

**Los Osos Community Services District
Minutes of the Finance Advisory Committee Meeting
December 3, at 5:30 p.m. at the District Office**

AGENDA ITEM	DISCUSSION	FOLLOW-UP
<p>1. Call to Order, Flag Salute and Roll Call</p>	<p>Chairperson Ochylski called the meeting to order at 5:31 p.m. and Committee Member Grimm 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 - Present Alyce Thorp, Committee Member - Absent Joyce Witt, 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>2. Review of Board Item Regarding Draft Fiscal Year 2017/2018 Audit</p>	<p>General Manager Osborne gave a brief overview and Auditor Guise reported that they conducted two fieldwork appointments for testing of Internal Controls and the second to gather the final numbers for the Financial Statements; that the new Government Standard Accounting Board (GASB) 75 resulted in an increase in liabilities in Other Post-Employment Benefits (OPEB); that two prior period adjustments had been made with one recording the loans for Bayridge Estates and Vista De Oro as formal interest-bearing loan agreements and the other adjustment was an Accounts Payable payment booked twice resulting in a larger balance in the General Fund. He reported that the supplemental letter presented two findings, one that the bank did not transfer funds as requested but did so in October 2018 as part of the annual reimbursement of bond account and the second that the District do an inventory count on or near the end of each fiscal year. He requested that any questions be forwarded before the audit is finalized.</p> <p>Public Comment – Julie Tacker commented on the Bayridge Estates and Vista De Oro formal loans and if had been community input.</p> <p>Bookkeeper Geidel responded that Bayridge Estates and Vista De Oro loan agreements were formal Board resolutions at a rate at 4.5% as a loan from the Water Fund.</p> <p>Richard Margetson inquired on backup documentation provided to reconcile last year's Reserves with this year's Fire and Water Fund Reserve; commented that Fire's contract came in under \$90K to \$100K less than what was budgeted.</p> <p>Auditor Guise reported that the Reserves are not part of the audited Financial Statements and General Manager Osborne responded that upon completion of the Audit Fire's expenses will be reviewed and brought before the Board.</p> <p>Chairperson Ochylski requested that written comments and questions be forwarded.</p>	<p>Action: No Action</p>
<p>3. Approve FAC Meeting Minutes of October 29, 2018</p>	<p>Administrative Clerk Brand presented the minutes for Committee approval.</p> <p>Public Comment – Julie Tacker requested that additional packages be made available to the public.</p> <p>Chairperson Ochylski requested additional review copies be made available.</p>	<p>Action: File approved minutes.</p>

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3. Approve FAC Meeting Minutes of October 29, 2018 (continue)	<p>Committee Member Witt made a motion to accept the minutes of October 29, 2018. The motion was seconded by Committee Member Grimm and passed.</p>	
4. Review of Board Item Regarding Approval of Warrant Registers for November 2018	<p>District Bookkeeper Geidel presented the Warrant Reports with no special comments.</p> <p>Committee Member Witt asked about the late filing penalty and General Manager Osborne responded that this was a cleanup due to 2015 W-2s not filed by a former accountant. Committee Member Witt asked about the Valuation & Disclosure Report and Bookkeeper Geidel reported that this is a new actuarial report that will be requirement every 2 years.</p> <p>Public Comments – Julie Tacker commented she was looking for the Fibar Material for the Parks Project.</p> <p>Manager Osborne responded that it was reported in a previous meeting information packet as Jet Mulch.</p> <p>Committee Member Jansen moved that the Committee recommended that the Board approve the Warrant Register for the period of October 19, 2018, through November 30, 2018. The motion was seconded by Committee Member Witt and carried by unanimous consent.</p>	<p>Action: The Committee recommended that the Board approve the October 19, through November 30, 2018 warrants.</p>
5. Review of Board Item Financial Reports for the Period Ending October 2018	<p>District Bookkeeper Geidel provided a brief summary of the report submitted with the agenda packet reporting that a page can be added for Drainage and Parks.</p> <p>Public Comment – None.</p> <p>Committee Member Grimm moved that the Committee recommend that that Board receive and file the Financial Reports for the period ending October 31, 2018. The motion was seconded by Committee Member Witt and passed by unanimous consent.</p>	<p>Action: The Committee recommended that the Board receive and file the Financial Reports for the Period Ending October 31, 2018.</p>
6. Review of Mid-Year Budget Adjustments for Fiscal Year 2018/19	<p>General Manager Osborne provided a fund by fund report of the mid-year adjustments as provided in the agenda packet and requested Committee recommendation that the Board approve the adjustments. She reported that Fund 100 had an increase in Director Compensation and had adjusted other budgeted items to balance the increase; the kitchen breakroom line item had increased to \$6450 after adjustments in other areas, Administrative staff had requested the use of Comp Time in lieu of Overtime, and that Fund 100 Budget total expenditures has not changed from \$544,322.</p> <p>General Manager Osborne reported that in Fund 200 there had been developments in decommissioning the septic tanks. Utility Systems Manager Acosta reported that further research into the RFP resulted in East Bay Municipal Utilities District taking our product for a fee of \$0.07 per gallon versus \$1.00 per gallon when taking it to Southern California. General Manager Osborne reported that the District investigated other methods of disposal and that \$30,000 to \$50,000 would be a conservative estimate for the project. She reported that Fund 200 will have the monies available to complete this without a loan after completion of the Audit.</p> <p>General Manager Osborne reported that Fund 301 required only a minor adjustment from \$2,819,255.50 to \$2,841,255.50 and that there were no changes to Fund 400.</p> <p>Utility Systems Manager Acosta reported that Fund 500 Water with adjustments resulting in a mid-year budget increase from \$2,997,337.80 to \$3,003,987.80.</p>	<p>Action: No Action</p>

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<p>6. Review of Mid-Year Budget Adjustments for Fiscal Year 2018/19 (continued)</p>	<p>Manager Osborne reported that Fund 600 had minor adjustments from \$40,857.55 to \$41,407.55; that Fund 800 had two modifications for Capital Improvements</p> <p>She reported that in Fund 900 the rubber chip project was not budgeted in Fiscal Year 2018/19 and that the total cost of the project was \$12,134.41; the Dog Park was another item that was not budgeted in 2018/19 and we are waiting on the completion of the Habitat Conservation Plan (HCP). It was further reported that \$6,000 is estimated to complete the California Environmental Quality Act (CEQA), legal expenses estimated to be \$1300, and that Rob Miller will donate his time to design the Dog Park. General Manager Osborne reported that these costs are “placeholders” in order to proceed with the Dog Park Project if the HCP is completed at the beginning of the year and that the goal is to hire a nonprofit organization to run the Dog Park. She reported that Fund 900 had increased from \$5,935.44 to \$24,798.27.</p> <p>Public Comment – Julie Tacker opposed spending District funds on the HCP or CEQA process, the Administrative increases in Fund 100, and voiced concerns regarding Director compensation.</p> <p>Linde Owen supported the East Bay MUD proposal; opposed a change of focus for the water conservation campaign with local schools; and, commented on Nipomo Well site stabilization.</p> <p>Steve Best commented on the Dog Park costs, donations, allocation of property taxes to the community, and Parks & Recreation’s need for Capital Improvements.</p> <p>Ms. Osborne responded that the \$6,000 was only to cover one reported cost and additional items will be added after CEQA and HCP is complete.</p> <p>Richard Margetson opposed the use of the term “adequate” as it was an inaccurate representation and the Current Period Actuals presented in the Financials.</p> <p>Chairperson Ochylski responded we can change the first sentence regarding the use of adequate and look into the Director’s compensation to ensure we are in accordance of the standards.</p>	
<p>7. Review of Board Item Regarding Ad Hoc Committee Report Concerning Potential Bond Refinancing</p>	<p>Chairperson Ochylski reported that the Ad Hoc Committee’s purpose is to investigate the refinancing of wastewater bond to lower ratepayers tax bills.</p> <p>Director Womack gave brief overview reporting that there are two bonds with one maturing in 5 years and one in 15 years at 5% interest; that the District could be paying 3.6 % on \$11,000,000 which can be refinanced on two dates, March 2nd and September 2nd. She reported that the Committee requested three bids from Municipal Advisors and that the Committee will meet with each of the groups to review the proposals. She reported that one proposal can save the District \$1.3M to \$1.4M and that the other proposals would have the District purchase bond insurance with a savings results of \$1.9M; and, confirmed that the numbers are net of fees and supported the bond refinancing to take advantage of the lower rates.</p> <p>Public Comment – Richard Margetson addressed concerns that there were no experts tonight to give an analysis; the District’s credit rating will force the purchase of bond insurance; that previous bonds sold at discount; that more community input; disagreed that the sale of the bond would be guaranteed at our credit rating; and, questioned if the bankruptcy court is okay with this.</p>	<p>Action: The Committee recommended that the Board take action to hire a Municipal Advisor and Bond Counsel and provide direction to staff to bring back a resolution for adoption at the Board’s January 2019 meeting.</p>

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	<p>Chairperson Ochylski responded that is the plan to go through the process of initial interviews and the firms preventing at the Board's January meeting with detailed numbers.</p> <p>Steve Best commented on the risk and Director Womack responded that there no risk because if it doesn't save the District money then we won't move forward.</p> <p>Committee Member Grimm moved that the Committee recommend that the Board take action to hire a Municipal Advisor and Bond Counsel and provide direction to staff to bring back a resolution for adoption at the Board's January 2019 meeting. Committee Member Witt seconded the motion and it carried by unanimous consent.</p>	
<p>8. Review of Board Items Regarding Transfer of Wastewater Lien Funds to the US Bank Redemption Account</p>	<p>General Manager Osbourne reported that \$106,768.62 of wastewater liens was comingled with Water Reserves in the Rabobank Money Market Account and that staff would like to move the amount to the US Bank Redemption Account which will go towards paying the wastewater bonds. She reported that Auditor Guise feels this to be a prudent move and that District Legal Counsel, along with our bankruptcy attorney, agree this is legal within the bankruptcy agreement. She reported that the Rabobank Money Market Account accumulates .2% (approximately \$350) in interest every month and that staff is requesting that this interest would all go to Water reserves.</p> <p>Public Comment – Richard Margetson commented that these are pay downs after the bond was issued.</p> <p>Committee Member Jansen moved that the Committee recommend that the Board direct staff to move the \$106,768.62 wastewater liens from the Rabobank Money Market account to the US Bank Redemption account to help pay off wastewater bonds and that all interest from the Rabobank Money Market account go directly to Water Reserves. Committee Member Grimm seconded the motion and it passed by unanimous consent.</p>	<p>Action: The Committee recommends that the Board direct staff to move the \$106,768.62 wastewater liens from Rabobank Money Market account to the US Bank Redemption account to help pay off wastewater bonds and that all interest from the Rabobank Money Market account go directly to Water Reserves.</p>
<p>9. Public Comments on Items NOT on Agenda</p>	<p>None</p>	
<p>10. Schedule Next Meeting</p>	<p>Next meeting was scheduled for Tuesday, January 8, 2019, at 5:30 p.m.</p>	
<p>11. Closing Comments by FAC Committee Members</p>	<p>None</p>	
<p>12. Adjournment</p>	<p>The meeting adjourned at 6:58 p.m.</p>	