




Date: August 27, 2015

TO: Board of Directors

FROM: Kathy A. Kivley, General Manager 

SUBJECT: Agenda Item: Proposed Budget Report Agenda Item 7B-  
Board Meeting Date: September 3, 2015

**DESCRIPTION**

**President**  
R. Michael Wright

Proposed Budget review for Fiscal Year 2015/2016 including detailed sheets for the Funds 100, 200, 301, 400, 500, 602, 650 and 800, revenues and expenditures. Staff requests the following:

**Vice President**  
Marshall E. Ochylski

1. Staff Presentation
2. Board Questions
3. Open the Public Hearing
4. Take Testimony
5. Close Public Hearing
6. Board Comments

**Directors**  
Charles A. Cesena  
Jon-Erik E. Storm  
Louis G. Tornatzky

**General Manager**  
Kathy A. Kivley

**SUMMARY OF STAFF RECOMMENDATION**

Staff recommends that the Board adopt the following:

**District Accountant**  
Michael L. Doyle

***Motion: I move the LOCSD Board of Directors adopt Resolution 2015-24 adopting the Proposed Budget for Fiscal Year 2015/2016 Proposed Budget as recommended and incorporate any further changes as directed by the Board.***

**Fire Chief**  
Robert Lewin

**DISCUSSION**

**Battalion Chief**  
Phill Veneris

The information before you provides an overview of the Proposed Budget for Fiscal Year 2015/2016. As previously directed staff made every effort to bring the Board a balanced Proposed Budget for the upcoming fiscal year. As directed at the Special Board Meeting on Wednesday, May 20, 2015, staff adjusted the property tax to reflect a 2.94% increase as suggested by San Luis Obispo County. On June 15, 2015 at a CSDA meeting the County of San Luis Obispo Tax Collector provided adjusted estimates as of May 2015 for assessed value growth trends in specific areas based on certain conditions. This included revised estimates for Los Osos Zone A, B D and F. The one percent (1%) valuation is based on the value of the property within the respective zone. For FY 2015/2016 estimates the County assessed a four percent (4%) growth factor on secured taxes only. Knowing this information, staff adjusted the Proposed Budget to the estimates supplied by the County. The County reminded all participants the correct estimates will not be available until September 2015. At that time the County will know the current assessed valuation of the properties within the Zones as well the adjustments that are necessary for the other factors which contribute to the total dollars available to the LOCSD. As before in some cases, there remains a shortfall. In those cases, staff provided the alternative

**Mailing Address:**  
P.O. Box 6064  
Los Osos, CA 93412

**Offices:**  
2122 9<sup>th</sup> Street, Suite 102  
Los Osos, CA 93402

**Phone:** 805/528-9370  
**FAX:** 805/528-9377

[www.losososcsl.org](http://www.losososcsl.org)

for funding the shortfall. Staff is pleased to be able to present this updated information to the Board.

In Fiscal Year 2014/2015, the Board reviewed four alternative cost allocation methodologies. The Board adopted a method for the Allocation of Administrative Cost (Cost Allocation Plan). This methodology is based on actual time spent providing personnel and benefit services, payroll, financial accounting and reporting, and human resources functions to the various funds. Once District staff closes the books in preparation for the audit, the Cost Allocation Plan is adjusted based on the actual expenditures versus the actual cash balance in the Administration Fund 100 and the transfers from the funds are adjusted accordingly. Enclosed is a copy of the Cost Allocation Plan adopted by the Board for FY 2014/2015 and the same recommended methodology for FY 2015/2016. Staff adjusted FY 2015/2016 based on actual time spent.

Salaries/Wages category includes monies to cover potential changes in the budget based on the on-going Miscellaneous Employee negotiations. Staff believes it is necessary to present accurate information based on the Boards' direction. The Payroll Taxes & Benefits also takes the on-going negotiations into consideration.

California Public Employee Retirement System (CalPERS) has notified all public agency employers that under GASB 68 accounting valuations, there are reports required for the upcoming fiscal year. The District has an unfunded liability due CalPERS of slightly over \$90,000. This liability accrued since the District became a member of CalPERS. Based on the recent legislation it may be necessary to begin repayment of the obligation. This obligation directly affects Funds 100, 301 and 500 and through time allocation Funds 200, 400 and 800. A portion of this liability is budgeted in the Proposed Budget and discussed under the various funds. Any changes in the employer paid contributions is presented through the Budget Message.

"The Special District Risk Management Authority (SDRMA) provides comprehensive coverage protection with solid, consistent risk management solutions to California Public Agencies for more than twenty-eight (28) years. The SDRMA's primary objective is to serve as a single resource to meet the risk management needs of the currently served 650 public agencies with over \$4 billion in member insured property." In May 2015 the District received notice that for FY 2015/2016 there would be no increases to the Property/Liability Program. It is important to note that this is the sixth year in a row there would be no rate increase. The District annual contribution amount varies this year as a result of the coverage limit changes, schedule item additions/deletions and Credit Incentive Program (CIP) points earned. The District has basic coverage limits including excess liability coverage. For FY 2015/2016 the SDRMA increase the Employee and Public Officials Dishonest coverage limits from \$400,000 to \$1,000,000 at no cost to the District. The District receives the following credits:

- Multi-Program Discount: The District uses the Property/Liability and Workers' Compensation programs and receives a 5% discount.
- MemberPlus Online Discount: The District completed the Renewal Questionnaire by the established deadline and receives a discount.
- Longevity Discount: SDRMA recognizes and reward members for their loyalty and commitment to the SDRMA programs. This policy discount is consistent with the goals and objectives of the SDRMA Board's strategic business plan and helps ensure pool stability by rewarding members for remaining in the Property/Liability and Worker's Compensation programs. The discount is weighted based on the member's length of time in that program, amount of the member's annual contributions compared to the total contributions of all pool member and requires a minimum of three years of participation.

It is important to note the discounts are applied to the respective fund based on the total cost of the insurance distributed to the fund. All funds receive the discounts. The District's participated in the Worker's Compensation Program for eleven (11) years as of June 30, 2014 and participated in the Property/Liability program for three (3) years as of June 30, 2014.

Staff understands the need for greater financial transparency and the lack of this prior to FY 2013/2014. Fortunately, in the District's efforts to reconcile the financials and implement appropriate tracking mechanisms, several actions by the Board in 2004/2005 and 2006/2007 continue to hamper the efforts to place the District in a positive light with those actions having long-term negative financial implications. Staff presented several negative scenarios for FY 2014/2015 that the Board took the appropriate positive actions. Staff identified additional scenarios for FY 2015/2016 that staff is planning to bring positive resolution before the Board during this year. Under Fund 600, staff continues to identify the outstanding issues.

### Revenues

The property tax revenue projections for Fund 200, 301, 500 and 800 were prepared using the property tax increase rate recommended by the LOCSD Board of Directors of 2.94%. The adjusted figures are made available by San Luis Obispo County during the month of September of each fiscal year. Any additional estimated increases by the Auditor Controller are included during the mid-year budget process. The County estimates the property tax may rise as high as 5% over the prior year, however, staff has chosen a more conservative approach. It is estimated based on the County information, any CPI increase is only 1.998%, State of California Department of Finance is 3.2% and calculated CPI increase for the Special Fire Tax is 1.7%. These details are provided for your information.

### Personnel Services

The District received the Worker's Compensation Program Invoice for FY 2015/2016. As previously stated during last year's budget presentation, the Special District Risk Management Authority (SDRMA) advised all Districts beginning with this fiscal year, that SDRMA is now invoicing members annually instead of quarterly. This year's rate was reduced from an Experience Modification Factor of 85% to an Experience Modification Factor of 78%. This is the third year in a row the District has experienced a drop in the Experience Modification Factor. Because the District belongs to Workers' Compensation and Property/Liability Programs, the District receives a 5% Multi-Program Discount. The District received a 15% Credit Incentive Program Discount and a 2.09% Longevity Distribution Credit. Prior to applying the Experience Modification Factor the total estimated annual contribution was \$28,218.39. After applying the Modification Factor and all credits, the total District billing is \$17,401.90.

### Services and Supplies

Information Technology Services (6110) are considered a direct cost and necessary for the operation of all funds. The cost for contract services which provide security, storage and technical support is allocated based on the number of District computers in each fund. This cost is allocated per computer per fund. Additionally, this category pays for Website hosting and support. The cost for the Website hosting is shared equally no matter the space used by the respective departments to provide public information.

## **Fund 100, Administration**

### Salaries/Wages

At the mid-year staff reduced salaries and wages by \$24,659 and increased Temporary Agency Help by the exact dollar to cover the temporary employment agreement for accounting service

as previously authorized. Deducting this amount from the increase projected for FY 2015/2016, the increase is \$10,663.

#### Payroll Taxes & Benefits

Retirees Medical is increasing as of January 2016. During the mid-year budget process any significant increases will be incorporated. Regarding the bottom line savings, all benefits were estimated based on estimated salaries/wages and the retirement costs is calculated including the unfunded liability information provided by CalPERS.

#### Services & Supplies

Staff recommends the appropriate reductions in Legal Services (7326) of \$10,000 as this is a direct cost identified with specific fund operations. During the review of the billing, staff works tirelessly to insure the Fund that requests the services are charged appropriately. Under Election Expense (7343), there is no budget because this is not an election year.

#### Transfers

As explained under Fund 600, the Administration Fund will no longer be budgeting a \$25,000 repayment of the Improvement Bond Reserve Fund per the bankruptcy order dated October 15, 2013

### **FUND 200, Bayridge Estates**

#### Revenue

The District operates and maintains gravity wastewater septic collection system for the Bayridge Estates. This system collects wastewater via sewer mains within the public right of way and disposes of the waste into a septic system. The Board approved Resolution No. 2015-08 dated March 5, 2015, authorizing an Interfund Loan to the Bayridge Fund 200 from the Water Fund 500 Capital Outlay Reserve in an amount not to exceed \$125,000 to cover Phase 1 Maintenance Improvement Projects for the community septic system. It is necessary for the Fund 200 to borrow from another fund to cover the estimated cost for the Phase 1 Improvement Projects. The maintenance improvements were necessary prior to the connection to the new County facility. Once the improvements are completed and 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 Phase 1 Maintenance Improvement Projects, septic transition and abandonment services. As you will recall in June 2013, a Prop 218 Protest Hearing was unsuccessfully challenged. This allowed the District to increase the annual assessment from \$201/parcel to \$373/parcel. The current charge per parcel is \$373/parcel with 147 parcels which equates to receipts of \$54,831. This fund receives General Property Taxes which were grandfathered into the Proposition 13 allocation since the Fund was receiving general taxes before the proposition passed. Repayment of the interfund loan is slated to begin after the transition and abandonment of the community septic system is complete. Staff estimates the repayment will take approximately two years. The Loan Agreement states Fund 200 will borrow the funds at the time of construction. The prior year budget reflected funds available for engineering services. Using the FY 2014/2015 budget allowed staff to reduce the total dollars necessary from an interfund loan. The assessment remains in full force and effect until all funds are repaid to the Water Fund 500.

#### Personnel Services

Salary and Fringe Benefit allocations are calculated at mid-year and at the end of the fiscal year. The current budget amount is based on the Fiscal Year unaudited salary and fringe benefit cost estimates average for the total year from the eight months of actual costs. District

staff directly charge the hours on their time sheet per employee per fund with the fringe benefit costs based on the fringe rate for the respective employee. This method provides the accurate information based on actual costs. There is an increase proposed for FY 2015/2016. As the time nears closer for the transition to the County facility, more and more staff time is necessary to address the upcoming Phase 1 Maintenance Improvement Project. Staff plans to initiate the proposal to the County for funding to complete the Phase 2 Maintenance Improvement Project which is estimated to cost approximately \$325,000. Phase 2 must be completed prior to the connection to the County facility. Once the District receives the bids for construction of Phase 1, the Engineering Cost Estimates for Phase 2 will be adjusted appropriately. At that time staff will submit reimbursement requests to the County.

### Services and Supplies

Under Legal & Professional Services any additional Capital Expenses requiring Engineering or Consultant Services will need Board consideration to determine the available funding recommendation.

### Capital Outlay

Under this category, any future project requires Board consideration in order to determine the appropriate funding recommendation.

### **Fund 301, Fire**

It is important to note there is a projected Schedule A Contract increase of 10.65% over Fiscal Year 2014/2015. The Schedule A in the prior year was \$1,709,966. The proposed Contract for FY 2015/2016 is \$1,892,162 which equates to an increase of \$182,196. The more important issue for consideration and future discussion is the lack of revenues to cover the expenditures. Staff could not anticipate the 10.65% increase in the Schedule A Contract for FY 2015/2016 nor can staff estimate the dollar value of the unfunded liability for pensions for future fiscal years. The secondarily question is what level of increase should the District expect in the Schedule A Contract and unfunded liability payment for FY 2016/2017 and what effect will the continued increases have on the District's ability to fund services and supplies at an appropriate level? Staff is unable to answer these pertinent questions at this time. However, it is important the Board of Directors recognized increases in assessments in the Special Fire Tax may be necessary in the foreseeable future to allow adequate funding for continuing the current operations or funding for any improvements in the operations. Any temporary transfer of funding or one-time infusion of dollars simply will not balance the budget over the long-term.

In preparation of presenting this budget to the Board of Directors, staff proposed two budget alternatives—proposed budget 50% reduction and proposed budget 20% reduction. A proposed budget with 50% reductions is not feasible nor does it provide the services, supplies and training necessary for fire emergency services. This budget is proposed at 80% and does include the level of training necessary for effective and efficient operations, purchase of minimal supplies, deferment of numerous expenditures and the full complement of twenty-five Reserve Firefighter positions.

### Salaries and Wages

With respect to staff, this year the Reserve Firefighters are eligible for a \$1.00 per hour salary increase to compensate for the adjustment in the minimum wage. This adjustment is effective January 1, 2016 and is included in the proposed budget. It is important to note the Reserve Firefighters are employees of the District and as such the District is responsible for human resources and payroll functions.

## **FUND 400, Vista de Oro**

### Revenue

The District operates and maintains gravity a wastewater septic collection system for Vista De Oro. This system collects wastewater via sewer mains within the public right of way and disposes the waste into a septic system. Regarding Fund 400, it is important to understand this fund will continue to reflect a deficit until the septic system conversion occurs and over a period of years the District will recoup its prior costs for maintaining the system. The Board approved Resolution No. 2014-13 dated August 7, 2014, authorizing an Interfund Loan for FY 2012/2013, 2013/2014 and 2014/2015 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. Because of the necessity to assess the conversion and connection to the new County facility for services, staff hours and expenses are increasing. Due to the residents' successful challenge to the proposed increases in June 2013 through the Proposition 218 process, there are insufficient revenues to cover expenses. The residents will continue to pay the assessment until the fund settles all its liabilities. The District needs to amend the Interfund Loan Agreement during FY 2015/2016 to appropriately cover the shortfall in the revenues from Water Fund 500.

### Personnel Services

Salary and Fringe Benefit allocations are calculated at mid-year and at the end of the fiscal year. The current budget amount is based on the Fiscal Year unaudited salary and fringe benefit cost estimates average for the total year from the eight months of actual costs. District staff directly charge the hours on their time sheet per employee per fund with the fringe benefit costs based on the fringe rate for the respective employee. This method provides the accurate information based on actual costs. It is important to note that as the District moves closer to transiting the septic system to the County facility, the system requires more attention to ensure a smooth transition. These costs will continue to rise.

### Capital Outlay

In order to provide the connection to the County facility for waste disposal, it is necessary for the District to contract for clean-out of all the lines. This may require Board action in the upcoming fiscal year. On a positive note, in reviewing the tapes of the televised gravity wastewater septic collection system it does not appear any major capital improvements are necessary prior to the connection to the County facility.

## **FUND 500, Water**

### Revenues

In February 2015, the Board of Directors adopted the increases in water rates effective July 1, 2015. This rate structure also includes emergency drought rates which the Board will be considering at a future date. Finally in April the Board enacted Stage 3 of the Water Shortage Contingency Plan. These actions directly affect the rates by the number of gallons used by the customers. Estimating any new revenue with the seriousness of the drought and implementation of Stage 3 with a potential consideration of Stage 4 in November 2015, is impossible. Any increased adjustments in revenues will be considered during the mid-year budget review.

### Personnel Services

Salary and Fringe Benefit allocations for Funds 200, 400 and 800 are calculated at mid-year and at the end of the fiscal year. The current budget amount reflects the appropriate reductions based on the estimates shown in the other funds. The salary and fringe benefit cost estimates include the information from the prior MOU negotiations, merit increases due and any other

adjustments authorized by the Board. District staff directly charges the hours on their time sheet per employee per fund. This information is used to charge Fund 200, 400 and 800 with the proper credit to Fund 500.

The unfunded liability for Miscellaneous Classic employees for pension costs as it relates to CalPERS was budgeted. All pension adjustments were made and included in the fringe benefit costs as known at the time of preparation of the Proposed Budget.

#### Services and Supplies

Under Equipment & Tools, staff recommends the purchase of a minor tool called an electric valve turning tool for use by the crews for the proper valve exercising program. The current practice of using hand held equipment contributes to safety hazards as well as the potential valve stripping requiring replacement. All valves are turned annually.

Under Insurance, Licenses & Regulatory Fees, there is a \$9,000 increase proposed for FY 2015/2016. The fees are increasing for San Luis Obispo County Environmental and Public Works, SWRCB (water permit), Air Pollution Control District and various other regulatory agencies.

Under Legal & Professional, \$25,000 is discussed under the Capital Outlay description and the balance is relative to staff's intent to finalized the ISJ during the this fiscal year if not prior to the end of Calendar Year 2015.

Under Rent and Utilities, the majority of the recommended increase is for Brine Disposal for the Nitrate Treatment Facility.

Under Repairs and Maintenance, the reduction in maintenance on wells separates the cost from maintenance of distribution system for better tracking. Any extensive repairs to the District's well are reflected under professional services.

#### Capital Outlay

As a reminder the Board adopted a Water Capital Improvement Project (CIP) in September 2014. This list delineates multiple projects in various categories. This CIP was also incorporated in the Water Rate Study adopted in February 2015. The Capital Improvement Project for Infrastructure includes two items from the Basin Plan (ISJ) and the approved Capital Improvement Projects List from the Water Master Plan. Staff budgeted \$50,000 for the intertie project with Golden State Water Company (GSWC). That project's design is in the hands of GSWC at this time for slight modifications. The District intended to complete the intertie project prior to this fiscal year (14/15). The \$150,000 is to allow staff to work towards construction of the upper aquifer well at 8<sup>th</sup> Street and El Moro. The design and permitting is estimated at \$60,000 according to Table 6 of the Water Rate Study. This project is on the list of the high scoring priority projects for the County of San Luis Obispo's Integrated Regional Water Management (IRWM) Plan. Staff plans to apply for the third round of available grant funding (Prop 84). In order to score higher points on the District's application, the District project must be "shovel ready" by April 1, 2016. Staff previously initiated the environmental process on this CIP in order to facilitate obtaining a coastal development permit. In the FY 2015/2016 budget staff allocated monies for the engineering process. Should the District be successful in securing the grant, this money will offset construction costs and possibly some engineering services cost. Approximately \$30,000 (5% of estimated total) is available for matching funds. Any matching fund commitment of up to 25% earns additional points on the grant application which helps in the decision process by California Department of Water Resources (DWR). The grant applications are due to DWR in August 2015. These two projects are budgeted in

Infrastructures in an amount of \$150,000 and Professional and Consulting Service in the amount of \$25,000 both funded from the Capital Outlay Reserve.

The District continues the on-going replacement of water meters. This replacement is part of the recently adopted CIP list. Staff is recommending \$50,000 under Equipment & Tools, Meters Purchases & Replacements. This project is listing as a multi-year project in the CIP and is funded from the Capital Outlay Reserve.

In FY 2014/2015 budget, funds were allocated for architectural design for Phase 1 of the renovation of the Water Yard Facility at 953 El Morro Avenue, Los Osos. As the Board is aware the house serves as facilities for the Utility Crew. The final drawings for the Phase 1 construction are under review--bathroom, kitchen/staff break area and office space renovation and Title 24 improvements. Phase 2 includes additional Title 24 improvements, roof expansion and crew office renovation. Phase 3 includes remodel of the existing shop. This project was included on the recently Board adopted CIP in September 2014. As incorporated in the CIP, this is a three to four year phased project and is funded through the Capital Outlay Reserve in the amount of \$45,000 and reflected in the budget under Building, Structures & Improvements category.

### Reserves

Based on the District's adoption of the Capital Improvement Project list, projects were included in the adopted Water Rate Study. Upon completion of the FY 13/14 Audit, it may be necessary to address the remaining cash balances in Funds 200, 400, 500 and 800, and allocate appropriately. The adopted Water Rate Study for Fund 500 states the minimum Fund Reserve target should be established by projecting 25% of the total operating, maintenance and debt service expenses for the prior year plus \$500,000 for emergency capital reserves. During the upcoming year, with the drought, water conservation efforts and potential loss of revenues, staff will analyze this formula and present information to the Board including modification to the existing Reserve Policy.

### **Fund 602, Wastewater**

This Fund 602 collects special assessments on all property owners within the sewer prohibition zone for payment for the amortization of wastewater (WW) bonds authorized in 2002. This fund was used to account for the construction of a proposed sewage treatment plant which was halted. Under special legislation AB 2701, the project was transferred to the County of San Luis Obispo. On March 15, 2011, the County officially accepted the project.

In 2006 a trust account was established and transferred to US Bank to receive the 2002 WW Bond Assessments directly and issue the bond principal and interest debt service payments. All Wastewater Assessments are transferred directly from San Luis Obispo County Auditor-Controller to US Bank and the bond payments are paid by US Bank. In FY 2006/2007 the District Board prematurely borrowed from the Improvement Bond Reserve to make the bond payment. A Letter of Agreement, dated in October 17, 2006, established a repayment plan of \$25,000 per year. Contrary to the agreement, it appears the \$25,000 payments did not begin until FY 2009/2010. From the early analysis the District potentially owes money for FY 2006/2007, 2007/2008 and 2008/2009 totaling \$75,000. At the time of this writing, the reconciliation and analysis with US Bank is on-going. According to a letter dated October 17, 2006, the \$25,000 payment was being held by the District and to be transferred. Subsequent information states the payments of \$25,000 per year for FY 2007/2008 and 2008/2009 were also budgeted; however according to the Bank Statements and the District's financial records, no transfers were made for FY 2006/2007, 2007/2008 and 2008/2009. Staff is in receipt of bank statements dating back to November 2006 in an effort to insure the proper recording of the



\$25,000 payments. All Bank Statements for Improvement Bond Reserve and Bond Redemption Fund since November 2006 until March 2015 were reviewed and all transactions verified. The three fiscal years outlined above were not paid to US Bank.

All interest earned on that Improvement Bond Reserve bank account is required to be reinvested into the Improvement Bond Reserve bank account and the District is able to calculate that interest towards the repayment. Based on the Board's direction, Wallace Group calculates an administrative charge as a cost for handling the assessment. The Administrative Charge is added to the wastewater assessments as allowed by the Bond Resolution to fund direct costs of maintaining this assessment (FY 2007/2008 budget statement).

On October 15, 2013, the Honorable Robin L. Riblet, Judge, United States Bankruptcy Court, Central District of California, Northern Division issued an order granting the motion for approval of the Second Amended Plan for Adjustment of Debts (Amended Plan). This Amended Plan as stipulated to by all the parties resolves all the lawsuits and claims arising from the District's former Wastewater Project. Under Section 7.1 Class 5(B) MBIA filed a claim (119) arising out of the bonds that were issued by LOCSD to fund part of the OLD Project (WW 2002 Bonds). The bond indenture required LOCSD to maintain certain bond proceeds in reserve and segregate them into the Debt Service Reserve Fund (LOCSD Improvement Bond Reserve Fund-US Bank). "Instead, LOCSD pooled the reserve funds and spent them for other purposes"<sup>1</sup>. In full satisfaction of its Allowed Secured Claim, the trustee shall be paid \$25,000 per year from the annual assessment overhead charges collected by San Luis Obispo County until the Secured Claim is paid in full without interest. The inclusion of this repayment plan in the Bankruptcy Order substitutes for the Letter Agreement dated October 17, 2006. This annual payment will be made by the County of San Luis Obispo at the time the County collects the assessments and makes payments to the US Bank. With this knowledge, staff recommended and the Board adopted an increase for the Administrative Charge to \$12.00 per parcel to allow total repayment to the Bond Redemption Reserve account. That equates to one dollar per month per parcel. This allows the District to make the missing payments for the three fiscal years as outlined above over a three year period and make the \$25,000 payment per year as order by the Court. After the three year period and payment for the missing years, the Board could choose to reduce the Administrative Charge to \$6 per parcel to cover the \$25,000 payment. The 2002 Wastewater Bond reserve was established at \$1,158,500. At the rate of \$25,000 per year, it will take approximately six to eight years to repay the Improvement Bond Reserve Fund. All monies generated from the Administrative Charge must be transferred as repayment to the Improvement Bond Reserve Fund per the bankruptcy order until the required Reserve balance reaches the total of \$1,158,500.

Staff completed the work with US Bank to reconcile the two accounts: Improvement Bonds Redemption Fund and Improvement Bonds Reserve Fund. In preparing the reconciliation, staff determined the District records reflect the totaled required payments were never paid. In January 2015, the FY 2013/2014 payment was made. In February 2014 the payments for FY 2009/2010, 2010/2011 and balances due for FY 2011/2012 and 2012/2013 were paid. Fiscal Year payments for 2006/2007, 2007/2008 and 2008/2009 were never paid according to the District's financial records. It is the District's responsibility to make the past due payments and reestablish the District credit worthiness. Staff reviewed the bank records together with US Bank Trustee to determine the assumptions were accurate and the correct balances for the Reserve Fund and Redemption Fund are correctly shown.

On April 12, 2004, the LOCSD Board of Directors authorized the execution of a Main Installation Agreement between the Los Osos Community Services District and Bonaire Investments

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<sup>1</sup> Amended Plan, Section 7.1 Class 5(B)

(Agreement). This Agreement involved transfer to the District once designed and constructed a Sewer Mainline Extension and associated facilities within South Bay Boulevard (Bay Oaks Drive to Los Osos Valley Road) to serve the Bonaire Property and properties located up-slope from the Mainline Extension. The Bonaire Property is located within the Prohibition Zone and the District's Wastewater Treatment District No. 1. District No 1 is an Assessment District established by the District to partially finance the design and construction of the District's Wastewater Treatment Project. The Bonaire Property has a total assessment of thirty thousand three dollars and thirty-nine cents (\$30,003.39). The 2004 District Board agreed to transfer, operation and maintenance of the Mainline Extension and to provide services to the collection system for the Wastewater Treatment Project. This 2004 District Board agreed to reduce the assessment attributed to the Bonaire Property in the amount of thirty thousand three dollars and thirty-nine cents (\$30,003.39) in exchange for the completed infrastructure project thereby making the District liable for the payments. The LOCSO is paying the current assessment for the Bonaire Properties, APN 074-314-10 and APN 074-314-011 and has made the payments since Fiscal Year 2005/2006 or Year 4 of the assessments. To date the LOCSO made payments totaling \$15,235.18. The payment for Fiscal Year 2013-2014 paid normally at the beginning of the following fiscal year, was not paid. The payment amount is \$1,688.80. Staff reconciled the Assessor Parcel No. accounts since the first payment was paid in FY 2005/2006. In order to accurately reflect any assessment payments due, the respective commitment to pay the on-going assessment requires a budgeted expenditure. In other words, this expense should be budgeted yearly as a cost to the LOCSO. This expense was never incorporated within any budget since its inception. Until staff completed the reconciliation, this on-going expenditure was unidentified and paid from prepaid assessments (those assessments paid off after placed on the various APN on the tax rolls).

In addition to the necessity of budgeting for this ongoing assessment payment, there were five common area parcels that were no longer subject to tax collection and required payment by the District. It appears from the reconciliation the payments were excluded from the budgets as identified above and the assessment payments were made for the parcels. The assessment payments for the five parcels since Year 6 or Fiscal Year 2007/2008 is \$998.50. As with the two larger assessment payments, the payment of \$132.30 remains outstanding at this time.

Now that the analysis is complete regarding the District's commitment to make the Bond assessment payments as identified, the appropriate budget considerations identified, on-going obligations resolved and payment options determined, and the budget adopted, the cash payments will be processed. It is important to note the correct dollar balances are in the Prepaid Assessment Reserves. Staff made the required cash transfers and general ledger adjustments to insure adequate funds. Staff is conducting on-going conversations with the US Bank Trustee and the Trustee is now aware the District is retaining a Prepaid Assessment Reserve. According to the bank Trustee, there is question as to the validity of the District retaining these funds. Now that the bank account reconciliations from 2006 forward are completed, discussion on handling the Prepaid Reserve Fund will commence.

Now that the actual balance for the Improvement Bond Reserve Fund was determined, together with the trustee and staff determined the dollar value of the Improvement Bond Reserve Fund. All other funds belonged to the Bond Redemption account. Unfortunately for the District, Standard & Poor's underlying rating (SPUR) is based on multiple factors including the ability to maintain the required Improvement Bond Reserve balance and the balance reflected at the time of the preparation of the report was significantly less. At the time of this report dated March 13, 2015, the Improvement Bond Reserve Fund reflected a balance of \$751,664 of the required \$1,158,500. Because of this situation and other factors (recent bankruptcy) the rating service issued a rating of BBB- and views the outlook for this rating as stable. It is staff's goal over FY

2015/2016 to show exceptional progress in the reconciliation and repayment based on the Court-ordered decision, however staff was able to complete this process prior to the beginning of FY 2015/2016.

As of February 7, 2016 according to the bankruptcy order (Order) dated October 15, 2013, the District retains ownership of the funds remaining in the Disputed Reserve Fund. At the time of preparation of this information, the money was in a separate fund as outlined in the Order. The reserve fund totals \$103,003.07. Staff recognizes there are costs associated with the yearly engineering analysis, legal review, trustee administrative charges, assessment payments and various other minor costs incurred for monitoring and placement on the yearly tax rolls. The yearly cost for the services not funded by alternative revenue, averages between \$12,000 and \$15,000 per year plus the Administrative Allocation. It is staff's recommendation the funds in the Disputed Reserve be used to replace any shortfall thereby ensuring the fund balances at zero. By using these monies, there is no necessity to create an interfund loan to cover the on-going expenses for approximately four to five years. This allows the District to repay the Improvement Bond Reserve as outlined in the Order and enter into discussion regarding the eventual transfer of the Administrative Charge to the District for handling the placement on the tax rolls and making the assessment payments for the seven identified parcels.

This Wastewater Fund 602 currently functions for two purposes: 1) to service the debt associated with the aborted project and 2) to repay the "spent for other purposes" monies from the Improvement Bond Reserve Fund. Now that the bankruptcy case is closed, this fund officially changes to a debt service or fiduciary fund for the Wastewater Assessment District No. 1. Beginning FY 2014/2015 this fund functions as the debt service fund for the bonds; however there are costs associated with the financial management and reporting of the fund, continued inclusion on the San Luis Obispo County Tax Rolls and reconciliation with US Bank. As such the time associated with this fund from a cost allocation perspective still remains. The fund will continue to operate at a deficit and therefore the District needs to cover the costs associated with this operation.

#### Revenues

The total value of the bond assessments is shown based on the debt service schedule. Other revenues are needed to support the on-going expenses as outlined above and referred to below.

#### Services & Supplies

There are expenditures to this fund for the on-going preparation of the yearly bond payments to be placed on the County tax rolls. There are trustee costs associated with administration of the two bank accounts by US Bank: Bond Redemption principal and interest and Improvement Bond Reserve Fund. Those costs will continue until the 2002 WW Bond is completely paid. As parcels owners continue to pay off their respective assessment balances, staff time remains a factor in processing the payments, lien release and other documents. This information remains reportable to all entities. The category Bank Service Charges reflect the transfer of funds from the Bond Redemption bank account to cover the trustee fees for the fiscal year. According to the bank statements these charges normally occur during the third quarter of the fiscal year.

Fund 650

#### Transfers

There is a current Reserve balance in this fund. Until all Reserves are eliminated financial accounting and reporting both from the District's perspective as well as the State of California, financial information is required. There is money reflected which is associated with the on-going

reporting of the financial operations of this fund. The FY 2013/2014 audit reports reflects a finding which requires the Board of Directors take action as to the remaining funds in the Contingency Reserve.

Fund 800, Drainage

#### Personnel Services

Salary and Fringe Benefit allocations are calculated at mid-year and at the end of the fiscal year. The current budget amount is based on the Fiscal Year unaudited salary and fringe benefit cost estimates average for the total year from the eight months of actual costs. District staff directly charge the hours on their time sheet per employee per fund with the fringe benefit costs based on the fringe rate for the respective employee. This method provides the accurate information based on actual costs.

#### Services and Supplies

Under Legal & Professional additional funds are required for the additional work necessary for compliance on the MS4 permit.

Under Repairs & Maintenance, Grounds & Collection Systems, staff recommends the funding of the annual chipping event for the Fire Department. Staff was potentially notified the Fire Safe Council may not be able to provide adequate funding for FY 2014/2015 and FY 2015/2016. Staff feels this program is extremely important in reduction of drainage issues in the Los Osos community.

#### **FINANCIAL IMPACT**

Fund 200, Bayridge Estates – Based on the proposed budget, the expenditures exceed the revenues. It is important to note as with FY 2014/2015, the Board authorized staff to only fund the Decommission Reserve after covering the expenditures with the existing revenues and utilizing prior revenues to cover the remaining shortages. Kindly note, affecting this same direction this year, removing the Decommission Reserve, the Proposed FY 2015/2016 Budget balances. Staff requests the Proposed Budget be adopted as shown with this same direction to staff. This allows the staff after covering the expenditures to place the remaining funds in the Decommission Reserve.

The Fire Fund 301 is experiencing a dramatic increase in the Schedule A Contract and CalPERS unfunded liabilities. Staff recommends future discussion regarding a potential increase in the Special Fire Tax and possible development of other alternatives. The Proposed Budget is balanced.

Fund 400, Vista de Oro – Based on the proposed budget, the expenditures exceed the revenues. Currently Fund 400 is operating on monies loaned from the Water Fund 500 per Board authorization in August 2014. Fund 400 has exceed the \$30,000 limit and it will be necessary for staff to present amended documents to increase the borrowing authority to the Board in the near future. Staff recommends adopting this budget as presented with direction to staff to return with amended interfund loan documents. An alternative to providing additional loan funds is attempting to conduct another Proposition 218 process. Staff does not recommend this alternative as connection to the County facility appears to be in the very near future.

Fund 500, Water -- Based on the proposed budget, the expenditures exceed the revenues. The Capital Outlay Reserve for Fund 500 is recommended to reimburse the operating fund in the amount of \$270,000 for the on-going and new CIP recommended allocation. Staff recommends the Board provide this direction and with this direction the Proposed Budget for FY 2015/2016 for Water Fund 500 reflects an estimated positive balance of \$18,721.

Fund 602 continues to incur costs associated with the operation and reconciliation of this fund. Until the scheduled repayment plan is financially completed with the Improvement Bond Reserve Fund fully funded at \$1,158,500, the Administrative Charge must be allocated to the repayment plan. This means the District must fund any costs associated with the operation including the administrative allocation. Once the Bond Reserve is fully funded, the District may recoup its costs previously incurred over time. Staff recommends the Board provide direction to staff to at the time the Disputed Reserve is released for the District's use that this fund be used to cover any shortfalls due to expenses exceeding the revenues. Staff also recommends the Board approve the budgeting of the costs associated with the Sewer Main Extension Agreement so the costs for FY 2013/2014 may be paid and recommends that staff returns with expected costs based on options.

Fund 650 incurs only minor costs because of the requirement to continue to report the General Contingency Reserve. Staff recommends the Board direct staff to bring to the Board options for the use of the balance of the General Contingency Reserve.

Fund 800, Drainage – Based on the proposed budget, the revenues exceed the expenditures. Staff recommends adopting this budget as presented.

Attachment: Copy of Proposed Budget Fiscal Year 2015/2016  
Resolution 2015-24

**RESOLUTION NO. 2015-24**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT  
ADOPTING THE FISCAL YEAR 2015/2016 FINAL BUDGET**

**WHEREAS**, the Los Osos Community Services District desires to manage its fiscal affairs according to an adopted budget; and

**WHEREAS**, the Board of Directors reviewed the Proposed Fiscal Year 2015/2016 Budget at a public meeting held on May 20, 2015; and notice was published as required by law; and

**WHEREAS**, at the above meeting, the Board of Directors provided additional direction to staff and continued the public hearing to June 4, 2015 for the adoption of the Final Fiscal Year 2015/2016 Budget as proposed; and

**WHEREAS**, on June 4, 2015 the Board of Directors continued the public hearing to September 3, 2015 for the adoption of the Final Fiscal Year 2015/2016 Budget as proposed; and

**WHEREAS**, staff proposes the Board of Directors adopt the Budget as presented for the Funds 100, 200, 301, 500, 602, 650 and 800 for Fiscal Year 2015/2016 and authorize staff to take the actions as recommended and outlined under Financial Impact (Exhibit A) and incorporated any further changes as directed by the Board; and.

**WHEREAS**, the Board of Directors has reviewed the Fiscal Year 2015/2016 Final Budget as proposed and the Reserve Schedule as incorporated within the budget document and after conducting a public hearing on May 20, 2015 and June 3, 2015 and the continued the Public Hearing on September 3, 2015, for additional input and to allow staff to make the changes as requested.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE LOS OSOS COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER THAT THE FISCAL YEAR 2015/2016 FINAL BUDGET AND RESERVE SCHEDULE AS INCORPORATED WITHIN THE BUDGET DOCUMENT AND PRESENTED TO THE BOARD ON MAY 20, 2015, JUNE 4, 2015 AND SEPTEMBER 3, 2015 ARE ADOPTED AS PRESENTED OR AMENDED AS MOTIONED BY THE BOARD ON SEPTEMBER 3, 2015.**

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_  
and on the following roll call vote, to wit:

AYES: \_\_\_\_\_  
NOES: \_\_\_\_\_  
ABSENT: \_\_\_\_\_  
CONFLICTS: \_\_\_\_\_

The foregoing resolution is hereby passed, approved and adopted by the Board of Directors of the Los Osos Community Services District this 3<sup>rd</sup> day of September 2015.

\_\_\_\_\_  
R. Michael Wright  
President, Board of Directors  
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

# **PROPOSED BUDGET**

**FISCAL YEAR 2015/2016**

**Los Osos Community Services District**



LOS OSOS COMMUNITY SERVICES DISTRICT  
FISCAL YEAR 2015-2016



DIRECTORS

R. Michael Wright, President  
Marshall E. Ochylski, Vice President  
Charles L. Cesena, Director  
Jon-Erik G. Storm, Director  
Louis G. Tornatzky, Director

MANAGEMENT

Kathy A. Kivley, General Manager  
Michael L. Doyel, District Accountant

2122 9<sup>th</sup> Street, Suite 102, Los Osos, CA 93402  
805-528-9370



## BUDGET MESSAGE

August 27, 2015



To the Los Osos Community Services District Board of Directors,

It is my privilege to present to you the Proposed Fiscal Year 2015/2016 Budget for the Los Osos Community Services District (District). The Proposed Budget reflects the decisions made between District staff and myself guided by the policy and priority direction of the Board of Directors for the District. Submitted is the Proposed Budget for Fiscal Year 2015/2016. The budget is a financial plan and a communication instrument. As a financial plan, the budget contains fund summaries and line item detail. The fund summaries provide the Board and reader with an understanding of the financial condition of the many funds within the budget, while the line detail explains the expenses. As a communication instrument, the budget includes an organizational chart, statistics and narratives to better explain the function, responsibilities and concerns related to each fund. Included within this Proposed Budget document are other materials previously adopted by the Board and relevant to the on-going Fund operations for FY2015/2016.

Fiscal Year 2014/2015 saw the Board of Directors and staff facing many challenges while the District faced several opportunities to actively manage the on-going drought conditions. Those challenges and opportunities included on-going reconciliation of the financial records and write-off of those items related to the bankruptcy; extensive analysis of the wastewater fund, on-going debt payments, improvement bond reserve repayment plan, bond prepaid assessment reserve and improvement bond bank account reconciliations; establishment of new reserves, identification of cash balances and update with Standard and Poor's; increases in water rates including authorization for emergency drought rates; development of water shortage contingency plan and outdoor water conservation program; release of the updated Basin Management Plan; auditing for compliance with the State of California Governor's Executive Orders; implementation of the Record Management and Retention Schedule and adoption of the Capital Improvement Program.

The fiscal year began with the District adopting water conservation regulations. This action was taken by the Board on August 7, 2014, by Resolution No. 2014-15 in response to the emergency regulations issued by the State Water Resources Control Board on July 15, 2014 by Resolution No. 2014-0038. The actions taken by the State Water Board were intended to reduce outdoor urban water use throughout the State. In response the District adopted four very basic mandatory restrictions:

1. The use of potable water for irrigation of lawns, landscape plantings, groundcovers, and shrubs shall be limited to a total of 15 minutes (per station or per yard).
2. Irrigation shall occur only during dark/nighttime hours.
3. Irrigation even numbered addresses shall occur only on Wednesday and Sunday.
4. Irrigation for odd numbered addresses shall occur only on Tuesdays and Saturday.

Community recreation facilities were exempted from this regulation by the District Board at that time. These regulations remained in effect until the District adopted a water shortage and conservation plan.

In September 2014, adopting by Resolution, the Board found that further actions were necessary based on the lack of rainfall. Staff presented to the Board a Water Shortage Contingency Plan. The Plan was intended to present additional measures developed in order to protect the community's water supply and halt seawater intrusion, reduce pumping needs, ensure the indoor water demand is equal to or less than 50 gallons per person per day consistent with San Luis Obispo County Water Conservation Program for Los Osos, Estero Area Plan and the Basin Management Plan and establish stages with respective triggers for each stage. At that time the Board adopted Stage 2. At the Board Meeting of April 2, 2015, the Board took the appropriate action and adopted Stage 3. Stage 3 includes additional restrictive use of water measures including allowing the Board to potentially adopt emergency drought rates. A copy of the Water Shortage Contingency Plan chart outlining Stages 1 through 5 is included.

During this same period, based on recommendations from the Utilities Advisory Committee (UAC), the Board adopted a dual phased public outreach Outdoor Water Conservation Plan. The UAC recommended the District focus on outdoor conservation since the County was focusing on indoor conservation. The intent behind the program is to make a significant impact on the community regarding the severe drought conditions and the droughts impacts on the single water supply in Los Osos. This is an on-going campaign as staff works to maximize our limited resources and reach our target audience. Through this program the District provides at no cost to the residents low flow devices such as faucet aerators, outdoor garden nozzles, shower heads and three-minute shower timers. Through the use of multi-media including direct mail notices, street fairs and other events, the District has handed out thousands of low flow products. Until the drought halts, this is a very important program in the District's goal to reduce water usage and retard sea water intrusion. A recap of the campaign to date is included as additional information.

The District obtained grant funding from the California Department of Public Health to implement a nitrate removal system on the District's existing South Bay Upper Aquifer Well. The nitrate removal system allows the upper aquifer to be used domestically. The project includes construction of a 168 square foot pre-engineered building that houses the skid-mounted ion exchange unit, and a 5,000 gallon tank for brine storage. This allows the upper aquifer to be blended and treated with the existing lower aquifer well water prior to introduction into the water supply distribution system. This project was completed during FY 2014/2015 and the District will realize a full year of operation in FY 2015/2016.

In February 2015, the Board of Directors adopted a water rate increase including the option to institute drought rates should the current weather situation continue. One of the goals associated with the Water Fund 500 is to keep the fund operating in a positive direction. Emergency drought rates were included to support the operations of the water fund should implementation become necessary. The goals of the Water Rate Study were as follows:

- Provide for the prudent planning of capital infrastructure, including water supply projects and implementation of the Basin Plan, as outlined in the Capital Improvement Program approved by the Board in August, 2014
- Account for current and future operations, maintenance, and replacement expenses
- Fund reserve accounts in accordance with adopted policies, and revisit reserve policies where prudent
- Prepare for future reductions in revenue due to decreased water sales from conservation efforts and the delivery of recycled water
- Recommend emergency rates necessary to support District operations during various drought stages as defined in the Water Shortage Contingency Plan (Plan) adopted by the Board in 2014, or recommend changes to the Plan if necessary.

- Consider alternative rate structures that would encourage increased conservation.
- Comply with the requirements of Proposition 218

The Basin Management Plan was an unknown at the completion of the prior rate study with rates implemented in 2012. The capital projects within the updated Basin Plan were taken into consideration in the most recent District authorized water rate study. Staff is currently researching the need for supplemental support for the emergency drought rates recently adopted by the Board in light of the initial ruling in the San Juan Capistrano court case. As previously stated the Board adopted a Water Shortage Contingency Plan. Any implementation of the Water Shortage Contingency Plan stages or triggers potentially creates a loss of revenue as the restrictions increase with each stage. Emergency Drought Rates were included within the 2015 adopted rates; however, the Board has chosen not to implement drought rates at this time.

The severe drought currently experienced throughout California, as well as in Los Osos, has a negative impact on the District's ability to continue to pump water at the prior levels. Through extensive marketing efforts the District is working to educate the residents regarding various conservation options. Conservation is a must to reduce overdraft of the Basin and inland movement of the seawater front. Together with other parties in the Interlocutory Stipulate Judgment (ISJ), the District is funding Seawater Intrusion studies twice yearly. The ISJ participants based on the results learned in the first intrusion study conducted since 2009, confirms the critical water supply situation in Los Osos and the need to expedite both conservation and other physical solutions contemplated in the Basin Plan in order to halt seawater intrusion.

Since the initial complaint was filed by the District in February 2004, the District has been involved in litigation with Golden State Water Company. Currently there are four parties involved in the resolution of the case: San Luis Obispo County, Golden State Water Company, S & T Mutual Water Company and the District. The District together with the other parties, are dedicated to taking the steps necessary for finalization of the ISJ legal action. The ISJ parties released an updated Basin Management Plan during this past year. Recently the District was party to a case management conference and in the very near future all parties will be before the court in an effort to secure the ISJ decree from the court and move to the next phase of the partnership in managing the basin.

After the adoption of FY 2014/2015 budget, the Board of Directors adopted a long-term Capital Improvement Program which included projects from the Basin Management Plan. The District's infrastructure requires millions of dollars to improve. Staff devised a way to make the majority of the pipeline replacement projects without destroying or further destroying the roads. Staff together with the Board recognized that it will be necessary in the near future to borrow money to make the necessary infrastructure pipe replacement installations. During this year and continuing through the next, staff is working on several capital improvement projects including the Intertie Project with Golden State, renovation of the Corp facilities and preparing shovel ready projects for potential grant opportunities.

The Proposed Budget outlines, according to Funds, opportunities where the Board needs to provide policy direction. Several tough financial decisions were made last year as a result of the former Wastewater Project. Debt was written off the financial books, reconciliation in concert with US Bank representatives was initiated, reserves reconciled and established.

- Based on the recommendations of the independent auditors, Fund 600 is no longer available for use. The Fund 600 was an Enterprise Fund. With the closing of the bankruptcy, the fund is discontinued. Based on the auditor's direction, staff created Fund 602 Wastewater Fiduciary. This Fund 602 strictly manages the information regarding the wastewater assessments and all cost relative to the future management and collections of the assessments. This change is reflected in the Proposed Budget for FY 2015/2016.

- There remains in the District's Fund 600, now Fund 602 an on-going debt repayment for the premature borrowing of funds from the Bond Reserve Account to make the bond payment. The Board in 2006 borrowed \$714,267.50 from the Debt Service Reserve Fund (now Improvement Bond Reserve) to make the semi-annual payment to the bond holders. This item is outlined in Fund 602 and the respective progress staff made during the prior fiscal year to assure the proper allocation of Administrative Charges and replenishing the improvement bond reserve.
- Under the Fund 602, staff analyzed the prepaid assessments for the Wastewater 2002 Bond Assessment as outline on the "Sewer Assessment Account Log Received After 08/31/2001" as maintained by Wallace Group. Presently the District has prepaid funds on deposit those parcels listed on the Log which is a portion of the funds necessary for the repayment of the debt. Staff resolved the outstanding balance and as of August the correct dollar payments were made to US Bank for the prior fiscal years 2006/2007 through FY 2013/2014. As budgeted FY 2014/2015 was previously paid.
- Enclosed in the Proposed Budget is a copy of the Standard & Poor's Ratings Service report dated March 13, 2015. Within the Budget Summary for Fund 600 staff commented on the BBB- credit rating recently published. It is the District's goal over the next few years to improve this rating. Knowing the situation as stated above, and repayment of the Improvement Bond Reserve was not timely, staff recommended the District focus on repayment of the Bond Reserve which could potentially improve the rating and place the District in a more stable market for refinancing or securing bonds.

After careful review of the Proposed Budget, I believe the Board recognizes there are two funds with Revenue shortfalls. Those funds are Vista de Oro Fund 400 and Wastewater Fiduciary Fund 602. Regarding Fund 400, as I stated in my prior Budget Message it is important to understand this fund will continue to reflect a deficit until the septic system conversion occurs and over a period of years the District recoup its prior costs for maintaining the system. The Wastewater Fiduciary Fund incurs yearly charges associated with the bond accounting and management. This Fund 602 requires dollars to cover legal claims that are continually filed by residents in an effort to receive a refund for prepaid assessments. All other costs associated with the Fund 602 is outlined in the Summary Information.

Last year staff developed, for the Board's review, several methods for attributing expenses through a Cost Allocation Plan (Allocation of Administrative Expenses) for funding of the Administration Fund 100. The Board of Directors selected the Allocation Plan based on staff's hourly work in the various funds. Administrative staff updated the relative schedules based on the prior fiscal year work demands for the current fiscal year. In preparing this year's budget the Board adopted methodology for Fiscal Year 2013/2014 was applied. A copy of the Allocation of Administrative Costs is enclosed for FY 2014/2015 and FY 2015/2016. For FY 2014/2015 it is important to note at year end based on the total expenditures within Fund 100, the Allocation of Administrative Expenses are adjusted either up if the expenses are higher than anticipated, or down if the expenses came under budget. This process is completed prior to closing the books. Any funds received under the Allocation at the prior rate, are refunded to the appropriate fund.

Long before the current economic downturn, the issue of public pensions and the viability of individual plans was a much-debated topic; events since 2009 have only intensified the spotlight on this mounting problem. Management and those charged with governance struggled to find solutions to the underfunding that many governmental pension plans face. Many of these plans are defined-benefit retirement plans promising pre-determined monthly retirement benefits to employees. The Governmental Accounting Standards Board (GASB) was fully aware of the tide of unfunded retirement obligations, and in January 2006 this board added the project on pension accounting and reporting to their research agenda. In April 2008, GASB moved the project to the agenda for resolution. The goal was to improve the existing standards with the focus on improving

the information as well as the accountability and transparency in employer reporting of retirement information. In June 2012, GASB issued Statement 68. Statement 68 brings the governmental employer accounting and reporting standards closer in line with the private sector requirements. There are numerous changes in reporting which are the new standards intended to provide a more comparable and visible information reflected in the annual financial statements of governments that provide defined benefit pensions. The changes include pension liability, discount rate, cost-sharing plans, special funding situations, actuarial methods, measurement frequency and valuation requirements and other changes relating to disclosure. The California Public Employees Retirement System (CalPERS) is a defined-benefit retirement plan. GASB No. 68, Accounting and Financial Reporting for Pensions is effective for years ending on or after June 30, 2015. CalPERS implemented this requirement and effective FY 2015/2016 will be preparing the information at a cost to the District.

Similar to the process outlined above for GASB No. 68, the Governmental Accounting Standards Board listed another project on their agenda. It is their intent to discuss Other Postemployment Benefits (OPEB) accounting and reporting in light of these recent changes to pension accounting and reporting. OPEB is other than pension benefits provided to retired employees by state and local governments. These benefits principally involve health care benefits, but also may include life insurance, disability, legal and other services that are not provided through a trust as defined in GASB No. 68. For definition purposes the District is considered a local government. It is anticipated GASB will suggest the changes for OPEB accounting and reporting be effective in 2016 and 2017. The District incurs OPEB liability. Employees who retire from the District are considered retired annuitants. The retired annuitants are eligible for retiree health care benefits.

In CalPERS, related to District operations, there are two levels of employee pensions—Classic and Tier 2. Classic Members refers to those employers with employees enrolled prior to the PEPRA Act of 2013 and Tier 2 or conditions based on the Act refers to those employers with employees hired after January 1, 2013. Every year the District receives access to Annual Valuation Report (Report) for the two CalPERS units, Miscellaneous and Safety. Within those two units the District has both classes of pensions. This Report based on the most recent actuarial information about the District's pension plan specifies the District's employer pay rate for the fiscal year and projects the rate for the following fiscal year. It is important to note the Annual Valuation Report for CalPERS reduced the Employer Normal Cost Rate (employer contribution rate) for the Miscellaneous Classic by five percent (5%) for FY 2015/2016 to 9.353% plus the unfunded liability. For the Safety Classic members for the first time in numerous years, there is a required Employer Normal Cost Rate (employer contribution rate) plus the employee required contribution. The total contribution for the employer is fifteen point three seven three percent (15.373%). The required employee contribution for Safety Classic is nine percent (9%) which is two percent higher than the Miscellaneous Classic employee required contribution. There is also an unfunded liability payment due for the Safety Classic employees. Because the payment is significantly less than the Miscellaneous Classic unfunded liability payment, a lump sum one-time payment was paid prior to the July 31, 2015 deadline. By making the lump sum payment the District was able to avoid interest charges and received a credit for prepayment of the amount due. For all the remaining members, Safety Tier 2 and Miscellaneous Tier 2, the rates are similar to FY 2014/2015 with no dramatic increase or decrease and no dollars due for any unfunded liability.

"The Special District Risk Management Authority (SDRMA) provides comprehensive coverage protection with solid, consistent risk management solutions to California Public Agencies for more than twenty-eight (28) years. The SDRMA's primary objective is to serve as a single resource to meet the risk management needs of the currently served 650 public agencies with over \$4 billion in member insured property." In May 2015 the District received notice that for FY 2015/2016 there would be no increases to the Property/Liability Program. It is important to note that this is the sixth year in a row there would be no rate increase. The District annual contribution amount varies this year as a result of the coverage limit changes, schedule item additions/deletions and Credit Incentive Program (CIP) points earned. The District has basic coverage limits including

excess liability coverage. For FY 2015/2016 the SDRMA increase the Employee and Public Officials Dishonest coverage limits from \$400,000 to \$1,000,000 at no cost to the District. The District receives the following credits:

- Multi-Program Discount: The District uses the Property/Liability and Workers' Compensation programs and receives a 5% discount.
- MemberPlus Online Discount: The District completed the Renewal Questionnaire by the established deadline and receives a discount.
- Longevity Discount: SDRMA recognizes and reward members for their loyalty and commitment to the SDRMA programs. This policy discount is consistent with the goals and objectives of the SDRMA Board's strategic business plan and helps ensure pool stability by rewarding members for remaining in the Property/Liability and Worker's Compensation programs. The discount is weighted based on the member's length of time in that program, amount of the member's annual contributions compared to the total contributions of all pool member and requires a minimum of three years of participation.

It is important to note the discounts are applied to the respective fund based on the total cost of the insurance distributed to the fund. All funds receive the discounts. The District's participated in the Worker's Compensation Program for eleven (11) years as of June 30, 2014 and participated in the Property/Liability program for three (3) years as of June 30, 2014.

The District received the Worker's Compensation Program Invoice for FY 2015/2016. As previously stated during last year's budget presentation, the Special District Risk Management Authority (SDRMA) advised all District's beginning with this fiscal year, the SDRMA is now invoicing members annually instead of quarterly. This year's rate was reduced from an Experience Modification Factor of 85% to an Experience Modification Factor of 78%. This is the third year in a row the District has experienced a drop in the Experience Modification Factor. Because the District belongs to Workers' Compensation and Property/Liability Programs, the District receives a 5% Multi-Program Discount. The District received a 15% Credit Incentive Program Discount and a 2.09% Longevity Distribution Credit. Prior to applying the Experience Modification Factor the total estimated annual contribution was \$28,218.39. After applying the Modification Factor and all credits, the total District billing is \$17,401.90. This equates to a savings of \$10,816.49. The District employees are to be commended for continuing to operate the vehicles and equipment safely and applying best management practices while performing their job related functions.

For your reference again this year staff included a Glossary of Terms within the Proposed Budget document. It is staff's hope this will help should the Board or any person needing a definition of terms. Also, in the Adopted Budget staff will include a Table of Contents to help the reader find the respective information. This is the last item prepared as during the budget process, page numbers change as information is revised or added.

A governmental entity's reports and statements, both financial and operational, ideally should contain the information necessary for all users. These users include management, electorate, creditors, grantors and community members. These statements allow all parties the opportunity based on the information to form an opinion on the effectiveness of the stewardship exercised by the responsible public officials. The responsibility for providing such information is that of management. This budget presents a realistic depiction of the financial picture facing the Board Members and management in the continued operations of the District. This document includes detailed information about water programs and worksheets with precise reconciliations completed during the prior period. This material is presented in an effort to inform the community regarding the progress achieved in meeting the District's responsibilities to the citizens we serve.

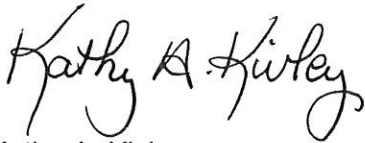
The Proposed Budget is a work in progress. Current staff continues to review the account titles and group those expenditures to conform appropriately to standard government accounting practices and procedures. With the modernization of the accounting system and full

implementation of the financial software, staff provides timely and accurate statements of revenues and expenditures on a monthly basis. This year, through a collaborative process and support from other staff who played a key role in developing and being responsive to questions, the District managed to prepare a very concise and informative document for your consideration. Through the monthly reports staff shares fluctuations in revenue to the Board on a predetermined cycle along with any significant operational adjustments. It is anticipated that mid-year budget adjustments will be necessary as labor negotiations should be concluded, benefit variations accounted for and updated property tax estimates received from San Luis Obispo County. Staff received updated property tax estimates from San Luis Obispo County. The report dated May 20, 2015, was received by staff in early June 2015. These revenue estimates were incorporated with this Proposed Budget for all the Funds.

I would like to take this opportunity to publicly thank the staff of the Los Osos Community Services District and CAL Fire for their unwavering support and unswerving assistance during this very difficult and tedious time. Without their hard work and solid commitment to excellence this document would still be a dream and not a reality. I also wish to thank the Board of Directors for their firm support, enduring patience and continuous assistance during this very demanding period.

On behalf of the District, it is my honor to present and submit the Proposed Budget for Fiscal Year 2015 – 2016.

Respectfully,



Kathy A. Kivley  
General Manager

**RESERVE STATEMENT**  
**Effective June 30, 2015**

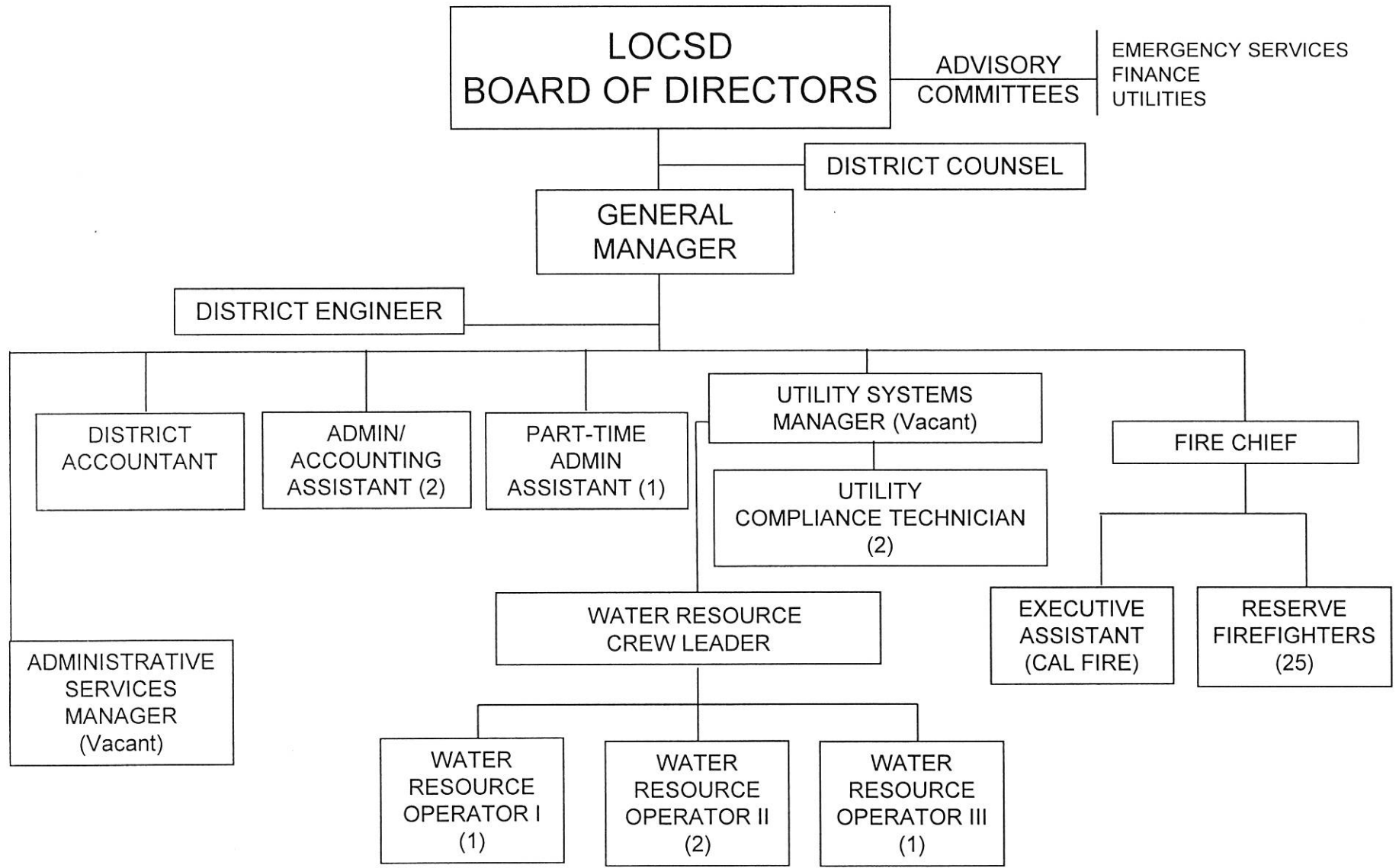
Account Code	Category & Fund	Beginning BALANCE 06/30/2013	Budget FY 2013/2014	Additions (Other uses)	Gain/ (Use) FY 2013/2014	Subtotal FY 2013/2014	Adopted Budget FY 2014/2015	Gain/ (Use) FY 2014/2015	Subtotal FY 2014/2015
<b>100 - Administration</b>									
3111	General Contingency Reserve	20,918				20,918	(17,947)	75	3,047
3164	Information Technology Reserve	28,741				28,741		175	28,916
3166	Septic Maintenance Reserve (Fire Station)	15,801				15,801		1,500	17,300
	<b>Total - 100 - Administration</b>	<b>\$65,460</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$65,460</b>	<b>(\$17,947)</b>	<b>\$1,750</b>	<b>\$49,263</b>
<b>200 - Bayridge Estates</b>									
3109	Septic System Decommission Reserve	0	\$8,000			\$8,000	\$8,000	31	\$16,031
<b>301 - Fire</b>									
3110	Replacement Reserve - Vehicle, Equip & Fire Engines	247,962	109,099		35,792	392,853	92,206	645	485,703
3111	General Contingency Reserve	61,381				61,381		1,942	63,323
3115	Public Facilities Fee Reserve	51,193				51,193		153	51,346
3160	Capital Outlay Reserve	613,873				613,873		837	614,710
	<b>Total - 301 - Fire</b>	<b>\$974,409</b>	<b>\$109,099</b>	<b>\$0</b>	<b>\$35,792</b>	<b>\$1,119,300</b>	<b>\$92,206</b>	<b>\$3,576</b>	<b>\$1,215,082</b>
<b>400 - Vista de Oro</b>									
3193	Reserve - Internal Loan	1,517.00	2 \$30,000			\$31,517		(\$11,432)	\$20,085
<b>500 - Water</b>									
3050	Water Quality Trust Reserve (0331)	91,517				91,517			91,517
3110	Replacement Reserve - Vehicle, Equip & Fire Engines	42,197				42,197		(42,197)	0
3111	General Contingency Reserve	178,783	25,000		(30,000)	173,783	25,000	(31,801)	166,982
3160	Capital Outlay Reserve	493,407	65,000		665	559,072	65,000	(57,258)	566,814
3163	Water Stabilization Reserve	128,856	32,000			160,856	32,000		192,856
3165	Basin Management Plan Reserve	39,288				39,288			39,288
3167	Water Conservation Reserve	25,031				25,031		(20,000)	5,031
	<b>Total - 500 - Water</b>	<b>\$999,079</b>	<b>\$122,000</b>	<b>\$0</b>	<b>(\$29,335)</b>	<b>\$1,091,744</b>	<b>\$122,000</b>	<b>(\$151,256)</b>	<b>\$1,062,488</b>
<b>600 - Wastewater Enterprise</b>									
3191	Restricted Funds-SRF	1,407,913		(9,439)	(1,405,977)	1,936	(1,935)		0
<b>602 - Wastewater Fiduciary</b>									
3091	Restricted-2002 Bond Redemption Reserve	726,664	1 25,000		6,435	758,100	4,000	99,066	861,166
3120	LOCSD Community Fund	0	4		173,995	173,995		(2,147)	171,848
3159	Prepaid Assessment Reserve					142,670	(6,192)	166	136,643
3161	Disputed Reserve Fund				103,103	103,103		(100)	103,003
	<b>Total - 602 - WW Fiduciary</b>	<b>\$726,664</b>	<b>\$25,000</b>	<b>\$0</b>	<b>\$283,533</b>	<b>\$1,177,868</b>	<b>(\$2,192)</b>	<b>\$96,985</b>	<b>\$1,272,661</b>
<b>650 - Solid Waste</b>									
3111	General Contingency Reserve	\$186,052	7	\$15,089	\$246	\$201,387	(\$37,914)	\$542	\$164,015
<b>800 - Drainage</b>									
3111	General Contingency Reserve	27,238	5,000			32,238	5,000	553	37,791
3160	Capital Outlay Reserve	184,995	10,000		60	195,055	10,000	276	205,331
	<b>Total - 800 - Drainage</b>	<b>\$212,233</b>	<b>\$15,000</b>	<b>\$0</b>	<b>\$60</b>	<b>\$227,293</b>	<b>\$15,000</b>	<b>\$829</b>	<b>\$243,123</b>



**RESERVE STATEMENT**  
**Effective June 30, 2015**

Account Code	Category & Fund	Beginning BALANCE 06/30/2013	Budget FY 2013/2014	Additions (Other uses)	Gain/ (Use) FY 2013/2014	Subtotal FY 2013/2014	Adopted Budget FY 2014/2015	Gain/ (Use) FY 2014/2015	Subtotal FY 2014/2015
<b>900 - Parks &amp; Recreation</b>									
3090	Restricted Pool Funds	\$303,838	5	\$0	\$918	\$304,756	\$0	\$577	\$305,333
						<b>\$4,227,326</b>			<b>\$4,348,081</b>

- 1 Managed by US Bank**
- 2 Internal Loan from Water Reserves**
- 3 CD Matures 03/18/2016**
- 4 Managed by Community Foundation**
- 5 Beginning Balance adjusted based on LAIF deposit**
- 6 Authorized use: \$60,000; interest: \$2,742**
- 7 Reserve adjustment from FY 2011/2012**
- 8 Authorized use: \$32,803; interest: \$1,002**
- 9 Bank Analysis Fee Charge**
- 10 Loss on investment**



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
**2015 ORGANIZATIONAL CHART**  
 REVISED 6/15

Los Osos Community Services District  
Staffing History

	<b>TOTAL APPROVED 2012/2013</b>	<b>TOTAL APPROVED 2013/2014</b>	<b>TOTAL APPROVED 2014/2015</b>	<b>TOTAL APPROVED 2015/2016</b>
<b>ADMINISTRATION</b>				
General Manager	0.5	0.75	1.00	1.00
District Accountant	1.00	1.00	1.00	1.00
Administrative/Accounting Assistant III	1.00	1.00	1.00	1.00
Billing Clerk/Bookkeeper	0.60	0.00	0.00	0.00
Administrative Clerk II	1.00	0.00	0.00	0.00
<b>TOTAL ADMINISTRATION FTE'S</b>	4.10	2.75	3.00	3.00
<b>WATER</b>				
Utility Compliance Technician III	1.00	1.00	1.00	1.00
Utility Compliance Technician I	0.00	0.75	1.00	1.00
Administrative Accounting Assistant I	0.00	0.75	1.00	1.00
Administrative Assistant	0.00	0.25	0.50	0.50
Water Resources Crew Leader	1.00	1.00	1.00	1.00
Water Resources Operator II	3.00	3.00	3.00	3.00
Water Resources Operator I (Trainee)	0.25	1.00	1.00	1.00
<b>TOTAL WATER FTE'S</b>	5.25	7.75	8.50	8.50
<b>FIRE</b>				
Reserve Firefighters (25 @ 960 hours max)	11.40	11.40	11.40	11.40
<b>TOTAL RESERVE FIREFIGHTERS FTE'S</b>	11.40	11.40	11.40	11.40
<b>TOTAL LOCSO FTE'S</b>	20.75	21.90	22.90	22.90

Cost Allocation Plan for FY 2015/2016

BASED ON ADMINISTRATION STAFF'S TIME:	Vista de							TOTALS	
	Fire	Water	Solid Waste	Oro	Bayridge	Drainage	Wastewater		
General Manager	22.56%	61.20%	0.37%	2.34%	3.72%	8.65%	1.15%	100.00%	
Administrative Sec./Acctg Asst. III	18.95%	73.76%	0.14%	0.72%	1.01%	4.04%	1.38%	100.00%	
District Accountant	15.58%	70.15%	0.32%	2.02%	2.37%	7.50%	2.07%	100.00%	
Total Time	57.08%	205.11%	0.84%	5.07%	7.10%	20.19%	4.61%	300.00%	
Average % Time Spent by Fund	19.03%	68.37%	0.28%	1.69%	2.37%	6.73%	1.54%	100.00%	
Projected Expenditures FY 2015-2016	\$579,701.00								
<b>TOTAL AMOUNT TO BE ALLOCATED</b>	<b>\$579,701.00</b>	<b>110,306.17</b>	<b>396,344.17</b>	<b>1,616.41</b>	<b>9,798.80</b>	<b>13,711.63</b>	<b>39,016.84</b>	<b>8,906.99</b>	<b>579,701.00</b>
		110,306	396,344	1,616	9,799	13,712	39,017	8,907	579,701

Cost Allocation Plan for FY 2014/2015

BASED ON ADMINISTRATION STAFF'S TIME:	Vista de							TOTALS		
	Fire	Water	Solid Waste	Oro	Bayridge	Drainage	Wastewater			
General Manager	22.27%	57.11%	6.20%	2.60%	2.59%	7.50%	1.73%	100.00%		
Administrative Sec./Acctg Asst. III	15.00%	68.85%	5.77%	0.00%	0.00%	4.04%	6.34%	100.00%		
District Accountant	15.00%	57.69%	10.38%	0.00%	0.00%	5.77%	11.16%	100.00%		
Total Time	52.27%	183.65%	22.35%	2.60%	2.59%	17.31%	19.23%	300.00%		
Average % Time Spent by Fund	17.42%	61.22%	7.45%	0.87%	0.86%	5.77%	6.41%	100.00%		
Projected Expenditures FY 2014-2015		\$626,310.00								
<b>TOTAL AMOUNT TO BE ALLOCATED</b>		<b>\$626,310.00</b>	<b>109,124.08</b>	<b>383,406.11</b>	<b>46,660.10</b>	<b>5,428.02</b>	<b>5,407.14</b>	<b>36,138.09</b>	<b>40,146.47</b>	<b>626,310.00</b>
			109,124	383,406	46,660	5,428	5,407	36,138	40,146	

**ITEM 7 - CIP PRIORITY LIST**  
**(Approved by the LOCSD Board of Directors 9/4/15)**

Funding Source	Summary of Potential Projects	Approximate Project Cost (2014 dollars)
Existing Reserves	BP-1: Program A, Intertie	\$50,000
	BP-2: Program A, Upper aquifer well - design and permitting (including final engineering)	\$60,000
	BP-3: Program C, East side lower aquifer well-design and permitting (including final engineering)	\$160,000
	Subtotal - Existing Reserves	\$270,000
Debt Financing (IBANK or equal) - Immediate	BP-2: Program A, Upper aquifer well (not including design/permitting)	\$540,000
	BP-3: Program C, East side lower aquifer well (not including design/permitting)	\$1,440,000
	IA-1: AC main replacement, 11th Street (Los Olivos to Ramona)	\$731,000
	IA-2: AC main replacement, 7th Street (Romona to Santa Ysabel)	\$874,000
	IA-3: Valve upgrades	\$313,000
	DSP-1: 18th/Paso Robles loop upgrade	\$50,000
	DSP-2: 10th Street/Santa Maria valve upgrade	\$50,000
	DSP-3: Ferrel loop upgrade	\$20,000
	DSP-4: 12th/S. Paula upgrade	\$178,000
	DSP-5: 2nd/Santa Ysabel upgrade	\$198,000
	DSP-6: 15th Street dead-end upgrade	\$98,000
	OE-1: Water operations building improvements (Phase 1 - Shop/storage improvement)	\$70,000
	OE-2: Supervisory Control and Data Acquisition (SCADA) - Phase 1	\$75,000
	Subtotal - Debt financing - immediate	\$4,637,000
Pay as you go - 5 to 10 years	OE-5: Water operations building improvements (Phase 2 - Ops Building)	\$70,000
	OE-4: Automated meter reading (AMR) meters - 5% complete	\$800,000
	OE-3: SCADA - Phase 2	\$200,000
	Subtotal - Pay as you go - 5 to 10 years	\$1,070,000
Debt or Bond Financing - Long Term	Other IA main replacement projects - remaining AC waterlines (not including DSP projects)	\$13,000,000
	Other second priority pipeline projects from 2010 CIP update	\$2,610,000
	Other third priority pipeline projects from 2010 CIP update	\$2,800,000
	Subtotal - debt or bond financing - long term	\$18,410,000
	Check Total:	\$24,387,000

LOS OSOS COMMUNITY SERVICES DISTRICT WATER SHORTAGE CONTINGENCY PLAN

Stage	Reduction Target	Climate Trigger (MEDIAN RAINFALL 17 INCHES)	CHLORIDE TRIGGER (8th or 10th Street Wells - Zone D)	TDS TRIGGER (8th or 10th Street Wells - Zone D)	CLIMATE & WATER QUALITY REQUIREMENTS TO EXIT WATER SHORTAGE STAGES (DE-TRIGGER)	PROHIBITIONS
<b>STAGE I ALERT</b> Customers: Residential Allocation: 183 gal/day	5%	Rainfall total as March 31: < than median (17 in.) for current year	N/A	N/A	Receive rainfall >= median by March 31	<ul style="list-style-type: none"> <li>All outdoor irrigation of vegetation shall occur only between dusk and dawn.</li> <li>The use of potable water to wash sidewalks, walkways, driveways, parking lots, open ground and other hard-surface areas by direct application shall be prohibited.</li> <li>The use of non-drinking-water fountains, except for those using recirculated water, shall be prohibited.</li> <li>Use of water which results in flooding or run-off in gutters or streets shall be prohibited.</li> </ul>
<b>STAGE II WARNING</b> Customers: Residential Allocation: 174 gal/day	15%	Stage I plus rainfall total as of March 31: <= 32 in. for over two yrs. or <= 48 in. over three yrs. or 65 in. over four yrs. or 81 in. over five years	N/A	N/A	Receive rainfall >= median by March 31	<p>In addition to Stage I conservation measures:</p> <ul style="list-style-type: none"> <li>Use of water from fire hydrants shall be limited to fire suppression and/or other activities immediately necessary to maintain health, safety and welfare of residents within the boundaries of the Los Osos Community Services District.</li> <li>The use of District potable water for construction projects shall be prohibited.</li> <li>The washing of automobiles, trucks, trailers, boats and other types of mobile equipment not occurring upon the immediate premises of a commercial car wash and/or commercial service station shall be prohibited unless residents have an automatic shut-off hose nozzle and do not allow water to run off their property.</li> <li>The use of potable water to irrigate lawns, landscape plantings, groundcovers, and shrubs shall be limited to prescribed days and hours. Irrigation shall only occur between dusk and dawn, and shall only occur on Wednesday and Sunday for <u>even</u> numbered addresses, and Tuesday and Saturday for <u>odd</u> numbered addresses. Community recreational facilities and edible crops shall be exempt from this prohibition.</li> <li>Water main flushing shall only occur in emergency situations as declared by the General Manager.</li> </ul>
<b>STAGE III EMERGENCY</b> Customers: Residential Allocation: 50 gal/day/occupant NO TRANSFERS ALLOWED	25%	Stage I plus rainfall total as of March 31: <= 29 in. for over two yrs. or <= 43 in. over three yrs. or 58 in. over four yrs. or 72 in. over five years Stage III shall be enacted no earlier than April 2015. Declared by BOD 4/2/2015 – Based on Climate Trigger ONLY	150 mg/l	700 mg/l	Receive rainfall >= median by March 31. If in Stage III due to water quality, two consecutive semi-annual samples must be below trigger concentrations to exit Stage III	<p>In addition to Stage I &amp; II conservation measures:</p> <ul style="list-style-type: none"> <li>Irrigation of community recreational facilities is exempt from this prohibition.</li> <li>Penalties up to 2 times the established rate for usage above the allocation.</li> <li>No leak adjustment credits will be awarded</li> <li>No allocations may be transferred to another property</li> <li>No new Intent to Serve applications</li> </ul>
<b>STAGE IV SEVERE</b> ALL CUSTOMERS Allocation: 45 gal/day/ occupant NO TRANSFERS ALLOWED	35%	Stage I plus rainfall total as of March 31: <= 26 in. for over two yrs. or <= 38 in. over three yrs. Or 51 in. over four yrs. Or 64 in. over five years, Stage IV shall be enacted no earlier than November 2015	250 mg/l	850 mg/l	Receive rainfall >= median by March 31, transition to Stage II for current year. If in Stage IV due to water quality, two consecutive semi-annual samples must be below trigger concentrations to exit Stage IV	<p>In addition to Stage I, II, &amp; III conservation measures:</p> <ul style="list-style-type: none"> <li>New water connections to the District water system shall be prohibited</li> <li>Commercial allocation 10% below baseline</li> <li>Penalties up to 4 times established rate may be applied</li> <li>No allocations may be transferred to another property</li> </ul>
<b>STAGE V CRITICAL</b> ALL CUSTOMERS Allocation: 42 gal/day/ occupant NO TRANSFERS ALLOWED	50%	Stage I plus rainfall total as of March 31: <= 17 in. for over two yrs. or <= 26 in. over three yrs. or 34 in. over four yrs. or 43 in. over five years	500 mg/l	1,000 mg/l	Receive rainfall >= median by March 31, transition to Stage II for current year. If in Stage V due to water quality, two consecutive semi-annual samples must be below trigger concentration to exit Stage V	<p>In addition to Stage I, II, III, &amp; IV conservation measures:</p> <ul style="list-style-type: none"> <li>Commercial allocation 15% below baseline</li> <li>Penalties up to 4 times established rate may be applied</li> <li>No allocations may be transferred to another property</li> </ul>

**RESOLUTION NO. 2014-18**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
LOS OSOS COMMUNITY SERVICES DISTRICT  
ADOPTING WATER SHORTAGE CONTINGENCY PLAN  
PURSUANT TO WATER CODE § 375**

**WHEREAS**, the LOS OSOS COMMUNITY SERVICES DISTRICT ("District") provides water service within the District's water service area pursuant to § 61100 (a) of the Community Services District Law which provides:

"(a) Supply water for any beneficial uses, in the same manner as a municipal water district, formed pursuant to the Municipal Water District Law of 1911, Division 20 (commencing with Section 71000) of the Water Code. In the case of any conflict between that division and this division, the provisions of this division shall prevail"; and

**WHEREAS**, § 61060 (b) of the Community Services District Law provides in relevant part:

"A district shall have and may exercise all rights and powers, expressed and implied, necessary to carry out the purposes and intent of this division, including, but not limited to, the following powers:

(b) To adopt, by ordinance, and enforce rules and regulations for the administration, operation, and use and maintenance of the facilities and services listed in Part 3 (commencing with Section 61100)"; and

**WHEREAS**, California Water Code Section 375 States in pertinent part:

(a) Notwithstanding any other provision of the law, any public entity which supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity may, by ordinance or **resolution** adopted by a majority of the members of the governing body after holding a public hearing upon notice and making appropriate findings of necessity for the adoption of a water conservation program, adopt and enforce a water conservation program to reduce the quantity of water used by those persons for the purpose of conserving the water supplies of the public entity; and

**WHEREAS**, it is essential for the protection of the health, welfare, and safety of the residents of the District and the public benefit of the State of California ("State"), that the groundwater resources of the Los Osos Groundwater Basin be conserved; and

**WHEREAS**, Governor Jerry Brown on January 17, 2014, proclaimed that the entire State of California to be in a drought state of emergency and the State Water Board has issued Emergency Water Shortage Regulations; and

**WHEREAS**, the District has adopted regulations in compliance with the State Water Board regulations; and

**WHEREAS**, the Board of Supervisors has amended the Health and Sanitation Ordinance, Title 8 of the San Luis Obispo County Code as follows (in part):

The Board of Supervisors determined that overall water use in the Los Osos Groundwater Basin has surpassed a sustainable capacity:

1. The consumption of water in the Los Osos Groundwater Basin has resulted in seawater intrusion into the Los Osos Groundwater Basin. In response to this threat to groundwater, the community's only fresh potable water source, the Board of Supervisors has certified a Level of Severity III for the Los Osos Groundwater Basin; this is the highest severity level in the County General Plan's Resource Management System.



**WHEREAS**, the District is a party to groundwater adjudication, *Los Osos Community Services District v. Golden State Water, et al.*, Case No. GIN 040126 ("Groundwater Litigation"); and

**WHEREAS**, the committee formed as a result of the ISJ has promulgated a draft Basin Plan which was made publicly known in August 2013; and

**WHEREAS**, that draft Basin Plan has found that there is salt water intrusion within the basin; and

**WHEREAS**, Water Code § 71640 of the Municipal Water Service District Law provides:

"A district may restrict the use of district water during any emergency caused by drought, or other threatened or existing water shortage, and may prohibit the wastage of district water or the use of district water during such periods for any purpose other than household uses or such other restricted uses as the district determines to be necessary. A district may also prohibit use of district water during such periods for specific uses which it finds to be nonessential"; and

**WHEREAS**, the District Board of Directors has noticed this public meeting pursuant to Water Code § 375 and has considered the Staff Report and public testimony regarding the adoption of this Resolution; and

**WHEREAS**, the District Board of Directors wishes to set forth a Water Shortage Contingency Plan that provides a range of alternative actions that allows for flexibility in responding to a water shortage and drought emergency; and

**WHEREAS**, based on the Staff Report, staff presentation, the reports and studies referenced in this Resolution and public comment, the District Board of Directors find that:

- (a) It is necessary for the District to adopt a Water Shortage Contingency Plan to be able to respond to the lack of available groundwater for the purpose of serving District residents.
- (b) While current per capita use in the community is substantially below the State-wide average, additional measures are necessary to protect the community's water supply from the threat of seawater intrusion.
- (c) The allocated residential indoor water demand is equal to or less than 50 gallons per person per day, consistent with the San Luis Obispo County Water Conservation Program for Los Osos.
- (d) The median household size referenced from the 2010 census of Los Osos is 2.61 persons per dwelling unit, and the proposed water allocations in the Water Shortage Contingency Plan are based on a household size of 3.0 persons per dwelling unit.
- (e) The residential water allocation per person in the most severe water shortage stage (Stage V) is 42 gal/person/day, consistent with minimum health and safety requirements.

**WHEREAS**, based on the Staff Report, staff presentation and public comment, the Board further finds:

- A. That adoption of the Water Shortage Contingency Plan will provide greater assurances that there will be adequate groundwater to meet the present needs of District residents consistent with District Code §3.28.020 and the resource protection goals of the San Luis Obispo County Estero Area Plan; and
- B. That adopting this Resolution will further conserve the water supply for the greater public benefit, with particular regards to domestic use, sanitation and fire protection; and
- C. That this Resolution adopts Rules and Regulations for the administration, operation and use of District services; and
- D. The Board of Directors of the District finds that the policies and procedures adopted by this Resolution are exempt from the California Environmental Quality Act pursuant to CEQA Guidelines Section 15378 (b) (2) because such policies and procedures constitute general policy and procedure making. The Board of Directors further finds that the adoption of the policies and potential actions established by this Resolution is not a project as defined in CEQA Guideline Section 15378, because it can be seen that the adoption of a Water Shortage Contingency Plan will not result in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. The District incorporates by reference the CEQA findings in support of San Luis Obispo County Ordinance 3090, the County of San Luis Obispo Board of Supervisor's certification of a Severity Level III for the Los Osos Groundwater Basin, the San Luis Obispo County Water Conservation Ordinance, Title 8 and the Promulgated Draft of the Basin Plan For The Los Osos Groundwater Basin released on August 1, 2013.

WHEREAS, based on the Staff Report, staff presentation and public comment, the District Board of Directors further finds this Resolution is adopted for the protection of the health, safety and welfare of District water customers who depend on the underlying groundwater basin as their source of water supply.

NOW, THEREFORE BE IT RESOLVED, DETERMINED AND ORDERED by the Board of Directors of the LOS OSOS COMMUNITY SERVICES DISTRICT, as follows:

1. That the above recitals are true and correct.
2. The Board adopts the Water Shortage Contingency Plan attached as Exhibit "A" to this Resolution.
3. The General Manager is directed to prepare and file an appropriate notice of exemption.
4. The General Manager is directed to publish this Resolution in its entirety in a newspaper of general circulation in the District within ten (10) days.

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

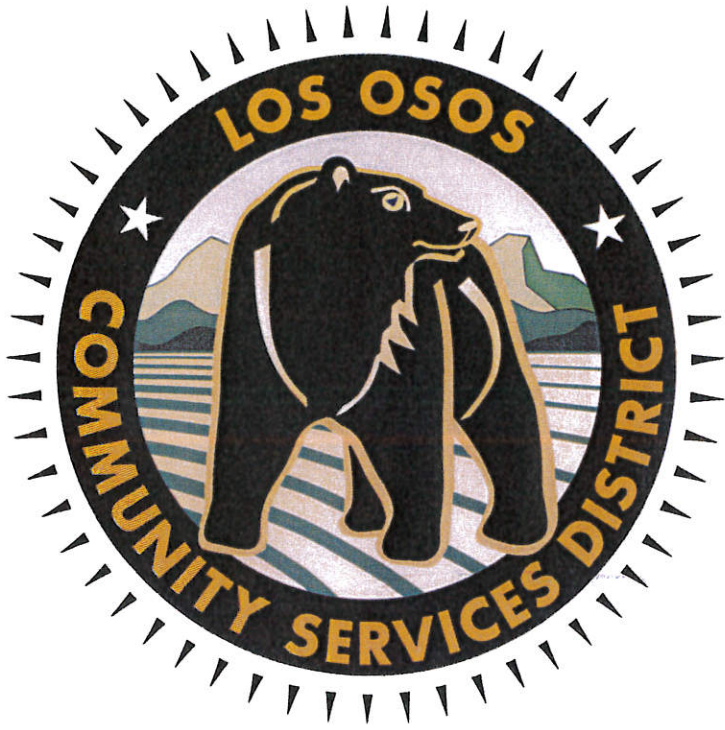
AYES: Ockylski, Moothart, Storm, Wright, Baltimore  
NOES: \_\_\_\_\_  
ABSENT: \_\_\_\_\_  
ABSTAIN: \_\_\_\_\_

The foregoing resolution is hereby passed and adopted this 4<sup>th</sup> day of September, 2014.

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

ATTEST:  
Kathy A. Kivley  
Kathy A. Kivley  
General Manager and Secretary to the Board

APPROVED AS TO FORM:  
Michael W. Seitz  
Michael W. Seitz  
District Legal Counsel



OUTDOOR WATER  
CONSERVATION  
PLAN

1. **Program Element:** Target top 100 water users with outdoor water conservation information.

**Program Description:** Each month top water user reports will be generated using the District's new billing software. Monthly monitoring of water usage is already being conducted by District Staff. Staff determines if high usage is a spike or is habitual, based on prior usage. Staff shall develop a form letter to notify customers of the high water use. Top users will be direct mailed water conservation information along with the form letter.

**Implementation Schedule:** This element has been partially implemented. Unusually high and low meter reads are monitored by the District's Administrative Accounting Assistant.

**Cost:** The largest cost of this element will be Staff time. Printing costs and postage would be minimal. See attached cost estimate spreadsheet.

2. **Program Element:** Landscape and irrigation workshops.

**Program Description:** Local nurseries currently conduct landscape and irrigation workshops. The District will partner with these nurseries, encourage use of drought tolerant plants, and advertise workshops on the District's website, Channel 20, and at the District office.

**Implementation Schedule:** The District shall reach out to local nurseries and create a schedule of when and where such workshops will be conducted.

**Cost:** The District can minimize costs by allowing local nurseries to conduct landscape and irrigation workshops. Minimal staff time will be needed to advertise the workshops on the District's website, channel 20, and the District office.

3. **Program Element:** Develop seasonal irrigation messaging and direct mail water customers with information.

**Program Description:** A seasonal irrigation schedule was created by District staff and is mailed out to water customers on an annual basis. This schedule is also available at the District office.

**Implementation Schedule:** This element has been implemented. Irrigation schedules are mailed out to customers at least once per year.

**Cost:** This element was and continues to be a minimal cost to the District. See attached spreadsheet for cost estimate.

4. **Program Element:** Analyze water consumption and track per capita water use.

**Program Description:** Water consumption is measured on a monthly basis by District personnel. Unusually high or low meter reads are compared to past reads. Any suspected inaccuracy results in a reread of the meter.

**Implementation Schedule:** This element is currently implemented. District personnel measure consumption on a monthly basis.

**Cost:** This element's cost is incorporated into duties already performed by District Staff.

**5. Program Element:** Purchase or develop landscape brochures.

**Program Description:** The District will consult with an outside marketing firm to create a water wise landscape brochure encouraging the use of drought tolerant/native plants, drip irrigation, and replacing older timer based irrigation controllers with “smart” controllers. A native plant brochure and irrigation schedules are currently available at the District office.

**Implementation Schedule:** District staff is currently in the process of requesting qualifications from outside marketing agencies.

**Cost:** Actual costs will not be available until the District receives proposals from the marketing agencies (information pending).

**6. Program Element:** Attend public events and encourage water conservation to the public.

**Program Description:** District Staff attends different public events such as Farmer’s Market, Earth Day Festival, South Bay Business Expo, and Oktoberfest handing out water conservation items such as low flow showerheads and sink aerators, low flow hose nozzles, shower timers and toilet leak detection tablets. Water conservation literature is also provided. A gardening with native plants brochure, irrigation schedules, and coloring books for kids are also available at these events. All of these items are free to the public. District Staff encourages water conservation to members of the public at these events.

**Implementation Schedule:** This element is currently implemented. District staff attends farmers market on a monthly basis and other public events as they are scheduled.

**Cost:** Costs will vary due to the times and days of the week when public events are scheduled. Farmer’s Market is held during normal District business hours and does not require Staff overtime. This event only requires one staff member, while other events require the setup, operation, and breakdown of displays, shade structures, heavy or bulky items and require two staff members. Several of the above listed events are held outside of normal District business hours and incur overtime costs. In addition, the District purchases the water efficient fixtures and literature which are made available to the public at no cost to encourage water conservation. See attached cost estimate spreadsheet.

**7. Program Element:** Speaker’s bureau

**Program Description:** The speaker’s bureau will consist of Board members utilizing speaking opportunities to promote water conservation. Staff shall develop a speaking points reference bulletin for water conservation which Board members will present to service groups or clubs, as well as to the public.

**Implementation Schedule:** This element is partially implemented. Board members already present water conservation information to groups and clubs when asked. A reference bulletin will be created by Staff in a relatively short amount of time.

**Cost:** This element is one of the most cost effective measures of the water conservation plan. Aside from a short period of Staff time to create a reference bulletin, there should be no other costs incurred.

**8. Program Element: Water waste ordinance.**

**Program Description:** This element is a regulatory measure which will require Board approval and District Code amendment prior to implementation. It would be used as a, “tool of last resort” only used when a customer is disregarding the information and assistance offered by the District. It would create an ordinance to limit water runoff caused by inefficient or over irrigation, and prohibit the blatant wasting of water.

**Implementation Schedule:** This measure is not currently implemented. It will require Board approval and an amendment to District Code.

**Cost:** Actual enforcement of this element would require additional staff time (pending rate study).

**9. Program Element: Water conservation consultation**

**Program Description:** This program element will provide a one on one consultation either in person or by telephone for irrigation scheduling and system troubleshooting. This element will restart the residential water audit program, focusing on outdoor water conservation and irrigation system troubleshooting and efficiency. Properly trained and experienced personnel would need to be hired to implement this element which will require Board approval.

**Implementation Schedule:** This measure is not yet implemented and would involve hiring additional personnel, requiring Board approval.

**Cost:** This element would require the hiring of a properly trained irrigation system technician. This could be a part time position, which would save on personnel costs. The District could also hire a consultant who would be paid on a “per consultation” basis. This would also save on costs.

**10. Program Element: Outdoor Water Conservation Incentives**

**Program Description:** This element will provide monetary incentives to District customers to replace or upgrade irrigation systems to become more efficient. Upgrades include replacing old timer based irrigation controllers with weather based irrigation controllers, and replacing old sprinkler systems with drip irrigation or high efficiency sprinklers. Staff will work with local nurseries to develop a voucher program where customers will receive a discount voucher from the District to purchase drought tolerant or native plants from local nurseries. Although a cash for turf program was initially part of this element, it has been determined not to be cost effective.

**Implementation Schedule:** This measure is not implemented. It was recommended that incentives only be considered if the Board determines that the Outreach & Education and Technical Assistance components of the plan are proven to reduce outdoor water use.

**Cost:** The Board would need to approve funding for the incentive programs prior to implementation. Refer to attached estimate spreadsheet.

# LOCSO WATER CAMPAIGN RECAP October 2014 – March 2015

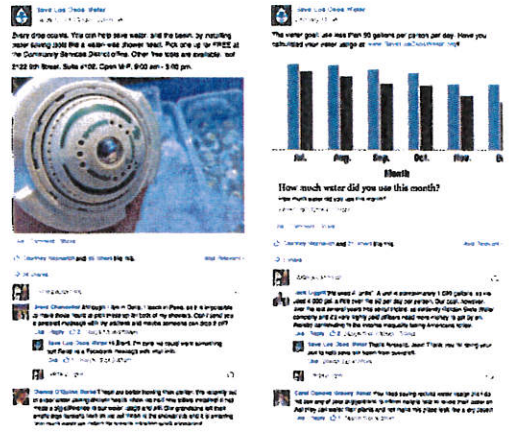


## Established Save Los Osos Water Facebook Page

- Grew Facebook audience to approximately 400 geographically targeted residents (people living and working in Los Osos)
- Combined post reach: 13,222 people
- Average organic daily reach: 60
- Average paid post reach: 541

## Established SaveLosOsosWater.org which features

- Helpful conservation tools
- Links to reports
- Daily water saving tips
- Monthly usage data with year-over-year comparisons
- Water usage calculator
- Share features for Facebook and Twitter



## Produced collateral materials with Save Los Osos Water branding

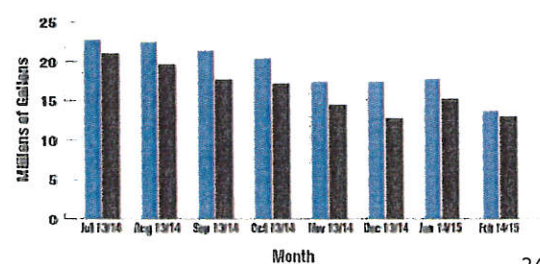
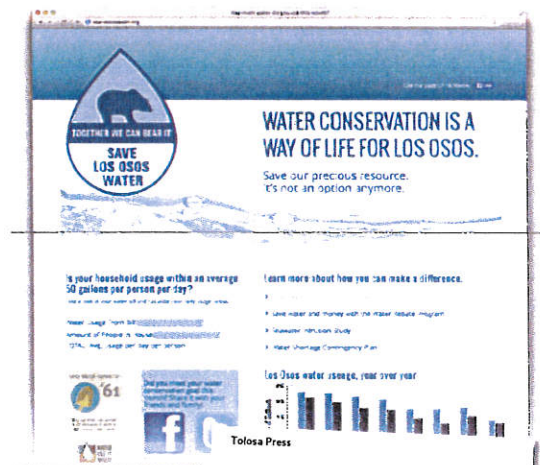
- Table Tents for local businesses, especially restaurants
- Bumper stickers for distribution at the district office and Farmers' Market
- Revamped booth signage for district's Farmers' Market presence
- Created posters for local business windows

## Designed slide for public access channel

## Created two billing inserts with conservation messaging

## Press releases/coordination that resulted in 8 media pickups

- In Los Osos, water users fight threat from the sea; SLO Tribune, March 18
- Los Osos groundwater is in danger, and its rescue will be costly; SLO Tribune, March 14
- Los Osos Water Plan now done; Tolosa Press, March 5
- Los Osos residents cut water use; Bay News, February 4
- Los Osos releases management plan for groundwater basin; KSBY News, February 4
- Save money? New fire rating in Los Osos; Tolosa Press, January 22
- Seawater is seeping into the Los Osos Groundwater Basin; KSBY News, January 22
- Los Osos CSD urges conservation; Bay News, December 11



DATE: September 4, 2014  
AGENDA ITEM: 111  
 Approved  
 Denied  
 Continued

**RESOLUTION NO. 2014-22**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
LOS OSOS COMMUNITY SERVICES DISTRICT  
ADOPTING OUTDOOR WATER CONSERVATION PLAN  
PURSUANT TO WATER CODE § 375**

**WHEREAS**, the LOS OSOS COMMUNITY SERVICES DISTRICT ("District") provides water service within the District's water service area pursuant to § 61100 (a) of the Community Services District Law which provides:

"(a) Supply water for any beneficial uses, in the same manner as a municipal water district, formed pursuant to the Municipal Water District Law of 1911, Division 20 (commencing with Section 71000) of the Water Code. In the case of any conflict between that division and this division, the provisions of this division shall prevail"; and

**WHEREAS**, § 61060 (b) of the Community Services District Law provides in relevant part:

"A district shall have and may exercise all rights and powers, expressed and implied, necessary to carry out the purposes and intent of this division, including, but not limited to, the following powers:

(b) To adopt, by ordinance, and enforce rules and regulations for the administration, operation, and use and maintenance of the facilities and services listed in Part 3 (commencing with Section 61100)"; and

**WHEREAS**, California Water Code Section 375 States in pertinent part:

(a) Notwithstanding any other provision of the law, any public entity which supplies water at retail or wholesale for the benefit of persons within the service area or area of jurisdiction of the public entity may, by ordinance or **resolution** adopted by a majority of the members of the governing body after holding a public hearing upon notice and making appropriate findings of necessity for the adoption of a water conservation program, adopt and enforce a water conservation program to reduce the quantity of water used by those persons for the purpose of conserving the water supplies of the public entity; and

**WHEREAS**, it is essential for the protection of the health, welfare, and safety of the residents of the District and the public benefit of the State of California ("State"), that the groundwater resources of the Los Osos Groundwater Basin be conserved; and

**WHEREAS**, Governor Jerry Brown on January 17, 2014, proclaimed that the entire State of California to be in a drought state of emergency and the State Water Board has issued Emergency Water Shortage Regulations; and

**WHEREAS**, the District has adopted regulations in compliance with the State Water Board regulations; and

**WHEREAS**, the Board of Supervisors has amended the Health and Sanitation Ordinance, Title 8 of the San Luis Obispo County Code as follows (in part):

The Board of Supervisors determined that overall water use in the Los Osos Groundwater Basin has surpassed a sustainable capacity:



1. The consumption of water in the Los Osos Groundwater Basin has resulted in seawater intrusion into the Los Osos Groundwater Basin. In response to this threat to groundwater, the community's only fresh potable water source, the Board of Supervisors has certified a Level of Severity III for the Los Osos Groundwater Basin; this is the highest severity level in the County General Plan's Resource Management System.

**WHEREAS**, Water Code § 71640 of the Municipal Water Service District Law provides:

"A district may restrict the use of district water during any emergency caused by drought, or other threatened or existing water shortage, and may prohibit the wastage of district water or the use of district water during such periods for any purpose other than household uses or such other restricted uses as the district determines to be necessary. A district may also prohibit use of district water during such periods for specific uses which it finds to be nonessential"; and

**WHEREAS**, the District Board of Directors has considered the Staff Report and public testimony regarding the adoption of this Resolution; and

**WHEREAS**, the District Board of Directors wishes to set forth an Outdoor Water Conservation Plan that provides a range of alternative actions that allows for flexibility in responding to a water shortage and drought emergency; and

**WHEREAS**, based on the Staff Report, staff presentation, the reports and studies referenced in this Resolution and public comment, the District Board of Directors find that:

- (a) It is necessary for the District to adopt an Outdoor Water Conservation Plan to be able to respond to the lack of available groundwater for the purpose of serving District residents.

**WHEREAS**, based on the Staff Report, staff presentation and public comment, the Board further finds:

- A. That adoption of the Outdoor Water Conservation Plan will provide greater assurances that there will be adequate groundwater to meet the present needs of District residents consistent with District Code §3.28.020 and the resource protection goals of the San Luis Obispo County Estero Area Plan; and
- B. That adopting this Resolution will further conserve the water supply for the greater public benefit, with particular regards to domestic use, sanitation and fire protection; and
- C. That this Resolution adopts an Outdoor Water Conservation Plan for the administration, operation and use of District services.

**WHEREAS**, based on the staff report, staff presentation and public comment, the District Board of Directors further finds this Resolution is adopted for the protection of the health, safety and welfare of District water customers who depend on the underlying groundwater basin as their source of water supply.

**NOW, THEREFORE BE IT RESOLVED, DETERMINED AND ORDERED** by the Board of Directors of the LOS OSOS COMMUNITY SERVICES DISTRICT, as follows:

- 1. That the above recitals are true and correct.
- 2. The Board adopts the Outdoor Water Conservation Plan attached as Exhibit "A" to this Resolution.

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

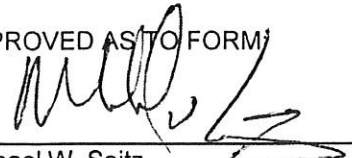
AYES: Dokuleski, Wright, Moothart, Storm, Baltimore  
NOES: \_\_\_\_\_  
ABSENT: \_\_\_\_\_  
ABSTAIN: \_\_\_\_\_

The foregoing resolution is hereby passed and adopted this 4<sup>th</sup> day of September, 2014.

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

ATTEST:

  
\_\_\_\_\_  
Kathy A. Kivley  
General Manager and Secretary to the Board

APPROVED AS TO FORM:  
  
\_\_\_\_\_  
Michael W. Seitz  
District Legal Counsel

## Summary – Fund 100

The Administration Fund is generally funded through transfers from the other funds to support general governance and administrative services for various operating funds. The transfer dollars are a result of the allocation factors. The proposed method for the budget preparation was based on actual time spent working for each fund. With the exception of the Park Fund, Fund 900, all funds contribute to the Administrative Overhead as able. It should also be noted that if the Administration Fund's costs come in lower than budgeted, any favorable change will reduce the allocation ratio and costs to the respective funds accordingly.

The Administration Fund provides overall management, human resources functions, payroll services, computer systems hardware and software, financial accounting, legal, consulting services, website management and other services as it pertains to the District as a whole. This budget expenses items that are attributed to these operations, however, this Department receives no direct funding, general revenue or generates revenues. This lack of revenue produces a cash deficit.

One item of importance is Note #2 below. The District Board, on October 17, 2006, entered into a Letter of Understanding between the District and MBIA Insurance Corporation regarding Terms of Agreement negotiated during the previous meeting on August 10, 2006. There are Audit Notes in FY 2011/2012 and FY 2012/2013 reports related to this topic. The District Board at that time "prematurely" borrowed \$714,267.50 from the Debt Service Reserve Fund to make the semi-annual payment to the bondholders and established a long term plan to replenish the Reserve Fund with a transfer of \$25,000 a year from Fund 100. Until January of 2015, only one \$25,000 payment was made to the bank. At that time staff made the appropriate payments less three years which it appears were never budgeted. Staff completed the reconciliation of the bank accounts for the Bond Improvement Redemption Fund and the Improvement Bond Reserve Fund. The bankruptcy court order stated that all repayment of the Bond Reserve funds are to be recouped from the Administrative Charge as allowed under the bond documents. For more information on repayment plan and order from the Bankruptcy Court, refer to the information outlined in Fund 602.

### Budget Summary

<b>Fund 100 Expenditures</b>	<b>2011/2012 Actuals<sup>6</sup></b>	<b>2012/2013 Actuals<sup>6</sup></b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	307,021	263,998	253,569	222,680	261,002
<b>Benefits</b>	81,942	92,232	63,622	67,179	67,340
<b>Services and Supplies</b>	278,838	257,005	250,188	306,451	246,359
<b>Capital Outlay</b>		41,840	13,861	5,000	5,000
<b>Other Sources &amp; Uses<sup>2</sup></b>	25,000	25,000	25,000	21,947 <sup>4</sup>	0
<b>Total</b>	692,801 <sup>5</sup>	680,075 <sup>1,5</sup>	606,240	623,257	579,701
<b>Allocation of Admin Costs<sup>7</sup></b>	699,216 <sup>2</sup>	643,428	705,597 <sup>3</sup>	626,310	579,701

Notes: <sup>1</sup> Includes expenditures for PEG Grant; \$15,483 in FY 2012/2013 & \$13,861 FY 2013/2014

<sup>2</sup> Repayment of required funds for use of 2002 Bond Reserves; total due \$714,268 withdrawn to make the Debt Service payment in September 2006

<sup>3</sup> Includes additional funds to cover shortfall from prior year

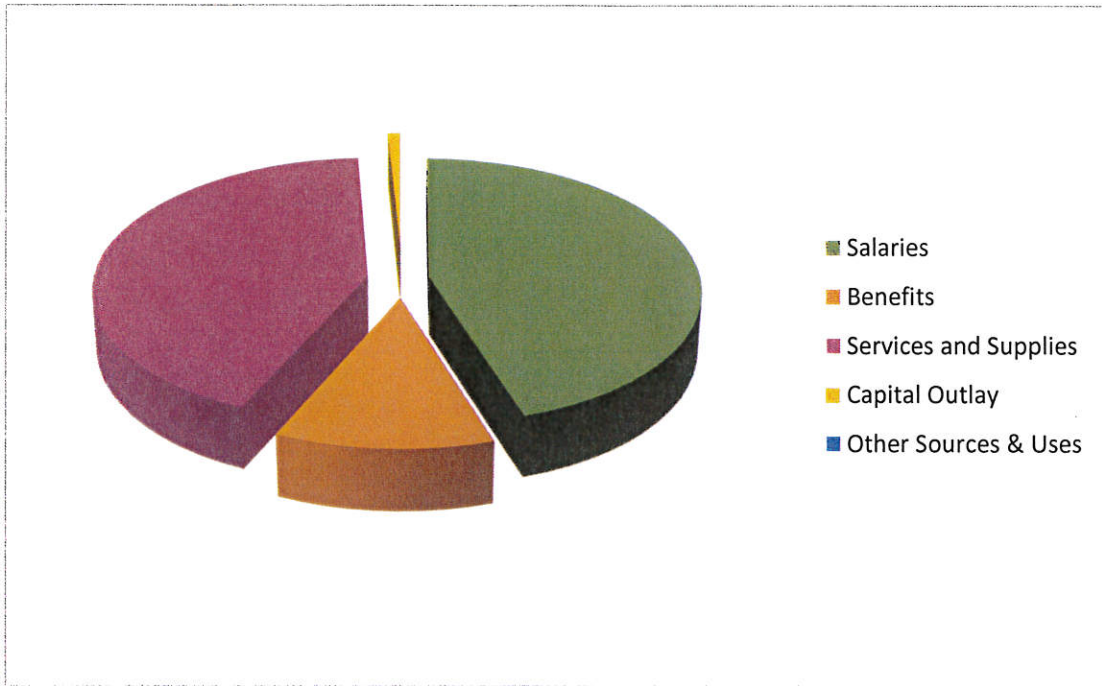
<sup>4</sup> Reserve Funds to cover Admin Cost Allocation for Wastewater Fund 600

<sup>5</sup> Attached Expenditure reports reflect a discrepancy between Actuals and Audit financials

<sup>6</sup> Actuals are based on fiscal year audits

<sup>7</sup> Reconciliation occur and transfers are adjusted at year-end based on actuals

### Fund 100 Expenditures by Category for FY 2015/2016



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
100 - 100 - Administration

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Revenues						
Property Taxes						
4035	17,147	0	0	0	0	0.00%
	17,147	0	0	0	0	0.00%
Grant Revenue						
4944	30,000	(656)	0	0	0	0.00%
	30,000	(656)	0	0	0	0.00%
Service Charges & Fees						
4005	0	110	0	0	0	0.00%
	0	110	0	0	0	0.00%
Other Revenues						
4929	11	0	0	0	0	0.00%
4935	200	0	0	0	0	0.00%
4989	44	32	0	0	0	0.00%
	255	32	0	0	0	0.00%
Use of Money & Property						
4501	(8)	0	0	0	0	0.00%
	(8)	0	0	0	0	0.00%
	47,393	(515)	0	0	0	0.00%
Expenditures						
Personnel						
Salaries/Wages						
7322	13,900	12,900	15,000	15,000	0	0.00%
8018	11,616	7,828	0	0	0	0.00%
8035	0	3,152	0	0	0	0.00%
8045	8,699	11,406	7,503	3,402	(4,101)	(54.66)%
8050	2,933	5,211	0	0	0	0.00%
8051	1,373	1,724	0	0	0	0.00%
8054	226,970	179,766	200,177	242,600	42,423	21.19%
8056	0	343	0	0	0	0.00%
8060	5,941	9,534	0	0	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
100 - 100 - Administration

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
8066	155	0	0	0	0	0.00%
8081	12,237	21,705	0	0	0	0.00%
	<u>283,823</u>	<u>253,569</u>	<u>222,680</u>	<u>261,002</u>	<u>38,322</u>	<u>17.21%</u>
	Payroll Taxes & Benefits					
5020	862	2,814	1,054	930	(124)	(11.76)%
5030	3,123	1,724	1,670	2,560	890	53.29%
5050	4,076	3,884	3,992	4,150	158	3.96%
5060	26,150	17,011	24,000	22,500	(1,500)	(6.25)%
5070	30,326	13,057	21,788	12,456	(9,332)	(42.83)%
5071	14,045	5,768	0	1,600	1,600	0.00%
5075	1,525	2,394	2,070	2,700	630	30.43%
5120	4,402	2,588	7,805	3,800	(4,005)	(51.31)%
5124	0	3,983	0	11,844	11,844	0.00%
8511	1,200	3,400	4,800	4,800	0	0.00%
8530	0	7,000	0	0	0	0.00%
	<u>85,709</u>	<u>63,622</u>	<u>67,179</u>	<u>67,340</u>	<u>161</u>	<u>0.24%</u>
	Employment Services					
5100	2,513	3,411	3,500	3,500	0	0.00%
6200	793	1,573	500	500	0	0.00%
6230	0	220	220	220	0	0.00%
6250	8,488	2,448	24,659	0	(24,659)	(100.00)%
7347	0	0	175	0	(175)	(100.00)%
	<u>11,794</u>	<u>7,651</u>	<u>29,054</u>	<u>4,220</u>	<u>(24,834)</u>	<u>(85.48)%</u>
	<u>381,326</u>	<u>324,843</u>	<u>318,913</u>	<u>332,562</u>	<u>13,649</u>	<u>4.28%</u>
	Services & Supplies					
	Contract Services					
6100	24,217	24,969	5,000	7,300	2,300	46.00%
6110	3,701	21,938	15,000	15,000	0	0.00%
7100	12,450	7,105	12,000	7,000	(5,000)	(41.67)%
7255	720	942	750	1,200	450	60.00%
7321	1,863	1,781	2,200	2,200	0	0.00%
7342	13,790	14,155	13,500	12,500	(1,000)	(7.41)%

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
100 - 100 - Administration

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Total Contract Services	56,741	70,891	48,450	45,200	(3,250)	(6.71)%
Financial Services						
7309 Late Fees	0	30	0	0	0	0.00%
7310 Bank Service Charges	0	8,218	100	2,000	1,900	1,900.00%
9154 Losses and Damages	307	0	0	0	0	0.00%
Total Financial Services	307	8,248	100	2,000	1,900	1,900.00%
Insurance, Licenses & Regulatory Fees						
6120 Computer Licenses	6,035	2,842	6,000	3,000	(3,000)	(50.00)%
6340 Misc Fees	0	3,121	3,200	4,175	975	30.47%
6341 LAFCO Fees	17,229	18,256	29,977	20,000	(9,977)	(33.28)%
6345 Property Taxes & Assessments Costs	0	0	0	2,000	2,000	0.00%
7325 Insurance	21,231	21,355	19,800	10,000	(9,800)	(49.49)%
Total Insurance, Licenses & Regulatory Fees	44,494	45,574	58,977	39,175	(19,802)	(33.58)%
Legal & Professional						
7305 Auditing Services	30,800	16,450	17,900	18,000	100	0.56%
7317 Settlements	5,000	0	0	0	0	0.00%
7319 Other Professional Services	92	0	0	0	0	0.00%
7320 Professional & Consulting Services	3,210	0	0	0	0	0.00%
7326 Legal Services	70,635	50,335	85,000	75,000	(10,000)	(11.76)%
7340 Legal Notifications & Mandated Advertising	1,081	846	500	1,100	600	120.00%
7343 Election Expense	283	0	15,000	0	(15,000)	(100.00)%
Total Legal & Professional	111,102	67,632	118,400	94,100	(24,300)	(20.52)%
Office/Operations						
6121 IT-Supplies & Miscellaneous	0	0	500	500	0	0.00%
6130 Computer Hardware	0	0	2,000	3,000	1,000	50.00%
7110 Copier Supplies	0	(2)	0	0	0	0.00%
7140 General Supplies & Minor Equipment	4,855	7,827	6,000	8,000	2,000	33.33%
7160 Postage, Shipping & Mail Supplies	3,307	3,951	4,000	2,500	(1,500)	(37.50)%
7226 Membership & Dues	4,901	5,124	5,400	5,400	0	0.00%
7332 Office Supplies	0	596	0	0	0	0.00%
Total Office/Operations	13,063	17,496	17,900	19,400	1,500	8.38%
Other Expense						

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
100 - 100 - Administration

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
7025 Significant Value Purchase-General Use	0	917	0	0	0	0.00%
7348 Water Conservation Program	0	35	0	0	0	0.00%
8735 Misc Department Admin	858	729	500	0	(500)	(100.00)%
Total Other Expense	858	1,681	500	0	(500)	(100.00)%
Rent & Utilities						
6000 Cell Phones	326	0	0	0	0	0.00%
6025 Telephone	4,063	4,261	4,300	4,100	(200)	(4.65)%
7350 Rent - Meetings	5,063	6,582	6,000	6,000	0	0.00%
7352 Rent - Offices & Other Structures	13,640	13,440	14,880	22,524	7,644	51.37%
8610 Electric	3,163	2,925	3,600	3,600	0	0.00%
8620 Gas Service	172	161	240	240	0	0.00%
8630 Trash Services	0	270	0	0	0	0.00%
Total Rent & Utilities	26,426	27,640	29,020	36,464	7,444	25.65%
Repairs & Maintenance						
6405 R & M - Extinguishers	59	80	100	100	0	0.00%
6750 R & M - Minor Tools & Equipment	856	95	200	200	0	0.00%
6900 R & M - Buildings & Structures	0	95	0	0	0	0.00%
7130 Fax Maintenance	0	13	0	0	0	0.00%
Total Repairs & Maintenance	915	282	300	300	0	0.00%
Travel & Training						
7323 Books, Publications & Subscriptions	513	199	0	1,000	1,000	0.00%
7324 Education & Training Fees	525	138	1,000	750	(250)	(25.00)%
7334 Seminar & Conference Fees	550	0	0	1,000	1,000	0.00%
8510 Lodging & Meals - Local	1,076	585	1,000	1,000	0	0.00%
8512 Lodging & Meals - Out of County	674	351	0	0	0	0.00%
8539 Meals	39	166	1,000	1,000	0	0.00%
8541 Meals- Local Area - DIR	1,210	884	0	0	0	0.00%
8550 Mileage Reimbursement & Parking	865	619	750	750	0	0.00%
8551 Mileage Reimbursement & Parking- DIR	285	152	0	0	0	0.00%
8563 Common Carrier Charges- DIR	822	0	0	0	0	0.00%
Total Travel & Training	6,559	3,093	3,750	5,500	1,750	46.67%
Total Services & Supplies	260,465	242,537	277,397	242,139	(35,258)	(12.71)%



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
100 - 100 - Administration

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Allocation of Administrative Costs						
5132	(238)	0	0	0	0	0.00%
5133	5,644	0	0	0	0	0.00%
5197	(14,070)	0	0	0	0	0.00%
8153	16,268	0	0	0	0	0.00%
8197	(36,010)	0	0	0	0	0.00%
8810	(8,604)	0	0	0	0	0.00%
8811	(107,544)	0	0	0	0	0.00%
8812	(3,744)	0	0	0	0	0.00%
8813	(464,976)	0	0	0	0	0.00%
8815	(35,892)	0	0	0	0	0.00%
8817	(22,668)	0	0	0	0	0.00%
Total Allocation of Administrative Costs	(671,833)	0	0	0	0	0.00%
Capital Outlay						
9057	26,357	0	0	0	0	0.00%
9059	15,483	13,861	5,000	5,000	0	0.00%
Total Capital Outlay	41,840	13,861	5,000	5,000	0	0.00%
Debt Service						
9806	1,517	0	0	0	0	0.00%
Total Debt Service	1,517	0	0	0	0	0.00%
Reserves						
9572	20,873	0	0	0	0	0.00%
9574	14,517	0	0	0	0	0.00%
9981	30,000	0	0	0	0	0.00%
9982	17,300	0	0	0	0	0.00%
Total Reserves	82,691	0	0	0	0	0.00%
Transfers						
9410	0	(705,597)	(626,310)	(579,701)	46,609	(7.44)%
9465	(44,748)	0	0	0	0	0.00%
9511	25,000	25,000	4,000	0	(4,000)	(100.00)%
Total Transfers	(19,748)	(680,597)	(622,310)	(579,701)	42,609	(6.85)%
Total Expenditures	76,257	(99,356)	(21,000)	0	21,000	(100.00)%

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
100 - 100 - Administration

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Net Revenues over Expenditures	(28,864)	98,842	21,000	0	(21,000)	

## Summary – Fund 200

Bayridge Estates is a subdivision in Los Osos that has a dedicated residential community septic system. There are 147 parcels in this subdivision. The fund provides septic management, storm water drainage, streetlight, and open space management. The key source of funding is assessments for service charges on property owners within the specific boundary of the subdivision. This fund receives General Property Taxes of about \$7,200 per year. This general tax was grandfathered into the Prop 13 allocation since the Fund was receiving general taxes before the proposition passed. In June 2013 based on the consent of the property owners the District increased the annual assessment from \$201/parcel to \$373/parcel. The assessments collected are used to maintain the system. Connection to the community-wide sewer system is estimated for spring of 2016. In preparation for connection to the sewer system, there were extensive repairs required. On March 3, 2015, by Resolution No. 2015-08 the Board of Directors approved an interfund loan from the Water Fund 500 to Bayridge Fund 200 in an amount not to exceed \$125,000. The interest rate is based on West Coast Prime plus 1% at the time of borrowing/transfer from the Water Fund General Contingency Reserve. This loan funds Phase I Maintenance Improvement Project to the existing septic system. The following project encompass Phase I for both engineering and construction:

- Bay Oaks Drive: Between Manholes 5 and 6 (~190 feet). The inspection noted one high priority sag and two medium priority sags along with root intrusion.
- Bay Oaks Drive: At Manhole 7. The inspection noted a high priority pipe offset.
- Del Mar Drive: Between Manholes 21 and 22 (~250 feet). The inspection noted two high priority sags, three medium priority sags and a pipe offset.
- Green Oaks Drive: Between Manholes 10 and 11 (~200 feet). The inspection noted one high priority sag and three medium priority sags.

In FY 2013/2014 the District Board adopted and funded a Septic System Decommission Reserve of \$8,000 annually. Recognizing this transition is rapidly approaching District staff met with County staff in December 2014. At this meeting based on the recent pipeline video inspections, staff discussed possible required improvements prior to the County of San Luis Obispo allowing connection or assuming responsibility for the existing septic system. The deficiencies were rate in three categories: High, Medium and Low. Using this rating, staff established two phases for maintenance improvement projects to address the high and medium priorities. Construction on Phase 1 has a scheduled completion date of early August 2015. Phase II is more extensive with an estimated cost of approximately \$300,300. As with Phase I, this project requires the borrowing of funds.

Five upgrades are required for Phase II along with root cleaning and jetting. The recommended improvements are as follows:

• Bay Oaks Drive: MH #1 to 2 – Spot Repair	\$16,000
• Bay Oaks Drive: MH #2 to 3 – Replace sewer main	\$52,500
• Bay Oaks Drive: MH #1to CO #5 – Spot repair	\$ 8,000
• Las Encinas Drive: Replace Sewer main	\$50,750
• Oak Ridge Drive: Off Pipe	\$ 8,000
• Tierra Drive: Replace sewer main	\$70,000
• Mobilization, Traffic Control, Sheeting, Shoring & Bracing	\$35,000
• Contingency – 25%	\$60,050

If the Phase II project is broken into multiple contracts, the price will increase due to additional mobilization costs and other factors. It is important to note, until the interfund loan is repaid to the water fund, septic system decommissioning and connections costs incurred by the District are repaid, the assessment remains on the properties.

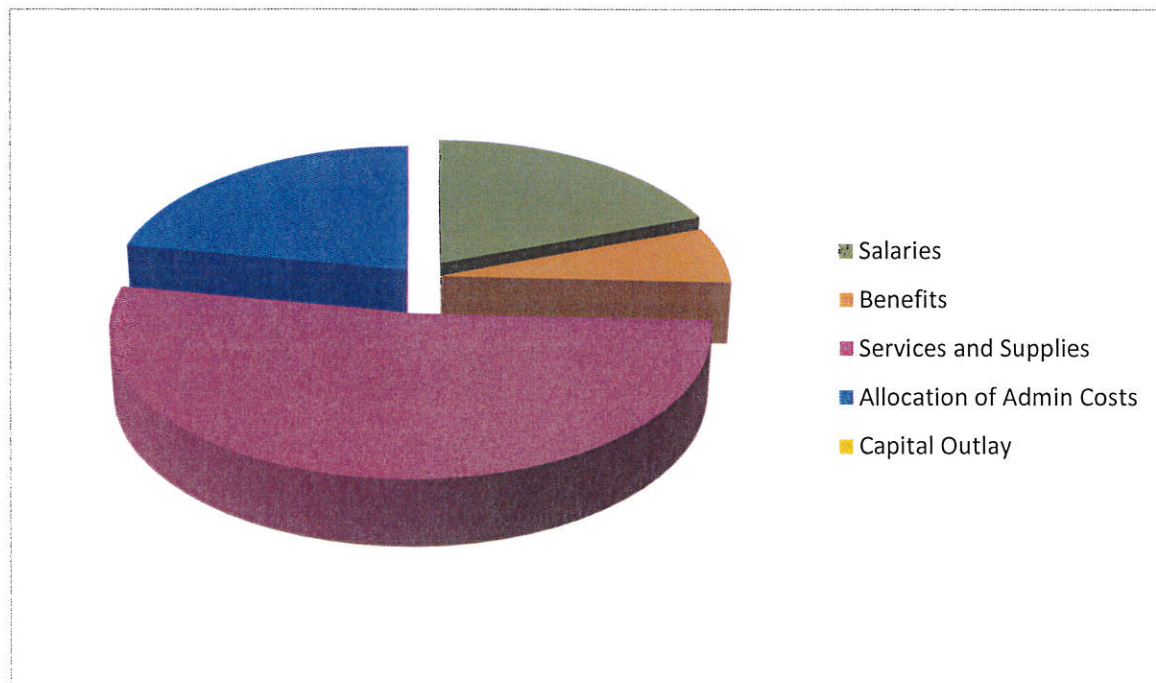
Based on the proposed budget, the expenditures exceed the revenues. It is important to note as with FY 2014/2015, the Board authorized staff to only fund the Decommission Reserve after covering the expenditures with the existing revenues and utilizing prior revenues to cover the remaining shortages. Kindly note, affecting this same direction this year, removing the Decommission Reserve, the Proposed FY 2015/2016 Budget balances. Staff requests the Proposed Budget be adopted as shown with this direction to staff. This allows staff, after covering the expenditures, to transfer the necessary funds into the Decommission Reserve.

## Budget Summary

<b>Fund 200 Expenditures</b>	<b>2011/2012 Actuals<sup>2</sup></b>	<b>2012/2013 Actuals<sup>2</sup></b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	7,101	7,705	8,393	8,400	12,000
<b>Benefits</b>	2,818	3,249	2,971	2,500	4,000
<b>Services and Supplies</b>	24,303	27,036	18,186	40,146	32,641
<b>Allocation of Admin Costs<sup>1</sup></b>	10,212	8,604	6,798	5,407	13,712
<b>Capital Outlay</b>	0	0	0	7,700	0
<b>Total<sup>1</sup></b>	<b>44,434</b>	<b>46,594</b>	<b>36,348</b>	<b>64,153</b>	<b>62,353</b>

Notes: <sup>1</sup> Excludes appropriations for Reserves  
<sup>2</sup> Actuals are based on Fiscal Year Audits

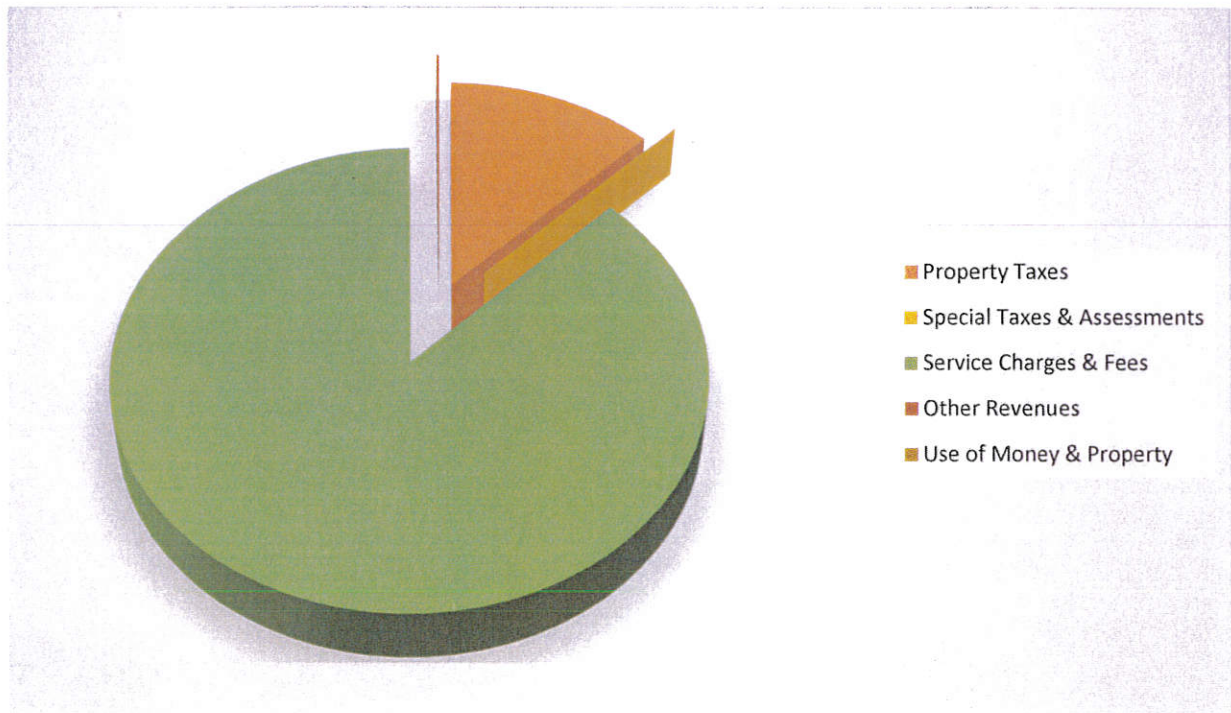
**Fund 200 Expenditures by Category for FY 2015/2016**



### Revenue by Category for FY 2015/2016

<b><u>Fund 200 Revenue</u></b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Unaudited Actuals</b>	<b>2015/2016 Proposed Budget</b>
<b>Property Taxes</b>	6,731	7,412	7,676	7,812
<b>Special Taxes &amp; Assessments</b>	0	0	0	0
<b>Service Charges</b>	29,547	56,331	54,831	54,831
<b>Other Revenues</b>			50	100
<b>Use of Money &amp; Property</b>	(4)	0	58	0
<b>Total</b>	36,274	63,743	62,615	62,743

### Fund 200 Revenue by Category for FY 2015/2016



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

200 - 200 - Bayridge

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Revenues						
Property Taxes						
4035	6,731	7,412	7,227	7,812	585	8.09%
	6,731	7,412	7,227	7,812	585	8.09%
Special Taxes & Assessments						
4550	29,547	56,331	54,831	54,831	0	0.00%
	29,547	56,331	54,831	54,831	0	0.00%
Use of Money & Property						
4501	(4)	0	0	0	0	0.00%
4505	0	0	0	100	100	0.00%
	(4)	0	0	100	100	0.00%
	36,274	63,743	62,058	62,743	685	1.10%
Expenditures						
Personnel						
Salaries/Wages						
8054	0	8,393	8,400	12,000	3,600	42.86%
	0	8,393	8,400	12,000	3,600	42.86%
Payroll Taxes & Benefits						
5010	0	2,971	2,500	4,000	1,500	60.00%
	0	2,971	2,500	4,000	1,500	60.00%
	0	11,364	10,900	16,000	5,100	46.79%
Services & Supplies						
Contract Services						
7250	650	165	850	850	0	0.00%
	650	165	850	850	0	0.00%
Equipment & Tools						
7242	0	111	100	100	0	0.00%
	0	111	100	100	0	0.00%
Insurance, Licenses & Regulatory Fees						
6342	760	970	1,044	1,044	0	0.00%
6345	257	260	260	260	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

200 - 200 - Bayridge

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
7325 Insurance	0	0	0	775	775	0.00%
Total Insurance, Licenses & Regulatory Fees	1,017	1,230	1,304	2,079	775	59.43%
Legal & Professional						
7320 Professional & Consulting Services	840	1,250	500	1,000	500	100.00%
7326 Legal Services	451	0	0	0	0	0.00%
Total Legal & Professional	1,291	1,250	500	1,000	500	100.00%
Office/Operations						
7160 Postage, Shipping & Mail Supplies	64	0	70	70	0	0.00%
7249 Safety Supplies	0	30	0	0	0	0.00%
Total Office/Operations	64	30	70	70	0	0.00%
Rent & Utilities						
6000 Cell Phones	169	129	160	200	40	25.00%
7352 Rent - Offices & Other Structures	0	0	0	410	410	0.00%
8610 Electric	2,911	2,550	2,500	2,500	0	0.00%
8645 Septage Handling	5,500	6,240	12,000	10,000	(2,000)	(16.67)%
8670 Street Lighting	4,587	4,704	6,100	5,100	(1,000)	(16.39)%
Total Rent & Utilities	13,167	13,623	20,760	18,210	(2,550)	(12.28)%
Repairs & Maintenance						
6405 R & M - Extinguishers	12	18	12	12	0	0.00%
6640 R & M - Equip & Other Non-Structural Fixed Assets	13	100	150	150	0	0.00%
6750 R & M - Minor Tools & Equipment	27	51	100	100	0	0.00%
6800 R & M - Grounds & Collection Systems	7,490	0	11,000	4,770	(6,230)	(56.64)%
6900 R & M - Buildings & Structures	2,175	457	4,000	4,000	0	0.00%
Total Repairs & Maintenance	9,718	626	15,262	9,032	(6,230)	(40.82)%
Vehicle Maintenance & Repairs						
7211 Misc Fuel & Diesel	484	504	500	500	0	0.00%
7220 Gasoline	647	648	800	800	0	0.00%
Total Vehicle Maintenance & Repairs	1,131	1,152	1,300	1,300	0	0.00%
Total Services & Supplies	27,038	18,186	40,146	32,641	(7,505)	(18.69)%
Allocation of Administrative Costs						
5133 Benefits Charged by Water	3,127	0	0	0	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

200 - 200 - Bavridqe

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
5197 Benefits Billings to Other Funds	122	0	0	0	0	0.00%
8153 Labor Charged by Water	7,705	0	0	0	0	0.00%
8801 Admin Cost Allocation	8,604	0	0	0	0	0.00%
Total Allocation of Administrative Costs	<u>19,558</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Capital Outlay						
9006 Infrastructures & Improvements	0	0	7,700	0	(7,700)	(100.00)%
Total Capital Outlay	<u>0</u>	<u>0</u>	<u>7,700</u>	<u>0</u>	<u>(7,700)</u>	<u>(100.00)%</u>
Reserves						
9982 *Septic System Decommission Reserve	0	8,000	8,000	8,000	0	0.00%
Total Reserves	<u>0</u>	<u>8,000</u>	<u>8,000</u>	<u>8,000</u>	<u>0</u>	<u>0.00%</u>
Transfers						
9511 Interfund Transfer Out	0	6,798	5,407	13,712	8,305	153.60%
Total Transfers	<u>0</u>	<u>6,798</u>	<u>5,407</u>	<u>13,712</u>	<u>8,305</u>	<u>153.60%</u>
Total Expenditures	<u>46,595</u>	<u>44,348</u>	<u>72,153</u>	<u>70,353</u>	<u>(1,800)</u>	<u>(2.49)%</u>
Net Revenues over Expenditures	<u>(10,321)</u>	<u>19,395</u>	<u>(10,095)</u>	<u>(7,610)</u>	<u>2,485</u>	



## Summary – Fund 301

The Los Osos Community Services District Fire Department is responsible for providing fire protection and life safety services for all lands and properties within the District boundaries as well as participating in automatic and mutual aid with other agencies. Full time Fire and Emergency Services are provided through a Cooperative Fire Protection Agreement with CAL FIRE for the entire community. LOCSO Reserve Firefighters, fire station operation and administrative operational costs are paid by the District outside the CAL FIRE contract. In 2015 the Department responded to 1,252 calls for service in comparison to 1,250 calls in 2014, and 1,250 calls for service in 2013. This is an average of 104.3 calls for service per month. Specialized equipment includes Medic Engine 15, Medic Rescue 15, Medic Engine 215, Water Tender 15, Trench Trailer 15 and Boat. The fire protection apparatus coupled with trained fire fighters, are capable of providing protection on all fire, medical and hazardous incidents encountered within the District. All personnel from CAL Fire and South Bay Fire Reserves are trained as a member of a fire crew to respond effectively to protect life and property during emergencies that can range from structural firefighting, wildland firefighting, vehicle accidents, first-air medical response (or higher), hazardous materials spills and surf and trench rescue.

In preparation for presenting this budget to the Board of Directors, staff proposed two budget alternatives—proposed budget 50% reduction and proposed budget 20% reduction or 80% of the Mid-year Adopted Budget for FY 2014/2015. A proposed budget with 50% reductions is not feasible nor does it provide the services, supplies and training necessary for fire emergency services. This budget is proposed at 80% of prior year and does include the level of training necessary for effective and efficient operations, purchase of minimal supplies, deferment of numerous expenditures and the full complement of twenty-five Reserve Firefighter positions.

It is important to note there is a Schedule A Contract increase of 10.65% over Fiscal Year 2014/2015. The Schedule A in the prior year was \$1,709,966. The Contract for FY 2015/2016 is \$1,892,162 which equates to an increase of \$182,196. In preparing this budget, staff recommends deferring numerous expenditures for this fiscal year based on the 80% coverage of normal expenditures discussed above. The current balance in the General Contingency Reserve is \$63,322.99. Should there be a budget shortfall or any unanticipated expenditures, there are sufficient reserves within the General Contingency to cover a minor one-time expense.

The Proposed Budget for FY 2015/2016 includes a requested appropriation for the Vehicle Replacement Reserve. The Reserve is recommended at a lower level than for the prior fiscal year. It is staff's intention with authorization from the Board of Director's to recommend any excess revenues for FY 2013/2014 be used to assist in meeting the financial obligation to fund this Reserve. When the FY 2013/2014 audit is completed, it will be staff's recommendation that any excess revenues from the FY 2013/2014 be allocated to cover the Vehicle Replacement Reserve budget shortfall as designated on the 20 Year Projection for Replacing Vehicles/Engines.

The more important issue for consideration and future discussion is the lack of sufficient revenues to cover the expenditures. Staff could not anticipate the 10.65% increase in the Schedule A Contract for FY 2015/2016. The secondarily question is what level of increase should the District expect in the Schedule A Contract for FY 2016/2017 and what effect will the continued increases have on the District's ability to fund services and supplies at an appropriate level? Staff is unable to answer these two pertinent questions at this time. However, it is important the Board of Directors recognized increases in assessments in the Special Fire Tax maybe necessary in the foreseeable future to allow adequate funding for continuing the current operations or funding for any improvements in the operations.

Recently the Reserve Firefighters received a \$1.00 per hour increase from a base of \$8.00 per hour to \$9.00 per hour. This budget includes another \$1.00 per hour increase for the Reserve Firefighters to insure compliance with the State of California minimum wage law. This is applicable as of January 1, 2016. The current base rate after application of the increase is \$10.00 per hour.

Currently thirty-six percent (36%) of the Reserve Firefighters are CalPERS pension eligible. As stated previously in this document, the District has unfunded liabilities in CalPERS. Of the 36%, thirty-three percent (33%) are currently classified as Safety Classic employees (Employees eligible prior to PEPPA Act of 2013). The unfunded liabilities apply to Classic employees only. The Proposed Budget for FY 2015/2016 includes the unfunded liability to be paid in FY 2015/2016. The Safety Classic liability is budgeted at a total

for FY 2015/2016 of \$6,102. The District paid the total due prior to July 31, 2015 and received a small discount for the lump sum payment. At this time the District was not provided an estimate for FY 2016/2017 for this same Safety group.

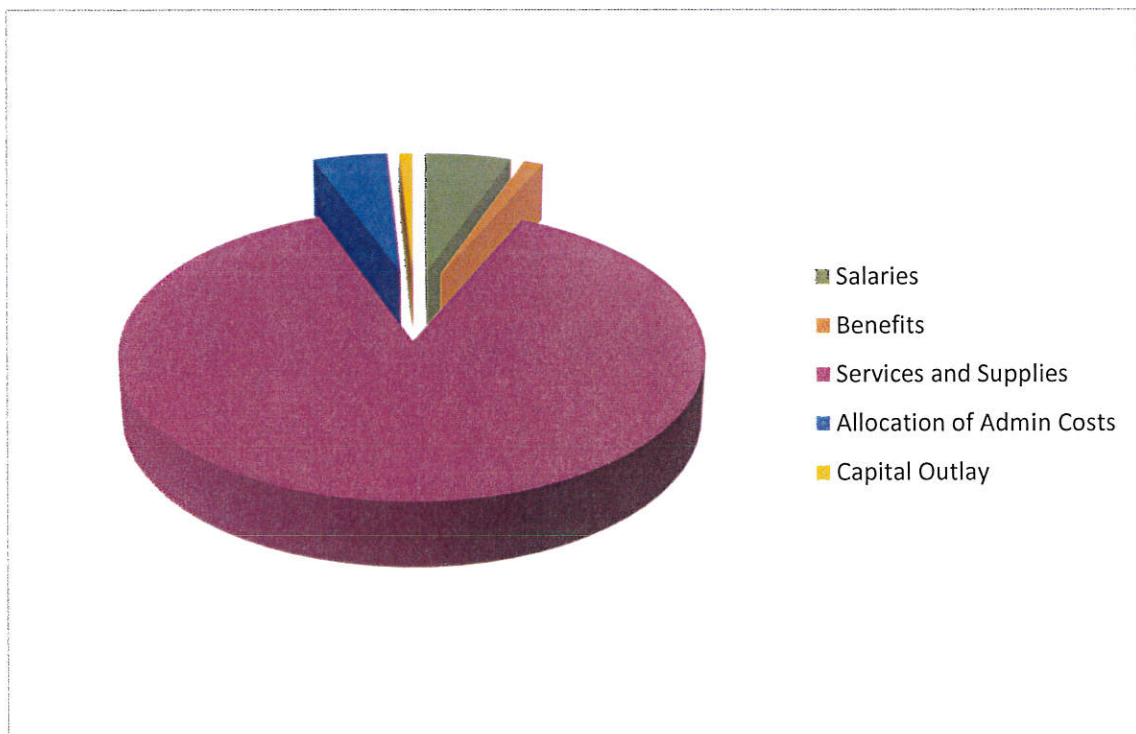
This year the South Bay Fire, Station 15 received positive news from the recent ISO rating review. The ISO rating is one of the primary elements used by the insurance industry to develop premium rates for residential and commercial businesses. By classifying the communities' ability to suppress fires, ISO helps communities evaluate their public fire protection services. The program provides an objective, countrywide standard that assists Fire and Utility Departments in planning and budgeting for facilities, equipment and training. By securing lower fire insurance premiums for communities through increased public protection, the Public Protection Classification (PPC) program provides incentives and rewards for communities that choose to improve their firefighting and water purveyor services. In FY 2014/2015 with the assistance of CAL FIRE/San Luis County Fire Department Station 15 was successful in announcing a new ISO rating of 3/3X. This new rating is a reduction from 5/9. This improvement indicates that insurance premiums may be reduced in Los Osos. The data was provided by all the water purveyors, LOCAD, S & T Mutual Water Company and Golden State Water Company working in cooperation for the safety of the residents and businesses.

## Budget Summary

<b>Fund 301 Expenditures</b>	<b>2011/2012 Actuals<sup>2</sup></b>	<b>2012/2013 Actuals<sup>2</sup></b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	105,789	104,542	111,119	116,650	126,307
<b>Benefits</b>	20,882	20,204	11,882	22,569	29,048
<b>Services and Supplies</b>	1,731,981	1,764,430	1,770,822	1,863,584	2,035,353
<b>Allocation of Admin Costs</b>	108,600	107,544	103,158	109,124	110,306
<b>Capital Outlay</b>	0	546,721	41,188	20,000	20,000
<b>Total<sup>1</sup></b>	<b>1,967,252</b>	<b>2,543,441</b>	<b>2,038,169</b>	<b>2,131,927</b>	<b>2,321,014</b>

Notes: <sup>1</sup> Excludes appropriation for Reserves  
<sup>2</sup> Actuals are based on Fiscal Year Audits

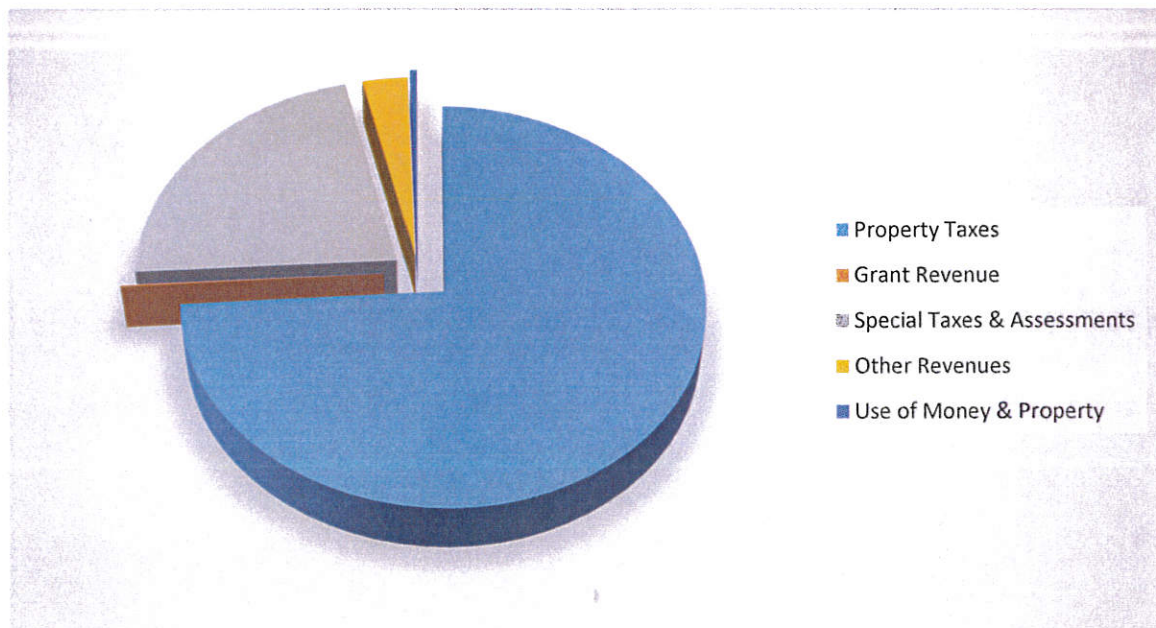
**Fund 301 Expenditures by Category for FY 2015/2016**



### Revenue by Category for FY 2015/2016

<b>Fund 301 Revenue</b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Unaudited Actuals</b>	<b>2015/2016 Proposed Budget</b>
<b>Property Taxes</b>	1,518,765	1,625,572	1,684,154	1,760,766
<b>Grant Revenue</b>	32,814	7,549	3,525	2,500
<b>Special Taxes &amp; Assessments</b>	510,825	488,606	558,260	532,329
<b>Other Revenues</b>	75,088	78,641	68,973	71,134
<b>Use of Money &amp; Property</b>	4,164	34,742	13,086	12,619
<b>Total</b>	2,141,657	2,235,110	2,327,998	2,379,348

### Fund 301 Revenue by Category for FY 2015/2016



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Revenues						
Property Taxes						
4035	1,518,765	1,625,572	1,620,321	1,760,766	140,445	8.67%
	<u>1,518,765</u>	<u>1,625,572</u>	<u>1,620,321</u>	<u>1,760,766</u>	<u>140,445</u>	<u>8.67%</u>
Grant Revenue						
4955	18,415	7,549	1,500	2,500	1,000	66.67%
4957	14,399	0	0	0	0	0.00%
	<u>32,814</u>	<u>7,549</u>	<u>1,500</u>	<u>2,500</u>	<u>1,000</u>	<u>66.67%</u>
Special Taxes & Assessments						
4015	23,358	0	22,500	24,000	1,500	6.67%
4050	487,467	488,606	506,710	508,329	1,619	0.32%
	<u>510,825</u>	<u>488,606</u>	<u>529,210</u>	<u>532,329</u>	<u>3,119</u>	<u>0.59%</u>
Other Revenues						
4000	65,088	66,031	67,134	67,134	0	0.00%
4055	0	8,700	4,000	4,000	0	0.00%
4655	10,000	1,000	0	0	0	0.00%
4935	0	62	0	0	0	0.00%
4989	0	2,849	0	0	0	0.00%
	<u>75,088</u>	<u>78,641</u>	<u>71,134</u>	<u>71,134</u>	<u>0</u>	<u>0.00%</u>
Use of Money & Property						
4501	(103)	(23)	5	0	(5)	(100.00)%
4505	0	0	1,963	12,619	10,656	542.84%
4934	0	34,765	0	0	0	0.00%
	<u>(103)</u>	<u>34,742</u>	<u>1,968</u>	<u>12,619</u>	<u>10,651</u>	<u>541.21%</u>
	<u>2,137,390</u>	<u>2,235,110</u>	<u>2,224,133</u>	<u>2,379,348</u>	<u>155,215</u>	<u>6.98%</u>
Expenditures						
Personnel						
Salaries/Wages						
8290	207	0	450	525	75	16.67%
8295	7,263	8,360	3,330	3,885	555	16.67%

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
301 - 301 - Fire  
From 7/1/2013 Through 6/30/2014  
(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
8310	4,129	8,728	7,770	9,072	1,302	16.76%
8330	64	241	100	100	0	0.00%
8340	71,251	72,499	88,000	92,891	4,891	5.56%
8345	4,072	3,925	3,500	4,074	574	16.40%
8355	16,974	16,014	12,000	14,007	2,007	16.73%
8360	582	1,353	1,500	1,753	253	16.87%
	<u>104,542</u>	<u>111,119</u>	<u>116,650</u>	<u>126,307</u>	<u>9,657</u>	<u>8.28%</u>
	Payroll Taxes & Benefits					
5021	5,130	5,215	7,590	5,195	(2,395)	(31.55)%
5030	2,223	0	3,000	2,700	(300)	(10.00)%
5031	0	0	200	0	(200)	(100.00)%
5035	0	0	0	1,279	1,279	0.00%
5051	1,352	1,607	1,775	1,215	(560)	(31.55)%
5070	0	0	0	14,102	14,102	0.00%
5120	5,486	5,060	5,720	4,494	(1,226)	(21.43)%
5124	0	0	4,284	5,063	779	18.18%
	<u>14,191</u>	<u>11,882</u>	<u>22,569</u>	<u>34,048</u>	<u>11,479</u>	<u>50.86%</u>
	Employment Services					
5000	638	145	1,300	1,300	0	0.00%
5101	5,375	6,439	8,680	8,680	0	0.00%
6200	70	69	0	0	0	0.00%
6230	2,730	4,218	4,400	4,400	0	0.00%
	<u>8,813</u>	<u>10,871</u>	<u>14,380</u>	<u>14,380</u>	<u>0</u>	<u>0.00%</u>
	<u>127,547</u>	<u>133,872</u>	<u>153,599</u>	<u>174,735</u>	<u>21,136</u>	<u>13.76%</u>
	Services & Supplies					
	Clothing & Uniform					
7246	2,352	2,212	2,500	2,500	0	0.00%
7248	8,504	1,159	2,000	2,000	0	0.00%
	<u>10,856</u>	<u>3,371</u>	<u>4,500</u>	<u>4,500</u>	<u>0</u>	<u>0.00%</u>
	Contract Services					
6110	0	977	1,200	6,024	4,824	402.00%
7100	791	1,700	1,380	1,617	237	17.17%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets	
7202	Building Alarms & Security	756	334	450	450	0	0.00%
7204	Cleaning Supplies, Laundry & Towel Service	3,187	2,594	2,700	3,200	500	18.52%
7222	Hazardous Materials CW JPA Cost	0	0	1,050	2,000	950	90.48%
7499	CSA 9-I Payments for Services to Area Served	23,358	0	0	0	0	0.00%
7500	Schedule A Charges	1,600,618	1,625,286	1,709,966	1,892,162	182,196	10.65%
	<b>Total Contract Services</b>	<b>1,628,709</b>	<b>1,630,890</b>	<b>1,716,746</b>	<b>1,905,453</b>	<b>188,707</b>	<b>10.99%</b>
	<b>Equipment &amp; Tools</b>						
6055	Radios -Non Capital	7,549	2,111	1,750	1,750	0	0.00%
6440	Fire Personal Protection Equipment	18,629	10,281	14,198	14,198	0	0.00%
6460	Self-Contained Breathing Apparatus	4,936	2,507	5,500	5,500	0	0.00%
6610	Rescue - Extrication Equipment	0	2,068	1,500	1,500	0	0.00%
6630	Rope & Climbing Equipment	876	542	500	500	0	0.00%
7234	Oxygen Supplies & Cylinder Rent	4,297	4,866	1,300	500	(800)	(61.54)%
7238	Paramedic & EMT Small Tools & Supplies	14,820	12,428	14,860	14,500	(360)	(2.42)%
7242	Minor Tools, Accessories & Field Machines	2,185	930	1,000	800	(200)	(20.00)%
7252	Misc Hardware	0	0	8,200	2,823	(5,377)	(65.57)%
7307	Office Tools, Accessories & Machines	584	135	0	0	0	0.00%
	<b>Total Equipment &amp; Tools</b>	<b>53,876</b>	<b>35,867</b>	<b>48,808</b>	<b>42,071</b>	<b>(6,737)</b>	<b>(13.80)%</b>
	<b>Financial Services</b>						
7310	Bank Service Charges	0	0	100	100	0	0.00%
7401	Discounts Taken	(9)	0	0	0	0	0.00%
8734	Commissions & Other Sales Expenses	0	5,040	0	0	0	0.00%
	<b>Total Financial Services</b>	<b>(9)</b>	<b>5,040</b>	<b>100</b>	<b>100</b>	<b>0</b>	<b>0.00%</b>
	<b>Insurance, Licenses &amp; Regulatory Fees</b>						
6120	Computer Licenses	1,960	1,637	2,000	500	(1,500)	(75.00)%
6340	Misc Fees	0	0	600	300	(300)	(50.00)%
6345	Property Taxes & Assessments Costs	1,407	1,408	2,400	1,500	(900)	(37.50)%
7325	Insurance	16,534	20,354	21,000	21,000	0	0.00%
	<b>Total Insurance, Licenses &amp; Regulatory Fees</b>	<b>19,900</b>	<b>23,400</b>	<b>26,000</b>	<b>23,300</b>	<b>(2,700)</b>	<b>(10.38)%</b>
	<b>Legal &amp; Professional</b>						
7320	Professional & Consulting Services	2,404	2,720	200	200	0	0.00%
7326	Legal Services	598	1,654	1,800	1,400	(400)	(22.22)%

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
301 - 301 - Fire

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
7340	376	438	440	440	0	0.00%
	3,378	4,812	2,440	2,040	(400)	(16.39)%
Office/Operations						
6121	579	0	0	0	0	0.00%
6130	0	0	0	2,400	2,400	0.00%
7140	2,516	2,493	3,620	2,770	(850)	(23.48)%
7160	179	578	400	400	0	0.00%
7200	930	544	800	0	(800)	(100.00)%
7216	2,042	677	1,200	1,200	0	0.00%
7226	0	1,175	100	1,300	1,200	1,200.00%
7230	861	669	1,500	1,100	(400)	(26.67)%
7240	393	330	650	400	(250)	(38.46)%
	7,500	6,467	8,270	9,570	1,300	15.72%
Other Expense						
7016	3,439	1,951	0	0	0	0.00%
7025	2,433	3,481	0	0	0	0.00%
7201	497	469	500	500	0	0.00%
7209	0	407	450	450	0	0.00%
7218	306	161	350	350	0	0.00%
7224	523	11	500	500	0	0.00%
7345	1,132	91	0	0	0	0.00%
8735	500	1,550	0	0	0	0.00%
9072	0	0	2,700	0	(2,700)	(100.00)%
	8,829	8,122	4,500	1,800	(2,700)	(60.00)%
Rent & Utilities						
6000	2,409	2,308	2,500	2,500	0	0.00%
6025	2,961	3,606	3,800	3,800	0	0.00%
8610	3,874	4,248	6,000	1,100	(4,900)	(81.67)%
8620	1,092	1,045	1,600	1,600	0	0.00%
8630	1,088	1,021	1,100	1,100	0	0.00%
8640	2,159	3,237	3,300	3,300	0	0.00%
8670	120	124	100	132	32	32.00%



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Total Rent & Utilities	13,703	15,588	18,400	13,532	(4,868)	(26.46)%
Repairs & Maintenance						
6400 R & M - Air Compressors	0	337	140	500	360	257.14%
6405 R & M - Extinguishers	339	393	400	400	0	0.00%
6640 R & M - Equip & Other Non-Structural Fixed Assets	621	7,482	3,000	2,800	(200)	(6.67)%
6750 R & M - Minor Tools & Equipment	4,457	1,861	2,100	1,800	(300)	(14.29)%
6775 R & M -Operation/Field Equipment	765	765	800	800	0	0.00%
6800 R & M - Grounds & Collection Systems	247	223	700	450	(250)	(35.71)%
6900 R & M - Buildings & Structures	6,516	8,289	5,000	5,000	0	0.00%
Total Repairs & Maintenance	12,945	19,349	12,140	11,750	(390)	(3.21)%
Travel & Training						
6300 DMV Driv Lic Class B	0	0	200	200	0	0.00%
7141 CERT Training Supplies	0	0	300	100	(200)	(66.67)%
7323 Books, Publications & Subscriptions	215	215	300	175	(125)	(41.67)%
7324 Education & Training Fees	375	434	800	500	(300)	(37.50)%
8405 Reserve FF Training Costs	1,170	5,479	5,000	5,382	382	7.64%
8410 Certifications	184	726	400	400	0	0.00%
8510 Lodging & Meals - Local	0	0	300	100	(200)	(66.67)%
Total Travel & Training	1,944	6,854	7,300	6,857	(443)	(6.07)%
Vehicle Maintenance & Repairs						
7017 Routine Maintenance	0	162	0	0	0	0.00%
Total Vehicle Maintenance & Repairs	0	162	0	0	0	0.00%
Total Services & Supplies	1,761,632	1,759,922	1,849,204	2,020,973	171,769	9.29%
Allocation of Administrative Costs						
8801 Admin Cost Allocation	107,544	0	0	0	0	0.00%
Total Allocation of Administrative Costs	107,544	0	0	0	0	0.00%
Capital Outlay						
9074 Fire Engine Purchase	479,911	1,353	0	0	0	0.00%
9076 Capital Equipment & Accessories	0	35,661	20,000	20,000	0	0.00%
9086 Fire Engine Equipment & Accessories	66,809	4,174	0	0	0	0.00%
Total Capital Outlay	546,720	41,188	20,000	20,000	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

301 - 301 - Fire

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Reserves						
9504 *Vehicle Replacement Reserve	175,754	109,099	92,206	53,334	(38,872)	(42.16)%
9571 *Capital Outlay Reserve	30,219	0	0	0	0	0.00%
9572 *General Contingency (Operations) Reserve	23,518	0	0	0	0	0.00%
9573 *Year-end Encumbrance(contra to 3200)	6,902	0	0	0	0	0.00%
Total Reserves	236,393	109,099	92,206	53,334	(38,872)	(42.16)%
Transfers						
9511 Interfund Transfer Out	0	103,158	109,124	110,306	1,182	1.08%
Total Transfers	0	103,158	109,124	110,306	1,182	1.08%
Total Expenditures	2,779,836	2,147,240	2,224,133	2,379,348	155,215	6.98%
Net Revenues over Expenditures	(642,446)	87,870	0	0	0	

## Summary – Fund 350

On May 7, 2015, CAL FIRE/SLO County Fire Department was notified that a grant request was submitted by local landowner John A. Hamby, Managing Director of DeWitt Stern of California Insurance Services. DeWitt Stern works with Fireman's Fund Insurance Company on a variety of projects. Together, they nominated the South Bay Fire Department (Station 15-South Bay) to receive a \$10,190 grant, with the request that it be used to benefit emergency response in the Los Osos area. Chief Robert Lewin notified Station 15 – South Bay of the grant. Staff immediately began the process of collecting and submitting documentation to complete the grant application by the May 20, 2015 deadline.

Staff submitted an application for this grant proposing to split the funds four ways:

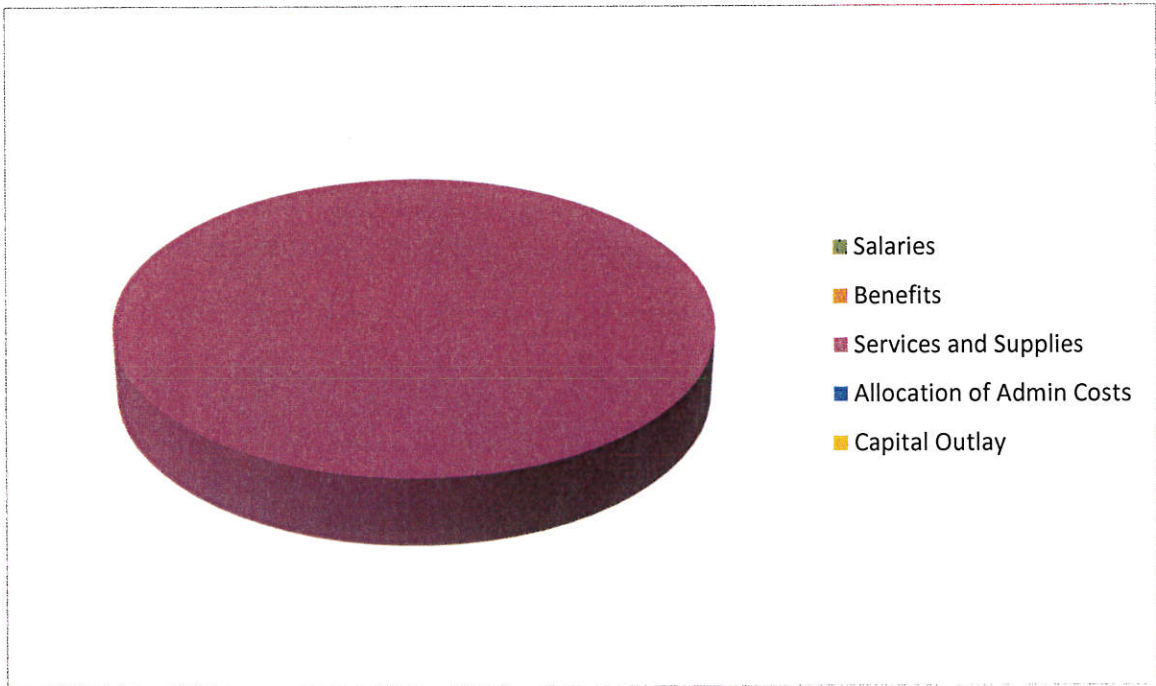
- Fire Safety Tools: 52 dual CO2/Smoke Detectors with 10 year battery:
- Fire Safety Education: CPR/AED Course:
- Fire Safety Tools: Mine Safety Appliances (MSA) Self Contained Breathing Apparatus (SCBA) bottles - two (2) 4500 lb. MSA SCBA bottles
- Fire Safety Tools: Structural Personal Protective Equipment (PPE) - two (2) full sets of PPE's

On May 19, 2015, Station 15 – South Bay Staff met with Miner's Ace Hardware (Los Osos) Management and confirmed that they will provide a 20% discount per detector. This savings was been incorporated into the cost of the items within the budget. On May 27, 2015, Station 15 – South Bay received notification that the grant application was accepted and processed and the funds were forthcoming. On June 4, 2015, the Board of Directors accepted the donation of \$10,163 from the Fireman's Fund.

## Budget Summary

<u>Fund 350 Expenditures</u>	<b>2015/2016 Proposed Budget</b>
Salaries	
Benefits	
Services and Supplies	10,190
Allocation of Admin Costs	
Capital Outlay	
<b>Total</b>	<b>10,190</b>

### Fund 350 Expenditures by Category for FY 2015/2016



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
350 - Firemens Fund - Grant

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Revenues						
Grant Revenue						
4950	0	0	0	10,190	10,190	0.00%
	0	0	0	10,190	10,190	0.00%
	0	0	0	10,190	10,190	0.00%
Expenditures						
Services & Supplies						
Equipment & Tools						
6440	0	0	0	5,240	5,240	0.00%
6460	0	0	0	1,680	1,680	0.00%
	0	0	0	6,920	6,920	0.00%
Legal & Professional						
7320	0	0	0	1,020	1,020	0.00%
	0	0	0	1,020	1,020	0.00%
Other Expense						
7345	0	0	0	2,250	2,250	0.00%
	0	0	0	2,250	2,250	0.00%
	0	0	0	10,190	10,190	0.00%
	0	0	0	10,190	10,190	0.00%
Net Revenues over Expenditures	0	0	0	0	0	

## Summary – Fund 400

Vista de Oro is a subdivision in Los Osos that has 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 at \$216/parcel. Because the protest to the Proposition 218 was successful in June 2013, the assessment rate is insufficient to cover the normal operating costs. This requires the District to continue to subsidize this operation to insure healthy and viable system operations. Upon completion of the County project allowing connection to the County facility, 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 and the Water Fund for continuing to provide the services.

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 which includes the Administrative Allocation. This interfund loan allows market rate interest charges with an established repayment plan. On August 7, 2014, the Board of Directors adopted Resolution No. 2014-13 approving an interfund loan from the District's Water Fund, Fund 500. This loan was approved to cover the operating deficits from Fiscal Years 2012/2013, 2013/2014 and 2014/2015. The loan was in an amount not to exceed \$30,000 and the interest rate is based on West Coast Prime plus 1% at the time of borrowing/transfer from the Water Fund General Contingency Reserve. As Fund 400 continues to operate in a deficit, it may be necessary at the end of FY 2014/2015 for the Board to take action amending the current loan agreement allowing an increase in the borrowing power.

The current budget amount is based on the Fiscal Year unaudited salary and fringe benefit cost estimates average for the total year from the eight months of actual costs. District staff directly charges the hours on their time sheet per employee per fund with the fringe benefit costs based on the fringe rate for the respective employee. This method provides the accurate information based on actual costs. It is important to note that as the District moves closer to transiting the septic system to the County facility, the system requires more attention to ensure a smooth transition. Because of the necessity to assess the conversion and connection to the new County facility for services, staff hours and expenses are increasing.

In order to provide the connection to the County facility for waste disposal, it is necessary for the District to contract for clean-out of all the lines. This may require Board action in the upcoming fiscal year. On a positive note, in review the tapes of the televised gravity wastewater septic collection system it does not appear any major capital improvements are necessary prior to the connection to the County facility.

Based on the proposed budget, the expenditures exceed the revenues. Currently Fund 400 is operating on monies loaned from the Water Fund 500 per Board authorization in August 2014. Fund 400 has exceeded the \$30,000 limit and it will be necessary for staff to present amended documents to increase the borrowing authority to the Board prior to the close of FY 2015/2016. Staff recommends adopting this budget as presented with direction to staff to return with amended interfund loan documents. An alternative to providing additional loan funds is attempting to conduct another Proposition 218 process. Staff does not recommend this alternative as connection to the County facility appears to be in the very near future.

## Budget Summary

<b>Fund 400 Expenditures</b>	<b>2011/2012 Actuals<sup>3</sup></b>	<b>2012/2013 Actuals<sup>3</sup></b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	5,000	7,656	9,339	9,330	12,000 <sup>2</sup>
<b>Benefits</b>	1,950	3,237	3,336	3,300	4,000 <sup>2</sup>
<b>Services and Supplies</b>	12,266	22,588	9,204	16,466	17,442
<b>Allocation of Admin Costs<sup>1</sup></b>	4,452	3,744	9,502	5,428	9,799
<b>Total<sup>1</sup></b>	23,668 <sup>4</sup>	37,225 <sup>4</sup>	31,381	34,524	43,241

Notes: Actuals are based on Fiscal Year Audits

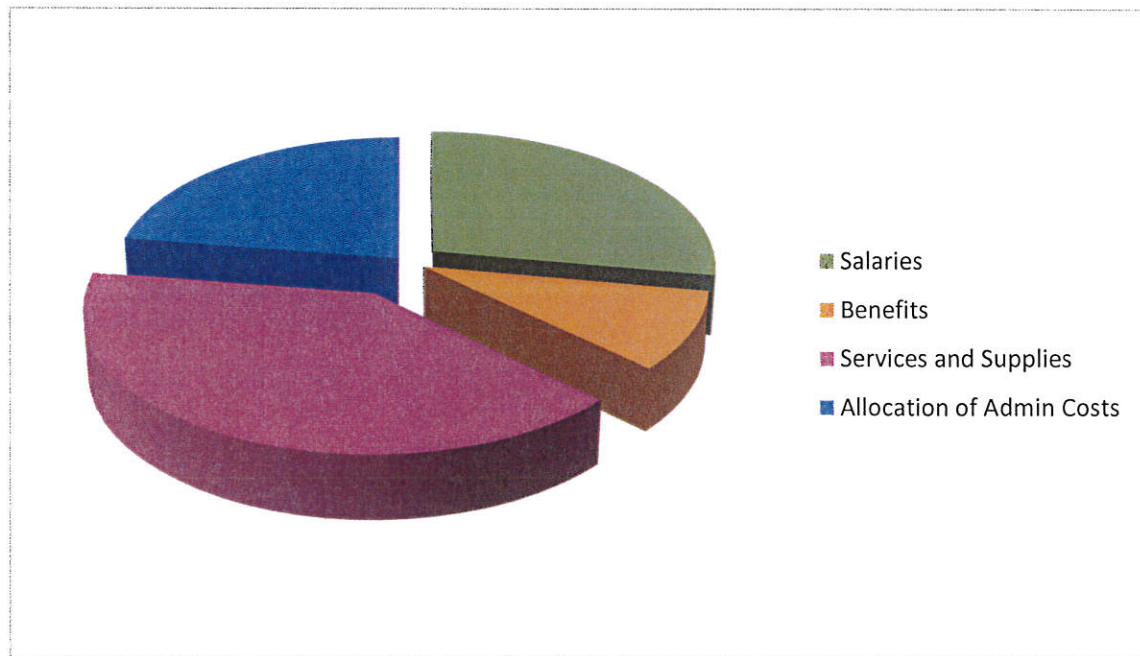
<sup>1</sup>This does not include Reserves

<sup>2</sup>Increased cost as the District prepares for connection to the Recycled Water Facility

<sup>3</sup>Actuals are based on Fiscal Year Audits

<sup>4</sup>Attached expenditure reports reflect a discrepancy between Actuals and Audit Financials

**Fund 400 Expenditures by Category for FY 2015/2016**

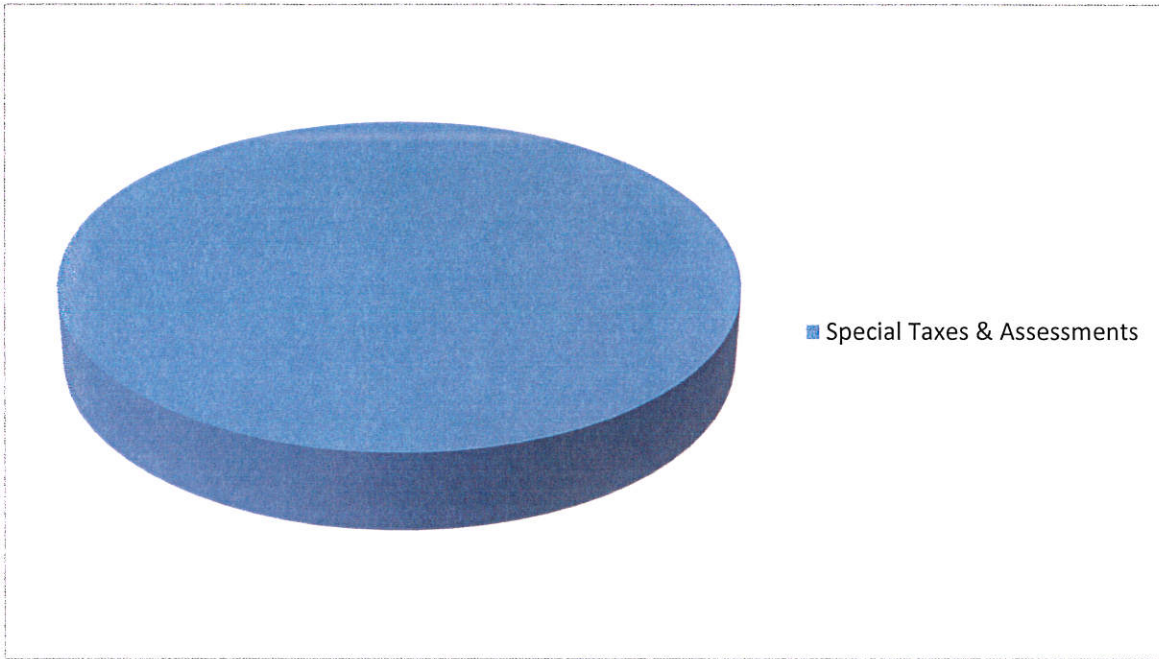


### Revenue by Category for FY 2015/2016

<b>Fund 400 Revenue</b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Unaudited Actuals</b>	<b>2015/2016 Proposed Budget</b>
<b>Special Taxes &amp; Assessments</b>	15,768	16,531	15,768	15,768
<b>Other Revenues</b>			11,432 <sup>1</sup>	
<b>Total</b>	15,768	16,531	27,200	15,768

**Notes:** <sup>1</sup> Interfund Loan Transfer

### Fund 400 Revenue by Category for FY 2015/2016





**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

400 - 400 - Vista de Oro

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets	
Revenues							
Special Taxes & Assessments							
4550	Lighting & Septic Assessments	15,768	16,531	15,768	15,768	0	0.00%
	Total Special Taxes & Assessments	15,768	16,531	15,768	15,768	0	0.00%
	Total Revenues	15,768	16,531	15,768	15,768	0	0.00%
Expenditures							
Personnel							
Salaries/Wages							
8054	Salaries & Wages - Regular	0	9,339	9,330	12,000	2,670	28.62%
	Total Salaries/Wages	0	9,339	9,330	12,000	2,670	28.62%
Payroll Taxes & Benefits							
5010	Total Fringe Benefits	0	3,336	3,300	4,000	700	21.21%
	Total Payroll Taxes & Benefits	0	3,336	3,300	4,000	700	21.21%
	Total Personnel	0	12,674	12,630	16,000	3,370	26.68%
Services & Supplies							
Contract Services							
7250	Water Quality Testing	650	165	840	840	0	0.00%
7342	Public Meeting Recordings	0	100	0	0	0	0.00%
	Total Contract Services	650	265	840	840	0	0.00%
Equipment & Tools							
7242	Minor Tools, Accessories & Field Machines	0	111	50	50	0	0.00%
	Total Equipment & Tools	0	111	50	50	0	0.00%
Insurance, Licenses & Regulatory Fees							
6342	Fees - Regulatory	760	970	1,044	1,044	0	0.00%
6345	Property Taxes & Assessments Costs	18	18	20	20	0	0.00%
7325	Insurance	0	0	0	466	466	0.00%
	Total Insurance, Licenses & Regulatory Fees	778	988	1,064	1,530	466	43.80%
Legal & Professional							
7320	Professional & Consulting Services	840	200	500	500	0	0.00%
7326	Legal Services	522	0	0	0	0	0.00%
	Total Legal & Professional	1,362	200	500	500	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

400 - 400 - Vista de Oro

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Office/Operations						
7160	Postage, Shipping & Mail Supplies	33	0	0	0	0.00%
7249	Safety Supplies	0	30	0	0	0.00%
	Total Office/Operations	33	30	0	0	0.00%
Other Expense						
7016	Significant Value Purchase-Field Use	780	0	0	0	0.00%
	Total Other Expense	780	0	0	0	0.00%
Rent & Utilities						
6000	Cell Phones	169	129	200	200	0.00%
7352	Rent - Offices & Other Structures	0	0	0	410	0.00%
8610	Electric	315	326	300	400	33.33%
8645	Septage Handling	7,445	4,690	7,500	7,500	0.00%
8670	Street Lighting	1,647	1,840	2,000	2,000	0.00%
	Total Rent & Utilities	9,576	6,985	10,000	10,510	5.10%
Repairs & Maintenance						
6405	R & M - Extinguishers	12	18	12	12	0.00%
6750	R & M - Minor Tools & Equipment	0	6	0	0	0.00%
6800	R & M - Grounds & Collection Systems	8,808	25	3,000	3,000	0.00%
6900	R & M - Buildings & Structures	25	0	0	0	0.00%
	Total Repairs & Maintenance	8,845	50	3,012	3,012	0.00%
Vehicle Maintenance & Repairs						
7211	Misc Fuel & Diesel	242	252	300	300	0.00%
7220	Gasoline	323	324	700	700	0.00%
	Total Vehicle Maintenance & Repairs	565	576	1,000	1,000	0.00%
	Total Services & Supplies	22,588	9,204	16,466	17,442	5.93%
Allocation of Administrative Costs						
5133	Benefits Charged by Water	3,237	0	0	0	0.00%
8153	Labor Charged by Water	7,656	0	0	0	0.00%
8801	Admin Cost Allocation	3,744	0	0	0	0.00%
	Total Allocation of Administrative Costs	14,637	0	0	0	0.00%
Debt Service						
9807	Interfund Loan Proceeds	(1,517)	0	0	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

400 - 400 - Vista de Oro

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Total Debt Service	(1,517)	0	0	0	0	0.00%
Transfers						
9511 Interfund Transfer Out	0	9,502	5,428	9,799	4,371	80.53%
Total Transfers	0	9,502	5,428	9,799	4,371	80.53%
Total Expenditures	35,708	31,380	34,524	43,241	8,717	25.25%
Net Revenues over Expenditures	(19,940)	(14,849)	(18,756)	(27,473)	(8,717)	

## Summary – Fund 500

The Water Utility Department is responsible for the management, operation and maintenance of the water system serving approximately half of the community in Los Osos and all of Baywood Park. Under the Water Division, operators are responsible for five groundwater supply wells for treatment, two of which employ full filtration technology for iron/manganese removal. Crews are responsible for water quality monitoring, water quality sampling, distribution system repair/maintenance, customer service, meter reading, water meter change outs, water audits, leak detection, flushing lines, and regulatory reporting compliance. The delivery of water to the District's water customers is conveyed through a network of over 27 miles of water mainlines utilizing three (3) water storage tanks and a booster pump station. Approximately 2,755 water service lines and meters serving residences and commercial businesses are connected to the distribution system. Included in the domestic water service infrastructure are 162 fire hydrants with some 585 main line valves that require periodic maintenance and inspection. These services provided by utility forces not only assure delivery of pure, wholesome and potable drinking water, but also provide the essential water for firefighting. Crews and staff work with the District Engineer, consultants, and vendors.

In FY 2014/2015 the Board of Directors adopted several drought related programs. On July 15, 2014, the State Water Resources Control Board approved an emergency regulation that requires California water providers to implement mandatory conservation. In order to comply with the State mandate, the District adopted an emergency water shortage regulation by Resolution No. 2014-15 on August 7, 2014, that required all residential and commercial water customers to take five actions beginning August 11, 2014. Those required actions are delineated within the budget message and later incorporated within the Water Shortage Contingency Plan.

Based on Board direction the staff implemented an Outdoor Water Conservations Program, Water Shortage Contingency Plan and Water Rate Study with emergency drought rates. The Board addressed the Water Shortage Contingency Plan on April 2, 2015 and implemented Stage 3 level. This level is consistent with the Executive Order issued by the Governor on April 1, 2015. The Board intends to relook at the Water Shortage Contingency Plan in October of 2015 after receiving the results from the sea water intrusion monitoring which occurs April and September 2015. At that time further action may be necessary. A copy of the outline of the Water Shortage Contingency Plan is contained within this budget document as indicated in the Table of Contents.

Currently one hundred percent (100%) of the employees in the Utility Funds and Administration are CalPERS pension eligible. As stated previously in this document, the District has unfunded liabilities in CalPERS. Of the 100%, sixty-five percent (65%) are currently classified as Classic employees (Employees eligible prior to PEPRA Act of 2013). The unfunded liabilities apply to Classic employees only. The Proposed Budget for FY 2015/2016 includes the unfunded liability for FY 2016/2016. The Utility Funds are responsible for a majority of the liability. This liability is budgeted at a total for FY 2015/2016 of \$25,742. At this time the District was provided an estimate for FY 2016/2017 of \$29,289.

Staff was able to purchase two replacement vehicles during the prior fiscal year and will receive the equipment prior to the closed of FY 2014/2015. Beginning with acquisition of the two new vehicles, staff is preparing a 20 Year Projection for Vehicle Replacement calculating the yearly dollar contributions necessary to fund the Vehicle Replacement Reserve for the future replacement of vehicles. With the implementation of this Vehicle Replacement Schedule this will allow the District to plan for the future.

The Nitrate Removal Facility at the South Bay Upper Aquifer Well came on line in FY 2014/2015. The Los Osos Community Services District (District) obtained grant funding from the California Department of Public Health to implement a nitrate removal system on the District's existing South Bay Upper Aquifer Well. The nitrate removal system will allow the upper aquifer to be used domestically. The project includes construction of a 168 square foot pre-engineered building that will house the skid-mounted ion exchange unit, and a 5,000 gallon tank for brine storage. This allows the upper aquifer to be blended and treated with the existing lower aquifer well water prior to introduction into the water supply distribution system. On July 9, 2013, Funding Agreement No. 84-125124 between the District and the State of California was signed providing a maximum grant of \$635,980. The District held a public bid on May 5, 2014. John Madonna Construction (JMC) was lowest bidder and was awarded the construction project. JMC began construction on June 2, 2014. The District funded the \$10,000 match from the water fund.

The Board adopted a five-year Capital Improvement Program during FY 2014/2015. This list delineates multiple projects in various categories. This CIP was also incorporated in the Water Rate Study adopted in February 2015. The Capital Improvement Project for Infrastructure includes two items from the Basin Plan (ISJ) and the approved Capital Improvement Projects List from the Water Master Plan. Staff budgeted \$50,000 for the intertie project with Golden State Water Company (GSWC). That project's design is in the hands of GSWC at this time for slight modifications. The District intended to complete the intertie project prior to this fiscal year (14/15). The \$150,000 is to allow staff to work towards construction of the upper aquifer well at 8<sup>th</sup> Street and El Moro. The design and permitting is estimated at \$60,000 according to Table 6 of the Water Rate Study. This project is on the list of the high scoring priority projects for the County of San Luis Obispo's Integrated Regional Water Management (IRWM) Plan. Staff plans to apply for third round of available grant funding (Prop 84). In order to score higher points on the District's application, the District project must be "shovel ready" by April 1, 2016. Staff previously initiated the environmental process on this CIP in order to facilitate obtaining a coastal development permit. In the FY 2015/2016 budget staff allocated monies for the engineering process. Should the District be successful in securing the grant, this money will offset construction costs and possibly some engineering services cost. Approximately \$30,000 (5% of estimated total) is available for matching funds. Any matching fund commitment of up to 25% earns additional points on the grant application which helps in the decision process by California Department of Water Resources (DWR). The grant applications are due to DWR in August 2015. These two projects are budgeted in Infrastructures in an amount of \$150,000 and Professional and Consulting Service in the amount of \$25,000 both funded from the Capital Outlay Reserve. In the proposed budget for FY 2015/2016 the Capital Outlay Reserve was originally budgeted at \$150,000. An additional \$90,000 for Capital Infrastructure construction is recommended. This addition outlines as \$50,000 for the Intertie Project between Golden State and LOCSD and \$30,000 towards Coastal Development Permits for the 8<sup>th</sup> Street Upper Aquifer Well and Basin Management Plan Program C Expansion Wells. By allocating this funding, the District is attempting to develop shovel ready projects for future consideration of potential grant funding.

The District continues the on-going replacement of water meters. This replacement is part of the recently adopted CIP list. Staff is recommending \$50,000 under Equipment & Tools, Meters Purchases & Replacements. This project is listing as a multi-year project in the CIP and is funded from the Capital Outlay Reserve.

In FY 2014/2015 budget, funds were allocated for architectural design for Phase 1 of the renovation of the Water Yard Facility at 953 El Morro Avenue, Los Osos. As the Board is aware the house serves as facilities for the Utility Crew. The final drawings for the Phase 1 construction are under review--bathroom, kitchen/staff break area and office space renovation and Title 24 improvements. Phase 2 includes additional Title 24 improvements, roof expansion and crew office renovation. Phase 3 includes remodel of the existing shop. This project was included on the recently Board adopted CIP in September 2014. As incorporated in the CIP, this is a three to four year phased project and is funded through the Capital Outlay Reserve in the amount of \$45,000 and reflected in the budget under Building, Structures & Improvements category. This is a long awaited renovation and staff is thankful for the Boards willingness to improve their working conditions.

In February 2015, the Board of Directors adopted the increases in water rates effective July 1, 2015. This rate structure also includes emergency drought rates which the Board will be considering at a future date. Finally in April the Board enacted Stage 3 of the Water Shortage Contingency Plan. These actions directly affect the rates by the number of gallons used by the customers. Estimating any new revenue with the seriousness of the drought and implementation of Stage 3 with a potential consideration of Stage 4 in November 2015, is impossible. Any increased adjustments in revenues will be considered during the mid-year budget review.

Staff recommends continuing to fund the Reserves for FY 2015/2016 at the following levels:

- Capital Outlay Reserve - \$65,000 annually
- Water Stabilization Reserve - \$32,000 annually
- Contingency Reserve funded \$25,000 annually

The Rate Study recommends increases in the established Reserves. Staff recommends at this time with the adoption of Stage 3 of the Water Shortage Contingency Plan and potential consideration for Stage 4 in November 2015, the Reserve levels remain the same as in FY 2014/2015.

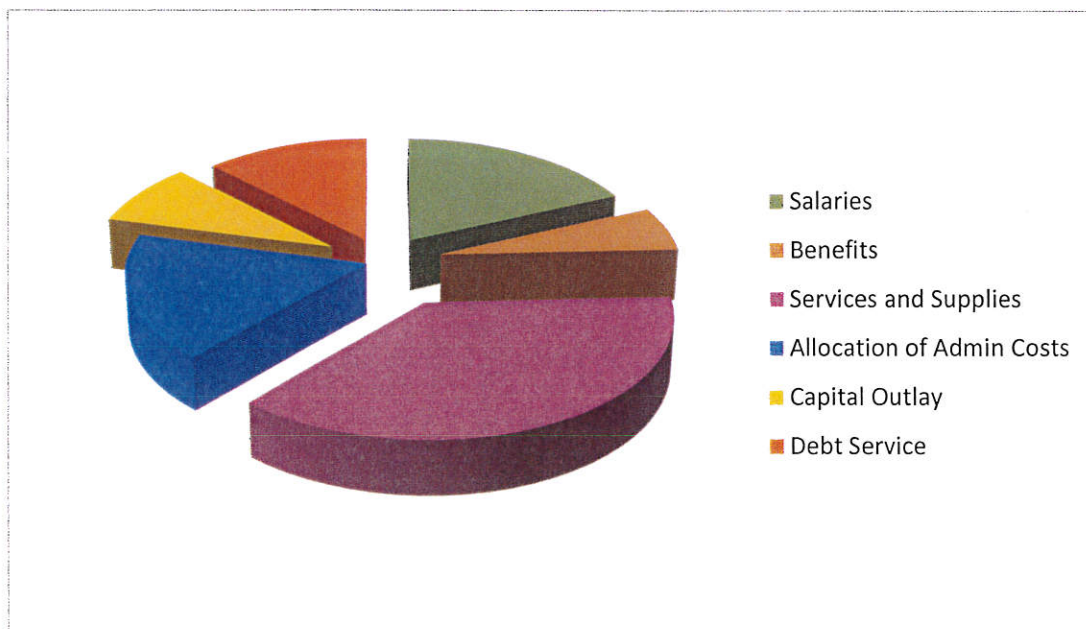
Based on the proposed budget, the expenditures exceed the revenues. The Capital Outlay Reserve for Fund 500 is recommended to reimburse the operating fund in the amount of \$270,000 for the on-going and new CIP recommended allocation. Should the Board approve this direction, the Proposed Budget for FY 2015/2016 for Water Fund 500 reflects an estimated revenues exceeding expenditures.

## Budget Summary

<b>Fund 500 Expenditures</b>	<b>2011/2012 Actuals<sup>5</sup></b>	<b>2012/2013 Actuals<sup>5</sup></b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	278,416	276,525	364,609	402,026	409,733
<b>Benefits</b>	111,969	113,327	141,108	131,506	137,332
<b>Services and Supplies</b>	583,299 <sup>2</sup>	671,295 <sup>2</sup>	513,833	672,400	847,400
<b>Allocation of Admin Costs</b>	502,836	464,976	462,758 <sup>1</sup>	383,406	396,344
<b>Capital Outlay</b>	49,443	208,056	57,992	175,000	195,000
<b>Debt Service</b>	279,658	279,206	278,741	278,262	277,766
<b>Total<sup>3</sup></b>	<b>1,805,621</b>	<b>2,013,385<sup>4</sup></b>	<b>1,819,041</b>	<b>2,101,049</b>	<b>2,263,575</b>

- Notes: <sup>1</sup>Includes the \$10,000 grant match for the CDPH Nitrate Removal Facility approved by the California Department of Public Health (CDPH)  
<sup>2</sup>Includes Depreciation  
<sup>3</sup>Excluded appropriations for Reserves  
<sup>4</sup>Attached Expenditure Reports reflect a discrepancy between Actuals and Audited financial reports  
<sup>5</sup>Actuals are based on Fiscal Year Audits

### Fund 500 Expenditures by Category for FY 2015/2016

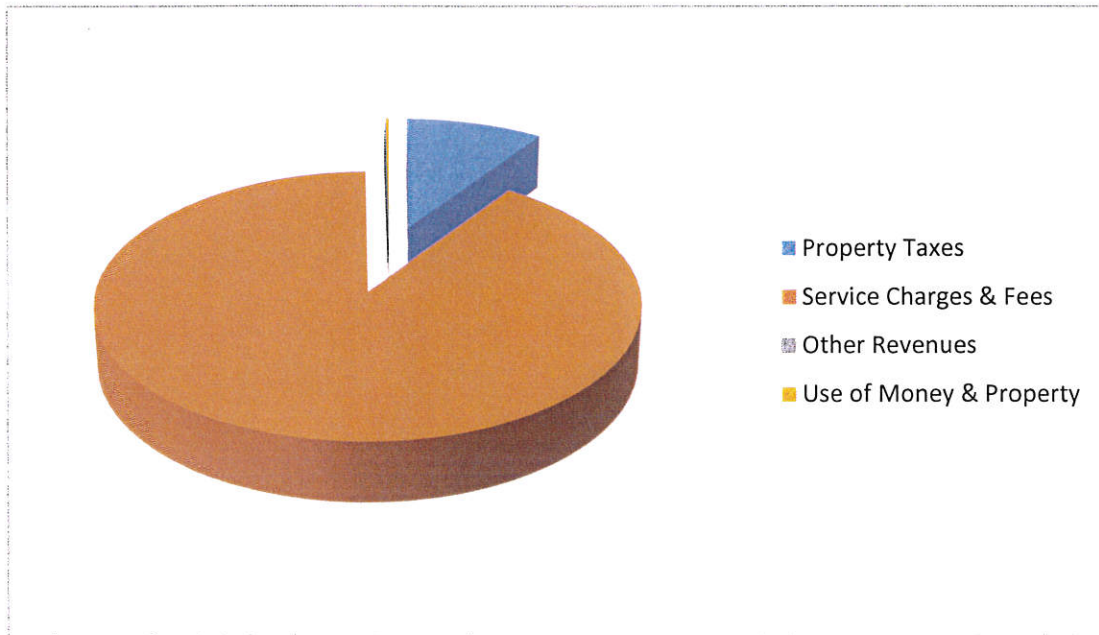


### Revenue by Category for FY 2015/2016

<b>Fund 500 Revenue</b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Unaudited Actuals</b>	<b>2015/2016 Proposed Budget</b>
<b>Property Taxes</b>	176,269	188,431	200,087	203,793
<b>Service Charges &amp; Fees</b>	1,752,000	2,164,356	1,750,744	1,947,900
<b>Other Revenues</b>	8,547	3,400	175,934 <sup>1</sup>	1,900
<b>Use of Money &amp; Property</b>	7,800	150	1,512	4,000
<b>Total</b>	1,944,467	2,356,337	2,128,277	2,157,593

Notes: <sup>1</sup>Includes transfer from Reserves

### Fund 500 Revenue by Category for FY 2015/2016





**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
500 - 500 - Water

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Revenues						
Property Taxes						
4035	176,269	188,431	187,249	203,793	16,544	8.84%
	176,269	188,431	187,249	203,793	16,544	8.84%
Service Charges & Fees						
4030	1,703,073	1,927,525	1,850,000	1,757,500	(92,500)	(5.00)%
4102	0	35,515	0	50,000	50,000	0.00%
4103	0	94,640	0	100,000	100,000	0.00%
4104	0	3,482	0	0	0	0.00%
4111	0	891	1,000	0	(1,000)	(100.00)%
4112	0	1,625	0	0	0	0.00%
4114	0	44,587	0	0	0	0.00%
4931	12,350	9,085	14,000	15,000	1,000	7.14%
4932	36,577	36,275	35,000	20,000	(15,000)	(42.86)%
4933	0	10,320	5,400	5,400	0	0.00%
4937	0	410	0	0	0	0.00%
	1,752,000	2,164,356	1,905,400	1,947,900	42,500	2.23%
Other Revenues						
4928	30	0	300	300	0	0.00%
4929	383	0	0	0	0	0.00%
4930	6,638	514	5,000	500	(4,500)	(90.00)%
4935	430	58	100	100	0	0.00%
4936	1,066	2,828	2,000	1,000	(1,000)	(50.00)%
	8,547	3,400	7,400	1,900	(5,500)	(74.32)%
Use of Money & Property						
4500	580	0	0	0	0	0.00%
4501	255	150	0	0	0	0.00%
4505	0	0	0	2,000	2,000	0.00%
4934	3,800	0	1,000	2,000	1,000	100.00%
	4,635	150	1,000	4,000	3,000	300.00%
Total Revenues	1,941,451	2,356,336	2,101,049	2,157,593	56,544	2.69%

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
500 - 500 - Water

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets	
Expenditures							
Personnel							
Salaries/Wages							
8012	Call Back Pay	1,025	138	1,000	500	(500)	(50.00)%
8018	Holiday Pay	11,832	15,276	0	0	0	0.00%
8045	Overtime Pay	2,247	4,072	17,728	6,000	(11,728)	(66.16)%
8051	Floating Holiday Pay	2,056	2,213	0	0	0	0.00%
8054	Salaries & Wages - Regular	224,452	283,927	365,852	379,433	13,581	3.71%
8056	Retroactive Pay	0	348	0	0	0	0.00%
8060	Sick Leave Pay	9,894	13,028	0	0	0	0.00%
8063	Standby Pay	17,052	17,254	17,446	23,800	6,354	36.42%
8066	Comp Time Used	14,146	15,267	0	0	0	0.00%
8081	Vacation Pay	10,590	13,086	0	0	0	0.00%
	Total Salaries/Wages	293,293	364,609	402,026	409,733	7,707	1.92%
Payroll Taxes & Benefits							
5010	Total Fringe Benefits	0	(10,886)	(10,300)	(13,500)	(3,200)	31.07%
5030	Life Insurance - ER	4,107	5,418	5,061	5,600	539	10.65%
5050	Medicare - ER	4,117	5,609	5,050	6,650	1,600	31.68%
5060	Cafeteria Plan - ER	39,654	58,913	73,500	60,000	(13,500)	(18.37)%
5070	Retirement ER - Regular	33,232	39,621	43,642	51,605	7,963	18.25%
5071	Retirement ER - Addl Pick-up	14,997	17,143	0	9,642	9,642	0.00%
5075	Retirees Medical - ER	1,395	3,295	690	2,760	2,070	300.00%
5120	Workers Comp Insurance - ER	18,440	18,213	13,863	9,275	(4,588)	(33.10)%
5124	Retirement - ER - Tier 2	39	3,782	0	5,300	5,300	0.00%
	Total Payroll Taxes & Benefits	115,981	141,108	131,506	137,332	5,826	4.43%
Employment Services							
5100	Unemployment Insurance - ER	2,537	5,216	0	0	0	0.00%
6200	Hiring, Advertising & Other Costs	0	0	100	100	0	0.00%
6230	Medical Exam	0	270	200	200	0	0.00%
6250	Temporary Agency Help	19,261	2,321	2,500	2,500	0	0.00%
7347	Pension Services Expense	0	0	100	0	(100)	(100.00)%
	Total Employment Services	21,797	7,807	2,900	2,800	(100)	(3.45)%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Total Personnel	431,071	513,524	536,432	549,865	13,433	2.50%
Services & Supplies						
Clothing & Uniform						
7246 Uniform & Gear	1,712	2,366	3,000	3,000	0	0.00%
Total Clothing & Uniform	1,712	2,366	3,000	3,000	0	0.00%
Contract Services						
6100 Labor & Support-IT Services	14,249	6,370	10,000	10,000	0	0.00%
6110 IT Purchased Services	1,199	3,453	12,000	14,000	2,000	16.67%
6142 GIS Maps/Data/Upgrades	860	0	0	0	0	0.00%
7204 Cleaning Supplies, Laundry & Towel Service	370	46	300	300	0	0.00%
7250 Water Quality Testing	33,637	37,021	50,000	50,000	0	0.00%
7255 Security Services	4,907	4,907	9,000	9,000	0	0.00%
7301 Contract Maint Services	0	0	10,000	10,000	0	0.00%
7321 Janitorial Cleaning & Supplies	1,599	2,057	1,800	1,800	0	0.00%
7342 Public Meeting Recordings	575	0	0	0	0	0.00%
Total Contract Services	57,396	53,853	93,100	95,100	2,000	2.15%
Equipment & Tools						
7242 Minor Tools, Accessories & Field Machines	5,426	1,478	3,000	6,000	3,000	100.00%
7253 Rent - Equipment	0	2,190	3,000	3,000	0	0.00%
7256 Meter Purchases & Replacements	4,128	23,457	0	50,000	50,000	0.00%
Total Equipment & Tools	9,554	27,125	6,000	59,000	53,000	883.33%
Financial Services						
7310 Bank Service Charges	0	0	200	200	0	0.00%
7401 Discounts Taken	(288)	(224)	0	0	0	0.00%
7600 Prior Year Expense Refunded/Adjustmt	(1,000)	0	0	0	0	0.00%
9153 Bad Debt Expense	0	2,368	3,000	3,000	0	0.00%
Total Financial Services	(1,288)	2,144	3,200	3,200	0	0.00%
Insurance, Licenses & Regulatory Fees						
6120 Computer Licenses	3,625	6,408	5,000	5,000	0	0.00%
6340 Misc Fees	1,373	0	3,000	3,000	0	0.00%
6342 Fees - Regulatory	13,113	12,294	6,000	15,000	9,000	150.00%
6343 Lien & Notary Fees	137	(9)	100	100	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets	
6345	Property Taxes & Assessments Costs	2,135	2,144	3,000	3,000	0	0.00%
7325	Insurance	17,501	15,683	20,000	26,000	6,000	30.00%
	Total Insurance, Licenses & Regulatory Fees	37,884	36,520	37,100	52,100	15,000	40.43%
	Legal & Professional						
7318	Professional & Consulting Svcs-ISJ	9,930	4,305	28,000	30,000	2,000	7.14%
7319	Other Professional Services	250	5,786	15,000	30,000	15,000	100.00%
7320	Professional & Consulting Services	26,158	42,916	45,000	100,000	55,000	122.22%
7326	Legal Services	9,794	10,947	30,000	30,000	0	0.00%
7336	Legal Services- ISJ	17,318	41,674	0	20,000	20,000	0.00%
7340	Legal Notifications & Mandated Advertising	221	0	1,000	2,000	1,000	100.00%
9155	Inter-Agency Cost Sharing-ISJ	68,001	29,782	45,000	45,000	0	0.00%
	Total Legal & Professional	131,673	135,410	164,000	257,000	93,000	56.71%
	Office/Operations						
6121	IT-Supplies & Miscellaneous	0	0	1,000	0	(1,000)	(100.00)%
6130	Computer Hardware	0	369	3,200	6,000	2,800	87.50%
6140	Computer Software	0	336	2,000	0	(2,000)	(100.00)%
7140	General Supplies & Minor Equipment	1,890	2,764	3,000	3,000	0	0.00%
7160	Postage, Shipping & Mail Supplies	13,184	15,884	15,000	15,000	0	0.00%
7170	Special Purpose Forms and Printing	444	0	0	0	0	0.00%
7180	Billing Supplies, Forms & Printing	370	431	1,000	1,000	0	0.00%
7225	Mapping Costs	123	0	0	0	0	0.00%
7226	Membership & Dues	413	80	200	200	0	0.00%
7230	Misc Small Parts & Supplies	2,212	2,921	4,200	1,000	(3,200)	(76.19)%
7237	Process Control & Treatment Supplies	3,046	5,375	6,000	6,000	0	0.00%
7239	Water Treatment Chemicals	7,803	10,640	13,000	13,000	0	0.00%
7249	Safety Supplies	2,600	3,452	3,000	3,000	0	0.00%
	Total Office/Operations	32,085	42,251	51,600	48,200	(3,400)	(6.59)%
	Other Expense						
7016	Significant Value Purchase-Field Use	18,663	0	0	0	0	0.00%
7330	Misc Operating Expenses	0	0	100	100	0	0.00%
7348	Water Conservation Program	760	11,996	0	30,000	30,000	0.00%
8650	Clean-Up Costs	642	0	0	0	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
8735 Misc Department Admin	0	768	1,000	0	(1,000)	(100.00)%
Total Other Expense	20,065	12,765	1,100	30,100	29,000	2,636.36%
Rent & Utilities						
6000 Cell Phones	1,886	1,546	1,700	1,700	0	0.00%
6025 Telephone	6,362	6,558	6,000	9,000	3,000	50.00%
7352 Rent - Offices & Other Structures	5,280	8,880	12,000	14,000	2,000	16.67%
8610 Electric	92,992	96,675	130,000	130,000	0	0.00%
8620 Gas Service	265	202	400	400	0	0.00%
8630 Trash Services	1,207	1,212	1,500	1,500	0	0.00%
8644 Disposal Services	0	375	30,000	80,000	50,000	166.67%
8670 Street Lighting	262	295	650	650	0	0.00%
Total Rent & Utilities	108,255	115,744	182,250	237,250	55,000	30.18%
Repairs & Maintenance						
6405 R & M - Extinguishers	236	328	400	400	0	0.00%
6422 R & M - Hydrants	0	57	100	100	0	0.00%
6640 R & M - Equip & Other Non-Structural Fixed Assets	7,206	6,107	20,000	3,000	(17,000)	(85.00)%
6641 R & M - Wells	13,523	29,976	60,000	6,000	(54,000)	(90.00)%
6750 R & M - Minor Tools & Equipment	4,914	510	2,000	2,000	0	0.00%
6800 R & M - Grounds & Collection Systems	350	2,085	2,000	2,000	0	0.00%
6900 R & M - Buildings & Structures	8,490	8,917	10,000	10,000	0	0.00%
7241 R & M - Water Distribution System	12,060	12,829	12,000	15,000	3,000	25.00%
Total Repairs & Maintenance	46,779	60,809	106,500	38,500	(68,000)	(63.85)%
Travel & Training						
7323 Books, Publications & Subscriptions	0	50	150	150	0	0.00%
7324 Education & Training Fees	60	114	500	500	0	0.00%
8410 Certifications	60	265	500	1,000	500	100.00%
8539 Meals	0	52	0	0	0	0.00%
8541 Meals- Local Area - DIR	0	21	0	0	0	0.00%
8550 Mileage Reimbursement & Parking	130	402	500	500	0	0.00%
Total Travel & Training	250	903	1,650	2,150	500	30.30%
Vehicle Maintenance & Repairs						

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

500 - 500 - Water

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
7211 Misc Fuel & Diesel	3,952	3,378	5,500	5,500	0	0.00%
7220 Gasoline	4,107	4,509	6,000	5,000	(1,000)	(16.67)%
7228 Markings & Other Misc Services	1,151	1,590	1,000	1,000	0	0.00%
7232 Vehicle Repairs - Parts, Tires & Lubricants	0	6,659	7,500	7,500	0	0.00%
Total Vehicle Maintenance & Repairs	9,210	16,136	20,000	19,000	(1,000)	(5.00)%
Total Services & Supplies	453,575	506,026	669,500	844,600	175,100	26.15%
Allocation of Administrative Costs						
5132 Benefits Charges by Admin	8,139	0	0	0	0	0.00%
5197 Benefits Billings to Other Funds	(16,867)	0	0	0	0	0.00%
8152 Labor Charged by Admin	20,387	0	0	0	0	0.00%
8197 Labor Billings to Other Funds	(42,744)	0	0	0	0	0.00%
8801 Admin Cost Allocation	464,976	0	0	0	0	0.00%
Total Allocation of Administrative Costs	433,892	0	0	0	0	0.00%
Capital Outlay						
9000 Building, Structures & Improvements	146,432	2,850	10,000	45,000	35,000	350.00%
9006 Infrastructures & Improvements	9,585	0	90,000	150,000	60,000	66.67%
9058 System & Software - Capital	0	21,285	0	0	0	0.00%
9059 Vehicles, Equipment, & Fixtures	52,038	33,857	75,000	0	(75,000)	(100.00)%
Total Capital Outlay	208,056	57,992	175,000	195,000	20,000	11.43%
Debt Service						
9022 Debt Service - Principal	134,335	138,432	142,655	147,005	4,350	3.05%
9023 Debt Service - Interest & Annual Fee	144,871	140,308	135,607	130,761	(4,846)	(3.57)%
Total Debt Service	279,206	278,741	278,262	277,766	(496)	(0.18)%
Reserves						
9504 *Vehicle Replacement Reserve	38,800	0	0	0	0	0.00%
9571 *Capital Outlay Reserve	199,619	65,000	65,000	65,000	0	0.00%
9572 *General Contingency (Operations) Reserve	25,000	25,000	25,000	25,000	0	0.00%
9573 *Year-end Encumbrance(contra to 3200)	39,398	0	0	0	0	0.00%
9574 *Year-end Fund Reservation(contra to 3200)	6,610	0	0	0	0	0.00%
9980 *Basin Management Reserve	39,200	0	0	0	0	0.00%
9983 *Water Conservation Reserve	25,000	0	0	0	0	0.00%
9988 *Water Rate Stabilization Reserve	32,000	32,000	32,000	32,000	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
500 - 500 - Water

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Total Reserves	405,627	122,000	122,000	122,000	0	0.00%
Transfers						
9505 Transfers In - Other Funds	0	10,000	0	0	0	0.00%
9511 Interfund Transfer Out	0	452,758	383,406	396,344	12,938	3.37%
Total Transfers	0	462,758	383,406	396,344	12,938	3.37%
Total Expenditures	2,211,426	1,941,041	2,164,600	2,385,575	220,975	10.21%
Net Revenues over Expenditures	(269,975)	415,296	(63,551)	(227,982)	(164,431)	

**Summary – Fund 550**

The Nitrate Removal Facility at the South Bay Upper Aquifer Well came on line in FY 2014/2015. The Los Osos Community Services District (District) obtained grant funding from the California Department of Public Health to implement a nitrate removal system on the District’s existing South Bay Upper Aquifer Well. The nitrate removal system will allow the upper aquifer to be used domestically. The project includes construction of a 168 square foot pre-engineered building that will house the skid-mounted ion exchange unit, and a 5,000 gallon tank for brine storage. This allows the upper aquifer to be blended and treated with the existing lower aquifer well water prior to introduction into the water supply distribution system. On July 9, 2013, Funding Agreement No. 84-125124 between the District and the State of California was signed providing a maximum grant of \$635,980. The District held a public bid on May 5, 2014. John Madonna Construction (JMC) was lowest bidder and was awarded the construction project. JMC began construction on June 2, 2014. Construction was completed prior to the close of FY 2014/2015. The District funded the \$10,000 match from the water fund.

**Budget Summary**

<u>Fund 550 Expenditures</u>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>
Salaries		
Benefits		
Services and Supplies	38,992	70,415
Allocation of Admin Costs <sup>1</sup>		
Capital Outlay	335,992	252,574
<b>Total</b>	<b>374,917</b>	<b>322,989</b>

**Revenue by Category**

<u>Fund 550 Revenue</u>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Unaudited Actuals</b>
Grant Revenues	42,023	588,747
<b>Total</b>	<b>42,023</b>	<b>588,747</b>



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

550 - 550 - CDPH-Nitrate Removal

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Revenues						
Grant Revenue						
4949	Govt- State Grants	0	42,023	0	0	0.00%
	Total Grant Revenue	0	42,023	0	0	0.00%
	Total Revenues	0	42,023	0	0	0.00%
Expenditures						
Services & Supplies						
Legal & Professional						
7319	Other Professional Services	0	38,992	70,415	(70,415)	(100.00)%
	Total Legal & Professional	0	38,992	70,415	(70,415)	(100.00)%
	Total Services & Supplies	0	38,992	70,415	(70,415)	(100.00)%
Capital Outlay						
9000	Building, Structures & Improvements	0	335,925	252,574	(252,574)	(100.00)%
	Total Capital Outlay	0	335,925	252,574	(252,574)	(100.00)%
Transfers						
9505	Transfers In - Other Funds	0	(10,000)	0	0	0.00%
	Total Transfers	0	(10,000)	0	0	0.00%
	Total Expenditures	0	364,918	322,989	(322,989)	(100.00)%
	Net Revenues over Expenditures	0	(322,895)	(322,989)	322,989	

## Summary – Fund 602 (600)

**Note: For the purposes of this year the information present below includes statements regarding the former Fund 600 and the new Fund 602. Based on the directions received from the independent audit firm of Moss Levy & Hartzheim, Certified Public Accountants, the District discontinue use of the Fund 600 Wastewater Enterprise account and initiated use of the Fund 602 Wastewater Fiduciary account. As you will see on the following Proposed Budget Expenditures and Revenues for FY 2015/2016, information is only shown in Fund 602.**

This Fund 602 as with Fund 600 continues to collect special assessments on all property owners within the sewer prohibition zone for payment for the amortization of bonds issued in 2002. This fund was used to account for the construction of a sewage treatment plant which was halted. Under special legislation AB2701, the project was transferred to the County of San Luis Obispo. On March 15, 2011 the County officially accepted the project.

In 2006 a trust account was established and transferred to US Bank to receive the 2002 WW Bond Assessments directly and issue the bond principal and interest debt service payments. All Wastewater Assessments are transferred directly from San Luis Obispo County Auditor-Controller to the US Bank and the bond payments are paid by US Bank. In FY 2006/2007 the District Board prematurely borrowed from the Improvement Bonds Reserve to make the bond payment. A Letter of Agreement dated in October 17, 2006, established a repayment plan of \$25,000 per year. Contrary to the agreement, it appears the \$25,000 payments did not begin until FY 2009/2010. From the early analysis the District potentially owes money for FY 2006/2007, 2007/2008 and 2008/2009 totaling \$75,000. The reconciliation and analysis with US Bank is complete. According to a letter dated October 17, 2006, the \$25,000 payment was being held by the District and to be transferred. Subsequent information states the payments of \$25,000 per year for FY 2007/2008 and 2008/2009 were also budgeted. This information was verified. Staff is in receipt of bank statements dating back to November 2006 in an effort to insure the proper recording of the \$25,000 payments. All three of those payments were not made.

All interest earned on that Improvement Bonds Reserve bank account is required to be reinvested into the Improvement Bonds Reserve bank account and the District is able to calculate that interest towards the repayment. Based on the Board's direction, Wallace Group includes an administrative charge to repay the Bond Reserve. The Administrative Charge is added to the wastewater assessments as allowed by the Bond Resolution to fund direct costs of maintaining this assessment (FY 2007/2008 budget statement).

On October 15, 2013, the Honorable Robin L. Riblet, Judge, United States Bankruptcy Court, Central District of California, Northern Division issued an order granting the motion for approval of the Second Amended Plan for Adjustment of Debts (Amended Plan). This Amended Plan as stipulated to by all the parties resolves all the lawsuits and claims arising from the District's former Wastewater Project. Under Section 7.1 Class 5(B) MBIA filed a claim (119) arising out of the bonds that were issued by LOCSO to fund part of the OLD Project (WW 2002 Bonds). The bond indenture required LOCSO to maintain certain bond proceeds in reserve and segregate them into the Debt Service Reserve Fund (LOCSO Improvement Bond Reserve Fund-US Bank). "Instead, LOCSO pooled the reserve funds and spent them for other purposes"<sup>1</sup>. In full satisfaction of its Allowed Secured Claim, the trustee shall be paid \$25,000 per year from the annual assessment overhead charges collected by San Luis Obispo County until the Secured Claim is paid in full without interest. The inclusion of this repayment plan in the Bankruptcy Order substitutes for the Letter of Agreement dated October 17, 2006. This annual payment will be made by the County of San Luis Obispo at the time the County collects the assessments and makes payments to the US Bank. With this knowledge, The Board raised the Administrative Charge to \$12.00 per parcel to allow total repayment to the Bond Redemption Reserve account. That equates to one dollar per month per parcel. This allows the District to make the missing payments for the three fiscal years as outlined above over a three year period and make the \$25,000 payment per year as order by the Court. After the three year period and payment for the missing years, the Board could choose to reduce the Administrative Charge to \$6 per parcel to cover the \$25,000 payment. The 2002 Wastewater Improvement Bonds Reserve was established at \$1,158,500. At the rate of \$25,000 per year, it will take approximately six to eight years to repay the Improvement Bond Reserve Fund. All monies generated from the Administrative Charge must be transferred as repayment to

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<sup>1</sup> Amended Plan, Section 7.1 Class 5(B)

the Improvement Bond Reserve Fund per the bankruptcy order until the required Reserve balance reaches the total of \$1,158,500.

Staff has completed the reconciliation with US Bank on the two accounts: Improvement Bonds Redemption Fund and Improvement Bonds Reserve Fund. In preparing the reconciliation, staff determined the District records reflect the totaled required payments were never paid. In January 2015, the FY 2013/2014 payment was made. In February 2015 the payments for FY 2009/2010, 2010/2011 and balances due for FY 2011/2012 and 2012/2013 were paid. Fiscal Year payments for 2006/2007, 2007/2008 and 2008/2009 were never paid according to the Districts vendor report and financial records. It is the Districts responsibility to make the past due payments and reestablish the District credit worthiness. Subsequent information states the payments of \$25,000 per year for FY 2007/2008 and 2008/2009 were also budgeted; however according to the Bank Statements and the District's financial records, no transfers were made for FY 2006/2007, 2007/2008 and 2008/2009. Staff is in receipt of bank statements dating back to November 2006 in an effort to insure the proper recording of the \$25,000 payments. All Bank Statements for Improvement Bond Reserve and Bond Redemption Fund since November 2006 through March 2015 were reviewed and all transactions verified. The required payments for the three fiscal years outlined above were not paid to US Bank.

On April 12, 2004, the LOCSB Board of Directors authorized the execution of a Main Installation Agreement between the Los Osos Community Services District and Bonaire Investments (Agreement). This Agreement involved transfer to the District once designed and constructed a Sewer Mainline Extension and associated facilities within South Bay Boulevard (Bay Oaks Drive to Los Osos Valley Road) to serve the Bonaire Property and properties located up-slope from the Mainline Extension. The Bonaire Property is located within the Prohibition Zone and the District's Wastewater Treatment District No. 1. District No 1 is an Assessment District established by the District to partially finance the design and construction of the District's Wastewater Treatment Project. The Bonaire Property has a total assessment of thirty thousand three dollars and thirty-nine cents (\$30,003.39). The 2004 District Board agreed to transfer, operation and maintenance of the Mainline Extension and to provide services to the collection system for the Wastewater Treatment Project. This 2004 District Board agreed to reduce the assessment attributed to the Bonaire Property in the amount of thirty thousand three dollars and thirty-nine cents (\$30,003.39) in exchange for the completed infrastructure project thereby making the District liable for the assessment payments. The LOCSB is paying the current assessment for the Bonaire Properties, APN 074-314-10 and APN 074-314-011 and has made the payments since Fiscal Year 2005/2006 or Year 4 of the assessments. To date the LOCSB made payments totaling \$15,235.18. The payment for Fiscal Year 2013-2014 paid normally at the beginning of following fiscal year, was not paid. The payment amount is \$1,688.80. Staff reconciled the Assessor Parcel No. accounts since the first payment was paid in FY 2005/2006. In order to accurately reflect any assessment payments due, the respective commitment to pay the on-going assessment requires a budgeted expenditure. In other words, this expense should be budgeted yearly as a cost to the LOCSB. This expense was never incorporated within any budget since its inception. Until staff completed the reconciliation, this on-going obligation remained unbudgeted and paid using funds from the prepaid assessments (those assessments paid off after the various APN were placed on the tax rolls). The yearly Engineers Report specifically details these assessments as a separate obligation.

In addition to necessity for budgeting for this ongoing assessment payment, there were five common area parcels that were no longer subject to tax collection and required payment by the District. It appears from the reconciliation the payments were excluded from the budgets as identified above and the assessment payments were made for the parcels. The assessment payments for the five parcels since Year 6 or Fiscal Year 2007/2008 is \$998.50. As with the two larger assessment payments, the payment of \$132.30 remains outstanding at this time for FY 2013/2014.

Once the analysis is complete regarding the District's commitment to make the Bond assessment payments as identified, the appropriate budget considerations identified, on-going obligations resolved and payment options determined, the cash payments will be processed. It is important to note the correct dollar balances are in the Prepaid Assessment Reserves. Staff made the required cash transfers and general ledger adjustments to insure adequate funds. It is important to note, staff is conducting on-going conversations with the US Bank Trustee and the Trustee is now aware the District is retaining a Prepaid Assessment Reserve. According to the bank Trustee, there is question as to the validity of the District retaining these funds. Once the bank account reconciliations from 2006 forward for the Improvement Bonds Redemption

and Reserve Funds are brought current and analysis complete, there will be discussion on handling the Prepaid Reserve Fund.

As stated before, staff worked to determine the actual balance for the Improvement Bond Reserve Fund. The staff worked with the trustee from US Bank and currently reviewed old bank statements to determine the dollar value of the appropriate deposits for each of the respective accounts. Together with the trustee, staff determined the dollar value of the Improvement Bonds Reserve Fund. All remaining funds belong to the Bond Redemption account. Unfortunately for the District, Standard & Poor's underlying rating (SPUR) is based on multiple factors including the ability to maintain the required Improvement Bond Reserve balance. At the time of this report dated March 13, 2015, the Improvement Bond Reserve Fund reflected a balance of \$751,664 of the required \$1,158,500. Because of this situation and other factors (recent bankruptcy) the rating service issued a rating of BBB- and views the outlook for this rating as stable. It is staff's goal over FY 2015/2016 to show exceptional progress in the reconciliation and repayment based on the Court-ordered decision.

This Wastewater Enterprise Fund 600 functioned for two purposes after the bankruptcy: 1) to service the debt associated with the aborted project and 2) to repay the "spent for other purposes" monies from the Improvement Bond Reserve Fund. Now that the bankruptcy case is closed, this Enterprise fund officially closes. In FY 2014/2015 this fund functions as the debt service fund; however there are costs associated with the financial management and reporting of the fund, continued inclusion on the San Luis Obispo County Tax Rolls and reconciliation with US Bank. As such the time associated with this fund from a cost allocation perspective still remains. The fund will continue to operate at a deficit and therefore the District needs to cover the costs associated with this operation. There are trustee costs associated with administration of the two bank accounts by US Bank. The category Bank Service Charges reflects the yearly US Bank Trustee fees. According to the bank these charges normally occur instead of monthly as with personal bank accounts, only once yearly during the third quarter of the fiscal year. This yearly charge is delineated on the expenditure reports to ensure accurate reporting of the cost of operations.

Those costs, as stated above, will continue until the 2002 WW Bond is completely paid. As parcels owners continue to pay off their respective assessment balances, staff time remains a factor in processing the payments, lien release and other documents. This information remains reportable to all entities. With the beginning of the new fiscal year, these costs were transferred to Fund 602 Wastewater Fiduciary. The Fund 602 continues to incur costs associated with the operation and reconciliation of this fund. Until the scheduled repayment plan is financially completed with the Bond Reserve Fund fully funded at \$1,158,500, the Administrative Charge must be allocated to the repayment plan. This means the District must fund any costs associated with the operation including the administrative allocation. Once the Bond Reserve is fully funded, the District may recoup its costs previously incurred over time.

As of February 7, 2016 according to the bankruptcy order (Order) dated October 15, 2013, the District retains ownership of the funds remaining in the Disputed Reserve Fund. At the time of preparation of this information, the money was in a separate fund as outlined in the Order. The Reserve fund totals \$103,003.07. Staff recognizes there are costs associated with the yearly engineering analysis, legal review, trustee administrative charges, assessment payments and various other minor costs incurred for monitoring and placement on the yearly tax rolls. The yearly cost for the services not funded by alternative revenue, averages between \$12,000 and \$15,000 per year. It is staff's recommendation the funds in the Disputed Reserve be used to replace any shortfall thereby ensuring the fund balances at zero. By using these monies, there is no necessity to create an interfund loan to cover the on-going expenses for approximately four years. This allows the District to repay the Improvement Bond Reserve as outlined in the Order and enter into discussion regarding the eventual transfer of the Administrative Charge to the District for handling the placement on the tax rolls and making the assessment payments for the seven identified parcels.

## Budget Summary

<b><u>Fund 600 Expenditures</u></b>	<b>2011/2012 Actuals</b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	0	0	0	0	0
<b>Benefits</b>	0	0	0	0	0
<b>Services and Supplies</b>	155,005	85,732	5,038,004 <sup>4</sup>	7,000	
<b>Allocation of Admin Costs<sup>1</sup></b>	0	0	(1,410,356) <sup>1</sup>	31,719 <sup>1</sup>	
<b>Debt Service</b>	1,159,438	1,158,667	1,145,625	1,178,500 <sup>8</sup>	
<b>Total<sup>2, 5</sup></b>	1,314,443	1,244,399 <sup>3</sup>	4,773,272 <sup>7</sup>	1,217,219 <sup>6</sup>	

Notes: <sup>1</sup> This includes transfers

<sup>2</sup> Excluded appropriations for Reserves

<sup>3</sup> Attached expenditure reports show a discrepancy between the Actuals and Audited Financials

<sup>4</sup> This value includes the total dollars required for payment of Class 8 unsecured creditor as delineated by the bankruptcy order

<sup>5</sup> This value does not include the Bond Reserve repayment of \$25,000 per year for FY 11/12, 12/13 & 13/14 with a balance remaining as of June 30, 2013 of \$431,859

<sup>6</sup> A one-time Transfer from Reserves is required to balance the revenue with the expenditures

<sup>7</sup> A one-time transfer of the remaining SRF Funds & Solid Waste used for bankruptcy payout is not reflected

<b><u>Fund 600 Revenue</u></b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Unaudited Actuals</b>	<b>2015/2016 Proposed Budget</b>
<b>Service Charges &amp; Fees</b>	16,400	14,700	21,000	
<b>Special Taxes &amp; Assessments</b>	1,156,960	1,148,730	1,146,490	
<b>Other Revenues</b>	16,372	3,570,927	26,074	
<b>Use of Money &amp; Property</b>	4,752	8,456	4,004	
<b>Total</b>	1,194,484	4,742,813 <sup>1</sup>	1,197,919	

<sup>1</sup> SRF \$1,394,711.65 and Solid Waste of \$27,971 to pay creditors omitted

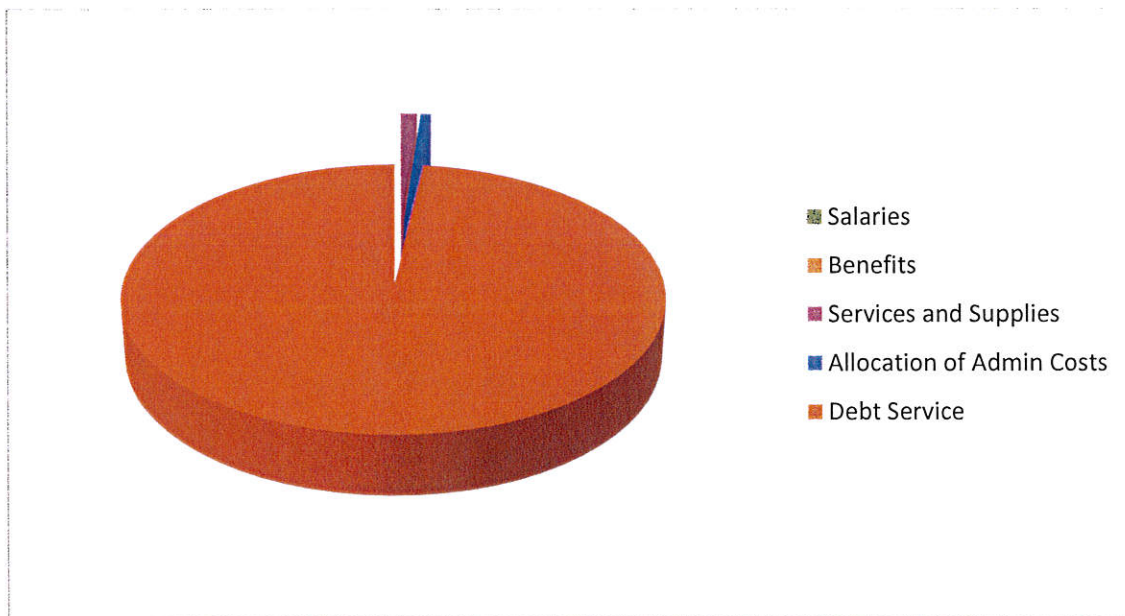
## Budget Summary

<b>Fund 602 Expenditures</b>	<b>2011/2012 Actuals</b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
Salaries					0
Benefits					0
Services and Supplies					14,635
Allocation of Admin Costs <sup>1</sup>	0				8,907
Debt Service					1,206,090 <sup>1</sup>
<b>Total</b>					<b>1,229,632</b>

Notes:

<sup>1</sup>This total includes the \$25,000 Bond Reserve Repayment

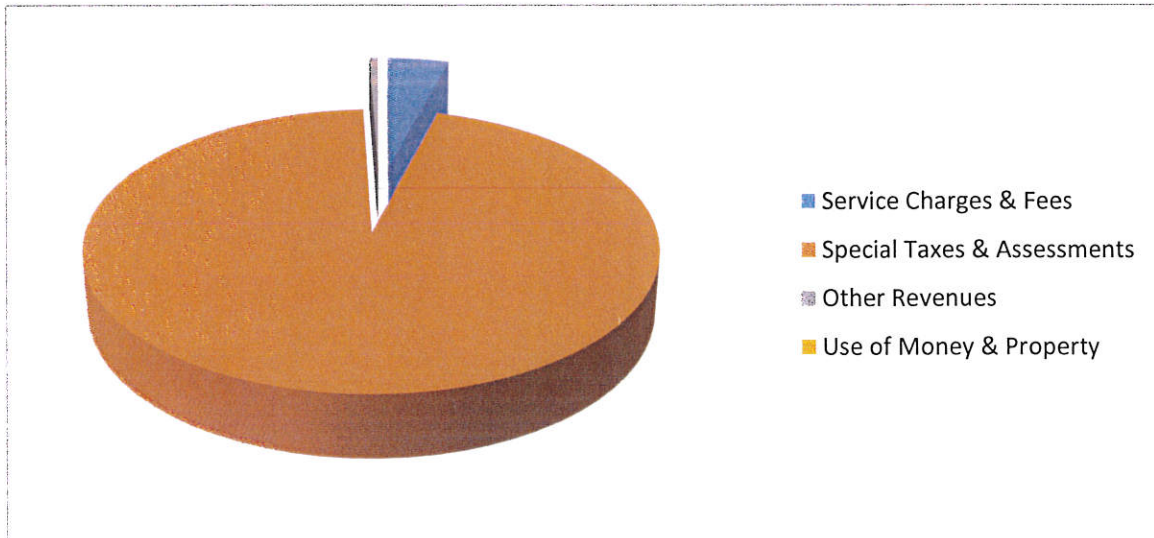
**Fund 602 Expenditures by Category for FY 2015/2016**



### Revenue by Category for FY 2015/2016

<b>Fund 602 Revenue</b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Service Charges &amp; Fees</b>				50,340
<b>Special Taxes &amp; Assessments</b>				1,149,654
<b>Other Revenues</b>				7,084
<b>Use of Money &amp; Property</b>				0
<b>Total</b>				1,207,078

### Fund 602 Revenue by Category for FY 2015/2016



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

600 - 600 - Wastewater

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
<b>Revenues</b>						
Service Charges & Fees						
4062	Wastewater Admin Charge	14,718	14,700	21,000	0	(21,000) (100.00)%
	Total Service Charges & Fees	14,718	14,700	21,000	0	(21,000) (100.00)%
Special Taxes & Assessments						
4061	Debt Service Assessments-2002 WW Bond	1,149,895	1,148,730	1,148,322	0	(1,148,322) (100.00)%
4063	Assessments Released from Prepayment Trust	7,065	0	0	0	0 0.00%
	Total Special Taxes & Assessments	1,156,960	1,148,730	1,148,322	0	(1,148,322) (100.00)%
Other Revenues						
4350	Waste Water Revenue	0	26,839	0	0	0 0.00%
4800	Franchise Revenues	0	(27,971)	0	0	0 0.00%
4928	Lien Fees Recoveries	0	30	0	0	0 0.00%
4935	Sale-Specs/Plans & Non_Capital Items	1,653	0	0	0	0 0.00%
4958	Revenue from Other Agencies	0	3,572,029	0	0	0 0.00%
9500	Transfers from Reserves	0	0	24,139	0	(24,139) (100.00)%
	Total Other Revenues	1,653	3,570,927	24,139	0	(24,139) (100.00)%
Use of Money & Property						
4501	Interest-Undistributed Taxes	227	0	0	0	0 0.00%
4504	Interest Income	0	8,456	0	0	0 0.00%
	Total Use of Money & Property	227	8,456	0	0	0 0.00%
	Total Revenues	1,173,557	4,742,813	1,193,462	0	(1,193,462) (100.00)%
<b>Expenditures</b>						
Services & Supplies						
Financial Services						
7310	Bank Service Charges	33,903	6,637	3,000	0	(3,000) (100.00)%
	Total Financial Services	33,903	6,637	3,000	0	(3,000) (100.00)%
Insurance, Licenses & Regulatory Fees						
6341	LAFCO Fees	0	0	500	0	(500) (100.00)%
6343	Lien & Notary Fees	95	30	0	0	0 0.00%
6345	Property Taxes & Assessments Costs	260	261	0	0	0 0.00%
	Total Insurance, Licenses & Regulatory Fees	355	291	500	0	(500) (100.00)%



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
600 - 600 - Wastewater

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Legal & Professional						
7317	0	4,994,712	0	0	0	0.00%
7320	5,700	11,700	500	0	(500)	(100.00)%
7326	45,774	11,266	3,000	0	(3,000)	(100.00)%
8705	0	13,378	0	0	0	0.00%
	<u>51,474</u>	<u>5,031,056</u>	<u>3,500</u>	<u>0</u>	<u>(3,500)</u>	<u>(100.00)%</u>
Office/Operations						
7160	0	20	0	0	0	0.00%
	<u>0</u>	<u>20</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
	<u>85,732</u>	<u>5,038,004</u>	<u>7,000</u>	<u>0</u>	<u>(7,000)</u>	<u>(100.00)%</u>
Debt Service						
9022	400,000	415,000	455,000	0	(455,000)	(100.00)%
9023	749,000	730,625	692,308	0	(692,308)	(100.00)%
9079	0	0	6,192	0	(6,192)	(100.00)%
9805	0	0	21,000	0	(21,000)	(100.00)%
9806	0	0	4,000	0	(4,000)	(100.00)%
	<u>1,149,000</u>	<u>1,145,625</u>	<u>1,178,500</u>	<u>0</u>	<u>(1,178,500)</u>	<u>(100.00)%</u>
Reserves						
9502	25,000	0	0	0	0	0.00%
	<u>25,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Transfers						
9505	0	(27,971)	0	0	0	0.00%
9508	(44,454)	0	0	0	0	0.00%
9511	0	48,592	31,719	0	(31,719)	(100.00)%
9512	(25,000)	(1,430,977)	(4,000)	0	4,000	(100.00)%
	<u>(69,454)</u>	<u>(1,410,356)</u>	<u>27,719</u>	<u>0</u>	<u>(27,719)</u>	<u>(100.00)%</u>
	<u>1,190,278</u>	<u>4,773,272</u>	<u>1,213,219</u>	<u>0</u>	<u>(1,213,219)</u>	<u>(100.00)%</u>
Net Revenues over Expenditures	<u>(16,721)</u>	<u>(30,459)</u>	<u>(19,757)</u>	<u>0</u>	<u>19,757</u>	<u>(100.00)%</u>

**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
602 - Wastewater Fiduciary Fund

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Revenues						
Service Charges & Fees						
4062	0	0	0	50,340	50,340	0.00%
	0	0	0	50,340	50,340	0.00%
Special Taxes & Assessments						
4061	0	0	0	1,149,654	1,149,654	0.00%
	0	0	0	1,149,654	1,149,654	0.00%
Other Revenues						
9500	0	0	0	7,084	7,084	0.00%
	0	0	0	7,084	7,084	0.00%
	0	0	0	1,207,078	1,207,078	0.00%
Expenditures						
Services & Supplies						
Financial Services						
7310	0	0	0	7,000	7,000	0.00%
	0	0	0	7,000	7,000	0.00%
Insurance, Licenses & Regulatory Fees						
6341	0	0	0	500	500	0.00%
6345	0	0	0	1,835	1,835	0.00%
	0	0	0	2,335	2,335	0.00%
Legal & Professional						
7320	0	0	0	3,600	3,600	0.00%
7326	0	0	0	1,700	1,700	0.00%
	0	0	0	5,300	5,300	0.00%
	0	0	0	14,635	14,635	0.00%
Debt Service						
9022	0	0	0	480,000	480,000	0.00%
9023	0	0	0	668,666	668,666	0.00%
9079	0	0	0	7,084	7,084	0.00%
9805	0	0	0	50,340	50,340	0.00%
	0	0	0	1,206,090	1,206,090	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

602 - Wastewater Fiduciary Fund

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Transfers						
9511 Interfund Transfer Out	0	0	0	8,907	8,907	0.00%
Total Transfers	0	0	0	8,907	8,907	0.00%
Total Expenditures	0	0	0	1,229,632	1,229,632	0.00%
Net Revenues over Expenditures	0	0	0	(22,554)	(22,554)	

# RatingsDirect®

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## Summary:

# Los Osos Community Services District Wastewater Assessment District No. 1, California; Special Assessments

### Primary Credit Analyst:

Misty L Newland, San Francisco (1) 415-371-5073; [misty.newland@standardandpoors.com](mailto:misty.newland@standardandpoors.com)

### Secondary Contact:

Kate R Burroughs, San Francisco (1) 415-371-5081; [kathleen.burroughs@standardandpoors.com](mailto:kathleen.burroughs@standardandpoors.com)

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Rationale

Outlook

Related Criteria And Research

## Summary:

# Los Osos Community Services District Wastewater Assessment District No. 1, California; Special Assessments

## Credit Profile

Los Osos Comnty Svcs Dist Wastewtr Assess Dist No. 1 ser 2002 ltd oblig imp bonds (MBIA) (MBIA of Illinois)

*Unenhanced Rating*

BBB-(SPUR)/Stable

Affirmed, Removed from  
CreditWatch

Many issues are enhanced by bond insurance.

## Rationale

Standard & Poor's Ratings Services affirmed its 'BBB-' underlying rating (SPUR) on Los Osos Community Services District Wastewater Assessment District No. 1, Calif.'s limited-obligation improvement bonds outstanding and removed the rating from CreditWatch with negative implications. The rating had been placed on CreditWatch with negative implications on Dec. 15, 2014, due to the lack of timely information, a situation that the district has since resolved. The outlook is stable.

The rating reflects our view of the following credit weaknesses:

- Just 1x coverage of annual debt service by scheduled special assessments (as is typical for special assessment bonds);
- The debt service reserve, which would support only the estimated permanent loss of 4.2% of annual assessments for the life of the bonds, which would be unable to fully cover the permanent loss of assessments from properties with a value to lien of less than 5 to 1; and
- The overall value to lien (including overlapping debt) of 8.8 to 1.

In our opinion, partly offsetting credit strengths include:

- The district's participation in the county Teeter Plan, which funds the full amount of annual assessments regardless of delinquencies, and
- The primarily residential and mostly built-out district, which has access to the broader San Luis Obispo metropolitan statistical area.

The authority bonds are limited obligations of the authority payable from assessments levied against the property in the Los Osos Community Services District Wastewater Assessment District No. 1 collected for the repayment of the assessment district's outstanding improvement bonds. Proceeds from the bonds were used to construct a wastewater collection, treatment, and disposal system.

As is typical for special assessment bonds, assessments provide just 1x coverage of annual debt service on the improvement bonds. For fiscal 2015, 4,202 parcels were subject to the assessment levy, for a total of \$1.17 million of

annual assessment revenue. The assessment district is primarily residential, with residential parcels representing 96% of total assessed value (AV). The assessment district's overall AV to lien is 8.8, and 9.7% of assessments generated from parcels with a value to lien of less than 5 to 1. The assessment base is diverse, in our view, with the 10 largest property owners' assessments representing only 12% of total annual assessments in fiscal 2015. The leading taxpayer, Morro Shores Mobilehome Park LLC, accounts for 3.8% of total assessments. The value to lien for the 10 leading assessment taxpayers is 15 to 1.

The bonds' debt service reserve is currently funded at \$751,664, would support only the permanent loss of 4.2% of annual assessments for the life of the bonds, compared to 12.1% and 9.7% of assessments payable from the top 10 assessment payers and parcels with AV-to-lien ratios of less than 5 to 1, respectively. However, we believe the proportion of parcels with a value to lien of less than 5 to 1 may be overstated due to Proposition 13, which results in AV that is lower than current market value in communities such as Los Osos that have a preponderance of retirement communities that experience low turnover in property.

We understand that the assessment district's improvement bonds were issued to construct a wastewater collection, treatment, and disposal system, a project that was significantly delayed, then halted in 2005. Assessments that property owners pay are in proportion to the perceived benefit from the improvements funded by the improvement bonds and are included on taxpayers' property tax bills. San Luis Obispo County's Teeter Plan remits the full amount of the assessment levy regardless of delinquencies. In addition, the assessment district's 2006 supplemental bond resolution requires all assessments to be transferred from the county to the trustee for deposit in the bond redemption fund, and the district shall have no rights to funds held in the redemption fund until the improvement bonds have been paid in full, according to the resolution.

We understand that the bankruptcy court entered an order confirming the assessment district's plan of adjustment on Oct 15, 2013, in which the improvement bonds as an unimpaired secured claim. In addition, subsequent to the assessment district's Chapter 9 bankruptcy filing on Aug. 25, 2006, the U.S. bankruptcy court judge approved an agreement between the district and the county, whereby all improvement bond assessments levied on and collected from property owners in the assessment district will be collected by San Luis Obispo County and directly remitted to the bond redemption fund held by the bond trustee during the pendency of the bankruptcy. The plan of adjustment stipulates that this procedure remain in place until the bonds are paid in full.

The assessment district comprises about 5.38 square miles within the community of Los Osos. Los Osos, often referred to as Los Osos-Baywood Park, is nestled along the southern tidal estuary of Morro Bay on the coast of Central California. The assessment district is located in the unincorporated western portion of San Luis Obispo County, approximately 12 miles from the city of San Luis Obispo. The assessment district was organized in 1988 pursuant to the Community Services District Act to supply water, sewer, and fire protection services to approximately 14,861 residents within its jurisdiction. AV within the district totaled \$1.05 billion as of fiscal 2013, the most recent data available, up 8% from fiscal 2008.

## Outlook

The stable outlook reflects our anticipation that the assessment district will continue to participate in the Teeter Plan. In addition, the outlook reflects our expectation that the county, on behalf of the assessment district, will continue to collect and remit the required assessments directly to the improvement bond trustee to cover debt service. We could lower the rating if the overall value to lien were to decline. We do not expect to raise the rating during the current two-year outlook period given the assessment district's low overall AV to lien and the debt service reserve's inability to fully cover the permanent loss of assessments from properties with a value to lien of less than 5 to 1.

## Related Criteria And Research

### Related Criteria

USPF Criteria: Special-Purpose Districts, June 14, 2007

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## Improvement Bond Reserve Fund Analysis

The Los Osos Community Services District and US Bank have agreed on the reconciled number for the current balance of Improvement Bond Reserve Fund as of June 30, 2015. As stated in the Budget Message there remains in the District's Fund 600 an on-going debt repayment for the premature borrowing of funds from the Bond Reserve Account to make the Bond Redemption payment. The Board in 2006 borrowed \$714,267.50 from the Debt Service Reserve Fund (now Improvement Bond Reserve) to make the semi-annual payment to the bond holders. In January 2015, the FY 2013/2014 payment was made. In February 2015 the payments for FY 2009/2010, 2010/2011 and balances due for FY 2011/2012 and 2012/2013 were paid. In preparing the reconciliation, staff determined the District records reflect the totaled required payments were never paid for Fiscal Years 2006/2007, 2007/2008 and 2008/2009 as determined by the Districts vendor report and financial records. It is the Districts responsibility to make the past due payments and reestablish the District credit worthiness. Subsequent information states the payments of \$25,000 per year for FY 2007/2008 and 2008/2009 were budgeted along with \$25,000 to be transferred from the Solid Waste Reserve. However according to the Bank Statements and the District's financial records, no transfers were made for FY 2007/2008 and 2008/2009 nor was the transferred made from the Solid Waste Reserve. Staff is in receipt of bank statements dating back to November 2006 for the Improvement Bond Redemption and Bond Reserve accounts in an effort to insure the proper recording of the \$25,000 payments. All Bank Statements for Improvement Bond Reserve and Bond Redemption Fund since November 2006 through May 2015 were reconciled and all transactions verified. The required payments for the three fiscal years outlined above were not paid to US Bank. Attached is a copy of the Improvement Bond Reserve Reconciliation. To ease the explanation, the far left-hand side of the spreadsheet reflects numbered lines. This Reconciliation is prepared based on Fiscal Years.

Line 1, reflects no payments and shows the Improvement Bond Reserve Total \$1,158,500 and Borrowed amount of \$714,267.50 from the same account. The Difference of \$444,232.50 is the remaining value of the Bond Reserve account after removing the Borrowed money. US Bank agrees with this conclusion.

Lines 4, 9 and 10 show the deposits by Lehman from the previously existing Lehman Reserves that were transferred to the US Bank Bond Reserve account. Line 34 shows the total Lehman deposits of \$538,231.49. This dollar amount agrees with the documentation available through US Bank. US Bank agrees with this conclusion.

Lines 4 and 9 reflect the interest earned and the money gained on the sale of the investments purchased by Lehman Brothers using the Reserve balance (\$1,158,500) prior to release of the Borrowed money. When the Lehman investments were sold, the funds were released to US Bank for deposit in the Bond Reserve account in the amounts of \$44,695.69 and \$30,230.18. According to documents this money belongs in the Reserve. US Bank agrees with this conclusion.

Line 10 shows the difference (\$444,232.50) between the Bond Reserve account balance and originally Borrowed funds. The reason for the difference in the balance in the deposit by Lehman of \$463,305.62 compared to the \$444,232.50, is this deposit includes the money gained and interested earned from the sale of the investments on the remaining Reserve funds. This difference of \$19,073.12 was earned on the investment on the Reserve fund balance (\$444,232.50). The difference between the two amounts of \$19,073.12 according to the documents on file belongs in the Reserve account. US Bank agrees with this conclusion.

Lines 5 and 8 reflect interest earned on investment of the Bond Reserve by the District. According to the documentation within the District this money belongs in the Reserve account. US Bank agrees this was interest earned on prior Reserve balances and agrees with this conclusion.

Line 15 is interest earned over prior years. US Bank agrees this interest was earned by the Bond Reserve account.

Lines 20 and 21 reflect partial payments by the District during FY 2012/2013, for FY 2011/2012 and 2012/2013. US Bank agrees with this conclusion.

Line 22 is a transfer made by US Bank. US Bank agrees this transfer was appropriate and may remain in the Bond Reserve Account.

Lines 27 thru 31 reflect the payments made by the District for several Fiscal Year as indicated. US Bank concurs with this statement.

Line 26 and 36 reflect the transfer of the allocation based on the bankruptcy order and the payment the District made to equal the total repayment due of \$25,000 for FY 2014/2015. US Bank agrees with this statement.

Line 34 reflects the totals of the columns. The Admin Fee total of \$167,397.50 according to the various Board Resolutions is a per parcel charge assessed on a yearly basis and collected through the tax rolls. US Bank agrees this money belongs to the Reserve account and agrees with this conclusion.

Line 38 shows the current balance of the Bond Reserve Account as of June 30, 2015 in the amount of \$861,166.04. The remaining balance due as of June 30, 2015 is \$297,333.96. US Bank agrees with this conclusion.

### Improvement Bond Reserve Reconciliation

Line No	Date	Type	US Bank	LOCS D	Admin Fee/ tax rolls	Reserve Balance 05/31/2015	Reserve Balance FY 2006/2007	Lehman Bros	LOCS D Borrowed	Difference	Balance Due
1	FY 2006/2007			0.00			1,158,500.00		714,267.50		620,268.51
3	FY 2007/2008	Administrative Fee			57,882.50						
4	9/30/2007	Lehman Reserve		44,695.69				44,695.69			
5	4/1/2008	Investment Income		11,311.41							
7	FY 2008/2009	Administrative Fee			14,780.50						
8	7/15/2008	Investment Income		6,395.21							
9	8/11/2008	Lehman Reserve		30,230.18				30,230.18			
10	3/3/2009	Lehman Reserve		463,305.62				463,305.62		444,232.50	
12	FY2009/2010	Administrative Fee			14,777.00						
14	FY 2010/2011	Administrative Fee			14,773.50						
15	9/2/2010	Total Interest Income thru date	1,177.47								
17	FY 2011/2012	Administrative Fee			14,759.50						
19	FY 2012/2013	Administrative Fee			14,717.50						
20	7/5/2012	Ck Received LOCS D		10,279.28							
21	5/22/2013	Ck Received LOCS D		17,347.04							
22	5/22/2013	Transfer from Redemption	7,652.96								
24	FY 2013/2014	Administrative Fee			14,707.00						
26	FY 2014/2015	Administrative Fee			21,000.00						
27	1/23/2015	Ck Received LOCS D FY2013/2014		25,000.00							
28	3/4/2015	Ck Received LOCS D FY2009/2010		25,000.00							
29	3/4/2015	Ck Received LOCS D FY2010/2011		25,000.00							
30	3/4/2015	Ck Received LOCS D FY 2011/2012		14,720.72							
31	3/4/2015	Ck Received LOCS D FY2012/2013		7,652.96							
34	5/31/2015	<b>Total</b>	<b>8,830.43</b>	<b>680,938.11</b>	<b>167,397.50</b>	<b>857,166.04</b>	<b>1,158,500.00</b>	<b>538,231.49</b>			<b>301,333.96</b>
36	6/10/2015	LOCS D Repayment				4,000.00					
38	6/30/2015	<b>Total</b>				<b>861,166.04</b>					<b>297,333.96</b>

## Summary – Fund 650

Solid Waste provided trash cleanup and recycling services to the community of Los Osos. The actual services were provided by Mission Country Disposal for Los Osos through the District. Effective December 31, 2013, the franchise and operations were transferred to the County of San Luis Obispo. This action was necessary in order to comply with the settlement agreements and amended plans allowing the District to meet the terms of the bankruptcy order. The summary below is provided for information purposes only. The allocation of Admin Costs cover the staff time to prepare, reconcile and monitor the Reserve Fund, State Controller Reports and documentation necessary for on-going audits.

### Budget Summary

<b>Fund 650 Expenditure</b>	<b>2011/2012 Actuals</b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	15,030	15,622	0	0	0
<b>Benefits</b>	6,020	6,169	0	0	0
<b>Services and Supplies</b>	26,477	25,273	1,680	0	0
<b>Allocation of Admin Costs<sup>2</sup></b>	45,084	35,892	67,320 <sup>4</sup>	46,660	1,616
<b>Total<sup>3</sup></b>	92,611	82,956 <sup>1</sup>	69,000	46,660 <sup>5</sup>	1,616

Notes: Actuals are based on Fiscal Year Audits

<sup>1</sup> Attached expenditure reports show a discrepancy between the Actuals and Audited Financials

<sup>2</sup> Based on adopted methodology #4

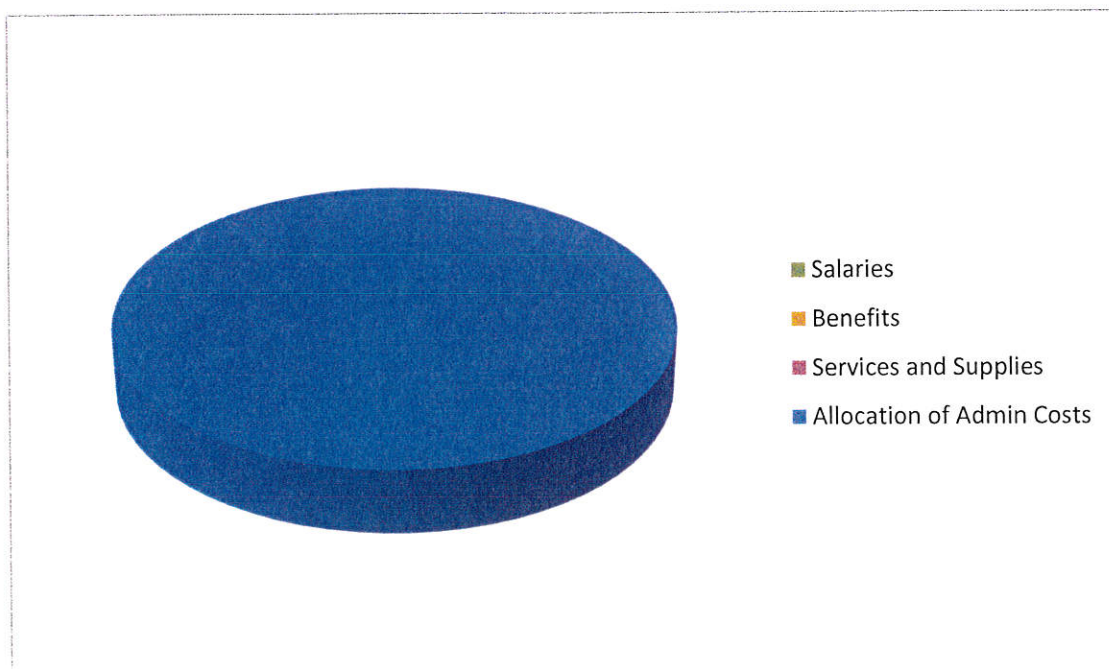
<sup>3</sup> This does not include Reserves

<sup>4</sup> This includes transfer of franchise fee to cover bankruptcy distribution and Cost Allocation of \$36,349

<sup>5</sup> A one-time Transfer from Reserves of \$46,660 used to balance the revenue with expenditures

<sup>6</sup> Transfer from Reserves to cover ongoing reporting requirements

### Fund 650 Expenditure by Category for FY 2015/2016



**LOS OSOS COMMUNITY SERVICES DISTRICT**  
Statement of Revenues and Expenditures  
650 - 650 - Solid Waste

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
<b>Revenues</b>						
Other Revenues						
4600	0	1,597	0	0	0	0.00%
4800	157,101	45,432	0	0	0	0.00%
4928	15	366	0	0	0	0.00%
9500	0	0	37,914	1,616	(36,298)	(95.74)%
	<u>157,116</u>	<u>47,395</u>	<u>37,914</u>	<u>1,616</u>	<u>(36,298)</u>	<u>(95.74)%</u>
	<u>157,116</u>	<u>47,395</u>	<u>37,914</u>	<u>1,616</u>	<u>(36,298)</u>	<u>(95.74)%</u>
<b>Expenditures</b>						
Services & Supplies						
Insurance, Licenses & Regulatory Fees						
6343	50	0	0	0	0	0.00%
	50	0	0	0	0	0.00%
Legal & Professional						
7326	1,126	0	0	0	0	0.00%
7340	234	0	0	0	0	0.00%
	<u>1,361</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Other Expense						
7330	74	0	0	0	0	0.00%
	<u>74</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Rent & Utilities						
7352	3,080	1,680	0	0	0	0.00%
	<u>3,080</u>	<u>1,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Travel & Training						
8550	41	0	0	0	0	0.00%
	<u>41</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
	<u>4,606</u>	<u>1,680</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.00%</u>
Allocation of Administrative Costs						
5132	6,169	0	0	0	0	0.00%
8152	15,622	0	0	0	0	0.00%
8801	35,892	0	0	0	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

650 - 650 - Solid Waste

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Total Allocation of Administrative Costs	57,684	0	0	0	0	0.00%
Reserves						
9156 Outreach- Offset to Rate Increases	20,665	0	0	0	0	0.00%
9572 *General Contingency (Operations) Reserve	7,260	0	0	0	0	0.00%
Total Reserves	27,925	0	0	0	0	0.00%
Transfers						
9508 Transfer Out from Reserve	0	0	0	1,616	1,616	0.00%
9511 Interfund Transfer Out	44,748	67,320	46,660	0	(46,660)	(100.00)%
Total Transfers	44,748	67,320	46,660	1,616	(45,044)	(96.54)%
Total Expenditures	134,963	69,000	46,660	1,616	(45,044)	(96.54)%
Net Revenues over Expenditures	22,154	(21,605)	(8,746)	0	8,746	

## Summary – Fund 800

Drainage for the community of Los Osos falls under the purview of the Utility Department. Primary responsibility is the operation and maintenance of four (4) pump station sites and five (5) drainage basins within the community. Revenues are collected through property taxes and assessments and are almost the same as in previous years.

The District is responsible for the following Submersible Pump Stations:

- 8<sup>th</sup> & El Moro (SW corner) 3 pumps – maximum discharge rate 5,700 gallons/minute
- Don & Mitchell (SE corner) 2 pumps – maximum discharge rate 734 gallons/minute
- 16<sup>th</sup> & Paso Robles (NE corner) 2 pump – maximum discharge rate 1,065 gallons/minute
- 6<sup>th</sup> & El Moro (N & S corners) 2 pumps – maximum discharge rate 650 gallons/minute

The District is responsible for the following Drainage Basins:

- Madera Drainage Basin (East of Pecho Road on Madera) occupying 102,510 square feet. It is important to note a portion of this basin has Morro Shoulder Dune Snails and crews are not allowed to do any grounds keeping in the area on the east side of this basin.
- Vista de Oro off Pecho Road = 18,225 square feet
- Bayridge Drainage Basin at Bay Oaks Drive = 22,090 square feet
- East Tierra (behind leachfield) & Tierra Drive both parcels = 27,688 square feet

The District also handles the following Drainage Swales:

- Swale maintenance on the southeast corner of 6<sup>th</sup> Street & El Moro Avenue
- Swale maintenance between 16<sup>th</sup> & 18<sup>th</sup> streets on Paso Robles

The Community of Los Osos/Baywood was formerly a County Services Area under the jurisdiction of the County of San Luis Obispo. In 1998 the Los Osos Community Services District (LOCSA) was formed and began providing utility services to the community. The LOCSA responsibility for storm water management is restricted to LOCSA facilities and dedicated drainage basins. The County remains the overall governing authority for planning, land use, grading and building permitting and roads with regard to storm water runoff management.

Cabrillo Estates continues to pay pre Proposition 13 property tax. This tax is strictly identified for drainage purposes. Prior to FY 2013/2014 this money was allocated to the Administrative Fund. Administrative Cost are total supported thru the Cost Allocation Plan. Staff adjusted the revenue for FY 2013/2014 and subsequently reflected the revenues appropriately under the drainage fund. Staff learned this year there are more funds required for the additional work necessary for compliance on the MS4 permit. Based on the proposed budget, the revenues exceed the expenditures.

## Budget Summary

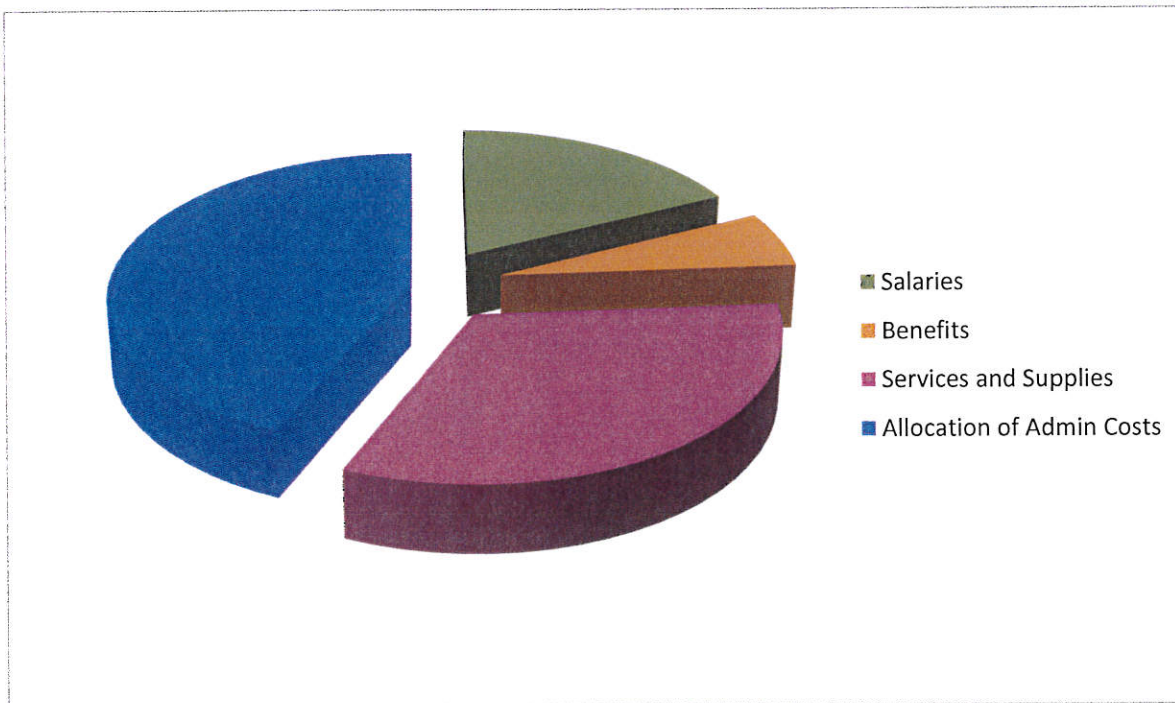
<b>Fund 800 Expenditures</b>	<b>2011/2012 Actuals<sup>1</sup></b>	<b>2012/2013 Actuals<sup>2</sup></b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Adopted Budget</b>	<b>2015/2016 Proposed Budget</b>
<b>Salaries</b>	11,003	11,115	13,192	13,000	16,000
<b>Benefits</b>	4,441	4,737	4,580	4,500	5,500
<b>Services and Supplies</b>	18,038	20,725	15,968	20,600	29,152
<b>Allocation of Admin Costs</b>	28,032	22,668	45,440	36,138	39,017
<b>Capital Outlay</b>	0	17,574	0	0	0
<b>Total<sup>2</sup></b>	61,514	76,819 <sup>3</sup>	79,180	74,238	89,669

Notes: <sup>1</sup>Actuals are based on Fiscal Year Audits

<sup>2</sup>Excludes appropriations for Reserves

<sup>3</sup>Expenditures reflect a discrepancy between Actuals and Audited Financials

### Fund 800 Expenditures by Category for FY 2015/2016

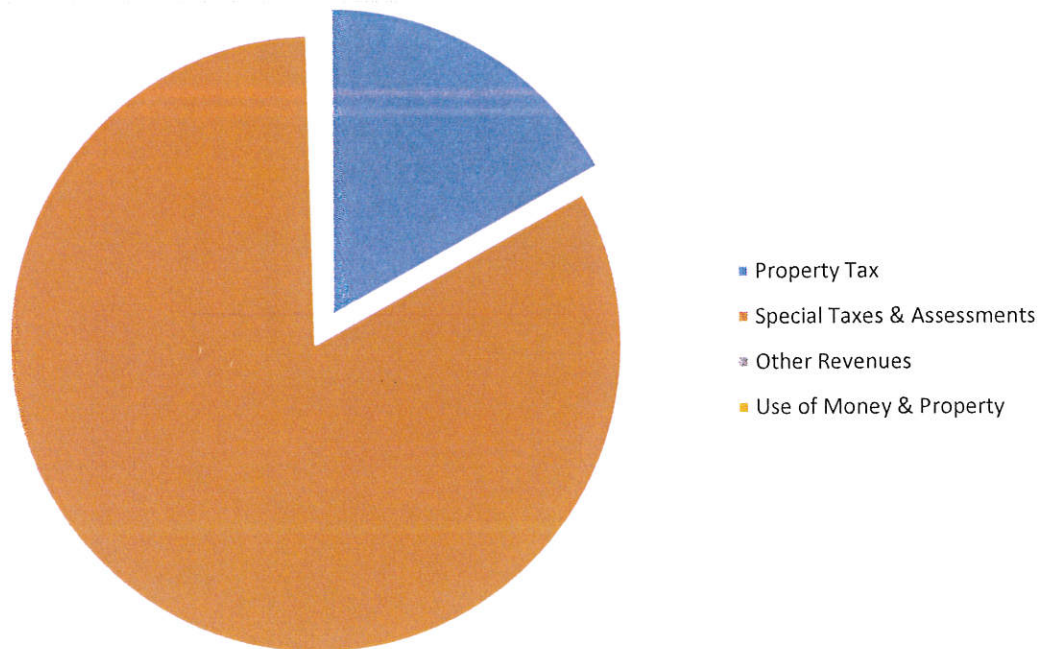




### Revenue by Category FY 2015/2016

<b><u>Fund 800 Revenue</u></b>	<b>2012/2013 Actuals</b>	<b>2013/2014 Unaudited Actuals</b>	<b>2014/2015 Unaudited Actuals</b>	<b>2015/2016 Proposed Budget</b>
<b>Property Tax</b>	0	18,310	19,161	19,561
<b>Service Charges &amp; Fees</b>	275	0	0	0
<b>Special Taxes &amp; Assessments</b>	95,422	97,681	95,456	95,456
<b>Other Revenues</b>	0	226	305	200
<b>Use of Money &amp; Property</b>	676	0	147	200
<b>Total</b>	96,098	116,217	115,069	115,417

**Fund 800 Revenue by Category for FY 2015/2016**



**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

800 - 800 - Drainage

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
<b>Revenues</b>						
Property Taxes						
4035	0	18,310	18,172	19,561	1,389	7.64%
	0	18,310	18,172	19,561	1,389	7.64%
Special Taxes & Assessments						
4400	95,422	97,681	95,424	95,456	32	0.03%
	95,422	97,681	95,424	95,456	32	0.03%
Other Revenues						
4935	49	226	300	200	(100)	(33.33)%
	49	226	300	200	(100)	(33.33)%
Use of Money & Property						
4505	0	0	0	200	200	0.00%
	0	0	0	200	200	0.00%
	95,471	116,217	113,896	115,417	1,521	1.34%
<b>Expenditures</b>						
Personnel						
Salaries/Wages						
8045	0	287	0	0	0	0.00%
8054	0	12,905	13,000	16,000	3,000	23.08%
	0	13,192	13,000	16,000	3,000	23.08%
Payroll Taxes & Benefits						
5010	0	4,580	4,500	5,500	1,000	22.22%
	0	4,580	4,500	5,500	1,000	22.22%
	0	17,771	17,500	21,500	4,000	22.86%
Services & Supplies						
Clothing & Uniform						
7246	0	0	200	200	0	0.00%
	0	0	200	200	0	0.00%
Equipment & Tools						
7242	219	236	300	300	0	0.00%
	219	236	300	300	0	0.00%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

800 - 800 - Drainage

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets	
Insurance, Licenses & Regulatory Fees							
6120	Computer Licenses	0	519	500	500	0	0.00%
6342	Fees - Regulatory	7,671	5,244	6,000	6,000	0	0.00%
6345	Property Taxes & Assessments Costs	100	101	1,000	1,000	0	0.00%
7325	Insurance	0	0	0	3,102	3,102	0.00%
	Total Insurance, Licenses & Regulatory Fees	7,771	5,864	7,500	10,602	3,102	41.36%
Legal & Professional							
7320	Professional & Consulting Services	5,782	3,633	6,000	7,000	1,000	16.67%
	Total Legal & Professional	5,782	3,633	6,000	7,000	1,000	16.67%
Office/Operations							
7230	Misc Small Parts & Supplies	177	83	100	100	0	0.00%
7249	Safety Supplies	25	55	0	0	0	0.00%
	Total Office/Operations	201	138	100	100	0	0.00%
Other Expense							
7330	Misc Operating Expenses	250	250	300	300	0	0.00%
7346	Promotional Expenses - Event	50	0	0	300	300	0.00%
7349	Water Conservation Fixtures	453	0	0	0	0	0.00%
	Total Other Expense	753	250	300	600	300	100.00%
Rent & Utilities							
6000	Cell Phones	1,014	773	1,000	1,000	0	0.00%
6025	Telephone	191	197	200	200	0	0.00%
7352	Rent - Offices & Other Structures	0	0	0	600	600	0.00%
8610	Electric	878	872	1,000	1,000	0	0.00%
8670	Street Lighting	462	549	900	900	0	0.00%
	Total Rent & Utilities	2,545	2,390	3,100	3,700	600	19.35%
Repairs & Maintenance							
6640	R & M - Equip & Other Non-Structural Fixed Assets	228	262	300	300	0	0.00%
6750	R & M - Minor Tools & Equipment	241	97	300	300	0	0.00%
6800	R & M - Grounds & Collection Systems	91	408	100	3,000	2,900	2,900.00%
6900	R & M - Buildings & Structures	739	603	100	500	400	400.00%
	Total Repairs & Maintenance	1,298	1,370	800	4,100	3,300	412.50%

**LOS OSOS COMMUNITY SERVICES DISTRICT**

Statement of Revenues and Expenditures

800 - 800 - Drainage

(In Whole Numbers)

	Actuals FY 2012/2013	Unaudited Actuals FY 13/14	Total Revised Budget FY 14/15	Total Proposed Budget FY 15/16	Difference in Budgets	Percentage Difference in Budgets
Travel & Training						
8550 Mileage Reimbursement & Parking	13	13	50	50	0	0.00%
Total Travel & Training	13	13	50	50	0	0.00%
Vehicle Maintenance & Repairs						
7211 Misc Fuel & Diesel	980	908	1,000	1,150	150	15.00%
7220 Gasoline	1,164	1,166	1,250	1,350	100	8.00%
Total Vehicle Maintenance & Repairs	2,143	2,074	2,250	2,500	250	11.11%
Total Services & Supplies	20,726	15,968	20,600	29,152	8,552	41.51%
Allocation of Administrative Costs						
5133 Benefits Charged by Water	4,737	0	0	0	0	0.00%
8153 Labor Charged by Water	11,115	0	0	0	0	0.00%
8801 Admin Cost Allocation	22,668	0	0	0	0	0.00%
Total Allocation of Administrative Costs	38,520	0	0	0	0	0.00%
Capital Outlay						
9100 Pump Purchase	17,574	0	0	0	0	0.00%
Total Capital Outlay	17,574	0	0	0	0	0.00%
Reserves						
9571 *Capital Outlay Reserve	27,958	10,000	10,000	10,000	0	0.00%
9572 *General Contingency (Operations) Reserve	5,000	5,000	5,000	5,000	0	0.00%
Total Reserves	32,958	15,000	15,000	15,000	0	0.00%
Transfers						
9511 Interfund Transfer Out	0	45,440	36,138	39,017	2,879	7.97%
Total Transfers	0	45,440	36,138	39,017	2,879	7.97%
Total Expenditures	109,777	94,179	89,238	104,669	15,431	17.29%
Net Revenues over Expenditures	(14,306)	22,038	24,658	10,748	(13,910)	

## GLOSSARY OF BUDGET TERMINOLOGY

**ACCOUNT GROUPS:** Account groups are used to establish accounting control of general fixed assets and the un-matured principal of general long-term obligations. Assets and liabilities of these funds are neither spendable nor do they require current appropriation. Therefore, they are accounted for separately from the Governmental Type Funds.

**ACCOUNTABILITY:** Term used to describe a government's duty to justify the raising and spending of public resources.

**APPROPRIATED FUND BALANCE:** A portion of existing fund balance that is incorporated into the subsequent year's budget to "balance" expected expenditures in excess of expected revenues.

**ASSIGNED FUND BALANCE:** The portion of the net position of a governmental fund that represents resources set aside "ear marked" by the government for a particular purpose.

**ADOPTED BUDGET:** The official budget as approved by the Board of Directors through the course of a fiscal year. The budget is proposed until it has been approved by the Board of Directors. The budget is a plan of financial activity for a period of time (usually one year) indicating all planned revenues and expenses and proposed ending fund balances. It is a plan of financial operation comprised of estimated expenditures and the proposed means of financing the expenditures.

**ALLOCATION:** An expenditure limit established for an organizational unit or function.

**AMENDED BUDGET:** The official budget as adopted and as amended by the Board of Directors through the course of the fiscal year. The Board has the sole responsibility for adopting the District's budget and may amend or supplement the budget at any time after adoption by a majority vote. The District Manager has the authority to approve administrative adjustments to the budget as long as those changes will not have a significant policy impact nor effect budgeted year-end fund balances.

**APPROPRIATION:** An authorization by the Board of Directors to make expenditures/expenses and to incur obligations for a specific purpose within a specific time frame. An appropriation is usually limited in amount and as to time when it may be expended.

**ASSESSMENT DISTRICT:** Defines area of land that is benefited by the acquisition, construction, or property tax bill to fund the improvements.

**ASSESSED VALUATION:** The dollar value assigned to a property for purposes of measuring applicable taxes.

**AUTHORIZED POSITIONS:** The ongoing positions approved in the final budget. The detail of authorized positions by classification is published in the Salaries and Wages information in this budget.

**BALANCE AVAILABLE:** The portion of a fund balance which is available for appropriation. It is the excess of assets of a fund over its liabilities and reserves.

**BASIS OF BUDGETING:** Method used to determine when revenues and expenditures are recognized for budgetary purposes.

**BUDGET CHANGE PROPOSAL:** This is a proposal to change the level of service or funding sources for activities authorized by the District, or to propose new program activities not currently authorized.

**BUDGET HEARING:** A public meeting at which any citizen may appear and be heard regarding the increase, decrease or omission of any item in the proposed budget as presented in writing by the District Manager and the Board of Directors.

**BUDGET MESSAGE:** A written discussion of the proposed budget presented by District Manager to the Board of Directors.

**BUDGET PROGRAM:** A plan of operation for a specific period of time expressed in financial terms. A Program Budget expresses the operating plan in terms of the costs of activities to be undertaken to achieve specific goals and objectives.

**BUDGETARY REPORTING:** Budgetary reporting is required in connection with general purpose external financial reporting. Budgetary reporting is required in connection with the basic financial statements for governmental funds.

**BUDGET UNDERSTANDABILITY:** Principle that budget information should be expressed as simple as possible.

**BUSINESS TYPE ACTIVITIES:** Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

**COMMITTED FUND BALANCE:** The portion of the net position of a governmental fund that represents resources whose use is subject to a legally binding constraint.

**CAPITAL IMPROVEMENT:** A permanent addition to the District's assets, including design, construction, or purchase of land, buildings, or facilities, or major renovations.

**CAPITAL OUTLAY:** A budget appropriation category which budgets all equipment having a unit cost of more than \$5,000 and an estimated useful life of five years. Non-CIP capital outlay is budgeted in the District's operating budget.

**CAPITAL PROJECTS:** Major construction, acquisition, or renovation activities which add value to a government's physical assets or significantly increase their useful life.

**CATEGORY:** A grouping of related objects of expenditures.

**COMMITTED FUND BALANCE:** The portion of the net position of a governmental fund that represents resources whose use is subject to a legally binding constraint.

**CONTINGENCY:** A budgetary reserve set aside for emergency or unanticipated expenditures, revenue shortfalls and/or unknown expenditures.

**CONSISTENCY:** Notion that once a budget principle or reporting method is adopted, it will be used for all similar transactions or events.

**CONSUMER PRICE INDEX:** Consumer price index is a statistical measure of a weighted average of prices of a specific set of goods and services purchased by wage earners in urban areas.

**DEBT SERVICE:** Payment of the principal and interest on an obligation resulting from the issuance of bonds, notes, or certificates of participation.

**DEBT SERVICE REQUIREMENTS:** The amount of money required to PAY principal and interest on outstanding debt and required contributions to accumulate monies for future retirement of term bonds.

**DEFICIENCY:** A lack or shortage of (1) money in a fund, (2) expenditure authority due to an insufficient appropriation or (3) expenditure authority due to a cash problem, e.g. reimbursements not received.

**DEFICIT:** An excess of expenditures or expenses over revenues (resources).

**DIRECT EXPENSE:** Expense that is specifically associated with a service program, or department and thus, is clearly identifiable with a particular function.

**ENCUMBRANCES:** Funds not yet expended, but which are legally obligated or “set aside” in anticipation of expenditure. These funds cease to be an encumbrance when paid, and become a disbursement.

**ENTERPRISE FUNDS:** A type of fund established for the total costs of those governmental facilities and entirely or predominantly self-supporting.

**EXPENDITURE:** The actual spending of Governmental Funds set aside by appropriation.

**EXPENSE:** The actual spending of Proprietary Funds (Enterprise and Internal Services Funds).

**FISCAL YEAR:** A 12-month period of time to which a budget applies. This District runs on a fiscal year from July 1 through June 30<sup>th</sup> each year.

**FISCAL ACCOUNTABILITY:** Responsibility of governments to justify that their actions in the current period have complied with public decisions concerning the raising and spending of public moneys for a budgetary cycle.

**FRANCHISE FEE:** A Franchise Fee is imposed on various utilities and organizations which permits them to use and operate those facilities within the District.

**FTE: (Full-Time Equivalent)** Amount of time a regular or part time position has been budgeted for in terms of the amount of time an employee works in a year.

**FUND:** An independent fiscal and accounting entity used to record all financial transactions related to the specific purpose for which it was created. A separate set of accounts must be maintained for each fund to show its assets, liabilities, reserves and fund balance, as well as its income and expenditures.

**FUND BALANCE:** Also known as financial position, fund balance is the excess of assets over liabilities, and represents the cumulative effect of revenues and other financing sources over expenditure and other financing uses.

**FUND BALANCE POLICY:** Policy to maintain fund balance at a predetermined target level.

**GOVERNMENTAL FUND TYPES:** General, Special Revenue, Debt Service and Capital Projects types are used to account for most governmental functions. The governmental fund measurement focus is on the “financial flow” basis, which accounts for sources and used of available spendable resources.

**GRANT:** Contributions, gift of cash, or other assets from another agency to be used or expended for a specific purpose, activity, or facility.

**INTERFUND LOAN:** This is the borrowing between government funds with or without an interest component for a specified purpose.

**INTERFUND REIMBURSEMENT:** Repayments by one fund or blended component units of a primary government to another for expenditures or expense incurred on its behalf.

**MATERIALS, SUPPLIES, AND SERVICES:** Expenditures/expenses for materials, supplies, and services which are ordinarily consumed within a fiscal year and which are not included in departmental inventories.

**NPDES PERMIT:** Waste discharge requirements that regulate discharges to waters of the United States. This Permit program controls water pollution by regulating point source that discharge pollutants into waters of the United States. Point sources are discrete conveyances such as pipes or man-made ditches.

**OBJECTIVES:** The expected results or achievements of a budget activity.

**OPERATING BUDGET:** Annual appropriation of funds for on-going program costs, including salaries and benefits, services and supplies, debt service, capital outlay and capital improvements.

**OTHER FINANCING SOURCES:** Increases in the net position of a governmental fund other than expenditures. Only items identified as other financing sources may be classified as such.

**OTHER FINANCING USES:** Decreases in net position of a governmental fund other than expenditures. Only items identified as other financing uses may be classified as such.

**PROPOSITION 4 LIMIT (GANN INITIATIVE):** In November 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The proposition created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government. Proposition 4 became effective for the for the 1980-81 fiscal year, but the formula for calculating the limits was based on the 1978-79 "base year" revenues.

**PROPRIETARY FUNDS:** Funds that focus on the determination of operating income, changes in net position, financial position, and cash flows.

**RESOURCES:** Total dollars available for appropriations including estimated revenues, fund transfers and beginning fund balances.

**REVENUES:** Amount received for taxes, fees, permits, licenses, interest, intergovernmental sources, and other sources during the fiscal year.

**SPECIAL ASSESSMENT:** Compulsory levy made against certain properties to defray all or part of the cost of a specific capital improvement or service deemed to benefit primarily those properties.

**TAXES:** Compulsory charges levied by the District for the purpose financing services performed for the common benefit. This term does not include specific charges made against particular persons or property for current or permanent benefits such as special assessments. Neither does the term include charges for services rendered only to those paying such charges.

**WASTE DISCHARGE REQUIREMENTS:** State regulations pertaining to the treatment, storage, processing or disposal of solid waste.



## Common Acronyms

APCD	Air Pollution Control District
AV	Assessed Valuation
CalPERS	California Public Employees Retirement System
CASQA	California Stormwater Quality Association
CDPH	California Department of Public Health
CEQA	California Environmental Quality Act
CFD	Community Facilities District
CIP	Capital Infrastructure Projects
CPI	Consumer Price Increase
CSDA	California Special Districts Association
CUWCC	California Urban Water Conservation Council
DOF	Department of Finance (State)
DWR	Department of Water Resources (State)
EPA	Environmental Protection Agency
FTE	Full Time Equivalent
GSWC	Golden State Water Company
ISJ	Interlocutory Stipulated Judgment
IRWMP	Integrated Regional Water Management Plan
JPA	Joint Powers Authority
LHMP	Local Hazard Mitigation Plan
LOCSD	Los Osos Community Services District
LOCAC	Los Osos Community Advisory Council
MCL	Maximum Contaminant Level
MH	Manhole
MS4 Permit	Stormwater Municipal Separate Storm Sewer System
RWQCB	Regional Water Quality Control Board, State of California
PDWS	Primary Drinking Water Standard
SDRMA	Special Districts Risk Management Authority
SLO	San Luis Obispo
SPUR	Standard & Poor's Rating Service
SWRCB	State Water Resources Control Board
WRAC	Water Resources Advisory Committee

**San Luis Obispo County Chapter  
California Special Districts Association**

**Agenda**

**11:30am-1:00pm**

**Friday 6/12/2015**

Hosted by Wallace Group

612 Clarion Court

San Luis Obispo CA, 93401

1. Welcome and Overview
2. Self-Introductions & District Updates
3. Issues of Common Interest:
  - A. County Fire Chief Rob Lewin- Update on Fire Prevention
  - B. Jim Hamilton- Property Tax Projections
  - C. Budget Trailer Bill 825 (see attachment)
4. CSD Outreach
5. Member Comments
6. Future Agenda Items

*Lunch will be served. Please RSVP so we know how many will be attending.*

**Add New Section 116557 to the Health and Safety Code**

§ 116557. Consolidation of Public Water Systems

Notwithstanding Government Code section 56133, where a public water system fails to reliably provide an adequate supply of safe potable water, the State Water Resources Control Board may require consolidation with another public water system. Prior to ordering consolidation as provided in this section, the State Water Resources Control Board shall:

- (a) Consult with the relevant local agency formation commission regarding the provision of water service in the affected area, the recommendations for improving service in a municipal service review, and any other relevant information;
- (b) Conduct a hearing as described in section 116545;
- (c) Find that:
  - (1) consolidation of the public water systems is feasible;
  - (2) consolidation is the best means to provide an adequate supply of safe potable water to the customers of those public water systems
- (d) Provide the receiving system with adequate and affordable financial assistance for the infrastructure needed to complete the consolidation. Affordability shall be based on the State Water Resources Control Board's existing financial assistance guidelines and policies.
- (e) Where the subsumed public water system is a privately held company, adequately compensate the owners for the fair market value of the system.

*Version: 5/15/2015 at 4pm*



**California Special  
Districts Association**

**CSDA**

*Districts Stronger Together*

May 21, 2015

The Honorable Edmund G. Brown, Jr.  
Governor, State of California  
State Capitol Building  
Sacramento, CA 95814

**RE: Drought Water System Consolidation Budget Trailer Bill 825 – COMMENTS**

Governor Brown:

We appreciate the opportunity to have met with your staff on May 20 regarding your proposed drought water system consolidation budget trailer bill 825, which was posted May 18. We thank your staff for taking the time to hear from a delegation of CSDA members who have extensive first-hand experience in consolidations of water systems. Due to the imminent June 15 deadline associated with this proposal, we have placed our initial feedback in writing for further consideration by you and your staff. We are continuing to vet this proposal with our membership and would like to continue our dialogue with your staff as the legislative process moves forward.

*Process*

In this letter, we have outlined both policy principles regarding local agency consolidation and our initial feedback as to the specific language used for the trailer bill. However, prior to that discussion, we must share our strong concerns with regard to the avenue through which this policy is currently proposed. Consolidation of essential local services, such as water systems, is a highly complex endeavor with a multitude of long-lasting health, fiscal and legal consequences. Ill-conceived alterations to this area of law could lead to years of legal wrangling that could exacerbate the plight of communities already struggling with a lack of resources.

Existing law in this area, under Cortese-Knox-Hertzberg, has taken decades to develop. The most appropriate place for considering changes to such policy is through the deliberative legislative policy process, not the truncated budget process. To the extent it requires urgent action, the legislature has the authority to enact the policy through urgency, rather than budget language.

*Principles*

In approaching this challenge, CSDA encourages the administration to consider the following principles:

1. **Key Distinction**—In terms of both democratic accountability and performance, public water systems managed by public agencies, like special districts, are distinct from those managed by private agencies, like mutual water companies. This distinction is borne out in terms of the number of systems identified as failing to provide potable water as well as the transparency and accountability provisions required under current law.

California Special Districts Association

1112 I Street, Suite 200  
Sacramento, CA 95814  
toll-free: 877.924.2732  
t: 916.442.7887  
f: 916.442.7889  
www.csda.net

*A proud California Special Districts Alliance partner*

Special District Risk Management Authority  
1112 I Street, Suite 300  
Sacramento, CA 95814  
toll-free: 800.537.7790  
f: 916.231.4111

CSDA Finance Corporation  
1112 I Street, Suite 200  
Sacramento, CA 95814  
toll-free: 877.924.2732  
f: 916.442.7889

We encourage the administration to recognize this distinction in how it approaches the consolidation of water systems. Consolidations affecting public agencies should recognize and allow for a local democratic process.

2. **A Local Process**—No two water systems, no two consolidations and no two communities are the same. Only a local process at the local level will adequately assess the unique, case-by-case nature of these circumstances. Local Agency Formation Commissions (LAFCOs) include the representation to provide a local process.
3. **Stakeholder Involvement**—Any consideration of reorganization or process for facilitating reorganization should be balanced and include consultation with representatives of all affected agencies. LAFCOs provide the forum to facilitate stakeholder involvement.
4. **Objective Analysis**—Reorganizations involve complex managerial, legal and engineering feats. Bigger is not always better, and combining a failing system with a non-failing system may not achieve savings. It may even exacerbate challenges. An objective analysis and feasibility study is important to provide guidance to decision-makers and transparency to the process. LAFCOs possess the experience and expertise in conducting and contracting for such analyses.
5. **Voter Rights**—Ultimately, the residents receiving a local service and paying for the service should choose the service. CSDA respects and values the role of the public in self-determining the local government entities that deliver its services. LAFCOs allow for public protest and vote on actions related to public agency consolidations.

### *Proposal*

While CSDA is still in the process of vetting the proposal with our membership, we wanted to enumerate the initial concerns we shared in our meeting with your staff due to the approaching deadline:

1. **Sunset Date**—As stated above, this proposal seeks to urgently address a highly complex area of law. Therefore, we encourage the administration consider adding a sunset date to allow for an evaluation as to the consequences and potentially unintended consequences of the new policy. Consolidations in the process at the time of the sunset should be permitted to continue under the proposal.
2. **Backstop**—We appreciate the administration's intent this proposal serve as a backstop to existing processes for the consolidation of water systems. We encourage the addition of language to make it clear the exercise of this proposal would serve as a last resort. Before authorizing the State Water Resources Control Board (Water Board) to consolidate water systems, it should require the local LAFCO to conduct an objective analysis and attempt to address the failed system through its recommended course of action using the LAFCO process. This LAFCO action may occur through an enhanced Government Code Section 56133 process, as discussed in the next section of this letter.
3. **Definition of "Public Water System"**—This term should be cross-referenced with the appropriate code sections to facilitate clarification and understanding of the proposed process.
4. **Definitions of "Fails" and "Adequate Supply"** —These definitions are critical as they trigger the new powers afforded the Water Board. How would the failure be measured? What is considered an adequate supply? How long and/or how many and how severe must the failures be? Would there be opportunity for prior notification or warning?

5. **Consultation of All Stakeholders**—Subsection (a) of the proposal requires consultation with the LAFCO. We encourage this consultation requirement be expanded to all affected stakeholders, including the receiving agency, the subsumed agency and the Public Utilities Commission where appropriate.
6. **Definition of “Feasible”**—The proposed paragraph (1) of subsection (c) requires a finding that consolidation is “feasible.” We encourage the administration define feasibility in a manner that encompasses economic and technical feasibility. We further suggest the proposal require use of the existing LAFCO process for conducting a feasibility study.
7. **Standard for “Best Means Available”**—The proposed paragraph (2) of subsection (c) requires a finding that consolidation is the best means of water provision. We encourage the inclusion of standards for this determination.
8. **Adequate and Affordable Financial Assistance**—We appreciate the inclusion of language in subsection (d) to provide the receiving agency with adequate and affordable financial assistance for the infrastructure needed to complete the consolidation. However, the proposal is unclear as to who will make this determination and what standard will be used in that determination. We encourage the amount of assistance be determined by the receiving agency and the feasibility study conducted by the LAFCO.
9. **Fair Market Value**—We appreciate the inclusion of language in proposed subsection (e) to provide state funding to pay privately held companies fair market value when their failed water systems are subsumed. We encourage the administration to clarify the funding source within the proposal. Furthermore it is important that liabilities, outstanding fees and penalties and the degraded state of the system are all factored into the assessed valuation.

### *Existing Solutions*

In addressing the challenges facing failing water systems, CSDA encourages the administration to first and foremost work within the framework of existing solutions:

1. **Government Code Section 56133**—This is an existing remedy to circumstances where there exists a threat to public health and safety. To the extent this remedy is inadequate or underutilized, we encourage the administration to enhance this section or incentivize its use to address the concern as effectively as possible through the existing framework. This would be preferable to creating an entirely new process through the Water Board.
2. **Integrated Regional Water Management**—The IRWM process provides an ideal framework for identifying and addressing failing water systems. The North Coast IRWM is an example of a successful plan making real progress. We encourage the administration build off of existing successful models, such as this, and work within an existing framework.
3. **Joint Powers Agreements**—The establishment of a JPA may be preferable to a direct consolidation as it would allow for the region to share technical support and spread financial risk.
4. **Functional Consolidations**—Authorizing for the management of a system and the sharing of resources, while maintaining local control and fiscal autonomy can sometimes mitigate drawbacks of standard consolidations while improving results.

5. **Simple Fixes**—There are times when simple fixes, such as funding wellhead treatment for small agencies will resolve circumstances threatening public health and safety. Funding and technical support for these simple fixes may be the most effective emergency solution.

*Additional Critical Considerations*

Before forcing consolidations, the State could reduce the existing barriers to consolidation. Without eliminating these barriers, forced consolidations may lead to unintended consequences. Among the considerations CSDA members have identified:

1. **Liability and Indemnification**—The liability a receiving agency—both retail and wholesale—must assume. We encourage the inclusion of language similar to what was provided for in SB 1130 of 2014 in order to protect agencies associated with the receiving of a failed water system.
2. **Litigation**—The litigation public agencies may face when taking on a failed system. The administration may want to consider avenues for providing legal support to receiving local agencies or LAFCOs. There may also need to be reforms to the legal process.
3. **Grant Funding Caps**—Consolidations under emergency circumstances typically require the receiving public agency to make significant infrastructure investments to bring the failing system into compliance and incorporate them into the public system. Examples of cost could include the establishment of a “lifeline” system, engineering and design, final system construction, well abandonment and closure, as well as annexation of the failed system into the public agency sphere of influence. The funding caps on existing grant opportunities can make these projects infeasible for the assuming agency. Providing state agencies with the flexibility to assess the needs of the system and make the appropriate funding award based on the demand for system improvements and water quality concerns would better facilitate the process.
4. **Receivership**—Consolidations can be a lengthy process and are rarely linear in nature, as negotiations may take a number of avenues. The receivership process is an available resource that can assist with resolving complicated issues and facilitating the transfer of the failing system to the assuming agency. As a result, reforms to streamline access to the court system in a timely manner may be appropriate.
5. **Operations and Maintenance Funding**—Operations and maintenance costs in disadvantaged communities. Most grant programs and revolving fund programs cover only design and construction costs. Two appropriate funding sources might include:
  - a. Restore local property tax revenues, diverted away from these communities since 1992 under the Educational Revenue Augmentation Fund (ERAF), to a public agency that takes on a failing water system. This would provide a sustainable funding source for operations and maintenance.
  - b. Dedicate a portion of the Cap and Trade Expenditure Plan to public agencies that take on a failing water system for purposes of assisting with the associated ongoing operations and maintenance costs.

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Once again, CSDA is thankful for the opportunity to share the experience of our membership with your administration as you continue your efforts to address the challenge of failing water systems. We look forward to ongoing dialogue and wish to continue serving as a resource to you and the Legislature.

Sincerely,



Kyle Packham  
Advocacy & Public Affairs Director

CC: The Honorable Mark Leno, Chair Senate Budget and Fiscal Review Committee  
The Honorable Shirley Weber, Chair Assembly Budget Committee  
Martha Guzman-Aceves, Deputy Legislative Secretary, Office of Governor Brown  
Liz Haven, Deputy Director Division of Financial Assistance, State Water Resources Control Board  
Debbie Franco, Community and Rural Affairs Advisor, Office of Planning and Research  
Chris Calfee, Senior Counsel, Office of Planning and Research  
Cindy Forbes, Deputy Director, Division of Drinking Water, State Water Resources Control Board  
Mark Ibele, Staff Director, Senate Budget and Fiscal Review Committee  
Catherine Freeman, Consultant, Senate Budget and Fiscal Review Committee  
Rocel Bettencourt, Senate Republican Consultant  
Christian Griffith, Chief Consultant, Assembly Budget Committee  
Gabrielle Meindl, Consultant, Assembly Budget Committee  
Chris Holtz, Consultant, Assembly Republican Consultant