



FINANCE ADVISORY COMMITTEE MEETING

Thursday, February 23, 2017 at 5:30 p.m.
Los Osos Community Services District Office
2122 9th Street, Suite 106, Los Osos, CA

COMMITTEE MEMBERS

Marshall Ochylski, Chairperson
Jon-Erik Storm, Alternate Chairperson
Michael Burns, Member
Jeff Edwards, Member
Lisa Gonzalez, Member
Cheri Grimm, Member
Christine Womack, Member

STAFF

Renee Osborne, General Manager
Rob Miller, District Engineer
Ann Kudart, Administrative Services Manager

AGENDA

1. **Opening – 5:30 p.m.**
 - A. Call to Order
 - B. Flag Salute
 - C. Roll Call
2. **Introduction of 2017 Finance Advisory Committee and a Review of Brown Act Guidelines**
Presented By: Chairperson Ochylski
3. **Water Rate Study Group Update**
Presented By: District Engineer Miller, UAC Committee Member Munds, and Richard Margetson
4. **Approval of Meeting Minutes of November 28, 2017**
Presented By: Administrative Services Manager Kudart
5. **Review of Board Item Regarding February 2017 Warrant Register for Disbursement**
Presented By: General Manager Osborne
6. **Review of Board Item Regarding Financial Reports for Period Ending January 31, 2017**
Presented By: General Manager Osborne
7. **Review of 2017 FAC Work Plan**
Presented By: Chairperson Ochylski and General Manager Osborne
8. **Public Comments on Items NOT on this Agenda:** At this time, the public may comment on items not on this agenda. Each commenter is limited to 3 minutes and shall address the Chairperson.
9. **Schedule FAC Meeting** – Unless otherwise noted, the next FAC meeting will be held Thursday, March 30th.
10. **Closing Comments by FAC Committee Members**
11. **Adjournment**

ITEM 2

REVIEW OF BROWN ACT GUIDELINES

2017 BOARD BYLAWS AND RULES OF DECORUM

(Amended February 2, 2017)

11. COMMITTEES

11.1 Standing Committees.

The Board of Directors may create and abolish Standing Committees at its discretion. Standing Committees shall be advisory committees to the Board of Directors and shall not commit the District to any policy, act or expenditure. Each Standing Committee shall consider District related issues assigned to it by the Board of Directors.

(a) Standing Committees shall conduct business at all times in a manner consistent with these Bylaws, applicable laws, and Board Policy.

(b) The General Manager, in cooperation with the Committee Chairperson, shall prepare the agenda for each Standing Committee meeting. Nothing may be placed on the agenda of any Committee that is not included in that Standing Committee's Work Plan or in other separate direction from the Board of Directors. Consideration of any other matters are *ultra vires* and void acts.

(c) Each Standing Committee shall meet at most monthly as determined by the Committee Chairperson, provided there is pending consideration of something within the Committee's Work Plan or specific direction from the Board of Directors. There are no quorum requirements for Standing Committee meetings. Recommendations to the Board of Directors shall include all opinions of members of the Standing Committee on each issue raised for their recommendation and shall include the number of members concurring in each opinion. The opinion receiving the most concurrence is the majority report. Other opinions are minority reports.

(d) Subject to the availability of public membership, Standing Committees shall be comprised of up to five public members, none of whom shall be Directors; and one Director appointed by the President as the non-voting Chairperson and one Director appointed by the President as Alternate. The Alternate only needs to attend if the Chairperson is unable to attend. In the absence of both Chairperson and Alternate the President may assign a Board Member to temporarily act as the Committee Chairperson in order that the Standing Committee may meet as established by the previously adopted schedule.

Depending on the number of applications, the Board of Directors retains the discretion to alter Standing Committee membership on a case-by-case basis.

(e) The General Manager shall be an ex-officio member of all Standing Committees. The Committee Chairperson and Committee Alternate are non-voting members appointed for the sole purpose of conducting the meeting, enabling conversation, facilitating discussions, and forwarding recommendations to the Board of Directors.

(f) Each Director shall appoint one voting member to each Standing Committee. The appointee shall serve at the pleasure of the Director who appointed them. The Board of Directors may also remove any Standing Committee member with or without cause.

(g) On or before January 31st or as otherwise established by the Board of Directors of each year, members of the public who reside within the boundaries of the District are invited to apply for specific Standing Committee assignments by completing an application. Members of the public shall be eligible to serve on only one Standing Committee at a time. Members of the public who reside within the boundaries of County Service Area No. 9, Zone I are eligible to apply to the Emergency Services Advisory Committee (ESAC) only.

The General Manager shall prepare an appointments list of all Standing Committees. This list shall be known as the local appointment list and will be provided to the Board of Directors at the first meeting in February or other date established by the Board of Directors.

(h) The local appointment list shall be made available to the members of the public and shall be posted at the District office and the District's web site.

(i) Whenever an unscheduled vacancy occurs on a Standing Committee, a special vacancy notice shall be posted at the District office, the public library, the District's web site, and other places as directed by the Board of Directors, not earlier than twenty days before, or not later than twenty days after the vacancy occurs inviting the public to apply for appointment as a committee member.

Final appointment of Standing Committee members shall not be made by the Board of Directors for at least ten working days after the posting of the Notice at the District's office.

(j) Notwithstanding Section 11.1(g), above, the Board of Directors may, if it finds an emergency exists, fill the unscheduled vacancy immediately. The person appointed to fill the vacancy shall serve only on an acting basis until final appointment is made pursuant to Sections 11.1(f) and (g), above.

(k) A Standing Committee member will automatically be removed if he/she has three unexcused absences or misses four meetings in one calendar year.

(l) All Standing Committee members will receive Brown Act training and all meetings shall be conducted as public meetings in accordance with the Brown Act. Summary notes for each meeting of each Standing Committee shall be forwarded to the Board of Directors as a public record.

(m) The Board President may appoint persons to a subcommittee to assist a Standing Committee in making recommendations to the Board of Directors. The duties of the subcommittee shall be outlined at the time of appointment and the subcommittee shall be considered dissolved when its final report has been made to the Standing Committee.

11.2 Ad Hoc Committees. The Board President shall appoint such *ad hoc* committees comprised of two or less Directors as may be deemed necessary or advisable by himself/herself and/or the Board of Directors. The duties of the *ad hoc* committees shall be outlined at the time of appointment, and the committee shall be considered dissolved when its final report has been made. *Ad hoc* committees shall timely provide the District General Manager with their recommendations and/or reports.

The Brown Act

California's Open Meeting Law

- The law designed to guarantee the public's right to attend and participate in meetings of local public legislative bodies is the Ralph M. Brown Act

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WHO IS SUBJECT TO THE BROWN ACT?

- Governing Bodies and their members (e.g. Board of Directors)
- Subsidiary Bodies and their Members (e.g., standing committees)
- Private Corporations (publicly created)
- Private Corporations funded by District and board member is appointed by Board of Directors
- Successful candidates and nominees to one of the above

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SCOPE OF BROWN ACT

- What constitutes a "meeting"
- Notice Requirements for Meetings
- Agenda Requirements
- Public Participation at Meetings
- Recording of Meetings
- Disclosure of Written Materials
- Closed Sessions

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What is a Meeting?

- Majority of members of board present
- Members present at same time and place to hear, discuss or deliberate
- Item of discussion within subject matter jurisdiction of Board
- Serial Meeting

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KEY CONCEPT: SERIAL MEETING

- Use of consecutive or serial communications, each of which involves less than a quorum of the public body but which taken as a whole involve a majority of the body's members, either directly or indirectly through intermediaries, in person or by telephone, e-mail, or other electronic means, to develop collective concurrence or consensus on action to be taken
- Types: Hub-and-Spoke, Daisy Chain
- Think about social media, chat rooms and blogs as well

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Individual Contact Distinguished

- A member of a legislative body may contact an individual including another member of the same legislative body without an illegal meeting occurring
- BUT there is always a risk that one participant in the communication will disclose the views of the other participant to a third member, creating the possibility of achieving collective concurrence outside a public meeting

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Three Common Serial Meeting Scenarios

- Staff Briefings
- Constituent or Lobbyist as Intermediary
- Deal Making/Shuttle Diplomacy

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An Ounce of Prevention!

- Virtually all serial meeting violations can be prevented by following two simple rules of conduct:
 - Avoid discussing District business with a quorum of the Board outside a public meeting
 - Avoid soliciting, communicating, or hearing the views of other board members outside a public meeting

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WHAT'S NOT A MEETING SUBJECT TO BROWN ACT?

- Individual contacts (unless serial)
- Conferences
- Community meetings
- Another body of agency (but don't participate)
- Social or ceremonial events

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NOTICE REQUIREMENTS

- Notice must include time, place and business to be discussed
- Regular Meetings: notice and agenda posted at least 72 hours in advance
- Special Meetings: notice and agenda posted at least 24 hours in advance
- Emergency Meetings

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MEETING AGENDAS

- Post in freely accessible location
- Brief description of each item to be discussed or transacted
- NO ACTION OR DISCUSSION ON SUBJECT OR ITEM NOT DESCRIBED IN AGENDA (w/very limited exceptions)

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PUBLIC PARTICIPATION

- General Rule: At regular meetings members of the public must be given an opportunity to address Board on any item within subject matter jurisdiction of Board, whether on the agenda or not, and, if on the agenda, whether demarcated a public hearing or not, and whether on the regular or closed portion of the agenda

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OTHER BROWN ACT ISSUES

- Public has near-absolute right to record meetings
- Recordings of meetings by public agency are public records
- Written materials distributed to all or a majority of Board are, subject to very narrow exceptions, public records and must be made available for inspection and copying

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Remedies for Violation of the Brown Act

- Criminal
 - Misdemeanor (fine of not more than \$1000 and/or imprisonment of not more than 1 year)
 - Specific Intent Required: member must have intended to deprive public of information or right to participate
- Civil
 - Action by DA or by other interested party to invalidate action at improper meeting, costs, and attorneys' fees
 - Potential to infect decisions by other boards, councils

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ITEM 3

WATER RATE STUDY GROUP UPDATE

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Working Session for LOCSD Water Rates

Rate Study Working Group

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Water Sales Trends

- 2014 rate analysis predicted 236,000 CCF of water sales in FY16/17
- Current water sales projection is 194,000 CCF, a difference of 42,000 CCF
- Reduced sales results in \$250,000 to \$300,000 of reduced revenue

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Understanding LOCSD Water Revenue

- For FY 16/17, fixed bimonthly charge of \$59.32 raises \$986,000 per year
- Water charge on 194,000 CCF is expected to raise \$1,000,000 per year in FY 16/17
- Each **\$10** raise in bi-monthly fixed charge raises **\$166,000** per year
- Each **\$1** raise in water charge per CCF raises approximately **\$194,000** per year

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Potential Reductions in Revenue

- Baywood and Los Osos Middle School
Conversion to recycled water: \$10,000 to \$15,000 annual reduction
- Future reductions in water sales after additional conservation

Potential Revenue Reductions: Property Taxes

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- Current revenue: \$224,000
- Need Board direction, but discussion has included phased in reduction to 50% of current level over 2 years
- Potential impact in FY 17/18: \$56,000
- Potential impact in FY 18/19: \$112,000
- Represents \$7 increase in base fee (11%), or \$0.57 increase per CCF

Potential Revenue Reductions: Admin Allocation

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- Current allocation: 62% or \$365,000/year
- Need Board direction, but discussion has included future allocation of 80% (\$469,000)
- Potential impact in FY 17/18: \$104,000
- Represents \$6 increase in base fee (10%), or \$0.54 increase per CCF

Potential Revenue Reductions: Totals

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- Recycled water: \$15,000
- Property taxes: \$112,000
- Admin allocation: \$104,000
- Potential total impact pending Board direction: \$231,000 per year
- Add to this reduced water sales valued at \$250,000 to \$300,000
- Total impact compared to 2014 rate study: approximately \$500,000 per year

Capital Improvement Needs

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- Adopted Capital Improvement Plan still valid with minor refinements
- Debt service necessary next FY in order to accomplish Program C well and pipeline (Approx. \$1.6M), which includes South Bay Upper and Lower Wells connection to main zone
- Net revenue required in 2014 rate study still applicable, approximately \$500,000/year for pay as you go + new debt service

Reserve Summary

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- Rate stabilization
- General contingency
- Water conservation
- Capital outlay
- Existing Water Quality Trust Fund (no new funding)
- Vehicle and equipment replacement
- Clarify policies and amounts during Board discussion

Addressing shortfall

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- Approved increases on July 1, 2017 and July 1, 2018:
 - Adds total of \$11 to base rate over 2 years, raising \$183k/year
 - Adds to water charge for each tier, raising \$120k to \$160k per year after 2 years
- Reasonable inflation of expenses should be anticipated

Addressing shortfall

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- Consider raising additional \$300,000 to \$500,000 per year over and above approved increases

Total Annual Revenue Increase	Increase in Bimonthly Fixed Charge	Increase in Water Charge per CCF
\$300,000	\$9	\$0.77
\$400,000	\$12	\$1.03
\$500,000	\$15	\$1.29

Next Steps

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- Board to confirm property tax, admin allocation, and reserve policies
- Confirm amount of increase and allocation to fixed and variable charges
- Begin Proposition 218 process to supersede approved increases for July, 2017 and July, 2018

ITEM 4

**APPROVAL OF MEETING MINUTES OF
NOVEMBER 29, 2017**

**Los Osos Community Services District
DRAFT Minutes of the Finance Advisory Committee Meeting
November 28, 2016 at 5:30 p.m. at the District Office**

AGENDA ITEM	DISCUSSION	FOLLOW-UP
<p>1. Call to Order, Flag Salute and Roll Call</p>	<p>Chairperson Ochylski called the meeting to order at 5:30 p.m. and Vice Chairperson Storm led the flag salute.</p> <p><u>Roll Call:</u> Jeff Edwards, Committee Member – Present Cheri Grimm, Committee Member – Present Lisa Gonzalez, Committee Member – Present Gene Heyer, Committee Member – Present Gary Orback, Committee Member – Absent Jon-Erik Storm, Vice Chairperson – Present Marshall Ochylski, Chairperson – Present</p> <p><u>Staff:</u> Renee Osborne, General Manager Ann Kudart, Administrative/Accounting Assistant III</p>	
<p>2. Approve FAC Minutes of October 31, 2016</p>	<p>Public Comment – None.</p> <p>Committee Member Edwards made a motion to approve the minutes. The motion was seconded by Committee Member Gonzalez and carried by unanimous consent without objection.</p> <p>Committee Member Edwards remarked on the current FAC schedule in relation to Board meetings; the Organizational chart; the status of the asset list; would like an on-going item regarding the status of water rate increase; and opposed current District office hours.</p>	<p>Action: Approved and file.</p>
<p>3. Review of Board Item Regarding Warrant Register for the Period November 1-23, 2016</p>	<p>Public Comment - Julie Tacker commented on tracking expenses specific to the move to Suite 106.</p> <p>Committee Member Edwards moved that the Board approve the Warrants. The motion was seconded by Committee Member Heyer and carried by unanimous consent without objection.</p>	<p>Action: The Committee recommended that the Board approve the warrants.</p>
<p>4. Review of Board Item Regarding Financial Report for Period Ending October 31, 2016</p>	<p>General Manager Osborne provided a summary of the reports as submitted, briefly discussing the new format of the reports. The Committee supported the addition of a balance sheet as part of the report. She reported that staff has completed the Asset List, that the District Engineer will provide input, and that there was consultation with the Auditor. She reported that transfers from revenues were not shown in the summary.</p> <p>Public Comment – Richard Margetson commented on the Bayridge transfer; that the documents cross-references do not match; would like a Reserve Fund balance sheet included; admin allocation; requested bank, CD, LAIF balances; and salaries for wastewater needed.</p> <p>Julie Tacked commented on the confusion of parentheses in the remaining budget balance column; admin allocations missing; and that new property appraisals needed.</p>	<p>Action: The Committee recommended that the Board receive and file the Financial Report for the period ending October 31, 2016 with future modifications as suggested.</p>

AGENDA ITEM	DISCUSSION	FOLLOW-UP
4. Review of Board Item Regarding Financial Report for Period Ending October 31, 2016 (continued)	<p>Steve Best commented on the swimming pool funds in Fund 900; Chairperson Ochylski clarified that these were not swimming pool funds those funds were generated separately.</p> <p>The Committee discussed the items needed for the Water Rate subcommittee including the Board's plans for the tax revenues; the Board's determination of the admin allocation; what would the costs be for the District to complete projects if the Basin Management Committee is unable to complete; and, the status of the recycled water contract with the schools.</p> <p>Committee Member Gonzalez made a motion to approve the Financial Report for the period ending October 31, 2016 with future modifications as suggested. The motion was seconded by Committee Member Grimm and carried by unanimous consent without objection.</p>	
5. Public Comment for Items Not on the Agenda	<p>Julie Tacker commented on the restoration of the Standard and Poor's bond rating.</p>	
6. Schedule FAC Meeting	<p>The next FAC meeting will be held Tuesday, January 3, 2017.</p>	
7. Closing Comments by FAC Committee Members	<p>Committee Member Grimm commented on the recent Parks and Recreation article in the Tribune.</p> <p>Committee Member Edwards commented on the need to restore the District's office hours to 5:00 p.m. and concerned about reorganization without FAC input.</p> <p>Committee Member Gonzalez commented that reorganization might be an attrition issue.</p> <p>Committee Member Heyer disagreed with Committee Member Edwards comments on reorganization, congratulated General Manager Osborne on her new position, and the need to move forward with the Capital Improvements Projects.</p>	
8. Adjournment	<p>The meeting adjourned at 6:25 p.m.</p>	

ITEM 5

REVIEW OF BOARD ITEM REGARDING FEBRUARY 2017 WARRANT REGISTER FOR DISBURSEMENT

**Please note that this report
will be forwarded
as soon as it becomes available**

ITEM 6

REVIEW OF BOARD ITEM REGARDING FINANCIAL REPORTS FOR THE PERIOD ENDING JANUARY 31, 2017

**Please note that this report
will be forwarded
as soon as it becomes available**

ITEM 7

REVIEW OF 2017 FAC WORK PLAN



FINANCE ADVISORY COMMITTEE (FAC) 2017 WORK PLAN

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

Josh Taylor

Recommendations for Finance Advisory Committee in 2017:

1. Review warrants monthly before Board meetings.
2. Preview Budget for the 2017/2018 fiscal year.
3. Preview Audit for the 2016/2017 fiscal year.
4. Review financial impacts of lowering Fire Admin costs for 2017/2018 fiscal year Budget.
5. Review current property tax distribution to each fund.
6. Review financial impact of possible reduction to Water Fund after redistribution of property tax.
7. Review impact of possible Fire 4.0 service contract.
8. Review water rate analysis from the UAC.
9. Discuss possible liquidation of various District assets.
10. Conduct joint FAC/UAC meetings on specific projects.

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