. Moothart
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DESCRIPTION

Approval of a Resolution authorizing an Interfund Loan to the Vista de Oro Fund 400 from the Water Fund 500 General Contingency Reserve in an amount not to exceed \$30,000 to cover operating deficits.

SUMMARY OF STAFF RECOMMENDATION

Staff recommends that the Board adopt the following motion:

Motion: I move that the Board adopt Resolution No. 2014-13 authorizing an interfund loan, not to exceed \$30,000, to Fund 400 Vista de Oro to cover operating deficits.

DISCUSSION

Vista de Oro is a subdivision with a dedicated residential community septic system. There are 73 parcels in this subdivision. The fund provides septic management, storm water drainage, street and open space management. The key source of funding is assessments for lighting and septic services in the amount of \$15,768. A Proposition 218 ballot request to increase the funding was successfully defeated by a majority protest on June 20, 2013. The assessment rate therefore remains the same, \$216/parcel. This requires the District to continue to subsidize this operation to insure healthy and viable system operations.

The Vista de Oro Fund 400 continues to operate in a deficit. It is necessary for the fund to borrow from another fund to cover the actual costs of operations. Upon completion of the County project providing sewer collection services to the subdivision, the septic system will be abandoned at a cost. The assessments will remain on the parcels until the fund settles all liabilities due to the District for providing the services.

FINANCIAL IMPACT

The recommended action will have no significant financial impact on the daily operations of Water Fund 500. Currently the Water General Contingency Reserve has a balance as of June 1, 2014 of \$178,783. The Loan Agreement states Fund 400 will borrow the funds at the close of the respective fiscal year. Upon completion of the financial audit any differences will be reconciled. All terms and conditions are outlined in the attached Interfund Loan Agreement.

Attachment: Resolution No. 2014-13 w/ Exhibit A

RESOLUTION 2014 - 13

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT
APPROVING AN INTERFUND LOAN FROM THE DISTRICT'S WATER FUND TO THE VISTA DE ORO
FUND TO COVER OPERATING DEFICITS FOR FISCAL 2012/2013, 2013/2014 AND 2014/2015**

WHEREAS, the Board of Directors of the Los Osos Community Services District (District) acknowledged that due to the successful forestalling of a rate increase to cover on-going operating cost increases by the seventy-three residents in Vista de Oro, that revenues do not equal operating costs (expenses); and

WHEREAS, the Board of Directors recognizes that the standard governmental accounting procedures require that governmental expenses balance with revenues; and

WHEREAS, the Board of Directors know that unrestricted Reserves may be used to support an interfund loan; and

WHEREAS, the Board of Directors hereby finds that there are sufficient reserves in the Water Fund to accommodate an interfund loan to cover operating expenses.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the Los Osos Community Services District as follows:

1. An interfund loan from the Water Fund to Vista de Oro is approved in the amount not to exceed \$30,000.
2. The interfund loan is approved subject to the terms of the agreement incorporated herein as Exhibit A.

Upon motion of Director _____, seconded by Director _____ and on the following roll call vote, to wit:

AYES: _____
NOES: _____
ABSENT: _____
ABSTAIN: _____

The foregoing resolution is hereby passed and adopted this 3rd day of July, 2014.

Craig V. Baltimore
President of the Board
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

Kathy A. Kivley
General Manager and Secretary to the Board

Michael W. Seitz
District Legal Counsel

EXHIBIT A

Interfund Loan Agreement

The interfund loan agreement, made and entered into this the _____ day of _____ 2014, effective _____ for FY 2012/2013, FY 2013/2014 and FY 2014/2015 by and between the Water Fund 500 and the Vista de Oro Fund 400;

WITNESSETH:

WHEREAS, the Board of Directors of the Los Osos Community Services (LOCSD) has determined that the LOCSD must continue to provide public services Vista de Oro Fund 400; and

WHEREAS, the Board of Directors recognizes the employees of the LOCSD provide storm water drainage, street, septic and open space management services; and

WHEREAS, the Board of Directors recognizes there are not sufficient funds available from the current assessment rate of \$216/parcel to cover the expenses related to these services; and

WHEREAS, the Board of Directors understands the LOCSD must continue to subsidize the operation to insure healthy and viable septic system operations; and

WHEREAS, the Board of Directors realizes when the Los Osos Wastewater Project built by San Luis Obispo County (County) is complete the Vista de Oro subdivision will be connected to the County System; and

WHEREAS, the Board of Directors recognizes the current septic system will be abandoned at a cost to the residents and expensed through this fund; and

WHEREAS, the Board of Directors recognizes the assessments will remain on the parcels until the fund settles all the liabilities due to the LOCSD for providing the services both septic maintenance as well as septic abandonment costs; and

WHEREAS, the Board of Directors understands according to Government Code Section 66006 and 66013 the LOCSD may provide interfund loans and according to Government Code Section 61116 (b) allows for borrowing; and

WHEREAS, the Board of Directors agrees to provide an interfund loan to the Vista de Oro Fund, in an amount not to exceed \$30,000 to cover the operating deficits.

NOW THEREFORE, in consideration of the mutual covenants therein contained, the Board agrees as follows:

1. The Water Fund will transfer an amount not to exceed of \$30,000 from the Water General Contingency Reserve (3111) as necessary to cover any remaining deficit for FY 2012/2013, FY 2013/2014 projected deficit based on the adopted budget and FY 2014/2015 projected deficit based on the adopted budget.
2. The Vista de Oro Fund will pay back the Water Fund principal and interest with the payment to begin after connection to San Luis Obispo County Water Recycling System and abandonment of the septic system.
3. The interest rate will be based on the LAIF interest rate at the time of borrowing/transfer from the Water Fund General Contingency Reserve to the Vista de Oro Fund.
4. Transfers will only occur at the close of the respective Fiscal Year.
5. Any discrepancy between the closing balance and Audit Financial Statement will be reconciled based on the year end Audit Financial Statements for the Fiscal Year with the appropriate adjustments to follow.
6. This interfund loan agreement may be amended, modified or terminated by the Los Osos Community Services Board of Directors by Resolution.
7. The necessity for any funding in excess of \$30,000 requires action by the Board of Directors.
8. This interfund loan will be recorded according to the guidelines as established by GABS Summary of Statement No. 34.

The Board of Director hereby agrees with all the terms and conditions as outlined. This agreement was passed by Resolution No. 2014-13 adopted on the 3rd day of July 2014 and incorporated therein by reference.

Craig Baltimore
President, Board of Directors
Los Osos Community Services District

ATTEST:

Kathy A. Kivley
General Manager and Secretary to the Board