



February 27, 2023

**TO:** Finance Advisory Committee

**FROM:** Ron Munds, General Manager

**SUBJECT: Agenda Item 6 – 02/27/2023 FAC Meeting**  
Adopt a Resolution Approving an Interfund Loan Agreement from Fund 500 to Fund 800 to Fund Cabrillo Stormwater Basin Emergency Repairs.

**President**  
Charles L. Cesena

**Vice President**  
Marshall E. Ochylski

**Directors**  
Troy C. Gatchell  
Matthew Fourcroy  
Christine M. Womack

**General Manager**  
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## **DESCRIPTION**

At the February 2, 2023 Board meeting, after receiving a staff presentation on options for the funding the emergency repairs of the Cabrillo stormwater basin, Board directed staff to return with a final funding strategy. This report provides a strategy and mechanism to fund the basin repairs.

## **SUMMARY OF STAFF RECOMMENDATION**

Staff recommends that the FAC adopt the following motion:

***Motion: I recommend to the Board that the Board adopt Resolution No. 2023-15 approving an interfund loan to Fund 800 for the emergency Cabrillo stormwater basin repairs.***

## **DISCUSSION**

On January 9, 2023, the Cabrillo storm water basin experienced a breach of the northeast basin wall. The result was damage to the northeast basin wall and the homes in the Vista de Oro neighborhood. At the February 2, 2023 Board meeting, after hearing the staff presentation on options for funding the emergency repairs, the Board directed staff to return with a final funding strategy for the work identified at the meeting.

There is a strong possibility that FEMA will fund a significant portion of the emergency repair work to the basin. Staff will be pursuing this funding with a deadline of March 15, 2023 for applying. Not all the cost incurred to date will be eligible for FEMA reimbursement. These include the neighborhood assistance expenses and some of the regular employee costs during the disaster incident.

In the event that the District is not reimbursed for eligible expenses, staff has developed the following analysis to evaluate an interfund loan to fund the emergency repair costs and neighborhood assistance expenses.

## **Revised Estimated Project Costs**

Staff, working with the disaster response team, has estimated the cost for both the temporary and emergency permanent repairs. The following table shows the estimated cost of the temporary emergency response:

<b>Initial Emergency Response</b>	
<b>Neighborhood Assistance</b>	
<b>Agency/Contractor</b>	<b>Amount</b>
Los Osos CSD	\$0.00
Rolloff Service	\$15,000.00
Contractor Services	\$24,510.00
<b>Total</b>	<b>\$39,510.00</b>
<b>Basin Interim/Emergency Response</b>	
<b>Agency/Consultants/Contractor</b>	<b>Amount</b>
Los Osos CSD	\$7,125.00
Consulting Services	\$22,245.00
Contracted/Equipment Services	\$72,335.00
<b>Total</b>	<b>\$101,705.00</b>
<b>RESPONSE TOTAL</b>	<b>\$141,215.00</b>

The following table summarizes the emergency repairs needed to secure the basin for the remainder of the rainy season:

<b>Emergency Repairs</b>	
Los Osos CSD	\$0.00
Consulting Services	\$118,861.00
Contracted/Equipment Services	\$457,000.00
<b>Total</b>	<b>\$575,861.00</b>

### **Legal Expenses**

The extent of what is needed for legal expenses at this point in time is unknown. Staff is recommending that \$50,000 be included in the overall cost of this effort.

### **FINANCIAL IMPACT**

It is estimated that the District will need around \$767,076 to complete both the emergency, neighborhood assistance expenses, interim response, emergency repairs and legal expenses. The following information summarizes a strategy to fund these costs.

### **Fund 800**

Fund 800 has limited financial means to support the above costs for the interim response and emergency repairs. Fund 800 has a total of \$241,011.13 in the General Contingency and Capital Outlay Reserves and \$432,914.21 in cash.

<b>Fund 800 Cash &amp; Reserves</b>	<b>Amount</b>
Cash (as of 1/31/23)	\$432,914.21
Reserves	\$241,011.13
<b>TOTAL</b>	<b>\$673,925.34</b>

It is important to understand the cash flow needed to maintain sufficient resources in Fund 800 to support ongoing operations. The following table estimates the revenues and expenses using the Fiscal Year 2022-23 information for Fund 800.

<b>Fund 800 Annual Revenue &amp; Expenses</b>	<b>Amount</b>
Revenue	\$135,150.00
Expenses	\$71,000.00
<b>Difference</b>	<b>\$64,150.00</b>
Based on 2022-23 estimates	

As indicated, there is about \$64,150 differential between revenue and expenses. This amount could be used to pay for the proposed interfund loan which will be discussed later in the report.

The following table summarizes the proposed cash and reserves to keep on hand for current and future operational costs.

<b>Proposed Fund 800 Operations Cash &amp; Reserves</b>	<b>Amount</b>
Cash	\$142,000.00
Reserves	\$65,000.00
<b>TOTAL</b>	<b>\$207,000.00</b>

With the estimated total cost for interim response, including neighborhood cleanup, emergency repairs and legal expenses being \$767,076.00, staff is proposing that the Board approve a \$300,000 interfund loan from Fund 500 to the drainage fund to support the project effort. The following table shows the recommended reserve categories to borrow money from.

<b>Fund 500 Reserve</b>	<b>Current Balance</b>	<b>Proposed Amount</b>
Water Quality Trust	\$91,517.27	\$91,500.00
Basin Management Reserve	\$50,031.00	\$50,000.00
Water Conservation Reserve	\$59,288.00	\$59,280.00
Contingency Reserve	\$642,183.00	\$99,220.00
	<b>TOTAL</b>	<b>\$300,000.00</b>

If additional funds are needed for unanticipated costs, staff would recommend that Fund 301's Replacement Reserve for vehicles and equipment be utilized. Staff would return to the Board to authorize any further expenditures. The following table identifies the current amount of money in that reserve.

<b>Reserve</b>	<b>Amount</b>
Fund 301 - Replacement Reserve- vehicle, equipment	\$1,199,624.02

### **Loan Agreement**

To facilitate the interfund loan, staff has prepared a loan schedule that will repay the \$300,000 over a five-year period (attached). To determine an appropriate interest rate, staff choose the "Quarter to Date"

rate of 2.5% from LAIF since this is the highest interest rate that Fund 500 earns for interest income. It is recommended that the interest rate be adjusted annually for the term of the loan to the quarterly LAIF interest rate for the quarter ending in March. The annual debt service amount, using the above assumptions, would be \$63,890.52. As stated earlier, the difference between annual income and operational expenses is \$64,150.00. Based on the financial analysis presented in this report, there are sufficient Fund 800 financial resources available to support the debt service payment as presented.

### **Attachments**

Resolution No. 2023-15  
Loan Payment Schedule

**RESOLUTION NO. 2023-15**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE LOS OSOS COMMUNITY SERVICES DISTRICT (DISTRICT) APPROVING AN INTERFUND LOAN FROM THE DISTRICT'S FUND 500 TO FUND 800 TO PROVIDE FUNDING FOR THE EMERGENCY WORK RESULTING FROM THE CABRILLO STORMWATER BASIN (BASIN) DISASTER**

**WHEREAS**, the Board of Directors (Board) acknowledges the need to provide adequate resources to pay for the cleanup, Basin repairs and other costs resulting from the January 9, 2023 disaster; and

**WHEREAS**, the Board also acknowledges that Fund 800 does not have sufficient financial resources to pay for the emergency work; and

**WHEREAS**, the Board has taken previous action to use Reserves to support an interfund loan; and

**WHEREAS**, the loan amount, term and repayment source has been identified; and

**WHEREAS**, the repayment of the interfund includes an interest component that approximately equals the investment earnings the contributing fund would have received had the loan not occurred; and

**WHEREAS**, the Board recognizes that the debt payment being contemplated will remain until the interfund loan is fully repaid.

**NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE LOS OSOS COMMUNITY SERVICES DISTRICT DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:**

1. An interfund loan from Fund 500 to Fund 800 is approved in the amount not to exceed \$300,000.
2. The term of the interfund loan is for a maximum of five years.
3. The repayment source will be from revenue generated by property taxes to Fund 800.
4. The interest rate of the interfund loan will be 2.5%.
5. The interest rate be adjusted annually for the term of the loan to the LAIF quarterly interest rate ending in March.
6. This interfund loan agreement may be amended, modified or terminated by the Los Osos Community Services Board of Directors by Resolution.
7. The necessity for any funding in excess of \$300,000 will require a separate action by the Board of Directors.
8. This interfund loan will be recorded according to the guidelines as established by GABS Summary of Statement No. 34.

On the motion of Director \_\_\_\_\_, seconded by Director \_\_\_\_\_  
and on the following roll call vote, to wit:

AYES: \_\_\_\_\_  
NOES: \_\_\_\_\_  
ABSTAIN: \_\_\_\_\_  
ABSENT: \_\_\_\_\_

The foregoing resolution is hereby passed, approved and adopted by the Board of Directors of  
the Los Osos Community Services District this 2<sup>nd</sup> day of March, 2023.

\_\_\_\_\_  
Charles L. Cesena, President  
Los Osos Community Services District

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Ron Munds  
General Manager and Secretary to the Board

\_\_\_\_\_  
Thomas D. Green  
District Legal Counsel

**Loan Amount** 300,000.00  
**Percentage** 2.50%  
**Divided by 12** 0.0020833  
**term in months** 60  
**Annual payment** 63,890.50

	Date	prin	int	payment	balance	
1	4/1/2023	(\$4,699.21)	(\$625.00)	(\$5,324.21)	\$295,300.79	(\$5,324.21)
2	5/1/2023	(\$4,709.00)	(\$615.21)	(\$5,324.21)	\$290,591.79	(\$5,324.21)
3	6/1/2023	(\$4,718.81)	(\$605.40)	(\$5,324.21)	\$285,872.98	(\$5,324.21)
4	7/1/2023	(\$4,728.64)	(\$595.57)	(\$5,324.21)	\$281,144.34	(\$5,324.21)
5	8/1/2023	(\$4,738.49)	(\$585.72)	(\$5,324.21)	\$276,405.85	(\$5,324.21)
6	9/1/2023	(\$4,748.36)	(\$575.85)	(\$5,324.21)	\$271,657.49	(\$5,324.21)
7	10/1/2023	(\$4,758.26)	(\$565.95)	(\$5,324.21)	\$266,899.23	(\$5,324.21)
8	11/1/2023	(\$4,768.17)	(\$556.04)	(\$5,324.21)	\$262,131.07	(\$5,324.21)
9	12/1/2023	(\$4,778.10)	(\$546.11)	(\$5,324.21)	\$257,352.96	(\$5,324.21)
10	1/1/2024	(\$4,788.06)	(\$536.15)	(\$5,324.21)	\$252,564.91	(\$5,324.21)
11	2/1/2024	(\$4,798.03)	(\$526.18)	(\$5,324.21)	\$247,766.88	(\$5,324.21)
12	3/1/2024	(\$4,808.03)	(\$516.18)	(\$5,324.21)	\$242,958.85	(\$5,324.21)
13	4/1/2024	(\$4,818.04)	(\$506.16)	(\$5,324.21)	\$238,140.80	(\$5,324.21)
14	5/1/2024	(\$4,828.08)	(\$496.13)	(\$5,324.21)	\$233,312.72	(\$5,324.21)
15	6/1/2024	(\$4,838.14)	(\$486.07)	(\$5,324.21)	\$228,474.58	(\$5,324.21)
16	7/1/2024	(\$4,848.22)	(\$475.99)	(\$5,324.21)	\$223,626.36	(\$5,324.21)
17	8/1/2024	(\$4,858.32)	(\$465.89)	(\$5,324.21)	\$218,768.04	(\$5,324.21)
18	9/1/2024	(\$4,868.44)	(\$455.77)	(\$5,324.21)	\$213,899.60	(\$5,324.21)
19	10/1/2024	(\$4,878.58)	(\$445.62)	(\$5,324.21)	\$209,021.02	(\$5,324.21)
20	11/1/2024	(\$4,888.75)	(\$435.46)	(\$5,324.21)	\$204,132.27	(\$5,324.21)
21	12/1/2024	(\$4,898.93)	(\$425.28)	(\$5,324.21)	\$199,233.34	(\$5,324.21)
22	1/1/2025	(\$4,909.14)	(\$415.07)	(\$5,324.21)	\$194,324.20	(\$5,324.21)
23	2/1/2025	(\$4,919.37)	(\$404.84)	(\$5,324.21)	\$189,404.83	(\$5,324.21)
24	3/1/2025	(\$4,929.62)	(\$394.59)	(\$5,324.21)	\$184,475.22	(\$5,324.21)
25	4/1/2025	(\$4,939.89)	(\$384.32)	(\$5,324.21)	\$179,535.33	(\$5,324.21)
26	5/1/2025	(\$4,950.18)	(\$374.03)	(\$5,324.21)	\$174,585.15	(\$5,324.21)
27	6/1/2025	(\$4,960.49)	(\$363.72)	(\$5,324.21)	\$169,624.66	(\$5,324.21)
28	7/1/2025	(\$4,970.82)	(\$353.38)	(\$5,324.21)	\$164,653.84	(\$5,324.21)
29	8/1/2025	(\$4,981.18)	(\$343.03)	(\$5,324.21)	\$159,672.66	(\$5,324.21)
30	9/1/2025	(\$4,991.56)	(\$332.65)	(\$5,324.21)	\$154,681.10	(\$5,324.21)
31	10/1/2025	(\$5,001.96)	(\$322.25)	(\$5,324.21)	\$149,679.15	(\$5,324.21)
32	11/1/2025	(\$5,012.38)	(\$311.83)	(\$5,324.21)	\$144,666.77	(\$5,324.21)
33	12/1/2025	(\$5,022.82)	(\$301.39)	(\$5,324.21)	\$139,643.95	(\$5,324.21)
34	1/1/2026	(\$5,033.28)	(\$290.92)	(\$5,324.21)	\$134,610.67	(\$5,324.21)
35	2/1/2026	(\$5,043.77)	(\$280.44)	(\$5,324.21)	\$129,566.90	(\$5,324.21)
36	3/1/2026	(\$5,054.28)	(\$269.93)	(\$5,324.21)	\$124,512.62	(\$5,324.21)
37	4/1/2026	(\$5,064.81)	(\$259.40)	(\$5,324.21)	\$119,447.81	(\$5,324.21)

38	5/1/2026	(\$5,075.36)	(\$248.85)	(\$5,324.21)	\$114,372.45	(\$5,324.21)
39	6/1/2026	(\$5,085.93)	(\$238.28)	(\$5,324.21)	\$109,286.52	(\$5,324.21)
40	7/1/2026	(\$5,096.53)	(\$227.68)	(\$5,324.21)	\$104,189.99	(\$5,324.21)
41	8/1/2026	(\$5,107.15)	(\$217.06)	(\$5,324.21)	\$99,082.85	(\$5,324.21)
42	9/1/2026	(\$5,117.79)	(\$206.42)	(\$5,324.21)	\$93,965.06	(\$5,324.21)
43	10/1/2026	(\$5,128.45)	(\$195.76)	(\$5,324.21)	\$88,836.61	(\$5,324.21)
44	11/1/2026	(\$5,139.13)	(\$185.08)	(\$5,324.21)	\$83,697.48	(\$5,324.21)
45	12/1/2026	(\$5,149.84)	(\$174.37)	(\$5,324.21)	\$78,547.64	(\$5,324.21)
46	1/1/2027	(\$5,160.57)	(\$163.64)	(\$5,324.21)	\$73,387.08	(\$5,324.21)
47	2/1/2027	(\$5,171.32)	(\$152.89)	(\$5,324.21)	\$68,215.76	(\$5,324.21)
48	3/1/2027	(\$5,182.09)	(\$142.12)	(\$5,324.21)	\$63,033.66	(\$5,324.21)
49	4/1/2027	(\$5,192.89)	(\$131.32)	(\$5,324.21)	\$57,840.78	(\$5,324.21)
50	5/1/2027	(\$5,203.71)	(\$120.50)	(\$5,324.21)	\$52,637.07	(\$5,324.21)
51	6/1/2027	(\$5,214.55)	(\$109.66)	(\$5,324.21)	\$47,422.52	(\$5,324.21)
52	7/1/2027	(\$5,225.41)	(\$98.80)	(\$5,324.21)	\$42,197.11	(\$5,324.21)
53	8/1/2027	(\$5,236.30)	(\$87.91)	(\$5,324.21)	\$36,960.81	(\$5,324.21)
54	9/1/2027	(\$5,247.21)	(\$77.00)	(\$5,324.21)	\$31,713.60	(\$5,324.21)
55	10/1/2027	(\$5,258.14)	(\$66.07)	(\$5,324.21)	\$26,455.47	(\$5,324.21)
56	11/1/2027	(\$5,269.09)	(\$55.12)	(\$5,324.21)	\$21,186.37	(\$5,324.21)
57	12/1/2027	(\$5,280.07)	(\$44.14)	(\$5,324.21)	\$15,906.30	(\$5,324.21)
58	1/1/2028	(\$5,291.07)	(\$33.14)	(\$5,324.21)	\$10,615.23	(\$5,324.21)
59	2/1/2028	(\$5,302.09)	(\$22.12)	(\$5,324.21)	\$5,313.14	(\$5,324.21)
60	3/1/2028	(\$5,313.14)	(\$11.07)	(\$5,324.21)	\$0.00	(\$5,324.21)
		(\$300,000.00)	(\$19,452.51)	(\$319,452.51)		(\$319,452.51)