



June 26, 2017

TO: LOCSD Board of Directors

FROM: Ann Kudart, Administrative Services Manager

SUBJECT: **Agenda Item 11B – 7/62017 Board Meeting**
Approve Meeting Minutes of June 1, 2017 and June 15, 2017

President
Jon-Erik G. Storm

Vice President
Vicki L. Milledge

Directors
Charles L. Cesena
Marshall E. Ochylski
Louis G. Tornatzky

General Manager
Renee Osborne

District Accountant
Robert Stilts, CPA

Unit Chief
Scott M. Jalbert

Battalion Chief
Greg Alex

DESCRIPTION

Attached are minutes from your Board's Regular Meeting held January 5, 2017 for your approval.

STAFF RECOMMENDATION

This item will be approved along with the Consent Calendar unless it is pulled by a Director for separate consideration. If so, Staff recommends that the Board adopt the following motion:

Motion: I move that the Board approve the minutes of the Board of Directors June 1, 2017 and June 15, 2017 meetings.

Attachment

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Los Osos Community Services District
DRAFT Minutes of the Regular Meeting of June 1, 2017

AGENDA ITEM	DISCUSSION OR ACTION
<p>1. CALL TO ORDER/FLAG SALUTE/SILENT OBSERVANCE/ROLL CALL</p>	<p>President Storm called the meeting to order at 7:02 p.m. and led the flag salute.</p> <p>Roll Call: Charles L. Cesena, Director – Present Marshall E. Ochylski, Director – Arrived at 6:35 p.m. Louis G. Tornatzky, Director – Present Vicki L. Milledge, Vice President – Present Jon-Erik G. Storm, President – Present</p> <p>The following Staff were present: Renee Osborne, General Manager Roy Hanley, District Legal Counsel Greg Alex, Battalion Chief Ann Kudart, Administrative Services Manager</p>
<p>2. PRESENTATIONS</p> <p>A. Presentation of Certificate of Appreciation to Battalion Chief Josh Taylor</p> <p>B. Administer Firefighter's Oath to New Station 15-South Bay Reserve Firefighters Toby Bender, Randall Cavigli, Denver Chavez, Joseph DeAnda, Daniel Mobley, Maxwell Palmer, and Samuel Wright</p>	<p>President Storm, on behalf of the Board, presented Battalion Chief Taylor with a proclamation commending him for his service to the community of Los Osos and wished him the best in his new position in North County.</p> <p>Battalion Chief Alex introduced the new reserves; President Storm administered the Firefighter's Oath and the Reserves were pinned by family and coworkers. The Board, staff, and public congratulated the Reserves and thanked all the firefighters present for their service to the community.</p>
<p>3. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA</p>	<p>Julie Tacker commented on discussions regarding the upcoming rate increase; disappointed there was no public discussion regarding the admin draw, and the GM contract.</p> <p>Steve Best commented on transparency; the pool funds; and a dog park.</p> <p>Richard Margetson commented on misinformation regarding a 225% water rate increase and the need to education the community on the rate increase.</p>
<p>4. ADMINISTRATIVE AND COMMITTEE REPORTS</p> <p>A. Fire Department Report</p> <p>B. Sheriff Department Report</p> <p>C. Utilities Department Report</p> <p>D. General Manager Report</p> <p>E. Los Osos Community Advisory Council (LOCAC)</p> <p>F. Los Osos/Baywood Park Chamber of Commerce Report</p> <p>G. Emergency Services Advisory Committee Meeting Report</p> <p>H. Utilities Advisory Committee Meeting Report</p> <p>I. Finance Advisory Committee Meeting Report</p>	<p>Battalion Chief Alex provided a summary of the April 2017 Fire Department activities as submitted in the agenda packet.</p> <p>None</p> <p>General Manager Osborne provided a report on the April 2017 activities of the Utilities Department as submitted in the agenda packet.</p> <p>General Manager Osborne provided a summary of the GM's activities for May 2017 as submitted in the agenda packet.</p> <p>None</p> <p>None</p> <p>Vice President Milledge reported on the May 16th ESAC meeting in which the Committee said their farewells to Chief Taylor; welcomed Chief Alex; and reviewed a draft of the 2017 Strategic Business Plan and provided input.</p> <p>Director Cesena reported on the May 16th UAC meeting in which the Committee discussed the water rate increase and reviewed the budget.</p> <p>President Storm reported on the May 25th FAC meeting in which the Committee recommended approval of the warrants, discussed mitigating bank fees, and reviewed the proposed 17/18 budget.</p>

AGENDA ITEM	DISCUSSION
<p>J. Directors' Announcements of District and Community Interest and Reports on Attendance at Public Meetings, Training Programs, Conferences, and Seminars</p> <p>K. Response to Previously Asked Questions</p>	<p>President Storm reported that he spoke to the Lions, Rotary, Kiwanis, and a church group regarding the rate study.</p> <p>Director Tornatzky reported on his attendance at the County's Park and Recreation Commission meeting on May 25th.</p> <p>None</p>
<p>5. PUBLIC COMMENT ON THE ADMINISTRATIVE AND COMMITTEE REPORTS AND THE CONSENT AGENDA</p>	<p>Julie Tacker commented on the changeover to District credit cards and urged the Board to be more transparent with the committees.</p> <p>Richard Margetson commented on errors in the CPI report and the financial report.</p>
<p>6. CONSENT AGENDA</p> <p>A. Receive Administrative and Committee Reports</p> <p>B. Not Used</p> <p>C. Approve Warrant Register for Disbursement for May 2017</p> <p>D. Receive Financial Reports for Period Ending April 30, 2017</p> <p>E. Adopt Resolution Approving Use of Fire Mitigation Funds for Medic Engine 215 Transmission Repairs in the Amount of \$18,000 and Command Vehicle Body Damage Repairs in the Amount of \$7,000</p> <p>F. Accept Firehouse Subs Public Safety Foundation Cash Award in the Amount of \$34,763.04 and Approve Budget Adjustment</p> <p>G. Approve Implementation of CPI Increase to Fire Special Tax for FY2017/2018</p> <p>H. Adopt Resolution Authorizing Rabobank to Issue District Credit Cards to Authorized Staff Members</p>	<p>A motion was made by Director Ochylski to receive and file the Administrative and Committee Reports and to approve the items on the Consent Calendar. The motion was seconded by Vice President Milledge and carried with the following vote:</p> <p>Ayes: Directors Ochylski, Milledge, Cesena, Tornatzky, Storm Nays: Cesena on Items 6D and 6G, Storm on Item 6G Abstain: None Absent: None</p>
<p>7. GENERAL ACTION ITEMS</p> <p>A. Consider Special District Risk Management Authority (SDRMA) Board of Directors Election Ballot</p>	<p>Public Comment – None</p> <p>The Board took no action and no ballot was submitted.</p>
<p>B. Review of Proposed Draft Budget for FY2017/2018</p>	<p>President Storm reported that this item was not for approval but to provide staff with input from the Boards and public. He reported that FAC discussed Fire looking at possible grant funding for the purchase of a heart monitor mandated by the County; discussion of contingency reverses versus expensing; property tax rate calculations; revenue fund transfers for Bayridge, Vista, and Wastewater; excessive bank charges; Bayridge property taxes and the County's contribution to Bayridge projects; mechanics of the assessment; accounting issues with negative fund balances; Fund 400 fund balance; Fund 500 concerns regarding recycled water; allocation of various functions of utility staff; I-Bank loan fee; Fund 800 discussion regarding capitalizing the pump repairs and possible cost benefit analysis of redoing drainage system to larger pipe; can Drainage assessment be increased; Fund 900 questions regarding Administrative draw; asked where the Wastewater repayment was; and FAC recommended finding a way to fully fund staffing.</p>

AGENDA ITEM	DISCUSSION
<p>B. Review of Proposed Draft Budget for FY2017/2018 (continued)</p>	<p>Regarding Fund 200 Bayridge, General Manager Osborne reported that the annual interest rate for the loan to Bayridge should be west coast prime plus 1% not 1%; Legal Counsel Hanley reported that regarding the Bayridge loan, the County has no interest in assuming debit and they are not legally obligated; Director Ochylski reported that discussions during the bankruptcy had the County paying off the debt to the District and then the County collecting from the property owners not writing the debt off completely; Mr. Hanley will address this issue with County Counsel. General Manager Osborne requested Board direction on allocations from funds other than Fire; in Fund 400 the loan to Vista de Oro loan was to be paid off in 2014/2015 but will confirm; Director Cesena reported that Bayridge, Vista, and Drainage assessments are fixed and supports a 1% allocation draw. Ms. Osborne reported on Fund 500 Water and that training costs will be split between Water and Drainage; the pump purchase will be capitalized; computer hardware/software was funded; adjustment were made to the Intertie fund as payment was received from GSWC; Fund 800 Drainage will have a negative fund balance; Fund 900 Parks and Rec had no major changes; Fund 100 Admin allocations are needed; increase to Legal as recommended by FAC.</p> <p>Public Comment – Julie Tacker supported discussions regarding admin allocations and property tax allocations; commented on work in drainage and the Bayridge loan; opposed the draw on Parks and Rec fund; and did not approve of the budget narrative.</p> <p>Richard Margetson commented on the need to correct the assessments in Vista, Bayridge and Drainage; and supported the need to discuss the budget line item by line item.</p> <p>President Storm asked for clear and direct summary of what the proposed budget is going to do in each fund and overall to the fund balances and if short the Board should decide what the priorities are and what gets cut or how much of the fund balance is used.</p> <p>The Board requested clarification of revenues versus expenses; in Fund 800 an accurate picture of the reserves and how they will be used to accomplish projects and cover payroll; need to see what portion is being set aside in the reserve funds for capital improvements and also what is being set aside for shortfalls and operational expenses in all the funds; clarification in Fund 500 of the interfund loan reserve from Bayridge; consistency with property taxes as proposed in the chart provided at the May Board meeting; and suggested Admin allocations for Fire-10%, Water-80%, Drainage-6%, Parks and Rec-1%, Bayridge-0%, Vista-0%; Wastewater-3%.</p> <p>President Ochylski requested a special FAC meeting be held to review the budget and provide recommendations to the Board before their special meeting on June 15th. President Storm concurred.</p>
<p>13. DISCUSSION OF PULLED CONSENT ITEMS</p>	<p>None</p>
<p>14. FUTURE AGENDA ITEMS</p>	<p>President Storm appointed Director Tornatzky to an ad hoc committee on accounting software, working with staff to provide a cost benefit analysis to change from the current accounting software or what the District needs to have an automatic budget process.</p> <p>President Storm appointed Vice President Milledge to an ad hoc committee regarding staffing levels and staffing needs.</p>
<p>15. CLOSING BOARD COMMENTS</p>	<p>Director Cesena announced today's groundbreaking of the 40 Prado Homeless Shelter.</p>
<p>16. ADJOURNMENT</p>	<p>The meeting adjourned at 9:04 p.m.</p>

Los Osos Community Services District
DRAFT Minutes of the Special Meeting of June 15, 2017

AGENDA ITEM	DISCUSSION OR ACTION
<p>1. CALL TO ORDER/FLAG SALUTE/SILENT OBSERVANCE/ROLL CALL</p>	<p>President Storm called the meeting to order at 7:00 p.m. and led the flag salute.</p> <p>Roll Call: Charles L. Cesena, Director – Present Marshall E. Ochylski, Director – Present Louis G. Tornatzky, Director – Present Vicki L. Milledge, Vice President – Absent Jon-Erik G. Storm, President – Present</p> <p>The following Staff were present: Renee Osborne, General Manager Roy Hanley, District Legal Counsel Rob Miller, District Engineer Ann Kudart, Administrative Services Manager</p>
<p>2. PUBLIC COMMENT FOR ITEMS NOT ON THE AGENDA</p>	<p>Mary Lucey, Patti Welsh, and Nancy McNeil supported the removal of Jeff Edwards and Julie Tacker from all District committees.</p> <p>Lynette Tornatzky commented on Mr. Edwards' inappropriate behavior at past committee meetings.</p> <p>Linde Owen opposed the removal of Mr. Edwards and Ms. Tacker from their committees.</p>
<p>3. PUBLIC HEARING A. Public Hearing to Consider and Tabulate Written Protests from Water Customers and Property Owners Within the District's Water Service Area Regarding Proposed Water Rates</p>	<p>Legal Counsel Hanley stated that as there are 2785 connections, a successful protest will need 1393 protest votes.</p> <p>District Engineer Rob Miller provided a PowerPoint presentation and discussed water sale trends and previous predications; revenue loss from reduced sales; the impact to revenue when the schools convert to recycled water; potential revenue reductions from changes in property tax allocations; reporting that the increase is to meet operation, maintenance, and capital replacement expenses for provide water service within the District's water service area.</p> <p>President Storm opened the public hearing for testimony to consider all objections or protests regarding the proposed water rates.</p> <p>Public Comment – Gretchen Clarke commented on her concerns for the aquifer and supported the rate increase.</p> <p>Tony Lam commented on customers in the lower tiers getting hit hardest.</p> <p>Linda Trahey commented on her confusion when referencing water usage in terms of ccf, gallons, and units; and concerns with the rate structure for lower users.</p> <p>Yael Korin questioned the costs when going from one tier to the next higher tier.</p> <p>Linde Owen handed in 12 additional protests; she opposed private wells not having to pay for their water usage.</p> <p>Richard Margetson reported that the 80% Admin allocation was what the rate study group used to develop rate structure however the budget shows a possible 86.5%.</p> <p>Julie Tacker voiced her support for the rate increase and questioned the additional 35 connections as reported by Legal Counsel.</p> <p>Speaker Natasha thanked the rate study group for volunteering their time; questioned how the District's fixed rates compare to other areas; why the District does not offer low income assistance; and when does the District plan to complete the capital projects.</p> <p>Speaker Steve commented on the high costs from the sewer and now increases to the water rates.</p> <p>President Storm closed the public hearing and Legal Counsel Hanley reported that 226 protests have been received.</p>

AGENDA ITEM	DISCUSSION
<p>3. PUBLIC HEARING A. Public Hearing Regarding Proposed Water Rates (continue)</p>	<p>A motion was made by Director Cesena that the Board adopt Resolution 2017-14 approving a water rate increase which will become effective according to law. The motion was seconded by Director Tornatzky and carried with the following vote:</p> <p>Ayes: Directors Cesena, Tornatzky, Ochylski, Storm Nays: None Abstain: None Absent: Milledge</p>
<p>3. PUBLIC HEARING B. Public Hearing to Adopt Proposed Fiscal Year 2017/2018 Budget</p>	<p>President Storm called for a short break then reconvened the meeting.</p> <p>General Manager Osborne reviewed the proposed 2017/2018 budget summary with negative fund balances in Bayridge, Wastewater, and Drainage; reported that 2015/2016 audit shows \$314,000 in the Drainage reserve that could be used to pay for operations and training in Drainage.</p> <p>President Storm opened the public hearing to consider testimony regarding adoption of the Proposed 2017/2018 Draft Fiscal Budget.</p> <p>Julie Tacker commented on the overtime in Admin; a \$5,000 fund balance in Admin that should be zeroed out; disagreed with the Organizational Chart as submitted; commented on divesting Bayridge and Vista; opposed taking reserve funds from Drainage to pay for operations; and that Wastewater should pay for itself.</p> <p>Richard Margetson commented on discrepancies throughout the budget; budget should go back to the committees for review; and that the Board has a fiduciary responsibility to develop a budget, develop resources of revenue, and make sure the budget is adhered to and monies are spent appropriately.</p> <p>Seeing no other speakers, President Storm closed the public hearing.</p> <p>The Board discussed the negative fund balances in Bayridge and Drainage; reserve balances; directed the budget go back through committees for additional review and recommendations to the Board; and that the hearing be continued until the next regular meeting of the Board on July 6, 2017.</p> <p>A motion was made by Director Cesena to adopt Resolution 2017-15 adopting the Fiscal Year 2016/2017 Continuing Budget until a Fiscal Year 2017/2018 Budget is adopted on or before September 1, 2017, as required by law. The motion was seconded by Director Ochylski and carried with the following vote:</p> <p>Ayes: Directors Cesena, Ochylski, Tornatzky Nays: Storm Abstain: None Absent: Milledge</p>
<p>4. CONSENT CALENDAR A. Adopt Resolution Establishing Appropriation Limit for Fiscal Year 2017/2018</p>	<p>Public Comment - None</p> <p>A motion was made by Director Cesena that the Board adopt Resolution 2017-16 establishing the District's appropriation limit of \$8,825,379 for Fiscal Year 2017/2018. The motion was seconded by Director Tornatzky and carried with the following vote:</p> <p>Ayes: Directors Cesena, Tornatzky, Ochylski, Storm Nays: None Abstain: None Absent: Milledge</p>
<p>ADJOURNMENT</p>	<p>The meeting adjourned at 8:34 p.m</p>