

**Los Osos Community Services District  
Minutes of the Finance Advisory Committee Meeting  
February 25, 2019 at 5:30 p.m. at the District Office**

AGENDA ITEM	DISCUSSION	FOLLOW-UP
<p><b>1. Call to Order, Flag Salute and Roll Call</b></p>	<p>Chairperson Ochylski called the meeting to order at 5:31 p.m. and led the flag salute.</p> <p><u>Roll Call:</u></p> <p>Lisa Gonzalez, Committee Member – Absent Cheri Grimm, Committee Member – Present Bea Jansen, Committee Member – Absent Alyce Thorp, Committee Member – Present Marshall Ochylski, Chairperson -- Present</p> <p><u>Staff:</u> Renee Osborne, General Manager Adrienne Geidel, District Bookkeeper Marti Brand, Administrative Clerk</p>	
<p><b>2. Approve FAC Meeting Minutes of February 4, 2019</b></p>	<p>Administrative Clerk Brand presented the minutes for Committee approval.</p> <p>Public Comments – Julie Tacker commented on the warrant from November regarding the working lunch objecting to the use of taxpayer dollars. She requested a full report regarding the personnel settlement.</p> <p>Richard Margetson requested a report of the three line items in the staff report regarding the Water Reserve numbers.</p> <p>General Manager Osborne responded to Mr. Margetson that Bookkeeper Geidel was checking and will report back.</p> <p><b>Committee Member Grimm made a motion that the Committee approves the minutes of February 4, 2019, as amended. The motion was seconded by Committee Member Thorp and the motion carried by unanimous consent.</b></p>	<p><b>Action: File approved minutes as amended.</b></p>
<p><b>3. Review of Board Item Regarding Approval of Warrant Register for February 1-22, 2019</b></p>	<p>Bookkeeper Geidel presented the warrant register for the Committee's review.</p> <p>Vice Chairperson Womack asked why they were six checks in the amounts of zero dollars. Bookkeeper Geidel responded that they were voided checks but that she would verify with Administrative Services Manager Kudart and report back to the committee at the next meeting.</p> <p>Public Comments – None</p> <p><b>Committee Member Grimm made a motion that the Committee recommend that the Board approve the warrant register for February 1-22, 2019. The motion was seconded by Committee Member Thorp and passed by unanimous consent.</b></p>	<p><b>Action: The Committee recommended that the Board approve the warrant register for February 1-22, 2019.</b></p>
<p><b>4. Review of Board Item Regarding Financial Reports for the Period Ending January 31, 2019</b></p>	<p>Bookkeeper Geidel provided a summary of the report as submitted with the agenda packet. She reported that at the last meeting there was a question regarding the year-to-date Wastewater Administrative charge of \$25,000 and that this is part of our Bond repayment and journal entry that we must do each year from Fund 602 to Fund 600 as directed by the Auditor; that the bank did not transfer the \$25,000 in May resulting in the transfer happening in October. She reported that there was a journal entry approved by Auditor Guise for the \$25,000 crediting Fund 602 Loan Receivable and a debiting Fund 600, Agency Fund Accounts Payable, and a debit to Fund 602 Debt Service and a credit to Revenue Wastewater Admin Charge.</p>	<p><b>Action: The Committee recommended that the Board receive and file the financials for the period ending January 31, 2019.</b></p>

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<p><b>4. Review of Board Item Regarding Financial Reports for the Period Ending January 31, 2019 (continued)</b></p>	<p>Public Comments – Richard Margetson asked if the District had anything from the courts stating it does not have to pay the \$25,000 for last year; he voiced his concern that this edict came from the bankruptcy court and what would happen to the money if we don't pay; that a reserve was set up that the last year there would not be a payment and asked if this new reserve is set up the same.</p> <p>Julie Tacker appreciated seeing the Low Income Assistance Bank statement and asked for a total of the General Manager's time on this project.</p> <p>General Manager Osborne responded that the transaction was for the 2018 payment that the bank had not completed in May; that this transaction had nothing to do with whether we pay the \$25,000 or not, and deferred to Vice Chairperson Womack who responded that we had a shortfall on the reserve account to pay the current bonds; that on March 4<sup>th</sup> those bonds would be bought back and retired; and that this will be a non-issue and doesn't believe we need anything from the court.</p> <p>Chairperson Ochylski responded that this had been discussed with District Counsel during the bankruptcy and that once the bonds are refinanced this goes away. The reported that the question regarding the last year of payments could be addressed with the Municipal Advisors and Underwriters of the bond at the Board meeting.</p> <p><b>Committee Member Grimm moved that the Committee recommend that the Board receive and file the financials for the period ending January 31, 2019. The motion was seconded by Committee Member Thorp and carried by unanimous consent.</b></p>	
<p><b>5. Review of Mid - Year Budget Adjustments for Fiscal Year 2018/2019</b></p>	<p>General Manager Osborne provided a fund by fund reporting of the mid-year adjustments as provided with the agenda packet reporting that Fund 100 budget had increased from \$544,322.00 to \$549,922.75.</p> <p>She reported that the largest cost in Fund 200 would be the decommissioning of the twelve septic tanks that can be paid without a loan and a cost of \$24,000.</p> <p>She reported that Fund 301 required adjustments from \$2,819,255.50 to \$2,845,035.07 which would be offset by the deposit to the Vehicle Reserve Fund from the sale of the fire truck and that the remaining balance would be covered by the reserves; and, that there was no change in Fund 400.</p> <p>She reported that Fund 500 had a \$200 decrease in computer hardware and that the amount would be transferred to computer software to cover costs associated with the meter reading software; that an increase of \$1,000 was being requested for water conservation program to continue purchasing conservation items for the rest of the fiscal year; an increase of \$4,000 in R&amp;M building structures for a gate and fencing at the 3<sup>rd</sup> Street Well and repairs at the Palisades Well Site; that Worker's Comp Insurance has decreased by \$8,672; that there would be an increase to the Basin Management Committee budget as the District's share increased by \$5,092; that there would be an increase of \$104,000 to cover legal expenses and a personnel issue and that the majority of the personnel expense will be covered by the remaining water property tax funds to balance the fund after distributions to Fund 301 and Fund 800. She reported that the Administrative Budget had increased to \$469,802; there was a decrease in the Capital Outlay Reserves by \$94,993 to balance the Water Budget; and, that the Fund 500 had decreased to \$2,997,337.80.</p>	<p><b>Action: The Committee recommended that the Board approve the Mid-Year Budget Adjustments with clarifications as discussed.</b></p>

AGENDA ITEM	DISCUSSION	FOLLOW-UP
<p><b>5. Review of Mid - Year Budget Adjustments for Fiscal Year 2018/2019 (continued)</b></p>	<p>She reported that Fund 600 had a minor adjustment for research/legal fees associated with the refinancing of the Bonds of \$500.00; that the \$25,000 payment for the bond will not need to be made because of refinancing; and, that the total expenditures changed from \$40,857.55 to \$16,417.04.</p> <p>She reported that there were a few changes to Fund 800 with an increase of \$50.00 to fire extinguishers at the drainage sites; that that was a \$1,300 increase to construct awning covering for newly installed panels; that regulatory insurance fees decreased by \$1,300 and grounds and collections by \$1,000. She reported that the total expenditures to \$164,336.44, and, that Drainage reserves of \$14,471.69 will be used to balance Fund 800 2018/2019 fiscal budget.</p> <p>Public Comments – Richard Margetson objected Fund 500 narrative that the \$59,915 remaining is inaccurate. He voiced his concern in Fund 301 that the proceeds from the sale of the truck did not go into the Vehicle Replacement Reserve according to District policy and that it is reflected as an increase on the financial statements.</p> <p>Julie Tacker commented that regarding Fund 900 there were are no notes in the formatting; and, that FAC’s motion regarding the Dog Park Project is not reflected.</p> <p>General Manager Osborne responded that Mr. Margetson was correct, and that there is enough current in the Water Property Tax Fund to cover the legal expense/personnel issue; that she will work with Fire to rewrite the narrative; that financial statements would change to correctly reflect the proceeds to go into Vehicle Replacement Reserves; and, that the Mid -Year Adjustment in Fund 900 would be changed to reflect the motion of the Committee meeting on February 4, 2019.</p> <p><b>Committee Member Grimm made a motion that the Committee recommend that the Board approve the Mid-Year Budget Adjustments with clarifications as discussed. The motion was seconded by Committee Member Thorp and carried by unanimous consent.</b></p>	
<p><b>6. Discuss and Compile 2019 Work Plan for the Financial Advisory Committee</b></p>	<p>Chairperson Ochylski reviewed the 2018 Work Plan and current objectives.</p> <p>The Committee discussed the current Work Plans and possible changes.</p> <p>Public Comments – Richard Margetson commented that the dates should be changed.</p> <p>Julie Tacker objected to the time it takes to add items to the work plans and that it lessened the flexibility of the Committee.</p> <p>Chairman Ochylski responded that the Board Bylaws require a Work Plan; that each Committee will have a written summary of the meeting that will be reviewed at the next Board of Directors meeting and that new items could be added at that time.</p> <p><b>Committee Member Grimm moved that the Committee recommend that the Board approve the Financial Advisory Committee 2019 Work Plan with the changes as discussed. The motion was seconded by Committee Member Thorp and carried by unanimous consent.</b></p>	<p><b>Action: The Committee recommended that the Board approve the Financial Advisory Committee 2019 Work Plan with the changes as discussed.</b></p>
<p><b>7. Update Regarding Bond Refinancing</b></p>	<p>Chairperson Ochylski reported that the sale closed on Thursday, February 14, 2019; that when it first came to the Board on January 10, 2019 for authorization to proceed we were rated at a triple B+ and able to up the grade to an A- over the next 20 days with a lot of hard work.</p>	<p><b>Action: No Action</b></p>

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<b>7. Update Regarding Bond Refinancing (continue)</b>	<p>He reported that the original estimate of the cash flow savings would be \$1,370,000; that at the end of January the estimated amount changed to \$1,980,000 but that the final pricing the cash flow savings were \$2,003,000; that the Net Present Value savings (NPV) percentage was estimated at 8.63% but the actual NPV savings were 15.33%; and, he reported that would be refunded on March 4, 2019.</p> <p>Vice Chairperson Womack reported that we saved 20 bases point on every maturity of bonds; that Chairperson Ochylski was instrumental in explaining the community, the stability of the Los Osos Community, and answering questions to address the past bankruptcy.</p> <p>Public Comments – Lou Tornatzky asked when the District would seriously be looking at Parks &amp; Recreation and the Dog Park.</p> <p>At this point in the meeting, Chairperson Ochylski closed Item 7 and brought back Item 2 with answers to Mr. Margetson’s questions. General Manager Osborne reported that these numbers came from a report from the Board meeting (Agenda Item 6E) dated March 1, 2018, and that this had already gone to UAC and FAC for recommendation to the Board to approve the following allocations to each Water Reserve and/or project: \$100,000 towards the Utility Building, \$100,000 towards the Water Vehicle Reserve, and \$92,873 towards the Capital Improvement Fund.</p>	
<b>8. Public Comments on Items NOT on this Agenda</b>	<p>Lynn Tornatzky commented that the agenda did not include Alyce Thorp as a member of the Committee.</p> <p>Linde Owen requested clarification on how ad hoc committees are compensated. She commented when ad hoc or volunteers go above and beyond that they should be compensated and that these committees had saved the District a lot of money. She voiced her appreciation for Vice Chairperson Womack, Chairperson Ochylski and Richard Margetson’s participation in these efforts for the District.</p> <p>Richard Margetson objected to the response by General Manager Osborne and commented that staff should know where the increases of \$92,000 of the Reserves came from in the revenue stream for that year; and, that he wishes no compensation for volunteerism. He asked that there be a joint meeting of FAC and UAC for a presentation if the rate group is reconvened to address the items that Chairperson Cesena wishes the group to cover.</p> <p>Chairperson Ochylski responded that he made an error on the agenda removing Alyce Thorp. He responded to Linde Owen that the ad hoc committees are Board members only, that each ad hoc committee can have up to two members, and that according to the Bylaws the Board members are eligible for compensation by a review and approval process.</p>	
<b>9. Schedule Next FAC Meeting</b>	The next meeting of the Finance Advisory Committee is scheduled to be held on Monday, April 1, 2019 at 5:30 p.m. unless otherwise noted.	
<b>10. Closing Comments by FAC Committee</b>	None	
<b>11. Adjournment</b>	The meeting adjourned at 6:41 p.m.	