



February 22, 2018

**TO:** LOCSD Board of Directors  
**FROM:** Renee Osborne, General Manager  
**SUBJECT:** **Agenda Item 4D – 3/1/2018 Board Meeting**  
General Manager Activity for February 2018

**President**

Vicki L. Milledge

**Vice President**

Marshall E. Ochylski

**Directors**

Charles L. Cesena  
Jon-Erik G. Storm  
Louis G. Tornatzky

**General Manager**

Renee Osborne

**District Accountant**

Robert Stilts, CPA

**Unit Chief**

Scott M. Jalbert

**Battalion Chief**

Greg Alex

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**Los Osos CSD Low Income Community Fund**

- We have received the second installment of funds from the Community Foundation in the amount of \$30,000. I was concerned with some of the installations that they might be more expensive because of special circumstances. I asked for \$30,000 instead of \$20,000. We have now received a total of \$40,000.
- As of this report, three of the six sewer laterals were completed and approved by the County. One other location was still waiting for inspection from the County (for a total of 4). All three locations had their septic tanks cleaned and sealed. The fourth location was planning on keeping the septic tank for greywater, Al's Septic deemed the tank unusable. Payments were forwarded to the three contractors.

**Conservation Campaign**

- The LOCSD Board, the Chamber of Commerce, and Golden State Water Company have chosen six entries for the future logo representation of the Los Osos Community Conservation Campaign. The children's parents are being informed.
- The contest winners will be awarded at the Los Osos/Baywood Park Chamber Business Expo on March 23<sup>rd</sup>.
- We are waiting to receive the videos from the middle school. We hope to have those by the end of February.
- We have almost met our goal of \$2,000 toward sponsorships. We are short \$300. If there is any business or resident interested in contributing to the conservation campaign, please contact the Chamber.

**Fire**

- Staff has been working with Fire staff on the Mid-Year adjustments and the reserve funds. We have also been working on the reserve totals to prepare for the transfer of the Fire Reserves to their own bank account.
- I have been working with the Fire Chief and staff on an upcoming chipping event.

### **Bookkeeping**

- Staff has been working on the Mid-Year budget adjustments. There were major changes to the Water Fund and Fire Fund under the Employment categories due to an increase in CalPERS Retirement/Unfunded Accrued Liability and State and Federal Taxes (\$25,000). Both funds had to make these adjustments. Water also had an adjustment under Disposal Services (\$10,000).
- The Mid-Year Budget has been imputed into MIP (“Revised Budget” column) and is now incorporated into the Revenue & Expense Report.
- The Auditor, the Bookkeeper and I have come to an agreement on how to list the reserve accounts in MIP. In this Financial Report for January there are “Balance Sheets” for the Fire Reserve and Water Accounts. This will assist the District in keeping better track of the reserves and a more transparent report for the public.

### **NBS Report**

- Attached is the Fiscal Year 2017/18 Annual Report that NBS prepared for Wastewater Assessment District No. 1, summarizing the current fiscal year’s levy information and District financial information from the prior fiscal year. This report is simply for the District’s reference and does not require any action on our part. This report in its entirety is 121 pages and is posted on the website under Agenda Item 4D General Manager Report.

Attachment



# LOS OSOS COMMUNITY SERVICES DISTRICT

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Wastewater Assessment District No. 1

Fiscal Year 2017/18 Annual Report

February 2018

#### OFFICE LOCATIONS:


**Temecula – Corporate Headquarters**  
32605 Temecula Parkway, Suite 100  
Temecula, CA 92592

**San Francisco – Regional Office**  
870 Market Street, Suite 1223  
San Francisco, CA 94102

**California Satellite Offices**  
Atascadero, Davis,  
Huntington Beach,  
Joshua Tree, Riverside,  
Sacramento, San Jose

[www.nbsgov.com](http://www.nbsgov.com)

Prepared by:

 **NBS** helping communities fund tomorrow

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# 1. DISTRICT ANALYSIS

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## 1.1 District Background

The Los Osos Community Services District (the “LOCSD”) formed Wastewater Assessment District No. 1 (the “District”) in 2002 to finance a portion of the costs of a wastewater collection, treatment, and disposal system. To finance these improvements, the \$17,990,000 Los Osos Community Services District Wastewater Assessment District No. 1 Limited Obligation Improvement Bonds (the “Bonds”) were issued by the District in November 2002. The Bonds are scheduled to mature with the final debt service payment in September 2033.

## 1.2 Levy

The District levied 4,192 parcels for a total levy amount of \$1,193,025.07 in Fiscal Year 2017/18.

## 1.3 Funds

The improvements have been completed and the Improvement Fund has been closed.

As of June 30, 2017, a surplus of approximately \$43,900 exists in the District’s Redemption Fund, after accounting for the September 2, 2017 debt service payment and administrative expenses through the end of the year. NBS recommends that this surplus should be used to retire the Bonds ahead of scheduled maturity and will work with the LOCSD to schedule a potential bond call in the future.

There is currently a large negative variance when comparing future District collections to the amount of debt due under the Bonds. This appears to be a result of assessment prepayments collected in the past that were not used to call Bonds.

As of June 30, 2017, the District’s Reserve Fund balance does not meet the current reserve requirement of \$1,158,500.00. Per a bankruptcy settlement agreement approved in 2013, a portion of the administrative charges collected for the District annually (\$25,000) is deposited into the Reserve Fund to fund reserves back to the required balance.

NBS recommends that an arbitrage calculation be prepared to determine if the District has an arbitrage liability. NBS can assist the District with this calculation.

## 1.4 Delinquencies

NBS monitors the delinquency rate and reviews the delinquency situation with the District after each installment payment date. The delinquency rate for parcels within the District in Fiscal Year 2016/17 is 1.01%. Reminder letters were sent to delinquent property owners within the District following the December 2016 and April 2017 installment due dates to prompt them for payment. NBS will continue to monitor delinquencies within the District and advise the LOCSD regarding future delinquency action.

**NBS**

Andrew Kraus, Financial Analyst

Tim Seufert, Client Services Director

## 2. FINANCIAL STATUS

### 2.1 Improvement Fund

6/30/2017 Balance	Project Status
Closed	Completed

### 2.2 Redemption Fund

6/30/2017 Balance	9/2/2017 Payment	9/2/2017 Bond Call	Estimated Administrative Expenses <sup>(1)</sup>	Surplus / (Deficit)
\$884,427.08	\$830,875.00	\$0.00	\$9,630.00	\$43,922.08

(1) Administrative expenses, less the required annual Reserve Fund deposit of \$25,000, are estimated through December 31, 2017.

### 2.3 Reserve Fund

Initial Proceeds	6/30/2017 Balance <sup>(1)</sup>	Reserve Requirement <sup>(2)</sup>	Estimated Surplus / (Deficit)	IRS Size Limitation	Prepayment Credit <sup>(3)</sup>
\$1,158,522.50	\$911,563.88	\$1,158,500.00	(\$246,936.12)	\$1,158,500.00	\$1,155,520.52

(1) Per a bankruptcy settlement agreement approved in 2013, \$25,000 of the administrative charges collected for the District annually is deposited into the Reserve Fund to fund reserves back to the required balance.

(2) The Reserve Requirement is equal to the lesser of (i) 10% of the proceeds of the Bonds, (ii) maximum annual debt service, or (iii) 125% of the average annual debt service.

(3) Credit is given as parcels pay off their assessments.

### 2.4 Value to Lien Ratio

Total Value <sup>(1)</sup>	Unbilled Principal <sup>(2)</sup>	Value to Lien Ratio
\$1,324,157,118.00	\$12,435,009.46	106.49:1

(1) The land and structure assessed value of levied parcels within the District, excluding exemption amounts, as of January 1, 2017.

(2) The unbilled principal of levied parcels within the District, as of June 30, 2017.

### 2.5 Delinquency and Foreclosure Status

Foreclosure Attorney	Foreclosure Recap	Delinquency Management Steps Taken
None	No foreclosure proceedings initiated	Reminder Letters Sent

## 2.6 Foreclosure Covenant

The LOCSD has covenanted with and for the benefit of the owners of the Bonds that it will review the records of the County of San Luis Obispo by November 1 of each calendar year and, if it determines on the basis of such review that any assessment, or installment thereof, including any interest thereon, was not paid when due in the prior fiscal year, it will order and cause to be commenced by December 1 of each calendar year, and thereafter diligently prosecute, judicial foreclosure proceedings upon such delinquent assessment or installment thereof and interest thereon against (i) any parcel in the District for which the aggregate delinquent assessments in the immediately preceding fiscal year exceeded \$1,000; (ii) any parcel in the District for which the aggregate delinquent assessments in the immediately preceding three fiscal years exceeded \$2,000; and (iii) all parcels in the District having delinquent assessments in the immediately preceding fiscal year (regardless of the amount of such delinquency) if the aggregate amount of delinquencies in the District in the immediately preceding fiscal year exceeded five percent (5%) of the total amount actually levied on all parcels in the District in such fiscal year.

### 3. APPENDIX A – DEBT VARIANCE REPORT

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The following page contains information regarding the variance between District collections and debt service payments in future years.



**Los Osos Community Services District**  
**Wastewater Assessment District No. 1**  
**Debt Variance Report**

<b>Bill Date</b>	<b>Principal Billed</b>	<b>Principal Due</b>	<b>Interest Billed</b>	<b>Interest Due</b>	<b>Surplus (Deficit)</b>
08/01/2017	\$525,977.57	\$530,000.00	\$621,751.25	\$626,500.00	(\$8,771.18)
08/01/2018	550,793.12	555,000.00	595,468.02	600,000.00	(8,738.86)
08/01/2019	580,563.54	585,000.00	567,898.87	572,250.00	(8,787.59)
08/01/2020	610,335.34	615,000.00	538,897.98	543,000.00	(8,766.68)
08/01/2021	640,108.15	645,000.00	508,356.70	512,250.00	(8,785.15)
08/01/2022	669,878.23	675,000.00	476,345.63	480,000.00	(8,776.14)
08/01/2023	704,606.31	710,000.00	442,865.56	446,250.00	(8,778.13)
08/01/2024	739,369.41	745,000.00	407,623.14	410,750.00	(8,757.45)
08/01/2025	774,096.73	780,000.00	370,658.23	373,500.00	(8,745.04)
08/01/2026	813,779.91	820,000.00	331,966.46	334,500.00	(8,753.63)
08/01/2027	858,456.07	865,000.00	291,291.97	293,500.00	(8,751.96)
08/01/2028	898,139.13	905,000.00	248,340.93	250,250.00	(8,769.94)
08/01/2029	942,779.63	950,000.00	203,444.57	205,000.00	(8,775.80)
08/01/2030	992,411.54	1,000,000.00	156,310.12	157,500.00	(8,778.34)
08/01/2031	1,042,042.59	1,050,000.00	106,678.93	107,500.00	(8,778.48)
08/01/2032	1,091,672.19	1,100,000.00	54,586.60	55,000.00	(8,741.21)
<b>Total:</b>	<b>\$12,435,009.46</b>	<b>\$12,530,000.00</b>	<b>\$5,922,484.96</b>	<b>\$5,967,750.00</b>	<b>-\$140,255.58</b>

## 4. APPENDIX B – CURRENT DEBT SERVICE SCHEDULE

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The following pages contain a copy of the current debt service schedule for the District.

**Los Osos Community Services District**  
**Wastewater Assessment District No. 1**  
**Current Debt Service Schedule**

Bonds Dated: 11/07/2002

Bonds Issued: \$17,990,000.00

Payment Date	CUSIP	Interest Rate	Balance	Principal	Interest	Payment Total	Annual Total	Call Premium	Status
03/02/2003		.0000%	\$17,990,000.00	\$0.00	\$268,075.38	\$268,075.38	\$0.00	3.0000%	Paid
09/02/2003		0.0000	17,990,000.00	.00	419,596.25	419,596.25	687,671.63	3.0000	Paid
03/02/2004		0.0000	17,990,000.00	.00	419,596.25	419,596.25	.00	3.0000	Paid
09/02/2004	54559PAA4	1.8000	17,990,000.00	315,000.00	419,596.25	734,596.25	1,154,192.50	3.0000	Paid
03/02/2005		0.0000	17,675,000.00	.00	416,761.25	416,761.25	.00	3.0000	Paid
09/02/2005	54559PAB2	2.1500	17,675,000.00	325,000.00	416,761.25	741,761.25	1,158,522.50	3.0000	Paid
03/02/2006		0.0000	17,350,000.00	.00	413,267.50	413,267.50	.00	3.0000	Paid
09/02/2006	54559PAC0	2.5000	17,350,000.00	330,000.00	413,267.50	743,267.50	1,156,535.00	3.0000	Paid
03/02/2007		0.0000	17,020,000.00	.00	409,142.50	409,142.50	.00	3.0000	Paid
09/02/2007	54559PAD8	2.8500	17,020,000.00	340,000.00	409,142.50	749,142.50	1,158,285.00	3.0000	Paid
03/02/2008		0.0000	16,680,000.00	.00	404,297.50	404,297.50	.00	3.0000	Paid
09/02/2008	54559PAE6	3.2000	16,680,000.00	345,000.00	404,297.50	749,297.50	1,153,595.00	3.0000	Paid
03/02/2009		0.0000	16,335,000.00	.00	398,777.50	398,777.50	.00	3.0000	Paid
09/02/2009	54559PAF3	3.4500	16,335,000.00	360,000.00	398,777.50	758,777.50	1,157,555.00	3.0000	Paid
03/02/2010		0.0000	15,975,000.00	.00	392,567.50	392,567.50	.00	3.0000	Paid
09/02/2010	54559PAG1	3.6500	15,975,000.00	370,000.00	392,567.50	762,567.50	1,155,135.00	3.0000	Paid
03/02/2011		0.0000	15,605,000.00	.00	385,815.00	385,815.00	.00	2.0000	Paid
09/02/2011	54559PAH9	3.8000	15,605,000.00	385,000.00	385,815.00	770,815.00	1,156,630.00	2.0000	Paid
03/02/2012		0.0000	15,220,000.00	.00	378,500.00	378,500.00	.00	1.0000	Paid
09/02/2012	54559PAJ5	4.0000	15,220,000.00	400,000.00	378,500.00	778,500.00	1,157,000.00	1.0000	Paid
03/02/2013		0.0000	14,820,000.00	.00	370,500.00	370,500.00	.00	0.0000	Paid
09/02/2013		5.0000	14,820,000.00	415,000.00	370,500.00	785,500.00	1,156,000.00	0.0000	Paid
03/02/2014		0.0000	14,405,000.00	.00	360,125.00	360,125.00	.00	0.0000	Paid
09/02/2014		5.0000	14,405,000.00	435,000.00	360,125.00	795,125.00	1,155,250.00	0.0000	Paid
03/02/2015		0.0000	13,970,000.00	.00	349,250.00	349,250.00	.00	0.0000	Paid
09/02/2015		5.0000	13,970,000.00	455,000.00	349,250.00	804,250.00	1,153,500.00	0.0000	Paid
03/02/2016		0.0000	13,515,000.00	.00	337,875.00	337,875.00	.00	0.0000	Paid
09/02/2016		5.0000	13,515,000.00	480,000.00	337,875.00	817,875.00	1,155,750.00	0.0000	Paid
03/02/2017		0.0000	13,035,000.00	.00	325,875.00	325,875.00	.00	0.0000	Paid
09/02/2017	54559PAK2	5.0000	13,035,000.00	505,000.00	325,875.00	830,875.00	1,156,750.00	0.0000	Paid
03/02/2018		0.0000	12,530,000.00	.00	313,250.00	313,250.00	.00	0.0000	Unpaid
09/02/2018		5.0000	12,530,000.00	530,000.00	313,250.00	843,250.00	1,156,500.00	0.0000	Unpaid
03/02/2019		0.0000	12,000,000.00	.00	300,000.00	300,000.00	.00	0.0000	Unpaid
09/02/2019		5.0000	12,000,000.00	555,000.00	300,000.00	855,000.00	1,155,000.00	0.0000	Unpaid
03/02/2020		0.0000	11,445,000.00	.00	286,125.00	286,125.00	.00	0.0000	Unpaid
09/02/2020		5.0000	11,445,000.00	585,000.00	286,125.00	871,125.00	1,157,250.00	0.0000	Unpaid
03/02/2021		0.0000	10,860,000.00	.00	271,500.00	271,500.00	.00	0.0000	Unpaid
09/02/2021		5.0000	10,860,000.00	615,000.00	271,500.00	886,500.00	1,158,000.00	0.0000	Unpaid
03/02/2022		0.0000	10,245,000.00	.00	256,125.00	256,125.00	.00	0.0000	Unpaid
09/02/2022		5.0000	10,245,000.00	645,000.00	256,125.00	901,125.00	1,157,250.00	0.0000	Unpaid

**Los Osos Community Services District**  
**Wastewater Assessment District No. 1**  
**Current Debt Service Schedule**

Bonds Dated: 11/07/2002

Bonds Issued: \$17,990,000.00

Payment Date	CUSIP	Interest Rate	Balance	Principal	Interest	Payment Total	Annual Total	Call Premium	Status
03/02/2023		0.0000	9,600,000.00	.00	240,000.00	240,000.00	.00	0.0000	Unpaid
09/02/2023	54559PAL0	5.0000	9,600,000.00	675,000.00	240,000.00	915,000.00	1,155,000.00	0.0000	Unpaid
03/02/2024		0.0000	8,925,000.00	.00	223,125.00	223,125.00	.00	0.0000	Unpaid
09/02/2024		5.0000	8,925,000.00	710,000.00	223,125.00	933,125.00	1,156,250.00	0.0000	Unpaid
03/02/2025		0.0000	8,215,000.00	.00	205,375.00	205,375.00	.00	0.0000	Unpaid
09/02/2025		5.0000	8,215,000.00	745,000.00	205,375.00	950,375.00	1,155,750.00	0.0000	Unpaid
03/02/2026		0.0000	7,470,000.00	.00	186,750.00	186,750.00	.00	0.0000	Unpaid
09/02/2026		5.0000	7,470,000.00	780,000.00	186,750.00	966,750.00	1,153,500.00	0.0000	Unpaid
03/02/2027		0.0000	6,690,000.00	.00	167,250.00	167,250.00	.00	0.0000	Unpaid
09/02/2027		5.0000	6,690,000.00	820,000.00	167,250.00	987,250.00	1,154,500.00	0.0000	Unpaid
03/02/2028		0.0000	5,870,000.00	.00	146,750.00	146,750.00	.00	0.0000	Unpaid
09/02/2028		5.0000	5,870,000.00	865,000.00	146,750.00	1,011,750.00	1,158,500.00	0.0000	Unpaid
03/02/2029		0.0000	5,005,000.00	.00	125,125.00	125,125.00	.00	0.0000	Unpaid
09/02/2029		5.0000	5,005,000.00	905,000.00	125,125.00	1,030,125.00	1,155,250.00	0.0000	Unpaid
03/02/2030		0.0000	4,100,000.00	.00	102,500.00	102,500.00	.00	0.0000	Unpaid
09/02/2030		5.0000	4,100,000.00	950,000.00	102,500.00	1,052,500.00	1,155,000.00	0.0000	Unpaid
03/02/2031		0.0000	3,150,000.00	.00	78,750.00	78,750.00	.00	0.0000	Unpaid
09/02/2031		5.0000	3,150,000.00	1,000,000.00	78,750.00	1,078,750.00	1,157,500.00	0.0000	Unpaid
03/02/2032		0.0000	2,150,000.00	.00	53,750.00	53,750.00	.00	0.0000	Unpaid
09/02/2032		5.0000	2,150,000.00	1,050,000.00	53,750.00	1,103,750.00	1,157,500.00	0.0000	Unpaid
03/02/2033		0.0000	1,100,000.00	.00	27,500.00	27,500.00	.00	0.0000	Unpaid
09/02/2033	54559PAJ5	5.0000	1,100,000.00	1,100,000.00	27,500.00	1,127,500.00	1,155,000.00	0.0000	Unpaid
<b>Grand Total:</b>			<b>\$17,990,000.00</b>	<b>\$17,380,121.63</b>	<b>\$17,380,121.63</b>	<b>\$35,370,121.63</b>	<b>\$35,370,121.63</b>		

## **5. APPENDIX C – FINAL BUDGET FOR FISCAL YEAR 2017/18**

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The following page contains the summarized Fiscal Year 2017/18 budget for the District.

**Los Osos Community Services District**  
**Wastewater Assessment District No. 1**  
**Final Budget for Fiscal Year 2017/18**

<b>Category/Item</b>	<b>FY 2017/18</b>	<b>FY 2016/17</b>	<b>Increase / (Decrease)</b>
Debt Service	\$1,147,728.82	\$1,148,204.71	(\$475.89)
Miscellaneous	1,028.72	24,943.73	(23,915.01)
Admin. Expenses	44,267.52	19,250.00	25,017.52
<b>Grand Total:</b>	<b>\$1,193,025.06</b>	<b>\$1,192,398.44</b>	<b>\$626.62</b>
<b>Total Accounts:</b>	<b>4,193</b>	<b>4,192</b>	<b>1</b>