



May 24, 2019

TO: LOCSO Board of Directors
FROM: Renee Osborne, General Manager

SUBJECT: **Agenda Item 11J – 6/6/2019 Board Meeting**
Review of Board Item Regarding Reallocation of Property Tax Funds to Fund 600 Wastewater

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DESCRIPTION

Request to consider moving 12.5% (\$31,715.25) of the Water Property tax funds to Fund 600 Wastewater to help reduce the negative fund balance.

STAFF RECOMMENDATION

Motion: I move that the Board approve the reallocation of 12.5% (\$31,715.25) of the Water Property tax to Fund 600 Wastewater to help reduce the negative fund balance in the 2019/2020 Fiscal Budget and be considered as a reoccurring reallocation annually until the fund balances.

DISCUSSION

On March 29, 2017, the Rate Study Group presented the Board with implementation procedures regarding the property tax that Fund 500 Water receives from the County:

“Reallocate property tax revenue from the water fund to funds within a district wide benefit in the following percentages: 25% reduction in FY 17/18, additional 12.5% reduction in FY 18/19, and additional 12.5% reduction in FY 19/20, for a total of 50% over three years.”

In Fiscal Year 2017/2018, 25% of the Water Property tax was given to Fund 301 Fire. In the 2018/2019 fiscal budget, Fund 301 Fire received 25% and Fund 800 Drainage received 12.5% of the Water Property tax.

In the 2019/2020 fiscal budget, we will need to reallocate 50% of the property tax. It is already assumed that Fund 301 Fire will be receiving 25% (\$63,430.50). At the May 2, 2019 Board Meeting, the Board approved 12.5% (\$31,715.25) of the Water Property Tax to be allocated to Fund 900 Parks and Recreation on a reoccurring/annual basis. This leaves a remainder of 12.5% (\$31,715.25) that can be reallocated to Fund 600 Wastewater to help bring down the negative balance

SUMMARY

The 2019/2020 Wastewater Assessment District #1 administrative charge will be \$16,892.75. There are a few projected expenses for this fund: Admin Cost Allocation at \$2,634.84, NBS charges of \$13,853.69, and miscellaneous expenses that total \$404.00. The Bond payment of \$25,000.00 no longer needs to be made since we have refinanced the Bonds.

There has been a negative rollover balance in this fund for quite some time. The 2016/2017 Audit stated the amount of -\$114,371. This was due to some engineering fees prior to the County taking over the Wastewater Project. At the end of the 2017/2018 Audit, the negative balance was reduced to -\$90,213. The 2018/2019 fiscal budget should bring the negative balance down at least an additional \$27,830. The approximate fund balance should be -\$62,383 at the end of the 2018/2019 fiscal year. The 2019/2020 assessment/admin fee will not leave any room for excess funds to help reduce the negative balance.

Staff is recommending that FAC recommend that the Board allocate 12.5% (\$31,715.25) of the Water property tax for the next two budget cycles (2019/2020 and 2020/2021) to Fund 600 Wastewater to help reduce the negative fund balance.

FINANCIAL IMPACT

The 12.5% reallocation of the Water Funds was predetermined and approved by the Board at their March 2017 Board Meeting. Water Operations has been preparing for the transitional reallocation of Water Property tax to other funds. The financial impact to Water has been planned.

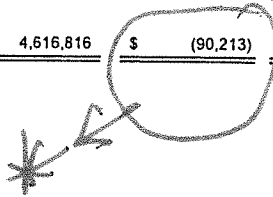
Attachments

600 - WASTEWATER

		Fiscal YTD 4/30/2019	Mid Year Adjustment	2019-2020 Budget	Notes
REVENUES					
Other Revenue					
4034	Property Tax Revenue from Water	0.00	0.00	31,715.25	
Service Charges & Fees					
4062	Wastewater Admin Charge	25,000.00	44,246.40	16,892.75	# from NBS
Total Revenues		25,000.00	44,246.40	48,608.00	
EXPENDITURES					
Services & Supplies					
Insurance, Licenses & Regulatory Fees					
6343	Lien & Notary Fees	119.98	31.49	34.00	
6345	Property Taxes & Assessments Costs	269.54	270.00	270.00	
Total Ins., Licenses & Regulatory Fees		389.52	301.49	304.00	
Legal & Professional					
7320	Professional & Consulting Services	13,148.08	12,365.94	13,853.69	# from NBS
7326	Legal Services	447.80	1,000.00	100.00	
Total Legal & Professional		13,595.88	13,365.94	13,953.69	
7160	Postage, Shipping	6.70	6.70	0.00	
Total Services & Supplies		13,992.10	13,667.43	14,257.69	
Debt Service					
9805	Repayment Bond Reserve	0.00	0.00	0.00	(No Bond Payment will need to be made because of refinancing)
Total Debt Service		0.00	0.00	0.00	
TRANSFERS					
9511	Interfund Transfer Out	1,374.81	2,749.61	2,634.84	
Total Transfers		1,374.81	2,749.61	2,634.84	
Total Expenditures		15,366.91	16,417.04	16,892.53	
Net Revenues over Expenditures		9,633.09	27,829.36	31,715.47	

LOS OSOS COMMUNITY SERVICES DISTRICT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Fiscal Year Ended June 30, 2018

	Water Fund	Wastewater Treatment Project Fund	Totals
Operating Revenues:			
Utility	\$ 2,598,595	\$ -	\$ 2,598,595
Total operating revenues	<u>2,598,595</u>	<u>-</u>	<u>2,598,595</u>
Operating Expenses:			
Personnel	622,739		622,739
Clothing and uniforms	1,898		1,898
Contract services	41,978		41,978
Equipment and tools	34,321		34,321
Financial services	782	20	802
Insurance, licenses, and regulatory fees	50,276	269	50,545
Legal and professional	86,005	11,480	97,485
Office expenses	30,810	109	30,919
Other expenses	2,007		2,007
Rent and utilities	149,035		149,035
Repairs and maintenance	33,813		33,813
Travel and training	9,496		9,496
Vehicle maintenance and repairs	12,814		12,814
Depreciation	255,867		255,867
Total operating expenses	<u>1,331,841</u>	<u>11,878</u>	<u>1,343,719</u>
Operating income (loss)	<u>1,266,754</u>	<u>(11,878)</u>	<u>1,254,876</u>
Non-Operating Revenues (Expenses):			
Property taxes and assessments	178,936	38,534	217,470
Investment income	11,258		11,258
Other non-operating revenue	10,868	40	10,908
Interest and debt service fee expense	(118,639)		(118,639)
Total non-operating revenues (expenses)	<u>82,423</u>	<u>38,574</u>	<u>120,997</u>
Income before transfers	1,349,177	26,696	1,375,873
Transfers:			
Transfers (out)	(434,030)	(2,538)	(436,568)
Total transfers	<u>(434,030)</u>	<u>(2,538)</u>	<u>(436,568)</u>
Change in net position	<u>915,147</u>	<u>24,158</u>	<u>939,305</u>
Net position (deficit) - July 1	3,757,838	(114,371)	3,643,467
Prior period adjustments	(56,169)		(56,169)
Net position (deficit) - July 1, restated	<u>3,701,669</u>	<u>(114,371)</u>	<u>3,587,298</u>
Net position (deficit) - June 30	<u>\$ 4,616,816</u>	<u>\$ (90,213)</u>	<u>\$ 4,526,603</u>



The notes to basic financial statements are an integral part of this statement.