



October 13, 2014

TO: LOCSD Board of Directors
FROM: Kathy A. Kivley, General Manager *Kathy A. Kivley*
SUBJECT: **Agenda Item 11F – 11/13/2014 Board Meeting**
Adopt Resolution Establishing a Reserve Fund in the Wastewater Fund

President
Craig V. Baltimore

Vice President
R. Michael Wright

Directors
Leonard A. Moothart
Marshall E. Ochylski
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DESCRIPTION

Authorization to establish a Reserve Fund for dollars currently invested with The Community Foundation San Luis Obispo County.

SUMMARY OF 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 adopt Resolution No. 2014-26 authorizing the General Manager to establish a Reserve Fund for the Los Osos Community Services District Community Fund.

DISCUSSION

It appears based on documentation on July 19, 2002, the District entered into a Pass-Through Fund Agreement with San Luis Obispo County Community Foundation, Inc. The Foundation created this fund which was designated to receive gifts in whatever form of money or property and to administer this fund. In the Agreement, the Fund was established with a primary purpose to provide assistance to low income families living in Los Osos to afford a sewer project assessment who need financial assistance to pay for LOCSD Sewer services. On March 1, 2006, under the terms of the Agreement, the San Luis Obispo County Community Foundation Board of Directors voted to invest the LOCSD Low Income Sewer District Pass-Through Fund and put it in the endowment. This was necessary because previously under the terms of the Pass-Through Fund Agreement, the principal of the fund was to accrue no interest and be assessed a 2% Administrative fee yearly by the Foundation. The letter from the Foundation dated March 31, 2008, stated the Foundation Board took the action because the sewer project was delayed indefinitely. The Foundation Board voted to invest the collected money and allocate the earnings to the fund rather than have the money sit idle waiting to be spent.

It is prudent to have investments recorded in the financial records. From staff's review the investment was not tracked or recorded for financial purposes. Any funds owned by the District whether held in a separate investment account, Certificate of Deposit or other bank instrument need to be recorded. For that

purpose, staff requests authorization to establish a Reserve Fund for the Community Foundation Pass-Through Fund.

FINANCIAL IMPACT

As of December 31, 2010, the ending Fund Balance was \$141,771.24. Staff received a Semi-Annual Statement of Fund Activity as of June 30, 2014 with a balance of \$173,994.83. The recommended action to establish a Reserve Fund will have no financial impact on the District.

Attachment

RESOLUTION 2014-26

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE LOS OSOS COMMUNITY SERVICES DISTRICT
ESTABLISHING A PASS-THROUGH FUND RESERVE IN THE WASTEWATER FUND**

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; and

WHEREAS, pursuant to § 61112 of the Community Services District Law the Board of Directors may establish designated reserves; and

WHEREAS, the Board of Directors pursuant to this same section find that establishing a reserve for ongoing investments are consistent with prudent financial operations; and

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

WHEREAS, the Board of Directors recognizes in 2002 a Fund was created subject to Sections 170 (b)(1)(A), 170 (c), 2055(a) and 2522(a) of the Internal Revenue Code to accept gifts, in whatever form of money or property; and

WHEREAS, the Board of Directors recognizes the responsibilities of the San Luis Obispo County Community Foundations investment and administration of the Pass-Through Fund; and

WHEREAS, based on staff's 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. Establish a Pass-Through Fund Reserve to reflect the dollars in the investment fund consistent with Standard Government Accounting Practices in the Wastewater Fund.
2. Authorize staff to take this action effective July 1, 2014.

The Board of Director hereby agrees with all the terms and conditions as outlined. This agreement was passed by Resolution No. 2014-26 adopted on the 13th day of November 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