



September 11, 2014

**TO:** LOCSD Board of Directors

**FROM:** Kathy A. Kivley, General Manager

**SUBJECT: Agenda Item 11E – 10/2/2014 Board Meeting**

Adopt Resolution Rescinding the Prior Action as to the Solid Waste Interfund Loan and Write-Off the Interfund Loan from the Water Fund to the Wastewater Fund

**President**  
Craig V. Baltimore

**Vice President**  
R. Michael Wright

**Directors**  
Leonard A. Moothart  
Marshall E. Ochylski  
Jon-Erik G. Storm

**General Manager**  
Kathy A. Kivley

**District Accountant**  
Michael L. Doyel

**Fire Chief**  
Robert Lewin

**Battalion Chief**  
Phill Veneris

**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.locsd.org

**DESCRIPTION**

Write-off the \$410,000 loan to the Wastewater Fund from the Water Fund.

**SUMMARY OF STAFF RECOMMENDATION**

Staff recommends that the Board adopt the following motion:

***Motion: I move that the Board adopt Resolution No. 2014-23 rescinding the Board Action in Resolution 2006-08 in regards to the Solid Waste Fund and directing the General Manager to write-off the Interfund Loan to the Wastewater Project Fund.***

**DISCUSSION**

On May 6, 2006, the then Board of Directors (Senet, Cesena, Fouche, Tacker and Schicker) by Resolution No. 2006-08 authorized two Interfund Loans to the Wastewater Project Fund. The March 2006 Board authorized staff to negotiate a contract with Ensite Consultants as a result of the RFP for preparation of a Septic Management Plan and the evaluation of alternate on-site technologies for mitigating discharges from existing septic systems serving the Bayridge Estates and Vista de Oro subdivisions. In March 2006, the San Luis Obispo County Superior Court froze the District's wastewater funds pending an audit of the funds. In spite of the Superior Court action the then Board decided to proceed with the Project Report Update as well as the preparation of the septic management program and mitigation of the existing septic systems. The staff report specified the Solid Waste Fund would loan the money from Reserves. There was no direction given to staff with regards to what accounts in the Water Fund would be used to cover the interfund loan.

Staff reviewed all the financial information currently available regarding the two interfund loans and determined the only fund that transferred money to the Wastewater Fund was the Water Fund. No loans were made from any of the accounts from the Solid Waste Fund. Since staff concluded no money was loaned from the Solid Waste Fund the only recommendation is rescinding the action. Regarding the Water Fund, the loan was not submitted through the bankruptcy and is now recommended it be written off. There are no funds within the Wastewater Fund to repay this loan. This fund receives revenue as administrative fees which normally cover the cost of bank services and other miscellaneous charges. This money is insufficient to pay off the interfund loan.

**FINANCIAL IMPACT**

The Water Fund loaned the Wastewater Fund \$410,000. It was determined the loan from the Water Fund came from 500-3200 fund balance. The Solid Waste Fund (Refuse) loan was designated at \$220,000 for the Wastewater Fund. No funds were loaned.

Attachment – Resolution 2014-23

**RESOLUTION 2014 – 23**

**A RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT  
RESCINDING THE PRIOR ACTION AS TO THE SOLID WASTE INTERFUND LOAN AND WRITE  
OFF THE INTERFUND LOAN FROM THE WATER FUND TO THE WASTEWATER FUND**

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

**WHEREAS**, the Board of Directors recognizes it is important to support actions taken by prior Boards; and

**WHEREAS**, the Board of Directors recognizes sometimes it is necessary to rescind prior Board actions; and

**WHEREAS**, the Board of Directors realizes the conclusion of the bankruptcy is a positive step for the District; and

**WHEREAS**, the Board of Directors recognizes the importance of taking the appropriate actions to continue to resolve items associated with the bankruptcy; and

**WHEREAS**, the Board of Directors desires financial stability and accountability with transparency in their actions; and

**WHEREAS**, based on staff extensive analysis and research the Board of Directors desires to take actions within their authority;

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

1. Rescind the action taken by Resolution No. 2006-08 regarding the interfund loan from the Solid Waste Fund to the Wastewater Fund as no action was taken by staff to loan the funds;
2. Eliminate the debt of \$410,000 obligated in the Wastewater Fund and owed to the Water Fund by writing-off the interfund loan and prepare the appropriate paperwork consistent with Standard Government Accounting Practices to remove this obligation from the financial records;
3. Authorize staff to take this action effective June 30, 2014.

The Board of Director hereby agrees with all the terms and conditions as outlined. This agreement was passed by Resolution No. 2014-23 adopted on the 2<sup>nd</sup> day of October, 2014 and incorporated therein by reference.

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

AYES: \_\_\_\_\_

NOES: \_\_\_\_\_

ABSENT: \_\_\_\_\_

ABSTAIN: \_\_\_\_\_

\_\_\_\_\_  
Craig V. Baltimore  
President of the 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